

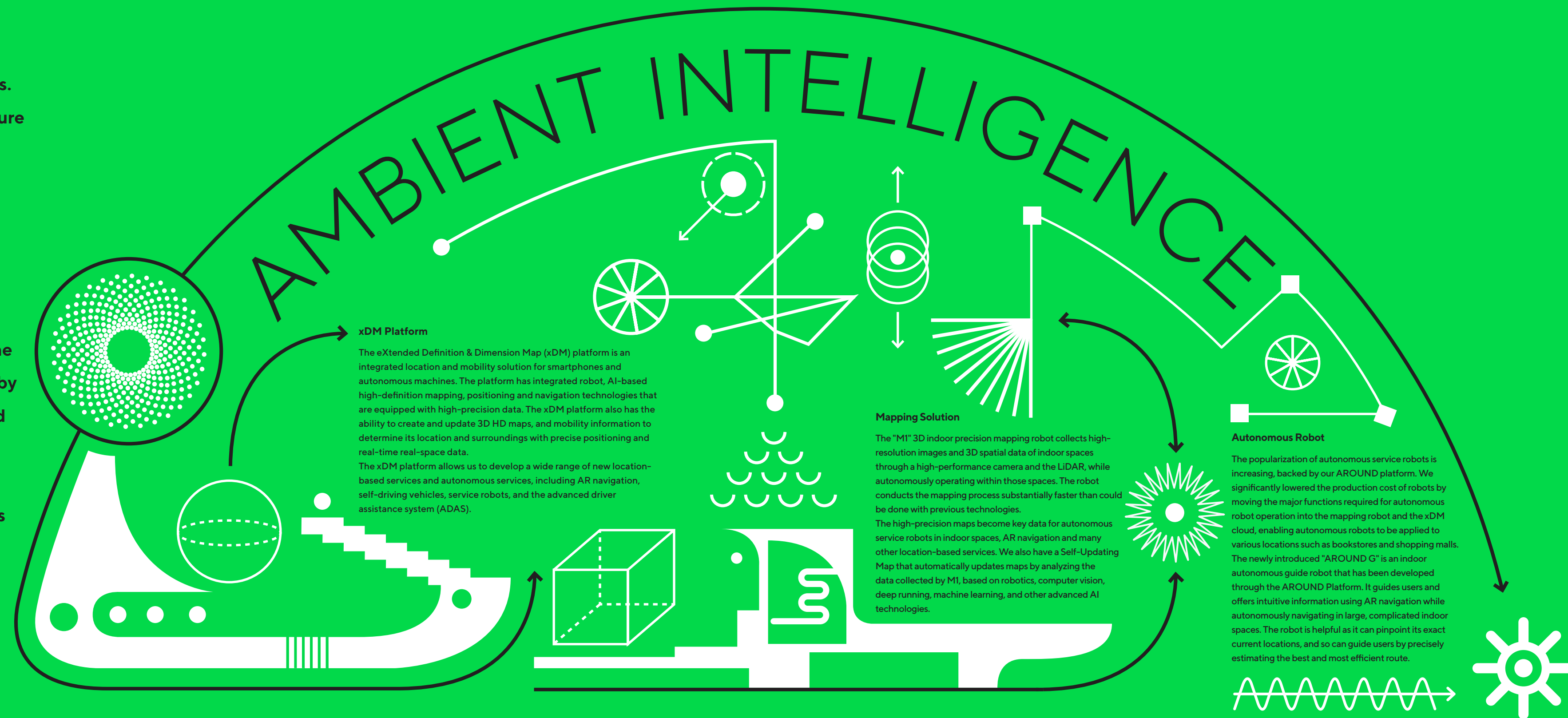


NAVER ANNUAL REPORT 2018 CONNECT - DISCOVER

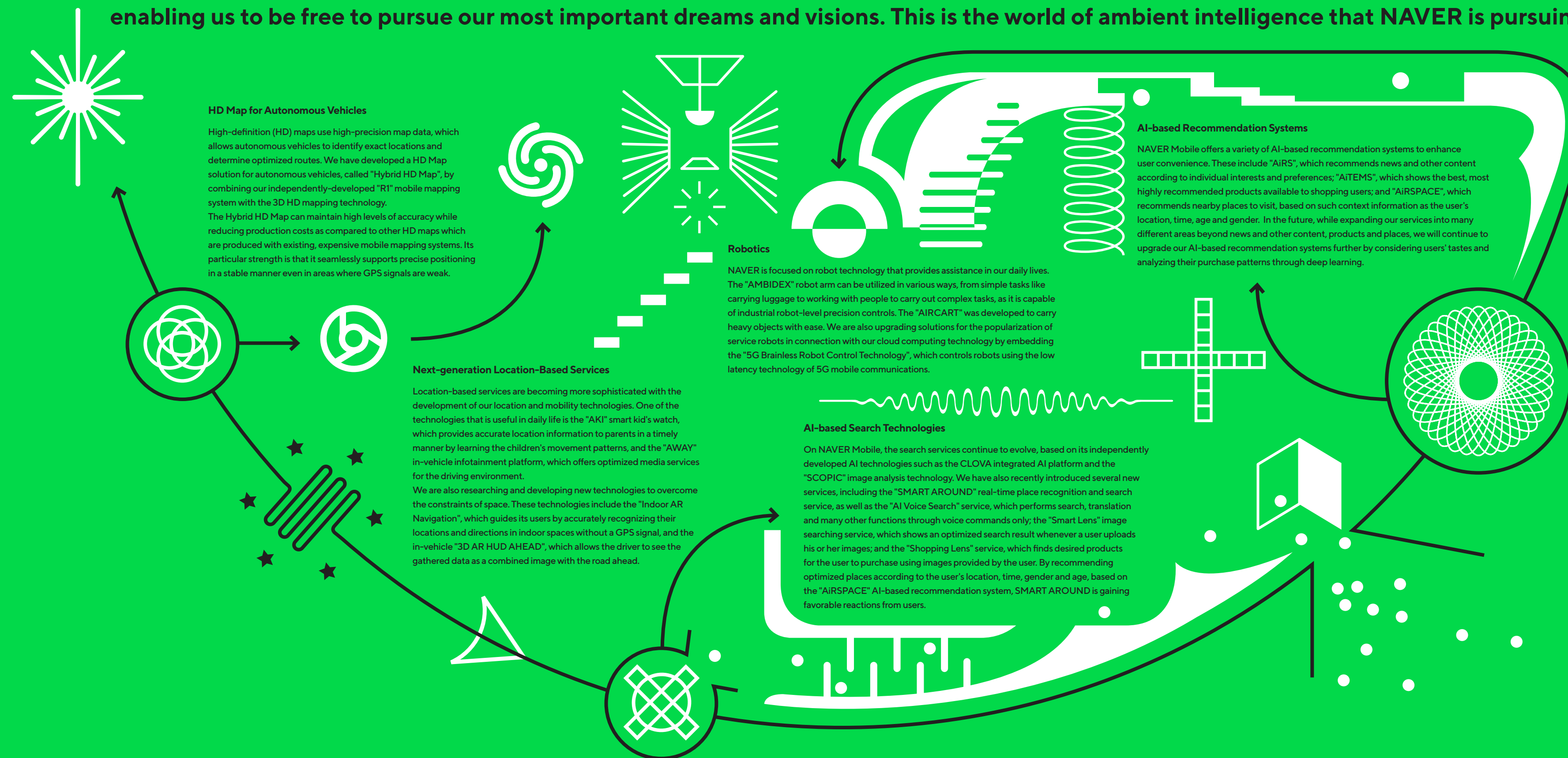


NAVER

At NAVER, we believe that the true value of technology is only truly realized when it interacts with people and connects with its users. Therefore, our research and development of future technologies is focused on ambient intelligence (Aml) which provides the user with relevant information and services by recognizing and understanding the user's environment without the user needing to input any data. We continuously develop Aml for industry and daily life by rapidly upgrading technologies in the areas of location and mobility, based on AI, and by launching a wide variety of services, content and devices that are combined with AI technology. Our Aml technology continues to change the future by creating amazing possibilities for users to "Connect" and "Discover".

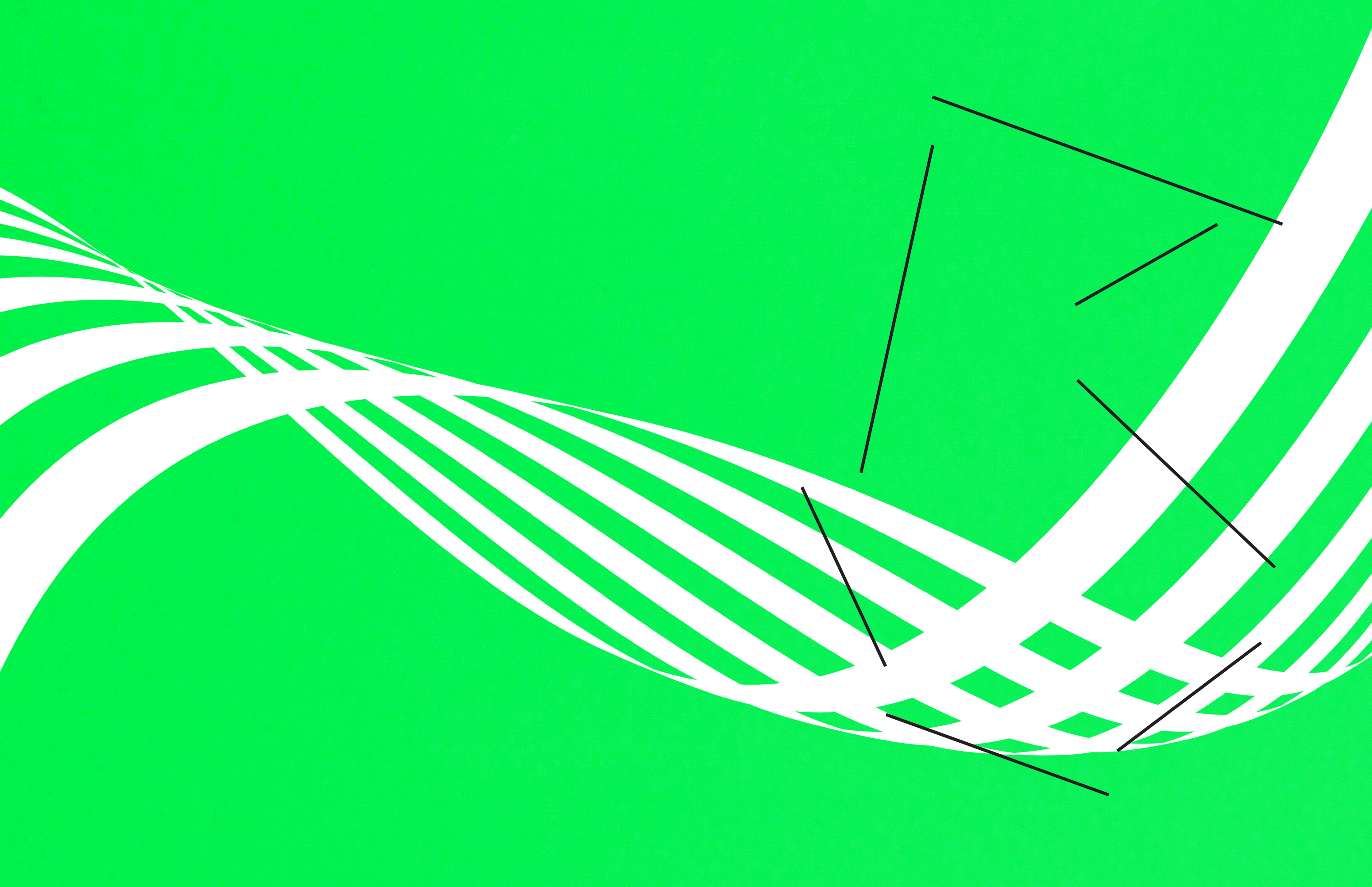


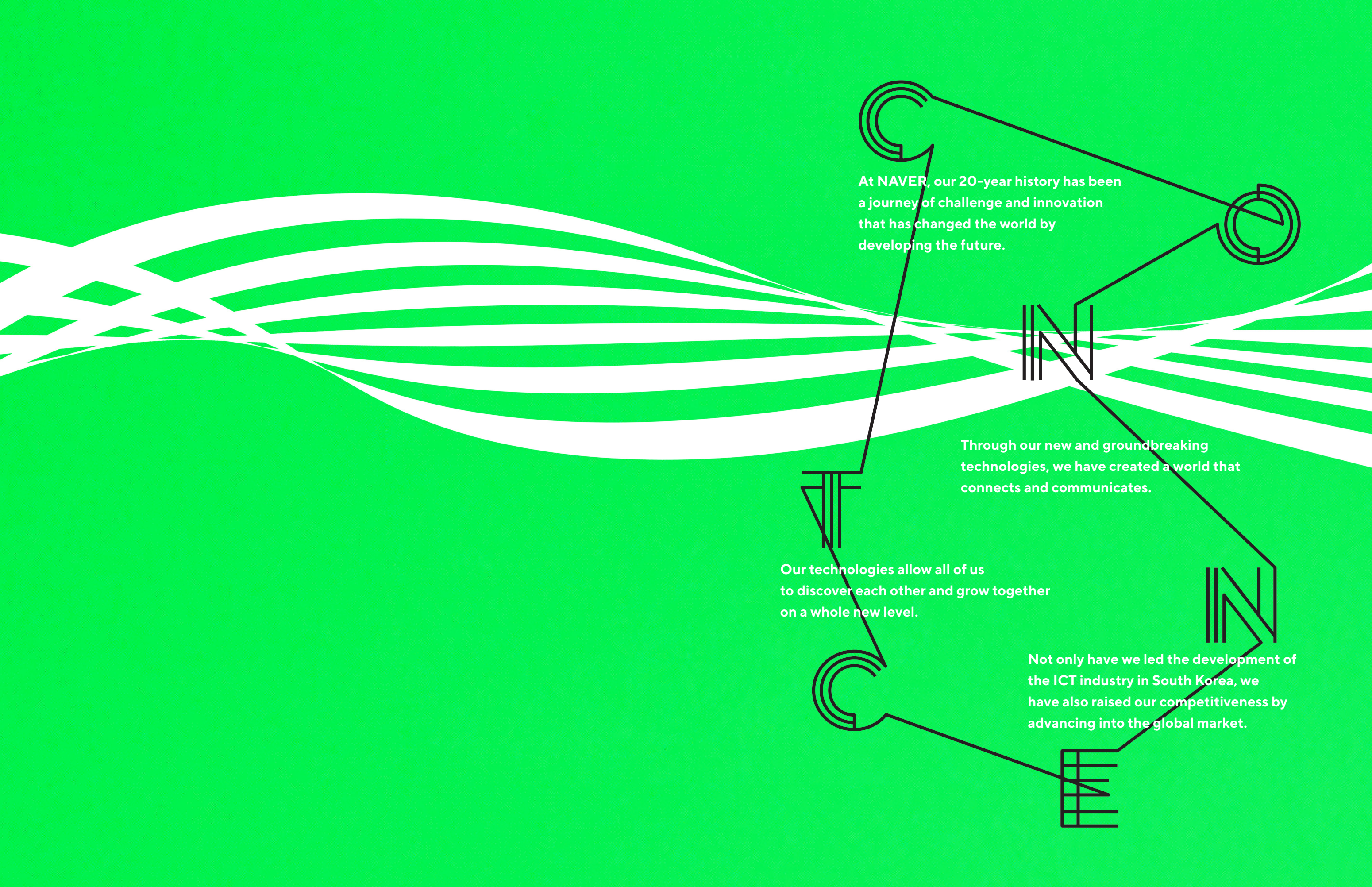
In order to have the power to change our lives, technology must understand them to the core, enabling us to be free to pursue our most important dreams and visions. This is the world of ambient intelligence that NAVER is pursuing.





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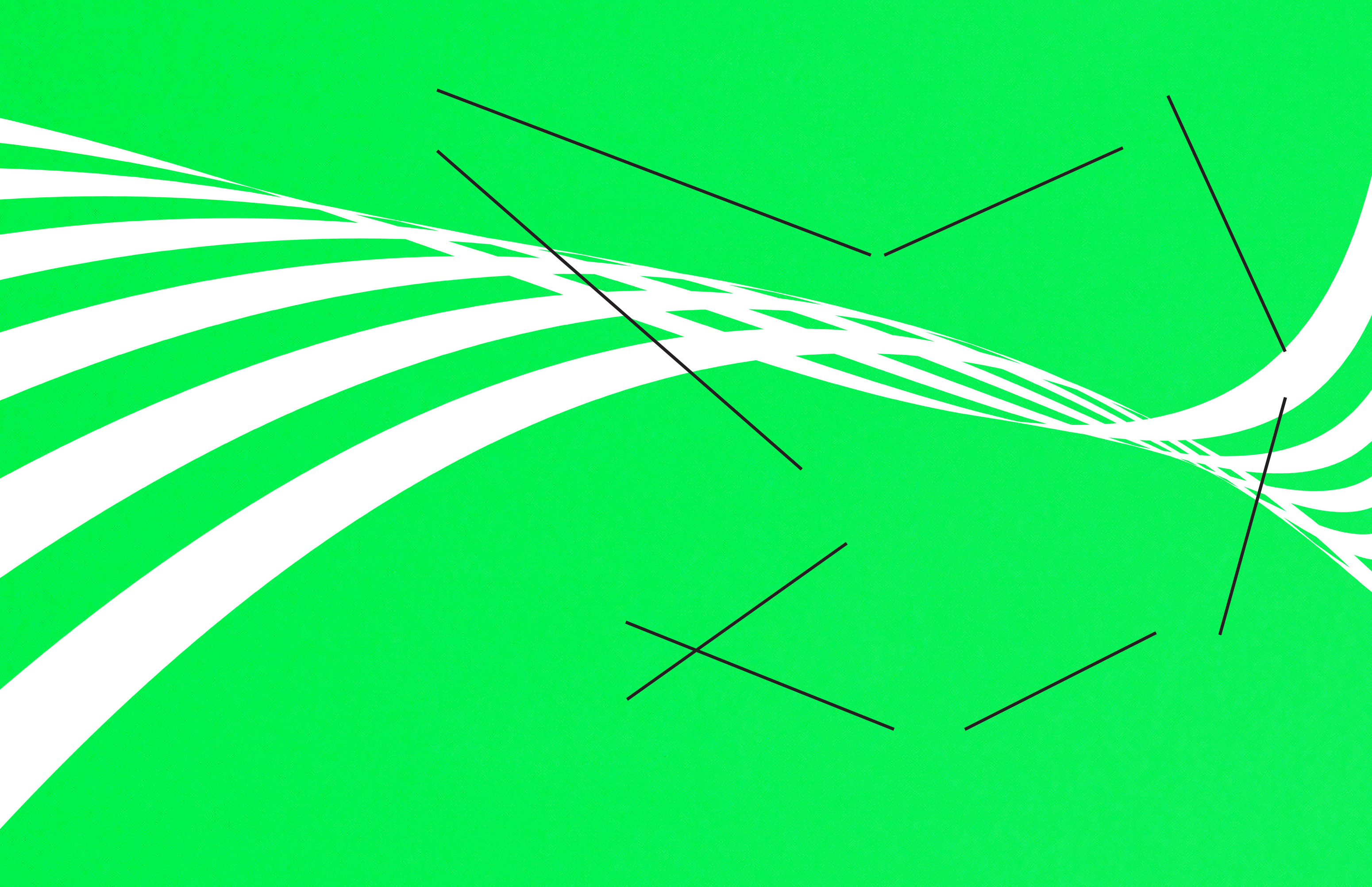


At NAVER, our 20-year history has been a journey of challenge and innovation that has changed the world by developing the future.

Through our new and groundbreaking technologies, we have created a world that connects and communicates.

Our technologies allow all of us to discover each other and grow together on a whole new level.

Not only have we led the development of the ICT industry in South Korea, we have also raised our competitiveness by advancing into the global market.





Now, NAVER is beginning another leap toward the future.



The first starting point is to be a true technology platform that connects both online and offline.

We will create amazing changes and new experiences, thanks to our advanced future technology.



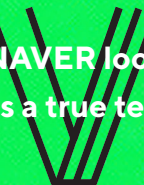
We will also help our users and partners to grow together through beneficial connections.

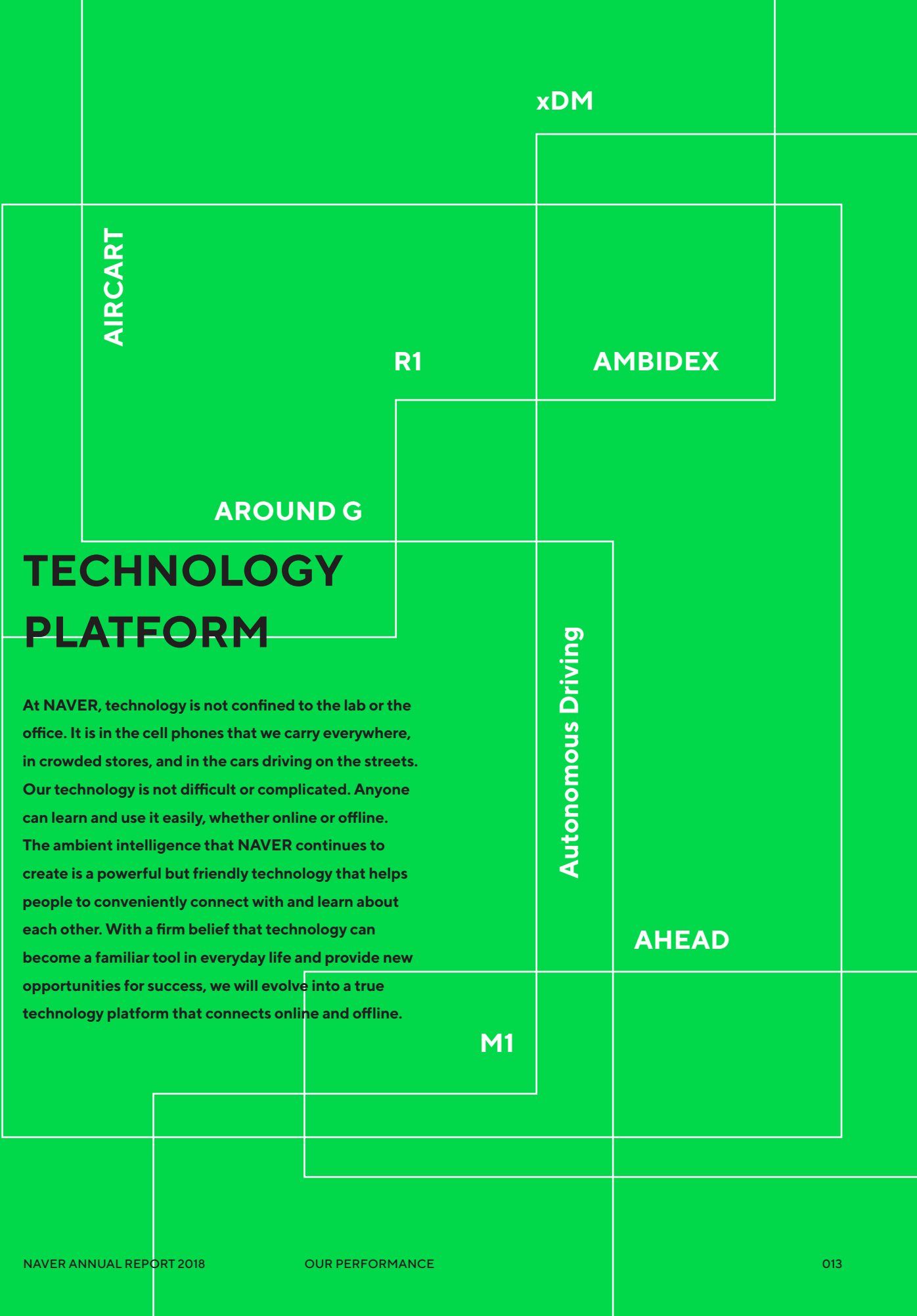
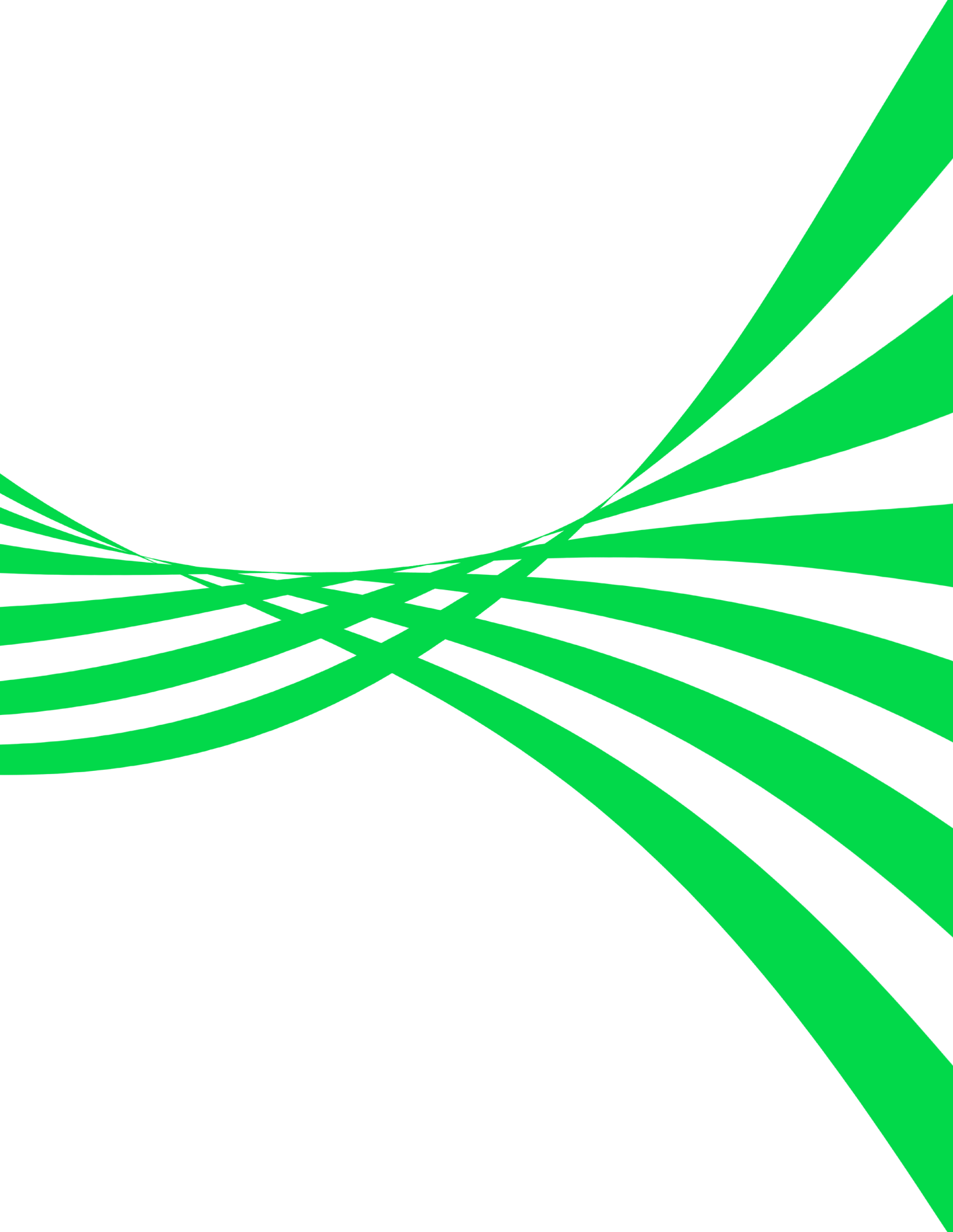


Finally, as a leader of South Korea's ICT industry, we will demonstrate the best-in-class technological competitiveness in the global market.



NAVER looks forward to its future as a true technology platform.

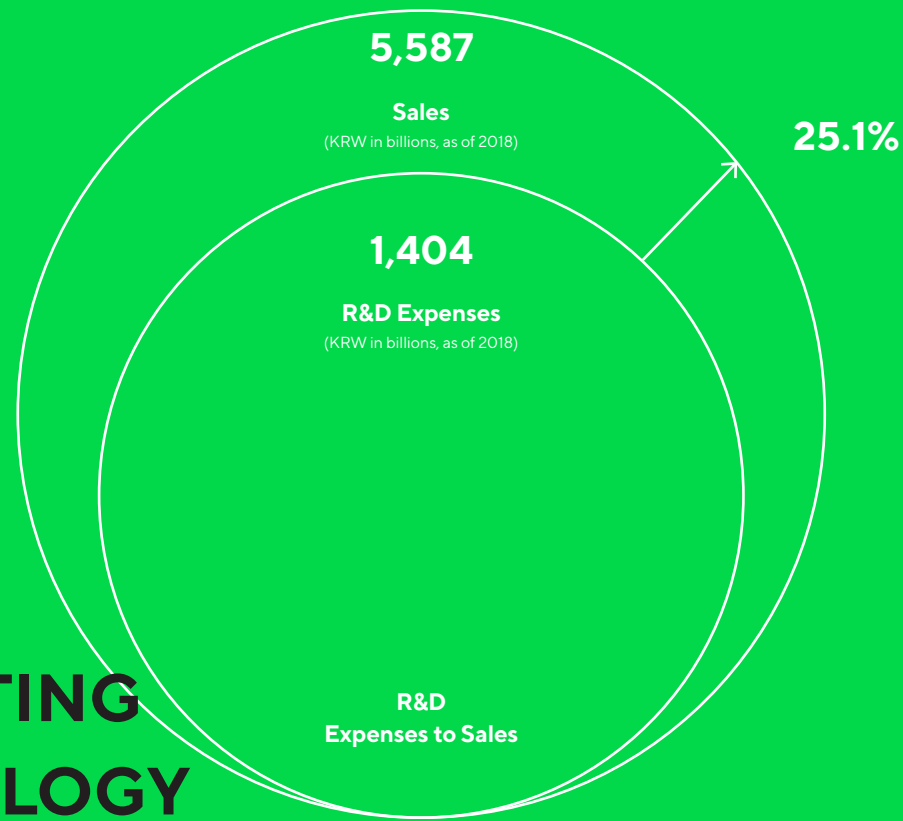




TECHNOLOGY PLATFORM

At NAVER, technology is not confined to the lab or the office. It is in the cell phones that we carry everywhere, in crowded stores, and in the cars driving on the streets. Our technology is not difficult or complicated. Anyone can learn and use it easily, whether online or offline. The ambient intelligence that NAVER continues to create is a powerful but friendly technology that helps people to conveniently connect with and learn about each other. With a firm belief that technology can become a familiar tool in everyday life and provide new opportunities for success, we will evolve into a true technology platform that connects online and offline.

INNOVATING TECHNOLOGY



At NAVER, we are preparing for the future by strengthening our investment in AI, robotics, autonomous driving, and many other technologies. In addition to focusing on technology development through our internal research organization, we are proactively investing in promising technology startups both at home and abroad. We also do not hesitate to invest in securing and fostering the development of excellent human resources who will develop and operate our technologies.

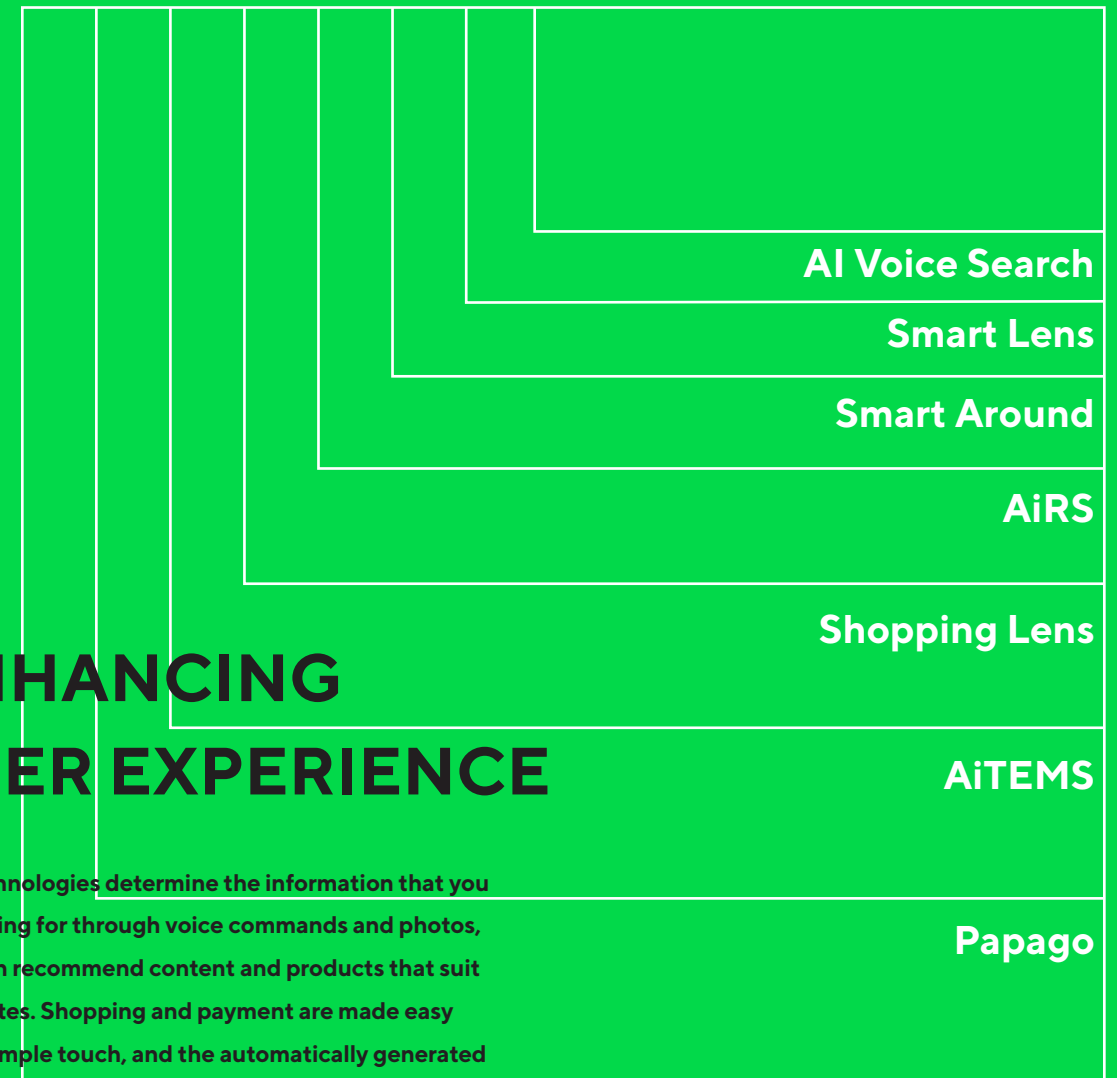
As a result of these forward-looking investments, in 2019 our ambient intelligence technology received the attention and praise of the world at the CES, the world's largest IT and consumer electronics exhibition, in 2019. We will continue to ensure the world's highest-level competitiveness through bold and continuous investment in future technologies and talented professionals.



ENHANCING USER EXPERIENCE

Our technologies determine the information that you are looking for through voice commands and photos, and then recommend content and products that suit your tastes. Shopping and payment are made easy with a simple touch, and the automatically generated playlists let you listen to your favorite music. With the spread of AI and other leading-edge technologies throughout NAVER's services, searches become more accurate, commerce becomes more convenient, and video content becomes more enriched.

Technologies that are naturally incorporated into users' daily lives will fill every moment with new and enjoyable experiences. With the all-new NAVER Mobile, you will feel a whole new level of joy in connection and discovery.





GOING GLOBAL

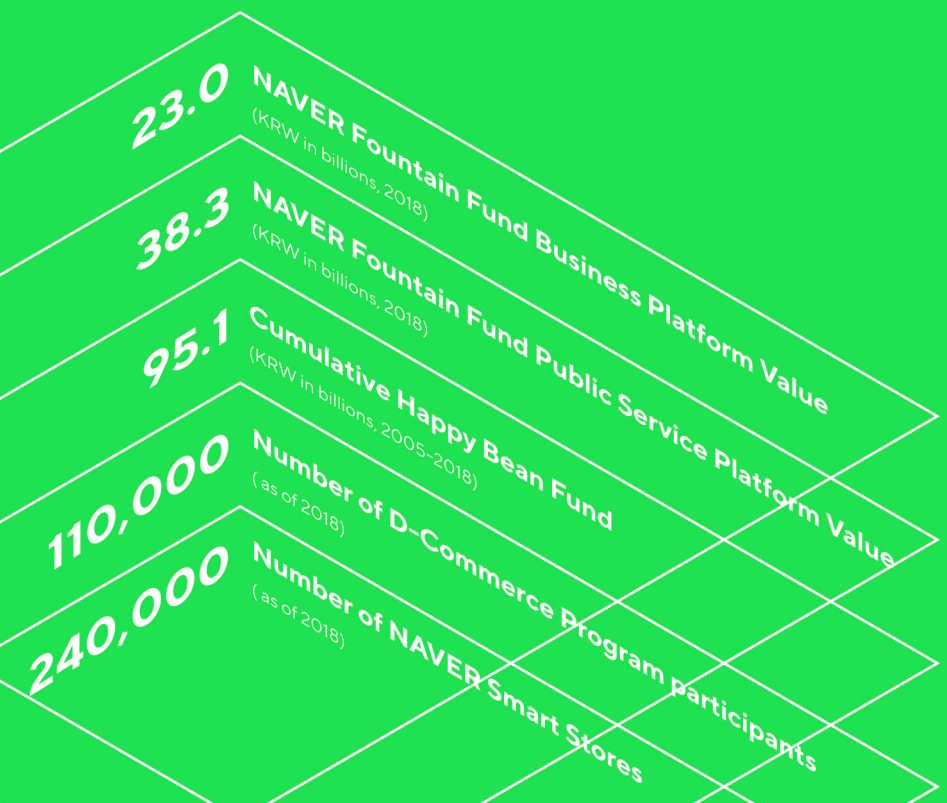
People see live broadcasts by their favorite stars and post real-time comments, or excitedly watch recently uploaded webtoons. They communicate with their friends with 3D avatars that look just like them, and easily make payments with their mobile phones regardless of whether they are online or offline. They can also handle business conveniently while working outside, using the cloud.

In these ways, NAVER's platforms and content such as V LIVE, NAVER Webtoon, SNOW, LINE, and LINE WORKS are improving our users' daily lives. We will continue to challenge the global market so that more users from Asia, Europe, North America, and other parts of the world can experience a happy life with NAVER.

OPENING OPPORTUNITIES

We continuously work on the best ways to grow our Smart Stores, while developing spaces for creators to work freely. We tell the stories of young people who succeed by building alley eateries and family businesses, and people who work to improve their neighborhoods. We connect musicians and other artists, allowing them to create new works, and connect Beaustars and webtoon artists with their fans from around the world.

NAVER is helping small businesses and creators to realize their dreams in a wider world through Project Flower and various other means. We believe that these little successes will gather to be the foundation for solid growth in our society. We will continue to work with small businesses and creators to create new success stories.





NAVER Mobile, which will be reintroduced with new features, contains NAVER's firm commitment and daring innovations to "Connect and Discover". On the first screen of the revamped NAVER Mobile, we have placed the familiar search window, "Green Window", and the newly created interactive search button, "Green Dot". We have also configured the "West Lab" to be unfolded to the left of the screen, along with the "East Land", which unfolds to the right with the first screen as the center. The convenient familiarity of Green Window and Esta Land will blend harmoniously with the novel Green Dot and West Lab will be blended harmoniously to deliver a whole new experience. Through the newly transformed NAVER Mobile, we will make it possible for users, creators and operators to all grow together by sharing the benefits of connection and the joy of discovery.



GREEN DOT

The starting point of new connection and discovery
The Green Dot, which displays on the first screen of NAVER Mobile, is an interactive search button that allows users to access AI-based advanced technology tools with ease anytime and anywhere. It connects people with information with just a light touch, and help users to discover a variety of services and content. By allowing for more convenient and productive searches with Green Window, Green Dot will be the starting point of new connections and discoveries for users, creators and operators.



WEST LAB

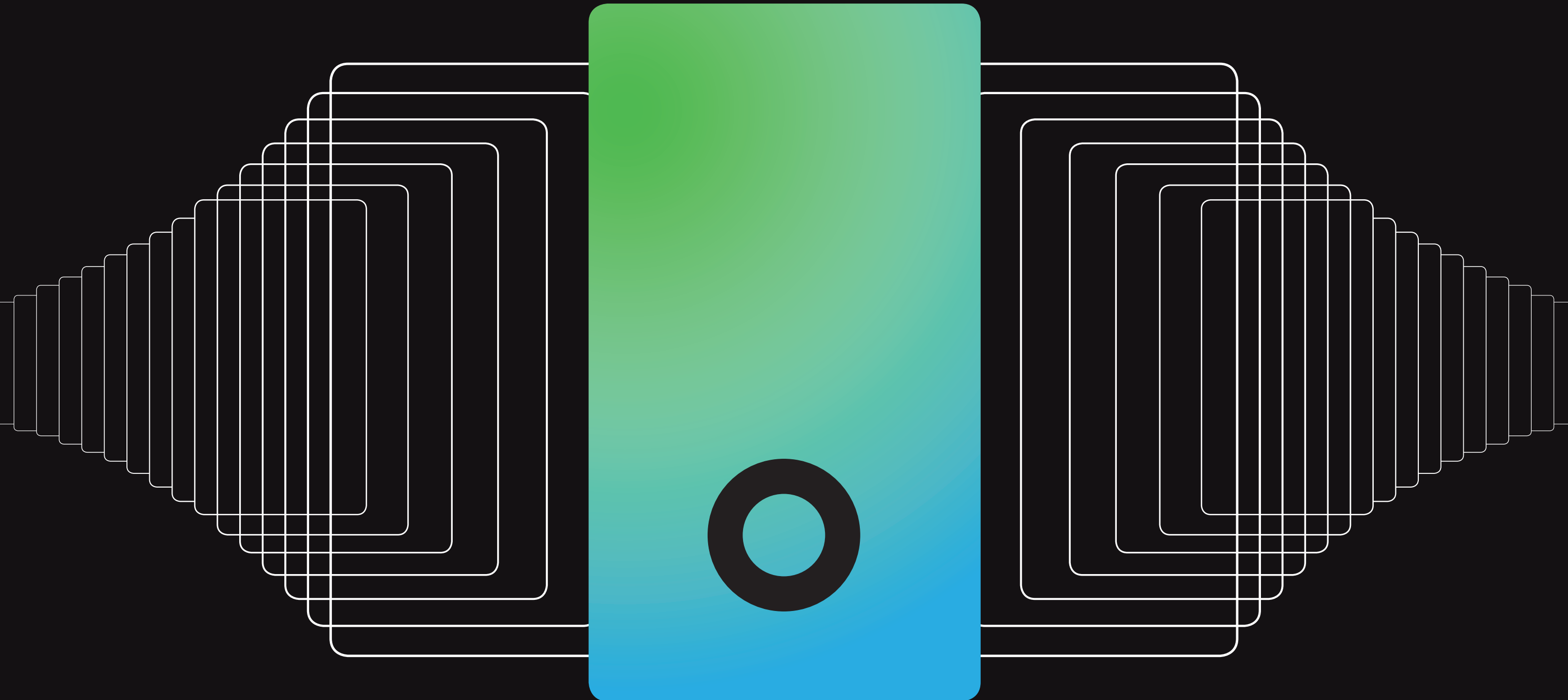
New and Exciting Addition

West Lab is an area where users can find various UIs and technologies that were not offered in previous versions. It will incorporate new and innovative, as well as fun and convenient, ways for the rich content and great products created by creators and operators to be connected to and discovered by users.

EAST LAND

Ongoing Familiar Convenience

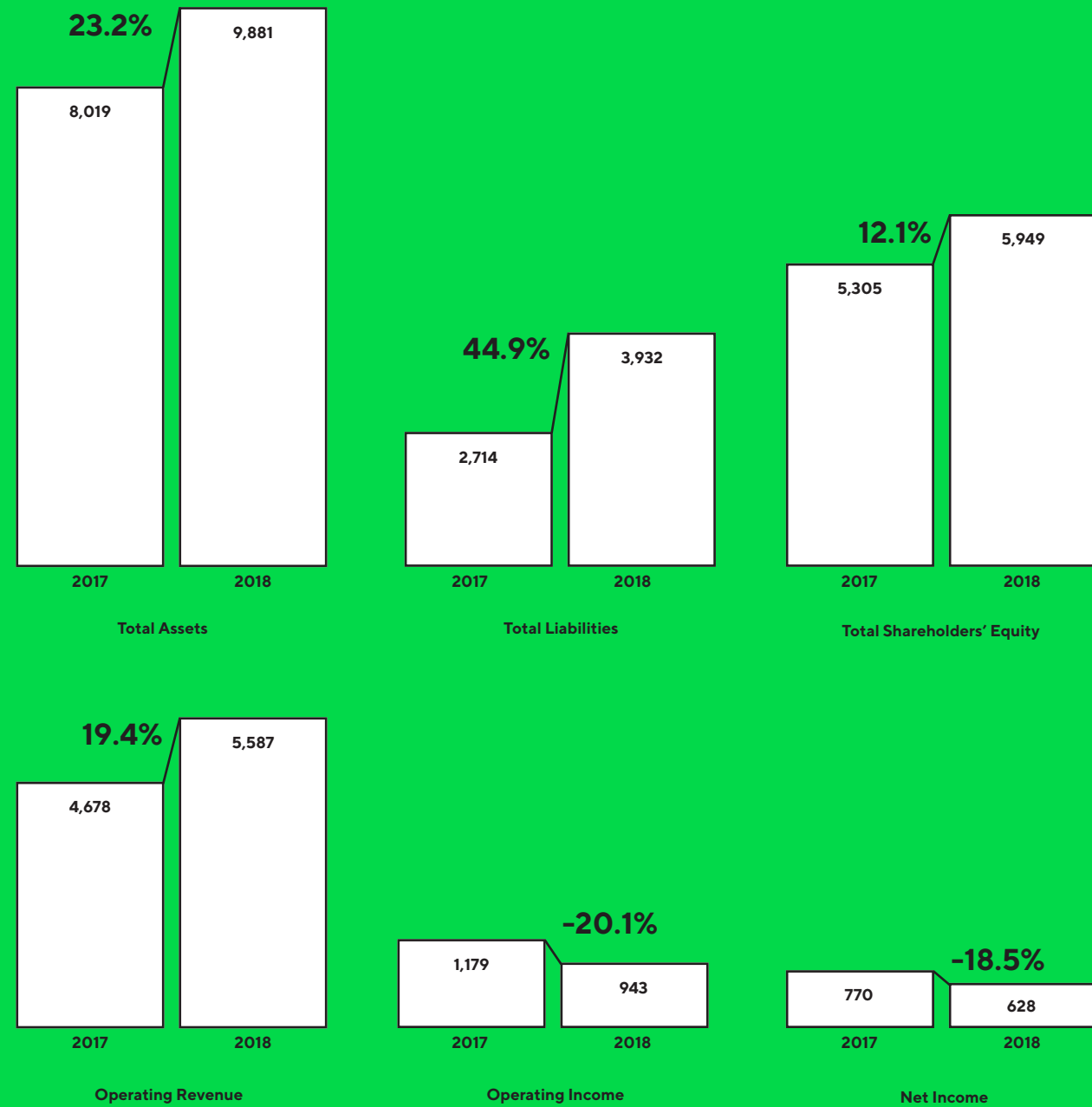
East Land will now display a host of vertical tabs, while maintaining the familiar UIs. It provides news and the most searched keywords on the news tab and the search tab, respectively, and it innovates the way users see news by directly connecting media outlets with readers.



Financial Highlights

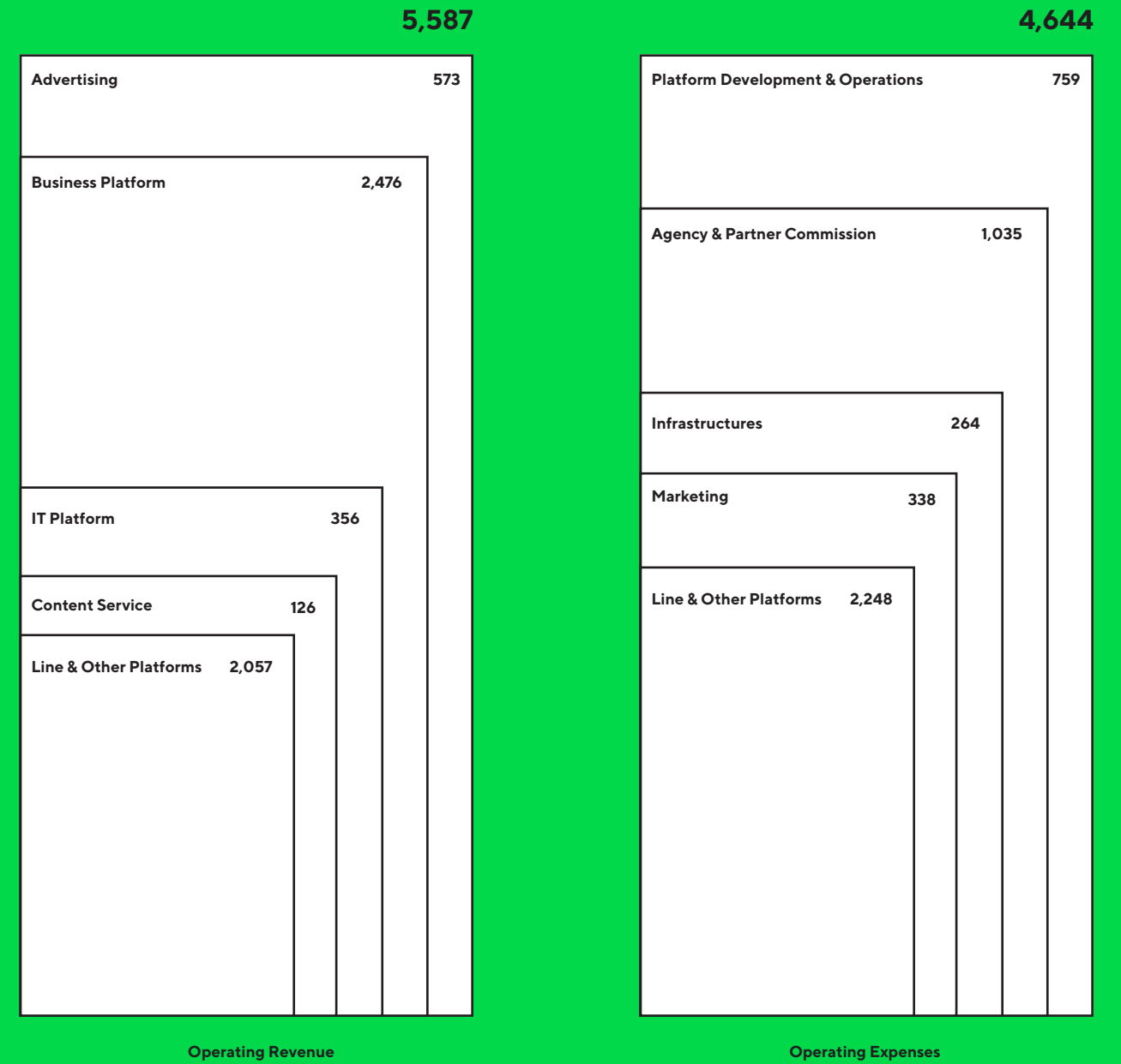
Condensed Statements of Financial Position

(Units: KRW in billions, %)



Condensed Statement of Comprehensive Income

(Units: KRW in billions)



CEO's Letter

NAVER is a world-leading player that brings the finest in exciting and innovative services to the global marketplace. It provides users with fast and easy connections and the thrill of new discoveries through the development of state-of-the-art technology platforms and its recent expansion into a commerce platform, allowing it to enjoy mutually beneficial growth with its partners while offering its backers industry-leading returns on their investments.

NAVER's operating environment changed faster than ever in 2018. This included unprecedented growth in the commerce market that transcended both online and offline boundaries, as well as intensifying competition in the content ecosystem centering on online videos. In addition, the introduction of new and exciting technologies like AI, autonomous driving and 5G changed the very face of the industry. Responding as bravely as it always has to issues involving change and challenge, Naver viewed these transformations as constituting opportunities for improvement, leading it to strengthen its commerce and video content sectors; continue with its entry into the global marketplace; enter a wide range of promising new businesses; and add to its investments as a means of encouraging future growth.

The success of the company's efforts was revealed at CES 2019, the world's largest IT and consumer electronics exhibition. Our leading-edge technologies in the areas of AI, autonomous driving and robotics received instant accolades and very favorable reviews, helping us to win Innovation Awards for four of our most outstanding products.

Many of these technologies have already been applied to the company's rapidly growing list of services. For example,

we enhanced user satisfaction by introducing a program that recommends a relatively small sub-set of products that would best meet the needs of a potential buyer. This enhancement, in turn, led to an increase in sales for many businesses by providing them with the kind of data that they were sorely in need of. One of our most important goals for 2019 will be to combine our commerce platform with our expertise in the field of technology in a bid to more fully enhance the competitiveness of NAVER Shopping and grow it into a fully data-based commerce ecosystem. This will include increasing our operating speeds and adding to our accuracy by automating our databases and increasing our abilities in the area of abuse detection.

Although we made a number of improvements to our video production tools and the search UI designs and functions of Smart Editor and NAVER TV last year, we have no intention of resting on our laurels. Instead, we will add to our spiraling growth in South Korea by enhancing the quality of our videos, reorganizing our mobile platforms, and continuing with our expansion into commerce platforms. We will also carry out a large number of major overhauls to ensure that there will always be a smooth flow of those processes that transform production into consumption.

This will include providing a common infrastructure to help users produce, edit, and upload their videos from all our services more easily, while also making them available in more optimized forms on their main screens and in their searches. This reorganization is already underway.

Naver has been enjoying extremely satisfactory results in South Korea and around the world for a long time now, and we are making very large global investments in an effort to ensure the continuing and sustainable success of our next-generation growth engines. The proof of this strategy lies in the pudding: NAVER Webtoon ranked first in terms of active monthly users in those countries in which it is shown, while the South Korean-based NAVER SERIES app has enjoyed a steady rise in sales. We expect to see similarly sharp growth by accelerating the introduction of our domestic revenue models and extending our number of content exchanges with other countries. Our V LIVE world-wide live video platform is also enjoying solid growth, with its number of users increasing through our efforts to add to its communities and the continuing diversification of its content. We intend to enhance its strategy of connecting its stars with its fans by introducing a fan membership program.

In addition to increasing the profitability of our content areas, we are also creating exciting new opportunities in the B2B business, such as LINE WORKS and the NAVER Cloud Platform. LINE WORKS is a messenger-based enterprise collaboration platform that now ranks first in terms of market share in Japan. We believe that it will continue to enjoy equally meaningful results in the entire B2B market thanks to its early entry into it and a strategy of continuously strengthening its competitiveness. Our number of customers and our level of sales in the cloud business are both growing sharply, with the platform now servicing a growing range of sophisticated overseas users while also meeting the demands of customers right here in South Korea.

The company is also continuing with its wide range of supports targeting small- and medium-sized businesspeople and creators. These efforts are led by a program called "Project Flower", which adds to their levels of energy and confidence and increases their desire to add to their earnings. It involves such steps as establishing our fourth "Partners' Square" in Gwangju and introducing our D-Commerce Program to support the establishment and growth of their businesses. Our other forms of assistance targeting our creators, such as Designer

Pop-up Stores, the Beustar Academy, and the Global Webtoonist Day, have also become more diversified. These efforts to share our prosperity with stakeholders around the world are spreading exponentially, with our number of Smart Stores increasing dramatically and our content creators becoming globally-recognized "stars" in their own right.

NAVER is a strong believer in the need for open, transparent, honest and ethical behavior as a means of growing in a balanced and sustainable manner in company with its many stakeholders. This includes always giving the opinions of our partners that have been given voice through the Corporate Ethics Counseling Center, the Partners Line, and other channels our most serious consideration, and insisting that all of our employees adhere to all the requirements of our Code of Conduct.

NAVER will be celebrating the twentieth anniversary of its establishment this year. 2019 will also be the year when NAVER continues its evolution into a technology cum commerce platform, consistently adding to the competitiveness of its core businesses by investing in state-of-the-art technologies and happily growing with its vast number of users, investors and partners. Thank you.



President & CEO, NAVER Corporation

SEONG-SOOK HAN

A handwritten signature in black ink, appearing to read 'Seong-sook Han' in a stylized cursive script.

Board of Directors

Inside Directors

Byun Dae-gyu

- Chairman of the Board,
- Non-Executive Non-Independent Director,
- Transparency Committee Chair,
- Outside Director Nominating Committee Chair,
- Compensation Committee Chair
- Ph. D. in Control and Measurement Engineering, Graduate School of Seoul National University
- President & CEO, Humax
- Outside Director, SK Telecom
- Outside Director, POSCO
- Vice President, The National Academy of Engineering of Korea
- President & CEO, Humax Holdings
- Chairman of the Board of Directors, Humax

Han Seong-sook

- President & CEO
- B.A. in English Literature at Sookmyung Womens University
- Mincom Company
- Nanum Technologies
- PC Line
- Director of Search Business Division, EMPAS
- General Director of Service Management Committee, NAVER Corp.
- President & CEO, NAVER Corp.

Choi In-hyuk

- COO
- M.D. Control and Measurement Engineering, Seoul National University
- Samsung SDS
- Leader, NAVER Business Committee
- COO, NAVER Corp.
- CEO, Happybean Foundation

Outside Directors

Kim Su-uk

- Member, Audit Committee, NAVER Corporation
- Vice-Dean, Business School and Graduate School of Business, Seoul National University
- Director, Seoul National University Foundation
- Member of Government Investment Body/Management Evaluative Committee, Ministry of Strategy and Finance
- Member of Invigorating ICT Industry Working Group, Ministry of Science, ICT, and Future Planning
- PhD, Business Administration, Michigan State University

Lee In-moo

- Member of Audit Committee,
- Member of Transparency Committee,
- Member of Outside Director Nominating Committee,
- Member of Compensation Committee
- Ph.D. Finance, University of Illinois at Urbana-Champaign
- Associate Professor, Korea University & National University of Singapore
- Vice President, Dimensional Fund Advisors
- Professor, Korea Advanced Institute of Science and Technology & Head, School of Management Engineering
- Advisory Committee, Reserve Management Group at the Bank of Korea
- Member of Risk Management Committee, National Pension Service

Cheong Ui-jong

- Member of Audit Committee,
- Member of Transparency Committee,
- Member of Outside Director Nominating Committee
- Member of Compensation Committee
- M.A in Law, Seoul National University
- LLM, Columbia University
- Member of Economic Policy Consultation Committee, Ministry of Strategy and Finance
- Member of Financial Dispute Consultation Committee, Financial Supervisory Service
- Lawyer, BAE, KIM & LEE LLC

Hong Jun-pyo

- Member of Audit Committee,
- Member of Outside Director Nominating Committee
- M.D., College of Medicine, Yonsei University
- Professor, Ulsan University
- Plastic Surgery Surgeon, Asan Medical Center



NAVER has grown into a leader of South Korea's ICT industry by creating a totally new Internet lifestyle for its users over the past twenty years since its launch as the country's first search portal in 1999. The world is developing and the future is getting closer while more than 30 million people enjoy their lives, growing their businesses, and dreaming of different tomorrows with NAVER. Going forward, NAVER will continue to make history with ICT on the world stage by becoming a true technology platform that connects both online and offline.

1999

- 06 Incorporated Navercom; launched search portal "Naver"
- 06 Launched children's portal "Jr.Naver"
- 12 Launched game portal "Hangame"

2000

- 07 Merged Hangame Communications and One-Cue; and acquired Search Solutions
- 09 Established Hangame Japan

2001

- 09 Changed the corporate name to NHN (Next Human Network)

2002

- 10 Listed on KOSDAQ (Korean Securities Dealers Automated Quotations)

2003

- 10 Hangame Japan changed the company name to NHN Japan
- 12 Acquired digital content transmission technology company Future Valley

2004

- 04 Ranked No.1 on KOSDAQ in market capitalization
- 06 Launched Ourgame Joint venture company with Sea Rainbow Holdings Corporation in China
- 11 Established game development studio NHN Games

2005

- 07 Launched online donation portal 'Happybean'
- 07 Incorporated NHN USA
- 08 Established Internet service management company NHN Services

2006

- 06 Acquired search company 'Inoon'
- 10 Acquired data storage management solution company Datachorus

2007

- 05 NHN USA started official services of game portal 'ijji.com'
- 11 Established Naver Japan
- 12 Established NHST (Next Human Search Technology)

2008

- 11 Transferred to KOSPI (Korea Composite Stock Price Index)

2009

- 01 Acquired 'me2day', a micro blog website
- 02 Acquired 'Wingbus', a tour guide website
- 04 NHN Corporation undergoes divestiture. Established 'NHN Business Platform' (NBP)
- 05 Established the Happybean Foundation, to strengthen the online donation culture
- 07 Mobile coupon distribution solution company, ITOFF Corporation became NHN's affiliate
- 08 Changed corporate identity (CI) in celebration of the 10th anniversary

2010

- 01 NHN signed an "Agreement to Promote a Women-Friendly Corporate Culture"
- 01 with the Ministry of Gender Equality and Family
- 04 Established NHN Investment, specializing in asset management and venture investment business
- 04 NHN Japan acquired 'livedoor.com'
- 05 Established 'NHN Culture Foundation'
- 07 Merged 'Wingbus', a tour guide website
- 07 NHN Social Enterprise accredited as social enterprise from the Ministry of Labor

2011

- 01 NBP started full-fledged autonomous advertisement service
- 01 Established the affiliated company 'Orange Crew', smart device game developer
- 04 Established NTS (NHN Technology Services)
- 09 Established Khan Communications for local advertising, joint cooperation with KT

2012

- 01 Merged three entities, NHN Japan, Naver Japan, Livedoor to become 'NHN Japan'
- 04 Established 'The Sarang' for hiring vulnerable social group, joint invest with Webzen
- 08 Established NHN SINGAPORE PTE.LTD

2013

- 03 Established 'Camp Mobile', the mobile exclusive affiliated company
- 03 Established the LINE exclusive 'LINE Plus'
- 04 Change corporate name of NHN Japan to LINE Corp.
- 06 Established Gak, Internet Data Center of NAVER Corp.
- 08 NAVER Corporation and NHN Entertainment (formerly 'Hangame') underwent split-off
- 12 CAMP MOBILE acquired 'Gogolook', Taiwan spam filtering app 'Whoscall' service company

2014

- 07 Merged Advertising and Platform business part of NBP into NAVER Corp.

2015

- 04 Established 'Works Mobile', a company for enterprises/business services
- 06 Merged software education platform Entry Korea

2016

- 07 LINE Corp double listed on NYSE (New York) and TSE (tokyo)
- 08 Established SNOW Inc.

2017

- 01 Established NAVER LABS Inc., R&D specialized company
- 05 Established NAVER WEBTOON Corp.
- 06 opened 'Space Green' for nurturing startups in Station F, a world largest startup incubator
- 06 Acquired Xerox Research Centre Europe (XRCE)

2018

- 02 Merges with Camp Mobile
- 04 Establish joint AI research lab with Hong Kong University of Science and Technology
- 11 NAVER Labs signed an MOU for R&D into future technologies with Qualcomm

At a Glance

At NAVER, our efforts to provide the value of connectivity and discovery to our users and partners continued into 2018. We developed innovative technologies, and launched convenient services along with a wide variety of content. Our determination to help society grow also continued, and our commitment to innovation improved everyone's future.



Introduced ambient intelligence technology at the CES 2019

In January 2019, NAVER and NAVER Labs opened their first stand-alone booth to introduce various future technology research outcomes at the CES 2019, the world's largest IT and consumer electronics exhibition. Particularly in the spotlight were the "5G Brainless Robot Control Technology", which controls robots by using the low latency technology of 5G mobile communications; the "AROUND G" autonomous service robot, applying the indoor AR navigation technology; the Hybrid HD Mapping" solution, which produces high-precision maps for autonomous vehicles; and the "AHEAD" 3D optical technology, which provides information in a manner that appears converged with actual roads. These four products received Innovation Awards, which are given to products with superior technology and design competitiveness. Building on this momentum, NAVER has been expanding technical cooperation with many global players.

Unveiled the xDM Platform

NAVER Labs first unveiled the eXtended Definition & Dimension Map (xDM) platform at the 2018 DEVIEW conference. The "xDM" platform is a location and mobility integrated technology that has incorporated robots, AI-based HD Mapping, positioning, navigation technology and high-precision data from NAVER Labs. The platform offers real-time movement information for people and robots, and includes precise indoor location recognition in the absence of GPS, 3D high-precision mapping, automatic update solutions, and other state-of-the-art technologies. NAVER Labs released various references such as the xDM platform-based service robot and autonomous vehicles at the CES 2019, and it has since been expanding its technology platform in earnest.



Launched D-Commerce program for startup and growth

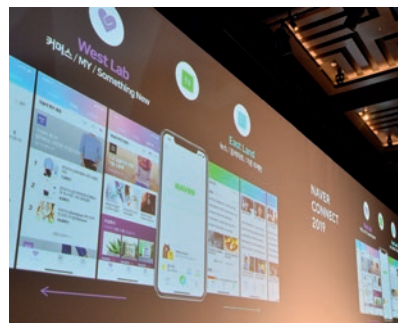
In May 2018, NAVER launched its D-Commerce (Data Commerce) program, a big data-based startup growth program designed for the online commerce of small businesses. Focused not only on sales growth but also on the diversification of operators' competencies, this program features well-organized online and offline training and custom-tailored consulting through the analysis of big data in various factors such as industry, transaction amount, region, type, and age. We anticipate that the diversity of small businesses will be embodied as business models through the training and consulting of the D-Commerce program, and that the ecosystem of online commerce will be more invigorated as a result.

Launched NAVER Smart Store by improving STOREFARM

In February 2018, NAVER launched "NAVER Smart Store" by dramatically improving the functions of "NAVER STOREFARM" so that small business operators could manage and sell their products more conveniently and efficiently. We sophisticated target marketing tools to provide customized benefits for each customer, and added two functions: the Biz Advisor, which offers in-depth statistics, and the OCR Auto Registration, which automatically registers specifications by photographing and uploading the images of product tags. We also upgraded the functions of the Shopping Chatbot so that customers could be waited on anytime, anywhere. With this reorganization, we expect that small business operators will be able to experience new growth by easily utilizing our technologies and data.

Hosted "NAVER Connect 2019"

On October 10, 2018, NAVER hosted "NAVER Connect 2019" and announced its plan to reorganize NAVER Mobile by inviting its major business partners, small businesses and creators, to collaborate. The new reorganization concentrated more on "CONNECT" through technology and focused on adding to the value of "DISCOVER" with the developing AI technology. The best feature of this reorganization is that we have placed the "Green Window" search window, and the newly created "Green Dot" interactive search button only on the first screen of NAVER Mobile. The screen, which used to be found on the right with the first screen as the center, has been also designed to be found on the left instead. The new NAVER Mobile will help creators, operators and users to connect and discover, and will be officially launched in 2019 after undergoing final testing.



Launched the "SERIES" app

In September 2018, NAVER rolled out the "NAVER SERIES" app as a platform for webtoons and webnovels, by renovating the existing NAVER BOOKS service. The "SERIES" app has been designed to enable users to seamlessly experience everything from discovering new releases to binge-watching, through the app's customized content and event recommendation, simplified payments, and enhanced convenience. The "SERIES" app also helps content providers to autonomously plan and operate strategic promotions tailored to their works. Through this app, we expect to enhance our competitiveness in the area of content and lay the foundation for growth with content providers by boosting the consumption of genre novels like comics, including webtoons and webnovels.



Acquired SaaS Security Certification for NAVER Cloud

In November 2018, NAVER Cloud Platform (Web Security Checker, System Security Checker product), a signature service of NAVER Business Platform, acquired the Software as a Service (SaaS) certification from the Korea Internet & Security Agency (KISA), a first among South Korean companies. The SaaS certification is one of the cloud security certification schemes, and it objectively verifies security that can safely handle public data. The NAVER Business Platform has been certified to provide Infrastructure as a Service (IaaS) to public institutions since 2017. It is expected to expand its influence on the domestic public cloud market further by holding both certificates.

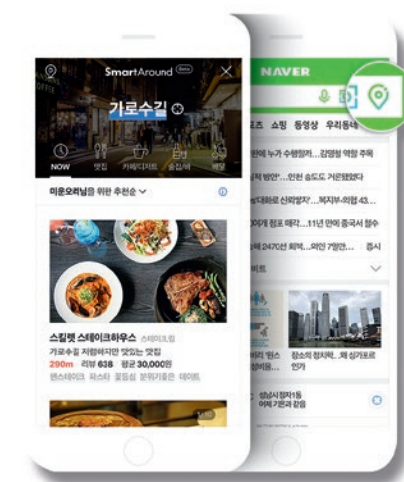
Ranked sixth on Future 50 by the Fortune

In October 2018, NAVER ranked sixth on the "Future 50" list by the Fortune global business magazine. The Future 50 list, compiled annually in partnership with the Boston Consulting Group, ranks global companies with the best prospects for long-term growth. This ranking marked the highest ranking among South Korean companies and was higher than other big name global IT players, meaning that NAVER was widely recognized for its potential as a leader in the global IT market. NAVER also ranked ninth on "The World's Most Innovative Companies" by Forbes, winning recognition as one of the world's top innovative companies for the fifth consecutive year.



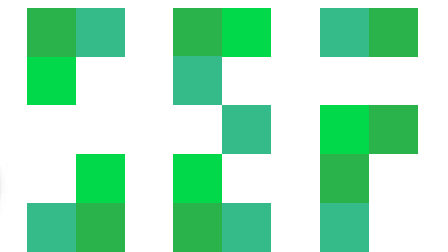
Opened "SMART AROUND" AI-based place recommendation guide

In May 2018, NAVER officially opened the "SMART AROUND" AI-based real-time place recognition and search service on the search window of NAVER Mobile. "SMART AROUND" recommends a wide range of customized information on restaurants, cafes, shopping centers, delivery reservations, performances, exhibitions and much more, based on the "AIRSPACE" AI-based system that provides optimized recommendations according to the user's current location, time, gender and age. "SMART AROUND" has been recognized as an essential tool for both users and operators due to the convenience of searching place information in real time with just one click. By offering "SMART AROUND", following the AI-based "Smart Lens" and voice search, NAVER has been able to strengthen its mobile recognition and search services further in line with diversified search pattern flows.

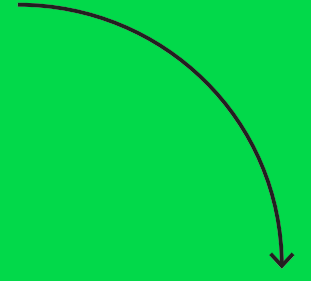


Hosted "SEF 2018"

Connect Foundation, a non-profit educational organization established by NAVER, hosted the "Software Edu Fest (SEF) 2018" with Korea Information Science Education Federation. This event is the largest software education conference in South Korea, where a wide variety software experts and educators from both home and abroad can share experiences and issues relating to software education, and experience relevant content. The conference offered participants an opportunity to share and learn different software training methods by featuring a variety of programs. These programs included symposiums presenting software education research achievements, lectures by domestic and foreign software experts, five participation tracks, and an educational program consisting of 25 training sessions.



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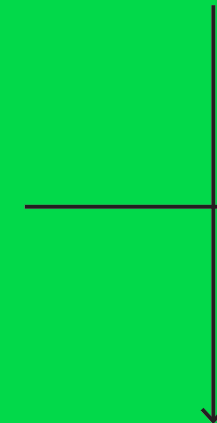
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- NAVER
- WEBTOON
- V LIVE
- SNOW
- BAND
- NAVER CLOUD PLATFORM
- LINE WORKS
- LINE

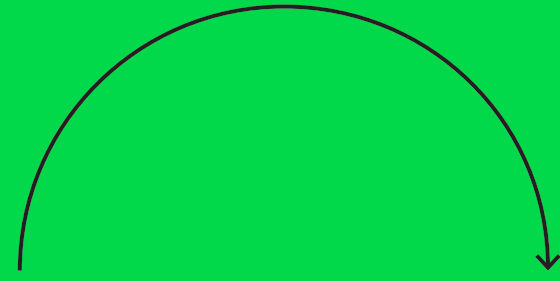
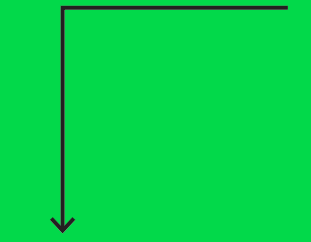
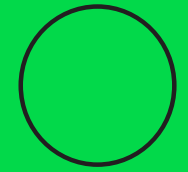
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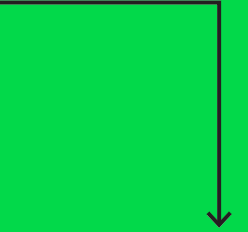


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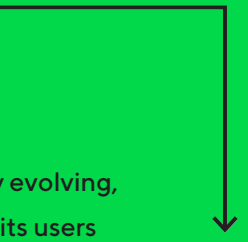


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NAVER's services are continuously evolving, delivering amazing experiences to its users and new value to its partners. By expanding advanced AI technologies across NAVER's services, searches have become more sophisticated and commerce platforms such as NAVER Shopping and NAVER Pay have become more convenient. The differentiated services and content of NAVER Webtoon, V LIVE, Band, SNOW, and LINE are offering the joy of connection and discovery to users around the world in new and improved ways. Our services for B2B customers, including NAVER Cloud Platform and LINE WORKS, are also maximizing competitiveness both at home and abroad. NAVER will continue to provide its users and partners with services of increasingly greater value by strengthening its commerce, video content and global operations and developing future technologies.

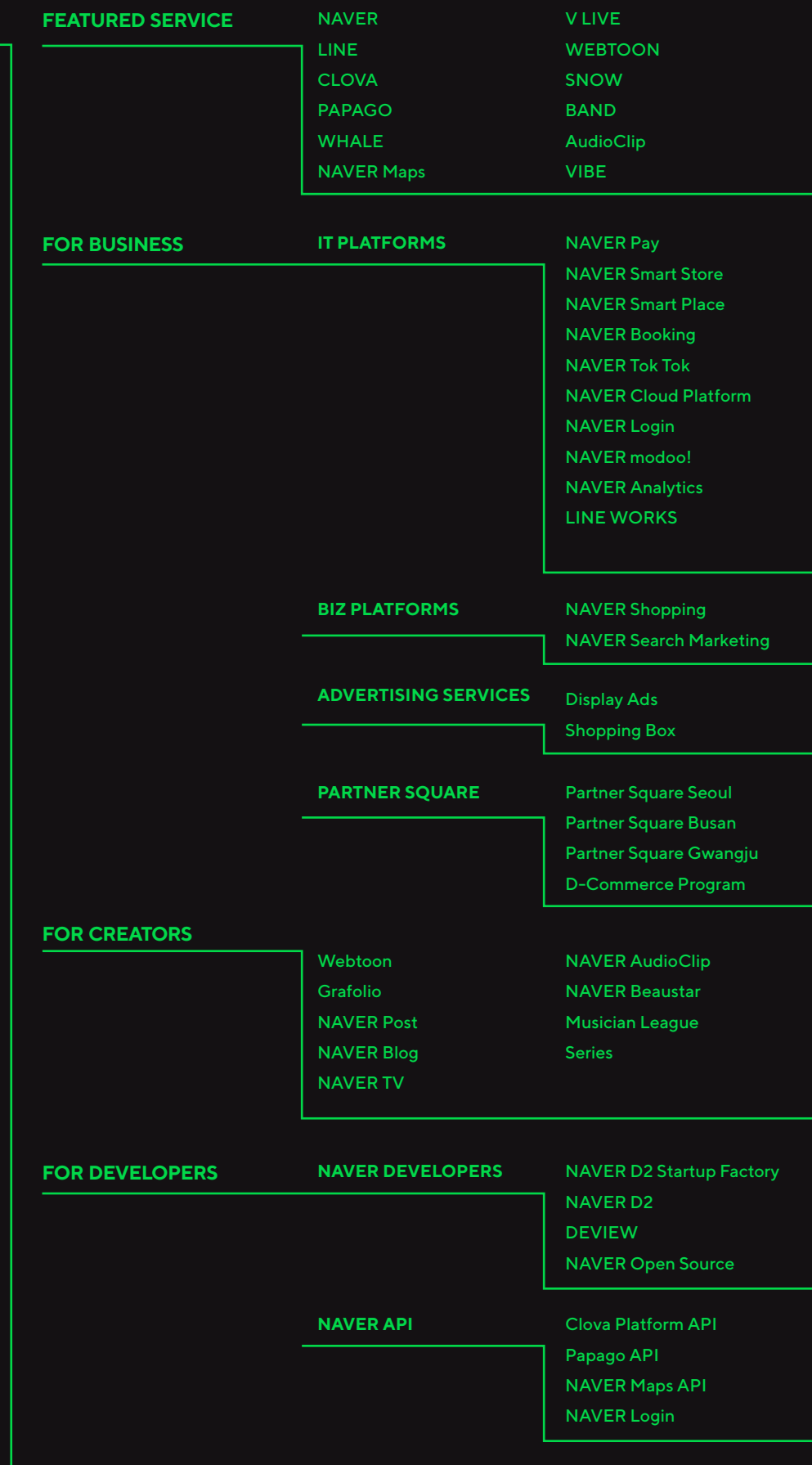


E



SERVICE OVERVIEW

SERVICE



South Korea's No.1 Internet Search Portal
www.naver.com

30 million

Number of daily mobile unique visitors
As of December 2018

NAVER

NAVER is committed to strengthening its capabilities as South Korea's top Internet portal by combining advanced technologies with a broad array of services. By applying AI, we increase our search quality and enhance the competitiveness of our commerce platforms such as NAVER Shopping and NAVER Pay. We are also introducing a wider variety of content, including webtoons and videos, for our users to enjoy. NAVER is constantly growing by offering new and improved value and opportunities to its users and partners.

Strengthening search quality

NAVER is improving its quality and diversifying its search methods by applying independently developed AI technologies to mobile searches. In 2018, we introduced the "SMART AROUND" place search service, following the AI voice search and "Smart Lens" image searching service functions that we introduced in 2017. The "SMART AROUND" service recommends places according to the user's location, time, gender and age, based on the "AiRSPACE" AI-based place recommendation system. It is easy to use as it allows users to search place information in real time with one click on the pin icon on NAVER Mobile's search window. We also reinforced the quality of our content customization service by upgrading the "AiRS" AI-based content recommendation system for NAVER Mobile's main news tab. In 2019, we plan to carry out a mobile reorganization by introducing the "NAVER Green Dot" interactive search button to help users employ AI-based cutting-edge tools on the first screen. This search function will allow us to increase our search competitiveness by preemptively responding to changes in search paradigms.

Improving search services for user convenience

In 2018, we continued to focus on improving our search services for greater user convenience and satisfaction. To begin, we integrated web documents and site areas that had previously been provided separately as search results so that they could instead be seen as a single integrated search result. Subsequently, we reformed our image viewer, image tab search and video search on NAVER Mobile, leading to significantly improved user experience in image and video searches. We also implemented an integrated web upgrade of deleting the web document tab so that users can find information they need quickly and accurately. We ramped up our integrated search functions by adding the "VIEW" function,

which enables user experience, opinions and reviews to be more effectively searched, no longer excluding blog categories. We also introduced "Search MY", which enables users to save their favorite information for faster and more satisfying searches, and the "Custom Search" function which matches the user's search intent and context.

Continuously upgrading services and reinforcing content

Our efforts to deliver more value to users by improving our services and reinforcing our content continued through 2018. We applied "Smart Editor ONE", a new content creation tool for blogs, "Knowledge iN" and other services, making it easier to create video content on PCs and mobile devices. In addition, we updated the usability of the PC versions of the blogs. "Knowledge iN" improved the functions and designs of its Q&A page in the PC version, and strengthened its AI-based answer recommendation function. "NAVER Café" aligned chatting, notification and announcement functions while upgrading its statistics function. We allowed media outlets to have decision-making authority on whether to offer comments to their news items to their operation methods. "NAVER Maps" also improved its usability, including overhauling the system and UI of its map app and introducing a new "Launcher" function.

"NAVER AudioClip" launched the official audiobook service, receiving great responses from creators and other users. NAVER's live performance broadcasts also brought more diversified performance content.

Shopping evolution with AI technology and data

NAVER is constantly improving the quality of its shopping searches by employing AI technologies. We offer users a more pleasant and convenient shopping experience by upgrading the AI technologies applied to mobile shopping searches. These upgrades include the "Shopping Lens" product image searching service, the "AiTEMS" personalized product recommendation system, and "Style Recommendation", which analyzes and matches styles by product. Moving forward we plan to provide more optimized services for each individual by expanding AI technologies across NAVER Shopping.

At the same time, we also made proactive efforts to build a data commerce platform by using high-quality database on our overall shopping services. Not only do we provide users with more sophisticated search and recommendation services, based on shopping-related big data, but also we help businesses to grow. This is done by strengthening the customer management feature of NAVER Smart Store, and offering a wide variety of useful data and analysis tools like "Biz Adviser". In 2019, we will aggressively carry out many different initiatives to revitalize our commerce service, building on the momentum of the reorganization of NAVER Mobile's main screen.

Commerce service, offering diverse values

"NAVER Pay" provides a convenient payment experience for "NAVER Shopping" users. In 2018, it continued its growth as users, merchant stores, and transaction volume increased significantly. In cooperation with the Seoul Metropolitan Government, we launched the "Zero Pay" offline QR payment service to offer convenient easy payment services both online and offline.

Starting in 2019, we plan to more actively assist in the improvement of user convenience and the business growth of merchant stores. For example, we will expand points benefits for users who make frequent purchases, and supply a "Quick Escrow" program to help fund small businesses.

In addition, we will provide a variety of business support tools such as local information disclosure, Smart ARS, NAVER Booking and NAVER Pay in the NAVER Smart Place platform which connects local businesses with users. Thanks to our sustained efforts to upgrade our technologies and improve user participation platforms, the number of bookings and that of booking merchant stores are growing sharply every year.

WEBTOON

NAVER Webtoon launched its service in 2004, and has since grown into a webtoon platform that is loved worldwide, including in Asia, the US and Europe, as well as in South Korea. Not only does it offer more than 2,000 original webtoons, but it is also widening its reach to include additional industries such as publishing, movies, dramas and gaming, based on our strong intellectual property policies.

In 2018, NAVER Webtoon further enhanced its competitiveness as a content platform by launching the "NAVER SERIES" app, a platform for webtoons and webnovels to offer users customized content. In the global market, it continues to boost its profile as the No. 1 webtoon platform in major locations where it operates, including Japan, Taiwan, Indonesia, Thailand and the United States.

Building on the strength of ongoing growth in global users, the number of monthly actual users (MAUs) exceeded 50 million in 2018. NAVER Webtoon will continue to provide global users with webtoons by concentrating on supporting creators, producing and exchanging high-quality content, and invigorating the industry's ecosystem.



Global Webtoon Content Service
comic.naver.com

50 million

Number of global monthly active users
As of December 2018

V LIVE



Global Live Video Service
vlive.tv

64 million

Number of global cumulative downloads
As of December 2018

Launched in 2015, V LIVE is a global live video platform featuring real-time celebrity broadcasts. It has grown into a platform that is shared and enjoyed worldwide, recording over 64 million downloads in 205 countries around the world, and attracting over 29 million monthly visitors. This growth is the result of promoting the diversification of content with a particular focus on the activities of globally-recognized stars and the localization of operations in places where the platform has presence. On V LIVE, hordes of global celebrities, from pop stars to classical artists, are connecting to their fans by hosting more than 4,000 real-time broadcasts on 1,000-plus channels on a quarterly basis.

We are also developing original formats, content and services, based on our world-class video technology using AI, VR and others. We have also introduced the "V Original Series", which consists of web entertainment and web dramas, appealing to users in their teens and twenties.

In Vietnam, where business localization is most active, we built the V Heartbeat, a music source chart, and strengthened music broadcasts, entertainment information programs and other local content, resulting in more than 6.5 million monthly visitors. In 2019, we will introduce a new "FANSHIP" program to provide even greater benefits to both stars and fans

SNOW



AR Camera Content Platform
snow.me

An AR camera content platform loved by the world

SNOW is a mobile AR camera content platform that allows users to play with a variety of effects on the smartphone camera. Since its launch in 2015, SNOW has continued to gain momentum in the global market, centering around China, Japan, South Korea and other Asian locations with the number of app downloads recording a steady upturn.

We are constantly developing differentiated products and content, as well as camera-related technologies, by combining AR, VR and other technologies. DSLR functions, music AR content and automatic photo editing functions have been newly added to provide more diversified services.

An idea bank, creating innovative items

The "JAM LIVE" mobile quiz show app, launched in 2018, has become the No. 1 mobile quiz show in South Korea thanks to its convenient accessibility, interesting content, and instant rewards. We also broadcast "Jam Live Quiz Room", a multiplatform quiz show with KBS, while broadening our reach by collaborating with companies in various fields. The "Cake" mobile English learning app is also gaining a favorable response as a result of its convenient and fun learning method. The new "Zepeto" 3D AR avatar app service creates personal characters that resemble user images, and it has become very popular, with over 60 million downloads worldwide in the three months since its release in September. SNOW will continue to enhance its position in the global market by showcasing its services, which bring offer a variety of fun and entertaining options to its users.

BAND



Mobile Community Service
band.us/home

The "BAND" group social networking service is a global community app used around the world. Since its launch in August 2012, the service has provided users with various features that allow them to keep in touch with their social networks. It is also used to conduct study and business meetings through its mobile and PC versions, winning it increasing popularity. Thanks to its efforts to enhance user convenience by continuously improving its functions and designs, BAND has unyieldingly maintained the first place in the group SNS sector in South Korea. It is also actively expanding overseas, based on its success at home.

In the US, the BAND carried out active marketing campaigns targeting sports teams, cheerleaders, marching bands and other after-school activities in 2018, and the number of monthly active users exceeded 1.2 million, almost double of the figures from 2017. The number of users is expected to continue to increase as a result of signing an official communication partnership agreement with large organizations related to after-school activities in the US.

NAVER CLOUD PLATFORM



Enterprise Cloud Service
ncloud.com

Since its launch in 2017, NAVER Cloud Platform has offered optimal customized cloud services for corporate customers in many different business areas. Based on NAVER's top-notch technologies, including AI and big data, and its rich experience in operating IT infrastructures, NAVER Cloud Platform has released 109 products in 15 categories including computing, data, security, and network, leading to securing customer groups in gaming, e-commerce, healthcare, IT solutions, communications, public service, finance, delivery, logistics and many more.

The Cloud Platform's customer service center, staffed by professional engineers and software professionals, provides strong one-on-one customer support 24/7/365. The platform continues to raise public confidence by offering safe and stable services, supported by the ten certifications it holds including the Software as a Service (SaaS) that it acquired for the first time among South Korean companies.

It is the only cloud service platform among domestic cloud service platforms to have established a solid foundation for offering stable services around the globe in six regions, including South Korea, the United States, Singapore, Hong Kong, Japan, and Germany.

NAVER Cloud Platform is also dedicated to fostering the development of professionals in cloud by supporting a wide range of training and technology consulting through the startup assistance program, and by operating certified education and certification systems. In the future, it will continue to lead the domestic cloud market by exploring products that show NAVER's unique technologies, allowing the platform to meet the diversifying needs of its customers.



Enterprise Collaboration Platform
line.worksmobile.com/kr/

20,000

Number of Global Customers
As of December 2018

LINE WORKS

LINE WORKS is a cloud-based enterprise collaboration platform that integrates enterprise groupware services such as messengers, emails, calendars, address books, and drives into one mobile app. It provides a variety of tools for business and in-house collaboration. In sync with LINE, it also enables users to communicate with internal and external partners with ease. Another strength is its excellent security, which is essential for business users.

In Japan, LINE WORKS has grown at an astonishing rate thanks to favorable user response since its release in 2016. It secured more than 20,000 global corporate customers as of the end of 2018, ranking first in the enterprise collaboration platform market there. By promoting ongoing service upgrades and branding activities, LINE WORKS will continue to expand its performance in the global market.



Global Smart Portal
line.me

LINE

LINE is evolving into a global smart portal, connecting people, businesses and services. Centering around four major locations - Japan, Taiwan, Thailand and Indonesia - LINE offers communications and content services while steadily expanding its business territory through a variety of services including commerce and payment. The portal continues to introduce new and beneficial services by increasing investment in many different emerging technologies.

Various services enjoyed by the world

LINE provides a wide range of content and services, such as news, games, webtoons, music, live videos and TV, as well as a mobile messenger and stickers. Over 164 million monthly active users in Japan, Taiwan, Thailand and Indonesia are enriching their daily lives with LINE.

In the area of communications, users of LINE News and LINE Today have been steadily increasing, and LINE Today has enhanced its user customized services with the "AiRS" AI-based content recommendation system. In the area of content, LINE Game is constantly releasing a variety of new games covering diverse genres and platforms. "LINE Manga", the largest e-cartoon service in Japan, is rapidly growing into a top platform in that country by introducing a greater variety of interesting content since the integration of platforms with NAVER Webtoon.

LINE is also continuously expanding its AI business, based on the "CLOVA" integrated AI platform. For example, its smart speaker loaded with the "CLOVA AI" platform, "CLOVA Friends", is adding to user satisfaction by launching new models and improving services. LINE plans to diversify its products to include the "CLOVA Auto" vehicle navigation and the "CLOVA Desk" smart display.

Commerce and FinTech offering everyday convenience

LINE's commerce services, including LINE Shopping and LINE Friends, are achieving consistent growth by providing fun and convenient functionality for their users. Users and transaction volume are steadily increasing thanks to continuous improvements to the services. These improvements include offering a more optimized shopping environment by employing the "Shopping Lens" AI-based product image search service and the "AiTEMS" AI-based product recommendation system to LINE Shopping.

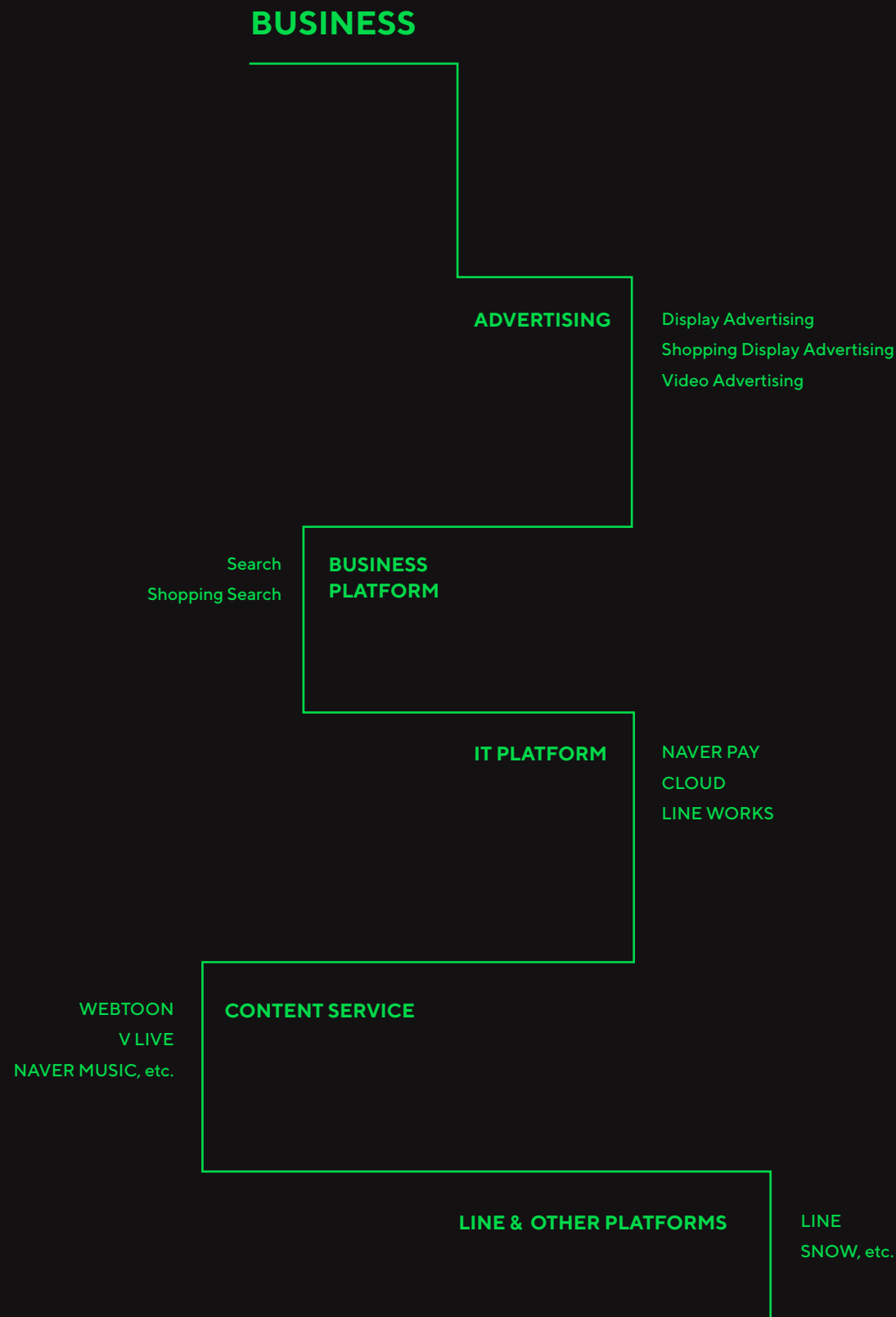
The "LINE Friends" global character brand, sold in online and offline LINE Friends Stores in major locations around the world, also enjoys growing popularity. It continues to create user value by introducing various collaboration products in cooperation with global brands, artists and designers. Such products include the "BT 21", which was developed in cooperation with the "BTS" South Korean boy band.

The FinTech area, which we have aggressively promoted as a strategic business, is also showing visible positive outcomes. LINE Pay is rapidly expanding its market share, with more than 1.33 million merchant stores in Japan and rapid increases in global users and transactions. We have also made substantial inroads into the financial business, including insurance, loans, and virtual currencies, to provide various services. In 2019, we plan to expand our FinTech business further, which will include launching Internet banks in Taiwan, Thailand and other major Southeast Asian locations as well as in Japan.

BUSINESS OVERVIEW



NAVER continued to grow in 2018, with each of its businesses showing improved results. In the Advertising and Business Platform segments, we realized stable performance led by bettering our advertising platform, introducing new products and extending our shopping search advertising coverage. The activation of NAVER Pay, NAVER Cloud Platform and LINE WORKS greatly boosted our performance in the IT Platform sector. The Content Service division displayed a noticeable growth as NAVER Webtoon and V LIVE began to generate full scale revenue. LINE also achieved excellent results with the sales growth in its ad and other key businesses. NAVER will continue to establish itself as a global leader by enhancing the satisfaction of its users, advertisers and partners, and strengthening its cooperation with those stakeholders.



Advertising

NAVER operates the display advertising business, including banner ads, thematic ads and video ads, on both online and mobile platforms, using its superior media capabilities. Advertising sales surged 8.3% over the year to reach KRW 573.0 billion at the end of 2018. This impressive growth was backed by our proactive efforts to enhance advertising effects by upgrading our ad platforms and launching new products.

Continuously upgrading ad platforms

NAVER remained dedicated to enhancing advertising effects and convenience for advertisers by developing more sophisticated ad platforms in 2018. Our customized ads, which are based on various user information including time, location and current surroundings, became more elaborate by adding AI technologies. We also assisted advertisers in the establishment and execution of marketing strategies, which involved strengthening media management functions and providing reports to inform operational strategies. Having strengthened its media competitiveness, in 2019 NAVER TV plans to meet the various needs of users by converting to an open platform with significantly lowered entry barriers for creators. By using its inventory in this way, we intend to evolve into an ad platform that can enhance the business performance of advertisers with a variety of product lineups.

Developing products in response to mobile reorganization

NAVER's mobile advertising has been highly effective in its vertical tabs, which operate under different themes on its mobile main screen. We operate banner and content ads and other products that are suitable for user groups on many different vertical tabs such as News, Entertainment, Fashion Beauty, Food and Living.

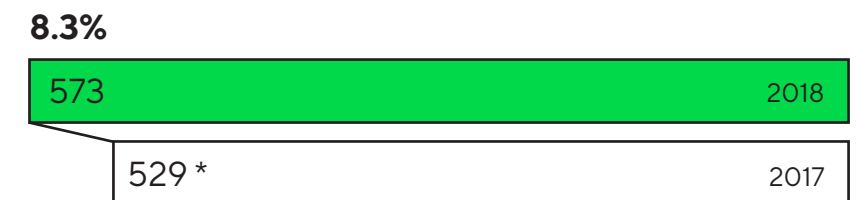
Following the reorganization of our NAVER Mobile main screen, which began in the second half of 2018, our vertical tabs are now divided into the "East Land", which consists of News and other exciting content, and the "West Lab", which is focused on commerce. We also plan to develop and launch new mobile advertising products that can obtain optimal ad effects in line with this reorganization.

Launching new "Local Small Business Advertising" product

In August 2018, we rolled out "Local Small Business Advertising", an effective mobile-dedicated advertising product for local small business owners. This is offered only to local small businesses, and is also connected to the detailed information pages of "NAVER Place" which enables access to reservations and directions with a simple click on the ads. The Local Small Business Advertising product is gaining favorable responses from small and medium business owners as it is very useful for attracting customers while giving practical help to businesses.

Revenue

As of December 2018, based on K-IFRS consolidated financial statements
(Unit: KRW in billions)



(*)Based on new classification of revenue following the acquisition of Camp Mobile

Business Platform

NAVER also offers its Business Platform business, which involves search ads and shopping search ads in both online and mobile platforms. The business has steadily grown through constant product improvement, the successful operation of shopping search ads, and mobile search upgrades using AI technologies. As a result, sales from the Business Platform sector amounted to KRW 2.476 trillion, a rise of 14.7% over the year.

Continuing growth through aggressive product improvement

In 2018, we continued to increase ad extensions on the NAVER Power Link search ad service, and strengthened local keywords. Power Link features various types of ad extensions, such as phone numbers, location information, images and NAVER Booking, and these ad extensions enjoy growing popularity from business partners by allowing them to connect with users with more ease and in more diversified ways. On our mobile platform, we also worked to improve the customized search UI and enhance the informativeness, leading to a substantial increase in clicks. In this way, we were able to continue our sales growth by enhancing the effectiveness of advertisements through aggressive product improvement utilizing the characteristics of PC and mobile platforms.

Ensuring a healthy cycle of shopping search ad growth

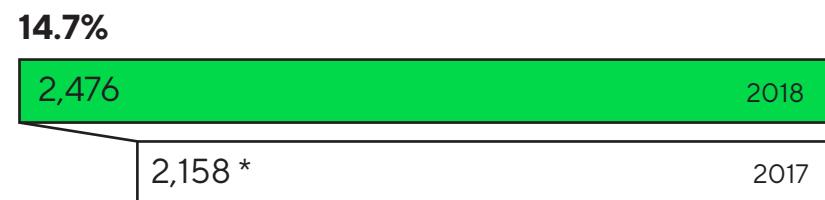
Shopping Search advertising, which connects NAVER Shopping with keyword searches, features outstanding advertising effectiveness as products are exposed at the top of the "NAVER Shopping" area. In 2018, we significantly improved Shopping Search advertising by enhancing search quality and broadening product categories. Shopping Search advertising has also been well-received by users due to it offering additional NAVER Pay points that accumulate when they purchase relevant products. Shopping Search advertising is expected to grow continuously going forward as the number of Smart Stores is increasing substantially due to NAVER's diverse support mechanisms, offering statistical data and analytic tools by using big data and operating startup growth programs.

Enhancing search and shopping indexes through upgraded AI technology

NAVER further improved its search quality by applying the utilization of AI technologies to mobile search and shopping. Search results have become more in-depth and personalized with the new "SMART AROUND" place search service and the "AiRS" AI-based content recommendation system, following the "Smart Lens" image searching service and voice search. The offering of optimal shopping search results by using AI technologies for shopping search, such as "Shopping Lens" and the "AiTEMS" personalized product recommendation system, led to a rise in connection to actual purchases.

Revenue

As of December 2018, based on K-IFRS consolidated financial statements
(Unit: KRW in billions)



(*)Based on new classification of revenue following the acquisition of Camp Mobile

IT Platform

The IT Platform division is primarily engaged in NAVER Pay, NAVER Cloud Platform, NAVER LINE WORKS, and IT Service businesses. In 2018, we made notable achievements as NAVER Pay's transaction value and merchant stores increased sharply, and the B2B business including NAVER Cloud Platform and NAVER LINE WORKS grew significantly. This growth allowed IT Platform sales to surge as much as 63.4% over the year to reach KRW 355.8 billion at the end of 2018.

NAVER Pay, repeating solid growth

NAVER Pay continued its stable growth in 2018, offering a convenient payment experience for users and growth opportunities for merchant stores. NAVER Pay also launched the "Zero Pay" service in the QR payment method, in cooperation with the City of Seoul, allowing it to be used conveniently on offline platforms as well. On the back of these efforts, NAVER Pay's transaction value, as well as its number of users and the number of merchant stores, all showed a significant upturn in 2018. In 2019, NAVER Pay will support improvements to user convenience and the continued business growth of merchant stores. These efforts will involve increasing point benefits for users who make frequent purchases, as well as offering the Quick Escrow funding program to small and medium business owners.

NAVER Cloud Platform, showing dramatic growth

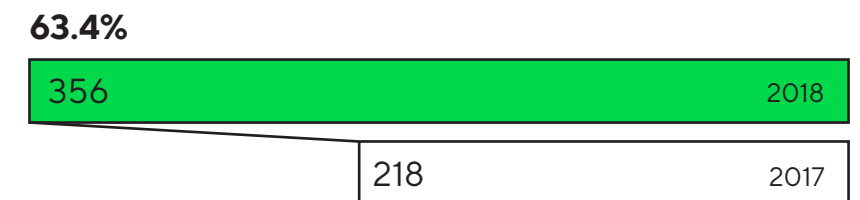
Opened in 2017 by NAVER Business Platform (NBP), in 2018 "NAVER Cloud Platform" recorded growth of more than double in both the number of customers and sales compared to the previous. It released 109 products in 15 categories, including computing, data, security, and network. Based on this, it expanded its customer groups into finance, gaming, IT and various other industries, in addition to governments and public institutions. In addition, the Platform's "Web Security Checker" and "System Security Checker" products acquired the Software as a Service (SaaS) certification from the Korea Internet & Security Agency (KISA), a first among South Korean companies, winning objective recognition for its security and ability to deal with public data safely.

LINE WORKS, enjoying the largest market share

The "LINE WORKS" service offers enterprise groupware services that have been reorganized with a focus on messengers and integrated into one mobile app. In Japan, LINE WORKS welcomed more than 20,000 corporate customers within the three years since its launch, with the number of billing IDs and customers growing more than double in 2018 as compared to the previous year and ranking first in the share of the enterprise collaboration platform market. Going forward, LINE WORKS will build a stable revenue structure by concentrating its energy on attracting new corporate customers, based on the trust of existing customers.

Revenue

As of December 2018, based on K-IFRS consolidated financial statements
(Unit: KRW in billions)



Content Service

NAVER operates the Content Service business, which includes NAVER Webtoon, V LIVE and NAVER Music. Using our advanced technologies, we provide diverse content and services that have led to an impressive increase in the number of users and a gradual improvement in our revenue structure. In 2018, the Content Service sector achieved sales of KRW 125.8 billion, a rise of 20.4% from the previous year.

Webtoon service, enjoying consistent growth around the globe

In 2018, NAVER Webtoon recorded over 50 million monthly active users around the world. It also consolidated its position as the No. 1 webtoon platform in Southeast Asia and the United States. In Japan, its users and sales are dramatically increasing thanks to the integration of platforms with the LINE Manga. In South Korea, NAVER Webtoon is expanding its fee-based content business by launching the "SERIES" app as a platform where users can enjoy both webtoons and webnovels. It is also promoting the visualization of competitive IP-based movies, dramas and others by establishing "Studio N". NAVER Webtoon will continue its impressive growth by strengthening its revenue models in South Korea, based on its solid user base, and by globally spreading revenue models that have achieved success in the domestic market.

V LIVE, enhancing service and expanding abroad

In 2018, the "V LIVE" global live video platform grew by 40% year-on-year, recording more than 29 million monthly unique visitors. It is winning steady popularity among users by introducing various offerings such as the V Original Series, the V Today entertainment news channel and other differentiated content, based on its leading-edge video technology. In Vietnam, "V LIVE" developed the "V Heartbeat" in collaboration with the country's Ministry of Information and Communications, becoming a huge hit among the young people. In 2019, it will solidify its position as the No. 1 global entertainment platform by launching the "V Fan Membership", which will allow stars to manage their global fans and offer a wide range of benefits, backed by its solid user base around the world.

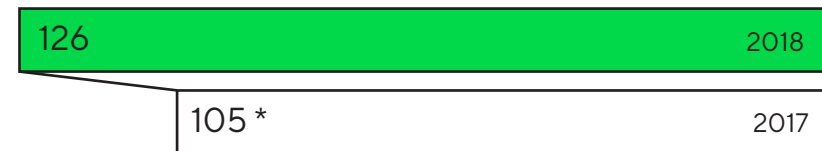
Launching the "VIBE" AI-based music platform service

"VIBE" is an AI-based next-generation music platform service that reflects user tastes. We have been successfully transferring NAVER Music users to "VIBE" since its launch in 2018. As a music source service centering not just on the charts but on individual tastes, its AI allows users to create custom-tailored playlists that best suit their preferences. "VIBE" has grown rapidly due to of AI-based personalized recommendation technologies such as "Mix Tape", with the listening time per person increasing by about 1.5 times within the five months since its launch.

20.4%

Revenue

As of December 2018, based on K-IFRS consolidated financial statements
(Unit: KRW in billions)



(*)Based on new classification of revenue following the acquisition of Camp Mobile

LINE & Other Platforms

LINE operates advertising, communications, content, commerce and FinTech businesses in the global market, and continues to enjoy steady growth. SNOW is enhancing its performance by launching new content and services. In 2018, LINE & Other Platforms recorded sales of KRW 2.057 trillion, an increase of 23.2% over the year.

Achieving stable growth in advertising and other core businesses

LINE experienced a solid growth in advertising sales in 2018. This was due largely to a steady increase in Time Line and News Ads, and a rapid rise in the number of official account advertisers. We are pursuing a change to a new ad platform that combines AI and other new technologies. Another key performance was securing a new sales base by launching Smart Channel, which features custom ads and content in consideration of user characteristics. In the communications and content businesses, stickers, games, LINE Manga and LINE Music continued to grow steadily. In the commerce sector, transaction volumes of LINE Shopping and LINE Delima increased significantly. The "LINE Friends" global character brand introduced a variety of new products.

Expanding FinTech business including LINE Pay

LINE is strategically fostering the FinTech business with a focus on LINE Pay. In 2018, LINE Pay continued to grow dramatically with its number of merchants exceeding 1.33 million in Japan. Its global annual transaction value amounted to JPY 1.17 trillion. LINE also began to engage in the financial service business in earnest through its subsidiary, LINE Financial, which deals with services including insurance, loans and virtual currencies using the blockchain technology. In 2019, we will expand the LINE Pay business by continuously increasing users and merchant store bases, and strengthening cooperation with our partners. We will also add to our investment in the FinTech business, creating Internet banks in Japan, Taiwan and other locations and introducing a variety of relevant new financial services.

Continuously expanding the growth foundation of SNOW

The "SNOW" mobile camera content platform expanded its sustainable growth foundations in 2018, increasing ad sales in collaboration with external companies. The SNOW app provides stickers, filters, content and other differentiated services. In 2018, the number of its downloads saw a steady upturn, continuing its growth in the global market centering around Asia. The newly released "JAM LIVE" mobile quiz show app and the "Cake" mobile English learning app are rapidly growing thanks to the support of users. The "Zepeto" 3D AR avatar app has gained such popularity that it ranked first in the app stores of major countries around the world.

23.2%

Revenue

As of December 2018, based on K-IFRS consolidated financial statements
(Unit: KRW in billions)



(*)Based on new classification of revenue following the acquisition of Camp Mobile

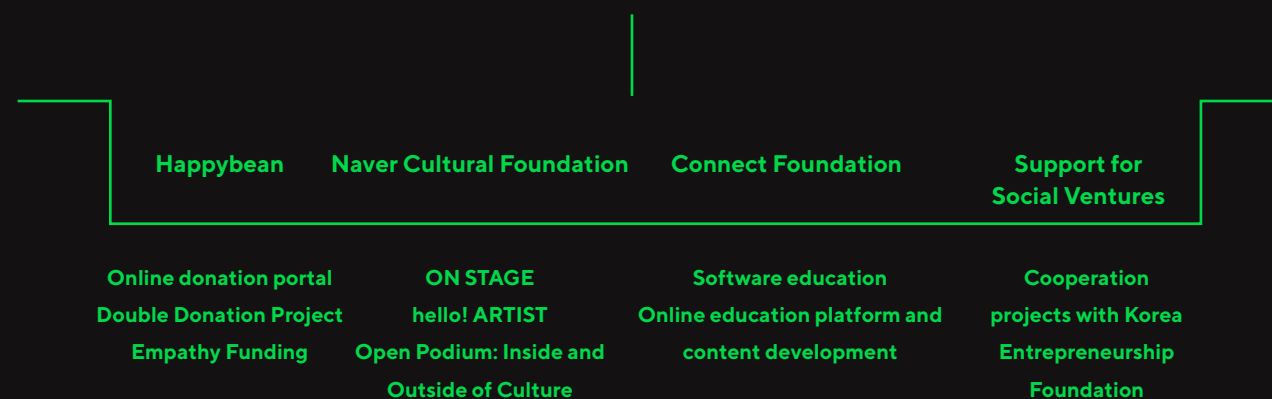


- Social Impact
- Tech for All
- Green Energy
- Better Workplace
- Data Privacy

NAVER PROJECT FLOWER



PUBLIC SERVICE PLATFORM

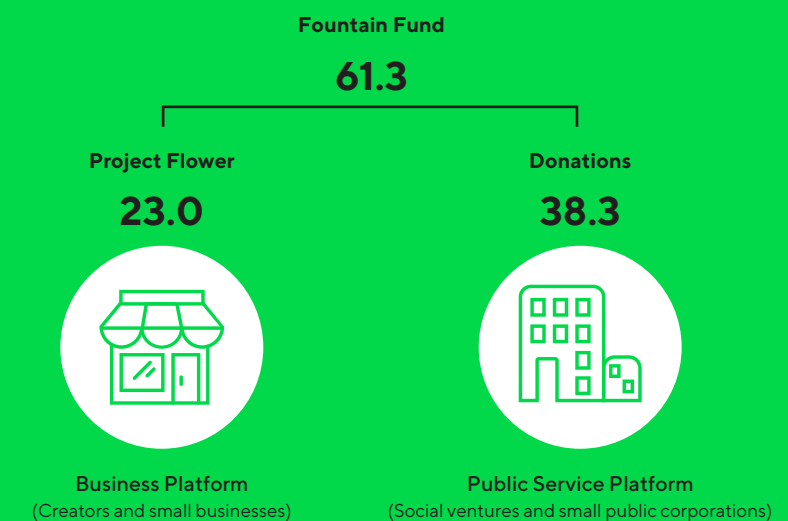


Social Impact

NAVER has put considerable thought into how it can give back to its community and carry out its corporate social responsibilities. As a result, the "NAVER Fountain Fund" was created in 2017. Since its creation, the Fund has maintained the highest levels of donations among South Korean companies, by setting aside more than 1% of our domestic sales as contributions every year. However, we are not focused only on continuously increasing the amount of donations; we also put careful consideration into how the Fund is used to help society. The Fountain Fund is an in-house budget created to further widen our social impact by redefining the social ripple effects of companies which have previously been focused solely on collecting donations. The initiatives supported by the Fountain Fund are broadly divided into two categories of social contribution: "Public Service Platform (Donations)" and "Business Platform (Project Flower)". The Fund's purpose is to provide support to social ventures, creators, small businesses, and non-profits that contribute to the public good.

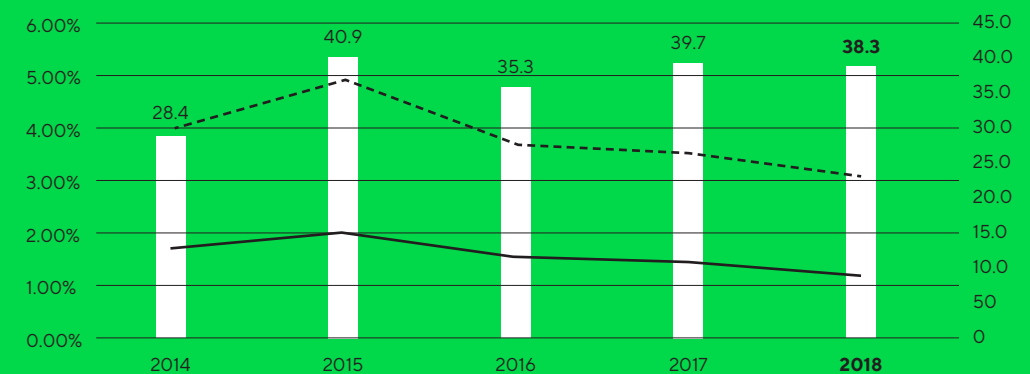
NAVER Fountain Fund Value

(Units: KRW in billions)



The highest level of donation among South Korean companies

Donations (Units: KRW in billions) — Ratio to Sales — Ratio to Operating Profit



NAVER Project Flower

"Project Flower" is our linchpin campaign, aimed at discovering the value of creators and small businesses that produce content through NAVER and encouraging their sustainable growth. The growth of individual content producers becomes a foundation on which more users can enjoy quality content. To meet this end, our developers, planners and designers started "Project Flower" with the goal of nurturing an environment in which content producers can thrive. NAVER is helping small businesses and creators to more easily and conveniently provide online content to consumer. We draw out the hidden gems and unsung heroes within the world of content creation, and provide tailored support to enable them each to reach their full potential. By supporting these unique creators to overcome barriers to success, we believe that we are helping to strengthen our industry as well as the economy as a whole. NAVER Partner Square is a regional offline growth hub serving local small businesses and creators. We have launched many of these hubs, and our goal is to foster greater connection between and within outlying provinces by enabling the acceleration of technology development. In 2018, we opened Partner Square in Gwangju and started a data-based startup growth program. We also carried out various programs and campaigns for business operators and creators to share growth and success. We will continue to provide our support so that a wide variety of content producers across the country can interact with more users and grow their businesses.



NAVER Partner Square Gwangju_Window Market Day

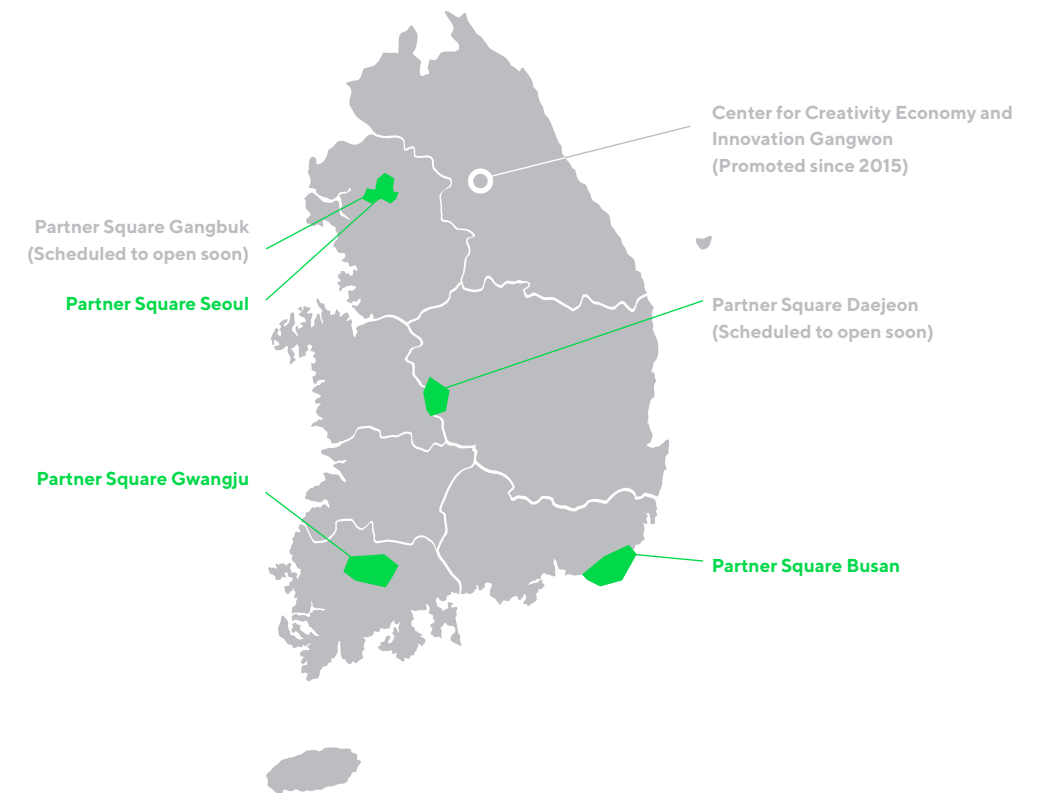
Opened NAVER Partner Square Gwangju

NAVER opened "Partner Square Yeoksam" in May 2013, and "Studio Wangsimni" in August 2014, to provide studio space and equipment for small fashion and clothing businesses. "Partner Square Busan" was opened in May 2017. The Partner Squares in Seoul and Busan attracted a total of 350,000 business owners and creators over the past five years, recording more than 5,500 training sessions and 4 hours and 12 minutes of training time per participant.

In September 2018, we opened our third Partner Square in Gwangju. Partner Square Gwangju is the largest of the three, and it has been designed as a space where business and culture can be shared not only by business owners and creators but also by local users. It also acts as a business and culture complex, featuring a store where users can purchase the products of small businesses and creators, and operating programs in which many different users can participate.

In addition, Partner Square Gwangju serves as a center to help food and household wares vendors to grow in line with the characteristics of the region, which is a home of gourmets, artists and art aficionados. It has also established an education curriculum that specializes in the areas of food and household wares, while recruiting new lecturers from among local business owners who have accumulated business experience in the region. At the same time, it has provided local creators with practical training and an opportunity for collaboration with local businesses by creating an "Atelier" as a space to support their growth. In conjunction with the opening of the Partner Square Gwangju, we held the Window Market Day for three days, allowing NAVER Shopping Window vendors, Grafolio creators and users to meet and experience a wide variety of products. The event attracted approximately 1,500 visitors, and the sales of NAVER Food Window vendors participating in it increased by up to six-fold.

NAVER Partner Squares





NAVER Partner Square Gwangju_ Open Class



NAVER Partner Square Yeoksam_ Photographic Multiplex Studio



NAVER Partner Square Gwangju_ Food Window Exhibition



NAVER Partner Square Yeoksam_Audio Studio

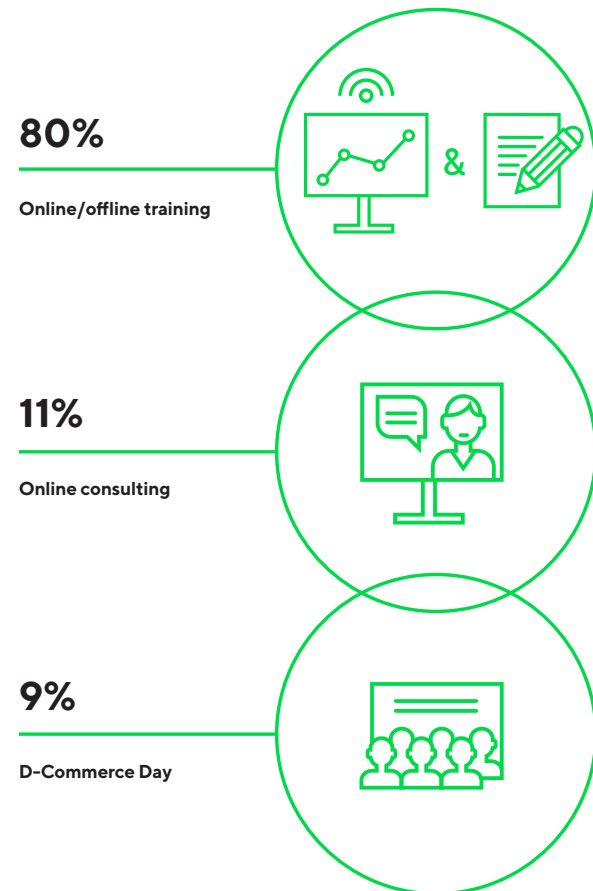
**D-Commerce Program,
Accelerating Data- Driven Startups**

In May 2018, NAVER launched the D-Commerce (Data Commerce) Program, a data-based program for the growth of small business startups. In June, we published the D-Commerce Report, analyzing data on the Smart Store vendors with a research team from Seoul National University led by professor Yu Byeong-jun. The D-Commerce Program helped to spark social interest in and support for e-commerce vendors, which had previously been lacking despite their explosive growth exceeding KRW 10 trillion in monthly transactions.

As a result, the program has become NAVER's core startup support program with the number of small business participants surpassing 110,000. More than 80%, or 88,000, of the participating small businesses were beginner start-ups with less than KRW 2 million monthly transactions, and the training that they received through the program allowed them to succeed on a level they had not previously experienced.

The number of business operators who opened a Smart Store and registered their products after completing the program increased by 47% from the first half of 2018 to 53,000, and the number of those who had actually generated transactions rose by 26% to 24,000.

Number of D-Commerce Program participants



D-Commerce Day 2018

D-Commerce Day 2018

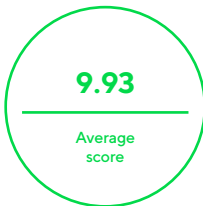
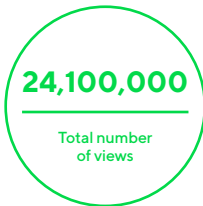


**"Call My Name"
Campaign Season 2**

FOR SMALL BUSINESS

The "Call My Name" Campaign is a marketing campaign that sheds new light on the value of small businesses and creators who have partnered with NAVER, through a variety of content including videos and webtoons. NAVER carried out the "Call My Name" Campaign Season 2 as part of the "Project Flower" marketing campaign from June to December 2018. In the "Call My Name" Campaign Season 2, three NAVER Webtoon artists met with young entrepreneurs who grew their family businesses by building on the technology and spirit of preceding generations, and depicted their philosophy and innovation in a webtoon series about youth proudly carrying on and building their family's businesses. The protagonists in the webtoon were 12 young entrepreneurs and their families, including a traditional rice cake workshop in Seoul, an apple farm in Yeongju, and an organic health juice maker in Cheongju. The webtoon series recorded over 24 million views over six months, and users showed extensive interest with more than 330,000 likes and comments. This marketing campaign also helped to increase sales and brand awareness, while highlighting the value of these young people showing growth and innovation in online commerce.

Records of "Call My Name" webtoon series in 24 episodes



Youth carrying on family business_ Queenzy Object



Youth carrying on family business_Vincoree Wine

Youth carrying on family business_Punggi House



**"Creators,
Blooming Local Businesses"
Campaign**

As part of Project Flower, NAVER continues its efforts to share the philosophy and innovation of small businesses and creators and to shed new light on their value. "Neighborhood Creators" is a local campaign that showcases the philosophy of local business owners who are helping to revitalize their communities with original projects and local attractions. In October 2018, we introduced 84 local small businesses and stores in 12 locations across the country, while helping users to be linked to the NAVER Booking service so that they could interact with those local businesses offline. These local businesses included: the "Donghae Bicheon" café and guesthouse, which was renovated from an abolished elementary school in Donghae; the "Wanju Soyang Old Residence", a Korean-style guesthouse and café built from three renovated old houses. We promoted the value of local businesses, and made it easy for users to discover the area's hidden attractions. NAVER will continue to support small, unique local businesses, enabling them to grow and connect with more customers.

Creators, blooming a local business



**NAVER Baekban Week
in Gwangju**

Since 2016, NAVER has carried out the "Baekban Week" as part of the Project Flower. In 2018, it was held in Gwangju, following Seoul in 2016, and Gyeonggi-do in 2017. Baekban Week Gwangju was centered around the history and tradition of the city's five representative areas. A total of 65 restaurants participated in Baekban Week, and we profiled each restaurant on the "Our Neighborhood Tab" on NAVER Mobile Home to encourage participation by local residents and visitors. We also helped these small restaurants to build online databases that enable users to easily browse store information, resulting in the customers' continued patronage after the event ended. In addition, starting in 2018, we now provide information in NAVER Maps about the restaurants that participate in Baekban Week.

NAVER Baekban Week in Gwangju



Pop-Up Stores for Designers

In 2018, NAVER once again opened an offline pop-up store, "NAVER Shopping's Design Window", where designers could sell their products and publicize their names and designs. This pop-up store, which was located in Seongsu-dong, Seoul, was aimed at helping designers expose the appeal of their products and content, which may be difficult to demonstrate online, as well as generate offline sales. Forty-six brands of various designers were sold, including works by MSKN2ND, EYEYE and PARTs PARTs, while limited editions available only at this pop-up shop attracted more than 1,500 visitors and generated sales of about KRW 140 million even within the limited opening.

NAVER Designer Window Pop-up Store, "OPEN THE WINDOW"



NAVER Designer Window Pop-up Store, "OPEN THE WINDOW"

ON STAGE 2.0 in Collaboration with Artists

FOR CREATORS

NAVER launched "ON STAGE 2.0" to offer users a variety of experiences and creators new opportunities with NAVER Cultural Foundation. Going one step past simply discovering hidden musicians, ON STAGE 2.0 carried out the "Digging Club Seoul" project to uncover the hidden music of the 20th century.

It also supported creators by returning the entire amount of proceeds from new digital music and music videos to the musicians. ON STAGE, which used to support the performance of indie musicians through its monthly "ON STAGE Live", transformed into ON STAGE X in collaboration with NAVER Project Flower, starting in August 2018. We increased our support for creators with a new concept of collaboration between musicians and other artists, and we assisted 25 creators through a total of five performances.

Many artists collaborated with musicians, sharing new insights and inspirations, by producing merchandising works and performance stages that showcased the participating musicians. In the first ON STAGE X concert in August, artist Lee Jeong-hyeong of the "hello! ARTIST" program created installations to be used for the cover of a single album and music video shooting by a musical duo called 10cm. In September 2018, we launched the "Digging Club Seoul" project to discover the hidden music of the past and support the creative efforts of ON STAGE musicians. This project involved working with music industry experts to select hidden city pop of the 20th Century, and releasing digital music and music videos reinterpreted by ON STAGE musicians. In December, we collaborated with artist Jo Hyeon-a of NAVER Webtoon. We also held the ON STAGE X performance with the "Digging Club Seoul" as a theme at the Dongdaemun Design Plaza in Seoul. In total, five teams of ON STAGE musicians participated in the "Digging Club Seoul" project in 2018.

Digging Club Seoul_ Sunwoo Jung A Album Cover



Digging Club Seoul_ Sultan of the Disco Album Cover



Digging Club Seoul_ Daybreak Album Cover



ON STAGE 2.0_ O.O.O

ON STAGE 2.0_Jiho Lee Trio



Growing Audiences for Beauty Creators

In order to foster the development of creators in the beauty industry, NAVER runs the Beustar Academy for online and offline training, which provides studios and dressing rooms dedicated to Beustars, and offers rewards for channel growth to those who continued to grow, helping them to develop step by step. In addition, we regularly discover "How-to" video creators through the "How-To League", while expanding our support for Beustar activities using V LIVE. In July 2018, we hosted the second "K-Beauty Color Festival", in which Beustars met their fans in Ho Chi Minh City, Vietnam. More than 5,000 local fans attended and Beustars were invited to visit local stores. At the end of the year, we organized a "Year End Party" with over 200 beauty creators and brand representatives to share the achievements of the NAVER Beauty tab and its goals for 2019. Moving forward, we plan to offer new marketing channels for business owners with brands and products, and a wider diversity of growth opportunities for Beustars, by identifying new ways to connect Beustars, video content and shopping.

K-Beauty Color Festival @Ho Chi Minh



NAVER Beustar Year End Party

K-Beauty Color Festival @Ho Chi Minh



Expanding Global Contents by Webtoon Artists

As part of the "Project Flower" project, NAVER has organized the "Global Webtoonist Day" in Bangkok, Thailand and Jakarta, Indonesia, helping webtoon artists to enter the global market and meet their fans. The "Global Webtoonist Day" in 2018 was attended by four South Korean artists who are highly popular in Thailand and Jakarta, as well as 16 local artists who have shown potential for growth through the LINE Webtoon. More than 5,200 webtoon fans in total gathered at the event sites over two days, to communicate with the artists and appreciate and experience their creative works.

Webtoonist Day held in Siam Discovery, Bangkok, Thailand



Shared growth with partners

"Best" Rating in the Win-Win Index Evaluation for Second Straight Year

NAVER has operated a number of partner support programs in the areas of management, employee benefits and education, aimed at fostering stronger collaborations and mutual growth. Our partner support programs focus on enhancing the organizational strength of small IT businesses so they can succeed, and enhancing employee welfare and benefits within our partner companies. We also host an annual "NAVER Partners' Day" to share our values and visions of shared growth while introducing our support programs. In 2018, we signed fair trade agreements with 150-plus additional small IT businesses, integrating them into our partner support programs. We also offered advice through the "Productivity Innovation Partnership" project, and operated the "Win-Win Job Program" to support the recruitment activities of our partner companies. In addition to our lending program for small businesses, currently worth KRW 14 billion, we implemented a new KRW 3 billion credit guarantee support program so that small businesses can receive loans through our credit guarantees. As well, in an effort to bolster the healthcare of our partner firms' employees and families, we provided three optional health check-up programs and discount benefits for flu vaccines. We also provide funeral supplies when needed. With the goal of enhancing software education for the children of our partner organizations' employees, we hosted the "Software Coding Camp" for elementary students and the "NAVER IDC Tour" for middle school and high school students, while offering monthly online and offline training programs for the employees. In recognition of our continued efforts for mutual prosperity, we received the "Best" rating in the "Win-Win Index Evaluation" for 2018, which was the second year in a row that we were awarded that rating. In addition, we were named a model case for fair trade agreements and the best practice for shared growth by the Korea Commission for Corporate Partnership.

2018 NAVER Partners Day



Digital Literacy

Connect Foundation, Supporting Lifelong Learning

Connect Foundation is an independent non-profit organization that was established by NAVER in 2011 to carry out NAVER's public interest education projects in a transparent and professional manner. The foundation is leading educational innovation by ensuring equal access to quality education, and by providing new educational models and platforms.

Programming training for students and teachers

To further support our goal of creating an environment where anyone can learn programming, the foundation also operates "Entry (<https://playentry.org/>)", a training platform where students can conveniently learn programming using block-type programming language, and teachers can easily teach and direct them in their learning. The number of the platform's subscribers reached 1,050,000 in 2018, an impressive rise of 91% from the previous year, and 50% and 30% of middle and high schools chose this platform for software training. We have also run the Connect Teachers program, which fosters professional programming lecturers and creates jobs, since 2014, and have hosted an annual Software Edu Festival (SEF) to arouse public interest in software training since 2017. In 2018 we offered the "Let's Play Software" program to provide general information on software education, allowing 1,112 students to attend 142 classes throughout the year.

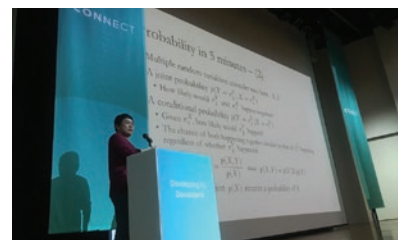
Helping career development in IT

The foundation created the "Boost Course" online curriculum to discover and nurture programming professionals, who are greatly needed in today's tech industry. The program offers web, android, iOS development and digital marketing courses. Approximately 22,810 people have attended the courses. In 2018 our efforts to offer IT education to a wider audience included hosting offline special lectures given by AI-related celebrities from home and abroad.

Creating an equal educational environment for all

The Connect Foundation runs the "edwith" massive open online course (MOOC) platform, which allows anyone to receive desired training at anytime and from anywhere. With approximately 390,000 members, "edwith" offers training programs on language and practical development affairs, among other topics. The number of its monthly active users exceeded 110,000 as of the end of 2018. In addition, through a partnership with Khan Academy formed in July 2014, we set up a non-profit educational organization with the goal of creating a set of online tools to help educate students. The first of its kind in Asia, the foundation provides free video content, which has been translated into Korean, on mathematics and computing subjects along with the Learning Management System (LMS).

Lectures held by Connect Foundation



Connect Foundation Software Edu Festival (SEF)



Cooperative Projects with Korea Entrepreneurship Foundation

In 2018, NAVER continued to participate in cooperative projects with the Korea Entrepreneurship Foundation, which it has done since 2015. These projects have the goal of educating people about entrepreneurship and how they can become entrepreneurs. In 2018, through the project, we published "A Story of NAVER Youth Entrepreneurship School", a white paper compiling the project's activities and results for the past three years. Entrepreneurship refers to the practical competence to create value while performing innovative activities, by defining problems in uncertain situations and capturing opportunities. NAVER and the Korea Entrepreneurship Foundation are working to create programs that will help future generations to find new opportunities in today's entrepreneurship-focused workforce.

Entrepreneurship School

NAVER's "Entrepreneurship School", which targets middle school and high school students, has been in operation since 2016. In this school, students learn how to independently solve problems using techniques taught in the program. Offered every six months at the request of schools, the program welcomed 1,200 students from 50 schools in the areas of Seoul, Incheon and Gyeonggi-do.

NAVER Youth Entrepreneurship School



Entrepreneurship Korea Conference

Hosted by Startup Alliance and the Korea Entrepreneurship Foundation, and sponsored by NAVER, the "Entrepreneurship Korea Conference" is the only entrepreneurship conference in South Korea to connect, share and celebrate the country's wide range of entrepreneurship research and initiatives. The fifth conference was held in 2018 under the theme of "Everyone's Entrepreneurship", and share research results relating to education on entrepreneurship.

edwith Online Training Courses

University and Institution Partners



24

18 universities and 6 corporate divisions

Number of Individual Partners



1,500

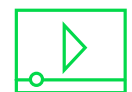
teachers and professors

Number of Classes



1,809

Number of Video Clips



12,686

Social Contribution

Happybean, An Online Donation Service and Platform

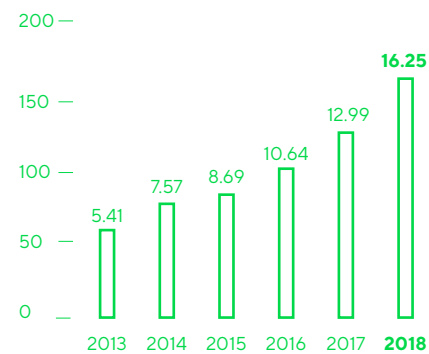
Happybean is an online donation portal that serves various community initiatives aimed at contributing to the public good. Since its launch in July 2005, it has grown into a venue where more than 3,300 public interest organizations interact with over 800,000 netizen donors each year. In order to support small and medium-sized organizations that do a great deal of good for the public but are limited in their fundraising and PR capabilities, in 2017 we launched the "Double Project" through which we match the financial contributions of users to these organizations. In 2018 alone, over 80,000 people donated more than KRW 2 billion to 379 projects through the "Double Project". Happybean is also introducing worthwhile projects that are aimed at resolving social issues and are conducted by public corporations, social ventures and creators, through its "Funding" service. A total of KRW 2.5 billion was donated to 137 funding projects in 2018. For small social ventures, we began to support their shipping expenses in 2018 through "Dohands Corporation". The "Dohands Corporation" provides jobs to the disadvantaged while also reducing delivery costs for the small social ventures, and as a result has been able to realize stable job creation for the underprivileged by assisting with deliveries worth KRW 200 million for 66 projects. We also help small social ventures to introduce and build their brand, ensuring their continued success after the funding has ended, through the "Happybean Empathy Store" project. Through this initiative, a total of 50 Empathy Stores increased their sales by about 200% while enhancing job creation opportunities.

Donations and funding by Happybean



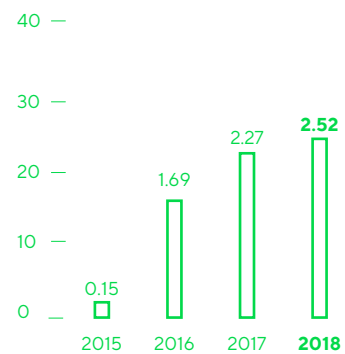
Total donations by year

(Unit: KRW in billions)



Funding support by year

(Unit: KRW in billions)



Happybean_Empathy Store

Dainel Henney and Kim Tae-ri participating in Happybean Savings Campaign



**NAVER Cultural Foundation,
Supporting Arts & Culture
Creators**

NAVER Cultural Foundation is a non-profit public foundation established with the mandate of supporting artists and promoting artistic and cultural content through NAVER's online platforms. Through the Foundation we find worthwhile cultural content and record them from a long-term perspective. We also help develop a sound creation ecosystem for emerging artists through "NAVER Project Flower".

ON STAGE 2.0

In August 2018, the NAVER Cultural Foundation launched "ON STAGE 2.0", reflecting the voices of contemporary users while further strengthening the basic values and meanings of "ON STAGE", which discovers and introduces hidden music through "NAVER Project Flower". Taking a new approach to hidden music, "ON STAGE 2.0" continues to support creators in various ways, including one-take live footages, collaborative "ON STAGE X" performances with musicians and artists, and the "Digging Club Seoul" city pop remake project. Going forward, NAVER Cultural Foundation will create stages where music and the fine arts can be expressed in a wide variety of ways, by promoting collaboration between the ON STAGE musicians and the creators of NAVER Webtoon, Grafolio and "hello! ARTIST", while at the same time offering the audience an opportunity to experience new collaborative stages.

"hello! ARTIST"

"hello! ARTIST" acts as an online platform for visual artists to introduce their works to the public. We feature one artist every other week. The artists are selected by art professionals juries, and artists are always welcome to apply. This program also enables visual artists to grow and share their artistic practices by holding offline exhibitions, while introducing users to the trends of the contemporary modern art scene.

Open Podium: Inside and Outside of Culture

The "Open Podium: Inside and Outside of Culture" is a lecture series led by South Korea's leading intellectuals and scholars. It has held lectures every year since 2014. In 2018, the project carried out its fifth lecture series, examining the characteristics of the modern trend of thought and the modern world that define our lives today from a comparative literature perspective. The series offered a total of 50 lectures, under the theme of "Eastern and Western Civilizations and the Modern Times".

In order to encourage the participation of young people, the project also selected humanities creators in their 20s and produced lecture content from their perspective. Through these efforts, it recorded 47.2 million page views and 3.62 million video views as of December 2018. Going forward, the Open Podium will continue to encourage a discourse on humanities knowledge and provide a venue for intelligent debate, consolidating the cultural foundation of our society as an archive of humanities.

NAVER Hangeul Campaign

As the second story of the NAVER Hangeul campaign, "Maru Project" is aimed at understanding the spirit and fonts of hangeul (the Korean alphabet) correctly and determining how the Korean language should look in accordance with the media environment of today. The project was launched in 2018, working with with hangeul typography designer Ahn Sang-soo.



Artists participating in "hello! ARTIST" Gwangju Biennale Special Exhibition_ Yun Ji-Young, Kim Sil-bi, Kim Dong-hee (from left)



"hello! ARTIST" Gwangju Biennale Special Exhibition



Creator Series

Enhancing Web Accessibility

In order to ensure equitable access to web content, NAVER follows the Web Content Accessibility Guidelines published by the Web Accessibility Initiative (WAI) of the World Wide Web Consortium (W3C), the main international standards organization for the Internet. We built the "NAVER Accessibility User Guide (<http://accessibility.naver.com/>)" page, and provide user guides for assistive equipment and software that may be required to use NAVER services, along with the standards on web accessibility to raise awareness on the use of web services. We have also held several "NULI Seminars" to share knowledge and technology in the area of information accessibility. At the sixth seminar in 2018, visually challenged developers working at NAVER and experts from home and abroad, including academics in the field, gathered and researched various realistic solution measures that would enable anyone to easily access services. The participants also shared and discussed information on a number of issues, including the current status and direction of the development of information accessibility automation solutions, the development direction of desirable web accessibility standards, the current situation of information accessibility education, and ways to address accessibility solutions used in mobile in-apps. NAVER will continue to improve accessibility for all new technologies and services while broadening access to information and enhancing user awareness so that everyone can experience our service easily and conveniently.

NULI Seminar



Tech for All

With its vision to be a "Technology Platform", NAVER is actively promoting future technology development and investing in and acquiring high-caliber tech companies by injecting approximately KRW 1.40 trillion in R&D, and approximately KRW 958.8 trillion in external investments.

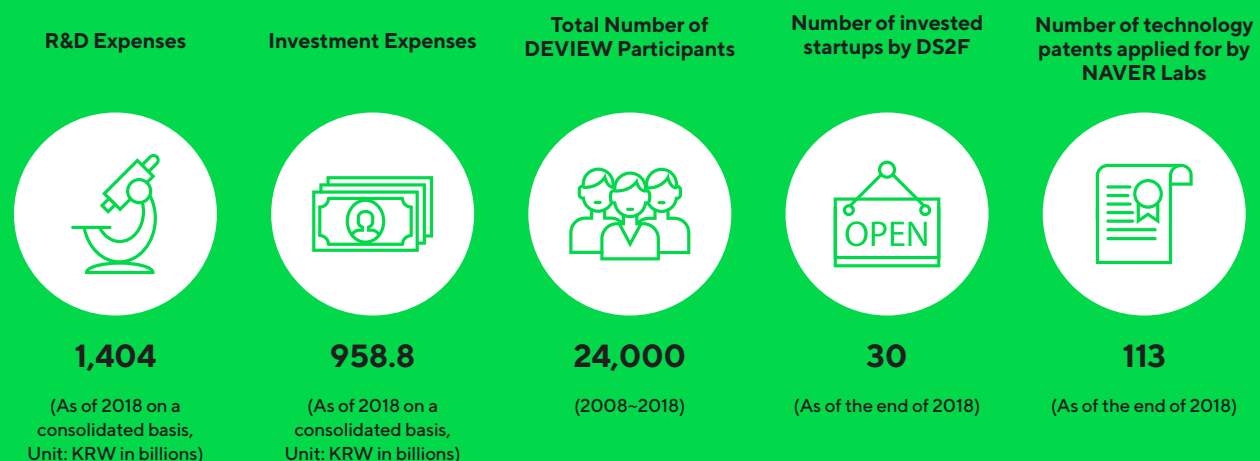
We have been committed to research into future technologies, including robotics and autonomous driving, through our R&D subsidiary, NAVER Labs. As a result, we have secured preliminary technologies, applying for a total of 113 patents since our inception. We are also working on partnerships with Qualcomm, LG Electronics and other global companies for the utilization of technologies.

In addition, we are adding to our investment in domestic tech startups through our D2SF tech startup accelerator. D2SF has invested in a total of 30 domestic tech startups since 2015, including eleven in 2018, steadily expanding its investments.

NAVER also participated in the "Special Interest Group on Information Retrieval (SIGIR) 2018", and the Conference and Workshop on Neural Information Processing Systems (NeurIPS), a machine learning and computational neuroscience conference where we had the opportunity to share our research achievements. Our AI technologies have been recognized for their performance in international competitions such as the International Conference on Document Analysis and Recognition (ICDAR) Robust Reading Competition. Another meaningful achievement was participating in the CES for the first time in 2019, where we showcased our technological investment performance including the ambient intelligence of NAVER Labs.

In June 2018, NAVER and NAVER Labs released an open kit for the "AIRCART" motor cart which they had independently developed, disclosing a hardware open source for the first time. This kit allows any competent manufacturer to produce an "AIRCART" that suits their purpose by utilizing the available drawings and patent information. In October 2018, we ranked sixth in Forbes magazine's "The World's Most Innovative Companies". Our rank has continued to rise every year since we ranked 53rd in 2014, and we were the first South Korean company to be listed on the ranking for five consecutive years.

2018 Key Performance



NAVER Labs

AI Based Technological Research Company

NAVER's vision of technology is Ambient Intelligence (AmI), which provides the user with required information and services without the user having to provide data about the user's situation and environment. To realize this vision, NAVER Labs was launched in January 2017. NAVER Labs strives to offer solutions that naturally incorporate into users' lives by focusing on the understanding of locations where people live, and the intelligence of mobility that connects those spaces. Through the realization of AmI technology, we aim to create a world where we are not restricted by technology and tools, but where technology and tools instead allow us to more thoroughly participate in and enjoy our lives.

Participating at CES 2019

Marking its 20th anniversary in 2019, NAVER participated in the CES 2019, and introduced AI, robotics, autonomous driving, mobility and other leading-edge technologies developed by NAVER Labs. A total of thirteen new technologies and pilot products were introduced at the CES, including: the eXtended Definition & Dimension Map (xDM) platform, a location and mobility integrated solution for smartphones and self-driving equipment; the "M1" 3D indoor precision mapping robot and the "AROUND G" guide robot that can autonomously drive without an expensive laser scanner; the "Indoor Map Automatic Update Solution" that combines robotics with AI technologies; the "AMBIDEX" robot arm which is capable of precision control with wire-structured innovative power transmission mechanism; the "AIRCART" motor cart that adopted the wearable robot technology; and the "Hybrid HD Map", an HD map production solution that is essential for research into self-driving cars, the "R1" mobile mapping system, and the Advanced Drivers' Assistance System (ADAS).

"AHEAD" 3D AR HUD





CES 2019 NAVER & NAVER Labs Booth

CES 2019 NAVER & NAVER Labs Booth



CES 2019 NAVER & NAVER Labs Booth

Investing in startups and developing a tech developer ecosystem

DEVIEW, The Biggest Developer Conference in South Korea

DEVIEW was launched in 2006 as a technology sharing event by NAVER's in-house developers. Since it opened its doors to the public in 2008, it has drawn developers from South Korea and abroad who are eager to share the latest IT technology trends and development knowledge. The conference has grown to become the nation's largest conference, recording a total of 24,000 participants over the past eleven years. DEVIEW is also a venue where attendees can envision future technologies, through its showcasing of current trends. It has presented concept technologies that have since been implemented, such as "NoSQL" and "HTML5" in 2011, "Node.js" and "GPU Computing" in 2012, "Machine Running" and "Deep Running" in 2013, "IoT" and "VR" in 2014, and robotics in 2015. At the "DEVIEW 2018" event, forty-four sessions were held to share search, voice recognition and natural language processing, big data, deep learning and other cutting-edge technologies, in addition to lectures providing useful information about the development of language processing, front-end/web, UX, and other practical services.

DEVIEW 2018_NAVER developer conference



DEVIEW 2018_NAVER developer conference



D2SF, A Tech Startup Accelerator

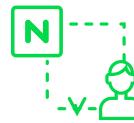
D2SF's Investment Portfolio

Investment



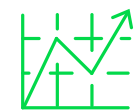
30 technologies

Collaboration with NAVER



18 tech startups

Follow-up investment



16 tech startups

Residence in D2SF



51 tech startups

"D2 Startup Factory (D2SF)" is NAVER's tech startup accelerator. Its goal is to facilitate cooperation with tech startups by investing in startups with excellent technologies, and supporting their growth. Although there is a tremendous pace of innovation in a variety of technology areas including AI, robotics, autonomous driving, healthcare, AR, VR, and IoT, many tech startups are still experiencing challenges. It can be difficult to connect with investors who share their technology values, and there are not many partners who are willing to wait while the products are developed and can demonstrate their technological competitiveness. Directing its attention to the value and potential of technologies, D2SF invests in tech startups that provide user value with superior technologies. It not only invests directly in the growth of tech startups, it also offers high-end exclusive workspaces with enhanced accessibility and a cloud infrastructure for product development and service operations. Since its launch in May 2015 to the end of 2018, D2SF invested in 30 tech startups, 18 of which are carrying out or reviewing cooperative projects with NAVER, and 16 of which have succeeded in attracting follow-up investments. Due to its commitment to supporting tech startup communities, D2SF was named the best place to develop a startup in a survey of domestic founders.

NAVER D2 Startup Factory



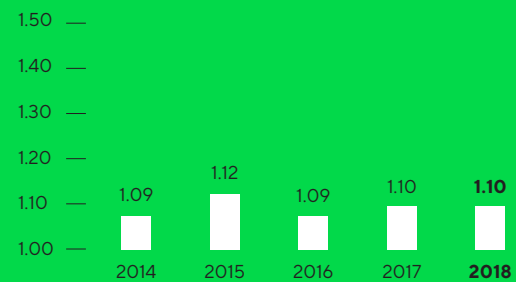
Tech Meets Startup



Green Energy

NAVER recognizes the integral role of the environment in sustainable business practices and is focusing significant attention on increasing its environmental sustainability. Our Data Center Gak, the first data center to be built by the nation's Internet company, is committed to eco-friendly management activities by making the utmost effort to minimize power consumption and maximize energy savings using technologies developed by NAVER. In addition, our office building, "NAVER Green Factory", which was designed to be energy-saving in consideration of the environment, achieves energy savings of 5% or more every year. Moving forward, NAVER will explore various ways to create environmental value not only in its business operations but also in everyday life.

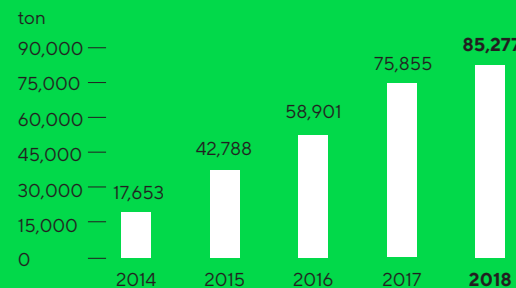
PUE Performance by year



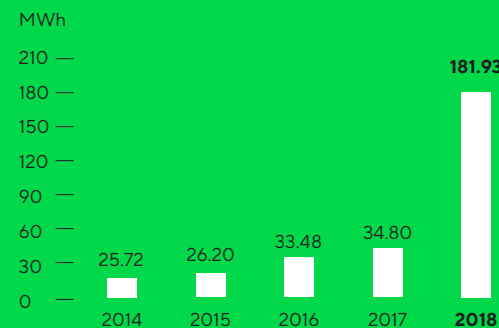
PUE Usage	PUE	Efficiency
	3.0	Very Inefficient
	2.5	Inefficient
	2.0	Average
	1.5	Efficient
	1.2	Very Efficient

* Power Usage Effectiveness (PUE): Referring to the ratio of total amount of energy used by a data center facility to the energy consumed by IT equipment, it is generally used as a measure of the efficiency of data centers. An ideal PUE is 1.0.

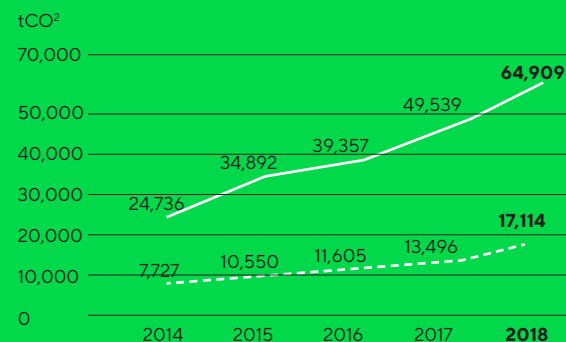
Use of clean water by year



Solar power generation by year



CO2 emissions by year



Eco-friendly Energy Use

Data Center Gak

An eco-friendly data center, created with advanced technologies

Opened in June 2013, Data Center Gak was built using a variety of technologies and expertise to lower the heat of the server. We have implemented various features, including snow melting, solar and photovoltaic power generation, and natural cooling systems. In recognition of these efforts, Data Center Gak received the Leadership in Energy and Environmental Design (LEED)-NC Platinum V2009 by reaching a score of 95, the highest of data centers worldwide in 2014. In 2018, Data Center Gak completed the second-phase construction of its South Building, by introducing a number of technologies to dramatically improve energy efficiency. For example, the filter cross-sectional area was enlarged to minimize the inflow resistance of natural air, and the bypass damper was applied inside the air conditioner to minimize internal resistance. Energy-saving DC fans were used to supply more air volume, and the exhaust fan structure was improved so that hot heat can be discharged quickly. The application of energy-efficient water heat storage system was expanded to the late-night thermal energy storage (TES) system, substantially reducing energy costs. As a result, we received the Grand Leaders Award from the Climate Change Center in 2018. That same year we were also given a prize for our invaluable contribution to social value creation by the Korea Energy Agency.

Achieving global-standard PUE

Data Center Gak is dedicated to maximizing energy savings by using the Air Misting Unit (AMU) filters, an eco-friendly server cooling technology. In addition, the Data Center has continuously maintained its power usage effectiveness at close to 1.0, the best performance among data centers in South Korea, as it operates using a range of eco-friendly technologies.

Using new, renewable and eco-friendly energy

Data Center Gak is committed to the efficient use of energy by using renewable energy from solar power, investing in relevant businesses, and employing LED lighting and electric vehicles. In 2018, the Center saved 181,925 kWh of electricity, a five-fold rise from the previous year, through the sharply improved solar power generation. This allowed it to reduce its CO₂ emissions by 84.8 tons.

Data Center Gak





Data Center Gak

Data Center Gak



NAVER Green Factory



NAVER Green Factory

NAVER's office building, "NAVER Green Factory", was designed as an energy-saving building, and has achieved energy savings of more than 5% every year through its energy-efficient features which include LED lighting and heat shielding office partitions. In addition, we encourage our employees to commute by bicycle and engage in energy-saving practices throughout the work day, by encouraging employees to use stairs instead of taking the elevators. In recognition of our eco-friendly management efforts, we received the LEED top-level "Platinum" certification by achieving the world's highest score in the building category in 2014, and won the Presidential Award at the Korea Energy Show in 2016.

1784, NAVER's Second Office Building

For our second office building, scheduled to open in 2020, we are making various efforts to create a safe and clean environment for local residents, reducing noise and dust during the construction stage and moving access roads to the building to reduce the impact on the surrounding community. We are also the nation's first company to carry out construction work using the "Noise Prevention Cover". In addition, we make the site safer and more eco-friendly by requesting input from noise and windborne dust consultants, supervisors, and UK safety experts. In 2017, we were named an excellent construction site in the 13th Best Practice for Construction Environment Management Contest, in recognition of our excellent management at our second office building construction site. The environment has since continued to be one of our top priorities when carrying out our construction projects.

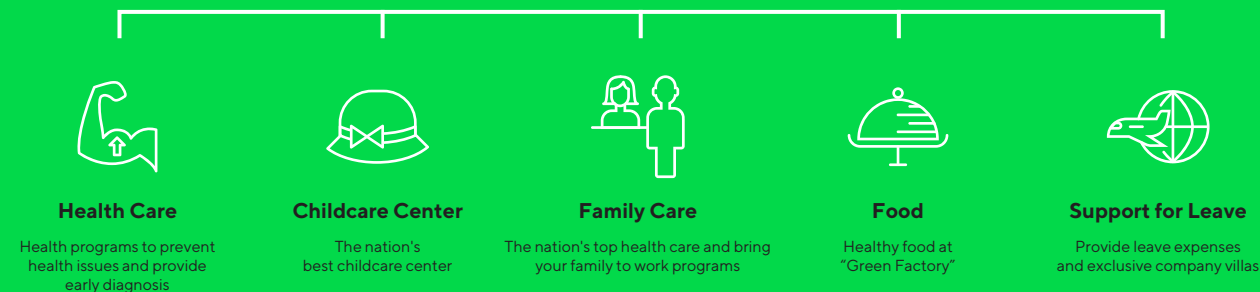
Better Workplace

NAVER is committed to creating an environment where all of its employees can work proactively and autonomously to meet the rapidly and constantly changing needs of users and marketplaces. We have also operated a rational personnel system that allows our staff members to make decisions, providing them with a sense of responsibility and a greater personal investment in the outcomes of their work.

Furthermore, we are taking the lead in creating a work environment that reduces discrimination and barriers including on the grounds of disability and age. In the libraries and cafes located inside the NAVER Green Factory, young people with developmental disabilities who belong to "BEAR. BETTER." work as librarians, baristas and cashiers. BEAR. BETTER. is a company that helps to secure employment for people with developmental disabilities, and NAVER is a proud partner. In 2009, we established a social enterprise named N-Visions, to provide the severely visually impaired with jobs, creating an opportunity to understand disabilities rather than viewing them as negative.



Health Care Programs for Employees and Their Families



Discrimination-Free Work Environment and Wide Range of Benefit Packages

NAVER has continuously recruited personnel in line with its corporate growth. The total number of employees was 3,584 as of the end of December 2018, an increase of 791 from the previous year. While we have removed discriminatory factors in our recruitment process, the proportion of male employees to female employees remains high as there continues to be fewer women working in the industry overall. The number of years in service does not differ significantly by gender. NAVER operates four childcare centers in cooperation with specialized workplace childcare facilities, and working mothers are allowed to use the working hour reduction program. We also operate a breast-feeding room with breast pumps in the "Green Factory". Thanks to our efforts to encourage the free use of childcare leave, 100% of our employees who have used this leave have returned to work in 2018, following 91% in 2016 and 97% in 2017. Going forward, NAVER will continue to provide a discrimination-free recruitment process, various benefit packages, and compensation so as to create an environment where everyone will be able to make the most of their individual expertise and produce the best performance in their respective fields.

Personnel Status by Year

Based on		December 2015	December 2016	December 2017	December 2018
Total number of employees	Male	1,413	1,649	1,791	2,283
	Female	984	1,044	1,002	1,301
	Total	2,397	2,693	2,793	3,584
Total number of full-time employees	Male	1,379	1,602	1,742	2,236
	Female	891	949	959	1,264
	Total	2,270	2,551	2,701	3,500
Percentage of full-time employees	Male	97.6%	97.1%	97.3%	97.9%
	Female	90.5%	90.9%	95.7%	97.2%
	Total	94.7%	94.7%	96.7%	97.7%
Number of years in service	Male	5.08	5.24	5.01	5.03
	Female	5.56	5.79	5.87	5.73
	Total	5.28	5.45	5.32	5.28
Number of employees in childcare leave		51	44	33	52

•The number of employees who are taking childcare leave as of the end of each year.

Male and Female Wage Status

	Male	Female	Gender Ratio
Average wage (Unit: KRW in million)	83.91	75.21	89.6%

Operating NAVER Valuable Opinion (NVO) for Labor-Management Cooperation

At NAVER, we operate a joint labor-management conference which is a consultative body under the Act on the Promotion of Worker Participation and Cooperation. Called NAVER Valuable Opinion, the conference solves problems by listening to the troubles and concerns brought forward by employees. In addition, we proactively review our HR system, leading to substantial improvements when the need is seen. We are pursuing the healthy development of NAVER through participation and cooperation between management and employees. In December 2018, a total of ten employees ran as candidates for the fifth term NVO, and nine of them were elected as its members by the vote of employees.

Practicing Ethical Management

By practicing corporate ethics, NAVER is raising its value in various relationships and pursuing its reputation as a transparent and trusted company. In addition to our Corporate Ethics Counseling Center, which allows employees to consult or report on violations of corporate ethics, we offer the Partners Line as a channel to hear the different opinions and requests of our partners. Through these efforts, we are striving to monitor and eradicate unfair business practices, illegality and corruption by employees of both our company and our affiliated companies, while doing our utmost to reflect a wide variety of partner opinions. NAVER will continue to internalize and implement ethical management by using strict ethical standards as a core value, and ensuring that our employees and partners comply with our Code of Conduct.

Code of Conduct



Employees and Executives

We strive to promote a workplace culture and environment that acknowledges and respects diversity, and helps employees to reach their full potential. We provide reasonable compensation based on the employee's abilities and performance, as well as an egalitarian work environment free from discrimination and bias.



Partners

We ensure fair and reasonable terms for our partners and vendors, as part of our goal to contribute to an online ecosystem of mutually beneficial relationships. Through fair conduct in trade and friendly competition with our rivals, we support inclusive growth.



Society

We endeavor to do our part as a socially responsible corporation, respecting the regulations and values of our society and engaging in diverse social initiatives. When our corporate values conflict with social values, we prioritize the social values.



Customers

The values of our customers provide the ultimate criteria by which we evaluate our business practices, and we persistently strive to create value for our customers. We are dedicated to remaining honest and trustworthy in all of our interactions with our customers, and are committed to remaining attuned to their feedback.



Shareholders

We adhere to reliable business practices that lead to fair and stable gains, and promote these values among our shareholders. We value our shareholders' trust, and thus we privilege transparency and prompt communication of important updates.

Data Privacy

Identifying personal data protection as a top priority, NAVER has strictly applied the "Privacy by Design Principles" so that the protection of privacy can be ensured for all services provided by the company. The "Privacy by Design Principles" are aimed at the appropriate application of technologies and policies that protect user privacy and data throughout the life cycle of services, from planning to completion. Since 2007, NAVER has applied these principles to all of its services through its own internal process called Privacy Impact Assessment (PIA).

With an aim for "Privacy as a Service" (PaaS) to provide the protection of privacy as one of the services that we offer, we have also opened the NAVER Privacy Center (privacy.NAVER.com), which is a comprehensive service related to the protection of users' personal data, a first in South Korea. We are also carrying out a number of initiatives that are based on research into user privacy protection. For example, various versions of personal data processing policies have been developed and implemented, allowing us to offer a better and more thorough personal data processing policy.

In order to actively communicate with users, we provide opportunities for them to participate in privacy protection improvement activities by operating an official blog and SNS for personal data protection and establishing a Privacy Enhancement Reward (PER) program.

In order to improve our user privacy protection, we have organized the NAVER Personal Data Protection Committee, consisting of top-tier experts in the field of personal data protection in South Korea, to receive and apply advice about data protection practices. The stability of our services and the reliability of our operating systems are also verified through reputable information protection certifications both at home and abroad.

We have secured transparency in personal data processing and continue our efforts to earn user trust. We were the first among domestic Internet companies to provide our transparency reports to the public. We have also disclosed our communication privacy protection operations, and implement external audits.

In addition to providing safe services, we are constantly taking measures to protect user privacy and create a safe Internet ecosystem. In order to share our expertise in personal data protection, we provide guidelines and other useful material through our Privacy Center and blogs, while hosting lectures and educational programs related to personal data protection. We also publish an annual Privacy Whitepaper by conducting research into user privacy protection, and hold seminars to discuss personal data protection from various perspectives.

In the future, NAVER will remain dedicated to protecting users' privacy while ensuring that users have access to information that affects them, and will share with our customers and partner companies useful knowledge related to personal data protection.

Disclosing Activities for Personal Data Protection

NAVER engages in a range of activities to provide reliable services, as well as to safely manage personal data. As South Korea's leading personal data protection company, we strive to provide a wide range of methods to protect users' personal data while contributing to the development of personal data protection in South Korea. Our major activities on the protection of personal data and privacy are disclosed through the NAVER Privacy Center.

Personal Data Protection by NAVER



Groundwork

In the interest of encouraging a culture of safe and secure internet usage, NAVER has hosted educational programs, campaigns, and training sessions for startups and individual developers on user data protection.



Transparency

As the first South Korean company to release reports on transparency, NAVER continues to publish a transparency report twice a year. In addition, NAVER releases evaluations from external organizations of NAVER's efforts to protect user data.



Communication

NAVER remains open about its efforts to protect user data, with its "Yearly Report on Personal Data Protection." Through its official blog on data protection, as well as its social media accounts, NAVER also encourages direct feedback from users on data and privacy issues.



Research

Through research into domestic data protection trends and case studies, as well as collaboration with external consultants, NAVER works ceaselessly to improve personal data security. The regularly published Privacy Whitepaper also represents NAVER's commitment to the advancement of user data protection in South Korea.

Data Protection Certifications

NAVER has acquired, and continues to maintain, various certifications that ensure its privacy protection measures up to standards of security and legality, including standards specific to particular industries.

Data Protection Certification



SOC 2, 3



Information Security Management System (ISMS)



Personal Information Management System (PIMS)



ISO/IEC 27001, 27017, 27018



PCI DSS

Publishing Reports on Personal Data Protection Activities

NAVER publishes transparency reports, personal data protection reports, a Privacy Whitepaper, and other reports annually, by collecting the results of its activities for the protection and guarantee of users' rights, personal data protection, and specialized research related to personal data protection. Going forward, we will continue our efforts to guarantee world-class protection of users' privacy while providing safe services.

Reports on personal data protection



Transparency Report (Statistics)

To ensure that the rights of its users are properly protected, NAVER releases a transparency report twice a year.



Personal Data Protection Report

NAVER regularly publishes a personal data protection report, a compilation of NAVER Corp.'s efforts to protect user data.



Privacy Whitepaper

NAVER Corp. regularly publishes a compilation of expert studies on the protection of user privacy.

PER System for Privacy Protection

NAVER is the only company in South Korea to operate the Privacy Enhancement Reward (PER) system. In response to privacy concerns, we receive opinions on NAVER's services directly from users and amend our services accordingly. The PER system has grown consistently since its official implementation in 2016, with the number of applications received on a rising steadily. In 2018, a total of 243 cases were received, a dramatic increase from 60 cases in 2016 and 79 cases in 2017. Of these, 69 opinions were actually reflected in changes to NAVER's services. The results of the PER operation are disclosed to the public through the official blog of NAVER Privacy every six months, and the results of its yearly operations are reported in infographics to enable easy understanding by users.

Goals of the PER System



Observe privacy laws



Preemptively detect and prevent personal data exposure



Provide opportunities to safeguard privacy rights



Address privacy vulnerabilities through collective intelligence



MANAGEMENT'S DISCUSSION AND ANALYSIS

Disclaimer

The Management Discussion and Analysis contains information about not only the current operating performances and financial conditions of NAVER Corporation (NAVER hereinafter) but also its future goals and strategies in accordance with a prospect of the domestic economy and Internet industry. Readers and potential investors should be aware that statements regarding NAVER's operating environment and market outlook can be affected significantly by unforeseeable future events. Therefore, the company's future business results and performances may differ substantively from those described herein.

In addition, NAVER does not guarantee either the accuracy or the completeness of the information given below. Statements concerning the company's past achievements and future prospects must not be construed as constituting definite promises or guarantees, and NAVER is under no obligation to publish or otherwise provide additional information regarding unforeseen future events.

NAVER's consolidated financial statements have been made by applying the Korean International Financial Reporting Standard in compliance with Article 13, Clause 1, Item 1 of the Act on External Audits of Stock Companies. The company also prepared its non-consolidated financial statements using the same method. The Management Discussion and Analysis was prepared on a consolidated basis, unless stated otherwise.

Reflecting changes in its services and businesses, NAVER classified its revenue by business into five categories: Advertising; Business Platform; IT Platform; Content Service (NAVER); and LINE & Other Platforms (LINE). This was done to provide shareholders and investors with information on our performance in accordance with our internal resources management for efficiency and transparency.

I. INTRODUCTION

NAVER was established on June 2, 1999 with the goal of offering South Korean and other Internet users the widest possible selection of online services. The company listed its shares on the Korean Securities Dealers' Automated Quotations (KOSDAQ) market on October 29, 2002, and then transferred its share listing to the Korea Composite Stock Price Index (KOSPI) market on November 28, 2008. As of August 1, 2013, the company spun off the Hangame business. The company then changed its name from NHN Corporation to NAVER Corporation and listed this new name on the KOSPI on August 29, 2013.

The company offers competitive online and mobile services such as "NAVER", South Korea's No.1 Internet search portal, and "LINE", a global mobile platform. Revenues are generated by our five major businesses: Advertising, which encompasses both display and video advertising and banner ads within Band; Business Platform, which includes shopping searches; IT Platform, which consists of NAVER Pay, IT services, NAVER Cloud Platform, and LINE WORKS; Content Service, which is composed of NAVER Music, NAVER Webtoon, and V LIVE; and LINE & Other Platforms.

The number of domestic wired and wireless Internet users has rapidly increased, reaching 46.12 million as of the end of 2018 with the rate of Internet use standing at 91.5%, according to the Korea Internet and Security Agency. This solid foundation led to the dramatic growth of Internet-related businesses including online ads, digital content sales, and e-commerce. Notably, the popularization of smartphones has catalyzed the increase of mobile Internet users around the world, stimulating the development of new mobile Internet services and products and ensuring sustainable growth of the Internet industry at home and abroad.

NAVER is a global ICT company that serves South Korea's largest search portal, NAVER, as well as the LINE mobile messenger, used by 200 million people around the world, the SNOW video camera and the NAVER Webtoon digital webtoon content service. Through continuous R&D into AI, robotics, mobility and other future technologies, NAVER strives to grow together with its multitude of users and partners around the world (of all nationalities?) while seeking change and innovation into a technology platform.

Subsidiaries for consolidated reporting as of the end of 2018

NAVER has expanded its service area and intensified business capability through continued cooperation with promising SMEs and venture companies as well as direct and indirect investments including mergers and acquisitions. As of the end of 2018, NAVER was the parent company to 116 subsidiaries. A total of 34 companies - including LINE Financial, Studio N, and N Store - were newly incorporated, while 16 companies - such as Camp Mobile, I Connect, Line Mobile and Gogolook - were excluded due to the selling of stake and acquisition during the year. Our subsidiaries for consolidated reporting as of the end of 2018 are as follows:

(KRW in billions, %)

	Company name	Major business	Ownership	Assets
Major subsidiaries (15)	LINE	Mobile service development	73.36	4,592
	LINE Financial	Finance	100	587
	LINE Plus	Portal and Internet information service	100	541
	NAVER France	Investment and information service	100	305
	LINE BIZ+ Taiwan	Mobile billing planning and development	70.01	281
	LINE Financial Asia Corporation Limited	Finance	100	257
	NAVER Webtoon	Software development and supply	100	196
	LINE Pay	Mobile billing planning and development	100	155
	LINE Digital Frontier	Software development and supply	100	147
	SB Next Media Innovation Fund	Investment	95.04	120
	LINE Friends	Character goods and dolls wholesale and retail	100	113
	SNOW	Software development and supply	100	112
	LINE Taiwan	Mobile service	100	106
	LFG HOLDINGS	Character goods and dolls wholesale and retail	100	105
	NAVER J. Hub	Investment	100	84
Other subsidiaries (101)	BALIE, Beijing Wangzhongwenda Technology, Broccoli Entertainment, Camp Mobile, CHOCO LABS, CHOCO Media, Dongman Entertainment, Five, Gatebox, LINE Book Distribution, LINE Company (Thailand), LINE Credit, LINE Digital Technology (Shanghai), LINE Euro-Americas, LINE Financial Taiwan, LINE Friends Japan, LINE Friends, LINE Friends(Shanghai) Commercial Trade, LINE Fukuoka, LINE Game Global Gateway, LINE Growth Technology, LINE Life Global Gateway, LINE Part Time Job(formerly, AUBE), LINE Securities Preparatory, LINE SOUTHEAST ASIA(formerly, LINE BIZ+), LINE Tapas, LINE TECH PLUS, LINE TECHNOLOGY VIETNAM, LINE TICKET, LINE Ventures, LINE Ventures Global Limited Liability Partnership, LINE Ventures Japan Limited Liability Partnership, LINE VIETNAM JOINT STOCK COMPANY, LVC, LVC Hong Kong, LVC USA, M.T. Burn, Mirai Fund LLP, Mission World Group, MIXRADIO, myBridge, NAVER Business Platform America, NAVER Business Platform Asia Pacific, NAVER Business Platform Europe, NAVER Business Platform Japan, NAVER China, NAVER-KTB Audio Contents Fund, Next Library, PT.LINE PLUS INDONESIA, Shine Interactive, SHINEWANT TECHNOLOGY, Silent Illumination, SNOW, SNOW China, SNOW China (Beijing), SNOW Japan, Unblock Ventures, Watong Entertainment, WAV Media, WAV Recordings, Webpay, Webpay Holdings, WEBTOON Entertainment, Works Mobile Japan, Xiaying Entertainment, Yiruike Information Technology (Beijing), Grayhash, Green Web Service, Nemustech, NAVER Labs, NAVER Business Platform, NAVER I&S, Drama & Company, LINE Game Investment Fund, Line Biz Plus, LINE Studio, LINE C&I, Line Up, Line Financial Plus, LINE PLAY, Lico, Markt, Search Solution, Studio N, Spring Camp, SpringCamp Early Stage Fund 1, Amuse, Unblock (formerly, Bapul), Unchain, N-Visions, N Store, NITService, N Tech Service, Audiensori, Works Mobile, InComms, CommPartners, Company AI, TBT Global Growth Fund I, Playlist, HEART IT			

II. SUMMARY OF OPERATING PERFORMANCES

In response to increasing environmental changes, NAVER has been dedicated to creating new growth engines in the domestic, global and new business areas based on its capabilities. In 2018, we focused on the user and on using technology to develop solutions to users' problems. We also concentrated on growing together with our users and other stakeholders, by becoming a true technology and commerce platform that is focused on supporting users with our advanced technologies.

We also focused on connection, which is the essence of the Internet, by developing a wide spectrum of connection technologies. This included promoting connection between artificial intelligence and tool technologies, and between search and AI platforms. Based on these technologies, we committed our efforts to providing users with more and better opportunities by dramatically extending the time and space in which our users and other stakeholders are interconnected.

Our consolidated operating revenue surged 19.4% over the year to KRW 5.587 trillion, led by the solid growth of each subsidiary. Operating expenses increased, resulting from our aggressive investments in technological paradigm shifts, along with mobile growth slowdowns, a sluggish domestic economy, and greater competition from global players in areas including videos, SNS, shopping, AI speakers and cloud. Operating income and net income decreased by 20.1% and 18.5%, respectively, to KRW 942.5 billion and KRW 627.9 billion. Operating margin stood at 16.9%.

Ongoing investments are inevitable, to maintain the competitiveness of our existing services and expand global markets, and securing high-caliber human resources is the most important investment. In this respect, we will continuously strive to secure talents with a global outlook. It is very difficult to anticipate the outcomes of investments or to predict performance in the highly competitive and rapidly changing Internet industry. We will continue our proactive efforts to inspire new growth, however, by making use of our past experience with achieving great growth as a result of expansion into new areas of business, while also managing our investments efficiently.

(KRW in billions, %)

	Consolidated			Non-consolidated		
	FY 2017	FY 2018	% change	FY 2017	FY 2018	% change
Operating revenue	4,678.5	5,586.9	19.4%	2,930.7	3,459.0	18.0%
Operating income	1,179.2	942.5	(20.1%)	1,178.2	1,263.5	7.2%
Operating margin (%)	25.2%	16.9%	(8.3%p)	40.2%	36.5%	(3.7%p)
Net income	770.1	627.9	(18.5%)	849.4	900.4	6.0%

1. OPERATING REVENUE

Operating revenue in 2018 amounted to KRW 5.59 trillion, of which 63.2% was contributed by NAVER (Advertising 10.3%, Business Platform 44.3%, IT Platform 6.4%, and Content Service 2.3%), and 36.8% by LINE & Other Platforms, which recorded similar portions to those in the previous year. All business sectors grew evenly.

(KRW in billions, %)

	Consolidated			
	FY 2017	FY 2018	% change	Ratio to Sales
Operating revenue	4,678.5	5,586.9	19.4%	100.0%
NAVER	2,933.7	3,530.4	20.3%	63.2%
Advertising	461.3	573.0	24.2%	10.3%
Business Platform	2,153.0	2,475.8	15.0%	44.3%
IT Platform	217.8	355.8	63.4%	6.4%
Content Service	101.5	125.8	23.9%	2.3%
LINE & Other Platforms	1,744.8	2,056.5	17.9%	36.8%

NAVER

NAVER is South Korea's leading Internet search portal and boasts the largest market share for searches, attracting an average of about 30 million mobile visitors a day. NAVER continues to strengthen its existing business capabilities, by expanding its commerce platform through the introduction of AI-based technologies and the increase of its content, while enhancing its videos. It also offers voice and image-based new user experiences. NAVER Webtoon, V LIVE and Band are enjoying steady growth in their number of users both at home and abroad, while NAVER Cloud Platform and LINE WORKS are also performing well in the B2B market. Through these efforts, we will evolve into a technology and commerce platform that provides our users with the convenience of connection and the pleasure of discovery, and our partners with an opportunity for success and growth.

Advertising

The Advertising business is a product designed to deliver our advertisers' commercial messaging directly to users. NAVER operates the display advertising business, including banner ads, thematic ads, video ads and banner ads within Band, through its online and mobile platforms, using its superior media capabilities. We are making ongoing and substantive efforts to improve the advertising impacts by upgrading our ad platforms and launching a wide variety of new products.

Business Platform

The Business Platform is a product aimed at boosting business activities by connecting partners' sales strategies with user demand as informed by information searches conducted through NAVER. NAVER's Business Platform offers search ads and Shopping Search ads through online and mobile platforms, and is seeing steady growth through ongoing product improvement, shopping search ad category expansion, and mobile search upgrades using AI technology.

IT Platform

The IT Platform business is related to the many technological elements that support smooth business operations within NAVER platforms, and mainly comprises NAVER Pay, NAVER Cloud Platform, IT services, and LINE WORKS. We saw noticeable performance improvements as NAVER Pay's transaction value and merchant stores continued to increase, and the Cloud Platform, LINE WORKS and other B2B operations grew.

Content Service

The Content Service business provides a content ecosystem in which creators and consumers of creative content interact freely. The Content Service business operated by NAVER includes webtoons, music and V LIVE. Using our advanced technologies, we provide diverse content and services that have led to an impressive increase in the number of global users every year. We are also working to develop diverse revenue models.

LINE & Other Platforms

LINE has grown into a "global smart portal" that connects people, businesses and services, and brings a variety of fun and entertaining options to its users. We offer our communication and content services, centering around four major countries of Japan, Taiwan, Thailand and Indonesia, while steadily widening our business territories through commerce and NAVER Pay. We are consistently introducing new and beneficial services by expanding our investment in FinTech and other future technologies. SNOW is also making various attempts to secure global users by unveiling new content and services.

2. PROFITABILITY

Operating expenses in 2018 amounted to KRW 4.64 trillion, a rise of 32.7% from the previous year. Platform development and operation expenses increased 25.2%, affected by an increase in employment following our active R&D efforts. Agent and partner expenses, which make up the largest portion in our operating expenses, climbed 20.8%, due to an upsurge in commissions in sync with sales.

Infrastructure expenses expanded 17.5% to KRW 264.3 billion, caused by the continued infrastructure-related investment following an increase in traffic and a rise in depreciation volume. Marketing expenses soared 39.5% to KRW 338.3 billion. This was attributed to an increase in points accumulation following the growth of NAVER Pay transactions. LINE and Other Platforms recorded KRW 2.25 trillion in operating expenses, up 43.3%, because of expanding investments in strategic undertakings.

As a result, our consolidated operating income in 2018 decreased by 20.1% from the year before to KRW 942.5 billion. Our operating margin was 16.9%. Although our margin has been on a slight downturn due to our continuous investments and expansion of human resources, technologies that we secured through preemptive investment to ensure technological competitiveness have been applied to our overall services, realizing substantial achievements. Our global operations, in which we are investing to secure next-generation growth engines, are also producing good results. We will continue our unremitting efforts to produce meaningful outcomes.

(KRW in billions, %)

	Consolidated			
	FY2017	FY2018	% change	Ratio to Operating Expenses
Operating Revenue	4,678.5	5,586.9	19.4%	
Operating Expenses	3,499.3	4,644.4	32.7%	
Platform development & operations	605.6	758.5	25.2%	16.3%
Agency & Partner Commission	857.2	1,035.4	20.8%	22.3%
Infrastructure	225.0	264.3	17.5%	5.7%
Marketing	242.5	338.3	39.5%	7.3%
LINE & Other Platforms	1,569.0	2,247.9	43.3%	48.4%
Operating Income	1,179.2	942.5	(20.1%)	
Operating Margin (%)	25.2%	16.9%	(8.3%p)	
Net income	770.1	627.9		
Net Margin (%)	16.5%	11.2%	(5.3%p)	

III. FINANCIAL POSITION

NAVER remains dedicated to achieving optimal business performance and capital structure with efficient financial strategies, while also ramping up our future competitiveness through new value creation. To this end, we are making investment decisions with consideration to growth potential and profitability, creating stable cash flow, managing working capital, and implementing financial strategies for maximizing shareholder value.

NAVER applied "Financial Instruments" in the Korean International Financial Reporting Standards (K-IFRS) No. 1109, with January 1, 2018 as the first date of application, and did not rewrite the consolidated financial statements of the previous fiscal year in accordance with transitional provisions. In addition, we adopted "Revenue from contracts with customers" in the K-IFRS No. 1115, and did not rewrite the consolidated financial statements with comparisons in accordance with transitional provisions. For further information on the effects of these decisions, please refer to Note 36 to the consolidated financial statements.

1. ASSETS

Our consolidated total assets at the end of 2018 stood at KRW 9.88 trillion, an increase of 23.2% from the previous year. Current assets and non-current assets were re-classified following the application of K-IFRS No. 1109.

Current Assets

Current assets grew 12.6% year-on-year to KRW 5.39 trillion. This resulted from the efficient management of key items, along with business growth. NAVER is constantly monitoring liquidity to keep its liquidity volume at an appropriate level and to meet capital requirements such as working capital.

Non-current Assets

Non-current assets amounted to KRW 4.496 trillion, up 39.0% from the previous year. This was attributed to an increase in technology and content-related investment to enhance future competitiveness. In 2018 NAVER spent KRW 1.40 trillion for R&D expenses and KRW 958.8 billion for external investment expenses.

(KRW in billions, %)

	Consolidated			Non-consolidated		
	FY2017	FY2018	% change	FY2017	FY2018	% change
Current assets	4,784.2	5,385.6	12.6%	2,629.9	1,227.0	(53.3%)
Cash and cash equivalents	1,907.6	3,322.9	74.2%	457.8	111.0	(75.8%)
Short-term financial instruments	1,333.9	444.7	(66.7%)	1,196.2	232.3	(80.6%)
Financial asset at fair value through profit or loss	274.5	0.0	(100.0%)	247.4	0.0	(100.0%)
Financial asset as measured at fair value through profit or loss	0.0	230.8	-	0.0	103.8	-
Financial asset as measured at fair value through other comprehensive income	0.0	62.7	-	0.0	32.8	-
Trade and other receivables	1,026.9	1,101.6	7.3%	612.7	707.0	15.4%
Others	241.4	222.9	(7.7%)	115.8	40.1	(65.4%)
Non-current assets	3,235.0	4,495.6	39.0%	2,712.5	4,701.6	73.3%
Tangible assets	1,150.0	1,457.3	26.7%	765.3	806.9	5.4%
Intangible asset	339.5	307.0	(9.6%)	40.4	38.7	(4.2%)
Long-term financial instruments	120.3	26.0	(78.4%)	43.8	21.2	(51.6%)
Financial asset as measured at fair value through profit or loss	0.0	553.4	-	0.0	1,151.9	-
Financial asset as measured at fair value through other comprehensive income	0.0	666.7	-	0.0	440.0	-
Available-for-sale financial assets	943.6	0.0	(100.0%)	794.1	0.0	(100.0%)
Investments in affiliates	281.0	1,001.4	256.4%	962.4	2,102.3	118.4%
Others	400.6	483.8	20.8%	106.5	140.6	32.0%
Total assets	8,019.3	9,881.2	23.2%	5,342.4	5,928.6	11.0%

2. LIABILITIES

Consolidated total liabilities stood at KRW 3.93 trillion at the end of 2018, up 44.9% over the year. This was due to an increase in non-current liabilities involving the new issuance of convertible bonds and new long-term borrowings. Other changes are standard following the growth of business, including borrowing and repayment, such as the repayment of current portion of debentures, issuance of bonds by LINE subsidiary, and short-term borrowings for ordinary financial activities.

NAVER is actively engaged in capital risk management to maintain a sound capital structure. The debt ratio is one of the various capital management indicators, and NAVER has maintained an overall low debt-to-equity ratio by implementing efficient debt management based on its satisfactory operating performance. Our consolidated debt-to-equity ratio stood at a very satisfactory 66.1% at the end of the year.

(KRW in billions, %)

	Consolidated			Non-consolidated		
	FY2017	FY2018	% change	FY2017	FY2018	% change
Current liabilities	2,302.7	2,619.7	13.8%	1,266.8	1,210.8	(4.4%)
Trade and other payables	770.7	896.3	16.3%	322.6	308.7	(4.3%)
Short-term borrowings	211.0	349.8	65.8%	0.0	0.0	-
Current portion of debentures	150.0	0.0	(100.0%)	150.0	0.0	(100.0%)
Current tax liabilities	305.7	278.0	(9.1%)	277.1	226.2	(18.4%)
Others	865.3	1,095.6	26.6%	517.1	675.9	30.7%
Non-current liabilities	411.3	1,312.4	219.1%	141.7	160.9	13.5%
Long-term borrowings	49.9	100.1	100.6%	0.0	0.0	-
Debentures	0.0	711.6	-	0.0	0.0	-
Liabilities for defined benefit obligations	284.0	344.8	21.4%	129.3	152.5	17.9%
Others	77.4	155.9	101.4%	12.4	8.4	(32.3%)
Total liabilities	2,714.1	3,932.1	44.9%	1,408.5	1,371.7	(2.6%)

3. SHAREHOLDERS' EQUITY

The company's consolidated total shareholders' equity at the end of 2018 recorded KRW 5.95 trillion, an increase of 12.1% year-on-year. Change in other capital is primarily caused by the acquisition of treasury shares. As of the end of 2018, NAVER had 18,630,305 treasury shares (11.3% of issued shares as of the end of 2018). Retained earnings increased due mainly to a rise in unappropriated retained earnings led by continuous profit creation.

Meanwhile, NAVER split up its registered common shares (face value of KRW 500 per share) into five shares (face value of KRW 100 per share), following the vote on stock split ups at an extraordinary shareholders' meeting on September 7, 2018.

NAVER has maintained its dividend policy at the 30% level of its free cash flow. In 2018, we secured a portion of one-off gains, including gains on the disposal of financial assets, as additional resources for our dividend policy. Based on this, we plan to purchase treasury shares worth approximately KRW 100.0 billion, along with paying out cash dividends to shareholders.

(KRW in billions, %)

	Consolidated			Non-consolidated		
	FY2017	FY2018	% change	FY2017	FY2018	% change
Share capital	16.5	16.5	0.0%	16.5	16.5	0.0%
Share premium	1,507.9	1,541.0	2.2%	362.4	362.4	0.0%
Other capital	(1,317.5)	(1,546.4)	17.4%	(1,178.4)	(1,477.5)	25.4%
Retained earnings	4,555.5	5,229.2	14.8%	4,733.3	5,655.5	19.5%
Non-controlling interests	542.8	708.8	30.6%	0.0	0.0	-
Total equity	5,305.2	5,949.1	12.1%	3,933.9	4,556.9	15.8%

IV. CASH FLOWS

Consolidated cash and cash equivalents soared by 74.2% from the previous year to total KRW 3.23 trillion at the end of 2018. Cash flow from operating activities edged up by 3.6% to KRW 973.5 billion. Cash flow from operating activities has remained stable every year, based on the solid growth of each business. Cash flow from investing activities stood at (-) KRW 388.3 billion. This was led by changes relating to a wide variety of financial instruments, and investing activities to retain our competitive edge and create new values continued through 2018. Capital expenditures increased by 13.5% to KRW 575.1 billion from KRW 506.7 billion in 2017. Cash flow from financing activities advanced by 18.0% to KRW 751.0 billion. NAVER's continuous dividend policy involves investing in the establishment of new businesses and sustainable management, based on its stable cash flow; appropriately managing surplus funds; acquiring treasury shares; and paying dividends.

(KRW in billions, %)

	Consolidated			Non-consolidated		
	FY2017	FY2018	% change	FY2017	FY2018	% change
Cash flow from operating activities	940.0	973.5	3.6%	911.5	980.4	7.6%
Cash flow from investing activities	(1,310.3)	(388.3)	(70.4%)	(1,122.1)	(1,009.6)	(10.0%)
Cash flow from financing activities	636.2	751.0	18.0%	465.9	(316.9)	(168.0%)
Effect of exchange rate changes on cash and cash equivalents	(84.6)	79.1	(193.5%)	(1.2)	(0.7)	(41.7%)
Net increase in cash and cash equivalents	181.3	1,415.3	680.6%	254.1	(346.8)	(236.5%)
Cash and cash equivalents at the beginning of the year	1,726.2	1,907.6	10.5%	203.7	457.8	124.7%
Cash and cash equivalents at the end of the year	1,907.6	3,322.9	74.2%	457.8	111.0	(75.8%)

V. OUTLOOK FOR 2018 AND BUSINESS PLANS

In 2019, the business environment surrounding NAVER will continue to change rapidly. Global competition in the areas of commerce and videos will be further intensified, and new technologies like AI, autonomous driving and 5G will converge with various industrial sectors, accelerating the Fourth Industrial Revolution. In order to achieve sustainable growth in this rapidly changing environment, NAVER plans to expand its preemptive technology investments while securing new growth engines in domestic and global new business areas based on its core competencies.

In the commerce area, where we are leading the domestic market, we will enhance the competitiveness of NAVER Shopping by improving our support and services for producers and buyers, and continue to create a data-based commerce ecosystem in which we grow with small and medium-sized businesses. In order to boost the consumption of video content, we plan to completely reorganize our services so that the flow from video content production to playback will be seamlessly connected in all of our services.

Regarding the global businesses that we are investing in for next-generation growth engines, we will make every effort to achieve positive results. NAVER Webtoon will achieve full-fledged growth by accelerating domestic revenue models and expanding content exchanges between countries. V LIVE will continue to build solid growth foundations by diversifying its revenue models while improving its services and increasing its content.

We also aim to create new opportunities in the B2B businesses like LINE WORKS and NAVER Cloud Platform. LINE WORKS will produce meaningful achievements in the global market through preemptive market entries and continuously enhanced competitiveness. NAVER Cloud Platform plans to expand its market share by leveraging the advantages of domestic players in the public service and medical markets and through preemptive market entries.

At the same time, we will secure global core talents so as to provide valuable services in line with the increasing importance of online and offline connections in the future. We will continue our commitment to securing global top-level competitiveness, including carrying out preemptive R&D into future technologies such as AI, robotics and autonomous driving.

INDEPENDENT AUDITOR'S REPORT

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of NAVER Corporation

Opinion

We have audited the accompanying consolidated financial statements of NAVER Corporation and its sub-sidiaries (collectively referred to as the "Group") which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Revenue recognition of search advertisement service

Key Audit Matter

The Group has recognized search advertisement service revenues when a platform user has searched relevant information and executed related activities on the Group's platform (Note 2). For the year ended December 31, 2018, total revenue and search advertisement revenue are W 5,587 billion and W 2,141 billion, respectively.

The Group generates its revenue primarily from search advertisement service and is highly dependent on complex systems to record and identify eligible activities for revenue recognition. Given the size of the search advertisement service revenue amount and inherent risks arising from complex technology, we considered revenue recognition (existence and occurrence) from search advertisement as key audit matter.

How our audit addressed the Key Audit Matter

Our procedures included:

- Obtaining an understanding of the Group's accounting policy and process, evaluated design and tested operating effectiveness of internal controls in relation to search advertisement service revenue recognition.
- Assessing and testing the environment of the IT systems including program and data assess, program change, program development and computer operations.
- Testing accuracy and completeness over the data interface; from business support systems to billing systems and accounting system.
- Testing existence and occurrence by examining related supporting data and cash receipts on a sample basis.

(2) Fair valuation of financial assets categorized in Level 3

Key Audit Matter

As at December 31, 2018, the Group's financial assets carried at fair value amount to W 1,513 billion, of which W850 billion were categorized in "Level 3 financial assets" measured based on unobservable valuation inputs (Note 5).

Judgement is required in estimating the fair value of these financial assets in determining appropriate models, assumptions and inputs. Given the size of the balance and the extent of judgement involved in valuing these Level 3 financial assets, we considered this to be a key audit matter.

How our audit addressed the Key Audit Matter

Our procedures included:

- Evaluating competency and independence of valuation expert engaged by the Group.
- Evaluating appropriateness of valuation model, inputs and assumption used in valuation by management on a sample basis.
- Involving our own valuation specialist to independently estimate fair value, on a sample basis, with same models, inputs and variables used by management and comparing the results to management's estimates to see whether there is any significant discrepancies.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with

Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and

whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chang-Ik Kim, Certified Public Accountant.

Seoul, Korea

March 11, 2019

This report is effective as of March 11, 2019, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

December 31, 2018 and 2017

NAVER Corporation and Subsidiaries

(in Korean won)

	Notes	December 31, 2018	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents	6, 7	3,322,884,102,567	1,907,575,060,667
Short-term financial instruments	6, 7	444,702,261,235	1,333,889,498,274
Financial assets at fair value through profit or loss	5, 6, 7	-	274,532,710,666
Financial assets at fair value - profit or loss	5, 6, 7	230,774,469,760	-
Trade and other receivables	6, 7	1,101,551,045,302	1,026,872,808,889
Available-for-sale financial assets	5, 6, 10	-	79,435,727,110
Financial assets at fair value - other comprehensive income	5, 6, 7	62,725,505,906	-
Inventories	9	57,440,292,749	36,204,513,812
Current tax asset		8,044,073,349	1,099,626,162
Other current assets	11	157,447,835,597	124,617,831,303
		5,385,569,586,465	4,784,227,776,883
Non-current assets			
Property and equipment	12	1,457,302,209,262	1,150,012,698,630
Intangible assets	13	306,963,470,197	339,511,680,983
Long-term financial instruments	6	25,990,573,425	120,301,393,998
Financial assets at fair value through profit or loss	5, 6, 7	-	39,151,181,682
Financial assets at fair value - profit or loss	5, 6, 7	553,399,539,414	-
Trade and other receivables	6, 7	113,160,988,276	74,199,645,388
Available-for-sale financial assets	5, 6, 10	-	943,632,439,930
Financial assets at fair value - other comprehensive income	5, 6, 7	666,651,322,237	-
Held-to-maturity financial assets	6	-	2,660,696,298
Investments in associates and joint ventures	14	1,001,362,122,331	280,997,122,915
Deferred tax assets	27	340,178,774,174	248,493,530,447
Other non-current assets	11	30,612,323,543	36,063,392,760
		4,495,621,322,859	3,235,023,783,031
Total assets		9,881,190,909,324	8,019,251,559,914

[Continued]

December 31, 2018 and 2017

(in Korean won)

	Notes	December 31, 2018	December 31, 2017
Liabilities			
Current liabilities			
Trade and other payables	4, 6, 15	896,276,258,656	770,724,455,666
Financial liabilities at fair value through profit or loss	5, 6	7,418,409,882	30,360,536
Short-term borrowings	4, 6, 17	349,846,018,275	211,011,222,442
Current portion of long-term borrowings	4, 6, 17	26,991,114	-
Current portion of debentures	4, 6, 17	-	150,000,000,000
Current tax payables		277,992,093,674	305,730,913,120
Provisions	18	2,462,733,532	5,897,847,971
Other current liabilities	16	1,085,649,147,454	859,335,494,500
		2,619,671,652,587	2,302,730,294,235
Non-current liabilities			
Trade and other payables	4, 6, 15	23,370,588,587	11,652,173,744
Financial liabilities at fair value through profit or loss	5, 6	2,785,234,016	4,608,180,098
Long-term borrowings	4, 6, 17	100,061,591,213	49,933,677,257
Debentures	4, 6, 17	711,561,946,218	-
Net defined benefit liabilities	19	344,780,260,840	284,033,206,529
Provisions	18	42,423,909,342	34,765,546,071
Deferred tax liabilities	27	86,244,846,912	25,177,671,162
Other non-current liabilities	16	1,150,366,316	1,164,575,869
		1,312,378,743,444	411,335,030,730
Total liabilities		3,932,050,396,031	2,714,065,324,965
Equity			
Equity attributable to owners of the Parent Company			
Share capital	20	16,481,339,500	16,481,339,500
Share premium	20	1,540,985,517,982	1,507,878,510,842
Other components of equity	21	(1,546,389,664,299)	(1,317,531,622,681)
Retained earnings	23	5,229,202,813,045	4,555,517,868,323
Non-controlling interest		708,860,507,065	542,840,138,965
Total equity		5,949,140,513,293	5,305,186,234,949
Total liabilities and equity		9,881,190,909,324	8,019,251,559,914

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2018 and 2017

NAVER Corporation and Subsidiaries

(in Korean won)

	Notes	2018	2017
Operating revenues	33	5,586,904,533,355	4,678,468,928,032
	24		
Operating expenses	23	(4,644,371,971,812)	(3,499,281,121,701)
Operating profit		942,532,561,543	1,179,187,806,331
Other income	25	316,773,923,951	35,057,161,984
Other expenses	25	(114,624,964,081)	(86,985,385,595)
Interest income		27,243,776,093	36,678,030,573
Other finance income	26	164,181,993,767	78,332,304,707
Finance costs	26	(139,365,243,783)	(32,414,107,346)
Share of net loss of associates and joint ventures	14	(85,069,772,652)	(14,026,821,694)
Profit before income tax expense		1,111,672,274,838	1,195,828,988,960
Income tax expense	27	(488,756,397,806)	(423,173,257,798)
Profit for the year from continuing operations		622,915,877,032	772,655,731,162
Profit (loss) from discontinued operations	34	4,985,996,300	(2,554,060,955)
Profit for the year		627,901,873,332	770,101,670,207
Profit (loss) for the year is attributable to:			
Owners of the Parent Company			
Profit from continuing operations		643,826,906,430	775,433,640,876
Profit (loss) from discontinued operations	34	4,985,996,300	(2,554,060,955)
Non-controlling interests		(20,911,029,398)	(2,777,909,714)

[Continued]

Years Ended December 31, 2018 and 2017

(in Korean won)

	Notes	2018	2017
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets		-	(1,660,488,494)
Reclassification due to disposal of available-for-sale financial assets		-	(21,149,295,045)
Gain on valuation of debt instruments at fair value - other comprehensive income		2,441,198,331	-
Exchange differences		77,213,086,172	(120,113,501,595)
Share of other comprehensive income of associates and joint ventures		20,523,957,234	(8,355,322,396)
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit liabilities		(7,085,480,963)	8,580,245,095
Loss on valuation of equity instruments at fair value - other comprehensive income		(105,238,566,292)	-
Gain on disposal of equity instruments at fair value - other comprehensive income		18,158,594,324	-
Share of other comprehensive income of associates and joint ventures		(137,313,796)	(164,582,919)
Other comprehensive income (loss) for the year, net of tax		5,875,475,010	(142,862,945,354)
Total comprehensive income for the year		633,777,348,342	627,238,724,853
Total comprehensive income (loss) for the year is attributable to:			
Owners of the Parent Company		627,230,960,514	672,515,439,629
Non-controlling interests		6,546,387,828	(45,276,714,776)
Earnings (losses) per share from continuing and discontinued operations to the equity holders of the Parent Company			
Basic earnings (losses) per share			
From continuing operations	28	4,403	5,330
From discontinued operations	28	34	(18)
Diluted earnings (losses) per share			
From continuing operations	28	4,403	5,314
From discontinued operations	28	34	(18)

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statements of Changes in Equity

Years Ended December 31, 2018 and 2017

NAVER Corporation and Subsidiaries

(in Korean won)

	Attributable to owners of the parent company						Total Equity
	Notes	Share Capital	Share Premium	Other Components of Equity	Retained Earnings	Non-controlling Interest	
Balance at January 1, 2017		16,481,339,500	1,217,201,126,674	(1,449,123,370,169)	3,810,189,403,596	534,850,363,339	4,129,598,862,940
Total comprehensive income for the year							
Profit for the year		-	-	-	772,879,579,921	(2,777,909,714)	770,101,670,207
Changes in the fair value of available-for-sale financial assets		-	-	(19,160,034,716)	-	(3,649,748,823)	(22,809,783,539)
Exchange differences		-	-	(78,917,839,096)	-	(41,195,662,499)	(120,113,501,595)
Share of other comprehensive income of associates and joint ventures		-	-	(7,316,335,389)	(164,582,919)	(1,038,987,007)	(8,519,905,315)
Remeasurements of net defined benefit liabilities		-	-	-	5,194,651,828	3,385,593,267	8,580,245,095
Transactions with owners							
Dividends		-	-	-	(32,581,184,103)	-	(32,581,184,103)
Share-based payment expenses		-	-	-	-	19,018,329,936	19,018,329,936
Disposal of treasury shares		-	198,906,442,679	223,384,587,753	-	-	422,291,030,432
Changes in ownership interest in subsidiaries that do not result in loss of control							
Acquisition of investments in subsidiaries		-	-	-	-	39,217,696,494	39,217,696,494
Share issuance of subsidiaries	35	-	118,548,791,706	13,601,368,936	-	(9,205,434,297)	122,944,726,345
Others		-	(26,777,850,217)	-	-	4,235,898,269	(22,541,951,948)
Balance at December 31, 2017		16,481,339,500	1,507,878,510,842	(1,317,531,622,681)	4,555,517,868,323	542,840,138,965	5,305,186,234,949

[Continued]

Years Ended December 31, 2018 and 2017

(in Korean won)

	Attributable to owners of the parent company						Total Equity
	Share Capital	Share Premium	Other Components of Equity	Retained Earnings	Non-controlling Interest		
Balance at January 1, 2018	16,481,339,500	1,507,878,510,842	(1,317,531,622,681)	4,555,517,868,323	542,840,138,965	5,305,186,234,949	
Changes in accounting policies	-	-	(64,788,048,920)	55,366,825,496	-	(9,421,223,424)	
Restated total equity at the beginning of the financial year	16,481,339,500	1,507,878,510,842	(1,382,319,671,601)	4,610,884,693,819	542,840,138,965	5,295,765,011,525	
Total comprehensive income for the year							
Profit for the year	-	-	-	648,812,902,730	(20,911,029,398)	627,901,873,332	
Gain (loss) on valuation of debt instruments at fair value - other comprehensive income	-	-	4,067,704,130	-	(1,626,505,799)	2,441,198,331	
Gain (loss) on valuation of equity instrument at fair value - other comprehensive income	-	-	(93,712,148,447)	-	(11,526,417,845)	(105,238,566,292)	
Gain on disposal of equity instruments at fair value - other comprehensive income"	-	-	114,374,500	18,044,219,824	-	18,158,594,324	
Exchange differences	-	-	37,883,152,845	-	39,329,933,327	77,213,086,172	
Share of other comprehensive income of associates and joint ventures	-	-	18,090,049,964	(137,313,796)	2,433,907,270	20,386,643,438	
Remeasurements of net defined benefit liabilities	-	-	-	(5,931,981,236)	(1,153,499,727)	(7,085,480,963)	
Transactions with owners							
Dividends	-	-	-	(42,469,708,296)	-	(42,469,708,296)	
Share-based payment expenses	-	-	-	-	14,503,846,869	14,503,846,869	
Acquisition of treasury shares	-	-	(124,458,933,570)	-	-	(124,458,933,570)	
Changes in ownership interest in subsidiaries that do not result in loss of control							
Increase due to business combination	-	-	-	-	6,840,967,703	6,840,967,703	
Share issuance of subsidiaries	-	13,432,968,459	(6,054,192,120)	-	197,947,525,810	205,326,302,149	
Others	-	19,674,038,681	-	-	(59,818,360,110)	(40,144,321,429)	
Balance at December 31, 2018	16,481,339,500	1,540,985,517,982	(1,546,389,664,299)	5,229,202,813,045	708,860,507,065	5,949,140,513,293	

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statements of Cash Flows

Years Ended December 31, 2018 and 2017

NAVER Corporation and Subsidiaries

(in Korean won)

	note	2018	2017
Cash flows from operating activities			
Cash generated from operations	28	1,455,189,893,246	1,294,925,991,320
Interest received		27,124,396,728	40,844,270,854
Interest paid		(10,694,341,270)	(2,113,445,772)
Dividends received		27,727,492,377	21,196,536,973
Income taxes paid		(525,841,072,928)	(414,871,355,687)
Net cash inflow from operating activities		973,506,368,153	939,981,997,688
Cash flows from investing activities			
Net decrease in short-term financial instruments		651,167,198,299	160,523,617,087
Increase in long-term financial instruments		(13,756,962,062)	(183,619,742,032)
Decrease in long-term financial instruments		12,000,000,000	10,000,000,000
Net decrease in financial assets at fair value through profit or loss		-	103,499,196,889
Net decrease in financial assets at fair value - profit or loss		184,109,996,728	-
Payments for property and equipment		(535,035,089,109)	(472,167,146,968)
Proceeds from disposal of property and equipment		17,665,787,353	5,965,531,286
Payments for intangible assets		(46,274,584,498)	(31,072,901,155)
Proceeds from disposal of intangible assets		4,126,716,005	3,132,644,885
Payments for available-for-sale financial assets		-	(708,671,194,496)
Proceeds from disposal of available-for-sale financial assets		-	57,147,603,136
Payments for financial assets at fair value-other comprehensive income		(208,558,868,121)	-
Proceeds from disposal of financial assets at fair value-other comprehensive income		100,973,500,025	-
Payments for investments in associates and joint ventures		(502,976,581,662)	(136,126,745,603)
Proceeds from disposal of investments in associates and joint ventures		6,111,466,320	7,150,302,942
Increase (decrease) in cash due to business combination		(6,879,491,848)	(198,281,260,652)
Proceeds from disposal of subsidiaries		(28,108,469,981)	1,799,666,549
Cash inflows (outflows) from other investing activities		(22,851,564,666)	70,389,096,479
Net cash outflow from investing activities		(388,286,947,217)	(1,310,331,331,653)
Cash flows from financing activities			
Proceeds from short-term borrowings		533,051,141,952	122,544,486,739
Repayment of short-term borrowings		(408,323,250,753)	(123,466,235,617)
Proceeds from long-term borrowings		50,973,796,988	49,026,203,012
Proceeds from issue of debentures		705,013,490,134	-
Repayment of debentures		(150,000,000,000)	-
Payment of dividends		(42,469,708,296)	(32,581,184,103)
Acquisition of treasury shares		(124,458,933,570)	-
Disposal of treasury shares		-	498,449,944,178
Share issuance of subsidiaries		190,557,847,107	129,793,266,196
Cash outflows from other financing activities		(3,364,485,450)	(7,522,254,466)
Net cash inflow from financing activities		750,979,898,112	636,244,225,939
Effects of exchange rate changes on cash and cash equivalents		79,109,722,852	(84,551,612,598)
Net increase in cash and cash equivalents		1,415,309,041,900	181,343,279,376
Cash and cash equivalents at the beginning of the year		1,907,575,060,667	1,726,231,781,291
Cash and cash equivalents at the end of the year		3,322,884,102,567	1,907,575,060,667

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NAVER Corporation and Subsidiaries

December 31, 2018 and 2017

1. General Information

NAVER Corporation (the "Company") was established on June 2, 1999 under the Commercial Code of the Republic of Korea to provide internet portal services. The Company's headquarter is located at Buljeong-ro 6, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea.

On October 29, 2002, the Company listed its shares on the Korean Securities Dealers' Automated Quotations market. On November 28, 2008, the Company transferred its share listing to the Korea Composite Stock Price Index market. As at December 31, 2018, the major shareholders of the Company consist of National Pension Fund (9.48%) and others.

The Company and its subsidiaries (collectively referred to as the "Group") engage in providing internet portal and mobile services.

1.1 Consolidated Subsidiaries

Details of the consolidated subsidiaries as at December 31, 2018 and 2017, are as follows:

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%)		
				December 31, 2018	December 31, 2017	Closing month
NAVER	NAVER Business Platform	Korea	Online information distribution business	100.00	100.00	December
	NAVER I&S	Korea	Business support, workforce supply, employee dispatch, and software development	100.00	100.00	December
	LINE ²	Japan	Mobile service development	73.36	73.68	December
	NAVER China	China	Software development and distribution	100.00	100.00	December
	Search Solution	Korea	Software development and distribution	100.00	100.00	December
	N-Visions	Korea	Exhibition and performance planning business	100.00	100.00	December
	Camp Mobile	Korea	Software development and distribution	-	100.00	-
	Entry Labs	Korea	Software development and distribution	-	100.00	-
	Works Mobile	Korea	Applied software development and distribution	100.00	100.00	December
	WAV Media	USA	Mobile service development	100.00	100.00	December
	SNOW	Korea	Software development and distribution	100.00	100.00	December
	SB Next Media Innovation Fund	Korea	Investment	95.04	92.50	December
	NAVER Labs	Korea	Information services and manufacturing electrical equipment	100.00	100.00	December
	NAVER Webtoon	Korea	Software development and distribution	100.00	100.00	December
	Naver France	France	Investment and information services	100.00	100.00	December
	Company AI	Korea	Software development and distribution	56.50	39.10	December
	Drama & Company	Korea	Software development and distribution	81.32	74.31	December
NAVER-KTB Audio Contents Fund	Korea	Investment	99.00	99.00	December	

[Continued]

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%)		
				December 31, 2018	December 31, 2017	Closing month
NAVER	SpringCamp Early Stage Fund ¹	Korea	Investment	100.00	100.00	December
	Iconnect	Korea	Software development and distribution	-	100.00	-
	Camp Mobile Inc.	USA	Mobile service operations	100.00	100.00	December
	NAVER J.Hub	Japan	Real estate	100.00	-	December
	TBT Global Growth Fund	Korea	Investment	99.00	-	December
	Audiensori	Korea	Software development and distribution	100.00	-	December
	Nstore	Korea	Software development and distribution	100.00	-	December
	Gogolook	Taiwan	Mobile service development	-	69.13	-
NAVER J.Hub	Mirai Fund LLP	Japan	Investment	100.00	-	December
Mirai Fund LLP	Mission World Group Limited	Taiwan	Software development and distribution	59.06	-	December
Mission World Group Limited	CHOCO Media	Taiwan	Mobile service operations	100.00	-	December
	CHOCO LABS	Singapore	Software development and distribution	100.00	-	December
NAVER Business Platform	NAVER Business Platform Asia Pacific	Singapore	IT infrastructure operations	100.00	100.00	December
	NAVER Business Platform America	USA	IT infrastructure operations	100.00	100.00	December
	NAVER Business Platform Europe	Germany	IT infrastructure operations	100.00	100.00	December
	NAVER Business Platform Japan	Japan	IT infrastructure operations	100.00	100.00	December
NAVER I&S	Incomms	Korea	Other contract services	100.00	100.00	December
	Greenweb Service	Korea	Other contract services	100.00	100.00	December
	N Tech Service (formerly, NHN Technology Service)	Korea	Software consulting, development and distribution	100.00	100.00	December
	NIT Service	Korea	Software development and consulting	100.00	100.00	December
	CommPartners	Korea	Portal and other Internet services, call center and telemarketing services	100.00	100.00	December
LINE Plus	LINE Play	Korea	Software development	100.00	100.00	December
	LINE Euro-Americas	USA	Mobile service marketing	100.00	100.00	December
	LINE Taiwan	Taiwan	Mobile service operations	100.00	100.00	December
	LINE Company (Thailand)	Thailand	Mobile service operations	99.95	99.95	December
	LINE Digital Technology (Shanghai)	China	Mobile service marketing	100.00	100.00	December
	LINE TECHNOLOGY VIETNAM	Vietnam	Mobile service operations	100.00	100.00	December
	PT.LINE PLUS INDONESIA	Indonesia	Mobile service operations	99.99	99.99	December
	LINE Up	Korea	Mobile game software development and distribution	100.00	100.00	December
	LINE Studio	Korea	Mobile game software development and distribution	100.00	100.00	December
	Nemustech	Korea	Software development	88.57	88.57	December
	Unblock (formerly, Bapul) ⁴	Korea	Software development	-	53.69	-
	Grayhash Co., Ltd. ⁹	Korea	Software development	40.00	-	December
	Drama & Company	myBridge	Japan	Mobile service operations	100.00	-

[Continued]

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%)		
				December 31, 2018	December 31, 2017	Closing month
Works Mobile	Works Mobile Japan	Japan	Mobile service operations	100.00	100.00	December
NAVER Webtoon	WEBTOON Entertainment	USA	Mobile service development	100.00	100.00	December
	Watong Entertainment	Hong Kong	Mobile service operations	100.00	100.00	December
	Lico	Korea	Online information distribution business	100.00	100.00	December
	Studio N Corporation	Korea	Film production and distribution	100.00	-	December
Watong Entertainment	Broccoli Entertainment	China	Mobile service operations	100.00	100.00	December
	Dongman Entertainment	China	Mobile service operations	100.00	100.00	December
NAVER Labs	Epipolar	Korea	Software development and distribution	-	100.00	-
WAV Media	WAV Recordings	USA	Mobile service development	100.00	-	December
LINE	LINE Plus	Korea	Portal and Internet services	100.00	100.00	December
	LINE Fukuoka	Japan	Mobile service operations	100.00	100.00	December
	LINE SOUTHEAST ASIA (formerly, LINE Biz+)	Singapore	Mobile payment system planning and development	100.00	100.00	December
	LINE Book Distribution ⁵	Japan	Mobile service development	-	52.00	December
	LINE Ventures	Japan	Investment	100.00	100.00	December
	LINE C&I	Korea	Investment and Mergers & Acquisitions	100.00	100.00	December
	LINE Game Global Gateway	Japan	Investment	100.00	100.00	December
	MIXRADIO	UK	Mobile service development	100.00	100.00	December
	Line Friends ³	Korea	Character and doll wholesale and retail	-	100.00	-
	LINE Life Global Gateway	Japan	Investment	100.00	100.00	December
	LINE Game Investment Fund (formerly, LINE-NAVER Game Investment Fund)	Korea	Investment	100.00	100.00	December
	LINE Mobile	Japan	Telecommunications service	-	100.00	-
	M.T. Burn	Japan	Mobile advertising service business	50.49	50.49	December
	Gatebox	Japan	Mobile service development	51.00	51.00	December
	Line Games(formaly, Next Floor) ^{6,7}	Korea	Software development and supplier	-	100.00	December
	LINE Friends Japan ³	Japan	Character and doll wholesale and retail	-	100.00	-
	LINE TICKET	Japan	Internet information services	51.00	51.00	December
	Next Library	Japan	Internet information services	100.00	100.00	December
	FIVE	Japan	Mobile advertising service	100.00	100.00	December
	LFG HOLDINGS	Hong kong	Character and doll wholesale and retail	100.00	100.00	December
LINE Pay	Japan	Mobile payment system planning and development	100.00	100.00	December	
LINE Financial	Japan	Financial business	100.00	-	December	
LINE Part Time Job (Formerly, AUBE)	Japan	Mobile service development	60.00	-	December	
LINE Digital Frontier	Japan	Software development and distribution	100.00	-	December	
LINE Growth Technology	Japan	Mobile service development	100.00	-	December	

[Continued]

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%)		
				December 31, 2018	December 31, 2017	Closing month
LINE	LINE Ventures Global Limited Liability Partnership	Japan	Financial business	100.00	-	December
	LINE Ventures Japan Limited Liability Partnership	Japan	Financial business	100.00	-	December
	LVC	Japan	Financial business	100.00	-	December
	LINE Tapas	Japan	Software development and distribution	100.00	-	December
LINE Digital Frontier	LINE Book Distribution ⁵	Japan	Mobile service development	52.00	-	December
LFG HOLDINGS ²	LINE Friends ³	Korea	Character and doll wholesale and retail	100.00	-	December
	LINE Friends Japan ³	Japan	Character and doll wholesale and retail	100.00	-	December
	LINE Friends Inc. ³	USA	Character and doll wholesale and retail	100.00	-	December
	LINE Friends (Shanghai) Commercial Trade ³	China	Character and doll wholesale and retail	100.00	-	December
LINE Taiwan	SHINEWANT TECHNOLOGY	Taiwan	Internet information services	100.00	100.00	December
LINE SOUTHEAST ASIA (formerly, LINE Biz+)	LINE VIETNAM JOINT STOCK COMPANY (Formerly, Webtretho)	Vietnam	Online information distribution business	99.00	72.60	December
SHINEWANT TECHNOLOGY	Silent Illumination	Taiwan	Software development and distribution	100.00	100.00	December
LINE Pay	Webpay Holdings	Japan	Mobile payment system planning and development	100.00	100.00	December
	Line Biz Plus	Korea	Software development and distribution	100.00	100.00	December
	BALIE	Japan	Searching advertising service business	60.00	60.00	December
	LINE BIZ+ Taiwan	Taiwan	Mobile payment system planning and development	70.01	100.00	December
Webpay Holdings	Webpay	Japan	Mobile payment system planning and development	100.00	100.00	December
Snow	SNOW China	Hong Kong	Mobile service operations	96.22	100.00	December
	SNOW Japan	Japan	Mobile service operations	100.00	100.00	December
	SNOW Inc.	USA	Mobile service operations	100.00	100.00	December
	Spring Camp	Korea	Investment	100.00	100.00	December
	Playlist	Korea	Information and communication service	100.00	100.00	December
	Amuse	Korea	Cosmetics manufacturing, distribution and sales	100.00	100.00	December
	HEART IT	Korea	Mobile service development	100.00	-	December
SNOW China	SNOW China (Beijing)	China	Mobile service operations	100.00	100.00	December
SNOW China (Beijing)	Yiruike Information Technology (Beijing)	China	Mobile service operations	100.00	100.00	December
	Xiaying Entertainment	China	Mobile service operations	100.00	-	December
Xiaying Entertainment	Shine Interactive	China	Mobile service operations	100.00	-	December

[Continued]

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%)		
				December 31, 2018	December 31, 2017	Closing month
LINE Friends	Line Friends ³	U.S.A	Character and doll wholesale and retail	-	100.00	-
	Line Friends (Shanghai) Commercial Trade ³	China	Character and doll wholesale and retail	-	100.00	-
	Markt	Korea	Software development and wholesale and retail	51.00	51.00	December
LINE Digital Technology (Shanghai)	Beijing Wangzhongwenda Technology	China	Mobile service operations	100.00	100.00	December
LINE Games ^{6,7}	NextFloor ^{6,7}	Korea	Software development and distribution	-	51.00	-
	Pig ⁷	Korea	Software development and distribution	-	100.00	-
	Stairs ⁷	Japan	Software development and distribution	-	100.00	-
	Msquared Management ⁷	U.S.A	Software development and distribution	-	100.00	-
	Next Floor Basement Lab ^{6,7}	Korea	Software development and distribution	-	100.00	-
	Studio 4LEAF7	Korea	Software development and distribution	-	60.00	-
	InnoAG ⁷	Korea	Software development and distribution	-	50.72	-
	Oozoo ⁷	Korea	Software development and distribution	-	44.53	-
Msquared Management ⁷	Msquared Shanghai (formerly, Mobil Factory) ⁷	China	Software development and distribution	-	100.00	-
LINE Financial	LINE Financial Plus	Korea	Financial business	100.00	-	December
	LINE Credit	Japan	Financial business	100.00	-	December
	LINE Securities Preparatory	Japan	Financial business	100.00	-	December
	LINE Financial Asia	Hong Kong	Financial business	100.00	-	December
LINE Financial Asia	LINE Financial Taiwan Limited ⁸	Taiwan	Financial business	100.00	-	December
LVC	LVC USA	USA	Financial business	100.00	-	December
	LINE TECH PLUS	Singapore	Financial business	100.00	-	December
	LVC Hong Kong	Hong Kong	Financial business	100.00	-	December
	Unblock Ventures	Hong Kong	Financial business	100.00	-	December
	Unblock (formerly, Bapul) ⁴	Korea	Software development and distribution	100.00	-	December
	Unchain Corporation	Korea	Software development and distribution	50.98	-	December

¹ Ownership interest held by the Group includes ownership percentage of subsidiaries.

² The ownership of the Group decreased due to issuance of shares for stock option.

³ The shares held by LINE and LINE Friends were transferred to LFG Holdings.

⁴ The shares held by LINE Plus were transferred to LVC.

⁵ The shares held by LINE Plus were transferred to LINE Digital Frontier.

⁶ Next Floor merged LINE Games and Next Floor Basement lab and changed the name as LINE Games

⁷ LINE Games was reclassified from a subsidiary to an associate due to decrease in ownership of the Group for the year ended December 31, 2018, and the subsidiaries of LINE Games were excluded from the consolidation.

⁸ The share held by LINE Financial were transferred to LINE Financial ASIA.

⁹ Although the Group owns less than 50% ownership of Grayhash Co., Ltd., the Group is considered to have control over the entity because the Group has a right to appoint all of its BOD members under arrangements with other shareholders.

1.2 Summarized Financial Information

Summarized financial information for subsidiaries as at and for the years ended December 31, 2018 and 2017, is as follows:

(in thousands of Korean won)

Subsidiary	2018					
	Assets	Liabilities	Equity	Operating Revenues	Profit (loss) for the year	Total comprehensive income (loss)
LINE	4,592,096,587	2,407,086,274	2,185,010,312	1,490,503,830	22,177,019	138,963,803
LINE Financial	587,156,419	4,222,464	582,933,954	536,677	(14,533,787)	(8,229,730)
LINE Plus	540,790,642	163,883,579	376,907,063	398,672,212	(13,659,972)	7,225,811
Naver France	304,764,113	7,098,142	297,665,972	29,607,001	8,725,539	4,286,078
Line Biz+ Taiwan	281,406,597	107,135,425	174,271,172	15,811,602	(11,625,345)	(11,457,378)
LINE Financial Asia	257,369,907	13,106	257,356,801	-	(4,515,914)	(3,952,098)
NAVER Webtoon	195,825,972	36,621,615	159,204,357	72,200,964	(62,748,438)	(64,929,931)
LINE Pay	155,361,910	173,034,832	(17,672,922)	44,230,798	(54,824,011)	(53,796,635)
LINE Digital Frontier	146,534,475	56,472,590	90,061,885	22,991,550	(3,685,555)	(2,851,114)
SB Next Media Innovation Fund	119,752,524	918,800	118,833,724	-	(7,553,456)	(7,553,456)
LINE Friends	112,966,973	38,169,277	74,797,696	142,045,809	5,194,895	5,706,571
SNOW	111,751,468	22,330,555	89,420,913	8,324,286	(57,546,360)	(60,426,115)
LINE Taiwan	105,867,294	83,274,802	22,592,491	101,107,454	4,921,942	5,415,483
LFG HOLDINGS	105,466,656	15,907,682	89,558,973	7,299,649	(210,401)	(9,672,810)
NAVER J.Hub	83,591,668	14,934	83,576,733	60,278	(217,551)	(593,999)

(in thousands of Korean won)

Subsidiary	2017					
	Assets	Liabilities	Equity	Operating Revenues	Profit (loss) for the year	Total comprehensive income (loss)
LINE	2,737,380,869	767,863,324	1,969,517,545	1,269,566,007	107,940,129	(58,730,880)
LINE Plus	435,050,563	165,280,870	269,769,694	437,494,238	116,920,365	99,560,123
SNOW	37,408,226	17,553,467	19,854,759	2,231,898	(72,666,001)	(70,944,085)
LINE C&I	81,961,785	6,187,607	75,774,177	750,000	(761,783)	(16,892,642)
NAVER I&S	46,879,770	19,139,713	27,740,058	17,344,540	(49,867)	276,181
Works Mobile	66,212,484	13,896,830	52,315,654	33,999,521	(5,379,201)	(3,784,879)
LINE Friends	88,836,838	24,107,320	64,729,518	91,853,411	(7,853,570)	(6,713,367)
Camp Mobile	75,012,556	17,665,880	57,346,676	67,552,404	17,968,882	19,301,054
LINE Biz+ PTE	32,439,568	8,497,810	23,941,759	10,805,273	(43,906,832)	(48,832,994)
LINE Taiwan	72,448,675	45,948,182	26,500,493	39,724,156	6,515,893	5,418,979

1.3 Changes in Scope of Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2018, are as follows:

Reason	Subsidiaries
Newly establishment	LINE Financial, Line Financial Plus, LVC, LINE Credit, LVC USA Inc, LINE TECH PLUS, WAV Recordings, myBridge, LINE Growth Technology, LINE Securities Preparatory, LINE Ventures Global Limited Liability Partnership, LINE Ventures Japan Limited Liability Partnership, NAVER J.Hub, Studio N, Shine Interactive, Xiaying Entertainment, TBT Global Growth Fund, LINE Digital Frontier, LVC Hong Kong, Unblock, LINE Financial Taiwan, Mirai Fund LLP, LINE Financial Asia, LINE Tapas, Nstore
Newly acquired	Oozoo, HEART IT, LINE Part Time Job (formerly, AUBE), Unchain Corporation, Audiensori, Mission World Group Limited, CHOCO Media, CHOCO Labs, Grayhash

Subsidiaries excluded from the consolidation for the year ended December 31, 2018, are as follows:

Reason	Subsidiaries
Disposal	Iconnect, Gogolook
Liquidation	Entry Labs
Merger ¹	Camp Mobile, Epipolar, LINE Games, Next Floor Basement Lab
Loss of control ²	LINE Mobile, LINE Games (formerly, Next Floor), Pig, Stairs, Msquared Managerment, Studio 4LEAF, InnoAG, Oozoo, Msquared Shanghai (formerly, Mobil Factory)

¹ For the year ended December 31, 2018, Camp Mobile was merged with the Company and Epipolar was merged with NAVER Labs, subsidiary of the Company. Next Floor was merged with Line Games and Next Floor Basement Lab, and changed the name as LINE Games.

² LINE Mobile and LINE Games was reclassified from subsidiaries to associates due to decrease in ownership of the Group for the year ended December 31, 2018, and the subsidiaries of LINE Games are excluded from the consolidation.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

The accompanying consolidated financial statements have been restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018.

- Amendment to Korean IFRS 1028 Investments in Associates and Joint Ventures

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure each investment separately at fair value through profit or loss in accordance with Korean IFRS 1109. The amendment does not have a significant impact on the consolidated financial statements because the Group is not a venture capital organization.

- Amendment to Korean IFRS 1040 Transfers of Investment Property

The amendment to Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence, and the list of evidence for a change of use in the standard was re-characterized as a non-exclusive list of example. The amendment does not have a significant impact on the consolidated financial statements.

- Amendment to Korean IFRS 1102 Share-based Payment

Amendments to Korean IFRS 1102 clarify accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Amendments also clarify that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The amendment does not have a significant impact on the consolidated financial statements.

- Enactment of Interpretation 2122 Foreign Currency Transaction and Advance Consideration

According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The enactment does not have a significant impact on the consolidated financial statements.

- Korean IFRS 1109 Financial Instruments

The Group has applied Korean IFRS 1109 Financial Instruments on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures have not been restated, and the differences between previous book amounts and book amounts at the date of initial application are recognized to retained earnings (or equity). See Note 36 for further details on the impact of the application of the standard.

- Korean IFRS 1115 Revenue from Contracts with Customers

The Group has applied to apply Korean IFRS 1115 Revenue from Contracts with Customers. In accordance with the transition provisions in Korean IFRS 1115, comparative figures have not been restated. The Group elected the modified retrospective approach, and recognized the cumulative impact of initially applying the revenue standard as an adjustment to retained earnings (or equity) as at January 1, 2018, the period of initial application. See Note 36 for further details on the impact of the application of the standard.

(b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing January 1, 2018 and have not been early adopted by the Group are set out below.

- Korean IFRS 1116 Leases

Korean IFRS 1116 Leases issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 Leases. The Group will apply the standards for annual periods beginning on or after January 1, 2019.

Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

The Group performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116. The Group is analyzing the effects on the financial statements based on available information as at December 31, 2018 to identify effects on 2018 financial statements; however, it is difficult to provide reasonable estimates of financial effects until the analysis is complete.

- Korean IFRS 1109 Financial Instruments

The narrow-scope amendments made to Korean IFRS 1109 Financial Instruments enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted.

- Amendments to Korean IFRS 1019 Employee Benefits

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendments are effective for plan amendments, curtailments and settlements occurring in reporting periods that begin on or after 1 January 2019.

- Amendments to Korean IFRS 1028 Investments in Associates and Joint Ventures

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted. In accordance with the transitional provisions in Korean IFRS 1109, the restatement of the comparative information is not required and the cumulative effects of initially applying the amendments retrospectively should be recognized in the beginning balance of retained earnings (or other components of equity, as appropriate) at the date of initial application.

- Enactment to Interpretation of Korean IFRS 2123 Uncertainty over Income Tax Treatments

The Interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. This Interpretation will be applied for annual periods beginning on or after January 1, 2019, and an entity can either restate the comparative financial statements retrospectively or recognize the cumulative effect of initially applying the Interpretation as an adjustment in the beginning balance at the date of initial application.

- Annual Improvements to Korean IFRS 2015 - 2017 Cycle:

- Korean IFRS 1103 Business Combination

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. These amendments will be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early adoption permitted.

- Korean IFRS 1111 Joint Agreements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. These amendments will be applied to transactions in which an entity obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early adoption permitted.

- Paragraph 57A of Korean IFRS 1012 Income Tax

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. These amendments will be applied for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted.

- Korean IFRS 1023 Borrowing Costs

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. These amendments will be applied to borrowing costs incurred on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early adoption permitted.

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 Consolidated Financial Statements.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognized in profit or loss.

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

(c) Joint Arrangements

A joint agreement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator holds direct rights and obligations to the assets, liabilities, revenues and expenses of joint operations and recognizes its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

(c) Translation to the presentation currency

All of the entity's financial statements that have functional currencies different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period,
- income and expense for each statement of comprehensive income are translated at the average exchange rate,
- equity is translated at the historical exchange rate, and
- all resulting exchange differences are recognized in other comprehensive income.
- Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the end of the reporting period.

2.5 Financial Assets

(a) Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset, in the case of a financial asset not at fair value through profit or loss, at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (and reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'finance income and finance costs' and impairment loss in 'finance costs'.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'finance income and finance costs' in the period in which it arises.

B. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as 'finance income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income and finance costs' in the statement of profit or loss as applicable. Impairment loss (and reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and other receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. (Note 4 provides more detail of how the Group determines there has been a significant increase in credit risk.)

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.6 Derivatives

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'other income (expenses)' or 'finance income (costs)' based on the nature of transactions.

2.7 Accounts Receivables

Accounts receivables are initially recognised at fair value on the date and measured at amortise using the effective interest method, less loss allowance.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

2.9 Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of all property and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful life
Buildings	30 years
Structures	10
Vehicles	5
Equipment	3 - 5
Machinery	3 - 4
Others	4 - 6

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.10 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.11 Intangible Assets

Goodwill is measured as described in Note 2.3.(a), and carried at cost less accumulated impairment losses.

Intangible assets are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses.

Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful life
Industrial rights	5 years
Software	5
Others	5~30

2.12 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position either by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.13 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.14 Trade Payables and other Payables

Trade payables and other payables are the payables which is not yet paid but received the services or goods before reporting period. These payables are non-collateral payable, and normally pay within 30 days. These payables presents as current liabilities unless the payment date is more than 12 months after reporting period. These payables are initially recognised at fair value on the date and measured at amortise cost using the effective interest method.

2.15 Financial Liabilities

(a) Classification and measurement

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade and other payables', 'borrowings', or 'debentures' in the consolidated statement of financial position.

(b) Derecognition

Financial liabilities are removed from the consolidated statement of financial position when they are extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.16 Compound Financial Instruments

Compound financial instruments are convertible bonds that can be converted into equity instruments at the option of the holder.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

2.17 Provisions

Provisions for litigation, customer loyalty program, and restoration are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.18 Current and Deferred Income Tax

The tax expense for the period consists of current and deferred tax. The Company is implementing a consolidated tax payment system to presume the Parent Company and its subsidiaries in Korea are one taxpayer. Subsidiaries that are not included in the consolidated tax payment system measure and pay their tax returns by regarding each entities as a taxation unit. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, the Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

2.19 Employee Benefits

(a) Post-employment benefits

The Group operates both defined contribution and defined benefit pension plans.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution have been paid. The contribution are recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments, curtailments and settlements are recognized immediately in profit or loss as past service costs.

(b) Share-based payments

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense is recognized over the vesting period. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received, net of any directly attributable transaction costs, are recognized as share capital (nominal value) and share premium.

Under cash-settled share based payment plan, the Group compensates the difference of the fair value and exercise price of option as the consideration for employee services received. Total expense that will be recognized over the vesting period is determined by reference to the fair value of the option granted. Until the liability is settled, the Group is required to remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in value recognized in profit or loss for the period.

When the Group granted to employees of its subsidiaries as a share option, the Group treat it as equity investment. The fair value of employee services, calculated based on the fair value of the equity instrument at the grant date, is accounted for as an increase in the investment in the subsidiary over the vesting period, and the corresponding amount is recognized in other capital.

2.20 Revenue Recognition

From January 1, 2018, the Group has applied Korean IFRS 1115 Revenue from Contracts with Customers. The Group engages in providing internet search portal services. The Group's operating revenues are mainly comprised of the advertisement, business platform, IT platform and contents services.

The Group allocated transaction prices based on relative individual selling to the different performance obligation identified in one contract.

(a) Advertisement

The Group has obligation to provide advertisement service over the service period. Therefore, the Group recognizes the allocated transaction price for each performance obligation over the service period as revenue. However, the Group recognizes revenue when the Group performs its obligation to provide the advertisement service if a contract is to settle the advertisement services based on the total number of the services provided, instead of the recognizing over the contract period. In addition, the Group provides the option to additionally select the goods or services when providing advertisement services to its customers. Then, the Group identifies it as a separate performance obligation and allocates the transaction price to each performance obligation on the basis of the relative individual selling price. The individual selling price is the price at which the Group would sell a promised good or service separately to the customer. The best evidence of an individual selling price is the observable price of a good or service when the Group sells that good or service separately in similar circumstances and to similar customers.

(b) Contents services

The Group provides various digital contents to its customers. The transaction price of digital contents is immediately paid by customers when they purchases contents online. When the Group provided digital contents and there is no unsatisfied performance obligations which could cause the customers to affect on the usage of contents, the Group considers the right of using of contents has transferred to the customers and recognize revenue when customers using contents. However, the Group recognizes revenue over the service period for those exposed to activities that could significantly affect the digital contents provided to customers during their usage period.

2.21 Leases

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases are charge to profit or loss on a straight-line basis over the period of lease.

Leases where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost.

If the Group is a lessor, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership at the inception of the lease. A lease other than a finance lease is classified as an operating lease. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

2.22 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 33). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.23 Approval of Issuance of the Financial Statements

The consolidated financial statements 2018 were approved for issue by the Board of Directors on January 30, 2019 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

(a) Estimated goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations (Note 13).

(b) Income taxes

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 27).

When the Group does not spend its certain portion of the taxable income for investments or increase in wages or dividends in accordance with the special treatment in taxation for investment and co-existence, the Group has additional income tax obligation calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax systems. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5).

(d) Impairment of financial assets

The provision for impairment for financial assets disclosed in Note 4 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

(e) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 19).

(f) Provisions

As at December 31, 2018, the Group recognizes provisions for litigation, restoration and others. These provisions are estimated based on past experience (Note 18).

(g) Stock option

The Group measures the cost of equity-settled share-based payment transaction by reference to the fair value of equity instruments granted at the grant date and the fair value is estimated using valuation models which considers the conditions upon which equity instruments are granted. Also, the Group measures the cost of cash-settled share-based payment transaction based on the fair value of the liability considering vesting conditions. Until the liability is settled, the Group is required to remeasure the fair value of the liability at the end of each reporting period and at the date of settlement (Note 22).

(h) Changes in useful lives of machinery

The Group has changed the useful lives of certain machinery from 3 years to 4 years since 2018.

The impacts for machineries not depreciated fully in 2017 due to the change on current year and subsequent fiscal years are as follows:

(in thousands of Korean won)

	2018	2019	2020	2021
Depreciation of machinery before change	102,582,910	83,597,808	36,274,402	-
Depreciation of machinery after change	69,866,864	67,759,081	58,485,301	26,343,874
Increase (decrease) in profit before income tax	32,716,046	15,838,727	(22,210,899)	(26,343,874)

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Group.

4.1.1 Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US dollar and the Japanese yen. Foreign exchange risk arises from recognized assets and liabilities.

The Group's financial assets and liabilities exposed to foreign currency risk for major foreign currencies (USD and JPY) as at December 31, 2018 and 2017, are as follows:

(in USD, JPY and thousands of Korean won)

		2018		2017	
		Foreign currency	Korean won	Foreign currency	Korean won
Financial asset					
Cash and cash equivalents	USD	75,149,067	84,024,172	107,871,956	115,574,013
	JPY	1,345,991,348	13,637,315	4,618,017,707	43,830,068
Shor-term financial instruments	USD	100,000,000	111,810,000	10,022,606	10,738,220
Trade and other receivables	USD	101,344,076	113,312,811	45,471,499	48,718,164
	JPY	8,536,830,097	86,493,455	13,942,430,313	132,329,000
Available-for-sale financial assets	USD	-	-	66,610,236	71,366,206
Financial assets at fair value - other comprehensive income	USD	6,993,571	7,819,512	-	-
Financial assets at fair value - profit or loss	USD	7,247,391	8,103,308	-	-
Financial liabilities					
Trade and other payables	USD	42,385,966	47,391,748	33,606,008	36,005,477
	JPY	11,391,718,912	115,418,618	11,476,198,922	108,921,751
Derivatives liabilities	JPY	66,814,263	676,949	-	-

The impact of weakened/strengthened Korean won by 5% against foreign currencies with all other variables held constant on the post-tax profit for the years ended and equity as at December 31, 2018 and 2017, is as follows:

(in thousands of Korean won)

		Impact on post-tax profit		Impact on equity	
		2018	2017	2018	2017
USD	Weakened	9,416,109	5,269,044	9,686,430	7,973,824
	Strengthened	(9,416,109)	(5,269,044)	(9,686,430)	(7,973,824)
JPY	Weakened	(813,292)	2,548,294	(813,292)	2,548,294
	Strengthened	813,292	(2,548,294)	813,292	(2,548,294)

(b) Price risk

The Group is exposed to equity securities price risk arises from investments held by the Group and classified in the consolidated statement of financial position either as at fair value through other comprehensive income or at fair value through profit or loss.

The impact of increases/decreases of the stock index of each country by 5% with all other variables held constant on the Group's post-tax profit for the years ended and equity as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

		Impact on post-tax profit		Impact on equity	
		2018	2017	2018	2017
Korea	Increase	447	48,584	14,079,307	18,372,044
	Decrease	(447)	(48,584)	(14,079,307)	(18,372,044)
USA	Increase	7,637	3,567,286	7,637	3,567,286
	Decrease	(7,637)	(3,567,286)	(7,637)	(3,567,286)
Japan	Increase	-	-	290,553	565,976
	Decrease	-	-	(290,553)	(565,976)

Financial assets at fair value through profit or loss impact on current profit or loss and equity and financial assets at fair value through other comprehensive income impact on equity.

See Note 6 the impact on current profit or loss and equity by investment financial assets.

(c) Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises on floating rate deposits and borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty in interest rates fluctuations and net interest expense.

As at December 31, 2018, the Group has floating rate deposits which exceed floating rate borrowings, and because of this, net interest income increase when interest rates increase. The Group adequately minimizes risks from interest rate fluctuations through various policies, such as avoiding high rate borrowings, reforming capital structure, monitoring fluctuations of domestic and foreign interest rates daily, weekly and monthly, establishing alternatives, and balancing floating rate short-term borrowings with floating rate deposits.

The impact of 10bp higher/lower of interest rate with all other variables held constant on the Group's post-tax profit for the years ended and equity as at December 31, 2018 and 2017, is as follows:

(in thousands of Korean won)

	Impact on post-tax profit		Impact on equity	
	2018	2017	2018	2017
Increase	838,744	631,499	838,744	631,499
Decrease	(838,744)	(631,499)	(838,744)	(631,499)

4.1.2 Credit Risk

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables and other receivables carried at amortized cost
- contractual cash flows of debt investments carried at amortized cost and
- contractual cash flows of debt investments carried at fair value through other comprehensive income.

While cash equivalents are also subject to the impairment requirement, the identified impairment loss was immaterial.

(a) Trade receivables, other receivables and contract assets

The Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, other receivables and contract assets. To measure the expected credit losses, trade receivables, other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at December 31, 2018, is determined as follows:

(in thousands of Korean won)

	2018			Total
	Less than 6 months past due and within due	More than 6 months past due	More than 1 year past due	
Trade and other receivables				
Expected loss rate	0.09%	44.82%	98.35%	1.16%
Gross carrying amount	1,078,813,378	2,597,969	10,660,282	1,092,071,629
Loss allowance provision	1,011,090	1,164,416	10,484,751	12,660,257
Contract assets				
Expected loss rate	0.02%	0.00%	0.00%	0.02%
Gross carrying amount	3,438,980	-	-	3,438,980
Loss allowance provision	712	-	-	712

Movements in the loss allowance provision for trade receivables and other receivables for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Beginning balance - Korean IFRS 1039	12,574,578	17,549,536
Amounts restated through beginning balance of retained earnings (Note 36)	349,164	-
Loss allowance as at initial application date - calculated under Korean IFRS 1109	12,923,742	-
Increase in loss allowance recognized in profit or loss during the year (Unused amount reversed)	4,668,447	(3,623,071)
Receivables written off during the period as uncollectible	(1,892,796)	(1,369,061)
Other changes and others	(3,039,136)	17,174
Ending balance (the amount as at December 31, 2017 - calculated under Korean IFRS 1039) ¹	12,660,257	12,574,578

¹ For the year ended December 31, 2018, movements in the loss allowance provision for contract assets are arising from increase in loss allowance amounting to ₩ 712 thousand recognized in profit or loss for the year.

As at December 31, 2018 and 2017, the gross carrying amount of trade receivables, other receivables and contract assets, reflecting the maximum exposure to credit risk, is as follows:

(in thousands of Korean won)

	2018	2017
Trade receivables	585,471,178	626,371,357
Other receivables	506,600,451	400,312,617
Contract assets	3,438,268	4,144,975

The amounts recognized in profit or loss within 'operating expenses' in relation to impaired receivables for the the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Impairment loss		
Individual receivables written off directly	-	-
Movement in loss allowance	4,668,447	(3,623,071)

¹ In the prior year, the impairment of trade receivables and other receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

The other receivables were assessed collectively, to determine whether there was an objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognized in a separate provision for impairment.

The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties for of the debtor and
- prolonged delinquency in interest or principal payments.

(b) Other financial assets at amortized cost

Other financial assets at amortized cost include long and short-term financial instruments like corporate bonds and commercial papers, and other receivables.

Movements in loss allowance provision for other financial assets at amortized cost for the year ended December 31, 2018, are as follows:

(in thousands of Korean won)

	2018
Beginning balance - Korean IFRS 1039	287,604
Amounts restated through beginning balance of retained earnings (Note 36)	313,504
Loss allowance as at initial application date - calculated under Korean IFRS 1109	601,108
Reversal of loss allowance recognized in profit or loss during the year	(474,065)
Others	(43,940)
Ending balance	83,103

All of these financial assets are considered to have low credit risk, and thus the loss allowance provision recognized was limited to 12 months expected losses during the year. The Group considers to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(c) Debt instruments at fair value - other comprehensive income

Debt instruments at fair value - other comprehensive income are corporate bonds. The loss allowance provision for debt instruments at fair value - other comprehensive income is recognized in profit or loss and reduces the fair value loss otherwise recognized in other comprehensive income.

Movements in loss allowance provision for debt instruments at fair value - other comprehensive income for year ended December 31, 2018, are as follows:

(in thousands of Korean won)

	2018
Beginning balance - Korean IFRS 1039	-
Amounts restated through beginning balance of retained earnings (Note 36)	354,493
Loss allowance as at initial application date - calculated under Korean IFRS 1109	354,493
Increase in loss allowance recognized in profit or loss during the year	30,301
Ending balance	384,794

All of these financial assets are considered to have low credit risk, and thus the loss allowance provision recognized was limited to 12 months expected losses during the year. The Group considers to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(d) Financial assets at fair value - through profit or loss

The Group is exposed to credit risk as financial assets at fair value - through profit or loss. The maximum exposure amount is a book value.

(e) Bad debt expenses

Following losses are recognized in profit or loss in relation to impaired financial assets for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Trade receivables and other receivables		
individually impaired receivables (previous accounting policy)	-	-
movement in loss allowance for trade receivables and other receivables	4,668,447	(3,623,071)
Other financial assets carried at amortized cost	(474,065)	2,775,832
Financial assets at fair value through other comprehensive income	30,301	-
Net bad debt expenses (reversal)	4,224,683	(847,239)

4.1.3 Liquidity Risk

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance with internal financial ratio target and external regulatory or legal requirements such as currency restrictions.

(in thousands of Korean won)

	2018				
	Book amount	Cash flow in agreement	Less than 1 years	Between 1 and 5 years	Over 5 years
Trade and other payables	742,275,387	742,275,388	718,904,799	23,370,589	-
Borrowings	449,934,601	464,246,615	361,202,950	103,043,665	-
Debentures	711,561,946	711,561,946	-	357,788,936	353,773,010
Financial liabilities at Fair value through profit or loss	10,203,644	10,203,644	7,418,410	2,785,234	-
	1,913,975,578	1,928,287,593	1,087,526,159	486,988,424	353,773,010

(in thousands of Korean won)

	2017			
	Book amount	Cash flow in agreement	Less than 1 years	Between 1 and 5 years
Trade and other payables	620,963,606	620,963,606	609,311,432	11,652,174
Borrowings	260,944,899	265,221,860	211,182,416	54,039,444
Debentures	150,000,000	152,763,800	152,763,800	-
	1,031,908,505	1,038,949,266	973,257,648	65,691,618

4.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern. The Group uses debt to equity ratio for capital management. This ratio is calculated as total debt divided by total equity as shown in the statements of financial position

The Group's debt to equity ratio as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Debt	3,932,050,396	2,714,065,325
Equity	5,949,140,513	5,305,186,235
Debt to equity ratio	66.09%	51.16%

5. Fair Value

5.1 Financial Instruments Measured at Fair Value

Details of financial instruments measured at fair value as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Financial assets at fair value through profit or loss	-	-	313,683,892	313,683,892
Financial assets at fair value - profit or loss	784,174,009	784,174,009	-	-
Available-for-sale financial assets ¹	-	-	1,013,113,446	1,013,113,446
Financial assets at fair value - other comprehensive income	729,376,828	729,376,828	-	-
	1,513,550,837	1,513,550,837	1,326,797,338	1,326,797,338
Financial liabilities				
Financial liabilities at fair value through profit or loss	10,203,644	10,203,644	4,638,541	4,638,541

¹ Available-for-sale financial instruments that do not have a quoted price in an active market are measured at cost because their fair value cannot be measured reliably and excluded from the fair value disclosures.

Financial assets and liabilities whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

5.2 Fair Value Hierarchy

Financial instruments measured at fair value are categorized within the fair value hierarchy, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at fair value - profit or loss	223,025	52,371,324	731,579,660	784,174,009
Debt instruments at fair value - other comprehensive income	-	214,932,920	448,839	215,381,759
Equity instruments at fair value - other comprehensive income	396,397,609	-	117,597,460	513,995,069
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	7,256,077	2,947,567	10,203,644

(in thousands of Korean won)

	2017			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at fair value through profit or loss	95,405,587	46,465,466	171,812,839	313,683,892
Available-for-sale financial assets	498,402,007	152,682,848	362,028,591	1,013,113,446
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	-	4,638,541	4,638,541

5.3 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

The Group recognizes transfers between levels of the fair value at the end of the reporting period.

There are no transfers between Level 1 and Level 2 for recurring fair value measurements during the year ended December 31, 2018.

Changes in level 3 for recurring fair value measurements for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
	Financial assets at fair value - profit or loss	Financial assets at fair value - other comprehensive income	Financial assets at fair value through profit or loss	Available-for-sale financial assets
Beginning balance	171,812,839	362,028,591	281,547,502	122,742,466
Effect of changes in accounting policies	635,115,739	(259,717,984)	-	-
Beginning balance (After adjustments)	806,928,578	102,310,607	-	-
Total profit or loss				
Amounts recognized in profit or loss	49,417,879	-	9,671,748	(26,738,125)
Amounts recognized in other comprehensive income	-	(14,759,484)	-	67,947,602
Purchase	307,531,449	96,682,809	160,393,754	152,981,004
Sales	(452,002,062)	(68,716,900)	(279,800,165)	(61,274,697)
Others	-	-	-	7,631,625
Transfer into Level 3 ¹	-	-	-	104,085,078
Exchange differences	19,703,816	2,529,267	-	(5,346,362)
Ending balance	731,579,660	118,046,299	171,812,839	362,028,591

¹ During the year ended December 31, 2017, the Group reclassified debt instrument that are measured based on unobservable inputs amounting to ₩ 14,515 million as level 3. Also, the Group measured equity instruments at fair value amounting to ₩ 89,570 million that were recognized at cost and reclassified as level 3.

5.4 Valuation Techniques and the Inputs

Valuation techniques and inputs used in the fair value measurements of financial instruments categorized in Levels 2 and Level 3 of the fair value hierarchy as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018					Range of unobservable inputs
	Fair value	Level	Valuation techniques	Major Inputs	Unobservable inputs	
Financial assets at fair value - profit or loss						
Securities linked derivative	43,353,829	3	Option pricing model	Underlying asset, CDS spread, KRW IRS Curve, Recovery rate	Correlation coefficient	0.00~1.00
					CDS SPREAD	0.13%~0.57%
					KRW IRS Curve	1.77%~1.91%
Compound financial instruments	404,520,696	3	Option pricing model	Underlying asset price, volatility of underlying asset, discount rate	Volatility of the underlying assets	5.6%~54.06%
					Discount rate	1.93%~2.17%
			Market approach and others	PBR, EV/SALES< PSR< recent transaction price, net asset value	PBR	1.00~9.78
					EV/SALES	2.8~16.60
					PSR	0.58%~8.88
Present value method	Adjusted discount rate considering credit risk	Discount rate	13.40%~16.00%			
Beneficiary certificates and Funds	1,731,245	2	Present value method	Adjusted discount rate considering credit risk	-	-
					283,705,136	3
Debt securities	50,563,329	2	Present value method	Adjusted discount rate considering credit risk	-	-
Derivatives	76,750	2	Present value method, Option pricing model	Forward exchange rate	-	-
Debt instruments at fair value - other comprehensive profit or loss						
Debt securities	214,932,920	2	Present value method	Adjusted discount rate considering credit risk, recent transaction price	-	-
Debt securities	448,839	3	Present value method	-	-	-
Equity instruments at fair value - other comprehensive profit or loss						
Beneficiary equity securities	117,597,460	3	Present value method, market approach	Discount rate, PBR, EV/SALES, PSR, Etc	Discount rate	13.03~15.17
					PBR	1.58~4.86
					EV/SALES	5.98
					PSR	1.32~9.13
Financial liabilities at fair value - profit or loss						
Derivatives	2,947,567		Option pricing model,	Volatility of the underlying assets, discount rate	Volatility-	51.90%
					Discount rate	1.76%
	7,256,077		Present value method,	Forward exchange rate	-	-

(*) diverse inputs in underlying assets pricing

(in thousands of Korean won)

						2017
	Fair value	Level	Valuation techniques	Major Inputs	Unobservable inputs	Range of unobservable inputs
Financial assets at fair value through profit or loss						
Securities linked derivative	132,341,738	3	Black Scholes Model, Hull-White Model, Monte Carlo Simulation, Gaussian 1-factor model, Garman-Kohlhagen model and others	Price of the underlying assets, Dividend rate, Volatility of the underlying assets, Correlation between the underlying assets (rates of return on shares), Interest rate, CDS SPREAD, Recovery rate, Discount rate	Volatility of the underlying assets	9.2% ~ 10.45%
					Correlation coefficient	0 ~ 1
					CDS SPREAD	0.10% ~ 0.47%
					Discount rate	1.66% ~ 2.41%
Recovery rate	40.00%					
Debt securities	43,474,930	2	Present value method	Credit risk adjusted discount rate	-	-
	2,990,536	2	Present value method	Forward rate	-	-
Derivatives	39,471,102	3	Option pricing model	Price of the underlying assets, Credit risk adjusted discount rate, Volatility of the underlying assets	Volatility of the underlying assets	25.51% ~ 46.00%
					Discount rate	2.34%~2.37%
Available-for-sale financial assets						
Beneficiary certificates	26,353,363	2	-	Quoted price of the underlying assets	-	-
	22,990,070	3	Market approach	EBITDA Multiple	EBITDA Multiple	31.10
				Revenue Multiple	Revenue Multiple	2.20
			Liquidity discount rate	Liquidity discount rate	11.50%	
Debt securities	126,329,485	2	Present value method	Credit risk adjusted discount rate	-	-
	4,036,614	3	Present value method	Credit risk adjusted discount rate	Discount rate	2.21%
Equity securities	335,001,907	3	Market approach, Discount Cash Flow model,	EBITDA Multiple, Revenue Multiple, Discount rate	EBITDA Multiple	3.11 ~ 19.32
					Revenue Multiple	2.25 ~ 6.16
					Discount rate	9.60% ~ 13.00%
Financial liabilities at fair value through profit or loss						
Derivatives	4,638,541	3	Option pricing model	Price of the underlying assets, Volatility of the underlying assets, Discount rate	Volatility of the underlying assets	9.20% ~ 45.00%
					Discount rate	2.47% ~ 4.26%

5.5 Valuation Processes for Fair Value Measurements Categorized Within Level 3

The Group operates a separate team that performs the fair value measurements required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO), and discusses the valuation process and results with the CFO at least once a quarter in line with the Group's quarterly reporting schedule.

5.6 Sensitivity Analysis for Recurring Fair Value Measurements Categorized Within Level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable.

The results of the sensitivity analysis for the effect on profit or loss from changes in inputs for each financial instrument, which is categorized within level 3 and subject to sensitivity analysis, are as follows:

(in thousands of Korean won)

	2018			
	Favorable changes		Unfavorable changes	
	Profit or loss	Equity	Profit or loss	Equity
Financial assets				
Derivatives-linked securities ¹	3,581	3,581	(3,471)	(3,471)
Derivatives ²	-	-	-	-
Unlisted shares ³	21,651,910	23,438,050	(20,386,264)	(22,155,316)
Financial liabilities				
Derivatives	149,012	149,012	(140,618)	(140,618)

(in thousands of Korean won)

	2017			
	Favorable changes		Unfavorable changes	
	Profit or loss	Equity	Profit or loss	Equity
Financial assets				
Derivatives-linked securities ¹	205,597	205,597	(75,031)	(75,031)
Derivatives ²	9,097,706	9,086,452	(6,148,903)	(6,140,816)
Unlisted shares ³	-	24,742,192	-	(24,742,192)
Financial liabilities				
Derivatives	145,600	145,600	(151,663)	(151,663)

¹ For derivative-linked securities related to stocks (index), foreign exchange rate and interest rate, changes in their fair value are calculated by increasing or decreasing the volatility of the underlying assets and correlation, which are significant unobservable inputs, by 10%. For derivative-linked securities related to credit events, changes in fair value are calculated by increasing or decreasing the CDS SPREAD by 10bp.

² For derivative instruments such as conversion rights to the common stock, changes in their fair value are calculated by increasing or decreasing the volatility of the stock price, which are significant unobservable inputs, by 10%.

³ For unlisted stocks, changes in their fair value are calculated by increasing or decreasing the discount rate, which is significant unobservable inputs, by 1%, and by increasing or decreasing the PBR, EV/SALES, PSR and others, which are significant unobservable inputs, by 10%.

6. Financial Instruments by Category

(in thousands of Korean won)

6.1 Carrying Amounts of Financial Instruments by Category

Categorizations of financial assets and liabilities as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018			
	Financial assets at fair value - profit or loss	Financial assets at fair value - other comprehensive income	Financial assets at amortized cost	Total
Cash and cash equivalents	-	-	3,322,884,103	3,322,884,103
Long and short-term financial instruments ¹	-	-	470,692,834	470,692,834
Financial assets at fair value - profit or loss	784,174,009	-	-	784,174,009
Trade and other receivables	-	-	1,214,712,034	1,214,712,034
Financial assets at fair value - other comprehensive income	-	729,376,828	-	729,376,828
	784,174,009	729,376,828	5,008,288,971	6,521,839,808

¹ As at December 31, 2018, long and short-term financial instruments amounting to ₩21,200 million are restricted as deposits for shared corporate growth program, ₩500 million are pledged for restoration of leasehold facilities and ₩5,000 million are restricted for the borrowings for the Group's employees. In addition, ₩1,600 million are pledged to Shinhan bank for financial guarantees in relation to Naver Pay service and ₩2,836 million of long-term financial instrument are pledged for LINE business operation (Note 30).

(in thousands of Korean won)

	2018	
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost
Trade and other payables	-	742,275,387
Financial liabilities at fair value through profit or loss	10,203,644	-
Borrowings	-	449,934,601
Debentures	-	711,561,946
	10,203,644	1,903,771,934

(in thousands of Korean won)

	2017				
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Total
Cash and cash equivalents	-	1,907,575,061	-	-	1,907,575,061
Long and short-term financial instruments	-	1,454,190,892	-	-	1,454,190,892
Financial assets at fair value through profit or loss	313,683,892	-	-	-	313,683,892
Trade and other receivables	-	1,101,072,454	-	-	1,101,072,454
Available-for-sale financial assets	-	-	1,023,068,167	-	1,023,068,167
Held-to-maturity financial assets	-	-	-	2,660,696	2,660,696
	313,683,892	4,462,838,407	1,023,068,167	2,660,696	5,802,251,162

¹ As at December 31, 2017, long and short-term financial instruments amounting to ₩18,800 million are restricted as deposits for shared corporate growth program, ₩500 million are pledged for restoration of leasehold facilities and ₩5,000 million are restricted for the borrowings for the Group's employees. In addition, ₩1,690 million are pledged to Shinhan bank for financial guarantees in relation to Naver Pay service.

	2017	
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost
Trade and other payables	-	620,963,606
Financial liabilities at fair value through profit or loss	4,638,541	-
Borrowings	-	260,944,900
Debentures	-	150,000,000
	4,638,541	1,031,908,506

6.2 Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

2018	
Financial asset at fair value - profit or loss	
Interest income	4,649,320
Foreign currency exchange differences	3,972,071
Gain on valuation	38,210,342
Gain on disposal	9,401,401
Gain on derivative trading	381,469
Dividend	7,579,854
Financial asset at fair value - other comprehensive income	
Interest income	2,370,316
Dividend income	11,884,200
Foreign currency exchange differences	136,117
Reversal of impairment loss	(103,923)
Loss on valuation - other comprehensive income	(84,638,773)
Gain on disposal	(2,921,189)
Financial assets at amortized cost	
Interest income ²	20,224,140
Impairment loss	(2,277,430)
Bad debt expenses, other	(1,923,322)
Foreign currency exchange differences ²	(4,649,968)
Gain on disposal	438,229
Financial liabilities at fair value through profit or loss	
Loss on valuation	(8,053,915)
Financial liabilities at amortized cost	
Interest expense	13,723,512
Foreign currency exchange differences ²	(1,715,943)

(in thousands of Korean won)

	2017
Available-for-sale financial assets	
Loss on valuation (other comprehensive income)	(22,809,784)
Loss on disposal (profit or loss)	(14,655,037)
Gain on disposal (reclassified to profit or loss) ¹	21,149,295
Interest income	6,582,462
Foreign currency exchange differences	3,483
Dividend income	11,039,823
Impairment loss (profit or loss)	(20,616,107)
Loans and receivables	
Interest income	27,399,186
Foreign currency exchange differences ²	(7,829,725)
Bad debt expenses	3,623,071
Other impairment loss ²	(2,775,832)
Financial assets at fair value through profit or loss	
Interest income	2,659,462
Gain on valuation	46,055,269
Gain on disposal	4,348,731
Held-to-maturity financial assets	
Interest income	36,920
Financial liabilities measured at amortized cost	
Interest expense ²	(568,580)
Foreign currency exchange differences ²	(9,161,420)

¹ The amount reclassified from other comprehensive income to profit or loss.² The amounts include discontinued operations income and expenses.

7. Financial Assets

7.1 Financial Assets at Fair Value - Profit or Loss

As explained in Note 2, the Group has applied Korean IFRS 1109 Financial Instruments from January 1, 2018. See Note 36 for the impacts of changes in accounting policies on the classification of financial assets and the financial statements.

(in thousands of Korean won)

	2018	2017 ¹
Non-current		
Compound financial instruments	256,599,842	142,280,509
Beneficiary certificates and funds	273,778,694	186,893,358
Debt securities	23,021,003	59,426,180
	553,399,539	388,600,047
Current		
Securities linked derivatives	43,353,829	122,468,437
Compound financial instruments	147,920,853	233,206,094
Beneficiary certificates and funds, and others	11,657,687	41,649,015
Debt securities	27,542,326	11,757,647
Equity securities	223,025	122,241,647
Derivatives	76,750	2,990,536
	230,774,470	534,313,376
	784,174,009	922,913,423

¹ The amounts are after reflecting the impacts of changes in accounting policies (Note 36).

(b) Amounts recognized in profit or loss

Amounts recognized in profit or loss for the year ended December 31, 2018, are as follows:

(in thousands of Korean won)

	2018
Securities linked derivatives	1,684,687
Compound financial instruments	34,714,142
Beneficiary certificates and funds	10,406,811
Others	1,187,572
	47,993,212

7.2 Financial Assets at Fair Value - Other Comprehensive Income

(a) Equity instruments at fair value - other comprehensive income

Equity instruments at fair value - other comprehensive income comprise the following individual investments:

(in thousands of Korean won)

	2018	2017 ¹
Listed equity securities	396,397,609	498,402,007
Unlisted equity securities	117,597,460	98,344,566
	513,995,069	596,746,573

¹ As at December 31, 2017, the Group classified above equity instruments as available-for-sale. The amounts are after reflecting the impacts of changes in accounting policies (Note 36).

Upon disposal of these equity instruments, any balance within the accumulated other comprehensive income for these equity instruments is not reclassified to profit or loss.

(b) Debt instruments at fair value - other comprehensive income

Debt instruments at fair value - other comprehensive income, having solely payments of principal and interest, are as follows:

(in thousands of Korean won)

	2018	2017 ¹
Government bonds	-	9,829,885
Corporate bonds	215,766,553	130,184,039
Less: provision for impairment	(384,794)	(354,493)
	215,381,759	139,659,431

¹ As at December 31, 2017, the Group classified above equity instruments as available-for-sale. The amounts are after reflecting the impacts of changes in accounting policies (Note 36).

Upon disposal of these debt instruments, any balance within the accumulated other comprehensive income for these debt instruments is reclassified to profit or loss.

7.3 Trade Receivables and Other Financial Assets at amortized cost**(a) Trade and other receivables**

(in thousands of Korean won)

	2018	2017 ¹
Trade receivables	585,471,178	626,371,357
Other receivables	506,600,451	400,312,627
Less: provision for impairment	(12,660,257)	(12,923,742)
Trade and other receivables - net	1,079,411,371	1,013,760,242

¹ The amounts are after reflecting the effect of changes in accounting policies (Note 36).

(b) Other financial assets at amortized cost

(in thousands of Korean won)

	2018			2017 ¹		
	Current	Non-current	Total	Current	Non-current	Total
Cash equivalents	3,322,884,103	-	3,322,884,103	1,907,575,061	-	1,907,575,061
Time deposits	429,773,400	21,700,000	451,473,400	846,535,129	70,853,219	917,388,348
Corporate bonds	15,000,000	-	15,000,000	-	-	-
Bank debenture	-	100,595	100,595	-	15,098,700	15,098,700
Government bonds	-	2,839,526	2,839,526	200,000,000	-	200,000,000
Loans	7,740,306	348,320	8,088,626	2,013,964	1,048,006	3,061,970
Accrued income	5,727,514	-	5,726,149	5,516,543	-	5,516,543
Leasehold deposits provided	8,671,853	112,748,931	121,420,784	1,845,698	73,143,089	74,988,786
Other financial assets	-	1,426,154	1,426,154	-	57,944	57,944
	3,789,797,176	139,163,526	3,928,960,702	2,963,486,395	160,200,958	3,123,687,353
Less: provision for impairment	(71,139)	(11,964)	(83,103)	(546,074)	(55,034)	(601,108)
	3,789,726,037	139,151,562	3,928,877,599	2,962,940,321	160,145,924	3,123,086,245

¹ The amounts are after reflecting the effect of changes in accounting policies (Note 36).

(c) Impairment

See Note 4 for the impairment of trade receivables, other financial assets at amortized cost and the Group's exposure to credit risk.

8. Contract Assets and Liabilities**(a) Contract assets and liabilities**

The contract assets and liabilities that the Group recognizes as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Contract assets related LINE Sticker	3,067,557	3,069,668
Contract assets related to advertisement service	370,711	1,075,307
Assets recognized for costs incurred to fulfil contracts	6,149,528	6,381,720
Total contract assets	9,587,796	10,526,695
Customer loyalty programs	1,747,289	4,876,339
Contracts related to advertisement service	2,968,370	279,464
Contracts related to business platform service	96,732,069	77,099,894
Contracts related to IT platform service	9,079,776	7,339,341
Contracts related to contents service	37,907,869	11,989,488
Contracts related to LINE & other platform services	253,931,056	231,065,608
Total contract liabilities	402,366,429	332,650,134

(b) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current year related to carried-forward contract liabilities from the prior year and there is no revenue recognized in the current year related to performance obligations that were satisfied in the prior year.

(in thousands of Korean won)

	2018
Revenue recognized during the current year that was included in the contract liability balance at the beginning of the year	324,016,815
Customer loyalty programs	4,876,339
Contracts related to ads service	279,464
Contracts related to business platform service	77,099,894
Contracts related to IT platform service	7,339,341
Contracts related to contents service	11,989,488
Contracts related to LINE & other platform services	222,432,289

(c) Assets recognized from costs to fulfil a contract

In addition to the contract balances disclosed above, the Group recognizes an asset in relation to costs to fulfil contracts of LINE Sticker, Theme Shop and Creator's Market Sticker which are represented within prepaid expenses in the statements of financial position.

(in thousands of Korean won)

	2018
Assets recognized from costs to fulfil a contract at the end of reporting period	18,216,224
Amortization and impairment loss recognized as cost of providing services during the current year	15,428,979

The asset is amortized on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

9. Inventories

(in thousands of Korean won)

	2018	2017
Merchandise	66,836,937	42,501,783
Less : Valuation loss	(13,151,305)	(9,502,714)
Finished Goods	338,153	-
Raw materials and others	3,416,508	3,205,445
	57,440,293	36,204,514

All of the Group's inventories are merchandise and inventories recognized as an operating expense during the year amounted to ₩97,095 million (2017: ₩60,736 million).

The Group recognized ₩3,429 million of loss on inventory valuation as an operating expenses during the year (2017: ₩3,987 million).

10. Available-for-sale Financial Assets

Details of available-for-sale financial assets as at December 31, 2017, are as follows:

(in thousands of Korean won)

	2017
Equity securities	
Stocks	839,899,428
Beneficiary certificates	52,802,640
Debt securities	
Corporate bonds	130,366,099
	1,023,068,167

Changes in available-for-sale financial assets for the year ended December 31, 2017, are as follows:

(in thousands of Korean won)

	2017
Beginning balance	416,506,432
Acquisition	708,671,193
Disposals	(50,653,345)
Impairment	(20,616,107)
Net losses reclassified from equity	(27,082,100)
Net losses reclassified to equity	(2,130,661)
Others	(1,627,245)
Ending balance	1,023,068,167
Less: non-current portion	(79,435,727)
Current portion	943,632,440

11. Other Assets

Details of other assets as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
	Current	Non-current	Current	Non-current
Prepayment	16,653,317	829,412	16,831,304	738,294
Prepaid expenses	116,566,098	29,730,595	81,859,909	35,312,258
Prepaid value added tax	18,487,285	-	15,385,824	-
Others	5,741,136	52,317	10,540,794	12,841
	157,447,836	30,612,324	124,617,831	36,063,393

12. Property and Equipment

Details of property and equipment as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		
	Acquisition cost	Accumulated depreciation ¹	Book amount
Land	239,113,704	-	239,113,704
Buildings	465,290,041	(95,759,441)	369,530,600
Structures	113,641,283	(49,209,913)	64,431,371
Machinery	1,034,784,246	(557,971,513)	476,812,733
Vehicles	1,193,940	(661,255)	532,685
Equipment	262,941,349	(126,082,660)	136,858,689
Others	52,422,567	(23,699,659)	28,722,908
Construction in progress	141,299,521	-	141,299,521
	2,310,686,650	(853,384,441)	1,457,302,209

(in thousands of Korean won)

	2017		
	Acquisition cost	Accumulated depreciation ¹	Book amount
Land	225,378,810	-	225,378,810
Buildings	453,850,500	(80,576,559)	373,273,941
Structures	110,754,898	(37,867,930)	72,886,968
Machinery	759,971,641	(480,581,461)	279,390,180
Vehicles	1,141,196	(467,021)	674,175
Equipment	186,337,763	(91,801,822)	94,535,941
Others	42,980,219	(16,721,659)	26,258,560
Construction in progress	77,614,124	-	77,614,124
	1,858,029,151	(708,016,452)	1,150,012,699

¹ Accumulated impairment losses and government grant are included.

Changes in property and equipment for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018								
	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Others	Construction in progress	Total
Beginning balance	225,378,810	373,273,941	72,886,968	279,390,180	674,175	94,535,941	26,258,560	77,614,124	1,150,012,699
Acquisition/capital expenditures	13,789,106	15,717,597	2,288,485	338,642,392	32,116	100,777,859	7,848,024	61,250,360	540,335,939
Increase due to business combination (Note 32)	-	-	-	-	29,876	95,376	235,199	-	360,451
Depreciation	-	(15,206,545)	(11,341,983)	(146,015,546)	(200,112)	(44,972,552)	(10,279,378)	-	(228,016,116)
Disposals	-	(35,838)	-	(250,904)	(6,144)	(16,877,546)	(1,059,919)	-	(18,230,351)
Disposal of a subsidiary	-	-	-	(15,816)	-	(783,013)	(1,351,337)	-	(2,150,166)
Others ¹	(54,212)	(4,218,555)	597,900	5,062,427	2,774	4,082,623	7,081,759	2,435,037	14,989,753
Ending balance	239,113,704	369,530,600	64,431,370	476,812,733	532,685	136,858,688	28,722,908	141,299,521	1,457,302,209

(in thousands of Korean won)

	2017								
	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Others	Construction in progress	Total
Beginning balance	218,663,488	353,513,070	51,429,272	139,460,097	325,719	57,536,625	13,273,815	29,056,312	863,258,398
Acquisition/capital expenditures	6,715,322	7,057,999	17,273	262,880,390	659,940	75,296,156	22,560,811	108,210,117	483,398,008
Increase due to business combination (Note 32)	-	75,892	-	1,027,224	1	1,198,635	1,361,523	125,146	3,788,421
Depreciation	-	(14,636,809)	(9,095,737)	(117,712,471)	(162,392)	(33,818,061)	(7,247,865)	-	(182,673,335)
Disposals	-	-	-	(817,399)	(142,177)	(3,155,053)	(1,846,748)	-	(5,961,377)
Disposal of a subsidiary	-	-	-	-	-	(1,737,725)	(117,218)	-	(1,854,943)
Others ¹	-	27,263,789	30,536,160	(5,447,661)	(6,916)	(784,636)	(1,725,758)	(59,777,451)	(9,942,473)
Ending balance	225,378,810	373,273,941	72,886,968	279,390,180	674,175	94,535,941	26,258,560	77,614,124	1,150,012,699

¹ Others includes increase and decrease from foreign currency translation and others.

The Group leases various property and equipment under non-cancellable operating lease agreements. The lease payments recognized as expenses for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Minimum lease payments	104,806,857	74,989,371
Sub lease payments	(11,668)	(2,502)
Contingent rental payments	(31,303,299)	(20,033,553)
Total lease payments	73,491,890	54,953,316

Total minimum lease payments in relation to non-cancellable operating leases are as follows:

(in thousands of Korean won)

	2018	2017
Within 1 year	123,554,232	67,198,773
1 year to 5 years	276,318,114	178,830,727
More than 5 years	163,737,576	76,062,077
	563,609,922	322,091,577

13. Intangible Assets

Details of intangible assets as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018			2017		
	Acquisition Cost	Accumulated amortization ¹	Book amount	Acquisition Cost	Accumulated amortization ¹	Book amount
Industrial rights	15,291,540	(8,578,228)	6,713,312	15,761,085	(8,046,743)	7,714,342
Software	83,034,254	(62,199,996)	20,834,258	81,025,227	(58,193,077)	22,832,150
Goodwill	231,044,622	(26,396,034)	204,648,588	264,029,762	(30,828,683)	233,201,079
Others	162,306,698	(87,539,386)	74,767,312	148,705,668	(72,941,558)	75,764,110
	491,677,114	(184,713,644)	306,963,470	509,521,742	(170,010,061)	339,511,681

¹ Accumulated impairment losses and government grant are included.

Changes in intangible assets for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018				
	Industrial rights	Software	Goodwill	Others	Total
Beginning balance	7,714,342	22,832,150	233,201,079	75,764,110	339,511,681
Acquisition/capital expenditures	2,233,864	8,324,708	-	35,559,136	46,117,708
Increase due to business combination	2,173,622	39,801	20,659,776	1,891,700	24,764,899
Amortization	(1,704,363)	(8,320,287)	-	(23,026,322)	(33,050,972)
Disposals	-	(335,053)	-	(3,831,508)	(4,166,561)
Impairment	-	(522,246)	-	(1,863,653)	(2,385,899)
Disposal of a subsidiary	(3,138,349)	(1,445,684)	(56,894,712)	(9,417,640)	(70,896,385)
Others ¹	(565,804)	260,869	7,682,445	(308,511)	7,068,999
Ending balance	6,713,312	20,834,258	204,648,588	74,767,312	306,963,470

(in thousands of Korean won)

	2017				
	Industrial rights	Software	Goodwill	Others	Total
Beginning balance	1,596,368	13,345,159	45,743,763	51,446,243	112,131,533
Acquisition/capital expenditures	3,281,296	13,036,012	-	14,943,033	31,260,341
Increase due to business combination	4,014,539	5,839,873	194,365,650	29,386,720	233,606,782
Amortization	(1,167,108)	(7,457,365)	-	(14,958,269)	(23,582,742)
Disposals	(9,945)	(508,251)	-	(1,940,893)	(2,459,089)
Impairment	-	-	-	(1,829,001)	(1,829,001)
Disposal of a subsidiary	-	(142,781)	(269,465)	-	(412,246)
Others ¹	(808)	(1,280,497)	(6,638,869)	(1,283,723)	(9,203,897)
Ending balance	7,714,342	22,832,150	233,201,079	75,764,110	339,511,681

¹ Others includes increase and decrease from foreign currency translation and others.

Amortization cost is classified as operating expenses

The Group recognized total research and development costs of ₩ 1,403,927 million (2017: ₩ 1,130,230 million) as expenses and they are included in 'operating expenses'.

As at December 31, 2018 and 2017, goodwill is allocated for each cash-generating unit (CGU) by which goodwill is monitored by management. The table below summarizes goodwill allocation for each cash-generating unit.

(in thousands of Korean won)

	2018	2017
Naver service	33,489,427	24,760,618
LINE service	168,660,544	195,646,691
Other	2,498,617	12,793,770
	204,648,588	233,201,079

Impairment Tests for Goodwill

The Group performs the impairment test on goodwill each year and evaluates the recoverable amounts of each CGU. The recoverable amounts are determined based on the values in use which are calculated based on the discounted future cash flows expected from the continuous use of the assets.

The Group estimates future cash flows of each CGU by considering past experience, operation results and future business plan for the next five years which reflect management's evaluation for internal and external information of relevant industries. In order to estimate the discount rate that reflects the time value of money and the risks specific to the CGU, the Group have assumed a risk-free rate equal to average market yields on government bonds in each country at the date of performing the annual impairment test. The Group also incorporated a risk premium, such as a group specific premium and equity premium, in the discount rate.

The major assumptions used in the calculation of values in use of LINE service CGU are as follows.

(in thousands of Korean won)

	2018	2017
Discount rate	8.7%	7.8%
Sales growth rate during the estimation period	12.7%	13.0%
Perpetual growth rate ¹	1.3%	1.6%

¹ The perpetual growth rate is the long-term average inflation rates in Japan, take into consideration external macroeconomic data.

There is no impairment loss recognized during the year based on the recoverable amount which is calculated with the value in use of each CGU, as the recoverable amounts have considerably exceeded the carrying amounts of cash-generating units. In validating the value-in-use determined for the cash-generating units, the sensitivity of key assumptions used in the discounted cash-flow model such as discount rates and the terminal growth rate was evaluated. The outcomes of the impairment tests were not sensitive to reasonably likely changes in any of the assumptions underlying the cash flow projections used for the impairment tests.

14. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures of the Group as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

Name of entity	Primary business	Location	Closing month	2018		2017
				Percentage of ownership (%)	Book amount	Book amount
Associates						
KG Allat (Formerly, Allat)	Internet commerce payment service	Korea	December	20.00	4,203,279	3,708,376
NetMania	Software development and distribution	Korea	December	27.17	976,619	846,150
Synapsoft	Software development and distribution	Korea	December	26.53	4,291,022	3,993,600
Cloud Application Factory ²	Software development and distribution	Korea	December	-	-	1,487
BonAngels Pacemaker Fund	Investment	Korea	December	22.73	3,134,205	4,109,379
Korea Contents Mutual Aid Association ¹	Investment	Korea	December	56.56	9,247,075	5,274,711
ARO In Tech	Software development and distribution	Korea	December	29.85	514,709	415,967
Future Creation NAVER-Stonebridge Early Stage Start-up Fund	Investment	Korea	December	40.00	6,109,969	6,844,658
Future Creation NAVER-SB Startup Investment Fund	Investment	Korea	December	37.04	16,194,573	8,011,687
Epic Voyage	Mobile service development	Japan	December	30.00	25,708	24,929
LINE Music	Mobile service development	Japan	December	36.72	4,933,610	447,864
Digital Media Partners II	Investment	Cayman Islands	December	30.00	2,598,808	2,499,797
LINE Part Time Job (Formerly, AUBE) ³	Mobile service development	Japan	December	-	-	3,169,994
NAVER-Suprema Youth Foundation No.5 Investment Fund	Investment	Korea	December	50.00	8,543,088	7,915,533
NAVER KIP Cheer up! Gamers Fund	Investment	Korea	December	50.00	3,579,691	4,128,854
NSPACE	Space service business	Korea	December	49.04	217,094	1,360,751
Silicon Cube	Applied software development and distribution	Korea	December	45.05	2,291,346	2,192,699

[Continued]

(in thousands of Korean won)

Name of entity	Primary business	Location	Closing month	Percentage of ownership (%)	2018	2017
					Book amount	Book amount
Associates						
One Store	E-Commerce business	Korea	December	34.46	19,970,146	21,511,791
Transcosmos Online Communication	Business customer support	Japan	December	37.06	1,165,315	1,152,090
Nplegames ⁵	Software development and distribution	Korea	December	-	-	4,502,629
Alchera	Software consulting, development and distribution	Korea	December	24.54	2,294,222	1,862,085
Trust Us ²	Software consulting, development and distribution	Korea	December	21.39	-	-
Yume no machi Souzou linkai	Mobile service development	Japan	December	21.77	38,801,208	37,080,639
Mirae Asset-NAVER New Growth Fund ¹	Investment	Korea	December	50.00	18,179,090	19,562,524
K-Fund I ¹	Investment	France	December	100.00	108,199,648	24,435,726
Fandom ⁶	Software development and distribution	Korea	December	20.00	-	150,793
YG NAVER Contents & Lifestyle Fund ¹	Investment	Korea	December	90.91	50,388,242	48,661,077
Orpeo Sound Works ⁶	Software development and distribution	Korea	December	27.41	-	1,948,965
Nano Interactive ⁵	Software development and distribution	Korea	December	-	-	517,457
The Grim Ent.	Webtoon production	Korea	December	34.98	993,456	1,049,309
Meshkorea	Telecom order brokerage, e-commerce	Korea	December	20.94	13,299,831	25,163,892
Studio Horang	Webtoon production	Korea	December	35.00	323,373	332,814
Oozoo ⁵	Software development and distribution	Korea	December	-	-	2,442,539
Soran Media Venture Fund I ¹	Investment	Korea	December	66.67	899,296	1,000,000
Motif ⁵	Software development and distribution	Korea	December	-	-	1,999,899
Fast Cowell Private Equity Fund	Investment	Korea	December	21.13	1,464,163	1,500,000
Skeinglobe ⁵	Software development and distribution	Korea	December	-	-	1,220,800
YLAB Japan	Software development and distribution	Japan	December	35.71	404,055	479,600
Laiqu Technology (Shenzhen)	Software development and distribution	China	December	22.96	483,202	164,067
Rock Square ⁵	Software development and distribution	Korea	December	-	-	-
FOLIO	Financial business	Japan	December	41.36	52,812,854	-
Bigpicture Comics	Webtoon production	Korea	December	35.00	961,448	-
iPASS	Mobile payment system planning and development	Taiwan	December	29.82	12,589,324	-
Bravepops ²	Software development and distribution	Korea	December	20.67	-	-
AXIS	Software development and distribution	Korea	December	30.00	2,307,974	-
MiraeAsset MAPS Private Placement Real Estate 62	Investment	Korea	December	45.08	189,393,769	-

[Continued]

(in thousands of Korean won)

Name of entity	Primary business	Location	Closing month	Percentage of ownership (%)	2018	2017
					Book amount	Book amount
Associates						
LENSA,LTD.	Mobile advertising service business	Japan	December	49.00	947,502	-
LINE Mobile ⁴	Telecommunications service	Japan	December	49.00	74,248,707	-
Studio JHS	Webtoon production	Korea	December	35.00	649,342	-
Venture republic	Online information distribution business	Japan	December	33.98	16,392,944	-
MiraeAsset-NAVER Asia Growth Fund ⁷	Investment	Korea	December	16.67	19,519,948	-
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	Investment	Singapore	December	40.00	76,157,930	-
China Ventures Fund I, L.P. ¹	Investment	China	December	66.67	3,330,600	-
LINE Games (formerly, Next floor) ⁴	Software development and distribution	Korea	December	49.48	185,596,317	-
					958,634,702	251,685,132
Joint ventures						
YTN PLUS	Digital contents distribution	Korea	December	50.00	4,852,402	4,298,774
LINE Project ²	Investment	Japan	December	49.95	-	-
Collab+LINE	Investment	USA	December	50.00	1,510,946	1,147,638
Lantu Games	Mobile service development	Hong Kong	December	50.00	192,498	399,883
JobsN	Online information service	Korea	December	49.00	1,447,064	898,764
RABBIT-LINE PAY COMPANY	Online payment service	Thailand	December	33.33	22,198,433	20,061,560
YEOPEUL	Online information service and internet contents business	Korea	December	49.00	1,157,850	523,102
Cineplay	Online information service and online advertising	Korea	December	49.00	575,843	492,381
China Lab	Database and online information service	Korea	December	49.00	239,795	185,692
Designpress	Online information service and internet contents business	Korea	December	49.00	468,740	281,207
Interbiz	Online information service and internet contents business	Korea	December	49.00	285,543	91,654
Artitian	Online information service and internet contents business	Korea	December	49.00	173,322	134,610
Schooljam	Online information service and internet contents business	Korea	December	49.00	254,011	185,110
Agroplus	Online information service and internet contents business	Korea	December	49.00	334,721	158,006
Sumlab	Online information service and internet contents business	Korea	December	49.00	365,538	141,837
Techplus	Online information service and internet contents business	Korea	December	49.00	370,102	109,533
Animal and Human Story	Online information service and internet contents business	Korea	December	49.00	138,135	94,906
Law and Media	Online information service and internet contents business	Korea	December	49.00	182,578	107,334

[Continued]

(in thousands of Korean won)

Name of entity	Primary business	Location	Closing month	Percentage of ownership (%)	2018	2017
					Book amount	Book amount
Joint ventures						
DANAA Data	Software development and distribution	Korea	December	49.00	4,866,664	-
SINAMONGEIMJEU CO., LTD.	Software development and distribution	Korea	December	49.98	1,979	-
Kasikorn LINE	Software development and distribution	Korea	December	49.99	3,111,256	-
					42,727,420	29,311,991
					1,001,362,122	280,997,123

¹ Although the Group owns more than 50% of the investees, the Group does not have controls over the entities under arrangements and classifies them as associates.

² LINE Project had discontinued the use of equity method due to accumulated deficits and impairment loss. Trust us, Cloud Application Factory, and Bravepops had been recognized before the current year, due to the book amount exceeded the recoverable amount.

³ LINE Part Time Job (Formerly, AUBE) have been included in subsidiaries during the current year.

⁴ LINE Games(Formerly, Next Floor) and LINE Mobile was reclassified from subsidiaries to associates due to decrease in ownership of the Group for the year ended December 31, 2018.

⁵ Associates related to LINE Games has been excluded due to loss of control for LINE Games for the year ended December 31, 2018.

⁶ Phantom and Orpeo sound works recognized impairment loss during the current year, due to the book amount exceeded the recoverable amount.

⁷ Although the Group owns less than 20% of the investees, the Group has control over the entities under arrangements and classified as associates.

Details of valuation of investments in associates and joint ventures that are accounted for using the equity method for the years for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	Valuation of equity method in 2018							
	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	Ending Balance
Associates								
KG Allet (formetly,Allat)	3,708,376	-	494,903	-	-	-	-	4,203,279
NetMania	846,150	-	130,469	-	-	-	-	976,619
Synapsoft	3,993,600	-	285,705	11,717	-	-	-	4,291,022
Cloud Application Factory	1,487	-	(1,487)	-	-	-	-	-
BonAngels Pacemaker Fund	4,109,379	-	(225,174)	-	(750,000)	-	-	3,134,205
Korea Contents Mutual Aid Association	5,274,711	4,000,000	(83,549)	28,458	-	-	27,455	9,247,075
ARO In Tech	415,967	-	38,923	59,819	(4,800)	-	4,800	514,709
Future Creation NAVER Stonebridge Early Stage Start-up Fund	6,844,658	-	(734,689)	-	-	-	-	6,109,969
Future Creation NAVER-SB Startup Investment Fund	8,011,687	-	2,117,548	6,435,709	(1,707,292)	-	1,336,922	16,194,574
Epic Voyage	24,929	-	(486)	1,676	-	-	(411)	25,708
LINE Music	447,864	11,927,760	(7,321,204)	(31,415)	-	-	(89,395)	4,933,610

[Continued]

(in thousands of Korean won)

	Valuation of equity method in 2018							
	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	Ending Balance
Associates								
Digital Media Partners II	2,499,797	-	(94,595)	193,606	-	-	-	2,598,808
LINE Part Time Job(formerly, AUBE)	3,169,994	(3,920,189)	624,186	129,009	-	-	-	-
NAVER-Suprema Youth Foundation No.5 Investment Fund	7,915,533	1,500,000	(652,066)	-	(220,379)	-	-	8,543,088
NAVER KIP Cheer up! Gamers Fund	4,128,854	-	(49,163)	-	(500,000)	-	-	3,579,691
NSPACE	1,360,751	-	(1,143,657)	-	-	-	-	217,094
Silicon Cube	2,192,699	-	98,647	-	-	-	-	2,291,346
One Store	21,511,791	-	(1,442,766)	(98,880)	-	-	-	19,970,145
Transcosmos Online Communication	1,152,090	-	(63,664)	76,889	-	-	-	1,165,315
Nplegames	4,502,629	(3,675,207)	(827,422)	-	-	-	-	-
Alchera	1,862,085	-	444,694	-	-	-	(12,557)	2,294,222
Trust Us	-	-	-	-	-	-	-	-
Yume no machi Souzou linkai	37,080,639	-	(1,137,298)	2,861,552	-	-	(3,685)	38,801,208
Mirae Asset-NAVER New Growth Fund ¹	19,562,524	-	(383,610)	-	(999,824)	-	-	18,179,090
K-Fund I	24,435,726	82,980,787	(5,470,526)	6,278,474	-	-	(24,813)	108,199,648
Fandom	150,793	-	16,369	-	-	(167,162)	-	-
YG NAVER Contents & Lifestyle Fund	48,661,077	-	582,637	(28,390)	-	-	1,172,918	50,388,242
Orpeo Sound Works	1,948,965	-	(77,809)	-	-	(1,871,156)	-	-
Nano Interactive	517,457	(576,291)	58,876	(42)	-	-	-	-
The Grim Ent.	1,049,309	-	(55,853)	-	-	-	-	993,456
Meshkorea	25,163,892	-	(21,636,616)	-	-	-	9,772,555	13,299,831
Studio Horang	332,814	-	(9,441)	-	-	-	-	323,373
Oozoo	2,442,539	(2,442,539)	(302,411)	73,346	-	-	229,065	-
Soran Media Venture Fund I	1,000,000	-	(100,704)	-	-	-	-	899,296
Motif	1,999,899	(1,702,609)	(297,290)	-	-	-	-	-
Fast Cowell Private Equity Fund	1,500,000	-	(35,837)	-	-	-	-	1,464,163
Skeinglobe	1,220,800	(1,220,800)	-	-	-	-	-	-
YLAB Japan	479,600	350,278	(295,770)	(130,111)	-	-	58	404,055
Laiqu Technology (Shenzhen)	164,067	678,157	(449,516)	(15,976)	-	-	106,470	483,202
Rock Square	-	359,861	(359,861)	-	-	-	-	-
FOLIO	-	56,829,616	(4,787,052)	770,290	-	-	-	52,812,854
Bigpicture Comics	-	700,033	261,415	-	-	-	-	961,448
iPASS	-	12,433,800	252,130	(96,606)	-	-	-	12,589,324
Bravepops	-	648,294	110	-	-	(648,404)	-	-
AXIS	-	3,000,000	(1,780,095)	(437)	-	-	1,088,506	2,307,974

[Continued]

(in thousands of Korean won)

	Valuation of equity method in 2018							
	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	Ending Balance
Associates								
MiraeAsset MAPS Private Placement Real Estate 62	-	196,330,551	(3,819,546)	-	(6,593,313)	-	3,476,077	189,393,769
LENSA,LTD.	-	966,221	(44,856)	26,137	-	-	-	947,502
LINE Mobile 4	-	-	(26,658,714)	2,390,186	-	-	98,517,235	74,248,707
Studio JHS	-	700,033	(50,691)	-	-	-	-	649,342
Venture republic	-	16,667,880	(318,890)	43,954	-	-	-	16,392,944
MiraeAsset-Naver Asia Growth Fund	-	19,665,103	(145,155)	-	-	-	-	19,519,948
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	-	78,277,820	(2,154,475)	34,585	-	-	-	76,157,930
China Ventures Fund I, L.P. 1	-	3,330,600	-	-	-	-	-	3,330,600
LINE Games(formerly, next floor)	-	-	(3,432,660)	(298,462)	-	-	189,327,440	185,596,318
	251,685,132	477,809,159	(81,037,987)	18,712,088	(10,775,608)	(2,686,722)	304,928,640	958,634,702
Joint ventures								
YTN PLUS	4,298,774	-	553,628	-	-	-	-	4,852,402
LINE Project	-	-	-	-	-	-	-	-
Collab+LINE	1,147,638	-	226,430	52,610	-	-	84,268	1,510,946
Lantu Games	399,883	2,238,500	(3,126,175)	718,668	-	-	(38,378)	192,498
JobsN	898,764	-	548,300	-	-	-	-	1,447,064
RABBIT-LINE PAY COMPANY	20,061,560	-	(4,274,776)	903,277	-	-	5,508,372	22,198,433
YEOPEUL	523,102	-	634,748	-	-	-	-	1,157,850
Cineplay	492,381	-	83,462	-	-	-	-	575,843
China Lab	185,692	-	54,103	-	-	-	-	239,795
Designpress	281,207	-	187,533	-	-	-	-	468,740
Interbiz	91,654	-	193,889	-	-	-	-	285,543
Artitian	134,610	-	38,712	-	-	-	-	173,322
Schooljam	185,110	-	68,901	-	-	-	-	254,011
Agroplus	158,006	-	176,715	-	-	-	-	334,721
Sumlab	141,837	-	223,701	-	-	-	-	365,538
Techplus	109,533	-	260,569	-	-	-	-	370,102
Animal and Human Story	94,906	-	43,229	-	-	-	-	138,135
Law and Media	107,334	-	75,245	-	-	-	-	182,579
DANAA data	-	4,866,664	-	-	-	-	-	4,866,664
SINAMONGEIMJEU	-	1,979	-	-	-	-	-	1,979
Kasikom LINE	-	3,111,256	-	-	-	-	-	3,111,256
	29,311,991	10,218,399	(4,031,787)	1,674,555	-	-	5,554,262	42,727,420
	280,997,123	488,027,558	(85,069,774)	20,386,643	(10,775,608)	(2,686,722)	310,482,902	1,001,362,122

(in thousands of Korean won)

	Valuation of equity method in 2017							
	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	Ending Balance
Associates								
Allat	3,206,028	-	502,348	-	-	-	-	3,708,376
NetMania	777,831	-	68,319	-	-	-	-	846,150
Synapsoft	3,394,726	(25,866)	733,846	(1,964)	(107,142)	-	-	3,993,600
Cloud Application Factory	39,359	-	(37,872)	-	-	-	-	1,487
BonAngels Pacemaker Fund	4,909,679	(250,001)	(550,299)	-	-	-	-	4,109,379
Korea Contents Mutual Aid Association	2,577,500	3,001,818	(304,607)	-	-	-	-	5,274,711
ARO In Tech	379,878	-	36,089	-	-	-	-	415,967
Future Creation NAVER Stonebridge Early Stage Start-up Fund	8,313,362	(5,488,000)	8,419,296	-	(4,400,000)	-	-	6,844,658
Future Creation NAVER-SB Startup Investment Fund	9,829,236	(1,057,406)	6,717,669	-	(7,477,812)	-	-	8,011,687
Epic Voyage	27,780	-	(537)	(2,314)	-	-	-	24,929
LINE Music	4,287,724	-	(3,703,612)	(136,248)	-	-	-	447,864
Green Monster	65,860	-	(85,878)	20,018	-	-	-	-
Digital Media Partners II	2,598,721	330,054	(126,434)	(302,544)	-	-	-	2,499,797
AUBE	3,522,535	-	(57,742)	(294,799)	-	-	-	3,169,994
NAVER-Suprema Youth Foundation No.5 Investment Fund	5,667,325	2,500,000	(251,792)	-	-	-	-	7,915,533
NAVER KIP Cheer up! Gamers Fund	4,558,437	-	(429,583)	-	-	-	-	4,128,854
NSPACE	861,605	700,002	(200,856)	-	-	-	-	1,360,751
Silicon Cube	1,751,159	59,815	81,725	-	-	-	300,000	2,192,699
One Store	27,110,684	-	(5,530,899)	(67,994)	-	-	-	21,511,791
Transcosmos Online Communication	437,395	872,807	(128,961)	(29,151)	-	-	-	1,152,090
Nplegames	924,048	4,384,455	(805,874)	-	-	-	-	4,502,629
Alchera	1,464,219	561,188	(163,322)	-	-	-	-	1,862,085
Sound of Heart Culture Industry Special Purpose Company	133,383	(98,486)	-	-	(34,897)	-	-	-
Trust Us	3,085,823	-	(967,403)	-	(2,118,420)	-	-	-
Yume no machi Souzou linkai	43,410,681	(16,206)	(817,209)	(5,496,627)	-	-	-	37,080,639
Mirae Asset-NAVER New Growth Fund 1	10,000,000	10,000,000	(437,476)	-	-	-	-	(19,562,524)
K-Fund	-	27,761,313	(3,136,228)	(189,359)	-	-	-	(24,435,726)
Fandom	-	-	(46,303)	-	-	-	197,096	(150,793)
YG NAVER Contents & Lifestyle Fund	-	50,000,000	(1,338,923)	-	-	-	-	48,661,077
Orpeo Sound Works	-	1,500,006	(51,142)	-	-	-	500,101	1,948,965
Nano Interactive	-	-	(96,543)	-	-	-	614,000	517,457

[Continued]

(in thousands of Korean won)

	Valuation of equity method in 2017							
	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	Ending Balance
Associates								
The Grim Ent.	-	1,049,415	(106)	-	-	-	-	1,049,309
Meshkorea	-	27,474,987	(2,311,095)	-	-	-	-	25,163,892
Studio Horang	-	350,017	(17,203)	-	-	-	-	332,814
Oozoo	-	-	(377,242)	-	-	-	2,819,781	2,442,539
Soran Media Venture Fund I	-	1,000,000	-	-	-	-	-	1,000,000
Motif	-	1,999,899	-	-	-	-	-	1,999,899
Fast Cowell Private Equity Fund	-	1,500,000	-	-	-	-	-	1,500,000
Skeinglobe	-	1,220,800	-	-	-	-	-	1,220,800
YLAB Japan	-	479,600	-	-	-	-	-	479,600
Laiqu Technology (Shenzhen)	-	164,067	-	-	-	-	-	164,067
ITDA	-	300,000	-	-	-	(300,000)	-	-
InnoAG	-	-	(258,263)	-	-	-	258,263	-
Pig	-	-	(82,182)	-	-	-	82,182	-
	143,334,978	130,274,278	(5,756,294)	(6,500,982)	(12,019,851)	(2,418,420)	4,771,423	251,685,132
Joint ventures								
YTN PLUS	3,872,403	-	439,814	(13,443)	-	-	-	4,298,774
LINE Projct	-	-	-	-	-	-	-	-
Collab+LINE	1,253,437	-	43,982	(149,781)	-	-	-	1,147,638
Lantu Games	8,301,453	-	(6,648,315)	(1,253,255)	-	-	-	399,883
JobsN	456,947	-	441,817	-	-	-	-	898,764
RABBIT-LINE PAY COMPANY	24,283,413	-	(3,619,409)	(602,444)	-	-	-	20,061,560
YEOPEUL	189,892	-	333,210	-	-	-	-	523,102
Cineplay	193,194	-	299,187	-	-	-	-	492,381
China Lab	116,235	-	69,457	-	-	-	-	185,692
Designpress	150,468	-	130,739	-	-	-	-	281,207
Interbiz	-	98,000	(6,346)	-	-	-	-	91,654
Artitian	-	98,000	36,610	-	-	-	-	134,610
Schooljam	-	98,000	87,110	-	-	-	-	185,110
Agroplus	-	98,000	60,006	-	-	-	-	158,006
Sumlab	-	98,000	43,837	-	-	-	-	141,837
Techplus	-	98,000	11,533	-	-	-	-	109,533
Animal and Human Story	-	98,000	(3,094)	-	-	-	-	94,906
Law and Media	-	98,000	9,334	-	-	-	-	107,334
	38,817,442	784,000	(8,270,528)	(2,018,923)	-	-	-	29,311,991
	182,152,420	131,058,278	(14,026,822)	(8,519,905)	(12,019,851)	(2,418,420)	4,771,423	280,997,123

The tables below provide summarized financial information for those associates and joint ventures that are material to the Group and received dividends from the associates and joint ventures.

(in thousands of Korean won)

	2018				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Associates					
BonAngels Pacemaker Fund	2,016,473	11,716,120	69,978	-	13,662,615
Future Creation NAVER Stonebridge Early Stage Start-up Fund	119,209	14,929,969	376,205	-	14,672,973
Future Creation NAVER-SB Startup Investment Fund	8,738,988	34,838,904	451,822	-	43,126,070
One Store	92,844,264	24,071,681	63,439,899	2,449,810	51,026,236
Yume no machi Souzou linkai ¹	58,293,775	44,882,589	38,695,298	10,934,875	53,546,191
Mirae Asset-NAVER New Growth Fund ¹	4,114,158	32,233,356	-	-	36,347,514
K-Fund I	2,093,933	106,502,302	394,787	-	108,201,448
YG NAVER Contents & Lifestyle Fund	27,954,231	26,182,625	-	-	54,136,856
Mesh Korea	54,147,738	8,640,640	8,728,154	10,429,379	43,630,845
LINE Games (formerly, Next Floor)	145,335,637	90,574,942	12,005,267	9,838,148	214,067,164
MIRAE ASSE-NAVER ASIA GROWTH INVESTMENT	939,222	188,968,557	961,742	-	188,946,037
MiraeAsset MAPS Private Placement Real Estate 62	9,146,624	413,526,379	7,844,640	-	414,828,363
Joint ventures					
RABBIT-LINE PAY COMPANY	48,596,338	6,781,826	19,710,215	158,263	35,509,686
Lantu Games ²	3,680,671	323,903	3,005,389	614,189	384,996

(in thousands of Korean won)

	2018					
	Revenue	Operating income (loss)	Profit (loss) for the year	Other comprehensive income	Total comprehensive income (loss)	Received dividend
Associates						
BonAngels Pacemaker Fund	33,839	(251,116)	(251,116)	-	(251,116)	-
Future Creation NAVER Stonebridge Early Stage Start-up Fund	297	(381,052)	(381,052)	-	(381,052)	-
Future Creation NAVER-SB Startup Investment Fund	-	(463,493)	10,817,744	17,376,414	28,194,158	(1,707,292)
One Store	110,284,000	(12,886,679)	(13,903,267)	-	(13,903,267)	-
Yume no machi Souzou linkai ¹	20,150,172	13,312	294,417	-	294,417	-
Mirae Asset-NAVER New Growth Fund ¹	249,504	(767,221)	(767,221)	-	(767,221)	-
K-Fund I	12,179	(52,303)	(5,460,173)	-	(5,460,173)	-
YG NAVER Contents & Lifestyle Fund	1,434,036	(659,451)	(635,646)	-	(635,646)	-
Mesh Korea	73,146,028	(14,088,862)	(14,169,383)	-	(14,169,383)	-
LINE Games (formerly, Next Floor)	3,994,896	(6,333,177)	(7,696,663)	163,168	(7,533,495)	-
MIRAE ASSE-NAVER ASIA GROWTH INVESTMENT	-	(5,094,231)	(5,094,231)	-	(5,094,231)	-
MiraeAsset MAPS Private Placement Real Estate 62	43,415	(477,681)	(477,681)	-	(477,681)	(6,593,313)
Joint ventures						
RABBIT-LINE PAY COMPANY	2,047,681	(3,938,106)	(3,813,581)	-	(3,813,581)	-
Lantu Games ²	8,207	(6,632,346)	(6,116,952)	-	(6,116,952)	-

¹ Information based on the consolidated financial statements and profit for the year includes profit attributable to controlling shareholders.

² Including financial information of Beijing Lantu Times Technology Company, a subsidiary of Lantu Games.

(in thousands of Korean won)

	2017				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Associates					
BonAngels Pacemaker Fund	5,453,371	12,569,059	69,049	-	17,953,381
Future Creation NAVER Stonebridge Early Stage Start-up Fund	452,443	16,379,970	322,719	-	16,509,694
Future Creation NAVER-SB Startup Investment Fund	1,409,172	20,131,938	508,834	-	21,032,276
One Store	76,810,419	18,564,161	38,547,067	1,327,259	55,500,254
Yume no machi Souzou linkai ¹	36,657,700	48,814,097	19,940,266	12,313,799	53,151,983
Mirae Asset-NAVER New Growth Fund ¹	18,131,600	21,236,905	254,123	-	39,114,382
K-Fund I	1,862,656	23,244,003	670,933	-	24,435,726
YG NAVER Contents & Lifestyle Fund	30,552,818	23,378,005	403,638	-	53,527,185
Mesh Korea	26,793,888	8,861,091	4,468,389	11,324,833	19,861,757
Joint ventures					
RABBIT-LINE PAY COMPANY	21,948,046	1,573,585	3,005,438	111,636	20,404,557
Lantu Games ²	11,694,722	440,310	9,463,445	1,871,820	799,767

(in thousands of Korean won)

	2017					
	Revenue	Operating income (loss)	Profit (loss) for the year	Other comprehensive income	Total comprehensive income (loss)	Received dividend
Associates						
BonAngels Pacemaker Fund	58,348	(1,268,008)	(1,268,008)	-	(1,268,008)	-
Future Creation NAVER Stonebridge Early Stage Start-up Fund	21,247,661	20,541,391	20,541,394	-	20,541,394	4,400,000
Future Creation NAVER-SB Startup Investment Fund	-	(548,184)	18,837,668	-	18,837,668	7,477,812
One Store	115,596,443	(8,202,934)	(16,051,252)	-	(16,051,252)	-
Yume no machi Souzou linkai ¹	22,791,855	(11,665,367)	(3,705,824)	-	(3,705,824)	-
Mirae Asset-NAVER New Growth Fund ¹	140,568	(874,951)	(874,951)	-	(874,951)	-
K-Fund I	227	(3,095,185)	(3,136,228)	-	(3,136,228)	-
YG NAVER Contents & Lifestyle Fund	(524,735)	(1,472,815)	(1,472,815)	-	(1,472,815)	-
Mesh Korea	19,033,409	(8,536,159)	(7,821,673)	-	(7,821,673)	-
Joint ventures						
RABBIT-LINE PAY COMPANY	1,221,468	(7,448,794)	(7,220,456)	-	(7,220,456)	-
Lantu Games ²	54,839	(13,222,494)	(13,284,665)	-	(13,284,665)	-

¹ Information based on the consolidated financial statements, profit for the year includes profit attributable to controlling shareholders.² Including financial information of Beijing Lantu Times Technology Company, a subsidiary of Lantu Games.

Details of adjustments from financial information of associates and joint ventures to the book amount of investments in associates and joint ventures as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018					
	Net asset (a)	Ownership interests held by the Group (b)	Interest in net asset (axb)	Goodwill	Others ³	Book amount
Associates						
KG allat (formerly, Allat)	21,016,393	20.00%	4,203,279	-	-	4,203,279
NetMania	3,593,945	27.17%	976,619	-	-	976,619
Synapsoft	14,281,115	26.53%	3,788,791	502,231	-	4,291,022
BonAngels Pacemaker Fund	13,662,615	22.73%	3,105,139	29,066	-	3,134,205
Korea Contents Mutual Aid Association	15,322,706	56.56%	8,666,198	580,877	-	9,247,075
ARO In Tech	1,475,614	29.85%	440,482	74,227	-	514,709
Future Creation NAVER Stonebridge Early Stage Start-up Fund	14,672,973	40.00%	5,869,189	240,780	-	6,109,969
Future Creation NAVER-SB Startup Investment Fund	43,126,070	37.04%	15,972,618	221,955	-	16,194,573
Epic Voyage	87,065	30.00%	26,120	-	(412)	25,708
LINE Music	10,570,900	36.72%	3,881,634	1,141,370	(89,394)	4,933,610
Digital Media Partners II	8,662,694	30.00%	2,598,808	-	-	2,598,808
NAVER-Suprema Youth Foundation No.5 Investment Fund	17,086,176	50.00%	8,543,088	-	-	8,543,088
NAVER KIP Cheer up! Gamers Fund	7,159,381	50.00%	3,579,691	-	-	3,579,691
NSPACE	339,353	49.04%	166,419	1,082,057	(1,031,382)	217,094
Silicon Cube	2,432,384	45.05%	1,095,789	1,006,541	189,016	2,291,346
One Store	51,026,236	34.46%	17,582,490	2,387,656	-	19,970,146
Transcosmos Online Communication	3,144,638	37.06%	1,165,315	-	-	1,165,315
Alchera	2,015,855	24.54%	494,672	1,035,983	763,567	2,294,222
Yume no machi Souzou linkai ²	53,546,191	21.77%	11,659,679	27,141,529	-	38,801,208
Mirae Asset-NAVER New Growth Fund ¹	36,347,514	50.00%	18,173,757	5,333	-	18,179,090
K-Fund	108,201,448	100.00%	108,201,448	-	(1,800)	108,199,648
Fandom	45,829	20.00%	9,166	119,613	(128,779)	-
YG NAVER Contents & Lifestyle Fund	54,136,856	90.91%	49,215,324	-	1,172,918	50,388,242
Orpeo Sound Works	949,024	27.41%	260,127	1,611,048	(1,871,175)	-
The Grim Ent.	888,197	34.98%	310,696	682,760	-	993,456
Meshkorea	43,630,845	20.94%	11,038,604	19,295,275	(17,034,048)	13,299,831
Studio Horang	274,896	35.00%	96,218	227,155	-	323,373
Soran Media Venture Fund I	1,348,943	66.67%	899,296	-	-	899,296
Fast Cowell Private Equity Fund	6,909,804	21.13%	1,459,818	4,345	-	1,464,163
YLAB Japan	1,131,543	35.71%	404,055	-	-	404,055
Laiqu Technology (Shenzhen)	2,104,893	22.96%	483,202	-	-	483,202
FOLIO	69,224,348	41.36%	28,631,116	24,181,738	-	52,812,854
Bigpicture Comics	1,519,271	35.00%	531,769	429,679	-	961,448

[Continued]

(in thousands of Korean won)

	2018					
	Net asset (a)	Ownership interests held by the Group (b)	Interest in net asset (axb)	Goodwill	Others ³	Book amount
Associates						
iPASS	37,814,239	29.82%	11,277,931	1,311,393	-	12,589,324
Bravepops	(35,873)	20.67%	(7,415)	656,818	(649,403)	-
AXIS	2,868,936	30.00%	860,681	1,964,611	(517,318)	2,307,974
MiraeAsset MAPS Private Placement Real Estate 62	414,828,363	45.08%	187,003,862	2,389,907	-	189,393,769
LENSA,LTD.	1,933,678	49.00%	947,502	-	-	947,502
LINE Mobile	36,413,058	49.00%	17,842,399	53,271,037	3,135,271	74,248,707
Studio JHS	430,965	35.00%	150,844	498,498	-	649,342
Venture republic	6,066,411	33.98%	2,061,095	14,331,849	-	16,392,944
MiraeAsset-Naver Asia Growth Fund	117,119,689	16.67%	19,519,948	-	-	19,519,948
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	188,946,037	40.00%	75,578,414	579,516	-	76,157,930
China Ventures Fund I, L.P. (TPG-SB China Fund)	3,330,933	99.99%	3,330,600	-	-	3,330,600
LINE Games(formerly, Next Floor)	214,067,164	49.48%	105,926,158	79,670,159	-	185,596,317
	1,633,719,315		738,022,635	236,675,006	(16,062,939)	958,634,702
Joint ventures						
YTN PLUS	9,704,805	50.00%	4,852,402	-	-	4,852,402
Collab+LINE	3,021,892	50.00%	1,510,946	-	-	1,510,946
Lantu Games	384,996	50.00%	192,498	-	-	192,498
JobsN	2,953,191	49.00%	1,447,064	-	-	1,447,064
RABBIT-LINE PAY COMPANY	35,509,686	33.33%	11,836,562	10,361,871	-	22,198,433
YEOPEUL	2,362,959	49.00%	1,157,850	-	-	1,157,850
Cineplay	1,175,191	49.00%	575,843	-	-	575,843
China Lab	489,378	49.00%	239,795	-	-	239,795
Designpress	956,612	49.00%	468,740	-	-	468,740
Interbiz	582,741	49.00%	285,543	-	-	285,543
Artitian	353,718	49.00%	173,322	-	-	173,322
Schooljam	518,389	49.00%	254,011	-	-	254,011
Agroplus	683,104	49.00%	334,721	-	-	334,721
Sumlab	745,995	49.00%	365,538	-	-	365,538
Techplus	755,310	49.00%	370,102	-	-	370,102
Animal and Human Story	281,909	49.00%	138,135	-	-	138,135
Law and Media	372,609	49.00%	182,578	-	-	182,578
DANAA Data ¹	9,931,967	49.00%	4,866,664	-	-	4,866,664
SINAMONGEIMJEU	3,960	49.98%	1,979	-	-	1,979
Kasikorn LINE ¹	6,114,978	50.00%	3,057,488	53,768	-	3,111,256
	76,903,390		32,311,781	10,415,639	-	42,727,420
	1,710,622,705		770,334,416	247,090,645	(16,062,939)	1,001,362,122

¹ Acquired at the end of December, 2018 and therefore, acquisition cost was recognized as book amount.² Information based on the consolidated financial statements and therefore, net asset represents amount attributable to controlling interests.³ Others include recognized amounts for preferred shares, recognition of impairment loss and others.

(in thousands of Korean won)

	2017				
	Net asset (a)	Ownership interests held by the Group (b)	Interest in net asset (axb)	Goodwill	Book amount
Associates					
Allat	18,541,881	20.00%	3,708,376	-	3,708,376
NetMania	3,113,821	27.17%	846,150	-	846,150
Synapsoft	13,228,471	26.39%	3,491,369	502,231	3,993,600
Cloud Application Factory	4,939	30.10%	1,487	-	1,487
BonAngels Pacemaker Fund	17,953,381	22.73%	4,080,313	29,066	4,109,379
Korea Contents Mutual Aid Association	10,815,665	46.09%	4,984,561	290,150	5,274,711
ARO In Tech	1,144,829	29.85%	341,740	74,227	415,967
Future Creation NAVER Stonebridge Early Stage Start-up Fund	16,509,694	40.00%	6,603,878	240,780	6,844,658
Future Creation NAVER-SB Startup Investment Fund	21,032,276	37.04%	7,789,732	221,955	8,011,687
Epic Voyage	83,098	30.00%	24,929	-	24,929
LINE Music	1,340,910	33.40%	447,864	-	447,864
Digital Media Partners II	8,332,655	30.00%	2,499,797	-	2,499,797
AUBE	6,469,375	49.00%	3,169,994	-	3,169,994
NAVER-Suprema Youth Foundation No.5 Investment Fund	15,831,067	50.00%	7,915,533	-	7,915,533
NAVER KIP Cheer up! Gamers Fund	8,257,709	50.00%	4,128,854	-	4,128,854
NSPACE	568,247	49.04%	278,694	1,082,057	1,360,751
Silicon Cube	2,449,912	45.05%	1,186,158	1,006,541	2,192,699
One Store	55,500,254	34.46%	19,124,135	2,387,656	21,511,791
Transcosmos Online Communication	3,108,948	37.06%	1,152,090	-	1,152,090
Nplegames	5,024,111	31.95%	2,313,548	2,189,081	4,502,629
Alchera	3,283,860	25.16%	826,102	1,035,983	1,862,085
Yume no machi Souzou linkai ²	53,151,983	21.93%	11,655,446	25,425,193	37,080,639
Mirae Asset-NAVER New Growth Fund ¹	39,114,382	50.00%	19,557,191	5,333	19,562,524
K-Fund	24,435,726	100.00%	24,435,726	-	24,435,726
Fandom	71,480	20.00%	31,180	119,613	150,793
YG NAVER Contents & Lifestyle Fund	53,527,185	90.91%	48,661,077	-	48,661,077
Orpeo Sound Works	1,232,915	27.41%	337,917	1,611,048	1,948,965
Nano Interactive	(267,683)	35.48%	(94,984)	612,441	517,457
The Grim Ent.	1,047,866	34.98%	366,549	682,760	1,049,309
Meshkorea	19,861,757	25.30%	5,868,617	19,295,275	25,163,892
Studio Horang	301,868	35.00%	105,659	227,155	332,814
Oozoo	(2,075,854)	44.53%	(924,459)	3,366,998	2,442,539
Soran Media Venture Fund I	1,476,697	66.67%	984,465	15,535	1,000,000
Motif	1,915,007	41.46%	794,005	1,205,894	1,999,899
Fast Cowell Private Equity Fund	7,079,434	21.13%	1,495,655	4,345	1,500,000
Skeinglobe	(2,456,867)	28.72%	(705,627)	1,926,427	1,220,800
YLAB Japan ¹	773,847	35.71%	479,600	-	479,600
Laiqu Technology (Shenzhen) ¹	820,335	20.00%	164,067	-	164,067
	412,605,181		188,127,388	63,557,744	251,685,132

[Continued]

(in thousands of Korean won)

	2017				
	Net asset (a)	Ownership interests held by the Group (b)	Interest in net asset (axb)	Goodwill	Book amount
Joint ventures					
YTN PLUS	8,597,547	50.00%	4,298,774	-	4,298,774
Collab+LINE	2,295,277	50.00%	1,147,638	-	1,147,638
Lantu Games	799,767	50.00%	399,883	-	399,883
JobsN	1,834,211	49.00%	898,764	-	898,764
RABBIT-LINE PAY COMPANY ²	20,404,557	50.00%	10,202,279	9,859,281	20,061,560
YEOPEUL	1,067,555	49.00%	523,102	-	523,102
Cineplay	1,004,860	49.00%	492,381	-	492,381
China Lab	378,964	49.00%	185,692	-	185,692
Designpress	573,892	49.00%	281,207	-	281,207
Interbiz	187,050	49.00%	91,654	-	91,654
Artitian	274,715	49.00%	134,610	-	134,610
Schooljam	377,775	49.00%	185,110	-	185,110
Agroplus	322,462	49.00%	158,006	-	158,006
Sumlab	289,463	49.00%	141,837	-	141,837
Techplus	223,537	49.00%	109,533	-	109,533
Animal and Human Story	193,686	49.00%	94,906	-	94,906
Law and Media	219,049	49.00%	107,334	-	107,334
	39,044,367		19,452,710	9,859,281	29,311,991
	451,649,548		207,580,098	73,417,025	280,997,123

¹ Acquired at the end of December, 2018 and therefore, acquisition cost was recognized as book amount.

² Information based on the consolidated financial statements and therefore, net asset represents amount attributable to controlling interests.

As at December 31, 2018, listed security in associates and joint ventures held by the Group is Yume no machi Souzou linkai, whose fair value is ₩107,458 million (2017: ₩173,871 million).

15. Trade and Other Payables

Trade and other payables as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
	Current	Non-current	Current	Non-current
Financial liabilities				
Other payables	594,607,439	9,042,867	543,560,055	5,559,259
Accrued expenses	120,932,868	14,253,573	64,794,019	5,957,788
Deposits received	3,364,492	74,149	957,358	135,127
	718,904,799	23,370,589	609,311,432	11,652,174
Non-financial liabilities				
Accrued expenses	177,371,460	-	161,413,024	-
	896,276,259	23,370,589	770,724,456	11,652,174

16. Other Liabilities

Other liabilities as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
	Current	Non-current	Current	Non-current
Advances from customers	311,266,336	-	290,878,895	-
Unearned revenues	122,188,838	998,389	93,401,964	1,022,209
Withholdings	580,605,533	151,977	408,345,613	142,367
Withholdings-VAT	71,588,440	-	66,709,023	-
	1,085,649,147	1,150,366	859,335,495	1,164,576

17. Borrowings and Debentures

Borrowings as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won, in thousands of Japanese yen, in thousands of VND and in thousands of HKD)

Lender	Latest maturity date	Annual interest rate (%)	2018	2017	
Short-term borrowings					
Foreign currency	Sumitomo Mitsui Banking Corporation	Sep 30, 2019	0.07	121,581,600 (JPY 12,000,000)	113,893,200 (JPY 12,000,000)
	Mizuho Corporate Bank, Ltd.	Sep 30, 2019	0.12	101,318,000 (HKD 10,000,000)	94,911,000 (JPY 10,000,000)
	HIENDAT	-	-	-	1,379,472 (VND 28,166,221)
	Mizuho Corporate Bank, Ltd.	-	-	-	395,456 (JPY 41,666)
	Resona Bank Co. Ltd	June 28, 2019	0.26	10,131,800 (JPY 1,000,000)	-

[Continued]

(in thousands of Korean won, in thousands of Japanese yen, in thousands of VND and in thousands of HKD)

Lender	Latest maturity date	Annual interest rate (%)	2018	2017	
Short-term borrowings					
Foreign currency	DAG Ventures VI, L.P. ¹	-	2,236,763 (HKD 15,667)	-	
	Goodwater Capital II, L.P. ¹	-	1,117,286 (HKD 7,826)	-	
	Mistletoe Singapore Pte. Ltd. ¹	-	2,236,800 (HKD 15,667)	-	
	SCC Growth IV Holdco A, Ltd. ¹	-	33,347,751 (HKD 233,577)	-	
	SenseView Investment Limited ¹	-	5,592,265 (HKD 39,170)	-	
	SNOW Limited Liability Partnership ¹	-	22,265,516 (HKD 155,954)	-	
	Sendai Bank	Dec 15, 2019	1.00	18,237 (JPY 1,800)	-
Local currency	KOOKMIN Bank	-	-	403,962	
	Woori Bank	May 24, 2019	2.79	50,000,000	
			349,846,018	210,983,090	
Long-term borrowings					
Foreign currency	Japan Finance Corporation	June 30, 2020	1.40	18,672 (JPY 1,843)	28,540 (JPY 3,007)
	Dai Ichi Kangyo Credit Cooperative	June 15, 2023	1.00	68,390 (JPY 6,750)	71,183 (JPY 7,500)
	Sendai Bank	Jan 15, 2020	1.00	1,520 (JPY 150)	35,592 (JPY 3,750)
Local currency	YOJ	-	-	-	779,780
	Shinhan Bank	Oct 31, 2020	2.91	50,000,000	49,046,714
	Sunny Solution 3rd	Oct 31, 2020	3.16	50,000,000	-
Less: Current portion			(26,991)	(28,132)	
			100,061,591	49,933,677	

¹ Subsidiary of the Company, SNOW China issued Redeemable Convertible Preferred Stock(RCPS). When the certain circumstance incurring such as the change of regulation environment, the holder of RCPS can be requested to repayment to the Group. Accordingly, the Company classified this RCPS as borrowings

Debentures as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	Latest maturity date	Annual Interest rate (%)	2018	2017
Fixed rate in Korean won	November 12, 2018	2.13	-	150,000,000
Convertible bonds in foreign currency ¹ (Note 30)	September 20, 2023	-	357,788,936 (JPY 35,313,462 thousand)	-
	September 19, 2025	-	353,773,010 (JPY 34,917,094 thousand)	-
Less: Current portion			-	(150,000,000)
			711,561,946	-

¹ Details of convertible bonds issued on September 20, 2018, by LINE, are as follows:

	Details
Par value	JPY 73,160 million
Value at issue	JPY 74,989 million
Conversion period	Matured in 2023 : from October 4, 2018 to September 6, 2023
	Matured in 2025 : from October 4, 2018 to September 6, 2025
Conversion Price	Matured in 2023 : JPY 7,467 per share
	Matured in 2025 : JPY 7,518 per share
Mature repayment value	100% of par value
Conversion price adjustments	The conversion price is adjusted for share split or share merger, share exchange and issuance of convertible securities
Stated interest rate	0%
Early repayment by issuer	1) Clean up repayment : remaining amount is under 10% of par value. 2) 130% call-option repayment : Line's stock value in Tokyo stock exchange is excess of 130% of conversion price during 20 days continuously(matured in 2023 : from September 21, 2021, mature in 2025 : from September 20, 2023) 3) Others: reason incurred by tax or corporate law

The convertible right of this convertible bond classified as Equity.

18. Provisions

(in thousands of Korean won)

Changes in provisions for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018			
	Provision for litigation	Provision for customer loyalty programs	Provision for restoration and others	Total
Beginning balance	926,439	249,054	39,487,901	40,663,394
Charged / (credited) to the statement of profit or loss				
Additional provisions	-	-	9,806,438	9,806,438
Unused amounts reversed	-	-	(1,446,965)	(1,446,965)
Used during the year	-	-	(4,677,225)	(4,677,225)
Others	-	-	541,001	541,001
Ending balance	926,439	249,054	43,711,150	44,886,643
Current portion	926,439	249,054	1,287,241	2,462,734
Non-current portion	-	-	42,423,909	42,423,909

(in thousands of Korean won)

	2017				
	Provision for litigation	Provision for customer loyalty programs	Provision for social contribution ¹	Provision for restoration and others	Total
Beginning balance	926,439	249,054	40,000,000	20,299,791	61,475,284
Charged / (credited) to the statement of profit or loss					
Additional provisions	-	-	-	25,056,683	25,056,683
Unused amounts reversed	-	-	-	(1,041,597)	(1,041,597)
Used during the year	-	-	(40,000,000)	(2,606,596)	(42,606,596)
Others	-	-	-	(2,220,380)	(2,220,380)
Ending balance	926,439	249,054	-	39,487,901	40,663,394
Current portion	926,439	249,054	-	4,722,355	5,897,848
Non-current portion	-	-	-	34,765,546	34,765,546

¹ During 2013, the Group agreed with the Fair Trade Commission to contribute to good causes, the exact nature of which to be agreed with the Fair Trade Commission in advance. The entire amount was paid during the prior year.

19. Post-employment Benefits

The Group operates defined benefit pension plans mainly in Korea. The majority of the plans are final salary pension plans, which provide benefit to employees in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on employees' length of service and their salary in the final years leading up to retirement. The majority of benefit payments are unfunded; however, there are also a number of trustee administered funds. Plan assets held in trusts are governed by local regulations and practice in each country.

Details of net defined benefit liabilities recognized in the consolidated statements of financial position as at December 31, 2018 and 2017, are as follows:

	2018	2017
Present value of funded defined benefit obligations	45,061,744	27,710,745
Present value of unfunded defined benefit obligations	317,685,556	272,652,127
Total	362,747,300	300,362,872
Fair value of plan assets	(17,967,039)	(16,329,665)
Net defined benefit liabilities	344,780,261	284,033,207

Movements in the defined benefit obligations for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Beginning balance	300,362,872	259,251,647
Current service cost	73,977,535	58,833,379
Interest expense	11,456,098	7,806,472
Remeasurements:		
Actuarial gains from change in financial assumptions	(3,712,875)	(16,738,670)
Actuarial losses from experience adjustments	10,712,431	5,069,075
Payments from plans:		
Benefit payments	(25,315,734)	(15,310,770)
Others	(4,733,027)	1,451,739
Ending balance	362,747,300	300,362,872

Movements in the fair value of plan assets for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Beginning balance	16,329,665	17,576,904
Interest income	1,442,080	522,354
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(266,532)	(1,030,555)
Contribution:		
Employee	1,271,215	-
Payments from plans:		
Benefit payments	(809,389)	(739,038)
Ending balance	17,967,039	16,329,665

Plan assets as at December 31, 2018 and 2017, consist of:

(in thousands of Korean won)

	2018		2017	
	Amount	Ratio (%)	Amount	Ratio (%)
Cash and cash equivalents.	17,967,039	100%	16,329,665	100%

The significant actuarial assumptions as at December 31, 2018 and 2017, are as follows:

	2018	2017
Discount rate	2.50%~3.50%	2.70%~3.70%
Salary growth rate	3.40%~10.75%	4.00%~9.17%

The sensitivity analysis of the defined benefit obligation to changes in the principal assumptions is:

(in thousands of Korean won)

	Changes in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1% Increase/Decrease	(26,832,672)	31,412,469
Salary growth rate	1% Increase/Decrease	30,012,687	(26,293,660)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant.

The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

There is no expected contributions to plan assets for the year ending December 31, 2019, and the weighted average duration of the defined benefit obligations is between 5.8 and 14.71 years.

20. Issuance and Acquisition of Shares

The Company's total number of authorized shares is 300,000,000 shares. As at December 31, 2018, the Company has issued 164,813,395 ordinary shares (₩100 per share) and 18,630,305 treasury shares.

The Company's share capital and share premium as at December 31, 2018 amount to ₩16,481,340 thousand and ₩132,920,605 thousand, respectively.

21. Other Components of Equity

Other components of equity as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Treasury shares	(1,296,698,329)	(1,172,239,396)
Changes in the fair value of available-for-sale financial assets	-	22,782,882
Loss on valuation of financial assets at fair value - other comprehensive income	(130,955,566)	-
Share of other comprehensive income of associates and the joint ventures	11,921,362	(6,168,688)
Exchange difference	(102,731,215)	(133,834,505)
Others	(27,914,916)	(28,071,916)
	(1,546,389,664)	(1,317,531,623)

During the year, the Group purchase the treasury shares amounting ₩124,459 million (669,290 shares)

22. Share-based Payment

As at December 31, 2018, LINE, a subsidiary of the Company, entered into share-based payments agreements for the employees and directors of the Group upon the resolution of several shareholders' meetings and the Board of Directors.

(a) Stock option

Stock options granted during the years ended December 31, 2012, 2013, 2014 and 2015 vest after two years from the grant date and are exercisable for a period of eight years from the vesting date. Stock options granted during year ended December 31, 2017 vest 25% of stock options per year over a period of four years from the grant date and are exercisable from the vesting date until July 18, 2027.

The changes in the number of stock options and weighted average exercise prices for the years ended December 31, 2018 and 2017, are as follows:

(in number of shares)

Grant date	2018					Granted by
	Unexercised at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Unexercised at the end of the year	
2013.12.16 (2nd)	763,500	-	(219,000)	-	544,500	LINE
2014.02.01 (3rd)	818,000	-	(164,000)	(5,000)	649,000	LINE
2014.08.01 (4th)	218,000	-	(69,500)	-	148,500	LINE
2014.10.01 (5th)	145,000	-	(22,000)	(500)	122,500	LINE
2015.02.04 (6th)	1,246,500	-	(351,000)	(4,000)	891,500	LINE
2017.07.18 (7th)	2,386,000	-	(30,000)	(973,700)	1,382,300	LINE
Total	5,577,000	-	(855,500)	(983,200)	3,738,300	
Weighted average exercise price	JPY 2,421	JPY -	JPY 1,171	JPY 4,178	JPY 2,245	

(in number of shares)

Grant date	2017					Granted by
	Unexercised at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Unexercised at the end of the year	
2012.12.17 (1st)	14,000,000	-	(14,000,000)	-	-	LINE
2013.12.16 (2nd)	1,654,000	-	(890,500)	-	763,500	LINE
2014.02.01 (3rd)	1,135,000	-	(313,500)	(3,500)	818,000	LINE
2014.08.01 (4th)	311,000	-	(93,000)	-	218,000	LINE
2014.10.01 (5th)	221,500	-	(74,500)	(2,000)	145,000	LINE
2015.02.04 (6th)	5,590,000	-	(4,342,000)	(1,500)	1,246,500	LINE
2017.07.18 (7th)	-	2,386,000	-	-	2,386,000	LINE
Total	22,911,500	2,386,000	(19,713,500)	(7,000)	5,577,000	
Weighted average exercise price	JPY 653	JPY 4,206	JPY 583	JPY 1,320	JPY 2,421	

The Group calculated the compensation costs using black-scholes model and the assumptions and inputs used for calculation of the compensation costs are as follows:

	1st	2nd	3rd	4th	5th	6th	7th
Risk-free interest rate	0.30%	0.30%	0.20%	0.20%	0.20%	0.30%	-0.04%
Option maturity	6 years	6 years	6 years	6 years	6 years	6 years	5.5 years
Expected price volatility	60.00%	67.00%	58.00%	53.00%	52.00%	56.20%	44.90%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted average share price at grant date	JPY 233	JPY 1,011	JPY 1,161	JPY 3,280	JPY 3,297	JPY 4,225	JPY 3,840
Weighted average fair value of stock options granted at grant date	JPY 107	JPY 793	JPY 575	JPY 2,310	JPY 2,312	JPY 3,219	JPY 1,436
Exercise price	JPY 344	JPY 344	JPY 1,320	JPY 1,320	JPY 1,320	JPY 1,320	JPY 4,206

(b) Employee stock ownership plan (ESOP)

LINE, a subsidiary of the Group, has a policy, the Regulations on Stock Compensation, which regulates an incentive for excellent human resources in line with the stock price movement. In accordance with the Regulations on Stock Compensation, the Group has granted points equivalent to 262,069 shares to the employees of the Group on July 18, 2017 and granted 26,624 and 260,455 points on January 1, 2018 and July 20, 2018(Equity-settled). The points vest once the employees who received the points satisfy the conditions under the Regulations on the Stock Compensation where the employees are required to be employed by the Group until the vesting dates, which are set between April 1, 2018 and April 1, 2020, and October 1, 2018 and October 1, 2010, and April 2019 and April 1, 2021. And the employees receive LINE's shares equivalent to the number of points.

In addition, the Group has granted points equivalent to 567,056, 58,697, and 543,696 shares to the employees of the Group on the same date when the Group granted points, the employees who are granted the points will receive the cash from selling LINE's shares which are equivalent to the number of points(Cash-settled).

The changes in the number of points for the years ended December 31, 2018 and 2017, are as follows:

(in number of shares)

	2018					
	Grant date	Unexercised at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Unexercised at the end of the year
Equity-settled	2017.07.18	251,302	-	(51,286)	(20,300)	179,716
	2018.01.01	-	26,624	(6,603)	(2,244)	17,777
	2018.07.20	-	260,455	-	(12,547)	247,908
Cash-settled	2017.01.18	533,502	-	(125,585)	(66,452)	341,465
	2018.01.01	-	58,697	(15,527)	(8,536)	34,634
	2018.07.20	-	543,696	(2,729)	(26,442)	514,525

(in number of shares)

	2017					
	Grant date	Unexercised at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Unexercised at the end of the year
Equity-settled	2017.07.18	-	262,069	-	(10,767)	251,302
Cash-settled	2017.01.18	-	567,056	-	(33,554)	533,502

As the Group's ESOP does not have an exercise price, the employees receive the number of shares or the amount of cash equivalent to the points. The fair value of the points (Equity-settled) at the vest date was LINE's share price of the day the points were granted, JPY 3,840, JPY 4,865 and JPY 5,130 respectively, and the fair value of the points issued from cash-settled ESOP was JPY 3,775 as measured at the end of the year.

23. Retained Earnings

Retained earnings as at December 31, 2018 and 2017, consist of:

(in thousands of Korean won)

	2018	2017
Legal reserves ¹	8,240,670	8,240,670
Other reserves	13,909,235	13,909,235
Retained earnings before appropriation	5,207,052,908	4,533,367,963
	5,229,202,813	4,555,517,868

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for cash dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed in accordance with a resolution of the shareholders' meeting.

24. Operating Expenses

Operating expenses for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Salaries and wages	1,074,277,728	790,903,118
Post-employment benefits	85,433,633	69,105,426
Share-based payments	21,436,191	27,404,744
Employee benefits	183,278,753	114,347,273
Travel	45,411,276	30,920,522
Depreciation	228,016,116	182,673,335
Amortization	33,050,972	23,582,742
Communication	157,427,133	128,303,064
Utility	40,632,932	30,326,797
Taxes and dues	28,068,611	25,130,013
Rental	104,806,857	74,989,371
Commission	1,779,071,017	1,401,446,447
Advertising	649,388,039	442,804,307
Insurance	3,725,781	13,026,271
Freight	7,748,789	8,464,794
Supplies	45,937,551	37,040,492
Training	25,724,542	20,612,750
Others	130,936,051	78,199,656
	4,644,371,972	3,499,281,122

25. Other Income and Other Expenses

(in thousands of Korean won)

Details of other income for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Rental income	131,096	229,521
Foreign currency exchange gain	24,466,402	16,996,896
Gain on disposal of property and equipment	2,532,561	1,039,695
Gain on disposal of investments in associates and joint ventures	272,764,648	3,263,910
Others	16,879,217	13,527,140
	316,773,924	35,057,162

Details of other expenses for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Foreign currency exchange loss	28,524,388	32,073,255
Donations	39,500,034	40,276,389
Impairment loss on investments in associates and joint ventures	2,686,722	2,418,420
Other impairment loss	1,923,322	2,775,832
Others	41,990,498	9,441,490
	114,624,964	86,985,386

26. Finance Income and Costs

Details of finance income for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Dividends income	24,446,651	11,039,823
Foreign currency exchange gain	21,713,285	6,775,729
Gain on valuation of financial assets at fair value through profit or loss	-	46,761,928
Gain on valuation of financial assets at fair value - profit or loss	100,480,376	-
Gain on transactions of financial assets at fair value through profit or loss	-	4,816,406
Gain on transaction of derivatives	769,556	-
Gain on transactions of financial assets at fair value - profit or loss	15,838,019	-
Gain on disposal of available-for-sale financial assets	-	8,938,418
Gain on disposal of financial assets at fair value - other comprehensive income	495,878	-
Gain on disposal of financial assets at value of amortised cost	438,229	-
	164,181,994	78,332,304

Details of finance costs for the years ended December 31, 2018 and 2017, are as follows:

	2018	2017
Interest expenses	13,723,512	568,580
Foreign currency exchange loss	19,913,023	7,595,857
Loss on valuation of financial assets at fair value through profit or loss	-	706,659
Loss on valuation of financial assets at fair value - profit or loss	70,323,949	-
Loss on transactions of financial assets at fair value through profit or loss	-	467,675
Loss on transactions of derivative	388,087	-
Loss on disposal of financial assets at fair value - profit or loss	6,436,617	-
Loss on disposal of financial assets at fair value - other comprehensive income	3,417,067	-
Impairment loss on financial assets at fair value - other comprehensive income	103,923	-
Others	25,059,065	23,060,267
	139,365,244	32,414,107

27. Income tax expense

Income tax expense for the years ended December 31, 2018 and 2017, consists of:

(in thousands of Korean won)

	2018	2017
Current tax:		
Current tax on profits for the year	439,104,933	390,004,613
Adjustments in respect of prior year	37,518,074	9,965,884
Deferred tax:		
Origination and reversal of temporary differences	12,032,609	31,630,169
Impact of changes in corporate tax rate	(202,448)	(6,121,517)
Income tax expense	488,453,168	425,479,149
Continuing operations	488,756,398	423,173,258
Discontinued operations	(303,230)	2,305,891
Profit before income tax expense	1,116,355,041	1,195,580,819
Continuing operations profit before income tax expense	1,111,672,275	1,195,828,989
Discontinued operations profit before income tax expense	4,682,766	(248,170)
Tax at domestic tax rates applicable to profits in the respective countries	352,784,776	314,318,870
Adjustments:		
Income not subject to tax	(4,399,318)	(2,948,048)
Expenses not deductible for tax purposes	17,138,449	5,606,334
Tax credits	134,573	(6,964,661)
Changes in non-recoverable deferred tax asset	80,474,189	61,021,650
Adjustment in respect of prior year	37,518,074	9,965,884
Change in deferred tax attributable to the corporate tax rate	(202,448)	(6,121,517)
Effects of the tax system for recirculation of corporate income	1,846,097	32,227,928
Others	3,158,776	18,372,709
Income tax expense	488,453,168	425,479,149
Continuing operations	488,756,398	423,173,258
Discontinued operations	(303,230)	2,305,891

The weighted average applicable tax rate of the Group was 31.63% (2017: 26.29%).

(in thousands of Korean won)

Due to the amendment of the Corporate Tax Law of Korea during the prior year, the tax rate for taxable income exceeding ₩ 300 billion will be increased by 22% per annum to 25% from 2018. The Group measured deferred income tax assets and liabilities based on the increase in the average tax rate due to the revision.

Income tax effect related to components of other comprehensive income (loss) for the years ended December 31, 2018 and 2017, is as follows:

(in thousands of Korean won)

	2018		
	Before tax	Tax effect	After tax
Loss on valuation of financial assets at fair value - other comprehensive income	(115,873,783)	31,235,009	(84,638,774)
Remeasurements of the net defined benefit liabilities	(7,266,088)	180,607	(7,085,481)
Exchange difference ¹	77,213,086	-	77,213,086
Changes in investments in associates and joint ventures that are accounted for using the equity method ¹	20,386,643	-	20,386,643
	(25,540,142)	31,415,616	5,875,474

(in thousands of Korean won)

	2017		
	Before tax	Tax effect	After tax
Changes in the fair value of available-for-sale financial assets	(2,130,661)	470,173	(1,660,488)
Reclassification of available-for-sale financial assets	(27,082,099)	5,932,804	(21,149,295)
Remeasurements of the net defined benefit liabilities	10,639,041	(2,058,796)	8,580,245
Exchange difference ¹	(120,187,582)	74,080	(120,113,502)
Changes in investments in associates and joint ventures that are accounted for using the equity method ¹	(8,355,322)	-	(8,355,322)
	(147,116,623)	4,418,261	(142,698,362)

¹ The Group did not recognize deferred tax assets and liabilities for the exchange differences and share of other comprehensive income of subsidiaries and associates from the investment in subsidiaries and associates as at December 31, 2018 considering the Group has no plan for disposal of those investments.

The income tax that are changed or credited directly to equity does not exist for the year ended December 31, 2018.

The aggregate current tax relating to items that are charged or credited directly to equity for the year ended December 31, 2017, is as follows.

(in thousands of Korean won)

	2017		
	Before tax	Tax effect	After tax
Gain on disposal of treasury shares	314,706,255	(76,158,914)	238,547,341

The analysis of deferred tax assets and liabilities as at December 31, 2018 and 2017, is as follows:

	2018	2017
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	157,271,949	115,916,619
Deferred tax asset to be recovered after more than 12 months	180,713,016	121,127,052
	337,984,965	237,043,671
Deferred tax liabilities		
Deferred tax liability to be within 12 months	(16,912,252)	(3,484,355)
Deferred tax liability to be recovered after more than 12 months	(67,138,787)	(10,243,457)
	(84,051,039)	(13,727,812)
Deferred tax assets, net	253,933,926	223,315,859

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in thousands of Korean won)

	2018							
	Beginning balance	Change of Accounting Policy	Statement of profit or loss	Other comprehensive income (loss)	Equity	Business Combination	Exchange difference	Ending balance
Financial assets at fair value - profit or loss	(10,243,457)	-	(6,673,232)	-	-	(171)	4,608	(16,912,252)
Financial assets at fair value - other comprehensive income	(3,484,355)	-	3,484,355	-	-	-	-	-
Convertible bond	-	-	514,021	-	(9,431,285)	-	(153,363)	(9,070,627)
Investments in subsidiaries and associates	-	-	(57,061,449)	-	-	(1,722,376)	715,665	(58,068,160)
Deferred income tax liabilities	(13,727,812)	-	(59,736,305)	-	(9,431,285)	(1,722,547)	566,910	(84,051,039)
Financial liabilities at fair value through profit or loss	-	-	1,991,793	-	-	-	-	1,991,793
Financial assets at fair value through other comprehensive income	-	-	15,407,222	31,235,009	-	3,206,612	(43,478)	49,805,365
Provision for impairment	5,825,474	(102,590)	501,315	-	-	17,601	249,385	6,491,185
Investments in subsidiaries and associates	21,826,740	-	(21,826,740)	-	-	-	-	-
Intangible assets	9,661,621	-	(864,605)	-	-	(91,475)	24,801	8,730,342
Accrued expenses	34,488,108	-	12,033,367	-	-	343,511	499,665	47,364,651
Unearned revenues	40,654,640	-	29,751,886	-	-	5,108,259	4,140,706	79,655,491
Net defined benefit liabilities	65,445,415	-	16,590,745	180,607	-	1,758,053	127	83,974,947
Tax losses and tax credit carryforward	14,057,234	-	(8,930,571)	-	-	(785,618)	26,417	4,367,462
Others	45,084,439	(644,420)	3,251,731	-	(200,856)	5,763,740	2,349,095	55,603,729
Deferred income tax assets	237,043,671	(747,010)	47,906,143	31,415,616	(200,856)	15,320,683	7,246,718	337,984,965
Deferred income tax assets, net	223,315,859	(747,010)	(11,830,162)	31,415,616	(9,632,141)	13,598,136	7,813,628	253,933,926

(in thousands of Korean won)

	2017						
	Beginning balance	Statement of profit or loss	Other comprehensive income (loss)	Share issuance of subsidiary	Business combination	Exchange difference	Ending balance
Financial assets at fair value through profit or loss	(245,775)	(9,997,682)	-	-	-	-	(10,243,457)
Available-for-sale financial assets	(6,952,103)	(3,004,740)	6,402,977	-	-	69,511	(3,484,355)
Deferred income tax liabilities	(7,197,878)	(13,002,422)	6,402,977	-	-	69,511	(13,727,812)
Provision for impairment	7,397,375	(1,226,814)	-	-	-	(345,087)	5,825,474
Investments in subsidiaries and associates	29,861,081	(5,521,475)	74,080	(2,586,946)	-	-	21,826,740
Intangible assets	9,802,898	(130,142)	-	-	-	(11,135)	9,661,621
Accrued expenses	43,915,278	(9,213,897)	-	-	-	(213,273)	34,488,108
Unearned revenue	34,184,465	9,693,878	-	-	-	(3,223,703)	40,654,640
Net defined benefit liabilities	53,884,124	13,614,559	(2,058,796)	-	5,807	(279)	65,445,415
Provision for social contribution	9,680,000	(9,680,000)	-	-	-	-	-
Tax losses and tax credit carryforward	10,325,014	3,748,542	-	-	-	(16,322)	14,057,234
Others	73,415,895	(13,790,881)	-	-	(9,287,099)	(5,253,476)	45,084,439
Deferred income tax assets	272,466,130	(12,506,230)	(1,984,716)	(2,586,946)	(9,281,292)	(9,063,275)	237,043,671
Deferred income tax assets, net	265,268,252	(25,508,652)	4,418,261	(2,586,946)	(9,281,292)	(8,993,764)	223,315,859

The Group did not recognize deferred tax assets for the temporary differences amounting to ₩ 995,158 million (2017: ₩ 616,829 million) from the investments in subsidiaries and associates which are not subject to disposal, tax losses amounting to ₩ 173,172 million (2017: ₩ 251,102 million) which are not recoverable because of the uncertainty of future taxable income of the subsidiaries.

28. Earnings per Share

Basic earnings per share for operating profit from continuing operations for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won and in number of shares)

	2018	2017
Profit attributable to the ordinary equity holders of the Group	643,826,906	775,433,641
Weighted average number of ordinary shares outstanding	146,236,075	145,487,145
Basic earnings per share from continuing operations (in Korean won)	4,403	5,330

Basic earnings (loss) per share for operating profit (loss) from discontinued operations for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won and in number of shares)

	2018	2017
Gain (loss) from discontinued operation attributable to the ordinary equity holders of the Parent Company	4,985,996	(2,554,061)
Weighted average number of ordinary shares outstanding	146,236,075	145,487,145
Basic earnings (loss) per share from discontinued operations (in Korean won)	34	(18)

Weighted average number of ordinary shares outstanding for the years ended December 31, 2018 and 2017, are calculated as follows:
(in number of shares)

	2018	
	Number of ordinary shares outstanding	Cumulative shares
Beginning balance	146,852,380	53,601,118,700
Treasury shares acquisition	(669,290)	(224,951,565)
		53,376,167,135

Weighted average number of ordinary shares outstanding:

$$53,376,167,135 \div 365 \text{ days} = 146,236,075 \text{ shares}$$

(in number of shares)

	2017	
	Number of ordinary shares outstanding	Cumulative shares
Beginning balance	144,037,065	52,573,528,725
Treasury shares acquisition	2,815,315	529,279,220
		53,102,807,945

Weighted average number of ordinary shares outstanding:

$$53,102,807,945 \div 365 \text{ days} = 145,487,145 \text{ shares}$$

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has stock options and convertible bond granted by a subsidiary as dilutive potential ordinary shares. Increase in the rate of non-controlling interest caused by exercising stock options and convertible bond granted by a subsidiary results in decrease in profit from continuing operations attributable to owners of the Parent Company. The Group calculated diluted earnings per share by assuming all stock options are exercised at the beginning of the year.

(in thousands of Korean won and in number of shares)

	2018	2017
Profit attributable to ordinary equity holders of the Parent Company	643,826,906	775,433,641
Adjustment for net profit of non-controlling interest	-	2,302,564
Profit attributable to ordinary equity holders of the Parent Company for diluted earnings per share	643,826,906	773,131,077
Weighted average number of ordinary shares	146,236,075	145,487,145
Diluted earnings per share (in Korean won)	4,403	5,314

Basic earnings per shares from discontinued operations are identical to diluted earnings per share from discontinued operations because of the anti-dilution.

During 2018, the Company decided the share split which change par value price from ₩ 500 to ₩ 100 per an ordinary share to increase the number of outstanding shares. Accordingly, earnings per share in 2017 was recalculated.

29. Cash Generated from Operations

Details of cash generated from operations and changes in assets and liabilities due to operations for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Profit for the year	627,901,873	770,101,670
Adjustments:		
Impairment loss (reversal)	2,277,430	(3,623,071)
Depreciation	228,016,116	182,673,335
Amortization	33,050,972	23,582,742
Gain on foreign currency translation	(20,229,868)	(7,297,442)
Loss on foreign currency translation	20,367,983	12,701,182
Gain on disposal of property and equipment	(2,532,561)	(1,039,695)
Loss on disposal of property and equipment	3,100,702	1,076,023
Gain on disposal of intangible assets	(323,686)	-
Loss on disposal of intangible assets	363,530	-
Impairment loss on intangible assets	2,385,899	1,829,001
Gain on valuation of financial assets at fair value through profit or loss	-	(46,761,928)
Gain on valuation of financial assets at fair value - profit or loss	(100,480,376)	-
Loss on valuation of financial assets at fair value through profit or loss	-	706,659
Loss on valuation of financial assets at fair value - profit or loss	70,323,949	-
Gain on transactions of financial assets at fair value through profit or loss	-	(4,816,406)
Gain on transactions of financial assets at fair value - profit or loss	(15,838,019)	-
Loss on transaction of financial assets at fair value through profit or loss	-	467,675
Loss on transaction of financial assets at fair value - profit or loss	6,436,617	-
Gain on transaction of financial assets at fair value through other comprehensive income	(495,878)	-
Loss on transaction of financial assets at fair value through other comprehensive income	3,417,067	-
Gain on disposal of available-for-sale financial assets	-	(8,938,418)
Loss on disposal of available-for-sale financial assets	-	2,444,160
Impairment loss on available-for-sale financial assets	-	20,616,107
Impairment loss on financial assets at fair value through other comprehensive income	103,923	-
Gain on disposal of investments in associates and joint ventures	(272,764,648)	(3,263,910)
Loss on disposal of investments in associates and joint ventures	446,089	-
Impairment loss on investments associates and joint ventures	2,686,722	2,418,420

[Continued]

(in thousands of Korean won)

	2018	2017
Share of profit of associates and joint ventures	(8,751,958)	(18,565,929)
Share of loss of associates and joint ventures	93,821,731	32,592,750
Share-based payments	21,436,191	27,404,744
Post-employment benefits	85,433,633	69,105,426
Interest income	(27,243,776)	(36,678,031)
Interest expenses	13,723,512	568,580
Dividends income	(24,446,651)	(11,039,823)
Income tax expenses	488,756,398	425,479,149
Others	4,033,114	1,724,978
Change in operating assets and liabilities, net:		
Decrease (increase) in trade receivables	48,775,939	(176,170,233)
Increase in other receivables	(67,249,323)	(183,732,987)
Increase in other current assets	(72,706,106)	(60,745,391)
Increase in other payables	51,562,754	96,619,548
Increase (decrease) in accrued expenses	76,835,730	(10,059,835)
Increase in other current liabilities	218,713,764	249,771,119
Increase (decrease) in provisions	(4,438,491)	(34,847,834)
Decrease in net defined benefit liabilities	(17,860,098)	(12,872,335)
Others	(13,420,306)	(6,504,009)
	1,455,189,893	1,294,925,991

Significant transactions not affecting cash flows for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Reclassification of construction in progress	1,114,625	59,700,983
Other payables for acquisition of property and equipment	5,300,850	11,687,049
Reclassification of current portion of available-for-sale financial assets	-	57,782,056
Reclassification of current portion of long-term financial instruments	15,000,000	155,043,410
Reclassification of current portion of long-term borrowings and debentures	138,111	150,000,000
Increase of other receivable from subsidiaries transaction	26,647,956	-

Changes in liabilities arising from financing activities for the years ended December 31, 2018, are as follows:

(in thousands of Korean won)

	Liabilities from financing activities					
	Short-term borrowings	Current portion of long-term borrowings	Long-term borrowings	Current portion of debentures	Debenture	Total
Beginning balance	211,011,222	-	49,933,677	150,000,000	-	410,944,899
Cash flows-proceeds	533,051,142	-	50,973,797	-	705,013,490	1,289,038,429
Cash flows-repayment	(408,212,130)	(111,120)	-	(150,000,000)	-	(558,323,250)
Current portion	-	138,111	(138,111)	-	-	-
Business combination	2,444,066	-	92,000	-	-	2,536,066
Others ¹	11,551,718	-	(799,772)	-	6,548,456	17,300,402
Ending balance	349,846,018	26,991	100,061,591	-	711,561,946	1,161,496,546

¹ Exchange difference is included in Others.

30. Commitments and Contingencies

As at December 31, 2018, the Group has borrowing agreement with three financial institutions including Kookmin bank, and Sunny Solution 3rd of up to ₩ 452,000 million. And the Group has borrowing agreement with Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank of up to JPY 28,880 million.

As at December 31, 2018, the Group was provided with guarantees up to ₩ 10,452 million from Seoul Guarantee Insurance and up to ₩ 4,500 million from Shinhan bank regarding the performance and financial guarantee.

As at December 31, 2018, the Company has entered into a construction contract amounting to ₩ 403,511 million with Samsung C&T Corporation in relation to a construction of new building for the Company and the outstanding amount of the contract is ₩ 372,561 million. Also, the Company has entered into a contract to acquire a land amounting to ₩ 51,000 million in relation to a construction of new building for Cloud Data Center and the outstanding amount of the contract is ₩ 100 million. As at December 31, 2018, the Company has entered into an acquisition contract intellectual property right and others amounting to ₩ 3,000 million in related to acquisition for database and the outstanding amount of the contract is ₩ 500 million.

As at December 31, 2018, the Group has been involved in 32 lawsuits as a defendant with regard to patent, trademark, defamation and compensation for damage (aggregate amounts of cases ₩15,248 million) and the Group is a plaintiff in three lawsuit case filed with regard to compensation for damage (amount of the case ₩ 271 million). The results of the cases are uncertain as at reporting date and the management recognizes the provision in relation to the potential loss in case any of the lawsuit cases require the recognition of the provision.

The Japanese Payment Services Act requires non-banking entities that engage in business activities involving advance payments from end users using virtual credits to secure a certain amount of money equal to or more than one half of the unused balance of virtual credits purchased by the end users, either by depositing or entrusting a cash reserve or government bonds with the Legal Affairs Bureau, or by concluding a guarantee contract with a financial institution. If deposits are made, they are recorded as guarantee deposits. In accordance with the Japanese Payment Services Act, the Group had deposited cash of JPY 635 million and investments in Japanese government bonds of JPY 280 million as at December 31, 2018, which are recognized as deposits and long-term financial instruments, respectively. In addition, the Group had credit guarantee contracts with banks for JPY 18,500 million from Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank as at December 31, 2018 to comply with the Japanese Payment Services Act.

For the year ended December 31, 2018, the Group has entered into an agreement to lend ordinary shares of Line held by the Company up to 6,000,000 ordinary shares to Morgan Stanley MUFG Securities Co., Ltd. in the process of acquiring convertible bonds issued by LINE, a subsidiary of the Group. When the convertible bonds matures, the lending agreement for convertible bonds with a five-year maturity will be terminated upon the maturity date(50% of lend ordinary shares) and for convertible bonds with a seven-year maturity will be terminated after five business days from the maturity date(50% of lend ordinary shares). Meanwhile, in the event of an early redemption, conversion and others, the lending agreement will be terminated after five business days from the date the event occurred.

As at December 31, 2018, the Group has entered executives and staff members group injury insurance in KB insurance.

31. Related Party Transactions

Details of subsidiaries as at December 31, 2018 and 2017, are described in Note 1.1.

Details of associates and joint ventures as at December 31, 2018 and 2017, are as follows:

Type	2018	2017
Associates	KG Allat (Formerly, Allat), NetMania, Synapsoft, BonAngels Pacemaker Fund, Korea Contents Mutual Aid Association, ARO In Tech, Future Creation NAVER Stonebridge Early Stage Start-up Fund, Future Creation NAVER-SB Startup Investment Fund, Epic Voyage, LINE Music, Digital Media Partners II, NAVER KIP Cheer up! Gamers Fund, NAVER-Suprema Youth Foundation No.5 Investment Fund, NSPACE, Silicon Cube, One Store, Transcosmos Online Communication, Nplegames, Alchera, Trust Us, Yume no Machi Souzou linkai, Mirae Asset-NAVER New Growth Fund 1, K-Fund, Fandom, YG NAVER Contents & Lifestyle Fund, Orpeo Sound Works, SATSUMAEBISUDO, PT Klik Eat Indonesia, Nano Interactive, Studio Horang, Meshkorea, The Grim Ent., Soran Media Venture Fund I, Motif, Fast Cowell Private Equity Fund, Skeinglobe, YLAB Japan, Laiqu Technology (Shenzhen), FOLIO, Rock Square, Bigpicture Comics, iPASS, Bravepops, AXIS, MiraeAsset MAPS Private Placement Real Estate 62, FOLIO Asset Management, LENSEA, LTD., Line Mobile, MiraeAsset-Naver Asia Growth Fund, China Ventures Fund I, L.P., Venture republic, Studio JHS, MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT, SINAMON Games, DANAA Data, LINE Games, Kasikorn LINE	Allat, NetMania, Synapsoft, Cloud Application Factory, BonAngels Pacemaker Fund, Korea Contents Mutual Aid Association, ARO In Tech, Future Creation NAVER Stonebridge Early Stage Start-up Fund, Future Creation NAVER-SB Startup Investment Fund, Epic Voyage, LINE Music, AUBE, Digital Media Partners II, NAVER KIP Cheer up! Gamers Fund, NAVER-Suprema Youth Foundation No.5 Investment Fund, NSPACE, Silicon Cube, One Store, Transcosmos Online Communication, Beijing Lantu Times Technology Company, Nplegames, Alchera, Trust Us, Yume no Machi Souzou linkai, Mirae Asset-NAVER New Growth Fund 1, K-Fund, Fandom, YG NAVER Contents & Lifestyle Fund, Orpeo Sound Works, SATSUMAEBISUDO, PT Klik Eat Indonesia, Oozoo, Nano Interactive, Studio Horang, Meshkorea, The Grim Ent., Soran Media Venture Fund I, Motif, Fast Cowell Private Equity Fund, Skeinglobe, YLAB Japan, Laiqu Technology (Shenzhen)
Joint ventures	YTN PLUS, LINE Project Cooperative, Collab+LINE, Lantu Games, Beijing Lantu Times Technology Company, JobsN, RABBIT-LINE PAY COMPANY, YEOPEUL, Cineplay, China Lab, Designpress, Interbiz, Artitian, Agroplus, Schooljam, Sumlab, Techplus, Animal and Human Story, Law and Media	YTN PLUS, LINE Project Cooperative, Collab+LINE, Lantu Games, Beijing Lantu Times Technology Company, JobsN, RABBIT-LINE PAY COMPANY, YEOPEUL, Cineplay, China Lab, Designpress, Interbiz, Artitian, Agroplus, Schooljam, Sumlab, Techplus, Animal and Human Story, Law and Media

Details of other related parties that have sales and other transactions or outstanding balances with the Group are as follows:

Type	2018	2017
Others ¹	EVERYOUNG KOREA, Happybean foundation, NAVER Cultural foundation, Connect foundation and Iscon	Bluenet, Iscon, Happybean foundation, NAVER Cultural foundation, Connect foundation, EVERYOUNG KOREA and other individuals

¹ Although these entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to the large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

Transactions with related parties including operating revenues and expenses for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	
	Operating revenues and others	Operating expenses and others
Associates		
iPASS	14,594	2,099,114
Line Mobile	3,986,409	724,204
LINE MUSIC	13,312,016	496,832
LINE Part Time Job	3,567,431	2,998
Transcosmos online communications	1,052,252	-
Yume no Machi Souzou linkai	2,195,558	1,815,926
Synapsoft	-	1,034,163
Bigpicture Comics	-	1,151,899
Others	567,719	3,394,280
Joint ventures		
RABBIT-LINE PAY COMPANY	3,004,508	425,294
Designpress	22,857	1,270,021
YTN PLUS	-	1,824,510
Cineplay	-	1,779,447
YEOPEUL	84,357	2,372,366
JobsN	239,255	1,647,595
Animal and Human Story	-	1,012,909
Law and Media	-	1,007,250
Schooljam	-	1,112,713
Sumlab	-	1,299,806
Agroplus	34,571	1,077,029
Artitian	-	1,146,410
Interbiz	42,214	1,520,530
Techplus	-	1,553,549
China lab	7,000	1,201,806
Others	34,100	26,673
Others¹		
NAVER Cultural foundation	195,066	3,500,326
Iscom	-	2,525
EVERYOUNG KOREA	94,280	4,230,073
Connect foundation	1,854,595	7,001,535
Happybean foundation	1,077,382	3,627

¹ Although these entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to the large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act. And, transaction amounts after designated as a large enterprise group are disclosed.

(in thousands of Korean won)

	2017	
	Operating revenues and others	Operating expenses and others
Associates		
Synapsoft	-	847,814
LINE Part time Job(formerly, AUBE)	10,369,642	3,021
Line MUsic	6,205,032	45,310
Transcosmos online communications	551,709	20,541
Yume no Machi Souzou linkai	194,449	48,058
ARO In Tech	-	637,831
Allat	-	2,810,284
One Store	293,205	77
Silicon cube	-	2,623,663
Alchera	-	512,041
NSPACE	-	319,009
Orpeo Sound Works	-	199,400
Green Monster	912	210,638
Others	59,758	251,825
Joint ventures		
YTN PLUS	-	664,422
RABBIT-LINE PAY COMPANY	1,893,130	163,424
Designpress	-	996,000
Cineplay	-	1,263,550
YEOPEUL	139,000	1,398,310
JobsN	996,391	1,843,403
Artitian	-	541,400
China Lab	-	1,035,587
Interbiz	-	688,100
Agroplus	-	650,170
Schooljam	23	332,000
Sumlab	-	322,340
Techplus	-	249,000
Animal and Human Story	-	327,600
Others	3,341	148,281
Others¹		
Everyoung Korea	9,077	1,601,160
NAVER Cultural foundation	24,577	5,000,074
Connect foundation	289,222	7,174,012
Happybean foundation	153,895	10,000,850
Others	1,629	78,888

¹ Although these entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to the large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act. And, transaction amounts after designated as a large enterprise group are disclosed.

Outstanding balances of receivables and payables as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

(in thousands of Korean won)

	2018			
	Receivables		Payables	
	Trade receivables	Other receivables and others	Other payables	Accrued expenses and others
Associates				
iPASS	946,157	48,724	2,319,191	-
Line Mobile	1,254,238	266,057	275,278	110,043
LINE MUSIC	2,471,430	447,832	3,024,936	-
Transcosmos online communications	182,825	-	-	-
Yume no Machi Souzou linkai	354,040	-	3,142,080	342,886
Synapsoft	-	-	1,220,000	-
AXIS	-	806,150	-	-
Orpeo Sound Works	22	-	176,800	-
Others	167,877	13,980	304,924	13,921
Joint ventures				
Lantu Games	-	1,152,342	-	-
RABBIT-LINE PAY COMPANY	927,659	238,562	195,978	-
YTN PLUS	-	-	178,767	-
Sumlab	-	-	230,547	-
JobsN	267,521	-	63,965	-
China Lab	7,700	-	372,430	-
Others	117,700	-	235,197	-
Others¹				
NAVER Cultural foundation	22,103	-	-	-
Connect foundation	447,933	147	-	-
Happybean foundation	109,871	8,931	934,503	-

¹ Although these entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to the large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

	2017			
	Receivables		Payables	
	Trade receivables	Other receivables and others	Other payables	Accrued expenses and others
Associates				
Synapsoft	-	-	225,700	-
LINE MUSIC	1,606,485	339,587	1,605,714	121,080
Yume no Machi Souzou linkai	122,628	-	578,378	104,760
Nano Interactive	-	5,744	-	42,086
AUBE	1,042,836	42,938	-	-
Transcosmos online communications	171,461	-	-	-
Allat	113,481	-	-	-
Oozoo	-	1,524,963	-	-
Others	-	-	130,626	30,105
Joint ventures				
YTN PLUS	-	-	413,232	-
RABBIT-LINE PAY COMPANY	877,172	118,577	188,491	-
China Lab	-	-	480,000	-
Cineplay	-	-	144,815	-
Others	137,722	-	217,035	-
Others¹				
Happybean foundation	79,016	1,384	769,389	-
Connect foundation	221,814	1,758	442,528	-
NAVER Cultural foundation	11,680	366	-	-

¹ Although these entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to the large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

No provisions are held against receivables from related parties.

(in thousands of Korean won)

Type	Name of entity	2018		
		Contributions in cash	Dividends received and others	Loan capital
Associates	DIGITAL MEDIA PARTNERS II	88,986	-	-
	Folio	56,829,616	-	-
	iPASS	12,433,800	-	-
	Kasikom LINE	3,111,256	-	-
	K-Fund I	82,980,787	-	-
	Laiqu Technology (Shenzhen)	678,157	-	-
	LINE Music	11,927,760	-	-
	MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	78,606,768	-	-
	NAVER-Suprema Youth Foundation No.5 Investment Fund	1,500,000	220,379	-
	Ventur republic	16,764,774	-	-

[Continued]

(in thousands of Korean won)

Type	Name of entity	2018		
		Contributions in cash	Dividends received and others	Loan capital
Associates	YLAB Japan	350,278	-	-
	Nano Interactive	174,236	-	-
	NAVER KIP Cheer up! Gamers Fund	-	500,000	-
	Rock Square	1,500,120	-	-
	MiraeAsset-Naver Asia Growth Fund	19,665,103	-	-
	Mirae Asset-NAVER New Growth Fund ¹	-	999,824	-
	MiraeAsset MAPS Private Placement Real Estate 62	196,330,551	6,593,313	-
	Future Creation NAVER-SB Startup Investment Fund	-	1,707,292	-
	BonAngels Pacemaker Fund	-	750,000	-
	Bravepops	648,294	-	-
	Bigpicture Comics	700,033	-	-
	Studio JHS	700,033	-	-
	SINAMON Games	1,979	-	-
	ARO In Tech	-	4,800	-
	AXIS	3,000,000	-	800,000
	Korea Contents Mutual Aid Association	4,000,000	-	-
	Lensa	966,221	-	-
	China Ventures Fund I. L.P	3,330,600	-	-
Joint Ventures	Lantu Games	2,238,500	-	1,112,700
	DANAA Data	4,866,664	-	-

(in thousands of Korean won)

Type	Name of entity	2017		
		Contributions in cash	Dividends received and others	Loan capital
Associates	DIGITAL MEDIA PARTNERS II	330,054	-	-
	K-Fund I	27,761,313	-	-
	NAVER-Suprema Youth Foundation No.5 Investment Fund	2,500,000	-	-
	Transcosmos Online Communication	760,367	-	-
	Maumsori	-	34,897	-
	MeshKorea	23,999,997	-	-
	Mirae Asset-NAVER New Growth Fund ¹	10,000,000	-	-
	Future Creation NAVER Stonebridge Early Stage Start-up Fund	-	4,400,000	-
	Future Creation NAVER-SB Startup Investment Fund	-	7,477,812	-
	BonAngels Pacemaker Fund	-	250,000	-
	Synapsoft	-	107,142	-
	Silicon Cube	300,000	-	-
	Nspace	700,003	-	-
	Nple Games	1,999,094	-	-

[Continued]

(in thousands of Korean won)

Type	Name of entity	2017			
		Contributions in cash	Dividends received and others	Loan capital	
Associates	Orpeo Sound Works	1,500,183	-	-	
	Korea Contents Mutual Aid Association	3,000,000	-	-	
	YG NAVER Contents & Lifestyle Fund	50,000,000	-	-	
	Laiqu Technology (Shenzhen)	164,067	-	-	
	YLAB Japan	479,600	-	-	
	ITDA	300,000	-	-	
	OOZoo	2,819,781	-	-	
	Nano Interactive	617,000	-	-	
	The Grim Ent	1,049,415	-	-	
	Studio Horang	365,016	-	-	
	Soran Media Venture Fund I	1,000,000	-	-	
	Motif	1,999,899	-	-	
	Fast Cowell Private Equity Fund	1,500,000	-	-	
	Skeinglobe	2,500,000	-	-	
	Joint Ventures	Interbiz	98,000	-	-
		Artitian	98,000	-	-
		Schooljam	98,000	-	-
		Agplus	98,000	-	-
SumLab		98,000	-	-	
Techplus		98,000	-	-	
Animal and Human Story		98,000	-	-	
Law and Media		98,000	-	-	

The compensation paid or payable to key management (executive directors) for employee services for the years ended December 31, 2018 and 2017, consists of:

(in thousands of Korean won)

	2018	2017
Short-term employee benefits	2,298,000	2,904,032
Post-employment benefits	261,932	394,795
Other long-term benefits	1,647,212	1,403,498

32. Business Combination

(a) On February 28, 2018, the Group acquired 53.49% shares of Oozoo. The goodwill is attributable to the workforce of the acquired workforce business and the synergy to technology development.

Details of the purchase consideration, the assets and liabilities recognized as a result of the acquisition, and fair value of the non-controlling interest at the acquisition date are as follows

(in thousands of Korean won)

	Amount
Consideration	
Cash and cash equivalents	1,144,975
Fair value of equity held before the business combination	2,442,539
	3,587,514
Non-controlling interest ¹	(667,830)
Recognized amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	1,780,830
Trade and other receivables	251,615
Tangible assets	118,286
Intangible assets	37,826
Other assets	1,032
	2,189,589
Liabilities	
Trade and other payables	83,252
Long-term borrowings	92,000
Other liabilities	3,450,312
	3,625,564
Total identifiable net assets	(1,435,975)
Goodwill	4,355,659

¹ The non-controlling interest was measured using the proportionate amount of the fair value of identifiable net assets.

(b) On April 30, 2018, the Group acquired 60% shares of LINE Part Time Job (Formerly, AUBE), which provides mobile platform service for recruiting. As the consideration is less than the fair value of the net identifiable assets, a bargain purchase is recognized as 'other income' in the profit or loss.

(in thousands of Korean won)

	Amount
Consideration	
Cash and cash equivalents	842,813
Fair value of equity held before the business combination	3,754,349
	4,597,162
Non-controlling interest ¹	3,195,734
Recognized amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	7,400,364
Trade and other receivables	7,742,683
Other assets	6,716
	15,149,763
Liabilities	
Trade and other payables	7,158,735
Other liabilities	1,801
	7,160,536
Total identifiable net assets	7,989,227
A gain from bargain purchase	(196,331)

¹ The non-controlling interest was measured using the proportionate amount of the fair value of identifiable net assets.

(c) On June 30, 2018, the Group acquired 100% shares of Heart it, which advertises based on SNS and sells products as main operating business. The goodwill is attributable to the workforce of the acquired business and the synergy to technology development.

Details of the purchase consideration, the assets and liabilities recognized as a result of the acquisition, and fair value of the non-controlling interest at the acquisition date are as follows:

(in thousands of Korean won)

	Amount
Consideration	
Cash and cash equivalents	2,087,200
	2,087,200
Non-controlling interest	-
Recognized amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	21,404
Trade and other receivables	230,511
Inventories	73,558
Property and equipment	8,700
Other assets	9,065
	343,238
Liabilities	
Trade and other payables	77,948
Short-term borrowings	33,782
Other liabilities	62,111
	173,841
Total identifiable net assets	169,397
Goodwill	1,917,803

(d) On July 31, 2018, the Group acquired 50.98% shares of Unchain. The goodwill is attributable to the workforce of the acquired business and the synergy to technology development.

Details of the purchase consideration, the assets and liabilities recognized as a result of the acquisition, and fair value of the non-controlling interest at the acquisition date are as follows:

(in thousands of Korean won)

	Amount
Consideration	
Cash and cash equivalents	1,010,002
	1,010,002
Non-controlling interest ¹	495,099
Recognized amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	1,004,871
Other assets	439
	1,005,310
Liabilities	-
Total identifiable net assets	1,005,310
Goodwill	499,791

¹ The non-controlling interest was measured using the proportionate amount of the fair value of identifiable net assets.

(e) On October 26, 2018, the Group acquired 100% shares of Audiensori Corporation, which publishes audio books and provides relevant contents. The goodwill is attributable to the workforce of the acquired business and the synergy to technology development.

Details of the purchase consideration, the assets and liabilities recognized as a result of the acquisition, and fair value of the non-controlling interest at the acquisition date are as follows:

(in thousands of Korean won)

	Amount
Consideration	
Cash and cash equivalents	1,811,600
	1,811,600
Non-controlling interest	-
Recognized amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	1,759
Trade and other receivables	468,969
Property and equipment	125,315
Intangible assets	1,896,335
Deferred tax assets	56,687
Other assets	257,294
	2,846,698
Liabilities	
Trade and other payables	222,461
Short-term borrowings	2,410,284
Deferred tax liabilities	26,180
Other liabilities	266,925
	2,925,850
Total identifiable net assets	(79,152)
Goodwill	1,890,752

(f) On October 31, 2018, the Group acquired 59.06% shares of Mission World Group Ltd. The goodwill is attributable to the workforce of the acquired business and the synergy to technology development.

Details of the purchase consideration, the assets and liabilities recognized as a result of the acquisition, and fair value of the non-controlling interest at the acquisition date are as follows:

(in thousands of Korean won)

	Amount
Consideration	
Cash and cash equivalents	16,198,752
	16,198,752
Non-controlling interest ¹	3,817,965
Recognized amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	11,903,015
Trade and other receivables	559,431
Inventory	273,728
Property and equipment	27,712
Intangible assets	2,168,987
Deferred tax assets	6,288
Other assets	237,821
	15,176,982
Liabilities	
Trade and other payables	1,465,327
Other liabilities	534,385
	1,999,712
Total identifiable net assets	13,177,270
Goodwill	6,839,447

¹ The non-controlling interest was measured using the proportionate amount of the fair value of identifiable net assets.

(g) On December 31, 2018, the Group acquired 40% shares of Grayhash Co., Ltd., which checks weakness in software and develops security solution, with their security technology. The goodwill is attributable to the workforce of the acquired business and the synergy to technology development.

Details of the purchase consideration, the assets and liabilities recognized as a result of the acquisition, and fair value of the non-controlling interest at the acquisition date are as follows:

(in thousands of Korean won)

	Amount
Consideration	
Cash and cash equivalents	5,497,392
	5,497,392
Non-controlling interest	-
Recognized amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	470,999
Trade and other receivables	187,886
Property and equipment	80,438
Intangible assets	1,975
Other assets	10,000
	751,298
Liabilities	
Trade and other payables	1,628
Other liabilities	408,852
	410,230
Total identifiable net assets	341,068
Goodwill	5,156,324

33. Operating Segment Information

The chief operating decision-maker of the Group is the Board of Directors who makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis. Accordingly, the Group have determined that they have a single reportable segment and operating segment structure. Operating information by service types is reported to the chief operating decision-maker and there is no difference from the amount reported in the consolidated statements of comprehensive income.

Operating revenues by service types for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
	Operating revenue	Ratio (%)	Operating revenue	Ratio (%)
Advertisement ¹	573,044,332	10.26	461,277,473	9.86
Business Platform ²	2,475,784,054	44.31	2,153,049,555	46.02
IT Platform ³	355,824,705	6.37	217,805,728	4.66
Contents Service ⁴	125,780,230	2.25	101,537,508	2.17
LINE & Other Platforms ⁵	2,056,471,212	36.81	1,744,798,664	37.29
	5,586,904,533	100.00	4,678,468,928	100.00

¹ DA, Shopping DA, NAVER TV Video Ads, and others. (CPM)

² Search, Shopping Search, and others. (CPC/CPS)

³ NAVER Pay, IT Services, Cloud, WORKS, and others.

⁴ NAVER Music, Webtoon, V LIVE, and others.

⁵ LINE, Camp Mobile, SNOW, and othersc.

Revenue from external customers and non-current assets

(in thousands of Korean won)

	Revenue from external customers		Non-current assets ¹	
	2018	2017	2018	2017
Domestic	3,720,179,900	3,314,009,566	1,924,694,854	1,408,347,312
Japan	1,614,411,227	1,288,979,250	526,047,919	261,344,882
Others	252,313,406	75,480,112	345,497,352	136,892,701
	5,586,904,533	4,678,468,928	2,796,240,125	1,806,584,895

¹ Financial instruments and deferred tax assets are not included.

Type of revenue from the customers

(in thousands of Korean won)

	Amount
By timing of revenue recognition	
Recognized at a point in time	2,766,711,952
Recognized over time	2,820,192,581
	5,586,904,533

34. Discontinued Operation

The Group's subsidiary, LINE Corp. decided to terminate the service of its subsidiary, MIXRADIO, at the Board of Directors' meeting in February 2016 and is proceeding to liquidate the subsidiary. The profit and loss on the related operations are presented as discontinued operations.

Profit (loss) from discontinued operations for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Operating revenues	-	-
Operating expenses	(60,494)	(77,229)
Operating loss	(60,494)	(77,229)
Other income	4,858,086	274,188
Other expenses	(151,766)	(224,653)
Finance income	51,117	-
Finance costs	(14,176)	(220,476)
Profit (loss) before income tax	4,682,767	(248,170)
Income tax expense	303,230	2,305,891
Profit (loss) for the year of discontinued operations	4,985,997	(2,554,061)

Summarized cash flows from discontinued operations for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Cash flows from operating activities	174,297	(1,307,453)
Cash flows from investing activities	-	-
Cash flows from financing activities	(3,477,810)	(1,166,488)
Effects of exchange rate changes on cash and cash equivalents	14,430	(248,946)
Net cash outflow	(3,289,083)	(2,722,887)

35. Information for Non-controlling Interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2018 and 2017:

(in thousands of Korean won)

LINE	2018					
	Non-controlling interest rate (%)	Accumulated non-controlling interests at the beginning of the year	Changes in non-controlling interests by share issuance of subsidiaries	Profit or loss allocated to non-controlling interests	Other comprehensive loss allocated to non-controlling interests	Accumulated non-controlling interests at the end of the year
	26.64	531,279,176	96,437,838	(15,278,324)	(16,188,375)	34,352,358

(in thousands of Korean won)

LINE	2017					
	Non-controlling interest rate (%)	Accumulated non-controlling interests at the beginning of the year	Changes in non-controlling interests by share issuance of subsidiaries	Profit or loss allocated to non-controlling interests	Other comprehensive loss allocated to non-controlling interests	Accumulated non-controlling interests at the end of the year
	26.32	506,140,466	(18,486,626)	17,204,460	7,403,576	19,017,300

Effects of transactions with non-controlling interests on the equity attributable to owners of the Parent Company for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Changes in interest in subsidiaries that do not result in loss of control ¹	7,378,776	132,150,161
Net effect on the Parent Company's equity	7,378,776	132,150,161

¹ During the year, the Group recognized additional 0.32% of non-controlling interests due to shares issuance from exercised stock option of LINE, a subsidiary of the Group. Additionally, the Group ownership of LINE Biz+ Taiwan and Snow China were decreased by 22.04% and 18.03%, respectively due to issuance of share capital in subsidiaries.

Summary of financial information of subsidiary which non-controlling interests are material to the Group.

The amounts disclosed for subsidiary are before inter-company eliminations.

Consolidated financial position:

(in thousands of Korean won)

	2018	2017
Current Assets	3,298,042,745	1,809,468,724
Non-Current Assets	1,631,959,421	1,070,501,169
Current Liabilities	1,248,501,187	962,558,889
Non-Current Liabilities	1,568,878,835	114,320,300
Equity	2,112,622,145	1,803,090,705

Consolidated statements of comprehensive income :

(in thousands of Korean won)

	2018	2017
Revenue	2,343,516,401	1,807,010,879
Net Income	(57,691,216)	82,807,127
Other comprehensive Income	(61,127,589)	35,634,297
Total comprehensive income	(118,818,805)	118,441,425

Consolidated cash flows :

(in thousands of Korean won)

	2018	2017
Cash flows from operating activities	90,859,681	110,594,415
Cash flows from investing activities	(526,751,082)	(345,248,230)
Cash flows from financing activities	1,776,963,161	115,375,241
Effects of exchange rate changes on cash and cash equivalents	89,421,033	(104,126,853)
Net increase in cash and cash equivalents	1,430,492,793	(223,405,427)
Cash and cash equivalents at the beginning of the year	1,173,156,907	1,396,562,334
Cash and cash equivalents at the end of the year	2,603,649,700	1,173,156,907

36. Changes in Accounting Policies

36.1 Adoption of Korean IFRS 1109 Financial Instruments

As explained in Note 2, the Group has applied Korean IFRS 1109 Financial Instruments on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures have not been restated.

The application of Korean IFRS 1109 has following impacts on the financial statements.

(a) Changes in beginning balance of retained earnings

The total impacts on the Group's retained earnings at the beginning of the year due to the application of Korean IFRS 1109, are as follows:

	Notes	Amount
Retained earnings		
Beginning balance - Korean IFRS 1039		4,555,517,868
Reclassification from long and short-term financial instruments to financial assets at fair value - profit or loss and fair value measurement	(b)(i)	1,150,612
Reclassification from long and short-term financial instruments to financial assets at fair value - other comprehensive income and fair value measurement	(b)(ii)	(560,944)
Reclassification of available-for-sale assets to financial assets at fair value - profit or loss (Reclassification within equity)	(b)(iii)	49,139,539
Reclassification of available-for-sale assets to financial assets at fair value - other comprehensive income (Reclassification within equity)	(b)(iv)	15,903,131
Increase in provision for impairment of trade and other receivables	(c)(i)	(349,164)
Increase in provision for impairment of debt instruments at amortized cost	(c)(ii)	(313,504)
Increase in provision for impairment of debt instruments at fair value - other comprehensive income	(c)(ii)	(354,493)
Increase in deferred tax relating to the provision for impairment and fair value measurement		(102,590)
Adjustments to retained earnings from adoption of Korean IFRS 1109		64,512,587
Beginning balance - Korean IFRS 1109		4,620,030,455

(b) Classification and Measurement of Financial Instruments

On the date of initial application of Korean IFRS 1109, January 1, 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate Korean IFRS 1109 categories. The main effects resulting from this reclassification are as follows:

(in thousands of Korean won)

	Notes	Fair value - profit or loss	Fair value - other comprehensive income ¹ (Available-for-sale financial assets in 2017)	Amortized cost ² (Loans and receivables in 2017)	Total
Financial assets - January 1, 2018					
Beginning balance - Korean IFRS 1039 ¹		313,683,892	1,023,068,167	4,465,499,104	5,802,251,163
Reclassification from long and short-term financial instruments to financial assets at fair value - profit or loss	(i)	244,722,675	-	(243,572,063)	1,150,612
Reclassification from long and short-term financial instruments to financial assets at fair value - other comprehensive income	(ii)	-	84,417,885	(84,417,885)	-
Reclassification from available-for-sale assets to financial assets at fair value - profit or loss	(iii)	364,506,856	(364,506,856)	-	-
Reclassification from available-for-sale assets to financial assets at amortized cost	(v)	-	(6,218,700)	6,218,700	-
Beginning balance - Korean IFRS 1109³		922,913,423	736,760,496	4,143,727,856	5,803,401,775

¹ The beginning balance as at January 1, 2018, presented available-for-sale financial assets at fair value through other comprehensive income, see the table in (iv), (v) below for details. These reclassifications have no impact on the measurement categories.

² Includes cash and cash equivalents and long and short-term financial instruments.

³ The adjustments arising from impairment of financial assets are not included (Note 3).

The impact on these classification changes on the Group's equity is as follows:

(in thousands of Korean won)

	Notes	Other components of equity		Retained earnings
		Changes in the fair value of available-for-sale financial assets	Changes in the fair value of financial assets at fair value - other comprehensive income	
Beginning balance - Korean IFRS 1039		22,782,882	-	4,555,517,868
Reclassification from long and short-term financial instruments to financial assets at fair value - profit or loss	(i)	-	-	1,150,612
Reclassification from long and short-term financial instruments to financial assets at fair value - other comprehensive income	(ii)	-	560,944	(560,944)
Reclassification of available-for-sale assets to financial assets at fair value - profit or loss	(iii)	(49,139,539)	-	49,139,539
Reclassification from available-for-sale financial assets to equity instruments at fair value - other comprehensive income	(iv)	22,590,712	(38,493,843)	15,903,131
Reclassification from available-for-sale financial assets to debt instruments at fair value - other comprehensive income	(vi)	3,765,945	(3,765,945)	-
Beginning balance - Korean IFRS 1109¹		-	(41,698,844)	4,621,150,206

¹ The adjustments arising from impairment of financial assets are not included (Note 3).

(i) Reclassification from long and short-term financial instruments to financial assets at fair value - profit or loss

As at January 1, 2018, investments in ABCP amounting to ₩ 240,508 million and related accrued interest amounting to ₩ 3,064 million were reclassified from long and short-term financial instruments and trade and other receivables to financial assets at fair value - profit or loss. They do not meet the criteria to be classified as at amortized cost in accordance with Korean IFRS 1109, because their cash flows do not represent solely payments of principal and interest. As at January 1, 2018, the difference between the fair value of long and short-term financial instruments and related accrued interest, and financial assets at fair value - profit or loss amounting to ₩ 1,151 million was recognized as retained earnings. For the year ended December 31, 2018, fair value gains related to these financial assets amounting to ₩ 643 million were recognized in profit or loss, along with related tax expense of ₩ 176 million.

(ii) Reclassification from long and short-term financial instruments to financial assets at fair value - other comprehensive income

Certain debt instruments, where the Group's business model is achieved both by collecting contractual cash flows and selling of these assets, were reclassified from long and short-term financial instruments to financial assets at fair value - other comprehensive income. The contractual cash flows of these investments are solely principal and interest. As a result, debt instruments of ₩ 84,418 million were reclassified from long and short-term financial instruments to financial assets at fair value - other comprehensive income on January 1, 2018.

(iii) Reclassification from available-for-sale to financial assets at fair value - profit or loss

As at January 1, 2018, investments in beneficiary certificates, fund, contingent convertible bonds and convertible bonds amounting to ₩ 364,507 million were reclassified from available-for-sale to financial assets at fair value - profit or loss. They do not meet the criteria to be classified as at amortized cost in accordance with Korean IFRS 1109, because their cash flows do not represent solely payments of principal and interest. Related accumulated other comprehensive income of ₩ 49,140 million were transferred to retained earnings on January 1, 2018. For the year ended December 31, 2018, fair value gains related to these investments amounting to ₩ 15,454 million were recognized in profit, along with related deferred tax expense of ₩ 4,588 million.

(iv) Reclassification from available-for-sale to equity instruments at fair value - other comprehensive income

The Group elected to present changes in the fair value of its equity instruments previously classified as available-for-sale, because these instruments are not held for trading, in other comprehensive income. As a result, assets with a fair value of ₩ 596,747 million

were reclassified to financial instruments at fair value - other comprehensive income. As at January 1, 2018, the related accumulated other comprehensive income of ₩ (-) 17,274 million will not be reclassified to profit or loss even though these assets are disposed of, finance income was ₩ 42,387 million lower (tax impact of ₩ 13,079 million) during the year ended December 31, 2018.

(v) Reclassification from available-for-sale to financial assets at amortized cost

This item were reclassified from available-for-sale to financial assets at amortized cost. The Group hold the assets to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(vi) Reclassification from held-to-maturity financial assets to financial assets at amortized cost

Government bonds were reclassified from held-to-maturity financial assets to financial assets at amortized cost. The Group hold the assets to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(vii) Reclassification from available-for-sale to debt instruments at fair value - other comprehensive income

Certain unlisted bonds were reclassified from available-for-sale to debt instruments at fair value - other comprehensive income, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these instruments are solely principal and interest. As a result, as at January 1, 2018, debt instruments with a fair value of ₩ 55,596 million were reclassified from available-for-sale financial assets to financial assets at fair value - other comprehensive income.

(viii) Other financial assets

Securities linked derivatives and compound financial instruments are all required to be held as fair value through profit or loss under Korean IFRS 1109. In relation to these assets, there is no impact on the financial statements from the adoption of Korean IFRS 1109.

(viii) Reclassifications of financial instruments on adoption of Korean IFRS 1109

On the date of initial application, January 1, 2018, the reclassifications of the financial instruments of the Group were as follows:

(in thousands of Korean won)

	Korean IFRS 1039			Korean IFRS 1109	
	Measurement category	Measurement method	Amount	Measurement method	Amount
Cash and cash equivalents	Loans and receivables	Amortized costs	1,907,575,061	Amortized costs	1,907,575,061
Long and short-term financial instruments	Loans and receivables	Amortized costs	1,454,190,892	Amortized costs	1,129,826,351
				Fair value through other comprehensive income	84,417,886
				Fair value through profit or loss	244,722,674
Trade and other receivables	Loans and receivables	Amortized costs	1,101,072,454	Amortized costs	1,097,447,048
Available-for-sale financial assets (Debt securities)	Available-for-sale financial assets	Fair value through other comprehensive income	130,366,099	Fair value through other comprehensive income	55,596,038
				Fair value through profit or loss	222,714
Available-for-sale financial assets (Equity securities)	Available-for-sale financial assets	Fair value through other comprehensive income	839,899,428	Fair value through other comprehensive income	596,746,573
				Fair value through profit or loss	246,516,375
Available-for-sale financial assets (Others)	Available-for-sale financial assets	Fair value through other comprehensive income	52,802,640	Fair value through profit or loss	117,767,767
				Amortized costs	6,218,700
Held-to-maturity financial assets	Held-to-maturity financial assets	Amortized costs	2,660,696	Amortized costs	2,660,696
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Fair value through profit or loss	313,683,892	Fair value through profit or loss	313,683,892
	Total financial assets		5,802,251,162		5,803,401,775

(c) Impairment of Financial Assets

(in thousands of Korean won)

The Group has three types of financial assets subject to new expected credit loss model of Korean IFRS 1109:

- trade receivables and other receivables
- debt investments measured at fair value through other comprehensive income, and
- debt investments measured at amortized cost.

Upon adoption of Korean IFRS 1109, accounting policies for recognition of impairment are changed. The impact of the change on the Group's beginning balance of retained earnings is disclosed in the table on Note 36 (a) above.

(i) Trade and other receivables

The Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and other receivables.

(ii) Debt instruments

Debt investments at amortized cost and those at fair value through other comprehensive income are considered to be low credit risk, and thus the provision for impairment is determined as 12 months expected credit losses.

36.2 Adoption of Korean IFRS 1115 Revenue from contracts with customers

As explained in Note 2, the Group has applied Korean IFRS 1115 Revenue from contracts with customers from January 1, 2018.

In accordance with the transitional provisions in Korean IFRS 1115, comparative figures have not been restated. The impact of application of Korean IFRS 1115 on the financial statements is as follows.

In summary, the following adjustments were made to the amounts recognized in the statements of financial position at the date of initial application (January 1, 2018):

(in thousands of Korean won)

	December 31, 2017 (before adjustments)	IFRS 9 adjustments	December 31, 2017 (after IFRS 9 adjustments)	IFRS 15 adjustments	December 31, 2017 (after adjustments)
Cash and cash equivalents	1,907,575,061	-	1,907,575,061	-	1,907,575,061
Long and short-term financial instruments	1,454,190,892	(315,798,649)	1,138,392,243	-	1,132,173,544
Trade and other receivables	1,101,072,454	(3,974,572)	1,097,097,882	(12,308,081)	1,084,789,802
Financial assets at fair value through profit or loss	313,683,892	(313,683,892)	-	-	-
Financial assets at fair value - profit or loss	-	922,913,423	922,913,423	-	948,799,175
Available-for-sale financial assets	1,023,068,167	(1,023,068,167)	-	-	-
Financial assets at fair value - other comprehensive income	-	736,406,004	736,406,004	-	716,738,951
Held-to-maturity financial assets	2,660,696	(2,660,696)	-	-	-
Property and equipment, and intangible assets	1,489,524,380	-	1,489,524,380	-	1,489,524,380
Investments in subsidiaries and associates	280,997,123	-	280,997,123	-	280,997,123
Deferred tax assets	248,493,530	(102,590)	248,390,940	2,342,752	250,733,693
Other assets	197,985,365	-	197,985,365	17,714,949	215,700,313
Total Assets	8,019,251,560	30,861	8,019,282,421	7,749,620	8,027,032,041

[Continued]

	December 31, 2017 (before adjustments)	IFRS 9 adjustments	December 31, 2017 (after IFRS 9 adjustments)	IFRS 15 adjustments	December 31, 2017 (after adjustments)
Trade and other payables	782,376,629	-	782,376,629	-	782,376,629
Financial liabilities at fair value through profit or loss	4,638,541	-	4,638,541	-	4,638,541
Borrowings	410,944,900	-	410,944,900	-	410,944,900
Current tax payable	305,730,913	-	305,730,913	-	305,730,913
Deferred tax liabilities	25,177,671	-	25,177,671	-	25,177,671
Net defined benefit liabilities	284,033,207	-	284,033,207	-	284,033,207
Provisions	40,663,394	-	40,663,394	4,821,979	45,485,373
Other liabilities	860,500,070	-	860,500,070	12,379,725	872,879,795
Total liabilities	2,714,065,325	-	2,714,065,325	17,201,704	2,731,267,029
Share capital	16,481,340	-	16,481,340	-	16,481,340
Share premium	1,507,878,511	-	1,507,878,511	-	1,507,878,511
Other components of equity	(1,317,531,623)	(64,481,726)	(1,382,013,349)	(306,323)	(1,382,319,672)
Retained earnings	4,555,517,868	64,512,587	4,620,030,455	(9,145,761)	4,610,884,694
Non-controlling interests	542,840,139	-	542,840,139	-	542,840,139
Total equities	5,305,186,235	30,861	5,305,217,096	(9,452,084)	5,295,765,012

(a) Allocating the transaction price

With implementation of Korean IFRS 1115, the transaction price in an arrangement must be allocated to each separate performance obligation based on the relative standalone selling prices of the goods or services being provided to a customer. The Group determines the standalone selling price for each separate performance obligation by using observable standalone selling price.

As a result of the changes, retained earnings as at January 1, 2018, have increased by ₩ 2,681 million.

(b) A performance obligation is satisfied over time

Under the previous standard, the Group recognized contents revenue (Sticker) based on the usage pattern of users over the estimated usage period. Under Korean IFRS 1115, performance obligation is clearer and the Group recognizes revenue on a straight-line method over the estimated usage period.

As a result of the changes, retained earnings as at January 1, 2018, have decreased by ₩ 18,524 million.

(c) Identify performance obligation

Under the previous standard, the Group recognized the fair value of LINE points granted to users in relation to LINE Point Ad service as deferred revenue until the time when utilized by the users, regarded as a customer loyalty program. Under Korean IFRS 1115, the definition of a "customer" is clarified and the Group determines the advertisers as customers for LINE Point Ad services, not the users who receive LINE Points. In addition, it is not regarded as a performance obligation in the contract with an advertiser to manage LINE Points or to provide users with other goods or services in exchange for the LINE Points. Therefore, the Group recognizes provisions for the expenses expected to be incurred in relation to the consumption of LINE Points under Korean IFRS 1115.

As a result of the changes, retained earnings as at January 1, 2018, have increased by ₩ 6,697 million.

(d) Principal versus Agent ; Contractual Incremental Costs

The Group enters into contracts with agencies with respect to services provided through LINE platform. Under previous standard, the Group recognized revenue by deducting the amounts attributable to agencies from the total consideration received from customers due to the fact that advertising agency was identified as an independent contractor and that the Group did not bear credit risks.

With implementation of Korean IFRS 1115, the Group determines that the Group controls the service provided by agencies and thus the Group is a principal. In addition, the Group determined the commissions to agencies meets criteria of the incremental costs of obtaining a contract, which are specified in Korean IFRS 1115.

As a result of the changes, there are no changes in retained earnings as at January 1, 2018.

Financial statement line items affected by the adoption of the new rules in the current period are as follows:

Consolidated Statement of financial position as at December 31, 2018

(in thousands of Korean won)

	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Trade and other receivables	1,214,712,034	11,322,361	1,226,034,395
Other current assets	157,447,835	(16,575,423)	140,872,412
Other non-current assets	30,612,324	-	30,612,324
Deferred tax assets	340,368,958	(2,638,014)	337,540,760
Other assets	8,138,239,942	-	8,138,239,942
Total Assets	9,881,190,909	(7,891,076)	9,873,299,833
Trade and other payables	919,646,847	-	919,646,847
Other current liabilities	1,085,649,147	(16,065,472)	1,069,583,675
Other non-current liabilities	1,150,367	-	1,150,367
Deferred tax liabilities	86,244,847	-	86,244,847
Provisions	44,886,643	(209,367)	44,677,276
Other liabilities	1,794,472,545	-	1,794,472,545
Total liabilities	3,932,050,396	(16,274,839)	3,915,775,557
Retained earnings	5,229,202,813	8,120,077	5,237,322,890
Others	719,937,700	263,686	720,201,386
Total equities	5,949,140,513	8,383,763	5,957,524,276

Consolidated Statement of comprehensive income for the year ended December 31, 2018

(in thousands of Korean won)

	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Operating revenues	5,586,904,533	(90,221,570)	5,496,682,963
Operating expenses	(4,644,371,971)	89,456,538	(4,554,915,433)
Operating profit	942,532,562	(765,032)	941,767,530
Profit before income tax	1,111,672,275	(765,032)	1,110,907,243
Income tax expense	(488,756,398)	(260,653)	((489,017,051)
Profit from continuing operations	622,915,877	(1,025,685)	621,890,192
Profit from discontinuing operations	4,985,996	-	4,985,996
Profit for the year	627,901,873	(1,025,685)	626,876,188
Total comprehensive income for the year	633,777,348	(1,068,321)	632,709,027

Consolidated Statement of cash flows for the year ended December 31, 2018

(in thousands of Korean won)

	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Profit for the year	627,901,873	(1,025,685)	626,876,188
Adjustments for			
Income tax expenses	488,756,398	260,653	489,017,051
Others	118,317,758	-	118,317,758
Changes in operating assets and liabilities, net			
Trade and other receivables	(18,473,384)	975,484	(17,497,900)
Other current assets	(72,706,106)	(1,127,694)	(73,833,800)
Other payables	51,562,754	-	51,562,754
Other liabilities	295,549,495	917,242	296,466,737
Others	(35,718,895)	-	(35,718,895)
Cash generated from operations	1,455,189,893	-	1,455,189,893

37. Events After the Reporting Period

With the resolution of Board of Directors as at January 30, 2019, the Company acquired 735,295 shares of treasury stock after the reporting period.

AFFILIATES

Largest Shareholder	Drama & Company / 81.32	NAVER Business Platform Europe / 100.00	LINE Studio / 100.00	LINE	LINE Ventures Japan Limited Liability Partnership / 100.00
Subsidiaries / Ownership interest held by the Group (%)^(*)	Software development and distribution	IT infrastructure operations	Mobile game software development and distribution	LINE Plus / 100.00	Financial business
The number of our subsidiaries for consolidated reporting was 116 as of the end of December 2018.	NAVER-KTB Audio Contents Fund / 99.00	NAVER Business Platform Japan / 100.00	Nemustech / 88.57	LINE Fukuoka / 100.00	LVC / 100.00
	Investment	IT infrastructure operations	Software development	Mobile service operations	Financial business
	SpringCamp Early Stage Fund ¹ / 100.00		Grayhash Co., Ltd. ^{(*)3} / 40.00	LINE SOUTHEAST ASIA (formerly, LINE Biz+) / 100.00	LINE Tapas / 100.00
	Investment	NAVER I&S	Software development	Mobile payment system planning and development	Software development and distribution
	Camp Mobile Inc. / 100.00	Incomms / 100.00		LINE Ventures / 100.00	
NAVER	Mobile service operations	Other contract services	Drama & Company	Investment	LINE Digital Frontier
NAVER Business Platform / 100.00	NAVER J.Hub / 100.00	Greenweb Service / 100.00	myBridge / 100.00	LINE C&I / 100.00	LINE Book Distribution ^{(*)4} / 52.00
Online information distribution business	Real estate	Other contract services	Mobile service operations	Investment and Mergers & Acquisitions	Mobile service development
NAVER I&S / 100.00	TBT Global Growth Fund / 99.00	N Tech Service (formerly, NHN Technology Service) / 100.00		LINE Game Global Gateway / 100.00	
Business support, workforce supply, employee dispatch, and software development	Investment	Software consulting, development and distribution	Works Mobile	Investment	
LINE ^{(*)2} / 73.36	Audiensori / 100.00	NIT Service / 100.00	Works Mobile Japan / 100.00	MIXRADIO / 100.00	LFG HOLDINGS
Mobile service developmentt	Software development and distribution	Software development and consulting	Mobile service operations	Mobile service development	Mobile service development
NAVER China / 100.00	Nstore / 100.00	CommPartners / 100.00		LINE Life Global Gateway / 100.00	Character and doll wholesale and retail
Software development and distribution	Software development and distribution	Portal and other Internet services, call center and telemarketing services	NAVER Webtoon	Investment	LINE Friends ^{(*)5} / 100.00
Search Solution / 100.00	NAVER J.Hub		WEBTOON Entertainment / 100.00	LINE Game Investment Fund (formerly, LINE-NAVER Game Investment Fund) / 100.00	LINE Friends Japan ^{(*)5} / 100.00
Software development and distribution	Mirai Fund LLP / 100.00	LINE Plus	Mobile service development	Investment	Character and doll wholesale and retail
N-Visions / 100.00	Investment	LINE Play / 100.00	Watong Entertainment / 100.00	M.T. Burn / 50.49	LINE Friends Inc. ^{(*)5} / 100.00
Exhibition and performance planning business	Mirai Fund LLP	Software development	Mobile service operations	Mobile advertising service business	Character and doll wholesale and retail
Works Mobile / 100.00	Mission World Group Limited / 59.06	LINE Euro-Americas / 100.00	Lico / 100.00	Gatebox / 51.00	LINE Friends (Shanghai) Commercial Trade ^{(*)5} / 100.00
Applied software development and distribution	Software development and distribution	Mobile service marketing	Online information distribution business	Mobile service development	Character and doll wholesale and retail
WAV Media / 100.00	Mission World Group Limited	LINE Taiwan / 100.00	Studio N Corporation / 100.00	LINE TICKET / 51.00	
Mobile service development	CHOCO Media / 100.00	Mobile service operations	Film production and distribution	Internet information services	
SNOW / 100.00	Mobile service operations	LINE Company (Thailand) / 99.95		Next Library / 100.00	LINE Taiwan
Software development and distribution	CHOCO LABS / 100.00	Mobile service operations	Watong Entertainment	Internet information services	SHINEWANT TECHNOLOGY / 100.00
SB Next Media Innovation Fund / 95.04	Software development and distribution	LINE Digital Technology (Shanghai) / 100.00	Broccoli Entertainment / 100.00	FIVE / 100.00	Internet information services
Investment	NAVER Business Platform	Mobile service marketing	Mobile service operations	Mobile advertising service	
NAVER Labs / 100.00	NAVER Business Platform Asia Pacific / 100.00	LINE TECHNOLOGY VIETNAM / 100.00	Dongman Entertainment / 100.00	LFG HOLDINGS / 100.00	LINE SOUTHEAST ASIA (formerly, LINE Biz+)
Information services and manufacturing electrical equipment	IT infrastructure operations	Mobile service operations	Mobile service operations	Character and doll wholesale and retail	LINE VIETNAM JOINT STOCK COMPANY (Formerly, Webtretho) / 99.00
NAVER Webtoon / 100.00	NAVER Business Platform America / 100.00	PT.LINE PLUS INDONESIA / 99.99	Mobile service operations	LINE Pay / 100.00	Online information distribution business
Software development and distribution	IT infrastructure operations	Mobile service operations	WAV Media	Mobile payment system planning and development	
Naver France / 100.00	IT infrastructure operations	LINE Up / 100.00	WAV Recordings / 100.00	LINE Financial / 100.00	
Investment and information services	IT infrastructure operations	Mobile game software development and distribution	Mobile service development	Financial business	
Company AI / 56.50				LINE Growth Technology / 100.00	
Software development and distribution				Mobile service development	
				LINE Ventures Global Limited Liability Partnership / 100.00	
				Financial business	

LINE Pay

Webpay Holdings / 100.00
Mobile payment system planning and development

Line Biz Plus / 100.00
Software development and distribution

BALIE / 60.00
Searching advertising service business

LINE BIZ+ Taiwan / 70.01
Mobile payment system planning and development

Webpay Holdings

Webpay / 100.00
Mobile payment system planning and development

Snow

SNOW China / 96.22
Mobile service operations

SNOW Japan / 100.00
Mobile service operations

SNOW Inc. / 100.00
Mobile service operations

Spring Camp / 100.00
Investment

Playlist / 100.00
Information and communication service

Amuse / 100.00
Cosmetics manufacturing, distribution and sales

HEART IT / 100.00
Mobile service development

SNOW China

SNOW China (Beijing) / 100.00
Mobile service operations

SNOW China (Beijing)

Yiruike Information Technology (Beijing) / 100.00

Mobile service operations

Xiaying Entertainment / 100.00
Mobile service operations

Xiaying Entertainment

Shine Interactive / 100.00
Mobile service operations

LINE Friends

Markt / 51.00
Software development and wholesale and retail

LINE Digital Technology (Shanghai)

Beijing Wangzhongwenda Technology / 100.00
Mobile service operations

LINE Financial

LINE Financial Plus / 100.00
Financial business

LINE Credit / 100.00
Financial business

LINE Securities Preparatory / 100.00
Financial business

LINE Financial Asia / 100.00
Financial business

LINE Financial Asia

LINE Financial Taiwan Limited ^(*) / 100.00
Financial business

LVC

LVC USA / 100.00
Financial business

LINE TECH PLUS / 100.00
Financial business

LVC Hong Kong / 100.00
Financial business

Unblock Ventures / 100.00
Financial business

Unblock (formerly, Bapul) ^(*) / 100.00
Software development and distribution

Unchain Corporation / 50.98
Software development and distribution

^{*1} Ownership interest held by the Group represents the aggregate ownership held by subsidiary companies.

^{*2} The ownership of the Group decreased due to issuance of shares arising from the exercise of stock options.

^{*3} Although the Group's ownership of Gray Hash is less than 50%, the Group was deemed to have a controlling interest as it has the ability to appoint all of its directors according to an agreement among shareholders.

^{*4} Shares held by LINE were transferred to LINE Digital Frontier.

^{*5} Shares held by LINE and LINE Friends were transferred to LFG Holdings.

^{*6} Shares held by LINE Financial were transferred to LINE Financial Asia.

^{*7} Shares held by LINE Plus were transferred to LVC.

AWARDS & ACCOLADES

2000.02 Awarded for Excellence in the field of Digital Information Technology by Hankyoreh Daily

05 Korea Management Association Consulting names Naver.com as Korea's top search portal

12 Awarded the Internet Grand Prize for Top Search Portal by Chosun Ilbo

2001.06 Awarded the Internet Grand Prix of Entertainment Award by New Business Management

2002.05 Hangame won the 1st place for 'The Best Web Awards, Game Division' (KMAC)

10 Awarded for excellence in privacy protection by the Korea Association of Information and Telecommunication(KAIT)

12 Awarded Grand Prize, 'Top Internet Company of the Year' (Korea Internet Corporations Association, Journalist Association of Korea)

12 Awarded the Grand Prize for Best Internet Company of Year by the Korea Internet Corporations Association and Journalist Association of Korea

2003.03 Naver ranked No.1 among search portals by NCSI (National Customers Satisfaction Index)

07 Awarded the Grand Prize among 2003 Korean Technology Fast 50 (Deloitte Consulting)

08 Ranked as No.1 search portal by Korea Service-Quality Index (Korean Standards Association)

12 Naver's "Knowledge Search" service is selected as one of the "Hits of the Year," a list compiled by Joongang Ilbo and Samsung Economic Research Institute

12 Received Presidential Award for Contribution to the Advancement of Korean Software Industry

2004.08 Ranked No.1 search portal by the Korea Service-Quality Index (Korean Standards Association)

12 Awarded Gold Prize, 'Web Award Korea 2004, Game Division' (Web Award Committee)

2005.03 Awarded Namoo Prize, '1-People Award' (joins.com)

06 Awarded the Grand Prize for Best Internet Company of the year (New Business Management)

06 Named 'Korean Brand Star, Portal Division' (Brand Stock)

09 Won the 1st Place, 'Korean Standard-Service Quality Index, Internet Portal Division' for third consecutive year (Korea Standards Association)

10 Awarded 'CEO Who Brightens Korea', Talent Management Division (Korea Economy, Seoul National University Academics and Industry Cooperation Foundation)

11 Won Grand Prize, 'Korean IR Awards' (Korea IR Association)

12 Granted the Grand Prize in social contribution by IMI

12 Selected as the Internet Company of the Year by Kinternet, the association of online-based businesses

2006.06 Awarded the Best Kosdaq listed Company Award (KOSDAQ Listed Companies Association)

06 Naver acquired 'Good Design' mark (Korea Institute of Design Promotion)

09 Won the 1st place, 'Korean Standard-Service Quality Index, Internet Portal Division' for 4th consecutive year (Korea Standards Association)

10 Hangame won the 1st place in 'National Brand Competitive Index (NBCI), Game Portal Division' for 2nd straight year (Korea Productivity Center)

2007.04 Presented the 2007 Award for Excellence in Gender Equality Employment. Awarded by the president. (Ministry of Labor)

11 Awarded Presidential Prize, 'Korea Internet Awards' (Ministry of Information and Communication)

11 Awarded Grand Prize, 'Korean IR Awards' (Korea IR Association)

12 Selected 'Technology Fast 500 Asia Pacific' for 5th consecutive year (Deloitte Consulting)

12 Awarded Grand Prize, 'Web Award Korea 2007' (Web Award Committee)

12 Awarded 1st Prize for 'Cyberethics Index Evaluation, Portal Division' (Government Youth Commission)

2008.02 Named in '60 CMT Shareholder Performance Index' (Oliver Wyman)

02 Named 'Korea's Most Admired Companies 2008, All-Star 3' (Korean Management Association Consulting)

03 Naver ranked top in 'National Customers Satisfaction Index(NCSI), Search Portal Service Division' for 3th consecutive year (Korea Productivity Center)

04 NHN named in 'Global 2000' (Forbes)

09 NHN named in 'Asia50' (Businessweek)

11 Awarded the 1st prize for '2008 Korea Design Awards, InDesign Management Division' (Ministry of Knowledge Economy, Korea Institute of Design Promotion)

12 NHN ranked the 5th in '2008 Most Profitable Companies in ternet Service' (Newsweek)

2009. 04 Naver ranked No.1 for four consecutive years among search portals by NCSI (National Customers Satisfaction Index)

04 Hangame ranked 2nd place in web board games (Korea Productivity Center) Awarded "The Best Venture Business with Highest Sales in 2009" among venture

06 businesses with sales of 100 billion KRW (Korea Venture Business Association)

09 NHN listed in "Asia 50" (Forbes)

10 Naver ranked No.1 in "2009 KS-SQI (Korea Standard Service Quality Index)" for six consecutive years (Korean Standards Association)

11 Naver ranked first place in "2009 KCSI (Korean Customer Satisfaction Index)" for seven years in a row (Korea Management Association)

11 Naver ranked no.5 among worldwide search portals (Comscore)

12 Naver awarded grand prize in mobile web & media/information service category (Web Award Korea)

12 C9 awarded grand prize at 2009 Game Awards Korea (Ministry of Culture, Sports and Tourism)

12 NHN listed in "50 promising Asia-Pacific companies 2009" (Forbes)

12 Ranked no.3 in "2009 Top 100 Brands of Korea" (Brandstock)

12 NHN awarded "2009 Korea Sharing and Volunteer Awards" (Hankook Daily News)

12 NHN awarded by the Minister of Culture, Sports and Tourism for its library donation efforts. (Ministry of Culture, Sports and Tourism)

2010. 04 Naver ranked No.1 for five consecutive years among search portals by NCSI (National Customers Satisfaction Index)

06 Naver Hangeul campaign 'Hangeul, beauty in every letter' won PR Silver Lions at Cannes Lions International Advertising Festival.

08 Won 5 awards for Brand Design (Red Dot Award)

08 Won 9 design awards including Naver greenwindow, Dialogue in the dark intro clip (iF communication Award)

08 Annual report received gold prize in internet service, publication/production category and bronze prize in design category (Annual Report Competition 2010 Awards)

12 Naver listed in Top 10 Tech Companies representing Asia

12 Naver won 15 awards include mobile web & media/information service category (Web Award Korea)

2011. 04 Naver ranked No.1 for six consecutive years among search portals by NCSI (National Customers Satisfaction Index)

06 Awarded in "Annual Report Competition 2011" with gold medal for internet service and picture, silver medal for publishing and bronze for design

07 Awarded "The Best Venture Business with Highest Sales in 2011" (Small & Medium Business Administration and Korea Venture Business Association)

10 NHN Green Factory awarded with "Korean Architecture Award 2011" (Excellence award)

11 Naver App Square and Photo printing package awarded by iF Design Award (communication)

2012. 04 Naver ranked No.1 for seven consecutive years among search portals by NCSI (National Customers Satisfaction Index)

06 Naver App.Square, NHN Next Identity awarded by red dot award

07 Naver Real Estate App, NHN Diary package awarded by IDEA 2012 Award

10 NHN presented in group section at '2012 Digital Geo EXPO', Awarded by the president (Ministry of Land, Transport and Maritime Affairs)

12 Won 7 design awards including NHN NEXT identity, Line (iF communication award)

12 Naver Music awarded 'The Best Korea TV app. in Daily Life' (Korea Communication Commission)

2013. 04 Naver ranked No.1 for eight consecutive years among search portals by NCSI (National Customers Satisfaction Index)

2014. 02 Awarded Lifetime Achievement award (Korea Barrister Association)

02 Won 4 design awards including IDC 'Gak' (iF communication award)

04 Presented the 2014 Award for Excellence in Employment. Awarded by the minister (Ministry of Labor)

05 Presented the 2014 Award for Excellence in Gender Equality Employment. Awarded by the president. (Ministry of Labor)

07 Won 6 design awards including Naver 'Korean Language Campaign' (IDEA 2014 Award)

08 Won 5 main design prize including Naver SDF Data Square (Red Dot Award)

10 Naver Green Factory achieved the world's best score (LEED Platinum)

12 Won Gold prize in donation for education, company section (Ministry of Education)

12 Presented Lifetime Achievement award for promoting software industry (Ministry of Science, ICT and Future Planning)

2015. 01 LINE FRIENDS awarded 'Best Property' prizes (LIMA and ALA)

02 Won 8 design awards including Naver Library, TOSS (iF Communication Award)

02 LINE awarded 'Best International Startup' (8th Annual Crunchies Award)

08 Won 5 main design awards, including Naver Subway map won 'Best of The Best' in the social responsibility field (Red dot award)

08 Won 2 main design awards, including B612-a selfie app of LINE- won 'Best of The Best' in the Communication Design field (Red Dot Award)

08 Naver Service History Wall at Connect One won gold prize in Digital Design area (IDEA)

09 Presented Minister award for Win-Win Challenge between agriculture and business (MAFRA)

11 Presented Minister award for using genuine software (MSIP)

2016. 01 Naver ranked No.1 for ten consecutive years among search portals by NCSI (National Customers Satisfaction Index)

08 Nominated as 'The World Most Innovative Companies' for third consecutive year (Forbes)

10 Naver ranked 1st in "2016 KCSI (Korean Customer Satisfaction Index)" for 13 consecutive years (Korea Management Association)

10 Presented Presidential Awards for 38th Korea Energy Efficiency Awards (MOI)

2017. 03 Naver ranked No.1 for eleven consecutive years among search portals by NCSI (National Customers Satisfaction Index)

05 Ranked Best company of management by CEO SCORE

11 Data Center 'GAK' granted as Energy Champion Company

2018. 02 Merges with Camp Mobile

04 Establish joint AI research lab with Hong Kong University of Science and Technology

06 Listed on "The World's Most Innovative Companies" by Forbes magazine for the fifth consecutive year.

INVESTOR INFORMATION

NAME OF COMPANY	NAVER Corporation (KOSPI 035420)
CEO	SUNG-SOOK HAN
DATE OF ESTABLISHMENT	June 2, 1999
CAPITAL	KRW 16,481,339,500
HEAD OFFICE	NAVER Green Factory, 6, Buljeong-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea (Postal code: 13561)
HOMEPAGE	www.navercorp.com

MAJOR SERVICES

Internet

Internet Services (www.naver.com)

Junior NAVER, children's online portal (www.jr.naver.com)

Happybean, online donation portal (<https://happybean.naver.com>)

NAVER Webtoon (<https://comic.naver.com>)

V LIVE (www.vlive.tv)

NAVER Band (www.band.us)

Mobile

Mobile NAVER (<https://m.naver.com>)

LINE, global smart portal (<https://line.me/ko/>)

SNOW, AR camera content platform (www.snow.me)

NUMBER OF EMPLOYEES (As of December 31, 2018)

NAVER Corp.: 3,585

STOCK INFORMATION (As of December 31, 2018)

Number of common shares outstanding: 164,813,395

Market capitalization: KRW 20.10 trillion

INDEPENDENT AUDITOR

Samil PricewaterhouseCoopers

Address: 92, Hangang-daero, Yongsan-gu, Seoul, Korea

Homepage: www.pwc.com/kr/en

Tel: +82-2-3781-3131

Fax: +82-2-3781-3196

DISCLAIMER

This report does not contain a complete description of NAVER Corporation's business performance. All investments involve an element of risk, and the performances described herein must not be taken as a guarantee of future results. Executives and employees of NAVER Corporation and its affiliates are not liable for losses or damages arising from investments or business decisions made by a third party based on the information contained herein.

IR INFORMATION

The 2017 Annual Report and recent investment information on NAVER Corporation can be found in both Korean and English on NAVER Corporation's website (www.navercorp.com).

CONTACTS

If you have any questions, please feel free to contact the following.

NAVER IR/Asset Management

Tel: +82-1588-3830

Fax: +82-31-784-1000

E-mail: dl_ir@navercorp.com