

GRAVITY Co., Ltd.  
Form 20-F  
June 01, 2010

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**As filed with the Securities and Exchange Commission on June 1, 2010**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 20-F**

**(Mark One)**

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
  - or**
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2009**
  - or**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
  - or**
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**Commission file number: 000-51138**

**GRAVITY CO., LTD.**

*(Exact name of registrant as specified in its charter)*

**N/A**

*(Translation of registrant's name into English)*

**The Republic of Korea**

*(Jurisdiction of incorporation or organization)*

**Nuritkum Square Business Tower 15F, 1605 Sangam-Dong, Mapo-Gu,  
Seoul 121-795, Korea**

*(Address of principal executive offices)*

**Heung Gon Kim  
Chief Financial Officer**

**Nuritkum Square Business Tower 15F, 1605 Sangam-Dong, Mapo-Gu, Seoul 121-795, Korea**

**Telephone: 82-2-2132-7000**

**Fax: 82-2-2132-7070**

*(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)*

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Common stock, par value Won 500 per share* American depository shares, each representing one-fourth of a share of common stock	The NASDAQ Global Market

\* Not for trading, but only in connection with the listing of American depository shares on the NASDAQ Global Market pursuant to the requirements of the Securities and Exchange Commission.

**Securities registered or to be registered pursuant to Section 12(g) of the Act: None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: Shares, par value Won 500: 6,948,900

Indicated by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

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U.S. GAAP  International Financial Reporting Standards as used by the International Accounting Standards Board  Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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**CERTAIN DEFINED TERMS**

Unless the context otherwise requires, references in this annual report on Form 20-F, or annual report to:

ADRs are to the American depositary receipts that evidence our ADSs;

ADSs are to our American depositary shares, each of which represents one-fourth of a share of our common stock;

Government is to the government of The Republic of Korea;

Gravity, the Company, we, us, our, or our company are to Gravity Co., Ltd. and except as otherwise indicated or required by context, our subsidiaries;

Korea or the Republic are to The Republic of Korea;

China or the PRC are to the People's Republic of China (excluding Taiwan, Hong Kong and Macau);

Taiwan or the ROC are to Taiwan, the Republic of China;

US\$, U.S. dollars, US dollars, or Dollars are to the currency of the United States of America;

Won, Korean Won, or W, are to the currency of The Republic of Korea;

Chinese Yuan or CNY are to the currency of China;

Japanese Yen or JPY are to the currency of Japan;

NT dollar or NT\$ are to the currency of Taiwan;

Hong Kong dollar or HK\$ are to the currency of Hong Kong; and

Thai Baht or THB are to the currency of Thailand.

For your convenience, this annual report contains translations of certain Won amounts into U.S. dollars at the noon buying rate as quoted by the Federal Reserve Bank of New York for Won in effect on March 31, 2010, which was Won 1,131.2 to US\$1.00. No assurance is given that any Won or dollar amounts could have been, or could be converted into dollars or Won as the case may be at such rate, or any other rate, or at all.

Discrepancies in tables between totals and sums of the amounts listed are due to rounding.

**FORWARD-LOOKING STATEMENTS**

This annual report for the year ended December 31, 2009 contains forward-looking statements, as defined in Section 27A of the U.S. Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. The forward-looking statements are based on our current expectations, assumptions, estimates and projections about us and our industry, and are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as anticipate, believe, considering, depends, estimate, expect, intend,



planning, planned, predict, project, continue and variations of these words, similar expressions, or that certain events or actions or results will, may, might, should, would or could occur, be taken or be achieved.

Forward-looking statements include, but are not limited to, the following:

future prices of and demand for our products;

future earnings and cash flow;

estimated development and commercial launch schedule of our games in development;

our ability to attract new customers and retain existing customers;

the expected growth of the Korean and worldwide online gaming industry;

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the effect that economic, political or social conditions in Korea have on the revenue generated from our online game product and our results of operations;

the effect that the current global financial crisis and global economic recession will or may have on our business prospects, financial condition and results of operations; and

our future business development and prospects, results of operations and financial condition.

We caution you not to place undue reliance on any forward-looking statement each of which involves risks and uncertainties. Although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions could be incorrect. All forward-looking statements are based on our management's current expectation, assumptions, estimates and projections of future events and are subject to a number of factors that could cause actual results to differ materially from those described in the forward-looking statements. Risks and uncertainties associated with our business include, but are not limited to, risks related to changes in the regulatory environment; technology changes; potential litigation and governmental actions; changes in the competitive environment; changes in customer preference and popular culture and trends, including the online gaming culture; political changes; recent global economic events including, but not limited to, the significant downturn in the global economic and financial markets and the tightening of the global credit markets, changes in business and economic conditions, fluctuations in foreign exchange rates, fluctuations in prices of our products, decreasing consumer confidence and slowing of economic growth generally, and other risks and uncertainties that are more fully described under the heading "Risk Factors" in this annual report, and elsewhere in this annual report. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We undertake no obligation to update or revise any forward-looking statement to reflect future events or circumstances.

**Table of Contents****PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION****ITEM 3.A. SELECTED FINANCIAL DATA**

You should read the selected financial data below in conjunction with the financial statements and the related notes included elsewhere in this annual report. The selected financial data as of and for the years ended December 31, 2007, 2008 and 2009 are derived from our audited financial statements and related notes thereto are included elsewhere in this annual report. Our historical results do not necessarily indicate results expected for any future periods. Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.

	As of and for the Years Ended December 31,					
	2005	2006	2007	2008	2009	2009(1)
	(Unaudited)					
	(In millions of Won and thousands of US\$, except share and per share data, operating data and percentage)					
<b>Statements of operations</b>						
Revenues:						
Online games subscription revenue	₩ 11,249	₩ 8,420	₩ 9,405	₩ 12,576	₩ 12,674	US\$ 11,204
Online games royalties and license fees	37,375	26,123	24,698	30,110	34,037	30,090
Mobile games	1,664	3,840	4,063	6,882	7,882	6,968
Character merchandising, animation and other revenue	3,096	2,580	2,063	3,602	2,810	2,484
Total revenues	53,384	40,963	40,229	53,170	57,403	50,746
Cost of revenues	16,038	17,746	19,479	27,772	21,170	18,715
Gross profit	37,346	23,217	20,750	25,398	36,233	32,031
Operating expenses:						
Selling, general and administrative	30,795	27,555	28,159	23,489	21,651	19,140
Research and development	9,219	9,239	5,761	2,145	1,799	1,590
			8,619			

Impairment losses on investments						
Impairment losses on intangible assets			871		280	248
Litigation charges	4,648					
Proceeds from a former chairman due to fraud	(4,947)					
Gain in disposal of assets held for sale	(1,081)					
Settlement cost of litigation					1,649	1,458
Operating income (loss)	(2,668)	(12,197)	(22,660)	(236)	10,854	9,595
Other income (expense), net	(787)	2,265	3,441	6,030	2,108	1,863
Income (loss) before income tax expenses and equity in loss of related joint venture and partnership	(3,455)	(9,932)	(19,219)	5,794	12,962	11,458
Income tax expenses (benefit)	(817)	12,069	2,916	3,379	4,544	4,017
Income (loss) before equity in loss of related joint venture and partnership	(2,638)	(22,001)	(22,135)	2,415	8,418	7,441
Equity in loss of related joint venture and partnership	394	1,106	1,026	5,119	1,424	1,259

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	<b>As of and for the Years Ended December 31,</b>					
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2009(1)</b>
	<b>(Unaudited)</b>					
	<b>(In millions of Won and thousands of US\$, except share and per share data, operating data and percentage)</b>					
Income (loss) before cumulative effect of change in accounting principle	(3,032)	(23,107)	(23,161)	(2,704)	6,994	6,182
Cumulative effect of change in accounting principle, net of tax		849				
Net income (loss)	(3,032)	(22,258)	(23,161)	(2,704)	6,994	6,182
LESS: Net income (loss) attributable to the non-controlling interest	(2)	7	40	69	77	68
Net income (loss) attributable to Parent Company	₩ (3,030)	₩ (22,265)	₩ (23,201)	₩ (2,773)	₩ 6,917	US\$ 6,114
Earnings (loss) per share: Before cumulative effect of change in accounting principle	₩					