

CEO Letter to Shareholders

Dear Shareholders,

This is Shina Chung, CEO of Kakao Corporation.

It is my utmost pleasure to greet you for the first time in writing since I took the mantle as the CEO of Kakao Corporation on March 28.

As the new CEO, I share a great sense of responsibility for the recent share price. Kakao places its utmost priority on increasing shareholder value that meets market expectations. In this CEO letter to shareholders, I would like to outline our ongoing efforts to increase the value for our 50 million users and 1.8 million shareholders and furthermore highlight our progress in implementing transparent governance and responsible management.

Sustainable Growth and Enhancement of Shareholder Value

In our Q1 earnings report, we reported a 22% year-on-year growth in consolidated revenue and 92% growth in operating income. By business, Kakao parent's ad and commerce businesses grew by 12% and 5%, respectively. Revenues from other platform businesses, including KakaoMobility and KakaoPay, increased by 24%, and content revenue grew by 33%. We believe these results demonstrate the steady competitiveness of Kakao's businesses despite both domestic and international challenging market conditions and the intensifying competition with the global peers.

Nonetheless, despite our continued growth, our stock price performance fell short of our shareholders' expectations. To address your concerns and increase shareholder value, I plan to

lead strategies and initiatives of Kakao towards restoring our fundamentals to securing growth momentum in the short term and enhancing sustainability in the mid to long term. I also place full commitment to strengthening transparency in decision-making process and solidifying shareholder centric responsible management, in order to enhance market confidence.

Qualitative Growth Driven by Restoring Fundamentals

Over the years, Kakao has scaled-up its diverse businesses by investing in areas to enhance platform competitiveness and spinning off parts of its businesses to secure external investments based on the solid cash flows from KakaoTalk. By encouraging employees' entrepreneurial spirit and utilizing centrifugal force for external expansion, we successfully achieved dramatic growth, and such has settled to be Kakao's unique success equation.

However, due to changes in market environment, and significant growth during the pandemic, our need for strengthening internal fundamentals also intensified. Despite expansion in volume, we acknowledge our efforts to increase density had room for improvement. In particular, the online service environment has changed dramatically since the pandemic and the advent of generative AI. Previously, when new initiatives were discovered, it was considered a general strategy to first secure dominant market share based on solid traffic expansion, then further move on to profit maximization. Now, it is crucial to enhance quality and quantity of growth simultaneously. I am committed to intensifying the "density of volume" by focusing on fundamentals of Kakao.

Kakao has a dominant advertising business powered by overwhelming traffic and also engages in an unrivaled unique commerce business, Talk Gift. I believe strengthening the competitiveness of these two businesses is key. At the group level, we are refining our strategies to ensure that our major affiliates, including KakaoMobility, KakaoPay, and Kakao Entertainment, strengthen their business to be undisputed No. 1 in their respective service sectors.

Global Expansion and Long-Term Growth Engine

Kakao has directed its long-term growth to align with two axes: global business expansion and AI. It is our utmost goal to achieve higher growth than our existing core businesses, while aligning with our core values.

First, global business expansion. At current state, global businesses revenue accounts for about 20% of Kakao Group's total revenue. Despite our continuous efforts and investments, we are yet to meet our shareholders' expectations. The good news is that our content-oriented services are making significant progress. Kakao Piccoma, in particular, has become the No. 1 service in Japan, which accounts for about 90% of the global story content market. Kakao Piccoma will continue to leverage Japan as its operation base to expand its competitiveness, in accordance with the global market growth and changes in users' consumption patterns.

AI constitutes the other axis for our sustainable growth. On May 2, Kakao's Board of Directors approved the transfer of Kakao Brain's AI business to Kakao. In June, Kakao Brain's large language model (LLM) and key employees will be joining Kakao, and Kakao plans to leverage the change as an opportunity to focus on servicing user-centered AI services.

Currently, the race of generative AI is mainly centered on development of LLMs. Technology has recently reached the "multimodal" stage—AI now processes all types of data, including texts, images, voices, and videos, leading to significantly higher costs without a clear business model in place, causing a headache even for leading global tech companies. As such, Kakao has concluded that it needed to shift its focus away from LLM R&D projects that are unequipped with a definite business model.

Most major big tech firms build their core business models by assisting users to generate text/video content and exposing them to other users through their search/content platforms. However, this business model creates a dilemma of undermining the quality of their core businesses as generative AI-created user-generated content magnifies. Kakao's key value, on the other hand, is relationship-based, connecting individuals, professionals, SMEs, and others.

By implementing AI to these 1:1 or small group relationships, we can in-turn enhance the core strength of our businesses. This is what truly sets us apart from the other competitors.

Kakao is currently in preparation for a chat service using AI persona which provides professional advice, customer service, product suggestions, and more. We expect improved work efficiency for corporate customers and much closer AI to users' daily lives.

Furthermore, Kakao's integrated AI organization will serve as an AI hub at the group level to fortify synergy among Kakao Group companies. An AI chat service linked to KakaoPay can offer various services such as financial advice, transaction history search, and simplified money transfer. AI integrated content will analyze users' patterns and preferences and suggest contents that match their interests, enhancing user satisfaction with personalized services. Leveraging Kakao's stable cash generation capabilities, we plan to make continuous efforts to effectively invest in service-oriented language models and achieve strong revenue growth.

Gaining Market Credibility with the Transparent Decision-Making

It has been made clear that social demands for Kakao's healthy governance and transparency have accelerated, along with interests on growth. Kakao has been committed to rapid growth based on entrepreneurship spirit, along with fulfilling our corporate responsibilities. However, our actual growth structure has, in parts, differed from the common understanding of the domestic capital market.

Kakao is in the process of focusing on establishing a group-wide governance and decision-making structure accountable for our size. Earlier this year, we revamped our internal control system, strengthening our investment process. In April, we established an enhanced executive screening process that is applicable from shortlisting to verification of HR appointments. We are systematizing our governance by working with executives specialized in finance, legal, and human resource.

In March, Kakao invited an additional independent director to its Board of Directors. At its current state, the Board of Directors consists of three internal directors and five independent

directors. Independent directors consist of the majority of the board, and the chairs of all four specialized committees (Audit Committee, Compensation Committee, Director-Nominating Committee, and ESG Committee) as well as the Chairman are independent directors, further strengthening the independence of the board.

We also organized the Compliance and Trust Committee, which is exclusively composed of external experts. Along with our efforts to improve the process, we will continue to communicate with the committees to enhance transparency and build credibility ensuring that no aspects are overlooked.

Promises for Shareholder-Centered Responsible Management

As CEO of Kakao, I receive remunerations aligned with our shareholder value. My bonus, which accounts for about 60% of my remunerations, consists of short-term and long-term incentives. The short-term incentives are based on the shareholder return from this business year, and the long-term incentives are based on the shareholder return over a three-year period.

In addition, during my term of office as CEO, I plan to purchase Kakao shares worth KRW 100 million in the market twice each year. I will not sell these shares during my tenure to ensure my interest is fully aligned with shareholders. The first market purchase will be made on May 16, the date this letter is delivered. Moving forward, I will make additional purchases after our February and August earnings presentation each year to hold myself accountable for the following management performance.

After I took office, Kakao underwent a major reorganization. We selected new leaders on the frontline to tackle big problems head-on. To ensure that all of us look in the same direction, we also put our heads together to create new missions and “goals and promises.” I would like to conclude my first shareholder letter by sharing these missions with you.

We redefined Kakao's raison d'être as "bringing forward the future with technology that understands people." This means not only pursuing cutting-edge technologies but also acting as a bridge to interpret and communicate the technologies so that people can use them better. To this end, we have established four goals and promises, which we will uphold with sincerity: returning to the core of the problems, expanding with technologies that are pertinent to our times, creating a safe digital environment, and pursuing social value and responsibility.

By fulfilling these goals and promises, we will ensure that Kakao is more valued and trusted than ever before.

Thank you.

Kakao Corporation

CEO

Shina Chung

A handwritten signature in black ink, appearing to read 'Shina Chung' with a stylized flourish at the end.