

NAVER Corporation and Subsidiaries
Consolidated Interim Financial Statements
March 31, 2020 and 2019

NAVER Corporation and Subsidiaries

Index

March 31, 2020 and 2019

	Page(s)
Report on Review of Interim Financial Statements	1 - 2
Consolidated Interim Financial Statements	
Consolidated Interim Statements of Financial Position	3
Consolidated Interim Statements of Comprehensive Income	4
Consolidated Interim Statements of Changes in Equity	5
Consolidated Interim Statements of Cash Flows	6
Notes to the Consolidated Interim Financial Statements	7 - 40



Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
NAVER Corporation

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim financial statements of NAVER Corporation and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as at March 31, 2020, and the related consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2020 and 2019, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Other Matters

We have audited the consolidated statement of financial position of the Group as at December 31, 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 11, 2020. The consolidated statement of financial position as at December 31, 2019, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2019.

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

May 15, 2020
Seoul, Korea

This report is effective as at May 15, 2020, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

NAVER Corporation and Subsidiaries
Consolidated Interim Statements of Financial Position
March 31, 2020 and December 31, 2019

<i>(in Korean won)</i>	Notes	March 31, 2020 (Unaudited)	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		₩ 4,330,345,190,881	₩ 3,740,513,761,418
Short-term financial instruments		444,204,438,265	289,910,618,872
Financial assets at fair value - profit or loss	4	2,043,077,223	12,920,430,454
Trade and other receivables		1,368,324,066,834	1,211,072,909,858
Financial assets at fair value - other comprehensive income	4	50,950,660,589	63,916,531,256
Inventories		72,617,442,374	55,114,731,809
Current tax asset		15,469,235,738	12,717,980,739
Other current assets		249,649,225,802	257,547,495,258
		<u>6,533,603,337,706</u>	<u>5,643,714,459,664</u>
Non-current assets			
Property and equipment	6	1,670,642,535,417	1,596,271,317,726
Right-of-use assets	7	834,105,132,590	697,351,304,664
Intangible assets	8	371,771,227,855	341,442,833,327
Long-term financial instruments		25,948,702,912	24,034,591,006
Financial assets at fair value - profit or loss	4	1,323,781,059,170	1,229,097,428,653
Trade and other receivables		146,387,210,635	124,821,356,161
Financial assets at fair value - other comprehensive income	4	586,186,304,852	675,602,433,315
Investments in associates and joint ventures	9	1,841,315,195,918	1,558,268,184,714
Deferred tax assets		400,979,071,574	381,279,417,985
Other non-current assets		31,314,078,412	27,643,793,571
		<u>7,232,430,519,335</u>	<u>6,655,812,661,122</u>
Total assets		<u>₩ 13,766,033,857,041</u>	<u>₩ 12,299,527,120,786</u>
Liabilities			
Current liabilities			
Trade and other payables		₩ 1,121,799,769,876	₩ 1,211,070,361,564
Financial liabilities at fair value - profit or loss	4	339,558,161	649,038,368
Short-term borrowings	10	653,501,576,236	559,584,776,483
Current tax payables		359,958,356,353	313,781,745,056
Provisions	12	5,882,454,316	3,822,401,193
Lease liabilities	7	194,921,929,432	168,937,301,210
Other current liabilities		1,760,708,112,853	1,515,273,206,866
		<u>4,097,111,757,227</u>	<u>3,773,118,830,740</u>
Non-current liabilities			
Trade and other payables		39,623,784,850	42,469,680,072
Financial liabilities at fair value - profit or loss	4	8,490,446,802	8,339,734,792
Long-term borrowings	10	50,038,165,513	50,039,880,125
Debentures	10	801,351,188,254	752,270,184,693
Net defined benefit liabilities	11	495,271,428,318	473,437,955,422
Provisions	12	65,598,462,233	59,046,834,258
Lease liabilities	7	670,166,918,832	555,287,968,236
Deferred tax liabilities		82,109,721,349	80,453,751,124
Other non-current liabilities		1,035,442,649	1,136,232,744
		<u>2,213,685,558,800</u>	<u>2,022,482,221,466</u>
Total liabilities		<u>6,310,797,316,027</u>	<u>5,795,601,052,206</u>
Equity			
Equity attributable to owners of the Parent Company			
Share capital	13	16,481,339,500	16,481,339,500
Share premium	13	2,233,803,977,347	1,575,307,844,438
Other components of equity		(1,412,145,999,386)	(1,498,653,013,809)
Retained earnings		5,802,449,125,381	5,712,091,453,142
Non-controlling interest		814,648,098,172	698,698,445,309
Total equity		<u>7,455,236,541,014</u>	<u>6,503,926,068,580</u>
Total liabilities and equity		<u>₩ 13,766,033,857,041</u>	<u>₩ 12,299,527,120,786</u>

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

NAVER Corporation and Subsidiaries
Consolidated Interim Statements of Comprehensive Income
Three-Month Periods Ended March 31, 2020 and 2019

(in Korean won)	Notes	Three-Month Period Ended March 31	
		2020 (Unaudited)	2019 (Unaudited)
Operating revenues	5	₩ 1,732,064,462,097	₩ 1,510,861,770,282
Operating expenses		<u>(1,510,569,383,769)</u>	<u>(1,304,617,265,328)</u>
Operating profit		221,495,078,328	206,244,504,954
Other income		33,342,099,991	38,034,037,382
Other expenses		(44,913,528,095)	(32,508,456,773)
Interest income		5,822,862,355	4,096,547,076
Finance income		91,693,824,500	50,851,435,973
Finance costs		(48,098,019,900)	(48,976,945,987)
Share of net loss of associates and joint ventures accounted for using the equity method	9	<u>(5,472,450,239)</u>	<u>(27,950,181,393)</u>
Profit before income tax		253,869,866,940	189,790,941,232
Income tax expense	14	<u>(118,995,285,075)</u>	<u>(98,857,907,374)</u>
Profit from continuing operations		<u>134,874,581,865</u>	<u>90,933,033,858</u>
Loss from discontinued operations	18	<u>-</u>	<u>(3,347,130,568)</u>
Profit for the period		<u>₩ 134,874,581,865</u>	<u>₩ 87,585,903,290</u>
Profit for the period is attributable to:			
Owners of the Parent Company			
Profit from continuing operations		184,803,943,237	133,048,429,335
Loss from discontinued operations		-	(3,347,130,568)
Non-controlling interests		(49,929,361,372)	(42,115,395,477)
Other comprehensive income (loss)			
Items that may be subsequently reclassified to profit or loss			
Loss on valuation of debt instruments at fair value - other comprehensive income		(323,975,961)	(542,517,933)
Exchange differences		129,907,533,691	36,622,921,871
Share of other comprehensive income of associates and joint ventures	9	24,004,871,921	5,781,520,124
Items that will not be reclassified to profit or loss			
Gain (loss) on valuation of equity instruments at fair value - other comprehensive income		(78,636,617,097)	20,223,420,434
Share of other comprehensive income of associates and joint ventures	9	(1,547,487,645)	41,657,194
Remeasurements of net defined benefit liabilities		811,517	(300,554,937)
Other comprehensive income for the period, net of tax		<u>73,405,136,426</u>	<u>61,826,446,753</u>
Total comprehensive income for the period		<u>₩ 208,279,718,291</u>	<u>₩ 149,412,350,043</u>
Total comprehensive income for the period is attributable to:			
Owners of the Parent Company		242,402,732,517	176,335,650,524
Non-controlling interests		(34,123,014,226)	(26,923,300,481)
Earnings (losses) per share from continuing and discontinued operations attributable to the equity holders of the Parent Company			
Basic earnings (losses) per share			
From continuing operations	₩	1,271	₩ 913
From discontinued operations		-	(23)
Diluted earnings (losses) per share			
From continuing operations	₩	1,271	₩ 913
From discontinued operations		-	(23)

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

NAVER Corporation and Subsidiaries
Consolidated Interim Statements of Changes in Equity
Three-Month Periods Ended March 31, 2020 and 2019

(in Korean won)	Notes	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, 2019	₩	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	
Changes in accounting policies		-	-	-	(200,802,631)	(71,478,344)	(272,280,975)	
Restated total equity at the beginning of the financial period		<u>16,481,339,500</u>	<u>1,540,985,517,982</u>	<u>(1,546,389,664,299)</u>	<u>5,229,002,010,414</u>	<u>708,789,028,721</u>	<u>5,948,868,232,318</u>	
Total comprehensive income for the period								
Profit for the period		-	-	-	129,701,298,767	(42,115,395,477)	87,585,903,290	
Loss on valuation of debt instruments at fair value - other comprehensive income		-	-	(542,517,933)	-	-	(542,517,933)	
Gain (loss) on valuation of equity instruments at fair value - other comprehensive income		-	-	23,549,359,879	(2,684,965,620)	(640,973,825)	20,223,420,434	
Exchange differences		-	-	21,088,450,642	-	15,534,471,229	36,622,921,871	
Share of other comprehensive income of associates and joint ventures	9	-	-	5,482,922,532	41,657,194	298,597,592	5,823,177,318	
Remeasurements of net defined benefit liabilities		-	-	-	(300,554,937)	-	(300,554,937)	
Transactions with owners								
Dividends	15	-	-	-	(45,901,490,260)	-	(45,901,490,260)	
Share-based payment expenses		-	-	546,147,721	-	4,812,562,092	5,358,709,813	
Acquisition of treasury shares	13	-	-	(93,689,325,190)	-	-	(93,689,325,190)	
Share issuance of subsidiaries		-	4,967,751,655	-	-	105,256,245,695	110,223,997,350	
Others		-	113,468,524	-	-	(25,886,219,695)	(25,772,751,171)	
Balance at March 31, 2019 (Unaudited)	₩	<u>16,481,339,500</u>	<u>₩ 1,546,066,738,161</u>	<u>₩ (1,589,954,626,648)</u>	<u>₩ 5,309,857,955,558</u>	<u>₩ 766,048,316,332</u>	<u>₩ 6,048,499,722,903</u>	
Balance at January 1, 2020	₩	16,481,339,500	₩ 1,575,307,844,438	₩ (1,498,653,013,809)	₩ 5,712,091,453,142	₩ 698,698,445,309	₩ 6,503,926,068,580	
Total comprehensive income for the period								
Profit for the period		-	-	-	184,803,943,237	(49,929,361,372)	134,874,581,865	
Loss on valuation of debt instruments at fair value - other comprehensive income		-	-	(323,975,961)	-	-	(323,975,961)	
Gain (loss) on valuation of equity instruments at fair value - other comprehensive income		-	-	(79,886,273,203)	-	1,249,656,106	(78,636,617,097)	
Exchange differences		-	-	112,261,974,797	-	17,645,558,894	129,907,533,691	
Share of other comprehensive income of associates and joint ventures	9	-	-	25,546,471,496	-	(3,089,087,220)	22,457,384,276	
Remeasurements of net defined benefit liabilities		-	-	-	592,151	219,366	811,517	
Transactions with owners								
Dividends	15	-	-	-	(54,688,370,920)	-	(54,688,370,920)	
Share-based payment expenses		-	-	4,666,328,545	-	7,135,766,596	11,802,095,141	
Acquisition of treasury shares	13	-	-	(15,516,003,480)	-	-	(15,516,003,480)	
Retirement of treasury shares	13	-	-	39,758,492,229	(39,758,492,229)	-	-	
Share issuance of subsidiaries		-	658,855,589,386	-	-	143,090,652,943	801,946,242,329	
Others		-	(359,456,477)	-	-	(153,752,450)	(513,208,927)	
Balance at March 31, 2020 (Unaudited)	₩	<u>16,481,339,500</u>	<u>₩ 2,233,803,977,347</u>	<u>₩ (1,412,145,999,386)</u>	<u>₩ 5,802,449,125,381</u>	<u>₩ 814,648,098,172</u>	<u>₩ 7,455,236,541,014</u>	

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

NAVER Corporation and Subsidiaries
Consolidated Interim Statements of Cash Flows
Three-Month Periods Ended March 31, 2020 and 2019

(in Korean won)	Notes	Three-Month Period Ended March 31	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	₩	322,111,354,255	₩ 295,751,846,885
Interest received		5,914,128,860	2,600,041,504
Interest paid		(11,918,411,918)	(5,221,948,547)
Dividends received		7,329,000,697	811,839,446
Income taxes paid		(45,490,962,699)	(30,621,376,122)
Net cash inflow from operating activities		277,945,109,195	263,320,403,166
Cash flows from investing activities			
Net increase in short-term financial instruments		(145,421,600,000)	(34,029,510,412)
Increase in long-term financial instruments		(2,560,000,000)	(220,018,380)
Payments for financial assets at fair value - profit or loss		(38,476,443,791)	(65,438,164,810)
Proceeds from disposal of financial assets at fair value - profit or loss		19,560,962,236	41,478,467,525
Payments for property and equipment	6	(166,361,619,913)	(116,967,870,952)
Proceeds from disposal of property and equipment		19,747,646,472	2,668,019,929
Collection of lease receivables		79,032,836	45,976,711
Payments for intangible assets	8	(19,205,779,611)	(18,115,155,431)
Proceeds from disposal of intangible assets		-	248,865,800
Payments for financial assets at fair value - other comprehensive income		(11,719,450,591)	(20,434,093,779)
Proceeds from disposal of financial assets at fair value - other comprehensive income		16,430,117,152	33,252,015,609
Payments for investments in associates and joint ventures	9	(276,932,884,448)	(109,750,184,601)
Proceeds from disposal of investments in associates and joint ventures		3,862,755,005	2,731,098,081
Cash outflows from other investing activities		(22,159,762,573)	(21,572,544,713)
Net cash outflow from investing activities		(623,157,027,226)	(306,103,099,423)
Cash flows from financing activities			
Proceeds from short-term borrowings		75,232,104,250	75,217,046,889
Repayment of short-term borrowings		(1,103,624,631)	(65,009,869,667)
Proceeds from long-term borrowings		-	22,002,982,800
Repayment of long-term borrowings		-	(1,532,557)
Repayment of lease liabilities		(41,134,151,589)	(26,804,446,441)
Acquisition of treasury shares		(15,516,003,480)	(93,689,325,190)
Dividends paid		(79,259,444)	-
Share issuance of subsidiaries		801,946,242,329	108,402,405,470
Cash inflows (outflows) from other financing activities		(1,186,356,622)	657,183,678
Net cash inflow from financing activities		818,158,950,813	20,774,444,982
Effects of exchange rate changes on cash and cash equivalents		116,884,396,681	19,142,565,471
Net increase (decrease) in cash and cash equivalents		589,831,429,463	(2,865,685,804)
Cash and cash equivalents at the beginning of the period		3,740,513,761,418	3,322,884,102,567
Cash and cash equivalents at the end of the period	₩	4,330,345,190,881	₩ 3,320,018,416,763

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

NAVER Corporation and Subsidiaries

Notes to the Consolidated Interim Financial Statements

March 31, 2020 and 2019 (Unaudited), and December 31, 2019

1. General Information

NAVER Corporation (the “Company”) was established on June 2, 1999, under the Commercial Code of the Republic of Korea to provide online search 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 March 31, 2020, the major shareholders of the Company consist of National Pension Fund (12.27%) and others.

The Company and its subsidiaries (collectively the “Group”) engage in providing online search portal and mobile messenger platform services.

1.1 Consolidated Subsidiaries

Details of the consolidated subsidiaries as at March 31, 2020 and December 31, 2019, are as follows:

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				March 31, 2020	December 31, 2019	
NAVER	NAVER Business Platform	Korea	Online information distribution business	100.00	100.00	December
	NAVER I&S	Korea	Business support, workforce supply, and employee dispatch	100.00	100.00	December
	NAVER Webtoon	Korea	Software development and distribution	100.00	100.00	December
	SNOW	Korea	Software development and distribution	100.00	100.00	December
	Drama & Company	Korea	Software development and distribution	81.24	81.24	December
	Audiensori	Korea	Software development and distribution	100.00	100.00	December
	Company AI	Korea	Software development and distribution	73.90	73.90	December
	Search Solution	Korea	Software development and distribution	100.00	100.00	December
	Works Mobile	Korea	Application software development and distribution	100.00	100.00	December
	N-Visions	Korea	Exhibition and performance planning business	100.00	100.00	December
	NAVER Labs	Korea	Information services and electrical equipment manufacturing	100.00	100.00	December
	NAVER Financial	Korea	Electronic financial business	82.34	100.00	December
	SB Next Media Innovation Fund	Korea	Investment	96.30	96.30	December
	TBT Global Growth Fund I	Korea	Investment	89.91	89.91	December
	NAVER-KTB Audio Contents Fund	Korea	Investment	99.00	99.00	December
	SpringCamp Early Stage Fund 1	Korea	Investment	100.00	100.00	December

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		
				March 31, 2020	December 31, 2019	Closing month
	LINE ²	Japan	Mobile service development	72.96	73.07	December
	NAVER J.Hub	Japan	Real estate	100.00	100.00	December
	NAVER China	China	Software development and distribution	100.00	100.00	December
	V Live	USA	Mobile service development	100.00	100.00	December
	Camp Mobile	USA	Mobile service operations	100.00	100.00	December
	NAVER France	France	Investment and information services	100.00	100.00	December
	NAVER VIETNAM	Vietnam	Mobile service operations	99.00	99.00	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	Outsourcing services	100.00	100.00	December
	Greenweb Service	Korea	Outsourcing services	100.00	100.00	December
	N Tech 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	100.00	100.00	December
NAVER Webtoon	Lico	Korea	Online information distribution business	100.00	100.00	December
	Studio N Corporation	Korea	Film production and distribution	100.00	100.00	December
	V.DO	Korea	Software development and distribution	51.71	51.71	December
	WEBTOON Entertainment	USA	Mobile service development	100.00	100.00	December
	Watong Entertainment	Hong Kong	Mobile service operations	100.00	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
Snow	Spring Camp	Korea	Investment	100.00	100.00	December
	Playlist	Korea	Information and communication service	83.73	83.73	December
	Amuse	Korea	Cosmetics manufacturing, distribution and sales	100.00	100.00	December
	HEART IT	Korea	Mobile service development	100.00	100.00	December
	Semicolon Studio	Korea	Information and communication service	100.00	100.00	December
	SNOW China	Hong Kong	Mobile service operations	96.22	96.22	December
	SNOW Japan	Japan	Mobile service operations	100.00	100.00	December
	SNOW Inc.	USA	Mobile service operations	100.00	100.00	December
	SNOW Vietnam	Vietnam	Mobile service operations	99.00	99.00	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	100.00	December
Xiaying Entertainment	Shine Interactive	China	Mobile service operations	100.00	100.00	December

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				March 31, 2020	December 31, 2019	
Drama & Company	myBridge	Japan	Mobile service operations	100.00	100.00	December
Works Mobile	Works Mobile Japan	Japan	Mobile service operations	100.00	100.00	December
LINE	LINE Plus	Korea	Portal and internet information services	100.00	100.00	December
	LINE SOUTHEAST ASIA	Singapore	Mobile payment system planning and development	100.00	100.00	December
	LFG HOLDINGS	Hong Kong	Character and doll wholesale and retail	100.00	100.00	December
	LINE Ventures	Japan	Investment	100.00	100.00	December
	FIVE	Japan	Mobile advertising service	100.00	100.00	December
	LINE Fukuoka	Japan	Mobile service operations	100.00	100.00	December
	Gatebox	Japan	Mobile service development	55.09	55.09	December
	LINE Growth Technology	Japan	Mobile service development	100.00	100.00	December
	LINE Digital Frontier	Japan	Software development and distribution	100.00	100.00	December
	LINE Conomi	Japan	Software development and distribution	100.00	100.00	December
	LINE TICKET	Japan	Internet information services	51.00	51.00	December
	Next Library	Japan	Internet information services	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	100.00	December
	LINE Ventures Global	Japan	Investment	100.00	100.00	December
	LINE Ventures Japan	Japan	Investment	100.00	100.00	December
	LVC	Japan	Financial business	90.00	90.00	December
	LINE Healthcare	Japan	Telemedicine services	51.00	51.00	December
	LINE Business Support	Japan	Business support and workforce supply	100.00	100.00	December
	LDI Corporation	Japan	Internet information services	60.00	60.00	December
	LINE TECHNOLOGY VIETNAM	Vietnam	Mobile service operations	100.00	100.00	December
	LINE Split Preparation	Japan	Mobile service development	100.00	100.00	December
LINE Plus	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
	LINE Play	Korea	Software development	100.00	100.00	December
	Nemustech	Korea	Software development	100.00	100.00	December
	Grayhash Co., Ltd.	Korea	Software development	58.51	58.51	December
	LINE Euro-Americas	USA	Mobile service marketing	100.00	100.00	December
	LINE Digital Technology (Shanghai)	China	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
	PT.LINE PLUS INDONESIA	Indonesia	Mobile service operations	99.99	99.99	December
LINE Company (Thailand)	LINE Man (THAILAND) Company	Thailand	Information and communication service	100.00	100.00	December
LINE Digital Technology	Beijing Wangzhongwenda Technology	China	Mobile service operations	100.00	100.00	December

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				March 31, 2020	December 31, 2019	
(Shanghai)						
LINE Taiwan	SHINEWANT TECHNOLOGY	Taiwan	Internet information services	100.00	100.00	December
	JDW	Taiwan	Internet information services	81.20	81.20	December
JDW	JDW Taxi	Taiwan	Internet information services	62.50	62.50	December
LINE SOUTHEAST ASIA	LINE VIETNAM JOINT STOCK COMPANY	Vietnam	Online information distribution business	99.11	99.11	December
	LINE MAN	Singapore	Application software development and distribution	100.00	100.00	December
LINE Digital Frontier	LINE Book Distribution	Japan	Mobile service development	52.00	52.00	December
LINE Ventures	LINE Investment Technologies	Japan	Investment	100.00	100.00	December
LFG HOLDINGS	LINE Friends	Korea	Character and doll wholesale and retail	100.00	100.00	December
	LINE Friends Japan	Japan	Character and doll wholesale and retail	100.00	100.00	December
	LINE Friends Inc.	USA	Character and doll wholesale and retail	100.00	100.00	December
	LINE Friends Taiwan	Taiwan	Character and doll wholesale and retail	100.00	100.00	December
	LINE Friends(Shanghai) Commercial Trade	China	Character and doll wholesale and retail	100.00	100.00	December
LINE Friends	Markt	Korea	Software development and wholesale and retail	51.00	51.00	December
LINE Pay	Line Biz Plus	Korea	Software development and distribution	100.00	100.00	December
	BALIE	Japan	Searching advertising service business	100.00	100.00	December
	Webpay Holdings	Japan	Mobile payment system planning and development	100.00	100.00	December
	LINE Pay hokkaido	Japan	Mobile payment system planning and development	70.00	70.00	December
	LINE BIZ+ Taiwan	Taiwan	Mobile payment system planning and development	70.01	70.01	December
Webpay Holdings	Webpay	Japan	Mobile payment system planning and development	100.00	100.00	December
LINE Financial	LINE Financial Plus	Korea	Financial business	100.00	100.00	December
	LINE Credit	Japan	Financial business	51.00	51.00	December
	LINE Securities Preparatory	Japan	Financial business	51.00	51.00	December
	LINE Bank Preparatory	Japan	Financial business	51.00	51.00	December
	LINE Financial Asia	Hong Kong	Financial business	100.00	100.00	December
LINE Financial Asia	LINE Financial Taiwan Limited	Taiwan	Financial business	100.00	100.00	December
LVC	Unblock	Korea	Software development and distribution	100.00	100.00	December
	Unchain Corporation	Korea	Software development and distribution	50.98	50.98	December
	LVC USA	USA	Financial business	100.00	100.00	December
	LINE TECH PLUS	Singapore	Financial business	100.00	100.00	December
	Unblock Ventures	Hong Kong	Financial business	100.00	100.00	December

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				March 31, 2020	December 31, 2019	
NAVER J.Hub	Mirai Fund	Japan	Investment	100.00	100.00	December
Mirai Fund LLP	Mission Worldwide Group Limited	Virgin Islands	Software development and distribution	59.06	59.06	December
Mission Worldwide Group Limited	CHOCO Media	Taiwan	Mobile service operations	100.00	100.00	December

¹ Ownership interest with voting rights held by the Group includes share held by subsidiaries.

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

1.2 Changes in Scope of Consolidation

There are no changes in the scope of consolidation for the three-month period ended March 31, 2020.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below. These policies have been consistently applied to all the periods 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 interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The Group's condensed consolidated interim financial statements for the three-month period ended March 31, 2020, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These condensed consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective as at March 31, 2020.

2.1.1 New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2020.

- *Amendments to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001

NAVER Corporation and Subsidiaries

Notes to the Consolidated Interim Financial Statements

March 31, 2020 and 2019 (Unaudited), and December 31, 2019

and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1103 Business Combination – Definition of a Business

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement and Korean IFRS 1107 Financial Instruments: Disclosure – Interest Rate Benchmark Reform

The amendments allow to apply the exceptions when forward-looking analysis is performed in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions require the Group assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the financial statements.

2.1.2 New standards and interpretations not yet adopted by the Group

There are no new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing January 1, 2020 and have not been adopted by the Group.

2.2 Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2019, except for the changes due to the application of amendment and enactments of standards described in Note 2.1.1 and the one described below.

2.2.1 Income tax expense

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual effective tax rate is applied to the pre-tax income.

NAVER Corporation and Subsidiaries

Notes to the Consolidated Interim Financial Statements

March 31, 2020 and 2019 (Unaudited), and December 31, 2019

The Company implemented consolidated tax payment scheme which presumes the Parent Company and its subsidiaries in Korea as a single taxpayer. The Company calculated the estimated average annual effective tax rate based on the taxable unit per the consolidated tax payment scheme.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements 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. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Significant accounting estimates and assumptions applied in the preparation of these condensed consolidated interim financial statements are the same as those applied to the consolidated financial statements for the year ended December 31, 2019, except for the estimates used to determine income tax expense.

4. Fair Value

There are no significant changes in the business and economic environments that affect the fair value of financial assets and liabilities of the Group for the three-month period ended March 31, 2020.

4.1 Fair Value Hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. Financial instruments that are measured at fair value are categorized by the fair value hierarchy, and the defined levels are as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, unlisted derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

The following table presents the Group's financial assets and financial liabilities measured and recognized at fair value as at March 31, 2020 and December 31, 2019:

<i>(in thousands of Korean won)</i>	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value - profit or loss	₩ 109,313	₩ 34,120,994	₩ 1,291,593,829	₩ 1,325,824,136
Debt instruments at fair value - other comprehensive income	-	186,279,255	500,958	186,780,213
Equity instruments at fair value - other comprehensive income	379,556,885	-	70,799,867	450,356,752
Financial liabilities				
Financial liabilities at fair value - profit or loss	₩ 109,352	₩ 230,206	₩ 8,490,447	₩ 8,830,005

<i>(in thousands of Korean won)</i>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value - profit or loss	₩ 1,013,228	₩ 33,904,137	₩ 1,207,100,494	₩ 1,242,017,859
Debt instruments at fair value - other comprehensive income	-	191,590,570	471,117	192,061,687
Equity instruments at fair value - other comprehensive income	475,035,986	-	72,421,292	547,457,278
Financial liabilities				
Financial liabilities at fair value - profit or loss	₩ 649,038	₩ -	₩ 8,339,735	₩ 8,988,773

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

4.2 Fair value measurements using significant unobservable inputs

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 fair value measurements during the three-month period ended March 31, 2020.

The following table presents the changes in level 3 financial instruments for the three-month periods ended March 31, 2020 and 2019:

<i>(in thousands of Korean won)</i>	2020			2019		
	Financial assets at fair value - profit or loss	Financial assets at fair value - other comprehensive income	Derivatives liabilities	Financial assets at fair value - profit or loss	Financial assets at fair value - other comprehensive income	Derivatives liabilities
Beginning balance	₩ 1,207,100,494	₩ 72,892,409	₩ 8,339,735	₩ 731,579,660	₩ 118,046,299	₩ 2,947,566
Total profit or loss						
Amounts recognized in profit or loss	45,963,815	-	-	931,431	-	7,843
Amounts recognized in other comprehensive income	-	4,351,054	-	-	9,599,553	-
Acquisitions	38,476,444	357,141	-	76,248,456	-	-
Disposals	(19,560,962)	-	-	(37,812,731)	(14,184,822)	-
Others ¹	7,788,497	(8,288,497)	-	-	-	-
Exchange differences	11,825,541	1,988,718	150,712	1,923,524	969,987	182,978
Ending balance	<u>₩ 1,291,593,829</u>	<u>₩ 71,300,825</u>	<u>₩ 8,490,447</u>	<u>₩ 772,870,340</u>	<u>₩ 114,431,017</u>	<u>₩ 3,138,387</u>

¹ Includes reclassifications arising from changes in ownership of financial assets held at fair value.

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

4.3 Valuation Techniques and the Inputs

Valuation techniques and inputs used in the fair value measurements of major financial instruments that are categorized as levels 2 and level 3 of the fair value hierarchy as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in thousands of Korean won)</i>		March 31, 2020					
	Fair value	Level	Valuation techniques	Major inputs	Unobservable inputs	Range of unobservable inputs	
Financial assets at fair value - profit or loss							
Compound financial instruments	₩ 809,121,745	3	Option pricing model	Underlying asset price, volatility of underlying asset	Volatility of the underlying assets	8.60% ~ 53.30%	
			Market approach and others	PBR, EV/SALES, PSR, recent transaction price, net asset value	PBR EV/SALES PSR	1.58 ~ 8.36 1.03 ~ 24.77 2.27 ~ 10.22	
			Present value method	Credit risk adjusted discount rate	Discount rate	12.42%	
Beneficiary certificates and funds	34,120,032	2	Present value method	Credit risk adjusted discount rate	-	-	
Beneficiary certificates and funds	482,472,084	3	Market approach and others	Underlying asset price	(*)	(*)	
Derivatives	962	2	Present value method, option pricing model	Forward exchange rate	-	-	
Debt instruments at fair value – other comprehensive income							
Debt securities	186,279,255	2	Present value method	Credit risk adjusted discount rate, recent transaction price	-	-	
Debt securities	500,958	3	Present value method	-	-	-	
Equity instruments at fair value – other comprehensive income							
Equity securities	70,799,867	3	Present value method, market approach	EV/SALES, PSR, etc	EV/SALES PSR	1.48 ~ 12.93 1.37 ~ 13.3	
Financial liabilities at fair value - profit or loss							
Derivatives	230,206	2	Present value method	Forward exchange rate	-	-	
Derivatives	8,490,447	3	Option pricing model	Volatility of underlying asset	Volatility of underlying asset	44.30%	

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

(in thousands of
Korean won)

December 31, 2019

	Fair value	Level	Valuation techniques	Major inputs	Unobservable inputs	Range of unobservable inputs
Financial assets at fair value - profit or loss						
Securities linked derivative	₩ 9,982,479	3	Option pricing model	Underlying asset, CDS spread, KRW IRS Curve, recovery rate	Correlation coefficient CDS SPREAD KRW IRS Curve Recovery rate	0.00 ~ 1.00 0.201% ~ 0.544% 1.34% ~ 1.47% 40.00%
Compound financial instruments	766,646,406	3	Option pricing model	Underlying asset price, volatility of underlying asset	Volatility of the underlying assets	8.60% ~ 53.30%
			Market approach and others	PBR, EV/SALES, PSR, recent transaction price, net asset value	PBR EV/SALES PSR	1.86 ~ 9.30 0.98 ~ 22.40 1.81 ~ 11.97
			Present value method	Credit risk adjusted discount rate	Discount rate	9.86% ~ 12.42%
Beneficiary certificates and funds	33,799,243	2	Present value method	Credit risk adjusted discount rate	-	-
Beneficiary certificates and funds	430,471,609	3	Market approach and others	Underlying asset price	(*)	(*)
Derivatives	104,894	2	Present value method, option pricing model	Forward exchange rate	-	-
Debt instruments at fair value – other comprehensive income						
Debt securities	191,590,570	2	Present value method	Credit risk adjusted discount rate, recent transaction price	-	-
Debt securities	471,117	3	Present value method	-	-	-
Equity instruments at fair value – other comprehensive income						
Equity securities	72,421,292	3	Present value method, market approach	EV/SALES, PSR, etc	EV/SALES PSR	1.37 ~ 12.08 1.37 ~ 13.3
Financial liabilities at fair value - profit or loss						
Derivatives	8,339,735	3	Option pricing model	Volatility of underlying asset	Volatility of underlying asset	42.8% ~ 43.6%

(*) Various inputs are used in the measurements of underlying asset price and thus, further disclosure has not been provided.

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

4.4 Valuation Processes for Fair Value Measurements Categorized Within Level 3

The Group's investment management team and treasury team performs the fair value measurement required for financial reporting purposes, including level 3 fair values. These teams report directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and this team at least once every quarter, in line with the Group's quarterly reporting periods.

5. Operating Segment Information

The Group consists of a single operating segment. Operating information by service types is reported to chief operating decision-maker. Such reported segment information does not differ from the amount presented in the consolidated statements of comprehensive income.

Operating revenues by service types for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
	Operating revenues	Ratio (%)	Operating revenues	Ratio (%)
Advertisement ¹	₩ 144,018,755	8.30	₩ 142,248,641	9.42
Business Platform ²	749,725,674	43.29	669,302,295	44.30
IT Platform ³	148,203,350	8.56	99,181,791	6.56
Contents Service ⁴	55,364,924	3.20	35,037,922	2.32
LINE & Other Platforms ⁵	634,751,759	36.65	565,091,121	37.40
	<u>₩ 1,732,064,462</u>	<u>100.00</u>	<u>₩ 1,510,861,770</u>	<u>100.00</u>

¹ DA, Shopping DA, NAVER TV Video Ads, Band DA 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, SNOW and others

Revenue from external customers by region for the three-month periods ended March 31, 2020 and 2019 and non-current assets as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in thousands of Korean won)</i>	Revenue from external customers		Non-current assets¹	
	2020	2019	March 31, 2020	December 31, 2019
Domestic	₩ 1,112,115,779	₩ 978,764,126	₩ 2,678,521,326	₩ 2,518,702,653
Japan	524,449,702	459,339,902	1,184,319,327	913,544,202
Others	95,498,981	72,757,742	886,307,517	788,730,579
	<u>₩ 1,732,064,462</u>	<u>₩ 1,510,861,770</u>	<u>₩ 4,749,148,170</u>	<u>₩ 4,220,977,434</u>

¹ Excludes financial instruments and deferred tax assets.

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

The revenue from contracts with customers by category for the three-month periods ended March 31, 2020 and 2019, is as follows:

<i>(in thousands of Korean won)</i>	2020	2019
By timing of revenue recognition		
Recognized at a point in time	₩ 876,016,242	₩ 742,254,199
Recognized over time	856,048,220	768,607,571
	<u>₩ 1,732,064,462</u>	<u>₩ 1,510,861,770</u>

6. Property and Equipment

Changes in property and equipment for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Beginning balance	₩ 1,596,271,318	₩ 1,457,302,209
Acquisition and capital expenditures	158,322,596	95,638,628
Depreciation	(84,524,017)	(67,457,352)
Disposals, retirement and impairment	(19,997,742)	(2,488,908)
Others ¹	20,570,380	7,636,404
Ending balance	<u>₩ 1,670,642,535</u>	<u>₩ 1,490,630,981</u>

¹ Others include effects of changes in foreign currency exchange rates.

During the three-month period ended March 31, 2020, the Group has capitalized borrowing costs amounting to ₩ 455 million (2019, 1Q: ₩ 255 million) on property and equipment that are qualifying assets. The capitalization rate of borrowings used to determine the amount of borrowing costs to be capitalized is 3.47% (2019, 1Q: 2.94%).

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

7. Leases

(a) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

<i>(in thousands of Korean won)</i>	March 31, 2020	December 31, 2019
Right-of-use assets		
Properties	₩ 528,446,904	₩ 402,473,068
Vehicles	1,229,351	1,189,745
IDC buildings	301,906,958	290,850,644
Leased internet line	2,521,920	2,837,848
	<u>₩ 834,105,133</u>	<u>₩ 697,351,305</u>
Lease receivables	₩ 175,330	₩ 263,404

<i>(in thousands of Korean won)</i>	March 31, 2020	December 31, 2019
Lease liabilities		
Current	₩ 194,921,929	₩ 168,937,301
Non-current	670,166,919	555,287,968
	<u>₩ 865,088,848</u>	<u>₩ 724,225,269</u>

Additions to the right-of-use assets during the three-month period ended March 31, 2020 were ₩ 151,010 million.

(b) Amounts recognized in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

<i>(in thousands of Korean won)</i>	2020	2019
Depreciation of right-of-use assets		
Properties	₩ 42,718,642	₩ 26,551,820
Vehicles	190,227	156,445
IDC buildings	6,774,406	4,864,200
Leased internet line	315,929	184,795
	<u>₩ 49,999,204</u>	<u>₩ 31,757,260</u>
Interest expense relating to lease liabilities (included in 'finance costs') ¹	₩ 4,491,395	₩ 3,304,239
Expense relating to short-term leases and leases of low-value assets	1,552,673	2,163,057
Expense relating to variable lease payments not included in lease liabilities	12,517,700	21,775,389

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

¹ There is a difference between interest expenses recognized with regards to the leases and interest expenses in the consolidated statement of comprehensive income due to capitalization of borrowing costs.

The total cash outflow and inflow for leases during the three-month period ended March 31, 2020, were ₩ 59,696 million and ₩ 80 million, respectively.

8. Intangible Assets

Changes in intangible assets for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
Beginning balance	₩	341,442,833	₩	306,963,470
Acquisition and capital expenditures		99,027,157		18,173,696
Amortization		(9,233,528)		(7,937,304)
Disposals, retirement and impairment		(72,185,775)		(433,191)
Others ¹		12,720,541		(1,624,315)
Ending balance	₩	<u>371,771,228</u>	₩	<u>315,142,356</u>

¹ Others include effects of changes in foreign currency exchange rates.

9. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures of the Group as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in thousands of Korean won)</i>					<u>March 31,</u>	<u>December 31,</u>
Name of entity	Primary business	Location	Closing month	Percentage of ownership (%)	Book amount	Book amount
Associates						
KG Allat ⁴	Internet commerce payment service	Korea	December	-	₩ -	₩ 3,106,638
NetMania	Software development and distribution	Korea	December	27.17	1,012,350	1,006,434
Synapsoft	Software development and distribution	Korea	December	26.45	5,229,220	4,954,775
ARO In Tech	Software development and distribution	Korea	December	29.85	647,513	642,003

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

(in thousands of Korean won)

Name of entity	Primary business	Location	Closing month	March 31,		December 31,
				2020	2019	
				Percentage of ownership (%)	Book amount	Book amount
Silicon Cube	Applied software development and distribution	Korea	December	41.89	2,062,902	2,448,616
NSPACE	Space service business	Korea	December	49.04	528,588	450,563
One Store	E-Commerce business	Korea	December	27.70	42,336,590	41,732,881
BonAngels Pacemaker Fund	Investment	Korea	December	22.73	2,749,441	3,197,462
Korea Contents Mutual Aid Association ¹	Investment	Korea	December	59.45	9,105,554	9,048,019
Future Creation NAVER-Stonebridge Early Stage Start-up Fund	Investment	Korea	December	40.00	4,464,232	5,059,696
Future Creation NAVER-SB Startup Investment Fund	Investment	Korea	December	37.04	7,913,616	10,728,698
NAVER KIP Cheer up! Gamers Fund	Investment	Korea	December	50.00	2,120,885	4,186,612
NAVER-Suprema Youth Foundation No.5 Investment Fund	Investment	Korea	December	50.00	6,694,114	8,043,445
Mirae Asset-NAVER New Growth Fund 1	Investment	Korea	December	50.00	37,630,069	37,735,406
YG NAVER Contents & Lifestyle Fund ¹	Investment	Korea	December	90.91	47,537,366	47,949,009
Soran Media Venture Fund I ¹	Investment	Korea	December	66.67	827,730	836,605
MiraeAsset MAPS Private Placement Real Estate 62	Investment	Korea	December	45.08	187,806,264	187,936,912
MiraeAsset-Naver Asia Growth Fund ^{5,6}	Investment	Korea	December	16.67	55,284,491	50,924,712
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT ⁶	Investment	Singapore	December	40.00	223,685,998	205,600,678
Digital Media Partners II	Investment	Cayman Islands	December	30.00	2,789,668	2,676,544
K-Fund I ¹	Investment	France	December	99.75	208,001,897	187,786,461
China Ventures Fund I, L.P. ^{1,6}	Investment	Canada	December	99.99	220,888,528	142,469,646
The Grim Ent.	Webtoon production	Korea	December	34.98	1,104,634	1,003,722
Studio Horang	Webtoon production	Korea	December	35.00	327,493	337,964
Bigpicture Comics	Webtoon production	Korea	December	35.00	1,157,708	1,143,373
Studio JHS	Webtoon production	Korea	December	35.00	446,604	503,209
JQ COMICS	Webtoon production	Korea	December	35.06	268,419	296,404
ZK Studio	Webtoon production	Korea	December	40.00	390,588	395,573
Soo COMICS	Webtoon production	Korea	December	40.00	391,219	395,039
YLAB Japan	Software development and distribution	Japan	December	25.21	219,434	274,626
Alchera ⁵	Software consulting, development and distribution	Korea	December	18.19	2,866,519	3,187,753
Fandom ²	Software development and distribution	Korea	December	20.00	-	-

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Name of entity	Primary business	Location	Closing month	March 31,		December 31,
				2020	2019	
				Percentage of ownership (%)	Book amount	Book amount
Bravepops ²	Software development and distribution	Korea	December	20.67	-	-
AXIS ³	Software development and distribution	Korea	December	28.57	-	-
Fast Cowell Private Equity Fund	Investment	Korea	December	21.13	1,406,270	1,417,999
Laiqu Technology (Shenzhen)	Software development and distribution	China	December	23.85	777,734	857,360
LINE Games ⁶	Software development and distribution	Korea	December	49.48	147,992,884	154,366,934
Epic Voyage	Mobile service development	Japan	December	30.00	28,555	26,867
LINE Music ³	Mobile service development	Japan	December	36.72	-	-
DEMAE-CAN (formerly, Yume no machi Souzou linkai) ⁶	Mobile service development	Japan	December	21.60	36,952,404	36,821,281
Transcosmos Online Communication	Business customer support	Japan	December	37.06	1,059,454	1,174,358
LENSA, LTD.	Mobile advertising service business	Japan	December	49.00	1,254,670	1,160,065
LINE Mobile	Telecommunications service	Japan	December	40.05	84,059,246	85,600,720
Venture Republic ⁶	Online information distribution business	Japan	December	33.98	3,991,830	8,901,244
PT. Bank KEB HANA Indonesia	Bank and financial business	Indonesia	December	20.00	149,490,548	167,427,011
Orpeo Sound Works ²	Software development and distribution	Korea	December	27.41	-	-
FOLIO Holdings ⁶	Financial business	Japan	December	41.36	41,288,095	42,654,911
iPASS	Mobile payment system planning and development	Taiwan	December	29.82	12,117,121	11,773,661
Connection Labs	Software development and distribution	Taiwan	December	33.42	2,672,354	2,982,980
Alliance Internet		Korea	December	23.53	835,287	793,090
CONG TY CO PHAN RBW VIETNAM	Contents production	Vietnam	December	35.36	575,300	-
Espresso Media Co.,Ltd.	Software development and distribution	Korea	December	20.00	1,458,257	-
Famous Studio Corp.	Clothes, accessories, news distribution	Korea	December	33.33	1,000,000	-
VRex Lab Co.,Ltd.	Programming service	Korea	December	27.99	613,925	-
Studio Pot	Contents production	Korea	December	40.00	400,000	-
ITSB	Service	Korea	December	28.57	1,000,000	-
DHP private equity fund 3	Investment	Korea	December	25.48	200,000	-
					<u>1,565,663,568</u>	<u>1,482,017,959</u>

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

(in thousands of Korean won)

Name of entity	Primary business	Location	Closing month	March 31,		December 31,
				2020	2019	
				Percentage of ownership (%)	Book amount	Book amount
Joint ventures						
China Lab	Database and online information service	Korea	December	49.00	327,691	318,303
JobsN	Online information service	Korea	December	49.00	1,784,955	1,735,840
YEOPEUL	Online information service and internet contents business	Korea	December	49.00	1,780,482	1,777,646
Cineplay	Online information service and online advertising	Korea	December	49.00	601,284	601,901
Designpress	Online information service and internet contents business	Korea	December	49.00	749,628	730,586
Interbiz (Dong-A JV)	Online information service and internet contents business	Korea	December	49.00	581,161	614,424
Artitian (Kyunghyang Daily News JV)	Online information service and internet contents business	Korea	December	49.00	213,876	211,327
Schooljam (EBS JV)	Online information service and internet contents business	Korea	December	49.00	374,692	390,201
Agroplus (Korea Business JV)	Online information service and internet contents business	Korea	December	49.00	589,452	538,696
Sumlab (Munhwa Ilbo JV)	Online information service and internet contents business	Korea	December	49.00	626,298	623,586
Techplus (Electronic Times JV)	Online information service and internet contents business	Korea	December	49.00	772,419	692,285
Animal and Human Story (Hankook Ilbo JV)	Online information service and internet contents business	Korea	December	49.00	291,646	301,103
Law and Media (Money Today JV)	Online information service and internet contents business	Korea	December	49.00	197,200	184,048
DANAA Data	Software development and distribution	Korea	December	49.00	4,918,257	4,893,200
Cinamon Games	Software development and distribution	Korea	December	49.98	347,352	1,979
LINE Project ³	Investment	Japan	December	49.95	-	-
Lantu Games ^{3,6}	Mobile service development	Hong Kong	December	50.00	-	-
RABBIT-LINE PAY COMPANY	Online payment service	Thailand	December	33.33	18,288,075	19,081,211
Collab+LINE	Investment	USA	December	50.00	1,881,853	1,693,966
Kasikorn LINE	Software development and distribution	Thailand	December	49.99	39,875,540	41,859,924

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

(in thousands of Korean won)

Name of entity	Primary business	Location	Closing month	Percentage of ownership (%)	March 31,	December 31,
					2020	2019
					Book amount	Book amount
LINE Bank Taiwan Limited	Financial business	Taiwan	December	49.90	201,449,767	-
					275,651,628	76,250,226
					₩ 1,841,315,196	₩ 1,558,268,185

¹ Although the Group has more than 50% ownership in the investees, the Group does not have controls over these entities by virtue of agreements and classifies them as associates.

² Recognized impairment loss during the prior periods for the entities as book amounts exceeded their recoverable amounts.

³ Stopped applying equity method due to accumulated deficits.

⁴ Excluded from investments in associates and joint ventures due to the decreased Group's ownership in these entities during the three-month periods ended March 31, 2020.

⁵ Although the Group has less than 20% ownership in the investees, the Group has significant influence over the entities by virtue of agreements and classified as associates.

⁶ Applied based on their consolidated financial statements. The related subsidiaries of the associates and joint ventures are as follows:

Associates and joint ventures	Subsidiaries of the associates and joint ventures
LINE Games	PIG, Stairs, Msquared Management, MFC, InnoAG inc., Oozoo, Studio 4LEAF, Meerkat Games Co.,Ltd.
Venture Republic	VENTURE REPUBLIC GLOBAL, Trip101
FOLIO Holdings	FOLIO, FOLIO Asset Management
DEMAE-CAN	SATSUMAEBISUDO, PT Klik Eat Indonesia
Lantu Games	Beijing Lantu Times Technology Company
MiraeAsset-Naver Asia Growth Fund	MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT
China Ventures Fund I, L.P.	China Ventures Fund I, PTE.LTD.
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	LogisValley BacNinh Joint Stock Company

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Changes in investments in associates and joint ventures for the three-month periods ended March 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020		
	Investments in associates	Investments in joint ventures	Total
Beginning balance	₩ 1,482,017,959	₩ 76,250,226	₩ 1,558,268,185
Acquisition	75,602,482	201,830,402	277,432,884
Disposal	(3,106,638)	-	(3,106,638)
Valuation of investment using the equity method			
· Share of loss of associates and joint ventures	(4,463,460)	(1,008,990)	(5,472,450)
· Share of other comprehensive income (loss) of associates and joint ventures	23,891,422	(1,434,038)	22,457,384
· Dividends	(3,862,753)	-	(3,862,753)
· Other changes	(4,415,444)	14,028	(4,401,416)
Ending balance	<u>₩ 1,565,663,568</u>	<u>₩ 275,651,628</u>	<u>₩ 1,841,315,196</u>

(in thousands of Korean won)

	2019		
	Investments in associates	Investments in joint ventures	Total
Beginning balance	₩ 958,634,702	₩ 42,727,420	₩ 1,001,362,122
Acquisition	109,750,185	-	109,750,185
Disposal	-	-	-
Valuation of investment using the equity method			
· Share of loss of associates and joint ventures	(27,211,278)	(738,903)	(27,950,181)
· Share of other comprehensive income of associates and joint ventures	5,193,877	629,300	5,823,177
· Dividends	(2,731,098)	-	(2,731,098)
· Other changes	131,296	(10,179)	121,117
Ending balance	<u>₩ 1,043,767,684</u>	<u>₩ 42,607,638</u>	<u>₩ 1,086,375,322</u>

The Group has stopped recognizing its share of losses in LINE Music and three others using the equity method as their respective book amount is less than nil (0) due to accumulated losses. The unrecognized accumulated losses amount to ₩ 6,023 million as at March 31, 2020.

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

10. Borrowings and Debentures

Borrowings as at March 31, 2020 and December 31, 2019, are as follows:

(in thousands of Korean won, in thousands of Japanese yen, in thousands of Hong Kong dollar, and in thousands of Taiwan dollar)

	Lender	Maturity date	Annual interest rate (%)	March 31, 2020	December 31, 2019	
Short-term borrowings						
Foreign currency	Sumitomo Mitsui Banking Corporation	September 30, 2020	0.07	₩ 135,699,600 (JPY 12,000,000)	₩ 127,616,400 (JPY 12,000,000)	
		Mizuho Corporate Bank, Ltd.	September 30, 2020	0.14	113,083,000 (JPY 10,000,000)	106,347,000 (JPY 10,000,000)
	Resona Bank Co. Ltd	June 30, 2020	0.27	11,308,300 (JPY 1,000,000)	10,634,700 (JPY 1,000,000)	
	Mizuho Corporate Bank, Ltd.	-	-	- (JPY -)	1,063,470 (JPY 100,000)	
	DAG Ventures VI, L.P. ¹	-	10.00	2,470,043 (HKD 15,666)	2,329,041 (HKD 15,666)	
	Goodwater Capital II, L.P. ¹	-	10.00	1,233,812 (HKD 7,826)	1,163,380 (HKD 7,826)	
	Mistletoe Singapore Pte. Ltd. ¹	-	10.00	2,470,084 (HKD 15,667)	2,329,080 (HKD 15,667)	
	SCC Growth IV Holdco A, Ltd. ¹	-	10.00	36,825,709 (HKD 233,577)	34,723,518 (HKD 233,577)	
	SenseView Investment Limited ¹	-	10.00	6,175,503 (HKD 39,170)	5,822,975 (HKD 39,170)	
	SNOW Limited Liability Partnership ¹	-	10.00	24,587,666 (HKD 155,954)	23,184,083 (HKD 155,954)	
	Individuals	December 2, 2020	2.62	1,049,620 (TWD 26,000)	1,000,480 (TWD 26,000)	
	Local currency	Woori Bank	May 24, 2020	2.46	50,000,000	50,000,000
		Woori Bank	February 3, 2021	2.75	218,577,986	143,345,881
	Foreign currency	Sendai Bank	-	- (JPY -)	1,595 (JPY 150)	
Current portion of long-term borrowings						
Local currency	Shinhan Bank	October 31, 2020	2.67	50,000,000	50,000,000	
Foreign currency	Dai Ichi Kangyo Credit Cooperative	June 15, 2023	1.00	16,962 (JPY 1,500)	15,952 (JPY 1,500)	
		Japan Finance Corporation	June 30, 2020	1.40	3,291 (JPY 291)	7,221 (JPY 679)
				₩ 653,501,576 (JPY 23,001,791) (HKD 467,860) (TWD 26,000)	₩ 559,584,776 (JPY 23,102,329) (HKD 467,860) (TWD 26,000)	
Long-term borrowings						
Foreign currency	Dai Ichi Kangyo Credit Cooperative	June 15, 2023	1.00	₩ 38,166 (JPY 3,375)	₩ 39,880 (JPY 3,750)	
Local currency	Sunny Solution 3 rd	April 30, 2021	3.16	50,000,000	50,000,000	
				₩ 50,038,166 (JPY 3,375)	₩ 50,039,880 (JPY 3,750)	

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

¹ SNOW China, a subsidiary of the Company, issued Redeemable Convertible Preferred Stock (“RCPS”). If an event that cannot be controlled by the Group, such as changes in the regulatory environment, occurs, the holder of RCPS can request a repayment to the Group at an amount that is calculated by applying a compounded annual interest rate of 10% to the issue amount. Accordingly, the Group classified this RCPS as borrowings.

Debentures as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in thousands of Korean won and in thousands of Japanese yen)</i>	Maturity date	Annual interest rate (%)		March 31, 2020		December 31, 2019
Convertible bonds in foreign currency ¹	September 20, 2023	-	₩	413,657,614 (JPY 36,580,000)	₩	389,017,326 (JPY 36,580,000)
	September 19, 2025	-		413,657,614 (JPY 36,580,000)		389,017,326 (JPY 36,580,000)
				(25,964,040)		(25,764,467)
Less: Discount on bonds payable				(JPY 2,296,016)		(JPY 2,422,679)
			₩	801,351,188	₩	752,270,185
				(JPY 70,863,984)		(JPY 70,737,321)

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	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: with notification, if remaining amount is under 10% of par value 2) 130% call-option repayment: with notification, if LINE's stock value in Tokyo stock exchange is excess of 130% of conversion price for 20 consecutive days (bond maturing in 2023: from September 21, 2021, bond maturing in 2025: from September 20, 2023) 3) Others: if there are other causes triggered by either tax or corporate regulations

The convertible right of this convertible bond is classified as equity.

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

11. Net Defined Benefit Liabilities

The amounts recognized in the statements of comprehensive income for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
Current service cost	₩	26,594,976	₩	20,620,567
Net interest cost		<u>3,015,502</u>		<u>2,217,518</u>
Total expenses included in employee benefits	₩	<u>29,610,478</u>	₩	<u>22,838,085</u>

Details of net defined benefit liabilities recognized in the statements of financial position as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in thousands of Korean won)</i>	March 31, 2020		December 31, 2019	
Present value of funded defined benefit liabilities	₩	110,738,379	₩	86,625,373
Present value of unfunded defined benefit liabilities		<u>400,850,426</u>		<u>403,503,893</u>
Sub total		511,588,805		490,129,266
Fair value of plan assets		<u>(16,317,377)</u>		<u>(16,691,311)</u>
Net defined benefit liabilities	₩	<u>495,271,428</u>	₩	<u>473,437,955</u>

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

12. Provisions

Details and changes in provisions for the three-month periods ended March 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020			
	Provision for litigation	Provision for restoration	Others	Total
Beginning balance	₩ 1,210,878	₩ 59,996,662	₩ 1,661,695	₩ 62,869,235
Charged / (credited) to the statement of profit or loss:				
Additional provisions	102,754	-	1,679,950	1,782,704
Unused amounts reversed	(25,688)	(302,310)	-	(327,998)
Charged during the period	-	4,401,322	7,696	4,409,018
Used during the period	-	(453,400)	(96,630)	(550,030)
Others ¹	12,939	3,222,225	62,823	3,297,987
Ending balance	₩ 1,300,883	₩ 66,864,499	₩ 3,315,534	₩ 71,480,916
Current	₩ 1,300,883	₩ 1,278,842	₩ 3,302,729	₩ 5,882,454
Non-current	-	65,585,657	12,805	65,598,462

¹ Others include effects of changes in foreign currency exchange rates.

(in thousands of Korean won)

	2019				
	Provision for litigation	Provision for customer loyalty program	Provision for restoration	Others	Total
Beginning balance	₩ 926,439	₩ 249,054	₩ 43,139,637	₩ 571,513	₩ 44,886,643
Charged / (credited) to the statement of profit or loss:					
Additional provisions	-	-	-	249,967	249,967
Unused amounts reversed	-	-	(26,015)	-	(26,015)
Charged during the period	-	-	3,987,941	-	3,987,941
Used during the period	-	-	(52,352)	(144,721)	(197,073)
Others ¹	-	-	471,892	(69,066)	402,826
Ending balance	₩ 926,439	₩ 249,054	₩ 47,521,103	₩ 607,693	₩ 49,304,289
Current	₩ 926,439	₩ 249,054	₩ 916,478	₩ 516,988	₩ 2,608,959
Non-current	-	-	46,604,625	90,705	46,695,330

¹ Others include effects of changes in foreign currency exchange rates.

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

13. Issuance and Acquisition of Shares

The Company's total number of authorized shares is 300,000,000 shares. As at March 31, 2020, the Company has issued 164,263,395 ordinary shares (₩ 100 per share) and 18,898,600 treasury shares (excludes retired shares). The Company's share capital and share premium as at March 31, 2020, amount to ₩ 16,481,340 thousand and ₩ 132,920,605 thousand, respectively. The par value of outstanding shares amounting to ₩ 16,426,340 thousand differs from the share capital (₩ 16,481,340 thousand) due to the retired shares.

The Company acquired 83,000 shares (2019, 1Q: 735,295 shares) of treasury shares amounting to ₩ 15,516 million (2019, 1Q: ₩ 93,689 million) and retired 550,000 treasury shares for the three-month period ended March 31, 2020, which are accounted for as other components of equity.

14. Income tax expense

Income tax expense is recognized based on management's best estimate of weighted average annual income tax rate expected for the full financial year. As at March 31, 2020, the estimated average annual effective income tax rate used for the year ending December 31, 2020, is 46.9% (the estimated tax rate for the three-month period ended March 31, 2019: 52.1%).

15. Dividends

A dividend in respect of the year ended December 31, 2019, amounting to ₩ 54,688 million, was paid by the Parent Company in April, 2020. Details of the dividends are as follows:

<i>(in thousands of Korean won and in shares)</i>	2020	2019
Shares eligible for dividends	145,447,795	146,183,090
Dividend rate per share (%)	376	314
Cash dividends	₩ 54,688,371	₩ 45,901,490

NAVER Corporation and Subsidiaries

Notes to the Consolidated Interim Financial Statements

March 31, 2020 and 2019 (Unaudited), and December 31, 2019

16. Commitments and Contingencies

As at March 31, 2020, the Group has borrowing agreements with three Korean financial institutions, including Kookmin bank and Sunny Solution 3rd, with an aggregated credit limit up to ₩ 752,000 million. And the Group has borrowing agreements with Sumitomo Mitsui Banking Corporation, Mizuho Corporate Bank and others, with an aggregated credit limit up to JPY 44,680 million.

As at March 31, 2020, the Group has been provided with guarantees of ₩ 12,659 million and ₩ 12,000 million from Seoul Guarantee Insurance and Korea Software Financial Cooperative in relation to the performance guarantee, and ₩ 7,200 million from Shinhan bank in relation to the payment guarantee.

As at March 31, 2020, the Group has entered into a construction contract amounting to ₩ 403,511 million with Samsung C&T Corporation in relation to a construction of a new building for the Group and the outstanding amount of the contract is ₩ 290,307 million. Also, the Group has entered into contracts to acquire land amounting to ₩ 72,249 million (outstanding amount: ₩ 65,025 million) and ₩ 51,000 million (outstanding amount: ₩ 100 million) for construction of cloud data center and others.

As at March 31, 2020, the Group is a defendant in 30 lawsuit cases filed with regard to patent infringement and compensation for damages (aggregate amounts of cases: ₩ 13,662 million), and the Group is a plaintiff in three lawsuit cases filed with regard to compensation for damages (aggregate amount of the cases: ₩ 1,154 million). As at March 31, 2020, the Group has been notified with three examination reports on restriction on competition by the Korea Fair Trade Commission regarding a number of services provided by the Group. The outcome of these cases is uncertain as at the reporting date and the Group's management recognizes the provision in relation to the potential loss if these cases meet the condition for 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 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. In accordance with the Japanese Payment Services Act, the Group had deposited investments in Japanese government bonds of JPY 280 million as at March 31, 2020, which are recognized as long-term financial instruments. In addition, the Group had credit guarantee contracts for JPY 33,500 million with Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank and three other financial institutions as at March 31, 2020, to comply with the Japanese Payment Services Act.

In the process of issuing convertible bonds by LINE, a subsidiary of the Company, in 2018, the Company has entered into an agreement to lend up to 6,000,000 ordinary shares of LINE held by the Company to Morgan Stanley MUFG Securities Co., Ltd., the acquirer of the convertible bonds. 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 ordinary shares lent) and for convertible bonds with a seven-year maturity will be terminated after five business days from the maturity date (50% of ordinary shares lent). Meanwhile, in the event of an early redemption, conversion and others, the lending agreement will be terminated after five business days from the date of such event.

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

On December 23, 2019, the Company entered into a transaction agreement, a joint venture agreement and a capital alliance agreement with SoftBank Corp., under which the Company and SoftBank Corp., agreed for a business integration of LINE, a subsidiary of the Group, and Z-Holdings Corp., a subsidiary of SoftBank Corp. This deal is expected to be closed when the following conditions are met:

- all registration, licensing and other clearances and permits required by laws and regulations, including the competition laws and the investment control regulations, of the applicable countries, including Japan and the United States, are completed; and
- the conditions stated in the finalized agreement are met.

Details of significant capital commitments contracted in relation to funds owned by the Group as at March 31, 2020, are as follows:

<i>(in thousands of Korean won)</i>	Agreed amount	Accumulated investment	Unexecuted amount
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	₩ 500,000,000	₩ 255,302,560	₩ 244,697,440
Mirai Fund	226,166,000	24,459,810	201,706,190
Sequoia Capital Global Growth Fund III	165,051,000	41,591,781	123,459,219
K-Fund I	269,730,000	191,753,972	77,976,028
China Ventures Fund I, L.P.	244,520,000	203,756,906	40,763,094

The Group's capital expenditures contracted but not been recognized yet as at March 31, 2020, are ₩ 59,941 million in property and equipment and ₩ 1,639 million in leases and other purchases.

As at March 31, 2020, LINE Credit, a subsidiary of the Group, has a business loan agreement with its customer that has an aggregated limit of JPY 3,398 million, and LINE has a revolving agreement with its associate, LINE Music, amounting to JPY 1,000 million.

As at March 31, 2020, the Group has entered into executives and employees' group injury insurance with KB insurance.

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

17. Related Party Transactions

Details of subsidiaries and associates and joint ventures as at March 31, 2020 and December 31, 2019, are described in Notes 1.1 and 9, respectively.

Details of other related parties that have sales and other transactions or outstanding receivables/payables balances with the Group as at March 31, 2020 and December 31, 2019, are as follows:

Type	March 31, 2020	December 31, 2019
Others ¹	Happybean foundation, Naver Cultural foundation, Connect foundation	Happybean foundation, Naver Cultural foundation, Connect foundation,

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

Transactions with related parties including operating revenues and expenses for the three-month periods ended March 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020	
	Operating revenues and others	Operating expenses and others
Associates		
KG Allat ²	₩ -	₩ 107,132
Synapsoft	-	250,000
ARO In Tech	-	458,679
Alchera	-	99,000
Bigpicture Comics	-	237,751
Studio JHS	-	479,647
YLAB Japan	-	94,156
LINE Music	3,900,845	24,362
DEMAE-CAN (formerly, Yume no machi Souzou linkai)	1,059,718	1,473,499
Transcosmos Online Communication	1,448,705	-
LINE Mobile	2,403,784	300
Venture republic	1,274,920	625
LINE Games	141,296	-
iPASS	142,871	7,917
The Grim Ent.	-	1,247,299
AXIS	-	137,246
Others	66,594	1,157
Joint ventures		
JobsN	204,515	547,654
RABBIT-LINE PAY COMPANY	723,490	37,229
YEOPEUL	-	500,407

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

(in thousands of Korean won)

	2020	
	Operating revenues and others	Operating expenses and others
Techplus (Electronic Times JV)	-	371,414
Cineplay	-	249,657
Interbiz (Dong-A JV)	121,857	364,543
Schooljam (EBS JV)	-	277,007
Sumlab (Munhwa Ilbo JV)	-	322,425
China Lab	5,143	327,339
Designpress	50,000	387,117
Agroplus (Korea Business JV)	57,714	314,951
Artitian (Kyunghyang Daily News JV)	-	319,436
Animal and Human Story (Hankook Ilbo JV)	-	170,107
Law and Media (Money Today JV)	15,000	284,300
Others	20,375	609
Others¹		
Happybean foundation	420,114	202
NAVER Cultural foundation	5,491	-
Connect foundation	554,134	1,690

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

² Entity was excluded from associates due to the disposal of shares during the three-month period ended March 31, 2020. The amount represents transactions prior to the exclusion from the large enterprise group and the related parties

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

(in thousands of Korean won)

	2019	
	Operating revenues and others	Operating expenses and others
Associates		
Line Mobile	₩ 4,537,088	₩ 519,857
LINE Music	4,245,417	21,548
DEMAE-CAN (formerly, Yume no machi Souzou linkai)	835,661	865,307
Bigpicture Comics	-	202,585
Transcosmos Online Communication	184,513	-
ARO In Tech	-	178,464
Orpeo Sound Works	176,800	-
Studio Horang	155,000	821
Studio JHS	-	137,828
Venture Republic	126,437	-
YLAB Japan	-	98,988
KG Allat	-	98,341
Others	70,898	218,241
Joint ventures		
JobsN	292,701	625,786
RABBIT-LINE PAY COMPANY	800,472	82,651
YEOPEUL	35,000	576,850
Techplus (Electronic Times JV)	-	471,043
Cineplay	-	443,214
YTN PLUS	-	434,316
Interbiz (Dong-A JV)	46,500	372,209
Schooljam (EBS JV)	-	418,543
China Lab	30,000	387,434
Designpress	32,429	380,652
Others	42,631	1,489,824
Others¹		
Happybean foundation	463,795	219
NAVER Cultural foundation	64,828	-
Connect foundation	672,543	-
Everyoung Korea	22,807	-

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

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Outstanding balances of receivables due from and payables due to related parties as at March 31, 2020 and December 31, 2019, are as follows:

(in thousands of Korean won)

	March 31, 2020			
	Receivables		Payables	
	Trade receivables	Other receivables and others	Other payables	Accrued expenses and others
Associates				
Synapssoft	₩ -	₩ -	₩ 220,000	₩ -
ARO In Tech	-	-	66,358	-
FOLIO Holdings	58,317	-	-	-
The Grim Ent.	-	-	438,338	-
Studio JHS	-	-	151,466	-
AXIS	-	1,400,000	-	-
LINE Music	2,686,039	484,699	4,734,633	-
DEMAE-CAN (formerly, Yume no machi Souzou linkai)	413,168	86,803	4,902,011	759,485
Transcosmos Online Communication	1,100,561	3,530	-	-
LINE Mobile	1,725,438	573,795	458,244	40,839
Venture republic	894,934	-	143,574	13,168
LINE Games	58,734	69,433	-	-
K-Fund I	-	411,167	-	-
iPASS	2,276,540	142,976	80,215	317
Others	4,210	-	101,010	-
Joint ventures				
China Lab	4,400	-	258,875	-
JobsN	93,627	-	23,578	-
Designpress	55,000	-	170,571	-
Artitian (Kyunghyang Daily News JV)	-	-	50,000	-
Interbiz (Dong-A JV)	68,100	-	13,695	-
Agroplus (Korea Business JV)	30,800	200	198,723	-
Sumlab (Munhwa Ilbo JV)	-	-	125,243	-
Techplus (Electronic Times JV)	-	-	176,629	-
Lantu Games Limited	-	1,330,458	-	-
RABBIT-LINE PAY COMPANY	268,007	490,699	140,346	-
Others	27,200	-	36,418	5,358
Others¹				
Happybean foundation	115,713	80,130	2,703,122	-
NAVER Cultural foundation	2,377	930	-	-
Connect foundation	557,705	6,682	228	37,014

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

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

(in thousands of Korean won)

	December 31, 2019			
	Receivables		Payables	
	Trade receivables	Other receivables and others	Other payables	Accrued expenses and others
Associates				
KG Allat	₩ 51,162	₩ 3,179	₩ -	₩ -
Synapsoft	-	-	220,000	-
ARO In Tech	-	-	82,555	-
FOLIO Holdings	48,941	-	-	-
Bigpicture Comics	-	-	97,439	-
Studio JHS	-	-	59,607	-
AXIS	-	1,436,069	-	-
LINE Music	2,353,111	470,621	4,192,841	-
DEMAE-CAN (formerly, Yume no machi Souzou linkai)	-	-	521,529	-
Transcosmos online communications	740,872	3,189	-	-
Line Mobile	2,422,831	367,570	768,165	36,093
Venture republic	512,869	-	1,406	-
LINE Games	55,257	17,086	-	-
iPASS	247,879	128,680	63,917	-
Others	66,993	395,696	53,285	-
Joint ventures				
China Lab	4,400	-	340,175	-
JobsN	117,921	-	27,831	-
Designpress	30,800	-	148,313	-
Interbiz (JV with Dong-A)	50,600	-	152,962	-
Agroplus (JV with Korea Business)	8,800	200	106,403	-
Sumlab (JV with Munhwa Ilbo)	-	-	124,647	-
Techplus (JV with Electronic Times)	-	-	223,682	-
Lantu Games	-	1,246,662	-	-
RABBIT-LINE PAY COMPANY	323,786	529,401	179,993	-
Others	41,500	-	520,394	5,646
Others ¹				
Happybean foundation	144,587	102,547	907,255	-
NAVER Cultural Foundation	36,279	-	-	-
Connect foundation	344,469	2,408	647	37,014

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

There is no loss allowance recognized in relation to the receivables due from related parties.

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Fund transactions with related parties for the three-month periods ended March 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

		2020	
		Contributions in cash	Dividends received and others
Associates	K-Fund I	₩ 6,779,850	₩ -
	MiraeAsset-Naver Asia Growth Fund	175,000	-
	MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	1,350,175	-
	Espresso Media Co.,Ltd.	958,257	-
	Famous Studio Corp.	1,000,000	-
	VRex Lab Co.,Ltd.	613,925	-
	Studio Pot	400,000	-
	ITSB	1,000,000	-
	DHP private equity fund 3	200,000	-
	NAVER KIP Cheer up! Gamers Fund	-	2,050,000
	Future Creation NAVER-SB Startup Investment Fund	-	651,676
	CONG TY CO PHAN RBW VIETNAM	575,300	-
	NAVER-Suprema Youth Foundation No.5 Investment Fund	-	1,161,077
	China Ventures Fund I, L.P.	62,041,677	-
	Joint ventures	LINE Bank Taiwan Limited	201,449,767
Cinamon Games		380,635	-

(in thousands of Korean won)

		2019	
		Contributions in cash	Dividends received and others
Associates	Mirae Asset-NAVER New Growth Fund 1	₩ 10,000,000	₩ -
	K-Fund I	32,592,795	-
	China Ventures Fund I, L.P.	22,002,720	-
	MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	36,039,669	-
	MiraeAsset-Naver Asia Growth Fund	9,115,000	-
	Future Creation NAVER-SB Startup Investment Fund	-	2,731,098

The compensation paid or payable to key management (executive directors) for their services for the three-month periods ended March 31, 2020 and 2019, consists of:

(in thousands of Korean won)

	2020	2019
Short-term employee benefits	₩ 1,129,333	₩ 982,500
Post-employment benefits	(769,140)	389,120
Other long-term benefits	-	114,856
Share-based payment expenses	82,221	2,385

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

18. Discontinued Operation

LINE, the Group's subsidiary, decided to terminate the service of its subsidiary, MIXRADIO, at the Board of Directors' meeting in February, 2016, and has completed the liquidation of MIXRADIO during the year ended December 31, 2019. The profit or loss on the related operations are presented as discontinued operations.

Profit (loss) from discontinued operations for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
Operating revenues	₩	-	₩	-
Operating expenses		-		(134)
Operating loss		-		(134)
Other income		-		125,204
Other expenses		-		(2,695,586)
Finance income		-		-
Finance costs		-		-
Loss before income tax		-		(2,570,516)
Income tax expense		-		(776,615)
Loss for the period of discontinued operations	₩	-	₩	(3,347,131)

Summarized cash flows from discontinued operations for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
Cash flows from operating activities	₩	-	₩	(132)
Cash flows from investing activities		-		-
Cash flows from financing activities		-		-
Effects of foreign currency translation on cash and cash equivalents		-		48,252
Net cash inflow	₩	-	₩	48,120

18. Events after the Reporting Period

On April 24, 2020, the Group additionally acquired 41,096,000 shares of DEMAECAN, an associate, for JPY 30,000 million, resulting an ownership of 60.79% after the share acquisition.