

REPORT OF MATERIAL EVENT (English Summary)

Filing Date: May 17, 2018

Filed with: Financial Services Commission of Korea / Korea Exchange

Company: Kakao Corp.

I. REASON FOR REPORT

Decision on the Merger (as defined below)

II. MATTERS TO BE REPORTED

1. Form of the Merger

Kakao M Corp. (“Kakao M”) will be merged with and into Kakao Corp. (“Kakao” or the “Company”), upon which Kakao will remain as the surviving entity (the “Merger”). The Merger will be implemented in the form of a “small-scale merger.”

2. Purpose of the Merger

Through the Merger, Kakao seeks to strengthen the competitiveness of the combined company’s platforms and enhance its business expertise. More specifically, Kakao plans to: (1) strengthen the combined company’s leading position in the music services industry by leveraging its expanded user base and differentiated services, to be achieved through an integration of the Kakao Talk and Melon platforms; (2) increase the synergies between the two companies through a systematic integration of their respective contents, data, platforms and technologies; and (3) strengthen the combined company’s content production capabilities by spinning off Kakao M’s music and video production and distribution businesses into a separate entity subsequent to the Merger.

3. Main Impact and Effect of the Merger

(i) Impact and Effect on the Company’s Management

As of the date of this report, the largest shareholder of Kakao, Mr. Beom-Soo Kim, and his specially related parties collectively hold a 31.94% equity interest (based on common shares) in Kakao. Kakao, which is the largest shareholder of Kakao M, and its specially related parties collectively hold a 76.42% equity interest (based on common shares) in Kakao M as of the date of this report. Upon the consummation of the Merger, Mr. Beom-Soo Kim and his specially related parties will collectively hold a 29.23% equity interest (based on common shares) in Kakao, and Mr. Kim will retain his status as the largest shareholder of Kakao.

Following the completion of the Merger, Kakao will remain as the surviving entity, and Kakao M will cease to exist.

(ii) Impact and Effect on the Company’s Finances and Business

The Company expects to maximize the synergies between the two companies’ platforms and its increase enterprise value through the Merger. Furthermore, the Company expects to strengthen the competitiveness of the combined company’s content production capabilities by enhancing the expertise of Kakao M’s music and video production and distribution businesses, which the Company plans to spin off into a separate entity subsequent to

the Merger. As a result, the Company believes that the Merger will increase shareholder value and have a positive effect on the Company's finances and business.

4. Merger Ratio

Kakao : Kakao M = 1:0.8023366 (i.e., 0.8023366 Kakao common share to be issued per 1 Kakao M common share)

5. Basis for Determination of the Merger Ratio

As Kakao and Kakao M are both "stock-listed corporations," the merger ratio for the Merger (the "Merger Ratio") was determined based on reference share prices calculated in accordance with Article 165-4 of the Financial Investment Services and Capital Markets Act (the "FSCMA") and paragraph (1), clause 1 of Article 176-5 of the Enforcement Decree of the FSCMA. No outside external appraisal organization was engaged to perform an appraisal.

Pursuant to paragraph (1), clause 1 of Article 176-5 of the Enforcement Decree of the FSCMA, with the date preceding the earlier of the date of the resolution of the board of directors for the Merger (May 17, 2018 for both companies) and the date of the definitive agreement for the Merger (the "Merger Agreement") (May 18, 2018) as the calculation date (May 16, 2018), the reference share prices of Kakao (which is a corporation listed on the KOSPI Market of the Korea Exchange) and Kakao M (which is a corporation listed on the KOSDAQ Market of the Korea Exchange) for the Merger were calculated, in each case, as the average of (x) the volume weighted average of the closing prices of the applicable common shares for the latest one-month period, (y) the volume weighted average of the closing prices of the applicable common shares for the latest one-week period and (z) the closing price of the applicable common shares as of the latest date. No premium or discount was applied in calculating the reference share price of either company for the Merger.

(i) Reference Price of Kakao's Common Shares (Par Value Won 500 per Share)

- Volume weighted average of the closing prices of Kakao's common shares for the latest one-month period (April 17, 2018 ~ May 16, 2018): Won 114,719
- Volume weighted average of the closing prices of Kakao's common shares for the latest one-week period (May 10, 2018 ~ May 16, 2018): Won 115,706
- Closing price of Kakao's common shares as of the latest date (May 16, 2018): Won 117,000
- Reference price of Kakao's common shares (an arithmetic average of the three prices above): Won 115,808

(ii) Reference Price of Kakao M's Common Shares (Par Value Won 500 per Share)

- Volume weighted average of the closing prices of Kakao M's common shares for the latest one-month period (April 17, 2018 ~ May 16, 2018): Won 90,344
- Volume weighted average of the closing prices of Kakao M's common shares for the latest one-week period (May 10, 2018 ~ May 16, 2018) : Won 92,508
- Closing price of Kakao M's common shares as of the latest date (May 16, 2018): Won 95,900
- Reference price of Kakao M's common shares (an arithmetic average of the three prices above): Won 92,917

Based on the above, the reference share prices of Kakao and Kakao M, which serve as the basis of the Merger Ratio, were calculated to be Won 115,808 and Won 92,917, respectively. Therefore, the Merger Ratio was determined to be 1:0.8023366.

6. External Appraisal

- (i) External appraisal: Not required
- (ii) Basis: The Merger is a merger between stock-listed corporations and the Merger Ratio was determined based on reference share prices calculated in accordance with Article 165-4 of the FSCMA and paragraph 1, clause 1 of Article 176-5 of the Enforcement Decree of the FSCMA. Accordingly, an assessment of the appropriateness of the Merger Ratio by an external appraiser is not required.

7. The Company's New Shares to be Issued in the Merger

- (i) Common Shares: 7,012,650
- (ii) Class Shares: none

8. Information Regarding Counterparty to the Merger

- (i) Name of the Entity: Kakao M Corp.
- (ii) Main Business: planning, production and sale of music albums and online music services
- (iii) Relationship to the Company: subsidiary
- (iv) Summary Financial Data for the Most Recent Fiscal Year (in Won, based on Kakao M's consolidated financial statements as of and for the year ended December 31, 2017)
 - i. Total Assets: 543,107,137,694
 - ii. Total Liabilities: 190,525,329,988
 - iii. Total Equity: 352,581,807,706
 - iv. Capital stock: 12,645,852,500
 - v. Revenue: 580,332,777,304
 - vi. Net Income: 67,688,435,069
- (v) External Auditor: Samil PricewaterhouseCoopers
Audit Opinion: unqualified

9. Information Regarding Company to Be Newly Established Pursuant to the Merger

Not applicable.

10. Schedule (subject to change due to factors such as requisite authorizations or approvals under applicable law and consultation with relevant governmental authorities)

- (i) Date of the Merger Agreement: May 18, 2018

- (ii) Record date: June 1, 2018
- (iii) Closure of the shareholder register
 - i. Start date: June 4, 2018
 - ii. End date: June 8, 2018
- (iv) Period for shareholders to file a dissent to the Merger
 - i. Start date: June 4, 2018
 - ii. End date: June 18, 2018
- (v) Creditor objection period
 - i. Start Date: July 6, 2018
 - ii. End Date: August 7, 2018
- (vi) Effective date of the Merger: September 1, 2018
- (vii) Registration date of the Merger: September 3, 2018
- (viii) Delivery of new share certificates: September 17, 2018
- (ix) Date of listing of new shares: September 18, 2018

11. Back Door Listing

Not applicable

12. Counterparty's Fulfillment of Conditions for Back Door Listing

Not applicable

13. Shareholder Appraisal Rights

Not applicable

14. Board Resolution

- (i) Date of the resolution of the board of directors: May 17, 2018
- (ii) Attendance by outside directors
 - i. Number of outside directors who attended: 5
 - ii. Number of outside directors who did not attend: 0

15. Agreements for Put Options, etc.

Not applicable

16. Applicability of Securities Registration Statement Filing Requirement

Applicable

17. Other Investment Considerations

- (i) The Merger will proceed as a small-scale merger pursuant to Article 527-3 of the Korean Commercial Code. Accordingly:
 - i. An approval by the board of directors will replace an approval of the general meeting of shareholders of Kakao. The meeting of the board of directors to approve the Merger is scheduled for July 5, 2018.
 - ii. No appraisal rights will be granted to the shareholders of Kakao.
- (ii) The general meeting of shareholders of Kakao to report the completion of the Merger will be replaced by the public disclosure of the resolutions of the board of directors of Kakao, which is scheduled for September 3, 2018.
- (iii) Upon the occurrence of any of the following events, the Merger Agreement may be amended or terminated:
 - i. Kakao and Kakao M may terminate the Merger Agreement by mutual written agreement.
 - ii. If a condition or circumstance arises that (x) could have a material adverse effect on the Merger or (y) would make a party's representations and warranties under the Merger Agreement untrue in a material respect, or if a circumstance arises that would cause a party to be unable to meet the conditions precedent for the completion of the Merger, the other party may terminate the Merger Agreement by written notice.
 - iii. (i) If any authorizations or approvals of relevant government authorities (including merger control approval) required for the Merger are definitively denied, or (ii) if complying with any conditions attached to such authorizations or approvals would either be unfeasible or reasonably be expected have a material adverse effect on the merged company's finances, operations, businesses or assets, or any such condition would otherwise be substantially difficult to meet, either party may terminate the Merger Agreement by written notice.
 - iv. If a material adverse change or effect to a party's assets, liabilities or businesses (including any commencement of insolvency, bankruptcy or rehabilitation processes) occurs, the other party may terminate the Merger Agreement by written notice.
 - v. If a party is in breach of any representations and warranties, covenants, commitments or obligations under the Merger Agreement and such breach is not cured within 15 days of written notice from the other party requesting such cure, the other party may terminate the Merger Agreement by written notice upon expiration of the 15-day cure period.
 - vi. If, following the approval at the general meeting of shareholders of Kakao M, the amount of payments to be made to dissenting shareholders of Kakao M who exercised their appraisal rights is greater than Won 100 billion, each party may decide on whether to proceed with the Merger by resolution of its board of directors. If either party decides not to proceed with the Merger, it may terminate the Merger Agreement by written notice to the other party.
 - vii. If it becomes impossible to implement the Merger as a small-scale merger in accordance with Article 527-3 of the Korean Commercial Code due to dissents filed by 20% or more of Kakao's shareholders, Kakao may terminate the Merger Agreement by written notice.

- (iv) Subsequent to the Merger, the Company plans to spin off Kakao M's music and video production and distribution businesses into a separate entity in order to strengthen the competitiveness of the combined company's content production capabilities.