

KRAFTON, INC. AND ITS SUBSIDIARIES

Consolidated Financial Statements

December 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

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KPMG SAMJONG Accounting Corp.

152, Teheran-ro, Gangnam-gu, Seoul 06236
(Yeoksam-dong, Gangnam Finance Center 27th Floor)
Republic of Korea

Tel +82 (2) 2112 0100

Fax +82 (2) 2112 0101
www.kr.kpmg.com

Independent Auditors' Report

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of
Krafton, Inc.

Opinion

We have audited the consolidated financial statements of Krafton, Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising of material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited, in accordance with Korean Standards on Auditing ("KSAs"), the Group's Internal Control over Financial Reporting for Consolidation Purposes ("ICFR") as of December 31, 2024 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 11, 2025 expressed an unmodified opinion on the effectiveness of the Group's internal control over financial reporting for consolidation purposes.

Basis for Opinion

We conducted our audits in accordance with KSAs. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2024. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Impairment Testing of Cash-Generating Units (The Unknown Worlds Entertainment, Inc.)

Reasons For the Decision as a Key Audit Matter

The Group performs impairment testing of cash-generating units including goodwill at each reporting period. Management's significant judgment is involved in measuring the recoverable amount of cash-generating units including goodwill, such as future cash flows, discount rates and growth rates of cash-generating units.

As described in Note 14 to the consolidated financial statements, the carrying amounts of goodwill and other intangible assets for the Unknown Worlds Entertainment, Inc. in the Group's consolidated financial statements are KRW 347,281 million and KRW 239,542 million, respectively. The recoverable amount of this cash-generating units varies significantly depending on how management determines the valuation model and unobservable input variables. We identified the impairment testing of cash-generating units of the Unknown Worlds Entertainment, Inc. as a key audit matter considering the uncertainty of these accounting estimates and the significance of cash-generating units of Unknown Worlds Entertainment, Inc.'s carrying amount.

How the Key Audit Matter Was Addressed in the Audit

The audit procedures we performed to address this key audit matter included followings:

- Understanding of the Group's policies, processes, and internal controls for accounting for impairment of cash-generating units such as goodwill
- Assessing the qualifications and independence of external experts engaged by the Group
- Testing the internal controls over management's review and approval of future cash flows estimates used in impairment testing.
- Assessing the appropriateness of the valuation model used by management to estimate value in use.
- Assessing the reasonableness of key assumptions such as future cash flows, discount rate and growth rate used by management to estimate value in use.
- Assessing whether there is a bias in the estimate by performing a retrospective review through comparing the cash flows used in the estimate with actual performance.

Other Matter

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jin-Bo Shim.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 11, 2025

This report is effective as of March 11, 2025, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

KRAFTON, Inc. and its Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2024 and December 31, 2023

| <i>(in thousands of Korean Won)</i> | Notes | December 31, 2024 | December 31, 2023 |
|--|--------------|--------------------------|--------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5,6 | ₩ 581,659,970 | ₩ 721,048,786 |
| Current portion of financial assets at fair value through profit or loss | 5,6,10 | 3,190,300,274 | 2,340,390,290 |
| Trade receivables | 4,5,6,7 | 1,006,750,036 | 700,401,193 |
| Other current financial assets | 4,5,6,7,8,13 | 140,258,701 | 146,958,114 |
| Other current assets | 7 | 80,529,563 | 48,968,149 |
| Current tax assets | | 4,928,489 | 6,650,556 |
| | | <u>5,004,427,033</u> | <u>3,964,417,088</u> |
| Non-current assets | | | |
| Investments in associates and joint ventures | 12 | 722,011,324 | 571,251,701 |
| Financial assets at fair value through profit or loss | 5,6,10 | 222,236,656 | 167,155,692 |
| Financial assets at fair value through other comprehensive income | 4,5,6,11 | 92,599,024 | 133,473,399 |
| Property and equipment | 13 | 239,748,531 | 257,029,139 |
| Intangible assets | 14 | 656,239,213 | 607,781,864 |
| Investment properties | 15 | 557,388,744 | 544,483,033 |
| Other non-current financial assets | 5,6,7,8,13 | 127,238,471 | 69,151,069 |
| Other non-current assets | 7 | 180,382,786 | 30,116,127 |
| Deferred tax assets | 26 | 111,773,473 | 93,452,478 |
| Derivative assets | 5,6 | 5,418,313 | 2,145,030 |
| | | <u>2,915,036,535</u> | <u>2,476,039,532</u> |
| Total assets | | <u>₩ 7,919,463,568</u> | <u>₩ 6,440,456,620</u> |

(continued)

KRAFTON, Inc. and its Subsidiaries
Consolidated Statements of Financial Position (Con'd)
As of December 31, 2024 and December 31, 2023

| <i>(in thousands of Korean Won)</i> | Notes | December 31, 2024 | December 31, 2023 |
|---|--------------|--------------------------|--------------------------|
| Liabilities | | | |
| Current liabilities | | | |
| Short-term borrowings | 4,5,6,16 | ₩ 7,000,000 | ₩ 7,000,000 |
| Current portion of financial liabilities at fair value through profit or loss | 4,5,6 | 27,799,840 | - |
| Other current financial liabilities | 4,5,6,9,13 | 291,073,747 | 281,083,264 |
| Other current liabilities | 9,22 | 155,930,972 | 92,901,216 |
| Current tax liabilities | | 303,025,389 | 139,706,217 |
| | | <u>784,829,948</u> | <u>520,690,697</u> |
| Non-current liabilities | | | |
| Financial liabilities at fair value through profit or loss | 4,5,6 | 33,883,935 | 83,901,868 |
| Net defined benefit liabilities | 17 | 26,627,822 | 17,080,991 |
| Provisions | 18 | 13,479,779 | 14,039,275 |
| Other non-current financial liabilities | 4,5,6,9,13 | 143,285,908 | 146,304,004 |
| Other non-current liabilities | 9,22 | 35,068,651 | 49,607,495 |
| Deferred tax liabilities | 26 | 53,155,923 | 50,012,029 |
| | | <u>305,502,018</u> | <u>360,945,662</u> |
| Total liabilities | | <u>1,090,331,966</u> | <u>881,636,359</u> |
| Equity | | | |
| Share capital | 20 | 4,925,891 | 4,923,729 |
| Consolidated capital surplus | 20 | 1,477,796,495 | 1,472,034,191 |
| Other components of equity | 20,21 | 263,650,606 | 182,510,510 |
| Consolidated retained earnings | | 5,081,464,676 | 3,894,954,772 |
| Equity attributable to owners of the Parent Company | | <u>6,827,837,668</u> | <u>5,554,423,202</u> |
| Non-controlling Interest | | <u>1,293,934</u> | <u>4,397,059</u> |
| Total equity | | <u>6,829,131,602</u> | <u>5,558,820,261</u> |
| Total liabilities and equity | | <u>₩ 7,919,463,568</u> | <u>₩ 6,440,456,620</u> |

The accompanying notes are an integral part of the consolidated financial statements.

KRAFTON, Inc. and its Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023

(in thousands of Korean Won)

| | Notes | December 31, 2024 | December 31, 2023 |
|--|-------|------------------------|----------------------|
| Revenue | 22 | ₩ 2,709,774,107 | ₩ 1,910,576,180 |
| Operating costs | 23 | <u>1,527,286,422</u> | <u>1,142,530,571</u> |
| Operating profit | | 1,182,487,685 | 768,045,609 |
| Other income | 24 | 697,082,724 | 482,969,841 |
| Other expenses | 24 | 132,089,738 | 406,841,506 |
| Finance income | 25 | 32,533,731 | 37,537,873 |
| Finance costs | 25 | 9,457,916 | 8,932,004 |
| Share of net loss of associates and joint ventures accounted for using the equity method | 12 | <u>(47,878,096)</u> | <u>(44,164,477)</u> |
| Profit before income tax | | 1,722,678,390 | 828,615,336 |
| Income tax expense | 26 | <u>420,085,737</u> | <u>234,555,022</u> |
| Profit for the year | | <u>₩ 1,302,592,653</u> | <u>₩ 594,060,314</u> |
| Other comprehensive income (loss) | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Gain (loss) on valuation of financial assets at fair value through other comprehensive income | | ₩ (34,846,257) | ₩ (19,876,378) |
| Equity adjustments of investments in associates and joint ventures | 12 | - | 11,070 |
| Remeasurements of net defined benefit liability | 17 | 291,156 | (474,972) |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | | |
| Equity adjustments of investments in associates and joint ventures | 12 | 10,096,281 | (1,973,269) |
| Exchange differences on translation of foreign operations | | <u>97,931,774</u> | <u>21,196,870</u> |
| Other comprehensive income for the year, net of tax | | <u>₩ 73,472,954</u> | <u>₩ (1,116,679)</u> |
| Total comprehensive income for the year | | <u>₩ 1,376,065,607</u> | <u>₩ 592,943,635</u> |
| Profit for the year is attributable to: | | | |
| Owners of the Parent Company | | ₩ 1,306,089,757 | ₩ 595,361,538 |
| Non-controlling interests | | <u>(3,497,104)</u> | <u>(1,301,224)</u> |
| | | <u>₩ 1,302,592,653</u> | <u>₩ 594,060,314</u> |
| Total comprehensive income for the year is attributable to: | | | |
| Owners of the Parent Company | | ₩ 1,379,587,814 | ₩ 594,010,005 |
| Non-controlling interests | | <u>(3,522,207)</u> | <u>(1,066,370)</u> |
| | | <u>₩ 1,376,065,607</u> | <u>₩ 592,943,635</u> |
| Earnings per share (in Korean Won) | 27 | | |
| Basic earnings per share | | ₩ 28,593 | ₩ 12,812 |
| Diluted earnings per share | | 28,384 | 12,750 |

The accompanying notes are an integral part of the consolidated financial statements.

KRAFTON, Inc. and its Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2024 and 2023

| | Equity attributable to owners of the Parent Company | | | | | Non-controlling Interest | Total |
|--|---|------------------------------|----------------------------|--------------------------------|-----------------|--------------------------|-----------------|
| | Share Capital | Consolidated Capital surplus | Other Components of Equity | Consolidated Retained earnings | Subtotal | | |
| <i>(in thousands of Korean Won)</i> | | | | | | | |
| Balance at January 1, 2023 | ₩ 4,908,154 | ₩ 1,448,604,371 | ₩ 190,113,306 | ₩ 3,467,581,311 | ₩ 5,111,207,142 | ₩ 5,197,959 | ₩ 5,116,405,101 |
| Total comprehensive income | | | | | | | |
| Profit for the year | - | - | - | 595,361,538 | 595,361,538 | (1,301,224) | 594,060,314 |
| Loss on valuation of financial assets at fair value through other comprehensive income | - | - | (19,876,378) | - | (19,876,378) | - | (19,876,378) |
| Remeasurements of net defined benefit liability | - | - | (474,972) | - | (474,972) | - | (474,972) |
| Equity adjustments of investments in associates and joint ventures | - | - | (1,962,198) | - | (1,962,198) | - | (1,962,198) |
| Exchange differences on translation of foreign operations | - | - | 20,962,016 | - | 20,962,016 | 234,854 | 21,196,870 |
| Transactions with shareholders recognized directly to equity | | | | | | | |
| Paid-in capital increase of Subsidiaries | - | 269,635 | - | - | 269,635 | (253,426) | 16,209 |
| Transactions with non-controlling interests | - | 635,439 | - | - | 635,439 | - | 635,439 |
| Reclassification equity adjustments of investments in associates and joint ventures | - | (11,070) | - | - | (11,070) | - | (11,070) |
| Share-based payment transactions | 15,575 | 22,535,816 | (6,251,264) | - | 16,300,127 | 518,896 | 16,819,023 |
| Acquisition of treasury stock | - | - | (167,988,077) | - | (167,988,077) | - | (167,988,077) |
| Retirement of treasury stock | - | - | 167,988,077 | (167,988,077) | - | - | - |
| Balance at December 31, 2023 | ₩ 4,923,729 | ₩ 1,472,034,191 | ₩ 182,510,510 | ₩ 3,894,954,772 | ₩ 5,554,423,202 | ₩ 4,397,059 | ₩ 5,558,820,261 |

(Continued)

KRAFTON, Inc. and its Subsidiaries
Consolidated Statements of Changes in Equity, (Cont'd)
Years Ended December 31, 2024 and 2023

| | Equity attributable to owners of the Parent Company | | | | | Non-controlling Interest | Total |
|--|---|------------------------------|----------------------------|--------------------------------|-----------------|--------------------------|-----------------|
| | Share Capital | Consolidated Capital surplus | Other Components of Equity | Consolidated Retained earnings | Subtotal | | |
| <i>(in thousands of Korean Won)</i> | | | | | | | |
| Balance at January 1, 2024 | ₩ 4,923,729 | ₩ 1,472,034,191 | ₩ 182,510,510 | ₩ 3,894,954,772 | ₩ 5,554,423,202 | ₩ 4,397,059 | ₩ 5,558,820,261 |
| Total comprehensive income | | | | | | | |
| Profit for the year | - | - | - | 1,306,089,757 | 1,306,089,757 | (3,497,104) | 1,302,592,653 |
| Loss on valuation of financial assets at fair value through other comprehensive income | - | - | (34,846,257) | - | (34,846,257) | - | (34,846,257) |
| Remeasurements of net defined benefit liability | - | - | 291,156 | - | 291,156 | - | 291,156 |
| Equity adjustments of investments in associates and joint ventures | - | - | 10,096,281 | - | 10,096,281 | - | 10,096,281 |
| Exchange differences on translation of foreign operations | - | - | 97,956,878 | - | 97,956,878 | (25,104) | 97,931,774 |
| Transactions with shareholders recognized directly to equity | | | | | | | |
| Transactions with non-controlling interests | - | (4,590,410) | - | - | (4,590,410) | (284,211) | (4,874,621) |
| Share-based payment transactions | 2,162 | 10,352,714 | 87,461,840 | - | 97,816,716 | 703,294 | 98,520,010 |
| Acquisition of treasury stock | - | - | (199,399,655) | - | (199,399,655) | - | (199,399,655) |
| Retirement of treasury stock | - | - | 119,579,853 | (119,579,853) | - | - | - |
| Balance at December 31, 2024 | ₩ 4,925,891 | ₩ 1,477,796,495 | ₩ 263,650,606 | ₩ 5,081,464,676 | ₩ 6,827,837,668 | ₩ 1,293,934 | ₩ 6,829,131,602 |

The accompanying notes are an integral part of the consolidated financial statements.

KRAFTON, Inc. and its Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

(in thousands of Korean Won)

| | Note | December 31, 2024 | December 31, 2023 |
|--|------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Profit for the year | | ₩ 1,302,592,653 | ₩ 594,060,314 |
| Adjustment for profit for the year | 28 | 125,512,607 | 324,467,914 |
| Changes in assets and liabilities from operating activities | 28 | (276,467,295) | (139,464,052) |
| Interest received | | 28,159,850 | 36,335,931 |
| Interest paid | | (8,926,211) | (8,443,960) |
| Dividends received | | 140,550 | 984,734 |
| Income taxes paid | | (263,083,331) | (145,594,643) |
| Net cash flows provided by operating activities | | ₩ 907,928,823 | ₩ 662,346,238 |
| Cash flows from investing activities | | | |
| Decrease in short-term financial instruments | | 80,588,868 | 52,857,165 |
| Collection of short-term loans | | 8,257,378 | 14,041,719 |
| Decrease in long-term financial instruments | | 65,178 | 60,404 |
| Collection of long-term loans | | 300,000 | 498,694 |
| Disposal of financial assets at fair value through profit or loss | | 18,547,749,700 | 14,020,936,233 |
| Disposal of investments in associates | | 786,762 | 6,484,610 |
| Decrease in deposits | | 4,414,486 | 1,175,231 |
| Collection of lease receivables | | 11,142,952 | 10,613,532 |
| Disposal of property and equipment | | 477,822 | 791,483 |
| Disposal of intangible assets | | 246,770 | 25,846,625 |
| Increase in short-term financial instruments | | (140,258,498) | (41,119,463) |
| Increase in short-term loans | | (6,315,280) | (1,201,444) |
| Increase in long-term financial instruments | | (283,191) | (193,572) |
| Increase in long-term loans | | (900,000) | (2,276,694) |
| Acquisition of financial assets at fair value through profit or loss | | (18,999,261,033) | (13,803,939,050) |
| Acquisition of financial assets at fair value through other comprehensive income | | (6,471,082) | (75,524,113) |
| Increase in deposits | | (4,884,480) | (3,660,648) |
| Acquisition of property and equipment | | (20,271,800) | (34,365,898) |
| Acquisition of intangible assets | | (6,413,173) | (1,194,601) |
| Acquisition of investment properties | | (11,403,875) | (343,531,810) |
| Acquisition of investments in associates and joint ventures | | (208,095,154) | (194,332,440) |
| Cash outflow due to business combination | | - | (1,576,079) |
| Increase in long-term advance payments | | (81,088,217) | (24,597,086) |
| Net cash flows used in investing activities | | ₩ (831,615,867) | ₩ (394,207,202) |

(continued)

KRAFTON, Inc. and its Subsidiaries
Consolidated Statements of Cash Flows, (Cont'd)
Years Ended December 31, 2024 and 2023

| <i>(in thousands of Korean Won)</i> | Note | December 31, 2024 | December 31, 2023 |
|---|-------------|--------------------------|--------------------------|
| Cash flows from financing activities | | | |
| Exercise of share options | | 4,101,450 | 219,765 |
| Increase in non-controlling interests | | 14,423 | 16,210 |
| Decrease in leasehold deposits received | | - | (700,147) |
| Repayment of lease liabilities | | (63,210,910) | (56,855,967) |
| Acquisition of treasury stock | | (199,299,755) | (167,988,077) |
| Transaction with non-controlling interests | | (262,970) | - |
| Net cash flows used in financing activities | | <u>₩ (258,657,762)</u> | <u>₩ (225,308,216)</u> |
| Net increase(decrease) in cash and cash equivalents | | (182,344,805) | 42,830,820 |
| Cash and cash equivalents at the beginning of the year | | 721,048,786 | 674,689,124 |
| Effects of exchange rate changes on cash and cash equivalents | | <u>42,955,989</u> | <u>3,528,842</u> |
| Cash and cash equivalents at the end of the year | | <u>₩ 581,659,970</u> | <u>₩ 721,048,786</u> |

The accompanying notes are an integral part of the consolidated financial statements.

KRAFTON, Inc. and its Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

1. General Information

These consolidated financial statements are prepared in accordance with Korean International Financial Reporting Standards (“KIFRS”) 1110, Consolidated Financial Statements. Krafton, Inc. (the “Parent Company”) consolidates its 33 subsidiaries (collectively referred to as the “Group”).

1.1 The Company

The Group was incorporated in the Republic of Korea on March 26, 2007 to engage in software development and related ancillary businesses. The Group’s headquarters is located in 231, Teheran-ro, Gangnam-gu, Seoul. The Company changed its name from Bluehole, Inc. to Krafton, Inc. on November 30, 2018.

The Company has been listed on the KOSPI Market of the Korea Exchange (KRX) since August 10, 2021.

As of December 31, 2024, the Parent Company’s share capital amounts to ₩4,926 million in ordinary shares, resulting from exercises of share options, paid-in capital increases, and a 5-for-1 stock split on May 4, 2021. As of December 31, 2024, the Company’s shareholders are as follows:

| <i>(in Shares)</i> | Number of shares | Percentage of ownership |
|-------------------------------------|-----------------------------|------------------------------------|
| Byung-gyu Chang | 7,133,651 | 14.89% |
| Image Frame Investment (HK) Limited | 6,641,640 | 13.86% |
| National Pension Service (NPS) | 3,200,275 | 6.68% |
| Treasury shares | 2,444,574 | 5.10% |
| Others | 28,486,534 | 59.47% |
| | <u>47,906,674</u> | <u>100.00%</u> |

KRAFTON, Inc. and its Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

1.2 Subsidiaries

Details of the consolidated subsidiaries as of December 31, 2024 and 2023, are as follows:

| Investing Companies | Subsidiaries | Location | Percentage of ownership held by the Group (%) ¹ | | Closing month | Main business |
|---------------------|--|-------------|--|-------------------|---------------|---|
| | | | December 31, 2024 | December 31, 2023 | | |
| Krafton, Inc. | Bluehole Studio, Inc. | Korea | 100 | 100 | December | Development and distribution of software |
| | En Masse Entertainment, Inc. | U.S.A. | 100 | 100 | December | Distribution of game software |
| | Rising Wings, Inc. | Korea | 100 | 100 | December | Development and distribution of mobile game and application |
| | Krafton Americas, Inc. ² | U.S.A. | 100 | 100 | December | Development and distribution of game software |
| | KRAFTON EUROPE B.V. ³ | Netherlands | 100 | 100 | December | Development and distribution of game software |
| | KRAFTON CHINA ⁴ | China | 100 | 100 | December | Development and distribution of game |
| | KP PTE. LTD. | Singapore | 100 | 100 | December | Consulting advisory and investment |
| | Striking Distance Studios, Inc. | U.S.A. | 100 | 100 | December | Development of software |
| | KRAFTON JAPAN, Inc. ⁵ | Japan | 100 | 100 | December | Development and services of game |
| | Striking Distance Studios Spain, S.L. | Spain | 100 | 100 | December | Development of game software |
| | KRAFTON Ventures, Inc. | U.S.A. | 100 | 100 | December | Investment |
| | PUBG Entertainment, Inc. | U.S.A. | 100 | 100 | December | Production of video contents |
| | KRAFTON INDIA PRIVATE LIMITED ⁶ | India | 99.9 | 99.9 | March | Development and distribution of game software |
| | SDS Interactive Canada Inc. | Canada | 100 | 100 | December | Development of game software |
| | Dreamotion, Inc. | Korea | 100 | 100 | December | Development and distribution of software |
| | Thingsflow Inc. | Korea | 89.6 | 89.6 | December | Development and distribution of software |
| | OmniCraft Labs, Inc. ⁷ | Korea | 100 | 100 | December | Development and sales of software |
| | Krafton Global GP, LLC | U.S.A. | 100 | 100 | December | Investment |
| | Krafton Global, LP | U.S.A. | 100 | 100 | December | Investment |
| | Unknown Worlds Entertainment, Inc. | U.S.A. | 100 | 100 | December | Development of game software |

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
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| Investing Companies | Subsidiaries | Location | Percentage of ownership held by the Group (%) ¹ | | Closing month | Main business |
|-------------------------------------|--|----------|--|-------------------|---------------|---|
| | | | December 31, 2024 | December 31, 2023 | | |
| | 5minlab Corp. | Korea | 100 | 100 | December | Development and distribution of software |
| | Neon Giant AB | Sweden | 73 | 72.3 | December | Development of game software |
| | KRAFTON MONTREAL STUDIO, INC. | Canada | 100 | 100 | December | Development of game software |
| | VECTOR NORTH s.r.o. | Czech | 100 | 100 | December | Development of game software |
| | ReLU Games, Inc. | Korea | 100 | 100 | December | Development and distribution of software |
| | Flyway Games, Inc. | Korea | 100 | 100 | December | Development and distribution of software |
| | Tango Gameworks, Inc. ⁸ | Japan | 100 | - | December | Development of game software |
| | inZOI Studio ⁸ | Korea | 100 | - | December | Development of game software |
| | Blue Ocean Capital Fund I, L.P. ⁸ | Canada | 100 | - | December | Investment |
| Krafton Americas, Inc. ² | PUBG Mad Glory, LLC | U.S.A. | 100 | 100 | December | Development and distribution of software |
| KRAFTON Ventures, Inc. | Krafton Ventures, L.L.C. | U.S.A. | 100 | 100 | December | Investment |
| | Krafton Ventures Fund, L.P. | U.S.A. | 99 | 99 | December | Investment |
| Krafton Ventures, L.L.C. | Krafton Ventures Fund, L.P. | U.S.A. | 1 | 1 | December | Investment |
| En Masse Entertainment, Inc. | En Masse Entertainment Texas, Inc. | U.S.A. | 100 | 100 | December | Development of game software |
| Thingsflow Inc. | Thingsflow Inc.(Japan) ⁹ | Japan | - | 100 | December | Development and sales of mobile application |

¹ Means the simple combined share rate of the shares held by the Group and its Subsidiaries.

² During the year ended December 31, 2023, PUBG Santa Monica, Inc. was renamed to Krafton Americas, Inc.

³ During the year ended December 31, 2023, PUBG Amsterdam B.V. was renamed to KRAFTON EUROPE B.V.

⁴ During the year ended December 31, 2023, PUBG Shanghai was renamed to KRAFTON CHINA.

⁵ During the year ended December 31, 2023, PUBG JAPAN Corporation was renamed to KRAFTON JAPAN, Inc.

⁶ During the year ended December 31, 2023, PUBG INDIA PRIVATE LIMITED was renamed to KRAFTON INDIA PRIVATE LIMITED.

⁷ During the year ended December 31, 2024, Tiptoe Games, Inc. was renamed to OmniCraft Labs, Inc.

⁸ During the year ended December 31, 2024, it was included in the consolidation scope due to new investments entered into by the group.

⁹ During the year ended December 31, 2024, it was dissolved due to liquidation.

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
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1.3 Summarized Financial Information of Subsidiaries

Summarized financial information of subsidiaries as of December 31, 2024 and 2023, is as follows:

(in thousands of Korean won)

| Subsidiary | December 31, 2024 ¹ | | | | | Profits (loss) | | Total Comprehensive Income (loss) for the year |
|---------------------------------------|--------------------------------|--------------------|---------------------|-------------------------|--------------|---------------------------|-----------------------------------|--|
| | Current Assets | Non-current Assets | Current Liabilities | Non-current Liabilities | Revenue | from Continuing Operation | Other Comprehensive Income (loss) | |
| Bluehole Studio, Inc. | ₩ 15,123,016 | ₩ 5,930,691 | ₩ 4,757,431 | ₩ 4,898,431 | ₩ 27,361,974 | ₩ 1,802,184 | ₩ 137,865 | ₩ 1,940,049 |
| En Masse Entertainment, Inc. | 197,176 | 10,368,222 | 64,711,149 | - | - | (718,552) | (7,886,713) | (8,605,265) |
| Rising Wings, Inc. | 11,005,021 | 3,269,055 | 41,935,612 | 7,174,616 | 17,452,399 | (1,964,087) | 685,370 | (1,278,717) |
| Krafton Americas, Inc. | 29,276,015 | 20,054,251 | 7,206,202 | 11,566,225 | 64,872,147 | 5,970,796 | 3,430,630 | 9,401,426 |
| KRAFTON EUROPE B.V. | 27,521,425 | 22,364,090 | 19,786,349 | 12,081,273 | 69,052,952 | 3,558,677 | 1,088,668 | 4,647,345 |
| KRAFTON CHINA | 8,980,695 | 225,670 | 3,947,454 | 8,919 | 14,577,457 | (1,202,550) | 561,551 | (640,999) |
| PUBG Mad Glory, LLC | 20,029,494 | 7,205,710 | 7,313,935 | 5,942,347 | 40,074,968 | 3,422,175 | 1,527,527 | 4,949,702 |
| KP PTE. LTD. | 3,939,583 | 2,720,780 | 2,540 | - | - | (263,802) | 832,385 | 568,583 |
| Striking Distance Studios, Inc. | 50,724,660 | 9,433,496 | 3,627,957 | 4,318,514 | 41,454,689 | 4,148,720 | 6,257,941 | 10,406,661 |
| KRAFTON JAPAN, Inc. | 6,786,689 | 1,383,464 | 4,343,206 | 1,349,059 | 11,408,373 | 378,438 | 42,649 | 421,087 |
| Striking Distance Studios Spain, S.L. | 2,472,143 | 1,009,121 | 489,771 | 526,929 | 3,707,310 | 544,163 | 146,954 | 691,117 |
| KRAFTON Ventures, Inc. | 200,888 | 2,441,654 | 23,168 | - | - | (12,814) | 25,585 | 12,771 |
| Krafton Ventures, L.L.C. | 56,318 | 23,549 | 925 | - | - | (3,549) | 6,999 | 3,450 |
| Krafton Ventures Fund, L.P. | 3,157,373 | 1,469,971 | 249 | - | 1,222 | 26,778 | 567,007 | 593,785 |
| En Masse Entertainment Texas, Inc. | 21,918 | - | 31,270,323 | - | - | (1,498,760) | (3,757,140) | (5,255,900) |
| PUBG Entertainment, Inc. | 241,174 | 217,151 | 1,271,244 | - | 20,011 | 6,497 | (100,228) | (93,731) |
| KRAFTON INDIA PRIVATE LIMITED | 7,535,545 | 16,425,341 | 7,034,326 | 9,650,658 | 15,635,750 | (559,489) | 566,030 | 6,541 |
| SDS Interactive Canada Inc. | 1,169,351 | 4,520 | 86,563 | 139,259 | 2,757,743 | (42,564) | 46,555 | 3,991 |

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(in thousands of Korean won)

December 31, 2024¹

| Subsidiary | Current Assets | Non-current Assets | Current Liabilities | Non-current Liabilities | Revenue | Profits (loss) from Continuing Operation | Other Comprehensive Income (loss) | Total Comprehensive Income (loss) for the year |
|-------------------------------------|----------------|--------------------|---------------------|-------------------------|--------------|--|-----------------------------------|--|
| Dreamotion, Inc. | 8,232,825 | 377,045 | 551,058 | 253,745 | 3,437,426 | 142,513 | (233,125) | (90,612) |
| Thingsflow Inc. | ₩ 3,338,505 | ₩ 1,284 | ₩ 22,487,628 | ₩ 541,034 | ₩ 18,732,692 | ₩ (4,785,016) | ₩ - | ₩ (4,785,016) |
| OmniCraft Labs, Inc. | 2,506,731 | 1,245,640 | 1,323,651 | 1,139,561 | 3,406,044 | 161,907 | (231,387) | (69,480) |
| Krafton Global GP, LLC | 297,388 | - | - | - | - | 4,874 | 36,270 | 41,144 |
| Krafton Global, LP | 1,227,167 | - | - | - | - | (306,559) | 167,528 | (139,031) |
| Thingsflow Inc.(Japan) ² | - | - | - | - | - | (6,420) | 46,739 | 40,319 |
| Unknown Worlds Entertainment, Inc. | 130,152,538 | 12,749,832 | 1,719,061 | - | 39,050,855 | 13,364,073 | 15,801,620 | 29,165,693 |
| 5minlab Corp. | 4,792,271 | 2,070,074 | 1,244,717 | 789,400 | 5,435,992 | (7,773,807) | (61,477) | (7,835,284) |
| Neon Giant AB | 2,833,065 | 717,916 | 12,714,138 | 430,370 | 1,463,079 | (8,065,868) | (320,067) | (8,385,935) |
| KRAFTON MONTREAL STUDIO, INC. | 6,135,186 | 5,323,590 | 2,162,917 | 1,554,536 | 16,180,955 | 1,087,983 | 350,081 | 1,438,064 |
| VECTOR NORTH s.r.o. | 3,370,909 | 940,938 | 1,068,088 | 137,624 | 5,994,262 | 160,183 | 146,796 | 306,979 |
| ReLU Games, Inc. | 6,995,479 | 460,980 | 470,118 | 505,025 | 207,524 | (5,988,717) | (98,135) | (6,086,852) |
| Flyway Games, Inc. | 20,041,553 | 1,331,591 | 1,448,299 | 616,013 | 1,257,951 | (9,309,851) | 57,353 | (9,252,498) |
| Tango Gameworks, Inc. | 7,039,291 | - | 21,556 | - | 14,055 | (5,639) | 83,549 | 77,910 |
| inZOI Studio | 8,496,341 | 2,418,235 | 813,316 | 1,556,911 | 167,097 | 55,234 | - | 55,234 |
| Blue Ocean Capital Fund I, L.P. | 143,798 | - | 457,616 | - | - | (291,185) | (22,633) | (313,818) |

¹ Intercompany transactions have not been eliminated in the summarized financial information above.

² During the year ended December 31, 2024, it was dissolved due to liquidation and the financial information shown herein is the financial information included in the consolidated financial statements prior to exclusion from the consolidation scope.

KRAFTON, Inc. and its Subsidiaries
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1.3 Summarized Financial Information of Subsidiaries, (cont'd)

(in thousands of Korean won)

| Subsidiary | December 31, 2023 ¹ | | | | | Profits (loss) | Other | Total |
|---|--------------------------------|--------------------|---------------------|-------------------------|--------------|---------------------------|-----------------------------|--|
| | Current Assets | Non-current Assets | Current Liabilities | Non-current Liabilities | Revenue | from Continuing Operation | Comprehensive Income (loss) | Comprehensive Income (loss) for the year |
| Bluehole Studio, Inc. | ₩ 13,860,892 | ₩ 3,589,202 | ₩ 4,220,182 | ₩ 4,081,912 | ₩ 13,246,086 | ₩ (8,353,839) | ₩ 143,399 | ₩ (8,210,440) |
| En Masse Entertainment, Inc. | 59,285 | 10,368,222 | 55,967,992 | - | - | (1,754,584) | (907,038) | (2,661,622) |
| Rising Wings, Inc. | 4,287,947 | 4,509,183 | 42,295,213 | 10,109,839 | 10,427,535 | (12,050,466) | (4,449) | (12,054,915) |
| Krafton Americas, Inc. | 22,496,338 | 5,260,553 | 6,670,798 | 38,869 | 53,281,627 | 4,496,900 | 227,572 | 4,724,472 |
| KRAFTON EUROPE B.V. | 23,162,719 | 22,271,678 | 19,038,014 | 13,325,791 | 43,093,393 | 1,809,984 | 603,316 | 2,413,300 |
| KRAFTON CHINA | 9,982,932 | 1,343,120 | 5,696,375 | 51,456 | 15,597,351 | (209,514) | (19,308) | (228,822) |
| PUBG Mad Glory, LLC | 11,350,641 | 6,988,324 | 3,695,725 | 5,648,962 | 21,237,808 | 1,600,186 | 108,503 | 1,708,689 |
| KP PTE. LTD. | 3,479,420 | 2,623,950 | 14,129 | - | - | 14,374 | 103,948 | 118,322 |
| Striking Distance Studios, Inc. | 37,659,026 | 11,555,025 | 2,504,702 | 4,834,119 | 70,650,865 | 127,773 | 689,298 | 817,071 |
| KRAFTON JAPAN, Inc. | 4,163,240 | 2,493,529 | 4,185,252 | 443,547 | 7,943,016 | 495,467 | (78,439) | 417,028 |
| Striking Distance Studios Spain, S.L. | 1,867,301 | 1,445,845 | 813,682 | 725,852 | 3,578,227 | 151,322 | 87,176 | 238,498 |
| KRAFTON Ventures, Inc. | 187,867 | 2,423,311 | 4,574 | - | - | 777,329 | (19,441) | 757,888 |
| Krafton Ventures, L.L.C. | 51,942 | 23,549 | - | - | - | (3,600) | 995 | (2,605) |
| Krafton Ventures Fund, L.P. | 3,066,284 | 967,024 | - | - | 2,187 | 30,443 | 90,991 | 121,434 |
| En Masse Entertainment Texas, Inc. | 26,559 | - | 26,019,064 | - | - | (1,516,449) | (401,234) | (1,917,683) |
| PUBG Entertainment, Inc. | 205,007 | 191,558 | 1,115,753 | - | 58,745 | 198,154 | (18,112) | 180,042 |
| Indestructible Frying Pan, LLC ² | - | - | - | - | - | 27,136 | (792) | 26,344 |
| KRAFTON INDIA PRIVATE LIMITED | 5,497,579 | 4,678,501 | 3,741,952 | 2,908,065 | 8,825,385 | (503,918) | 51,615 | (452,303) |
| SDS Interactive Canada Inc. | 943,975 | 7,171 | 7,088 | - | 3,218,637 | 92,953 | 34,953 | 127,906 |
| Dreamotion, Inc. | 8,524,354 | 427,234 | 930,187 | 226,230 | 3,358,083 | 473,467 | 33,440 | 506,907 |
| Thingsflow Inc. | 2,719,093 | 2,291,139 | 17,508,605 | 2,513,909 | 15,714,080 | (6,297,210) | 63,274 | (6,233,936) |
| Tiptoe Games, Inc. | 22,181 | 6,827 | 5,972 | 2,088 | 15 | (23,041) | - | (23,041) |

KRAFTON, Inc. and its Subsidiaries
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(in thousands of Korean won)

December 31, 2023¹

| Subsidiary | Current Assets | Non-current Assets | Current Liabilities | Non-current Liabilities | Revenue | Profits (loss) from Continuing Operation | Other Comprehensive Income (loss) | Total Comprehensive Income (loss) for the year |
|--|----------------|--------------------|---------------------|-------------------------|------------|--|-----------------------------------|--|
| Krafton Global GP, LLC | ₩ 256,245 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 36 | ₩ 4,391 | ₩ 4,427 |
| Krafton Global, LP | 1,366,198 | - | - | - | - | (297,776) | 32,110 | (265,666) |
| Thingsflow Inc.(Japan) | 73,752 | - | 24 | - | - | (86,035) | (5,300) | (91,335) |
| Unknown Worlds Entertainment, Inc. | 102,240,414 | 7,387,584 | 5,015,742 | - | 37,140,405 | 16,905,729 | 1,239,860 | 18,145,589 |
| Unknown Worlds Entertainment, Ltd(UK) ² | - | - | - | - | - | - | - | - |
| 5minlab Corp. | 14,394,057 | 2,594,765 | 3,165,463 | 1,145,669 | 4,101,543 | (6,874,289) | - | (6,874,289) |
| Neon Giant AB | 7,158,289 | 829,551 | 9,316,721 | 500,255 | 1,760,599 | (3,972,894) | 15,238 | (3,957,656) |
| KRAFTON MONTREAL STUDIO, INC. | 6,125,868 | 2,885,987 | 1,467,015 | 1,241,580 | 5,771,491 | 496,925 | 237,467 | 734,392 |
| VECTOR NORTH s.r.o. | 2,608,271 | 1,308,128 | 650,104 | 467,170 | 2,705,103 | 70,715 | (244,275) | (173,560) |
| ReLU Games, Inc. | 12,631,128 | 605,791 | 371,318 | 351,469 | 622 | (2,242,085) | - | (2,242,085) |
| Flyway Games, Inc. | 29,825,873 | 2,093,947 | 1,319,682 | 1,085,678 | 7,925 | (1,394,806) | - | (1,394,806) |

¹ Intercompany transactions have not been eliminated in the summarized financial information above.

² During the year ended December 31, 2023, it was dissolved due to liquidation and the financial information shown herein is the financial information included in the consolidated financial statements prior to exclusion from the consolidation scope.

KRAFTON, Inc. and its Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

1.4 Changes in Scope for Consolidation

Subsidiaries newly included or excluded in the consolidation scope for the years ended December 31, 2024 and 2023, are as follows:

| December 31, 2024 | | |
|-------------------|--|-------------------|
| | Subsidiary | Reason |
| Included | Tango Gameworks, Inc. | Newly established |
| | inZOI Studio | Newly established |
| | Blue Ocean Capital Fund I, L.P. | Newly established |
| Excluded | Thingsflow Inc.(Japan) | Liquidation |
| December 31, 2023 | | |
| | Subsidiary | Reason |
| Included | VECTOR NORTH s.r.o. | Newly established |
| | ReLU Games, Inc. | Newly established |
| | Flyway Games, Inc. | Newly established |
| Excluded | Unknown Worlds Entertainment, Ltd (UK) | Liquidation |
| | Indestructible Frying Pan, LLC | Liquidation |

KRAFTON, Inc. and its Subsidiaries

Notes to the Consolidated Financial Statements

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2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with KIFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of property and equipment and investment properties – measured at fair value
- Assets held for sale – measured at fair value less costs to sell, and
- Contingent consideration measured at fair value, and
- Defined benefit pension plans – plan assets measured at fair value.

The preparation of consolidated financial statements requires the use of critical accounting estimates. Management also needs to exercise judgment in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2024.

KRAFTON, Inc. and its Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

2.2 Changes in Accounting Policy and Disclosures, (cont'd)

(a) Amendments to KIFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, Non-current liabilities with Covenants

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Additionally, the settlement of liabilities includes the transfer of an entity's own equity instruments, except in cases where an option to settle a compound financial instrument in an entity's own equity instruments meets the definition of equity and is separately recognized from the liability component. The amendments also clarify that commitments required to be complied with after the reporting date do not affect the classification of liabilities. However, if a liability that must comply with commitments within 12 months after the reporting period is classified as non-current, the entity discloses information to enable users of financial statements to understand the risk of the liability becoming repayable within 12 months after the reporting period. The adoption of the amendments has no material impact on the Group's consolidated financial statements.

(b) Amendments to KIFRS 1007 Cash Flow Statement, and KIFRS 1107 'Disclosure: Financial Instrument' - Disclosure of Supplier Finance Arrangement

When applying supplier finance agreements, entities are required to disclose information regarding the agreements to enable financial statement users to assess their impact on the entity's liabilities, cash flows, and liquidity risk exposure. The adoption of the amendments has no material impact on the Group's consolidated financial statements.

(c) Amendments to KIFRS 1116 Leases – Lease Liability Arising from Sale and Leaseback

When subsequently measuring lease liabilities arising from sale and leaseback, the seller-lessee calculates lease payments or lease modifications without recognizing any profit or loss related to the right-of-use assets held by the seller-lessee. The adoption of the amendments has no material impact on the Group's consolidated financial statements.

(d) Amendments to KIFRS 1001 Presentation of Financial Statements – Disclosure of Virtual Assets

When holding virtual assets, acting as a custodian for virtual assets on behalf of customers, or issuing virtual assets, additional disclosure requirements are stipulated. The Group added disclosures on virtual assets in Note 14.

2.2.2 New standards and interpretations not yet adopted by the Group

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.

KRAFTON, Inc. and its Subsidiaries

Notes to the Consolidated Financial Statements

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2.2 Changes in Accounting Policy and Disclosures, (cont'd)

(a) Amendments to KIFRS 1021 Effects of Exchange Rate Changes, Amendments to KIFRS 1101 First-time Adoption of Korean International Financial Reporting Standards- Lack of Exchangeability

The amendments require entities to assess the exchangeability of a currency with another currency; if it is not exchangeable, entities are required to estimate the spot exchange rate and disclose relevant information. These amendments are effective for fiscal years beginning on or after January 1, 2025, with early adoption permitted. The Group is currently evaluating the impact of these amendments on its financial statements.

(b) Amendments to KIFRS 1109 Financial Instruments, Amendments to KIFRS 1107 'Disclosure: Financial Instrument'

To address practical issues and incorporate new requirements, amendments have been made to K-IFRS No. 1109 'Financial Instruments' and K-IFRS No. 1107 'Financial Instruments: Disclosures.' These amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The key changes are as follows: The Group is currently evaluating the impact of these amendments on its financial statements.

- If specific criteria are met, an entity is permitted to deem a financial liability that is settled using an electronic payment system to be discharged(removed) before the settlement date.
- Additional guidance has been clarified and added to assess whether a financial asset meets the criteria for being solely composed of principal and interest payments.
- Requiring disclosures on the impact of contractual terms that can change the timing or amount of contractual cash flows on the entity, as well as the extent of exposure for each type of financial instrument.
- Additional disclosures for equity instruments designated at fair value through other comprehensive income.

2.3 Consolidation

(a) Subsidiaries

The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recoded as goodwill.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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Notes to the Consolidated Financial Statements

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2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Group's functional and presentation currency.

(b) Foreign currency transactions and translation at the end of the reporting period

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or, if they are remeasured items, using the exchange rates at the revaluation dates. Foreign exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange differences arising from non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

The functional currencies of all the foreign operations differ from the presentation currency of the Group. Assets and liabilities in the statement of financial position of each foreign operation are translated at the closing rate at the end of the reporting period, while income and expenses in the statement of comprehensive income are translated at the average exchange rates.

The Group offsets translation gains and losses arising from the conversion of foreign operations' foreign currency financial statements into Korean Won and the consolidation of accounting data between the head office and foreign operations. The resulting balance is recorded as accumulated other comprehensive income (foreign operation translation gains and losses). When a foreign operation is partially disposed of or sold, the exchange differences that were recorded in equity are recognized in the statement of comprehensive income.

(c) Presentation of Integrated Foreign Exchange Differences

In accordance with Paragraph 29 of KIFRS 1001, The Group presents gains or losses on foreign currency transactions and gains or losses on foreign currency translation, presented in other gains or losses, as a single item "foreign exchange gains or losses".

2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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2.6 Revenue Recognition

(a) Identification of performance obligation

The Group engages in game publishing business which it provides a right to access the game, and updating, planning, developing and maintaining services of game to customers. A publishing contract with a customer is identified as a single performance obligation since the benefits from the sales of game is significantly restricted without updating services. On the other hand, virtual item sales through online and mobile games are classified as a single performance obligation.

In addition, the Group recognizes royalty revenue by providing licenses of its intellectual property (IP) to publishing companies. The Group determines to recognize as a single performance obligation for providing updates and technical support services incidental to the game service.

(b) A performance obligation satisfied over time

Game revenue consists of (i) revenue from providing a right to access games and (ii) revenue from sales of in-game items, and is deferred and recognized over the expected period of use, as the Group is required to provide updates during the period.

In addition, the Group recognizes royalty revenue from providing licenses of its IP. In accordance with KIFRS 1115, royalty revenue from providing a right to access the entity's IP is recognized over the license period. However, the Group recognizes revenue for sales-based or usage-based royalties promised in exchange for a license of intellectual property when the subsequent sale or usage occurs.

KRAFTON, Inc. and its Subsidiaries

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2.7 Financial Assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt instruments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The fair value changes of investments in equity instruments not designated are recognized in profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Gains or losses on these debt investments that are subsequently measured at amortized cost and are not part of a hedging relationship are recognized in profit or loss when the asset are derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

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2.7 Financial Assets, (cont'd)

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income and expenses' and impairment losses are presented in 'other expenses'.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. Gains or losses on these debt investments that are subsequently measured at fair value through profit or loss and are not part of a hedging relationship are recognized in profit or loss in the period in which they arise and presented as 'other income or expenses' in the statement of comprehensive income.

B. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continues to be recognized in profit or loss as 'other income' when the right to receive payment is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized as 'other income and expenses' in the statement of comprehensive income as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

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2.7 Financial Assets, (cont'd)

(d) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classifies the financial liability as "borrowings" in the consolidated statement of financial position.

(e) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.8 Property and Equipment

Depreciation of all property and equipment excluding land is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

| | Estimated useful lives |
|------------|-----------------------------------|
| Fixtures | 3 - 7 years |
| Facilities | 5 - 7 years |

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2.9 Government Grants

Government grants related to assets are presented in the statement of financial position by deducting the grant from the carrying amount of the asset in the statement of financial position. Government grants related to income are deferred and subsequently deducted from the related expense.

2.10 Intangible Assets

Membership rights with finite useful lives are amortized over the membership period. Those with indefinite useful lives are not subject to amortization, as there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with finite useful lives using the straight-line method over the following periods.

| | Estimated useful lives |
|----------------------------|---|
| Industrial property rights | 5 - 10 years |
| Software | 2 - 5 years |
| Membership rights | The Period of membership |
| Other intangible assets | 2 - 11 years, The Period of service contract |
| Goodwill | Indefinite |

2.11 Investment Properties

The Group depreciates investment properties, excluding land, on a straight-line basis over an estimated useful life of 40 years.

2.12 Employee Benefits

(a) Post-employment benefits

While the Group operates a defined contribution as its primary post-employment benefit plan, it also pays an additional amount to employees under a separate agreement if the return on each employee's contributions is less than the amount payable under a defined benefit plan. The Group measures the additional amount payable to the employees in the same manner as a defined benefit obligation.

(b) Other long-term employee benefits

Certain entities within the Group provide long-term employee benefits that are entitled to employees with long-term service. Only those who have met the required service period are entitled to such benefits. The expected costs of these benefits are recognized over the period of employment using the same accounting method applied to defined benefit pension plans.

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2.13 Income Taxes

The Group applies the consolidated tax filing system, in which the consolidated group consists of the controlling company, which is the parent company, and domestic corporations that are wholly owned by the parent company. A single taxable income and tax amount is calculated.

The Global Minimum Tax paid under the Pillar 2 legislation falls within the scope of K-IFRS 1012, "Income Taxes." The Group recognizes the Global Minimum Tax as current income tax at the time the payment obligation arises and applies the exception rule regarding the recognition and disclosure of deferred income taxes related to the global minimum tax.

2.14 Leases

(a) Lessor

Lease income from operating leases where the Group is a lessor is recognized in profit or loss on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

(b) Lessee

The Group has entered into various lease agreements including office leases. Lease contracts are typically entered into for fixed periods of 4 to 6 years, but may have extension options as described in (c) below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for real estate leases where the Group is the lessee, it applies the practical expedient to not separate lease and non-lease components, accounting for them as a single lease component.

When both the lessee and the lessor each have the right to terminate without the other party's consent, the Group takes into account termination penalties in determining the enforceable period of the lease.

Payments associated with short-term leases of fixtures and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small office furniture items.

(c) Extension and termination options

Extension and termination options are included in a number of property and other leases, across the Group. These terms are designed to maximize operational flexibility in managing the leases. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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2.15 Segment Reporting

Information about each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance, has been identified as the Management Committee that makes strategic decisions.

2.16 Approval of Issuance of the Financial Statements

The consolidated financial statements for the year ended December 31, 2024 were approved for issuance by the Board of Directors of the Company on February 11, 2025 and final approval will be obtained from the shareholders at their Annual General Meeting on March 26, 2025.

3. Critical Accounting Estimates and Assumptions

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management is also required to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events under the circumstances. Since accounting estimates rarely equal actual results, they inherently involve a significant risk of resulting in material adjustments.

The management's judgement that can cause material adjustment to the carrying amounts of assets and liabilities within the next financial year, and estimates and assumptions of significant risk are discussed below. Additional information of significant judgments and assumptions related to specific items is disclosed in the relevant notes.

(a) Revenue recognition

Game revenue consists of (i) revenue from sales of a right to access games and (ii) revenue from sales of in-game items, and is deferred and recognized over the respective expected period of use. The Group estimates the expected period of use by analyzing customer behavior pattern considering the attributes of the item and game, and it can be changed significantly according to changes due to market trends or shifts in customer behavior.

(b) Fair value of financial instruments

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. In applying these techniques, the Group uses judgment in selecting appropriate methodologies and making assumptions based on market conditions as of the end of each reporting period.

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3. Critical Accounting Estimates and Assumptions, (cont'd)

(c) Impairment of financial assets

The provisions for impairment of financial assets are based on assumptions about risk of default and expected loss rates. The Group exercises judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's historical experience, current market conditions, and forward looking information available at the end of each reporting period.

(d) Goodwill

To assess the impairment of goodwill, the recoverable amount of each cash generating unit (CGU) is determined based on its value in use, calculated from estimated future cash flows discounted using an appropriate rate.

(e) Net defined benefit liabilities

The present value of net defined benefit liabilities depends on a number of factors that are determined on an actuarial basis, especially on the changes in discount rate.

(f) Income taxes

The Group's taxable income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

Under the Tax System for Recirculation of Corporate Income, the Group is required to pay additional income tax if a certain portion of taxable income is not used for qualifying investments or wage increases within a specified period. Accordingly, the measurement of current and deferred income tax is affected by the tax effects. As the Group's income tax is dependent on the level of investments and wage increases each year, there is an uncertainty in determining the final tax effects.

(g) Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. The period covered by extension options (or the period covered by termination options) is included in the lease term only when it is reasonably certain that the option will be exercised (or not exercised).

Most extension options in office and vehicle leases are not included in the lease liability, as the Group can replace the leased assets without incurring significant cost or causing business disruption.

KRAFTON, Inc. and its Subsidiaries
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December 31, 2024 and 2023

3. Critical Accounting Estimates and Assumptions, (cont'd)

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of whether it is reasonably certain to exercise (or not to exercise) an option is only revised when a significant event or change in circumstances occurs that is within the control of the lessee, and affects the original assessment.

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December 31, 2024 and 2023

4. Financial Risk Management

4.1 Financial Risk Factors

(a) The Group is exposed to market risk, credit risk and liquidity risk (Market risk includes foreign exchange risk, interest rate risk, and price risk of equity securities). The Group establishes and operates financial risk management policy in place to monitor and actively manage these risk factors. Financial assets subject to the Group's financial risk management include cash and cash equivalents, trade receivables, other financial instruments at amortized cost, financial instruments at fair value through other comprehensive income and financial instruments at fair value through profit or loss. Financial liabilities under the Group's financial risk management include trade and other payables and other financial liabilities.

(b) Market risk

A. Foreign exchange risk

The Group is exposed to foreign exchange risk arising from international operations and transactions with different foreign currencies. Most widely used foreign currencies are the US Dollar, Chinese Yuan, Euro and others. The Group periodically evaluates, manages, and reports foreign currency exposures related to receivables and payables.

Monetary financial assets and liabilities denominated in foreign currency as of December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

| | December 31, 2024 | | | |
|---|-------------------|--------------|-------------|-------------|
| | USD | CNY | EUR | Others |
| Financial assets denominated in foreign currency | ₩ 1,066,012,588 | ₩ 36,835,916 | ₩ 1,436,972 | ₩ 9,798,689 |
| Financial liabilities denominated in foreign currency | 108,738,055 | 8,213,925 | 8,598,076 | 5,058,022 |

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4. Financial Risk Management, (cont'd)

(in thousands of Korean won)

| | December 31, 2023 | | | |
|---|--------------------------|--------------|-------------|---------------|
| | USD | CNY | EUR | Others |
| Financial assets denominated in foreign currency | ₩ 923,814,412 | ₩ 14,269,229 | ₩ 7,753,214 | ₩ 2,749,575 |
| Financial liabilities denominated in foreign currency | 77,328,775 | 10,529,870 | 14,196,516 | 2,748,496 |

The table below summarizes the impact of weakened/strengthened Korean won on the Group's profit before income tax. The analysis is based on the assumption that Korean won has weakened/strengthened by 5% with all other variables held constant.

(in thousands of Korean won)

| | December 31, 2024 | |
|---|--------------------------|-----------------|
| | Strengthened | Weakened |
| Financial assets denominated in foreign currency | ₩ (55,704,158) | ₩ 55,704,158 |
| Financial liabilities denominated in foreign currency | 6,530,404 | (6,530,404) |
| Net effect | ₩ (49,173,754) | ₩ 49,173,754 |

(in thousands of Korean won)

| | December 31, 2023 | |
|---|--------------------------|-----------------|
| | Strengthened | Weakened |
| Financial assets denominated in foreign currency | ₩ (47,429,322) | ₩ 47,429,322 |
| Financial liabilities denominated in foreign currency | 5,240,183 | (5,240,183) |
| Net effect | ₩ (42,189,139) | ₩ 42,189,139 |

B. Interest rate risk

The Group implements certain measures including periodic monitoring of interest rate trends, to manage uncertainties arising from changes in interest rates.

There are no financial assets and liabilities exposed to interest rate risk as of December 31, 2024 and 2023.

C. Price risk

The effects on the consolidated statement of comprehensive income from a fluctuation of approximately 1% in the price of listed equity securities as of December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|---|--------------------------|--------------------------|
| Changes in other comprehensive income when price per share of listed shares fluctuates by approximately 1% (after deduction of tax effects) | ₩ 232,447 | ₩ 482,414 |

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4. Financial Risk Management, (cont'd)

(c) Credit risk

Credit risk arises in the normal course of business and investing activities, when clients or other parties fail to meet their contractual obligations. It also arises from cash and cash equivalents, savings and derivative instruments transactions with financial institutions. To mitigate or eliminate certain exposures, the Group enters into transactions only with financial institutions that have high credit ratings. The maximum amount exposed to credit risks by each financial instrument is its book value.

A. Trade receivables

The Group applies the simplified approach to measure the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the number of days past due. The expected credit losses include forward-looking information. The loss allowance provision as of December 31, 2024, is determined as follows:

*(in thousands of
Korean won)*

| | December 31, 2024 | | | | | | |
|-----------------------------|--|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-------------------------|-----------------|
| | Less than 90 days past due and within due | Less than 180 days past due | Less than 270 days past due | Less than 1 year past due | More than 1 year past due | Impaired receivables | Total |
| Expected loss rate | 0.02% | 41.66% | 80.38% | 100.00% | 98.63% | 78.88% | |
| Gross carrying amount | ₩ 1,006,476,108 | ₩ 138,574 | ₩ 6,708 | ₩ 1 | ₩ 245,756 | ₩ 1,649,208 | ₩ 1,008,516,355 |
| Loss allowance provision | (159,991) | (57,728) | (5,392) | (1) | (242,379) | (1,300,828) | (1,766,319) |

The amounts recognized in profit or loss within 'impairment loss' in relation to the impairment of trade receivables for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|-------------------------------------|-------------------|-------------------|
| Operating costs | ₩ (82,043) | ₩ (3,283,475) |

B. Other financial assets at amortized cost

All of the other financial assets at amortized costs other than trade receivables, are considered to be of low credit risk when they exhibit a low risk of default and the issuer is assessed to have a strong capacity to meet its contractual cash flow obligations in the near term, and thus the loss allowance provision recognized was limited to 12-months expected credit losses during the year. However, if a significant increase in credit risk is identified, the loss allowance provision for lifetime expected credit losses is recognized.

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4. Financial Risk Management, (cont'd)

The amounts recognized in profit or loss in relation to the impairment of other financial assets at amortized costs for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | December 31, 2023 | |
|-------------------------------------|--------------------------|--------|--------------------------|---------|
| Other Expenses | ₩ | 39,000 | ₩ | 123,293 |

(d) Liquidity risk

The ultimate responsibility for liquidity risk management lies with the Board of Directors, which establishes fundamental policies to properly manage short-term and mid to long-term funding, as well as liquidity management regulations. The Group maintains liquidity risk by maintaining sufficient reserves and credit lines, by continually monitoring forecast and actual cash flows, and by aligning the maturity profiles of financial assets and financial liabilities.

The table below summarizes the details of the Group's financial liabilities classified into relevant maturity groupings based on their remaining contractual maturities as of December 31, 2024 and 2023, to the contractual maturity date:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | | | | |
|--|--------------------------|-------------------------------|-------------------------|------------------------------|---------------------|----------------------|
| | Book value | Contractual cash flows | Less than 1 year | Between 1 and 5 years | Over 5 years | Total |
| Borrowings | ₩ 7,000,000 | ₩ 7,000,000 | ₩ 7,000,000 | ₩ - | ₩ - | ₩ 7,000,000 |
| Account payable | 209,954 | 209,954 | 209,954 | - | - | 209,954 |
| Other payables | 37,187,385 | 37,187,385 | 37,187,385 | - | - | 37,187,385 |
| Accrued expenses | 196,717,784 | 196,717,784 | 179,924,162 | 16,728,037 | 65,585 | 196,717,784 |
| Lease liabilities | 190,954,674 | 206,781,424 | 72,959,796 | 128,014,379 | 5,807,249 | 206,781,424 |
| Leasehold deposits received | 9,289,858 | 9,982,683 | 2,517,000 | 7,465,683 | - | 9,982,683 |
| Financial liabilities at fair value through profit or loss | 61,683,775 | 68,207,481 | 29,701,350 | 38,506,131 | - | 68,207,481 |
| | <u>₩ 503,043,430</u> | <u>₩ 526,086,711</u> | <u>₩ 329,499,647</u> | <u>₩ 190,714,230</u> | <u>₩ 5,872,834</u> | <u>₩ 526,086,711</u> |

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4. Financial Risk Management, (cont'd)

| <i>(in thousands of Korean won)</i> | December 31, 2023 | | | | | |
|---|-------------------|---------------------------|---------------------|--------------------------|--------------|---------------|
| | Book value | Contractual cash flows | Less than 1 year | Between 1 and 5 years | Over 5 years | Total |
| Borrowings | ₩ 7,000,000 | ₩ 7,000,000 | ₩ 7,000,000 | ₩ - | ₩ - | ₩ 7,000,000 |
| Account payable | 206,518 | 206,518 | 206,518 | - | - | 206,518 |
| Other payables | 35,110,688 | 35,110,688 | 34,925,979 | 184,709 | - | 35,110,688 |
| Accrued expenses | 186,257,405 | 186,257,405 | 179,725,794 | 6,421,470 | 110,141 | 186,257,405 |
| Lease liabilities | 196,761,519 | 212,242,534 | 67,234,846 | 144,452,623 | 555,065 | 212,242,534 |
| Leasehold deposits received | 9,051,138 | 9,982,683 | 500,000 | 9,482,683 | - | 9,982,683 |
| Financial liabilities at fair value through profit or loss | 83,901,868 | 103,448,337 | - | 84,855,525 | 18,592,812 | 103,448,337 |
| | ₩ 518,289,136 | ₩ 554,248,165 | ₩ 289,593,137 | ₩ 245,397,010 | ₩ 19,258,018 | ₩ 554,248,165 |

4.2 Capital Risk Management

The Group's objective in managing capital is to maintain a sound capital structure. The Group uses the debt-to-equity ratio as a key indicator of capital management, which is calculated by dividing the Group's total liabilities by its total equity presented in the consolidated financial statements.

Debt-to-equity ratios as of December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|-------------------------------------|----------------------|----------------------|
| Debt (A) | ₩ 1,090,331,966 | ₩ 881,636,359 |
| Equity (B) | 6,829,131,602 | 5,558,820,261 |
| Debt-to-equity ratio (A/B) | 15.97% | 15.86% |

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5. Fair Value Measurement

(a) The carrying amount and fair value of financial assets and liabilities as of December 31, 2024 and December 31, 2023, are as follows:

| (in thousands of Korean won) | December 31, 2024 | | December 31, 2023 | |
|--|------------------------|------------------------|------------------------|------------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets measured at fair value | | | | |
| Current portion of financial assets at fair value through profit or loss | ₩ 3,190,300,274 | ₩ 3,190,300,274 | ₩ 2,340,390,290 | ₩ 2,340,390,290 |
| Financial assets at fair value through profit or loss | 222,236,656 | 222,236,656 | 167,155,692 | 167,155,692 |
| Financial assets at fair value through other comprehensive income | 92,599,024 | 92,599,024 | 133,473,399 | 133,473,399 |
| Derivative assets | 5,418,313 | 5,418,313 | 2,145,030 | 2,145,030 |
| Financial assets measured at amortized cost | | | | |
| Cash and cash equivalents | 581,659,970 | 581,659,970 | 721,048,786 | 721,048,786 |
| Trade receivables | 1,006,750,036 | 1,006,750,036 | 700,401,193 | 700,401,193 |
| Other current financial assets | 128,399,666 | 128,399,666 | 135,793,431 | 135,793,431 |
| Other non-current financial assets | 108,827,322 | 108,827,322 | 45,064,726 | 45,064,726 |
| Other financial assets | | | | |
| Current lease receivables | 11,859,035 | 11,859,035 | 11,164,683 | 11,164,683 |
| Non-current lease receivables | 18,411,149 | 18,411,149 | 24,086,343 | 24,086,343 |
| | <u>₩ 5,366,461,445</u> | <u>₩ 5,366,461,445</u> | <u>₩ 4,280,723,573</u> | <u>₩ 4,280,723,573</u> |

| (in thousands of Korean won) | December 31, 2024 | | December 31, 2023 | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial liabilities measured at fair value | | | | |
| Current portion of financial liabilities at fair value through profit or loss | ₩ 27,799,840 | ₩ 27,799,840 | ₩ - | ₩ - |
| Financial liabilities at fair value through profit or loss | 33,883,935 | 33,883,935 | 83,901,868 | 83,901,868 |
| Financial liabilities measured at amortized cost | | | | |
| Current portion of long-term borrowings | 7,000,000 | 7,000,000 | 7,000,000 | 7,000,000 |
| Other current financial liabilities ¹ | 219,754,599 | 219,754,599 | 215,333,268 | 215,333,268 |
| Other non-current financial liabilities ² | 23,650,382 | 23,650,382 | 15,292,480 | 15,292,480 |
| Other financial liabilities | | | | |
| Current lease liabilities | 71,319,148 | 71,319,148 | 65,749,996 | 65,749,996 |
| Non-current lease liabilities | 119,635,526 | 119,635,526 | 131,011,524 | 131,011,524 |
| | <u>₩ 503,043,430</u> | <u>₩ 503,043,430</u> | <u>₩ 518,289,136</u> | <u>₩ 518,289,136</u> |

¹ The amount includes liabilities related to employee compensation and share-based payment of ₩ 126,070,726 thousand (December 31, 2023: ₩ 118,131,478 thousand).

² The amount includes liabilities related to employee compensation and share-based payment of ₩ 16,793,622 thousand (December 31, 2023: ₩ 5,848,090 thousand).

KRAFTON, Inc. and its Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

5. Fair Value Measurement, (cont'd)

(b) Fair value measurement of assets and liabilities measured at fair value

A. Fair value hierarchy and fair value measurement

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement involves estimating the price that would be received to sell an asset or paid to transfer a liability in such a transaction under current market conditions as of the measurement date. When measuring fair value using valuation techniques, the Group maximizes the use of observable market information and minimizes the use of unobservable inputs.

When measuring fair value of assets or liabilities, the Group utilizes observable input variables in the market to the maximum extent possible. Fair value is classified within the fair value hierarchy based on the observability of input variables used in the valuation techniques, as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability
- Level 3: Unobservable inputs for the asset or liability

The fair value of financial instruments traded in active markets is based on quoted prices at the end of the reporting period. It is regarded as an active market if quoted prices are readily and regularly available from exchange markets, dealers, brokers, industry groups, pricing services, or regulatory agencies, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price used for financial assets held by the Group is the closing price as of the end of the reporting period. These instruments are classified in 'Level 1'. Instruments included in 'Level 1' are categorized as financial assets at fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These include internal valuation models developed by the Group, or prices provided by independent external pricing services. The Group uses discounted cash flow techniques and formulates an assumption based on market conditions as of the end of the reporting period. These valuation techniques maximize the use of observable market data where it is available and minimize the use of entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'Level 2'.

If one or more of the significant inputs are not based on observable market data, the instruments are included in 'Level 3'. Assets and liabilities included in 'Level 3' are measured using techniques such as the cost approach, net asset value method, and binomial model.

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5. Fair Value Measurement, (cont'd)

B. Financial assets and liabilities measured at fair value

Fair value hierarchy classifications of the financial assets and liabilities that are measured at fair value as of December 31, 2024 and 2023, are as follows:

| | | December 31, 2024 | | | |
|---|---|-------------------|-----------------|---------------|-----------------|
| (in thousands of Korean won) | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value | | | | | |
| Financial assets at fair value through profit or loss | ₩ | - | ₩ 3,190,300,274 | ₩ 222,236,656 | ₩ 3,412,536,930 |
| Financial assets at fair value through other comprehensive income | | 31,582,522 | - | 61,016,502 | 92,599,024 |
| Derivative assets | | - | - | 5,418,313 | 5,418,313 |
| Financial liabilities measured at fair value | | | | | |
| Financial liabilities at fair value through profit or loss | ₩ | - | ₩ | ₩ 61,683,775 | ₩ 61,683,775 |

| | | December 31, 2023 | | | |
|---|---|-------------------|-----------------|---------------|-----------------|
| (in thousands of Korean won) | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value | | | | | |
| Financial assets at fair value through profit or loss | ₩ | - | ₩ 2,339,101,046 | ₩ 168,444,936 | ₩ 2,507,545,982 |
| Financial assets at fair value through other comprehensive income | | 65,545,380 | - | 67,928,019 | 133,473,399 |
| Derivative assets | | - | - | 2,145,030 | 2,145,030 |
| Financial liabilities measured at fair value | | | | | |
| Financial liabilities at fair value through profit or loss | ₩ | - | ₩ | ₩ 83,901,868 | ₩ 83,901,868 |

KRAFTON, Inc. and its Subsidiaries

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5. Fair Value Measurement, (cont'd)

Valuation techniques and inputs used in the fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy as of December 31, 2024 and 2023, are as follows:

| (in thousands of Korean won) | Fair value | | Level | Valuation techniques | | Inputs |
|---|-------------------|-------------------|-------|-----------------------------------|-------------------|--|
| | December 31, 2024 | December 31, 2023 | | December 31, 2024 | December 31, 2023 | |
| Financial assets at fair value through profit or loss | ₩ 3,190,300,274 | ₩ 2,339,101,046 | 2 | Discounted cash flow | | Discount rate considering credit rating and others |
| | 131,204,489 | 94,832,305 | 3 | Net asset valuation method | | Fair value of the investee's assets |
| | 91,032,167 | 73,612,631 | 3 | Cost-based approach ¹ | | Acquisition cost |
| Financial assets at fair value through other comprehensive income | 61,016,502 | 67,928,019 | 3 | Cost-based approach ¹ | | Acquisition cost |
| Derivative assets | 5,418,313 | 2,145,030 | 3 | Binomial model (T-F) | | Annualized variability of stock prices(47.05%) and others |
| Financial liabilities at fair value through profit or loss | 61,683,775 | 83,901,868 | 3 | Discounted cash flow ² | | Estimated revenue of the investee company, Discount rate considering credit rating(2.89%~6.84%) and others |

¹ For financial assets at fair value through profit or loss held by the Group, the costs are deemed the best estimate of the fair value, since (i) the Group cannot obtain sufficient information for measuring fair value; and (ii) there are no significant changes in the value of investee during the past or the current year.

² The discounted cash flow method was applied to evaluate only the cash flows included in the contract terms.

C. Valuation processes for fair value measurements categorized as Level 2 and Level 3

Each finance department of the Group's segments is responsible for fair value measurements for financial reporting purposes, including fair value measurements categorized as Level 2 and Level 3. The departments periodically reports the fair value valuation process and its outcome in accordance with the reporting schedule at the end of each reporting period.

Sensitivity analysis of financial instruments is performed using statistical techniques to assess the impact of favorable and unfavorable changes in the fair value of financial instruments affected by the unobservable input parameters. When the fair value is influenced by more than two input parameters, the most favorable and the most unfavorable scenarios are used to determine the impact.

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5. Fair Value Measurement, (cont'd)

Excluding financial instruments valued through cost-based approach and net asset valuation method, the results of the sensitivity analysis for changes in unobservable inputs affecting profit or loss for Level 3 financial instruments for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

| | December 31, 2024 | | | |
|--|-------------------|-----------|---------------------|-------------|
| | Favorable changes | | Unfavorable changes | |
| | Profit (loss) | Equity | Profit (loss) | Equity |
| Derivative assets | ₩ 384,637 | ₩ - | ₩ (367,070) | ₩ - |
| Financial liabilities at fair value through profit or loss | 175,816 | 1,247,339 | (178,070) | (1,304,788) |

¹ The effects of a 10% increase or decrease in key unobservable input variables such as stock price volatility and discount rate on fair value were calculated.

(in thousands of Korean won)

| | December 31, 2023 | | | |
|--|-------------------|-----------|---------------------|-------------|
| | Favorable changes | | Unfavorable changes | |
| | Profit (loss) | Equity | Profit (loss) | Equity |
| Derivative assets | ₩ 80,447 | ₩ - | ₩ (88,444) | ₩ - |
| Financial liabilities at fair value through profit or loss | 1,005,207 | 1,240,017 | (1,036,119) | (1,304,752) |

¹ The effects of a 10% increase or decrease in key unobservable input variables such as stock price volatility and discount rate on fair value were calculated.

KRAFTON, Inc. and its Subsidiaries

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5. Fair Value Measurement, (cont'd)

The changes in Level 3 classified assets and liabilities measured at fair value during the year ended December 31, 2024 are as follows:

| <i>(in thousands of Korean won)</i> | Beginning Balance | Acquisition | Disposal | Valuation | Exchange rate differences | Ending Balance |
|---|----------------------|--------------|---------------|--------------|------------------------------|-------------------|
| Financial assets at fair value through profit or loss | ₩ 168,444,936 | ₩ 34,273,613 | ₩ (1,417,091) | ₩ 20,555,328 | ₩ 379,870 | ₩ 222,236,656 |
| Financial assets at fair value through other comprehensive income | 67,928,019 | 6,471,082 | - | (13,382,599) | - | 61,016,502 |
| Derivative assets | 2,145,030 | - | - | 3,272,994 | 289 | 5,418,313 |
| Financial liabilities at fair value through profit or loss | 83,901,868 | - | - | (22,218,093) | - | 61,683,775 |

(c) Offsetting financial assets and financial liabilities

The Group recognizes both trade receivables from and payables to platform providers, that meet the offsetting criteria under KIFRS 1032 paragraph 42. Accordingly, the trade receivables are presented on a net basis in the consolidated financial statements. Trade payables which are offset with trade receivables amounted to ₩ 28,257 million as of December 31, 2024(December 31, 2023: ₩ 24,075 million).

KRAFTON, Inc. and its Subsidiaries
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6. Financial Instruments by Category

6.1 Carrying Amounts of Financial Instruments by Category

Carrying amounts of financial assets and liabilities by category as of December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|--|--------------------------|--------------------------|
| Financial assets | | |
| Financial assets at fair value: | | |
| Current portion of financial assets at fair value through profit or loss | ₩ 3,190,300,274 | ₩ 2,340,390,290 |
| Financial assets at fair value through profit or loss | 222,236,656 | 167,155,692 |
| Financial assets at fair value through other comprehensive income | 92,599,024 | 133,473,399 |
| Derivative assets | 5,418,313 | 2,145,030 |
| Financial assets at amortized cost: | | |
| Cash and cash equivalents | 581,659,970 | 721,048,786 |
| Trade receivables | 1,006,750,036 | 700,401,193 |
| Other current financial assets | 128,399,666 | 135,793,431 |
| Other non-current financial assets | 108,827,322 | 45,064,726 |
| Other financial assets: | | |
| Current lease receivables | 11,859,035 | 11,164,683 |
| Non-current lease receivables | 18,411,149 | 24,086,343 |
| | ₩ 5,366,461,445 | ₩ 4,280,723,573 |

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|--|--------------------------|--------------------------|
| Financial liabilities | | |
| Financial liabilities at fair value: | | |
| Current portion of financial assets at fair value through profit or loss | ₩ 27,799,840 | ₩ - |
| Financial liabilities at fair value through profit or loss | 33,883,935 | 83,901,868 |
| Financial liabilities at amortized cost: | | |
| Short-term borrowings | 7,000,000 | 7,000,000 |
| Other current financial liabilities | 219,754,599 | 215,333,268 |
| Other non-current financial liabilities | 23,650,383 | 15,292,480 |
| Other financial liabilities: | | |
| Current lease liabilities | 71,319,148 | 65,749,996 |
| Non-current lease liabilities | 119,635,526 | 131,011,524 |
| | ₩ 503,043,431 | ₩ 518,289,136 |

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6.2 Net Gains or Losses by Category of Financial Instruments

Fair value of financial instruments is equal to the carrying amounts, except for equity instruments that do not have a quoted price in an active market and whose fair value cannot be measured reliably.

Net gains or losses on each category of financial instruments for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|---|--------------------------|--------------------------|
| Dividend income: | | |
| Financial assets at fair value through profit or loss | ₩ 140,550 | ₩ 456,194 |
| Interest income/expenses: | | |
| Financial assets at amortized cost | 30,933,056 | 35,671,663 |
| Financial liabilities at amortized cost | (642,822) | (537,519) |
| Other financial assets | 1,600,371 | 1,866,091 |
| Other financial liabilities | (8,577,198) | (8,125,573) |
| Gain (loss) on disposal: | | |
| Financial assets at amortized costs | 23,343 | 14,457 |
| Financial assets at fair value through profit or loss | 269,293,169 | 135,176,980 |
| Gain (loss) on valuation: | | |
| Financial assets at fair value through profit or loss | 183,004,227 | (2,686,129) |
| Financial assets at fair value through other comprehensive income | (34,846,257) | (19,876,378) |
| Financial liabilities at fair value through profit or loss | 27,415,654 | 150,210,081 |
| Derivative assets | 3,272,994 | 385,486 |
| Net impairment loss: | | |
| Trade receivables | 82,043 | 3,283,474 |
| Financial assets at amortized cost | (39,000) | (105,702) |
| Net gain (loss) on foreign currency translation: | | |
| Trade receivables | 114,534,943 | 15,484,924 |
| Financial assets at amortized costs | 24,741,710 | 2,996,829 |
| Financial liabilities at amortized costs | (12,805,915) | (275,359) |
| | ₩ 598,130,868 | ₩ 313,939,519 |

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7. Trade Receivables, Other Financial Assets and Other Assets

Details of trade receivables, other financial assets and other assets as of December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | | December 31, 2023 |
|---|--------------------------|-------------------------------------|-------------------|--------------------------|
| | Gross amount | Provision for impairment | Net amount | Net amount |
| Trade receivables | ₩ 1,008,516,355 | ₩ (1,766,319) | ₩ 1,006,750,036 | ₩ 700,401,193 |
| Other current financial assets | | | | |
| Short-term financial instruments | 106,044,170 | - | 106,044,170 | 42,174,929 |
| Short-term loans | 9,635,222 | (22,000) | 9,613,222 | 73,104,657 |
| Other receivables | 10,406,595 | (241,852) | 10,164,743 | 16,249,127 |
| Accrued income | 850,598 | - | 850,598 | 800,398 |
| Deposits | 1,726,933 | - | 1,726,933 | 3,464,320 |
| Lease receivables | 11,859,035 | - | 11,859,035 | 11,164,683 |
| | ₩ 140,522,553 | ₩ (263,852) | ₩ 140,258,701 | ₩ 146,958,114 |
| Other current assets | | | | |
| Advance payments | 4,721,928 | (526,465) | 4,195,463 | 2,277,334 |
| Prepaid expenses | 74,386,643 | - | 74,386,643 | 45,609,324 |
| Others | 1,947,457 | - | 1,947,457 | 1,081,491 |
| | ₩ 81,056,028 | ₩ (526,465) | ₩ 80,529,563 | ₩ 48,968,149 |
| Other non-current financial assets | | | | |
| Long-term loans | ₩ 58,015,136 | ₩ - | ₩ 58,015,136 | ₩ 1,200,000 |
| Long-term other receivables | 2,141,420 | - | 2,141,420 | 602,329 |
| Long-term accrued income | 553,965 | - | 553,965 | 305,241 |
| Long-term financial instruments | 8,380,056 | - | 8,380,056 | 6,210,272 |
| Deposits | 39,736,745 | - | 39,736,745 | 36,746,885 |
| Long-term Lease receivables | 18,411,149 | - | 18,411,149 | 24,086,342 |
| | ₩ 127,238,471 | ₩ - | ₩ 127,238,471 | ₩ 69,151,069 |
| Other non-current assets | | | | |
| Long-term advance payments | ₩ 108,443,195 | ₩ - | ₩ 108,443,195 | ₩ 30,116,127 |
| Long-term prepaid expenses | 71,939,591 | - | 71,939,591 | - |
| | ₩ 180,382,786 | ₩ - | ₩ 180,382,786 | ₩ 30,116,127 |
| | ₩ 1,537,716,193 | ₩ (2,556,636) | ₩ 1,535,159,557 | ₩ 995,594,652 |

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | | December 31, 2023 |
|---|--------------------------|-------------------------------------|-------------------|--------------------------|
| | Gross amount | Provision for impairment | Net amount | Net amount |
| Third party receivables | ₩ 1,518,473,955 | ₩ (2,556,636) | ₩ 1,515,917,319 | ₩ 982,557,940 |
| Related party receivables | 19,242,238 | - | 19,242,238 | 13,036,712 |
| | ₩ 1,537,716,193 | ₩ (2,556,636) | ₩ 1,535,159,557 | ₩ 995,594,652 |

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7. Trade Receivables, Other Financial Assets and Other Assets, (cont'd)

Changes in the provision for impairment for the years ended December 31, 2024 and 2023, are as follows:

| | | December 31, 2024 | | | |
|---------------------------------------|---|--------------------------|---------------------------------|--------------------|--------------------|
| <i>(in thousands of Korean won)</i> | | Beginning | Provision (reversal) | Write-off | Ending |
| Trade receivables | ₩ | 1,848,361 | ₩ (82,043) | ₩ - | ₩ 1,766,318 |
| Other current financial assets | | | | | |
| Short-term loans | | 22,000 | - | - | 22,000 |
| Other receivables | | 689,989 | 39,000 | (487,137) | 241,852 |
| Other current assets | | | | | |
| Advance payments | | 17,591 | 508,874 | - | 526,465 |
| | ₩ | <u>2,577,941</u> | ₩ <u>465,831</u> | ₩ <u>(487,137)</u> | ₩ <u>2,556,635</u> |

| | | December 31, 2023 | | | |
|---|---|--------------------------|---------------------------------|--------------------|--------------------|
| <i>(in thousands of Korean won)</i> | | Beginning | Provision (reversal) | Write-off | Ending |
| Trade receivables | ₩ | 5,150,797 | ₩ (3,283,474) | ₩ (18,962) | ₩ 1,848,361 |
| Other current financial assets | | | | | |
| Short-term loans | | 22,000 | - | - | 22,000 |
| Other receivables | | 689,989 | 105,702 | (105,702) | 689,989 |
| Other non-current financial assets | | | | | |
| Advance payments | | - | 17,591 | - | 17,591 |
| | ₩ | <u>5,862,786</u> | ₩ <u>(3,160,181)</u> | ₩ <u>(124,664)</u> | ₩ <u>2,577,941</u> |

As of December 31, 2024 and 2023, fair values of trade receivables, other current assets and other non-current assets are equal to their book value. The maximum exposure of trade and other receivables to credit risk is the book value of receivables mentioned above.

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8. Restricted Financial Instruments

Financial instruments which are restricted in use as of December 31, 2024 and 2023 are summarized as follows:

| <i>(in thousands of Korean won)</i> | | December 31, 2024 | | December 31, 2023 | | Restriction |
|---|-----------------------------|------------------------------|-----------|------------------------------|-----------|-------------------------------------|
| Other current financial assets | INDUSTRIAL BANK OF KOREA | ₩ | 150,000 | ₩ | 50,000 | Provided as collateral ¹ |
| | Woori Bank | | 200,000 | | - | Provided as collateral ¹ |
| | Shinhan Bank | | - | | 1,787,649 | Provided as collateral ² |
| | Royal Bank of Canada | | - | | 112,059 | Provided as collateral ² |
| Other non-current financial assets | Woori Bank | | 7,365,683 | | 5,578,034 | Provided as collateral ² |
| | Woori Bank | | 100,000 | | 100,000 | Provided as collateral ¹ |
| | Royal Bank of Canada | | 102,396 | | 48,732 | Provided as collateral ¹ |
| | Royal Bank of Canada | | 220,155 | | - | Provided as collateral ² |
| | | ₩ | 8,138,234 | ₩ | 7,676,474 | |

¹ Provided as a collateral for company credit card limit (Note 19).

² Provided as a collateral for leasehold deposits received (Note 19).

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9. Other Liabilities

Details of other liabilities as of December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

| | December 31, 2024 | December 31, 2023 |
|--|----------------------|----------------------|
| Other current financial liabilities: | | |
| Account payables | ₩ 209,955 | ₩ 206,518 |
| Other payables | 37,187,385 | 34,925,979 |
| Accrued expenses ¹ | 179,924,161 | 179,725,794 |
| Lease liabilities | 71,319,148 | 65,749,996 |
| Current portion of leasehold deposits received | 2,433,098 | 474,977 |
| | <u>₩ 291,073,747</u> | <u>₩ 281,083,264</u> |
| Other current liabilities and contract liabilities: | | |
| Withholdings | ₩ 18,583,798 | ₩ 8,277,215 |
| Unearned revenue | 134,388,699 | 80,744,909 |
| Advance received | 2,561,343 | 3,246,129 |
| Others | 397,132 | 632,963 |
| | <u>₩ 155,930,972</u> | <u>₩ 92,901,216</u> |
| Other non-current financial liabilities: | | |
| Long-term other payables | ₩ - | ₩ 184,708 |
| Long-term accrued expenses ² | 16,793,622 | 6,531,611 |
| Leasehold deposits received | 6,856,760 | 8,576,161 |
| Lease liabilities | 119,635,526 | 131,011,524 |
| | <u>₩ 143,285,908</u> | <u>₩ 146,304,004</u> |
| Other non-current liabilities and contract liabilities: | | |
| Long-term unearned revenue | ₩ 35,068,651 | ₩ 49,607,495 |
| | <u>₩ 625,359,278</u> | <u>₩ 569,895,979</u> |

¹ Includes liabilities related to employee benefit and share-based payment amounting to ₩ 126,070,726 thousand (December 31, 2023: ₩ 118,131,478 thousand).

² Includes liabilities related to employee benefit and share-based payment amounting to ₩ 16,793,622 thousand (December 31, 2023: ₩ 5,848,090 thousand).

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10. Financial Assets at Fair Value through Profit or Loss

Details of financial assets at fair value through profit or loss as of December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | | | |
|---|------------------------|--------------------------------------|------------------------|------------------------|----------------------|
| | Acquisition cost | Accumulated gain (loss) on valuation | Book value | Current | Non-current |
| Beneficiary certificates | ₩ 3,137,254,739 | ₩ 242,006,802 | ₩ 3,379,261,541 | ₩ 3,190,300,274 | ₩ 188,961,267 |
| Redeemable convertible preference shares and others | 39,562,931 | (10,196,167) | 29,366,764 | - | 29,366,764 |
| Simple Agreement for Future Equity | 8,309,543 | (4,400,918) | 3,908,625 | - | 3,908,625 |
| | <u>₩ 3,185,127,213</u> | <u>₩ 227,409,717</u> | <u>₩ 3,412,536,930</u> | <u>₩ 3,190,300,274</u> | <u>₩ 222,236,656</u> |

| <i>(in thousands of Korean won)</i> | December 31, 2023 | | | | |
|---|------------------------|--------------------------------------|------------------------|------------------------|----------------------|
| | Acquisition cost | Accumulated gain (loss) on valuation | Book value | Current | Non-current |
| Beneficiary certificates | ₩ 2,476,260,053 | ₩ 10,794,153 | ₩ 2,487,054,206 | ₩ 2,339,101,046 | ₩ 147,953,160 |
| Redeemable convertible preference shares and others | 23,232,611 | (8,607,605) | 14,625,006 | 1,289,244 | 13,335,762 |
| Simple Agreement for Future Equity | 5,960,820 | (94,050) | 5,866,770 | - | 5,866,770 |
| | <u>₩ 2,505,453,484</u> | <u>₩ 2,092,498</u> | <u>₩ 2,507,545,982</u> | <u>₩ 2,340,390,290</u> | <u>₩ 167,155,692</u> |

11. Financial Assets at Fair Value through Other Comprehensive Income

Details of financial assets at fair value through other comprehensive income as of December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | | |
|-------------------------------------|----------------------|-------------------------------------|---------------------|---------------------|
| | Acquisition cost | Accumulated gain(loss) on valuation | Book value | Non-current |
| Unlisted equity securities | ₩ 72,469,149 | ₩ (11,452,647) | ₩ 61,016,502 | ₩ 61,016,502 |
| Listed equity securities | <u>75,645,630</u> | <u>(44,063,108)</u> | <u>31,582,522</u> | <u>31,582,522</u> |
| | <u>₩ 148,114,779</u> | <u>₩ (55,515,755)</u> | <u>₩ 92,599,024</u> | <u>₩ 92,599,024</u> |

| <i>(in thousands of Korean won)</i> | December 31, 2023 | | | |
|-------------------------------------|-------------------|-------------------------------------|--------------|--------------|
| | Acquisition cost | Accumulated gain(loss) on valuation | Book value | Non-current |
| Unlisted equity securities | ₩ 65,998,068 | ₩ 1,929,951 | ₩ 67,928,019 | ₩ 67,928,019 |

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| | | | | |
|--------------------------|---------------|---------------|---------------|---------------|
| Listed equity securities | 75,645,630 | (10,100,250) | 65,545,380 | 65,545,380 |
| | ₩ 141,643,698 | ₩ (8,170,299) | ₩ 133,473,399 | ₩ 133,473,399 |

12. Investments in Associates and Joint ventures

Details of the associates and joint ventures of the Group as of December 31, 2024 and 2023, are as follows:

| | Percentage of ownership | | Location | Date of financial statements |
|--|-------------------------|-------------------|----------------|------------------------------|
| | December 31, 2024 | December 31, 2023 | | |
| 1Up Ventures, L.P. | 33.53% | 33.53% | U.S.A. | 31-Dec |
| Hidden Sequence Co., Ltd. ¹ | 13.57% | 13.57% | Korea | 31-Dec |
| Smart Krafton-BonAngels Fund ² | 54.55% | 54.55% | Korea | 31-Dec |
| Nodwin Gaming Private Limited ¹ | 15.50% | 15.64% | India | 31-Dec |
| Nasadiya Technologies Private Limited ¹ | 18.48% | 18.23% | India | 31-Dec |
| Mirae Asset Maps General Private Real Estate Investment Trust 66 | 42.96% | 42.96% | Korea | 31-Dec |
| Tamatem Inc. ¹ | 13.61% | 13.61% | Virgin Islands | 31-Dec |
| Seoul Auction Blue Co., Ltd ¹ | 5.33% | 5.33% | Korea | 31-Dec |
| Seoulauction X Co., Ltd ^{1,6} | 10.26% | 10.26% | Korea | 31-Dec |
| Nautilus Mobile App Private Limited | 31.91% | 31.91% | India | 31-Dec |
| Mebigo Labs Private Limited ¹ | 10.70% | 10.70% | India | 31-Dec |
| Smart KNB Booster Fund ² | 75.86% | 75.86% | Korea | 31-Dec |
| NIRVANANA | 28.26% | 33.33% | Korea | 31-Dec |
| 1Up Ventures Fund II, L.P. | 44.05% | 44.54% | U.S.A. | 31-Dec |
| Anycast technology Private Limited ¹ | 9.40% | 9.41% | India | 31-Dec |
| Funnystorm | 24.24% | 24.24% | Korea | 31-Dec |
| Talent Unlimited Online Services Private Limited | 23.19% | 23.19% | India | 31-Dec |
| Playgig, Inc. ¹ | 16.18% | 16.18% | U.S.A. | 31-Dec |
| Gardens Interactive, Inc. ¹ | 11.50% | 11.58% | U.S.A. | 31-Dec |
| Fast Track Asia Co., Ltd. | 27.47% | 27.47% | Korea | 31-Dec |
| Kona Venture Fund V | 49.00% | 49.00% | Korea | 31-Dec |
| DEVSISTERS VENTURES FUND IX | 46.67% | 46.67% | Korea | 31-Dec |
| Studio Sai, Co. | 20.00% | 20.00% | U.S.A. | 31-Dec |
| Boundary Inc. | 24.00% | 20.00% | Korea | 31-Dec |
| OVERDARE, Inc. ³ | 85.00% | 85.00% | U.S.A. | 31-Dec |
| IMM India Fund | 44.44% | 44.44% | Korea | 31-Dec |
| Red Rover Interactive Limited ^{1,4} | 17.03% | - | U.K. | 30-Sep |
| Eschatology Entertainment Ltd ^{1,4} | 19.03% | - | Cyprus | 30-Sep |
| Ruckus Games Holdings, Inc. ^{1,4} | 15.84% | - | U.S.A. | 30-Sep |
| E.F. Games, S.L. ⁴ | 25.00% | - | Spain | 30-Sep |
| Piccolo Studio, S.L. ⁴ | 25.00% | - | Spain | 30-Sep |
| Republic Games Ltd ⁴ | 22.22% | - | U.K. | 30-Sep |
| Jeux Wolf Haus Inc. ^{1,4} | 16.57% | - | Canada | 30-Sep |
| Spoonlabs ⁴ | 34.20% | - | Korea | 30-Sep |
| Day 4 Night Studios Inc. ⁴ | 27.78% | - | U.S.A. | 30-Sep |

KRAFTON, Inc. and its Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

| | | | | |
|--|--------|--------|--------|--------|
| TBT-IBX NEXT UNICORN FUND III ^{2,4} | 51.38% | - | Korea | 31-Dec |
| Voracious Games Inc. ^{1,4} | 18.25% | - | U.S.A. | 30-Sep |
| Antistatic Studios Inc. ⁴ | 29.62% | - | Poland | 30-Sep |
| Loco Interactive Pte Limited ⁵ | - | 11.41% | India | 31-Dec |

¹ Although the Group holds less than 20%, the Group classified the entities as associates, as the Group is considered to have significant influences over the entity as the Group participates in same or similar level of Board of Directors.

² Although the Group holds more than 50%, due to legal and contractual restrictions on the investor's rights, the conditions for having control are not met. However, the Group classified it as investments in associates, as the Group is able to exercise significant influence over the entity.

³ Although the Group holds more than 50%, due to possessing joint control such as requiring unanimous consent from all investors for decisions regarding the relevant activities, the Group classified it as the investment in joint ventures.

⁴ During the year ended December 31, 2024, the entity was included in the scope of associates or joint venture due to new investments made by the Group.

⁵ During the year ended December 31, 2024, all shares were sold by the Group.

⁶ During the year ended December 31, 2024, X By Blue Co., Ltd. was renamed to Seoulauction X Co., Ltd

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
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12. Investments in Associates and Joint ventures, (cont'd)

Details of valuation of investments in associates and joint ventures that are accounted for using the equity method for the years ended December 31, 2024 and 2023, are as follows:

| | December 31, 2024 | | | | | | | | | | | | | |
|--|-------------------|-------------|-------------|------------|---|--------------|---|-----------|-----------|-----------|-----------------|--------------|--------|-------------|
| (in thousands of Korean won) | Beginning | | Acquisition | | Share of profit (loss) of associates and joint ventures | | Share of other comprehensive income (loss) of associates and joint ventures | | Disposals | | Impairment loss | | Ending | |
| 1Up Ventures, L.P. | ₩ | 12,078,234 | ₩ | - | ₩ | (812,197) | ₩ | 1,627,292 | ₩ | - | ₩ | - | ₩ | 12,893,329 |
| Hidden Sequence Co., Ltd. | | - | | - | | - | | - | | - | | - | | - |
| Smart Krafton-BonAngels Fund | | 9,269,137 | | - | | (213,265) | | 264,723 | | - | | - | | 9,320,595 |
| Nodwin Gaming Private Limited | | 34,919,830 | | - | | (753,223) | | 887,913 | | (76,098) | | - | | 34,978,422 |
| Nasadiya Technologies Private Limited | | 42,800,916 | | - | | (254,058) | | 170,179 | | 8,528 | | (20,125,947) | | 22,599,618 |
| Mirae Asset Maps General Private Real Estate Investment Trust 66 | | 264,756,705 | | - | | (19,527,381) | | - | | - | | - | | 245,229,324 |
| Tamatem Inc. | | 7,182,136 | | - | | 207,550 | | 308,980 | | - | | - | | 7,698,666 |
| Seoul Auction Blue Co., Ltd | | 2,448,995 | | - | | (183,528) | | 670 | | - | | - | | 2,266,137 |
| Seoulauction X Co., Ltd | | 4,873,561 | | - | | (70,762) | | 1,604 | | - | | - | | 4,804,403 |
| Nautilus Mobile App Private Limited | | 6,110,413 | | - | | 264,494 | | 249,216 | | - | | - | | 6,624,123 |
| Mebigo Labs Private Limited | | 12,711,041 | | - | | (720,965) | | (486,393) | | 325,673 | | - | | 11,829,356 |
| Smart KNB Booster Fund | | 8,840,655 | | 22,000,000 | | (1,518,031) | | - | | - | | - | | 29,322,624 |
| NIRVANANA | | 2,166,063 | | - | | (2,676,752) | | - | | 2,572,495 | | - | | 2,061,806 |
| 1Up Ventures Fund II, L.P. | | 8,522,439 | | 4,356,334 | | (530,237) | | 1,119,385 | | (148) | | - | | 13,467,773 |
| Anycast technology Private Limited | | 7,835,729 | | - | | (298,040) | | 56,854 | | (743) | | - | | 7,593,800 |
| Funnystorm | | 7,812,884 | | - | | (295,662) | | - | | - | | - | | 7,517,222 |
| Talent Unlimited Online Services Private Limited | | 38,145,451 | | - | | (2,042,877) | | 182,298 | | - | | - | | 36,284,872 |
| Playgig, Inc. | | 25,786,487 | | - | | (1,209,798) | | 543,933 | | (2,073) | | - | | 25,118,549 |

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

| December 31, 2024 | | | | | | | | | |
|-------------------------------------|---------------|---------------|--|---|-------------|--------------------|---------------|--|--|
| <i>(in thousands of Korean won)</i> | Beginning | Acquisition | Share of profit (loss) of associates and joint ventures | Share of other comprehensive income (loss) of associates and joint ventures | Disposals | Impairment loss | Ending | | |
| Gardens Interactive, Inc. | ₩ 15,482,022 | ₩ - | ₩ (963,087) | ₩ 801,167 | ₩ 21,386 | ₩ - | ₩ 15,341,488 | | |
| Fast Track Asia Co., Ltd. | 22,094,988 | - | (470,831) | - | - | - | 21,624,157 | | |
| Kona Venture Fund V | 2,414,769 | - | (147,981) | - | - | - | 2,266,788 | | |
| DEVSISTERS VENTURES FUND IX | 4,133,932 | 1,400,000 | (214,533) | - | - | - | 5,319,399 | | |
| Studio Sai, Co. | 7,889,928 | - | (261,517) | 163,716 | - | - | 7,792,127 | | |
| Boundary Inc. | 4,935,773 | 3,000,024 | (493,031) | - | (2,188,019) | - | 5,254,747 | | |
| OVERDARE, Inc. | 17,009,646 | - | (12,668,352) | 3,312,391 | - | - | 7,653,685 | | |
| IMM India Fund | 1,029,967 | 1,041,278 | (170,719) | - | (1,382) | - | 1,899,144 | | |
| Red Rover Interactive Limited | - | 12,046,480 | (694,989) | 308,328 | - | - | 11,659,819 | | |
| Eschatology Entertainment Ltd | - | 8,870,362 | (14,116) | 213,375 | - | - | 9,069,621 | | |
| Ruckus Games Holdings, Inc. | - | 11,020,800 | (39,677) | 294,631 | 157,208 | - | 11,432,962 | | |
| E.F. Games, S.L. | - | 2,382,560 | (57,634) | 65,559 | - | - | 2,390,485 | | |
| Piccolo Studio, S.L. | - | 1,628,682 | (201,312) | (5,202) | - | - | 1,422,168 | | |
| Republic Games Ltd | - | 3,453,698 | - | - | - | - | 3,453,698 | | |
| Jeux Wolf Haus Inc. | - | 2,003,850 | - | - | - | - | 2,003,850 | | |
| Spoonlabs | - | 110,007,269 | (824,354) | 15,662 | (244,597) | - | 108,953,980 | | |
| Day 4 Night Studios Inc. | - | 4,661,300 | - | - | - | - | 4,661,300 | | |
| TBT-IBX NEXT UNICORN FUND III | - | 11,000,000 | (21,230) | - | - | - | 10,978,770 | | |
| Voracious Games Inc. | - | 4,553,898 | - | - | - | - | 4,553,898 | | |
| Antistatic Studios Inc. | - | 4,668,619 | - | - | - | - | 4,668,619 | | |
| | ₩ 571,251,701 | ₩ 208,095,154 | ₩ (47,878,095) | ₩ 10,096,281 | ₩ 572,230 | ₩ (20,125,947) | ₩ 722,011,324 | | |

KRAFTON, Inc. and its Subsidiaries
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12. Investments in Associates and Joint ventures, (cont'd)

| | December 31, 2023 | | | | | | | | |
|--|-------------------|-------------|-------------|---|---|---------------|-----------------|-------------|--|
| (in thousands of Korean won) | Beginning | Acquisition | Dividend | Share of profit (loss) of associates and joint ventures | Share of other comprehensive income (loss) of associates and joint ventures | Disposals | Impairment loss | Ending | |
| Shinhan Alpha REIT Co., Ltd. | ₩ 4,744,221 | ₩ - | ₩ (190,000) | ₩ 115,520 | ₩ - | ₩ (4,669,741) | ₩ - | ₩ - | |
| 1Up Ventures, L.P. | 13,829,378 | - | - | (487,928) | (1,263,216) | - | - | 12,078,234 | |
| Hidden Sequence Co., Ltd. | 1,679,133 | - | - | (69,190) | - | - | (1,609,943) | - | |
| Smart Krafton-BonAngels Fund | 9,420,223 | 120,000 | - | (236,085) | (35,001) | - | - | 9,269,137 | |
| Nodwin Gaming Private Limited | 26,384,123 | 9,139,494 | - | (88,271) | (515,516) | - | - | 34,919,830 | |
| Un Note Co., Ltd. | 616,163 | - | - | (255,497) | - | (360,666) | - | - | |
| Loco Interactive Pte Limited | - | - | - | - | - | - | - | - | |
| Nasadiya Technologies Private Limited | 45,150,044 | - | - | (2,411,318) | 79,671 | (17,481) | - | 42,800,916 | |
| Mirae Asset Maps General Private Real Estate Investment Trust 66 | 270,393,580 | - | - | (5,636,875) | - | - | - | 264,756,705 | |
| Tamatem Inc. | 7,735,343 | - | - | (488,254) | (64,953) | - | - | 7,182,136 | |
| Seoul Auction Blue Co., Ltd | 2,867,156 | - | - | (401,502) | (16,659) | - | - | 2,448,995 | |
| Seoul Auction X Co., Ltd | 5,251,070 | - | - | (375,923) | (1,586) | - | - | 4,873,561 | |
| Nautilus Mobile App Private Limited | 6,524,769 | - | - | (428,394) | 14,038 | - | - | 6,110,413 | |
| Mebigo Labs Private Limited | 11,650,557 | - | - | (1,504,755) | (812) | 2,566,051 | - | 12,711,041 | |
| Smart KNB Booster Fund | 10,262,298 | - | - | (1,421,643) | - | - | - | 8,840,655 | |
| NIRVANANA | 4,564,479 | - | - | (2,398,416) | - | - | - | 2,166,063 | |
| 1Up Ventures Fund II, L.P. | 4,224,333 | 4,535,333 | - | (329,062) | 76,450 | 15,385 | - | 8,522,439 | |
| Anycast technology Private Limited | - | 7,899,121 | - | (162,246) | (19,145) | 117,999 | - | 7,835,729 | |
| Funnystorm | - | 8,000,900 | - | (188,016) | - | - | - | 7,812,884 | |
| Talent Unlimited Online Services Private Limited | - | 39,176,463 | - | (937,219) | (93,793) | - | - | 38,145,451 | |

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| (in thousands of Korean won) | December 31, 2023 | | | | | | | | | |
|------------------------------|----------------------|----------------------|--------------------|---|---|----------------------|----------------------|----------------------|--|--|
| | Beginning | Acquisition | Dividend | Share of profit (loss) of associates and joint ventures | Share of other comprehensive income (loss) of associates and joint ventures | Disposals | Impairment loss | Ending | | |
| Playgig, Inc. | ₩ - | ₩ 26,349,994 | ₩ - | ₩ (1,619,423) | ₩ 854,849 | ₩ 201,067 | ₩ - | ₩ 25,786,487 | | |
| Gardens Interactive, Inc. | - | 15,907,211 | - | (383,966) | (138,745) | 97,522 | - | 15,482,022 | | |
| Fast Track Asia Co., Ltd. | - | 22,317,325 | - | 126,572 | (348,909) | - | - | 22,094,988 | | |
| Kona Venture Fund V | - | 2,450,000 | - | (35,231) | - | - | - | 2,414,769 | | |
| DEVSISTERS VENTURES FUND IX | - | 4,200,000 | - | (66,068) | - | - | - | 4,133,932 | | |
| Studio Sai, Co. | - | 7,903,813 | - | 63,200 | (77,085) | - | - | 7,889,928 | | |
| Boundary Inc. | - | 5,000,000 | - | (64,227) | - | - | - | 4,935,773 | | |
| OVERDARE, Inc. | - | 40,302,819 | - | (22,870,314) | (422,859) | - | - | 17,009,646 | | |
| IMM India Fund | - | 1,029,967 | - | - | - | - | - | 1,029,967 | | |
| | <u>₩ 425,296,870</u> | <u>₩ 194,332,440</u> | <u>₩ (190,000)</u> | <u>₩ (42,554,531)</u> | <u>₩ (1,973,271)</u> | <u>₩ (2,049,864)</u> | <u>₩ (1,609,943)</u> | <u>₩ 571,251,701</u> | | |

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12. Investments in Associates and Joint ventures, (cont'd)

The summarized financial information of the associates and joint ventures as of and for the years ended December 31, 2024 and 2023, are as follows:

| | December 31, 2024 | | | | | | | | | | | | | | | |
|--|-------------------|---------------|-------------|-------------|-------------|-------------|-------------|------------|--------------------|------------|----------------------|-------------|----------------------|-------------|--------|--------------|
| | Current | | Non-current | | Current | | Non-current | | Profit (loss) from | | Other | | Total Comprehensive | | | |
| (in thousands of Korean won) | Assets | | Assets | | Liabilities | | Liabilities | | Revenue | | Continuing Operation | | Comprehensive Income | | Income | |
| 1Up Ventures, L.P. | ₩ | 3,754,220 | ₩ | 34,724,293 | ₩ | 23,666 | ₩ | - | ₩ | - | ₩ | (2,234,810) | ₩ | 3,252,162 | ₩ | 1,017,352 |
| Hidden Sequence Co., Ltd. | | 4,204,490 | | 61,279 | | 9,505,179 | | 8,328,096 | | 976,164 | | (909,899) | | - | | (909,899) |
| Smart Krafton-BonAngels Fund | | 43,323 | | 17,415,485 | | 371,049 | | - | | 1,678 | | (379,778) | | 485,325 | | 105,547 |
| Nodwin Gaming Private Limited | | 43,737,720 | | 64,002,496 | | 33,374,041 | | 18,524,460 | | 56,866,136 | | (3,493,905) | | 5,728,468 | | 2,234,563 |
| Nasadiya Technologies Private Limited | | 3,682,618 | | 10,932,716 | | 3,608,010 | | 4,421,841 | | 10,954,765 | | (4,067,451) | | 920,882 | | (3,146,569) |
| Mirae Asset Maps General Private Real Estate Investment Trust 66 | | 1,251,300,347 | | 270,236,957 | | 930,794,913 | | - | | 428,779 | | (5,551,663) | | - | | (5,551,663) |
| Tamatem Inc. | | 15,540,974 | | 5,657,383 | | 1,640,030 | | 465,606 | | 13,839,241 | | 4,100,356 | | 2,269,981 | | 6,370,337 |
| Seoul Auction Blue Co., Ltd | | 9,732,542 | | 2,296,769 | | 1,788,191 | | 345,343 | | 25,607,314 | | (2,866,579) | | 12,569 | | (2,854,010) |
| Seoulauction X Co., Ltd | | 1,178,856 | | 534,368 | | 2,386,615 | | 53,201 | | 309,143 | | (692,581) | | - | | (692,581) |
| Nautilus Mobile App Private Limited | | 8,524,747 | | 779,028 | | 784,477 | | 231,031 | | 2,897,384 | | (336,873) | | 780,878 | | 444,005 |
| Mebigo Labs Private Limited | | 44,039,446 | | 1,615,092 | | 11,250,911 | | 236,772 | | 7,116,539 | | (4,752,374) | | (6,305,473) | | (11,057,847) |
| Smart KNB Booster Fund | | 9,985,270 | | 29,252,090 | | 584,811 | | - | | 309,834 | | (2,023,880) | | - | | (2,023,880) |
| NIRVANANA | | 5,201,560 | | 887,993 | | 12,833,671 | | 1,077,053 | | - | | (8,034,583) | | - | | (8,034,583) |
| 1Up Ventures Fund II, L.P. | | 13,592,625 | | 17,690,187 | | 15,592 | | - | | - | | (1,200,851) | | 2,525,074 | | 1,324,223 |
| Anycast technology Private Limited | | 3,837,365 | | 2,581,981 | | 1,583,089 | | 270,218 | | 3,694,738 | | (3,250,923) | | 604,513 | | (2,646,410) |
| Funnystorm | | 6,606,964 | | 111,214 | | 32,270 | | 60 | | - | | (1,219,502) | | - | | (1,219,502) |
| Talent Unlimited Online Services Private Limited | | 3,066,519 | | 8,925,878 | | 8,113,035 | | - | | 6,436,813 | | (6,608,907) | | 786,102 | | (5,822,805) |
| Playgig, Inc. | | 24,249,996 | | 265,085 | | 491,930 | | - | | - | | (7,476,621) | | 3,361,506 | | (4,115,115) |
| Gardens Interactive, Inc. | | 34,232,200 | | 21,208,170 | | 74,831 | | 735,000 | | - | | (7,881,720) | | 7,019,131 | | (862,589) |
| Fast Track Asia Co., Ltd. | | 7,298,070 | | 15,911,364 | | 4,283,513 | | 1,225,922 | | 796,122 | | (1,706,902) | | - | | (1,706,902) |
| Kona Venture Fund V | | 4,667,851 | | - | | 41,753 | | - | | 59,599 | | (308,199) | | - | | (308,199) |

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| December 31, 2024 | | | | | | | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|------------|--------------|-------------|---------------|---------------------|--------|
| (in thousands of Korean won) | Current | | Non-current | | Current | | Non-current | | Profit (loss) from | Other |
| | Assets | Assets | Liabilities | Liabilities | Revenue | Continuing | Operation | Comprehensive | Total Comprehensive | Income |
| DEVSISTERS VENTURES FUND IX | ₩ 2,297,225 | ₩ 9,294,752 | ₩ 193,263 | ₩ - | ₩ 43,355 | ₩ (458,063) | ₩ - | ₩ (458,063) | | |
| Studio Sai, Co. | 9,497,127 | - | 795,938 | - | 946,929 | (818,247) | 1,154,331 | 336,084 | | |
| Boundary Inc. | 2,655,675 | 2,718,433 | 74,149 | - | - | (2,468,774) | - | (2,468,774) | | |
| OVERDARE, Inc. | 12,153,657 | 34,408,191 | 7,974,431 | 5,126,250 | - | (17,268,883) | 2,345,142 | (14,923,741) | | |
| IMM India Fund | 4,273,504 | - | 2 | - | 98,866 | (358,892) | - | (358,892) | | |
| Red Rover Interactive Limited | 22,860,634 | 127,219 | 1,867,209 | 1,201 | - | (5,089,508) | 1,782,007 | (3,307,500) | | |
| Eschatology Entertainment Ltd | 10,111,251 | 10,414,458 | 101,696 | - | - | (856,728) | 1,098,233 | 241,505 | | |
| Ruckus Games Holdings, Inc. | 26,812,070 | 8,152,482 | 29,466 | - | - | 209,225 | 1,914,404 | 2,123,629 | | |
| E.F. Games, S.L. | 2,284,676 | 7,340,430 | 72,326 | - | - | (222,977) | 262,308 | 39,331 | | |
| Piccolo Studio, S.L. | 4,583,335 | 221,834 | 161,384 | 4,487,046 | 288,647 | (1,753,664) | (10,019) | (1,763,683) | | |
| Republic Games Ltd | 2,946,469 | 5,024 | 24,912 | - | 307 | (360,109) | - | (360,109) | | |
| Jeux Wolf Haus Inc. | 3,605,658 | 19,706 | - | 23,465 | - | (341,562) | - | (341,562) | | |
| Spoonlabs | 106,834,597 | 25,198,587 | 44,403,089 | 2,510,695 | 56,325,563 | 5,648,736 | 15,662 | 5,664,398 | | |
| Day 4 Night Studios Inc. | 5,220,739 | 4,531 | 9,960 | - | - | (617,778) | 553,694 | (64,083) | | |
| TBT-IBX NEXT UNICORN FUND III | 2,305,735 | 19,069,202 | 6,258 | - | 6,545 | (41,321) | - | (41,321) | | |
| Voracious Games Inc. | 5,183,296 | - | - | - | 61,360 | (398,690) | (30,990) | (429,679) | | |
| Antistatic Studios Inc. | 6,755,557 | 13,372 | 4,581 | 1,102,500 | - | (199,426) | (21,928) | (221,354) | | |

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12. Investments in Associates and Joint ventures, (cont'd)

| | December 31, 2023 | | | | | | | | | | | | | | |
|--|-------------------|------------|-------------|---------------|-------------|-------------|-------------|------------|--------------------|------------|---------------|--------------|---------------|-------------|--------------|
| | Current | | Non-current | | Current | | Non-current | | Profit (loss) from | | Other | | Total | | |
| (in thousands of Korean won) | Assets | | Assets | | Liabilities | | Liabilities | | Continuing | | Comprehensive | | Comprehensive | | |
| | | | | | | | | | Revenue | Operation | | Income | | Income | |
| 1Up Ventures, L.P. | ₩ | 4,037,902 | ₩ | 32,008,456 | ₩ | 22,452 | ₩ | - | ₩ | - | ₩ | (1,455,197) | ₩ | 4,065,193 ₩ | 2,609,996 |
| Hidden Sequence Co., Ltd. | | 11,133,046 | | 2,179,968 | | 10,514,801 | | 8,328,096 | | 786,151 | | (749,306) | | - | (749,306) |
| Smart Krafton-BonAngels Fund | | 162,670 | | 16,930,159 | | 99,411 | | - | | 6,324 | | (432,823) | | (64,168) | (496,991) |
| Nodwin Gaming Private Limited | | 66,720,680 | | 20,737,915 | | 28,986,085 | | 2,203,790 | | 64,749,734 | | (1,334,562) | | (3,510,945) | (4,845,507) |
| Loco Interactive Pte Limited | | 10,661,173 | | 93,757 | | 2,587,087 | | 12,502,427 | | 364,550 | | (19,507,076) | | 3,666,741 | (15,840,335) |
| Nasadiya Technologies Private Limited | | 4,374,800 | | 12,011,830 | | 3,820,512 | | 3,431,700 | | 8,898,031 | | (10,113,470) | | 423,269 | (9,690,201) |
| Mirae Asset Maps General Private Real Estate Investment Trust 66 | | 12,389,239 | | 1,336,694,396 | | 732,839,581 | | - | | 956,207 | | (13,120,314) | | - | (13,120,314) |
| Tamatem Inc. | | 12,480,223 | | 4,697,291 | | 1,175,710 | | 703,865 | | 16,269,161 | | (5,283,071) | | (477,188) | (5,760,259) |
| Seoul Auction Blue Co., Ltd | | 12,324,625 | | 2,318,733 | | 1,512,725 | | 343,940 | | 15,699,484 | | (6,072,124) | | (318,110) | (6,390,234) |
| Seoulauction X Co., Ltd | | 1,492,181 | | 1,054,867 | | 2,552,859 | | 20,211 | | 1,039,816 | | (2,656,797) | | (15,468) | (2,672,265) |
| Nautilus Mobile App Private Limited | | 7,466,814 | | 416,615 | | 714,982 | | 312,804 | | 4,660,328 | | (2,226,355) | | 43,987 | (2,182,368) |
| Mebigo Labs Private Limited | | 47,415,795 | | 1,196,921 | | 6,078,433 | | 127,375 | | 14,635,973 | | (12,980,684) | | (204,845) | (13,185,529) |
| Smart KNB Booster Fund | | 10,236,713 | | 1,998,486 | | 581,608 | | - | | 451,104 | | (1,879,346) | | - | (1,879,346) |
| NIRVANANA | | 5,930,278 | | 1,027,781 | | 13,076,654 | | 200,000 | | - | | (7,196,106) | | - | (7,196,106) |
| 1Up Ventures Fund II, L.P. | | 9,541,677 | | 9,069,825 | | 11,441 | | - | | - | | (520,468) | | 147,380 | (373,088) |
| Anycast technology Private Limited | | 7,807,304 | | 690,556 | | 1,201,994 | | 163,696 | | 1,950,040 | | (1,579,621) | | (217,324) | (1,796,945) |
| Funnystorm | | 7,872,879 | | 78,521 | | 45,991 | | 60 | | - | | (1,234,718) | | - | (1,234,718) |
| Talent Unlimited Online Services Private Limited | | 3,769,448 | | 14,005,553 | | 4,742,496 | | 1,679,167 | | 2,772,746 | | (5,361,987) | | (428,640) | (5,790,627) |
| Playgig, Inc. | | 27,970,667 | | 234,373 | | 49,078 | | - | | - | | (6,025,121) | | 5,272,172 | (752,949) |
| Gardens Interactive, Inc. | | 35,865,916 | | 19,639,893 | | 39,095 | | - | | - | | (5,908,773) | | (1,074,468) | (6,983,241) |
| Fast Track Asia Co., Ltd. | | 21,939,891 | | 2,783,531 | | 4,410,913 | | 827,551 | | 884,061 | | 868,888 | | (1,930) | 866,958 |
| Kona Venture Fund V | | 4,935,396 | | - | | 7,296 | | - | | 49,350 | | (71,900) | | - | (71,900) |
| DEVSISTERS VENTURES FUND IX | | 2,893,928 | | 6,079,294 | | 114,796 | | - | | 18,784 | | (141,573) | | - | (141,573) |

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
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| | | December 31, 2023 | | | | | | | | | | | | | | |
|------------------------------|---|-------------------|---|-------------|---|-------------|---|-------------|---|--------------------|---|------------|---|---------------|---|-----------|
| | | Current | | Non-current | | Current | | Non-current | | Profit (loss) from | | Other | | Total | | |
| | | Assets | | Assets | | Liabilities | | Liabilities | | Revenue | | Continuing | | Comprehensive | | |
| | | | | | | | | | | | | Operation | | Income | | |
| | | | | | | | | | | | | | | | | |
| (in thousands of Korean won) | | | | | | | | | | | | | | | | |
| Studio Sai, Co. | ₩ | 9,268,812 | ₩ | - | ₩ | 78,620 | ₩ | - | ₩ | 1,059,187 | ₩ | 316,000 | ₩ | (384,388) | ₩ | (68,388) |
| Boundary Inc. | | 4,008,509 | | 806,318 | | 49,736 | | - | | - | | (334,910) | | - | | (334,910) |
| OVERDARE, Inc. | | 19,120,094 | | 30,438,594 | | 1,126,811 | | 2,646,410 | | - | | (977,591) | | 58,548 | | (919,043) |
| IMM India Fund | | 2,292,394 | | - | | - | | - | | 570 | | (47,606) | | - | | (47,606) |

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
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12. Investments in Associates and Joint ventures, (cont'd)

The reconciliation of the summarized financial information presented to the carrying amount of its interest in the associate and joint ventures as of December 31, 2024 and 2023, are as follows:

| (in thousands of Korean won) | December 31, 2024 | | | | | |
|--|--|-------------------------|---------------------------|-----------------------|-----------------------|--------------|
| | Net assets attributable to ordinary shares | Percentage of ownership | Equity accounted interest | Investment difference | Internal transactions | Book amount |
| 1Up Ventures, L.P. | ₩ 38,454,847 | 33.53% | ₩ 12,893,910 | ₩ (581) | ₩ - | ₩ 12,893,329 |
| Hidden Sequence Co., Ltd. | (13,784,159) | 13.57% | (1,870,421) | 2,351,494 | - | - |
| Smart Krafton-BonAngels Fund | 17,087,758 | 54.55% | 9,320,595 | - | - | 9,320,595 |
| Nodwin Gaming Private Limited | 55,242,840 | 15.50% | 8,562,640 | 26,415,782 | - | 34,978,422 |
| Nasadiya Technologies Private Limited | 2,957,227 | 18.48% | 546,496 | 22,053,122 | - | 22,599,618 |
| Mirae Asset Maps General Private Real Estate Investment Trust 66 | 570,792,391 | 42.96% | 245,229,324 | - | - | 245,229,324 |
| Tamatem Inc. | 19,092,722 | 13.61% | 2,598,820 | 5,099,846 | - | 7,698,666 |
| Seoul Auction Blue Co., Ltd | 8,425,501 | 5.33% | 449,352 | 1,816,785 | - | 2,266,137 |
| Seoulauction X Co., Ltd | (773,797) | 10.26% | (79,361) | 4,883,764 | - | 4,804,403 |
| Nautilus Mobile App Private Limited | 7,139,625 | 31.91% | 2,278,604 | 4,345,520 | - | 6,624,123 |
| Mebigo Labs Private Limited | 34,166,855 | 10.70% | 3,655,853 | 8,173,502 | - | 11,829,356 |
| Smart KNB Booster Fund | 38,652,549 | 75.86% | 29,322,624 | - | - | 29,322,624 |
| NIRVANANA | (7,821,171) | 28.26% | (2,210,245) | 4,272,051 | - | 2,061,806 |
| 1Up Ventures Fund II, L.P. | 31,267,220 | 44.05% | 13,774,106 | (306,333) | - | 13,467,773 |
| Anycast technology Private Limited | 4,566,040 | 9.40% | 429,208 | 7,164,592 | - | 7,593,800 |
| Funnystorm | 6,685,848 | 24.24% | 1,620,950 | 5,896,272 | - | 7,517,222 |

KRAFTON, Inc. and its Subsidiaries
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| (in thousands of Korean won) | December 31, 2024 | | | | | |
|--|--|-------------------------|---------------------------|-----------------------|-----------------------|--------------|
| | Net assets attributable to ordinary shares | Percentage of ownership | Equity accounted interest | Investment difference | Internal transactions | Book amount |
| Talent Unlimited Online Services Private Limited | ₩ 1,799,022 | 23.19% | ₩ 417,196 | ₩ 35,867,676 | ₩ - | ₩ 36,284,872 |
| Playgig, Inc. | 24,023,151 | 16.18% | 3,887,696 | 21,230,853 | - | 25,118,549 |
| Gardens Interactive, Inc. | 54,630,538 | 11.50% | 6,282,511 | 9,058,977 | - | 15,341,488 |
| Fast Track Asia Co., Ltd. | 17,350,516 | 27.47% | 4,765,578 | 16,858,580 | - | 21,624,157 |
| Kona Venture Fund V | 4,626,097 | 49.00% | 2,266,788 | - | - | 2,266,788 |
| DEVSISTERS VENTURES FUND IX | 11,398,714 | 46.67% | 5,319,399 | - | - | 5,319,399 |
| Studio Sai, Co. | 8,701,188 | 20.00% | 1,740,237 | 6,051,890 | - | 7,792,127 |
| Boundary Inc. | 5,299,960 | 24.00% | 1,271,992 | 3,982,755 | - | 5,254,747 |
| OVERDARE, Inc. | 32,987,669 | 85.00% | 28,039,519 | - | (20,385,834) | 7,653,685 |
| IMM India Fund | 4,273,502 | 44.44% | 1,899,144 | - | - | 1,899,144 |
| Red Rover Interactive Limited | 21,119,444 | 17.03% | 3,596,641 | 8,063,177 | - | 11,659,819 |
| Eschatology Entertainment Ltd | 20,424,012 | 19.03% | 3,886,691 | 5,182,931 | - | 9,069,621 |
| Ruckus Games Holdings, Inc. | 34,935,086 | 15.84% | 5,533,718 | 5,899,244 | - | 11,432,962 |
| E.F. Games, S.L. | 9,552,780 | 25.00% | 2,388,194 | 2,291 | - | 2,390,485 |
| Piccolo Studio, S.L. | 156,740 | 25.00% | 39,186 | 1,382,982 | - | 1,422,168 |
| Republic Games Ltd | 2,926,582 | 22.22% | 650,287 | 2,803,412 | - | 3,453,698 |
| Jeux Wolf Haus Inc. | 3,601,899 | 16.57% | 596,835 | 1,407,015 | - | 2,003,850 |
| Spoonlabs | 83,187,683 | 34.20% | 28,446,243 | 80,507,737 | - | 108,953,980 |
| Day 4 Night Studios Inc. | 5,215,309 | 27.78% | 1,448,697 | 3,212,603 | - | 4,661,300 |
| TBT-IBX NEXT UNICORN FUND III | 21,368,679 | 51.38% | 10,978,770 | - | - | 10,978,770 |
| Voracious Games Inc. | 5,183,296 | 18.25% | 945,945 | 3,607,953 | - | 4,553,898 |
| Antistatic Studios Inc. | 5,661,848 | 29.62% | 1,677,039 | 2,991,580 | - | 4,668,619 |

KRAFTON, Inc. and its Subsidiaries
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December 31, 2024 and 2023

12. Investments in Associates and Joint ventures, (cont'd)

| <i>(in thousands of Korean won)</i> | December 31, 2023 | | | | | |
|--|---|----------------------------|------------------------------|--------------------------|--------------------------|----------------|
| | Net assets attributable to ordinary shares | Percentage of ownership | Equity accounted interest | Investment difference | Internal transactions | Book amount |
| 1Up Ventures, L.P. | ₩ 36,023,906 | 33.53% | ₩ 12,078,815 | ₩ (581) | ₩ - | ₩ 12,078,234 |
| Hidden Sequence Co., Ltd. | (5,746,536) | 13.57% | (779,768) | 2,351,494 | - | - |
| Smart Krafton-BonAngels Fund | 16,993,418 | 54.55% | 9,269,137 | - | - | 9,269,137 |
| Nodwin Gaming Private Limited | 54,373,707 | 15.64% | 8,504,047 | 26,415,782 | - | 34,919,829 |
| Loco Interactive Pte Limited | (6,002,762) | 11.41% | (684,924) | 2,743,205 | - | - |
| Nasadiya Technologies Private Limited | 3,411,121 | 18.23% | 621,848 | 42,179,069 | - | 42,800,917 |
| Mirae Asset Maps General Private Real Estate Investment Trust 66 | 616,244,054 | 42.96% | 264,756,705 | - | - | 264,756,705 |
| Tamatem Inc. | 15,297,938 | 13.61% | 2,082,289 | 5,099,846 | - | 7,182,135 |
| Seoul Auction Blue Co., Ltd | 11,854,133 | 5.33% | 632,210 | 1,816,785 | - | 2,448,995 |
| X By Blue Co., Ltd. | (99,478) | 10.26% | (10,203) | 4,883,764 | - | 4,873,561 |
| Nautilus Mobile App Private Limited | 5,529,998 | 31.91% | 1,764,893 | 4,345,520 | - | 6,110,413 |
| Mebigo Labs Private Limited | 42,406,908 | 10.70% | 4,537,540 | 8,173,502 | - | 12,711,042 |
| Smart KNB Booster Fund | 11,653,591 | 75.86% | 8,840,655 | - | - | 8,840,655 |
| NIRVANANA | (6,318,595) | 33.33% | (2,105,988) | 4,272,051 | - | 2,166,063 |
| 1Up Ventures Fund II, L.P. | 18,600,062 | 44.54% | 8,285,104 | 237,334 | - | 8,522,438 |
| Anycast technology Private Limited | 7,132,170 | 9.41% | 671,137 | 7,164,592 | - | 7,835,729 |
| Funnystorm | 7,905,350 | 24.24% | 1,916,612 | 5,896,272 | - | 7,812,884 |
| Talent Unlimited Online Services Private Limited | 9,822,175 | 23.19% | 2,277,775 | 35,867,676 | - | 38,145,451 |

KRAFTON, Inc. and its Subsidiaries
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December 31, 2024 and 2023

| <i>(in thousands of Korean won)</i> | December 31, 2023 | | | | | |
|-------------------------------------|---|----------------------------|------------------------------|--------------------------|--------------------------|----------------|
| | Net assets attributable to ordinary shares | Percentage of ownership | Equity accounted interest | Investment difference | Internal transactions | Book amount |
| Playgig, Inc. | ₩ 28,155,961 | 16.18% | ₩ 4,555,634 | ₩ 21,230,853 | ₩ - | ₩ 25,786,487 |
| Gardens Interactive, Inc. | 55,466,714 | 11.58% | 6,423,046 | 9,058,977 | - | 15,482,023 |
| Fast Track Asia Co., Ltd. | 19,064,715 | 27.47% | 5,236,408 | 16,858,580 | - | 22,094,988 |
| Kona Venture Fund V | 4,928,100 | 49.00% | 2,414,769 | - | - | 2,414,769 |
| DEVSISTERS VENTURES FUND IX | 8,858,427 | 46.67% | 4,133,932 | - | - | 4,133,932 |
| Studio Sai, Co. | 9,190,192 | 20.00% | 1,838,038 | 6,051,890 | - | 7,889,928 |
| Boundary Inc. | 4,765,090 | 20.00% | 953,018 | 3,982,755 | - | 4,935,773 |
| OVERDARE, Inc. | 45,785,467 | 85.00% | 38,917,646 | - | (21,908,000) | 17,009,646 |
| IMM India Fund | 2,292,394 | 44.44% | 1,029,967 | - | - | 1,029,967 |

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

13. Property and Equipment and Leases

Details of property and equipment as of December 31, 2024 and 2023, are as follows:

| | December 31, 2024 | | | | | |
|-------------------------------------|-------------------|--------------|--------------|---------------------|--------------------------|---------------|
| | Land | Fixtures | Facilities | Right-of-use assets | Construction-in-progress | Total |
| <i>(in thousands of Korean won)</i> | | | | | | |
| Acquisition cost | ₩ 18,840,145 | ₩ 83,089,270 | ₩ 84,541,073 | ₩ 363,993,651 | ₩ 3,033,899 | ₩ 553,498,038 |
| Accumulated depreciation | - | (50,151,047) | (45,960,434) | (214,844,463) | - | (310,955,944) |
| Accumulated impairment loss | - | (218,948) | - | - | (2,410,615) | (2,629,563) |
| Government grants ¹ | - | - | (164,000) | - | - | (164,000) |
| | ₩ 18,840,145 | ₩ 32,719,275 | ₩ 38,416,639 | ₩ 149,149,188 | ₩ 623,284 | ₩ 239,748,531 |

¹ There are no unfulfilled conditions or other contingencies related to the government grants as of December 31, 2024.

| | December 31, 2023 | | | | | | | | | | | | | |
|--------------------------------|-------------------|------------|-----------|-----------|----------|--------------|------------|--------------|---------------------|--------------------------|-------|-------------|---|---------------|
| (in thousands of Korean won) | Land | | Buildings | | Fixtures | | Facilities | | Right-of-use assets | Construction-in-progress | Total | | | |
| Acquisition cost | ₩ | 18,840,145 | ₩ | 2,976,238 | ₩ | 70,471,033 | ₩ | 79,805,029 | ₩ | 317,531,472 | ₩ | 6,084,845 | ₩ | 495,708,762 |
| Accumulated depreciation | | - | | (117,851) | | (38,467,416) | | (36,755,142) | | (160,709,871) | | - | | (236,050,280) |
| Accumulated impairment loss | | - | | - | | (26,423) | | - | | - | | (2,344,920) | | (2,371,343) |
| Government grants ¹ | | - | | - | | - | | (258,000) | | - | | - | | (258,000) |
| | ₩ | 18,840,145 | ₩ | 2,858,387 | ₩ | 31,977,194 | ₩ | 42,791,887 | ₩ | 156,821,601 | ₩ | 3,739,925 | ₩ | 257,029,139 |

¹ There are no unfulfilled conditions or other contingencies related to the government grants as of December 31, 2023.

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

13. Property and Equipment and Leases, (cont'd)

Changes in property and equipment for the years ended December 31, 2024 and 2023, are as follows:

| (in thousands of Korean won) | December 31, 2024 | | | | | | | | | | | | | |
|---------------------------------|-------------------|------------|-----------|-------------|----------|--------------|------------|--------------|------------------------|--------------|------------------------------|--------------|-------|--------------|
| | Land | | Buildings | | Fixtures | | Facilities | | Right-of-use assets | | Construction-in- progress | | Total | |
| Beginning | ₩ | 18,840,145 | ₩ | 2,858,387 | ₩ | 31,977,194 | ₩ | 42,791,887 | ₩ | 156,821,601 | ₩ | 3,739,925 | ₩ | 257,029,139 |
| Acquisitions | | - | | - | | 10,862,933 | | 1,901,926 | | 48,064,653 | | 8,579,698 | | 69,409,210 |
| Disposals | | - | | - | | (831,830) | | (3,037) | | (3,165,137) | | - | | (4,000,004) |
| Depreciation | | - | | (74,432) | | (13,739,748) | | (13,099,860) | | (56,176,653) | | - | | (83,090,693) |
| Transfers ¹ | | - | | (2,783,955) | | 3,336,390 | | 5,719,157 | | - | | (11,674,180) | | (5,402,588) |
| Impairment loss | | - | | - | | (192,524) | | - | | - | | (65,695) | | (258,219) |
| Exchange rate differences | | - | | - | | 1,306,860 | | 1,106,566 | | 3,604,724 | | 43,536 | | 6,061,686 |
| Ending | ₩ | 18,840,145 | ₩ | - | ₩ | 32,719,275 | ₩ | 38,416,639 | ₩ | 149,149,188 | ₩ | 623,284 | ₩ | 239,748,531 |

¹ Long-term advance payments of ₩ 196,610 thousand was reclassified to fixtures and facilities, Construction-in-progress of ₩ 2,814,458 thousand was reclassified to Investment properties, Buildings of ₩ 2,783,955 thousand was reclassified to investment properties for the year ended December 31, 2024.

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

13. Property and Equipment and Leases, (cont'd)

| (in thousands of Korean won) | December 31, 2023 | | | | | | | | | | | | | |
|---------------------------------|-------------------|------------|-----------|-----------|----------|--------------|------------|--------------|------------------------|--------------|------------------------------|-------------|-------|--------------|
| | Land | | Buildings | | Fixtures | | Facilities | | Right-of-use assets | | Construction-in- progress | | Total | |
| Beginning | ₩ | - | ₩ | - | ₩ | 35,263,249 | ₩ | 33,163,995 | ₩ | 149,560,112 | ₩ | 5,386,218 | ₩ | 223,373,574 |
| Acquisitions | | 11,529,547 | | - | | 8,349,556 | | 10,498,934 | | 57,089,192 | | 4,014,201 | | 91,481,430 |
| Disposals | | - | | - | | (1,088,687) | | - | | (30,883) | | (7,204) | | (1,126,774) |
| Depreciation | | - | | (74,432) | | (13,338,775) | | (12,681,406) | | (50,318,538) | | - | | (76,413,151) |
| Transfers ¹ | | 7,310,598 | | 2,932,819 | | 2,562,393 | | 11,646,910 | | - | | (3,350,312) | | 21,102,408 |
| Impairment loss | | - | | - | | - | | - | | - | | (2,344,920) | | (2,344,920) |
| Exchange rate differences | | - | | - | | 229,458 | | 163,454 | | 521,718 | | 41,942 | | 956,572 |
| Ending | ₩ | 18,840,145 | ₩ | 2,858,387 | ₩ | 31,977,194 | ₩ | 42,791,887 | ₩ | 156,821,601 | ₩ | 3,739,925 | ₩ | 257,029,139 |

¹ Long-term advance payments of ₩ 18,205,734 thousand was reclassified to land, fixtures and facilities, Investment properties of ₩ 2,932,819 thousand is reclassified to buildings for the year ended December 31, 2023.

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
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13. Property and Equipment and Leases, (cont'd)

Lease related amounts recognized in the consolidated statements of financial position are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|-------------------------------------|--------------------------|--------------------------|
| Right-of-use assets ¹ | | |
| Properties | ₩ 149,111,620 | ₩ 156,726,092 |
| Vehicles | 37,569 | 95,509 |
| | <u>₩ 149,149,189</u> | <u>₩ 156,821,601</u> |
| Lease receivables ² | | |
| Current | ₩ 11,859,035 | ₩ 11,164,683 |
| Non-current | 18,411,149 | 24,086,343 |
| | <u>₩ 30,270,184</u> | <u>₩ 35,251,026</u> |
| | <u>₩ 179,419,373</u> | <u>₩ 192,072,627</u> |
| Lease liabilities ³ | | |
| Current | ₩ 71,319,148 | ₩ 65,749,996 |
| Non-current | 119,635,526 | 131,011,524 |
| | <u>₩ 190,954,674</u> | <u>₩ 196,761,520</u> |

¹ Included in the 'property and equipment' of the consolidated statements of financial position.

² Included in the 'other current financial assets' and 'other non-current financial assets' of the consolidated statements of financial position.

³ Included in the 'other current financial liabilities' and 'other non-current financial liabilities' of the consolidated statements of financial position.

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
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13. Property and Equipment and Leases, (cont'd)

Lease related amounts recognized in the consolidated statements of comprehensive income are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | December 31, 2023 | |
|---|--------------------------|------------|--------------------------|------------|
| Revenue from sublease (included in revenue) | ₩ | - | ₩ | 10,243 |
| Interest income relating to lease receivables (included in finance income) | | 1,480,255 | | 1,865,543 |
| Total Revenue | ₩ | 1,480,255 | ₩ | 1,875,786 |
| Depreciation of right-of-use assets | | | | |
| Properties | ₩ | 56,118,713 | ₩ | 50,260,598 |
| Vehicles | | 57,940 | | 57,940 |
| Interest expense relating to lease liabilities (included in finance costs) | | 8,577,199 | | 8,120,965 |
| Expense relating to short-term leases (included in operating costs) | | 622,202 | | 1,197,302 |
| Expense relating to leases of low-value assets (included in operating costs) | | 221,863 | | 249,311 |
| Total Costs | ₩ | 65,597,917 | ₩ | 59,886,116 |

The total cash outflow for leases for the year ended December 31, 2024 amounts to ₩ 72,632,174 thousand (2023: ₩ 66,423,545 thousand).

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14. Intangible Assets

Details of intangible assets as of December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

| | December 31, 2024 | | |
|----------------------------|--------------------------|---|----------------------|
| | Acquisition cost | Accumulated amortization/impairment loss | Book value |
| Software | ₩ 31,263,634 | ₩ (27,127,245) | ₩ 4,136,389 |
| Industrial property rights | 1,868,356 | (1,472,741) | 395,615 |
| Membership rights | 1,373,669 | (243,021) | 1,130,648 |
| Goodwill | 731,857,667 | (344,730,677) | 387,126,990 |
| Other intangible assets | 481,498,105 | (218,048,534) | 263,449,571 |
| | <u>₩ 1,247,861,431</u> | <u>₩ (591,622,218)</u> | <u>₩ 656,239,213</u> |

(in thousands of Korean won)

| | December 31, 2023 | | |
|----------------------------|--------------------------|---|----------------------|
| | Acquisition cost | Accumulated amortization/impairment loss | Book value |
| Software | ₩ 30,198,200 | ₩ (24,515,577) | ₩ 5,682,623 |
| Industrial property rights | 1,748,476 | (1,210,311) | 538,165 |
| Membership rights | 1,373,669 | (173,586) | 1,200,083 |
| Goodwill | 693,169,895 | (340,934,911) | 352,234,984 |
| Other intangible assets | 430,952,490 | (182,826,481) | 248,126,009 |
| | <u>₩ 1,157,442,730</u> | <u>₩ (549,660,866)</u> | <u>₩ 607,781,864</u> |

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14. Intangible Assets, (cont'd)

Changes in intangible assets for the years ended December 31, 2024 and 2023, are as follows:

| (in thousands of Korean won) | December 31, 2024 | | | | | |
|---------------------------------|-------------------|----------------------------------|----------------------|---------------|-------------------------------|---------------|
| | Software | Industrial property rights | Membership rights | Goodwill | Other intangible assets | Total |
| Beginning | ₩ 5,682,623 | ₩ 538,165 | ₩ 1,200,083 | ₩ 352,234,984 | ₩ 248,126,009 | ₩ 607,781,864 |
| Acquisitions | 1,071,124 | 1,282 | - | - | 5,510,941 | 6,583,347 |
| Disposals | (41,898) | (2) | - | - | (121,047) | (162,947) |
| Amortization | (2,651,177) | (265,408) | (69,435) | - | (18,597,776) | (21,583,796) |
| Impairment loss | - | - | - | (8,454,581) | (2,608,724) | (11,063,305) |
| Transfers ¹ | - | 121,578 | - | - | 322,242 | 443,820 |
| Exchange rate differences | 75,717 | - | - | 43,346,587 | 30,817,926 | 74,240,230 |
| Ending | ₩ 4,136,389 | ₩ 395,615 | ₩ 1,130,648 | ₩ 387,126,990 | ₩ 263,449,571 | ₩ 656,239,213 |

¹ Long-term advance payments of ₩ 443,820 thousand was reclassified to industrial property rights and other intangible assets during the year ended December 31, 2024.

| (in thousands of Korean won) | December 31, 2023 | | | | | |
|---------------------------------|-------------------|----------------------------------|----------------------|---------------|-------------------------------|---------------|
| | Software | Industrial property rights | Membership rights | Goodwill | Other intangible assets | Total |
| Beginning | ₩ 7,430,402 | ₩ 677,569 | ₩ 1,269,517 | ₩ 530,404,992 | ₩ 327,955,000 | ₩ 867,737,480 |
| Acquisitions | 837,796 | 5,545 | - | - | 346,670 | 1,190,011 |
| Disposals | (7,558) | (6) | - | - | (28,075) | (35,639) |
| Amortization | (2,723,789) | (274,100) | (69,434) | - | (27,729,268) | (30,796,591) |
| Impairment loss | - | - | - | (190,090,700) | (60,097,616) | (250,188,316) |
| Transfers ¹ | 123,658 | 129,157 | - | - | 259,933 | 512,748 |
| Exchange rate differences | 22,114 | - | - | 11,920,692 | 7,419,365 | 19,362,171 |
| Ending | ₩ 5,682,623 | ₩ 538,165 | ₩ 1,200,083 | ₩ 352,234,984 | ₩ 248,126,009 | ₩ 607,781,864 |

¹ Construction-in-progress of ₩ 10,707 thousand was reclassified to software and long-term advance payments of ₩ 501,991 thousand was reclassified to industrial property rights and other intangible assets during the year ended December 31, 2023.

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14. Intangible Assets, (cont'd)

Impairment Tests for Goodwill

The Group has performed impairment test on Cash-Generating Units ("CGUs") including goodwill at the end of the year. The recoverable amount of the investments in subsidiaries was based on value-in-use calculations. These calculations were based on estimated cash flows derived from the 5-year business plan approved by management. The key assumptions used in the value-in-use calculation for the major CGUs as of December 31, 2024 are as follows.

| | Key assumptions | |
|--|------------------------------------|----------------|
| | Unknown Worlds Entertainment, Inc. | Others |
| Average operating profit rate for estimated period ¹ | 45.03% | 3.21%~36.03% |
| Average annual revenue growth rate for estimated period ¹ | 21.41% | 34.54%~105.55% |
| Terminal growth rate ² | 1.00% | 1.00% |
| Discount rate ³ | 6.84% | 9.60%~13.95% |

¹ The average revenue growth rate and average operating profit rate, used for determining the projected cash flows for the next 5 years, were calculated based on the expected levels of future revenue and operating profit.

² The long-term growth rate is the weighted average growth rate used to estimate cash flows beyond the forecast period and does not exceed the anticipated growth rate from industry reports.

³ The discount rates used are reflect specific risks relating to the relevant operating segments.

As a result of performing impairment assessments on CGUs for the year ended December 31, 2024 other CGUs impairment losses of ₩ 8,454,582 thousand were recognized, as the carrying amount exceeded the recoverable amount.

The recoverable amount of the CGUs of the Group varies based on the key assumptions used in the CGUs impairment test. The effects of the changes in the assumptions in profit or loss are as follows:

(in thousands of Korean won)

| | Change in discount rate | |
|---|--------------------------------|---------------------|
| | 1%p Increase | 1%p Decrease |
| Excess portion of goodwill's recoverable amount | | |
| Unknown Worlds Entertainment, Inc. | ₩ (72,877,680) | ₩ - |
| Others | (1,568,993) | 1,861,519 |

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14. Intangible Assets, (cont'd)

Acquisition of Virtual Assets from a Third Party

The consolidated entity acquires and holds various types of virtual assets from third parties for purposes such as securing trading gains. Virtual assets are recognized as intangible assets in accordance with Korean International Financial Reporting Standards (K-IFRS) No. 1038, and the acquisition cost paid is recognized as the initial book value. An impairment test is performed annually or whenever there are indicators of impairment, and the book value is recognized after deducting the accumulated impairment loss. In cases where there are impairment indicators, the difference between the recoverable amount and the book value is recognized as an impairment loss.

To determine the fair value of virtual assets, the consolidated entity uses the average market price of the respective virtual assets, as provided by platforms such as CoinMarketCap. CoinMarketCap, among other sources, provides the average market price calculated based on price and trading volume information from various exchanges. Additionally, as there is no closing time for virtual asset exchanges, the consolidated entity uses the closing price based on UTC (Coordinated Universal Time) as provided by platforms such as CoinMarketCap. Although the fair value of the virtual assets held by the consolidated entity at the end of the period has significantly fluctuated after the period-end, it is not possible to predict the impact of such fluctuations on the financial statements as of the audit report date. Due to this uncertainty, no adjustments have been reflected in the financial statements regarding potential changes arising from these fluctuations.

The acquisition and holding status of virtual assets by the consolidated entity is as follows:

| (in Korean won, number of unit) | Listing Status ¹ | Quantity | | | | Fair Value (per Unit) ² | |
|---------------------------------|-----------------------------|------------|-------------|-----------------------|------------|------------------------------------|--------|
| | | Beginning | Acquisition | Disposal ³ | Ending | Beginning | Ending |
| KAIA | Listed | 1,664,196 | - | - | 1,664,196 | ₩ 302 | ₩ 290 |
| DICE | Listed | 7,333,340 | - | - | 7,333,340 | 20 | 9 |
| GRND | Listed | 791,668 | 2,375,004 | (968,639) | 2,198,033 | 202 | 95 |
| KING | Listed | 43,103 | 57,471 | - | 100,574 | 42 | 173 |
| MUDOL ² | Listed | 275,240 | 280,316 | - | 555,556 | 19 | 6 |
| USDT | Listed | 40,652 | 100,205 | (50,000) | 90,857 | 1,289 | 1,470 |
| BORA | Listed | 115,933 | - | - | 115,933 | 210 | 192 |
| | | 10,264,132 | 2,812,996 | (1,018,639) | 12,058,489 | | |

¹ Including listings on domestic and international exchanges, the exchanges handling each virtual asset may differ.

² The market prices at the end of the previous period and the end of the current period (based on 9:00 AM) as quoted by platforms such as CoinMarketCap have been applied to calculate the values.

³ The quantities reduced due to transfers to other accounts, etc., are included.

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14. Intangible Assets, (cont'd)

Details of virtual assets as of December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | | | December 31, 2024 | | | | December 31, 2023 | | | |
|-------------------------------------|-------------------------|---------------------------|-------------------------|---------------------------------------|------------------------------------|-------------------|-------------------------|---------------------------------------|------------------------------------|-------------------|
| Virtual Assets | Valuation Method | Acquisition Method | Acquisition Cost | Revaluation Accumulated Amount | Accumulated Impairment Loss | Book Value | Acquisition Cost | Revaluation Accumulated Amount | Accumulated Impairment Loss | Book Value |
| KAIA | Cost Model | Paid Acquisition | ₩ 73,391 | ₩ - | ₩ - | ₩ 73,391 | ₩ 64,374 | ₩ - | ₩ - | ₩ 64,374 |
| DICE | Cost Model | Paid Acquisition | 249,550 | - | (181,323) | 68,227 | 218,891 | - | - | 218,891 |
| GRND | Cost Model | Paid Acquisition | 129,244 | - | - | 129,244 | 40,831 | - | - | 40,831 |
| KING | Cost Model | Paid Acquisition | 53,519 | - | (36,103) | 17,416 | 20,119 | - | - | 20,119 |
| MUDO L2 | Cost Model | Paid Acquisition | 146,794 | - | (143,613) | 3,181 | 63,792 | - | - | 63,792 |
| USDT | Cost Model | Paid Acquisition | 133,560 | - | - | 133,560 | 52,416 | - | - | 52,416 |
| BORA | Cost Model | Paid Acquisition | 26,240 | - | (10,705) | 15,535 | 26,240 | - | (10,705) | 15,535 |
| | | | ₩ 812,298 | ₩ - | ₩ (371,744) | ₩ 440,554 | ₩ 486,663 | ₩ - | ₩ (10,705) | ₩ 475,958 |

The impairment loss and gain or loss on the disposal of virtual assets are classified as non-operating income and expenses. The amount recognized as impairment loss on intangible assets for the year ended December 31, 2024, amounts to ₩ 335,000 thousand.

Details of the disposal status of virtual assets as of December 31, 2024, and 2023 are as follows:

| <i>(in thousands of Korean won, number of virtual assets)</i> | | December 31, 2024 | | | | December 31, 2023 | | | |
|---|--|-------------------|-----------------------|-------------------|------------------------------|-------------------|-----------------------|-------------------|------------------------------|
| | | Quantity | Disposal Price | Book Value | Disposal Gain or Loss | Quantity | Disposal Price | Book Value | Disposal Gain or Loss |
| GRND | | 968,639 | ₩ 136,678 | ₩ 52,848 | ₩ 83,830 | 250,000 | ₩ 53,067 | ₩ 13,054 | ₩ 40,013 |

The amount recognized as profit or loss on disposal of intangible assets in 2024 and 2023 is ₩ 83,830 thousand and ₩ 40,013 thousand.

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15. Investment Properties

Details of investment properties as of December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

| | December 31, 2024 | | |
|-----------|--------------------------|---------------------------------|----------------------|
| | Acquisition Cost | Accumulated depreciation | Book value |
| Land | ₩ 486,326,320 | ₩ - | ₩ 486,326,320 |
| Buildings | 75,106,373 | (4,043,949) | 71,062,424 |
| | <u>₩ 561,432,693</u> | <u>₩ (4,043,949)</u> | <u>₩ 557,388,744</u> |

(in thousands of Korean won)

| | December 31, 2023 | | |
|-----------|--------------------------|---------------------------------|----------------------|
| | Acquisition Cost | Accumulated depreciation | Book value |
| Land | ₩ 476,977,673 | ₩ - | ₩ 476,977,673 |
| Buildings | 69,655,951 | (2,150,591) | 67,505,360 |
| | <u>₩ 546,633,624</u> | <u>₩ (2,150,591)</u> | <u>₩ 544,483,033</u> |

Changes in investment properties for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

| | December 31, 2024 | | |
|------------------------|--------------------------|---------------------|----------------------|
| | Land | Buildings | Total |
| Beginning | ₩ 476,977,673 | ₩ 67,505,360 | ₩ 544,483,033 |
| Acquisitions | 7,676,902 | 3,726,972 | 11,403,874 |
| Disposals | - | (2,330,623) | (2,330,623) |
| Depreciation | - | (1,765,953) | (1,765,953) |
| Transfers ¹ | 1,671,745 | 3,926,668 | 5,598,413 |
| Ending | <u>₩ 486,326,320</u> | <u>₩ 71,062,424</u> | <u>₩ 557,388,744</u> |

¹ Construction-in-progress of ₩ 2,814,458 thousand was reclassified to Investment properties, Buildings of ₩ 2,783,955 thousand was reclassified to Investment properties during the year ended December 31, 2024.

KRAFTON, Inc. and its Subsidiaries
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December 31, 2024 and 2023

15. Investment Properties, (cont'd)

| <i>(in thousands of Korean won)</i> | December 31, 2023 | | |
|-------------------------------------|--------------------------|------------------|---------------|
| | Land | Buildings | Total |
| Beginning | ₩ 173,699,223 | ₩ 28,474,037 | ₩ 202,173,260 |
| Acquisitions | 303,278,450 | 42,770,359 | 346,048,809 |
| Depreciation | - | (806,217) | (806,217) |
| Transfers ¹ | - | (2,932,819) | (2,932,819) |
| Ending | ₩ 476,977,673 | ₩ 67,505,360 | ₩ 544,483,033 |

¹ Investment properties of ₩ 2,932,819 thousand was reclassified to buildings during the year ended December 31, 2023.

During the year ended December 31, 2024, rental income earned from operating leases of investment property is ₩ 4,227 million(December 31, 2023: ₩ 203 million), and direct operating expenses from investment property that generated rental income is ₩ 66 million(December 31, 2023: ₩ 555 million). Direct operating expenses (including repairs and maintenance) from investment property that did not generate rental income are ₩ 30 million(December 31, 2023: ₩ 58 million).

Fair value of investment properties as at December 31, 2024, is ₩ 647,040 million (December 31, 2023: ₩ 599,711 million). The valuation of investment properties is performed by an independent valuer.

16. Short-term Borrowings

Details of Short-term borrowings as of December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | Creditor | Interest rate(%) | Due date | December 31, 2024 | December 31, 2023 |
|---|------------------------|---------------------|------------|----------------------|----------------------|
| Working capital | CEO of Rising Wings | 4.60 | 2025-06-02 | ₩ 1,000,000 | ₩ 1,000,000 |
| | | 4.60 | 2025-07-06 | 1,000,000 | 1,000,000 |
| | | 4.60 | 2025-08-07 | 1,000,000 | 1,000,000 |
| | | 4.60 | 2025-09-06 | 1,000,000 | 1,000,000 |
| | | 4.60 | 2025-10-12 | 1,000,000 | 1,000,000 |
| | | 4.60 | 2025-11-03 | 1,000,000 | 1,000,000 |
| | | 4.60 | 2025-12-12 | 1,000,000 | 1,000,000 |
| | | | | ₩ 7,000,000 | ₩ 7,000,000 |

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17. Net Defined Benefit Liabilities

Details of net defined benefit liabilities recognized in the statements of financial position as of December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | December 31, 2023 | |
|--|--------------------------|-------------|--------------------------|-------------|
| Present value of defined benefit obligations | ₩ | 29,387,005 | ₩ | 19,313,839 |
| Fair value of plan assets | | (2,759,183) | | (2,232,848) |
| Net defined benefit liabilities | | 26,627,822 | | 17,080,991 |

Changes in the defined benefit obligations for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | December 31, 2023 | |
|---|--------------------------|-------------|--------------------------|-------------|
| Beginning | ₩ | 19,313,839 | ₩ | 15,185,450 |
| Current service cost | | 10,900,641 | | 4,632,219 |
| Interest expense | | 2,204,754 | | 733,848 |
| Benefit payments | | (1,972,803) | | (1,885,312) |
| Remeasurements: | | | | |
| Actuarial gain(loss) from change in financial assumptions | | (3,470,098) | | (254,179) |
| Actuarial gain(loss) from experience adjustments | | (1,744,065) | | 910,167 |
| Actuarial gain(loss) from change in demographic assumptions | | 4,802,385 | | - |
| Past service cost and gains or losses on settlement | | (656,742) | | - |
| Others | | 9,094 | | (8,354) |
| Ending | ₩ | 29,387,005 | ₩ | 19,313,839 |

Changes in the Fair value of plan assets for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | December 31, 2023 | |
|--|--------------------------|-----------|--------------------------|-----------|
| Beginning | ₩ | 2,232,848 | ₩ | 1,308,577 |
| Interest income | | 104,255 | | 79,832 |
| Retirement benefit payment | | (164,659) | | (207,293) |
| User's contribution | | 599,070 | | 1,067,776 |
| Remeasurements: | | | | |
| Income from plan assets (excluding the amount included in interest income) | | (12,331) | | (16,044) |
| Ending | ₩ | 2,759,183 | ₩ | 2,232,848 |

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17. Net Defined Benefit Liabilities, (cont'd)

The amounts recognized in the consolidated statements of comprehensive income related to defined benefit plan for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|---|------------------------------|------------------------------|
| Current service cost | ₩ 10,900,641 | ₩ 4,632,219 |
| Net interest expense | 2,100,499 | 654,016 |
| Past service cost and gains or losses on settlement | (656,742) | - |
| | <u>₩ 12,344,398</u> | <u>₩ 5,286,235</u> |

The significant actuarial assumptions as of December 31, 2024 and 2023, are as follows:

| <i>(in percentage)</i> | December 31, 2024 | December 31, 2023 |
|---------------------------|------------------------------|------------------------------|
| Discount rate | 3.96% - 6.86% | 4.06% - 7.11% |
| Future salary growth rate | 3.00% - 10.00% | 3.80% - 10.00% |

Discount rate is measured by reference to corporate bond rated AA+. Mortality rate for defined benefit pension plan announced by Korea Insurance Development Institute is adopted, and the retirement rate is measured by reference to the historical record of retirement.

The sensitivity of the net defined benefit liabilities to changes in the principal assumptions is:

| <i>(in thousands of Korean won)</i> | 1%p increase | 1%p decrease |
|-------------------------------------|---------------------|---------------------|
| Changes in discount rate | ₩ (2,792,208) | ₩ 3,264,384 |
| Changes in salary growth rate | 5,799,711 | (4,854,820) |

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17. Net Defined Benefit Liabilities, (cont'd)

Details of remeasurements incurred related to defined benefit plan for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|--|------------------------------|------------------------------|
| Remeasurements of defined benefit obligations | ₩ 411,778 | ₩ (655,988) |
| Remeasurement factors of plan assets | (12,331) | (16,044) |
| Income tax effect | (108,291) | 197,060 |
| Remeasurements of net defined benefit liabilities, after tax | <u>₩ 291,156</u> | <u>₩ (474,972)</u> |

The weighted average duration of the defined benefit obligation is 8.20 - 14.00 years. The expected maturity analysis of undiscounted pension benefits as of December 31, 2024, is as follows:

| <i>(in thousands of Korean won)</i> | Less than 1 year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
|---|-----------------------------|------------------------------|------------------------------|-------------------------|--------------|
| Pension benefits | ₩ 1,229,363 | ₩ 1,261,304 | ₩ 4,334,508 | ₩ 37,284,778 | ₩ 44,109,953 |

The operating costs recognized in the current year in relation to the defined contribution plan amounted to ₩ 21,297,999 thousand (2023: ₩ 24,156,483 thousand).

The Group provides benefits to employees who have provided services for a long-term. The Group measures the long-term employee benefit liabilities using actuarial assumptions.

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18. Provisions

Changes in provisions for restoration for the years ended December 31, 2024 and 2023, are as follows:

| | | December 31, 2024 | |
|-------------------------------------|---|--|--|
| | | Provision for restoration costs | |
| <i>(in thousands of Korean won)</i> | | | |
| Beginning | ₩ | 14,039,275 | |
| Additions | | 261,458 | |
| Reversal | | (825,866) | |
| Exchange rate differences | | 4,912 | |
| Ending | ₩ | 13,479,779 | |

| | | December 31, 2023 | |
|-------------------------------------|---|--|-------------------------|
| | | Provision for restoration costs | Other provisions |
| <i>(in thousands of Korean won)</i> | | | |
| Beginning | ₩ | 13,834,890 | ₩ 2,902,828 |
| Additions | | 212,681 | 1,976,578 |
| Used | | - | (3,501,975) |
| Reversal | | - | (1,377,431) |
| Exchange rate differences | | (8,296) | - |
| Ending | ₩ | 14,039,275 | ₩ - |

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19. Contingencies and Commitments

As of December 31, 2024, the Group is providing game services to end-users through contracts with the following major platform operators:

| Game | Counterparty | Service region |
|--|--|--|
| PLAYERUNKNOWN'S BATTLEGROUNDS (PC) | Valve Corporation | Worldwide |
| | Epic Games, Inc. | |
| | Hangzhou Shunwang Technology Co., Ltd. | China (except for Hong Kong, Macau and Taiwan) |
| | Qingfeng(Beijing) Technology Co.,Ltd. | |
| Thunder Tier One (PC) | Valve Corporation | Worldwide |
| MOONBREAKER (PC) | Valve Corporation | Worldwide |
| The Callisto Protocol (PC) | Valve Corporation | Worldwide |
| | Epic Games, Inc. | |
| The Callisto Protocol (Console) | Skybound Interactive, LLC | Korea, Japan, India |
| | Google | |
| PLAYERUNKNOWN'S | Apple | |
| BATTLEGROUNDS (Mobile) | Samsung Electronics | Korea |
| | UniPin (Labuan) Limited | India |
| NEW STATE (Mobile) | Google | Worldwide |
| | Apple | |
| | Samsung Electronics | |
| Road To Valor : Empires (Mobile) | Google | Worldwide |
| | Apple | |
| | UniPin (Labuan) Limited | India |
| Defense Derby (Mobile) | Google | Worldwide |
| | Apple | |
| Subnautica, Subnautica: Below Zero (PC) | Samsung Electronics | Worldwide |
| | Valve Corporation | |
| | Epic Games, Inc. | |

The Group collects considerations for game services from the end-users through the platform providers and pays a certain percentage of revenue generated from the end-users as a fee in exchange for using their platform.

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19. Contingencies and Commitments, (cont'd)

Major publishing contracts of the Group as of December 31, 2024, are as follows:

| Game | Counterparty | Service region |
|--|---|--------------------|
| PLAYERUNKNOWN'S BATTLEGROUNDS (Console) | Microsoft Corporation Sony Interactive Entertainment LLC | Worldwide |
| PLAYERUNKNOWN'S BATTLEGROUNDS (PC) | Kakao Games Corp. | Korea |
| PLAYERUNKNOWN'S BATTLEGROUNDS (Mobile) | Tencent Technology (Shenzhen) Company Limited Proxima Beta Pte. Limited | China Worldwide |
| The Callisto Protocol (Console) | Microsoft Corporation Sony Interactive Entertainment LLC | Worldwide |
| Subnautica, Subnautica: Below Zero (Console) | Microsoft Corporation Sony Interactive Entertainment LLC Nintendo Co., Ltd. Bandai Namco Entertainment America INC. | Worldwide |

Major other contracts of the Group as of December 31, 2024, are as follows:

| Game | Counterparty | Service region |
|----------------------------------|--|----------------|
| PLAYERUNKNOWN'S BATTLEGROUNDS | Guangzhou Huya Information Technology Ltd Wuhan Ouyue Online TV Co., Ltd | China |

The Group has entered into a license agreement with Epic Games Commerce GmbH for the "Unreal Engine" required to drive the game, which the Group is obliged to pay a certain percentage of revenue.

As of December 31, 2024, there are six litigation cases filed against the Group(lawsuits related to India services, lawsuits related to delivery refusal, lawsuits related to gender discrimination, lawsuits related to account recovery, lawsuits related to the claim for delivery of collateral trust lease property, lawsuits related to account data) and five litigations(relating to copyright and others) filed by the Group. The Group's management believes that the ultimate results of these cases will have no material impact on the consolidated financial statements of the Group and the results of the cases cannot be reliably estimated as of December 31, 2024.

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19. Contingencies and Commitments, (cont'd)

As of December 31, 2024, the Group has been provided guarantees up to ₩ 8,322 million from Seoul Guarantee Insurance Co., Ltd. In connection with the repayment of contributions for supporting the workplace nursery installation and up to USD 2,090 thousand from Citibank N.A and CAD 215 thousand from Royal Bank of Canada in connection with the office rent payment.

As of December 31, 2024, the payment guarantees and collateral provided by the Group are as follows.

| <i>(in USD)</i> | | | | |
|-----------------|-----------------------------------|----------|-------------------|-----------------------------------|
| Guarantor | Beneficiary of guarantee | Currency | Guaranteed amount | Description |
| Krafton, Inc. | Sunset Building Company, LLC | USD | 2,280,000 | Payment guarantee related to rent |
| Krafton, Inc. | 2121 Park Place Fee Owner CA, LLC | USD | 294,538 | |
| Krafton, Inc. | 25 WEST MAIN OFFICE LLC | USD | 1,173,576 | |

As of December 31, 2024, ₩7,366 million of financial instruments are provided as collateral related to leasehold deposits received from sublessee of Greits Pangyo, CAD 215 thousand of financial instruments are provided as collateral related to the office rent payment and ₩450 million and CAD 100 thousand of financial instruments are provided as collateral related to corporate cards. Also, ₩4,800 million of seller's financial instruments are provided to the Group for potential penalty claims from the successor lessee of the purchased real estate.

The Group has entered into an agreement to pay performance-based incentives in proportion to the sales performance to executives and employees, including key developers, who can contribute to the Group's long-term growth.

As of December 31, 2024, the Group has an obligation for additional capital contributions to Smart KNB Booster Fund and others according to agreements. The Group plans to make further contributions totaling ₩109,290 million, USD 33,149 thousand, EUR 150 thousand, and INR 93,856 thousand through future capital calls.

On June 25, 2021, the Group entered into a shareholder agreement with existing shareholders in relation to the acquisition of redeemable convertible preferred stock and common stock of Thingsflow Inc. The main conditions of the contract are summarized as follows:

| Type | Contents |
|-------------|---|
| Put option | Existing shareholders can request the purchase of all the remaining shares within 3 months from the expiration date of the sale if the IPO is not completed by the deadline for the sale, or if the existing shareholders are unable to sell 50% or more of the shares held to a third party. |
| Call option | During the exercise period of the put option, the Group's call option contract allows the sale of all shares held by the existing shareholders at an amount equivalent to 120% of the put option exercise price. |
| Others | - Existing shareholders cannot sell, transfer, set up as collateral, or other dispositions without prior written consent within the disposition restriction period. |

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Type

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- The Group retains the preferred right to purchase all or part of the shares held by the existing shareholders even after the existing shareholders have obtained prior signed consent or after the disposition restriction period has expired.

On November 23, 2022, the Group entered into a shareholder agreement with existing shareholders including employees holding stock options in relation to the acquisition of preferred stock and common stock of Neon Giant AB. The main terms and conditions of the contract are summarized as follows:

Type

Contents

| | |
|----------------------|---|
| Drag Along Right | After 2 years after the date the contract is entered into, if the Company disposes its entire shares to a third-party purchaser, the Company shall have the right to require other shareholders to sell its shares to such third-party purchaser. |
| Tag Along Right | After 5 years after the date the contract is entered into, if a one or more than one shareholder desires to sell 60% of investee company shares, other shareholders shall have the right to participate in the sale of their shares at the same price. |
| Put and Call Options | Employees who have stock options have a put option that grants them to sell 50% of their shares after full vesting and exercise, at the per-share acquisition price of the original share purchase agreement. Also, the Company has a call option that grants it to purchase the shares of the employees who have the stock options under the same condition. |
| Put option | The First put option : Existing shareholders hold a put option that allows them to sell up to 50% of their shares at a value obtained by applying a specific multiple to the performance index for one year after the release of a specific game. The second put option : Existing shareholders hold a put option that allows them to sell up to 100% of their remaining shares after exercising the first put option at a value obtained by applying a specific multiple to the maximum value of 12 months of performance indicators from 2023 to 2029. |
| Call option | After the second put option expires, the Company holds a call option that allows the Company to purchase existing shareholders' stocks at a value obtained by applying a specific multiple to the annual performance indicator. |
| Backup call option | If an existing shareholder voluntarily resigns or resigns for legitimate reasons, the above-mentioned put option will expire, and the Company holds a call option that allows the Company to purchase all remaining shares of the existing shareholders at a value obtained by applying a specific multiple to the performance indicators for the 12 months prior to the exercise of the backup call option. |

The Group entered into a contract for contingent consideration to be paid in conjunction with the performance after the acquisition while acquiring a subsidiary 5minlab Corp. and Unknown Worlds Entertainment, Inc. The contingent consideration recognized is ₩ 27,800 million.

The Group has entered into an agreement with the associate, Mirae Asset Maps General Private Equity Investment Trust No.66, regarding the business facilities and living facilities to be developed by the associate on 333-16 Seongsu-dong 2-ga, Seongdong-gu, Seoul, and 4 lots of land. Under the agreement, the Group has entered into responsible lease agreement for 10 years from completion of construction, and have the pre-emptive purchase right at the appraised value at a specific time.

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19. Contingencies and Commitments, (cont'd)

Under the joint venture investment agreement with OVERDARE, Inc., the Group has the right, at its discretion, to acquire shares of the joint venture company owned by the joint participants at fair market value if deadlock arises on certain resolution matters requiring unanimous consent and agreement cannot be reached within the period of negotiation.

On August 30, 2024, the Group entered into a shareholders' agreement with certain shareholders in connection with the acquisition of redeemable convertible preferred stock, convertible preferred stock, and common stock of Spoonlabs. Under this agreement, certain shareholders of Spoonlabs, hold a put option, allowing them to request the sale of up to 50% of their shares at the qualified follow-on investment price or other agreed terms within six months starting from July 1, 2026.

20. Equity

(a) Share capital

Details of share capital as of December 31, 2024 and 2023, are as follows:

| <i>(in Korean won and in shares)</i> | December 31, 2024 | December 31, 2023 |
|---|--------------------------|--------------------------|
| Authorized number of shares | 300,000,000 | 300,000,000 |
| Par value in Korean won | ₩ 100 | ₩ 100 |
| Issued and outstanding number of shares | | |
| Ordinary shares | 47,906,674 | 48,362,743 |

(b) Changes in share capital and capital surplus

Changes in share capital and capital surplus for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | Share capital¹ |
|-------------------------------------|----------------------------------|
| Balance at January 1, 2023 | ₩ 4,908,155 |
| Share-based payment transactions | 15,574 |
| Balance at December 31, 2023 | ₩ 4,923,729 |
| Balance at January 1, 2024 | ₩ 4,923,729 |
| Share-based payment transactions | 2,162 |
| Balance at December 31, 2024 | ₩ 4,925,891 |

¹ The total par value of issued shares amounts to ₩ 4,790,667 thousand, which differs from the paid-in capital due to retirement of treasury shares by appropriating retained earnings.

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20. Equity, (cont'd)

| (in thousands of Korean won) | Capital surplus | | | | Total |
|--|-----------------|-----------------------|-------------------------------------|-----------------|-------|
| | Share premium | Other capital surplus | Gain on disposal of treasury shares | | |
| Balance at January 1, 2023 | ₩ 1,423,290,184 | ₩ 18,861,571 | ₩ 6,452,617 | ₩ 1,448,604,372 | |
| Share-based payment transactions | 18,807,732 | 517,286 | 3,210,797 | 22,535,815 | |
| Equity adjustments of investments in associates and joint ventures | - | (11,070) | - | (11,070) | |
| Paid-in capital increase of subsidiaries | - | 269,635 | - | 269,635 | |
| Transactions with non-controlling interests | - | 635,439 | - | 635,439 | |
| Balance at December 31, 2023 | ₩ 1,442,097,916 | ₩ 20,272,861 | ₩ 9,663,414 | ₩ 1,472,034,191 | |
| Balance at January 1, 2024 | ₩ 1,442,097,916 | ₩ 20,272,861 | ₩ 9,663,414 | ₩ 1,472,034,191 | |
| Share-based payment transactions | 5,943,467 | 90,574 | 4,318,673 | 10,352,714 | |
| Transactions with non-controlling interests | - | (4,590,410) | - | (4,590,410) | |
| Balance at December 31, 2024 | ₩ 1,448,041,383 | ₩ 15,773,025 | ₩ 13,982,087 | ₩ 1,477,796,495 | |

(c) Other components of equity

Other components of equity as of December 31, 2024 and 2023, consist of:

| (in thousands of Korean won) | December 31, 2024 | December 31, 2023 |
|---|-------------------|-------------------|
| Treasury shares ¹ | ₩ (79,819,802) | ₩ - |
| Share-based payments (Note 21) | 137,347,651 | 49,885,811 |
| Other capital adjustments | 47,444,118 | 47,444,118 |
| Gain (Loss) on valuation of financial assets at fair value through other comprehensive income (Note 11) | (40,773,864) | (5,927,608) |
| Remeasurements of net defined benefit liability (Note 17) | (2,386,594) | (2,677,751) |
| Equity adjustments of investments in associates and joint ventures | 9,790,911 | (305,370) |
| Exchange differences on translation of foreign operations | 192,048,186 | 94,091,310 |
| Other components of equity | ₩ 263,650,606 | ₩ 182,510,510 |

¹ Treasury shares with an acquisition cost of ₩ 0 are included in the balance.

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21. Share-based Payments

The details of share options and other instruments subject to share-based payment arrangements as of December 31, 2024, are as follows:

| <i>(in Korean won, except number of shares)</i> | Date of grant | Settlement Method | Outstanding shares as of December 31, 2023¹ | Outstanding shares as of December 31, 2024¹ | Exercise price¹ | Vesting conditions | Date of vesting | Date of expiration |
|---|----------------------|------------------------------|---|---|---------------------------------------|--|--|--|
| Share options granted (Krafton, Inc.) | | | | | | | | |
| 19 th -2 | Oct. 20, 2017 | Stock | 14,495 | 14,495 | ₩ 1,452 | Provision of services to the date of vesting | Oct. 20, 2020 | Oct. 19, 2026 |
| 19 th -3 | Oct. 20, 2017 | Stock | 153,750 | 153,750 | 1,452 | Provision of services to the date of vesting | Oct. 20, 2021 | Oct. 19, 2026 |
| 23 rd 2 | Nov. 5, 2020 | Stock Cash | 50,000 | 50,000 | 144,000 | Provision of services to the date of vesting | Nov. 5, 2022(35%) Nov. 5, 2023(35%) Nov. 5, 2024(30%) | Nov. 4, 2032 |
| 24 th 2 | Nov. 5, 2020 | Stock Cash | 650,000 | 650,000 | 144,000 | Achievement of the target share price after IPO | 25% each upon achievement of the target share price after IPO | Nov. 4, 2032 |
| 25 th | Mar. 31, 2021 | Stock | 128,412 | 97,629 | 190,000 | Provision of services to the date of vesting | Mar. 31, 2023(35%) Mar. 31, 2024(35%) Mar. 31, 2025(30%) | Mar. 30, 2028 |
| 26 th | Mar. 31, 2021 | Stock | 2,500 | 2,500 | 190,000 | Provision of services to the date of vesting | Mar. 31, 2023(70%) Mar. 31, 2024(30%) | Mar. 30, 2025(70%) Mar. 30, 2027(30%) |
| 27 th | Mar. 31, 2022 | Stock | 60,000 | 60,000 | 279,310 | Provision of services to the date of vesting | Mar. 31, 2024(35%) Mar. 31, 2025(35%) Mar. 31, 2026(30%) | Mar. 30, 2029 |
| 28 th | Mar. 28, 2023 | Stock Cash | 100,000 | 100,000 | 172,270 | Provision of services to the date of vesting/ Achievement of the target market capitalization | Satisfy the period of continued service and upon achievement of the target market capitalization | Mar. 27, 2033 |
| 29 th | Mar. 26, 2024 | Stock Cash | - | 80,000 | ₩ 231,800 | Provision of services to the date of vesting/ Achievement of the target market capitalization | Satisfy the period of continued service and upon achievement of the target market capitalization | Mar. 25, 2034 |

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| <i>(in Korean won, except number of shares)</i> | Date of grant | Settlement Method | Outstanding shares as of December 31, 2023¹ | Outstanding shares as of December 31, 2024¹ | Exercise price¹ | Vesting conditions | Date of vesting | Date of expiration |
|---|----------------------|------------------------------|---|---|---------------------------------------|--|---|---------------------------|
| Share options granted (Thingsflow Inc.) | | | | | | | | |
| 3 th -2 | Nov. 1, 2020 | Stock | 500 | 200 W | 99,174 | Provision of services to the date of vesting | Jan. 1, 2023 | Jan. 1, 2025 |
| 3 th -3 | Nov. 1, 2020 | Stock | 130 | 130 | 99,174 | Provision of services to the date of vesting | June 1, 2023 | June 1, 2025 |
| 4 th -1 | Jun. 14, 2023 | Stock | 1,160 | 290 | 313,162 | Provision of services to the date of vesting | June 14, 2025 | June 14, 2030 |
| 4 th -2 | Jun. 14, 2023 | Stock | 870 | 250 | 313,162 | Provision of services to the date of vesting | June 14, 2026 | June 14, 2031 |
| 4 th -3 | Jun. 14, 2023 | Stock | 165 | - | 313,162 | Provision of services to the date of vesting | June 14, 2027 | June 14, 2032 |
| 4 th -4 | Jun. 14, 2023 | Stock | 2,326 | 2,326 | 313,162 | Provision of services to the date of vesting | June 14, 2028 | June 14, 2033 |
| 5 th -1 | July 30, 2024 | Stock | - | 330 | 313,162 | Provision of services to the date of vesting | July 30, 2026(50%) July 30, 2027(46%) July 30, 2028(4%) | July 30, 2031 |
| Share options granted (Neon Giant AB) | | | | | | | | |
| 3 rd | Jan. 4, 2021 | Stock | 300 | - | 1 SEK | Provision of services to the date of vesting | Jan. 4, 2024 | Jan. 4, 2026 |
| 4 th | May 31, 2021 | Stock | 500 | - | 1 SEK | Provision of services to the date of vesting | May 31, 2024 | May 31, 2026 |
| 5 th | Aug. 24, 2022 | Stock | 150 | 150 | 1 SEK | Provision of services to the date of vesting | Aug. 24, 2025 | Aug. 24, 2027 |
| 6 th | Nov. 1, 2022 | Stock | 1,500 | 1,500 | 1 SEK | Provision of services to the date of vesting | Nov. 1, 2025 | Nov. 1, 2027 |
| 7 th | May 2, 2023 | Stock | 850 | 850 | 1 SEK | Provision of services to the date of vesting | May 2, 2026 | May 2, 2028 |
| 8 th | Dec. 20, 2023 | Stock | 1,200 | 1,200 | 1 SEK | Provision of services to the date of vesting | Dec. 20, 2026 | Dec. 20, 2028 |

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21. Share-based Payments, (cont'd)

| <i>(in Korean won, except number of shares)</i> | Date of grant | Settlement Method | Outstanding shares as of December 31, 2023¹ | Outstanding shares as of December 31, 2024¹ | Exercise price¹ | Vesting conditions | Date of vesting | Date of expiration |
|---|----------------------|------------------------------|---|---|---------------------------------------|--|--|------------------------------|
| Performance-based incentives³ | | | | | | | | |
| 2 nd | Oct. 31, 2017 | Cash | 1,500 | - ₩ | 1,452 | Provision of services to the date of vesting | Nov. 1, 2019(35%) Nov. 1, 2020(35%) Nov. 1, 2021(30%) | 4 years from date of vesting |
| 3 rd -1 | Dec. 22, 2017 | Cash | 6,540 | 3,540 | 1,452 | Provision of services to the date of vesting | Dec. 23, 2019(35%) Dec. 23, 2020(35%) Dec. 23, 2021(30%) | 4 years from date of vesting |
| 3 rd -2 | Feb. 1, 2018 | Cash | 1,125 | 1,125 | 1,452 | Provision of services to the date of vesting | Feb. 2, 2020(35%) Feb. 2, 2021(35%) Feb. 2, 2022(30%) | 4 years from date of vesting |
| 4 th -1 | Mar. 31, 2018 | Cash | 19,000 | 8,500 | 14,000 | Provision of services to the date of vesting | Apr. 1, 2020(35%) Apr. 1, 2021(35%) Apr. 1, 2022(30%) | 4 years from date of vesting |
| 4 th -2 | Mar. 31, 2018 | Cash | 10,500 | 7,000 | 44,000 | Provision of services to the date of vesting | Apr. 1, 2020(35%) Apr. 1, 2021(35%) Apr. 1, 2022(30%) | 4 years from date of vesting |
| 5 th -1 | Jun. 30, 2018 | Cash | 1,500 | 750 | 14,000 | Provision of services to the date of vesting | Jul. 1, 2020(35%) Jul. 1, 2021(35%) Jul. 1, 2022(30%) | 4 years from date of vesting |
| 5 th -2 | Jun. 30, 2018 | Cash | 7,500 | 4,750 | 58,000 | Provision of services to the date of vesting | Jul. 1, 2020(35%) Jul. 1, 2021(35%) Jul. 1, 2022(30%) | 4 years from date of vesting |
| 6 th -1 | Aug. 1, 2018 | Cash | 43,725 | 18,390 | 44,000 | Provision of services to the date of vesting | Aug. 2, 2020(20%) Aug. 2, 2021(30%) Aug. 2, 2022(20%) Aug. 2, 2023(30%) | 4 years from date of vesting |
| 6 th -2 | Aug. 1, 2018 | Cash | 1,500 | 1,500 | 58,000 | Provision of services to the date of vesting | Aug. 2, 2020(35%) Aug. 2, 2021(35%) Aug. 2, 2022(30%) | 4 years from date of vesting |

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| <i>(in Korean won, except number of shares)</i> | Date of grant | Settlement Method | Outstanding shares as of December 31, 2023¹ | Outstanding shares as of December 31, 2024¹ | Exercise price¹ | Vesting conditions | Date of vesting | Date of expiration |
|---|----------------------|------------------------------|---|---|---------------------------------------|---|--|---------------------------------|
| 7 th | Aug. 31, 2018 | Cash | 2,500 | 2,500 | ₩ 44,000 | Provision of services to the date of vesting | Sep. 1, 2020(35%) Sep. 1, 2021(35%) Sep. 1, 2022(30%) | 4 years from date of vesting |
| 8 th | Sep. 30, 2018 | Cash | 4,500 | 2,250 | 44,000 | Provision of services to the date of vesting | Oct. 1, 2020(35%) Oct. 1, 2021(35%) Oct. 1, 2022(30%) | 4 years from date of vesting |
| 9 th | Nov. 12, 2018 | Cash | 2,250 | 2,250 | 78,000 | Provision of services to the date of vesting | Nov. 13, 2020(35%) Nov. 13, 2021(35%) Nov. 13, 2022(30%) | 4 years from date of vesting |
| 13 th -1 | Jan. 2, 2020 | Cash | 2,500 | 1,500 | 1,452 | Provision of services to the date of vesting | Dec. 23, 2020(54%) Dec. 23, 2021(46%) | 4 years from date of vesting |

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21. Share-based Payments, (cont'd)

| <i>(in Korean won, except number of shares)</i> | Date of grant | Settlement Method | Outstanding shares as of December 31, 2023¹ | Outstanding shares as of December 31, 2024¹ | Exercise price¹ | Vesting conditions | Date of vesting | Date of expiration |
|---|----------------------|------------------------------|---|---|---------------------------------------|--|--|--|
| Restricted stock unit | | | | | | | | |
| 1 st | Apr. 1, 2022 | Stock | 650 | 300 W | - | Provision of services to the date of vesting | Apr. 1, 2023(35%) Apr. 1, 2024(35%) Apr. 1, 2025(30%) | - |
| 2 nd -4 | Apr. 1, 2022 | Cash | 4,225 | 1,950 | 190,000 | Provision of services to the date of vesting | Apr. 1, 2023(35%) Apr. 1, 2024(35%) Apr. 1, 2025(30%) | - |
| 3 rd | May. 2, 2022 | Stock | 650 | 300 | - | Provision of services to the date of vesting | May. 2, 2023(35%) May. 2, 2024(35%) May. 2, 2025(30%) | - |
| 4 th -1 | Jun. 1, 2022 | Stock | 30,745 | 13,425 | - | Provision of services to the date of vesting | Jun. 1, 2023(35%) | - |
| 4 th -2 | | Cash | | | | | Jun. 1, 2024(35%) | |
| 4 th -3 | | | | | | | Jun. 1, 2025(30%) | |
| 4 th -3 | Jun. 1, 2022 | Stock Cash | 7,800 | 3,600 | - | Provision of services to the date of vesting | Jul. 1, 2024(54%) Jul. 1, 2025(46%) | - |
| 4 th -3 | Jun. 1, 2022 | Stock Cash | 1,950 | 1,950 | - | Provision of services to the date of vesting | Jun. 1, 2025 | - |
| 4 th -3 (Market performance conditions added) | Jun. 1, 2022 | Stock Cash | 17,200 | 16,600 | - | Provision of services to the date of vesting/ Achievement of the target share price | Satisfy the period of continued service and upon achievement of the target market capitalization | May. 31, 2025(35%) May. 31, 2026(35%) May. 31, 2027(30%) |
| 6 th | Jan. 1, 2023 | Cash | 1,300 | 600 | - | Provision of services to the date of vesting | Oct. 10, 2023(35%) Oct. 10, 2024(35%) Oct. 10, 2025(30%) | - |
| 7 th -1 | Jun. 1, 2023 | Stock | 63,800 | 38,818 | - | Provision of services to the date of vesting | Jun. 1, 2024(35%) | - |
| 7 th -2 | | Cash | | | | | Jun. 1, 2025(35%) Jun. 1, 2026(30%) | |
| 7 th -1 | Jun. 1, 2023 | Stock Cash | 20,000 | 13,000 | - | Provision of services to the date of vesting | Jul. 1, 2024(35%) Jul. 1, 2025(35%) | - |

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| <i>(in Korean won, except number of shares)</i> | Date of grant | Settlement Method | Outstanding shares as of December 31, 2023¹ | Outstanding shares as of December 31, 2024¹ | Exercise price¹ | Vesting conditions | Date of vesting | Date of expiration |
|---|----------------------|------------------------------|---|---|---------------------------------------|---|--|---------------------------|
| | | | | | | | Jul. 1, 2025(30%) | |
| 7 th -1 | Jun. 1, 2023 | Stock Cash | 5,000 | 5,000 | - | Provision of services to the date of vesting | Jun. 1, 2025(70%) Jun. 1, 2026(30%) | - |
| 8 th | July 1, 2023 | Cash | 2,500 | 1,625 | - | Provision of services to the date of vesting | Jun. 1, 2024(35%) Jun. 1, 2025(35%) Jun. 1, 2026(35%) | |
| 9 th | Dec. 15, 2023 | Stock Cash | 5,000 | 3,250 | - | Provision of services to the date of vesting | Dec. 15, 2024(35%) Dec. 15, 2025(35%) Dec. 15, 2026(30%) | - |
| 10 th -1 | Jun. 1, 2024 | Stock | - | 74,447 | - | Provision of services to the date of vesting | Jun. 1, 2025(35%) Jun. 1, 2026(35%) Jun. 1, 2027(30%) | - |
| 10 th -2 | | Cash | | | | | Jun. 1, 2026(35%) Jun. 1, 2027(30%) | |
| 10 th -3 | Jun. 1, 2024 | Stock Cash | - | 1,500 | - | Provision of services to the date of vesting | Jun. 1, 2026(35%) Jun. 1, 2027(35%) Jun. 1, 2028(30%) | - |
| 11 th -1 | Jun. 1, 2024 | Stock Cash | - | 500 | - | Provision of services to the date of vesting | Mar. 30, 2026 | - |
| 11 th -2 | Jun. 1, 2024 | Stock | - | 11,000 | - | Provision of services to the date of vesting | Mar. 29, 2026 | - |
| 11 th -4 | | Cash | | | | | | |
| 11 th -3 | Jun. 1, 2024 | Stock Cash | - | 1,000 | - | Provision of services to the date of vesting | Mar. 30, 2027 | - |
| 11 th -5 | Jun. 1, 2024 | Stock Cash | - | 1,000 | - | Provision of services to the date of vesting | Mar. 31, 2026 | - |
| | | | | | | Provision of services to the date of vesting/ | | |
| 12 th -1 | Jun. 1, 2024 | Stock Cash | - | 1,000 | - | Differentiated payment based on relative share price increase | Mar. 30, 2026 | - |
| 12 th -2 | Jun. 1, 2024 | Stock | - | 12,000 | - | Provision of services to the date of vesting/ | Mar. 29, 2026 | - |
| 12 th -4 | | Cash | | | | | | |

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| (in Korean won, except number of shares) | Date of grant | Settlement Method | Outstanding shares as of | Outstanding shares as of | Exercise price ¹ | Vesting conditions | Date of vesting | Date of expiration |
|--|---------------|----------------------|-----------------------------------|-----------------------------------|--------------------------------|--|--|--------------------|
| | | | December 31, 2023 ¹ | December 31, 2024 ¹ | | | | |
| 12 th -3 | Jun. 1, 2024 | Stock Cash | - | 2,000 | - | Differentiated payment based on relative share price increase Provision of services to the date of vesting/ Differentiated payment based on relative share price increase | Mar. 30, 2027 | - |
| 12 th -5 | Jun. 1, 2024 | Stock Cash | - | 2,000 | - | Differentiated payment based on relative share price increase Provision of services to the date of vesting/ Differentiated payment based on relative share price increase | Mar. 31, 2026 | - |
| 13 th | Jun. 1, 2024 | Stock Cash | - | 90,000 | - | Provision of services to the date of vesting/ Achievement of the target market capitalization | Satisfy the period of continued service and upon achievement of the target market capitalization | Dec. 31, 2033 |
| 14 th | Jun. 1, 2024 | Stock Cash | - | 20,000 | - | Differentiated payment based on the achievement of new game revenue | Mar. 29, 2026 | - |
| 15 th | Jun. 1, 2024 | Stock Cash | - | 10,000 | - | Provision of services to the date of vesting/ Differentiated payment based on the achievement of target operating profit | Mar. 29, 2026 | - |
| 16 th | Sep. 2, 2024 | Stock Cash | - | 8,000 | - | Provision of services to the date of vesting | Sep. 2, 2025(35%) Sep. 2, 2026(35%) | - |

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| (in Korean won, except number of shares) | Date of grant | Settlement Method | Outstanding shares as of | Outstanding shares as of | Exercise price ¹ | Vesting conditions | Date of vesting Sep. 2, 2027(30%) | Date of expiration |
|--|---------------|----------------------|-----------------------------------|-----------------------------------|--------------------------------|--------------------|--------------------------------------|--------------------|
| | | | December 31, 2023 ¹ | December 31, 2024 ¹ | | | | |

¹ The Parent company conducted a share split by lowering the par value from ₩500 to ₩100 on May 4, 2021, as the effective date. Accordingly, the quantity and exercise price of share options have been adjusted.

² During the year ended December 31, 2024, the option holder for the settlement method of the share options was changed from 'employees' to the 'Company.' Accordingly, the share-based payment transaction was reclassified from a cash-settled share-based payment transaction to an equity-settled share-based payment transaction. The Group recognized the difference between the fair value of the liability at the modification date and the fair value of the equity as profit or loss for the period.

³ According to the terms of the performance-based incentives granted by the Group to its executives and employees, the compensation has been changed to be granted in accordance with the stock price at the time of exercise after the listing.

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21. Share-based Payments, (cont'd)

Changes in the number of share options (Krafton, Inc.) granted and weighted average exercise price for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in Korean won, except number of shares)</i> | December 31, 2024 | | December 31, 2023 | |
|---|---------------------------|--|---------------------------|--|
| | Granted number | Weighted average exercise price | Granted number | Weighted average exercise price |
| Beginning | 1,159,157 | ₩ 137,948 | 1,238,490 | ₩ 119,003 |
| Grant | 80,000 | 231,800 | 100,000 | 172,270 |
| Forfeit / Expired | (9,162) | 190,000 | (23,588) | 190,000 |
| Exercise | (21,621) | 190,000 | (155,745) | 1,452 |
| Ending | <u>1,208,374</u> | <u>₩ 142,835</u> | <u>1,159,157</u> | <u>₩ 137,948</u> |

Changes in the number of share options (Thingsflow Inc.) granted and weighted average exercise price for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in Korean won, except number of shares)</i> | December 31, 2024 | | December 31, 2023 | |
|---|---------------------------|--|---------------------------|--|
| | Granted number | Weighted average exercise price | Granted number | Weighted average exercise price |
| Beginning | 5,151 | ₩ 286,990 | 850 | ₩ 99,174 |
| Grant | 395 | 313,162 | 5,736 | 313,162 |
| Forfeit / Expired | (2,020) | 281,382 | (1,275) | 303,092 |
| Exercise | - | - | (160) | 99,174 |
| Ending | <u>3,526</u> | <u>₩ 293,135</u> | <u>5,151</u> | <u>₩ 286,990</u> |

Changes in the number of share options (Neon Giant AB) granted and weighted average exercise price for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in Swedish Krona, except number of shares)</i> | December 31, 2024 | | December 31, 2023 | |
|--|---------------------------|--|---------------------------|--|
| | Granted number | Weighted average exercise price | Granted number | Weighted average exercise price |
| Beginning | 4,500 | 1 SEK | 3,483 | 1 SEK |
| Grant | - | - | 3,700 | 1 SEK |
| Exercise | (800) | 1 SEK | (2,683) | 1 SEK |
| Ending | <u>3,700</u> | <u>1 SEK</u> | <u>4,500</u> | <u>1 SEK</u> |

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21. Share-based Payments, (cont'd)

Changes in the number of performance-based incentives granted and weighted average exercise price for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in Korean won, performance-based incentives granted)</i> | December 31, 2024 | | December 31, 2023 | |
|--|---------------------------|--|---------------------------|--|
| | Granted number | Weighted average exercise price | Granted number | Weighted average exercise price |
| Beginning | 104,640 | ₩ 35,315 | 132,590 | ₩ 31,754 |
| Forfeit / Expired | - | - | (11,000) | 14,990 |
| Exercise | (50,585) | 33,463 | (16,950) | 20,649 |
| Ending | 54,055 | ₩ 37,048 | 104,640 | ₩ 35,315 |

Changes in the number of restricted stock units for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in Korean won, except number of shares)</i> | December 31, 2024 | | December 31, 2023 | |
|---|---------------------------|--|---------------------------|--|
| | Granted number | Weighted average exercise price | Granted number | Weighted average exercise price |
| Beginning | 160,820 | ₩ 4,992 | 117,040 | ₩ 18,841 |
| Grant | 236,057 | - | 114,160 | - |
| Forfeit / Expired | (6,762) | - | (26,011) | 19,917 |
| Exercise | (55,220) | 7,828 | (44,369) | 19,933 |
| Ending | 334,895 | ₩ 1,106 | 160,820 | ₩ 4,992 |

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21. Share-based Payments, (cont'd)

Number of shares/compensations exercisable and others as of December 31, 2024, are as follows:

| <i>(in Korean won, except number of shares/compensations)</i> | Number of Shares/Compensations Exercisable | Weighted average exercise price |
|---|---|--|
| Share options (Krafton, inc.) | 305,699 | ₩ 84,842 |
| Share options (Thingsflow Inc.) | 330 | 99,174 |
| Performance-based incentives | 54,055 | 37,048 |

The Group measured the cost of the share options granted by Krafton, inc. for December 31, 2024 and 2023, by fair value using Monte Carlo method. The related assumptions and variables to measure the cost of the share options granted are as follows:

| <i>(in Korean won)</i> | December 31, 2024 | December 31, 2023 |
|--|--------------------------|--------------------------|
| Weighted average fair value of share options granted during the year | ₩ 103,624 | ₩ 93,833 |
| Weighted average share price at grant date | ₩ 246,500 | ₩ 179,500 |
| Price volatility | 41.12% | 48.76% |
| Dividend Yield | 0.00% | 0.00% |
| Expected Term | 3.30~5.20years | 3.24~5.30years |
| Risk-free interest rate | 3.30%~3.45% | 3.26%~3.30% |

The Group measured the cost of the share options granted by Krafton, which were modified to equity-settled share-based payment transactions for December 31, 2024, by fair value using the Binomial model and Monte Carlo method. The related assumptions and variables to measure the cost of the share options granted are as follows:

| <i>(in Korean won)</i> | December 31, 2024 |
|--|--------------------------|
| Weighted average fair value of share options | ₩ 200,127 |
| Weighted average share price at grant date | ₩ 327,000 |
| Price volatility | 44.14% |
| Dividend Yield | 0.00% |
| Expected Term | 0.00~8.18years |
| Risk-free interest rate | 2.95%~3.31% |

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21. Share-based Payments, (cont'd)

The Group measured the cost of the share options granted by Krafton, inc. for December 31, 2023, by fair value using the Binomial model and Monte Carlo method. The related assumptions and variables to measure the cost of the share options granted are as follows:

| <i>(in Korean won)</i> | | December 31, 2023 |
|--|---|--------------------------|
| Weighted average fair value of share options | ₩ | 58,158 |
| Weighted average share price at grant date | ₩ | 193,600 |
| Price volatility | | 37.28% |
| Dividend Yield | | 0.00% |
| Expected Term | | 0.00~8.85years |
| Risk-free interest rate | | 3.14%~3.48% |

The Group measured the cost of the performance-based incentives granted as of December 31, 2024 and 2023, by fair value using the Monte Carlo method. The related assumptions and variables to measure the cost of performance-based incentives granted are as follows:

| <i>(in Korean won)</i> | | December 31, 2024 | | December 31, 2023 |
|--|---|--------------------------|---|--------------------------|
| Weighted average fair value of share options | ₩ | 276,890 | ₩ | 159,822 |
| Weighted average share price at grant date | ₩ | 312,500 | ₩ | 193,600 |
| Price volatility | | 41.61% | | 37.28% |
| Dividend Yield | | 0.00% | | 0.00% |
| Expected Term | | 0.00~0.25years | | 0.00~0.25years |
| Risk-free interest rate | | 2.86%~2.88% | | 3.33%~3.39% |

The Group measured the cost of the restricted stock units granted for the years ended December 31, 2024 and 2023, by fair value using the Binomial model. The related assumptions and variables to measure the cost of the restricted stock units granted are as follows:

| <i>(in Korean won)</i> | | December 31, 2024 | | December 31, 2023 |
|--|---|--------------------------|---|--------------------------|
| Weighted average fair value of share options | ₩ | 261,803 | ₩ | 190,512 |
| Weighted average share price at grant date | ₩ | 261,803 | ₩ | 190,512 |
| Price volatility | | 41.84%~44.14% | | 33.35%~45.35% |
| Dividend Yield | | 0.00% | | 0.00% |
| Expected Term | | 1.00~4.00years | | 1.00~3.00years |
| Risk-free interest rate | | 2.97%~3.29% | | 3.27%~3.58% |

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21. Share-based Payments, (cont'd)

The Group measured the cost of restricted stock units granted as of December 31, 2024 and 2023, by fair value using the Binomial model and the Monte Carlo method. The related assumptions and variables to measure the cost of restricted stock units granted are as follows:

| <i>(in Korean won)</i> | December 31, 2024 | December 31, 2023 |
|--|--------------------------|--------------------------|
| Weighted average fair value of share options | ₩ 251,048 | ₩ 160,169 |
| Weighted average share price at grant date | ₩ 312,500 | ₩ 193,600 |
| Price volatility | 38.86%~44.37% | 37.28% |
| Dividend Yield | 0.00% | 0.00% |
| Expected Term | 0.25~5.06years | 0.42~2.42years |
| Risk-free interest rate | 2.59%~3.03% | 3.18%~3.48% |

Details of the expenses in relation to the share-based payments granted to employees of the Group for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|-------------------------------------|--------------------------|--------------------------|
| Total share-based payment expenses | | |
| Operating costs | ₩ 102,405,282 | ₩ 27,642,127 |

As of December 31, 2024 and 2023, the carrying amount and intrinsic value of the liabilities recognized in relation to share-based payments are as follows.

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|-------------------------------------|--------------------------|--------------------------|
| Carrying Amount | ₩ 38,423,193 | ₩ 50,822,404 |
| Intrinsic Value | 14,967,268 | 16,723,783 |

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22. Revenue from Contracts with Customers and Contract Assets and Liabilities

(a) Revenue from contracts with customers

Revenue for the years ended December 31, 2024 and 2023, is as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|---------------------------------------|--------------------------|--------------------------|
| Revenue from contracts with customers | ₩ 2,705,547,483 | ₩ 1,910,365,763 |
| Revenue from other sources | 4,226,624 | 210,417 |
| | <u>₩ 2,709,774,107</u> | <u>₩ 1,910,576,180</u> |

The Group derives revenue from the transfer of goods and services over time or at a point in time in the following major services:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|-------------------------------------|--------------------------|--------------------------|
| Main Services | | |
| PC | ₩ 941,879,465 | ₩ 583,895,594 |
| Mobile | 1,689,837,033 | 1,244,818,528 |
| Console | 44,338,311 | 55,673,426 |
| Others | 29,492,674 | 25,978,215 |
| Total | <u>₩ 2,705,547,483</u> | <u>₩ 1,910,365,763</u> |
| Revenue recognition | | |
| Transfer over time | ₩ 2,659,799,846 | ₩ 1,832,360,135 |
| Transfer at a point in time | 45,747,637 | 78,005,628 |
| Total | <u>₩ 2,705,547,483</u> | <u>₩ 1,910,365,763</u> |

Details of the Group's revenue by geographic areas for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | December 31, 2023 | |
|-------------------------------------|--------------------------|----------------|--------------------------|----------------|
| | Revenue | Ratio | Revenue | Ratio |
| Asia | ₩ 2,294,220,130 | 84.80% | ₩ 1,613,272,877 | 84.45% |
| Korea | 191,128,588 | 7.06% | 104,876,232 | 5.49% |
| America / Europe | 203,023,394 | 7.50% | 179,086,142 | 9.37% |
| Others | 17,175,371 | 0.64% | 13,130,512 | 0.69% |
| | <u>₩ 2,705,547,483</u> | <u>100.00%</u> | <u>₩ 1,910,365,763</u> | <u>100.00%</u> |

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22. Revenue from Contracts with Customers and Contract Assets and Liabilities, (cont'd)

(b) Contract liabilities

Assets and liabilities related to contracts with customers the Group has recognized for the years ended December 31, 2024 and 2023 are as follows:

| <i>(in thousands of Korean won)</i> | | December 31, 2024 | | December 31, 2023 |
|---|---|--------------------------|---|--------------------------|
| Contract liabilities (unearned revenue) | ₩ | 168,892,958 | ₩ | 130,101,737 |

(c) Significant changes in contract assets and liabilities

Contract liabilities are unearned revenue recognized over time, and the amount changes when there are new customers and time elapses.

(d) Revenue recognized in relation to contract liabilities

Revenue recognized in relation to contract liabilities carried over from the previous reporting period for the years ended December 31, 2024 and 2023 is as follows.

| <i>(in thousands of Korean won)</i> | | December 31, 2024 | | December 31, 2023 |
|---|---|------------------------------|---|------------------------------|
| Revenue recognized that was included in the contract liability balance at the beginning of the year | ₩ | 76,703,999 | ₩ | 67,192,068 |

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23. Operating Costs

Operating costs for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | December 31, 2023 | |
|--------------------------------------|--------------------------|----------------------|--------------------------|----------------------|
| Application fees / Cost of sales | ₩ | 349,293,179 | ₩ | 226,754,111 |
| Salaries and bonuses | | 387,172,083 | | 329,278,631 |
| Post-employment benefits | | 33,642,399 | | 29,442,717 |
| Employee benefits | | 95,962,744 | | 68,579,807 |
| Travel and transportation expenses | | 10,928,356 | | 6,778,361 |
| Depreciation | | 83,090,693 | | 76,413,151 |
| Depreciation – Investment properties | | 1,765,953 | | 806,217 |
| Amortization | | 21,583,796 | | 30,796,591 |
| Insurance expenses | | 6,742,416 | | 7,780,325 |
| Supplies expenses | | 1,532,889 | | 1,356,117 |
| Commissions and fees | | 316,069,282 | | 258,894,433 |
| Advertising and promotion expenses | | 101,436,739 | | 66,050,538 |
| Share-based payment expenses | | 102,405,282 | | 27,642,127 |
| Bad debts expense(reversal) | | (82,043) | | (3,283,475) |
| Others | | 15,742,654 | | 15,240,920 |
| | ₩ | <u>1,527,286,422</u> | ₩ | <u>1,142,530,571</u> |

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24. Other Income and Expenses

Other income and expenses for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|---|------------------------------|------------------------------|
| Other income | | |
| Gain on foreign exchange | ₩ 158,257,497 | ₩ 70,742,953 |
| Gains on disposal of investments in associates | 3,876,924 | 4,434,747 |
| Gain on disposal of property and equipment | 7,162 | 11,106 |
| Gain on disposal of leases | 957,458 | 583 |
| Gain on disposal of intangible assets | 83,830 | 25,814,133 |
| Gain on disposal of other financial assets | 23,343 | 14,583 |
| Gain on disposal of financial assets at fair value through profit or loss | 307,460,409 | 197,676,487 |
| Gain on valuation of financial assets at fair value through profit or loss | 194,999,969 | 25,488,865 |
| Gain on valuation of financial liabilities at fair value through profit or loss | 27,415,654 | 150,210,081 |
| Gain on derivatives | 3,272,994 | 554,642 |
| Dividend income | 140,550 | 456,194 |
| Other bad debts expense(reversal) | 18,464 | - |
| Others | 568,470 | 7,565,467 |
| | <u>₩ 697,082,724</u> | <u>₩ 482,969,841</u> |
| Other expenses | | |
| Loss on foreign exchange | ₩ 34,876,206 | ₩ 52,888,051 |
| Loss on disposal of investments in associates | 2,517,930 | - |
| Loss on impairment of investments in associates | 20,125,947 | - |
| Loss on disposal of investment properties | 2,330,623 | - |
| Loss on disposal of property and equipment | 364,207 | 209,160 |
| Loss on impairment of property and equipment | 258,219 | 2,344,920 |
| Loss on impairment of intangible assets | 11,063,305 | 250,188,315 |
| Loss on disposal of intangible assets | 7 | 3,146 |
| Other bad debt expenses | 566,338 | 123,293 |
| Loss on valuation of financial assets at fair value through profit or loss | 11,995,741 | 28,174,994 |
| Loss on disposal of financial assets at fair value through profit or loss | 38,167,240 | 62,499,507 |
| Loss on derivatives | - | 169,156 |
| Loss on disposal of other financial assets | - | 127 |
| Donations | 1,205,538 | 3,116,333 |
| Others | 8,618,437 | 7,124,504 |
| | <u>₩ 132,089,738</u> | <u>₩ 406,841,506</u> |

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25. Finance Income and Costs

Finance income and finance costs for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|-------------------------------------|------------------------------|------------------------------|
| Finance income | | |
| Interest income | ₩ 32,533,611 | ₩ 37,537,873 |
| Financial guarantee income | 120 | - |
| | <u>₩ 32,533,731</u> | <u>₩ 37,537,873</u> |
| Finance costs | | |
| Interest expenses | ₩ 9,457,916 | ₩ 8,910,260 |
| Financial guarantee expenses | - | 21,744 |
| | <u>₩ 9,457,916</u> | <u>₩ 8,932,004</u> |

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26. Income Tax Expense

Income tax expense for the years ended December 31, 2024 and 2023, consists of:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|---|------------------------------|------------------------------|
| Current tax | ₩ 426,678,645 | ₩ 241,164,113 |
| Deferred tax due to temporary differences | (19,511,590) | (14,644,121) |
| Income tax expense charged directly to equity | 12,918,682 | 8,035,029 |
| Income tax expense | <u>₩ 420,085,737</u> | <u>₩ 234,555,021</u> |

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2024 and 2023 are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|---|------------------------------|------------------------------|
| Profit before income tax | ₩ 1,722,678,391 | ₩ 828,615,336 |
| Income tax based on statutory tax rate | 444,425,095 | 208,392,449 |
| Adjustments: | | |
| Non-taxable income | (2,050,226) | (5,603,893) |
| Non-deductible expenses | 27,739,543 | 7,599,600 |
| Tax credit and others | (5,822,610) | (1,547,867) |
| Foreign tax credit and others | (6,950,760) | (2,072,888) |
| Claim for rectification | (44,545,438) | (9,432,883) |
| Changes in unrecognized deferred tax asset | (1,449,820) | 27,843,829 |
| Effects of the tax system for recirculation of corporate income | - | (4,870,000) |
| Others | 8,739,953 | 14,246,674 |
| Income tax expense | <u>₩ 420,085,737</u> | <u>₩ 234,555,021</u> |
| Effective tax rate | 24.39% | 28.31% |

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26. Income Tax Expense, (cont'd)

Changes in the temporary differences and related deferred tax assets and liabilities for the years ended December 31, 2024 and 2023, are as follows:

| | December 31, 2024 | | | | | |
|---|----------------------------------|------------------------|---------------|----------------------------------|------------------------|--------------|
| | Temporary differences and others | | | Deferred tax assets(liabilities) | | |
| | Beginning | Increase (decrease) | Ending | Beginning | Increase (decrease) | Ending |
| <i>(in thousands of Korean won)</i> | | | | | | |
| Post-employment benefit obligation | ₩ 19,017,001 | ₩ 9,838,643 | ₩ 28,855,644 | ₩ 4,979,510 | ₩ 2,614,574 | ₩ 7,594,084 |
| Plan assets | (2,232,848) | (526,335) | (2,759,183) | (589,472) | (138,952) | (728,424) |
| Accrued income | (12,031,551) | (5,608,286) | (17,639,837) | (3,176,322) | (1,480,456) | (4,656,778) |
| Unearned revenue | 134,078,522 | 38,634,385 | 172,712,907 | 35,328,272 | 10,258,551 | 45,586,823 |
| Prepaid expenses | (19,024,418) | (9,228,913) | (28,253,331) | (5,022,446) | (2,436,433) | (7,458,879) |
| Accrued expenses | 102,180,456 | 18,302,945 | 120,483,401 | 26,968,843 | 4,834,084 | 31,802,927 |
| Right-of-use assets | (124,316,470) | 21,697,895 | (102,618,575) | (32,759,194) | 5,667,890 | (27,091,304) |
| Lease liabilities | 164,982,157 | (22,550,586) | 142,431,571 | 43,491,725 | (5,889,790) | 37,601,935 |
| Lease receivables | (38,277,835) | 2,222,826 | (36,055,009) | (10,105,349) | 586,827 | (9,518,522) |
| Present value discounts | 3,864,325 | (463,621) | 3,400,704 | 1,019,448 | (121,662) | 897,786 |
| Provision for impairment | 89,640,240 | 12,175,465 | 101,815,705 | 23,665,023 | 3,214,323 | 26,879,346 |
| Depreciation | 6,848,589 | (1,286,140) | 5,562,449 | 1,557,712 | (269,395) | 1,288,317 |
| Amortization | (242,473,279) | (13,445,540) | (255,918,819) | (48,485,041) | (2,687,108) | (51,172,149) |
| Government grants | 258,000 | (94,000) | 164,000 | 68,112 | (24,816) | 43,296 |
| Allowance for depreciation | (258,000) | 94,000 | (164,000) | (68,112) | 24,816 | (43,296) |
| Facilities | (174,109) | 72,062 | (102,047) | (47,156) | 19,113 | (28,043) |
| Loss on impairment of construction-in-progress | 2,344,920 | 65,695 | 2,410,615 | 619,059 | 17,343 | 636,402 |
| Bad debt expenses | 224,968 | - | 224,968 | 59,391 | - | 59,391 |
| Financial assets at fair value through profit or loss | (50,677,753) | (28,975,360) | (79,653,113) | (13,378,927) | (7,649,495) | (21,028,422) |
| Financial assets at fair value through other comprehensive income | 12,428,698 | 47,365,457 | 59,794,155 | 3,281,176 | 12,504,481 | 15,785,657 |

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26. Income Tax Expense, (cont'd)

| | | December 31, 2024 | | | | | |
|---|---|----------------------------------|------------------------|---------------|----------------------------------|------------------------|---------------|
| | | Temporary differences and others | | | Deferred tax assets(liabilities) | | |
| (in thousands of Korean won) | | Beginning | Increase (decrease) | Ending | Beginning | Increase (decrease) | Ending |
| Investments in subsidiaries | ₩ | 99,109,005 | ₩ (42,086,678) | ₩ 57,022,327 | ₩ 26,164,777 | ₩ (11,110,883) | ₩ 15,053,894 |
| Investments in associates | | 10,180,774 | 22,845,177 | 33,025,951 | 2,687,724 | 6,031,127 | 8,718,851 |
| Provision for restoration costs | | 13,852,061 | (565,056) | 13,287,005 | 3,656,944 | (149,175) | 3,507,769 |
| Financial guarantee liabilities | | 64,130 | (17,894) | 46,236 | 16,930 | (4,724) | 12,206 |
| Financial liabilities at fair value through profit or loss | | 51,837,885 | (24,038,045) | 27,799,840 | 13,685,202 | (6,346,044) | 7,339,158 |
| Derivative instruments | | 12,066,858 | (4,824,199) | 7,242,659 | 3,185,651 | (1,273,589) | 1,912,062 |
| Loss on impairment of intangible assets | | 10,705 | 3,664,998 | 3,675,703 | 2,826 | 967,560 | 970,386 |
| Other receivables | | (147,429) | - | (147,429) | (38,921) | - | (38,921) |
| Commissions | | 147,490 | - | 147,490 | 38,937 | - | 38,937 |
| Long-term accrued expenses | | 985,735 | (759,669) | 226,066 | 232,897 | (173,215) | 59,682 |
| Share-based payment expenses | | 32,498,998 | (12,490,065) | 20,008,933 | 8,579,736 | (3,297,378) | 5,282,358 |
| Accounts payable | | 104,363 | (64,903) | 39,460 | 27,552 | (17,134) | 10,418 |
| Development costs | | 33,281 | (4,438) | 28,843 | 8,786 | (1,171) | 7,615 |
| Membership rights | | - | 18,582 | 18,582 | - | 4,906 | 4,906 |
| Convertible redeemable preferred stock | | 1,654,050 | 4,435,481 | 6,089,531 | 363,891 | 975,806 | 1,339,697 |
| Others | | 76,310,255 | 77,055,953 | 153,366,208 | 8,369,633 | 8,903,258 | 17,272,891 |
| Tax losses | | 135,172,486 | 3,363,191 | 138,535,677 | 34,877,850 | 728,096 | 35,605,946 |
| Tax credits | | 16,071,956 | 3,938,806 | 20,010,762 | 16,071,956 | 3,938,806 | 20,010,762 |
| | ₩ | 496,354,216 | ₩ 98,761,833 | ₩ 595,116,049 | 145,338,623 | 18,220,141 | 163,558,764 |
| Unrecognized deferred assets | | | | | (101,898,174) | (3,043,040) | (104,941,214) |
| | ₩ | | | | ₩ 43,440,449 | ₩ 15,177,101 | ₩ 58,617,550 |

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

26. Income Tax Expense, (cont'd)

| | | December 31, 2023 | | | | | |
|---|---|----------------------------------|------------------------|---------------|----------------------------------|------------------------|--------------|
| | | Temporary differences and others | | | Deferred tax assets(liabilities) | | |
| <i>(in thousands of Korean won)</i> | | Beginning | Increase (decrease) | Ending | Beginning | Increase (decrease) | Ending |
| Post-employment benefit obligation | ₩ | 15,942,456 | ₩ 3,074,545 | ₩ 19,017,001 | ₩ 4,210,101 | ₩ 769,409 | ₩ 4,979,510 |
| Plan assets | | (1,308,577) | (924,271) | (2,232,848) | (359,859) | (229,613) | (589,472) |
| Accrued income | | (953,174) | (11,078,377) | (12,031,551) | (252,449) | (2,923,873) | (3,176,322) |
| Unearned revenue | | 69,516,013 | 64,562,509 | 134,078,522 | 18,380,677 | 16,947,595 | 35,328,272 |
| Prepaid expenses | | (15,643,684) | (3,380,734) | (19,024,418) | (4,146,287) | (876,159) | (5,022,446) |
| Accrued expenses | | 98,513,854 | 3,666,602 | 102,180,456 | 26,102,893 | 865,950 | 26,968,843 |
| Right-of-use assets | | (135,512,258) | 11,195,788 | (124,316,470) | (35,846,212) | 3,087,018 | (32,759,194) |
| Lease liabilities | | 180,734,521 | (15,752,364) | 164,982,157 | 47,828,983 | (4,337,258) | 43,491,725 |
| Lease receivables | | (46,103,173) | 7,825,338 | (38,277,835) | (12,217,341) | 2,111,992 | (10,105,349) |
| Present value discounts | | 3,846,145 | 18,180 | 3,864,325 | 1,018,989 | 459 | 1,019,448 |
| Provision for impairment | | 89,294,509 | 345,731 | 89,640,240 | 23,663,245 | 1,778 | 23,665,023 |
| Depreciation | | 7,710,612 | (862,023) | 6,848,589 | 1,697,306 | (139,594) | 1,557,712 |
| Amortization | | (320,256,045) | 77,782,766 | (242,473,279) | (63,970,539) | 15,485,498 | (48,485,041) |
| Government grants | | 352,000 | (94,000) | 258,000 | 93,280 | (25,168) | 68,112 |
| Allowance for depreciation | | (352,000) | 94,000 | (258,000) | (93,280) | 25,168 | (68,112) |
| Facilities | | (311,714) | 137,605 | (174,109) | (83,891) | 36,735 | (47,156) |
| Loss on impairment of construction-in-progress | | - | 2,344,920 | 2,344,920 | - | 619,059 | 619,059 |
| Bad debt expenses | | 119,265 | 105,703 | 224,968 | 31,605 | 27,786 | 59,391 |
| Financial assets at fair value through profit or loss | | (16,474,076) | (34,203,677) | (50,677,753) | (4,365,630) | (9,013,297) | (13,378,927) |
| Financial assets at fair value through other comprehensive income | | (15,302,877) | 27,731,575 | 12,428,698 | (4,055,262) | 7,336,438 | 3,281,176 |

KRAFTON, Inc. and its Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

26. Income Tax Expense, (cont'd)

| | | December 31, 2023 | | | | | |
|--|---|----------------------------------|------------------------|---------------|----------------------------------|------------------------|---------------|
| | | Temporary differences and others | | | Deferred tax assets(liabilities) | | |
| <i>(in thousands of Korean won)</i> | | Beginning | Increase (decrease) | Ending | Beginning | Increase (decrease) | Ending |
| Investments in subsidiaries | ₩ | (91,437,393) | ₩ 190,546,398 | ₩ 99,109,005 | ₩ (24,230,909) | ₩ 50,395,686 | ₩ 26,164,777 |
| Investments in associates | | 7,851,730 | 2,329,044 | 10,180,774 | 2,080,709 | 607,015 | 2,687,724 |
| Provision for restoration costs | | 13,638,639 | 213,422 | 13,852,061 | 3,614,239 | 42,705 | 3,656,944 |
| Other provisions | | 2,902,828 | (2,902,828) | - | 769,249 | (769,249) | - |
| Financial guarantee liabilities | | 24,559 | 39,571 | 64,130 | 6,508 | 10,422 | 16,930 |
| Financial liabilities at fair value through profit or loss | | 201,143,514 | (149,305,629) | 51,837,885 | 53,303,031 | (39,617,829) | 13,685,202 |
| Derivative instruments | | 15,885,014 | (3,818,156) | 12,066,858 | 4,129,488 | (943,837) | 3,185,651 |
| Loss on impairment of intangible assets | | 176,559 | (165,854) | 10,705 | 46,788 | (43,962) | 2,826 |
| Other receivables | | (147,429) | - | (147,429) | (39,069) | 148 | (38,921) |
| Commissions | | 147,490 | - | 147,490 | 39,085 | (148) | 38,937 |
| Long-term accrued expenses | | 1,044,595 | (58,860) | 985,735 | 257,950 | (25,053) | 232,897 |
| Share-based payment expenses | | 28,781,273 | 3,717,725 | 32,498,998 | 7,627,037 | 952,699 | 8,579,736 |
| Accounts payable | | 339,868 | (235,505) | 104,363 | 90,065 | (62,513) | 27,552 |
| Development costs | | 188,348 | (188,348) | - | 50,860 | (50,860) | - |
| Membership rights | | 37,718 | (4,437) | 33,281 | 9,995 | (1,209) | 8,786 |
| Convertible redeemable preferred stock | | 1,326,725 | 327,325 | 1,654,050 | 291,879 | 72,012 | 363,891 |
| Others | | 145,288,168 | (68,977,913) | 76,310,255 | 13,151,662 | (4,782,029) | 8,369,633 |
| Tax losses | | 134,860,157 | 312,329 | 135,172,486 | 35,064,953 | (187,103) | 34,877,850 |
| Tax credits | | 10,941,386 | 5,130,570 | 16,071,956 | 10,221,881 | 5,850,075 | 16,071,956 |
| | ₩ | 386,805,546 | ₩ 109,548,670 | ₩ 496,354,216 | 104,121,730 | 41,216,893 | 145,338,623 |
| Unrecognized deferred assets | | | | | (74,107,598) | (27,790,576) | (101,898,174) |
| | ₩ | | | | ₩ 30,014,132 | ₩ 13,426,317 | ₩ 43,440,449 |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
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26. Income Tax Expense, (cont'd)

The analysis of offset deferred tax assets and liabilities as of December 31, 2024 and 2023, is as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|--|------------------------------|------------------------------|
| Deferred tax assets | | |
| Deferred tax asset to be recovered within 12 months | ₩ 103,697,403 | ₩ 111,649,934 |
| Deferred tax asset to be recovered after more than 12 months | 76,645,268 | 147,359,629 |
| Deferred tax liabilities | | |
| Deferred tax liability to be recovered within 12 months | (12,114,961) | (8,237,689) |
| Deferred tax liability to be recovered after more than 12 months | (109,610,160) | (207,331,425) |
| Deferred tax assets, net | <u>₩ 58,617,550</u> | <u>₩ 43,440,449</u> |

The tax effect that is charged or credited directly to other comprehensive income (expenses) for the years ended December 31, 2024 and 2023, is as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | | December 31, 2023 | | |
|--|--------------------------|---------------------|-----------------------|--------------------------|--------------------|-----------------------|
| | Before tax | Tax effect | After tax | Before tax | Tax effect | After tax |
| Remeasurements of net defined benefit liability | ₩ 399,447 | ₩ (108,290) | ₩ 291,157 | ₩ (672,033) | ₩ 197,061 | ₩ (474,972) |
| Gain(loss) on valuation of financial assets at fair value through other comprehensive income | (47,345,457) | 12,499,201 | (34,846,256) | (27,031,575) | 7,155,197 | (19,876,378) |
| Gain on disposal of treasury shares | 5,867,763 | (1,549,089) | 4,318,674 | 4,362,497 | (1,151,699) | 3,210,798 |
| Exchange differences on translation of foreign operations | (7,866,898) | 2,076,861 | (5,790,037) | (6,948,749) | 1,834,470 | (5,114,279) |
| | <u>₩ (48,945,145)</u> | <u>₩ 12,918,683</u> | <u>₩ (36,026,462)</u> | <u>₩ (30,289,860)</u> | <u>₩ 8,035,029</u> | <u>₩ (22,254,831)</u> |

KRAFTON, Inc.
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December 31, 2024 and 2023

26. Income Tax Expense, (cont'd)

Details of deductible temporary differences unrecognized as deferred tax assets as of December 31, 2024 and 2023, are as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|-------------------------------------|------------------------------|------------------------------|
| Deductible temporary differences | ₩ 220,142,536 | ₩ 243,708,340 |
| Tax losses | 138,535,677 | 135,172,486 |
| Tax credits | 11,680,510 | 9,304,279 |

As of December 31, 2024 and 2023, The Group recognized deferred tax assets only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized and the deferred tax deduction effect will be realized in the foreseeable future. In addition, deferred tax assets were not recognized for tax losses and tax credits.

The maturity of unused tax losses and tax credits as of December 31, 2024 and 2023, is as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | |
|-------------------------------------|--------------------------|--------------------|
| | Tax losses | Tax credits |
| Less than 1 year | ₩ 355,429 | ₩ - |
| Between 1 and 2 years | 8,363,136 | 264,599 |
| Between 2 and 3 years | 3,185,434 | 539,502 |
| Between 3 and 4 years | 40,366,686 | 533,798 |
| Between 4 and 5 years | 49,057,919 | 766,526 |
| Between 5 and 6 years | 716,952 | 757,225 |
| Between 6 and 7 years | - | 499,581 |
| Between 7 and 8 years | - | 1,313,135 |
| Between 8 and 9 years | - | 596,796 |
| Between 9 and 10 years | - | 768,848 |
| Between 10 and 11 years | - | 5,640,500 |
| Between 11 and 12 years | 3,075,889 | - |
| Between 12 and 13 years | 6,539,496 | - |
| Between 13 and 14 years | 14,567,510 | - |
| Between 14 and 15 years | 8,603,219 | - |
| Between 15 and 16 years | 3,704,007 | - |
| | ₩ 138,535,677 | ₩ 11,680,510 |

KRAFTON, Inc.
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26. Income Tax Expense, (cont'd)

| <i>(in thousands of Korean won)</i> | December 31, 2023 | |
|-------------------------------------|--------------------------|--------------------|
| | Tax losses | Tax credits |
| Less than 1 year | ₩ 226,293 | ₩ - |
| Between 1 and 2 years | 397,454 | 264,599 |
| Between 2 and 3 years | 8,363,136 | 539,502 |
| Between 3 and 4 years | 3,185,434 | 508,629 |
| Between 4 and 5 years | 40,366,686 | 717,261 |
| Between 5 and 6 years | 49,057,919 | 697,047 |
| Between 6 and 7 years | 716,952 | 499,581 |
| Between 7 and 8 years | - | 1,888,403 |
| Between 8 and 9 years | - | 985,701 |
| Between 9 and 10 years | - | 3,203,556 |
| Between 10 and 11 years | - | - |
| Between 11 and 12 years | - | - |
| Between 12 and 13 years | 3,075,889 | - |
| Between 13 and 14 years | 6,539,496 | - |
| Between 14 and 15 years | 14,567,510 | - |
| Between 15 and 16 years | 8,675,717 | - |
| | ₩ 135,172,486 | ₩ 9,304,279 |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
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27. Earnings per Share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the financial year excluding treasury shares.

| <i>(in Korean won, in shares)</i> | December 31, 2024 | December 31, 2023 |
|---|--------------------------|--------------------------|
| Profit attributable to the owners of the Parent Company | ₩ 1,306,089,757,323 | ₩ 595,361,538,227 |
| Weighted average number of ordinary shares outstanding | 45,679,058 | 46,470,185 |
| Basic earnings per share | <u>₩ 28,593</u> | <u>₩ 12,812</u> |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

27. Earnings per Share, (cont'd)

(b) Diluted earnings per share

Diluted earnings per share are calculated by applying the weighted average number of outstanding ordinary shares adjusted to the assumption that all dilutive potential ordinary shares are converted into ordinary shares. The Group has one category of dilutive potential ordinary shares: share options (including restricted stock units). For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as average market price for the year) based on the monetary value of the subscription rights attached to outstanding share options.

| <i>(in Korean won, in shares)</i> | December 31, 2024 | December 31, 2023 |
|---|------------------------------|------------------------------|
| Profit attributable to the owners of the Parent Company | ₩ 1,306,089,757,323 | ₩ 595,361,538,227 |
| Weighted average number of ordinary shares in issue | 45,679,058 | 46,470,185 |
| Adjustment for: | | |
| Share options | 335,920 | 225,058 |
| Weighted average number of ordinary shares for diluted earnings per share | 46,014,978 | 46,695,243 |
| Diluted earnings per share | ₩ 28,384 | ₩ 12,750 |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

27. Earnings per Share, (cont'd)

(c) Weighted average number of ordinary shares outstanding

Details of weighted average number of ordinary shares outstanding calculation for the years ended December 31, 2024 and 2023, are as follows:

| <i>(in days, shares)</i> | December 31, 2024 | December 31, 2023 |
|---|--------------------------|--------------------------|
| Number of ordinary shares outstanding multiplied by weight factor | 17,703,442,677 | 17,973,367,618 |
| Number of treasury shares multiplied by weight factor | (984,907,506) | (1,011,750,098) |
| | <hr/> 16,718,535,171 | <hr/> 16,961,617,520 |
| Weight | <hr/> 366 | <hr/> 365 |
| Weighted average number of ordinary shares outstanding | <hr/> 45,679,058 | <hr/> 46,470,185 |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

28. Statements of Cash Flows

(a) Cash generated from operations

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|---|--------------------------|--------------------------|
| Profit for the year | ₩ 1,302,592,654 | ₩ 594,060,314 |
| Addition or subtraction for net profit adjustment : | 125,512,607 | 324,467,914 |
| Performance-based incentive | 3,484,611 | 1,972,008 |
| Post-employment benefits | 12,344,398 | 5,286,234 |
| Depreciation | 83,090,693 | 76,413,151 |
| Depreciation – investment properties | 1,765,953 | 806,217 |
| Amortization | 21,583,796 | 30,796,591 |
| Share-based payment expenses | 102,405,282 | 27,642,127 |
| Bad debts expense(reversal) | (82,043) | (3,283,475) |
| Loss on foreign exchange | 6,523,852 | 24,790,784 |
| Other Bad debts expense | 547,874 | 123,293 |
| Loss on disposal of investment in associates | 2,517,930 | - |
| Loss on impairment of investment in associates | 20,125,947 | 1,609,943 |
| Loss on valuation of financial assets at fair value through profit or loss | 11,995,741 | 28,174,994 |
| Loss on disposal of financial assets at fair value through profit or loss | 38,167,240 | 62,499,507 |
| Loss on derivatives | - | 169,156 |
| Loss on disposal of property and equipment | 364,207 | 209,160 |
| Loss on impairment of property and equipment | 258,219 | 2,344,920 |
| Loss on disposal of intangible assets | 7 | 3,146 |
| Loss on impairment of intangible assets | 11,063,305 | 250,188,315 |
| Loss on disposal of investment properties | 2,330,623 | - |
| Interest expenses | 9,457,916 | 8,910,261 |
| Financial guarantee expenses | - | 21,744 |
| Loss on equity method | 48,350,140 | 43,035,472 |
| Other expense | 2,623,808 | 4,844,447 |
| Income tax expense | 420,085,737 | 234,555,021 |
| Gain on foreign exchange | (102,248,534) | (32,604,471) |
| Gain on valuation of financial assets at fair value through profit or loss | (194,999,969) | (25,488,865) |
| Gain on disposal of financial assets at fair value through profit or loss | (307,460,409) | (197,676,487) |
| Gain on valuation of financial liabilities at fair value through profit or loss | (27,415,654) | (150,210,081) |
| Gain on derivatives | (3,272,994) | (554,642) |
| Gain on disposal of property and equipment | (7,162) | (11,106) |
| Gain on disposal of intangible assets | (83,830) | (25,814,133) |
| Gain on disposal of leases | (957,458) | (583) |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|--|--------------------------|--------------------------|
| Interest income | ₩ (32,533,611) | ₩ (37,537,873) |
| Dividend income | (140,550) | (456,194) |
| Gain on disposal of investment in associates | (3,876,924) | (4,434,747) |
| Gain on equity method | (472,044) | (480,939) |
| Other income | (23,490) | (1,374,981) |
| Change in operating assets and liabilities: | (276,467,295) | (139,464,052) |
| Trade receivables | (233,261,377) | (162,899,157) |
| Other receivables | 7,305,982 | 15,867,831 |
| Advance payments | (2,427,004) | 9,421,014 |
| Prepaid expenses | (29,890,054) | (14,893,130) |
| Long-term receivables | (1,539,092) | (602,328) |
| Long-term advance payments | 23,494 | 313,193 |
| Long-term prepaid expenses | (66,313,138) | - |
| Other assets | (1,101,797) | (313,355) |
| Trade payables | 3,436 | 171,418 |
| Other payables | 1,255,564 | (61,933,223) |
| Accrued expenses | (1,146,016) | 22,642,077 |
| Withholdings | 14,213,613 | 4,379,079 |
| Advance received | (681,229) | (456,376) |
| Unearned revenue | 39,104,945 | 55,354,030 |
| Long-term accrued expenses | 392,592 | (267,355) |
| Other provisions | - | (3,501,975) |
| Payments of net defined benefit liability | (2,407,214) | (2,745,795) |
| Cash generated from operations | ₩ 1,151,637,966 | ₩ 779,064,176 |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

28. Statements of Cash Flows, (cont'd)

(b) Non-cash transactions

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|--|------------------------------|------------------------------|
| Current portion of long-term loans | ₩ 12,614,567 | ₩ 1,562,852 |
| Reclassification to long-term loans from short-term loans | 74,368,859 | - |
| Current portion of long-term financial instruments | - | 1,787,649 |
| Reclassification to long-term financial instruments from short-term financial instruments | 1,902,106 | - |
| Reclassification from construction-in-progress | 11,673,395 | 3,350,312 |
| Increase in right-of-use assets | 48,064,653 | 57,089,192 |
| Current portion of lease receivables | 11,837,305 | 9,733,203 |
| Current portion of lease liabilities | 68,738,214 | 65,361,620 |
| Change in other receivables related to disposal of property and equipment | - | 106,354 |
| Change in other payables related to acquisition of property and equipment | 1,072,758 | 26,341 |
| Change in other payables related to acquisition of intangible assets | 170,175 | 4,590 |
| Reclassification to intangible assets from long-term advance payments | 640,431 | 18,707,726 |
| Change in other payables related to acquisition of investments in subsidiaries | 194,207 | 1,576,079 |
| Reclassification to financial assets at fair value through other comprehensive income from financial assets at fair value through profit or loss | - | 1,578,600 |
| Current portion of financial liabilities at fair value through profit or loss | 30,735,166 | - |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

28. Statements of Cash Flows, (cont'd)

(c) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities for the years ended December 31, 2024 and 2023, are as follows:

*(in thousands of
Korean won)*

| | December 31, 2024 | | | | |
|-----------------------------|----------------------|--|---------------------|---------------------|----------------------|
| | Beginning | Cash flows from financing activities | Non-cash flows | | Ending |
| | | | New lease | Others | |
| Short-term borrowings | ₩ 7,000,000 | ₩ - | ₩ - | ₩ - | ₩ 7,000,000 |
| Leasehold deposits received | 9,051,138 | - | - | 238,720 | 9,289,858 |
| Lease liabilities | 196,761,519 | (63,210,910) | 28,630,671 | 28,773,394 | 190,954,674 |
| | <u>₩ 212,812,657</u> | <u>₩ (63,210,910)</u> | <u>₩ 28,630,671</u> | <u>₩ 29,012,114</u> | <u>₩ 207,244,532</u> |

*(in thousands of
Korean won)*

| | December 31, 2023 | | | | |
|-----------------------------|----------------------|--|---------------------|---------------------|----------------------|
| | Beginning | Cash flows from financing activities | Non-cash flows | | Ending |
| | | | New lease | Others | |
| Short-term borrowings | ₩ 7,000,000 | ₩ - | ₩ - | ₩ - | ₩ 7,000,000 |
| Leasehold deposits received | 7,174,118 | (700,147) | 2,333,654 | 243,513 | 9,051,138 |
| Lease liabilities | 196,823,999 | (56,855,967) | 40,633,580 | 16,159,907 | 196,761,519 |
| | <u>₩ 210,998,117</u> | <u>₩ (57,556,114)</u> | <u>₩ 42,967,234</u> | <u>₩ 16,403,420</u> | <u>₩ 212,812,657</u> |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

29. Related Party Transactions

As of December 31, 2024 and 2023, the related parties of the Group are as follows:

| Type | December 31, 2024 | December 31, 2023 |
|-------------------------------|--|--|
| Associates and Joint Ventures | Hidden Sequence Co., Ltd. | Hidden Sequence Co., Ltd. |
| | 1Up Ventures, L.P. | 1Up Ventures, L.P. |
| | Smart Krafton-BonAngels Fund | Smart Krafton-BonAngels Fund |
| | Nodwin Gaming Private Limited | Nodwin Gaming Private Limited |
| | Nasadiya Technologies Private Limited | Nasadiya Technologies Private Limited |
| | Mirae Asset Maps General Private Real Estate Investment Trust 66 | Mirae Asset Maps General Private Real Estate Investment Trust 66 |
| | Seoul Auction Blue Co., Ltd. | Seoul Auction Blue Co., Ltd. |
| | Seoulauction X Co., Ltd. ¹ | Seoulauction X Co., Ltd. ¹ |
| | Tamatem Inc. | Tamatem Inc. |
| | Nautilus Mobile App Private Limited | Nautilus Mobile App Private Limited |
| | Mebigo Labs Private Limited | Mebigo Labs Private Limited |
| | Smart KNB Booster Fund | Smart KNB Booster Fund |
| | NIRVANANA | NIRVANANA |
| | 1Up Ventures Fund II, L.P. | 1Up Ventures Fund II, L.P. |
| | Funnystorm | Funnystorm |
| | Anycast technology Private Limited | Anycast technology Private Limited |
| | Talent Unlimited Online Services Private Limited | Talent Unlimited Online Services Private Limited |
| | Playgig, Inc. | Playgig, Inc. |
| | Gardens Interactive, Inc. | Gardens Interactive, Inc. |
| | FAST TRACK ASIA Co., Ltd | FAST TRACK ASIA Co., Ltd |
| | Kona Venture Fund V | Kona Venture Fund V |
| | DEVSISTERS VENTURES FUND IX | DEVSISTERS VENTURES FUND IX |
| | STUDIO SAI, CO. | STUDIO SAI, CO. |
| | Boundary Inc. | Boundary Inc. |
| | IMM India Fund | IMM India Fund |
| | OVERDARE, Inc. | OVERDARE, Inc. |
| | Red Rover Interactive Limited | - |
| | Eschatology Entertainment Ltd | - |
| | Ruckus Games Holdings, Inc. | - |
| | E.F. Games, S.L. | - |
| | Piccolo Studio, S.L. | - |
| | Republic Games Ltd | - |
| | Jeux Wolf Haus Inc. | - |
| | Day 4 Night Studios Inc. | - |
| | Spoonlabs | - |
| | TBT-IBX NEXT UNICORN FUND III | - |
| | Voracious Games Inc. | - |
| | Antistatic Studios Inc. | - |
| | - | Loco Interactive Pte Limited |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

| | | |
|-----------------------|--|--|
| Other related parties | Overdare Korea, Inc. BONANGELS VENTURE PARTNERS, INC. Chicken Dinner Industries, LLC | Overdare Korea, Inc. BONANGELS VENTURE PARTNERS, INC. Chicken Dinner Industries, LLC |
|-----------------------|--|--|

¹ During the year ended December 31, 2024, X By Blue Co., Ltd. changed its name to Seoulauction X Co., Ltd.

Significant transactions with related parties for the years ended December 31, 2024 and 2023, are as follows:

| (in thousands of Korean won) | December 31, 2024 | | | | | |
|--|-------------------|----------------|-----------------|--------------|------------------------------------|----------|
| | Revenue | | Expenses | | Acquisition and disposal of assets | |
| | Operating revenue | Finance income | Operating costs | | Acquisition | Disposal |
| Associates and Joint ventures | | | | | | |
| Hidden Sequence Co., Ltd. | ₩ - | ₩ 1,708 | ₩ - | ₩ - | ₩ - | - |
| Nodwin Gaming Private Limited | - | - | 173,264 | - | - | - |
| Loco Interactive Pte Limited ² | - | 1 | - | - | - | - |
| Nasadiya Technologies Private Limited | - | 132,290 | - | - | - | - |
| Nautilus Mobile App Private Limited | - | - | 443,897 | - | - | - |
| Talent Unlimited Online Services Private Limited | - | - | 199,448 | - | - | - |
| OVERDARE, Inc. | - | 28,530 | - | 2,630,000 | - | - |
| Sub Total | ₩ - | ₩ 162,529 | ₩ 816,609 | ₩ 2,630,000 | ₩ - | - |
| Other Related Parties | | | | | | |
| Overdare Korea, Inc. | ₩ 334,318 | ₩ - | ₩ - | ₩ - | ₩ 2,164 | - |
| BONANGELS VENTURE PARTNERS, INC. | - | - | - | 9,281,160 | - | - |
| Sub Total | ₩ 334,318 | ₩ - | ₩ - | ₩ 9,281,160 | ₩ 2,164 | - |
| Total | ₩ 334,318 | ₩ 162,529 | ₩ 816,609 | ₩ 11,911,160 | ₩ 2,164 | - |

¹ Group's purchasing agency services for group purchases to the related party are not included.

² Transaction amount up to the date of exclusion from the related party is presented.

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

29. Related Party Transactions, (cont'd)

| | December 31, 2023 | | | | | | | | | | | |
|---|----------------------|---------|-------------------|---------|--------------------|-----------|------------------|--|-----------|---------|---|------------|
| | Revenue | | | | Expenses | | | Disposal of property and equipment and intangible assets | | | | |
| (in thousands of Korean won) | Operating revenue | | Finance income | | Operating costs | | Finance costs | | Dividends | | | |
| Associates and Joint ventures | | | | | | | | | | | | |
| Shinhan Alpha REIT Co., Ltd. ² | ₩ | - | ₩ | 251,380 | ₩ | 174,646 | ₩ | 1,538,558 | ₩ | 190,000 | ₩ | - |
| Nodwin Gaming Private Limited | | | - | - | | 828,814 | | - | | - | | - |
| NIRVANANA | | | - | 4,741 | | - | | - | | - | | - |
| Anycast technology Private Limited | | | - | - | | 12,867 | | - | | - | | - |
| OVERDARE, Inc. | | | - | - | | - | | - | | - | | 25,786,000 |
| Sub Total | ₩ | - | ₩ | 256,121 | ₩ | 1,016,327 | ₩ | 1,538,558 | ₩ | 190,000 | ₩ | 25,786,000 |
| Other Related Parties | | | | | | | | | | | | |
| Stoughton Street Tech Labs Private Limited | ₩ | 210,767 | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | - |
| Overdare Korea, Inc. | | 48,603 | | - | | - | | - | | - | | 2,184,462 |
| Sub Total | ₩ | 259,370 | ₩ | - | ₩ | - | ₩ | - | ₩ | - | ₩ | 2,184,462 |
| Total | ₩ | 259,370 | ₩ | 256,121 | ₩ | 1,016,327 | ₩ | 1,538,558 | ₩ | 190,000 | ₩ | 27,970,462 |

¹ Group's purchasing agency services for group purchases to the related party are not included.

² Transaction amount up to the date of exclusion from the related party is presented.

Outstanding balances arising from sales/purchases of goods and services as of December 31, 2024 and 2023, are as follows:

| (in thousands of Korean won) | December 31, 2024 | | | | |
|---|--------------------------|----------------------|----------------------|---------------------|-------------------|
| | Receivables ¹ | | | Payables | |
| | Trade receivables | Other Receivables | Other Receivables | Account Payables | Other Payables |
| Associates and Joint ventures | | | | | |
| Nasadiya Technologies Private Limited | ₩ - | ₩ - | ₩ 1,441,707 | ₩ - | ₩ - |
| Nautilus Mobile App Private Limited | - | - | 9,854 | - | 179,156 |
| NIRVANANA | - | - | 12,500,000 | - | - |
| Talent Unlimited Online Services Private Limited | - | - | - | 32,531 | - |
| Piccolo Studio, S.L. | - | - | 4,463,892 | - | - |
| OVERDARE, Inc. | - | 6,468,000 | 28,530 | - | - |
| Sub Total | ₩ - | ₩ 6,468,000 | ₩ 18,443,983 | ₩ 32,531 | ₩ 179,156 |
| Other Related Parties | | | | | |
| Chicken Dinner Industries, LLC | ₩ - | ₩ - | ₩ 171,464 | ₩ - | ₩ - |
| Overdare Korea, Inc. | 8,705 | - | 55,686 | 55,577 | - |
| Sub Total | ₩ 8,705 | ₩ - | ₩ 227,150 | ₩ 55,577 | ₩ - |
| Total | ₩ 8,705 | ₩ 6,468,000 | ₩ 18,671,133 | ₩ 88,108 | ₩ 179,156 |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

29. Related Party Transactions, (cont'd)

| | | December 31, 2023 | | | |
|--------------------------------------|---|--------------------------|----------------------|---------------------|-------------------|
| | | Receivables ¹ | | Payables | |
| | | Trade receivables | Other Receivables | Account Payables | Other Payables |
| <i>(in thousands of Korean won)</i> | | | | | |
| Associates and Joint ventures | | | | | |
| Nodwin Gaming Private Limited | ₩ | - | ₩ - | ₩ - | ₩ 12,894 |
| Loco Interactive Pte Limited | | - | 1,289,244 | - | - |
| NIRVANANA | | - | 12,500,000 | - | - |
| Anycast technology Private Limited | | - | - | 6,446 | - |
| Sub Total | ₩ | - | ₩ 13,789,244 | ₩ 6,446 | ₩ 12,894 |
| Other Related Parties | | | | | |
| Chicken Dinner Industries, LLC | ₩ | - | ₩ 135,286 | ₩ - | ₩ - |
| Overdare Korea, Inc. | | 53,463 | 347,963 | 274,088 | - |
| Sub Total | | 53,463 | 483,249 | 274,088 | - |
| Total | ₩ | 53,463 | ₩ 14,272,493 | ₩ 280,534 | ₩ 12,894 |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

29. Related Party Transactions, (cont'd)

Financing transactions with related parties for the years ended December 31, 2024 and 2023, are as follows:

| | | December 31, 2024 | | | | | |
|---------------------------------------|---|-------------------|------------|---------|-----------------------|-------------------|-------------|
| | | Loan transactions | | | Contributions in cash | | |
| | | | | | Payment of | Acquisition of | |
| | | Loans | Collection | | Capital | Convertible bonds | |
| <i>(in thousands of Korean won)</i> | | | | | | | |
| Associates and Joint ventures | | | | | | | |
| Hidden Sequence Co., Ltd. | ₩ | 150,000 | ₩ | 150,000 | ₩ | - | ₩ - |
| Nasadiya Technologies Private Limited | | - | | - | | - | 1,311,309 |
| Smart KNB Booster Fund | | - | | - | 22,000,000 | | - |
| 1Up Ventures Fund II, L.P. | | - | | - | 4,356,334 | | - |
| DEVSISTERS VENTURES FUND IX | | - | | - | 1,400,000 | | - |
| Boundary Inc. | | - | | - | 3,000,024 | | - |
| IMM India Fund | | - | | - | 1,041,278 | | - |
| OVERDARE, Inc. | | 6,165,280 | | - | - | | - |
| Total | ₩ | 6,315,280 | ₩ | 150,000 | ₩ | 31,797,636 | ₩ 1,311,309 |

| | | December 31, 2023 | | | | | |
|---|---|-------------------|------------|--------------------|-------------------|-----------------------|-------------------|
| | | Loan transactions | | Lease transactions | | Contributions in cash | |
| | | | | Payment of | Collection of | Payment of | Acquisition of |
| | | Loans | Collection | lease liabilities | lease receivables | Capital | Convertible bonds |
| <i>(in thousands of Korean won)</i> | | | | | | | |
| Associates | | | | | | | |
| Shinhan Alpha REIT Co., Ltd. ¹ | ₩ | - | ₩ | - | ₩ 9,941,859 | ₩ | - |
| Smart Krafton-BonAngels Fund | | - | - | - | - | 120,000 | - |
| Nodwin Gaming Private Limited | | - | - | - | - | 9,139,494 | - |
| Loco Interactive Pte Limited | | - | - | - | - | - | 1,324,140 |
| NIRVANANA | | - | 640,000 | - | - | - | - |
| 1Up Ventures Fund II, L.P. | | - | - | - | - | 4,535,333 | - |
| DEVSISTERS VENTURES FUND IX | | - | - | - | - | 2,800,000 | - |
| Total | ₩ | - | ₩ 640,000 | ₩ 9,941,859 | ₩ | ₩ 16,594,827 | ₩ 1,324,140 |

¹ Transaction amount up to the date of exclusion from the related party is presented.

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

29. Related Party Transactions, (cont'd)

Key management includes registered directors and the executives who have significant authority and responsibility in respect to planning, operating and controlling the Group's business activities. Compensation for key management for the years ended December 31, 2024 and 2023, consists of:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | December 31, 2023 | |
|-------------------------------------|--------------------------|-------------------|--------------------------|-------------------|
| Salaries and bonuses | ₩ | 4,241,456 | ₩ | 3,566,212 |
| Share-based payment expenses | | 67,094,051 | | 7,016,795 |
| Post-employment benefits | | 441,455 | | 179,214 |
| | ₩ | <u>71,776,962</u> | ₩ | <u>10,762,221</u> |

30. Operating Segment

The Group has a single operating segment. The financial information reported to the Chief Executive Officer is identical to the disclosed consolidated financial statements.

Revenue per revenue stream for the years ended December 31, 2024 and 2023, is as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | December 31, 2023 | |
|-------------------------------------|--------------------------|----------------------|--------------------------|----------------------|
| PC | ₩ | 941,879,465 | ₩ | 583,895,594 |
| Mobile | | 1,689,837,033 | | 1,244,818,528 |
| Console | | 44,338,311 | | 55,673,426 |
| Others | | 33,719,298 | | 26,188,632 |
| | ₩ | <u>2,709,774,107</u> | ₩ | <u>1,910,576,180</u> |

Revenue by geographical area for the years ended December 31, 2024 and 2023, is as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | | December 31, 2023 | |
|-------------------------------------|--------------------------|----------------|--------------------------|----------------|
| | Revenue | Ratio | Revenue | Ratio |
| Asia | ₩ 2,294,220,130 | 84.66% | ₩ 1,613,272,877 | 84.44% |
| Korea | 195,355,212 | 7.21% | 105,086,650 | 5.50% |
| America / Europe | 203,023,394 | 7.49% | 179,086,142 | 9.37% |
| Others | 17,175,371 | 0.64% | 13,130,511 | 0.69% |
| | <u>₩ 2,709,774,107</u> | <u>100.00%</u> | <u>₩ 1,910,576,180</u> | <u>100.00%</u> |

KRAFTON, Inc.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

30. Operating Segment, (cont'd)

Revenue derived from major external customer contributing more than 10% of the Group's revenue for the years ended December 31, 2024 and 2023, is as follows:

| <i>(in thousands of Korean won)</i> | December 31, 2024 | December 31, 2023 |
|-------------------------------------|--------------------------|--------------------------|
| Major customer(A) | ₩ 1,385,824,451 | ₩ 1,029,926,853 |



KPMG SAMJONG Accounting Corp.

152, Teheran-ro, Gangnam-gu, Seoul 06236
(Yeoksam-dong, Gangnam Finance Center 27th Floor)
Republic of Korea

Tel +82 (2) 2112 0100

Fax +82 (2) 2112 0101

www.kr.kpmg.com

Independent Auditors' Report on Internal Control over Financial Reporting for Consolidation Purposes

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of
Krafton, Inc.

Opinion on Internal Control over Financial Reporting for Consolidation Purposes

We have audited Krafton, Inc. and its subsidiaries (the "Group") internal control over financial reporting for consolidation purposes ("ICFR") as of December 31, 2024 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting for consolidation purposes as of December 31, 2024, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing ("KSAs"), the consolidated financial statements of the Group, which comprise the consolidated statement of financial position as of December 31, 2024, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policy information and other explanatory information, and our report dated March 11, 2025 expressed an unmodified opinion on those consolidated financial statements.

Basis for Opinion on Internal Control over Financial Reporting for Consolidation Purposes

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting for Consolidation Purposes* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting for Consolidation Purposes

The Group's management is responsible for designing, operating and maintaining effective internal control over financial reporting for consolidation purposes and for its assessment of the effectiveness of internal control over financial reporting for consolidation purposes, included in the accompanying Report on the Effectiveness of Internal Control over Financial Reporting for Consolidated Financial Statements.

Those charged with governance are responsible for overseeing the Group's internal control over financial reporting for consolidation purposes.

Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting for Consolidation Purposes

Our responsibility is to express an opinion on the Group's internal control over financial reporting for consolidation purposes based on our audit. We conducted our audit in accordance with KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting for consolidation purposes was maintained in all material respects.

Our audit of internal control over financial reporting for consolidation purposes included obtaining an understanding of internal control over financial reporting for consolidation purposes, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

Definition and Limitations of Internal Control over Financial Reporting for Consolidation Purposes

The Group's internal control over financial reporting for consolidation purposes is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). The Group's internal control over financial reporting for consolidation purposes includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with K-IFRS, and that receipts and expenditures of the Group are being made only in accordance with authorizations of management and directors of the Group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Group's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting for consolidation purposes may not prevent or detect misstatements in the consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditors' report is Jin-Bo Shim.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 11, 2025

This report is effective as of March 11, 2025, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the internal control over financial reporting for consolidation purposes. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

KRAFTON

Report on the Effectiveness of Internal Control over Financial Reporting for Consolidated Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Shareholders, Board of Directors and Audit Committee of
KRAFTON, Inc.

We, as the Chief Executive Officer (CEO) and the Internal Control over Financial Reporting Officer of KRAFTON, Inc. (the Company), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting for Consolidated Financial Statements (ICFR) for the year ended December 31, 2024.

The Company's management, including ourselves, is responsible for designing and operating ICFR.

We assessed the design and operating effectiveness of ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements.

We designed and operated ICFR in accordance with Conceptual Framework for Designing and Operating Internal Control over Financial Reporting established by the Operating Committee of Internal Control over Financial Reporting in Korea (the ICFR Committee). And we conducted an evaluation of ICFR based on Best Practice Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting established by the ICFR Committee.

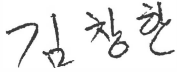
Based on the assessment results, we believe that the Company's ICFR, as of December 31, 2024, is designed and operating effectively, in all material respects, in accordance with Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.

We certify that this report does not contain any untrue statement of a fact or omit to state a fact necessary to be presented herein.

KRAFTON

We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

February 11, 2025



Chang Han Kim,
Chief Executive Officer



Dong Keun Bae,
Internal Control over Financial Reporting Officer