

Quarterly Report

The third quarter of the 11th

Business year From 1 January 2010
To 30 September 2010

Messrs. Financial Services Commission
Korea Exchange

15 November 2010

Name of Company: Webzen Inc.

Representative Directors: Kim, Chang Geun and Kim, Byeong Gwan

Location of head office: 13F, 14F, 2nd Daeryung Post Tower, 182-13 Guro-dong, Guro-gu, Seoul
(Tel) 02-3498-1600
(Homepage) <http://www.webzen.co.kr>

Person in charge of preparation: (Title) Director of the headquarters
(Name) Shin, Hui Joon
(Tel) 02-3498-1600

[Confirmation by the representative directors etc.]

Confirmation

We as the representative directors and the director in charge of reporting work of this company personally checked and reviewed the contents of this third-quarter period report with considerable care, and confirm that there is no material omission in the entry or indication of mentioned items nor false entry or indication and that nothing written or indicated in this report induces material misapprehension of people who use the mentioned or indicated items in this report.

In addition, we confirm that this company is operating an internal accounting management system set up in accordance with Clauses 2 and 3 of Article 2 of the *Law on External Audit of Corporations*. (limited to corporate bodies which are the subjects of external audit according to Article 2 of the *Law on External Audit of Corporations*)

15 November 2010

Webzen Inc.

Representative director Kim, Chang Geun (sign)

Director in charge of reporting work Shin, Hui Joon (sign)

I. Overview of Company

1. Overview of Company

1) Legal and commercial name of Company

The English name of this company is written as 'Webzen Inc.'

2) Date of establishment and period of continuance

This company that was established on 28 April 2000 for the purpose of development and service of online games is a stock-listed corporation registered on the KOSDAQ on 23 May 2003. This company also registered American depositary receipt ("ADR") on the NASDAQ in the States based on the original shares on 16 December 2003.

This company determined on 18 June 2010 to be delisted from the NASDAQ, and cancel the registration on the Securities and Exchange Commission in relation to ADR during this reporting period. It was delisted from NASDAQ Global Market on 8 July 2010. However, ADR program maintains Level 1 and ADR can be traded at Pink Sheets which is a curb market.

3) Address, telephone number and homepage of head office

-Address: Level 14, 2nd Daeryung Post Tower, 182-13 Guro-dong, Guro-gu, Seoul

-Tel: 02-3498-1600

-Homepage: <http://www.webzen.com>

4) Whether or not Company is a small and medium-sized business

This company is not a small and medium-sized business on the date of submission of this report currently in accordance with Article 2 of the *Minor Enterprise Basic Law* and Article 3 of the *Ordinances on the Minor Enterprise Basic Law*.

5) Main business areas

This company is a company which provides services of MU online and SUN online that are MMORPG games, Huxley that is FPS game. Following merge with NHN Corporation on 7 July 2010, this company develops and provides services R2 and Archlord that are MMORPG games, C9 that is MORPG game, Battery that is FPS game. Please refer to "II. Business areas" of this report for more detailed main business areas.

6) Matters related to affiliates

Main matters about the affiliates of this company are as follows:

Classification	The name of the company	Number
The company listed on KOSPI	NHN Corp.	1
The company listed on KOSDAQ	Webzen Inc.	1
The company unlisted	<p>- Domestic Company SEARCH SOLUTIONS, INC./ CUBRID Co.,Ltd./ NHN I&S Corp./Green Web Service Corp./GPlus Corp./InComms Corp./Wingbus, Inc./N-Visions Corp. NHN Business Platform Corp./ITOPE/NHN Search Marketing Corp./NHN Investment Corp./Game Marketing & Business Corp.</p> <p>- Overseas Company NHN Japan Corp. / NAVER Japan Corp. Next Human Search Technology Corp. / NHST Japan Corporation / Mediator Corp. livedoor Co., Ltd. / JLISTING Co., Ltd. / ADWIRES Co., Ltd. / LIVEDOOR CAREER Co., Ltd. / NHN Global Ltd. / NHN-PCCS HK Ltd. / NHN USA Inc. / NHN China Corp. / 9Webzen Ltd. / Webzen Taiwan Inc. / Webzen China Co., Ltd. / Webzen America Inc./Webzen Europe Inc.32</p>	32
Total		34

-For more details, please refer to ‘VI. Matters about company organizations and affiliates including the board of directors etc. – 4. Current status of affiliates etc.’ of this report.

2. History of Company

1) Date of establishment of Company: 28 April 2000

2) Location and change of head office

Date of change	Location of head office	Note
28 Apr 2000	1482-9 Seocho-dong, Seocho-gu, Seoul	established
2 Jul 2001	720-20 Yeoksam-dong, Gangnam-gu, Seoul	-
12 Mar 2002	467-6 Dogok-dong, Gangnam-gu, Seoul	-
21 Dec 2009	Level 14, 2 nd Daeryung Post Tower, 182-13 Guro-dong, Guro-gu, Seoul	-
29 Jul 2010	Levels 13 and 14, 2 nd Daeryung Post Tower, 182-13 Guro-dong, Guro-gu, Seoul	current

-This company changed the location of head office on 29 July 2010 which was after the subject period of public announcement through a resolution of the board of directors (after change: Levels 13 and 14, 2nd Daeryung Post Tower, 182-13 Guro-dong, Guro-gu, Seoul)

* Related public announcement: Guidance on change of the location of head office
(29 July 2010)

3) Material change in the management

Date of change	Material change in the management		Note
	Appointed	Resigned	
28 Apr 2000	Representative director: Lee, Eun Sook Director: Kim, Nam Joo Director: Song, Gil Seop Auditor: Jo Gi Yong	-	established
10 Jul 2002	Auditor: Kim, Moon Gyu	Auditor: Jo, Gi Yong	-
12 Sep 2002	Representative director: Kim, Nam Joo	Representative director: Lee, Eun Sook	-
23 Sep 2002	Director: Jo, Gi Yong Director: Kim, Won Seon	-	-
28 Feb 2003	Representative director: Kim, Nam Joo (reappointed) Director: Song, Gil Seop (reappointed)	-	-
26 Mar 2004	Outside director: Kim, Moon Gyu	-	-

	Outside director: Park, Sang Woo Outside director: Kim, Yong Gu		
18 Mar 2005	Director: Jo, Gi Yong (reappointed) Director: Kim, Won Seon (reappointed)	-	-
28 Mar 2006	Representative director: Kim, Nam Joo (reappointed) Director: Song, Gil Seop (reappointed)	-	-
Date of change	Material changes in the management		Note
	Appointed	Resigned	
28 Mar 2007	Outside director: Kim, Moon Gyu(reappointed) Outside director: Park, Sang Woo (reappointed) Outside director: Kim, Yong Gu (reappointed)		-
30 Apr 2007	-	Director: Jo, Gi Yong	-
4 Feb 2008	-	Director: Kim, Won Seon	-
27 Feb 2008	-	Outside director: Kim, Moon Gyu Outside director: Park, Sang Woo Outside director: Kim, Yong Gu	-
28 Mar 2008	Director: Ghoi, Yong Seo Director: Kim, Hyeong Cheol Director: Joo, Seong Hoon Outside director: Seo, Beom Soo Outside director: Yoon, Yeong Bong Outside director:	-	

	Choi, Yeong Hwan		
10 Jul 2008	-	Director: Ghoi, Yong Seo	
31 Jul 2008	-	Director: Kim, Hyeong Cheol	
24 Oct 2008	Representative director: Kim, Chang Geun Director: Kim, Byeong Gwan Outside director: Lee, Chang Won Outside director: Ha, Seung Han Outside director: Shin, Hui Joon	Representative director: Kim, Nam Joo Director: Song, Gil Seop Director: Joo, Seong Hoon Outside director: Seo, Beom Soo Outside director: Yoon, Yeong Bong Outside director: Choi, Yeong Hwan	Change of the largest shareholder
Date of change	Material changes in the management		Note
	Appointed	Resigned	
27 Mar 2009	Outside director: Kim, Hyeok Yeon	Outside director: Shin, Hui Joon	-
4 Jun 2010	Representative director: Kim, Byeong Gwan Inside director: Hwang, In Joon Inside director: Jeong, Uk Inside director: Kim, Hyeon Seong Outside director: Lee, Chang Won(reappointed) Outside director: Ha, Seung Han (reappointed)	-	Respective representative Member of auditing committee Member of auditing committee

4) Change of the largest shareholder

Classification	The largest shareholder before change	The largest shareholder after change	Note
3 Sep 2008	Kim, Nam Joo and other 5 people	NHN Games Corporation	Execution of contract for transfer of

			stocks*
7 Jul 2010	NHN Games Corporation	NHN Corporation	Change of the largest shareholder due to merger

*Related public announcement: Change of the largest shareholder (24 October 2008)

- The largest shareholder of this company changed from NHNGames Corporation to NHN Corporation following merge with NHNGames Corporation was completed on 7 July 2010(*Related public announcement : Change of the largest shareholder – 7 July 2010).

5) Change of Company Name

This company has not performed change of company name from the establishment to the date of submission of this report currently.

6) Merger, Division (Merger), Comprehensive stock exchange, and Receipt/Transfer of material business

This company determined on 15 April 2010 to merge with NHNGames Corporation and has completed the merger on the date of submission of this report currently (due date for merger: 7 July 2010). Please refer to the related main public announcements and dates below for more details about the merger.

[Related main public announcements]

Date	Title of public announcement	Note
15 April	Determination of merger of Company	19 Apr correction
15 April	Suspension of sales and trading of share certificates	KOSDAQ headquarter
10 May	[Correction of entry] Report on main issues (determination of merger)	Final declaration of correction
10 May	[Entry correction] Determination of merger of Company	Final declaration of correction
12 May	[Correction of entry] Stock declaration (merger)	Final declaration of correction
20 May	Prospectus	
20 May	[Correction of entry] Resolution on calling a general meeting of shareholders	Final declaration of correction
20 May	Notice about calling a general meeting of shareholders	

4 June	[Correction of entry] Results of extraordinary meeting of shareholders	Final declaration of correction
12 July	Report on outcomes of issue of share certificates (merger etc.)	Report of completion of merger

[Related main dates]

Classification		Date	Note
Date of resolution by the board of directors		15 April	
Date of contract for merger		15 April	
Date of determination of shareholders for general meeting for merger		6 May	
Date of general meeting for approval of merger		4 June	approved without amendment
Classification		Date	Note
Prior notification period of shareholders against merger	Beginning date	19 May	
	End date	3 June	
Exercise period of appraisal rights of dissenting shareholders	Beginning date	5 June	
	End date	25 June	Shareholders who claimed (no. of shares): 197 (540, 194 shares)
Date of notice about submission of objection by creditors		5 June	
Submission period of objection by creditors	Beginning date	6 June	
	End date	6 July	
Due date for merger		7 July	
Date of general meeting for report of completion of merger		8 July	
Date of notice about report of completion of merger		9 July	
Scheduled date of registration of merger		12 July	
Scheduled date of issue of share certificates		5 August	
Scheduled date of listing of new shares		6 August	

7) Material change of objectives of Company

Date	Content of change of objectives	Note
28 Apr 2000	1. Online game development business	established

	2. Internet business 3. Software development and distribution business 4. Software consultation business 5. Additional businesses related to each of the above	
10 Jul 2002	1~4 Same as above 5. Wholesale and retail business, trade business and brokerage business of software 6. Real estate lease business 7. Additional telecommunication service business 8. Character business 9. Publishing business 10. Export/Import business 11. Additional businesses related to each of the above	5~10 newly created

8) Occurrence of material facts related to management activities

As mentioned in ‘I. Overview of Company – 1. Overview of Company – 2) Date of establishment and period of continuance’ above, in relation to American depository receipt registered on the NASDAQ, this company determined to be delisted from the NASDAQ and cancel the registration on the Securities Exchange Commission during this third-quarter period.

However, ADR program is subject to ADR Level 1 after delisting and ADR can be traded in an American curb market (Pink Sheets). Shareholders who hold ADR can still change them into domestic original shares after delisting. In addition, domestic business reports and other documents for public announcement etc. will be translated into English and posted on the homepage of this company according to the *Securities and Exchange Act* of the States. For more details, please refer to the related public announcements below.

[Related public announcements]

Date	Title of public announcement	Note
18 June	Report on main issues (determination of delisting of share certificates etc. at foreign stock market)	
18 June	Domestic declaration of main issues in the public announcement declared at foreign stock exchange etc.	
9 July	Report on main issues (delisting of share certificates etc. at foreign stock market)	

9) Other material changes since establishment

Date	Main changes
Apr 2000	Webzen Inc. was established.
Feb 2001	completed development of 3D RPG online game of <Mu Online> and performed Close Beta Test.
May 2001	performed Open Beta Test of <Mu Online>.
Nov 2001	was certified as Venture company (Director of the Small and Medium Business Administration) Company of technology assessment (Total game support center)
Nov 2001	Online game of <Mu Online> became fee-charging
Dec 2001	<Mu Online> won an award for excellence (online sector) and a special award (graphic sector) in '2001 Korea Game Grand Prize' jointly hosted by the Ministry of Culture and Tourism, the Electronic Newspaper and the Sports Joseon.
Date	Main changes
May 2002	was registered on the Financial Supervisory Service
Jul 2002	executed a license contract of <Mu Online> with Insrea Inc. in Taiwan
Sep 2002	established '9webzen' that is a Chinese joint venture with The9.com in China and executed a license contract of <Mu Online>
Sep 2002	Representative director of Lee, Eun Sook resigned, New representative director of Kim, Nam Joo was appointed
Nov 2002	provided commercialized services of <Mu Online> in Taiwan
Nov 2002	won a prize awarded by the director of the Small and Medium Business Administration in 'Korea Venture Company Grand Prize' hosted by the Korea Management Association.
Dec 2002	<Mu Online> won a grand prize (prime ministerial commendation) in 'The 2 nd Digital Innovation Grand Prize' hosted by the Hankook Ilbo.
Feb 2003	executed a license contract of <Mu Online> with GameOn Inc. in Japan.
Feb 2003	provided commercialized services of <Mu Online> in China
May 2003	was listed on the KOSDAQ
Jun 2003	executed a license contract of <Mu Online> with Nuera Inc. in Thailand.
Jul 2003	took over Plux Co., Ltd that was a mobile game development company, added it to affiliates, and executed a contract for exclusive publication right of games.
Oct 2003	won an industrial citation in venture company sector in 'Venture Korea 2003 Venture Company Grand Prize' hosted by the Venture Business

	Association.
Dec 2003	was listed on the NASDAQ in the States.
Feb 2004	provided commercialized services of <Mu Online> in Japan
May 2004	executed a license contract of <Mu Online> with Mobius Inc. in Philippines.
May 2004	executed a contract for acquisition of assets of Delphieye Co., Ltd
Jul 2004	established a local subsidiary in Taiwan (Webzen Taiwan)
Jul 2004	executed a contract for acquisition of assets of ROG Co., Ltd
Jul 2004	won a gold prize in '2004 The 50 Rapidly Growing Companies in Korea' hosted by the Digital Times
Oct 2004	executed a contract for acquisition of assets of LK7 Co., Ltd
Dec 2004	established a R&D center in Shanghai in China (Webzen China)
Date	Main changes
Dec 2004	was ranked seventh in '2004 The 500 Rapidly Growing Companies in the Asia Pacific Region' selected by Deloitte & Touche Inc.
Jan 2005	established a local subsidiary in Santa Monica in the States (Webzen America)
Jan 2005	provided commercialized services of <Mu Online> in Philippines.
Feb 2005	executed a contract for worldwide publication right of <APB> with RTW in the UK.
Mar 2005	<Mu Online> won a first prize in game MMORPG sector in '2005 Q1 National Customer Satisfaction Index (NCSI)'
May 2005	executed a license contract of <Mu Online> with FPT communications in Vietnam.
Jun 2005	executed a contract for development of console version of <APB> and publishing license with RTW in the UK
Jul 2005	<Huxley> was selected in 'E3 2005 Best Online Game' hosted by the US Hardcore Game Magazine
Sep 2005	<SUN Online> Close Beta Test
Oct 2005	won a grand prize in '2005 Korea Eco-friendly Enterprise' hosted by the Environment Media
Nov 2005	<Huxley> won a ministerial commendation by the Ministry of Culture in '2005 Platform Multi-changing Superior Game Contest' hosted by the Game Industry Development Institute

Nov 2005	<SUN Online> won a grand prize in '2005 Best Contents' hosted by G-star
Dec 2005	executed a license contract of <Mu Online> with K2 Network in the States.
Dec 2005	executed an export contract of 13 million dollars for <SUN Online> with The9 in China
Jan 2006	<MU Online> was ranked No. 1 in Game MMORPG sector in '2005 General National Customer Satisfaction Index'
Feb 2006	executed a publishing contract of new game (tentative name: T- Project) with Red5 Studios in the States
Apr 2006	<SUN Online> was ranked No. 1 in rising star sector in 'The 2 nd Best Online Game Evaluation' jointly hosted by the Chinese Media and Cina
May 2006	<SUN Online> Open Beta Test
Date	Main changes
May 2006	<Huxley> was ranked No. 1 (Best Persistent World Game) in best Xbox360 game award sector in 'E3 2006 Best' hosted by the American Online Media of 'IGN'
Jun 2006	<SUN Online> won a grand prize in '2006 2 nd Quarter Digital Contents Grand Prize' hosted by the Ministry of Information and Communication
Jul 2006	<Huxley> was ranked MMO Game of the show No. 1 in 'E3 2003 Awards' hosted by the American magazine of 'Play'
Nov 2006	implemented fee-charging services for <SUN Online>
Dec 2006	<SUN Online> Open Beta Test in Taiwan
Dec 2006	won a ministerial commendation by the Ministry of Information and Communication in 'The 1 st Korea Internet Grand Prize' hosted by the Ministry of Information and Communication
Dec 2006	<SUN Online> won a game sound prize in technology and creativity award sector in '2006 Korea Game Grand Prize' jointly hosted by the Ministry of Culture and Tourism, the Electronic Paper and the Sports Joseon
Feb 2007	executed an export contract of 3.5 million dollars for <Huxley> with The9 in China
Apr 2007	implemented fee-charging services for <SUN Online> in Taiwan
Apr 2007	<SUN Online> Open Beta Test in China
May 2007	won in enterprise sector in 'The 1 st Korean Wave Grand Prize' hosted by Korea Entertainment Industry Academy.
May 2007	implemented fee-charging service for <SUN Online> in China

Sep 2007	<Huxley> Close Beta Test
Oct 2007	executed an export contract of 660 million yen for <SUN Online> with GameOn in Japan
Feb 2008	<Parfait Station> Open Beta Test
Apr 2008	implemented partial fee-charging services for <SUN Online> in Japan
May 2008	executed a license contract of <Huxley> in the Americas and Europe region with NHN USA
Jun 2008	<Huxley> Open Beta Test
Sep 2008	The largest shareholder changed to NHNGames Corporation
Oct 2008	Representative director Kim, Chang Geun took office
Nov 2008	won a prize awarded by the chairman of the Korea Communications Commission in internet technology leading sector in ‘The 3 rd Korea Internet Grand Prize’ hosted by the Korea Communications Commission
Date	Main Changes
Dec 2008	<Huxley> won in 2 sectors of game graphic and game sound in ‘2008 Korea Game Grand Prize’
Mar 2009	provided channeling services of <SUN> in ‘Hangame’ in NHN Corporation
Apr 2009	opened a global game portal service of webzen.net
Apr 2009	resumed development of <Parfait Station> (NHNGames outsourcing development)
May 2009	officially launched <MU2> project
May 2009	renewed the contract of T-Project, changed service region
Jun 2009	established Webzen Europe Ltd.
July 2009	executed a collaboration contract of global game portal with NHNGames Corporation
Aug 2009	<SUN> Open Beta Test in North America
Sep 2009	provided channeling services of <SUN> in ‘Pimang’ of Neowiz Games
Oct 2009	implemented global services of <SUN: World Edition>
Nov 2009	implemented <MU Blue> services
Feb 2010	executed a publishing contract for “Battery” of FPS Online game, performed Close Beta Test
Apr 2010	determined to merge with NHNGames Corporation
May 2010	performed domestic Open Beta Test of <Huxley> (Hangame: http://www.hangame.com)

Jun 2010	was resolved to merge with NHN Games Corporation and approved in general meeting
Jun 2010	Representative director Kim, Byeong Gwan was appointed (respective representative system)
Jun 2010	renewed the contract (service extension) of <SUN Online> with The9 in China
Jul 2010	completed merger with NHNGames Corporation
Jul 2010	<Huxley: The Dystopia> commercialized service
Jul 2010	SEC Deregistering & NASDAQ Delisting from NASDAQ
Aug 2010	Opened a BATTERY Online teaser
Sep 2010	<SUN Online> Large-scale Update
Sep 2010	<MU Online> Update of the Season 6

3. Changes in Capital

1) Current status of capital increase (capital reduction)

(Unit: won, share)

Date of issue (reduction) of shares	Form of issue (reduction)	Contents of shares issued (reduced)				
		Type	Quantity	Face value per share	Price of issue (reduction) per share	Note
28 Apr 2000	-	Ordinary share	104,000	500	500	Capital at establishment
10 May 2000	Pain-in capital increase (public offering-priority over shareholders)	Ordinary share	96,000	500	3,625	-
31 May 2000	Free issue of new shares	Ordinary share	600,000	500	-	-
24 Mar 2001	Pain-in capital increase (public offering-priority)	Ordinary share	50,000	500	6,000	-

	over shareholders)					
26 Mar 2001	Free issue of new shares	Ordinary share	550,000	500	-	-
26 Jul 2001	Pain-in capital increase (public offering-priority over shareholders)	Ordinary share	35,714	500	14,000	-
27 Jul 2001	Free issue of new shares	Ordinary share	964,278	500	-	-
18 Dec 2001	Paid-in capital increase (allocation on third parties)	Ordinary share	140,008	500	10,000	-
23 May 2003	Paid-in capital increase (general public offering)	Ordinary share	960,000	500	32,000	-
16 Dec 2003	Paid-in capital increase (allocation on third parties)	Ordinary share	870,000	500	132,141	Note1)
28 Jun 2004	Free issue of new shares	Ordinary share	8,600,000	500	-	-
2 Feb 2006	Exercise of option to purchase shares	Ordinary share	1,000	500	1,394	-
4 Sep 2006	Exercise of stock option	Ordinary share	1,000	500	1,394	-
21 Sep 2007	Exercise of stock option	Ordinary share	2,000	500	1,394	-
7 July 2010	-	Ordinary share	20,129,627	500	11,800	Note2)

Note 1) Issue of ADR: USD\$11.17 per share (KRW/USD=1,183KRW/1USD Application standard)

Note 2) As a result of merger of this company with NHNGames Corporation, new shares of merger were issued on 7 July 2010 (due date for merger) which was during the

subject period of this report.

4. Total number of shares etc.

1) Total number of shares

The total number of shares which can be issued in accordance with the articles of associations of this company is 60,000,000 shares and the total number of share that have been issued until the date of submission of this report currently is 33,103,627 shares. This company has not issued any type of shares other than ordinary shares until the date of submission of this report currently.

(Basic date: 30 September 2010, current)

(Unit: share)

Classification	Type of shares			Note
	Ordinary share	-	Total	
1) Total number of shares to be issued	60,000,000	-	60,000,000	
2) Total number of shares that have been issued until now	33,103,627	-	33,103,627	
3) Total number of shares that have been reduced until now	-	-		
4) Total number of issued shares	33,103,627	-	33,103,627	2)-3)
5) Number of treasury shares	5,525,667	-	5,525,667	Refer to Current status of treasury shares
6) Shares subject to safeguard deposit	18,847,636	-	18,847,636	Note 1)
7) Number of distributed shares	8,730,324	-	8,730,324	4)-5)-6)

Note 1) The merger of Webzen Inc. and NHNGames Corporation currently in process is a matter that changes the largest shareholder after merger according to Article 19 of the *Listing Regulations of KOSDAQ* and represents a back-door listing. In this case, compulsory safeguard deposit is carried out by the Korea Securities Depository for two years on the shares that are held by the largest shareholder and its affiliate persons.

The shares subject to compulsory safeguard deposit are new shares issued to Kim, Byeong Gwan who is the representative director of NHN Corporation and NHNGames Corporation, and are 9,435,763 shares and 9,401,873 shares respectively. The shares are subject to compulsory safeguard deposit for 2 years from the due date for merger, and compulsory safeguard deposit may be terminated within 5% of the initial shares subject to compulsory safeguard deposit every month from the time after one year has elapsed. The total number of shares subject to compulsory safeguard deposit is 18,837,636 shares, and 56.94% compared to the total number of issued shares after merger.

Besides, as this company succeeded the existing convertible bond of NHNGames Corporation (Total price of face value of the bond: 12.5 billion won) due to merger with NHNGames Corporation. The bonds are going to be under compulsory safeguard deposit for 2 years from the due date for merger in accordance with Clause 22 of the *Listing Regulations of KOSDAQ*. This company adjusted conversion price of the convertible bond based on contract and related regulations.

- Conversion price before adjustment (Number of shares that could be converted into before adjustment): 8,906 won (1,403,548 shares)

-> Conversion price after adjustment (Number of shares that can be converted into after adjustment): 5,663 won (2,207,257 shares)

* Related public announcement: Adjustment of conversion price (29 July 2010)

2) Current status of treasury shares

The total number of treasury shares held by this company is 5,526,667 shares, and 16.69% compared with the total number of issued shares. The treasury shares include shares which the shareholders against merger exercised appraisal rights of dissenting shareholders and shares of this company that NHNGames Corporation held became before merge.

(Basic date: 30 September 2010, current)

(Unit: share)

Method of	Beginning	Change	End of term	Note
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acquisition	of term	Acquisition	Disposition	Incineration		
Acquisition according to Clause2 of Article 165 of Law	511,700	-	-	-	511,700	
Acquisition according to cause other than Clause2 of Article 165 of Law	-	540,194	-	-	540,194	Note1)
	-	3,868,421			3,868,421	
Subtotal	511,700	4,408,615	-	-	4,920,315	Note2)
Indirect acquisition through trust agreement etc.	605,352	-	-	-	605,352	
Total	1,117,052	4,408,615	-	-	5,525,667	

Note1) The shares which the shareholders against merger exercised appraisal rights of dissenting shareholders. The Price of Appraisal Rights is KRW 12,144 per share and the Date of buying stocks is on 23 July, 2010

* Related public announcement: Report for the Results of Issuance(merger)(12 July 2010)

Note2) The shares of this company that NHNGames Corporation held became included into treasury share following this merge.

5. Current Status of voting rights

[30 September 2010, current]

(Unit: share)

Classification		Number of shares	Note
Total number of issued shares (A)	Ordinary shares	33,103,627	-
	Preferred shares	-	-
Number of shares which do not have voting right (B)	Ordinary shares	5,525,667	Treasury shares
	Preferred shares	-	-
Number of shares whose	Ordinary shares	-	-

voting right is limited according to other laws (C)	Preferred shares	-	-
Number of shares whose voting right has been revived (D)	Ordinary shares	-	-
	Preferred shares	-	-
Number of shares whose voting right can be exercised (E=A-B-C+D)	Ordinary shares	27,577,960	-
	Preferred shares	-	-

6. Matters about distribution of profits etc.

1) Matters about distribution of profits etc.

The contents related to distribution of profits in the articles of association of this company are as follows:

Clause 54 Distribution of profits

- (1) The distribution of profits may be made in cash or by shares.
- (2) In case of distribution of profits by shares, if the company has issued several types of shares, the distribution of profits may be made by shares of a different type from those that have already been issued, by a resolution of general meeting of shareholders.
- (3) The distribution of profits under Subclause (1) shall be made to the shareholders or pledgees written on the shareholders' list on each date of closing accounts.

Clause 55 Quarterly distribution of profits

- (1) The company may make a quarterly distribution of profits by a resolution of the board of directors to current shareholders on the beginning date of business year and on the last date of March, June and September in accordance with Clause 12 of Article 165 of the *Law on Capital market and Financial Investment Business*.
- (2) The quarterly distribution of profits under Subclause (1) shall be made by a resolution of the board of directors, and the resolution must be made within 45 days after each basic date of Subclause (1).
- (3) The quarterly distribution of profits shall be limited to the amounts calculated by deducting the following amounts from net asset amounts in the financial statement of the previous settlement term.

1. Amounts of capital of the previous closing accounts
 2. Total amounts of capital reserve and profit reserve accumulated until the previous settlement term.
 3. Amounts determined to be distributed in annual meeting of shareholders until the previous settlement term.
 4. Voluntary reserve accumulated for a particular purpose in accordance with the regulations in the articles of association or by a resolution of general meeting of shareholders until the previous settlement term.
 5. Profit reserve that must be accumulated during this settlement term for quarterly distribution of profits
 6. In case that a quarterly distribution of profits was made during this business year, the amounts in total
- (4) In case that new share are issued before each basic date in Subclause (1) after the beginning date of business year (including the cases of capitalization of reserve fund, stock dividends, claim for conversion of convertible bond, exercise of subscription right of bond with warrant), new shares of this year are deemed to have been issued in the previous business year in relation to quarterly distribution of profits.
- (5) When a quarterly distribution of profits is made, the same distribution rate as ordinary shares shall be applied to preferred shares in Clause 10.

2) Matters in relation to distribution of profits for the last 3 business years

Classification		The third quarter of the 11th	The 10 th	The 9th
Face value per share (won)		500	500	500
Net profit during the term (million won)		4,287	318	-14,266
Earning per share (won)		181	27	-1,191
Total amount of cash dividends (million won)		-	-	-
Total amount of stock dividends (million won)		-	-	-
Cash payout ratio (%)		-	-	-
Cash dividend rate (%)	Ordinary shares	-	-	-
	Preferred shares	-	-	-
Stock dividend rate (%)	Ordinary shares	-	-	-
	Preferred shares	-	-	-
Cash dividend per share	Ordinary shares	-	-	-

(won)	Preferred shares	-	-	-
Stock dividend per share (share)	Ordinary shares	-	-	-
	Preferred shares	-	-	-

- The above matters about distribution of profits etc. of the 10th and the 9th are based on Webzen before this merge.

II. Contents of business

1. Overview of business

1) Current status of industry and market conditions etc.

The game industry is recognized as a means of play that is effective against the costs when compared with other industries. It is a content industry that requires superior and creative personnel, IT and infrastructure, and has continued high-growth regardless of global economies.

When divided into the world market and the domestic market, the current status of game market in the world market is that video games and arcade games still have a high market share, but the rate of growth of online games has continued high-growth. According to 2010 Game White Paper, it is expected that the game markets in the world would achieve the average rate of growth per year of 7.1% from 2007 to 2012 and the average rate of growth per year of 18.1% in relation to the online game market. In addition, it is anticipated that the weight of online games in the game market would continuously increase from 8.5% in 2007. Especially, in relation to online games, Northeast Asia (China, Korea and Japan) in the world takes a high proportion, but the weight of North America, Europe and South America is gradually growing. With respect to Northeast area, the online game market in China has secured No.1 position in the world due to the explosive growth of online game market in China since 2008.

In relation to the domestic market, online games and PC room games take an absolute proportion of approximately 82.4%, and it is expected that the average rate of growth per year of approximately 27.5% shall be achieved from 2008 to 2012. The status of domestic game market in the field of online games is No.2 after China in the world game market, which has become more competitive because companies that produce and distribute games are gradually increasing. According to 2010 Game White Paper, it is anticipated that M&A would be revitalized in the game industry from 2008 and reach its peak in 2010. It is expected that M&A would continue in the game industry thereafter, but M&A by small and medium-sized businesses to strengthen their capacity in development would take a high proportion.

In addition, it is anticipated that the growth of online games would continue in the

future because the proportion of users in 30s and above who have a high purchasing power is increasing in relation to domestic online games.

2) Currents status of Company

(1) General sales outlook

This company develops and provides services as to the existing MU online and SUN online, and conducted commercialized services of Huxley the Dystopia that is a FPS game in July this year. This company also provides services of games such as R2, Archlord and C9 etc. through the merger with NHNGames Corporation that conducted a business in the same industry in the first half of this year (due date for merger: 7 July 2010), and is preparing for OBT and commercialized services of BATTERY that is a FPS game in November this year.

(a) MU online

MU Online is an online game which pioneered the 3D MMORPG sector for the first time in the country in 2001. This company endeavored to enter the overseas market from the second half of 2002 and is currently providing services of MU Online in Japan, China, Taiwan, Vietnam, North America and Europe. In addition, this company developed and commercialized “MU Blue” in November 2009 by applying a partial fee-charging model to the existing game form of flat rate system. This company also updated its season 6 of “The soaring Empire” in October, 2010 and received positive consumer responses such as subscription of new members and increase of renewed members.

(b) SUN Online

SUN Online introduced a partial fee-charging model and started commercialized services in the country in November 2006. Thereafter, it went through to Japan, China and Taiwan, and is currently receiving a positive response especially in Japan. As SUN Online is a product that was developed focusing on overseas expansion, it is a product that takes a high portion in overseas sales. Its proportion in overseas sales is generally two to two and half times higher than its proportion in domestic sales and the main territories for sale are Japan and China. Its services are being provided in global portal services and its overseas expansion is being continuously tried.

(c) Archlord

Archlord is a traditional MMORPG game that NHNGames developed and whose

services were provided through Hangame of NHN before the merger, and is a game in which fast and dynamic battles and flashing actions were added.

The domestic services of Archlord started from March 2005, and its current publisher is Hangame. In June 2006, its official services in China started, and its publisher in China is Shanda. In September 2007, its commercialized services in Japan started, and its publisher in Japan is NHN Japan. In addition, its services are being provided in the countries other than those mentioned above, by starting utilizing global portal services of Webzen in September 2009, which was before the merger.

(d) R2

R2 is a game that was developed by NHNGames before the merger and its commercialization was performed through Hangame of NHN in October 2006.

Hangame of NHN had been in charge of the domestic services of R2, but the publishing contract with Hangame was ended at the end of October 2010, so this company is providing the services itself from November. Accordingly, the distribution of profits with Hangame ended together with the close of publishing contract, and all related profits are recognized as sales of this company.

The services of R2 started in China from July 2007, and started in Taiwan from November 2007. Its services in Taiwan are being provided through Webzen Taiwan, which is a subsidiary of this company.

In Russia, the services of R2 started from May 2008 and are being provided through Innova now. Innova is recognized as an international publisher in Russia. In addition, R2 entered Japan in April 2009, and its publisher in Japan is NHN Japan.

(e) C9

C9 is a MMORPG game that NHNGames developed before the merger and commercialized in September 2009 after its OBT in August 2009. C9 is a game that was planned and produced by PD Kim, Dae Il who had upbuilt his fame as R.Y.L. among the developers of MMORPG games, and already received a lot of attention before its commercialization.

The domestic services of C9 achieved substantial sales near its target sales goal after its OBT in 2009 and at the beginning of its commercialization, but some of its users left

because of quicker consumption of its contents than expected and delay in the development and testing of follow-up update contents. However, the domestic services are currently recording stable sales again due to the update of contents in the second half.

For the overseas expansion of C9, this company executed a publishing contract with Tencent in China in 12 May 2010, and it was going to conduct OBT and commercialized services in the 1st quarter of 2011. This company has provided a game version of C9 to the Newspaper Publishing Office that is a managing and supervising institute in China for the application of ISBN and is waiting for ISBN to be issued on the date of submission of this report currently. However, it is hard to predict when ISBN will be issued because of Chinese custom. This company is endeavoring to start the services of C9 as soon as possible in consultation with the local publisher.

In relation to advance into Japan, this company has almost finalized negotiations with a publisher in Japan about contractual conditions etc. at the date of submission of this report currently, and is conducting reviews on the contract and the publisher from various angles in order to enter Japan under more favorable conditions.

(f) BATTERY online

BATTERY online is a FPS game that NHNGames Corporation was developing for its next game before the merger, and is receiving positive responses from gamers for reproducing realistic modern battles into the game. It is a game that reproduced differentiated fun by inducing strategic progress of game by adding differentiated contents from other FPS games. The OBT of BATTERY online was conducted on 11 November 2010, and its commercialized services are planned to start within this year.

Due to the delay of schedules in the domestic services in order to release the game with a high degree of completion, the schedules for overseas market have been also delayed. However, this company is endeavoring to execute export contracts with international publishers overseas and it is anticipated that overseas expansion would be materialized in the first half of 2011.

(g) Huxley the Dystopia

Huxley which is a MMOFPS game was selected as rising star by domestic and foreign gamed-related major media. Huxley received a lot of attentions domestically and

internationally from the developing stage, and this company executed a publishing contract of Huxley with The9 in China in 2007. This company also executed a publishing contract with NHN USA in 2008 but the contract was terminated upon request of the other party, NHN USA in August 2010.

The commercialized services of Huxley started after its OBT on Hangame (www.hangame.com) in July 2010. In relation to its services in China, this company is now negotiating with ADL (Asian Development Limited, 100% subsidiary of The9 in China) that is the other party in the publishing contract about schedules henceforth.

(h) Global services

This company started global services of MU Online and SUN Online in 2009 not only in the foreign countries to which it had already got through, but also in other countries, and North America, South America and Europe continue to show high growth. Those global services have a strength that the services can be provided at a lower cost than entering local market through publishing contract with a local company. For this, this company is utilizing IDC of Europe region.

This company is providing the services of Archlord of NHNGames from 2009, and is going to provide global portal services of all games held by this company in the future. However, in relation to the global services of each game, it is a principle that the services in the main markets such as China, Japan, Russia and North America etc. should be started first before starting services in global portals.

(2) Planning of next development and games planned for commercialization etc.

(a) MU2

MU has a brand name as main service game of this company and one of initial games that are only a few in the history of domestic game industry, and is currently producing steady profits. Based on this, the development of MU2 that inherits the worldview of MU is in progress, and its CBT and OBT are scheduled to be held in 2012.

(b) APB

Webzen executed a contract for the development of APB with Real Time World Inc. (RTW) located in the U.K. in May 2005, and provided development costs on a condition that Webzen retains the publication rights in the world. In 2008, RTW requested more development costs to this company, which was refused. This company recovered part of

the development costs paid by it at the end of 2008, and terminated the publishing contract on a condition that 15% of the sales that incur for a period of 3 years after the commercialization of APB be paid to it for the rest of development costs.

RTW continued the development of APB with other investors thereafter, and conducted the commercialized services of APB in July 2010 in North America and Europe, but achieved disappointing results. It led to an increase of pressure on the management of RTW, and RTW was about to go bankrupt in September 2010. According to the decision of a court in the U.K., a third party designated by the court is now administering the entire activities of RTW including its finances. This company has reported to the legal administrator of RTW about its debt to be paid to this company, and will do everything possible to recover it by taking all proper measures as soon as this company hears from the administrator about the remaining assets of RTW and the size of debts to be paid to other creditors.

(c) Fire-Fall

This company executed a contract related to the development of T-Project (tentative name) with RED5 Studio located in the States in February 2006. The conditions of contract are that this company shall retain the worldwide publication right and pays 20% of total sales and 20% of package sales as royalty. In relation to those, a condition to support development costs in the form of advance royalty during the development period of subject game was included. In May 2009, this company modified and renewed the contract that this company shall retain the publication right in the areas other than the Americas and Europe region and be exempted from development costs that incur during the development period of game.

The game play video of T-Project was released under the name of Fire-Fall in September 2010 in PAX that is a game fair in the States, and its CBT is expected to be held in the second half of 2011. Around the time when the game of Fire-Fall is released, this company is going to provide its services in Asia.

(d) B-Project

B-Project that NHNGames was developing for its next game before the merger is currently under coordination to set its specific development schedules after the planning stage and its game genre is a MMORPG game.

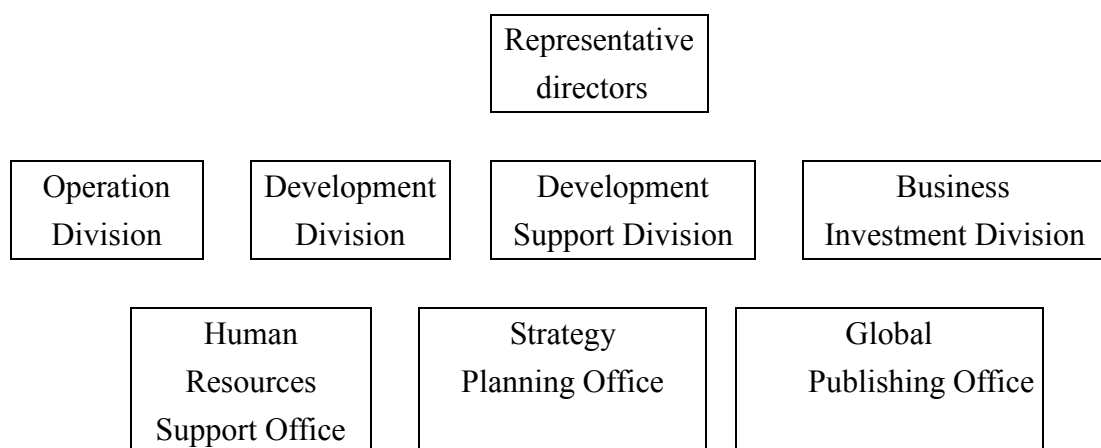
(3) Market share etc.

It is hard to calculate exact market share in the online game services because there are no objective data and statistics.

(4) Characteristic of market

Online games are not specially influenced by business fluctuations but are influenced by seasons and trends. A recent trend shows that main users of online games are changing to over 30s, so it is favorable to secure stable sales.

(5) Organization chart



Organization Chart – Report on the 3rd quarter

(6) Classification of business sector for public announcement

Business sector	Standard business code	Business area	Main product
Manufacturing business	58211	Producing business of game software	MU, SUN, Huxley R2, Archlord. C9

2. Main products and services

1) Current status of main products etc.

(Based on the first half of 2010)

(Unit: won, %)

Business sector	Type of sales	Item	Main trademark	Sales	Rate
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Online game	Product	Online game	MU	3,620	32%
			SUN	1,568	14%
			Huxley	17	0%
			C9	818	7%
			Archlord	1,668	15%
			R2	3,347	30%
Sales of other services				580	3.9
Total				14,707	100.0

2) Development of price change of main products etc.

(1) MU Online

(Unit: won)

Item			The third quarter of the 11th	The 10 th annual	The 9 th annual	The 8 th annual
Individual	Individual flat rate	30 days	27,500	27,500	27,500	27,500
		90 days	70,400	70,400	70,400	70,400
	Individual fixed quantity	3 hours	3,300	3,300	3,300	3,300
		5 hours	5,500	5,500	5,500	5,500
		10 hours	9,900	9,900	9,900	9,900
	Pay item	Transfer of character	19,800	19,800	19,800	19,800
		Change of character	19,800	19,800	19,800	19,800
		Premium package	33,000	33,000	33,000	33,000
		Adjustment of stet	19,800	19,800	19,800	-
		Transfer of server	27,500	27,500	27,500	-
		Initialization of master skill	49,500	49,500	-	-

(2) MU BLUE – Online

(Unit: won)

Item			The third quarter of the 11 th	The 10 th annual	The 9 th annual	The 8 th annual
Individual	Cash item	-	Individual price presented	Individual price presented	-	-
	Pay item	Red card	1,000	1,000	-	-
		Blue card	100	100	-	-
		Adjustment of stet	19,800	19,800	-	-
		Change of character	19,800	19,800	-	-
		Character slot key	9,900	9,900	-	-

*MU Blue is a partial fee-charging model game of MU Online and its commercialization started in November 2009. Therefore, there is no product price before the 10th annual period (Year 2009).

(3) SUN Online

(Unit: won)

Item			The third quarter of the 11 th	The 10 th annual	The 9 th annual	The 8 th annual
Individual	Cash item	-	Individual price presented	Individual price presented	Individual price presented	Individual price presented
	Pay item	Movement of character among worlds	15,400	15,400	15,400	15,400
		Movement of character among accounts	27,500	27,500	27,500	27,500
		Change of character name	15,400	15,400	15,400	15,400

		Initialization of entire stet /skill	27,500	27,500	27,500	27,500
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(4) R2

Item			The third quarter of the 11 th	The 10 th annual	The 9 th annual	The 8 th annual	
Individual	Individual flat rate	30 days	19,800	19,800	19,800	19,800	
		60 days	38,500	38,500	38,500	38,500	
		90 days	53,900	53,900	53,900	53,900	
	Individual fixed quantity	3 hours	2,900	2,900	2,900	2,900	
		5 hours	4,400	4,400	4,400	4,400	
		15 hours	9,900	9,900	9,900	9,900	
	Cash Item			Individual price presented			
	Pay item	Change of character Appearance		30,000	30,000	30,000	30,000
		Change of character Image		60,000	60,000	60,000	60,000
		Change of Information of Guild		100,000	100,000	100,000	100,000
		Movement of characteraccounts		30,000	30,000	30,000	30,000
		Premium(1 Day)		1,900	1,900	-	-
		Premium(7 Days)		4,900	4,900	-	-
PC Room	Individual flat rate of in PC Room in Hangame S		99,000	99,000	132,000	132,000	

(5) Archlord

(Unit: won)

Item		The third quarter of the 11 th	The 10 th annual	The 9 th annual	The 8 th annual
Individual	Cash Item	Individual price presented	Individual price presented	Individual price presented	Individual price presented

(6) C9

(Unit: won)

Item		The third quarter of the 11 th	The 10 th annual	The 9 th annual	The 8 th annual
Individual	Cash Item	Individual price presented	Individual price presented	-	-

(7) PC Room

(Unit: won)

Item			The third quarter of the 11 th	The 10 th annual	The 9 th annual	The 8 th annual
PC Room	Integrated fixed quantity system	50 hours	Closed	13,750	13,750	13,750
		300 hours	74,800	74,800	74,800	74,800
		600 hours	145,000	148,500	148,500	148,500
		1,000 hours	227,000	226,600	226,600	226,600
		2,000 hours	430,000	429,000	429,000	429,000
	Individual fixed quantity system	50 hours	800,000	-	-	-
		300 hours	Closed	13,750	13,750	13,750
		600 hours	79,200	79,200	79,200	79,200
		1,000 hours	158,400	158,400	158,400	158,400
		2,000 hours	242,000	242,000	242,000	242,000

	PC Room	PC Room integrated fixed quantity system ('Game zone fixed quantity product') that allows to use both of MU and SUN once purchased. It is a prepaid fixed quantity system that a business owner of PC Room selects using hours and pays for it first and then use services
MU BLUE	Pay item	Individual price per item is presented according to price policy of this company
SUN	Pay item	Individual price per item is presented according to price policy of this company

3. Production and facilities

1) Current status of facilities that are important for production and sales etc.

(1) Current status of facilities

[Item of asset: tangible asset] ,[Basic date: 30 September 2010, current] (Unit: won)

Place of business	Type of possession	Location	Type	Face value of ledger at beginning of term	Increase and decrease during this term		Depreciation during this term	Total depreciation during this term	Face value of ledger at end of term	Note	
					Increase	Decrease					
Head office	Land	Seoul	Office	1,097	-	-		-	1,097	-	
	Building		Office	2,234	-	-	13	423	1,810	-	
	Equipment		Server, PC, office supplies etc.		9,766	355	16	263	8,982	1,123	-
	(Government subsidies)				1,357	36	-	21	1,145	248	-
	Facility device				34	-	-	0	34	-	-
Total				14,488	391	16	297	10,584	4,278	-	

(2) Plan for new establishment and purchase of facilities etc.

There is no plan for new establishment or purchase of facilities etc. on the date of submission of this report currently.

4. Matters related to sales

1) Sales figures

(Unit: million won)

Business sector	Type of sales	Item		The third quarter of the 11 th (3month)	The third quarter of the 11 th (Total)	The 10 th (2009)		The 9 th (2008)		The 8 th (2007)	
						Webzen	NHN Games	Webzen	NHN Games	Webzen	NHN Games
						Game business	Online Game	MU	Domestic demand	2,578	2,578
Export	1,041	1,041	4,196	-	3,705				-	3,436	-
Subtotal	3,620	3,620	16,795	-	18,165				-	19,856	-
SUN	Domestic demand	282	282	2,011	-			2,623	-	3,233	-
	Export	1,286	1,286	7,761	-			7,693	-	5,126	-
	Subtotal	1,568	1,568	9,773	-			10,316	-	8,360	-
Huxley	Domestic demand	17	17	-	-			-	-	-	-
	Export	-	-	518	-			-	-	-	-
	Subtotal	17	17	518	-			-	-	-	-
Archlord	Domestic demand	350	990	-	3,050			-	3,504	-	1,753
	Export	1,318	3,545	-	2,907			-	3,395	-	1,817
	Subtotal	1,668	4,535	-	5,957			-	6,899	-	3,570

		R2	Domestic demand	2,961	9,693	-	11,191	-	13,675	-	7,461
			Export	387	1,219	-	3,994	-	2,256	-	44
			Subtotal	3,347	10,912	-	15,185	-	15,930	-	7,504
		C9	Domestic demand	818	2,374	-	1,740	-		-	
			Export	-	-	-		-		-	
			Subtotal	818	2,374	-	1,740	-		-	
		Others	Domestic demand	206	1,673	717	2,417	-	1,487	-	968
			Export	-	-	-		-		-	
			Subtotal	206	1,673	717	2,417	-	1,487	-	968
Total			Domestic demand	7,213	18,612	15,328	18,399	17,083	18,666	19,653	10,182
			Export	4,032	6,087	12,474	6,900	11,398	5,651	8,562	1,861
			Subtotal	11,245	24,699	27,802	25,299	28,481	24,316	28,216	12,042

2) Channel, method and strategy of sales and main sales connections etc.

(1) Sales organization

Organization	Role	Note
Operation Division	Management of sole distribution, approval of PC Room etc.	-

(2) Sales channel

Type of sales		Item	Sales channel
Internet sales	Individual customer	MU, SUN	Online
	PC Room customer		PC Room sales team of head office and regional sole distribution
	Mobile		Mobile download services
Overseas royalty sales		MU, SUN, Huxley	Sales organizations of overseas joint ventures and cooperating companies
Overseas service sales		MU, SUN	Collection of sales through online and local payment agency

(3) Method and conditions of sales

Classification	Type	Conditions of collection of payments and others
Individual	Prepaid flat rate system	-Approval method after advance payment -There are various payment methods such as making a deposit without a bankbook, credit card, mobile phone, ARS, phone bill, ADSL, gift card, BC card TOP point etc. All payment methods except deposit without a bankbook collect through payment agencies amounts calculated by deducting commissions from monthly sales
	Prepaid fixed quantity system	
	Sales of item	
PC Room	Prepaid fixed quantity system	-Payment calculation method -pays amounts calculated by deducting commissions from monthly sales. Costs for catalogs and promotional materials in order to operate and manage PC Rooms are supported from head office free of charge

(4) Sales strategies

- maintains interests in games through continuous upgrade of games
- carries out various events through customer analysis
- expands payment methods considering convenience of payment methods.
- reflects opinions of sole distributors in the management policy of PC Rooms through sole distributors meeting and seminar
- carries out events for PC Rooms

5. Market risk and risk management

1) Exchange risk

[Domestic demand of sales and weight of export]

(Unit: million won, %)

Classification	The third quarter of the 11 th		The 10 th semi-annual		The 10 th		The 9 th		The 8 th	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Domestic demand	18,612	75.4%	15,328	55.1%	17,083	61.4%	19,653	70.7%	18,612	75.4%
Export	6,087	24.6%	12,474	44.9%	11,398	41.0%	8,562	30.8%	6,087	24.6%
Total	24,699	100.0%	27,802	100.0%	28,481	102.4%	28,216	101.5%	24,699	100.0%

- Amounts of export of this company show that the size and weight of amounts are decreasing. However, this company is going to review plans to avoid risk related to exchange rate fluctuations depending on the results of merger carried out after the end date of this semi-annual period, and depending on change of export amounts in the future.

2) Interest rate risk

This company has no non-operating loans except convertible bond, rate of the CB is fix. Accordingly, possibility of being exposed to interest rate risk is low and separate risk management in relation to those is not being carried out. However, portion of debts shall increase partially due to merger with NHN Games Corporation after the basic date of this report. Convertible bond which is a main debt takes the method of bullet repayment of principal and the form of fixed rate, and safeguard deposit is being carried out for 2 years from the due date for merger. Short-term debt is going to be repaid through the existing business sector of NHNGames Corporation and merged assets, and it is expected that interest rate risk will be low when the repayment is completed.

6. Current status of trading derivative products

- As this company is executing stock option transactions for the purpose of trading in relation to listed shares at the end of this quarter currently, 1,100,000 won of appraisal profit has been recognized due to the evaluation of stock option and 9,075,000 won of accumulated appraisal profit related to the evaluation of stock option is appropriated as derivative product asset. Meanwhile, with respect to stock options that were exercised during this period, 2,411,762,000 won of derivative product trading profit has been appropriated as non-operating income.

7. Main contracts in management etc.

Main contract for the last 3 years	Content
Agreement of	1. The other party in contract: Tencent

<p>contract for overseas development of game and publishing license</p>	<ol style="list-style-type: none"> 2. Name of subject game: C9 3. Term of contract : 4 years after commercialization 4. Date of contract: 12 May 2010 5. Subject region : China 6. Conditions of contract : The details of the agreement are a closely guarded secret related article
<p>Execution of merger contract</p>	<ol style="list-style-type: none"> 1. The other party in contract: NHNGames Corporation 2. Rate of merger: issue 1.57262712 shares of Webzen Inc. per 1 share of NHNGames Corporation 3. Date of contract: 15 April 2010 4. Date of resolution by the board of directors: 15 April 2010 5. Other matters <ul style="list-style-type: none"> -Conditions for termination of merger contract under mutual agreement of the parties If the amounts of appraisal rights of dissenting shareholders exceed 30 billion won If merger contract is not approved in general meeting of each party respectively If any main change such as change of financial status or sales conditions etc. occurs before the due date for merger -Matters about schedule <p>refer to determination of merger of Company, report on main issues (merger etc.), stock declaration</p>
<p>Renewal of contract for overseas development of game and publishing license</p>	<ol style="list-style-type: none"> 1. The other party in contract: RED5 Studio 2. Name of subject game: T-Project 3. Term of contract: 5 years after commercialization (same) 4. Subject region: Worldwide (the Americas, Europe region/areas other than the Americas, Europe region) 5. Conditions of contract: <ol style="list-style-type: none"> 1) The Americas, Europe region: RED5 Studio retains publishing right in the Americas and Europe region, and pays to Webzen Inc. 15% of profits for the first 3 years and then 10% of profits for the next 2 years 2) Regions other than the Americas, Europe region: Webzen Inc. retains publishing right in the world other than the Americas, Europe region and pays to RED5 Studio 50% of profits for 5 years 3) Webzen Inc. is exempted from development costs that incur during the development period of subject product after the modification of contract 6. Date of contract: 28 May 2009
<p>Execution of contract for outsourcing development of Parfait Station</p>	<ol style="list-style-type: none"> 1. The other party in contract: NHNGames Corporation 2. Name of subject game: Parfait Station 3. Term of Contract: 18 months after execution of contract 4. Contract price: 3,000,000,000 won 5 Conditions of contract: <ol style="list-style-type: none"> 1) pays in due order in accordance with development schedule after

	<p>paying 40% of contract price upon execution of contract</p> <p>2) distributes profits as conditions for update and maintenance & repair</p> <p>3) Number of people for development: (423 man-days, monthly average 23.5 people)</p>
<p>Renewal of contract for overseas development of game and publishing license</p>	<p>1. The other party in contract: Real Time Worlds (RTW), UK</p> <p>2. Name of subject game: All Points Bulletin</p> <p>3. Term of contract: 3 years after commercialization</p> <p>4. Conditions of contract:</p> <p>1) Webzen loses worldwide publishing right and license of APB executed with RTW</p> <p>2) In return, Webzen collects part of development costs invested in RTW within this year and receives as contribution profits in relation to prior investment, 15% of sales for 3 years after commercialization</p> <p>5. Date of contract: 10 April 2008</p>
<p>Execution of contract for overseas export of SUN with GameOn in Japan</p>	<p>1. Content of contract: Overseas export contract of 'SUN'</p> <p>2. Contract price: 5,286,930,000 won (660 million yen)</p> <p>3. The other party in contract: GameOn (Japan)</p> <p>4. Term of contract: 3 years after commercialization</p> <p>5. Conditions of contract:</p> <p>1) Total contract price: 660 million yen (Total price including minimum guarantee and incentive)</p> <p>2) Detailed conditions of contract:</p> <p>(1) Program development & delivery fee: 120 million yen</p> <p>(2) Minimum guarantee: 180 million yen</p> <p>(3) Incentive: 360 million yen</p> <p>6. Date of contract: 24 October 2007</p>
<p>Execution of contract for overseas export of Huxley with The9 in China</p>	<p>1. Content of contract: Overseas export contract of 'Huxley'</p> <p>2. Contract price: 32,711,000,000 won</p> <p>3. The other party in contract: The9 (China)</p> <p>4. Term of contract: 3 years after commercialization</p> <p>5. Conditions of contract:</p> <p>1) Total contract price 35 million dollars (royalty including license fee and minimum guarantee)</p> <p>2) Detailed conditions of contract:</p> <p>(1) Running royalty: 22% of total sales</p> <p>(2) If advertising revenue occurs in the game, it shall be additionally distributed</p> <p>6. Date of contract: 12 February 2007</p>
<p>Execution of publishing contract with Red5 Studio in the States</p>	<p>1. The other party in contract: Red5 Studio (US)</p> <p>2. Name of subject game: T-Project (tentative name)</p> <p>3. Term of contract: 5 years after commercialization</p> <p>4. Subject region: Worldwide (including online and package)</p> <p>5. Conditions of contract:</p> <p>1) pays 20% of total online sales and 20% of package sales to Red5 Studio</p> <p>2) supports development costs in the form of advance royalty during</p>

	<p>the development period of subject game</p> <p>6. Date of contract: 28 February 2006</p>
<p>Execution of contract for overseas export of Soul of the Ultimate Nation with GameNow in China</p>	<p>1. Content of contract: Overseas export contract of Soul of the Ultimate Nation</p> <p>2. Contract price: 13,440,700,000 won (13 million dollars)</p> <p>3. The other party in contract: GameNow (China)</p> <p>4. Term of contract: 3 years after commercialization</p> <p>5. Conditions of contract: Total contract price 13 million dollars (including minimum guarantee) and 22% of sales as running guarantee during the term of contract</p> <p>6. Date of contract: 12 December 2005</p>
<p>Execution of contract for development of APB console version and publishing license</p>	<p>1. The other party in contract: Real Time Worlds (RTW), UK</p> <p>2. Name of subject game: All Points Bulletin</p> <p>3. Date of contract: 28 June 2005</p> <p>4. Term of contract: 5 years after commercialization</p> <p>5. Conditions of contract: -Webzen retains exclusive worldwide publishing right of Xbox 360 version of APB game -pays 10% of total online sales and 20% of package sales to RTW</p>
<p>Vietnam</p>	<p>1. The other party in contract: FPT Communications</p> <p>2. Date of contract: 12 May 2005</p> <p>3. Term of contract: 3 years after commercialization</p> <p>4. Contents of contract: This company gives license to service online game of 'MU' in Vietnam region to the other party</p> <p>5. Conditions of contract: Total contract price: USD 2,900,000 (including minimum guarantee) Running royalty: 22% of total local sales of 'MU'</p>
<p>Execution of contract for overseas development of game and publishing license</p>	<p>1. The other party in contract: Real Time Worlds (RTW). UK</p> <p>2. Name of subject game: All Points Bulletin</p> <p>3. Date of contract: 15 February 2005</p> <p>4. Term of contract: 5 years after commercialization</p> <p>6. Conditions of contract: 1) pays 10% of total online sales and 20% of package sales to RTW 2) pays development costs in installments in the form of advance royalty during the development period of subject game (2 years)</p>

8. Research & development (R&D) activities

1) Overview of R&D activities

(1) Organizations in charge of R&D

Affiliation	Number of people	Responsibilities
Development Division	332	carries out development of MU, SUN, R2, Archlord and C9 patch and project of next development
Development Support Office	77	Carries out server client technology and R&D, and provides technology support
Total	409	

(2) R&D costs – Statement of balancing accounts

(Unit: won, %)

Subject		The third quarter of the 11 th	The 10 th annual	The 9 th annual
Raw material costs		-	-	-
Personnel expenses		2,527	1,028	3,564
Depreciation costs		102	-45	177
Consignment service costs		245	60	120
Others		349	240	397
R&D costs Total		3,223	1,283	4,257
Accounting treatment	Selling expenses and maintenance costs	3,205	1,266	4,257
	Factory expenses	-	-	-
	Development costs (intangible asset)	17	17	-
Rate of R&D costs/sales (R&D costs/sales during this term)*100		13.05%	11.41%	16.83%

2) Performance of R&D

Development task	Research institution	Contents of R&D	Research results and expected effects
MU	Self	Development of new map and items etc.	<p>Jan 2009 updated 380 items for Summoner</p> <p>Apr 2009 updated exclusive field of honor for PVP, Vulcan (added a field) and suspicious merchant moss</p> <p>May 2009 applied integrated billing – applied cash payment system</p> <p>Aug 2009 updated SEASON5</p> <p>Fortress of the Empire guardians: Varka (event map) Doppelganger (event map) New quest (beginner quest) New set item by class</p> <p>➔ Increase of simultaneous users and maintenance of sales</p>
		Development of partial fee-charging business model	<p>Oct 2009 opened of MU Blue applied gens system</p> <p>Nov 2009 added beginner tutorial quest applied in-game shops and goblin points Commercialization</p> <p>➔ Inducement of new users and increase of sales</p>
SUN	Self	Development of new map and items etc.	<p>Feb 2009 added a new character (shadow)</p> <p>Mar 2009 Timeline renewal, Hangame channeling Integration of servers-Platinum (Onyx-Topaz) opened a new server-Diamond</p> <p>Jun 2009 Timeline renewal update added mission quest</p> <p>Aug 2009 applied pimang channeling, shield system applied group forming, heim luck system one hundred-stage quest</p> <p>Nov 2009 updated Okra village updated Field of Castle Helon-swamps of Nebel and bronze moon city etc. Elite 2nd protective gear, vehicle system</p> <p>➔ Strengthening of user community</p>

			and play → Inducement of sales increase
Huxley	Self	Development of new game	Sep, Dec 2007, Mar 2008 carried out Close Beta Test Jun 2008 Open Beta Test Feb 2007 executed export contract in China region May 2008 executed export contract in the Americas, Europe region May 2010 carried out domestic Open Beta Test Jul 2010 implemented commercialized Services → New profits are expected to be generated because of execution of overseas export contract → Reduction of risk due to diversification of product portfolio
R2	Self	Development of new game	2006. 10 Open Beta Test / implemented Commercialized Services 2007. 02 2nd Revolution Update 2007. 11 Implemented Services in Taiwan 2007. 12 3rd Revolution Update/ added additional Service 2008. 05. Implemented Commercialized Services in Russia 2008. 08 Implemented Mixing Commercialized model 2009. 01 4th Revolution Update → Increased revenue by implementing update constantly and adding profit model
Archlord	Self	Development of new game	2005. 03 Domestic Open Beta Test 2006. 01 Implemented Domestic Commercialized Services 2006. 11 Update for siege warfare system 2006.02 Executed export contract with Shanda, the company in china 2006. 06 Implemented demonstration service in china 2006. 10 Implemented formal service in North America, Europe 2007. 01 Contract publishing agreement for with NHN JAPAN 2007. 09 Implemented formal service in Japan

			2007. 12 Update for new class 2008. 07 Update for tribe war battle ground 2009. 09. Implemented Global Portal Service
C9	Self	Development of new game	2009. 08 Domestic Open Beta Test 2009. 09 Implemented Domestic Commercialized Services 2010. 02 Update for new character 2010. 05 Executed publishing contract with Tencent 2010. 05 Update for forth continent 2010. 10 Update for second change job of new class
BATTERY	Self	Development of new game	May 2010 CBT Sep 2010 Recruitment of group for prior experience Nov 2010 Domestic OBT
MU2	Self	Development of new game	Jan 2009 established MU2 studio and started development ➔ Reduction of risk due to diversification of product portfolio

9. Other matters required for investment decision-making

* Matters related to accounting standards

At the time of merger, the continuing corporate body was Webzen Inc. and the extinct corporate body was NHNGames Corporation, but the merger fell under reverse merger in which the largest shareholder changed. When preparing the combined financial statements, the merger of this company and NHNGames Corporation fell under the merger of subsidiary companies in the accounting rules in relation to M&A etc., so the assets and liabilities succeeded by this company were appropriated as book value for the consolidated financial statement. The proportion of net assets value that exceeded the merger cost was appropriated as capital surplus.

III. Matters related to finance

1. Summarized financial information

(Unit: million won)

Classification	The third quarter of the 11 th	The third quarter of the 10 th	The 10 th	The 9 th	The 8 th	The 7 th
Current assets	72,905	6,020	5,444	3,247	6,053	7,479
Quick assets	72,905	6,020	5,444	3,247	6,053	7,479
Non-current assets	67,949	58,636	56,787	57,915	6,933	4,193
Investment assets	7,029	56,125	54,142	55,962	5,919	2,060
Tangible assets	4,278	395	329	340	335	440
Intangible assets	22,552	776	782	272	269	1,684
Other non-current assets	34,087	1,341	1,534	1,341	410	10
Assets Total	140,853	64,657	62,231	61,162	12,987	11,672
Current debt	14,266	34,433	20,649	11,995	4,993	9,409
Non-current debt	19,887	13,135	18,957	37,792	1,597	2,614
Debt Total	34,153	47,568	39,606	49,788	6,589	12,022
Equity capital	16,552	6,400	6,400	6,400	6,400	4,615
Additional paid-in capital	152,807	7,027	7,027	4,949	1,493	806
Capital adjustment	(73,050)	662	724	388	33	
Accumulated amounts of other comprehensive gains or losses	(1,999)	(212)	372	(1,494)	947	80
Retained earnings	12,389	3,212	8,103	1,132	(2,477)	(5,850)
Capital Total	106,699	17,089	22,625	11,374	6,397	(349)
Sales revenue	11,245	4,772	25,299	24,316	12,042	4,095
Operating profit (loss)	178	1,642	12,473	14,492	3,547	(5,202)
Continuing business profit (loss)	342	(349)	7,176	4,896	3,373	(5,100)
Net income (loss)	317	(349)	6,971	3,609	3,373	(5,100)

※ This company was merged with NHNGames during this period (7 July 2010). The merger fell under reverse merger, so the comparative financial statements before the merger are based on NHNGames (actual purchasing company).

2. Standards of preparation for individual financial statements

1) Standards of preparation for financial statements

The financial statements of this company have been prepared in accordance with generally accepted accounting principles in the Republic of Korea. Important accounting policies adopted to prepare financial statements are the same as the accounting policies adopted to prepare financial statements of the financial period that ended on 31 December 2009 except for the contents in '(18) Change of accounting estimation'. The important accounting policies this company has adapted are as follows:

(1) Standards of recognition of profits

This company recognizes profits at the point of providing services in relation to internet services, and according to contents of contract in relation to royalty and other profits.

(2) Cash and cashable assets

This company treats currency equivalents such as currency & coins and personal checks, current deposit, ordinary deposit and financial instruments that can be easily changed into cash without large transaction cost and whose risk of change of value depending on interest change is not important and whose expiration date at the time of acquisition is within 3 months, as cash and cashable assets.

(3) Allowance for bad debts

This company is setting up estimate amounts for bad debts which are calculated in accordance with reasonable and objective standards in relation to account receivables and other receivable balance on the end date of reporting period currently as allowance for bad debts.

(4) Evaluation of securities

This company calculates prime cost for securities by applying moving average method and classifies investments in equity security and debt security into trading securities, available-for-sale and held-to-maturity depending on the purpose of acquisition and intention of retention. However, equity security among securities that can exercise important influence is classified as investment security subject to equity method. Trading securities are classified as short-term investment asset, and available-for-sale and held-to-maturity are classified as long-term investment asset. However, any securities which mature or will be almost certainly disposed by sales etc. within 1 year from the end date of reporting period are classified as short-term investment asset.

Held-to-maturity is evaluated with historical cost after depreciation, and trading securities and available-for-sale are evaluated with fair price. However, when the fair price of equity security that is unmarketable among available-for-sale cannot be measured reliably, it is evaluated with historical cost.

Valuation profit and loss of trading securities is recognized as the profits and losses for the current term. Valuation profit and loss of available-for-sale is recognized as accumulated amounts of other comprehensive gains or losses, and is reflected in a lump sum in the profits and losses for the current term at the point when the available-for-sale is disposed or reduction loss is recognized.

(5) Evaluation of investment security subject to equity method

Investment security subject to equity method that can exercise important influence on invested company is treated by adjusting amounts of change in shares that occurred after the time of acquisition from historical cost. In case that change in shares of invested company happens due to net income and loss for the current term of invested company, it is treated as the profits and losses for the current term (equity method). In case that change in shares of invested company happens due to increase or decrease of prior year's unappropriated retained earnings resulting from a material error or change of accounting policy, it is treated as increase or decrease of prior year's unappropriated retained earnings. In case that change in shares of invested company happens due to increase or decrease of capital, it is treated as increase or decrease of accumulated amounts of other comprehensive gains or losses (capital change of equity method).

In addition, if invested company of equity method is a subsidiary company, net income and loss for the current term and net assets in individual financial statements of holding company are treated to coincide with holding company's share in relation to net income and loss for the current term and net assets in consolidated financial statements except when the application of equity method is suspended because the balance of investment amount becomes zero (0).

(6) Tangible assets

Historical cost of tangible assets consists of purchase cost or production cost and expenses directly related to preparing for the assets to be available. If costs that are estimated to incur to remove or break up a tangible asset or restore land in order to recover the tangible asset after its economic use ended meet the requirements of recognition of estimated liabilities, present value of the costs is included in historical cost.

This company indicates tangible assets as the amount calculated by deducting accumulated amounts of depreciation calculated according to estimated durable years and depreciation method below from historical cost.

Classification	Estimated durable years	Depreciation method
Building	40 years	Straight line method
Equipment	3 years	Double declining balance method
Facility device	4 years	Double declining balance method

If expenses after the acquisition or completion of tangible assets exceed a level of performance that has been most recently evaluated and increase future economic benefit, the expenses are recognized as capital expenditure, and in other cases, they are recognized as expenses of the period when they occur.

(7) Intangible assets

Historical cost of intangible assets consists of purchase cost and expenses directly related to preparing for the assets to be available. This company indicates intangible

assets as the amount calculated by deducting accumulated amounts of amortization calculated according to estimated durable years and amortization method below from historical cost.

Classification	Estimated durable years	Amortization method
Development cost	3 – 5 years	Straight line method
Computer software	2 – 5 years	Straight line method

This company appropriates expenses among development costs of new products or technology that can be individually identified and are highly likely to bring about future economic benefit as development cost and amortizes them from the point when sales or use of related products etc. is possible.

(8) Reduction of assets

If any asset in financial state table whose recoverable value for the current term lacks book value due to obsolescence, physical damage or rapid drop of market value etc. and the shortfall value is important, this company adjusts the asset to the recoverable value by directly deducting the shortfall value from the book value, and treats the shortfall value as loss for the current term. However, if the reduced recoverable value of asset exceeds book value after the next term, any exceeding amounts over the original book value of this term are treated as profits for the current term by taking it as reversal of reduced loss in relation to the asset. However, reduced business rights are not reversed in the future.

(9) Derivative products

This company appropriates rights and obligations arisen in accordance with contract of derivative product as asset and debt by evaluating them with fair price, and recognizes profits and losses arisen from the contract as the profits and losses for the current term at the time of occurrence. However, if risk aversion is the purpose, valuation profit and loss arisen from contract which avoids change risk of fair price of assets, debt and bidding contract due to a particular risk is treated as the profits and losses for the current term, and valuation profit and loss arisen from contract which avoids change risk of cash flow of future prospective trading is treated as accumulated amounts of other comprehensive gains or losses.

(10) Corporate tax expenses and deferred corporate taxes

Corporate tax expenses are appropriated by adjusting changes of deferred corporate taxes from corporate tax charges pursuant to the regulations including the *Corporate Tax Act*. The effect of corporate tax in relation to temporary difference between book value and taxable value of assets and debt that increases taxable income of future period is all recognized as deferred tax liabilities unless they belong to any exceptional items. The effect of corporate tax in relation to temporary difference and deficit etc. that reduces taxable income of future period is recognized as deferred tax asset if it is certain that taxable income will be generated in the future and it is expected that effect of reducing corporate tax will be realized. In addition, Corporate tax charges and deferred corporate taxes related to items that are directly adjusted in capital account are directly adjusted in capital account.

(11) Allowance for severance and retirement benefits

This company is setting up total accumulated amount of severance pay that need to be paid out in a lump sum if full-time employees who have worked over 1 year at the end of this term resign at the same time as allowance for severance and retirement benefits.

(12) Estimated liabilities and contingent liabilities

If it is highly likely that resources will flow out to fulfill present obligations that exist because of a past event or transaction and the amount of loss can be reliably measured, this company appropriates the amount of loss as estimated liabilities. In addition, if a past event occurred but there is a contingent liability whose existence need to be confirmed by occurrence of uncertain event in the future, and if there are present obligations because of a past event or transaction but it is less likely that resources will flow out or the amount of obligations that need to be fulfilled within this term cannot be reliably measured, this company appropriates them as contingent liabilities.

(13) Conversion of foreign assets and debt

This company converts foreign assets and debt based on appropriate exchange rate on the end date of reporting period currently, and treats gain and loss on translation of foreign currency as the profits and losses for the current term.

(14) Method of foreign currency transaction of overseas branch etc.

Assets and debt of overseas branch or invested company of overseas equity method are evaluated by applying current exchange rate on the end date of reporting period, their capital is evaluated by applying the exchange rate when the capital occurred, and their items of gain and loss are evaluated by applying average exchange rate of the financial year. In this case, conversion gain or loss is treated as accumulated amounts of other comprehensive gains or losses by taking it as conversion gain or conversion loss of foreign business, and the accounts are treated as gains or losses of the financial period when the related overseas branch etc. is liquidated or sold.

(15) Government subsidies

This company appropriates part of government subsidies received from a government body etc. that need to be repaid as debt. Part of government subsidies that need not to be repaid are appropriated depending on purpose of issue. If the subsidies are received for acquisition of asset, they are appropriated as subtraction account of related asset, and if the subsidies are received for the purpose of preserving particular expenses, they are set off against the particular expenses. In other cases, the subsidies are treated as net profit during the term.

(16) Share option

This company applies financial accounting standards No. 22 to stock standard compensation contracts that are agreed in the financial years after 31 December 2006 that is the date of implementation of the financial accounting standards.

In case of stock standard compensation transaction of stock payment type, they are

evaluated with fair value of goods or services provided. In case that fair value of goods or services cannot be reliably measured such as provision of service by an employee, the fair value of goods or services are indirectly measured based on the fair value of stock product given and the amount is treated as cost price of compensation and capital adjustment.

(17) Accounting treatment of lease

This company classifies lease asset into financing lease if the company was transferred most of risk and benefits due to possession of the lease asset. Less amount of present value of the least lease fee and fair value of lease asset on the date of implementation of lease is recognized as financing lease asset and financing lease debt. The least lease fee of each term excluding guaranteed residual value is distributed into interest expenses and repayment amount of lease debt, and interest expenses are calculated by effective interest rate method.

This company classifies lease asset into operating lease if the company was not transferred most of risk and benefits due to possession of the lease asset. The least lease fee excluding guaranteed residual value related to the use of operating lease is equally allocated over the lease period and the amount is recognized as expenses.

(18) Change of accounting estimation

This company changed durable years in relation to equipment from 4 years to 3 years during this period. Such a change of estimation is to achieve proper responses to profits and costs and reflect actual and economic facts of transactions more accurately in the financial statements. Due to such a change of accounting estimation, the depreciation cost of tangible assets during this period have increased by 87 million won when compared with the one calculated based on the previous method.

2) Important matters that have an influence on financial statements

For the enhancement of ability to develop online games, increase of portfolio in the online game publishing business and expansion of capacity of publishing business, this company was merged with NHNGames Corporation on the due date for merger of 7 July 2010 in accordance with the resolution by the board of directors on 15 April 2010. Its main contents are as follows:

(1) Basic Merger Items

Item	Surviving Corporation After Merger	Dissolving Corporation After Merger
Name of Corporation	Webzen Inc.	NHN Games Co., Ltd.
Representative Director	Chang Keun Kim	Byoung Gwan Kim
Contents of Key Areas of Business	Development and providing of online game	Development and providing of game software
Merge Ratio	1.57262712 shares of surviving corporation issued per 1 share of dissolving corporation	

(2) Method of dealing with merger accounting

The merger of this company and NHNGames Corporation fell under the merger of

holding and subsidiary companies in the accounting rules in relation to M&A etc., so the assets and liabilities succeeded by this company were appropriated as book value for the consolidated financial statement. The proportion of net assets value that exceeded the merger cost was appropriated as capital surplus.

(3) Merger Timeline

Item	Date
Resolution of Board of Directors Approving the Merger	15 April 2010
Date of the Merger Agreement	15 April 2010
General Shareholders Meeting for Approval of Merger	4 June 2010
Date of Merger	7 July 2010
Date of Merger Registration	12 July 2010

(4) Financial Statement of the real dissolving corporation

(a) Balance Sheet

(Unit : KRW mil)		
Account Item	2009.12.31	2010.07.06
Liquid Assets	88,921	86,395
Non Liquid Assets	43,327	47,638
Total Assets	132,248	134,033
Liquid Debt	7,159	5,897
Non Liquid Debt	4,852	5,173
Total Debt	12,011	11,070
Capital	6,487	6,487
Capital Surplus	135,892	136,311
Capital Adjustment	(18,717)	(18,911)
Other Integrated Total Income and Loss	(1,442)	(2,291)
Profit Surplus	(1,983)	1,367
Total Capital	120,237	122,963
Total Debt and Capital	132,248	134,033

(b) Income statement

(Unit : KRW mil)		
Account Item	2009.1.1~2009.12.31	2010.1.1~2010.7.6

Sales	27,802	15,059
Costs of Goods and Services Sold	12,401	5,807
Gross Profit(Loss)	15,401	9,252
Business Profits(Loss)	16,947	7,751
Selling and Administrative Expenses	(1,546)	1,501
Non-operating Revenue	6,418	2,894
Non-operating Costs	3,499	566
Net Profits(Loss) Before Corporate Tax	1,373	3,829
Corporate Tax Costs	1,055	479
Net Profit(Loss)for Term	318	3,350

3) Planning of preparation for introduction of Korean International Financial Reporting Standards (K-IFRS) and its status of promotion

This company has to prepare financial statements by applying K-IFRS from the financial year of 2011 pursuant to roadmap in relation to the introduction of international accounting standards that were announced in March 2007. This company established a promotion team for the introduction and selected an outside advisor in July 2009 and analyzed influences due to the introduction. Based on the results of analysis, this company is carrying out additional review to arrange a reasonable alternative that can be applied to it and also performing maintenance work on its accounting system in order to apply the selected accounting treatment alternative. In addition, this company is carrying out internal and outside education on the persons concerned, and is going to start preparing financial statements of the conversion date and thereafter once maintenance work on the system is completed.

IV. Auditor's opinion of auditor etc.

1. Auditor's opinion of auditor etc.

1) Auditor

(1) Current status of auditor and auditing service

(Unit: thousand won, hour)

Business year	Auditor	Contents of auditing service	Remuneration	Total time spent
The 11 th Third-Quarter	Samjeong Accounting Firm	2010 semi-annual and quarterly review, term-end auditing and auditing of financial statements, and submission of auditing report	304,926	1,750
The 10 th	Samil Accounting Firm	2009 semi-annual and quarterly review, term-end auditing and auditing of financial statements, and submission of auditing report Auditing of 2008 USGAAP	465,650	4,950
The 9 th	Samil Accounting Firm	2008 semi-annual and quarterly review, term-end auditing and auditing of financial statements, and submission of auditing report Auditing of 2007 USGAAP	449,000	4,620
The 8 th	Samil Accounting Firm	2007 semi-annual and quarterly review, term-end auditing and auditing of financial statements, and submission of auditing report Auditing of 2006 USGAAP	430,000	4,560

(2) Change of auditor

Samil Accounting Firm was selected as the auditor of this company in the annual meeting of shareholders in 2007 and external auditing was performed from the business year of 2007 to the business year of 2009 accordingly. As contract for external auditor with Samil Accounting Firm expired, the company selected Samjeong KPMG Accounting Firm as the external auditor in the auditing committee on 12 March 2010, and it was reported as agenda for report in the 10th annual meeting of shareholders on 26 March 2010. The current contract for external auditor with Samjeong Accounting Firm is about external auditing from the business year of 2010 to the business year of 2012, and was executed on 30 April 2010.

(3) Current status of execution of contract for non-auditing service with external auditor

(Unit: thousand won)

Business year	Date of contract	Content of contract for non-auditing service	Term of performing service	Remuneration for service	Note
The third-quarter of the 11 th	-	-	-	-	-
The 10 th	Jul 2009	Consultation about introduction of IFRS	Aug 2009 ~ Sep 2009	64,000	Samil Accounting Firm
	Aug 2009	Adjustment of corporate tax of 2009	Aug 2009 ~ Mar 2010	8,000	Samil Accounting Firm
	Jan 2009	Adjustment of corporate tax of 2008	Jan 2009 ~ Mar 2009	9,000	Samil Accounting Firm
The 9 th	Oct 2008	Consultation service of tax investigation	Oct 2008 ~ Dec 2008	109,000	Samil Accounting Firm
The 8 th	-	-	-	-	-

2) Summary of review procedures of the semi-annual period of this business year

(1) Overview of review procedures

I have reviewed the financial state table of 30 September 2010 current, income statements of 3 months and 6 months financial periods that ended on 30 September 2010, and capital change table and cash flow table of 6 months financial period that ended on 30 June 2010 of Webzen Inc. separately attached. The responsibility to prepare the financial statements is on the executives of the company, and my responsibility is to carry out reviews on the financial statements and report the results of reviews. Income statements of 3 months and 9 months financial periods that ended on 30 September 2009, and capital change table and cash flow table of 9 months financial period that ended on 30 September 2009 that are attached for the purpose of comparison are financial statements which were not reviewed.

I have carried out reviews in accordance with the regulations for review of semi-annual financial statements in Korea. Those regulations require to plan and carry out reviews that enable me to obtain a normal level of assurance in relation to the fact that the financial statements have not been distorted materially. Reviews are usually carried out based on questions and analytical procedures, so they provide a lower level of assurance than auditing. As I have not performed auditing, I do not express auditor's opinion.

According to my results of reviews, it has not been found that the above financial statements were prepared in violation of generally accepted accounting standards in Korea in the aspect of importance.

Financial status table of 31 December 2009 current, and income statement, statement of disposition of deficit, capital change table and cash flow table of the financial year which ended on the same date (not attached to this review report) were audited by other accounting firm in accordance with financial auditing standards in Korea, and unqualified opinions are indicated in the review report dated 15 March 2010. The financial status table of 31 December 2009 current attached for the purpose of comparison is not different from the above audited financial status table in the aspect of importance.

As explained in Note 19 in relation to the financial statements, the matter that have not effected on auditor's opinion is that this company, for the enhancement of ability to develop online games, increase of portfolio in the online game publishing business and expansion of capacity of publishing business, passed a vote of merger with NHNGames Corporation with merger rate of 1:1.57262712 in the board of directors on 15 April 2010 and completed the merger on the due date for merger of 7 July 2010. Income statements of 3 months and 9 months financial periods that ended on 30 September 2009, and capital change table and cash flow table of 9 months financial period that ended on 30 September 2009 that are attached for the purpose of comparison are financial statements which were based on NHNGames Corporation, legally corporation amalgamated.

3) Auditor's opinion

Business year	Auditor	Auditor's opinion	Summary of matters pointed out
The 10 th	Samil Accounting Firm	Unqualified opinion	-
The 9 th	Samil Accounting Firm	Unqualified opinion	-
The 8 th	Samil Accounting Firm	Unqualified opinion	-

2. Auditor's opinion of auditors (internal auditors) etc.

1) Summary of auditing procedures

(1) Name of auditors or auditing committee and type of employment of auditors

Classification	Name	Full-time employment	Note
Member of auditing committee	Ha, Seung Han	Yes/ No	Outside director
Member of auditing committee	Lee, Chang Won	Yes/ No	Outside director
Member of auditing committee	Kim, Hyeok Yeon	Yes/ No	Outside director

(2) Main procedures of auditing

(a) Auditing in relation to accounting

For auditing, the members of auditing committee read accounting ledgers and related documents, and reviewed financial statements and supplementary schedules closely. Contrast, due diligence, entrance, inquiry and other proper methods were applied when judged to be necessary to carry out auditing.

(b) Auditing in relation to business

The members of auditing committee attended the board of directors and other important meetings for business auditing and were reported about business by the directors when judged to be necessary. Auditing was carried out by using proper methods such as reading of documents related to important business and reviewing of the contents closely etc.

2) Auditor's opinion

(1) Matters about indications in balance sheet and income statement

- The above financial statements have been prepared properly and there is no matter to be pointed out.

(2) Matters about business report

- The report has been prepared properly and there is no matter to be pointed out.

(3) Matters about surplus appropriation statement or statement of disposition of deficit

- The above financial statements have been prepared properly and there is no matter to be pointed out.

V. Check of management efficiency and analyzed opinion by directors

According to preparation standards for company forms for public announcements, this item does not need to be prepared in quarterly report. This item is going to be prepared at the time of submission of term-end business report.

VI. Matters about company organizations and affiliates including the board of directors etc.

1. Matters about the board of directors

1) Matters about composition of the board of directors

(1) Composition of the board of directors

The board of directors of this company consists of total 8 directors - 5 people of internal directors, 3 people of outside directors on the date of submission of this semi-annual report currently. 2 directors out of 5 internal directors are representative directors (respective representative) and are in charge of comprehensive management and comprehensive strategy respectively. Other non full-time internal directors are in charge of decision making of all matters related to management and establishment of strategy.

Meanwhile, this company established an auditing committee in accordance with the regulations of the Securities and Exchange Commission, and the outside directors (3 people) are performing auditing works as members of the auditing committee. The current status of members of the auditing committee is as follows:

Name of outside directors	Main career	Connection with the largest shareholder etc.	Current status of participation in internal and outside education	Note
Lee, Chang Won	Partner of Law Firm of Sejong	None	None	Outside director
Ha, Seung Han	Partner of Accounting Firm of Sejong	None	None	Outside director
Kim, Hyeok Yeon	Sandong Accounting Firm, KTB Network, Kim & Jang Law Firm	None	Note	Outside director

-Organization (department or team) which supports works of the auditing committee (outside directors): Management Planning Office (Tel. 02-3498-1600)

2) Current status of committee in the board of directors

Name of committee	Composition	Name	Objective of establishment and authorities	Note
Ethics Committee	Board of directors	Kim, Byeong Gwan Lee, Chang Won	-Determination of important policies about promotion of ethical management -Enactment and amendment of regulations related to ethical management -Authoritative interpretation about important regulations related to ethical management -Evaluation and supervision of real conditions of ethical management -Review of award and level of punishment about practice and violation of ethical management	established on 29 June 2006

-There are no activities until now.

2. Authorities of the board of directors

Clause 13 (Items presented for consideration) of the regulations on the board of directors of this company gives the following authorities to the board of directors.

Clause 12 Items presented for consideration

(1) Items presented for consideration in the board of directors are classified into matters for resolution and matters for report.

(2) Matters for resolution in the board of directors are as follows:

1. Matters for resolution under law and the articles of association

1) Appointment and dismissal of representative directors, and determination of joint representative directors

2) Establishment, movement and closing down of branch

3) Establishment, operation and closing down of committee in the board of directors, and appointment and dismissal of members

4) Calling of general meeting of shareholders

5) Approval of business report

6) Prior approval of financial statements

7) Approval of sideline of directors

8) Approval of dealing between directors and Company

9) Issue of new shares and issue of bond

10) Capitalization of reserve fund

11) Issue of convertible bond and bond with warrant

12) Determination of assignment of stock warrants

13) Grant and cancellation of stock option

14) Determination of cash dividend

15) Simple merger, small-scale merger, simple division and merger, small-scale division and merger

16) Determination of capital increase by general public offering

17) Selection of transfer agent and business office and scope of delegated work

18) Closing down of stockholders' list and establishment of basic date

19) Issue of depositary receipt

20) Division and merger of shares

21) Division and merger of depositary receipt

22) Appointment of directors in charge of work other than representative director, and division of works of directors

23) Listing of share certificates on foreign stock exchange and cancellation of listing

24) Acquisition or disposition of treasury stock, and determination of execution, extension, or termination of trust agreement etc.

25) Addition and exclusion of affiliates

26) Other matters set by law or the articles of association and matters recognized to be necessary by representative directors

2. Suggestion of matters that require approval of general meeting of shareholders

A. Matters for special resolution by general meeting of shareholders

1) Change of the articles of association

2) Assignment of all or important part of business

3) Receipt of all business of other company or part of business of other company that has an important influence on the business of this company

4) Lease of all business or delegation of management etc.

5) Dismissal of directors

6) Reduction of capital

7) Dissolution of Company, continuance of Company

8) Merger, division and division merger of Company

- 9) Issue of shares that fall short of face value 10) Grant of stock option
 11) Incineration of shares by resolution of general meeting
 12) Comprehensive exchange of shares and approval of comprehensive transfer
- B. Matters for ordinary resolution
 1) Appointment of directors 2) Determination of remuneration of directors
 3) Approval of financial statements 4) Determination of stock dividend
- C. Unanimous resolution
 1) Exemption of responsibility of directors and auditors
- D. Other items that are presented for consideration in general meeting of shareholders according to laws
3. Other main matters in relation to management
 1) Important policies on business plan and other business operation
 2) Evaluation on outcome of management and distribution of remuneration
 3) Acquisition, disposition and assignment of important assets over 10/100 of equity capital
 4) Matters about borrowing and repayment of fund over 5/100 of equity capital
 5) Investment and lending of money over 5/100 of equity capital
 6) Guarantee of an obligation over 5/100 of equity capital
 7) Enactment and abolition of important company rules and regulations
 8) Matters delegated from general meeting of shareholders
 9) Other matters recognized to be necessary by the board of directors
- (3) Matters to be reported to the board of directors are as follows:
 1. Outcome of management and status of main execution in relation to management
 2. Matters treated by committee after delegation
 3. Matters required to be reported to the board of directors in accordance with Subclause (1) of Clause 14.

3. Matters about operation of the board of directors

The regulations on the board of directors define the operation of the board of directors of this company as follows:

Clause 9 Type

- (1) The board of directors consists of regular board of directors and extraordinary board of directors.
 (2) The regular board of directors shall be held more than once every three months.
 (3) The extraordinary board of directors shall be held often when necessary.

Clause 10 Person who has the right to call the board of directors and procedures

- (1) The board of directors shall be called by representative directors or if there is a director appointed as person who has the right to call the board of directors by the board of directors, the appointed director by notifying each director 3 days prior to the date of

board of directors. However, the call procedures may be omitted if all directors agree to it.

(2) Other directors who have not appointed as person who has the right to call the board of directors under Subclause (1) may require the appointed director to call the board of directors. In case that the appointed director refuses to call the board of directors with no reasonable cause, other directors may call the board of directors.

Clause 11 Method of resolution

(1) A resolution of the board of directors shall be made when a majority of the current directors are present and a majority of those in attendance pass the resolution except cases otherwise set by law. A resolution of the board of directors about dismissal of members of the auditing committee who are also outside directors shall be made when over 2/3 of total directors pass the resolution.

(2) The board of directors may allow part or all of directors to participate in resolution by communication means that transmit and receive video and voice simultaneously instead of attending the board of directors in person. In this case, the directors are deemed to have attended the board of directors in person.

(3) Any directors who have a special connection in relation to a resolution by the board of directors shall not exercise their voting right.

(4) The number of directors who cannot exercise their voting right in accordance with Subclause (3) shall not be included in the number of directors in attendance.

4. Details of main activities of the board of directors

No.	Date	Content of Agenda	Pass	Note
1	5 Jan	The 1 st Agenda, Matter of approval of self-dealings with NHNGames Corporation	passed	-
2	8 Feb	The 1 st Agenda, Matter of approval of financial statements for the 4 th quarter of the 10 th annual period and financial statements for the 10 th annual period	passed	
3	8 Feb	The 1 st Agenda, Mater of execution of publishing contract of online game 'Battery'	passed	
4	22 Feb	The 1 st Agenda, Matter of notification of calling the 10 th annual meeting of shareholders	passed	
5	12 Mar	The 1 st Agenda, Report of evaluation on operation of internal control for the second half of 2009	report	
6	9 Apr	The 1 st Agenda, Matter of extension of trust agreement of treasury stock	passed	
7	15 Apr	The 1 st Agenda, Matter of approval of execution of merger contract The 2 nd Agenda, Mater of establishment of basic date to determine shareholders and closing period of stockholders' list	passed	
8	19 Apr	The 1 st Agenda, Matter of resolution of calling extraordinary meeting of shareholders	passed	
9	30 Apr	The 1 st Agenda, Matter of change of holding extraordinary meeting of shareholders	passed	

10	10 May	The 1 st Agenda, Matter of change of holding extraordinary meeting of shareholders The 2 nd Agenda, Matter of change of date of merger	passed	
11	4 Jun	The 1 st Agenda, Matter of appointment of representative director (respective representative) The 2 nd Agenda, Matter of appointment of member in the auditing committee	passed	
12	18 Jun	The 1 st Agenda, Matter of submission of American annual report Form 20-F for 2009 The 2 nd Agenda, Matter of promotion of cancellation of registration on the SEC and delisting from the NASDAQ	passed	
13	8 July	The 1 st Agenda, Report of the results of merge and Matter of notification	report	
14	29 July	The 1 st Agenda, Matter of adjustment of Conversion Price The 2 nd Agenda, Matter of relocation of Corporate Headquarters	passed	
15	13 Aug	The 1 st Agenda, Matter of approval of the semi-annual financial statements	passed	
16	27 Aug	The 1 st Agenda, Report of termination of Contract for publishing in North America with NHN USA	report	

5. Details of main activities of outside directors in the board of directors

No.	Date	Content of bill	Pass	Participation (consent) of outside directors			Note
				Kim, Hyeok Yeon	Lee, Chang Won	Ha, Seung Han	
1	5 Jan	The 1 st Agenda, Matter of approval of self-dealings with NHNGames Corporation	passed	participated (consent)	Participated (consent)	Participated (consent)	-
2	8 Feb	The 1 st Agenda, Matter of approval of financial statements for the 4 th quarter of the 10 th annual period and financial statements for the 10 th annual period	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
3	8 Feb	The 1 st Agenda, Mater of execution of publishing contract of online game 'Battery'	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
4	22 Feb	The 1 st Agenda, Matter of notification of calling the 10 th annual meeting of shareholders	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
5	12 Mar	The 1 st Agenda, Report of evaluation on operation of internal control for the second half of 2009	report	Participated (-)	Participated (-)	Participated (-)	-
6	9 Apr	The 1 st Agenda, Matter of extension of trust agreement of treasury stock	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
7	15	The 1 st Agenda, Matter of approval of	passed	Participated	Participated	Participated	-

	Apr	execution of merger contract The 2 nd Agenda, Matter of establishment of basic date to determine shareholders and closing period of stockholders' list		ed (consent)	ed (consent)	ed (consent)	
8	19 Apr	The 1 st Agenda, Matter of resolution of calling extraordinary meeting of shareholders	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
9	30 Apr	The 1 st Agenda, Matter of change of holding extraordinary meeting of shareholders	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
10	10 May	The 1 st Agenda, Matter of change of holding extraordinary meeting of shareholders The 2 nd Agenda, Matter of change of date of merger	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
11	4 Jun	The 1 st Agenda, Matter of appointment of representative director (respective representative) The 2 nd Agenda, Matter of appointment of member in the auditing committee	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
12	18 Jun	The 1 st Agenda, Matter of submission of American annual report Form 20-F for 2009 The 2 nd Agenda, Matter of promotion of cancellation of registration on the SEC and delisting from the NASDAQ	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
13	8 July	The 1 st Agenda, Report of the results of merge and Matter of notification	report	Participated (-)	Participated (-)	Participated (-)	
14	29 July	The 1 st Agenda, Matter of adjustment of Conversion Price The 2 nd Agenda, Matter of relocation of Corporate Headquarters	passed	Participated (consent)	Participated (consent)	Participated (consent)	
15	13 Aug	The 1 st Agenda, Matter of approval of the semi-annual financial statements	passed	Participated (consent)	Participated (consent)	Participated (consent)	
16	27 Aug	The 1 st Agenda, Report of termination of Contract for publishing in North America with NHN USA	report	Participated (-)	Participated (-)	Participated (-)	

2. Matters about auditing system

1) Matters related to auditing organization

(1) Establishment of the auditing committee (auditor) and method of composition

This company resolved to submit revised plan of the articles of association related to auditing committee and appointment of directors through the 9th board of directors on 7 November 2003 in order to establish an auditing committee to comply with the requirements of NASDAQ and the rules and regulations of the Securities and Exchange Commission in relation to the need for and composition of auditing committee. The

method of composition in the regulations on the members of auditing committee passed in the annual meeting of shareholders on 26 March 2004 is as follows:

‘The auditing committee consists of at least 3 members who must be outside directors and satisfy the requirements of independence and experience of the Securities and Exchange Commission and NASDAQ. The members of auditing committee shall be appointed by the board of directors and may be dismissed by a determination of the board of directors at any time. The chairman of auditing committee shall be elected by a majority vote of the members.’

* This company completed to be delisted from the NASDAQ and cancel the registration on the Securities and Exchange Commission in relation to depositary receipt listed on the NASDAQ on 8 July 2010. However, ADR program maintains Level 1 and ADR can be traded at Pink Sheets which is a curb market.

(2) Arrangement of internal device for access to management information necessary for auditing work by the auditing committee

This company has arranged the following regulation as internal device for access to management information necessary for auditing work in the articles of association.

[Regulation in the articles of association of this company]

Clause 46 Composition of auditing committee

(1) This company places an auditing committee in accordance with Clause 44 substituting auditing.

(2) The auditing committee consists of more than 3 directors, and over 2/3 of total members must be outside directors.

(3) If the total number of shares that have voting right held by the largest shareholder, its affiliate persons and other persons specified in Subclause 3 of Clause 12 of Article 542 of the *Commercial Law* exceeds over 3/100 of the total number of issued shares, those people may not exercise their voting right in relation to the exceeding shares for appointment and dismissal of any member of auditing committee who is not an outside director.

(4) The auditing committee may seek assistance of experts at the company’s expenses if necessary.

Clause 47 Appointment of chairman and dismissal of members

(1) The auditing committee must appoint the chairman who will represent the committee by its resolution.

Clause 48 Duty of auditing committee

(1) The auditing committee shall supervise accounting and business of this company.

(2) The auditing committee can claim to call an extraordinary meeting of shareholders by submitting a document stating the objective of meeting and reason for calling to the board of directors.

(3) The auditing committee shall recommend a candidate for external auditor to general meeting of shareholders.

(4) The auditing committee can require a business report of a subsidiary if necessary to

perform its duty. In this case, the committee can inspect business and financial status of the subsidiary when the subsidiary has not reported without delay or it is necessary to confirm the contents of the report.

(5) The auditing committee shall handle any matters delegated from the board of directors other than duties under Subclauses (1) and (4).

Clause 49 Auditing records of auditing committee

The auditing committee must write the method of carrying out auditing and its results in the auditing records, and the member of auditing committee who carried out the auditing must put his/her name and seal, or sign on the records.

2) Current status of composition of auditing committee

Name	Main career	Outside director
Ha, Seung Han	Partner of Accounting Firm Sejong	Yes
Lee, Chang Won	Partner of Law Firm Sejong	Yes
Kim, Hyeok Yeon	Sandong Accounting Firm, KTB Network, Kim & Jang Law Firm	Yes

-Organization that supports works of auditing committee: Compliance team (Tel. 02) 3498-1600)

3) Activities of auditing committee

No.	Date	Content of agenda	Pass
1	8 Feb 2010	No. 1 Report, Report of results of corruption exposure auditing No.2 Report, Report of results of internal control test No. 3 Report, Report of main issues of term-end auditing on 31 December 2009	reported reported reported
2	12 Mar 2010	No. 1 Report, Report of results of external auditing for Year 2009 by Samil Accounting Firm No. 2 Report, Report of actual conditions of operation of internal accounting management system on 31 December 2009 No. 3 Agenda, Matter of appointment of external auditors	reported reported passed
3	19 Apr 2010	No. 1 Agenda, Matter of evaluation on independence of outside directors No. 2 Agenda, Matter of change of the chairman of auditing committee	passed passed

3. Matters about exercise of voting rights by shareholders

1) Adoption of concentration vote system

-This company approved the agenda of change of the articles of association to exclude

the concentration vote system in the 10th annual meeting of shareholders on 26 March 2009. Therefore, the concentration vote system is not adopted.

2) Adoption of documentary vote system or electronic vote system

-The adoption of documentary vote system or electronic vote system does not apply to this company.

3) Minority shareholder right

-Minority shareholder right has not been exercise during the subject period of public announcement of this report.

4) Competition on control of this company

-There has been no competition on control of this company during the subject period of public announcement of this report.

4. Current status of affiliates etc.

1) Matters about affiliates

(1) Matters about affiliates

The affiliates of this company are totally 34 companies as the subject period of this report. Among the affiliates, 2 companies including this company are listed, 32 companies are not listed.

(a) The name of Business group : NHN

The affiliates of this companies except NHN don't have stock of this company. The current status of investment in other corporate bodies of this company and details of the current status of affiliates are as follows.

(b) The current status of affiliates of this company

[30 September 2010 current]

(Unit: share, thousand won, %)

The company name of the affiliates	The share of this company	The share about this company	other
Webzen Inc.	-	-	Hold as treasury 16.69 percent shares
Plux Co., Ltd	55.44%	-	
9Webzen Ltd.	70.00%	-	
Webzen Taiwan Inc.	100.00%	-	
Webzen China Co., Ltd	100.00%	-	
Webzen America Inc.	100.00%	-	
Webzen Europe Inc.	100.00%	-	
NHN Corp.	-	28.50%	
SEARCH SOLUTIONS, INC.	-	-	
CUBRID Co.,Ltd.	-	-	SEARCH SOLUTIONS, INC. hold 100 percent share
NHN I&S Corp.	-	-	-
Green Web Service Corp.	-	-	NHN I&S Corp. hold 100 percent share
GPlus Corp.	-	-	NHN I&S Corp. hold 100 percent t share

InComms Corp.	-	-	NHN I&S Corp. hold 100 percent share
NHN Japan Corp.	-	-	-
NAVER Japan Corp.	-	-	NHN Japan Corp. hold 100 percent share
Next Human Search Technology Corp.	-	-	NHN Japan Corp. hold 100 percent share
NHST Japan Corp.	-	-	NHN Japan Corp. hold 100 percent share
Mediator Corp.	-	-	NHN Japan Corp. hold 100 percent share
Livedoor Co., Ltd.	-	-	NHN Japan Corp. hold 100 percent share
JLISTING Co., Ltd.	-	-	Livedoor Co., Ltd. hold 100 percent share
ADWIRES Inc.	-	-	Livedoor Co., Ltd. hold 100 percent share
LIVEDOOR CAREER Co., Ltd.	-	-	Livedoor Co., Ltd. hold 100 percent share
NHN Global Ltd.	-	-	-
NHN-PCCS HK Ltd.	-	-	NHN Global Ltd. hold 90.24 percent share
NHN USA Inc.	-	-	-
NHN China Corp.	-	-	-
Wingbus, Inc.	-	-	-
N-Visions Corp.	-	-	-
NHN Business Platform Corp.	-	-	-
ITOPE	-	-	NHN Business Platform Corp. hold 100 percent share
NHN Search Marketing Corp.	-	-	NHN Business Platform Corp. hold 100 percent share
NHN Investment Corp.	-	-	-
Game Marketing & Business Corp.	-	-	-

2) Current status of investment in other corporate bodies

[30 September 2010 current]

(Unit: share, thousand won, %)

Name of Corporate body	Objective of investment	Balance at beginning of term			Increase (Decrease)			Balance at end of term			Current status of finance for the latest business year	
		Quantity	Rate of share	Book value	Acquisition (Disposition)		Valuation profit and loss	Quantity	Rate of share	Book value	Total assets	Net income & loss during the term
					Quantity	Amount						
9Webzen (unlisted)	Efficiency of business	5,571,429	70	68,892	-	-	210,991	5,571,429	70	279,883	1,582,279	5,571,429
Webzen China (unlisted)		-	100	21,604	-	-	(365)	-	100	21,239	26,524	-
Webzen Taiwan (unlisted)		13,186,000	100	-	-	-	-	13,186,000	100	-	3,806,781	13,186,000
Webzen America (unlisted)		4,000,000	100	-	-	-	-	4,000,000	100	-	159,426	4,000,000
Plux Co., Ltd (unlisted)		66,528	55	8,018	-	-	(8,018)	66,528	55	0	3,060	66,528
Webzen Europe (unlisted)		1	100	2	-	-	-	1	100	2	2	1
Subtotal		22,823,958	22,823,958	-	98,516	-	-	202,608	22,823,958	-	301,124	
GameOn (JASDAQ)	Investment	822	1	762,958	(822)	762,958	-	-	-	-	-	822
Total		22,824,780	22,824,780		861,474	(822)	762,958	(74,466)			24,048	3,009,884

*Share in GameOn held by this company has been completely disposed during this reporting period.

VII. Matters about shareholders

1. Current status of shares held by the largest shareholder and its affiliate person

[Basic date: 30 September 2010 current]

(Unit: share, %)

Name	Relation	Type of share	Current status of change of shares								Reason for change	
			Beginning of term		Increase		Decrease		End of term			
			No. of shares	Rate of share	No. of shares	Rate of share	No. of shares	Rate of share	No. of shares	Rate of share		
NHN corp.	Itself after change (Affiliates company)	Ordinary share	-	-	9,435,763	28.50	-	-	9,435,763	28.50	Issued share following merge	
Kim Byeong Gwan	Officer of Affiliates company	Ordinary share	-	-	9,401,873	28.40	-	-	9,401,873	28.40	Issued share following merge	
NHNGames Corp.	Itself before change	Ordinary share	3,469,784	26.74	398,636	3.07	3,868,420	29.82	-	-	-Increase : Trading in freeboard(Kim Nan Ju) - Decrease : Transfer to treasury stock following merge	
Kim Chang Geun	Officer of Affiliates company	Ordinary share	10,000	0.08	-	-	-	-	10,000	0.03		
Total		Ordinary share	3,479,784	26.82	19,236,272	59.97	3,868,420	29.82	18,847,636	56.94		
		Preferred share	-	-	-	-	-	-	-	-	-	
		Total	3,479,784	26.82	19,236,272	59.97	3,868,420	29.82	18,847,636	56.94		

Name of the largest shareholder: NHN Corporation

Number of affiliate person: 2

- The above history of share changed due to be issued merge stock due 7 July 2010.

2. Current status of change of the largest shareholder for the last 3 years

(Unit: share, %)

Name of the largest shareholder	Date of change of the largest shareholder/Date of change of share	Number of shares held	Rate of share	Note
NHNGames Corporation and other 5 people	24 October 2008	4,481,035	34.54	Note1)
NHNGames Corporation and other 1 people	31 December 2009	3,479,784	26.82	Note2)
NHNCorporation and other 2 people	7 July 2010	18,847,636	56.94	Note3)

Note1) Related public announcement: Change of the largest shareholder (24 October 2008)

Note2) There has not been a change in the largest shareholder of this company, but it is information of current status of shares held by the largest shareholder and its affiliate person as of the end of an annual.

Note3) According to merger of this company with NHNGames Corporation, the largest shareholder of this company changed from NHNGames Corporation to NHN Corporation on 7 July 2010 that was after the subject period of this report.

*Related Disclosure : Change of the largest shareholder (7 July 2010)

3. Overview of NHN Corporation that is the largest shareholder

1) Legal and commercial name of company

The legal and commercial name of company is written as ‘NHN Corporation’.

2) Date of establishment etc.

The company was established on 26 October 2004 of the purpose of service business as providing of online information and operation of Internet search site etc, and the name of company changed Naver com. to NHN corp. The company was listed in KODAQ on 29 October 2002, and was moved to KOSPI on 28 November 2008.

3) Address, telephone number and homepage of head office

-Address: Green Factory 178-1 Jung-Ja dong, Bun-Dang Gu, Seong-Nam City, Gyeong-Ki Do

-Tel: 1588-3830

-Homepage: <http://www.nhncorp.com>

4) Main business areas

This company is a company which provides services of MU online and SUN online that are MMORPG games, Huxley that is FPS game. Following merge with NHN Corporation on 7 July 2010, this company develops and provides services R2 and Archlord that are MMORPG.

This company is a company which provide Internet Portal Service, ‘NAVER’ and Online Game Service, ‘HANGAME’ The major revenue components are Search and Display Advertisement revenue which make use of Search Technology of ‘NAVER’, advertisement domain, and Game revenues which is consisted of a flat rate of ‘HANGAME’ and sales of Avatar.

4. Current status of retention of shares over 5% by shareholders

[Basic date: 30 September 2010 current]

(Unit: share, %)

Ranking	Name (Title)	Ordinary share		Preferred share		Subtotal	
		No. of shares	Rate of share	No. of shares	Rate of share	No. of shares	Rate of share
1	NHN Corp.	9,435,763	28.50	-	-	9,435,763	28.50

2	Kim Byeong Gwan	9,401,873	28.40			9,401,873	28.40
Total		18,837,636	56.90	-	-	18,837,636	56.90

-There is no shareholder who holds over 5% share other than NHN Corporation (28.5%) that is the largest shareholder of this company, the representative director of Kim, Byeong Gwan (28.4%) and treasury stock (16.69%) on the date of submission of this quarterly report currently.

5. Stock administration

Contents of subscription right in the articles of association	<p>Clause 11 (Subscription right)</p> <p>(1) The shareholders of this company have a right to be assigned of new shares in proportion to the number of shares they hold in relation to the issue of new shares.</p> <p>(2) Despite the regulation in Subclause (1), the board of directors may assign new shares to people other than shareholders by a resolution of the board of directors in the following cases.</p> <ol style="list-style-type: none"> 1. In case of issue of new shares in the form of capital increase by general public offering by a resolution of the board of directors pursuant to Clause 6 of Article 165 of the <i>Law on Capital Market and Financial Investment Business</i> within a range that does not exceed 20/100 of the total number of issued shares. 2. In case of prior allocation of new shares on members of employee ownership within a range that does not exceed 20/100 of the total number of issued shares. 3. In case of allocation and issue of new shares for investment by foreigners pursuant to the <i>Act of Foreigner Investment Promotion</i> if necessary for management, and in case of allocation and issue of new shares to domestic corporate bodies that are conducting new technology business finance and venture capital business. 4. In case of issue of new shares to domestic and overseas financial institutions or institutional investors for financing urgent funds within a range that does not exceed 20/100 of the total number of issued shares. 5. In case of issue of new shares to an associate company for the introduction of technology from the associate company 7. In case of issue of new shares by exercise of stock option pursuant to Clause 3 of Article 542 of the <i>Commercial Law</i>. 8. In case of issue of new shares due to the issue of depositary receipt pursuant to Clause 16 of Article 165 of the <i>Law on Capital Market and Financial Investment Business</i>. 9. In case of issue of new shares by exercise of stock option of employee ownership pursuant to Clause 2 of Article 32 of the <i>Labor Welfare Basic Law</i>. <p>(3) In case of issue of new shares in accordance with each of the cases set out in Subclause (2), the number and type of shares to be</p>
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	issued and issue price shall be determined by a resolution of the board of directors. (4) The method of treating shares due to waiver or loss of subscription right and odd-lot stocks generated in the allocation of new shares shall be determined by a resolution of the board of directors.		
Date of closing accounts	31 December	Annual meeting of shareholders	Within 3 months after the end of each business year
Closing period of shareholders' list	From 1 January to 31 January		
Type of share certificate	Registered ordinary share (8 types of 1, 5, 10, 50, 100, 500, 1,000 and 10,000 share certificate)		
Transfer agent	Stock agency department in Hana Bank		
Benefits of shareholders	-	Publication of announcement	http://www.webzen.com

-As the agenda of change of part of the articles of association to include the introduction of electronic announcement system was approved in the 10th annual meeting of shareholders held on 26 March 2010, this company changed the method of announcement, and posts announcements on the homepage of this company (<http://www.webzen.com>) from 29 May 2010. If announcements cannot be posted on the internet homepage due to unavoidable circumstances such as computer problems etc., they may be posted on the Korea Economic Daily that is issued in Seoul.

7. Share price and trading records for the last 6 months

1) Domestic stock market

[Name of stock exchange: KOSDAQ]

(Unit: won, share)

Classification		Apr 2010	May 2010	Jun 2010	July 2010	Aug 2010	Sep 2010
A069080 (Ordinary share)	Highest price	13,450	13,250	12,550	11,350	10,150	9,300
	Lowest price	11,700	11,700	10,900	10,100	8,790	8,450
	Volume	6,482,061	3,712,651	2,047,476	1,928,748	1,371,127	943,787

2) Foreign stock market

[Name of stock exchange: NASDAQ, OTC]

(Unit: USD, share)

Classification		Apr 2010	May 2010	Jun 2010	July 2010	Aug 2010	Sep 2010
WZENY (ADR)	Highest price	3.47	3.36	3.00	2.60	2.48	2.38
	Lowest price	3.03	2.70	2.50	2.26	1.75	1.93
	Volume	438,600	132,300	155,300	187,600	175,500	127,900

*On the NASDAQ, it is traded in the form of ADR, and the rate is 10 ADR: 3 original shares.

- This company determined on 18 June 2010 to be delisted from the NASDAQ, and

cancel the registration on the Securities and Exchange Commission in relation to ADR during this semi-annual period. It was delisted from NASDAQ Global Market on 8 July 2010. However, ADR program maintains Level 1 and ADR can be traded at Pink Sheets which is OTC market.

VIII. Matters about executives and employees

1. Current status of executives and employees

1) Current status of executives

[Basic date: 30 September 2010 current]

(Unit: share)

Title	Register	Name	Date of birth	Main career	Duty in charge	Tenure/ Period of service	No. of shares held	
							Ordinary share	Preferred share
Representative director (Full-time)	Registered Executive	Kim, Chang Geun	23 May 1971	Chief of Hangame Operation Division in NHN Corporation, Group leader of Publishing Business in NHN Corporation	Comprehensive management	24 Oct 2008 ~ 23 Oct 2011	10,000	-
Representative director (Full-time)	Registered Executive	Kim, Byeong Gwan	15 Jan 1973	Representative director of NHNGames Corporation	Comprehensive strategy	24 Oct 2008 ~ 23 Oct 2011	9,401,873	-
Director (not full-time)	Registered Executive	Hwang, In Joon	19 Jun 1965	CFO in NHN Corporation	General management	4 Jun 2010 ~ 3 Jun 2013	-	-
Director (not full-time)	Registered Executive	Jeong, Uk	15 Dec 1972	Chairman of Hangame Operation Division in NHN Corporation, Accenture	General management	4 Jun 2010 ~ 3 Jun 2013	-	-
Director (not full-time)	Registered Executive	Kim, Hyeon Seong	7 Dec 1971	Director in NHN Corporation, Judge in Seoul North District	General management	4 Jun 2010 ~ 3 Jun 2013	-	-

				Court				
Outside director (not full-time)	Registered Executive	Lee, Chang Won	8 Nov 1963	Partner of Law Firm Sejong	Auditing	4 Jun 2010 ~ 3 Jun 2013	-	-
Outside director (not full-time)	Registered Executive	Ha, Seung Han	27 Oct 1967	Partner of Accounting Firm Sejong	Auditing	4 Jun 2010 ~ 3 Jun 2013	-	-
Outside director (not full-time)	Registered Executive	Kim, Hyeok Yeon	3 Sep 1971	Sandong Accounting Firm, KTB Network, Kim & Jang Law Firm	Auditing	27 Mar 2009 ~ 26 Mar 2011	-	-

-The directors of Hwang, In Joon & Jeong, Uk & Kim, Hyeon Seong among the above directors were newly appointed during this reporting period in the extraordinary meeting of shareholders (4 June 2010).

- Kim, Byeong Gwan became second largest shareholder following obtaining issued merge share(9,401,873 share) on 7 July. The share is being under compulsory safeguard deposit for 2 years from the due date for merger

2) Current status of insuring against executive indemnification liability

(1) Current status of insuring against executive indemnification liability

This company took out insurance for executive indemnification liability as follows:

Name of insurance	Amount of premium		Limit of indemnification	Note
	Amount during this term	Accumulated amount (including the amount of this term)		
Executive indemnification liability insurance	55,290,755 won	736,710,491 won	2,000,000,000 won	Date of initial contract 18 July 2003

*Payment amount during this term: the amount from Jan 2010 to September 2010

*Accumulated amount: the amount from the date of initial contract to the end of September 2010

For the base and procedure of insuring against executive indemnification liability, this company determines whether or not to insure (increase) through internal consultation at each ending point of insurance period annually. The insured is the registered executives (outside directors and non full-time directors) who are registered on the executives' list.

2) Indemnified liability

The contents of indemnification liability of executives are as follows:

The insurance indemnifies damage occurred to any executive of this company in relation to amounts of compensation for damages initially claimed against the executives during the insurance period due to improper behaviors occurred in the performance of duties carried out within the authority of the executive. However, any amounts indemnified from the company to the executive are excluded and defense

expenses can be paid to the executive prior to treatment of final compensation for damages.

In relation to the above claim of indemnification, the insurance indemnifies damage occurred to the company due to indemnification made from the company to the executive. However, it is limited to indemnifications made based on law, compulsory regulations, contract or basis that specifies the right of indemnification of executives of the company.

The scope of indemnification is that the insurance indemnifies defense expenses and damage. Defense expenses mean reasonable remuneration, expenses and other expenses (includes appeal guarantee, attachment guarantee or other equivalent guarantee premium, but this company is not obliged to apply for and provide those guarantees) incurred due to inspection, adjustment, defense and appeal of an

y claim of compensation for damages against any executive who is insured. The defense expenses are limited to the things to which the company agreed in advance and in this case, wage is not included. Damage means damages, judgment money, settlement money and defense expenses and do not include penalty, fine, exemplary damages, double damages, tax, any amount for which executives are not financially responsible, or any amount determined without legal procedures against executives.

The insurance company is exempted from providing indemnification in the following cases:

- Damage arisen from defraudation of personal interest due to misuse of authority
- Damage due to a dishonest act or a criminal act
- Damage due to payment of illegal remuneration or bonus
- Damage due to use of non-disclosure information
- Illegal provision of profit-bribe etc.
- Proceedings that have been already initiated by other company and known by this company
- Proceedings due to an identical cause to any causes occurred before the beginning date of insurance period
- Damage that was predictable when the insurance period started
- Damage due to an act related to environmental pollution
- Damage due to an act in the capacity of an executive of other company or organization
- Damage due to personal injury, property damage or human rights abuse
- Act in a subsidiary company before acquisition
- Damage due to shareholder representative suit

3) Current status of employees

(1) Current status of employees

[30 June 2010 current]

(Unit: thousand won)

Classification	Number of employees					Average period of long-service	Total annual wage	Average wage per person	Note
	Development	Development Support	Business	Management Support	Total				
Male	278	57	57	22	414	2.73yrs	8,479,299	20,481	-
Female	60	20	16	33	129	3.24 yrs	2,465,099	19,109	-
Total	338	77	73	55	543	2.86 yrs	10,944,398	20,155	-

-Executives are not included in the number of employees.

-The average wage per person is calculated by dividing the total amount paid during the third quarter of 2010 by the number of employees at the end of the third quarter of 2010. Therefore, there exists a difference with actual average wage.

(2) Current status of labor union etc.

Any labor union has not been established in this company.

2. Remuneration of executives etc.

1) Current status of grant and exercise of stock option

[Basic date: 30 September 2010 current]

(Unit: share, won)

Grantee	Relation	Date of grant	Method of grant	Type of share	Changed quantity			Non-exercised quantity	Exercise period	Exercise price	Closing price
					Grant	Exercise	Cancel				
Jeong, Seong Hoon & other 26 people	Employee	18 Jul 2007	Issue of new shares/ Issue of treasury stock	Ordinary share	114,000	-	45,000	69,000	18 Jul 2009 ~ 17 Jul 2011	16,000	-

Choi, Yong Seo & other 24 people	Employee	12 Oct 2007	Issue of new shares/ Issue of treasury stock	Ordinary share	77,000	-	-	77,000	12 Oct 2009 ~ 11 Oct 2011	14,000	-
Kim Kun Sik & other 1 people	Employee	1 Dec 2007	Issue of new shares/ Issue of treasury stock	Ordinary share	9,400	-	-	9,400	2009-12-01	9,400	Note1)
Kim Nam Kyu & other 28 people	Employee	1 Dec 2010	Issue of new shares/ Issue of treasury stock	Ordinary share	102,300	-	-	102,300	2010-12-01	102,300	Note1)
Kim, Tae Hoon & other 22 people	Employee	12 Feb 2009	Issue of new shares/ Issue of treasury stock	Ordinary share	131,400	-	12,000	119,400	12 Feb 2011 ~ 11 Feb 2013	6,800	-
Kim, Chang Geun	Executive	27 Mar 2009	Issue of new shares/ Issue of treasury stock	Ordinary share	200,000	-	-	200,000	27 Mar 2011 ~ 26 Mar 2013	8,300	-
Choi, Yong Seo & other 1 person	Employee	27 Mar 2009	Issue of new shares/ Issue of treasury stock	Ordinary share	13,000	-	10,000	3,000	27 Mar 2011 ~ 26 Mar 2013	8,300	-
Shin, Hui Joon	Employee	14 May 2009	Issue of new shares/ Issue of treasury stock	Ordinary share	12,000	-	-	12,000	27 Mar 2011 ~ 26 Mar 2013	13,600	-
Go Kwang Hyun & other 6people	Employee	8 Mar 2010	Issue of new shares/ Issue of treasury stock	Ordinary share	36,000	-	-	36,000	2012-03-08	36,000	Note1)
Total	-	-	-	-	695,100	-	91,000	604,100	-	-	-

*Weighted average exercise price of non-exercised quantity: 9,597 won/share

*Closing price on 30 September 2010 current: 8,720won/share

2) Remuneration of executives

[Period: 1 Jan 2010~30 Sep 2010]

(Unit: thousand won)

Payment standard of remuneration	Limit on remuneration approved in the 10 th annual meeting of	Amounts paid during the first half of 2010	Average amount paid per person	Total amount of fair value of stock option
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	shareholders			
Director	1,260,000	428,181	85,636	548,447
Outside director (member of auditing committee)		40,500	13,500	-
Total	1,260,000	468,681	99,136	548,447

-The average amount paid per person is calculated by simply dividing the amounts paid during the first half of 2010 by 5 registered directors and 3 outside directors (members of auditing committee) on 30 September 2010 current

IX. Transactions with interested parties

1. Transactions with the largest shareholder etc.

1) Main transactions with persons with a special relationship

As of the end of third quarter, the companies with a special relationship of this company are as follows:

classification	The name of the company
Company which have a strong influence on this company	NHN Corporation
Subsidiary company of this company	9Webzen Limited, Webzen Taiwan Inc. Webzen America Inc. Webzen China Co., Ltd., Flux co., Ltd. Webzen Europe Ltd.

Important transactions with persons with a special relationship during this reporting period and the previous quarter period, and balance of related bond and debt at the end of this reporting period and the previous quarter period are as follows:

(Unit: thousand won)

Title of account	Sales etc.		Purchase etc.		Bond		Debt	
	This semi-annual	Previous semi-annual	This semi-annual	Previous semi-annual	This semi-annual	Previous semi-annual	This semi-annual	Previous semi-annual
Company that exercises important influence								
NHN Corporation	13,108,230	13,583,345	60,236	452,900	1,544,943	2,012,714	15,143	4,544,694
Subsidiary company								
9 Webzen Limited	57,016	-	-	-	36,638	-	-	-
Webzen Taiwan Inc.	174,762	-	-	-	3,413,318	-	-	-
Webzen America Inc.	-	-	-	-	5,007,491	-	-	-
Plux Co., Ltd	-	-	-	-	60,000	-	-	-
Subtotal	231,778	-	-	-	8,517,447	-	-	-
Company with other special relationship								
NHN Japan Corp.	1,009,241	1,404,140	-	-	56,308	65,517	185,185	927,144
NHN USA Corp.	39,952	-	-	-	11,042	-	-	-
NHN I&S Corp.	-	-	-	21,129	-	2,607	-	3,320
NHN Business Platform	-	-	43,499	-	-	-	47,849	-

Corp.								
Subtotal	1,049,193	1,404,140	43,499	21,129	67,350	68,124	233,034	930,464
Total	14,389,201	14,987,485	103,735	474,029	10,129,740	2,080,838	248,177	5,475,158

At the end of this reporting period currently, the bonds to Webzen America Inc. and Plux Co., Ltd are all long-term and short-term loans and accrued interest. In relation to the loans, the allowance for bad debts related to evaluation of invested shares by equity method is being established in the amounts of 5,007,491,000 won and 60,000,000 won respectively.

In addition, at the end of this reporting period currently, the bonds to Webzen Taiwan Inc. are account receivables and uncollected amounts, and the allowance for bad debts related to the account receivables and uncollected amounts is being established in the amounts of 3,312,442,000 won and 43,989,000 won respectively.

This company is providing payment guarantee in relation to spot financing of Webzen Taiwan Inc. at the end of this semi-annual period currently.

2) Transactions with subsidiary companies

(1) This company has executed a royalty contract which allows the provision of services of MU Online in China with 9Webzen Limited. The term of contract is renewed on an annual basis and royalty to be received by this company is 25%.

(2) This company has executed a royalty contract which allows the provision of service of MU Online and SUN Online in Taiwan with Webzen Taiwan Inc. The term of contract is 3 years after commercialization or the date of contract and royalty is 22% ~ 30%.

(3) This company has executed a royalty contract which allows the provision of services of R2 with Webzen Taiwan Inc. The term of contract is 3 years after commercialization.

(4) This company is providing payment guarantee, of which the limit is USD 650,000, in relation to spot financing of Webzen Taiwan Inc. at the end of this semi-annual period currently.

2. Transactions with executives and employees

This company is lending long-term and short-term loans of 158,768,000 won to employees for home loans etc. In addition, this company is providing as security 82,000,000 won of time deposits related to loans made from financial institution to members of employee ownership and 92,560,000 won of loans for the acquisition of treasury stock by the executives and employees.

X. Other matters necessary for the protection of investors

1. Status of progress and change of public announcements

Date of declaration	Title	Contents of declaration	Status of progress
8 Feb 2010	Change over 30% of sales or structure of profit and loss	-Sales: -2.38% compared with the previous year -Operating profit: -78.06% compared with the previous year -Before deduction of corporate tax expenses: -110.20% compared with the previous year -Net income during this term: -102.23% compared with the previous year	
8 Feb 2010	Operating performance of sales, and operating gain and loss etc. (official public announcement)	Refer to the contents of public announcement	
17 Mar 2010	Exercise of right of claim of original share in relation to depositary receipt	-Accumulated number of shares that claimed original shares: 159,600 shares -When compared with the total number of issued shares: 1.23% -DR residuals: 3,922,300 shares -Number of shares that can claim original shares: 1,176,690 shares	
26 Mar 2010	Results of annual meeting of shareholders	-No. 1 Agenda, Matter of approval of the 10 th balance sheet, income statement and statement of disposition of deficit -No. 2 Agenda, Matter of change of part of the articles of association -No. 3 Agenda, Matter of approval of stock option granted by the board of directors -No. 4 Agenda, Matter of approval of limit on remuneration of executives -> All of them was passed without amendment	
9 Apr 2010	Determination of extension of trust agreement for acquisition of treasury stock etc.	-Contract price: 7,880,122,992 -Extended period: 12 Apr 2010 ~ 11 Oct 2010 -Extended institution: Hana Bank	
16 Apr 2010	Determination of merger of Company	Webzen Inc. (continuing corporate body) merged NHNGames Corporation (extinct corporate body). -Rate of merger: 1.57262712 -Number of new shares of merger: 20,129,627 shares	Declaration of correction (10 May 2010)
21 Apr 2010	Exercise of right of claim of original share in relation to depositary receipt	-Accumulated number of shares that claimed original shares: 130,800 shares -When compared with the total number of issued shares: 1.01% -DR residuals: 2,486,300 shares -Number of shares that can claim original shares: 1,045,890 shares	

23 Apr 2010	Stock declaration (merger etc.)	Refer to the contents of public announcement	Declaration of correction (12 May 2010)
10 May 2010	Operating performance of sales, and operating gain and loss etc. (official public announcement)	Refer to the contents of public announcement	
4 Jun 2010	Change of Representative director	Kim, Chang Geun(sole representative director) ->Kim, Chang Geun & Kim, Byeong Gwan (Respective representative director)	
4 Jun 2010	Results of extraordinary meeting of shareholders	-No. 1 Agenda, Matter of approval of merger contract No. 2 Agenda, Matter of change of part of articles of association No. 3 Agenda, Matter of appointment of directors No. 4 Agenda, Matter of appointment of outside directors No. 5 Agenda, Matter of appointment of members of auditing committee -> All of them was passed without amendment	
15 Jun 2010	Notification of holding Investor Relation	-Date of event: 21 June 2010 ~ 23 June 2010 -Place: Yeouido -Recipient: Domestic and foreign institutional investors (about 15 institutions)	
18 Jun 2010	Report on main issues (determination of Delisting of share certificates etc. from foreign stock market)	-Type and number of delisted shares: 1,011,840 shares -Listed stock exchange (located country): The Nasdaq Global Select Market (USA) -Reason for delisting: delisting due to application for the cancellation of registration on the SEC in order to be relieved from the costs of listing, registration and maintenance	Report on main issues (delisting of share certificates etc. from foreign stock market) (9 Jul 2010)
7 July 2010	Change of The Largest Shareholder	- Following the merger of Webzen(surviving corporation) and NHN Games(dissolving corporation), the largest shareholders of this company changed NHNGame&other 1people to NHN&other 2people - The share of the largest shareholders after change : 18,847,634 share(56.94 percent)	
29 July 2010	Adjustment of Conversion Price	- Adjustment of the Conversion Bond which This company acquired from NHN Games following merger with NHN Games : KRW 8,906→KRW5,663	
29 July 2010	Relocation of Corporate Headquarters	- Expansion of the office following emerge with NHN Games	
30 Sep 2010	Termination of Contract for Sales or Supply	- Termination of the Huxley Overseas license and distribution agreement : KRW 3.2bil. (A termination request from the other to the contract)	

2. Summary of minute book of general meeting of shareholders

Date of general meeting	Agenda	Resolution	Note
Extraordinary meeting of shareholders (4 June 2010)	*Agenda of approval of merger contract *Agenda of change of part of the articles of association *Agenda of appointment of directors (3 directors) *Agenda of appointment of outside directors (2 directors) *Agenda of appointment of members of auditing committee (2 members)	passed without amendment passed without amendment passed without amendment passed without amendment	-
The 10 th annual meeting of shareholders (26 March 2010)	*Agenda of approval of financial statements *Agenda of change of part of the articles of association *Agenda of approval of stock option granted by the board of directors *Agenda of approval of limit on remuneration of executives	passed without amendment passed without amendment passed without amendment passed without amendment	-
The 9 th annual meeting of shareholders (27 March 2009)	*Agenda of approval of financial statements *Agenda of change of part of the articles of association *Agenda of appointment of director (1 outside director) *Agenda of appointment of member of auditing committee (1 member) *Agenda of grant of stock option (grant by general meeting) *Agenda of approval of stock option granted by the board of directors *Agenda of approval of limit on remuneration of executives	passed without amendment passed without amendment passed without amendment passed without amendment passed without amendment passed without amendment	-

3. Cases in litigation etc.

1) Important cases in litigation

This company has 2 cases in progress that are proceedings of compensation for damages, and claim of cancellation charge respectively. This company is the defendant in the cases and total amounts claimed are 150 million won. This company won the first trial in 2009 and the second trial is currently pending. However, it cannot be predicted how the results will be at the second trial at this point of time. Details related to those are as follows:

Name of case	Amount of claim	Plaintiff	Competent court
Compensation for damages	100,000,000	Esdom Medix Co., Ltd	Seoul High Court
Claim of Cancellation charge etc.	50,000,000	Noh, Yeong Woo	Seoul High Court

2) Current status of promissory notes and checks for security

(Unit: won)

Classification	Date of payment	Amount of payment	Plan for use of funds in declaration form	Current status of actual use of funds
-	-	-	-	-

3) Current status of guarantee of an obligation

- Not applicable

4) Current status of contract for taking over liabilities

- Not applicable

5) Other contingent liabilities

- Not applicable

XI. Financial statements etc.

Balance Sheet

Item	As of		
	2010-09-30	2009-12-31	2008-12-31
	KRW	KRW	KRW
Assets			
Current Assets	72,905,289,149	5,444,220,404	3,246,972,194
Quick Assets	72,905,289,149	5,444,220,404	3,246,972,194
Cash and CashEquivalents	40,688,862,146	1,161,613,315	915,154,267
Short-term Investment Assets	23,619,978,533	375,432,892	
Short-term deposit	8,204,933,718		
Trading Securities	9,758,196,244		
Available-for-Sale Securities Current	5,554,351,171	375,432,892	
Short-term Loans	162,497,400		
Allowance for Doubtful Accounts for Short-term Loans	60,000,000		
Trade Receivable	9,912,476,523	3,501,942,747	2,326,623,952
Allowance for Doubtful Accounts for Trade Receivables	3,925,041,115	86,061,600	23,641,804
Other Receivables	197,224,521	2,938,510	1,029,660
Allowance for Doubtful Accounts for Other Receivables	64,402,512		
Accrued Income	304,343,112	183,562	1,284,119
Advance Payments	558,333,123		
Prepaid Expenses Total	469,305,236	22,661,102	26,522,000
Prepaid Income Taxes	900,671,650		
Prepaid Value Added Tax			
Derivative Assets Current	9,075,000		
Deferred Income Taxes Assets Current	234,462,932	465,509,876	
Non-current Assets	67,947,242,159	56,786,920,075	57,914,821,282
Investment Assets	7,029,479,832	54,141,869,300	55,962,189,949
Long-term Investment in Securities	6,672,086,191	2,146,546,328	2,893,776,570
Equity Method Securities	301,122,791	51,993,951,562	53,043,671,070
Long-term Loans	4,624,270,850		
Allowance for Doubtful Accounts for Long-term Loans	4,568,000,000		
Plan Assets		1,371,410	24,742,309
Other Investments	439,490,706		
Allowance for Doubtful Accounts for Other Investments	439,490,706		
Property, Plant and Equipment	4,278,497,276	328,778,450	339,983,592
Land	1,097,171,250		

Buildings	2,233,557,033		
Accumulated Depreciation for Buildings	423,445,195		
Machine And Equipment Assets	1,392,832,777	9,090,909	9,090,909
Accumulated Depreciation Machine And Equipment Assets	1,145,077,624	9,090,909	9,090,909
Machinery	33,910,400	33,910,400	33,910,400
Accumulated Depreciation for Machinery	33,910,400	33,759,058	27,174,138
Office Equipment	10,105,108,204	835,822,314	788,180,814
Government Subsidy for Office Equipment			
Accumulated Depreciation for Office Equipment	8,981,649,169	507,195,206	454,933,484
Intangible Assets	22,552,014,313	782,277,869	271,837,652
Goodwill	15,905,421,958		
Industrial Property Rights	7,287,228	7,421,042	10,479,698
Development Costs	4,137,766,820		
Computer Software	2,501,538,307	774,856,827	261,357,954
Other Intangible Assets			
Other Non-current Assets	34,087,250,738	1,533,994,456	1,340,810,089
Deferred Income Taxes Assets Non-current	158,819,897	1,116,465,456	530,810,089
Deposits Provided	1,708,579,000	417,529,000	810,000,000
Long-term Prepaid Expenses	24,170,564,465		
Others in Other Non-current Assets	8,049,287,376		
Total Assets	140,852,531,308	62,231,140,479	61,161,793,476
Liabilities			
Current Liabilities	14,265,835,714	20,648,933,832	11,995,309,257
Short-term Borrowings		15,000,000,000	5,500,000,000
Other Payables	1,662,205,283	563,649,866	340,464,546
Advance for Customers	987,869,326	40,000	12,000,000
Withholdings	168,543,850	19,401,550	37,672,550
Value Added Tax Withheld	359,654,640	353,585,482	486,401,678
Accrued Expenses	1,102,294,993	826,545,784	259,671,233
Income Taxes Payable	3,619,561	708,052,391	991,531,111
Deferred Income Taxes Liabilities Current			266,603,193
Unearned Income	9,897,538,925	3,177,658,759	4,100,964,946
Provisions for Product Warranties in Current Liabilities			
Derivatives in Current Liabilities			
Leasehold Deposits Received			
Provisions for Other Estimated Liabilities in Current Liabilities	84,109,136		
Non-current Liabilities	19,887,235,376	18,956,753,463	37,792,362,479
Long-term Advances from Customers	3,307,953,728	2,468,785,006	2,215,673,062
Convertible Bonds	12,500,000,000	12,500,000,000	

Conversion Rights Adjustment for Bonds	5,045,182,920	6,079,031,543	-21,049,359,915
Yield to Maturity Premium on Convertible Bonds of Long-term Liabilities	5,625,000,000	5,625,000,000	
Provisions for Retirement and Severance Benefits	4,341,918,230	804,686,580	382,047,040
Plan Assets	842,453,662	804,686,580	382,047,040
Long-term Other Payables		4,442,000,000	14,527,329,502
Deferred Income Taxes Liabilities Non-current			
Total Liabilities	34,153,071,090	39,605,687,295	49,787,671,736
Stockholders' Equity			
Capital Stock	16,551,813,500	6,400,000,000	6,400,000,000
Common Stock	16,551,813,500	6,400,000,000	6,400,000,000
Capital Surplus	152,807,058,252	7,027,119,648	4,948,574,032
Additional Paid-in Capital	147,197,369,565	1,492,568,378	1,492,568,378
Consideration for Conversion Rights for Capital Surplus	3,456,005,654	3,456,005,654	3,456,005,654
Other Capital Surplus	2,153,683,033	2,078,545,616	
Capital Adjustments	-73,050,025,766	723,741,134	387,980,833
Treasury Stock in Capital Adjustments	74,521,646,369		
Losses on Sale of Treasury Stock			
Stock Options in Other Capital Adjustments	1,471,620,603	723,741,134	387,980,833
Accumulated Other Comprehensive Income	-1,998,806,601	371,991,160	-1,493,940,344
Gains on Valuation of Available for Sale Securities in Capital Adjustments	265,317,831		
Losses on Valuation of Available for Sale Securities in Capital Adjustments	395,495,203	339,808,542	1,493,940,344
Losses on Valuation of Equity Method Securities	1,868,629,229	-711,799,702	
Retained Earnings or Accumulated Deficit	12,389,420,833	8,102,601,242	1,131,507,219
Appropriated Retained Earnings for Statutory Reserve			
Appropriated Retained Earnings for Legal Reserve			
Appropriated Retained Earnings for Voluntary Reserves			
Appropriated Retained Earnings for Business Stabilization			
Other Appropriated Retained Earnings Voluntary Reserves			
Retained Earnings Before Appropriations or Accumulated Deficit Before Disposition on Balance Sheet	12,389,420,833	8,102,601,242	1,131,507,219
Total Stockholders Equity	106,699,460,218	22,625,453,184	11,374,121,740
Total Liabilities and Stockholders Equity	140,852,531,308	62,231,140,479	61,161,793,476

Income Statement

Accounts	2010		2009		2009	2008
	3 Months	9 Months	3 Months	9 Months		
	KRW	KRW	KRW	KRW	KRW	KRW
Sales Revenue	11,244,921,296	24,699,276,734	4,771,525,704	17,302,321,456	25,299,164,702	24,316,364,371
Sales Revenue of Finished Goods	6,376,674,668	6,376,674,668				
Royalty Revenue	4,232,893,028	17,687,248,466	4,771,525,704	17,302,321,456	25,299,164,702	24,316,364,371
Other Sales Revenue	635,353,600	635,353,600				
Costs of Goods and Services Sold	4,561,589,889	9,149,930,052	1,416,429,737	3,418,288,124	6,665,854,588	4,391,267,840
Cost of Finished Goods Sold	4,561,589,889	9,149,930,052	1,416,429,737	3,418,288,124	6,665,854,588	4,391,267,840
Royalty Cost						
Cost of Other Goods Sold						
Gross Profit or Loss	6,683,331,407	15,549,346,682	3,355,095,967	13,884,033,332	18,633,310,114	19,925,096,531
Selling and Administrative Expenses	6,505,243,405	9,325,194,882	1,713,590,272	5,804,310,534	6,159,833,546	5,433,373,022
Salaries and Wages	1,273,094,604	1,527,973,904	108,895,930	680,214,940	830,583,910	1,066,555,870
Bonuses for Selling and Administrative Expenses	160,195,476	434,476,476	83,000,000	391,000,000	28,562,000	67,743,023
Retirement and Severance Benefits	279,137,799	326,965,979	16,998,060	89,689,920	103,788,900	127,363,290
Employee Benefits	205,443,687	240,145,446	10,759,609	82,142,813	97,781,970	154,829,262
Travel Expenses	49,396,898	50,273,557	5,714,346	17,305,086	18,536,986	43,118,188
Entertainment Expenses	22,649,757	24,346,498	1,703,800	9,018,779	10,663,389	19,631,490
Communication Expenses	11,743,042	12,745,643	1,948,696	11,766,923	14,352,885	16,823,717

Utility Expenses	36,820,800	36,820,800				
Taxes and Dues	55,836,021	56,999,643	411,317	6,477,210	7,057,900	6,857,531
Depreciation	26,044,490	30,819,745	4,667,221	29,886,933	13,844,214	47,198,327
Rental Expenses	95,189,477	109,920,980	4,933,927	34,911,294	39,899,704	64,156,021
Repair Expenses						
Insurance Premiums	29,979,413	29,979,413				
Vehicle Maintenance Expenses	7,794,476	7,794,476		2,921,468	2,921,468	19,184,200
Development Expenses	1,265,880,246	3,205,150,822	1,360,353,760	3,900,348,892	4,257,344,944	3,055,873,357
Freight Expenses	1,465,991	1,855,213	389,945	1,232,798	1,384,915	1,286,746
Training Expenses	9,441,550	10,599,550		3,257,600	1,949,600	1,831,710
Publication Expenses	2,869,650	3,231,430	143,113	1,777,681	1,918,403	1,735,579
OfficeSupplyExpenses	979,802	979,802				
Supply Expenses	17,736,745	24,575,151	3,059,551	11,914,653	14,304,332	12,939,903
Commissions	1,151,006,568	1,274,414,994	6,132,697	70,903,169	99,119,555	309,786,233
Advertising Expenses	152,392,521	255,302,701	81,305,000	385,980,000	445,560,275	291,874,569
Expenses of Allowance for Doubtful Accounts					62,419,796	2,064,840
Sales Commissions	198,963,096	198,963,096				
Amortization of Intangible Assets	1,354,038,485	1,360,221,021			17,978,511	23,447,785
Conference Expenses		2,183,117	2,016,472	10,089,891	12,123,696	16,235,551
Sample Expenses						
Compensations Expenses Associated with Stock Options	97,142,811	98,455,425	21,156,828	63,470,484	77,736,193	82,835,830
Operating Income or Loss	178,088,002	6,224,151,800	1,641,505,695	8,079,722,798	12,473,476,568	14,491,723,509
Non-Operating Revenues	1,378,716,164	4,943,037,341	371,801,384	1,801,525,754	5,419,887,763	808,833,610

Interest Income	484,178,263	524,638,902	6,170,066	17,300,169	49,823,808	238,100,776
Gains on Foreign Currency Transactions	117,765,297	259,435,833	11,280,644	179,106,197	183,296,967	183,871,284
Gains on Foreign Currency Translation		93,793,479			2,315	
Commission Income	12,000,000	12,000,000				
Gains on Valuation of Trading Securities	283,049,782	368,472,679				
Gain on Sale of Trading Securities	17,309,274	217,134,314				
Gains on Sale of Available for Sale Securities in Investment Assets		20,130,012	31,709,699	232,783,179	232,783,179	336,797,615
Gains on Sale of Investment Assets						
Gains on Sale of Property, Plant and Equipment		1,341,188				
Gains on Valuation of Equity Method Securities	221,937,221	488,532,789		1,044,711,853		
Reversal of Allowance for Doubtful Accounts	238,368,000	256,447,600		4,929,071		
Dividend Income						
Gains on Valuations of Derivatives	1,100,000	280,100,000			4,882,789,054	
Gains on Derivatives Transactions	1,802,425	2,411,762,473				
Gains on Redemption of Bonds			322,620,926	322,620,926		
Income Taxes Refunds		5,852,760				
Miscellaneous Income	1,205,902	3,395,312	20,049	74,359	71,192,440	50,063,935
Non-Operating Expenses	1,214,705,866	4,885,709,665	2,362,200,647	7,800,750,147	10,717,795,201	10,404,100,338
Interest Expenses	419,601,002	1,477,564,607	1,111,573,830	2,659,320,618	3,247,492,944	796,891,498
Losses on Foreign Currency Transactions	61,442,153	166,862,081	22,107,622	139,064,184	175,917,751	93,357,797
Losses on Foreign Currency Translation	723,244,889	801,271,739			58,020,613	75,396,081
Losses on Sale of Property, Plant and Equipment					55,921,928	

Losses on Valuation of Equity Method Securities		2,035,988,049	1,228,408,845	4,059,050,535	5,448,856,878	2,368,163,682
Impairment Losses on Equity Method Securities						6,825,730,098
Other Allowance for Doubtful Accounts	8,027,102	8,027,102				
Losses on Sale of Available for Sale Securities in Investment Assets						74,171,900
Losses on Valuation of Trading Securities		85,422,897			59,377,741	
Donations		3,000,000			979,356	7,647,817
Impairment Losses on Intangible Assets in NOE						
Additional Payments of Income Taxes		5,852,760				
Impairment Losses on Available for Sale Securities in Investment Assets						
Losses on Valuation of Other Derivatives		279,000,000				161,329,502
Losses on Redemption of Bonds				941,742,585	1,669,655,745	
Miscellaneous Losses	2,390,720	22,720,430	110,350	1,572,225	1,572,245	1,411,963
Income Loss Before Income Taxes Expenses	342,098,300	6,281,479,476	-348,893,568	2,080,498,405	7,175,569,130	4,896,456,781
Income Taxes Expenses	24,875,309	1,994,659,885			204,475,107	1,287,793,095
Net Income or Loss	317,222,991	4,286,819,591	-348,893,568	2,080,498,405	6,971,094,023	3,608,663,686

XII. Supplementary schedules

As this company has not adopted Korean International Financial Reporting Standards on the basic date of preparation of this semi-annual report currently, the company omits entry of this item such as summary of evaluation procedure of fair value etc.

[Confirmation by expert]

1. Confirmation by expert

Not applicable

2. Connection with expert

Not applicable