

Kakao

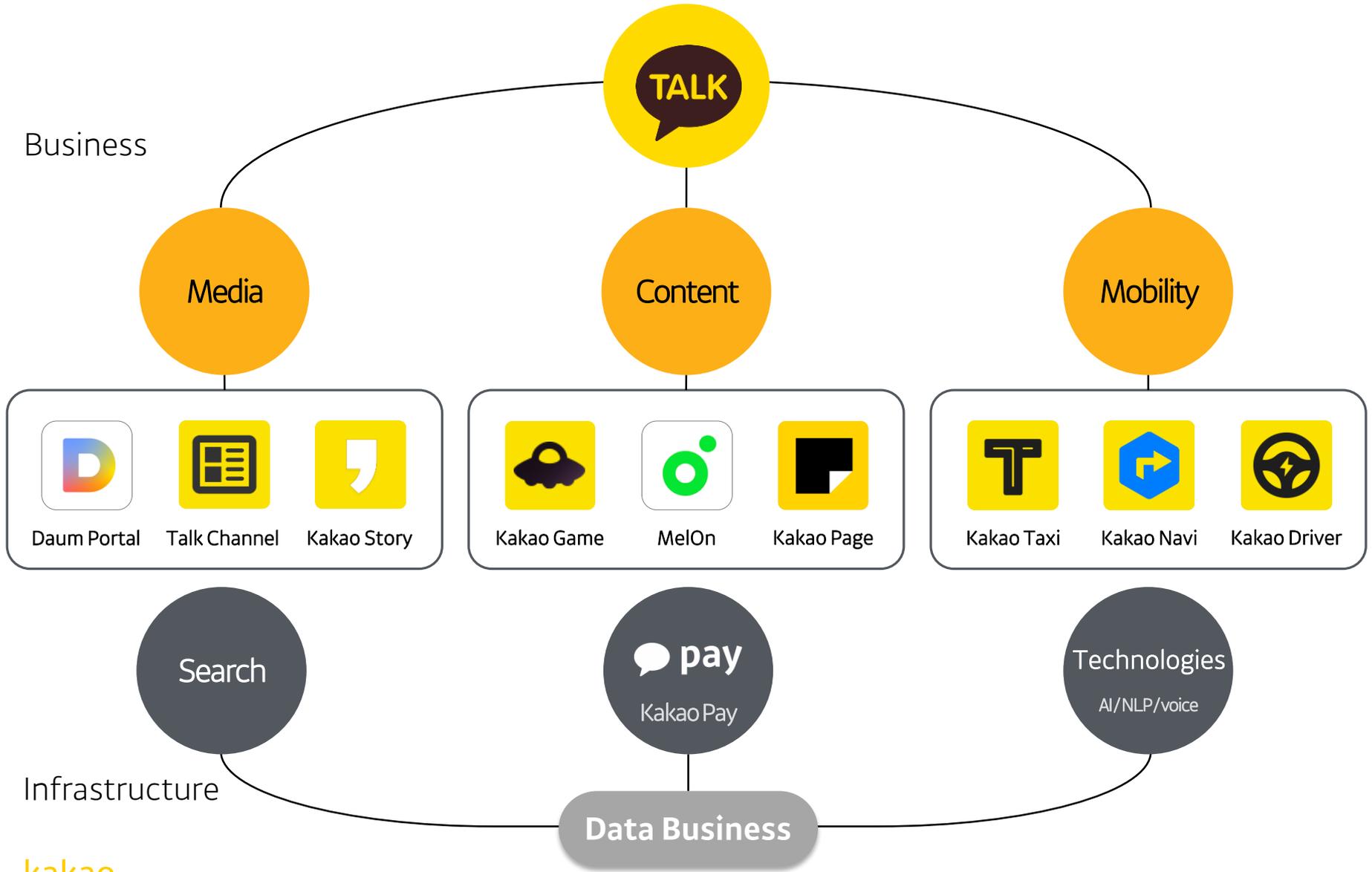
May 2017 | Investor Relations

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[Appendix] 1Q 2017 Earnings Results

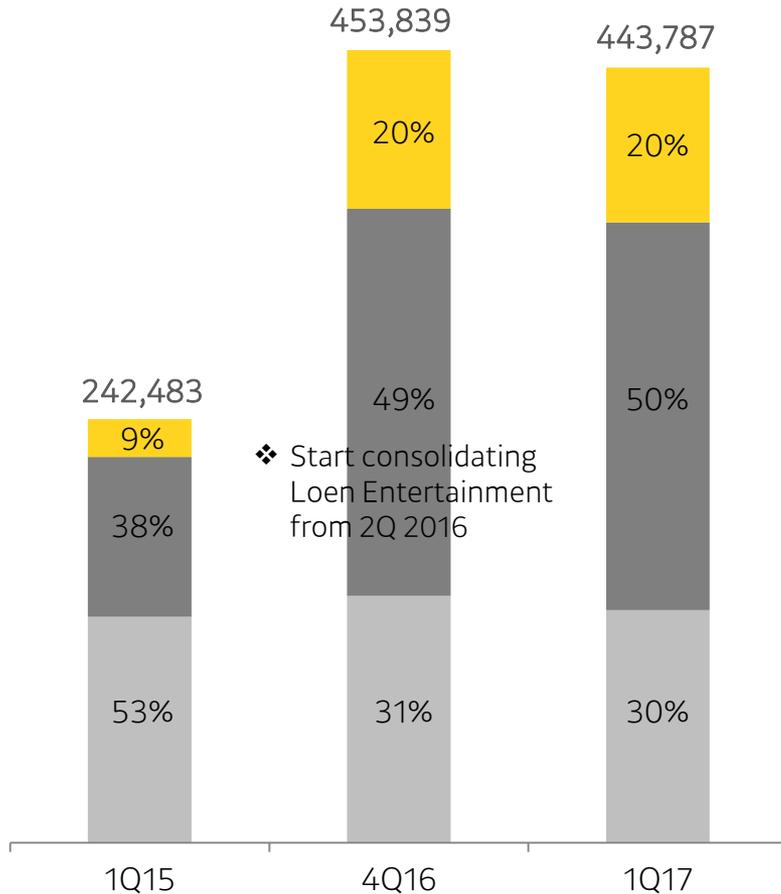
Business Area



Revenue at a Glance

■ Advertising ■ Content ■ Others

(KRW mn)



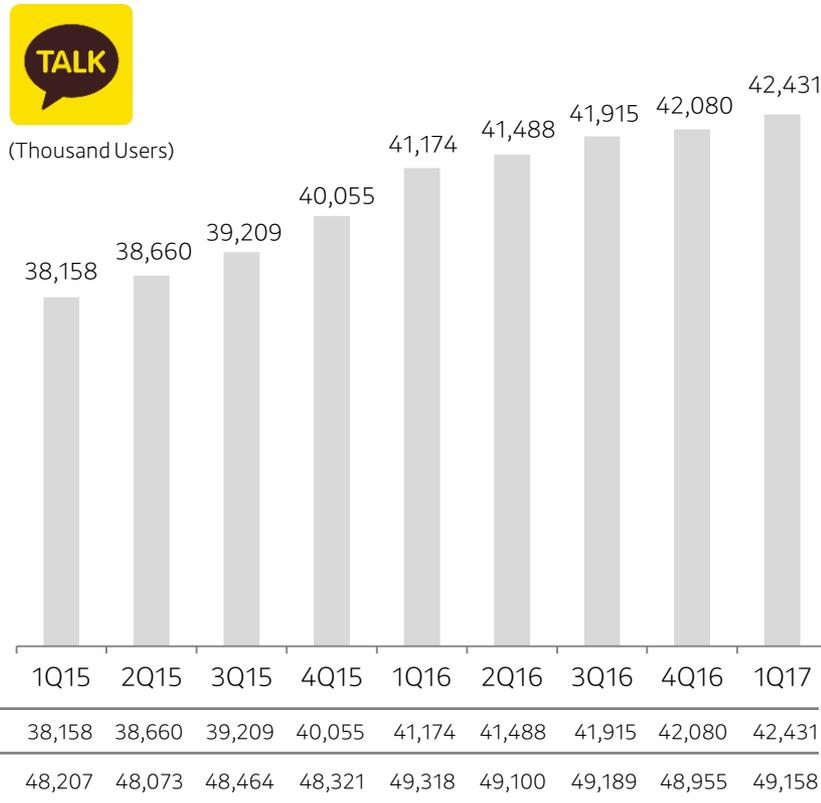
| | | |
|---|-----------------------|---|
| A D V E R T I S I N G | Portals | Daum PC Daum Mobile |
| | Messenger | Talk Plus Friend Talk PC Brand Emoticon Notification Talk Friend Talk Talk Reward Talk Hairshop* Auto View Talk Order |
| | SNS | Kakao Story |
| | Shopping | Kakao Style |
| | Video | Kakao TV |
| C O N T E N T | Game | Kakao Game Kakao Games |
| | Music | Melon Kakao Music |
| | Webtoon • Webnovel | Kakao Page Daum Webtoon |
| | Emoticon | Talk B2C Emoticon |
| O T H E R S | Commerce | Talk Gift Shop Kakao Friends Makers with Kakao Kakao Farmer |
| | Mobility | Kakao Taxi • Black Kakao Driver |
| | Fintech | Kakao Pay |
| | Misc. | Loen (production, etc.) |

*Reclassified from Others(Misc.) to Advertising from 1Q17

Kakao Talk

- Continue to grow Kakao Talk domestic active users: 351K QoQ
- Reinforce user's content consumption habit by introducing content feed(Talk Channel) and search function (# Search) on Kakao Talk

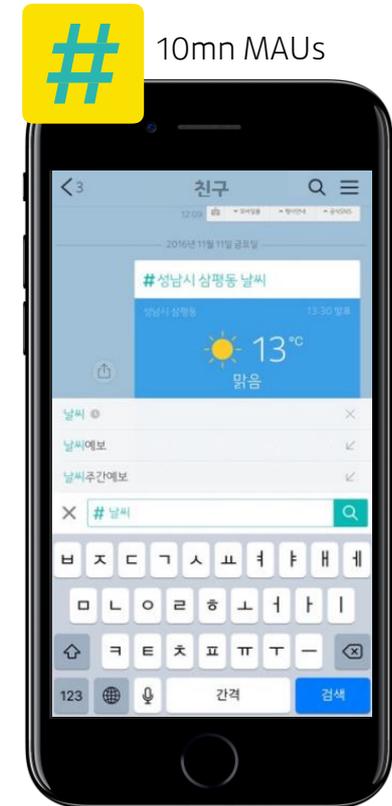
Monthly Active Users



Talk Channel



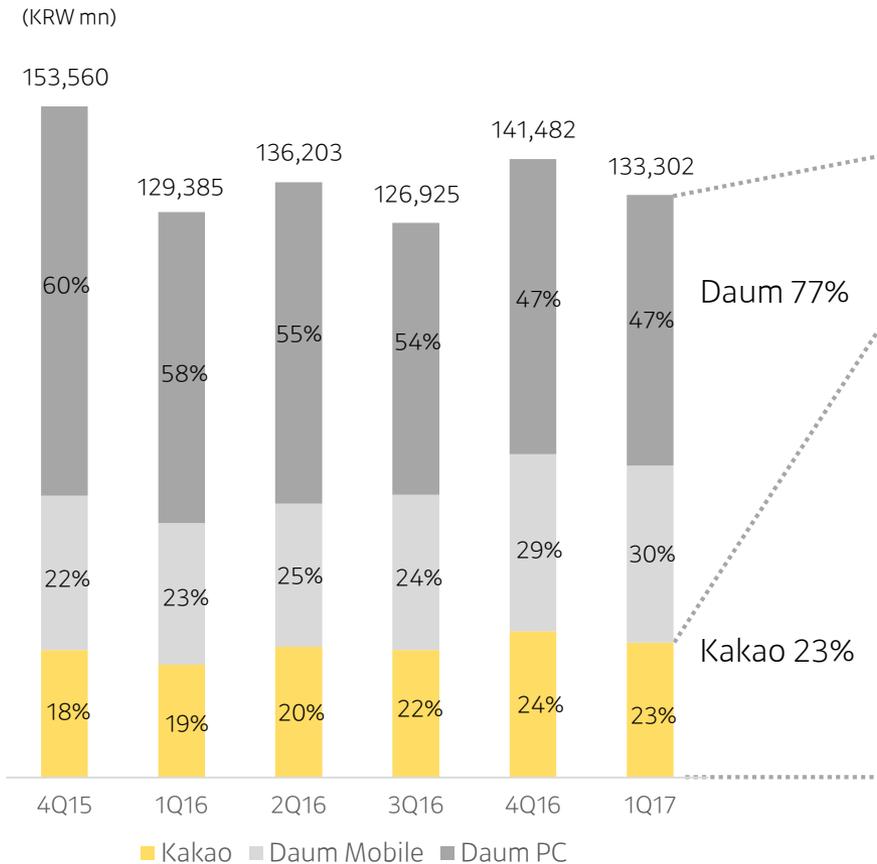
#(Sharp) Search



Advertising

- New keyword-based ads product that is more personalized and optimized for PC/Mobile/Kakao Talk users
- Maximize advertising efficiency by developing premium branding ads and launching new audience ads platform

Advertising Revenue Trend by Platforms



Advertising Product Line-ups

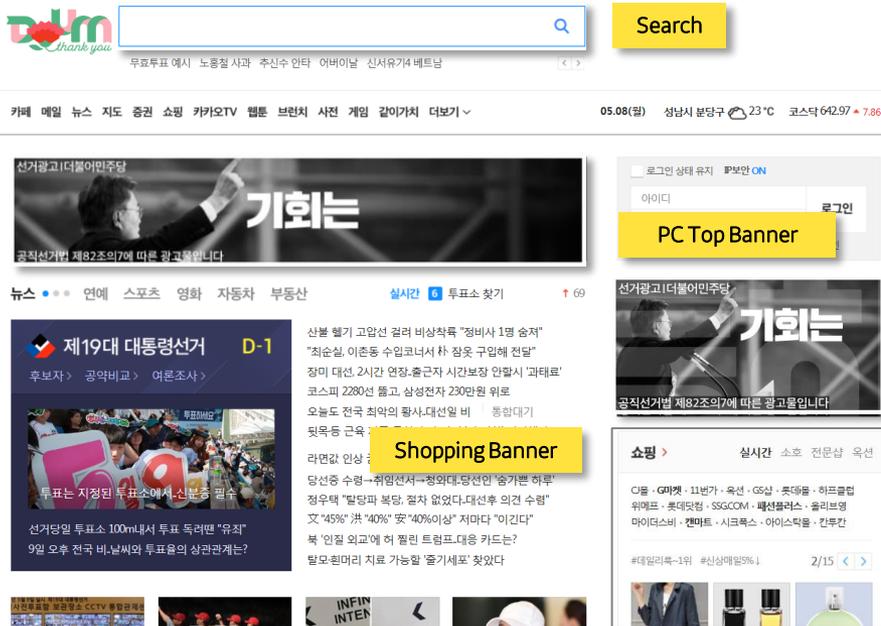
| | | | |
|-----------|---|---|--|
| Portals | Search Ads DDN | Display Ads Shopping How | Native Ads |
| Messenger | Kakao Talk Plus Talk PC Friend Talk Talk Order | Friend Auto View Support Talk Kakao Hairshop | Brand Emoticon Talk Reward Notification Talk |
| SNS | Kakao Story | | |
| Shopping | Kakao Style | | |
| Video | Kakao TV | | |

Advertising_Daum(Portal)

- Daum-PC homepage update and increase of ads loads corresponding to the context (Apr. 2017)
- New mobile ads such as 1boon, Focus View, Photo View, native ads, etc., reflecting latest trends

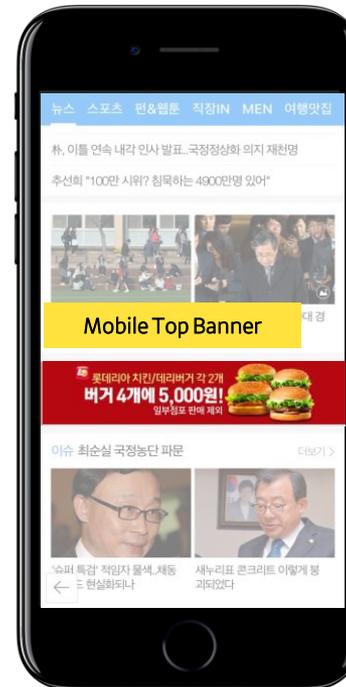
PC Portal Advertising Products

[Daum PC Portal]



Mobile Advertising Products

[Daum Mobile Portal]



[Photo View]



Advertising_Kakao

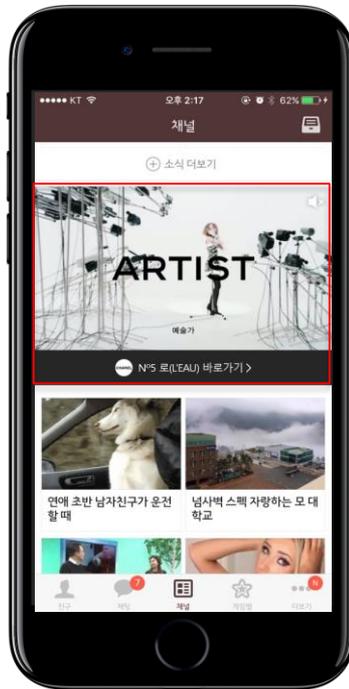
- Kakao accounts for 23% of total advertising revenue in 1Q 2017 (Kakao Talk 51% > Kakao Story 31% > Kakao Style 18%)
- Plan to expand into a business platform, which will enable customer supports, orders, reservations and payments within Kakao Talk

Kakao Advertising Product Line-ups

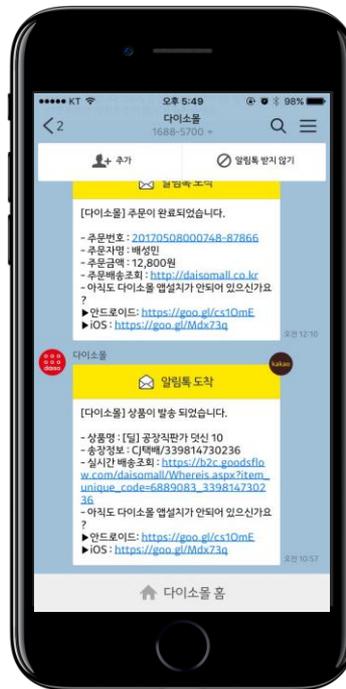
[Plus Friend]



[Talk Channel Auto View]



[Notification Talk]



[Kakao Story]



[Kakao Style]



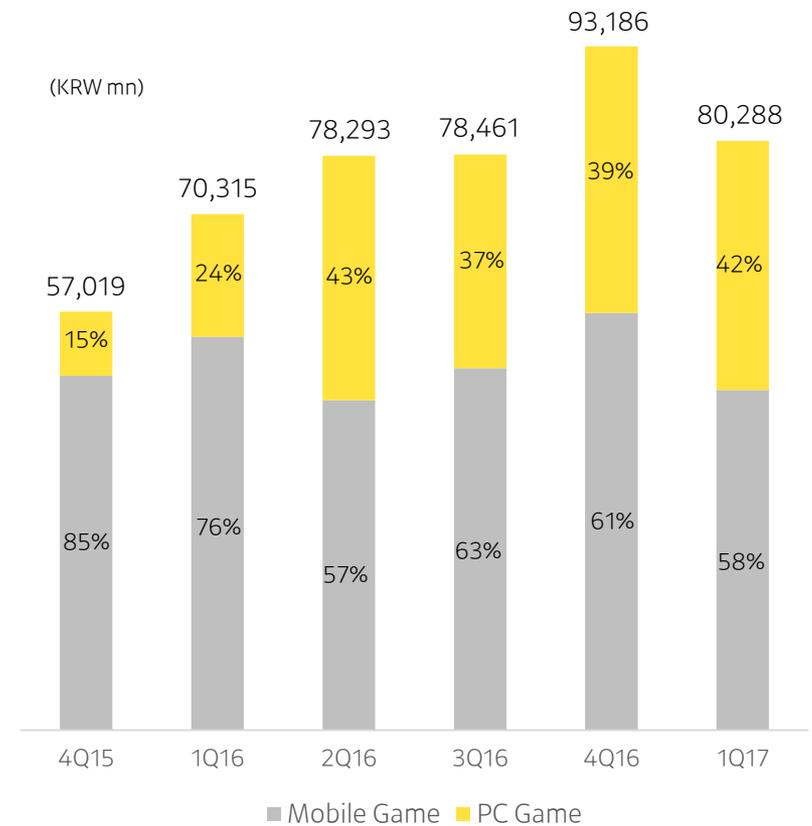
Content_Game

- Strengthening mobile game content by enhancing marketing capability via the Game-Tab and expanding publishing lineup
- Continuous and diligent update on PC publishing titles and new PC game discovery/sourcing

Mobile Game Line-ups

| | | | |
|---------------------|---|---|---|
| Channeling |  |  |  |
| | Pentastorm('17.4) | Destiny Child ('16.11) | Sword & Magic('16.6) |
| | Mobile Publishing |  |  |
| Day of Break('17.3) | | The Heaven Stord and Dragon Saber('17.2) | Miracle Nikki('16.7) |
| PC Publishing | |  |  |
| | EOS('16.10) | Black Desert (Global)('16.3) | Black Desert (Korea)('14.12) |

Revenue Trend by Platforms



Content_Music

- Daily new registered users of MelOn more than doubled after linking with Kakao account since Sep.2016
- Improve user experience with addition of the Kakao Pay as a payment method since Jan. 2017



Loen Business Overview

- ▶ Digital music service(B2C)
: Korea's No.1 digital music platform MelOn
- ▶ Music distribution/Content aggregation(B2B)
: Korea's No.1 K-Pop content distributor
- ▶ Labels & artist management(Production)
: Korea's Top #5 production company

Loen Key Metrics

- ▶ 1Q 2017 Revenue 133.7bn KRW, OP 23.1bn KRW (Unaudited)
- ▶ 4.1mn MelOn paying users in May 2017
- ▶ No.1 in digital music service with 60% market share

Synergy with Kakao

User

User increase and user experience enhancement by utilizing two companies' assets

→ ex. Apply Kakao ID(Sep. '16), Kakao Pay(Jan. '17)

Technology

Service improvement by adopting high-level technology

→ ex. Recommendation tech, music recognition tech, big data processing tech

Marketing

Marketing/promotion based on Kakao platform

→ ex. Kakao Friends emoticon marketing

Content

Content distribution expansion

→ ex. Talk Channel, Daum Search and etc.

Content_Others

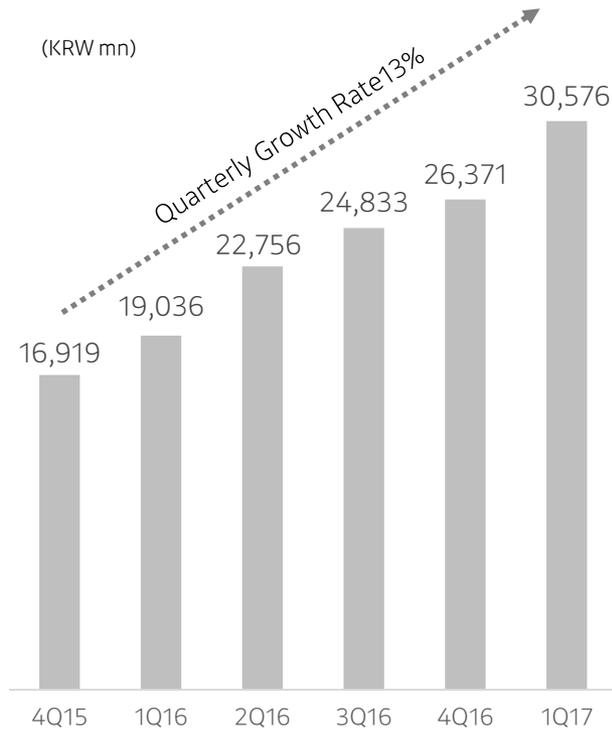
- Kakao Page, No1. mobile literature service app in Korea, continues to increase number of paying users
- 'Cash Friend,' the reward-based ad platform will be launched in 1H17

Kakao Page

▶ 12mn users(May. 2017)

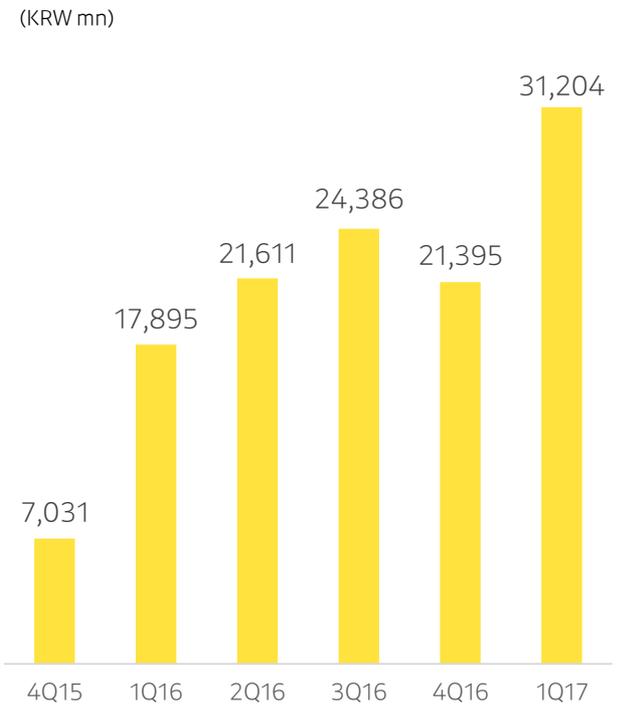


Kakao Page Transaction Volume Trend



Other Content Revenue Trend

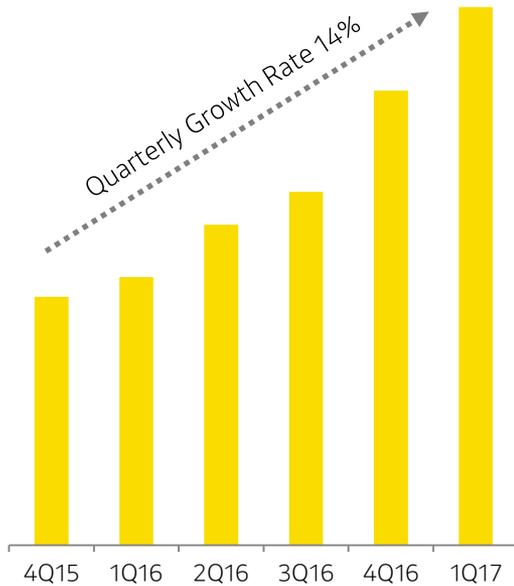
▶ Kakao Page, Webtoon, B2C Emoticon etc.



Commerce_Gift Shop

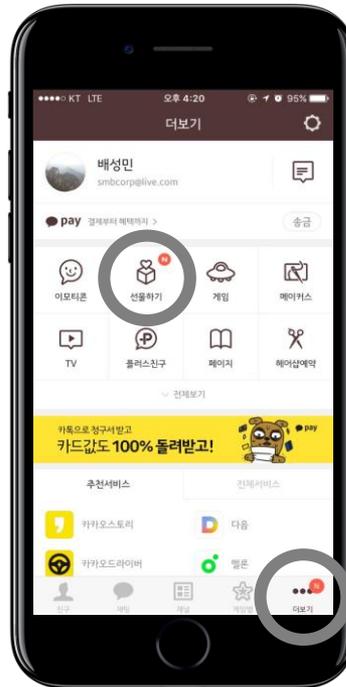
- Mobile social commerce with 2,000 brands and 100,000 products in Kakao Talk
- Carry out sustainable growth through UI/UX upgrades such as category expansion, multi-product purchase and feedback features

Kakao Talk Gift Shop Revenue Growth Trend



Example of Gift Shop Use

[Kakao Talk built-in]



[Great selections]



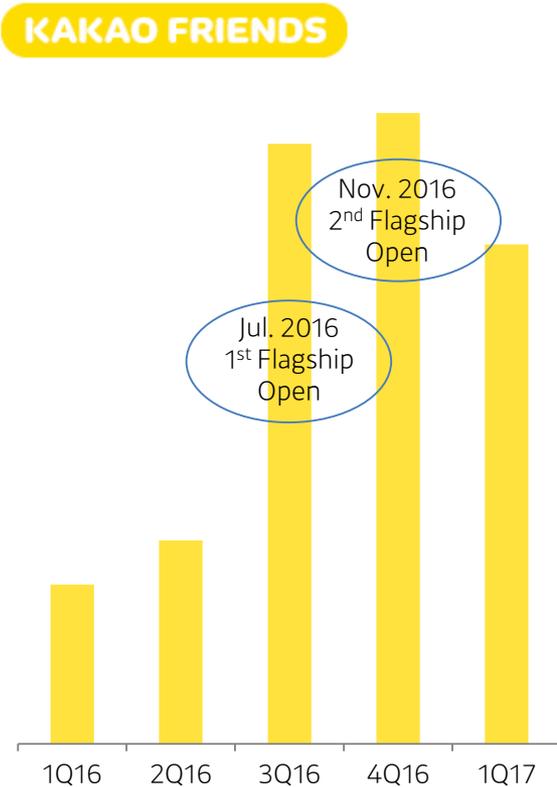
[Recipient enters address]



Commerce_Kakao Friends

- Sustainable growth through large-scale stores, online/global expansion, and product innovation
- Secured L-T partnership with large IP licensees, expand publishing business, and cooperate with various brands

Quarterly Revenue Trend



Flagship Stores / Museum

- ▶ Total 21 brand stores
 - 3 online including China's Tmall
 - 2 Flagships
 - Main department store, shopping mall, duty-free shop
- ▶ Busan flagship open in 3Q17
- ▶ Concept museum, exhibition tour



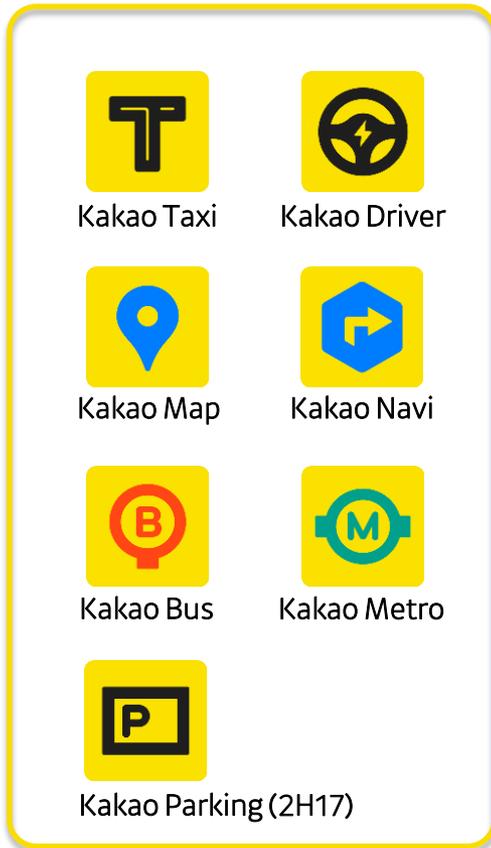
Brand Partnership / Publishing



Smart Mobility

- Lead smart mobility market innovation centering Kakao Taxi
- Connect the Kakao Taxi user base seamlessly to more smart mobility services

Smart Mobility



Kakao Taxi

- ▶ 14 million passengers, 360 million cumulative number of calls
- ▶ Test driving marketing for Benz, Volkswagen, Ford and Chevrolet, etc.
- ▶ New partnership with Korea Smart Card Co. to jointly introduce automatic pay option on the Kakao Taxi app
- ▶ B2B business taxi service to be launched in 2H17

Kakao Driver

- ▶ Sequential increase due to subscriber acquisition through mass marketing in 4Q
- ▶ Continually improvement through additional features such as fixed fare option for users
- ▶ High user satisfaction driven by quick connection and easy automatic payment etc.

Kakao Parking (2H17)

- ▶ To be launched nationwide in 2H17
- ▶ Prepare to provide useful information and seamless convenience leveraging map, navigator, pay, etc.

Other Location Based Services

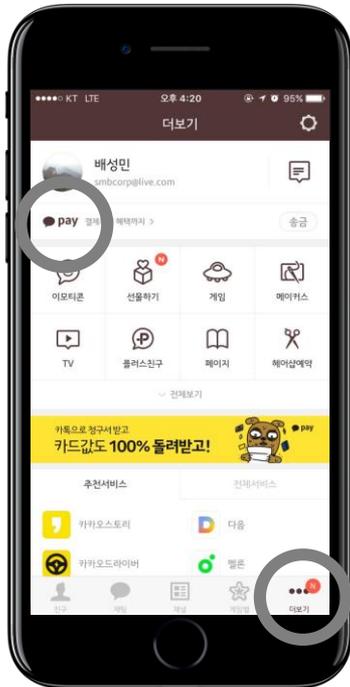
- ▶ Continue to move to adjacent mobility service area, plan to offer advertising products on some platforms in 2H17

Fintech

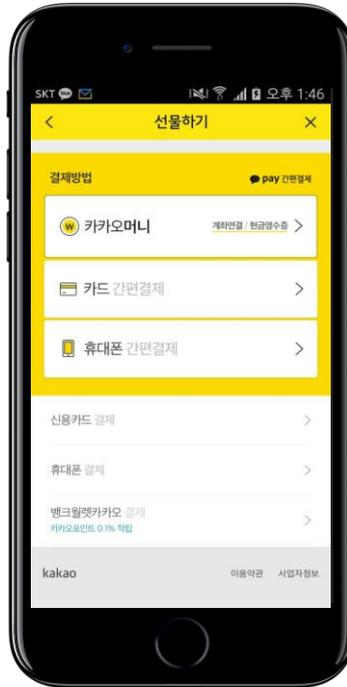
- Kakao Pay subscribers 14.5 million, total transaction volume 400 billion KRW in 1Q17
- Significantly expanding the base through partnership with Alipay, which has 450 million users worldwide
- Received mobile banking business license in April 5, official launch of Kakao Bank will be in 1H17

Example of Kakao Pay Use

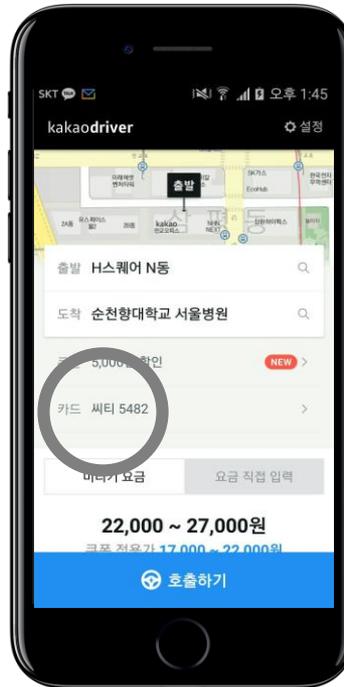
[Kakao Talk built-in]



[Talk Gift Shop's primary payment method]



[Kakao Driver's sole payment method]



[Money transfer & Banking transfer]

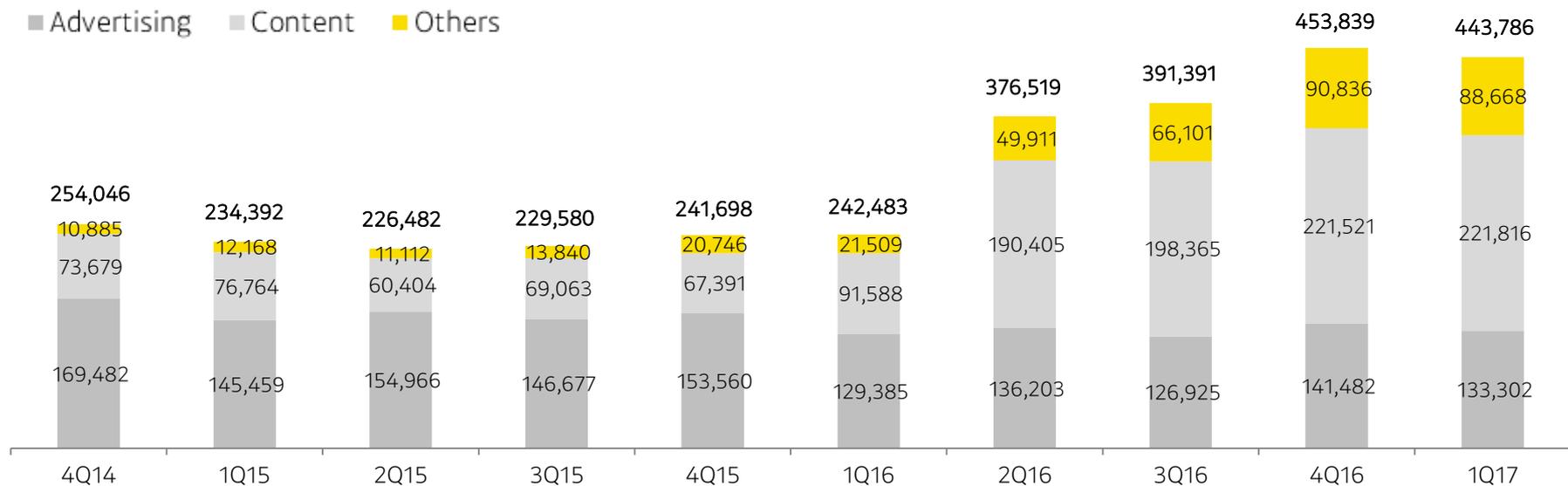


[Billing service]



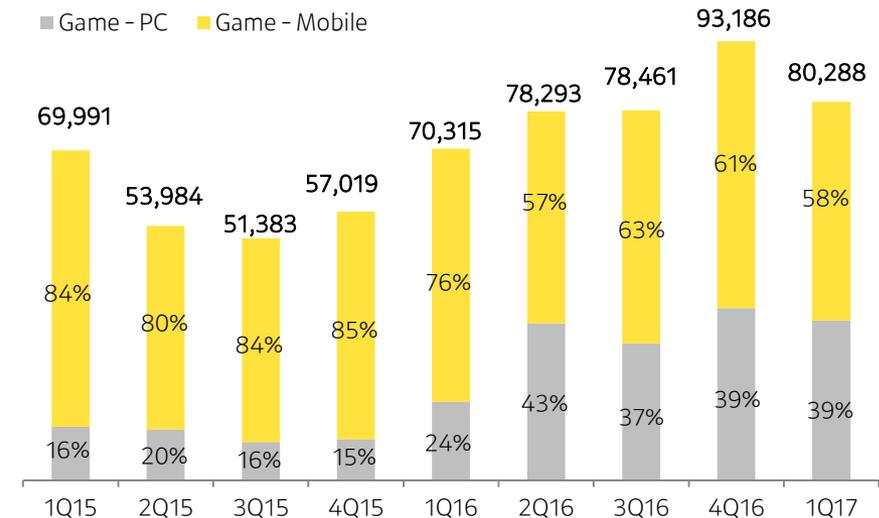
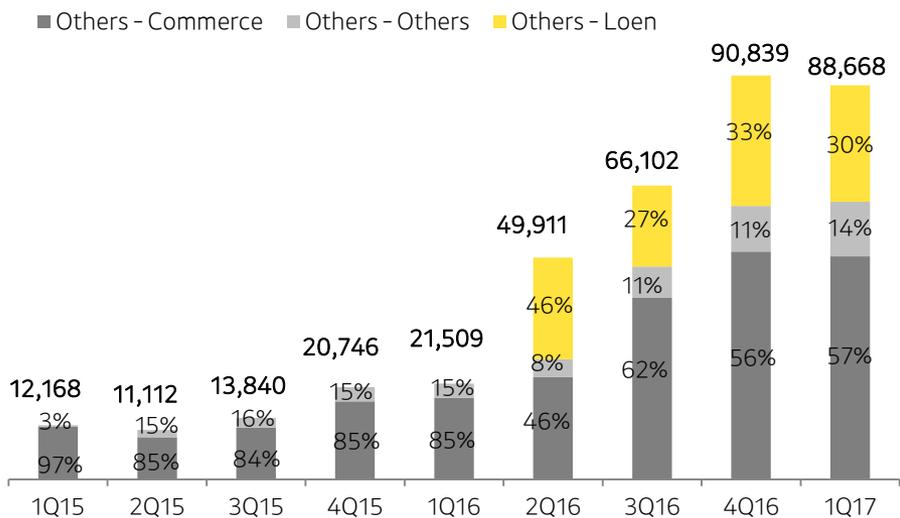
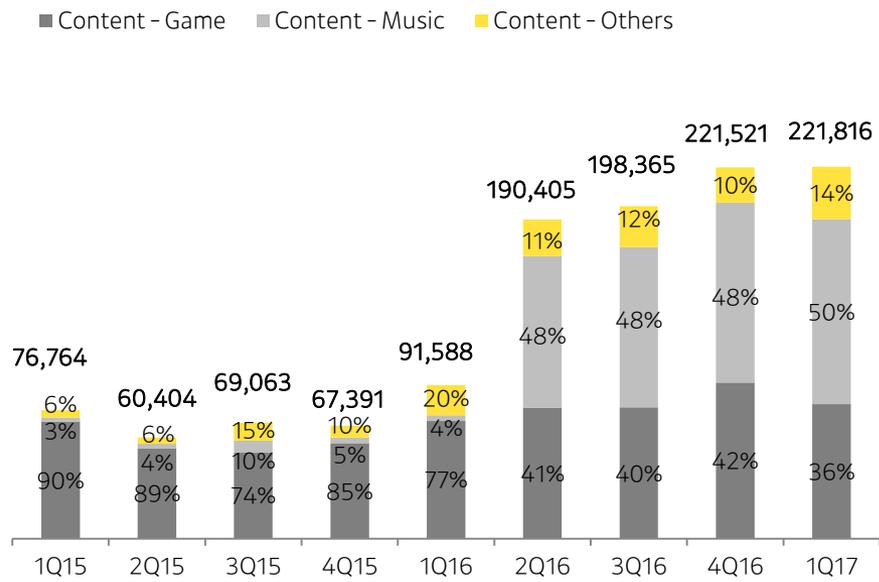
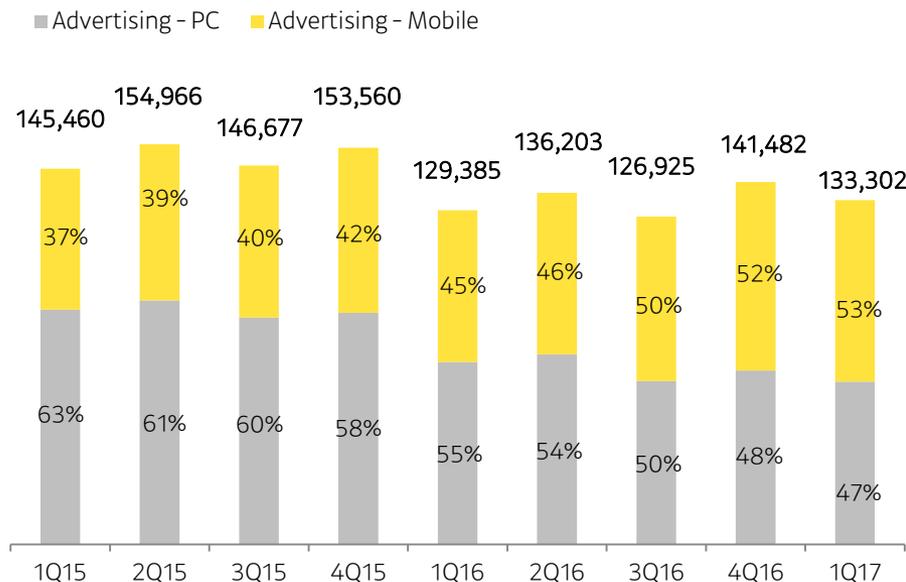
[Appendix] Earnings Results - Revenue

Quarterly Revenue Breakdown (KRW mn)



| Categories | Services | Brands |
|-------------|--|---|
| Advertising | Portals Messenger SNS Shopping Video | Daum PC Daum Mobile Kakao Talk Plus Friend Brand Emoticon Talk PC Talk Reward Friend Talk Notification Talk Kakao Hairshop Auto View Talk Order Kakao Story Kakao Style Kakao TV |
| Content | Game Music Webtoon • novel Emoticon | Kakao Game Kakao Games Melon Kakao Music Kakao Page Daum Webtoon Talk B2C Emoticon |
| Others | Commerce Mobility Fintech Miscellaneous | Kakao Talk Gift Shop Kakao Friends Makers with Kakao Kakao Farmer Kakao Taxi • Black Kakao Driver Kakao Pay Loen Entertainment (content, production, etc.) |

[Appendix] Earnings Results - Revenue Breakdown (KRW mn)



[Appendix] Consolidated Financial Statements

Consolidated Statements of Income

| (KRW mn) | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 |
|--|----------------|----------------|----------------|----------------|----------------|
| Revenues | 242,483 | 376,519 | 391,391 | 453,839 | 443,787 |
| Advertising | 129,385 | 136,203 | 126,925 | 141,482 | 133,302 |
| Content | 91,588 | 190,405 | 198,365 | 221,521 | 221,816 |
| Game | 70,315 | 78,293 | 78,461 | 93,186 | 80,288 |
| Music | 3,378 | 90,501 | 95,519 | 106,940 | 110,324 |
| Webtoon/Novel/Emoticon | 17,895 | 21,611 | 24,385 | 21,395 | 31,204 |
| Others | 21,509 | 49,911 | 66,101 | 90,836 | 88,668 |
| Operating Expenses | 221,394 | 349,900 | 361,136 | 415,668 | 405,453 |
| Labor Costs | 63,665 | 75,563 | 75,604 | 83,776 | 84,808 |
| Fringe Benefits | 10,448 | 16,001 | 12,566 | 15,085 | 13,436 |
| Depreciation | 13,005 | 14,460 | 14,317 | 14,412 | 14,816 |
| Rental Fees | 5,340 | 7,408 | 8,059 | 8,467 | 8,749 |
| Commissions | 64,923 | 142,980 | 146,618 | 161,997 | 160,388 |
| Advertising | 7,709 | 15,967 | 23,936 | 36,141 | 24,959 |
| Bad Debt Expenses | 814 | -1,332 | -1,823 | 1,182 | 141 |
| Amortization | 8,487 | 16,718 | 15,107 | 17,273 | 16,773 |
| Content Fees | 17,369 | 19,655 | 22,913 | 19,794 | 24,923 |
| Ad Agency Fees | 20,580 | 20,937 | 19,357 | 22,654 | 19,051 |
| Event Fees | 116 | 374 | 294 | 1,002 | 110 |
| Others | 8,940 | 21,170 | 24,187 | 33,885 | 37,299 |
| Operating Profit | 21,090 | 26,619 | 30,256 | 38,171 | 38,333 |
| Other Revenues | 3,438 | 2,206 | 3,744 | 15,869 | 2,388 |
| Other Expenses | 5,839 | 5,179 | 6,329 | 14,059 | 14,952 |
| Financial Income | 3,756 | 9,081 | 2,648 | 9,187 | 4,737 |
| Financial Expenses | 3,276 | 9,351 | 7,106 | 4,246 | 9,895 |
| Equity-method, Net | -2,513 | -2,237 | -2,122 | -3,511 | -2,367 |
| Profit before Income Tax Expenses | 16,656 | 21,139 | 21,089 | 41,412 | 18,244 |
| Income Tax Expenses | 5,707 | 7,900 | 7,463 | 13,771 | -36,241 |
| Net Profit from Continued Oper. | 10,950 | 13,239 | 13,626 | 27,641 | 54,486 |
| Net Profit | 10,950 | 13,239 | 13,626 | 27,641 | 54,486 |
| Net Profit of Controlling Interests | 13,176 | 8,834 | 12,215 | 23,449 | 53,715 |
| Net Profit of Non-controlling Int. | -2,226 | 4,405 | 1,411 | 4,191 | 771 |

Consolidated Statements of Financial Position

| (KRW mn) | 2015.12.31 | 2016.12.31 | 2017.3.31 |
|---------------------------------------|------------------|------------------|------------------|
| Current Assets | 970,067 | 1,216,958 | 1,234,450 |
| Cash and Cash Equivalents | 397,177 | 641,644 | 618,541 |
| S-T Financial Instruments | 373,389 | 236,748 | 273,176 |
| Accounts Receivable | 88,822 | 173,853 | 166,003 |
| Other Current Assets | 110,679 | 164,714 | 176,730 |
| Non-Current Assets | 2,218,411 | 4,267,159 | 4,260,188 |
| Equity Method Investments | 68,704 | 117,076 | 98,155 |
| Tangible Assets | 219,052 | 253,854 | 263,425 |
| Intangible Assets | 1,855,604 | 3,733,166 | 3,719,432 |
| Other Non-current Assets | 75,051 | 163,063 | 179,175 |
| Total Assets | 3,188,478 | 5,484,117 | 5,494,638 |
| Current Liabilities | 316,078 | 806,020 | 770,121 |
| Trade and N-T Payables | 89,506 | 263,130 | 247,581 |
| Income Taxes Payable | 29,448 | 30,944 | 34,482 |
| Short-Term Debt | 22,055 | 200,374 | 200,224 |
| Other Current Liabilities | 175,069 | 311,572 | 287,834 |
| Non-Current Liabilities | 286,925 | 975,153 | 977,551 |
| Bonds | 199,383 | 319,255 | 319,329 |
| Bonds-CB/EB | - | 476,422 | 476,341 |
| Deferred Income Tax Liab. | 48,636 | 142,919 | 137,839 |
| Other Non-Current Liab. | 38,905 | 36,558 | 44,042 |
| Total Liabilities | 603,003 | 1,781,173 | 1,747,672 |
| Paid-in Capital | 30,098 | 33,858 | 33,908 |
| Capital Surplus | 2,274,186 | 3,105,014 | 3,130,430 |
| Capital Adjustments | -9,032 | -11,232 | -10,935 |
| Accum. Other Compre. Inc. | 829 | 920 | -3,006 |
| Retained Earnings | 256,313 | 303,952 | 347,660 |
| Non-controlling Interests | 33,081 | 270,432 | 275,908 |
| Total Equity | 2,585,475 | 3,702,944 | 3,746,966 |
| Total Liabilities & Equity | 3,188,478 | 5,484,117 | 5,494,638 |

[Appendix] Financial Statements (Kakao Only)

| Statements of Income | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| (KRW mn) | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 |
| Revenues | 203,027 | 206,774 | 210,165 | 241,239 | 225,889 |
| Advertising | 124,481 | 130,580 | 120,915 | 136,054 | 125,076 |
| Content | 63,958 | 56,644 | 63,996 | 72,499 | 64,333 |
| Game | 51,562 | 42,726 | 48,570 | 56,091 | 46,720 |
| Music | 3,378 | 2,991 | 3,155 | 3,369 | 2,938 |
| Webtoon/Novel/Emoticon | 9,018 | 10,928 | 12,270 | 13,040 | 14,675 |
| Others | 13,163 | 19,550 | 25,254 | 32,685 | 36,479 |
| Operating Expenses | 173,069 | 191,670 | 199,705 | 225,767 | 209,397 |
| Labor Costs | 45,349 | 48,830 | 49,214 | 52,044 | 51,811 |
| Fringe Benefits | 7,927 | 11,693 | 8,421 | 10,569 | 8,414 |
| Depreciation | 12,354 | 12,793 | 12,491 | 12,276 | 12,477 |
| Rental Fees | 2,205 | 2,525 | 2,396 | 2,616 | 2,480 |
| Commissions | 55,595 | 57,520 | 64,514 | 72,184 | 73,040 |
| Advertising | 3,885 | 8,418 | 13,858 | 22,248 | 9,014 |
| Bad Debt Expenses | 908 | 116 | -320 | -216 | 82 |
| Amortization | 5,800 | 5,906 | 5,708 | 5,561 | 5,417 |
| Content Fees | 10,863 | 11,722 | 13,438 | 11,646 | 11,062 |
| Ad Agency Fees | 20,012 | 21,152 | 19,281 | 22,562 | 18,987 |
| Event Fees | 110 | 359 | 242 | 693 | 120 |
| Others | 8,061 | 10,635 | 10,462 | 13,556 | 16,493 |
| Operating Profit | 29,958 | 15,105 | 10,460 | 15,472 | 16,492 |
| Other Revenues | 1,660 | 960 | 1,780 | 2,082 | 1,460 |
| Other Expenses | 2,980 | 6,197 | 4,203 | 19,712 | 3,123 |
| Financial Income | 3,557 | 6,427 | 517 | 19,246 | 35,067 |
| Financial Expenses | 1,788 | 8,510 | 6,974 | 4,234 | 23,399 |
| Profit before Income Tax Expenses | 30,407 | 7,784 | 1,580 | 12,853 | 26,497 |
| Income Tax Expenses | 7,054 | 4,628 | -100 | 5,164 | -48,911 |
| Net Profit from Continued Oper. | 23,353 | 3,157 | 1,680 | 7,689 | 75,408 |
| Net Profit | 23,353 | 3,157 | 1,680 | 7,689 | 75,408 |

| Statements of Financial Position | | | |
|---------------------------------------|------------------|------------------|------------------|
| (KRW mn) | 2015.12.31 | 2016.12.31 | 2017.3.31 |
| Current Assets | 718,533 | 511,067 | 493,467 |
| Cash and Cash Equivalents | 190,785 | 279,217 | 261,861 |
| S-T Financial Instruments | 361,809 | 37,190 | 16,899 |
| Accounts Receivable | 87,162 | 95,980 | 77,233 |
| Other Current Assets | 78,778 | 98,679 | 137,474 |
| Non-Current Assets | 2,398,531 | 4,318,230 | 4,345,826 |
| Equity Method Investments | 474,327 | 2,337,040 | 2,368,459 |
| Tangible Assets | 210,393 | 203,866 | 206,547 |
| Intangible Assets | 1,652,605 | 1,694,581 | 1,689,813 |
| Other Non-current Assets | 61,205 | 82,743 | 81,007 |
| Total Assets | 3,117,064 | 4,829,297 | 4,839,293 |
| Current Liabilities | 265,747 | 611,662 | 556,632 |
| Trade and N-T Payables | 91,748 | 174,592 | 148,533 |
| Income Taxes Payable | 24,581 | 7,168 | 6,646 |
| Short-Term Debt | - | 200,000 | 150,000 |
| Other Current Liabilities | 149,419 | 229,902 | 241,447 |
| Non-Current Liabilities | 276,435 | 842,477 | 840,912 |
| Bonds | 199,383 | 319,255 | 319,329 |
| Bonds- CB/EB | - | 451,126 | 452,665 |
| Deferred Income Tax Liab. | 44,394 | 43,266 | 35,947 |
| Other Non-Current Liab. | 32,658 | 28,830 | 32,970 |
| Total Liabilities | 542,182 | 1,456,641 | 1,397,544 |
| Paid-in Capital | 30,098 | 33,858 | 33,908 |
| Capital Surplus | 2,291,486 | 3,057,264 | 3,058,151 |
| Capital Adjustments | -9,032 | -11,232 | -10,935 |
| Accum. Other Compre. Inc. | 244 | 5,702 | 5,001 |
| Retained Earnings | 262,086 | 290,222 | 355,623 |
| Total Equity | 2,574,882 | 3,375,158 | 3,441,749 |
| Total Liabilities & Equity | 2,755,831 | 3,117,064 | 4,830,163 |