

kakao

May 2018 | Investor Relations



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Undisputed Market Leader



Most-used mobile messaging app globally⁽¹⁾
 43 Million MAU in Korea
 96% Market Share⁽²⁾
 83% Population Penetration⁽³⁾



#1 Brand Power
 Across 220 Industries in Korea⁽⁴⁾



Most Admired Workplace
 Among Top 100 Companies in Korea by
 Market Cap.⁽⁵⁾



#1 Social Contribution Index
 Among the 57 Largest Conglomerate
 Groups in Korea⁽⁶⁾



Kakao Talk Monthly Active Users



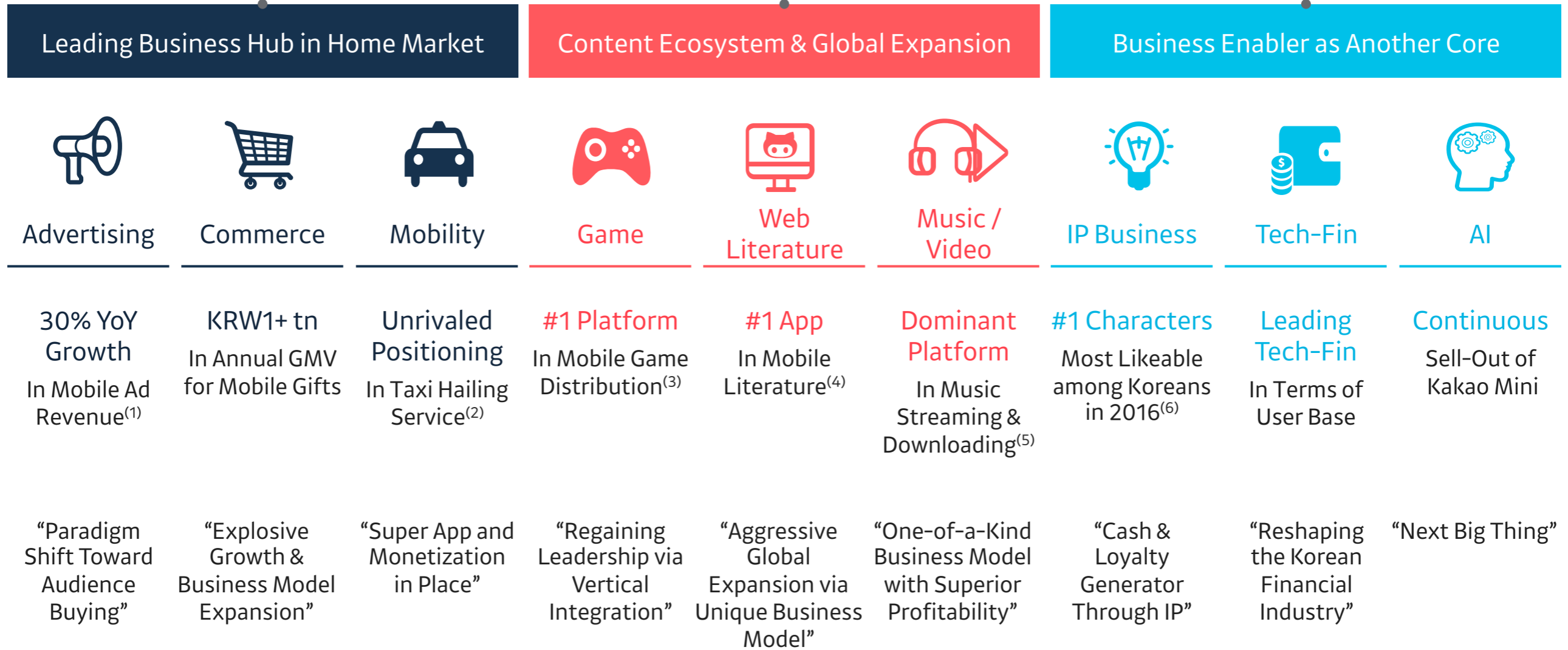
Korea	41,174	41,488	41,915	42,080	42,431	42,746	43,044	43,201	43,526
Global	49,318	49,100	49,189	48,955	49,158	49,468	49,844	49,709	50,348

Average of monthly MAUs. Global includes domestic MAUs (000).

Notes: (1) Number of sessions per user per day according to KPCB, Mary Meeker (2015 Internet Trends). (2) Based on total hours used by Nielsen KoreanClick. (3) Estimated Korean population announced by Ministry of the Interior and Safety. (4) The 19th Korea Brand Power Index (K-BPI) Research, March 2017. (5) Survey results of 1,879 university students in October 2017 by Jobkorea. (6) Based on big data analysis conducted by Korea Reputation Center among the 57 largest conglomerates in Korea.

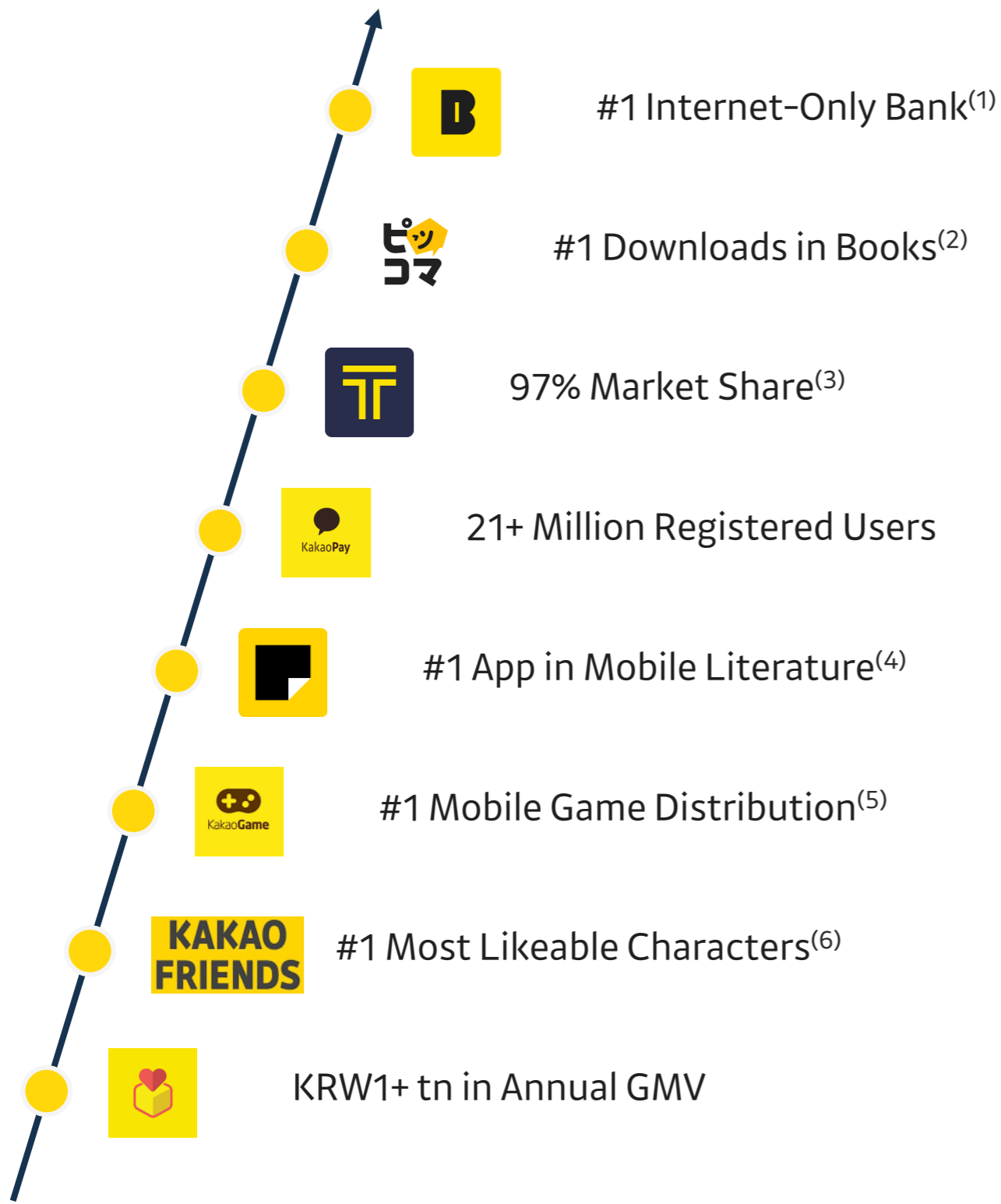
All-Encompassing Mobile Ecosystem

kakao



Notes: (1) Based on FY2017 performance. Mobile ad revenue is the sum of Daum mobile ads revenue and Kakao ads revenue. (2) Nielsen KoreanClick data in terms of unique users among Korean taxi-hailing mobile applications. (3) App Annie. Based on number of games in Top 100 on App Store. (4) Based on app downloads. (5) Based on Nielsen KoreanClick data of the average monthly number of unique visitors among the top 5 Korean music streaming and downloading services. (6) Korea Creative Content Agency survey announced in March 2017.

“Repeatable Success Formula” Enabling Impressive Hit Rate in New Services Roll-Out

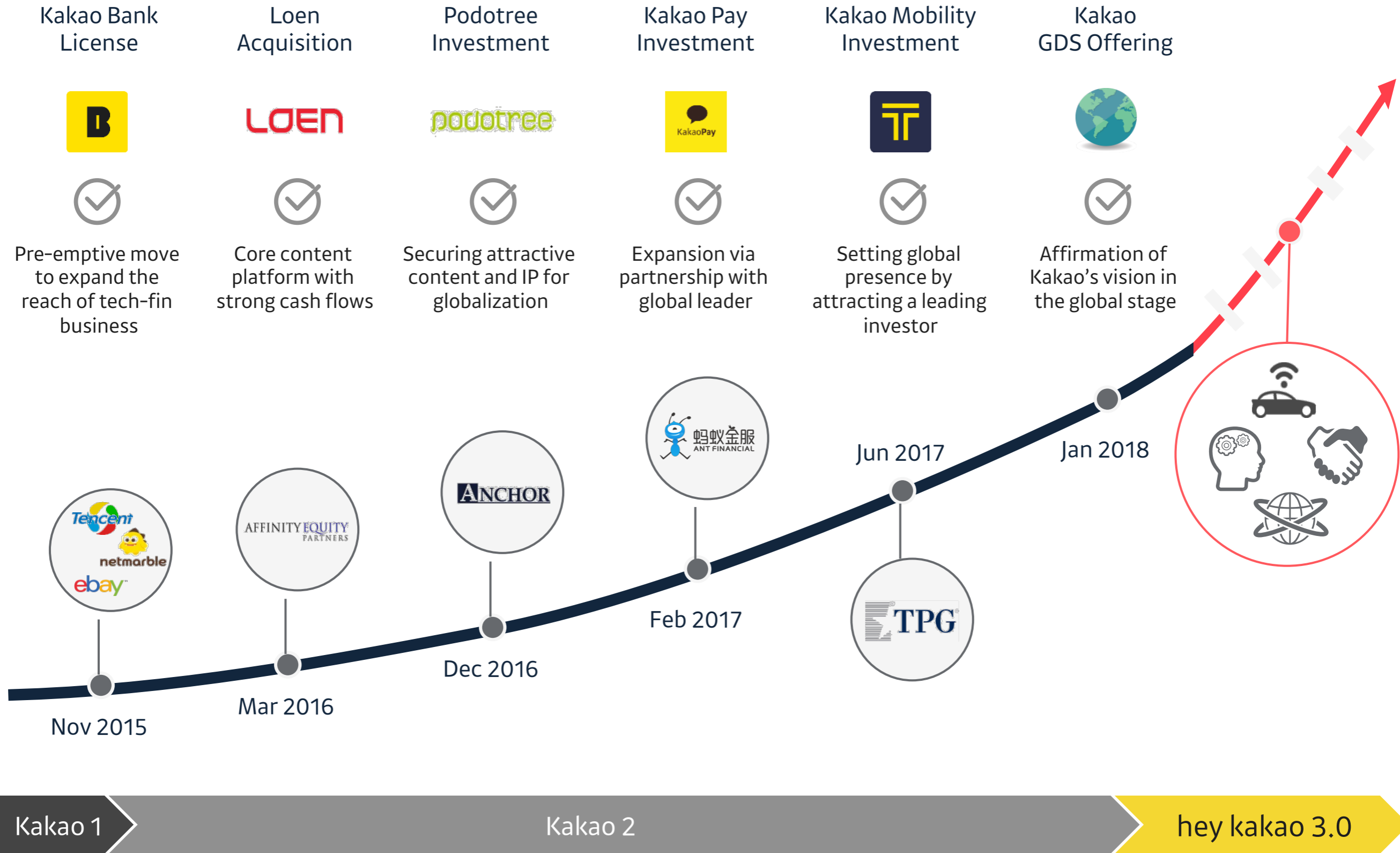


Unique Success Factors for New Businesses:

- ✓ Large User Base Encompassing an Entire Nation
- +
- ✓ Kakao’s Nationwide Following Ensuring Success of New Service Launches
- +
- ✓ Unrivaled Access and Insight to User Data
- +
- ✓ Minimal User Acquisition Costs

Notes: (1) In terms of asset size. (2) In terms of Japan App Store Books category. (3) Nielsen KoreanClick data in terms of unique users among Korean taxi-hailing mobile applications. (4) Based on app downloads. (5) App Annie. Based on number of games in Top 100 on App Store in Korea in terms of grossing. (6) In Korea in 2016. Korea Creative Content Agency survey announced in March 2017.

Portfolio and Global Partnership Set Up for the Next Level Jump



Securing New Era Leadership via **hey kakao 3.0**

Evolution of Kakao Talk

- Drawer Project
- Open Chatting
- Kakao Melon

Intellectual Property

- Music, Video, Web-literature, Game
- One IP, Multi-Entertainment
- IP Investment > Production > Distribution

Synergy

Global

Artificial Intelligence

- Kakao Mini
- Kakao I Inside
- Kakao I Open Builder

Block Chain

- Ground X
- Open Platform
- Next Generation Ecosystem

Kakao 1: Comunication

Kakao 2: Mobile Ecosystem

hey kakao 3.0: Synergy + Global

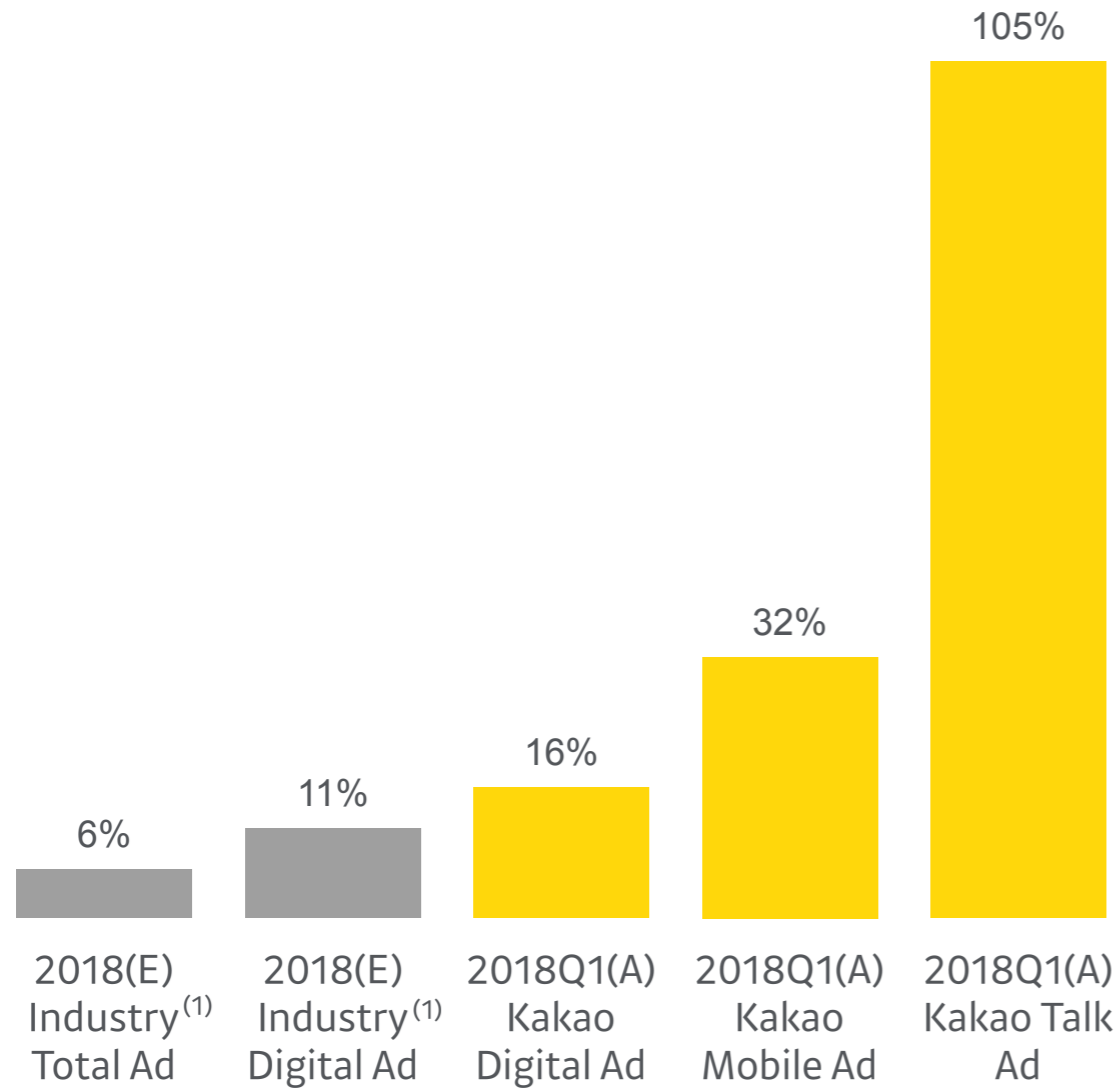
Kakao ecosystem

Kakao business

Financial overview

Advertising: Outpacing Market with More Relevant Ads via Audience Buying

Kakao's Ad Business Outpacing Overall Market



Advertising Revenue Growth Comparison (YoY %)

Audience Buying Lead to Higher Ads Efficiency

Pricing
Higher Efficiency

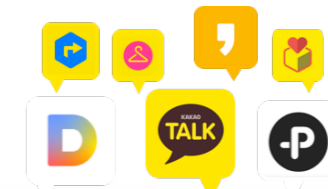
Performance AD



Conversion
New Analytic Tools

KAKAO PIXEL & SDK

Targeting
Moment Circle



Supply
Innovative New Ad

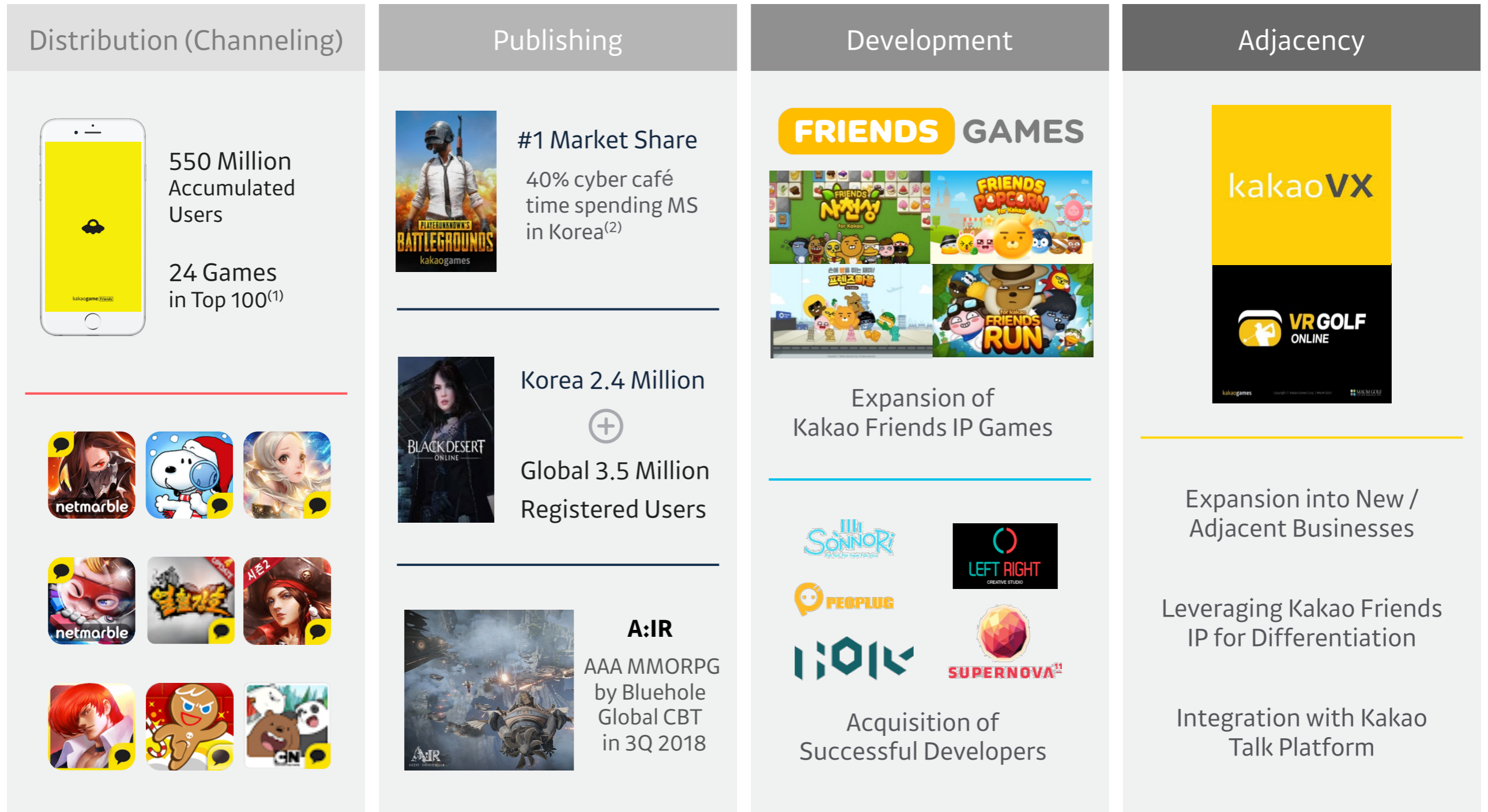


Demand
Larger Pool
Including SME



Notes: (1) According to Korea Onlinad Association 2017 Ad Industry Report in Korea. 2018E YoY revenue growth. Digital ad revenue includes PC and mobile ad revenue.

Game: Transforming into a Multi-Platform Publisher



Notes: (1) As of May 8, 2018. For Play Store in Korea and in terms of grossing. (2) Gametrics data in terms of the Korean cyber café time spending market share for PLAYERUNKNOWN'S BATTLEGROUNDS

Music / Video: One-of-a-Kind Music & Content Player

LOEN → kakao **M**⁽¹⁾



Differentiated Value Offering as the #1 Music Platform of Korea

62% Market Share⁽²⁾

4.65 Million Paying Subscribers⁽³⁾

Robust and Stable Cash Flows



Robust Performance in Production and Ticket Business

25% Market Share⁽⁴⁾



IU THE BOYZ MONSTA X



Structure Set Up for Business Scope Expansion into Video



Launched in June 2017 as Drama JV with Studio Dragon



Original IP with Branded Video Content Strategy

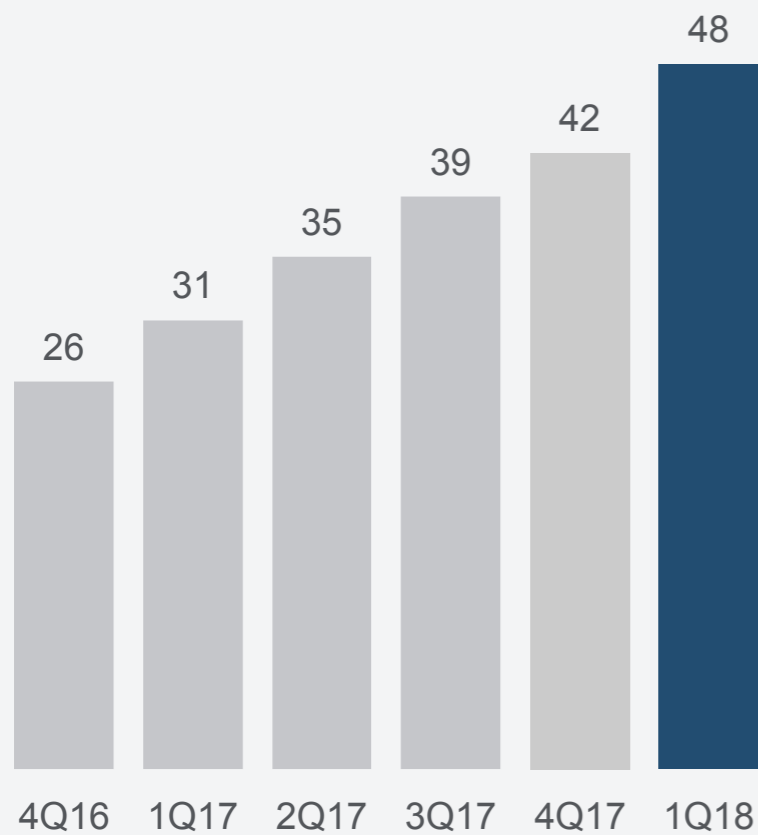
Notes: (1) The change of name to Kakao M Corp. was approved at the Annual General Meeting of shareholders held in March 2018. (2) Based on Nielsen KoreanClick data of the average monthly number of unique visitors among the top 5 Korean music streaming and downloading services in 1Q18. (3) As of March 31, 2018. (4) Based on Korean wholesale music distribution.

Web Literature: Growth through Innovative Business Model



Pioneer of the Innovative
“Wait-or-Pay” Business Model

Robust Growth in GMV
Kakao Page GMV Trend (KRW bn)



Introduction of Cash Friends
as “Ad-or-Pay” Business Model



Robust growth
in Monthly Revenue
Since Launch in May 2017

Application of the Business
Model into VOD Content

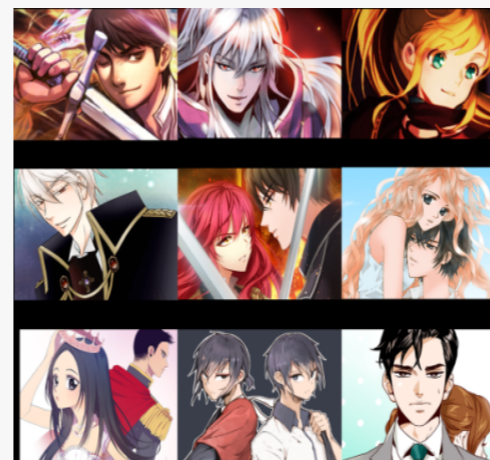


First 10 Minutes Free
Driving user interest and
engagement



Pause & Play
Offering video content in
segments

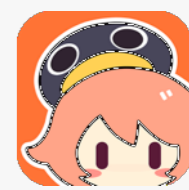
Vertical Integration by Acquiring
IP Rights of Attractive Content



Global Expansion through
Strong Content Library



Piccoma



Tencent
Dongman

Commerce: Differentiated Business Model Leveraging Unique Strengths

Differentiated and Smart Strategy for Commerce Business

Robust Growth in Transaction Volume

E-commerce Industry



Price War /
No Brand Loyalty

VS.

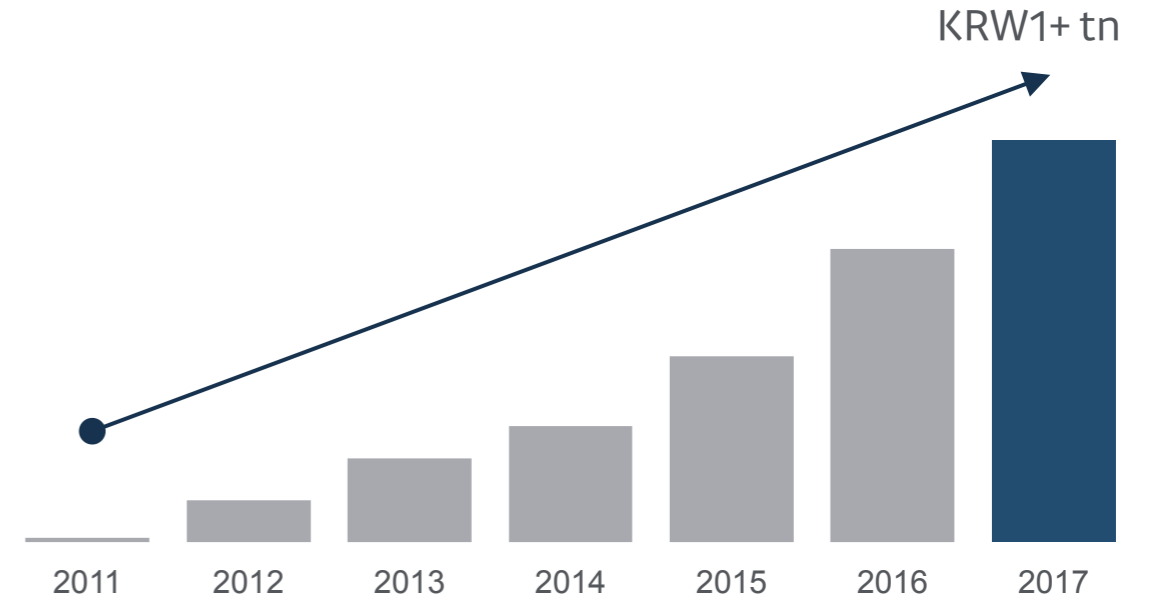
Kakao Gift



Strategic Focus on
"Occasions"



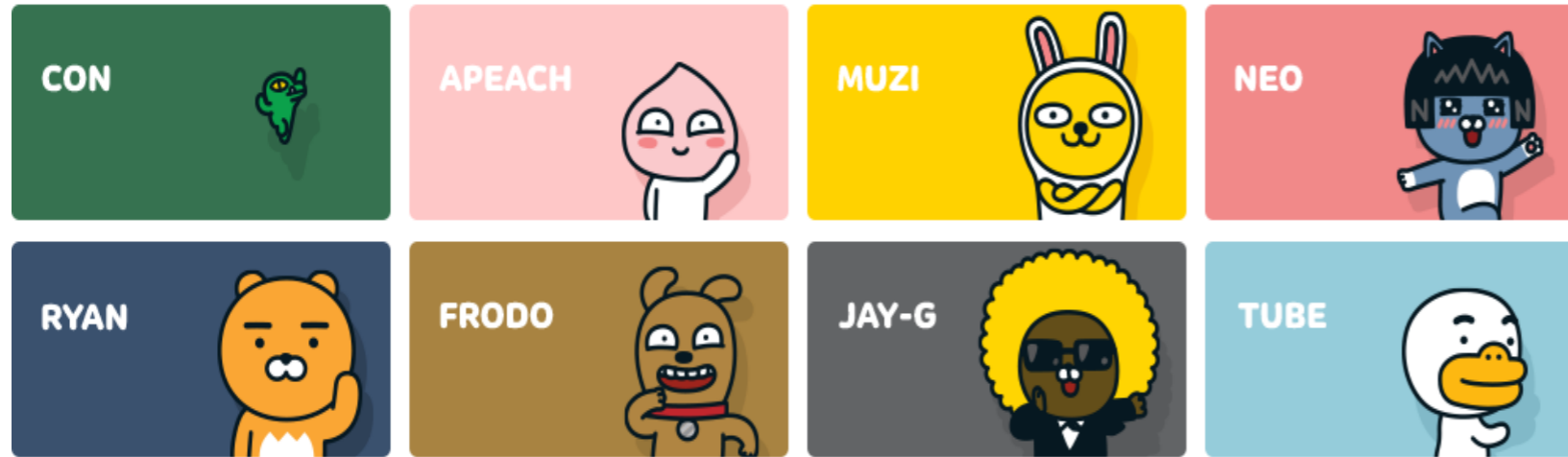
- ✓ Strategic Focus on the Selective Occasions of Gifting
- ✓ Value Proposition as True Omni-Commerce Channel
- ✓ Gifting Occasion Less Sensitive to Price Comparison



- ✓ Continuing Strong Growth Momentum Since Launch
- ✓ Expansion of User Base to Older Generations (30s~50s) and Increasing Basket Size
- ✓ Enhanced Profitability via Direct Purchasing
- ✓ Selective Entry into Adjacent Commerce Businesses

Kakao Friends IP: New Era of IP Business

#1 Most Likeable Characters in Korea ⁽¹⁾

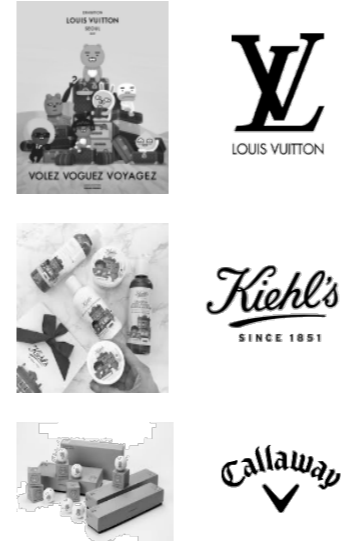
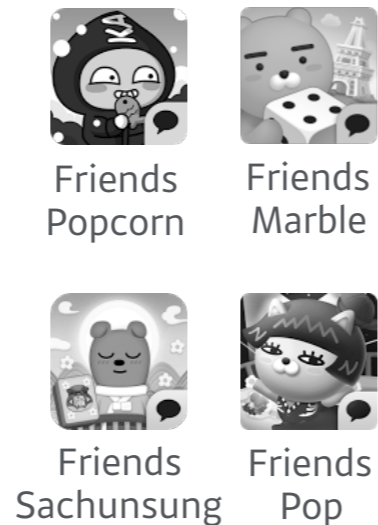
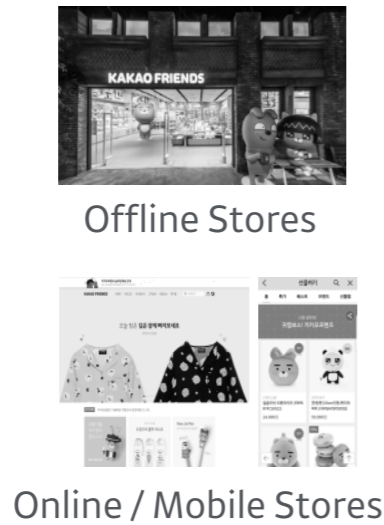


Emoticon

Merchandising

Game

Partnership / Licensing



3 Flagship Stores



GangNam
July 2016

HongDae
November 2016



Busan
August 2017

- ✓ Successful Launches Since July 2016
- ✓ 10,000+ Visitors per Day

Notes: (1) Korea Creative Content Agency survey announced in March 2017.

Mobility: Another Dominant Platform with Innovation

Dominant Taxi Hailing App in Korea



97%
Market Share⁽¹⁾

Korea's dominant taxi hailing platform

18 Million
Registered Users

50+% of economically active population in Korea⁽²⁾

2.6 Million
Peak Daily Taxi-Hailing Orders

Based on large user base and registered taxi driver base

Kakao T Super App: All-Inclusive Transportation Platform



Smart Marketing Tools

18mm Kakao T User Base → Marginal User Acquisition Cost for Launching New Services



Smart Monetization Tools

Unified Payment Method Across Different Services

Notes: (1) Nielsen KoreanClick data in terms of unique users among Korean taxi-hailing mobile applications. (2) Economically active population in Korea based on a survey conducted by Statistics Korea.

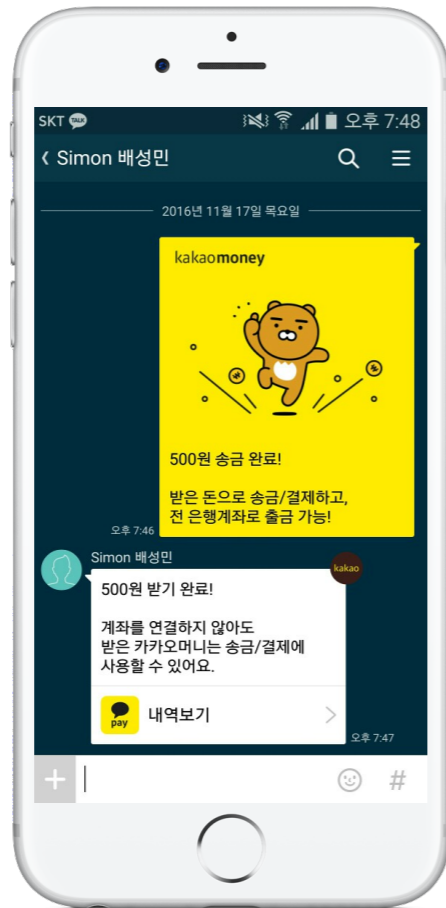
Tech-Fin: Robust Expansion of Business Scope

21 Million
Accumulated Members

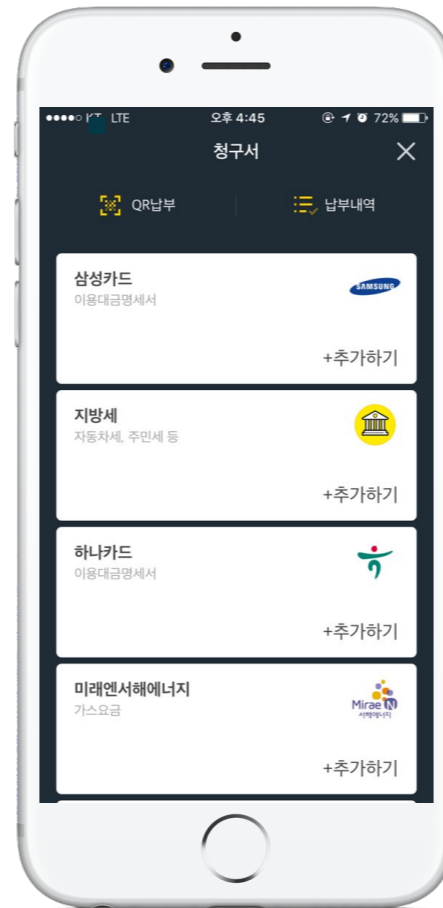
Services evolved from payment transactions to innovative and convenient mobile financial services including bill payment, remittance, membership management, money transfer, authentication, debit card, and QR code/Bar code payment service for offline stores (launched in May 2018)



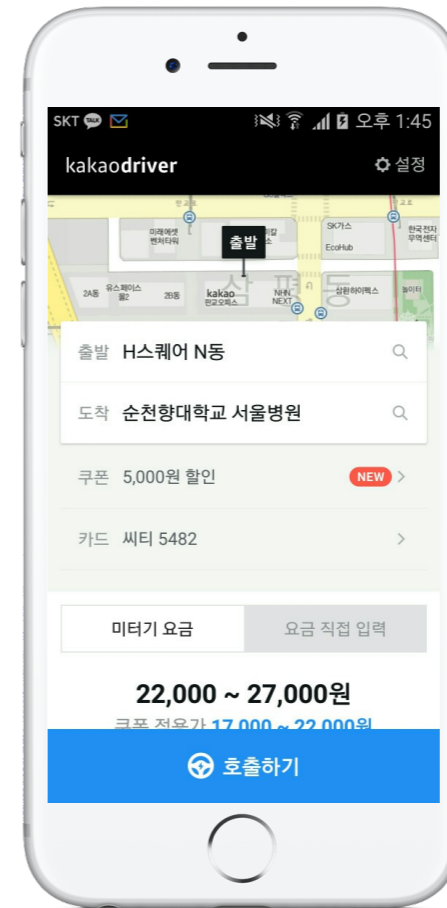
Kakao easy payment



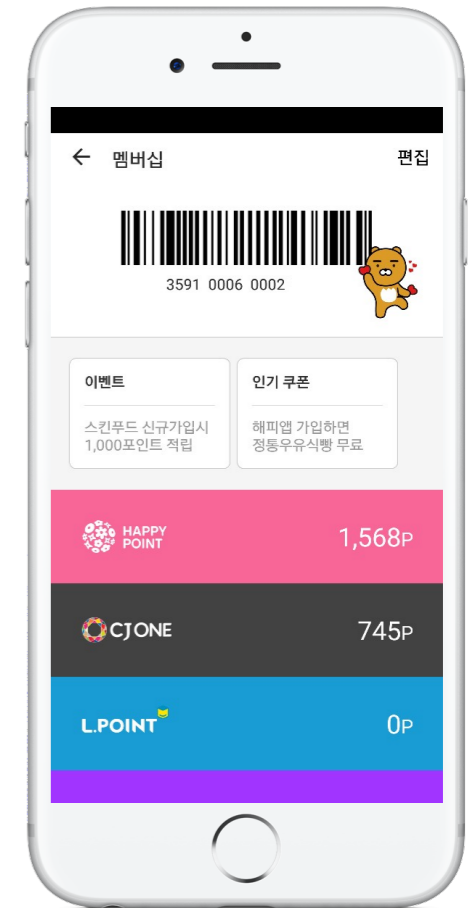
Kakao Money transfer



Kakao Billing



Kakao T auto pay



Kakao Membership

kakao Bank

Kakao Bank has grown rapidly since its official launch on July 27, 2017

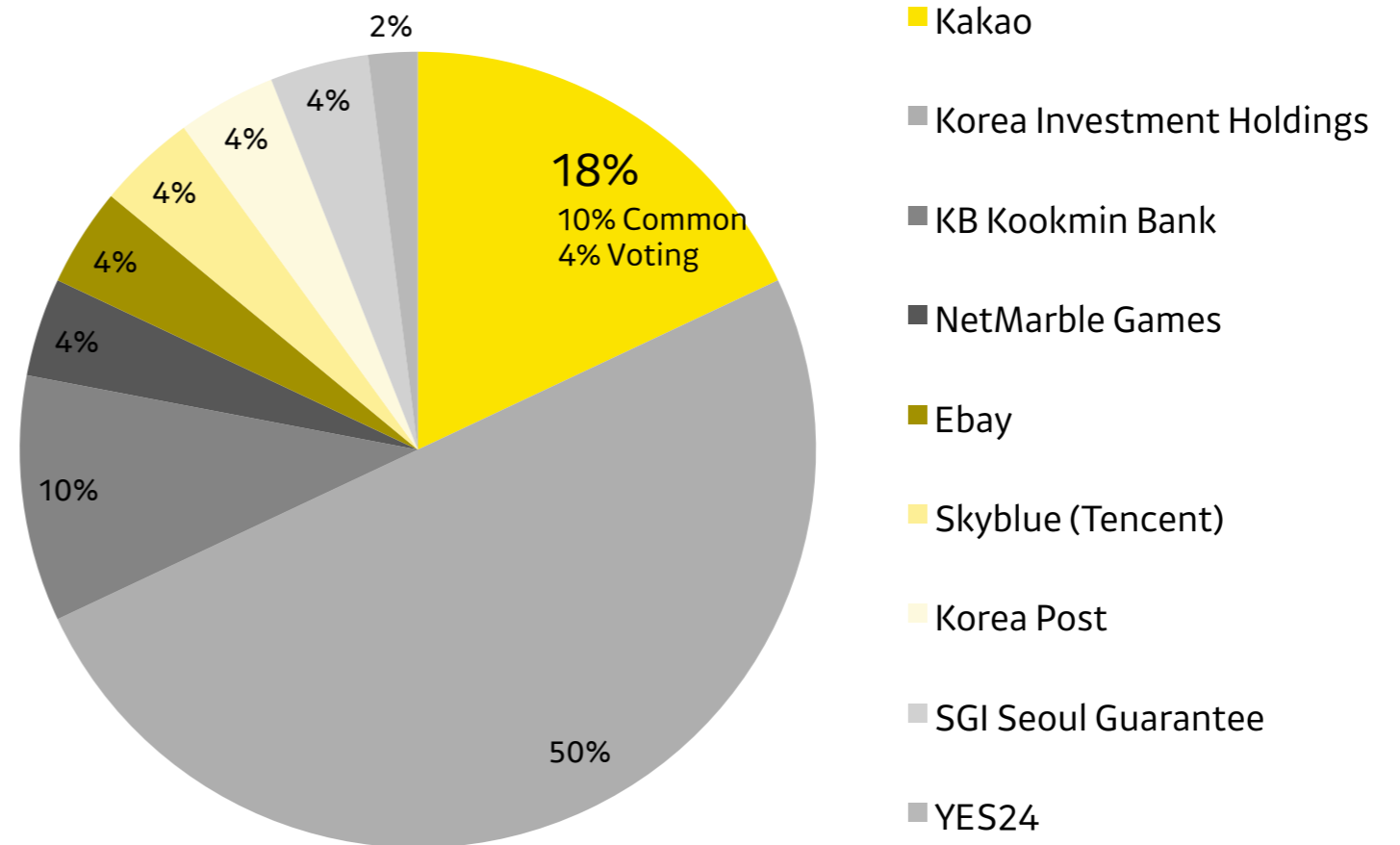


as of March 31, 2018

Performance

Capital	KRW 1,300 billion (since April 25, 2018)
# of employees	431 employees
# of call center agents	453 agents
Account opened	5.67 mn (QoQ +13%)
Debit card issued	4.35 mn (QoQ +17%)
Deposits	KRW 7.13 tn (QoQ +37%)
Credit Loans	KRW 5.86 tn (QoQ +23%)

Shareholdings



Kakao ecosystem

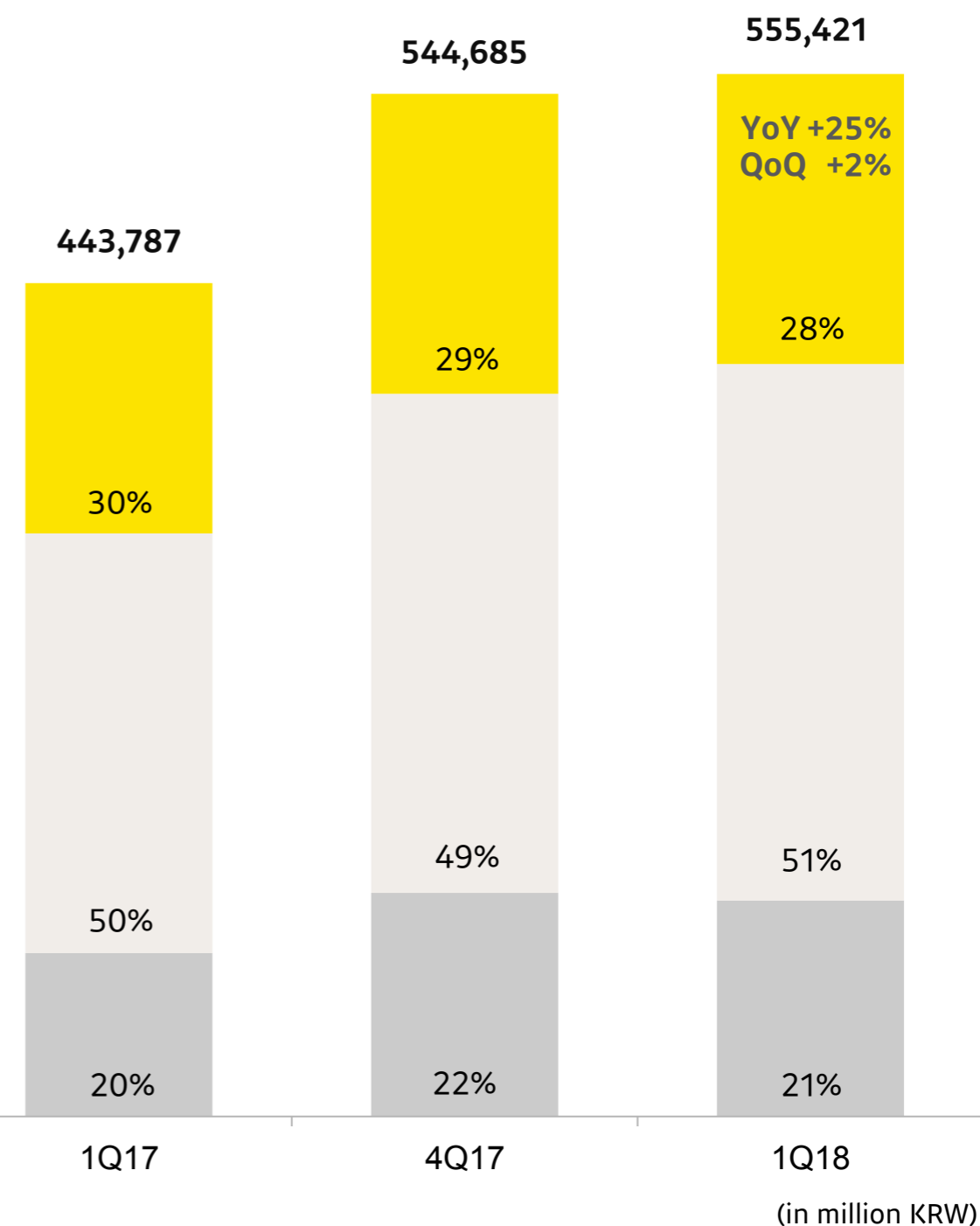
Kakao business

Financial overview

Revenue

Advertising	Portals	Daum PC Daum Mobile
	Messenger	New Plus Friends Brand Emoticon Talk Reward Info Talk/Friend Talk/Support Talk Auto View Talk Hairshop Talk Order Talk Mart Talk PC
	SNS	Kakao Story
	Shopping	Kakao Style
	Video	Kakao TV
Content	Game	Mobile PC Miscellaneous (Kakao VX)
	Music	MelOn Kakao Music
	Webliterature	Kakao Page Daum Webtoon Piccoma
	Emoticon	Talk B2C Emoticon
Others	Commerce	Talk Gift Shop Kakao Friends Makers with Kakao Kakao Farmer
	Mobility	Kakao T (Taxi Driver Parking Navigator)
	Tech-fin	Kakao Pay
	Misc.	Loen (offline record distribution, etc.)

- Advertising
- Content
- Others

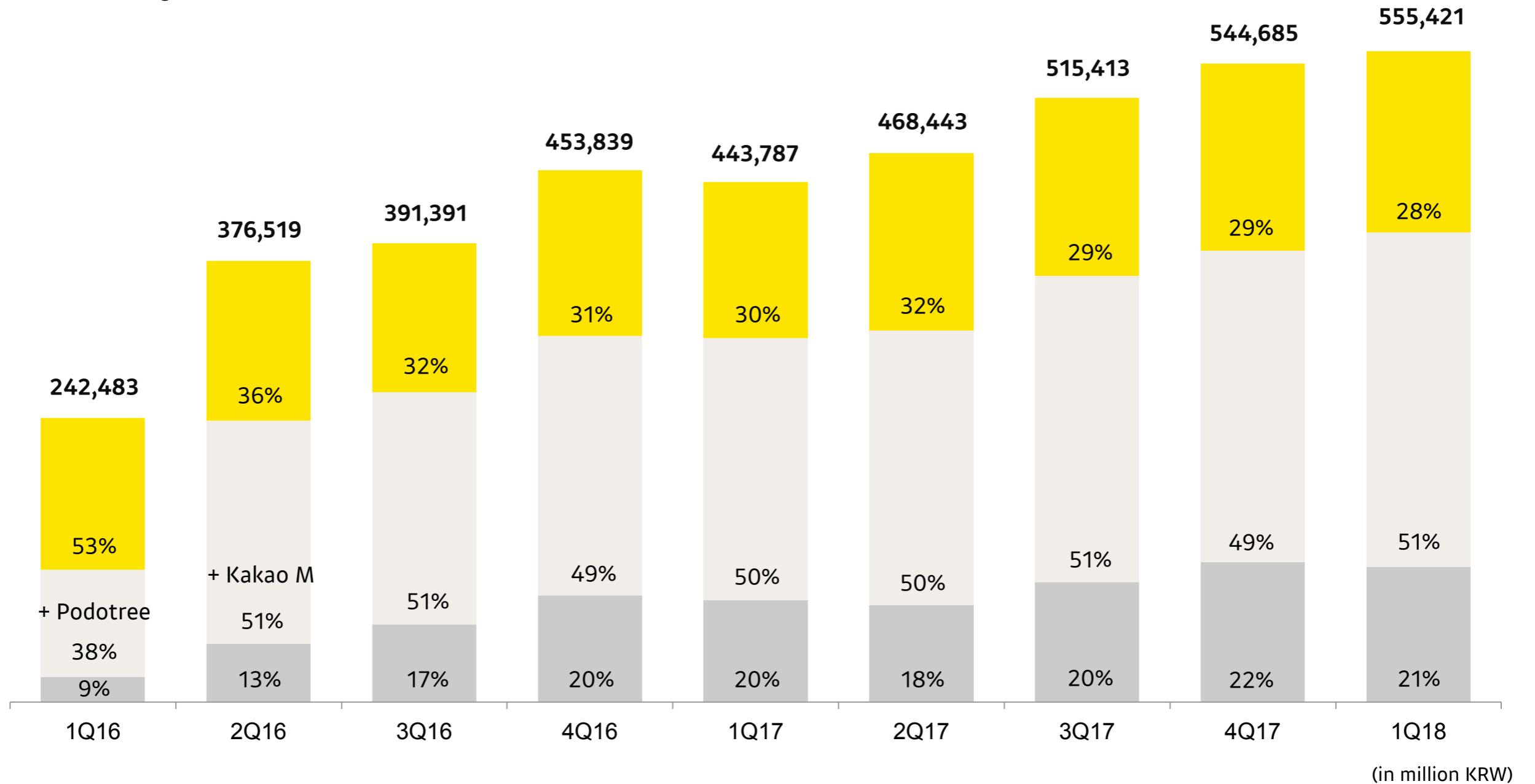


Revenue

1Q Total Revenue YoY +25% / QoQ +2%

Advertising +16% (y) / -3% (q) Content +28% (y) / +7% (q) Others +33% (y) / -3% (q)

■ Advertising ■ Content ■ Others

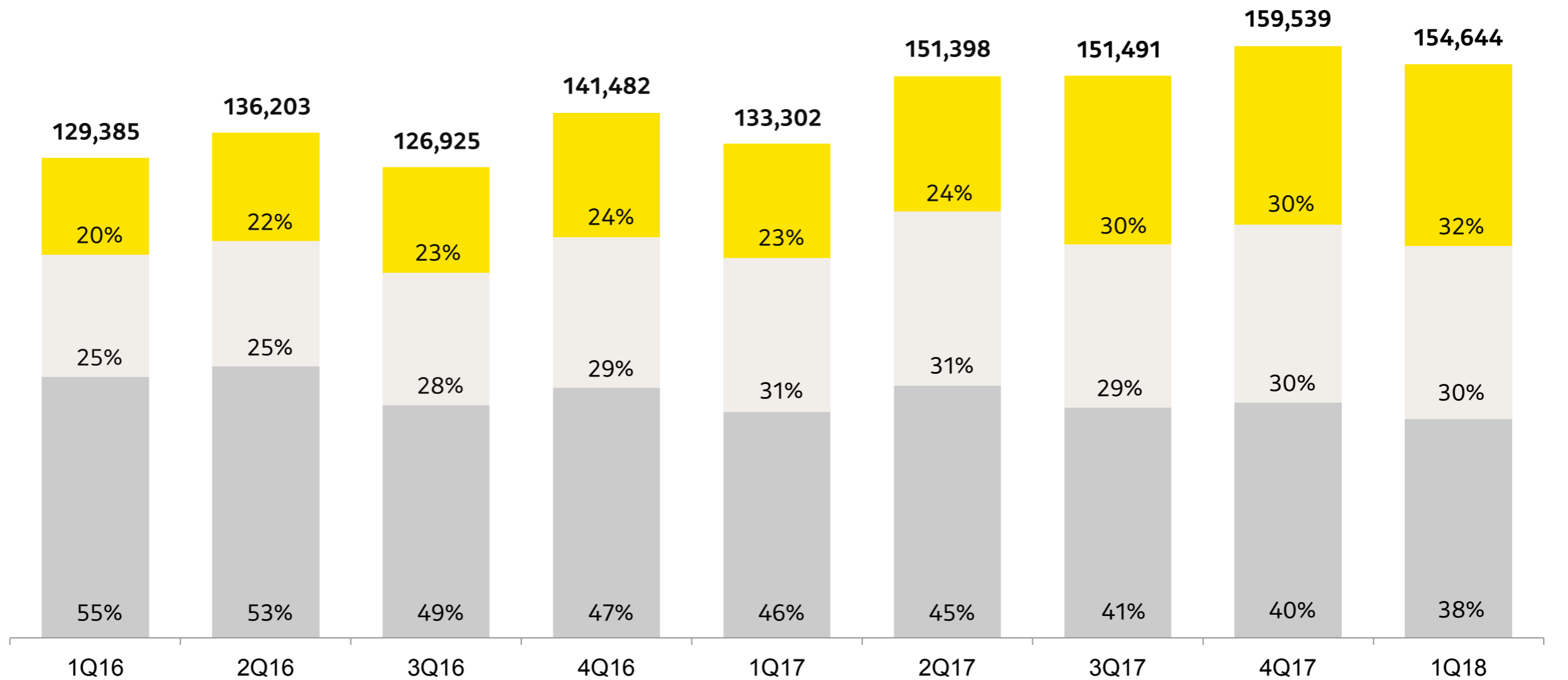


Advertising: kakao · Daum

1Q Advertising YoY +16% / QoQ -3%

Kakao Advertising YoY +59% Daum Mobile Advertising YoY +13% Daum PC Advertising YoY -3%

■ Kakao Ads ■ Daum Mobile Ads ■ Daum PC Ads



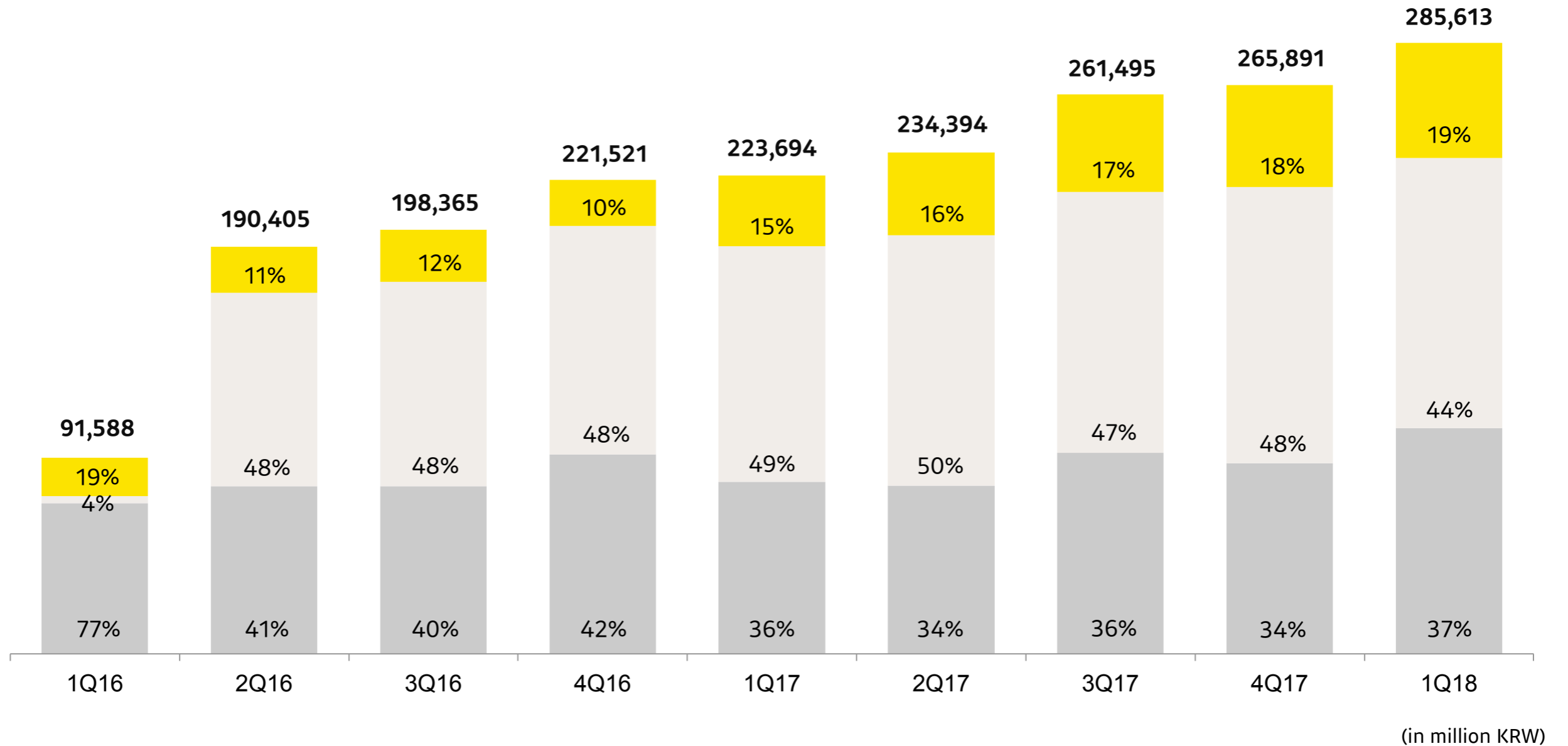
(in million KRW)

Content

1Q Content YoY +28% / QoQ +7%

Web literature & Emoticon +62% (y) / +13% (q) Music +14% (y) / -2% (q) Game +32% (y) / +18% (q)

■ Web literature & Emoticon ■ Music ■ Game

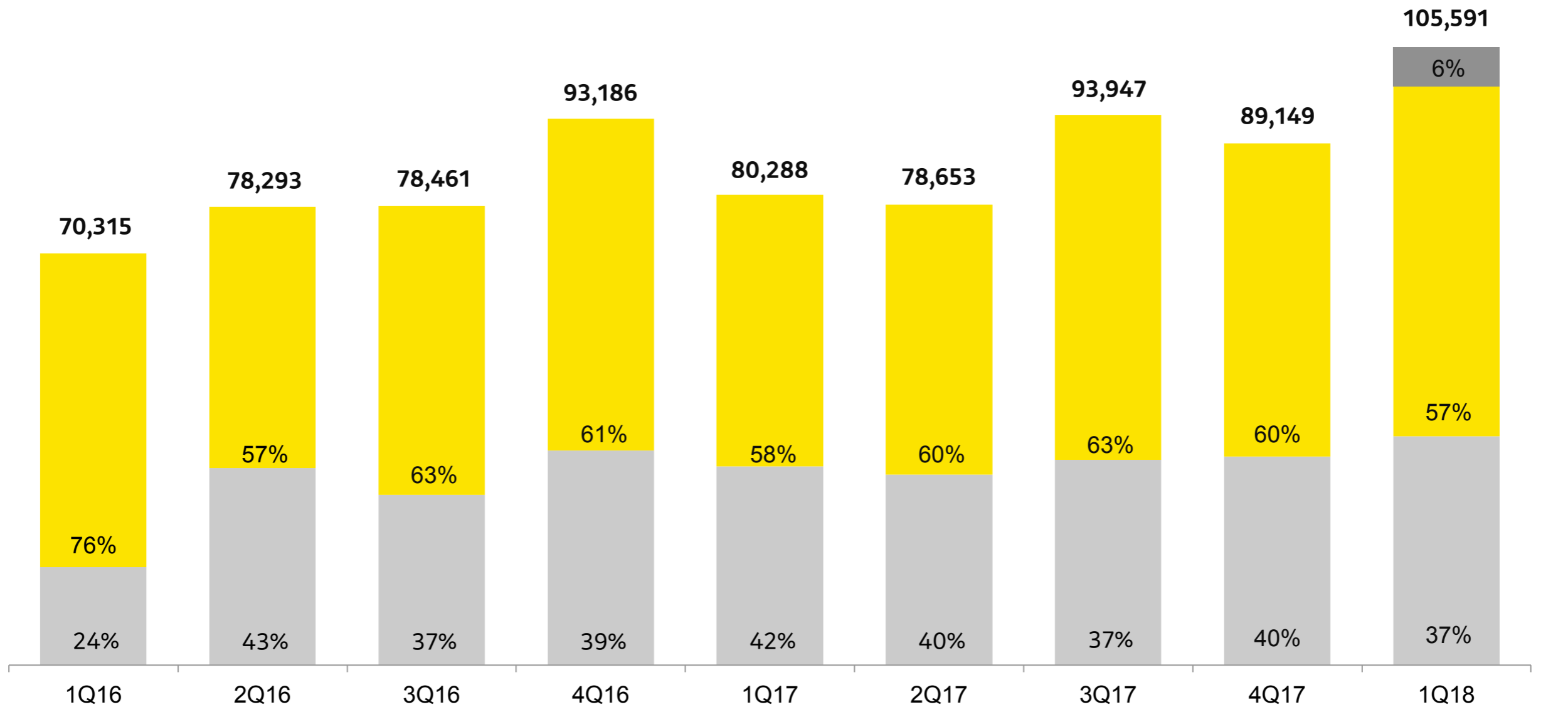


Content: Game

1Q Game YoY +32% / QoQ +18%

Miscellaneous- Kakao VX (NEW) Mobile +29% (y) / +12% (q) PC +15% (y) / +10% (q)

■ Miscellaneous- Kakao VX ■ Mobile ■ PC



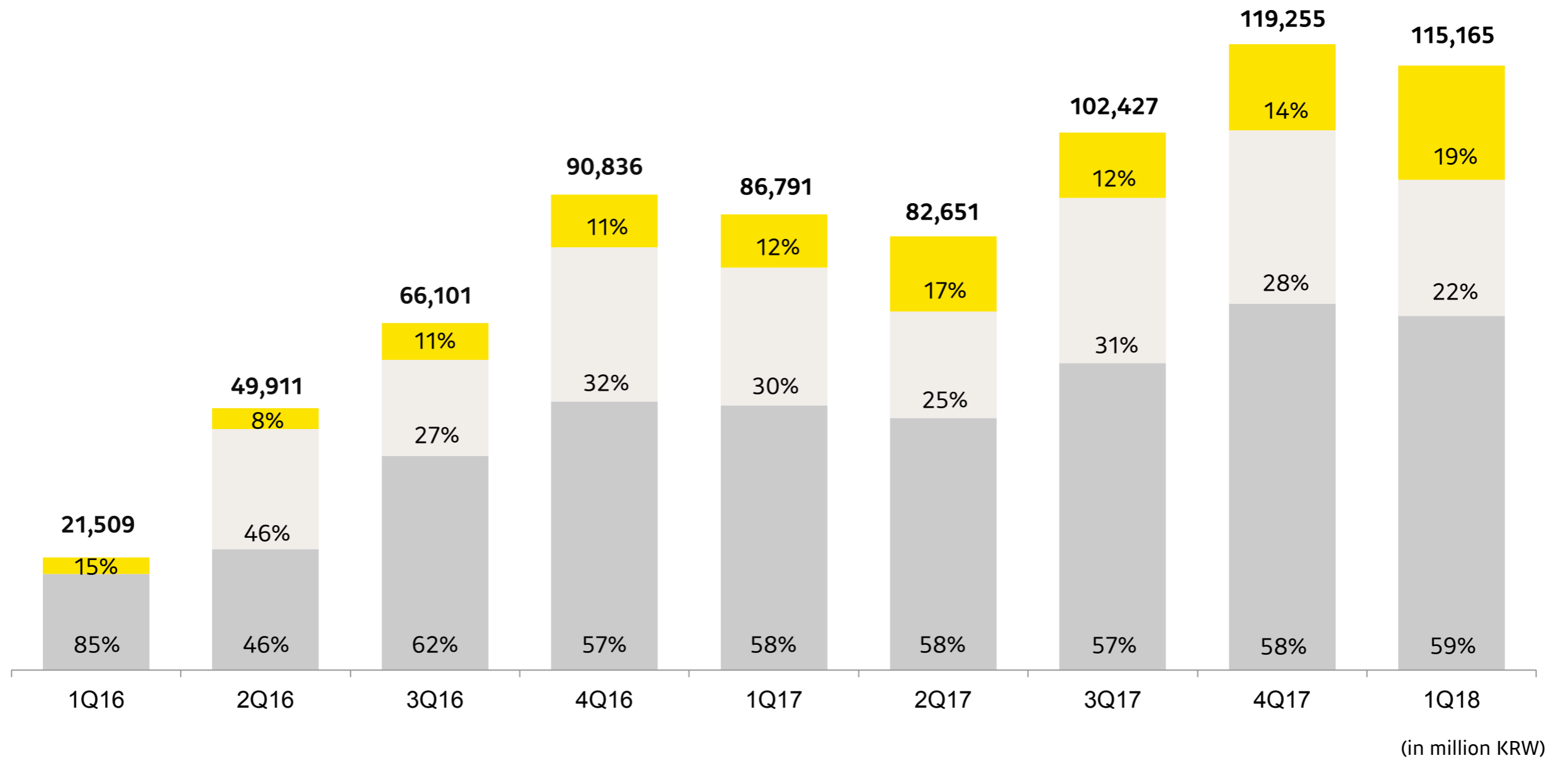
(in million KRW)

Others

1Q Others YoY +33% / QoQ -3%

Others +116% (y) / +32% (q) Kakao M- Offline -1% (y) / -21% (q) Commerce +34% (y) / -3% (q)

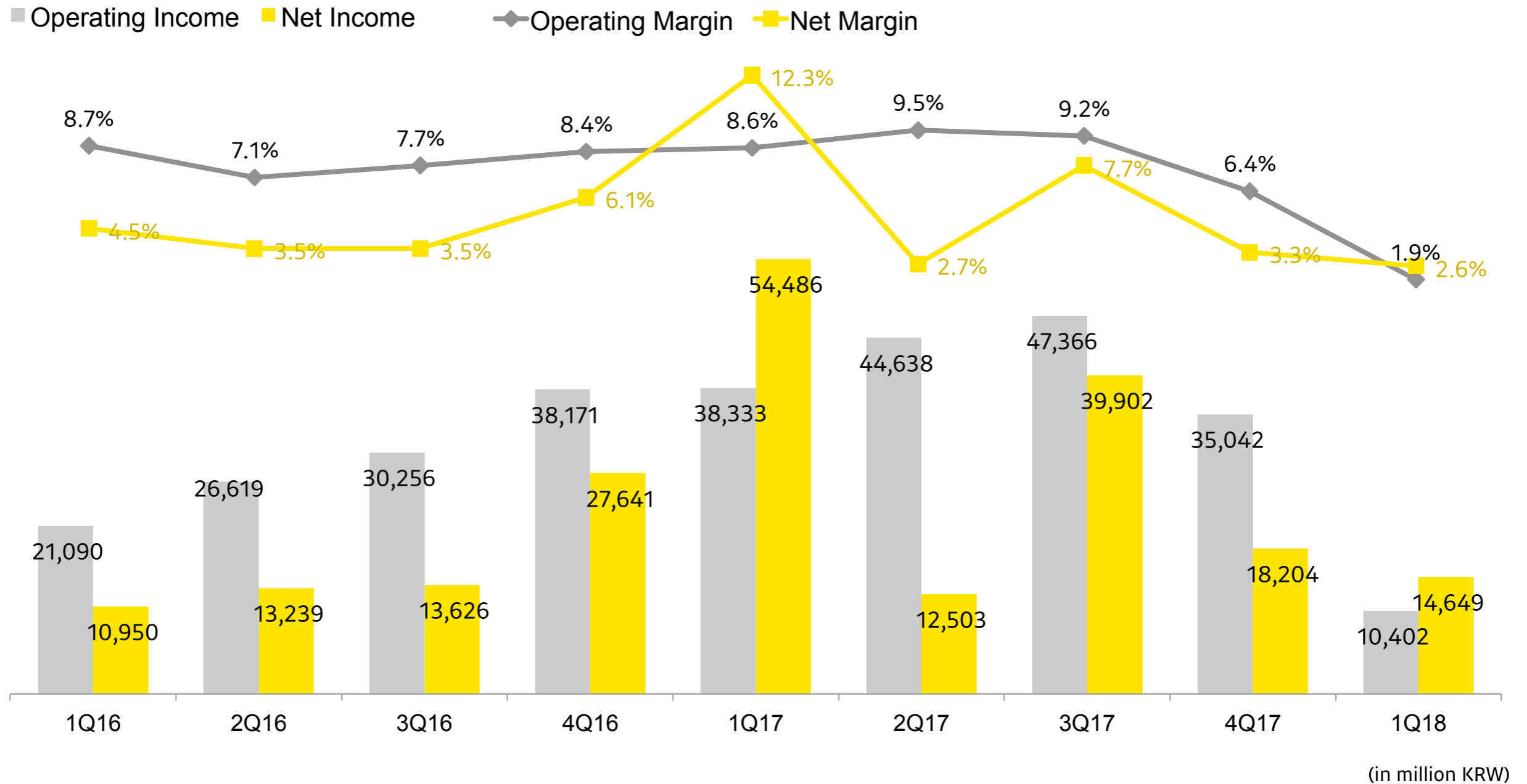
■ Others (inc. Kakao T, Pay)
 ■ Kakao M- Offline
 ■ Commerce



Profits

1Q Operating Income YoY -73% / QoQ -70% Net Income YoY -73% / QoQ -20%

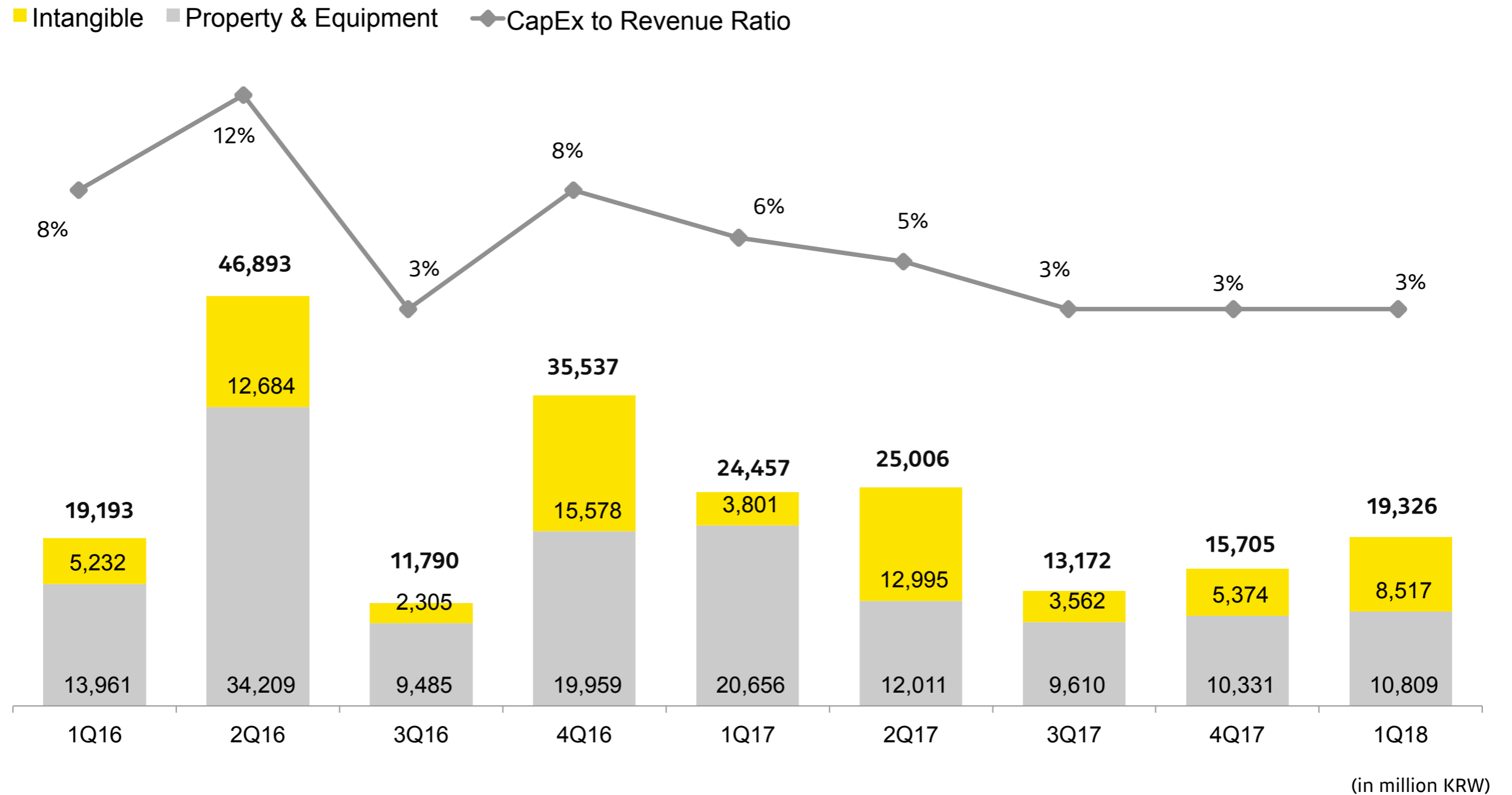
Operating income declined by W47bn due to investments in new businesses to build mid- to long-term growth base such as transportation/mobility, tech-fin, global expansion and artificial intelligence.



Capital Expenditure

1Q CapEx to Revenue Ratio of 3% YoY -21%

Intangible YoY +124% property and equipment (server, network, etc.) YoY -48%

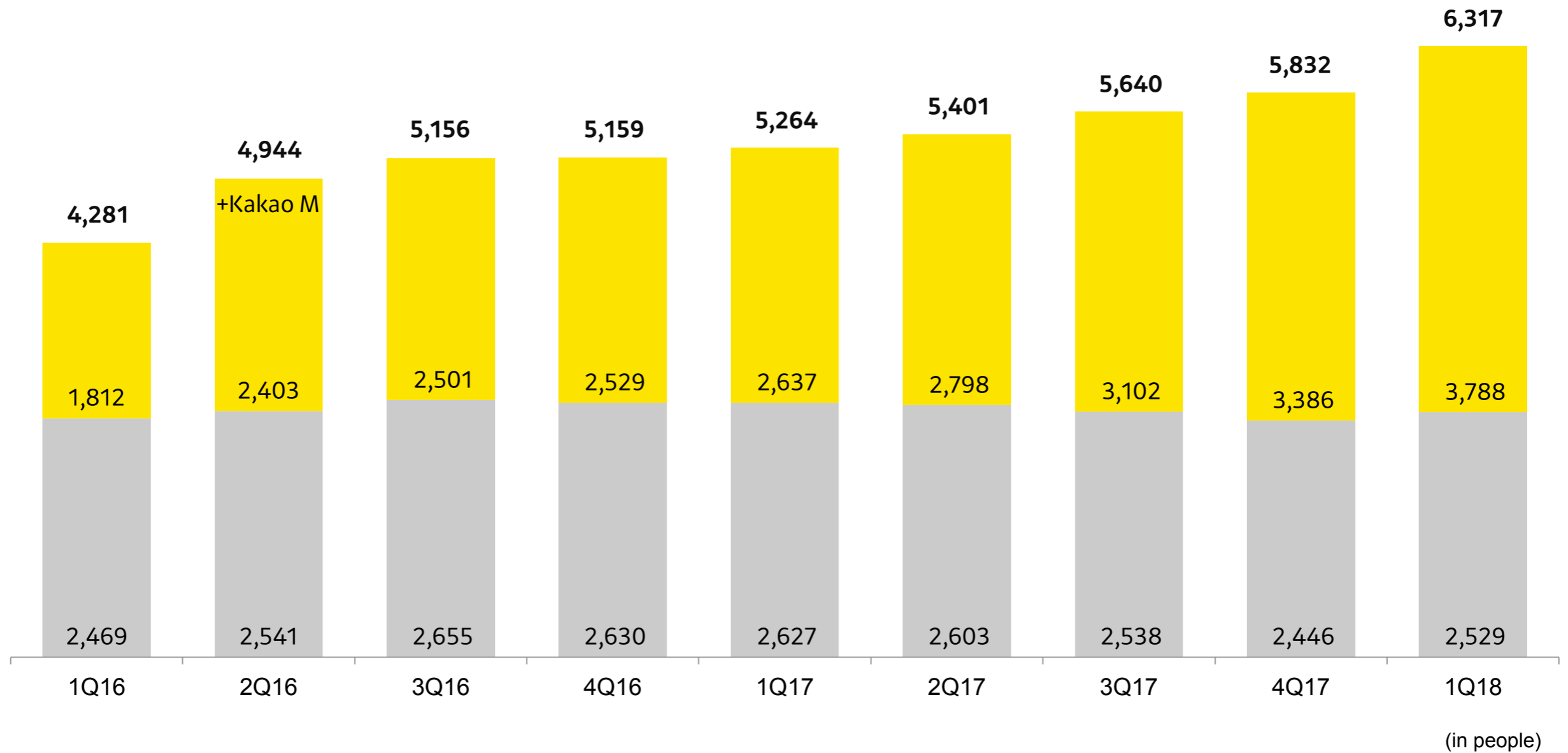


Employees

Total 6,317 Employees

QoQ 83 increased at Kakao, and 402 increased at subsidiaries (inclusion of Kakao VX, etc.)

■ Subsidiaries ■ Kakao



Consolidated Financial Statements

Consolidated Statements of Income

(in million KRW)	1Q17	2Q17	3Q17	4Q17	1Q18
Revenues	443,787	468,443	515,413	544,685	555,421
Advertising	133,302	151,398	151,491	159,539	154,644
Content	223,694	234,394	261,495	265,891	285,613
Game	80,288	78,653	93,947	89,149	105,591
Music	110,324	117,089	122,067	129,060	126,269
Web literature and Emoticon	33,081	38,653	45,481	47,681	53,753
Others	86,791	82,651	102,427	119,255	115,165
Operating Expenses	405,453	423,804	468,047	509,643	545,020
Labor Costs	84,808	88,064	84,668	102,602	109,973
Fringe Benefits	12,757	12,992	13,499	13,447	15,258
Depreciation	14,816	14,919	15,338	15,659	15,985
Rental Fees	8,749	8,886	9,242	9,236	10,210
Commissions	160,388	178,765	189,755	201,456	210,281
Advertising	24,959	21,929	33,460	36,057	47,941
Bad Debt Expenses	141	45	-144	1,112	877
Amortization	16,773	16,352	16,439	19,521	14,583
Content Fees	24,923	28,321	33,658	34,496	39,988
Ad Agency Fees	19,051	23,974	21,975	23,576	22,390
Event Fees	110	327	407	943	383
Cost of Goods	30,344	21,229	39,939	41,735	46,835
Miscellaneous	7,634	8,001	9,810	9,803	10,315
Operating Profit	38,333	44,638	47,366	35,042	10,402
Other Non-Operating Income	2,388	3,784	16,148	13,927	12,858
Other Non-Operating Expenses	14,952	9,878	6,181	59,557	14,205
Finance Income	4,737	4,585	11,390	58,234	14,559
Finance Costs	9,895	3,540	3,116	29,193	8,585
Income from Equity Inv., Net	-2,367	-3,570	-2,535	17,509	22,151
Profit before Income Tax Expenses	18,244	36,020	63,071	35,962	37,181
Income Tax Expenses	-36,241	23,518	23,170	17,758	22,531
Net Profit from Continued Oper.	54,486	12,503	39,902	18,204	14,649
Net Profit	54,486	12,503	39,902	18,204	14,649
Equity Holders of the Parent Co.	53,715	11,303	32,055	11,524	13,854
Non-Controlling Interest	771	1,199	7,847	6,680	796

Consolidated Statements of Financial Position

(in million KRW)	2016.12.31	2017.12.31	2018.3.31
Current Assets	1,216,958	1,993,096	3,272,163
Cash and Cash Equivalents	641,644	1,116,793	1,797,944
S-T Financial Instruments	236,748	394,152	977,562
Accounts Receivable	173,853	179,238	180,628
Other Financial Assets	83,340	134,445	121,048
Other Current Assets	81,373	168,468	194,981
Non-Current Assets	4,267,159	4,356,332	4,452,690
Equity Method Investments	117,076	161,950	210,444
Tangible Assets	253,854	271,044	277,416
Intangible Assets	3,733,166	3,689,582	3,710,940
Other Non-current Assets	163,063	233,756	253,889
Total Assets	5,484,117	6,349,428	7,724,853
Liabilities	806,020	1,040,863	1,201,099
Trade and N-T Payables	263,130	280,380	313,583
Income Taxes Payable	30,944	115,123	147,062
Short-Term Debt	200,265	170,137	220,318
Other Current Liabilities	311,680	475,224	520,136
Non-Current Liabilities	975,153	800,745	771,624
Bonds	319,255	149,777	99,852
Bonds- CB/EB	476,122	471,031	468,417
Deferred Income Tax Liab.	142,919	139,502	150,186
Other Non-Current Liab.	36,857	40,435	53,169
Total Liabilities	1,781,173	1,841,609	1,972,723
Paid-in Capital	33,858	34,004	38,187
Capital Surplus	3,105,014	3,603,587	4,727,671
Capital Adjustments	-11,232	-6,026	-4,570
Accum. Other Compre. Income	920	-4,968	-19,154
Retained Earnings	303,952	402,542	443,977
Non-controlling Interests	270,432	478,681	566,019
Total Equity	3,702,944	4,507,820	5,752,130
Total Liabilities & Equity	5,484,117	6,349,428	7,724,853

Financial Statements (Kakao only)

Statements of Income

(in million KRW)	1Q17	2Q17	3Q17	4Q17	1Q18
Revenues	225,889	244,545	257,994	250,273	244,578
Advertising	125,076	143,128	141,496	154,640	146,378
Content	64,333	65,746	79,128	52,963	49,759
Game	46,720	46,522	59,270	32,401	27,026
Music	2,938	2,669	2,600	2,532	2,298
Web literature and Emoticon	14,675	16,555	17,257	18,030	20,435
Others	36,479	35,671	37,370	42,669	48,441
Operating Expenses	209,397	216,952	228,439	226,361	228,192
Labor Costs	51,811	50,796	49,161	52,271	54,844
Fringe Benefits	8,414	7,885	7,625	6,981	8,359
Depreciation	12,477	12,344	12,370	12,624	12,673
Rental Fees	2,480	2,308	2,273	2,164	2,420
Commissions	73,040	78,828	89,740	77,344	75,084
Advertising	9,014	8,347	9,390	9,863	5,850
Bad Debt Expenses	82	-28	62	47	193
Amortization	5,417	5,277	4,821	4,578	4,439
Content Fees	11,062	12,728	13,091	15,728	16,651
Ad Agency Fees	18,987	23,910	21,843	23,416	22,274
Event Fees	120	299	372	682	296
Cost of Goods	11,251	9,181	13,236	16,414	21,096
Miscellaneous	5,241	5,078	4,457	4,251	4,013
Operating Profit	16,492	27,593	29,555	23,911	16,386
Other Non-Operating Income	1,460	2,445	240,651	50	50,042
Other Non-Operating Expenses	3,123	13,814	4,430	64,892	4,973
Finance Income	35,067	2,037	1,671	4,549	17,829
Finance Costs	23,399	-1018	1,741	27,673	9,207
Profit before Income Tax Expenses	26,497	19,278	265,705	-64,054	70,077
Income Tax Expenses	-48,911	10,690	60,826	7,267	16,693
Net Profit from Continued Oper.	75,408	8,588	204,879	-71,321	53,384
Net Profit	75,408	8,588	204,879	-71,321	53,384

Statements of Financial Position

(in million KRW)	2016.12.31	2017.12.31	2018.03.31
Current Assets	511,067	632,508	1,677,009
Cash and Cash Equivalents	279,217	388,574	997,491
S-T Financial Instruments	37,190	14,834	474,376
Accounts Receivable	95,980	77,955	80,305
Other Current Assets	98,679	151,145	124,837
Non-Current Assets	4,318,230	4,324,369	4,388,836
Equity Method Investments	2,337,040	2,368,582	2,443,398
Tangible Assets	203,866	208,084	204,132
Intangible Assets	1,694,581	1,620,416	1,618,499
Other Non-current Assets	82,743	127,287	122,808
Total Assets	4,829,297	4,956,878	6,065,845
Liabilities	813,859	948,931	1,019,728
Trade and N-T Payables	174,592	163,318	170,482
Income Taxes Payable	7,168	81,507	10,050
Short-Term Debt	200,000	-	-
Other Current Liabilities	432,099	704,106	839,196
Non-Current Liabilities	640,280	450,237	391,545
Bonds	319,255	149,777	240,267
Bonds- CB/EB	248,928	243,197	3,298
Deferred Income Tax Liab.	43,266	28,992	21,696
Other Non-Current Liab.	28,830	28,271	126,283
Total Liabilities	1,454,139	1,399,168	1,411,272
Paid-in Capital	33,858	34,004	38,187
Capital Surplus	3,057,264	3,036,434	4,086,797
Capital Adjustments	-11,232	-6,026	-4,570
Accum. Other Compre. Inc.	5,046	-4,472	-9,642
Retained Earnings	290,222	497,769	543,800
Total Equity	3,375,158	3,557,710	4,654,573
Total Liabilities & Equity	4,829,297	4,956,878	6,065,845