

GRAVITY Co., Ltd.  
Form 6-K  
May 25, 2016

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the month of May 2016**

**Commission File Number 000-51138**

**GRAVITY CO., LTD.**

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

**15F, 396 World Cup buk-ro, Mapo-gu, Seoul 121-795, Korea**

**(Address of principal executive office)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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**GRAVITY REPORTS FIRST QUARTER OF 2016 RESULTS**

Seoul, South Korea May 25, 2016 GRAVITY Co., Ltd. (NasdaqCM: GRVY) ( Gravity or Company ), a developer and publisher of online and mobile games based in South Korea, today announced its unaudited financial results for the first quarter ended March 31, 2016, prepared in accordance with generally accepted accounting principles in the United States.

**FINAICIAL RESULTS FOR THE FIRST QUARTER OF 2016**

Revenues for the first quarter ended March 31, 2016 was KRW 9,094 million (US\$ 7,984 thousand), representing a 4.5% increase from KRW 8,703 million for the fourth quarter ended December 31, 2015 ( QoQ ) and a 0.3% increase from KRW 9,069 million for the first quarter ended March 31, 2015 ( YoY ).

**Review of Financial Results**

**Revenues**

Royalty and license fee revenues for the first quarter of 2016 were KRW 3,368 million (US\$ 2,957 thousand), representing a 13.9% increase QoQ from KRW 2,956 million and a 34.1% increase YoY from KRW 2,512 million. The increase QoQ was primarily due to increased revenue from *Ragnarok Online* in Japan and the strengthening of the Japanese Yen against the Korean Won. The increase YoY resulted mainly from increased revenue from *Ragnarok Online* in Japan and Taiwan and the strengthening of the Japanese Yen against the Korean Won.

Mobile game and application revenues were KRW 2,616 million (US\$ 2,297 thousand) for the first quarter of 2016, representing a 34.8% decrease QoQ from KRW 4,012 million and a 37.8% decrease YoY from KRW 4,203 million. The decrease QoQ and YoY resulted primarily from decreased revenues from *Ragnarok: Path of Heroes* and mobile applications for a third party.

Subscription revenues for the first quarter of 2016 were KRW 2,137 million (US\$ 1,876 thousand), representing a 128.3% increase QoQ from KRW 936 million and a 25.9% increase YoY from KRW 1,698 million. The increase QoQ was mainly attributable to increased revenues from *Ragnarok Online* and *Ragnarok Online II* in the United States and Canada. The increase YoY was largely due to increased revenues from *Ragnarok Online* in the United States, Canada and Korea.

Character merchandising and other revenues were KRW 973 million (US\$ 854 thousand) for the first quarter of 2016, representing a 21.8% increase QoQ from KRW 799 million and a 48.3% increase YoY from KRW 656 million.

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Cost of Revenue and Operating Expenses

Cost of revenue was KRW 6,619 million (US\$ 5,812 thousand) for the first quarter of 2016, representing a 17.5% decrease QoQ from KRW 8,020 million and a 13.8% decrease YoY from KRW 7,676 million. The decrease QoQ and YoY was mostly from i) decreased amortization of capitalized research and development cost of *Ragnarok Online II*, which was amortized and fully impaired in December 2015, and ii) a decrease in commission paid. The decrease YoY was partially offset by an increase in salaries resulting from the commercial launch of some of our mobile games.

Operating expenses were KRW 3,036 million (US\$ 2,665 thousand) for the first quarter of 2016, representing a 69.8% decrease QoQ from KRW 10,038 million and a 23.2% decrease YoY from KRW 3,952 million. The decrease QoQ was mainly attributable to i) decreased impairment loss on intangible assets primarily due to the impairment of capitalized research and development cost of *Ragnarok Online II* and goodwill of NeoCyon in the fourth quarter of 2015, which did not occur in the first quarter of 2016 and ii) decreased research and development expenses. The decrease YoY mostly resulted from decreased research and development expenses.

Loss before income tax expenses and others was KRW 1,287 million (US\$ 1,130 thousand) for the first quarter of 2016 compared with loss before income tax expenses and others of KRW 8,740 million for the fourth quarter of 2015 and loss before income tax expenses and others of KRW 2,355 million for the first quarter of 2015.

As a result of the foregoing factors, Gravity recorded a net loss attributable to parent company of KRW 1,701 million (US\$ 1,493 thousand) for the first quarter of 2016 compared with a net loss attributable to parent company of KRW 9,113 million for the fourth quarter of 2015 and a net loss attributable to parent company of KRW 2,628 million for the first quarter of 2015.

The balance of cash and cash equivalents and short-term financial instruments was KRW 35,881 million (US\$ 31,506 thousand) as of March 31, 2016.

Note: For convenience purposes only, the KRW amounts have been expressed in U.S. dollars at the exchange rate of KRW1,138.86 to US\$ 1.00, the noon buying rate in effect on March 31, 2016 as quoted by the Federal Reserve Bank of New York.

**About GRAVITY Co., Ltd.**

Based in Korea, Gravity is a developer and publisher of online and mobile games. Gravity's principal product, *Ragnarok Online*, is a popular online game in many markets, including Japan and Taiwan, and is currently commercially offered in 81 markets and countries. For more information about Gravity, please visit <http://www.gravity.co.kr>.

**Forward-Looking Statements:**

Certain statements in this press release may include, in addition to historical information, forward-looking statements within the meaning of the safe-harbor provisions of the U.S. Private Securities Litigation Reform Act 1995. Forward-looking statements can generally be identified by the use of forward-looking terminology, such as may, will, expect, intend, estimate, anticipate, believe, project, or continue or the negative thereof or other similar words, although not all forward-looking statements contain these words. Investors should consider the information contained in our submissions and filings with the United States Securities and Exchange Commission (the SEC), including our annual report for the fiscal year ended December 31, 2015 on Form 20-F, together with such other documents that we may submit to or file with the SEC from time to time, on Form 6-K. The forward-looking statements speak only as of this press release and we assume no duty to update them to reflect new, changing or unanticipated events or circumstances.

**Contact:**

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**GRAVITY Co., Ltd.****Consolidated Balance Sheet**

(In millions of KRW and thousands of US\$)

|  | As of         |               |               |               |
|--|---------------|---------------|---------------|---------------|
|  | 31-Dec-15     |               | 31-Mar-16     |               |
|  | KRW           | US\$          | KRW           | US\$          |
|  | (audited)     | (unaudited)   | (unaudited)   | (unaudited)   |
| <b>Assets</b>                                    |               |               |               |               |
| Current assets:                                  |               |               |               |               |
| Cash and cash equivalents                        | 24,909        | 21,872        | 17,381        | 15,262        |
| Short-term financial instruments                 | 11,500        | 10,098        | 18,500        | 16,244        |
| Accounts receivable, net                         | 5,289         | 4,644         | 9,494         | 8,336         |
| Other current assets                             | 1,978         | 1,737         | 2,339         | 2,054         |
| <b>Total current assets</b>                      | <b>43,676</b> | <b>38,351</b> | <b>47,714</b> | <b>41,896</b> |
| Property and equipment, net                      | 882           | 774           | 779           | 684           |
| Leasehold and other deposits                     | 954           | 838           | 948           | 832           |
| Intangible assets                                | 132           | 116           | 123           | 108           |
| Other non-current assets                         | 85            | 74            | 78            | 68            |
| <b>Total assets</b>                              | <b>45,729</b> | <b>40,153</b> | <b>49,642</b> | <b>43,588</b> |
| <b>Liabilities and Equity</b>                    |               |               |               |               |
| Current liabilities:                             |               |               |               |               |
| Accounts payable                                 | 2,971         | 2,609         | 8,269         | 7,261         |
| Deferred revenue                                 | 4,997         | 4,388         | 6,950         | 6,103         |
| Other current liabilities                        | 836           | 734           | 517           | 454           |
| <b>Total current liabilities</b>                 | <b>8,804</b>  | <b>7,731</b>  | <b>15,736</b> | <b>13,818</b> |
| Long-term deferred revenue                       | 6,600         | 5,795         | 5,221         | 4,584         |
| Accrued severance benefits                       | 123           | 108           | 121           | 106           |
| Other non-current liabilities                    | 210           | 185           | 210           | 184           |
| <b>Total liabilities</b>                         | <b>15,737</b> | <b>13,819</b> | <b>21,288</b> | <b>18,692</b> |
| Common shares                                    | 3,474         | 3,050         | 3,474         | 3,050         |
| Additional paid-in capital                       | 75,076        | 65,922        | 75,076        | 65,922        |
| Accumulated deficit                              | (48,761)      | (42,816)      | (50,462)      | (44,309)      |
| Accumulated other comprehensive income           | 694           | 609           | 776           | 681           |
| <b>Total parent company shareholders' equity</b> | <b>30,483</b> | <b>26,765</b> | <b>28,864</b> | <b>25,344</b> |

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|                              |        |        |        |        |
|------------------------------|--------|--------|--------|--------|
| Non-controlling interest     | (491)  | (431)  | (510)  | (448)  |
| Total equity                 | 29,992 | 26,334 | 28,354 | 24,896 |
| Total liabilities and equity | 45,729 | 40,153 | 49,642 | 43,588 |

\* For convenience purposes only, the KRW amounts are expressed in U.S. dollars at the rate of KRW 1,138.86 to US\$ 1.00, the noon buying rate in effect on March 31, 2016 as quoted by the Federal Reserve Bank of New York.

## GRAVITY Co., Ltd.

## Consolidated Statements of Operations

(In millions of KRW and thousands of US\$ except for share and ADS data)

|  | 31-Dec-15            |                       | Three months ended<br>31-Mar-15 |                       | 31-Mar-16            |                       |
|--|----------------------|-----------------------|---------------------------------|-----------------------|----------------------|-----------------------|
|  | (KRW)<br>(unaudited) | (US\$)<br>(unaudited) | (KRW)<br>(unaudited)            | (US\$)<br>(unaudited) | (KRW)<br>(unaudited) | (US\$)<br>(unaudited) |
| Revenues:  |                      |                       |                                 |                       |                      |                       |
| Online games-subscription revenue                              | 936                  | 822                   | 1,698                           | 1,491                 | 2,137                | 1,876                 |
| Online games-royalties and license fees                        | 2,956                | 2,596                 | 2,512                           | 2,206                 | 3,368                | 2,957                 |
| Mobile games and applications                                  | 4,012                | 3,523                 | 4,203                           | 3,691                 | 2,616                | 2,297                 |
| Character merchandising and other revenue                      | 799                  | 701                   | 656                             | 576                   | 973                  | 854                   |
| Total net revenue  | 8,703                | 7,642                 | 9,069                           | 7,964                 | 9,094                | 7,984                 |
| Cost of revenue  | 8,020                | 7,042                 | 7,676                           | 6,740                 | 6,619                | 5,812                 |
| Gross profit   | 683                  | 600                   | 1,393                           | 1,224                 | 2,475                | 2,172                 |
| Operating expenses:  |                      |                       |                                 |                       |                      |                       |
| Selling, general and administrative                            | 3,075                | 2,700                 | 2,494                           | 2,190                 | 2,688                | 2,360                 |
| Research and development                                       | 1,117                | 981                   | 1,458                           | 1,280                 | 343                  | 301                   |
| Impairment losses on intangible assets                         | 5,846                | 5,133                 |                                 |                       | 5                    | 4                     |
| Total operating expenses                                       | 10,038               | 8,814                 | 3,952                           | 3,470                 | 3,036                | 2,665                 |
| Operating loss   | (9,355)              | (8,214)               | (2,559)                         | (2,246)               | (561)                | (493)                 |
| Other income (expenses):                                       |                      |                       |                                 |                       |                      |                       |
| Interest income  | 138                  | 121                   | 202                             | 177                   | 132                  | 116                   |
| Interest expense   | (1)                  | (1)                   | (2)                             | (2)                   |                      |                       |
| Foreign currency income (loss), net                            | (146)                | (128)                 | 4                               | 4                     | (858)                | (753)                 |
| Others, net  | 624                  | 548                   |                                 |                       |                      |                       |
| Loss before income tax expenses and equity loss on investments | (8,740)              | (7,674)               | (2,355)                         | (2,067)               | (1,287)              | (1,130)               |

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|   |           |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Income tax expenses                           | 375       | 329       | 287       | 252       | 433       | 380       |
| Net loss                                      | (9,115)   | (8,003)   | (2,642)   | (2,319)   | (1,720)   | (1,510)   |
| Net income (loss) attributable to:            |           |           |           |           |           |           |
| Non-controlling interest                      | (2)       | (2)       | (14)      | (12)      | (19)      | (17)      |
| Parent company                                | (9,113)   | (8,001)   | (2,628)   | (2,307)   | (1,701)   | (1,493)   |
| Loss per share                                |           |           |           |           |           |           |
| - Basic and diluted                           | (1,311)   | (1.15)    | (378)     | (0.33)    | (245)     | (0.21)    |
| Weighted average number of shares outstanding |           |           |           |           |           |           |
| - Basic and diluted                           | 6,948,900 | 6,948,900 | 6,948,900 | 6,948,900 | 6,948,900 | 6,948,900 |
| Loss per ADS <sup>(1)</sup>                   |           |           |           |           |           |           |
| - Basic and diluted                           | (2,622)   | (2.30)    | (756)     | (0.66)    | (490)     | (0.42)    |

\* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW 1,138.86 to US\$1.00, the noon buying rate in effect on March 31, 2016 as quoted by the Federal Reserve Bank of New York.

(1) Each ADS represents two common shares.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRAVITY CO., LTD.

By: /s/ Heung Gon Kim  
Name: Heung Gon Kim  
Title: Chief Financial Officer

Date: May 25, 2016