2Q26 Pearl Abyss Earnings Letter

Disclaimer

This presentation contains forward-looking statements that relate to our future operations, prospects, developments, strategies, business growth, and financial outlook. Forward-looking statements are identified by words such as 'believes', 'estimates', 'expects', 'intends', 'may', 'projects', 'could', 'should', 'will', 'continue' and other similar expressions.

All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, do not guarantee future performance and are subject to certain risks, uncertainties, and other factors beyond our control and difficult to predict.

Also, Forward-looking statements are identified based on the current market situation and company's strategies, therefore, can be altered without notifications due to changes in market or the company's strategies.

Management Summary

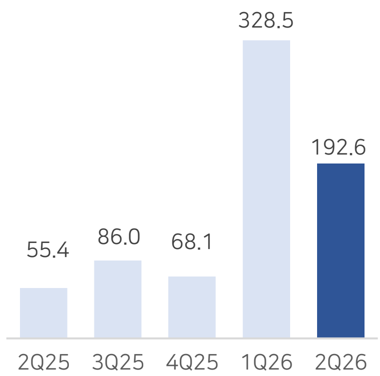
Pearl Abyss recorded weaker performance QoQ in 2Q26, as the initial launch impact of Crimson Desert softened. The Black Desert franchise outperformed its guidance, supported by continuous live updates including class balance adjustments, marketplace system enhancements, and revamped rewards for 'Conquest Wars'.
Crimson Desert maintained steady performance by selling approximately 2.11 million copies during 2Q26; however, revenue declined QoQ due to a fading initial launch effect. In 2Q26, average selling price (ASP) decreased QoQ due to a higher revenue share from channels that recognize only a portion of gross sales as revenue. Furthermore, for physical packages, there was a time lag between sell-through and revenue recognition based on distributor settlement terms, and revenue fell short of guidance as 20% of the settlement amount was deferred for refund guarantee purposes.

▶2Q26 Operating Performance

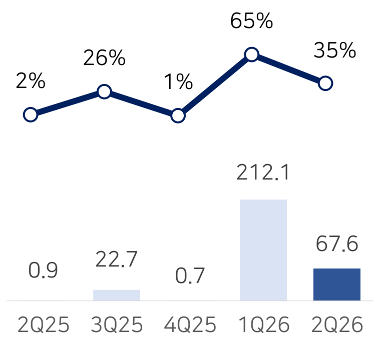
Operating revenue and profit declined QoQ, as the launch effect of Crimson Desert softened.

- Operating revenue posted KRW 192.6 billion, down 41.4% QoQ.
- Operating profit posted KRW 67.6 billion, down 68.1% QoQ, impacted by lower operating revenue from deferred Crimson Desert revenue and an increase in one-off expenses including performance bonus payments.
- Net profit posted KRW 70.9 billion, down 58.3% QoQ.

Operating Revenue

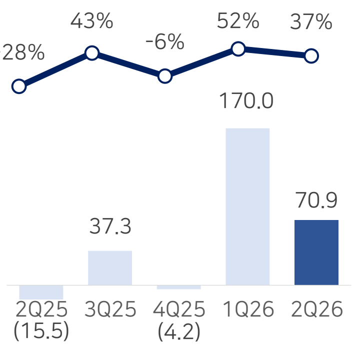


Operating Profit



Net Profit(Loss)

(Unit: billion KRW, %)



* Continuing operations basis (The sales of Fenris Creations, formerly CCP games were completed on May 6, 2026)

	Operating Revenue	Operating Profit	Net Profit(Loss)
YoY	247.7%	7,411.1%	Turn to profit
QoQ	-41.4%	-68.1%	-58.3%

▶Revenue Breakdown by IP

Operating revenue from Black Desert and Crimson Desert posted KRW 55.0 billion and KRW 136.1 billion, respectively.

- Black Desert revenue softened slightly QoQ, as its operations focused on content optimization rather than major expansions. On PC, updates centered on revamping the 'Red Battlefield' matching system and 'Node/Conquest Wars', while mobile held celebratory events for its 3,000th day of service, showing positive user engagement trends.
- Crimson Desert sold approximately 2.11 million copies during 2Q26, with digital sales accounting for 1.72 million copies (82%) and physical sales accounting for 0.39 million copies (18%). In 2Q26, average selling price (ASP) decreased QoQ due to a higher proportion of sales from channels, where revenue is recognized as a percentage of gross payment. Furthermore, for physical packages, there was a time lag between sell-through and revenue recognition based on distributor settlement terms, and revenue came in below guidance as 20% of the settlement amount was deferred for refund guarantee purposes. The ASP in 2Q26 stood at approximately KRW 63 thousand (compared to KRW 74 thousand in 1Q26), declining QoQ due to factors including regional pricing strategies, sales split across distribution channels, and the proportion of digital vs. physical sales.

Revenue by IP

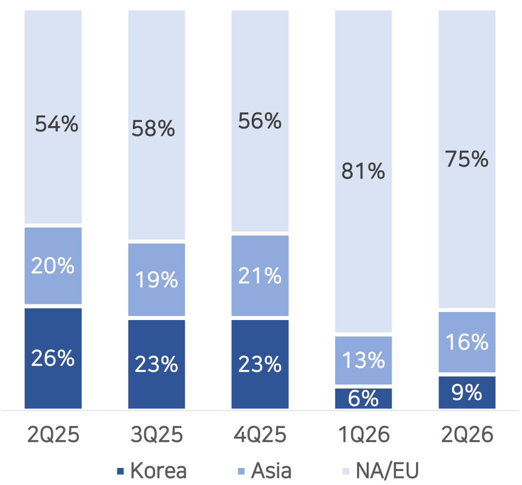
(Unit: billion KRW)

	2Q25	3Q25	4Q25	1Q26	2Q26	QoQ	YoY	Ratio
Revenue	**54.9**	**79.5**	**63.0**	**328.1**	**191.1**	**-41.8%**	**248.1%**	**100.0%**
Black Desert	54.9	79.5	63.0	61.6	55.0	-10.7%	0.2%	28.8%
Crimson Desert	-	-	-	266.5	136.1	-48.9%	-	71.2%

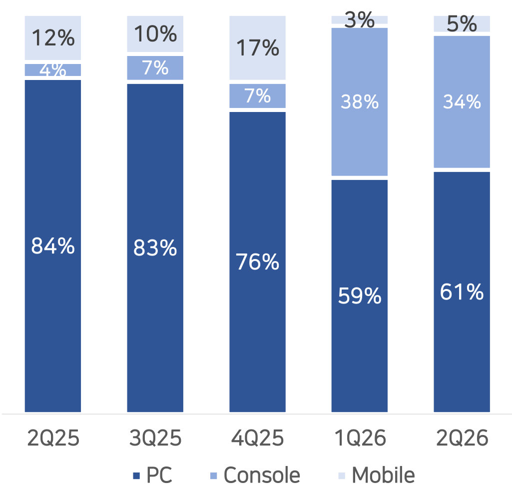
▶Revenue Breakdown by Region and Platform

By region, NA/EU accounted for 75%, Asia for 16%, and Korea for 9%.
By platform, PC accounted for 61%, console for 34%, and mobile for 5%. The console share remained high as Crimson Desert accounted for approximately 70% of total revenue.

Revenue by Region



Revenue by Platform



▶2Q26 Operating Expenses

Operating expenses were KRW 125.0 billion, up 7.4% QoQ.

- Labor expenses posted KRW 74.8 billion, up 94.8% QoQ, due to performance bonus payments following the launch of Crimson Desert.
- Commissions posted KRW 30.6 billion, down 28.0% QoQ, driven by normalized Crimson Desert sales volumes.
- Advertising expenses posted KRW 9.1 billion, down 61.1% QoQ, as post-launch marketing spending for Crimson Desert decreased.

Operating Expense by Quarter

(Unit: billion KRW, %)

	2Q25	3Q25	4Q25	1Q26	2Q26	QoQ	YoY	Ratio	% of Rev
Operating Expenses	**54.5**	**63.3**	**67.4**	**116.4**	**125.0**	**7.4%**	**129.4%**	**100.0%**	**64.9%**
Labor	28.9	29.6	29.8	38.4	74.8	94.8%	158.8%	59.8%	38.8%
Commissions	13.1	16.0	14.5	42.5	30.6	-28.0%	133.6%	24.5%	15.9%
Advertising	4.9	10.2	9.3	23.4	9.1	-61.1%	85.7%	7.3%	4.7%
D&A	2.6	2.5	2.5	2.4	2.2	-8.3%	-15.4%	1.8%	1.2%
Other expenses	5.0	5.0	11.3	9.7	8.3	-14.4%	66.0%	6.6%	4.3%

▶Employees

The number of employees stood at 1,035, up 1.1% QoQ; while temporary workers hired in 1Q26 for the Crimson Desert launch decreased, headcount increased slightly due to intern recruitment and hiring for game operations and marketing staffs. In addition, in 2026, we plan to hire only essential positions while maintaining a conservative approach to overall hiring.

Number of Employees

(Unit: No. of employee, %)

	2Q25	3Q25	4Q25	1Q26	2Q26	QoQ	YoY	Ratio
Employees	**960**	**926**	**965**	**1,024**	**1,035**	**1.1%**	**7.8%**	**100.0%**
Development	578	552	592	653	656	0.5%	13.5%	63.4%
Business/Staff	382	374	373	371	379	2.2%	-0.8%	36.6%

* Continuing operations basis

2026 Outlook

2Q26 performance came in below guidance due to factors including sales splits across distribution channels for Crimson Desert, regional pricing strategy differences, time lags between sell-through and revenue recognition for physical packages, and revenue deferrals for refund guarantees. Accordingly, we provide updated guidance reflecting actual first-half performance and revised estimates.

2026 operating revenue for game is expected to come in at KRW 709.8~743.8 billion.

- Operating revenue from Black Desert is projected to be KRW 239~244.6 billion, which is approximately a decrease of 4~7% YoY.
- Operating revenue from Crimson Desert is projected to be KRW 468.9~497.3 billion.

2026 operating profit is expected to record KRW 315.5~345.2 billion.

- Operating profit is expected to increase by approximately 1,259~1,387% YoY, thanks to solid Black Desert performance and Crimson Desert launch, and operating profit margin is anticipated to reach 44.4~46.4%.

2026 Guidance

(Unit: billion KRW, %)

	Previous Guidance	Revised Guidance		
	2026 (F)	1H26 (A)	2H26 (F)	2026 (F)
Operating Revenue	**879.0~975.4**	**521.1**	**188.7~222.7**	**709.8~743.8**
Black Desert	234.9~240.6	116.6	122.4~128.0	239.0~244.6
Crimson Desert	644.1~734.8	402.6	66.3~94.7	468.9~497.3
Others	-	1.9	-	1.9
Operating Expenses	391.4~402.8	241.4	152.9~157.2	394.3~398.6
Operating Profit	**487.6~572.6**	**279.7**	**35.8~65.5**	**315.5~345.2**
(OPM)	*55.5~58.7*	*53.7*	*19.0~29.4*	*44.4~46.4*

* The forecasts above are guidance figures for the game business
* The above estimates may differ from actual results

Live Service

Crimson Desert is preparing key initiatives, including DLC, strategic pricing, and platform expansion, to ensure long-term success.
The DLC is currently under development scheduled for release this year while we refine its content direction and overall quality. Specific details regarding pricing, content composition, and launch timing will be officially announced in 3Q26. Additionally, as discounting serves as a crucial sales strategy for package games, we are actively preparing promotional plans. For platform expansion, the core focus is ensuring that Crimson Desert's signature graphics, action, and open-world experience are fully preserved, rather than executing a simple port. In the case of Switch 2, the game has reached a playable baseline, and we are currently conducting technical reviews regarding performance optimization and quality standard compliance, targeting a release in the first half of next year.

For Black Desert PC, we held '2026 Heidel Ball' in 3Q26, unveiling our 2H26 roadmap, which includes major content updates such as new class 'Agent' and new region 'Edania Part 2', as well as global esports operations. For Mobile, we plan to maintain stable live operations by delivering updates such as 'World Siege War' and region-tailored content. While operations in the first half focused primarily on refining existing content, we will strive to recover performance in the second half through a robust slate of major updates that have been under preparation.

New Pipelines

Furthermore, two new titles, DokeV and Plan 8, are in active development. DokeV is currently targeting a release in the second half of 2028, and our reveal strategy is being aligned with this timeline. Leveraging the technological capabilities and development experience accumulated during the development of Crimson Desert, development is progressing smoothly. As the project advances, we are steadily expanding our development manpower to accelerate the pace of development. Details, gameplay videos, and other materials will be disclosed step by step based on development progress and marketing strategy. Considering the current pace of development, full-scale marketing initiatives, including hands-on demos, are expected to begin around the second half of 2027.

For Plan 8, while resources are concentrated on the development of DokeV, we will strive to maintain a consistent release cycle of every 2–3 years.

Shareholder Value Enhancement Plans

To enhance shareholder value, we announced a shareholder return policy after comprehensively considering our financial structure, business environment, and future investment plans. We plan to initiate our first dividend payout based on FY2026 performance, with the annual dividend scale set at the higher of KRW 10.0 billion or 10% of net profit. In addition, in June 2026, we retired 1,403,945 treasury shares, representing 50% of our treasury holdings, and we are currently repurchasing treasury shares under a KRW 100.0 billion trust agreement execution from June to December 2026.
Going forward, we will continue to review multifaceted measures to enhance shareholder value alongside company growth.

Others

On May 6, 2026, the company's subsidiary, Pearl Abyss Iceland ehf. (PAI), completed the divestiture of Fenris Creations ehf. (formerly CCP ehf.). Profit or loss prior to the disposal as well as gain/loss on disposal of Fenris Creations are reflected under profit (loss) from discontinued operations for the current half-year period.

※ Appendix

Consolidated Financial Statements (Comprehensive Income Statement)

(Unit: million KRW)

	2Q25	3Q25	4Q25	1Q26	2Q26
Revenue	**55,385**	**85,973**	**68,132**	**328,498**	**192,610**
Operating Expenses	54,482	63,260	67,387	116,402	124,985
Operating Profit(Loss)	**903**	**22,713**	**745**	**212,096**	**67,625**
Financial Income(Loss)	(18,559)	11,577	6,728	16,114	12,165
Other Income(Loss)	76	(108)	(481)	(48)	(40)
Income(Loss) from Equity Method	(145)	(158)	(396)	(165)	(135)
Income(Loss) before Income Tax	(17,725)	34,024	6,596	227,997	79,615
Income(Loss) Tax Expenses	(2,208)	(3,274)	10,773	57,949	8,732
Net Profit(Loss) from Continuing Operations	**(15,517)**	**37,298**	**(4,177)**	**170,048**	**70,883**
Net Profit(Loss) from Discontinued Operations	**(7,183)**	**(8,303)**	**(11,032)**	**(12,079)**	**28,659**
Net Profit(Loss)	**(22,700)**	**28,995**	**(15,209)**	**157,969**	**99,542**

* Continuing operations basis

Consolidated Financial Statements (Statement of Financial Position)

(Unit: million KRW)

	2025.12.31	2026.06.30
Assets		
Ⅰ. Current Assets	444,796	809,349
Cash and cash equivalents	133,875	314,612
Account receivables	58,377	72,178
ST financial instruments	218,564	385,775
Financial assets measured at fair value	15,345	24,942
Other current assets	18,397	11,625
Inventory assets	238	217
Ⅱ. Non-Current Assets	704,303	471,126
Account receivables	3,968	1,982
LT financial instruments	138	145
Financial assets measured at fair value	169,971	197,647
AFS financial assets	15,698	16,108
Investment in affiliated companies	39,936	39,635
Tangible assets	178,058	163,321
Intangible assets	256,988	11,311
Investment property	4,465	4,436
Other non-current assets	618	35,081
Deferred tax asset	34,463	1,460
Total Assets	1,149,099	1,280,475
Liabilities		
Ⅰ. Current Liabilities	135,652	140,231
Other payables	33,514	29,230
Lease liabilities	5,205	2,071
Income taxes payable	2,018	43,616
Current provisions	0	470
Other current liabilities	94,915	64,844
Ⅱ. Non-Current Liabilities	214,344	94,191
Other payables	7,552	6,855
Long-term debt	56,200	71,200
Financial liabilities measured at fair value	18,166	0
Lease liabilities	13,324	4,293
Non-current provision	912	269
Other non-current liabilities	94,510	6,403
Deferred tax liabilities	23,680	5,171
Total Liabilities	349,996	234,422
Capital		
Ⅰ. Capital stock	6,623	6,623
Ⅱ. Capital Surplus	219,742	221,001
Ⅲ. Retained Earnings	550,155	790,405
Ⅳ. Capital Adjustments	(24,229)	(22,386)
Ⅴ. Accumulated Other Comprehensive Income	46,812	50,410
Ⅵ. Non-controlling Interests	0	0
Total Capital	799,103	1,046,053

※ FAQ

2Q26 Performance

Q. Reasons for Underperforming Guidance

A. Second-quarter performance fell short of guidance primarily due to an increased proportion of physical package sales, where revenue recognition is limited to a portion of total gross sales. Physical package revenue is recognized on a net basis, reflecting actual sales proceeds after deducting distribution commissions, logistics, and promotional expenses. Additionally, there is a time lag between sell-through and revenue recognition due to wholesale-retail settlement procedures. Furthermore, 20% of the settlement amount was deferred as a refund guarantee reserve, contributing to top-line performance below guidance. The deferred revenue is expected to be recognized sequentially over the second half of the year.

In light of these factors, we have adjusted our guidance and plan to focus on boosting the live operations of Black Desert and expanding the sales volume of Crimson Desert to achieve our revised targets. Furthermore, we will continuously monitor key indicators and sales trends, doing our utmost to achieve our guidance through marketing and pricing strategies tailored to market conditions.

Q. Labor Costs and Headcount Status

A. Second-quarter labor costs increased by 94.8% QoQ due to one-off expenses related to performance bonus payouts. Total headcount at the end of the second quarter stood at 1,035. While short-term personnel brought in during the first quarter for the launch of Crimson Desert declined, total headcount increased by 1.1% QoQ due to an influx of interns as well as additional hiring in service and marketing functions.

Q. Marketing Expenses

A. Marketing expenses decreased by 61.1% QoQ, driven by a reduction in marketing spending for Crimson Desert. In the second half of the year, while remaining mindful of market conditions, we will strive to maximize marketing effectiveness through efficient cost execution.

Q. Commissions
A. Commissions decreased by 28.0% QoQ, aligned with sales trends for Crimson Desert. In the first quarter, platform commissions—such as those paid to Steam—increased significantly due to the launch of Crimson Desert. However, in the second quarter, as sales stabilized, commissions adjusted accordingly.

Additionally, differences in revenue recognition methods across platforms impact our commission expenses. For console platforms, revenue is recognized on a net basis excluding platform fees, whereas PC revenue is recognized on a gross basis, with platform fees subsequently recorded under commissions. Consequently, commission expenses are determined not only by raw sales volume, but also by the relative sales mix across different platforms.

Q. Other Revenue
A. Other revenue primarily consists of valuation and disposal gains related to financial assets. In the second quarter, our subsidiary Pearl Abyss Capital recorded approximately KRW 2.9 billion in gains related to financial assets measured at fair value through profit or loss. The valuation gains stemmed from foreign exchange revaluation of foreign currency-denominated financial assets, while the disposal gains were recognized from the sale of investment assets.

2H26 Guidance & Outlook

Q. Feasibility of Achieving Guidance

A. To achieve our revised guidance, we are strengthening the live operations of Black Desert and preparing various strategies to boost sales of Crimson Desert. For Black Desert, major updates scheduled for the second half—including new class 'Agent' and 'Edania Part 2'—are expected to drive a rebound in both user metrics and revenue. For Crimson Desert, we will also pursue multiple initiatives, such as pricing strategies and DLC releases, to expand sales volumes and ensure we hit our targets.

Q. Crimson Desert Projected Annual Sales Volume

A. We do not disclose sales volume forecasts for Crimson Desert. Please refer to our annual guidance.

Q. Potential One-off Expenses

A. Based on our revised guidance, there are no one-off expenses that would impact operating profit. While executing costs within the provided guidance, we will communicate with the market promptly should any changes arise.

Black Desert

Q. 2Q26 Performance and 2H26 Outlook

A. In 2Q26, Black Desert exceeded guidance; however, performance softened quarter-over-quarter as we focused on content optimization rather than major updates. Additionally, in 3Q26, we hosted '2026 Black Desert Heidel Ball' in the U.S. to celebrate the 10th anniversary of our North American and European services, where we unveiled upcoming major content updates and system revamp plans for the second half.

While Black Desert's 1H26 operations centered on improving existing content, performance is expected to improve in 2H26, as we have prepared a diverse lineup of initiatives, including major updates such as new class 'Agent' and new region 'Edania Part 2,' alongside global esports operations.

Notably, following the recent launch of our 32nd class, 'Agent,' and the introduction of the 'HyperBoost' system—designed to accelerate the growth of new and returning users—we have observed a clear rebound in key user metrics, including rising Steam rankings, increased streaming viewership, and higher DAU. We remain fully committed to delivering rich and engaging content in the second half to translate these positive trends into strong operational results.

Crimson Desert

Q. Long-Term Growth Strategy and DLC Plans
A. To expand our user base and achieve long-term revenue growth, we are preparing various follow-up strategies for Crimson Desert, including DLCs and platform expansions. Given that Crimson Desert is an IP with substantial potential for expansion—spanning its rich world, characters, and regions—we plan to extend its product lifecycle through a steady stream of content updates.

We are currently developing the first DLC with the goal of delivering a new gameplay experience, targeting a release within this year. Details regarding its structure, pricing, and exact release schedule will be shared during the third quarter.

Please note that plans regarding the total number of DLCs and their release cadence have not yet been finalized, as our primary focus is on ensuring the quality and successful execution of the first DLC. Subsequent DLC releases and operational plans will be determined based on a comprehensive evaluation of user feedback, sales trends, development resources, and company-wide pipelines.

Q. Discount Strategy and Promotion Plans
A. Promotions, including discounts, serve as a critical sales strategy for packaged games. Internally, we are currently evaluating appropriate discount rates and optimal timing. However, we ask for your understanding that we cannot disclose specific discount plans in advance due to strategic marketing considerations. Furthermore, rather than simply lowering the price, our primary focus will be on executing promotions that effectively expand our new user base and maximize long-term revenues.

Q. Platform Expansion Plans (Nintendo Switch 2)
A. We are striving to make Crimson Desert available across as many platforms as possible. However, platform expansion is not merely a straightforward port; the key requirement is ensuring that the game's graphics, combat action, and seamless open-world experience are fully preserved on each target device.

In the case of Switch 2, while optimization is required, the game is currently playable at a foundational level, and technical evaluations are underway to ensure performance optimization and compliance with our quality standards. While it is difficult to confirm a definitive launch schedule at this time, we are working toward a release targeted for the first half of 2027. We will provide updates through our official channels once details are finalized.

Q. Multiplayer Expansion Plans

A. Given Crimson Desert's dynamic action combat and expansive open-world structure, there is significant potential for expansion into multiplayer modes. However, integrating multiplayer functionality is far more complex than simply adding a new game mode; it represents a major technical initiative that requires comprehensive evaluation of server architecture, game balance, cross-platform stability, and live service operation models.

Accordingly, we are currently conducting extensive research from both technical and gameplay perspectives. Our overarching goal is to extend how users engage with the Crimson Desert IP over the long term, and we will share further details through our official channels as our plans materialize.

Q. Mobile Expansion Plans

A. Currently, we have no immediate plans to release a mobile version of Crimson Desert. As a title whose core value lies in high-quality graphics, dynamic combat action, and an immersive open-world experience, any mobile expansion requires prior evaluation of whether these standards can be fully delivered in a mobile environment.

While we continue to research the scalability and optimization capabilities of our proprietary 'BlackSpace Engine' for mobile platforms, our current development priority remains focused on DLCs and next-gen titles. Moving forward, we will evaluate potential mobile expansion in a comprehensive manner, taking into account technological advancements, market opportunities, and strategic development priorities.

Q. Crimson Desert Franchise Strategy

A. Crimson Desert is not a one-off title, but a core flagship IP of our company designed for long-term growth and expansion. Accordingly, while we remain open to various possibilities—including add-on content, platform expansion, and sequel titles—our immediate development priority is centered on Crimson Desert DLCs and our next pipelines.

Regarding the broader Crimson Desert franchise, we will evaluate future development opportunities in due course as we service the main game and its DLCs, taking into account user feedback, market conditions, and commercial performance.

Q. China Publishing Approval(Banhao) Plans

A. Given its market scale, China remains an important market for the gaming industry, and we continue to monitor and evaluate it closely. However, we currently have no specific plans to apply for a publishing approval(Banhao). As we consistently assess opportunities to expand our global footprint, including China, we will share updates through our official channels if any key decisions are finalized.

Q. Showcase Plans for Gamescom

A. At this year's Gamescom, we plan to deliver a presentation focused on our development experience and technical achievements with our proprietary 'BlackSpace Engine'. Through this session, we aim to showcase our internal development capabilities and technological competitiveness to the global gaming industry.

Additionally, in collaboration with our partner, we are preparing on-site hands-on demos for Crimson Desert, offering another opportunity to engage directly with Western users and industry peers. Specific content details and schedules will be announced in accordance with partner and event operational timelines.

DokeV

Q. Game Overview

A. DokeV is an open-world action-adventure game featuring a fresh universe and narrative, designed to offer an experience where users explore a vibrant world and grow alongside the DokeV(Creatures). The game is being developed with a focus on bright, distinct visuals, dynamic action, exploration, and rich interactive mechanics as its core features. Specific gameplay systems and content details will be disclosed progressively in line with our upcoming marketing schedule.

Q. Development Status and Marketing Strategy (Trailer Reveal & Launch Schedule)

A. DokeV is progressing smoothly by leveraging the development assets and production experience accumulated from our previous projects. Having moved beyond the foundational system setup, the project is currently in the phase of expanding content creation and validating the core gameplay loop.

We are targeting a launch in the second half of 2028, and both information releases and marketing initiatives will be executed in phases according to our development milestones. Based on our current progress, we expect to kick off full-scale marketing—including hands-on playable demos and sequential information reveals—starting in the second half of next year.

Regarding trailer reveals, we are evaluating options within our broader marketing strategy. Rather than simply advancing the reveal timeline, we believe it is essential to sustain user engagement and momentum all the way to launch. Learning from past experience that releasing content too early can lead to hype fatigue, we plan to showcase the game at a timing that fully demonstrates its quality and vision.

Q. Development Headcount and Resource Allocation

A. Since our development staffing is managed flexibly depending on the operational phase of each project, we are unable to disclose specific headcount numbers. However, as patch operations for Crimson Desert stabilize, development resources are being progressively reallocated to DokeV. We remain fully committed to meeting our targeted launch timeframe of the second half of 2028.

Shareholder Return Policy

Q. Treasury Share Buyback Status

A. On June 9, 2026, our Board of Directors approved a treasury share buyback program valued at KRW 100.0 billion, and we subsequently executed a trust agreement to repurchase shares between June 9, 2026, and December 9, 2026. Share repurchases are being executed flexibly in accordance with our internal operational plans, taking into account overall market conditions and share price movements. As of August 10, a total of KRW 32.3 billion has been repurchased, representing an execution rate of 32.3%.

Q. Treasury Share Cancellation Plans

A. We view treasury share cancellation as a vital mechanism for returning value to our shareholders. On June 9, 2026, the Board of Directors resolved to cancel 1,403,945 treasury shares—representing 50% of our existing treasury stock holdings—and the share cancellation was successfully completed on June 12.

The scale and timing of any additional share cancellations will be determined by the Board of Directors following a comprehensive review of our financial position, investment requirements, and capital allocation strategy. We will communicate further updates to the market as soon as details are finalized.

Etc

Q. Proprietary Engine Strategy and AI Utilization

A. The 'BlackSpace Engine' represents one of Pearl Abyss's core technological competitive advantages. Currently, we are utilizing it internally to strengthen our IP competitiveness rather than commercializing it externally. In the long-term, we plan to leverage the 'BlackSpace Engine' to build a user-generated content(UGC) ecosystem, creating a platform where users and creators actively participate and grow together.

Additionally, we actively utilize AI technologies to boost development productivity and elevate product quality. AI is applied across various stages of development—including the automation of repetitive tasks, content creation support, and QA testing efficiency—and we are expanding its scope across our entire pipeline. We view AI not as a replacement for human developers, but as a tool to enhance development efficiency and overall quality. Moving forward, we will continue expanding our use of AI to deliver higher-quality games to market more rapidly.

Q. Investment and M&A Strategy

A. As part of our long-term growth strategy, we are exploring various opportunities; however, we approach M&A with prudence, fully considering long-term strategic alignment and its impact on shareholder value.

Our immediate priority remains focused on developing next-gen titles such as DokeV, strengthening core IP competitiveness, and advancing our new vision of building a creative ecosystem. That said, should compelling opportunities arise that deliver concrete value to company growth and enhance corporate valuation, we remain open to considering strategic investments and M&A.