

# Semi-annual Report

## The 11<sup>th</sup> Semi-annual period

Business year From 1 January 2010  
To 30 June 2010

Messrs. Financial Services Commission  
Korea Exchange

13 August 2010

Name of Company: Webzen Inc.

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

Location of head office: Level 14, 2<sup>nd</sup> 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 semi-annual 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*)

13 August 2010

### **Webzen Inc.**

Representative director Kim, Chang Geun (sign)

Representative director Kim, Byeong Gwan (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 semi-annual period. On 8 July 2010 which was after the end date of this semi-annual period, it was delisted from NASDAQ Global Market. 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, 2<sup>nd</sup> 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 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. 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:

Company Name	Location	Invested shares by this company	Invested shares into this company	Business area	Listed
9Webzen	China	70.00%	-	Service of online games	No
Webzen China	China	100.00%	-	Development of online games	No
Webzen Taiwan	Taiwan	100.00%	-	Service of online games	No
Webzen America	America	100.00%	-	Service of online games	No
Webzen Europe	Britain	100.00%	-	Service of online games	No
Plux Inc.	Korea	55.44%	-	Service of online games	No

-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 <sup>nd</sup> Daeryung Post Tower, 182-13 Guro-dong, Guro-gu, Seoul	-
29 Jul 2010	Levels 13 and 14, 2 <sup>nd</sup> 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, 2<sup>nd</sup> 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:	Change of the largest shareholder

		Choi, Yeong Hwan	
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 on 7 July 2010 which was after the subject period of public announcement (\*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
15 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	<ol style="list-style-type: none"> <li>1. Online game development business</li> <li>2. Internet business</li> <li>3. Software development and distribution business</li> <li>4. Software consultation business</li> <li>5. Additional businesses related to each of the above</li> </ol>	established
10 Jul 2002	<ol style="list-style-type: none"> <li>1~4 Same as above</li> <li>5. Wholesale and retail business, trade business and brokerage business of software</li> <li>6. Real estate lease business</li> <li>7. Additional telecommunication service business</li> <li>8. Character business</li> <li>9. Publishing business</li> <li>10. Export/Import business</li> </ol>	5~10 newly created

	11. Additional businesses related to each of the above	
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### 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 semi-annual 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 <sup>nd</sup> 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 <sup>nd</sup> 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 <sup>nd</sup> 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 <sup>st</sup> 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 <sup>st</sup> 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 <sup>rd</sup> 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: <a href="http://www.hangame.com">http://www.hangame.com</a> )
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

### 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 over shareholders)	Ordinary share	50,000	500	6,000	-
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	Ordinary share	960,000	500	32,000	-

	increase (general public offering)					
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	-

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

-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 after the subject period of this report.

\*New shares of merger (issue price): 20,129,627 shares (11,800 won)

#### **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 12,974,000 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 June 2010, current)

(Unit: share)

Classification	Type of shares			Note
	Ordinary share	-	Total	
1) Total number of shares to be issued	60,000,00	-	60,000,00	
2) Total number of shares that have been issued until now	12,974,000	-	12,974,000	
3) Total number of shares that have been reduced until now	-	-		
4) Total number of issued shares	12,974,000	-	12,974,000	2)-3)
5) Number of treasury shares	1,117,052	-	1,117,052	Refer to Current status of treasury shares
6) Number of distributed shares	11,856,948	-	11,856,948	4)-5)

## 2) Current status of treasury shares

The total number of treasury shares held by this company is 1,117,052 shares, and 8.61% compared with the total number of issued shares. There is no change during this semi-annual period such as acquisition or disposition of treasury shares. The details of treasury shares are as follows:

(Basic date: 30 June 2010, current)

(Unit: share)

Method of acquisition	Beginning of term	Change			End of term	Note
		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						
Subtotal	511,700	-	-	-	511,700	
Indirect acquisition through trust agreement etc.	605,352	-	-	-	-	
Total	1,117,052	-	-	-	1,117,052	

Meanwhile, the details of treasury shares have changed as follows after the due date for merger (7 July 2010) which was after the subject period of this report due to merger of this company with NHNGames Corporation.

Classification	Type of shares			Note
	Ordinary share	-	Total	
1) Total number of shares to be issued	60,000,00	-	60,000,00	Note1)
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	Note 2)
6) Shares subject to safeguard deposit	18,847,634		18,847,634	Note 3)
7) Number of distributed shares	8,730,326	-	8,730,326	4)-5)-6)

Note 1) Total number of shares to be issued

In the extraordinary meeting of shareholders for approval of contract for merger (4 June 2010), an agenda to change part of the articles of association that “the total number of shares to be issued” be increased from 40,000,000 to 60,000,000 was tabled and

approved without amendment.

Note 2) Total number of treasury shares

NHNGames Corporation that was the largest shareholder of this company before merger held 3,469,784 shares of this company but additionally acquired 398,636 shares from the previous management, so NHNGames Corporation finally became to hold 3,868,420 shares (29.82% compared to the total number of issued shares before merger, related public announcement: 2 July 2010 Report on status of large-scale retention of shares etc.) before merger. In addition, this company held 1,117,052 shares for treasury shares.

As contract for merger was approved in the extraordinary meeting of shareholders on 4 June, the total number of issued shares of this company changed to 33,103,627 shares, and the shares of this company that NHNGames Corporation held became included into treasury shares.

In addition, as the number of shares with which the shareholders against merger exercised appraisal rights of dissenting shareholders became 540,194 shares, the total number of treasury shares after merger is 5,525,667 shares, and 16.69% compared with the total number of issued shares after merger.

Note 3) Shares subject to safeguard deposit

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.

## 5. Current Status of voting rights

[30 June 2010, current]

(Unit: share)

Classification		Number of shares	Note
Total number of issued shares (A)	Ordinary shares	12,974,000	-
	Preferred shares	-	-
Number of shares which do not have voting right (B)	Ordinary shares	1,117,052	Treasury shares
	Preferred shares	-	-
Number of shares whose voting right is limited according to other laws (C)	Ordinary shares	-	-
	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	11,856,948	-
	Preferred shares	-	-

The current status of voting rights after the due date for merger on 7 July due to merger is as follows:

Classification	Type	Number of shares	Note
Total number of issued shares	Ordinary shares	33,103,627	
Number of shares which do not have voting right	Ordinary shares	5,525,667	Merger
Number of shares whose voting right can be exercised	Ordinary shares	27,577,960	

## 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 11 <sup>th</sup> semi-annual	The 10 <sup>th</sup>	The 9th
Face value per share (won)		500	500	500
Net profit during the term (million won)		3,217	318	-14,266
Earning per share (won)		271	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 (won)	Ordinary shares	-	-	-
	Preferred shares	-	-	-
Stock dividend per share (share)	Ordinary shares	-	-	-
	Preferred shares	-	-	-

## 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. In addition, it is a content industry that requires superior and creative personnel, IT and infrastructure, and also directly reflects the society to which it belongs. Those characteristics are main reasons why it was transformed into a high-technology industry in the knowledge and information age.

One of the characteristics of the game industry is that the necessity of hardware devices and facilities is important, but the most important thing recognized in the industry is creative and passionate human resources. There has been a policy to vitalize all areas of IT industry and infrastructure since IMF, so the game industry became equipped with abundant human resources. Therefore, it is less difficult for the game industry to obtain core resources in the development of products than other industries.

In addition, the game industry has been settled as a cultural life and it is expected to grow gradually in the future because various customers of the industry enable steady growth and the industry has less volatility against business fluctuations than other cultural lives.

The game industry is largely classified into arcade game, PC game (package game), online game and video game. A type of games that shows the largest market share worldwide is a video game using console etc. but strong growth of online game is remarkable recently in North America, Europe and South America. The strong growth of online game sector is expected to continue in the future according to 2009 Game White Paper.

In relation to online game, a remarkable trend that online games companies are becoming bigger due to revival of blockbuster MMORPG and acceleration of M&A among online game companies is mentioned in 2009 Game White Paper. It is explained that online game is facing a renaissance due to diversification by entering the global

market.

MMORPG game group that is a type of main games of this company is a game genre which shared the start of online game sector from the beginning. MMORPG genre game can produce steady profits, but induces deep competition in the market because of its relatively low barrier of entry.

## **2) Currents status of Company**

### **(1) General sales outlook**

The Online games that this company is providing are MU Online which is MMORPG of domestic initial period released in 2001 and SUN Online which was commercialized in November 2006. This company is currently developing Huxley etc. which moves toward MMOFPS on its own.

Close Beta Test of Huxley was carried out in July 2009 in the North America region and part of deposit received by this company at the time of execution of publishing contract has been recognized as sales for this business year. Thereafter, Open Beta Test of Huxley was carried out domestically in May 2010 and its commercialized services started in July 2010.

### **(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 and it is receiving a positive consumer response in the country.

### **(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.

(C) Huxley

Huxley which is a MMOFPS game developed by this company on its own started commercialized services in July 2010, and 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. The company also executed a publishing contract with NHN USA in 2008 and is targeting rapid overseas expansion.

(d) 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 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.

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

(i) 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.

(ii) Parfait Station

The development of Parfait Station that this company was developing as casual game was suspended for a while in 2008, but was resumed through execution of development contract with NHNGames in 2009.

(iii) T-Project

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.

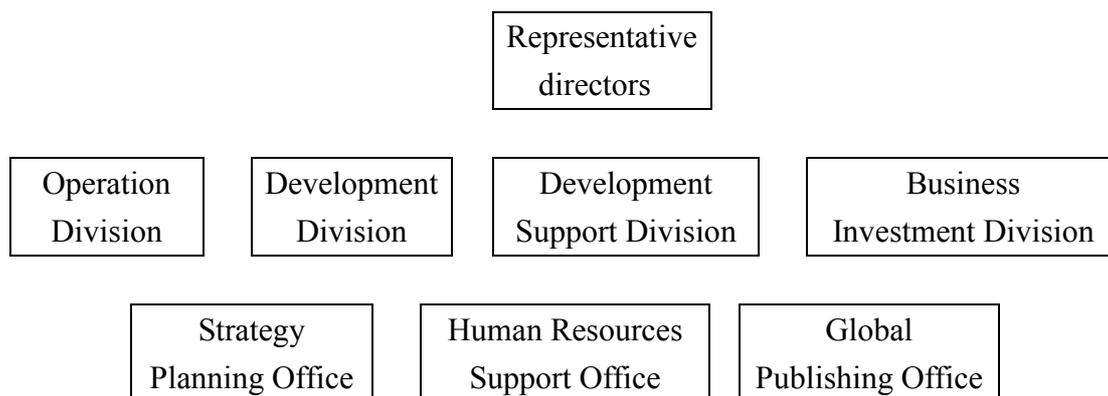
(2) Market share etc.

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

(3) 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 20s, so it is favorable to secure stable sales.

(4) Organization chart



Organization Chart

(5) 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

## 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
Online game	Product	Online game	MU	10,148	69.0
	Product	Online game	SUN	3,978	27.1
Sales of other services				580	3.9
Total				14,707	100.0

\*Huxley carried out Close Beta Test in April 2010 in Hangame (<http://www.hangame.com>) and domestic Open Beta Test in May 2010, and started commercialized services in July 2010.

\*In relation to sales of other services, those are the amount received from IDC leasing service by using unused IDC facilities of this company and service fee obtained by execution of service contract with NHNGames Corporation.

## 2) Development of price change of main products etc.

### (1) MU Online

(Unit: won)

Item		The 11 <sup>th</sup> semi-annual	The 10 <sup>th</sup> annual	The 9 <sup>th</sup> annual	The 8 <sup>th</sup> 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 11 <sup>th</sup> semi-annual	The 10 <sup>th</sup> annual	The 9 <sup>th</sup> annual	The 8 <sup>th</sup> 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 10<sup>th</sup> annual period (Year 2009).

(3) SUN Online

(Unit: won)

Item			The 11 <sup>th</sup> semi-annual	The 10 <sup>th</sup> annual	The 9 <sup>th</sup> annual	The 8 <sup>th</sup> 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 set /skill	27,500	27,500	27,500	27,500

(4) PC Room

(Unit: won)

Item			The 11 <sup>th</sup> semi- annual	The 10 <sup>th</sup> annual	The 9 <sup>th</sup> annual	The 8 <sup>th</sup> annual
PC Room	Integrated fixed quantity system	50 hours	13,750	13,750	13,750	13,750
		300 hours	74,800	74,800	74,800	74,800
		600 hours	148,500	148,500	148,500	148,500
		1,000 hours	226,600	226,600	226,600	226,600
		2,000 hours	429,000	429,000	429,000	429,000
	Individual fixed quantity system	50 hours	13,750	13,750	13,750	13,750
		300 hours	79,200	79,200	79,200	79,200
		600 hours	158,400	158,400	158,400	158,400
		1,000 hours	242,000	242,000	242,000	242,000
		2,000 hours	462,000	462,000	462,000	462,000

(5) Standard of computation

Game	Type	Content
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MU	Individual flat rate	An individual pays for a certain amount per month and uses services on a monthly basis independently from using hours
	Individual fixed quantity	An individual selects using hours and pays for it first and then use services
	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
	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

### 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 June 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	Face value of ledger at end of term	N o t e
					Increase	Decrease			
Head	Land		Office	1,097,171,250				1,097,171,250	-
	Building		Office	1,851,991,034			27,919,464	1,824,071,570	-
	Equipment		Server,	747,126,929	206,088,200	22,283,980	291,135,582	639,795,567	-

office	(Government subsidies)	Seoul	PC, office supplies etc.	0			-	-	-
	Facility device			183,020,611		5,563,625	51,655,387	125,801,599	-
Total				3,879,309,824	206,088,200	27,847,605	370,710,433	3,686,839,986	-

(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 11 <sup>th</sup> semi-annual (2010)	The 10 <sup>th</sup> semi-annual (2009)	The 10 <sup>th</sup> (2009)	The 9 <sup>th</sup> (2008)	The 8 <sup>th</sup> (2007)
Game business	Online Game	MU	Domestic demand	8,823	6,093	12,599	14,460	16,420
			Export	1,325	2,333	4,196	3,705	3,436
			Subtotal	10,148	8,426	16,795	18,165	19,856
		SUN	Domestic demand	1,099	848	2,011	2,623	3,233
			Export	2,880	4,237	7,761	7,693	5,126
			Subtotal	3,978	5,085	9,773	10,316	8,360
		Huxley	Domestic demand	-	-	-	-	-
			Export	-	-	518	-	-
			Subtotal	-	-	518	-	-
		Others	Domestic demand	580	83	717	-	-
			Export	-	-	-	-	-

			Subtotal	580	83	717	-	-
Total			Domestic demand	10,502	7,023	15,328	17,083	19,653
			Export	4,205	6,570	12,474	11,398	8,562
			Subtotal	14,707	13,593	27,802	28,481	28,216

\*Sales of Huxley in 2009 are the sales that part of deposit received by this company at the time of execution of publishing contract resulting from Close Beta Test carried out in North America region was recognized.

## 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
	Prepaid fixed quantity system	

	Sales of item	bankbook collect through payment agencies amounts calculated by deducting commissions from monthly sales
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 11 <sup>th</sup> semi-annual		The 10 <sup>th</sup> semi-annual		The 10th		The 9th		The 8th	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Domestic demand	10,502	71.4%	7,023	51.7%	15,328	55.1%	17,083	61.4%	19,653	70.7%
Export	4,205	28.6%	6,570	48.3%	12,474	44.9%	11,398	41.0%	8,562	30.8%
Total	14,707	100.0%	13,593	100.0%	27,802	100.0%	28,481	102.4%	28,216	101.5%

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. 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 among short-term available-for-sale at the end of this semi-annual period currently, 24,840,000 won of appraisal loss has been recognized due to evaluation of stock option and 14,124,000 won of accumulated appraisal profit related to the evaluation of stock option is appropriated as derivative product asset during this semi-annual period.

-This company recognizes part of beneficiary certificates among short-term available-for-sale as derivative product investment trust, and classifies and evaluates them into bond and derivative product. Valuation profit and loss that incurs in bond is appropriated as valuation profit and loss of available-for-sale, and valuation profit and loss of derivative product and trading profit and loss of derivative product are reflected as the profits and losses for the current term. In relation to those, this company has recognized 94,462,000 won of appraisal profit of derivative product and 318,362,000 won of appraisal loss of derivative product during this semi-annual period. In relation to the evaluation of derivative product, 92,312,000 won of accumulated appraisal profit is appropriated as derivative product asset and 228,184,000 won of accumulated appraisal loss is appropriated as derivative product debt respectively.

## **7. Main contracts in management etc.**

Main contract for the last 3 years	Content
Renewal of contract of SUN Online with The9	<ol style="list-style-type: none"> <li>1. The other party in contract: The9</li> <li>2. Name of subject game: SUN Online</li> <li>3. Term of contract</li> <li>4. Subject region</li> <li>5. Conditions of contract</li> <li>6. Date of contract</li> </ol>
Execution of merger contract	<ol style="list-style-type: none"> <li>1. The other party in contract: NHNGames Corporation</li> <li>2. Rate of merger: issue 1.57262712 shares of Webzen Inc. per 1 share of NHNGames Corporation</li> <li>3. Date of contract: 15 April 2010</li> <li>4. Date of resolution by the board of directors: 15 April 2010</li> <li>5. Other matters <ul style="list-style-type: none"> <li>-Conditions for termination of merger contract under mutual agreement of the parties</li> <li>If the amounts of appraisal rights of dissenting shareholders exceed 30 billion won</li> <li>If merger contract is not approved in general meeting of each party respectively</li> <li>If any main change such as change of financial status or sales conditions etc. occurs before the due date for merger</li> <li>-Matters about schedule</li> </ul> </li> </ol> <p>refer to determination of merger of Company, report on main issues (merger etc.), stock declaration</p>
Renewal of contract for overseas development of game and publishing license	<ol style="list-style-type: none"> <li>1. The other party in contract: RED5 Studio</li> <li>2. Name of subject game: T-Project</li> <li>3. Term of contract: 5 years after commercialization (same)</li> <li>4. Subject region: Worldwide (the Americas, Europe region/areas other than the Americas, Europe region)</li> <li>5. Conditions of contract: <ol style="list-style-type: none"> <li>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</li> <li>2) Regions other than the Americas, Europe region: Webzen Inc.</li> </ol> </li> </ol>

	<p>retains publishing right in the world other than the Americas, Europe region and pays to RED5 Studio 50% of profits for 5 years</p> <p>3) Webzen Inc. is exempted from development costs that incur during the development period of subject product after the modification of contract</p> <p>6. Date of contract: 28 May 2009</p>
<p>Execution of contract for outsourcing development of Parfait Station</p>	<p>1. The other party in contract: NHNGames Corporation</p> <p>2. Name of subject game: Parfait Station</p> <p>3. Term of Contract: 18 months after execution of contract</p> <p>4. Contract price: 3,000,000,000 won</p> <p>5 Conditions of contract:</p> <p>1) pays in due order in accordance with development schedule after paying 40% of contract price upon execution of contract</p> <p>2) distributes profits as conditions for update and maintenance &amp; 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 &amp; 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 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:</p> <p>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</p>	<p>1. The other party in contract: Real Time Worlds (RTW), UK</p>

contract for development of APB console version and publishing license	<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:</p> <p>-Webzen retains exclusive worldwide publishing right of Xbox 360 version of APB game</p> <p>-pays 10% of total online sales and 20% of package sales to RTW</p>
Vietnam	<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:</p> <p>Total contract price: USD 2,900,000 (including minimum guarantee)</p> <p>Running royalty: 22% of total local sales of 'MU'</p>
Execution of contract for overseas development of game and publishing license	<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:</p> <p>1) pays 10% of total online sales and 20% of package sales to RTW</p> <p>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

Section		Number of people	Responsibilities
Development Division	MU2 Studio and others	130	carries out development of MU and SUN patch and project of next development

	Development Support Office	57	Carries out server client technology and R&D, and provides technology support
Total		187	

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

(Unit: won, %)

Subject		The 11 <sup>th</sup> semi-annual	The 10 <sup>th</sup> semi-annual	The 10 <sup>th</sup> annual	The 9 <sup>th</sup> annual	The 8 <sup>th</sup> annual
Raw material costs		-	-	-	-	-
Personnel expenses		352,927,222	143,941,491	1,603,784,662	2,539,121,866	6,431,279,096
Depreciation costs		29,984,515	8,678,592	252,292,883	336,910,972	764,478,328
Consignment service costs		1,043,077,282	425,413,552	1,478,575,213	520,278,415	1,811,131,484
Others		151,055,728	110,736,335	474,509,842	646,931,398	1,602,659,970
R&D costs Total		1,577,044,747	688,769,970	3,809,162,600	4,043,242,651	10,609,548,878
Accounting treatment	Selling expenses and maintenance costs	979,799,426	688,769,970	2,253,618,278	4,403,242,651	10,609,548,878
	Factory expenses	0	0	-	-	-
	Development costs (intangible asset)	597,245,321	0	1,555,544,322	-	-
Rate of R&D costs/sales (R&D costs/sales during this term)*100		10.7%	5.1%	13.7%	14.2%	37.6%

2) Performance of R&D

Development task	Research institution	Contents of R&D	Research results and expected effects
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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</p> <p>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 2<sup>nd</sup> protective gear, vehicle  system</p> <p>➔ Strengthening of user community  and play  ➔ Inducement of sales increase</p>
Huxley	Self	Development of new game	<p>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</p> <p>➔ New profits are expected to be  generated because of execution of  overseas export contract  ➔ Reduction of risk due to  diversification of product portfolio</p>
MU2	Self	Development of new game	<p>Jan 2009 established MU2 studio and  started development</p> <p>➔ Reduction of risk due to  diversification of product portfolio</p>

## 9. Other matters required for investment decision-making

-Not applicable

### III. Matters related to finance

#### 1. Summarized financial information

(Unit: million won)

Classification	The 11 <sup>th</sup> semi- annual	The 10 <sup>th</sup> semi-annual	The 10 <sup>th</sup>	The 9 <sup>th</sup>	The 8 <sup>th</sup>	The 7 <sup>th</sup>
Current assets	85,752	77,997	88,921	76,475	83,431	99,659
Quick assets	85,752	77,997	88,921	76,475	83,431	99,659
Inventories	-	-	-	-	-	-
Non-current assets	47,684	55,725	43,327	54,381	74,726	65,220
Investment assets	4,464	1,865	459	2,690	3,249	3,892
Tangible assets	3,687	5,200	3,879	5,462	6,247	11,222
Intangible assets	5,579	5,432	5,344	4,998	11,316	12,740
Other non-current assets	33,954	43,229	33,646	41,231	53,915	37,366
Assets Total	133,435	133,722	132,248	130,856	158,157	164,878
Current debt	5,472	5,636	7,159	6,208	9,583	7,269
Non-current debt	5,155	4,726	4,852	5,646	7,572	5,641
Debt Total	10,627	10,362	12,012	11,854	17,155	12,910
Equity capital	6,487	6,487	6,487	6,487	6,487	6,487
Additional paid-in capital	136,311	135,841	135,892	135,528	135,528	135,467
Capital adjustment	(18,918)	(19,156)	(18,717)	(19,127)	(12,816)	(17,601)
Accumulated amounts of other comprehensive	(2,306)	(1,553)	(1,442)	(1,585)	(465)	5,318

gains or losses						
Retained earnings	1,235	1,741	(1,983)	(2,301)	12,268	22,298
Capital Total	122,808	123,360	120,237	119,002	141,002	151,969
Sales revenue	14,707	13,593	27,802	28,481	28,216	21,950
Operating profit (loss)	1,524	1,974	(1,546)	(7,046)	(13,999)	(30,115)
Continuing business profit (loss)	3,697	4,598	1,373	(13,464)	(6,957)	(30,115)
Net income (loss) during the term	3,218	4,043	318	(14,266)	(9,536)	(31,519)
Earning (net loss) per share	271 won	341 won	27 won	(1,191)won	(744)won	(2,576)won

## 2. Standards of preparation for individual financial statements

### 1) Standards of preparation for financial statements

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. 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	4 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.

## **2) Violations of financial accounting standards etc.**

(1) Violations that cause modification of financial statements  
- Not applicable

(2) Violations not related to modification of financial statements  
- Not applicable.

## **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. The company established a promotion tem for the introduction and selected an outside advisor in July 2009 and analyzed influences due to the introduction. Based on the results of analysis, the 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, it 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.

## **4) Business years in which net loss during the term occurred for the last 5 years and its main reason**

Business year	Reason for the occurrence of net loss during the term
The 10 <sup>th</sup>	N/A
The 9 <sup>th</sup>	Expansion of loss due to temporary increase of non-operating

	expenses (reduction loss of intangible assets 8.2 billion)
The 8 <sup>th</sup>	While sales revenue increased, expenditure of costs increased because of development of next game
The 7 <sup>th</sup>	Reduction of sales, and increase of development costs and personnel expenses due to development of next game
The 6 <sup>th</sup>	Reduction of sales, and increase of development costs and personnel expenses due to development of next game

**5) Business years in which rate of increase or decrease of net income & loss for the year was over 30% compared to the previous business year or turnaround occurred, and its main reason**

Business year	Rate of increase of decrease	Main reason
The 10 <sup>th</sup>	Turnaround	Reduction of operating expenses
The 9 <sup>th</sup>	Expansion of deficit	Expansion of loss due to temporary increase of non-operating expenses (Reduction loss of intangible assets of 8.2 billion occurred due to suspension of development of Matchless and Parfait Station that this company was developing)
The 8 <sup>th</sup>	Reduction of deficit	Net loss during the term occurred because of expenditure of expenses due to development of next game, but the extent of deficit decreased by 70% compared with the previous year.
The 7 <sup>th</sup>	Expansion of deficit	Reduction of sales due to economic slump and deepened market competition, and increase of development costs and personnel expenses due to development of next game
The 6 <sup>th</sup>	-162.8%	Reduction of sales due to economic slump and deepened market competition, and increase of development costs and personnel expenses due to development of next game
The 5 <sup>th</sup>	-37.3%	21 billion won of net profit during the term was achieved but 37% decreased compared with the previous year due to increase of development costs and personnel expenses due to development of next game

## **6) Main events after the end date of reporting period**

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, the board of directors of this company passed a vote of merger with NHNGames Corporation with merger rate of 1:1.57262712 on 15 April 2010 and the merger was completed on the due date for merger of 7 July 2010.

As convertible bonds that were issued by NHNGames Corporation and are currently held by NHN Corporation met the requirements of merger, this company adjusted their conversion price. The conversion price before adjustment was 8,906 won/share and they could be converted into 1,403,548 shares. The conversion price after adjustment is 5,662 won/share and they can be converted into 2,207,257 shares. However, the convertible bonds have to be subject to compulsory safeguard deposit of the Korea Securities Depository for 2 years from the due date for merger and are currently under compulsory safeguard deposit.

## 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 <sup>th</sup> semi-annual	Samjeong Accounting Firm	2010 semi-annual and quarterly review, term-end auditing and auditing of financial statements, and submission of auditing report	293,000	2,850
The 10 <sup>th</sup>	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 <sup>th</sup>	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 <sup>th</sup>	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 10<sup>th</sup> 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 11 <sup>th</sup> semi-annual	-	-	-	-	-
The 10 <sup>th</sup>	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 <sup>th</sup>	Oct 2008	Consultation service of tax investigation	Oct 2008 ~ Dec 2008	109,000	Samil Accounting Firm
The 8 <sup>th</sup>	-	-	-	-	-

## **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 June 2010 current, income statements of 3 months and 6 months financial periods that ended on 30 June 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 6 months financial periods that ended on 30 June 2009, and capital change table and cash flow table of 6 months financial period that ended on 30 June 2009 that are attached for the purpose of comparison were reviewed by other accounting firm, and the review report dated 10 August 2009 of other accounting firm states that it has not been found that the reviewed financial statements were prepared in violation of generally accepted accounting standards in Korea in the aspect of importance.

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 12 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 13 in relation to the semi-annual financial statement, the matter that is judged to be a good guide for reasonable decision making of users of this review report 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.

### 3) Auditor's opinion

Business year	Auditor	Auditor's opinion	Summary of matters pointed out
The 10 <sup>th</sup>	Samil Accounting Firm	Unqualified opinion	-
The 9 <sup>th</sup>	Samil Accounting Firm	Unqualified opinion	-
The 8 <sup>th</sup>	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/ <b>No</b>	Outside director
Member of auditing committee	Lee, Chang Won	Yes/ <b>No</b>	Outside director
Member of auditing committee	Kim, Hyeok Yeon	Yes/ <b>No</b>	Outside director

#### (2) Current status of auditing assistants who work on a full-time basis

Organization	Full-time employment	Contact
Compliance Team	<b>Yes</b> /No	02) 3498-1600

#### (3) 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 semi-annual report. This item is gong 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 as a listed company on the NASDAQ 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	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.

<p>Clause 12 Items presented for consideration</p> <p>(1) Items presented for consideration in the board of directors are classified into matters for resolution and matters for report.</p> <p>(2) Matters for resolution in the board of directors are as follows:</p> <ol style="list-style-type: none"> <li>1. Matters for resolution under law and the articles of association</li> <li>1) Appointment and dismissal of representative directors, and determination of joint representative directors</li> <li>2) Establishment, movement and closing down of branch</li> <li>3) Establishment, operation and closing down of committee in the board of directors, and appointment and dismissal of members</li> <li>4) Calling of general meeting of shareholders</li> <li>5) Approval of business report</li> <li>6) Prior approval of financial statements</li> <li>7) Approval of sideline of directors</li> <li>8) Approval of dealing between directors and Company</li> <li>9) Issue of new shares and issue of bond</li> <li>10) Capitalization of reserve fund</li> </ol>
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- 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 <sup>st</sup> Agenda, Matter of approval of self-dealings with NHNGames Corporation	passed	-
2	8 Feb	The 1 <sup>st</sup> Agenda, Matter of approval of financial statements for the 4 <sup>th</sup> quarter of the 10 <sup>th</sup> annual period and financial statements for the 10 <sup>th</sup> annual period	passed	
3	8 Feb	The 1 <sup>st</sup> Agenda, Mater of execution of publishing contract of online game 'Battery'	passed	
4	22 Feb	The 1 <sup>st</sup> Agenda, Matter of notification of calling the	passed	

		10 <sup>th</sup> annual meeting of shareholders		
5	12 Mar	The 1 <sup>st</sup> Agenda, Report of evaluation on operation of internal control for the second half of 2009	report	
6	9 Apr	The 1 <sup>st</sup> Agenda, Matter of extension of trust agreement of treasury stock	passed	
7	15 Apr	The 1 <sup>st</sup> Agenda, Matter of approval of execution of merger contract The 2 <sup>nd</sup> Agenda, Mater of establishment of basic date to determine shareholders and closing period of stockholders' list	passed	
8	19 Apr	The 1 <sup>st</sup> Agenda, Matter of resolution of calling extraordinary meeting of shareholders	passed	
9	30 Apr	The 1 <sup>st</sup> Agenda, Matter of change of holding extraordinary meeting of shareholders	passed	
10	10 May	The 1 <sup>st</sup> Agenda, Matter of change of holding extraordinary meeting of shareholders The 2 <sup>nd</sup> Agenda, Matter of change of date of merger	passed	
11	4 Jun	The 1 <sup>st</sup> Agenda, Matter of appointment of representative director (respective representative) The 2 <sup>nd</sup> Agenda, Matter of appointment of member in the auditing committee	passed	
12	18 Jun	The 1 <sup>st</sup> Agenda, Matter of submission of American annual report Form 20-F for 2009 The 2 <sup>nd</sup> Agenda, Matter of promotion of cancellation of registration on the SEC and delisting from the NASDAQ	passed	

## 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 <sup>st</sup> Agenda, Matter of approval of self-dealings with NHNGames	passed	participated	Participated	Participated	-

		Corporation		(consent)	(consent)	(consent)	
2	8 Feb	The 1 <sup>st</sup> Agenda, Matter of approval of financial statements for the 4 <sup>th</sup> quarter of the 10 <sup>th</sup> annual period and financial statements for the 10 <sup>th</sup> annual period	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
3	8 Feb	The 1 <sup>st</sup> Agenda, Mater of execution of publishing contract of online game 'Battery'	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
4	22 Feb	The 1 <sup>st</sup> Agenda, Matter of notification of calling the 10 <sup>th</sup> annual meeting of shareholders	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
5	12 Mar	The 1 <sup>st</sup> Agenda, Report of evaluation on operation of internal control for the second half of 2009	report	Participated (consent)	Participated (consent)	Participated (consent)	-
6	9 Apr	The 1 <sup>st</sup> Agenda, Matter of extension of trust agreement of treasury stock	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
7	15 Apr	The 1 <sup>st</sup> Agenda, Matter of approval of execution of merger contract The 2 <sup>nd</sup> Agenda, Mater of establishment of basic date to determine shareholders and closing period of stockholders' list	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
8	19 Apr	The 1 <sup>st</sup> Agenda, Matter of resolution of calling extraordinary meeting of shareholders	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
9	30 Apr	The 1 <sup>st</sup> Agenda, Matter of change of holding extraordinary meeting of shareholders	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
10	10 May	The 1 <sup>st</sup> Agenda, Matter of change of holding extraordinary meeting of shareholders The 2 <sup>nd</sup> Agenda, Matter of change of date of merger	passed	Participated (consent)	Participated (consent)	Participated (consent)	-
11	4 Jun	The 1 <sup>st</sup> Agenda, Matter of	passed	Participated	Participated	Participated	-

		appointment of representative director (respective representative) The 2 <sup>nd</sup> Agenda, Matter of appointment of member in the auditing committee		ed (consent)	ed (consent)	ed (consent)	
12	18 Jun	The 1 <sup>st</sup> Agenda, Matter of submission of American annual report Form 20-F for 2009 The 2 <sup>nd</sup> Agenda, Matter of promotion of cancellation of registration on the SEC and delisting from the NASDAQ	passed	Participat ed (consent)	Participat ed (consent)	Participat ed (consent)	-

## 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 9<sup>th</sup> 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.’

#### (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	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 10<sup>th</sup> 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

[Basic date: 30 June 2010 current]

(Unit: share, %)

Name of company	Capital	Number of shares owned by this company	Rate of shares owned by this company
Plux Co., Ltd	KRW 600,000,000	66,528	55.44%
9Webzen	CNY 8,446,223	5,571,429	70.00%
Webzen China	CNY 16,553,000	-	100.00%
Webzen Taiwan	NTD 131,860,000	13,186,000	100.00%
Webzen America	USD 4,000,000	4,000,000	100.00%
Webzen Europe	GBP 1	1	100.00%

### **2) Current status of investment in other corporate bodies**

[30 June 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	-	-	91,097	5,571,429	70	159,989	1,980,833	(104,335)
Webzen China (unlisted)		-	100	21,604	-	-	(2,701)	-	100	18,903	21,241	(4,959)
Webzen Taiwan (unlisted)		13,186,000	100	-	-	-	-	13,186,000	100	-	852,780	(88,939)
Webzen America (unlisted)		4,000,000	100	-	-	-	-	4,000,000	100	-	151,966	(67,872)
Plus Co., Ltd (unlisted)		66,528	55.44	8,018	-	-	11	66,528	55.44	8,029	3,064	-
Webzen Europe (unlisted)		1	100	2	-	-	-	1	100	-	2	-
Subtotal			22,823,958	-	98,516	-	-	(74,466)	22,823,958	-	24,048	
GameOn (JASDAQ)	Investment	822	0.83	762,958	(822)	762,958	-	-	-	-	-	-
Total		22,824,780		861,474	(822)	762,958	(74,466)			24,048	3,009,884	(26,105)

\*Share in GameOn held by this company has been completely disposed during this semi-annual period.

## VII. Matters about shareholders

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

[Basic date: 30 June 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 Games Corporation	Itself	Ordinary share	3,469,784	26.74	398,636	3.07	-	-	3,868,420	29.82	Outside purchase (Kim, Nam Joo)
Kim, Chang Geun	Executive in an affiliate	Ordinary share	10,000	0.08	-	-	-	-	10,000	0.08	-
Total		Ordinary share	3,479,784	26.82	398,636	3.07	-	-	3,878,420	29.89	-
		Preferred share	-	-	-	-	-	-	-	-	-
		Total	3,479,784	26.82	398,636	3.07	-	-	3,878,420	29.89	-

Name of the largest shareholder: NHNGames Corporation

Number of affiliate person: 1

### 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	–
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-At the time of change of the largest shareholder above, the largest shareholder (NHN Games Corporation) and other 5 people are 2 people of affiliate persons (Kim, Chang Geun & Kim, Hyeong Cheol) and 3 people of joint holders (Kim, Nam Joo & Jo, Gi Yong & Song, Gil Seop).

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

-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 public announcement: Change of the largest shareholder (7 July 2010)

### 3. Overview of NHNGames Corporation that is the largest shareholder

#### 1) Legal and commercial name of company

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

#### 2) Date of establishment etc.

The company was established on 26 October 2004 for the purpose of development of computer games and software etc, and is currently an unlisted company. The 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*. The company was merged into this company on 7 July that was after the basic date of this report on 30 June 2010.

#### 3) Address, telephone number and homepage of head office

The address, telephone number and homepage of the company are as follows:

- Address of head office: Level 13, 2<sup>nd</sup> Daeryung Post Tower, 182-13 Guro-dong, Guro-gu, Seoul
- Tel: 02-6330-3300
- Homepage: <http://222.nhngames.com>

#### 4) Main business areas etc.

The company developed R2, Archlord, and C9 that are MMORPG online games, and

FPS game of Battery, and is providing services for those games by executing contract with publishing companies such as Hangame etc. The company realized 6.4 billion of capital, 25.3 billion of sales, 12.4 billion of business profits and 6.9 of net profit during the term at the end of 2009. The largest shareholder of the company is ‘NHN Corporation’ that holds 46.88% share and is a listed company on the stock market.

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

[Basic date: 30 June 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	NHNGames Corporation	3,868,420	29.82	-	-	3,868,420	29.82
Total		3,868,420	29.82	-	-	3,868,420	29.82

-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 semi-annual report currently.

#### 6. 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> <p>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.</p> <p>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</p>
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	<p>number of issued shares.</p> <p>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.</p> <p>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.</p> <p>5. In case of issue of new shares to an associate company for the introduction of technology from the associate company</p> <p>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>.</p> <p>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>.</p> <p>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> <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 issued and issue price shall be determined by a resolution of the board of directors.</p> <p>(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.</p>		
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	<a href="http://www.webzen.com">http://www.webzen.com</a>
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-As the agenda of change of part of the articles of association to include the introduction of electronic announcement system was approved in the 10<sup>th</sup> 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		Jan 2010	Feb2010	Mar 2010	Apr 2010	May 2010	Jun 2010
A069080 (Ordinary share)	Highest price	14,150	13,600	12,600	13,450	13,250	12,550
	Lowest price	10,900	11,800	11,450	11,700	11,700	10,900
	Volume	7,098,519	3,709,447	2,294,815	6,482,061	3,712,651	2,047,476

### 2) Foreign stock market

[Name of stock exchange: NASDAQ]

(Unit: USD, share)

Classification		Jan 2010	Feb2010	Mar 2010	Apr 2010	May 2010	Jun 2010
WZEN (ADR)	Highest price	3.60	3.42	3.17	3.47	3.36	3.00
	Lowest price	2.80	2.89	3.00	3.03	2.70	2.50
	Volume	336,600	156,400	452,300	438,600	132,300	155,300

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

-This company determined to be delisted from the NASDAQ and cancel the registration on the Securities and Exchange Commission, and trading transactions ended due to final delisting on 8 July that was after the subject period of this report.

-For more details, please refer to 'I. Overview of Company – 2. History of Company – 8) Occurrence of material facts related to management activities' in this report.

## VIII. Matters about executives and employees

### 1. Current status of executives and employees

#### 1) Current status of executives

[Basic date: 30 June 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 NHN Games Corporation	Comprehensive strategy	24 Oct 2008 ~ 23 Oct 2011	-	-
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	7 Dec 1971	Director in NHN	General management	4 Jun 2010 ~ 3 Jun 2013	-	-

		Seong		Corporation, Judge in Seoul North District Court		Jun 2013		
Outside director (not full-time)	Registered Executive	Lee, Chang Won	8 Nov 1963	Partner in Law Firm Sejong	Auditing	4 Jun 2010 ~ 3 Jun 2013	-	-
Outside director (not full-time)	Registered Executive	Ha, Seung Han	27 Oct 1967	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 2012	-	-

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

## 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	36,665,756 won	718,085,492 won	2,000,000,000 won	Date of initial contract 18 July 2003

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

\*Accumulated amount: the amount from the date of initial contract to the end of June

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 any 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	106	43	57	20	226	3 yrs 10 mths	4,296,527	19,011	-
Female	24	14	34	19	91	4 yrs 8 mths	1,376,128	15,122	-
Total	130	57	91	39	317	4 yrs 1 mth	5,672,655	17,895	-

- Executives are not included in the number of employees.
- The average wage per person is calculated by dividing the total amount paid during the first half of 2010 by the number of employees at the end of the first half 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 June 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, 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,	Employee	27	Issue of	Ordinary	13,000	-	10,000	3,000	27 Mar	8,300	-

Yong Seo & other 1 person		Mar 2009	new shares/ Issue of treasury stock	share					2011 ~ 26 Mar 2013		
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	-
Total	-	-	-	-	547,400	-	67,000	480,400	-	-	-

\*Weighted average exercise price of non-exercised quantity: 10,079 won/share

\*Closing price on 12 August 2010 current: 12,500 won/share

## 2) Remuneration of executives

[Period: 1 Jan 2010~30 Jun 2010]

(Unit: thousand won)

Payment standard of remuneration	Limit on remuneration approved in the 10 <sup>th</sup> annual meeting of shareholders	Amounts paid during the first half of 2010	Average amount paid per person	Total amount of fair value of stock option
Director	1,260,000	238,230	47,646	553,213
Outside director (member of auditing committee)		27,000	9,000	
Total	1,260,000	265,230	33,154	553,213

-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 June 2010 current.

## IX. Transactions with interested parties

### 1. Transactions with the largest shareholder etc.

#### 1) Main transactions with persons with a special relationship

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

(Unit: thousand won)

Title of account	Sales etc.		Purchase etc.		Bond		Debt	
	This semi-annual	Previous semi-annual						
Company that exercises important influence								
NHNGames Corporation	540,000	71,875	1,051,995	423,630	1,094,832	206,598	1,013,415	563,291
NHN Corporation	134,221	85,798	38,598	26,206	41,951	31,119	11,844	6,946
Subtotal	674,221	157,673	1,090,593	449,836	1,136,782	237,717	1,025,259	570,237
Subsidiary company								
9 Webzen Limited	138,409	240,554	2,284	-	47,432	17,933	-	-
Webzen Taiwan Inc.	214,454	433,406	-	-	3,610,900	3,383,130	-	-
Webzen America Inc.	-	134,007	-	-	5,306,975	5,119,743	-	-
Plux Co., Ltd	-	-	-	-	60,000	60,000	-	-
Subtotal	352,863	807,967	2,284	-	9,025,307	8,580,806	-	-
Total	1,027,084	965,640	1,092,877	449,836	10,165,089	8,818,523	1,025,259	570,237

At the end of this semi-annual 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 5,306,975,000 won and 60,000,000 won respectively.

In addition, at the end of this semi-annual 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 3,510,550,000 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 NHNGames etc.**

### **(1) Contract for development of Parfait Station**

This company executed an outsourcing development contract in April 2009 in relation to Parfait Station which is an IP that NHNGames and this company hold. The total term of contract is 18 months, and it is anticipated that 423 man-days (monthly average 24 people) will be part of this development.

### **(2) Contract for service agency**

This company executed a service agency contract with NHNGames that is the largest shareholder in June 2009. The contents of contract are that this company shall provide NHNGames with game analysis, business analysis and marketing service etc in relation to R2, Archlord, C9 and Battery that are games developed by NHNGames, and receive service commission in return.

### **(3) Publishing contract of Battery**

This company executed a publishing contract in relation to Battery that is a FPS game developed by NHNGames.

### **(4) Transactions with the largest shareholder of NHNGames [NHN Corporation]**

This company has executed a contract for domestic channeling services and a publishing contract in relation to SUN Online and Huxley with NHN Corporation. The term of contracts is for 3 years after commencing services, and the amount of profits this company receives are 80% and 40% ~ 60% respectively.

In addition, this company has executed a royalty contract that allows the provision of services of SUN Online with NHN USA Inc. which is an affiliated company of NHN Corporation. The term of contract is for 3 years after commercialization or the date of contract, and royalty this company receives is 22% ~ 30%.

### **3) 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%.

### **4) Transactions with executives and employees**

This company is lending long-term and short-term loans of 190,938,000 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 <sup>th</sup> 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	-No. 1 Agenda, Matter of approval of merger contract No. 2 Agenda, Matter of change of part of	

	shareholders	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)

## 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 passed without amendment	-
The 10 <sup>th</sup> annual	*Agenda of approval of financial statements * Agenda of change of part of the articles of association	passed without amendment passed without amendment	-

meeting of shareholders (26 March 2010)	*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	
The 9 <sup>th</sup> 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 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

## 4. Main matters occurred after the basic date of preparation

### 1) Delisting from the NASDAQ and cancellation of registration on the Securities and Exchange Commission of depositary receipt

-This company determined 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 during this semi-annual period. Accordingly, trading transactions ended due to final delisting on 7 July that was after the subject period of this report.

-For more details, please refer to 'I. Overview of Company – 2. History of Company – 8) Occurrence of material facts related to management activities' in this report.

### 2) Change of the largest shareholder

-Due to merger of this company (continuing corporate body) with NHNGames Corporation (extinct corporate body), the largest shareholder of this company changed from NHNGames Corporation to NHN Corporation on the due date for merger (7 July 2010).

-For more details, please refer to the related public announcement.

\*Related public announcement: Change of the largest shareholder (7 July 2010)

### **3) Change of location of head office**

-Due to merger with NHNGames Corporation, this company integrated the existing place of business of NHNGames Corporation with its own place of business and changed the location of head office as follows:

-Before change: Level 14, 2<sup>nd</sup> Daeryung Post Tower, 182-13 Guro-dong, Guro-gu, Seoul

-> After change: Levels 13 & 14, 2<sup>nd</sup> Daeryung Post Tower, 182-13 Guro-dong, Guro-gu, Seoul

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

### **4) Adjustment of conversion price of convertible bond**

- 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 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)

-The above convertible 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*.

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

## XI. Financial statements etc.

### Balance Sheet

Item	As of		
	2010-06-30	2009-12-31	2008-03-31
	KRW	KRW	KRW
<b>Assets</b>			
<b>Current Assests</b>	<b>81,724,626,117</b>	<b>88,921,184,111</b>	<b>76,475,160,673</b>
Quick Assets	81,724,626,117	88,921,184,111	76,475,160,673
Cash and cash equivalents	66,701,253,112	64,271,760,794	40,328,785,906
Short-term financial instruments	192,686,997	244,126,997	10,774,248,071
Available-for-sale securities	12,910,167,413	7,312,332,756	5,787,413,752
Accounts receivables, net of allowance	4,320,677,423	4,980,606,456	8,029,037,292
Short term loans, net of allowance	-3,911,306,947	168,930,900	408,190,200
Prepaid expenses	402,924,460	364,581,353	295,866,678
Accrued income	246,407,061	397,129,780	1,245,493,355
Other account receivables	676,579,710	11,018,961,723	9,446,035,419
Advanced payments	78,800,000	8,398,000	15,090,000
Prepaid income taxes	0	0	0
Derivatives assets	106,436,888	154,355,352	145,000,000
Deffered tax assets	0	0	0
Value added taxes receivable	0	0	0
<b>Non-Current Assets</b>	<b>52,001,732,578</b>	<b>43,327,295,346</b>	<b>54,380,881,728</b>
Investments	88,337,060	458,671,101	2,690,077,964
Long-term available-for-sale securities	4,201,780,429	184,002,129	1,708,909,000
Investments securities in equity method	186,918,703	98,513,822	114,782,507
Long-term loans, net of allowance	75,062,450	176,155,150	866,386,457
Long-term Accrued income	-4,375,424,522	0	0
Property, Plant and Equipment	12,380,424,302	3,879,309,824	5,461,695,792
Land	1,097,171,250	1,097,171,250	1,514,373,250
Buildings and auxilary facilities,	1,824,071,570	1,851,991,034	2,905,795,378

net			
Computers and equipment, net	8,520,722,277	747,126,929	702,834,602
Facilities, net	938,459,205	183,020,611	338,692,562
Intangible Assets	5,579,259,232	5,343,785,398	4,998,235,129
Capitalized R&D costs	4,507,577,311	3,935,819,698	3,057,725,783
Computer software	1,071,681,921	1,407,965,700	1,940,509,346
Etc Intangible assets	0	0	0
Other non-current Assets	33,953,711,984	33,645,529,023	41,230,872,843
Long-term prepaid expenses	31,344,919,834	30,906,066,873	30,897,106,893
Guarantee deposits	2,608,792,150	2,739,462,150	10,333,765,950
Long-term deferred income tax	0	0	0
assets			
<b>Total Assets</b>	<b>133,726,358,695</b>	<b>132,248,479,457</b>	<b>130,856,042,401</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>	<b>5,472,296,966</b>	<b>7,159,263,854</b>	<b>6,208,173,010</b>
Short-term Loan/Debt	0	0	0
Other accounts payables	1,778,901,572	2,320,295,414	849,496,678
Accrued expenses	539,556,294	1,161,509,864	263,021,219
Income taxes payable	0	0	5,044,290
Deferred income	1,627,292,108	2,258,192,106	3,890,090,675
Withholdings	108,505,895	109,488,041	135,931,091
Value added taxes payable	148,694,506	249,688,662	202,296,912
Advanced received	960,554,179	965,246,583	113,413,152
Provision for other estimated liabilities	80,607,920	67,480,000	77,400,000
Derivatives liabilities	228,184,492	27,363,184	671,478,993
payable deposit	0	0	0
provision for sales competition	0	0	0
<b>Non-Current Liabilities</b>	<b>5,155,200,673</b>	<b>4,852,255,657</b>	<b>5,646,156,446</b>
Long-term deferred income	1,881,200,001	1,881,200,001	2,765,718,092
Accrued severance benefits	3,274,000,672	2,971,055,656	2,858,613,917
Long-term other account payable	0	0	21,824,437
Long-term deferred income tax	0	0	0
liabilities			
<b>Total Liabilities</b>	<b>10,627,497,639</b>	<b>12,011,519,511</b>	<b>11,854,329,456</b>
<b>Shareholders' Equity</b>			
<b>Capital Stock</b>	<b>6,487,000,000</b>	<b>6,487,000,000</b>	<b>6,487,000,000</b>

Common stock	6,487,000,000	6,487,000,000	6,487,000,000
<b>Capital Surplus</b>	<b>136,310,764,129</b>	<b>135,892,426,686</b>	<b>135,527,919,976</b>
Additional paid-in capital	135,527,919,976	135,527,919,976	135,527,919,976
Other capital surplus	782,844,153	364,506,710	0
<b>Capital Adjustment</b>	<b>-18,918,143,596</b>	<b>-18,717,073,611</b>	<b>-19,126,728,597</b>
Losses on disposition of treasury stock	-6,145,039,469	-6,145,039,469	-6,145,039,469
Stock option	1,296,231,817	1,497,301,802	1,087,646,816
Treasury stock	-14,069,335,944	-14,069,335,944	-14,069,335,944
<b>Accumulated Other Comprehensive Income/Loss</b>	<b>-2,306,413,329</b>	<b>-1,442,217,160</b>	<b>-1,585,072,927</b>
Loss on valuation of securities for using the equity method	-2,173,878,196	-1,986,159,518	-2,428,648,188
Unrealized gains on investment securities	46,998,395	543,942,358	1,228,952,477
Unrealized losses on investment securities	-179,533,528	0	-385,377,216
<b>Retained Earnings</b>	<b>1,234,676,405</b>	<b>-1,983,175,969</b>	<b>-2,301,405,507</b>
Appropriated retained earnings for business stabilization	117,904,363	117,904,363	117,904,363
Appropriated retained earnings for future investments	442,699,142	442,699,142	442,699,142
Legal appropriated retained earnings	322,500,000	322,500,000	322,500,000
Unappropriated retained earnings(loss)	351,572,900	-2,866,279,474	-3,184,509,012
<b>Total Shareholders' Equity</b>	<b>122,807,883,609</b>	<b>120,236,959,946</b>	<b>119,001,712,945</b>
<b>Total Liabilities and Total Shareholders' Equity</b>	<b>133,435,381,248</b>	<b>132,248,479,457</b>	<b>130,856,042,401</b>

## Income Statement

Item	2010		2009	
	2Q2010 KRW	1H2010 KRW	2Q2009 KRW	1H2009 KRW
<b>Revenue</b>	<b>6,820,293,818</b>	<b>14,706,561,379</b>	<b>6,171,558,410</b>	<b>13,593,310,894</b>
Online game subscriptions	4,381,996,479	9,921,735,617	3,373,628,956	6,940,439,406
Royalties and license fees	2,161,778,569	4,204,499,252	2,715,052,614	6,569,994,648
Service fees	276,518,770	580,326,510	82,876,840	82,876,840
<b>Cost of Revenue</b>	<b>2,704,826,457</b>	<b>5,643,258,026</b>	<b>2,892,672,220</b>	<b>5,768,853,495</b>
Online game subscriptions	2,433,420,709	5,080,145,576	2,829,157,321	5,705,338,596
Service fees	271,405,748	563,112,450	63,514,899	63,514,899
<b>Gross Profit</b>	<b>4,115,467,361</b>	<b>9,063,303,353</b>	<b>3,278,886,190</b>	<b>7,824,457,399</b>
<b>Operating Expenses</b>	<b>3,976,691,458</b>	<b>7,538,909,799</b>	<b>3,210,081,825</b>	<b>5,850,614,590</b>
Salaries	1,144,034,391	2,131,532,316	1,120,281,431	2,235,296,588
Severance benefits	170,625,533	274,685,588	114,653,702	189,154,123
Employee benefits	165,835,600	305,766,970	133,929,640	225,896,770
Travel expenses	27,347,741	56,833,725	25,993,719	53,241,564
Entertainment expenses	40,314,487	82,620,394	32,538,970	71,156,973
Communication expenses	11,591,841	28,468,474	11,698,958	23,978,225
Utility expenses	16,251,825	31,096,325	7,990,825	18,242,958
Taxes and dues	45,528,572	90,090,546	43,140,351	86,813,051
Depreciation expenses	47,169,340	76,169,229	37,968,403	73,158,705
Rental expenses	100,174,416	189,294,149	119,056,438	239,935,612
Repairs expenses	0	0	0	0
Insurance premium	29,814,721	58,031,426	38,527,611	77,283,786
Vehicles maintenance expenses	9,150,478	17,695,596	9,212,807	19,777,790
Development expenses	797,695,474	1,577,044,747	558,677,902	688,769,970
Freight expenses	1,269,741	2,255,740	813,028	1,721,875
Training expenses	25,485,147	38,140,190	10,668,705	16,820,165
Publication expenses	19,040,546	22,108,736	2,228,501	4,155,101
Office supplies	833,722	1,248,737	843,010	1,855,309
Supplies expenses	8,428,424	13,219,674	2,819,498	6,894,227

Commission service charges	635,807,771	1,423,410,257	547,653,404	1,144,789,757
Advertising expenses	75,345,431	292,168,316	151,887,030	247,026,611
Sales commissions	60,656,046	184,809,146	44,873,300	97,131,100
Amortization expenses on intangible assets	130,210,962	217,640,430	27,717,416	80,061,135
Compensation expenses associated with stock option	98,604,335	194,041,131	166,907,176	247,453,195
Bad Debt expenses	315,474,914	230,537,957	0	0
Sampling expenses	0	0	0	0
<b>Operating Income</b>	<b>138,775,903</b>	<b>1,524,393,554</b>	<b>68,804,365</b>	<b>1,973,842,809</b>
<b>Other Income</b>	<b>1,946,216,229</b>	<b>2,736,927,450</b>	<b>1,095,379,279</b>	<b>3,714,970,428</b>
Interest income	635,458,020	1,105,023,850	651,453,409	1,324,636,734
Gains on foreign currency transaction	158,274,180	220,074,731	41,079,914	1,321,998,773
Commission received	14,284,360	26,284,360	12,000,000	24,000,000
Gains on foreign currency translation	789,092,149	444,507,616	17,926	217,733,262
Gain on disposition of available-for-sale securities	83,059,159	701,414,778	0	27,200,427
Gains on disposal of property, plant, and equipment	0	3,853,656	0	411,739
Gain on valuation of equity-method investments	128,278,256	92,292,187	0	0
Reversal of allowance for doubtful accounts	60,580,509	0	17,907,846	33,329,958
Dividend income	13,396,918	34,020,569	0	28,167,400
Gain on valuation of derivative instruments	63,530,846	94,461,692	364,809,370	712,280,585
Gain on transaction of Derivative instruments	0	0	0	0
Miscellaneous income	261,832	14,994,011	8,110,814	25,211,550
<b>Other Expenses</b>	<b>400,531,692</b>	<b>564,586,717</b>	<b>1,237,545,475</b>	<b>1,090,549,038</b>
Interest Expense	0	127,298	1,026,165	2,286,352
Losses on foreign currency transaction	94,219,797	173,141,025	558,389,084	602,926,010

Losses on foreign currency translation	0	5,664,025	623,514,475	74,112,051
Losses on disposal of property, plant, and equipment	0	7,259,261	0	0
Impairment losses on intangible assets	0	0	0	0
Losses on valuation of equity-method investments	9,093,927	3,401,429	44,950,697	386,696,427
Losses on disposition of available-for-sale securities	0	7,546,677	0	7,641,156
Impairment losses on investments securities	0	0	0	0
Donations	0	160,000	0	0
Losses on valuation of derivative instruments	295,079,704	343,201,464	0	0
Estimated Corporate income taxes	0	0	0	0
Bad debt expenses on etc	0	20,413,383		
Miscellaneous losses	2,138,264	3,672,155	9,665,054	16,887,042
<b>Income before ITE</b>	<b>1,684,460,440</b>	<b>3,696,734,287</b>	<b>-73,361,831</b>	<b>4,598,264,199</b>
<b>Income Tax Expenses</b>	<b>187,307,102</b>	<b>478,881,913</b>	<b>239,889,578</b>	<b>555,707,200</b>
Withhold taxes	164,932,269	320,226,980	239,889,578	537,794,812
Corporate income tax	22,374,833	158,654,933	0	17,912,388
<b>Net Income</b>	<b>1,497,153,338</b>	<b>3,217,852,374</b>	<b>-313,251,409</b>	<b>4,042,556,999</b>

## **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