

KRAFTON, INC.

Separate Financial Statements

December 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

Contents

	Page
Independent Auditors' Report	1
Separate Statements of Financial Position	4
Separate Statements of Comprehensive Income	6
Separate Statements of Changes in Equity	7
Separate Statements of Cash Flows	9
Notes to the Separate Financial Statements	11
Independent Auditors' Report on Internal Control over Financial Reporting	113
Report on the Effectiveness of the Internal Control over Financial Reporting	115



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 separate financial statements of Krafton, Inc. (the "Company"), which comprise the separate statements of financial position as of December 31, 2024 and 2023, the separate 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 separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its 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 Company's Internal Control over Financial Reporting ("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 Company's internal control over financial reporting.

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 Separate Financial Statements* section of our report. We are independent of the Company 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 separate financial statements as of and for the year ended December 31, 2024. This matter was addressed in the context of our audit of the separate 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 Investment in Subsidiary (The Unknown Worlds Entertainment, Inc.)

Reasons For the Decision as a Key Audit Matter

The Company assesses its investments in subsidiaries for indication of impairment at each reporting period and performs impairment testing of investments in subsidiaries with indication of impairment. Management's significant judgment is involved in measuring the recoverable amount of investments in subsidiaries with indication of impairment, such as future cash flows, discount rates and growth rates of the subsidiaries.

As described in Note 12 to the separate financial statements, the carrying amount of investment in Unknown Worlds Entertainment, Inc., a subsidiary, in the Company's separate financial statements is KRW 642,643 million, which is significant as 76.66% of total investments in subsidiaries. In addition, the recoverable amount of the investment in subsidiaries varies significantly depending on how management determines the valuation model and unobservable input variables. We identified the impairment testing of the Unknown Worlds Entertainment, Inc. as a key audit matter considering the uncertainty of these accounting estimates and the significance 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 Company's policies, processes, and internal controls for identifying indication of impairment and accounting for investments in subsidiaries
- Assessing the qualifications and independence of external experts engaged by the Company
- 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 separate financial statements may differ from those generally accepted and applied in other countries.

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

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

In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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 separate 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.
Separate 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	₩ 416,919,920	₩ 511,490,896
Current portion of financial assets at fair value through profit or loss	5,6,10	3,147,865,774	2,335,113,370
Trade receivables	4,5,6,7	997,093,260	693,578,021
Other current financial assets	4,5,6,7,8,13	33,392,987	117,469,046
Other current assets	7	64,937,415	39,212,155
		<u>4,660,209,356</u>	<u>3,696,863,488</u>
Non-current assets			
Investments in subsidiaries, associates, and joint ventures	12	1,656,116,934	1,406,369,589
Financial assets at fair value through profit or loss	5,6,10	218,765,012	164,383,508
Financial assets at fair value through other comprehensive income	4,5,6,11	92,599,024	133,473,399
Property and equipment	13	157,075,910	190,374,000
Intangible assets	14	7,350,415	11,601,900
Investment properties	15	557,388,744	547,341,420
Other non-current financial assets	5,6,7,8,13	124,628,412	68,863,230
Other non-current assets	7	192,091,045	37,020,864
Deferred tax assets	25	86,107,251	75,637,682
Derivative assets	5,6	-	2,142,967
		<u>3,092,122,747</u>	<u>2,637,208,559</u>
Total assets		<u>₩ 7,752,332,103</u>	<u>₩ 6,334,072,047</u>

(continued)

KRAFTON, Inc.
Separate Statements of Financial Position, (Cont'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			
Current portion of Financial liabilities at fair value through profit or loss	4,5,6	27,799,840	-
Other current liabilities	4,5,6,9,13	266,128,098	265,708,857
Current provisions	9,21	151,042,044	85,066,525
Current tax liabilities		300,416,342	137,347,614
		<u>745,386,324</u>	<u>488,122,996</u>
Non-current liabilities			
Financial liabilities at fair value through profit or loss	4,5,6	-	51,837,885
Net defined benefit liability	16	18,134,634	9,600,741
Provisions	17	12,930,081	13,522,929
Other non-current financial liabilities	4,5,6,9,13	100,063,539	115,133,889
Other non-current liabilities	9,21	35,068,651	49,607,495
Derivative liabilities	4,5,6	7,242,659	14,209,825
		<u>173,439,564</u>	<u>253,912,764</u>
Total liabilities		<u>918,825,888</u>	<u>742,035,760</u>
Equity			
Share capital	19	4,925,891	4,923,729
Capital surplus	19	2,508,733,900	2,497,344,361
Other components of equity	19,20	15,927,689	42,536,485
Retained earnings	19	4,303,918,735	3,047,231,712
Total equity		<u>6,833,506,215</u>	<u>5,592,036,287</u>
Total liabilities and equity		<u>₩ 7,752,332,103</u>	<u>₩ 6,334,072,047</u>

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

KRAFTON, Inc.
Separate Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023

<i>(in thousands of Korean Won)</i>	Notes	December 31, 2024	December 31, 2023
Revenue	21	₩ 2,636,975,533	₩ 1,838,445,665
Operating costs	22	<u>1,428,400,891</u>	<u>1,026,825,303</u>
Operating profit		1,208,574,642	811,620,362
Other income	23	741,231,564	476,347,912
Other expenses	23	161,222,727	338,025,269
Finance income	24	22,468,092	31,133,256
Finance costs	24	<u>6,508,249</u>	<u>7,005,620</u>
Profit before income tax		1,804,543,322	974,070,641
Income tax expense	25	<u>428,276,446</u>	<u>245,993,460</u>
Profit for the year		<u>₩ 1,376,266,876</u>	<u>₩ 728,077,181</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)
Remeasurements of net defined benefit liability	16	191,579	(533,634)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		38,815	(1,024)
Other comprehensive income (loss) for the year, net of tax		<u>₩ (34,615,863)</u>	<u>₩ (20,411,036)</u>
Total comprehensive income for the year		<u>₩ 1,341,651,013</u>	<u>₩ 707,666,145</u>
Earnings per share <i>(in Korean Won)</i>	26		
Basic earnings per share		₩ 30,129	₩ 15,668
Diluted earnings per share		29,909	15,592

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

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

<i>(in thousands of Korean Won)</i>	Share Capital	Capital surplus	Other Components of Equity	Retained earnings	Total
Balance at January 1, 2023	₩ 4,908,155	₩ 2,481,010,220	₩ 69,243,284	₩ 2,487,142,608	₩ 5,042,304,267
Total comprehensive income					
Profit for the year	-	-	-	728,077,181	728,077,181
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	(19,876,378)	-	(19,876,378)
Remeasurements of net defined benefit liability	-	-	(533,634)	-	(533,634)
Exchange differences on translation of foreign operations	-	-	(1,024)	-	(1,024)
Transactions with shareholders recognized directly to equity					
Stock-based compensation transactions	15,574	22,535,817	(6,295,763)	-	16,255,628
Acquisition of treasury stock	-	-	(167,988,077)	-	(167,988,077)
Retirement of treasury stock	-	-	167,988,077	(167,988,077)	-
Business Transfer	-	(6,201,676)	-	-	(6,201,676)
Balance at December 31, 2023	₩ 4,923,729	₩ 2,497,344,361	₩ 42,536,485	₩ 3,047,231,712	₩ 5,592,036,287

(continued)

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

<i>(in thousands of Korean Won)</i>	Share Capital	Capital surplus	Other Components of Equity	Retained earnings	Total
Balance at January 1, 2024	₩ 4,923,729	₩ 2,497,344,361	₩ 42,536,485	₩ 3,047,231,712	₩ 5,592,036,287
Total comprehensive income					
Profit for the year	-	-	-	1,376,266,876	1,376,266,876
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	(34,846,257)	-	(34,846,257)
Remeasurements of net defined benefit liability	-	-	191,579	-	191,579
Exchange differences on translation of foreign operations	-	-	38,815	-	38,815
Transactions with shareholders recognized directly to equity					
Stock-based compensation transactions	2,162	10,364,110	87,826,869	-	98,193,141
Acquisition of treasury stock	-	-	(199,399,655)	-	(199,399,655)
Retirement of treasury stock	-	-	119,579,853	(119,579,853)	-
Business Transfer	-	1,025,429	-	-	1,025,429
Balance at December 31, 2024	₩ 4,925,891	₩ 2,508,733,900	₩ 15,927,689	₩ 4,303,918,735	₩ 6,833,506,215

The accompanying notes are an integral part of the separate financial statements

KRAFTON, Inc.
Separate Statements of Cash Flows
Years Ended December 31, 2024 and 2023

<i>(in thousands of Korean Won)</i>		December 31, 2024	December 31, 2023
	Note		
Cash flows from operating activities			
Profit for the year		₩ 1,376,266,876	₩ 728,077,181
Adjustment for profit for the year	27	19,387,683	176,831,930
Changes in assets and liabilities from operating activities	27	(262,808,532)	(96,069,625)
Interest received		18,318,895	30,161,202
Interest paid		(5,952,695)	(6,544,751)
Dividends received		140,550	984,734
Income taxes paid		(268,071,332)	(140,543,952)
Net cash flows provided by operating activities		877,281,445	692,896,719
Cash flows from investing activities			
Decrease in short-term financial instruments		₩ -	₩ 30,000,000
Collection of short-term loans		8,047,400	68,930,603
Disposal of financial assets at fair value through profit or loss		18,518,336,218	14,020,936,233
Disposal of investments in associates		786,762	6,484,610
Collection of long-term loans		300,000	9,683,884
Disposal of property and equipment		157,802	549,282
Disposal of intangible assets		41,893	25,793,661
Decrease in deposits		3,509,143	830,281
Collection of lease receivables		11,820,966	11,026,952
Cash inflow from business transfer		999,000	-
Increase in short-term loans		(8,992,130)	(6,704,000)
Acquisition of financial assets at fair value through profit or loss		(18,933,877,796)	(13,798,772,017)
Acquisition of financial assets at fair value through other comprehensive income		(6,471,082)	(75,524,113)
Increase in long-term loans		(700,000)	(6,127,794)
Increase in long-term advanced payments		(80,996,600)	(32,321,157)
Acquisition of property and equipment		(7,718,022)	(27,513,521)
Acquisition of intangible assets		(6,176,520)	(2,830,506)
Acquisition of investment properties		(11,403,875)	(343,531,810)
Increase in deposits		(2,386,016)	(1,737,878)
Acquisition of investments in associates and joint ventures		(208,095,154)	(194,332,440)
Acquisition of investments in subsidiaries		(30,146,509)	(76,996,233)
Cashflow from business transfer		-	(4,305,000)
Net cash flows used in investing activities		₩ (752,964,520)	₩ (396,460,963)

(continued)

KRAFTON, Inc.
Separate 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			
Increase in leasehold deposits received	₩	233,681	₩ -
Exercise of share options		4,101,450	219,765
Repayments of lease liabilities		(49,531,377)	(45,653,716)
Decrease in leasehold deposits received		-	(588,828)
Acquisition of treasury stock		(199,299,755)	(167,988,077)
Net cash flows used in financing activities		<u>(244,496,001)</u>	<u>(214,010,856)</u>
Net increase(decrease) in cash and cash equivalents			
		(120,179,076)	82,424,900
Cash and cash equivalents at the beginning of the year		511,490,896	430,809,069
Effects of exchange rate changes on cash and cash equivalents		<u>25,608,100</u>	<u>(1,743,073)</u>
Cash and cash equivalents at the end of the year	₩	<u>416,919,920</u>	₩ <u>511,490,896</u>

The accompanying notes are an integral part of the separate financial statements

KRAFTON, Inc.

Notes to the Separate Financial Statements

December 31, 2024 and 2023

1. General Information

Krafton, Inc. (the “Company”) was incorporated in the Republic of Korea on March 26, 2007 to engage in software development and related ancillary businesses. The Company’s headquarters is located at 231, Teheran-ro, Gangnam-gu, Seoul, the Republic of Korea. 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 Company’s share capital amounts to ordinary shares of ₩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%
	47,906,674	100.00%

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate 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 separate financial statements of the Company 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 separate 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
- Contingent consideration measured at fair value, and

2.1 Basis of Preparation, (cont'd)

- Defined benefit pension plans – plan assets measured at fair value.

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

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

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

Liabilities are classified as either current or non-current based on the substantive rights existing at the end of the reporting period, without considering the likelihood of exercising the right to defer settlement or management's expectations. 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. Furthermore, covenants that an entity must comply with after the reporting period do not affect the classification of liabilities at the reporting date. If a liability subject to compliance with covenants within 12 months after the reporting period is classified as a non-current liability at the reporting date, the entity must disclose information on the risk that the liability may become repayable within the next 12 months. The amendment has no material impact on the financial statements.

(b) Amendments to KIFRS 1007 Cash Flow Statement and KIFRS 1107 'Financial Instruments: Disclosures' – Disclosure of Supplier Financing Arrangements

When applying supplier financing arrangements, entities must disclose information on such arrangements to enable users of financial statements to assess their impact on liabilities, cash flows, and liquidity risk exposure. The amendment has no material impact on the financial statements.

(c) Amendments to KIFRS 1116 Lease – Lease Liabilities 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 amendment has no material impact on the financial statements.

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

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

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 amendment has no material impact on the financial statements.

2.2.2 New standards and interpretations not yet adopted by the Company

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

(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 annual reporting periods beginning on or after January 1, 2025, and earlier application is permitted. The Company is currently assessing the impact of these amendments on its financial statements.

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

Amendments have been made to KIFRS No. 1109 "Financial Instruments" and KIFRS No. 1107 "Financial Instruments: Disclosures" due to practical concerns and to incorporate new requirements. These amendments are effective for annual reporting periods beginning on or after January 1, 2026, and earlier application is permitted. The Company is currently assessing 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 disclosure for equity instruments designated at fair value through other comprehensive income (FVOCI)

2.3 Subsidiaries, Joint Ventures, and Associates

The financial statements of the Company are the separate financial statements prepared in accordance with KIFRS 1027 Separate Financial Statements. Investments in subsidiaries, joint ventures and associates are measured at cost using the cost method in accordance with KIFRS 1027.

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

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

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

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

The functional currencies of all the foreign operations differ from the presentation currency of the Company. 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 Company 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 Company 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.

2.6 Revenue Recognition

(a) Identification of Performance Obligation

The Company 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.

2.6 Revenue Recognition (cont'd)

In addition, the Company recognizes royalty revenue by providing licenses of its intellectual property (IP) to publishing companies. The Company 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 Company is required to provide updates during the period.

In addition, the Company recognizes royalty revenue from providing license 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 Company 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.

2.7 Financial Assets

(a) Classification

The Company 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 Company'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 Company 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 Company 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.

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

2.7 Financial Assets (cont'd)

(b) Measurement

At initial recognition, the Company 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 Company's business model for managing the asset and the cash flow characteristics of the asset. The Company 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 is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **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 or 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 amortized cost 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.

2.7 Financial Assets, (cont'd)

B. Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company'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 Company 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 Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

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

(e) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when 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 Company or the counterparty.

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

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	5 years
Facilities	5 - 7 years

2.9 Government Grants

Government grants related to assets are presented 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 Company 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	5 years
Membership rights	The Period of membership
Other intangible assets	5 years, Service Contract Period

2.11 Investment Properties

The Company depreciates investment properties, excluding land, using the straight-line method over an estimated useful life of 40 years.

2.12 Employee Benefits

(a) Post-employment benefits

While the Company 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 Company measures the additional amount payable to the employees in the same manner as a defined benefit obligation.

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

2.12 Employee Benefits (cont'd)

(b) Other long-term employee benefits

The Company provides 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.

(c) Share-based payments

If the Company grants stock options to the employees of its subsidiaries, such grants are accounted for as additional contributions to the subsidiaries. The fair value of the employee's service, measured based on the fair value of equity investments granted, is accounted for as an increase in investments in subsidiaries over the vesting period with a corresponding amount recognized as other components of equity.

2.13 Income Taxes

The Company applies the consolidated tax filing system, under which the consolidated group consists of the Company, as the parent entity, and its wholly-owned domestic subsidiaries. A single taxable income and tax amount is calculated for the group.

The Global Minimum Tax, payable under the Pillar 2 regulations, falls within the scope of KIFRS 1012 Income Taxes. The Company recognizes the Global minimum tax as current income tax expense when the payment obligation arises and applies the exception to the recognition and disclosure of deferred tax related to the Global Minimum Tax.

2.14 Leases

(a) Lessor

Lease income from operating leases where the Company 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 statement of financial position based on their nature.

(b) Lessee

The Company has entered into various lease agreements including offices 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 Company 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 Company is the lessee, it applies the practical expedient to not separate lease and non-lease components, accounting for them as a single lease component.

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

2.14 Leases (cont'd)

When both the lessee and the lessor each have the right to terminate without the other party's consent, the Company 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.

(c) Extension and termination options

Extension and termination options are included in a number of property and other leases across the Company. 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 Company and not by the respective lessor.

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 Business Combination under Common Control

The Company applies the book value method to account for business combination among entities under common control. Identifiable assets acquired and liabilities assumed in such combinations are measured at their book values as measured in the consolidated financial statements of the ultimate parent company. If no consolidated financial statements are prepared, the assets and liabilities of the acquiree are measured at their individual book value. In addition, the difference between (i) the sum of consolidated book values of the assets and liabilities transferred and accumulated other comprehensive income; and (ii) the consideration paid is recognized as capital surplus.

2.17 Approval of Issuance of the Financial Statements

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

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

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Management also required to exercise judgement in applying the Company'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 Company 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 traded in an active market is determined by using valuation techniques. In applying these techniques, The Company uses judgment in selecting appropriate methodologies and making assumptions based on market conditions as of the end of each reporting period.

(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 Company exercises judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's historical experience, current market conditions, and forward-looking information available at the end of each reporting period.

(d) 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.

(e) Income taxes

The Company'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 final tax effects is uncertain.

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

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

Under the Tax System for Recirculation of Corporate Income, the Company 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 Company's income tax is dependent on the level of investments and wage increase each year, there is an uncertainty in determining the final tax effects.

(f) 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 Company can replace the leased assets without incurring significant cost or causing business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company 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.

4. Financial Risk Management

4.1 Financial Risk Factors

(a) The Company 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 Company establishes and operates financial risk management policy in place to monitor and actively manage these risk factors. Financial assets subject to the Company'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 Company's financial risk management include trade and other payables and other financial liabilities.

(b) Market risk

A. Foreign exchange risk

The Company 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 Company periodically evaluates, manages, and reports foreign currency exposures related to receivables and payables.

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

4.1 Financial Risk Factors, (cont'd)

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

<i>(in thousands of Korean won)</i>		December 31, 2024			
		USD	CNY	EUR	Others
Financial assets denominated in foreign currency	₩	1,063,582,473	₩ 36,835,916	₩ 554,202	₩ 9,499,716
Financial liabilities denominated in foreign currency		107,428,601	8,213,925	8,594,201	5,058,022

<i>(in thousands of Korean won)</i>		December 31, 2023			
		USD	CNY	EUR	Others
Financial assets denominated in foreign currency	₩	929,155,904	₩ 14,269,229	₩ 7,494,320	₩ 1,403,893
Financial liabilities denominated in foreign currency		76,392,103	10,529,870	14,194,961	2,704,492

The table below summarizes the impact of weakened/strengthened Korean won on the Company'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.

<i>(in thousands of Korean won)</i>		December 31, 2024	
		Strengthened	Weakened
Financial assets denominated in foreign currency	₩	(55,523,615)	₩ 55,523,615
Financial liabilities denominated in foreign currency		6,464,737	(6,464,737)
Net effect	₩	(49,058,878)	₩ 49,058,878

<i>(in thousands of Korean won)</i>		December 31, 2023	
		Strengthened	Weakened
Financial assets denominated in foreign currency	₩	(47,616,167)	₩ 47,616,167
Financial liabilities denominated in foreign currency		5,191,071	(5,191,071)
Net effect	₩	(42,425,096)	₩ 42,425,096

B. Interest rate risk

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

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

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

4.1 Financial Risk Factors, (cont'd)

C. Price risk

The effects on the separate 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

(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 Company 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 Company 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:

<i>(in thousands of Korean won)</i>		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
Expected loss rate		0.02%	41.70%	80.38%	100.00%	100.00%	78.85%
Gross carrying amount	₩ 996,822,845	₩ 138,437	₩ 6,708	₩ 1	₩ 242,380	₩ 1,647,553	₩ 998,857,924
Loss allowance provision	(159,989)	(57,729)	(5,392)	(1)	(242,380)	(1,299,173)	(1,764,664)

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

4.1 Financial Risk Factors, (cont'd)

The amounts recognized in profit or 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	₩	(83,438)	₩	(3,302,436)

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. Accordingly, the loss allowance provision recognized during the year was limited to 12-month expected credit losses. However, if a significant increase in credit risk is identified, the loss allowance provision for lifetime expected credit losses is recognized.

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	₩	12,596,850	₩	524,312

(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 Company 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 Company's financial liabilities classified into relevant maturity groupings based on their remaining contractual maturities as of December 31, 2024 and 2023:

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

4.1 Financial Risk Factors, (cont'd)

(in thousands of Korean won)	December 31, 2024					
	Book value	Contractual cash flows	Less than 1 year	Between 1 and 5 years		Total
Other payables	₩ 61,251,058	₩ 61,251,058	₩ 61,251,058	₩ -	₩	61,251,058
Accrued expenses	161,863,284	161,863,284	147,311,191	14,552,093		161,863,284
Lease liabilities	133,359,558	141,580,122	56,332,050	85,248,072		141,580,122
Leasehold deposits received	9,671,501	10,399,050	2,517,000	7,882,050		10,399,050
Financial guarantee liabilities ¹	46,236	4,878,966	4,878,966	-		4,878,966
Derivative liabilities	7,242,659	7,242,659	-	7,242,659		7,242,659
Financial liabilities at fair value through profit or loss	27,799,840	29,701,350	29,701,350	-		29,701,350
	<u>₩ 401,234,136</u>	<u>₩ 416,916,489</u>	<u>₩ 301,991,615</u>	<u>₩ 114,924,874</u>	<u>₩</u>	<u>416,916,489</u>

¹ As financial guarantee contracts can be demanded for immediate payment, the total contract amount is included in the category less than 1 year.

(in thousands of Korean won)	December 31, 2023					
	Book value	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Other payables	₩ 55,533,517	₩ 55,533,517	₩ 55,348,808	₩ 184,709	₩ -	₩ 55,533,517
Accrued expenses	161,019,724	161,019,724	157,618,036	3,401,688	-	161,019,724
Lease liabilities	154,936,905	166,328,933	53,383,573	112,945,360	-	166,328,933
Leasehold deposits received	9,288,470	10,245,369	500,000	9,745,369	-	10,245,369
Financial guarantee liabilities ¹	64,130	4,694,362	4,694,362	-	-	4,694,362
Derivative liabilities	14,209,825	14,209,825	-	3,820,590	10,389,235	14,209,825
Financial liabilities at fair value through profit or loss	51,837,885	61,661,634	-	61,661,634	-	61,661,634
	<u>₩ 446,890,456</u>	<u>₩ 473,693,364</u>	<u>₩ 271,544,779</u>	<u>₩ 191,759,350</u>	<u>₩ 10,389,235</u>	<u>₩ 473,693,364</u>

¹ As financial guarantee contracts can be demanded for immediate payment, the total contract amount is included in the category less than 1 year.

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

4.2 Capital Risk Management

The Company's objective in managing capital is to maintain a sound capital structure. The Company uses the debt-to-equity ratio as a key indicator of capital management, which is calculated by dividing the Company's total liabilities by its total equity presented in the separate 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)	₩ 918,825,888	742,035,759
Equity (B)	6,833,506,216	5,592,036,287
Debt-to-equity ratio (A/B)	13.45%	13.27%

5. Fair Value Measurement

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

<i>(in thousands of Korean won)</i>	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	₩ 3,147,865,774	₩ 3,147,865,774	₩ 2,335,113,370	₩ 2,335,113,370
Financial assets at fair value through profit or loss	218,765,012	218,765,012	164,383,507	164,383,507
Financial assets at fair value through other comprehensive income	92,599,024	92,599,024	133,473,399	133,473,399
Derivative assets	-	-	2,142,967	2,142,967
Financial assets measured at amortized cost				
Cash and cash equivalents	416,919,920	416,919,920	511,490,896	511,490,896
Trade receivables	997,093,259	997,093,259	693,578,021	693,578,021
Other current financial assets	19,109,745	19,109,745	105,488,670	105,488,670
Other non-current financial assets	102,856,645	102,856,645	42,565,771	42,565,771
Other financial assets				
Current lease receivables	14,283,242	14,283,242	11,980,376	11,980,376
Non-current lease receivables	21,771,767	21,771,767	26,297,459	26,297,459
	<u>₩ 5,031,264,388</u>	<u>₩ 5,031,264,388</u>	<u>₩ 4,026,514,436</u>	<u>₩ 4,026,514,436</u>

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

5. Fair Value Measurement, (cont'd)

(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	-	-	51,837,885	51,837,885
Derivative liabilities	7,242,659	7,242,659	14,209,825	14,209,825
Financial liabilities measured at amortized cost				
Other current financial liabilities ¹	210,997,495	210,997,495	213,443,406	213,443,406
Other non-current financial liabilities ²	21,834,584	21,834,584	12,462,435	12,462,435
Other financial liabilities				
Current lease liabilities	55,130,603	55,130,603	52,265,451	52,265,451
Non-current lease liabilities	78,228,955	78,228,955	102,671,454	102,671,454
	₩ 401,234,136	₩ 401,234,136	₩ 446,890,456	₩ 446,890,456

¹ The amount includes liabilities related to employee compensation and share-based payment of ₩ 91,136,013 thousand (December 31, 2023: ₩ 88,702,187 thousand)

² The amount includes liabilities related to employee compensation and share-based payment of ₩ 14,552,093 thousand (December 31, 2023: ₩ 3,401,688 thousand)

(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 Company maximizes the use of observable market information and minimizes the use of unobservable inputs.

When measuring fair value of assets or liabilities, the company 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

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

5. Fair Value Measurement, (cont'd)

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 Company 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 Company, or prices provided by independent external pricing services. The Company 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.

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:

(in thousands of Korean won)	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	₩ -	₩ 3,147,865,774	₩ 218,765,012	₩ 3,366,630,786
Financial assets at fair value through other comprehensive income	31,582,522	-	61,016,502	92,599,024
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	₩ -	₩ -	₩ 27,799,840	₩ 27,799,840
Derivative liabilities	-	-	7,242,659	7,242,659

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

5. Fair Value Measurement, (cont'd)

(in thousands of Korean won)	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	₩ -	₩ 2,333,824,126	₩ 165,672,751	₩ 2,499,496,877
Financial assets at fair value through other comprehensive income	65,545,380	-	67,928,019	133,473,399
Derivative assets	-	-	2,142,967	2,142,967
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	₩ -	₩ -	₩ 51,837,885	₩ 51,837,885
Derivative liabilities	-	-	14,209,825	14,209,825

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

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	₩ 3,147,865,774	₩ 2,333,824,126	2	Discounted Cash Flow		Discount rate considering credit rating
through profit or loss	131,204,489	94,832,305	3	Net asset valuation method		Fair value of the investee's assets
	87,560,523	70,840,446	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	-	2,142,967	3	-	Binomial model(T-F)	-
Financial liabilities at fair value through profit or loss	27,799,840	51,837,885	3	Discounted Cash Flow ²		Estimated revenue of the investee company, Discount rate considering credit rating(6.84%) and others
	-	3,820,590	3	Binomial model(T-F)		Annualized variability of stock prices(48.35%) and others
Derivative liabilities	7,242,659	10,389,235	3	Binomial model(T-F), Monte-Carlo Simulation		Annualized variability of stock prices(47.05%) and others

¹ For financial assets at fair value through profit or loss held by the Company, the costs are deemed the best estimate of the fair value, since (i) the Company 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 Company'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.

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

5. Fair Value Measurement, (cont'd)

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.

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:

		December 31, 2024			
		Favorable changes		Unfavorable changes	
		Profit (loss)	Equity	Profit (loss)	Equity
Financial liabilities at fair value through profit or loss	₩	175,816	-	₩ (178,070)	-
Derivative liabilities		5,263,959	-	(6,113,700)	-

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.

		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		846,120	-	(867,596)	-
Derivative liabilities		2,686,298	-	(2,948,492)	-

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.
Notes to the Separate Financial Statements
December 31, 2024 and 2023

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	Ending Balance
Financial assets at fair value through profit or loss	₩ 165,672,751	₩ 33,832,613	₩ (1,403,960)	₩ 20,663,608	₩ 218,765,012
Financial assets at fair value through other comprehensive income	67,928,019	6,471,082	-	(13,382,599)	61,016,502
Derivative assets	2,142,967	-	-	(2,142,967)	-
Financial liabilities at fair value through profit or loss	51,837,885	-	-	(24,038,045)	27,799,840
Derivative liabilities	14,209,825	-	-	(6,967,166)	7,242,659

(c) Offsetting financial assets and financial liabilities

The Company 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 financial statements. Trade payables which are offset with trade receivables amounted to ₩ 26,869 million as of December 31, 2024(December 31, 2023: ₩ 22,999 million).

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

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	₩ 3,147,865,774	₩ 2,335,113,370
Financial assets at fair value through profit or loss	218,765,012	164,383,507
Financial assets at fair value through other comprehensive income	92,599,024	133,473,399
Derivative assets	-	2,142,967
Financial assets at amortized cost:		
Cash and cash equivalents	416,919,920	511,490,896
Trade receivables	997,093,259	693,578,021
Other current financial assets	19,109,745	105,488,670
Other non-current financial assets	102,856,645	42,565,771
Other financial assets:		
Current lease receivables	14,283,242	11,980,376
Non-current lease receivables	21,771,767	26,297,459
	<u>₩ 5,031,264,388</u>	<u>₩ 4,026,514,436</u>

<i>(in thousands of Korean won)</i>	December 31, 2024	December 31, 2023
Financial liabilities		
Financial assets 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	-	51,837,885
Derivative liabilities	7,242,659	14,209,825
Financial liabilities at amortized cost:		
Other current financial liabilities	210,997,495	213,443,406
Other non-current financial liabilities	21,834,584	12,462,435
Other financial liabilities:		
Current lease liabilities	55,130,603	52,265,451
Non-current lease liabilities	78,228,955	102,671,454
	<u>₩ 401,234,136</u>	<u>₩ 446,890,456</u>

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

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

6.2 Net Gains or Losses by Category of Financial Instruments

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
Dividends income:		
Financial assets at fair value through profit or loss	₩ 140,550	₩ 456,194
Interest income/expenses and guarantee income:		
Financial assets at amortized cost	20,690,640	29,176,224
Financial liabilities at amortized cost	(296,778)	(256,853)
Other financial assets	1,747,385	1,920,253
Other financial liabilities	(5,952,695)	(6,544,752)
Gain (Loss) on disposal:		
Financial assets at fair value through profit or loss	269,293,346	135,176,980
Gain (Loss) on valuation:		
Financial assets at fair value through profit or loss	182,298,983	(6,126,388)
Financial assets at fair value through other comprehensive income	(34,846,257)	(19,876,378)
Financial liabilities at fair value through profit or loss	24,038,045	149,305,629
Derivative assets	-	385,486
Derivative liabilities	4,824,199	1,653,976
Net impairment loss:		
Trade receivables	83,438	3,302,436
Financial assets at amortized cost	(12,596,850)	(524,312)
Net gain (loss) on foreign currency translation		
Trade receivables	113,335,920	14,504,955
Financial assets at amortized cost	23,573,729	3,719,566
Financial liabilities at amortized cost	(12,868,098)	(1,248,926)
	<u>₩ 573,465,557</u>	<u>₩ 305,024,090</u>

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

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:

(in thousands of Korean won)	December 31, 2024			December 31, 2023	
	Gross amount	Provision for impairment	Net amount	Net amount	
Trade receivables	₩ 998,857,924	₩ (1,764,664)	₩ 997,093,260	₩	693,578,021
Other current financial assets					
Short-term financial instruments	-	-	-		1,787,649
Short-term loans	33,685,416	(24,072,194)	9,613,222		82,894,679
Other receivables	8,941,519	(227,293)	8,714,226		18,406,517
Accrued income	1,395,781	(675,449)	720,332		640,667
Deposits	61,965	-	61,965		1,759,158
Lease receivables	14,283,242	-	14,283,242		11,980,376
	₩ 58,367,923	₩ (24,974,936)	₩ 33,392,987	₩	117,469,046
Other current assets					
Advance payments	1,813,061	-	1,813,061		1,612,427
Prepaid expenses	63,124,355	-	63,124,355		37,599,728
	₩ 64,937,416	₩ -	₩ 64,937,416	₩	39,212,155
Other non-current financial assets					
Long-term financial instruments	₩ 7,365,683	₩ -	₩ 7,365,683	₩	5,578,034
Long-term loans	124,248,686	(62,023,550)	62,225,136		5,068,200
Long-term accrued income	553,860	(5,637)	548,223		301,421
Deposits	32,717,603	-	32,717,603		31,618,116
Long-term lease receivables	21,771,767	-	21,771,767		26,297,459
	186,657,599	(62,029,187)	124,628,412		68,863,230
Other non-current assets					
Long-term advance payments	₩ 120,151,609	₩ -	₩ 120,151,609	₩	37,020,864
Long-term Prepaid Expenses	71,939,436	-	71,939,436		-
	₩ 192,091,045	₩ -	₩ 192,091,045	₩	37,020,864
	₩ 1,500,911,907	₩ (88,768,787)	₩ 1,412,143,120	₩	956,143,316

(in thousands of Korean won)	December 31, 2024			December 31, 2023	
	Gross amount	Provision for impairment	Net amount	Net amount	
Third party receivables	₩ 1,371,861,367	₩ (1,967,514)	₩ 1,369,893,853	₩	908,622,741
Related party receivables	129,050,540	(86,801,273)	42,249,267		47,520,575
	₩ 1,500,911,907	₩ (88,768,787)	₩ 1,412,143,120	₩	956,143,316

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

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:

(in thousands of Korean won)	December 31, 2024					
	Beginning		Provision (reversal)		Ending	
Trade receivables	₩	1,848,102	₩	(83,438)	₩	1,764,664
Other current financial assets						
Other receivables		227,293		-		227,293
Accrued income		675,449		-		675,449
Short-term loans		11,475,344		12,596,850		24,072,194
Other non-current financial assets						
Long-term accrued income		5,637		-		5,637
Long-term loans		62,023,550		-		62,023,550
	₩	76,255,375	₩	12,513,412	₩	88,768,787

	December 31, 2023							
(in thousands of Korean won)	Beginning		Provision (reversal)		Write-off		Ending	
Trade receivables	₩	5,150,538	₩	(3,302,436)	₩	-	₩	1,848,102
Other current financial assets								
Other receivables		227,293		105,702		(105,702)		227,293
Accrued income		675,449		-		-		675,449
Short-term loans		9,475,344		2,000,000		-		11,475,344
Other non-current financial assets								
Long-term accrued income		5,637		-		-		5,637
Long-term loans		63,604,940		(1,581,390)		-		62,023,550
	₩	79,139,201	₩	(2,778,124)	₩	(105,702)	₩	76,255,375

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.

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

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	Shinhan Bank	₩ -	₩ 1,787,649	Provided as collateral ¹
Other non-current financial assets	Woori Bank	7,365,683	5,578,034	
		<u>₩ 7,365,683</u>	<u>₩ 7,365,683</u>	

¹ Provided as a collateral for leasehold deposits received (Note 18).

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

9. Other Liabilities

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

(in thousands of Korean won)

(in thousands of Korean won)	December 31, 2024		December 31, 2023	
Other current financial liabilities				
Other payables	₩	61,251,058	₩	55,348,808
Accrued expenses ¹		147,311,191		157,618,036
Current portion of leasehold deposits received		2,430,552		472,431
Lease liabilities		55,130,603		52,265,451
Financial guarantee liabilities		4,694		4,131
	₩	266,128,098	₩	265,708,857
Other current liabilities and contract liabilities:				
Withholdings		16,233,876		6,276,521
Unearned revenue		133,952,715		76,700,940
Advance received		855,452		2,089,064
	₩	151,042,043	₩	85,066,525
Other non-current financial liabilities				
Long-term other payable		-		184,709
Long-term accrued expenses ²		14,552,093		3,401,688
Leasehold deposits received		7,240,949		8,816,039
Lease liabilities		78,228,955		102,671,454
Financial guarantee liabilities		41,542		59,999
	₩	100,063,539	₩	115,133,889
Other non-current liabilities and contract liabilities:				
Long-term unearned revenue		35,068,651		49,607,495
	₩	552,302,331	₩	515,516,766

¹ Includes liabilities related to employee benefit and share-based payment amounting to ₩ 91,136,013 thousand (December 31, 2023: ₩ 88,702,187 thousand).

² Includes liabilities related to employee benefit and share-based payment amounting to ₩ 14,552,093 thousand (December 31, 2023: ₩ 3,401,688 thousand).

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

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:

(in thousands of Korean won)	December 31, 2024				
	Acquisition cost	Accumulated gain (loss) on valuation	Book value	Current	Non-current
Beneficiary certificates	₩ 3,094,683,861	₩ 241,170,507	₩ 3,335,854,368	₩ 3,147,865,774	₩ 187,988,594
Redeemable convertible preference shares and others	38,974,960	(10,196,167)	28,778,793	-	28,778,793
Simple Agreement for Future Equity	6,338,175	(4,340,550)	1,997,625	-	1,997,625
	<u>₩ 3,139,996,996</u>	<u>₩ 226,633,790</u>	<u>₩ 3,366,630,786</u>	<u>₩ 3,147,865,774</u>	<u>₩ 218,765,012</u>

(in thousands of Korean won)	December 31, 2023				
	Acquisition cost	Accumulated gain (loss) on valuation	Book value	Current	Non-current
Beneficiary certificates	₩ 2,470,383,825	₩ 10,490,881	₩ 2,480,874,706	₩ 2,333,824,126	₩ 147,050,580
Redeemable convertible preference shares and others	22,716,876	(8,607,605)	14,109,271	1,289,244	12,820,027
Simple Agreement for Future Equity	4,606,950	(94,050)	4,512,900	-	4,512,900
	<u>₩ 2,497,707,651</u>	<u>₩ 1,789,226</u>	<u>₩ 2,499,496,877</u>	<u>₩ 2,335,113,370</u>	<u>₩ 164,383,507</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:

(in thousands of Korean won)	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	75,645,630	(44,063,108)	31,582,522	31,582,522
	<u>₩ 148,114,779</u>	<u>₩ (55,515,755)</u>	<u>₩ 92,599,024</u>	<u>₩ 92,599,024</u>

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

11. Financial Assets at Fair Value through Other Comprehensive Income, (cont'd)

(in thousands of Korean won)	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
Listed equity securities	75,645,630	(10,100,250)	65,545,380	65,545,380
	<u>₩ 141,643,698</u>	<u>₩ (8,170,299)</u>	<u>₩ 133,473,399</u>	<u>₩ 133,473,399</u>

12. Investments in Subsidiaries, Associates and Joint Ventures

Details of investments in subsidiaries, associates, and joint ventures as of December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)	Percentage of ownership	Location	December 31, 2024			December 31, 2023
			Acquisition cost	Net asset value	Carrying amount	Carrying amount
Subsidiaries						
Bluehole Studio, Inc.	100%	Korea	₩ 39,803,942	₩ 11,397,845	₩ 312,029	₩ -
En Masse Entertainment, Inc.	100%	U.S.A.	-	(54,145,751)	-	-
Rising Wings, Inc.	100%	Korea	34,045,078	(34,836,152)	-	-
Krafton Americas, Inc.	100%	U.S.A.	1,141,386	30,557,839	1,141,386	988,515
KRAFTON EUROPE B.V.	100%	Netherland	13,587,958	18,017,893	562,242	250,419
KRAFTON CHINA	100%	China	2,977,201	5,249,992	2,977,201	2,675,748
KP PTE. LTD.	100%	Singapore	1	6,657,823	1	1
Striking Distance Studios, Inc.	100%	U.S.A.	10,007,464	52,211,685	10,007,464	10,007,464
KRAFTON JAPAN, Inc.	100%	Japan	52,642	2,477,888	13,279	10,011
Striking Distance Studios Spain, S.L.	100%	Spain	1,348,493	2,464,564	1,348,493	1,348,493
KRAFTON Ventures, Inc.	100%	U.S.A.	2,437,000	2,619,374	2,437,000	2,437,000
PUBG Entertainment, Inc.	100%	U.S.A.	-	(812,919)	-	-
KRAFTON INDIA PRIVATE LIMITED	99.99%	India	8,399,581	7,275,174	8,399,581	4,655,882
SDS Interactive Canada Inc.	100%	Canada	470,300	948,049	470,300	470,300
Dreamotion, Inc.	100%	Korea	37,778,580	7,805,067	37,778,580	19,651,628
Thingsflow Inc.	89.55%	Korea	18,070,904	(17,631,386)	-	-
OmniCraft Labs, Inc. ⁶	100%	Korea	1,438,904	1,289,159	1,438,904	100,000
Krafton Global GP, LLC	100%	U.S.A.	239,400	297,388	239,400	239,400

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

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

Krafton Global, LP	100%	U.S.A.	1,915,200	1,227,167	1,915,200	1,915,200
Unknown Worlds Entertainment, Inc.	100%	U.S.A.	860,974,480	141,183,309	642,642,561	609,499,668
5min lab Corp.	100%	Korea	53,839,148	4,828,228	22,280,260	27,083,456
Neon Giant AB	72.26%	Sweden	43,772,891	(7,008,071)	34,373,589	29,966,754
KRAFTON MONTREAL STUDIO, INC.	100%	Canada	5,643,600	7,741,323	5,643,600	5,643,600
VECTOR NORTH s.r.o.	100%	Czech	2,972,685	3,106,135	2,972,685	2,972,685
ReLU Games, Inc.	100%	Korea	14,823,766	6,481,316	14,823,766	14,755,566
Flyway Games, Inc.	100%	Korea	30,993,823	19,308,832	30,993,823	30,951,299
Tango Gameworks, Inc. ¹	100%	Japan	6,939,825	7,017,735	6,939,825	-
inZOI Studio ¹	100%	Korea	8,500,000	8,544,349	8,500,000	-
Blue Ocean Capital Fund I, L.P. ¹	100%	Canada	144,205	(313,818)	144,206	-
Sum of Subsidiaries			₩ 1,202,318,457	₩ 233,960,037	₩ 838,355,375	₩ 765,623,089

(in thousands of Korean won)	Ownership interest	Location	December 31, 2024			December 31, 2023
			Acquisition cost	Net asset value	Carrying amount	Carrying amount
Associates						
1Up Ventures, L.P	33.53%	U.S.A.	11,819,250	12,893,910	11,819,250	11,819,250
Hidden Sequence Co., Ltd. ²	13.57%	Korea	2,022,872	(1,870,421)	-	-
Smart Krafton-BonAngels Fund ³	54.55%	Korea	10,680,000	9,320,595	10,680,000	10,680,000
Nodwin Gaming Private Limited ²	15.50%	India	34,755,385	8,562,640	34,755,385	34,755,385
Loco Interactive Pte Limited ⁷	-	India	-	-	-	-
Nasadiya Technologies Private Limited ²	18.48%	India	52,238,006	546,496	21,157,911	52,238,006
Mirae Asset Maps General Private Real Estate Investment Trust 66	42.96%	Korea	290,000,000	245,229,323	290,000,000	290,000,000
Tamatem Inc. ²	13.61%	Virgin Islands	7,728,554	2,598,820	7,728,554	7,728,554
Seoul Auction Blue Co., Ltd ²	5.33%	Korea	2,999,945	449,352	2,999,945	2,999,945
Seoulauktion X Co., Ltd ^{2,5}	10.26%	Korea	4,999,772	(79,361)	4,999,772	4,999,772
Nautilus Mobile App Private Limited	31.91%	India	6,546,036	2,278,604	6,546,036	6,546,036
Mebigo Labs Private Limited ²	10.70%	India	13,175,608	3,655,853	13,175,608	13,175,608
Smart KNB Booster Fund ³	75.86%	Korea	33,000,000	29,322,624	33,000,000	11,000,000

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

(in thousands of Korean won)	Ownership interest	Location	December 31, 2024			December 31, 2023
			Acquisition cost	Net asset value	Carrying amount	Carrying amount
NIRVANANA	28.26%	Korea	5,000,000	(2,210,245)	5,000,000	5,000,000
1Up Ventures Fund II, L.P.	44.05%	U.S.A.	13,622,666	13,774,106	13,622,666	9,266,331
ANYCAST TECHNOLOGY PRIVATE LIMITED ²	9.40%	India	7,899,121	429,208	7,899,121	7,899,121
Funnystorm	24.24%	Korea	8,000,900	1,620,950	8,000,900	8,000,900
Talent Unlimited Online Services Private Limited	23.19%	India	39,176,463	417,196	39,176,463	39,176,463
Playgig, Inc. ²	16.18%	U.S.A.	26,349,994	3,887,696	26,349,994	26,349,994
Gardens Interactive, Inc. ²	11.50%	U.S.A.	15,907,211	6,282,512	15,907,211	15,907,211
Fast Track Asia Co., Ltd	27.47%	Korea	22,317,325	4,765,578	22,317,325	22,317,325
Kona Venture Fund V	49.00%	Korea	2,450,000	2,266,788	2,450,000	2,450,000
DEVSISTERS VENTURES FUND IX	46.67%	Korea	5,600,000	5,319,400	5,600,000	4,200,000
Studio Sai, Co.	20.00%	U.S.A.	7,903,813	1,740,238	7,903,813	7,903,813
Boundary Inc.	24.00%	Korea	8,000,024	1,271,992	8,000,024	5,000,000
IMM India Fund	44.44%	Korea	2,071,245	1,899,144	2,071,245	1,029,967
Red Rover Interactive Limited ^{1,2}	17.03%	United Kingdom	12,046,480	3,596,641	12,046,480	-
Eschatology Entertainment Ltd ^{1,2}	19.03%	Cyprus	8,870,362	3,886,690	8,870,362	-
Ruckus Games Holdings, Inc. ^{1,2}	15.84%	U.S.A	11,020,800	5,533,718	11,020,800	-
E.F. Games, S.L. ¹	25.00%	Spain	2,382,560	2,388,195	2,382,560	-
Piccolo Studio, S.L. ¹	25.00%	Spain	1,628,682	39,185	1,628,682	-
Day 4 Night Studios Inc. ¹	27.78%	U.S.A	4,661,300	1,448,697	4,661,300	-
Jeux Wolf Haus Inc. ^{1,2}	16.57%	Canada	2,003,850	596,835	2,003,850	-
Republic Games Ltd ¹	22.22%	United Kingdom	3,453,698	650,287	3,453,698	-
Spoonlabs ¹	34.20%	Korea	110,007,269	28,446,243	110,007,269	-
TBT-IBX NEXT UNICORN FUND III ^{1,3}	51.38%	Korea	11,000,000	10,978,770	11,000,000	-
Voracious Games Inc. ^{1,2}	18.25%	U.S.A	4,553,898	945,945	4,553,897	-
Antistatic Studios Inc. ¹	29.62%	Poland	4,668,619	1,677,039	4,668,619	-
Sum of Associates			₩ 810,561,708	₩ 414,561,243	₩ 777,458,740	₩ 600,443,681

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

(in thousands of Korean won)	Ownership interest	Location	December 31, 2024			December 31, 2023
			Acquisition cost	Net asset value	Carrying amount	Carrying amount
Joint Venture						
OVERDARE, Inc. ⁴	85.00%	U.S.A.	40,302,819	28,039,519	40,302,819	40,302,819
Total Sum			₩ 2,053,182,984	₩ 676,560,799	₩ 1,656,116,934	₩ 1,406,369,589

¹ During the year ended December 31, 2024, the entity was included in the scope of subsidiaries or associates or joint venture due to new investments made by the Company.

² Although the Company holds less than 20%, the Company classified the entities as associates, as the Company is considered to have significant influences over the entity as the Company participates in same or similar level of Board of Directors.

³ Although the Company 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 Company classified it as investments in associates, as the Company is able to exercise significant influence over the entity.

⁴ Although the Company holds more than 50%, due to possessing joint control such as requiring unanimous consent from all investors for decisions regarding related activities, the company classified it as the investment in joint ventures.

⁵ During the year ended December 31, 2024, the entity name was changed from X By Blue Co., Ltd. to Seoulauction X Co., Ltd

⁶ During the year ended December 31, 2024, the entity name was changed from Tiptoe Games, Inc. to OmniCraft Labs, Inc.

⁷ During the year ended December 31, 2024, all shares were sold by the Company.

Changes in investments in subsidiaries, associates, and joint ventures for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)	December 31, 2024		December 31, 2023	
Beginning	₩	1,406,369,589	₩	1,320,163,045
Acquisitions		238,047,455		269,965,522
Disposals		-		(5,621,478)
Grant of share options		3,545,577		3,040,109
Impairment loss and Reversal		8,154,313		(181,177,609)
Ending	₩	<u>1,656,116,934</u>	₩	<u>1,406,369,589</u>

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

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

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

(in thousands of Korean won)	December 31, 2024							
	Current Assets	Non-Current Assets	Current Liabilities	Non- Current Liabilities	Revenue	Profit (loss) from continuing operations	Other Comprehensive Income (loss)	Total Comprehensive Income (loss) for the year
Subsidiaries								
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)
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
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

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

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)
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
5min lab 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)
Associates								
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)

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

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)
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)
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

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

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)
Day 4 Night Studios Inc.	5,220,739	4,531	9,960	-	-	(617,778)	553,694	(64,083)
Jeux Wolf Haus Inc.	3,605,658	19,706	-	23,465	-	(341,562)	-	(341,562)
Republic Games Ltd	2,946,469	5,024	24,912	-	307	(360,109)	-	(360,109)
Spoonlabs	106,834,597	25,198,587	44,403,089	2,510,695	56,325,563	5,648,736	15,662	5,664,398
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)
Joint Venture								
OVERDARE, Inc.	12,153,657	34,408,191	7,974,431	5,126,250	-	(17,268,883)	2,345,142	(14,923,741)

December 31, 2023

<i>(in thousands of Korean won)</i>	Current Assets	Non-Current Assets	Current Liabilities	Non- Current Liabilities	Revenue	Profit (loss) from continuing operations	Other Comprehensive Income (loss)	Total Comprehensive Income (loss) for the year
Subsidiaries								
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)
KP PTE. LTD.	3,479,420	2,623,950	14,129	-	-	14,374	103,948	118,322

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

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
PUBG Entertainment, Inc.	205,007	191,558	1,115,753	-	58,745	198,154	(18,112)	180,042
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)
OmniCraft Labs, Inc..	22,181	6,827	5,972	2,088	15	(23,041)	-	(23,041)
Krafton Global GP, LLC	256,245	-	-	-	-	36	4,391	4,427
Krafton Global, LP	1,366,198	-	-	-	-	(297,776)	32,110	(265,666)
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
5min lab 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)
Associates								
1Up Ventures, LP	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)

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

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)
Seoul Auction 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.
Notes to the Separate Financial Statements
December 31, 2024 and 2023

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)
IMM India Fund	2,292,394	-	-	-	570	(47,606)	-	(47,606)
Joint Venture								
OVERDARE, Inc.	19,120,094	30,438,594	1,126,811	2,646,410	-	(977,591)	58,548	(919,043)

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

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

The Company has performed impairment test on its investments in subsidiaries 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 investments in subsidiaries as of December 31, 2024 are as follows.

	Key assumptions	
	Unknown Worlds Entertainment, Inc.	Investments In Other Subsidiaries
Average operating profit rate for estimated period ¹	45.03%	12.57%~39.48%
Average annual revenue growth rate for estimated period ¹	21.41%	-3.48%~38.63%
Perpetual growth rate ²	1.00%	0.00%~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 rate reflects the unique risks associated with each subsidiary.

As a result of performing impairment assessments on investments in subsidiaries for the year ended December 31, 2024, reversal of impairment losses of ₩31,723,574 thousand and ₩7,510,834 thousand were recognized for Unknown Worlds Entertainment, Inc. and other investments', respectively, as the recoverable amount exceeded the carrying amount.

The recoverable amount of investments in subsidiaries varies based on the key assumptions used in the value-in-use calculation. The effects of the changes in the assumptions on statement of profit or loss are as follows.

<i>(in thousands of Korean won)</i>	Change in discount rate			
	1%p Increase		1%p Decrease	
Unknown Worlds Entertainment, Inc.	₩	(70,506,228)	₩	99,091,403
Investments In Other Subsidiaries		(5,571,032)		5,686,689

KRAFTON, Inc.
Notes to the Separate 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:

(in thousands of Korean won)	December 31, 2024					
	Land	Fixtures	Facilities	Right-of-use assets	Construction-in- progress	Total
Acquisition cost	₩ 18,840,145	₩ 48,065,038	₩ 64,957,826	₩ 260,751,340	₩ 2,960,515	₩ 395,574,864
Accumulated depreciation	-	(30,138,312)	(39,075,824)	(166,710,203)	-	(235,924,339)
Accumulated impairment loss	-	-	-	-	(2,410,615)	(2,410,615)
Government grants ¹	-	-	(164,000)	-	-	(164,000)
Carrying amount	₩ 18,840,145	₩ 17,926,726	₩ 25,718,002	₩ 94,041,137	₩ 549,900	₩ 157,075,910

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

(in thousands of Korean won)	December 31, 2023					
	Land	Fixtures	Facilities	Right-of-use assets	Construction-in- progress	Total
Acquisition cost	₩ 18,840,145	₩ 43,646,344	₩ 63,406,895	₩ 246,129,318	₩ 5,159,377	₩ 377,182,079
Accumulated depreciation	-	(24,165,447)	(28,449,704)	(131,590,009)	-	(184,205,160)
Accumulated impairment loss	-	-	-	-	(2,344,920)	(2,344,920)
Government grants ¹	-	-	(258,000)	-	-	(258,000)
Carrying amount	₩ 18,840,145	₩ 19,480,897	₩ 34,699,191	₩ 114,539,309	₩ 2,814,457	₩ 190,373,999

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

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	Fixtures	Facilities	Right-of-use assets	Construction- in-progress	Total
Beginning	₩ 18,840,145	₩ 19,480,897	₩ 34,699,191	₩ 114,539,309	₩ 2,814,457	₩ 190,373,999
Acquisitions	-	5,970,727	1,508,190	22,177,128	615,596	30,271,641
Disposals	-	(215,465)	(3,005)	-	-	(218,470)
Depreciation	-	(7,389,122)	(10,574,184)	(39,653,848)	-	(57,617,154)
Impairment Loss	-	-	-	-	(65,695)	(65,695)
Business Transfer	-	(29,111)	-	-	-	(29,111)

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

Transfers ¹	-	108,800	87,810	(3,021,452)	(2,814,458)	(5,639,300)
Ending	₩ 18,840,145	₩ 17,926,726	₩ 25,718,002	₩ 94,041,137	₩ 549,900	₩ 157,075,910

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

(in thousands
of Korean
won)

December 31, 2023						
	Land	Fixtures	Facilities	Right-of-use assets	Construction- in-progress	Total
Beginning	₩ -	₩ 23,240,476	₩ 24,709,938	₩ 125,486,150	₩ 3,911,123	₩ 177,347,687
Acquisitions	11,529,547	4,733,344	9,799,148	30,931,791	1,248,254	58,242,084
Disposals	-	(821,608)	-	-	-	(821,608)
Depreciation	-	(7,688,775)	(10,345,763)	(38,609,146)	-	(56,643,684)
Impairment Loss	-	-	-	-	(2,344,920)	(2,344,920)
Business Transfer	-	(341,808)	-	-	-	(341,808)
Transfers ¹	7,310,598	359,268	10,535,868	(3,269,486)	-	14,936,248
Ending	₩ 18,840,145	₩ 19,480,897	₩ 34,699,191	₩ 114,539,309	₩ 2,814,457	₩ 190,373,999

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

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

(in thousands of Korean won)

	December 31, 2024	December 31, 2023
Right-of-use assets ¹		
Properties	₩ 94,041,137	₩ 114,539,309
Lease receivables ²		
Current	14,283,242	11,980,376
Non-current	21,771,767	26,297,459
	36,055,009	38,277,835
	₩ 130,096,146	₩ 152,817,144
Lease liabilities ³		
Current	₩ 55,130,603	₩ 52,265,451
Non-current	78,228,955	102,671,454
	₩ 133,359,558	₩ 154,936,905

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

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

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

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

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

Lease related amounts recognized in the separate 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)		1,627,269		1,919,705
Total Revenue	₩	1,627,269	₩	1,929,948
Depreciation of right-of-use assets				
Properties	₩	39,653,848	₩	38,609,146
Interest expense relating to lease liabilities (included in finance costs)		5,952,695		6,544,751
Expense relating to short-term leases (included in operating costs)		285,719		970,989
Expense relating to leases of low-value assets (included in operating costs)		170,203		231,719
Total Costs	₩	46,062,465	₩	46,356,605

The total cash outflow for leases for the year ended December 31, 2024 amounts to ₩ 55,939,995 thousand (2023: ₩ 53,401,176 thousand).

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

14. Intangible Assets

Intangible assets as of December 31, 2024 and 2023, consist of:

		December 31, 2024		
		Accumulated amortization/impairment loss		Book value
<i>(in thousands of Korean won)</i>	Acquisition cost			
Software	₩ 29,029,407	₩	(25,860,260)	₩ 3,169,147
Industrial property rights	1,767,210		(1,397,810)	369,400
Membership rights	1,373,669		(243,020)	1,130,649
Other intangible assets	12,156,347		(9,475,128)	2,681,219
	₩ 44,326,633	₩	(36,976,218)	₩ 7,350,415

		December 31, 2023		
		Accumulated amortization/impairment loss		Book value
<i>(in thousands of Korean won)</i>	Acquisition cost			
Software	₩ 28,266,013	₩	(23,752,526)	₩ 4,513,487
Industrial property rights	1,655,161		(1,145,867)	509,294
Membership rights	1,373,669		(173,586)	1,200,083
Other intangible assets	6,554,670		(1,175,634)	5,379,036
	₩ 37,849,513	₩	(26,247,613)	₩ 11,601,900

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

14. Intangible Assets, (cont'd)

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

		December 31, 2024				
		Software	Industrial property rights	Membership rights	Other intangible assets	Total
<i>(in thousands of Korean won)</i>						
Beginning	₩	4,513,487	₩ 509,294	₩ 1,200,083	₩ 5,379,036	₩ 11,601,900
Acquisitions		839,299	1,282	-	5,506,114	6,346,695
Disposals		(41,893)	-	-	-	(41,893)
Amortization		(2,140,710)	(251,944)	(69,434)	(2,102,396)	(4,564,484)
Impairment Loss		-	-	-	(6,197,098)	(6,197,098)
Business Transfer		(1,036)	-	-	-	(1,036)
Transfers ¹		-	110,768	-	95,563	206,331
Ending	₩	<u>3,169,147</u>	<u>₩ 369,400</u>	<u>₩ 1,130,649</u>	<u>₩ 2,681,219</u>	<u>₩ 7,350,415</u>

¹ Long-term advance payments of ₩ 206,331 thousand was reclassified to industrial property rights and other intangible assets for the year ended December 31, 2024.

		December 31, 2023				
		Software	Industrial property rights	Membership rights	Other intangible assets	Total
<i>(in thousands of Korean won)</i>						
Beginning	₩	6,522,173	₩ 635,649	₩ 1,269,517	₩ 631,636	₩ 9,058,975
Acquisitions		322,294	3,622	-	2,500,000	2,825,916
Disposals		(7,558)	-	-	(11,881)	(19,439)
Amortization		(2,318,290)	(259,135)	(69,434)	(752,600)	(3,399,459)
Business Transfer		(5,132)	-	-	-	(5,132)
Transfers ¹		-	129,158	-	3,011,881	3,141,039
Ending	₩	<u>4,513,487</u>	<u>₩ 509,294</u>	<u>₩ 1,200,083</u>	<u>₩ 5,379,036</u>	<u>₩ 11,601,900</u>

¹ Long-term advance payments of ₩ 3,141,039 thousand was reclassified to industrial property rights and other intangible assets for the year ended December 31, 2023.

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

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	72,632,189	(2,268,442)	70,363,747
	<u>₩ 549,609,862</u>	<u>₩ (2,268,442)</u>	<u>₩ 547,341,420</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	₩ 70,363,747	₩ 547,341,420
Acquisitions	7,676,902	3,726,972	11,403,874
Disposals	-	(2,330,623)	(2,330,623)
Depreciation	-	(1,840,385)	(1,840,385)
Transfers ¹	1,671,745	1,142,713	2,814,458
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 for the year ended December 31, 2024.

(in thousands of Korean won)

	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	-	(880,649)	(880,649)
Ending	<u>₩ 476,977,673</u>	<u>₩ 70,363,747</u>	<u>₩ 547,341,420</u>

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

15. Investment Properties (cont'd)

During the year ended December 31, 2024, rental income earned from operating leases of investment property is ₩ 4,673 million (December 31, 2023: ₩ 639 million), and direct operating expenses from investment property that generated rental income is ₩ 404 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 of December 31, 2024, is ₩ 647,040 million (December 31, 2023: ₩ 601,093 million). The valuation of investment properties is performed by an independent valuer.

16. 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 liabilities	₩ 18,134,634	₩ 9,600,741

Changes in the defined benefit liabilities 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	₩ 9,600,741	₩ 7,659,997
Current service cost	8,115,713	2,159,041
Interest expense	1,085,825	387,906
Business transfer	(29,047)	(349,419)
Transfer-in (out)	(52,300)	(260,147)
Benefit payments	(317,614)	(721,683)
Remeasurements:		
Actuarial gain (loss) from change in financial assumptions	(3,401,924)	(266,110)
Actuarial gain (loss) from experience adjustments	(950,569)	991,156
Actuarial gain (loss) from changes in demographic assumptions	4,092,196	-
Others	(8,387)	-
Ending	<u>₩ 18,134,634</u>	<u>₩ 9,600,741</u>

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

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

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

<i>(in thousands of Korean won)</i>	December 31, 2024	December 31, 2023
Current service cost	₩ 8,115,713	₩ 2,159,041
Interest expense	1,085,825	387,906
	<u>₩ 9,201,538</u>	<u>₩ 2,546,947</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	4.08%	4.41%
Future salary growth rate	5.23%	6.90%

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	₩ (1,840,150)	₩ 2,168,755
Changes in salary growth rate	4,135,541	(3,588,672)

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 net defined benefit liability	₩ 260,297	₩ (725,046)
Income tax effect	(68,718)	191,412
Remeasurements of net defined benefit liability, after tax	<u>₩ 191,579</u>	<u>₩ (533,634)</u>

The weighted average duration of the defined benefit obligation is 9.11 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	₩ 653,804	₩ 704,831	₩ 2,926,425	₩ 25,643,916	₩ 29,928,976

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

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

The operating costs recognized in the current year in relation to the defined contribution plan amounted to ₩11,880,159 thousand (2023: ₩12,693,396 thousand).

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

17. Provisions

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

(in thousands of Korean won)

		December 31, 2024
		Provision for restoration costs
Beginning	₩	13,522,929
Addition		233,018
Reversal		(825,866)
Ending	₩	12,930,081

(in thousands of Korean won)

			December 31, 2023		
			Provision for restoration costs	Other provisions	
Beginning	₩	13,364,010	₩	2,902,828	
Addition		158,919		1,848,648	
Used		-		(3,374,045)	
Reversal		-		(1,377,431)	
Ending	₩	13,522,929	₩	-	

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

18. Contingencies and Commitments

As of December 31, 2024, the Company 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	
PLAYERUNKNOWN'S BATTLEGROUNDS (Mobile)	Google	Korea, Japan, India
	Apple	
	Samsung Electronics	Korea
	UniPin (Labuan) Limited	India
NEW STATE (Mobile)	Google	Worldwide
	Apple	
	Samsung Electronics	
	Google	
Road To Valor: Empires (Mobile)	Apple	India
	UniPin (Labuan) Limited	
	Google	
Defense Derby (Mobile)	Apple	Worldwide
	Samsung Electronics	

The Company 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.

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

Game	Counterparty	Service region
PLAYERUNKNOWN'S BATTLEGROUNDS (Console)	Microsoft Corporation	Worldwide
	Sony Interactive Entertainment LLC	
PLAYERUNKNOWN'S BATTLEGROUNDS (PC)	Kakao Games Corp.	Korea
PLAYERUNKNOWN'S BATTLEGROUNDS (Mobile)	Tencent Technology (Shenzhen) Company Limited	China
	Proxima Beta Pte. Limited	Worldwide
The Callisto Protocol (Console)	Microsoft Corporation	Worldwide
	Sony Interactive Entertainment LLC	

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

18. Contingencies and Commitments, (cont'd)

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

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

As of December 31, 2024, the Company has been provided guarantees up to ₩ 7,712 million from Seoul Guarantee Insurance Co., Ltd. in connection with the repayment of contributions for supporting the workplace nursery installation.

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. Also, ₩ 4,800 million of seller's financial instruments are provided to the Company for potential penalty claims from the successor lessee of the purchased real estate.

The Company 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 Company's long-term growth.

As of December 31, 2024, the Company has an obligation for additional capital contributions to Smart KNB Booster Fund and others according to agreements. The Company 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.

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

18. Contingencies and Commitments, (cont'd)

On June 25, 2021, the Company 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 Company'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	<ul style="list-style-type: none"> - Existing shareholders cannot sell, transfer, set up as collateral, or other dispositions without prior written consent within the disposition restriction period. - The Company 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 Company 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 option and call option	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.

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

Type	Contents
	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.
Back-up 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 Company entered into a contract for contingent consideration to be paid in conjunction with the performance after the acquisition while acquiring a subsidiary Unknown Worlds Entertainment, Inc. and 5minlab Corp. The contingent consideration recognized as of December 31, 2024 is ₩ 27,800 million.

The Company 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 Company 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.

Under the joint venture investment agreement with OVERDARE, Inc., the Company 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 Company 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.

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

19. Equity

(a) Share capital

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

(in Korean won and in shares)

	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

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

19. Equity, (cont'd)

(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:

(in thousands of Korean won)

Share capital¹

Balance as of January 1, 2023	₩	4,908,155
Share-based payment transactions		15,574
Balance as of December 31, 2023	₩	4,923,729
Balance as of January 1, 2024	₩	4,923,729
Share-based payment transactions		2,162
Balance as of 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.

<i>(in thousands of Korean won)</i>	Capital surplus			
	Share premium	Other capital surplus	Gain on disposal of treasury shares	Total
Balance as of January 1, 2023	₩ 1,423,290,183	₩ 1,051,267,420	₩ 6,452,617	₩ 2,481,010,220
Share-based payment transactions	18,807,732	517,287	3,210,797	22,535,816
Business transfer	-	(6,201,676)	-	(6,201,676)
Balance as of December 31, 2023	₩ 1,442,097,915	₩ 1,045,583,031	₩ 9,663,414	₩ 2,497,344,360
Balance as of January 1, 2024	₩ 1,442,097,915	₩ 1,045,583,031	₩ 9,663,414	₩ 2,497,344,360
Share-based payment transactions	5,943,468	101,969	4,318,674	10,364,111
Business transfer	-	1,025,429	-	1,025,429
Balance as of December 31, 2024	₩ 1,448,041,383	₩ 1,046,710,429	₩ 13,982,088	₩ 2,508,733,900

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

19. Equity, (cont'd)

(c) Other components of equity

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

<i>(in thousands of Korean won)</i>	December 31, 2024	December 31, 2023
Treasury shares ¹	₩ (79,819,802)	₩ -
Share-based payments (Note 20)	137,668,181	49,841,312
Gain (Loss) on valuation of financial assets at fair value through other comprehensive income (Note 11)	(40,859,596)	(6,013,340)
Remeasurements of net defined benefit liability (Note 16)	(1,031,260)	(1,222,838)
Exchange differences on translation of foreign operations	(29,834)	(68,649)
	<u>₩ 15,927,689</u>	<u>₩ 42,536,485</u>

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

(d) Statements of appropriation of retained earnings (disposition of accumulated deficit)

The appropriation of retained earnings (disposition of accumulated deficit) for the year ended December 31, 2024, is expected to be disposed at the shareholders' meeting on March 26, 2025. The disposition date for the year ended December 31, 2023, was March 26, 2024.

The appropriation of retained earnings (disposition of accumulated deficit) for the years ended December 31, 2024 and 2023, are as follows:

<i>(in Korean won)</i>	December 31, 2024	December 31, 2023
Unappropriated retained earnings		
Unappropriated retained earnings carried over from prior year	₩ 3,047,231,712,239	₩ 2,487,142,607,927
Retirement of Treasury Shares	(119,579,852,934)	(167,988,076,970)
Profit for the year	1,376,266,875,946	728,077,181,282
Retained earnings available for appropriation	<u>4,303,918,735,251</u>	<u>3,047,231,712,239</u>
Appropriation of retained earnings	-	-
Unappropriated retained earnings to be carried forward	<u>₩ 4,303,918,735,251</u>	<u>₩ 3,047,231,712,239</u>

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

20. 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, 2023 ¹	Outstanding shares as of December 31, 2024 ¹	Exercise price ¹	Vesting conditions	Date of vesting	Date of expiration
Share options granted								
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

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

<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
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

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

20. 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, 2023 ¹	Outstanding shares as of December 31, 2024 ¹	Exercise price ¹	Vesting conditions	Date of vesting	Date of expiration
Performance-based incentives³								
3 rd -1	Dec. 22, 2017	Cash	6,540	3,540 W	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	7,500	4,500	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 -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
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

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

<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
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

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

20. 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, 2023 ¹	Outstanding shares as of December 31, 2024 ¹	Exercise price ¹	Vesting conditions	Date of vesting	Date of expiration
Restricted stock unit								
1 st	Apr. 1, 2022	Stock	650	300	₩	- 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	26,430	11,433	-	- Provision of services to the date of vesting	Jun. 1, 2023 (35%)	-
4 th -2		Cash					Jun. 1, 2024 (35%)	
4 th -3		Cash					Jun. 1, 2025 (30%)	
4 th -3	Jun. 1, 2022	Stock	7,800	3,600	-	- Provision of services to the date of vesting	Jul. 1, 2024 (54%)	-
		Cash				- Provision of services to the date of vesting	Jul. 1, 2025 (46%)	
4 th -3	Jun. 1, 2022	Stock	1,950	1,950	-	- Provision of services to the date of vesting	Jun. 1, 2025	-
4 th -3	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%)
(Market performance conditions added)							Jun. 1, 2024 (35%)	
							Jun. 1, 2025 (35%)	
7 th -1	Jun. 1, 2023	Stock	54,120	32,800	-	- Provision of services to the date of vesting	Jun. 1, 2026 (30%)	-
7 th -2		Cash					Jul. 1, 2024 (35%)	
		Cash					Jul. 1, 2025 (35%)	
7 th -1	Jun. 1, 2023	Stock	20,000	13,000	-	- Provision of services to the date of vesting	Jul. 1, 2025 (30%)	-
7 th -1	Jun. 1, 2023	Stock	5,000	5,000	-	- Provision of services to the date of vesting	Jun. 1, 2025 (70%)	-
		Cash				- Provision of services to the date of vesting	Jun. 1, 2026 (30%)	

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

<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
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 10 th -2	Jun. 1, 2024	Stock Cash	-	65,877	-	Provision of services to the date of vesting	Jun. 1, 2025 (35%) 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 11 th -4	Jun. 1, 2024	Stock Cash	-	11,000	-	Provision of services to the date of vesting	Mar. 29, 2026	-
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	-
12 th -1	Jun. 1, 2024	Stock Cash	-	1,000	-	Provision of services to the date of vesting/ - Differentiated payment based on relative share price increase	Mar. 30, 2026	-
12 th -2 12 th -4	Jun. 1, 2024	Stock Cash	-	12,000	-	Provision of services to the date of vesting/ - Differentiated payment based on relative share price increase	Mar. 29, 2026	-
12 th -3	Jun. 1, 2024	Stock Cash	-	2,000	-	Provision of services to the date of vesting/ - Differentiated payment based on relative share price increase	Mar. 30, 2027	-

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

<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
12 th -5	Jun. 1, 2024	Stock Cash	-	2,000	-	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	-	Provision of services to the date of vesting/ 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%) Sep. 2, 2027 (30%)	-

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

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

¹ The 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 Company 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 Company 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.

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

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

Changes in the number of share options 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 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, except number of shares)</i>	December 31, 2024		December 31, 2023	
	Granted number	Weighted average exercise price	Granted number	Weighted average exercise price
Beginning	47,915	₩ 33,565	68,115	₩ 26,274
Forfeit / Expired	-	-	(11,000)	14,990
Exercise	(16,250)	28,973	(9,200)	1,793
Ending	<u>31,665</u>	<u>₩ 35,921</u>	<u>47,915</u>	<u>₩ 33,565</u>

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

<i>(in shares)</i>	December 31, 2024	December 31, 2023
Beginning	138,799	84,610
Grant	226,777	86,180
Forfeit / Expired	(5,692)	(10,746)
Exercise	(45,594)	(21,245)
Transfer	(180)	-
Ending	<u>314,110</u>	<u>138,799</u>

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

20. 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	305,699 ₩	84,842
Performance-based incentives	31,665	35,921

The Company measured the cost of the share options granted for the years ended December 31, 2024 and 2023, by fair value using the 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 ₩	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 Company measured the cost of the share options modified to equity-settled share-based payment transactions during the year ended December 31, 2024, by fair value using the Binomial model and the Monte Carlo method. The related assumptions and variables to measure the cost of the share options 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%

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

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

The Company measured the cost of the share options granted as of December 31, 2023 by fair value using the Binomial model and the 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 Company 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	₩	277,294	₩	160,583
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%

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

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

The Company measured the cost of the restricted stock units granted during 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%

The Company measured the cost of the 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 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	₩ 247,084	₩ 191,178
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	0.32~5.06years	0.42~2.42years
Risk-free interest rate	2.59%~3.03%	3.18%~3.46%

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

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

Details of the expenses in relation to the share-based payments granted to employees 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	₩ 90,574,714	₩ 19,896,868
Investments in subsidiaries	3,545,577	3,040,109
	<u>₩ 94,120,291</u>	<u>₩ 22,936,977</u>

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	₩ 29,059,726	₩ 40,085,042
Intrinsic Value	9,050,793	7,586,044

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

21. 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:

(in thousands of Korean won)

	December 31, 2024		December 31, 2023	
Revenue from contracts with customers	₩	2,632,302,211	₩	1,837,796,252
Revenue from other sources		4,673,322		649,413
	₩	<u>2,636,975,533</u>	₩	<u>1,838,445,665</u>

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

(in thousands of Korean won)

	December 31, 2024		December 31, 2023	
Main Services				
PC	₩	916,754,090	₩	555,926,911
Mobile		1,678,357,953		1,232,241,739
Console		28,236,777		40,596,115
Others		8,953,391		9,031,487
Total	₩	<u>2,632,302,211</u>	₩	<u>1,837,796,252</u>
Revenue recognition				
Transfer over time		2,625,518,883		1,810,453,901
Transfer at a point in time		6,783,328		27,342,351
Total	₩	<u>2,632,302,211</u>	₩	<u>1,837,796,252</u>

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

(in thousands of Korean won)

	December 31, 2024		December 31, 2023	
	Revenue	Ratio	Revenue	Ratio
Asia	₩ 2,284,333,785	86.78%	₩ 1,601,004,481	87.12%
Korea	172,785,413	6.56%	87,604,692	4.77%
America / Europe	161,375,055	6.13%	138,376,912	7.53%
Others	13,807,958	0.53%	10,810,167	0.58%
	<u>₩ 2,632,302,211</u>	<u>100.00%</u>	<u>₩ 1,837,796,252</u>	<u>100.00%</u>

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

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

(b) Contract liabilities

Assets and liabilities related to contracts with customers the company 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)	₩	168,456,975	₩	126,057,768

(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 are 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	₩	73,377,111	₩	63,960,904

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

22. Operating Costs

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

*(in thousands of Korean
won)*

		December 31, 2024		December 31, 2023
Application fees / Cost of sales	₩	338,043,825	₩	216,935,619
Salaries and bonuses		204,665,800		175,923,618
Post-employment benefits		21,081,697		15,240,343
Employee benefits		44,895,945		31,759,029
Travel and transportation expenses		6,586,333		4,473,533
Depreciation		57,617,154		56,643,684
Depreciation – Investment properties		1,840,385		880,649
Amortization		4,564,484		3,399,460
Insurance expenses		4,910,052		6,311,250
Supplies expenses		1,083,224		950,966
Commissions and fees		569,120,111		447,027,840
Advertising and promotion expenses		73,896,931		41,405,446
Share-based payment expenses		90,574,714		19,896,868
Bad debts expense(reversal)		(83,438)		(3,302,436)
Others		9,603,674		9,279,434
	₩	<u>1,428,400,891</u>	₩	<u>1,026,825,303</u>

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

23. 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	₩ 154,539,259	₩ 67,795,128
Gain on disposal of investments in associates	786,762	863,132
Reversal of loss on impairment of investments in subsidiaries	54,088,091	-
Gain on disposal of property and equipment	6,486	229
Gain on derivatives	4,824,199	2,208,618
Gain on disposal of leases	1,006,635	18,286
Gain on disposal of intangible assets	-	25,774,119
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	194,186,036	25,181,436
Gain on valuation of financial liabilities at fair value through profit or loss	24,038,045	149,305,629
Dividend income	140,550	646,194
Others	155,093	6,878,654
	<u>₩ 741,231,565</u>	<u>₩ 476,347,912</u>
Other expenses		
Loss on foreign exchange	₩ 34,201,210	₩ 51,189,917
Loss on impairment of investments in subsidiaries	14,853,683	179,154,738
Loss on impairment of investments in associates	31,080,095	2,022,872
Loss on impairment of property and equipment	65,695	2,344,920
Loss on disposal of property and equipment	3,397	125,268
Loss on derivatives	-	169,156
Loss on disposal of leases	255	67,872
Loss on impairment of intangible assets	6,197,098	-
Loss on disposal of investment properties	2,330,623	-
Loss on disposal of financial assets at fair value through profit or loss	38,167,062	62,499,507
Loss on valuation of financial assets at fair value through profit or loss	11,887,053	31,307,824
Donations	522,123	2,568,452
Other bad debt expenses	12,596,850	524,312
Others	9,317,583	6,050,431
	<u>₩ 161,222,727</u>	<u>₩ 338,025,269</u>

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

24. 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	₩	22,438,025	₩	31,096,477
Financial guarantee income		30,068		36,779
	₩	<u>22,468,093</u>	₩	<u>31,133,256</u>
Finance costs				
Interest expenses	₩	6,508,249	₩	7,005,620
	₩	<u>6,508,249</u>	₩	<u>7,005,620</u>

25. 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	₩	427,878,545	₩	241,182,703
Deferred tax due to temporary differences		(10,469,569)		(1,384,521)
Income tax expense charged directly to equity		10,867,470		6,195,278
Income tax expense	₩	<u>428,276,446</u>	₩	<u>245,993,460</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	₩ 1,804,543,322	₩ 974,070,641
Income tax based on statutory tax rate	466,037,437	246,792,649
Adjustments:		
Non-taxable income	(1,722,966)	(1,646,434)
Non-deductible expenses	27,150,167	5,388,572
Foreign tax credit and others	(9,550,537)	(2,209,528)
Effect of consolidated tax expense	(8,099,599)	(11,443,865)
Changes in unrecognized deferred tax asset	(1,839,955)	25,361,490
Change in temporary differences at beginning	(141,003)	(1,755,803)
Effects of the tax system for recirculation of corporate income	-	(4,870,000)
Claim for rectification	(44,493,812)	(9,440,123)
Others	936,714	(183,498)
Income tax expense	₩ <u>428,276,446</u>	<u>245,993,460</u>
Effective tax rate	23.73%	25.25%

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

25. 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:

(in thousands of Korean won)	December 31, 2024					
	Temporary differences and others			Deferred tax assets (liabilities)		
	Beginning	Increase(decrease)	Ending	Beginning	Increase(decrease)	Ending
Unearned revenue	₩ 2,004,440	₩ (73,156)	₩ 1,931,284	₩ 529,172	₩ (19,313)	₩ 509,859
Depreciation	335,957	96,974	432,931	88,693	25,601	114,294
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)
Amortization	6,661	2,529,581	2,536,242	1,758	667,810	669,568
Loss on impairment of intangible assets	-	3,664,998	3,664,998	-	967,560	967,560
Accrued expenses	87,801,709	17,995,906	105,797,615	23,179,651	4,750,919	27,930,570
Investments in subsidiaries	99,109,005	(42,093,010)	57,015,995	26,164,777	(11,112,554)	15,052,223
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
Bad debt expenses	224,968	-	224,968	59,391	-	59,391
Provision for impairment	74,179,981	12,596,851	86,776,832	19,583,516	3,325,568	22,909,084
Post-employment benefit obligation	9,600,741	8,533,893	18,134,634	2,534,596	2,252,947	4,787,543
Accrued income	(966,757)	(266,651)	(1,233,408)	(255,224)	(70,396)	(325,620)
Provision for restoration costs	13,522,929	(592,848)	12,930,081	3,570,053	(156,512)	3,413,541
Facilities	(228,239)	76,096	(152,143)	(60,255)	20,089	(40,166)
Present value discounts	3,484,877	(350,048)	3,134,829	920,007	(92,412)	827,595
Right-of-use assets	(114,539,309)	20,498,172	(94,041,137)	(30,238,377)	5,411,517	(24,826,860)
Lease liabilities	154,936,905	(21,577,347)	133,359,558	40,903,343	(5,696,420)	35,206,923
Lease receivables	(38,277,835)	2,222,826	(36,055,009)	(10,105,349)	586,827	(9,518,522)

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

25. Income Tax Expense, (cont'd)

(in thousands of
Korean won)

	December 31, 2024					
	Temporary differences and others			Deferred tax assets (liabilities)		
	Beginning	Increase(decrease)	Ending	Beginning	Increase(decrease)	Ending
Other receivables	₩ (147,429)	₩ -	₩ (147,429)	₩ (38,921)	₩ -	₩ (38,921)
Unearned revenue (deferred revenue)	124,053,327	42,472,364	166,525,691	32,750,078	11,212,704	43,962,782
Prepaid expenses (deferred expenses)	(18,616,244)	(9,541,034)	(28,157,278)	(4,914,688)	(2,518,832)	(7,433,520)
Derivative instruments	12,066,858	(4,824,199)	7,242,659	3,185,651	(1,273,589)	1,912,062
Commissions	147,490	-	147,490	38,937	-	38,937
Financial guarantee liabilities	64,130	(17,894)	46,236	16,930	(4,724)	12,206
Share-based payment expenses	32,498,998	(12,490,065)	20,008,933	8,579,736	(3,297,378)	5,282,358
Membership rights	33,281	(4,438)	28,843	8,786	(1,171)	7,615
Exchange differences on translation of foreign operations	83,357	(52,738)	30,619	22,006	(13,922)	8,084
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
Investments in associates	10,330,034	22,772,932	33,102,966	2,727,129	6,012,054	8,739,183
Deemed depreciation	782,855	(347,308)	435,547	206,674	(91,690)	114,984
Loss on impairment of construction-in-progress	2,344,920	65,695	2,410,615	619,059	17,343	636,402
Goodwill	4,961,341	(1,240,336)	3,721,005	1,309,794	(327,448)	982,346
Depreciation (non-business-related assets)	-	480,955	480,955	-	126,972	126,972
Acquisition tax (investment properties, non-business-related assets)	-	18,582	18,582	-	4,906	4,906
Tax losses	96,035,905	(226,293)	95,809,612	25,353,479	(59,741)	25,293,738
Tax credits	3,596,212	(585,783)	3,010,429	3,596,212	(585,783)	3,010,429
	₩ 573,019,898	₩ 34,094,729	₩ 607,114,627	₩ 153,924,065	₩ 8,569,874	₩ 162,493,939
Unrecognized deferred assets				₩ (78,286,383)	₩ 1,899,695	₩ (76,386,688)
				₩ 75,637,682	₩ 10,469,569	₩ 86,107,251

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

25. Income Tax Expense, (cont'd)

(in thousands of
Korean won)

	December 31, 2023					
	Temporary differences and others			Deferred tax assets (liabilities)		
	Beginning	Increase(decrease)	Ending	Beginning	Increase(decrease)	Ending
Unearned revenue	₩ 4,195,395	₩ (2,190,955)	₩ 2,004,440	₩ 1,111,780	₩ (582,608)	₩ 529,172
Depreciation	3,518	332,439	335,957	932	87,761	88,693
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)
Amortization	103,476	(96,815)	6,661	27,421	(25,663)	1,758
Loss on impairment of intangible assets	176,559	(176,559)	-	46,788	(46,788)	-
Accrued expenses	84,806,497	2,995,212	87,801,709	22,473,722	705,929	23,179,651
Investments in subsidiaries	(91,437,393)	190,546,398	99,109,005	(24,230,909)	50,395,686	26,164,777
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
Bad debt expenses	119,265	105,703	224,968	31,605	27,786	59,391
Provision for impairment	73,761,371	418,610	74,179,981	19,546,763	36,753	19,583,516
Post-employment benefit obligation	7,659,997	1,940,744	9,600,741	2,029,899	504,697	2,534,596
Accrued income	(950,017)	(16,740)	(966,757)	(251,754)	(3,470)	(255,224)
Provision for restoration costs	13,364,010	158,919	13,522,929	3,541,463	28,590	3,570,053
Facilities	(367,678)	139,439	(228,239)	(97,435)	37,180	(60,255)
Present value discounts	3,940,975	(456,098)	3,484,877	1,044,358	(124,351)	920,007

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

25. Income Tax Expense, (cont'd)

(in thousands of
Korean won)

	December 31, 2023					
	Temporary differences and others			Deferred tax assets (liabilities)		
	Beginning	Increase(decrease)	Ending	Beginning	Increase(decrease)	Ending
Right-of-use assets	₩ (125,486,150)	₩ 10,946,841	₩ (114,539,309)	₩ (33,253,830)	₩ 3,015,453	₩ (30,238,377)
Lease liabilities	170,314,902	(15,377,997)	154,936,905	45,133,449	(4,230,106)	40,903,343
Lease receivables	(46,103,173)	7,825,338	(38,277,835)	(12,217,341)	2,111,992	(10,105,349)
Other receivables	(147,429)	-	(147,429)	(39,069)	148	(38,921)
Unearned revenue (deferred revenue)	61,769,949	62,283,378	124,053,327	16,369,037	16,381,041	32,750,078
Prepaid expenses (deferred expenses)	(15,467,186)	(3,149,058)	(18,616,244)	(4,098,804)	(815,884)	(4,914,688)
Derivative instruments	14,106,320	(2,039,462)	12,066,858	3,738,175	(552,524)	3,185,651
Commissions	147,490	-	147,490	39,085	(148)	38,937
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
Share-based payment expenses	28,781,273	3,717,725	32,498,998	7,627,037	952,699	8,579,736
Membership rights	37,718	(4,437)	33,281	9,995	(1,209)	8,786
Exchange differences on translation of foreign operations	81,965	1,392	83,357	21,721	285	22,006
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
Investments in associates	8,307,162	2,022,872	10,330,034	2,201,398	525,731	2,727,129
Deemed depreciation	-	782,855	782,855	-	206,674	206,674
Loss on impairment of construction-in-progress	-	2,344,920	2,344,920	-	619,059	619,059
Goodwill	-	4,961,341	4,961,341	-	1,309,794	1,309,794
Tax losses	95,723,576	312,329	96,035,905	25,366,748	(13,269)	25,353,479
Tax credits	5,361,192	(1,764,980)	3,596,212	5,361,192	(1,764,980)	3,596,212
	₩ 465,097,532	₩ 107,922,366	₩ 573,019,898	₩ 127,191,322	₩ 26,732,743	₩ 153,924,065
Unrecognized deferred assets				₩ (52,938,162)	₩ (25,348,221)	₩ (78,286,383)
				₩ 74,253,160	₩ 1,384,522	₩ 75,637,682

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

25. 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	₩	71,905,559	₩ 59,132,311
Deferred tax asset to be recovered after more than 12 months		77,418,099	75,526,304
Deferred tax liabilities			
Deferred tax liability to be recovered within 12 months		(7,759,141)	(5,169,913)
Deferred tax liability to be recovered after more than 12 months		(55,457,266)	(53,851,020)
Deferred tax assets, net	₩	<u>86,107,251</u>	<u>₩ 75,637,682</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	₩ 260,297	₩ (68,718)	₩ 191,579	₩ (725,046)	₩ 191,412	₩ (533,634)
Gain on disposal of treasury shares	5,867,763	(1,549,090)	4,318,673	4,362,497	(1,151,699)	3,210,798
Exchange differences on translation of foreign operations	52,738	(13,923)	38,815	(1,392)	368	(1,024)
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)
	<u>₩ (41,164,659)</u>	<u>₩ 10,867,470</u>	<u>₩ (30,297,189)</u>	<u>₩ (23,395,516)</u>	<u>₩ 6,195,278</u>	<u>₩ (17,200,238)</u>

Details of deductible temporary differences not recognized 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	₩	193,533,899	₩ 200,503,424
Tax losses		95,809,612	96,035,905

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

25. Income Tax Expense, (cont'd)

As of December 31, 2024 and 2023, the Company 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. Also, the Company did not recognize deferred tax assets arising from the certain deductible (taxable) temporary differences associated with investments in subsidiaries and provision for impairment since it is probable that the temporary differences will not reverse in the foreseeable future. In addition, deferred tax assets were not recognized for tax losses.

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

(in thousands of Korean won)

		December 31, 2024		December 31, 2023
Less than 1 year	₩	355,429	₩	226,293
Between 1 and 2 years		5,628,077		355,429
Between 2 and 3 years		2,661,737		5,628,077
Between 3 and 4 years		39,576,647		2,661,737
Between 4 and 5 years		47,587,722		39,576,647
Between 5 and 6 years		-		47,587,722
	₩	<u>95,809,612</u>	₩	<u>96,035,905</u>

26. Earnings per Share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company 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 ordinary equity holders of the Company	₩ 1,376,266,875,946	₩ 728,077,181,282
Weighted average number of ordinary shares outstanding	45,679,058	46,470,185
Basic earnings per share	<u>₩ 30,129</u>	<u>₩ 15,668</u>

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

26. 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 Company 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 ordinary equity holders of the Company	₩ 1,376,266,875,946	₩ 728,077,181,282
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:	₩ 29,909	₩ 15,592

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

26. 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	<u>(984,907,506)</u>	<u>(1,011,750,098)</u>
	16,718,535,171	16,961,617,520
Weight	<u>366</u>	<u>365</u>
Weighted average number of ordinary shares outstanding	<u>45,679,058</u>	<u>46,470,185</u>

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

27. Statements of Cash Flows

(a) Cash generated from operations

(in thousands of Korean won)	December 31, 2024	December 31, 2023
Profit for the year	₩ 1,376,266,876	₩ 728,077,181
Addition or subtraction for net profit adjustment :	19,387,683	176,831,930
Performance-based incentive	1,977,677	1,097,608
Post-employment benefits	9,201,538	2,546,947
Depreciation	57,617,154	56,643,684
Depreciation – investment properties	1,840,385	880,649
Amortization	4,564,484	3,399,460
Share-based payment expenses	90,574,714	19,896,868
Bad debts expense (reversal)	(83,438)	(3,302,436)
Loss on Foreign exchange	6,409,573	24,590,528
Other Bad debts expense	12,596,850	524,312
Loss on impairment of investments in subsidiaries (reversal)	(39,234,408)	179,154,738
Loss on impairment of investments in associates	31,080,095	2,022,872
Loss on impairment of property and equipment	65,695	2,344,920
Loss on impairment of intangible assets	6,197,098	-
Loss on valuation of financial assets at fair value through profit or loss	11,887,053	31,307,824
Loss on disposal of financial assets at fair value through profit or loss	38,167,062	62,499,507
Loss on derivatives	-	169,156
Loss on disposal of investment properties	2,330,623	-
Loss on disposal of property and equipment	3,397	125,268
Loss on disposal of leases	255	67,872
Interest expenses	6,508,249	7,005,620
Other expense	3,527,331	4,767,805
Income tax expense	428,276,446	245,993,460
Gain on Foreign Exchange	(99,145,688)	(30,711,741)
Gain on valuation of financial assets at fair value through profit or loss	(194,186,036)	(25,181,436)
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	(24,038,045)	(149,305,629)
Gain on disposal of investments in associates	(786,762)	(863,132)
Gain on derivatives	(4,824,199)	(2,208,618)
Gain on disposal of property and equipment	(6,486)	(229)
Gain on disposal of intangible assets	-	(25,774,119)
Gain on disposal of leases	(1,006,635)	(18,286)
Interest income	(22,438,025)	(31,096,477)
Dividend income	(140,550)	(646,194)
Financial guarantee income	(30,068)	(36,779)
Other income	(57,247)	(1,385,605)

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

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

<i>(in thousands of Korean won)</i>	December 31, 2024	December 31, 2023
Change in operating assets and liabilities:	₩ (262,808,532)	₩ (96,069,624)
Trade receivables	(231,700,471)	(159,010,276)
Other receivables	9,996,103	(1,882,065)
Advance payments	(200,633)	7,288,764
Prepaid expenses	(29,769,001)	(15,252,128)
Long-term advance payments	23,494	299,426
Long-term prepaid expenses	(66,312,982)	-
Other payables	2,399,075	(22,984,549)
Accrued expenses	(3,378,966)	34,878,966
Withholdings	13,864,714	3,934,973
Advance received	(1,233,612)	1,027,733
Unearned revenue	42,238,877	60,136,634
Other provisions	-	(3,374,045)
Long-term accrued expenses	1,634,784	(151,227)
Payments of net defined benefit liability	(369,914)	(981,830)
Cash generated from operations	<u>₩ 1,132,846,027</u>	<u>₩ 808,839,487</u>

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

27. 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	₩ 7,180,850
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	1,787,649	-
Reclassification from construction-in-progress	2,814,458	-
Increase in right-of-use assets	21,688,867	30,931,791
Reclassification to lease receivables from right-of-use assets	3,436,028	3,219,900
Current portion of lease receivables	14,123,832	10,583,141
Current portion of lease liabilities	52,361,181	50,030,401
Change in other receivables related to disposal of property and equipment	-	106,354
Change in other payables related to acquisition of property and equipment	376,491	203,228
Change in other payables related to acquisition of intangible assets	170,175	4,590
Reclassification to intangible assets from long-term advance payments	402,941	21,346,772
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	-	1,900,950
Current portion of financial liabilities at fair value through profit or loss	30,735,166	-

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

27. 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)*

Korean won)	December 31, 2024									
	Cash flows from			Non-cash flows						
	financing									
	Beginning	activities		New lease		Others	Ending			
Leasehold deposits received	₩	9,288,471	₩	233,681	₩	-	₩	149,349	₩	9,671,501
Lease liabilities		154,936,905		(49,531,377)		63,811		27,890,219		133,359,558
	₩	164,225,376	₩	(49,297,696)	₩	63,811	₩	28,039,568	₩	143,031,059

*(in thousands of
Korean won)*

<i>Korean won)</i>	December 31, 2023						
	Cash flows from			Non-cash flows			
	Beginning	financing		New lease	Others		Ending
		activities					
Leasehold deposits received	₩ 7,315,523	₩ (588,828)	₩	2,315,369	₩ 246,407	₩	9,288,471
Lease liabilities	170,314,902	(45,653,716)		16,499,972	13,775,747		154,936,905
	₩ 177,630,425	₩ (46,242,544)	₩	18,815,341	₩ 14,022,154	₩	164,225,376

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

28. Related Party Transactions

As of December 31, 2024 and 2023, the subsidiaries, associate, joint ventures and other important related parties of the Company are as follows:

Type	December 31, 2024	December 31, 2023
Subsidiaries	Bluehole Studio, Inc.	Bluehole Studio, Inc.
	Rising Wings, Inc.	Rising Wings, Inc.
	Krafton Americas, Inc.	Krafton Americas, Inc.
	KRAFTON EUROPE B.V.	KRAFTON EUROPE B.V.
	PUBG Mad Glory, LLC	PUBG Mad Glory, LLC
	KRAFTON CHINA	KRAFTON CHINA
	KP PTE. LTD.	KP PTE. LTD.
	Striking Distance Studios, Inc.	Striking Distance Studios, Inc.
	KRAFTON JAPAN, Inc.	KRAFTON JAPAN, Inc.
	Krafton Ventures, L.L.C.	Krafton Ventures, L.L.C.
	Krafton Ventures Fund, L.P.	Krafton Ventures Fund, L.P.
	KRAFTON Ventures, Inc.	KRAFTON Ventures, Inc.
	PUBG Entertainment, Inc.	PUBG Entertainment, Inc.
	Striking Distance Studios Spain, S.L.	Striking Distance Studios Spain, S.L.
	En Masse Entertainment Texas, Inc.	En Masse Entertainment Texas, Inc.
	KRAFTON INDIA PRIVATE LIMITED	KRAFTON INDIA PRIVATE LIMITED
	Dreamotion, Inc.	Dreamotion, Inc.
	Thingsflow Inc.	Thingsflow Inc.
	OmniCraft Labs, Inc. ¹	OmniCraft Labs, Inc. ¹
	Krafton Global GP, LLC	Krafton Global GP, LLC
	Krafton Global, LP	Krafton Global, LP
	Unknown Worlds Entertainment, Inc.	Unknown Worlds Entertainment, Inc.
	SDS Interactive Canada Inc.	SDS Interactive Canada Inc.
	5minlab Corp.	5minlab Corp.
	Neon Giant AB	Neon Giant AB
	KRAFTON MONTREAL STUDIO, INC.	KRAFTON MONTREAL STUDIO, INC.
	En Masse Entertainment, Inc.	En Masse Entertainment, Inc.
	VECTOR NORTH s.r.o.	VECTOR NORTH s.r.o.
	ReLU Games, Inc.	ReLU Games, Inc.
	Flyway Games, Inc.	Flyway Games, Inc.
	Tango Game Works, Inc.	-
	inZOI Studio	-
	BLUE OCEAN CAPITAL FUND I, L.P.	-
	-	Thingsflow Inc. (Japan)
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

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

	Seoul Auction Blue Co., Ltd.	Seoul Auction Blue Co., Ltd.
	Seoulauction X Co., Ltd. ²	Seoulauction X Co., Ltd. ²
	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
Other Related	Overdare Korea, Inc.	Overdare Korea, Inc.
Parties	BONANGELS VENTURE PARTNERS, INC.	BONANGELS VENTURE PARTNERS, INC.

¹ During the year ended December 31, 2024, Tiptoe Games Inc. changed its name to OmniCraft Labs, Inc.

² During the year ended December 31, 2024, X By Blue Co., Ltd. changed its name to SeoulAuction X Co., Ltd.

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

28. Related Party Transactions, (cont'd)

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

	December 31, 2024										
	Revenue			Expenses			Acquisition and Disposal of Assets ³				
	Operating revenue	Finance income ¹	Other income	Operating costs	Finance costs ¹	Other expenses ²	Acquisition	Disposal			
(in thousands of Korean won)											
Subsidiaries											
Bluehole Studio, Inc.	₩ 892,472	₩ 127,056	₩ -	₩ 26,036,814	₩ 3,533	₩ -	₩ -	₩ -			
Rising Wings, Inc.	107,111	-	-	10,789,592	-	-	-	150,000			
Krafton Americas, Inc.	-	-	531	64,250,098	-	-	-	-			
KRAFTON EUROPE B.V.	-	-	-	69,294,534	-	-	-	-			
PUBG Mad Glory, LLC	-	302,782	25,019	40,206,491	-	-	-	-			
KRAFTON CHINA	-	-	-	15,572,401	-	-	-	-			
Striking Distance Studios, Inc	-	-	4,518	41,740,857	-	-	-	-			
KRAFTON JAPAN, Inc.	-	7,785	-	11,481,820	-	-	-	-			
PUBG Entertainment, Inc.	-	-	-	19,946	-	-	-	-			
Striking Distance Studios Spain, S.L.	-	-	-	3,669,047	-	-	-	-			
KRAFTON INDIA PRIVATE LIMITED	-	-	-	16,672,638	-	-	-	-			
Dreamotion, Inc.	38,385	-	-	43,130	-	-	-	-			
Thingsflow Inc.	519,389	653,815	-	-	2,469	12,420,000	-	-			
OmniCraft Labs, Inc.	81,579	12,914	-	3,406,044	658	-	-	-		195,101	
Unknown Worlds Entertainment, Inc.	-	-	-	86,570	-	-	-	-		-	
SDS Interactive Canada Inc.	-	-	-	2,636,620	-	-	-	-		-	
5minlab Corp.	129,475	-	-	-	-	-	-	-		-	
KRAFTON MONTREAL STUDIO, INC.	-	-	-	15,933,395	-	-	-	-		-	
En Masse Entertainment, Inc.	-	-	-	-	-	1,040,915	-	-		-	
VECTOR NORTH s.r.o.	-	-	-	6,011,902	-	-	-	-		-	
ReLU Games, Inc.	52,896	-	-	-	-	-	-	-		-	
Flyway Games, Inc.	149,930	-	-	1,146,694	-	-	-	-		-	1,005,837
Tango Game Works, Inc.	-	-	-	14,619	-	-	-	-		-	
inZOI Studio	4,418	7,043	-	167,097	245	-	-	-		-	
Sub Total	₩ 1,975,655	₩ 1,111,395	₩ 30,068	₩ 329,180,309	₩ 6,905	₩ 13,460,915	₩ 150,000	₩ 1,200,938			

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

Associates and Joint Ventures												
Hidden Sequence Co., Ltd.	₩	-	₩	1,708	₩	-	₩	-	₩	-	₩	-
Nodwin Gaming Private Limited		-		-		-		173,264		-		-
Loco Interactive Pte Limited ⁴		-		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
Total	₩	2,309,973	₩	1,273,924	₩	30,068	₩	329,996,918	₩	6,905	₩	13,460,915
											₩	12,061,160
											₩	1,203,102

¹ Includes lease related profit or loss.

² Includes ₩ 12,596,850 thousand of bad debt expense.

³ Includes amounts related to business transfer transactions.

⁴ Transaction amount up to the date of exclusion from the related party is presented.

⁵ Company's purchasing agency services for group purchases to the related party are not included.

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

	December 31, 2023							
	Revenue			Expenses			Business transfer and others ³	
	Operating revenue	Finance income ¹	Other income	Operating costs	Finance costs ¹	Other expenses ²	Acquisition and others	Transfer and others
<i>(in thousands of Korean won)</i>								
Subsidiaries								
Bluehole Studio, Inc.	₩ 1,126,147	₩ 57,093	₩ 18,286	₩ 9,202,551	₩ 3,707	₩ 67,872	₩ 6,000,000	₩ -
Rising Wings, Inc.	198,546	-	-	1,650,427	-	-	5,000,000	-
Krafton Americas, Inc.	-	25,198	1,193	52,936,317	-	-	-	-
KRAFTON EUROPE B.V.	224,402	-	-	43,112,715	-	-	-	-
PUBG Mad Glory, LLC	-	230,208	30,939	21,169,586	-	-	-	7,304
KRAFTON CHINA	-	-	-	16,469,095	-	-	-	-
KP PTE. LTD	-	18,528	11,166	-	-	-	-	-
Striking Distance Studios, Inc	-	1,231,311	4,647	70,573,573	-	-	-	-
KRAFTON JAPAN, Inc.	-	6,243	-	7,873,646	-	(1,581,390)	-	-
PUBG Entertainment, Inc.	-	-	-	58,698	-	-	-	-
Striking Distance Studios Spain, S.L.	-	-	-	3,612,115	-	-	-	-
KRAFTON INDIA PRIVATE LIMITED	-	-	-	9,472,191	-	-	-	-
Dreamotion, Inc.	30,453	-	-	71,555	-	-	500,000	-
Thingsflow Inc.	528,098	513,149	-	-	2,380	2,000,000	-	-
OmniCraft Labs, Inc.	-	256	-	-	55	-	-	-
Unknown Worlds Entertainment, Inc.	-	-	-	198,415	-	-	-	-
SDS Interactive Canada Inc.	-	-	-	3,225,575	-	-	-	-
5minlab Corp.	91,412	-	-	-	-	-	-	-
KRAFTON MONTREAL STUDIO, INC.	-	-	-	5,693,496	-	-	-	-
VECTOR NORTH s.r.o.	-	-	-	2,714,843	-	-	-	-
ReLU Games, Inc.	16,581	-	229	-	-	10	-	11,224,713
Flyway Games, Inc.	39,206	-	-	7,925	-	-	-	3,292,839
Sub Total	₩ 2,254,845	₩ 2,081,986	₩ 66,460	₩ 248,042,723	₩ 6,142	₩ 486,492	₩ 11,500,000	₩ 14,524,856
Associates and Joint Ventures								
Shinhan Alpha REIT Co., Ltd. ⁴	₩ -	₩ 251,380	₩ 190,000	₩ 174,646	₩ 1,538,558	₩ -	₩ -	₩ -
Nodwin Gaming Private Limited	-	-	-	828,814	-	-	-	-
NIRVANANA	-	4,741	-	-	-	-	-	-
ANYCAST TECHNOLOGY PRIVATELIMITED	-	-	-	12,867	-	-	-	-

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

OVERDARE, Inc.	-	-	-	-	-	-	-	-	25,786,000
Sub Total	₩ -	₩ 256,121	₩ 190,000	₩ 1,016,327	₩ 1,538,558	₩ -	₩ -	₩ -	₩ 25,786,000
Other Related Parties									
Stoughton Street Tech Labs Private Limited	₩ 210,767	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Overdare Korea, Inc.	48,603	-	-	-	-	-	-	-	2,179,200
Sub Total	₩ 259,370	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 2,179,200
Total	₩ 2,514,215	₩ 2,338,107	₩ 256,460	₩ 249,059,050	₩ 1,544,700	₩ 486,492	₩ 11,500,000	₩ -	₩ 42,490,056

¹ Includes lease related profit or loss.

² Includes ₩ 2,000,000 thousand of bad debt expense and ₩1,581,390 thousand of reversal of bad debt expense.

³ Includes acquisition and disposal of property and equipment and intangible assets.

⁴ Transaction amount up to the date of exclusion from the related party is presented.

⁵ Company's purchasing agency services for group purchases to the related party are not included.

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

28. Related Party Transactions, (cont'd)

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

(in thousands of Korean won)	December 31, 2024					
	Receivables ¹			Payables		
	Trade Receivables	Loans	Other Receivables ²	Account Payables	Other Payables ²	
Subsidiaries						
Bluehole Studio, Inc.	₩ 76,433	₩ -	₩ 2,558,486	₩ 2,458,662	₩ 2,717,570	
Rising Wings, Inc.	12,220	21,300,000	260,875	4,823	2,733,393	
Krafton Americas, Inc.	-	-	8,409	5,925,607	563	
KRAFTON EUROPE B.V.	-	-	2,676	5,707,503	1,789,618	
PUBG Mad Glory, LLC	-	4,410,000	332,779	3,291,723	41,542	
KRAFTON CHINA	-	-	662	3,184,860	-	
Striking Distance Studios, Inc	-	-	109,248	3,791,441	5,550	
KRAFTON JAPAN, Inc.	-	1,054,260	6,035	2,416,102	-	
PUBG Entertainment, Inc.	-	-	-	420	-	
Striking Distance Studios Spain, S.L.	-	-	161	290,251	-	
En Masse Entertainment Texas, Inc.	-	21,741,443	5,637	-	-	
KRAFTON INDIA PRIVATE LIMITED	-	-	77,728	1,457,441	-	
Dreamotion, Inc.	3,637	-	3,594	29,567	4,879	
Thingsflow Inc.	3,266	14,420,000	467,435	-	-	
OmniCraft Labs, Inc.	19,344	-	1,118,366	-	937,038	
Unknown Worlds Entertainment, Inc.	-	-	6,999	1,367	3,403	
SDS Interactive Canada Inc.	-	-	92	309,450	-	
5minlab Corp.	-	-	18,264	-	-	
Neon Giant AB	-	-	11,367,041	-	-	
KRAFTON MONTREAL STUDIO, INC.	-	-	11,780	1,523,415	-	
En Masse Entertainment, Inc.	-	27,580,042	440,614	-	-	
VECTOR NORTH s.r.o.	-	-	201	832,087	-	
ReLU Games, Inc.	4,624	-	10,378	56,853	-	
Flyway Games, Inc.	10,572	-	2,452	158,623	553,497	
Tango Game Works, Inc.	-	-	4,686	14,619	-	
inZOI Studio	49,646	-	2,494,683	-	325,126	
Sub Total	₩ 179,742	₩ 90,505,745	₩ 19,309,281	₩ 31,454,814	₩ 9,112,179	
Associates and Joint Ventures						
Nasadiya Technologies Private Limited	₩ -	₩ -	₩ 1,441,707	₩ -	₩ 179,156	
Nautilus Mobile App Private Limited	-	-	9,854	-	-	
NIRVANANA	-	-	12,500,000	32,531	-	
Talent Unlimited Online Services Private Limited	-	-	-	-	-	
Piccolo Studio, S.L.	-	-	4,463,892	-	-	

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

OVERDARE, Inc.	₩	-	₩	6,468,000	₩	28,530	₩	-	₩	-
Sub Total	₩	-	₩	6,468,000	₩	18,443,983	₩	32,531	₩	179,156

Other Related Parties

Overdare Korea, Inc.		8,705		-		40,681		55,577		-
Total	₩	188,447	₩	96,973,745	₩	37,793,945	₩	31,542,922	₩	9,291,335

¹ Receivables are the amount before deduction of allowance for bad debts, and allowance for bad debts for receivables are ₩ 86,801,273 thousand.

² Includes lease related receivables or payables.

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

28. Related Party Transactions, (cont'd)

	December 31, 2023					
	Receivables ¹			Payables		
	Trade Receivables	Loans	Other Receivables ²	Account Payables	Other Payables ²	
<i>(in thousands of Korean won)</i>						
Subsidiaries						
Bluehole Studio, Inc.	₩ 110,697	₩ -	₩ 3,155,460	₩ 331,520	₩ 9,111,470	
Rising Wings, Inc.	16,123	21,300,000	312,109	272,972	95,815	
Krafton Americas, Inc.	-	-	1,269,611	6,726,969	450,198	
KRAFTON EUROPE B.V.	-	-	6,451,931	13,423,325	2,300,719	
PUBG Mad Glory, LLC	-	3,868,200	473,895	2,753,750	239,164	
KRAFTON CHINA	486,278	-	290,814	5,293,795	90,007	
Striking Distance Studios, Inc	-	-	12,482	3,821,067	3,634	
KRAFTON JAPAN, Inc.	-	1,054,260	4,633	1,646,438	115,332	
Striking Distance Studios Spain, S.L.	-	-	36	399,452	-	
En Masse Entertainment Texas, Inc.	-	21,741,443	5,637	-	-	
KRAFTON INDIA PRIVATE LIMITED	-	-	19,921	1,461,706	151,576	
Dreamotion, Inc.	3,022	-	140	23,704	9,773	
Thingsflow Inc.	4,883	12,000,000	412,976	-	79,778	
OmniCraft Labs, Inc.	-	-	5,694	-	2,178	
Thingsflow Inc.(Japan)	-	-	36	12	-	
Unknown Worlds Entertainment, Inc.	-	-	1,915	3,042	7,078	
SDS Interactive Canada Inc.	-	-	158	97,009	-	
5minlab Corp.	9,650	-	403	131,554	-	
Neon Giant AB	-	-	7,822,800	-	-	
KRAFTON MONTREAL STUDIO, INC.	-	-	9,873	752,676	-	
En Masse Entertainment, Inc.	-	27,403,192	440,614	-	-	
VECTOR NORTH s.r.o.	-	-	1,412	311,924	-	
ReLU Games, Inc.	2,703	-	1,655	22,838	-	
Flyway Games, Inc.	19,272	-	89,980	16,808	-	
Sub Total	₩ 652,628	₩ 87,367,095	₩ 20,784,185	₩ 37,490,561	₩ 12,656,722	
Associates						
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						
Overdare Korea, Inc.	53,463	-	367,627	226,915	-	
Total	₩ 706,091	₩ 87,367,095	₩ 34,941,056	₩ 37,723,922	₩ 12,669,616	

¹ Receivables are the amount before deduction of allowance for bad debts, and allowance for bad debts for receivables are ₩ 74,204,422 thousand.

² Includes lease related receivables or payables.

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

28. 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				Lease transactions		Contributions in cash		
(in thousands of Korean won)	Loans		Collection		Payment of lease liabilities	Collection of lease receivables	Payment of Capital	Acquisition of Convertible bonds	
Subsidiaries									
Bluehole Studio, Inc.	₩	-	₩	-	₩	-	₩ 563,033	₩ -	₩ -
Rising Wings, Inc.		-		-		-		10,000,234	-
KRAFTON INDIA PRIVATE LIMITED		-		-		-		2,999,273	-
Thingsflow Inc.		2,500,000		80,000		-		-	-
OmniCraft Labs, Inc.		-		-		-		81,308	1,300,000
En Masse Entertainment, Inc.		176,850		-		-		-	-
inZOI Studio		-		-		-		33,672	-
Sub Total	₩	2,676,850	₩	80,000	₩	-	₩ 678,013	₩ 14,299,507	-
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		-		-		-	-
Sub Total	₩	6,315,280	₩	150,000	₩	-	₩ -	₩ 31,797,636	₩ 1,311,309
Total	₩	8,992,130	₩	230,000	₩	-	₩ 678,013	₩ 46,097,143	₩ 1,311,309

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

28. Related Party Transactions, (cont'd)

		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>							
Subsidiaries							
Bluehole Studio, Inc.	₩	-	₩ -	₩ -	₩ 616,165	₩ 18,000,000	₩ -
Rising Wings, Inc.		-	-	-	-	8,999,849	-
Krafton Americas, Inc.		-	5,702,850	-	-	-	-
PUBG Mad Glory, LLC		3,851,100	-	-	-	-	-
KP PTE. LTD.		-	633,650	-	-	-	-
Striking Distance Studios, Inc.		-	57,028,500	-	-	-	-
KRAFTON JAPAN, Inc.		-	1,581,390	-	-	-	-
Thingsflow Inc.		6,500,000	-	-	-	-	-
OmniCraft Labs, Inc.		-	-	-	2,901	-	-
VECTOR NORTH s.r.o.		-	-	-	-	2,972,685	-
Flyway Games, Inc.		-	-	-	-	33,732,030	-
Sub Total		₩ 10,351,100	₩ 64,946,390	₩ -	₩ 619,066	₩ 63,704,564	-
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	-
Sub Total		₩ -	₩ 640,000	₩ 9,941,859	₩ -	₩ 16,594,827	₩ 1,324,140
Total		₩ 10,351,100	₩ 65,586,390	₩ 9,941,859	₩ 619,066	₩ 80,299,391	₩ 1,324,140

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

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

28. Related Party Transactions, (cont'd)

Details of payment guarantee and collateral provided by the Company to the related parties as of December 31, 2024, are as follows:

<i>(in USD)</i>	Description	Beneficiary of guarantee	Currency	Guaranteed amount
Subsidiaries				
Striking Distance Studios, Inc.	Payment guarantee related to rent	Sunset Building Company, LLC	USD	2,280,000
Krafton Americas, Inc.	Payment guarantee related to rent	2121 Park Place Fee Owner CA, LLC	USD	294,538
PUBG Mad Glory, LLC	Office Rent Guarantee	25 West Main Office LLC	USD	1,173,576

Key management includes registered directors and the executives who have significant authority and responsibility in respect to planning, operating and controlling the Company'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	₩	3,665,475	₩	3,230,313
Share-based payment expenses		67,094,051		7,016,795
Post-employment benefits		441,455		179,214
	₩	<u>71,200,981</u>	₩	<u>10,426,322</u>

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

29. Operating Segment

The Company has a single operating segment. The financial information reported to the Chief Executive Officer is identical to the disclosed 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	₩	916,754,090	₩	555,926,911
Mobile		1,678,357,953		1,232,241,739
Console		28,236,777		40,596,115
Others		13,626,713		9,680,900
	₩	<u>2,636,975,533</u>	₩	<u>1,838,445,665</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	
Region								
Asia	₩	2,284,333,785	%	86.63	₩	1,601,004,481	%	87.08
Korea		177,458,735		6.73		88,254,105		4.80
America / Europe		161,375,055		6.12		138,376,912		7.53
Others		13,807,958		0.52		10,810,167		0.59
	₩	<u>2,636,975,533</u>	%	<u>100.00</u>	₩	<u>1,838,445,665</u>	%	<u>100.00</u>

Revenue derived from major external customer contributing more than 10% of the Company'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	₩	1,029,646,403

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

30. Business Transfer

As of July 1, 2024, the Company transferred game production business and its related operations of certain business units to the subsidiary Flyway Games, Inc. for ₩999 million.

Since this business transfer is a business combination involving entities or businesses under common control, the Company accounted for the business transfer using the book value method, and the assets and liabilities transferred on the disposal date are as follows:

<i>(in thousands of Korean won)</i>		Amount
Consideration transferred		
Cash transferred	₩	999,000
Total consideration transferred	₩	999,000
Amount of assets and liabilities transferred		
Other current assets	₩	7,919
Property and equipment		29,111
Intangible assets		1,036
Other non-current assets		(19,621)
Other non-current financial liabilities		(15,827)
Net defined benefit liability		(29,047)
The book value of the net assets transferred	₩	(26,429)
Investment difference (capital surplus)		1,025,429
Total	₩	999,000



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

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

We have audited Krafton, Inc.'s (the "Company") internal control over financial reporting ("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 Company maintained, in all material respects, effective internal control over financial reporting 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 separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2024, the separate 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 separate financial statements.

Basis for Opinion on Internal Control over Financial Reporting

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* section of our report. We are independent of the Company 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

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

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

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

Our responsibility is to express an opinion on the Company's internal control over financial reporting 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 was maintained in all material respects.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, 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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements in the 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. 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

(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 (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.

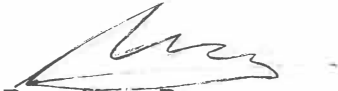
We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

KRAFTON

February 11, 2025



Chang Han Kim,
Chief Executive Officer



Dong Keun Bae,
Internal Control over Financial Reporting Officer