

21 August 2023

Dear NAVER Shareholders:

This is my second letter to you since the first this past May, and I thank you again for your continued support.

First, we are excited to meet you all at our inaugural ‘DAN (\ 'dän \) 23 Conference’ and ‘Investor Day’ in Seoul on August 24th. We look forward to sharing with you our latest developments, the status of our investments into and our capabilities regarding Artificial Intelligence (“AI”), and how we envision AI will further power our business going forward. The event will also be live-streamed. Log-in details will be provided separately.

Before diving into a full day of AI topics, I thought it would be helpful to reflect on how NAVER has successfully navigated three previous secular waves, and how those have collectively better prepared us to ride the next and fourth secular wave of AI.

The competitive dynamics during each previous wave had involved much deeper-capitalized and better-resourced global tech giants, and presented challenges that at times may have appeared to be existential. But each time, NAVER successfully seized the opportunity to emerge as a stronger platform.

We enter the AI wave better prepared than ever, having assembled and trained a 500+ team of Korea’s most talented AI engineers and scientists; as one of the first five companies in the world known to have developed a 100+ billion parameter LLM; and as the uniquely integrated digital advertising / engagement / e-commerce platform that we have evolved into following the last three waves, which we believe AI will only make much more compelling.

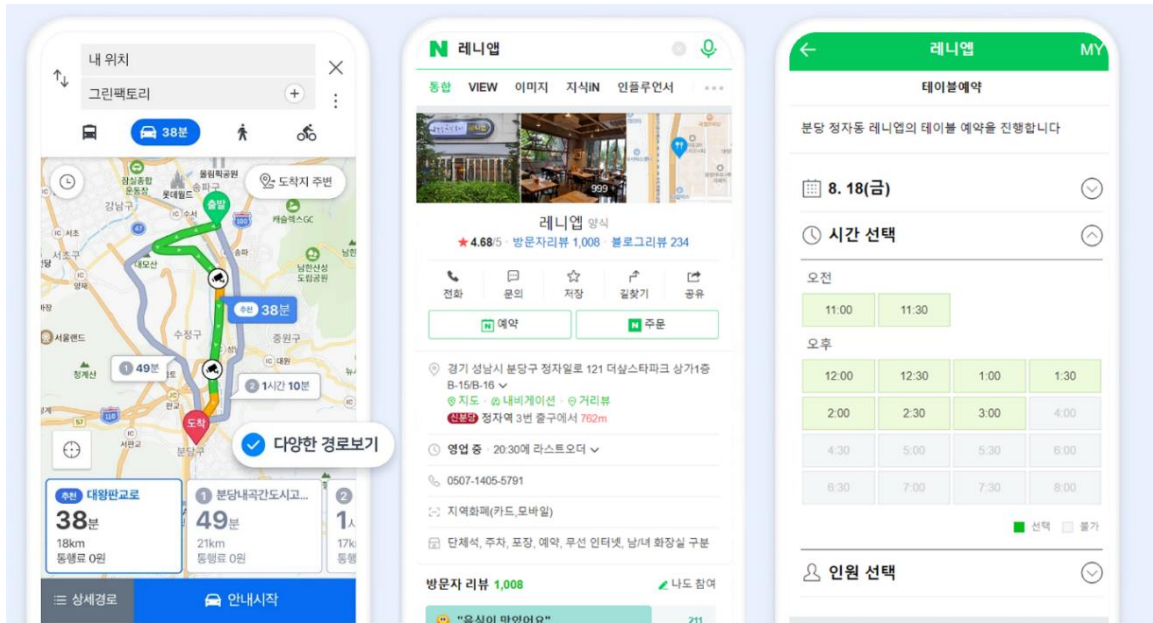
THE FIRST WAVE: SEARCH [1999 ~]

Korea’s Internet industry was highly competitive and fragmented during the early days of search, where NAVER was in fact a latecomer to a crowded market, which at one time had included Yahoo, Daum, AltaVista, Lycos, Empas and Google. However, we successfully emerged from this highly competitive field as the dominant player by employing a strategy focused on three key areas: 1) localization; 2) user intent; and 3) community and hosted user generated content. This was a highly differentiated approach that our competitors failed to emulate, despite the massively greater resources many competitors had available to spend toward crawling billions of pages across the web.

1) Localization

NAVER’s search algorithms were far better grounded in the Korean language, NAVER’s local map was far more accurate, and NAVER’s local reviews far outnumbered that of any other competitor. This resulted in the ability to deliver more accurate and relevant search results, not only lexically, but also from the perspective of cultural and regional context.

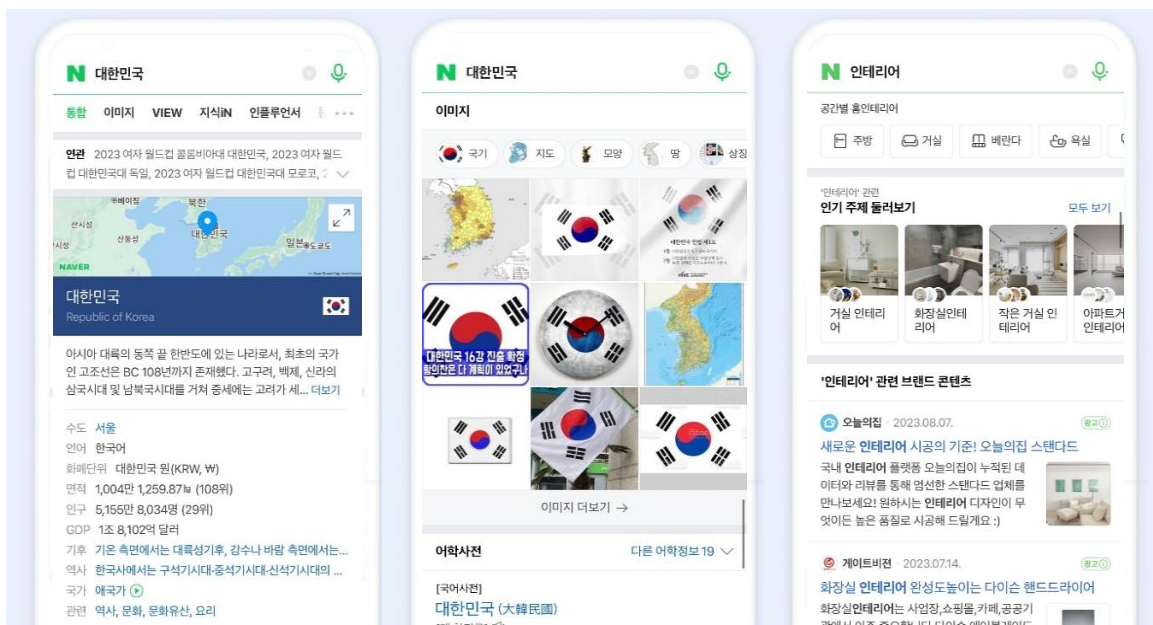
<NAVER's Map and Local Service SmartPlace>



2) User intent

The quality of NAVER's search results exceeded that of competitors, a result of earlier adoption and utilization of vertical search – i.e., search where relevance is not only ranked horizontally but also vertically within each topic category, such as news, blogs, images, etc. NAVER integrated this approach into our main page since 2000, several years before Google launched a similar service (*Universal Search*).

<NAVER's Vertical Search>



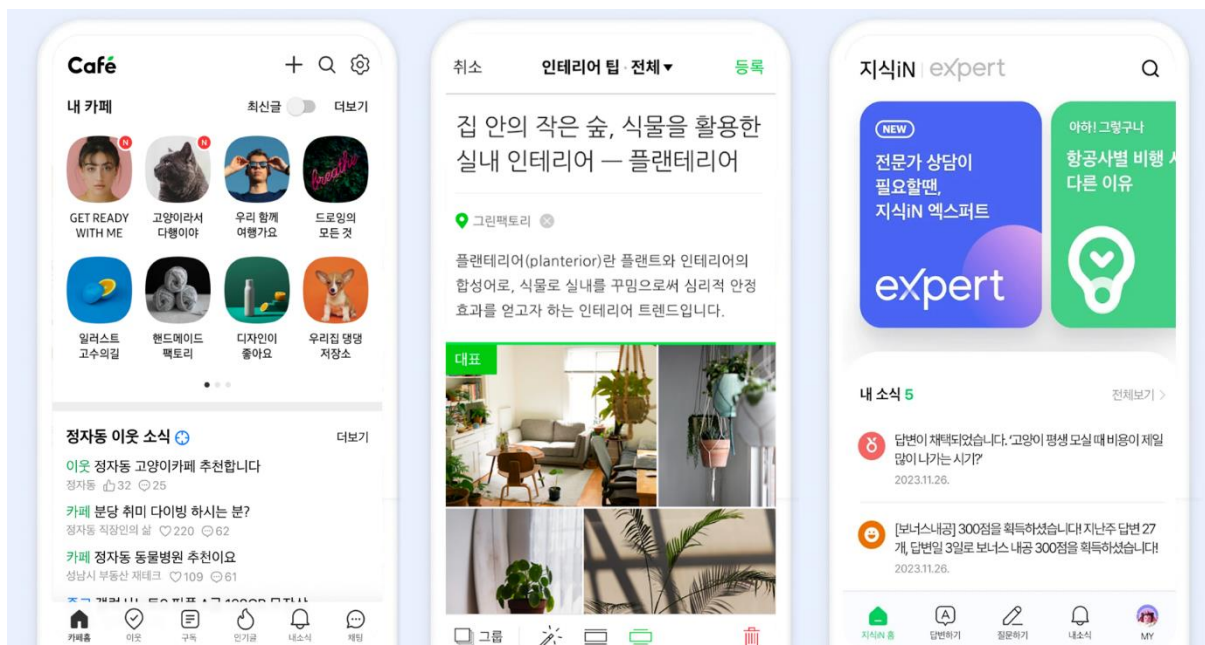
3) Community and hosted user generated content

Community-based engagement and hosted user generated content is an area that competing search engines are unable to provide to this day. This was a differentiating strategy for NAVER especially during the early days of the Internet when web content written in the Korean language was sparse, despite the exponential growth of domestic search demand that was fueled by the fastest and most ubiquitous broadband infrastructure in the world at the time. For example, integrated into search results since 2002 was NAVER's "Knowledge-iN" service, a *Quora*- or *Reddit*-like user-engaged Q&A service that continues to be popular today. *Yahoo! Answers* would attempt a similar version of this service several years later.

NAVER was a global pioneer in hosting user generated content, beginning with NAVER Café (community message boards) and NAVER Blog in 2003. Incorporating and promoting hosted user generated content within search results continues to be a key differentiator of NAVER's search quality, adding a stratum of local context and user intent unmatched by any other search engine.

Today this strategy has expanded to empower influencers, creators and merchants, and has further evolved to create new business lines such as NAVER Webtoon and NAVER Shopping (explained further in the paragraph below – "*The Third Wave...*").

<NAVER's Hosted User Generated Services: Café, Blog, and Knowledge-iN>



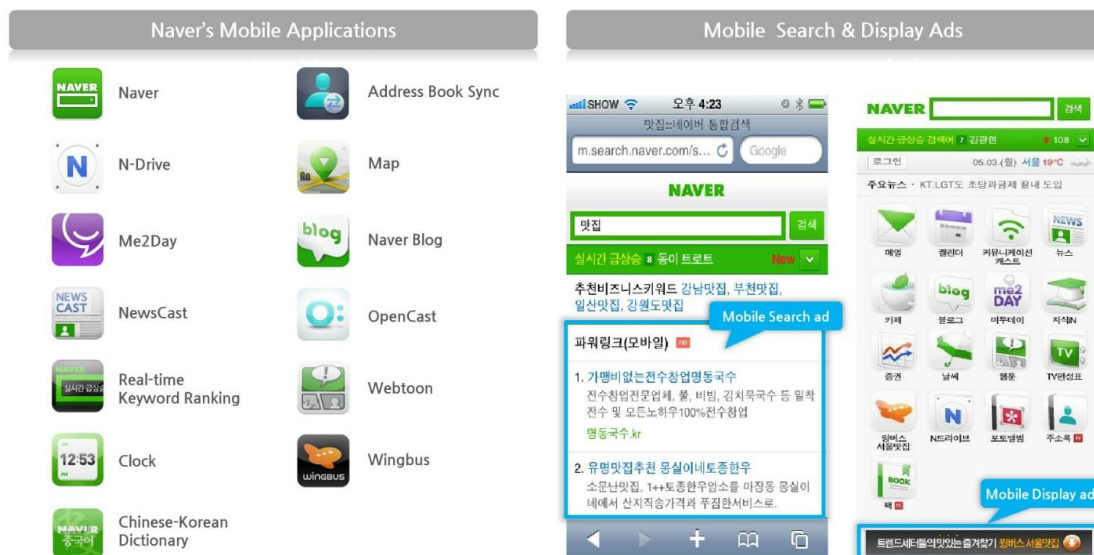
NAVER's unmatched localized accuracy, superior ability to infer user intent, and unique proprietary corpus of data accumulated by way of community engagement and hosted user generated content, collectively provide a compelling foundation for AI to flourish, which I will expand upon in the last section of this letter.

THE SECOND WAVE: TRANSITION TO MOBILE [2007 ~]

If the first wave was a free-for-all to capture what would quickly become the highly lucrative search advertising industry, the transition to mobile was the first time we faced risk of structural disruption. Korean smartphone makers' reliance on Android easily allowed for the pre-installation of Google apps onto the dominant smartphone models across Korea, whereas our own similar attempts were met with scrutiny and resistance to what may have further strengthened Korea's already dominant search engine and internet portal.

Despite such headwinds, by 2010 we had successfully launched 13 mobile apps and 20 mobile services, including location-based and other personalized services, as well as immersive creative content such as Webtoon. More notably, NAVER led the world's transition to mobile advertising. By contrast, the growth of mobile advertising in the United States lagged Korea by several years, with the relative lack of broadband infrastructure in the United States at the time also contributing.

<Mobile Apps and Services in Nov. 2010>



Source: NAVER(NHN) IR presentation (November 2010)

These accomplishments were evidenced by NAVER's strong financial performance during that period – our revenue and operating income grew at a compound annual growth rate of 24% and 20%, respectively, between 2006 and 2012.

Notwithstanding such success, public investors for a long time doubted NAVER's ability to survive the mobile transition, whereby we had at one point shed close to 2/3 of our market capitalization compared to the peak of 2007. This was also despite the fact that Korea's domestic credit markets had largely been insulated from, and therefore unscathed by, the financial crisis in the United States and elsewhere globally.

<NAVER's Relative Share Price Versus the KOSPI: 2006-2012>

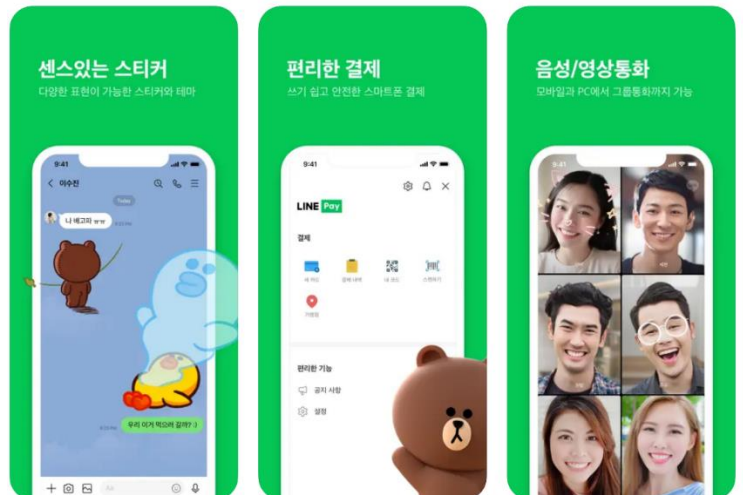
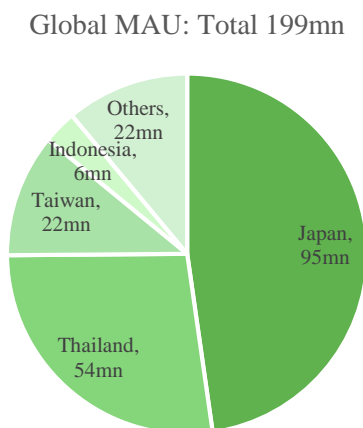
(Index=NAVER/KOSPI)



Source: KRX

It took NAVER's successful entry into Japan as the leading messaging app, LINE, before global investors would finally admit to NAVER's competence in withstanding the mobile transition, also reflected in NAVER's subsequent share price recovery. By the end of 2013, LINE had accumulated 137 million global monthly users, of which 41 million were in Japan and represented 32% of Japan's population (by June 2023, LINE's monthly users in Japan had grown to represent 76% of the national population).

<LINE Global MAU as of June 2023>



THE THIRD WAVE: E-COMMERCE VERSUS SOCIAL [2014 ~]

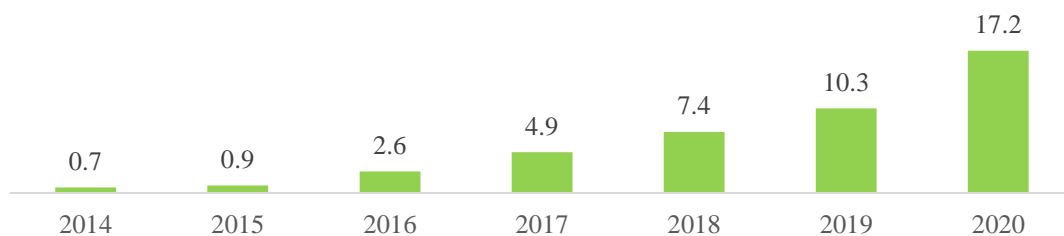
The mid-2010s saw the rise of engagement on global social media platforms and hosted video platforms, neither of which forms of engagement were in direct competition with NAVER's core business model – search advertising. At the same time, we had begun to observe another brewing trend, one which was already negatively affecting search advertising monetization in North America – the emerging dominance of e-commerce as a platform and media channel.

Rather than invest heavily into separate social media or hosted video infrastructure, neither of which provided the opportunity to capitalize on our existing search advertising capabilities, we instead chose to expand into e-commerce with our launch of Smartstore. We anticipated that this strategy would benefit from the strength of our search technology and the traffic that it commanded. (Note that this did not preclude us from successfully growing and monetizing other forms of engagement, such as the highly immersive and creative, user-generated Webtoons.)

Our strategy was to disintermediate what was at the time a highly fragmented e-commerce market in Korea, by offering 1) aggregation (i.e., search-driven price comparison across multiple third-party platforms); 2) a compelling suite of e-commerce enablement tools for sellers; and 3) one-stop check-out and organic payment processing.

Our successful entry and rapid growth into becoming a leading e-commerce player helped carry Korea's overall e-commerce penetration to be one of the highest in the world. Korea continues to be one of the fastest growing e-commerce markets today.

<NAVER Smartstore GMV (KRW trillion): 2014-2020>



As a result, NAVER currently occupies a globally unique position as a dominant search platform that simultaneously functions as a leading e-commerce channel. This is in a country that is home to 48 million search users, 22 million of whom shop on our platform on a weekly basis across the 560,000 shops that we enable, with more than 70% of those shoppers transacting through our payment processing system.

The combination of advanced search technology and cost-competitive e-commerce enablement solutions, all integrated onto a single aggregation platform, resulted in what continues to be the only e-commerce channel of its kind globally today.

THE FOURTH WAVE: ARTIFICIAL INTELLIGENCE, AND WHY WE FOCUS ON IT

We believe that AI has already begun to power the next wave of transformational innovation and will lead to many new applications across a wide range of industries.

AI has also become a key element of our own core services, from our “Smart Block” search features to our shopping recommendations designed to increase conversion. Over 80% of our users have purchased items recommended by our AI-driven engine on our platform, comprising 13% of Smartstore GMV in June 2023.

Within the last three to four years, we have invested toward AI a cumulative c. KRW 1 trillion, deployed across foundational research to integrations at the application level. In 2021, we completed the development of the first version of HyperCLOVA, one of only a handful of large language models (LLMs) in the world known today to exceed 100 billion parameters and the first that was trained primarily in the Korean language.

< Large Language Models (Selected Companies) >

	LLM Model	Scale
NAVER	HyperCLOVA HyperCLOVA X	204 bn parameters Not disclosed
Alphabet	PaLM PaLM2	540 bn parameters Not disclosed
Microsoft	GPT-3 GPT-4	175 bn parameter Not disclosed
Baidu	Wenxin(ERNIE 3.0 Titan)	260 bn parameter
Amazon	Alexa TM	20 bn parameter
Meta	LLaMA	65 bn parameter

Source: Company disclosures

We expect that generative AI will provide a crucial opportunity for us to further expand and enhance our core capabilities.

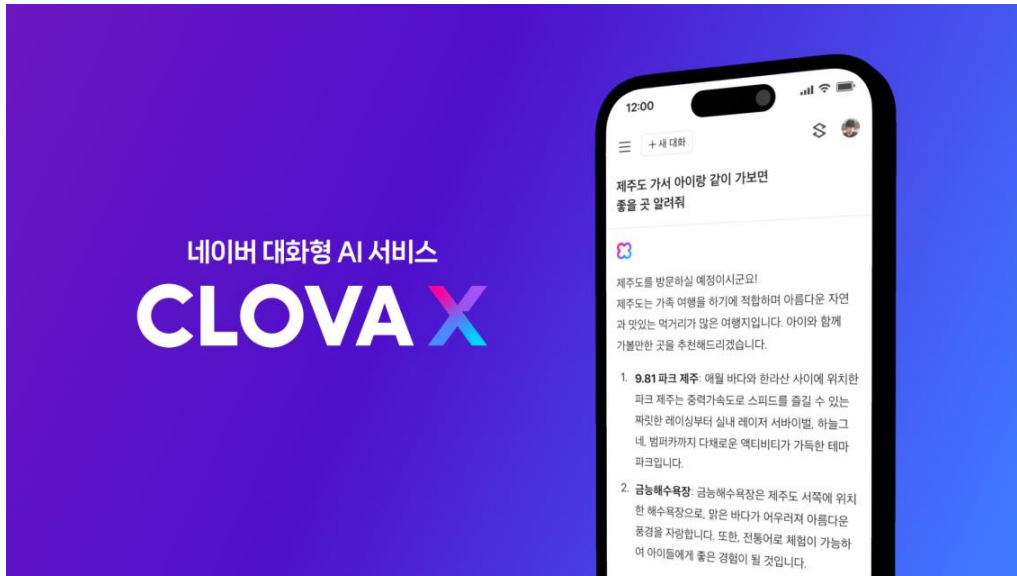
Our AI initiative focuses on the following four objectives.

1) Maintain competitive edge in foundational technology, advanced search and other core applications.

We will continue to further refine and develop our backbone LLM, HyperCLOVA X, and the core services and applications that it powers:

- **Cue:** is our next-generation search experience to be embedded within the NAVER main page
- **CLOVA X** is our chat-based generative AI application that is scalable through seamless integrations with external services
- **Skill** is our plug-in designed to help HyperCLOVA X access up-to-date information and enhance accuracy, and connect to and utilize a diverse universe of internal (NAVER) and external (off-NAVER platform) applications seamlessly through APIs

<NAVER's Chat-based Generative AI Application, CLOVA X>

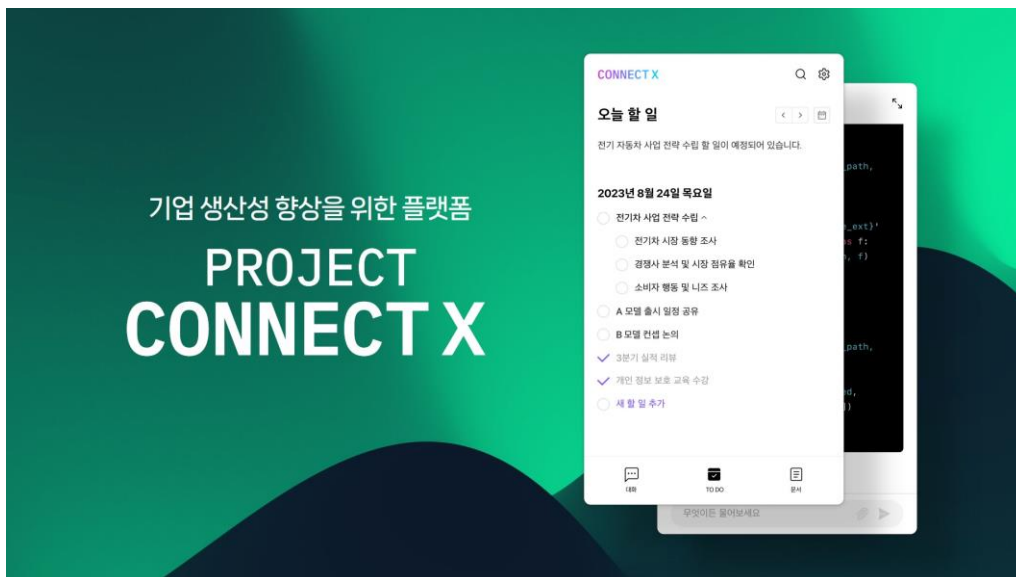


2) Enhance business and creative productivity

We believe that productivity enhancement is one of the areas where AI is expected to contribute the most. Developing on-platform generative AI tools for our merchants, creators, and influencers, and developing off-platform enterprise solutions for coding and design are key priorities for us.

- **Connect X** is our platform for businesses designed to utilize internal enterprise data and assist in drafting reports, emails, and a broader range of collaborative functions
- **CLOVA for Writing** is the generative AI-powered version of our Smart Editor for creators

<NAVER's Platform for Businesses, Connect X>

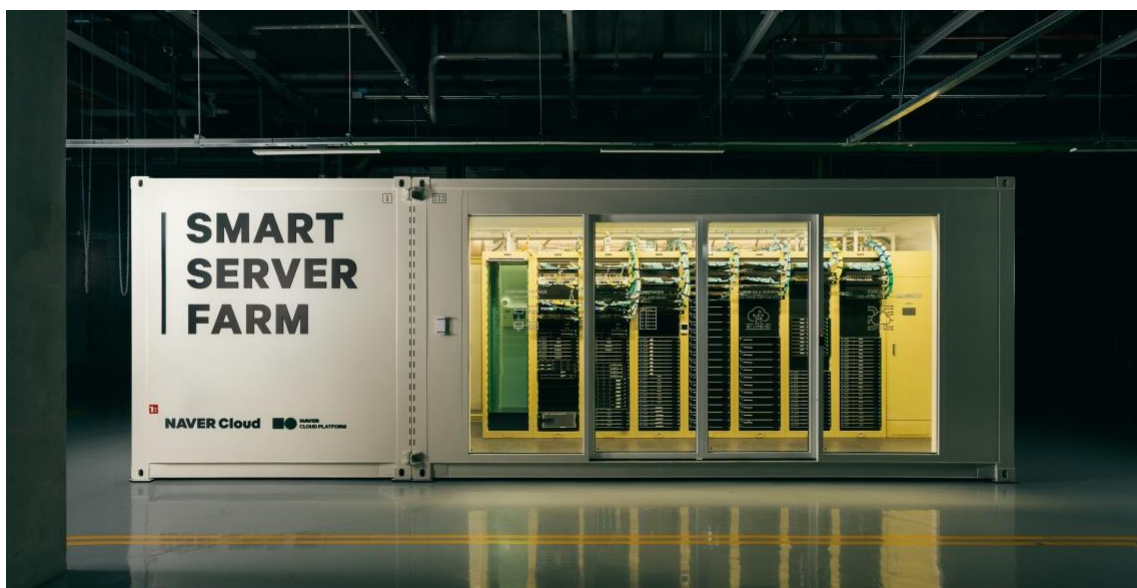


3) Provide customized AI solutions

Many enterprises face challenges in meeting their own AI needs, typically arising from prohibitive costs, security requirements, and in-house resource constraints. Our line-up of solutions is easily integrable with limited sample data and are highly customizable to each enterprise's specific requirements.

- **CLOVA Studio** allows enterprises to build and train their own tailored HyperCLOVA X model, which is fine-tunable utilizing their own proprietary data
- **Neurocloud** is our security enhanced cloud offering optimized for HyperCLOVA X-powered AI applications

<Neurocloud: Rack, Datacenter Type>



4) A new generative AI-infused NAVER platform experience

We are excited about the potential value that a generative AI-powered search, marketing and shopping experience can create for our users and advertisers. Our LLM is custom calibrated to the uniquely rich and diverse data that is proprietary to the NAVER platform.

We are confident that the unmatched breadth of our access to high-quality personalized data will further solidify our AI advantage. Merging HyperCLOVA X with a massive database of multi-dimensional intent data accumulated over the past 24 years, spanning:

- Korea's largest share of search queries;
- Korea's most widely plotted mapping service;
- local reviews covering 2.4 million offline shops and restaurants;
- differentiated content consumption (including news, Knowledge-iN, NAVER Blog, NAVER Café, etc.);
- Korea's go-to travel reservation destination;

- e-commerce purchases across 1.5 billion product listings with 1.1 billion product reviews; and
- more than 100 million monthly processed payments

will produce a hyper-scale user behavior model uniquely available only to NAVER.

CLOSING THOUGHTS

NAVER is the only integrated advertising + commerce channel in the world on which rests the full top-to-bottom funnel of the user journey, from discovery to intent (search) through conversion and, ultimately, payment. We provide a compelling platform for discovery for our users, and are a truly unique and powerful one-stop business channel for our merchants and advertising partners.

These competitive moats have evolved from our successful navigation of three previous secular waves, each of which had initially presented structural threats. We are now well prepared and excited to ride this next wave, AI, which we are confident will only further strengthen our existing advantages.

Thank you again for your longstanding trust in NAVER, and I look forward to engaging further with you at our 'DAN 23 Conference' and 'Investor Day' next week.

Please also do not hesitate to reach out with any questions to our Capital Markets contacts at dl_ir@navercorp.com.

Sincerely,



Choi Soo-yeon

Chief Executive Officer