

NAVER Corporation and Subsidiaries
Consolidated Interim Financial Statements
June 30, 2020 and 2019 (Unaudited), and December 31, 2019

NAVER Corporation and Subsidiaries

Index

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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 June 30, 2020, and the related consolidated interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2020 and 2019, and consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 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.

August 14, 2020
Seoul, Korea

This report is effective as at August 14, 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
June 30, 2020 and December 31, 2019

<i>(in Korean won)</i>	Notes	June 30, 2020 (Unaudited)	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		₩ 3,711,105,879,981	₩ 3,740,513,761,418
Short-term financial instruments		510,774,807,354	289,910,618,872
Financial assets at fair value - profit or loss	4	781,116,606,434	12,920,430,454
Trade and other receivables		1,588,479,421,683	1,211,072,909,858
Financial assets at fair value - other comprehensive income	4	27,947,032,029	63,916,531,256
Inventories		129,481,179,297	55,114,731,809
Current tax asset		14,902,869,632	12,717,980,739
Other current assets		318,097,586,492	257,547,495,258
		<u>7,081,905,382,902</u>	<u>5,643,714,459,664</u>
Non-current assets			
Property and equipment	6	1,838,317,559,314	1,596,271,317,726
Right-of-use assets	7	742,766,348,118	697,351,304,664
Intangible assets	8	584,044,687,671	341,442,833,327
Long-term financial instruments		15,928,787,796	24,034,591,006
Financial assets at fair value - profit or loss	4	1,427,661,788,359	1,229,097,428,653
Trade and other receivables		157,465,961,266	124,821,356,161
Financial assets at fair value - other comprehensive income	4	557,454,466,799	675,602,433,315
Investments in associates and joint ventures	9	1,824,280,642,359	1,558,268,184,714
Deferred tax assets		405,064,834,029	381,279,417,985
Other non-current assets		40,554,860,420	27,643,793,571
		<u>7,593,539,936,131</u>	<u>6,655,812,661,122</u>
Total assets		<u>₩ 14,675,445,319,033</u>	<u>₩ 12,299,527,120,786</u>
Liabilities			
Current liabilities			
Trade and other payables		₩ 1,372,285,037,574	₩ 1,211,070,361,564
Financial liabilities at fair value - profit or loss	4	491,927,551	649,038,368
Short-term borrowings	10	813,953,559,612	559,584,776,483
Current tax payables		210,102,651,300	313,781,745,056
Provisions	12	11,166,740,633	3,822,401,193
Lease liabilities	7	191,525,155,244	168,937,301,210
Other current liabilities		1,963,322,855,447	1,515,273,206,866
		<u>4,562,847,927,361</u>	<u>3,773,118,830,740</u>
Non-current liabilities			
Trade and other payables		52,485,104,921	42,469,680,072
Financial liabilities at fair value - profit or loss	4	8,649,263,780	8,339,734,792
Long-term borrowings	10	33,481,499	50,039,880,125
Debentures	10	792,293,649,813	752,270,184,693
Net defined benefit liabilities	11	518,199,886,139	473,437,955,422
Provisions	12	65,055,901,065	59,046,834,258
Lease liabilities	7	634,019,970,120	555,287,968,236
Deferred tax liabilities		82,951,044,078	80,453,751,124
Other non-current liabilities		1,057,820,787	1,136,232,744
		<u>2,154,746,122,202</u>	<u>2,022,482,221,466</u>
Total liabilities		<u>6,717,594,049,563</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	2,234,605,243,639	1,575,307,844,438
Other components of equity		(1,324,956,112,968)	(1,498,653,013,809)
Retained earnings		5,987,387,833,345	5,712,091,453,142
Non-controlling interest		<u>1,044,332,965,954</u>	<u>698,698,445,309</u>
Total equity		<u>7,957,851,269,470</u>	<u>6,503,926,068,580</u>
Total liabilities and equity		<u>₩ 14,675,445,319,033</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 and Six-Month Periods Ended June 30, 2020 and 2019

(in Korean won)	Notes	Periods Ended June 30			
		2020 (Unaudited)		2019 (Unaudited)	
		Three months	Six months	Three months	Six months
Operating revenues	5	₩ 1,902,467,957,491	₩ 3,634,532,419,588	₩ 1,630,275,004,395	₩ 3,141,136,774,677
Operating expenses		(1,671,870,384,376)	(3,182,439,768,145)	(1,501,940,294,915)	(2,806,557,560,243)
Operating profit		230,597,573,115	452,092,651,443	128,334,709,480	334,579,214,434
Other income		57,702,665,313	91,044,765,304	32,890,843,388	70,924,880,770
Other expenses		(103,612,245,250)	(148,525,773,345)	(22,687,328,288)	(55,195,785,061)
Interest income		5,365,418,812	11,188,281,167	4,027,464,547	8,124,011,623
Finance income		66,523,779,960	158,217,604,460	27,379,920,585	78,231,356,558
Finance costs		(77,546,897,306)	(125,644,917,206)	(35,706,950,310)	(84,683,896,297)
Share of net loss of associates and joint ventures accounted for using the equity method	9	(3,262,992,779)	(8,735,443,018)	(23,815,470,419)	(51,765,651,812)
Profit before income tax		175,767,301,865	429,637,168,805	110,423,188,983	300,214,130,215
Income tax expense	14	(85,085,098,055)	(204,080,383,130)	(82,896,224,488)	(181,754,131,862)
Profit from continuing operations		90,682,203,810	225,556,785,675	27,526,964,495	118,459,998,353
Profit (loss) from discontinued operations	19	-	-	229,888,480	(3,117,242,088)
Profit for the period		₩ 90,682,203,810	₩ 225,556,785,675	₩ 27,756,852,975	₩ 115,342,756,265
Profit for the period is attributable to:					
Owners of the Parent Company					
Profit from continuing operations		147,263,075,924	332,067,019,161	78,981,748,456	212,030,177,791
Profit (loss) from discontinued operations		-	-	229,888,480	(3,117,242,088)
Non-controlling interests		(56,580,872,114)	(106,510,233,486)	(51,454,783,961)	(93,570,179,438)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss					
Gain (loss) on valuation of debt instruments at fair value - other comprehensive income		(323,017,423)	(646,993,384)	1,053,861,848	511,343,915
Exchange differences		18,549,554,563	148,457,088,254	100,487,496,358	137,110,418,229
Share of other comprehensive income of associates and joint ventures	9	12,236,918,453	36,241,790,374	18,129,679,456	23,911,199,580
Items that will not be reclassified to profit or loss					
Gain (loss) on valuation of equity instruments at fair value - other comprehensive income		56,040,626,830	(22,595,990,267)	12,540,089,991	35,448,476,045
Gain on disposal of equity instruments at fair value - other comprehensive income		37,675,047,376	37,675,047,376	10,178,133,621	7,493,168,001
Share of other comprehensive income of associates and joint ventures	9	938,412,296	(609,075,349)	(32,352,401)	9,304,793
Remeasurements of net defined benefit liabilities		1,575,793	2,387,310	-	(300,554,937)
Other comprehensive income for the period, net of tax		125,119,117,888	198,524,254,314	142,356,908,873	204,183,355,626
Total comprehensive income for the period		₩ 215,801,321,698	₩ 424,081,039,989	₩ 170,113,761,848	₩ 319,526,111,891
Total comprehensive income for the period is attributable to:					
Owners of the Parent Company		264,263,751,871	506,666,484,388	167,394,658,470	343,730,308,994
Non-controlling interests		(48,462,430,173)	(82,585,444,399)	2,719,103,378	(24,204,197,103)
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	₩	1,013	₩ 2,284	₩ 543	₩ 1,456
From discontinued operations		-	-	2	(21)
Diluted earnings (losses) per share					
From continuing operations	₩	1,013	₩ 2,284	₩ 543	₩ 1,456
From discontinued operations		-	-	2	(21)

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
Six-Month Periods Ended June 30, 2020 and 2019

		Attributable to owners of the parent company								
(in Korean won)	Notes	Share Capital	Share Premium	Other Components of Equity	Retained Earnings	Non-controlling Interest	Total Equity			
Balance at January 1, 2019	W	16,481,339,500	W 1,540,985,517,982	W (1,546,389,664,299)	W 5,229,202,813,045	W 708,860,507,065	W 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		16,481,339,500	1,540,985,517,982	(1,546,389,664,299)	5,229,002,010,414	708,789,028,721	5,948,868,232,318			
Total comprehensive income for the period										
Profit (loss) for the period		-	-	-	208,912,935,703	(93,570,179,438)	115,342,756,265			
Gain on valuation of debt instruments at fair value - other comprehensive income		-	-	511,343,915	-	-	511,343,915			
Gain (loss) on valuation of equity instruments at fair value - other comprehensive income		-	-	35,807,441,284	-	(358,965,239)	35,448,476,045			
Gain (loss) on disposal of equity instruments at fair value - other comprehensive income		-	-	(113,872,100)	7,607,040,101	-	7,493,168,001			
Exchange differences		-	-	70,331,733,152	-	66,778,685,077	137,110,418,229			
Share of other comprehensive income of associates and joint ventures	9	-	-	20,964,937,083	9,304,793	2,946,262,497	23,920,504,373			
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		-	-	4,269,508,133	-	5,685,611,656	9,955,119,789			
Acquisition of treasury shares	13	-	-	(93,689,325,190)	-	-	(93,689,325,190)			
Share issuance of subsidiaries		-	46,342,525,683	-	-	103,144,763,884	149,487,289,567			
Others		-	(2,748,499,581)	-	-	(15,922,487,202)	(18,670,986,783)			
Balance at June 30, 2019 (Unaudited)	W	16,481,339,500	W 1,584,579,544,084	W (1,508,307,898,022)	W 5,399,329,245,814	W 777,492,719,956	W 6,269,574,951,332			
Balance at January 1, 2020	W	16,481,339,500	W 1,575,307,844,438	W (1,498,653,013,809)	W 5,712,091,453,142	W 698,698,445,309	W 6,503,926,068,580			
Total comprehensive income for the period										
Profit (loss) for the period		-	-	-	332,067,019,161	(106,510,233,486)	225,556,785,675			
Loss on valuation of debt instruments at fair value - other comprehensive income		-	-	(646,993,384)	-	-	(646,993,384)			
Gain (loss) on valuation of equity instruments at fair value - other comprehensive income		-	-	(28,377,174,359)	-	5,781,184,092	(22,595,990,267)			
Gain on disposal of equity instruments at fair value - other comprehensive income		-	-	-	37,675,047,376	-	37,675,047,376			
Exchange differences		-	-	135,562,609,669	-	12,894,478,585	148,457,088,254			
Share of other comprehensive income of associates and joint ventures	9	-	-	30,384,799,110	-	5,247,915,915	35,632,715,025			
Remeasurements of net defined benefit liabilities		-	-	-	1,176,815	1,210,495	2,387,310			
Transactions with owners										
Dividends	15	-	-	-	(54,688,370,920)	(119,259,444)	(54,807,630,364)			
Share-based payment expenses		-	-	12,531,171,056	-	18,038,531,694	30,569,702,750			
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)	-	-			
Business combination	18	-	-	-	-	140,099,683,679	140,099,683,679			
Share issuance of subsidiaries		-	679,656,355,024	-	-	259,069,068,084	938,725,423,108			
Others		-	(20,358,955,823)	-	-	11,131,941,031	(9,227,014,792)			
Balance at June 30, 2020 (Unaudited)	W	16,481,339,500	W 2,234,605,243,639	W (1,324,956,112,968)	W 5,987,387,833,345	W 1,044,332,965,954	W 7,957,851,269,470			

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
Six-Month Periods Ended June 30, 2020 and 2019

(in Korean won)	Notes	Six-Month Period Ended June 30	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	₩	842,660,506,257	₩ 748,117,384,706
Interest received		12,281,249,262	12,478,340,424
Interest paid		(19,966,041,175)	(14,211,456,152)
Dividends received		21,067,681,557	12,815,931,672
Income taxes paid		(285,108,603,566)	(278,756,826,795)
Net cash inflow from operating activities		570,934,792,335	480,443,373,855
Cash flows from investing activities			
Net increase in short-term financial instruments		(213,299,780,457)	189,966,984,539
Increase in long-term financial instruments		(2,560,000,000)	(2,175,018,380)
Decrease in long-term financial instruments		10,171,844,071	-
Payments for financial assets at fair value - profit or loss		(1,648,526,491,867)	(128,521,948,074)
Proceeds from disposal of financial assets at fair value - profit or loss		749,363,780,505	96,797,352,990
Payments for property and equipment	6	(414,685,764,593)	(266,455,917,628)
Proceeds from disposal of property and equipment		21,684,077,755	3,874,168,646
Collection of lease receivables		144,460,153	100,302,022
Payments for intangible assets	8	(35,558,929,621)	(61,047,945,797)
Proceeds from disposal of intangible assets		1,490,598,152	1,394,118,885
Payments for financial assets at fair value - other comprehensive income		(1,025,571,916)	(33,187,464,904)
Proceeds from disposal of financial assets at fair value - other comprehensive income		193,398,384,243	62,159,358,235
Payments for investments in associates and joint ventures	9	(303,953,311,098)	(425,334,256,216)
Proceeds from disposal of investments in associates and joint ventures		19,598,389,232	10,080,061,438
Net increase in cash due to business combination		2,260,617,141	-
Proceeds from disposal of subsidiaries		-	26,647,955,884
Net decrease (increase) in short-term loans		(34,041,049,217)	4,417,864,455
Net decrease (increase) in long-term loans		(11,354,566,846)	100,000,000
Cash outflows from other investing activities		(3,289,537,270)	(22,778,998,379)
Net cash outflow from investing activities		(1,670,182,851,633)	(543,963,382,284)
Cash flows from financing activities			
Proceeds from short-term borrowings		241,811,536,768	128,241,996,699
Repayment of short-term borrowings		(51,111,186,773)	(65,021,705,737)
Proceeds from long-term borrowings		-	28,482,112,216
Repayment of long-term borrowings		-	(1,532,557)
Repayment of lease liabilities		(80,129,282,270)	(59,328,519,686)
Acquisition of treasury shares		(15,516,003,480)	(93,689,325,190)
Dividends paid		(54,807,630,364)	(45,901,490,260)
Share issuance of subsidiaries		938,725,423,108	149,487,289,567
Cash inflows from other financing activities		26,710,855,894	8,605,679,063
Net cash inflow from financing activities		1,005,683,712,883	50,874,504,115
Effects of exchange rate changes on cash and cash equivalents		64,156,464,978	136,092,189,451
Net increase (decrease) in cash and cash equivalents		(29,407,881,437)	123,446,685,137
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	₩	3,711,105,879,981	₩ 3,446,330,787,704

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

June 30, 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 June 30, 2020, the major shareholders of the Company consist of National Pension Fund (12.84%) 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 June 30, 2020 and December 31, 2019, are as follows:

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				June 30, 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	91.30	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	81.16	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
	SpringCamp Early Stage Fund 2	Korea	Investment	97.00	-	December

NAVER Corporation and Subsidiaries
Notes to the Consolidated Interim Financial Statements
June 30, 2020 and 2019 (Unaudited), and December 31, 2019

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		
				June 30, 2020	December 31, 2019	Closing month
	LINE ²	Japan	Mobile service development	72.73	73.07	December
	NAVER J.Hub	Japan	Internet, contents, AI investment	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
	Watong Entertainment	Hong Kong	Mobile service operations	100.00	100.00	December
	YLAB Japan ³	Japan	Mobile service operations	100.00	25.21	December
Webtoon Entertainment Korea	WEBTOON Entertainment	USA	Mobile service development	100.00	-	December
WEBTOON Entertainment	Webtoon Entertainment Korea	Korea	Mobile service development	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
	NAVER Z Corporation	Korea	Mobile service development	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

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Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		
				June 30, 2020	December 31, 2019	Closing month
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
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
	NF Insurance Services Corporation	Korea	Insurance	100.00	-	December
LINE	LINE Plus	Korea	Portal and internet information services	100.00	100.00	December
	LINE SOUTHEAST ASIA	Singapore	Mobile billing 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 FIVE	Japan	Investment	100.00	100.00	December
	LINE Ventures FIVE	Japan	Mobile advertising service	-	100.00	December
	LINE Fukuoka Gatebox	Japan	Mobile service operations	100.00	100.00	December
	LINE Fukuoka 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 billing 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
	DEMAE-CAN (formerly, Yume no machi Souzou linkai) ³	Japan	Mobile service operations	60.79	21.60	August
DEMAE-CAN (formerly, Yume no machi Souzou linkai)	SATSUMAEBSUDO ³	Japan	Food processing	100.00	100.00	August
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

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Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				June 30, 2020	December 31, 2019	
	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 (Shanghai)	Beijing Wangzhongwenda Technology	China	Mobile service operations	100.00	100.00	December
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 billing system planning and development	100.00	100.00	December
	LINE Pay hokkaido	Japan	Mobile billing system planning and development	70.00	70.00	December
	LINE BIZ+ Taiwan	Taiwan	Mobile billing system planning and development	70.01	70.01	December
Webpay Holdings	Webpay	Japan	Mobile billing system planning and development	100.00	100.00	December

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Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				June 30, 2020	December 31, 2019	
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	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 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
		Taiwan	Mobile service operations	100.00	100.00	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.

³ Entities were reclassified from associates to subsidiaries due to additional acquisition of shares during the six-month period ended June 30, 2020.

1.2 Changes in Scope of Consolidation

Subsidiaries newly included in the consolidation for the six-month period ended June 30, 2020, are as follows:

Reason	Subsidiaries
Newly established	NF Insurance Services Corporation, Webtoon Entertainment Korea, NAVER Z Corporation, SpringCamp Early Stage Fund 2
Newly acquired	DEMAE-CAN (formerly, Yume no machi Souzou linkai), SATSUMAEBISUDO, YLAB Japan

Subsidiaries excluded from the consolidation for the six-month period ended June 30, 2020, are as follows:

Reason	Subsidiaries
Merged ¹	Five

¹ For the six-month period ended June 30, 2020, Five was merged with LINE.

NAVER Corporation and Subsidiaries

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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 six-month period ended June 30, 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 June 30, 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 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.

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- 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

The following is new accounting standards and interpretations that have been published that are not mandatory for June 30, 2020 reporting period and have not been early adopted by the Group.

- Amendments to Korean IFRS 1116 Leases – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this standard if the change were not a lease modification. These amendments should be applied for annual periods beginning on or after June 1, 2020. The Group does not expect that these amendments have a significant impact on the financial statements.

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.

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

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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 six-month period ended June 30, 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.

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The following table presents the Group's financial assets and financial liabilities measured and recognized at fair value as at June 30, 2020 and December 31, 2019:

<i>(in thousands of Korean won)</i>	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value - profit or loss	₩ 47,570,195	₩ 767,238,040	₩ 1,393,970,160	₩ 2,208,778,395
Debt instruments at fair value - other comprehensive income	-	119,872,814	494,410	120,367,224
Equity instruments at fair value - other comprehensive income	395,319,990	-	69,714,285	465,034,275
Financial liabilities				
Financial liabilities at fair value - profit or loss	₩ 491,927	₩ -	₩ 8,649,264	₩ 9,141,191

<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

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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 six-month period ended June 30, 2020.

The following table presents the changes in level 3 financial instruments for the six-month periods ended June 30, 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	45,256,003	-	213,457	5,325,168	-	358,091
Amounts recognized in other comprehensive income	-	7,570,909	-	-	13,994,148	-
Acquisitions	148,300,202	1,025,572	-	139,970,995	1,953,200	-
Disposals	(23,212,930)	(4,440,360)	-	(59,525,965)	(30,397,146)	-
Others ¹	7,684,978	(8,288,497)	-	-	-	-
Exchange differences	8,841,413	1,448,662	96,072	6,574,923	3,692,712	228,353
Ending balance	<u>₩ 1,393,970,160</u>	<u>₩ 70,208,695</u>	<u>₩ 8,649,264</u>	<u>₩ 823,924,781</u>	<u>₩ 107,289,214</u>	<u>₩ 3,534,010</u>

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

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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 June 30, 2020 and December 31, 2019, are as follows:

<i>(in thousands of Korean won)</i>		June 30, 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	₩ 847,997,958	3	Option pricing model	Underlying asset price, volatility of underlying asset	Volatility of the underlying assets	15.20% ~ 68.3%
			Market approach and others	PBR, EV/SALES, PSR, recent transaction price, net asset value	PBR EV/SALES PSR	1.09 ~ 8.36 0.60 ~ 21.63 1.75 ~ 12.62
			Present value method	Credit risk adjusted discount rate	Discount rate	12.42% ~ 16.59%
Beneficiary certificates and funds	35,229,190	2	Present value method	Credit risk adjusted discount rate	-	-
Beneficiary certificates and funds	545,972,202	3	Market approach and others	Underlying asset price	(*)	(*)
Debt securities	731,982,925	2	Present value method	Credit risk adjusted discount rate	-	-
Derivatives	25,925	2	Present value method, option pricing model	Forward exchange rate	-	-
Debt instruments at fair value – other comprehensive income						
Debt securities	119,872,814	2	Present value method	Credit risk adjusted discount rate, recent transaction price	-	-
Debt securities	494,410	3	Present value method	-	-	-
Equity instruments at fair value – other comprehensive income						
Equity securities	69,714,285	3	Present value method, market approach	EV/SALES, PSR, etc.	EV/SALES PSR	1.13 ~ 10.46 1.82 ~ 12.2
Financial liabilities at fair value - profit or loss						
Derivatives	8,649,264	3	Option pricing model	Volatility of underlying asset	Volatility of underlying asset	44.30%

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(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.

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 these teams at least once every quarter, in line with the Group's quarterly reporting periods.

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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 six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
	Operating revenues	Ratio (%)	Operating revenues	Ratio (%)
Advertisement ¹	₩ 318,686,478	8.76	₩ 308,803,329	9.83
Business Platform ²	1,526,906,518	42.02	1,385,226,621	44.10
IT Platform ³	328,376,666	9.03	205,070,953	6.53
Contents Service ⁴	134,981,630	3.71	85,140,076	2.71
LINE & Other Platforms ⁵	1,325,581,128	36.48	1,156,895,796	36.83
	<u>₩ 3,634,532,420</u>	<u>100.00</u>	<u>₩ 3,141,136,775</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 six-month periods ended June 30, 2020 and 2019 and non-current assets as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in thousands of Korean won)</i>	Revenue from external customers		Non-current assets¹	
	2020	2019	June 30, 2020	December 31, 2019
Domestic	₩ 2,353,383,970	₩ 2,048,658,303	₩ 2,308,037,476	₩ 2,518,702,653
Japan	1,074,906,524	936,092,999	1,349,396,628	913,544,202
Others	206,241,926	156,385,473	1,372,529,994	788,730,579
	<u>₩ 3,634,532,420</u>	<u>₩ 3,141,136,775</u>	<u>₩ 5,029,964,098</u>	<u>₩ 4,220,977,434</u>

¹ Excludes financial instruments and deferred tax assets.

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The revenue from contracts with customers by category for the six-month periods ended June 30, 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	₩ 1,830,157,548	₩ 1,558,965,206
Recognized over time	1,804,374,872	1,582,171,569
	<u>₩ 3,634,532,420</u>	<u>₩ 3,141,136,775</u>

6. Property and Equipment

Changes in property and equipment for the six-month periods ended June 30, 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	425,606,878	252,368,916
Increase due to business combination (Note 18)	2,031,133	-
Depreciation	(177,521,039)	(140,862,164)
Disposals, retirement and impairment	(24,859,700)	(4,229,080)
Others ¹	16,788,969	25,714,967
Ending balance	<u>₩ 1,838,317,559</u>	<u>₩ 1,590,294,848</u>

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

During the six-month period ended June 30, 2020, the Group has capitalized borrowing costs amounting to ₩ 903 million (2019, 2Q: ₩ 594 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, 2Q: 3.15%).

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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>	June 30, 2020	December 31, 2019
Right-of-use assets		
Properties	₩ 449,308,690	₩ 402,473,068
Vehicles	1,066,900	1,189,745
IDC buildings	290,123,810	290,850,644
Leased internet line	2,266,948	2,837,848
	<u>₩ 742,766,348</u>	<u>₩ 697,351,305</u>
Lease receivables	₩ 122,928	₩ 263,404

<i>(in thousands of Korean won)</i>	June 30, 2020	December 31, 2019
Lease liabilities		
Current	₩ 191,525,155	₩ 168,937,301
Non-current	634,019,970	555,287,968
	<u>₩ 825,545,125</u>	<u>₩ 724,225,269</u>

Additions to the right-of-use assets during the six-month period ended June 30, 2020 were ₩ 165,414 million.

For the six-month period ended June 30, 2020, the Group recognized impairment loss of ₩ 51,008 million in relation to right-of-use assets located in Korea and other regions. The recoverable amount of right-of-use assets was calculated by using value in use discounted at 6.8%~12.9%.

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(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	₩ 84,302,697	₩ 56,801,462
Vehicles	361,199	381,410
IDC buildings	12,646,732	10,425,648
Leased internet line	570,900	339,658
	<u>₩ 97,881,528</u>	<u>₩ 67,948,178</u>
Interest expense relating to lease liabilities (included in 'finance costs') ¹	₩ 8,899,879	₩ 7,189,864
Expense relating to short-term leases and leases of low-value assets	3,873,060	5,017,006
Expense relating to variable lease payments not included in lease liabilities	24,731,385	42,429,315

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 six-month period ended June 30, 2020, were ₩ 117,634 million and ₩ 146 million, respectively.

8. Intangible Assets

Changes in intangible assets for the six-month periods ended June 30, 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	36,842,171	61,071,543
Increase due to business combination (Note 18)	215,636,475	-
Amortization	(19,270,317)	(16,337,191)
Disposals, retirement and impairment	(7,280,840)	(1,751,515)
Others ¹	16,674,366	1,798,329
Ending balance	<u>₩ 584,044,688</u>	<u>₩ 351,744,636</u>

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

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9. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures of the Group as at June 30, 2020 and December 31, 2019, are as follows:

(in thousands of Korean won)

Name of entity	Primary business	Location	Closing month	June 30, 2020		December 31, 2019
				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	1,032,803	1,006,434
Synapsoft	Software development and distribution	Korea	December	26.44	5,300,279	4,954,775
ARO In Tech	Software development and distribution	Korea	December	29.85	594,600	642,003
Silicon Cube	Applied software development and distribution	Korea	December	41.89	1,391,931	2,448,616
NSPACE	Space service business	Korea	December	49.04	808,249	450,563
One Store	E-Commerce business	Korea	December	27.37	42,603,502	41,732,881
BonAngels Pacemaker Fund	Investment	Korea	December	22.73	2,486,127	3,197,462
Korea Contents Mutual Aid Association ¹	Mutual Aid Association	Korea	December	58.58	9,231,058	9,048,019
Future Creation NAVER-Stonebridge Early Stage Start-up Fund	Investment	Korea	December	40.00	4,158,773	5,059,696
Future Creation NAVER-SB Startup Investment Fund	Investment	Korea	December	37.04	8,815,838	10,728,698
NAVER KIP Cheer up! Gamers Fund	Investment	Korea	December	50.00	2,106,251	4,186,612
NAVER-Suprema Youth Foundation No.5 Investment Fund	Investment	Korea	December	50.00	6,658,800	8,043,445
Mirae Asset-NAVER New Growth Fund 1	Investment	Korea	December	50.00	33,640,907	37,735,406
YG NAVER Contents & Lifestyle Fund ¹	Investment	Korea	December	90.91	47,032,055	47,949,009
Soran Media Venture Fund I ¹	Investment	Korea	December	66.67	824,884	836,605
MiraeAsset MAPS Private Placement Real Estate 62	Investment	Korea	December	45.08	184,395,831	187,936,912
MiraeAsset-Naver Asia Growth Fund ^{5,6}	Investment	Korea	December	16.67	52,117,719	50,924,712
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT ⁶	Investment	Singapore	December	40.00	210,265,537	205,600,678
Digital Media Partners II	Investment	Cayman Islands	December	30.00	2,739,697	2,676,544
K-Fund I ¹	Investment	France	December	99.75	205,973,252	187,786,461
China Ventures Fund I, L.P. ^{1,6}	Investment	Canada	December	99.99	264,291,243	142,469,646
The Grim Ent.	Webtoon production	Korea	December	34.98	1,284,222	1,003,722

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Name of entity	Primary business	Location	Closing month	June 30,		December 31,
				2020	2019	
				Percentage of ownership (%)	Book amount	Book amount
Studio Horang	Webtoon production	Korea	December	35.00	340,608	337,964
Bigpicture Comics	Webtoon production	Korea	December	35.00	1,201,782	1,143,373
Studio JHS	Webtoon production	Korea	December	35.00	466,508	503,209
JQ COMICS	Webtoon production	Korea	December	35.06	234,828	296,404
ZK Studio	Webtoon production	Korea	December	40.00	379,913	395,573
Soo COMICS	Webtoon production	Korea	December	40.00	388,176	395,039
YLAB Japan ⁷	Software development and distribution	Japan	December	-	-	274,626
Alchera ⁵	Software consulting, development and distribution	Korea	December	18.19	2,557,725	3,187,753
Fandom ²	Software development and distribution	Korea	December	20.00	-	-
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	1,265,565	1,417,999
Laiqu Technology (Shenzhen)	Software development and distribution	China	December	23.85	681,303	857,360
LINE Games ⁶	Software development and distribution	Korea	December	48.39	144,775,125	154,366,934
Epic Voyage	Mobile service development	Japan	December	30.00	28,162	26,867
LINE Music ³	Mobile service development	Japan	December	36.72	-	-
DEMAE-CAN (formerly, Yume no machi Souzou linkai) ⁷	Mobile service development	Japan	December	-	-	36,821,281
Transcosmos Online Communication	Business customer support	Japan	December	37.06	969,150	1,174,358
LENSA, LTD.	Mobile advertising service business	Japan	December	49.00	1,236,855	1,160,065
LINE Mobile	Telecommunications service	Japan	December	40.05	77,729,057	85,600,720
Venture Republic ^{2,6}	Online information distribution business	Japan	December	33.98	-	8,901,244
PT. Bank KEB HANA Indonesia	Bank and financial business	Indonesia	December	20.00	171,908,662	167,427,011
Orpeo Sound Works ²	Software development and distribution	Korea	December	26.52	-	-
FOLIO Holdings ⁶	Financial business	Japan	December	41.40	38,823,370	42,654,911
iPASS	Mobile billing system planning and development	Taiwan	December	29.82	11,217,981	11,773,661
Connection Labs Ltd	Software development and distribution	Taiwan	December	31.10	2,427,111	2,982,980

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Name of entity	Primary business	Location	Closing month	June 30,		December 31,
				2020	2019	
				Percentage of ownership (%)	Book amount	Book amount
Alliance Internet	Online company revenue support	Korea	December	23.53	941,105	793,090
CONG TY CO PHAN RBW VIETNAM	Contents production	Vietnam	December	35.36	511,145	-
Espresso Media Co.,Ltd.	Software development and distribution	Korea	December	20.00	264,348	-
Famous Studio Corp.	Clothes, accessories, news distribution	Korea	December	33.33	827,813	-
VRex Lab Co.,Ltd.	Programming service	Korea	December	27.99	688,692	-
Studio Pot	Contents production	Korea	December	40.00	247,394	-
ITSB	Service	Korea	December	28.57	1,007,500	-
DHP private equity fund 3	Investment	Korea	December	25.16	171,557	-
Japan Food Delivery Co.,Ltd ⁸	Mobile service development	Japan	December	31.31	1,086,193	-
					1,550,131,186	1,482,017,959
Joint ventures						
China Lab	Database and online information service	Korea	December	49.00	387,753	318,303
JobsN	Online information service	Korea	December	49.00	1,915,642	1,735,840
YEOPEUL	Online information service and internet contents business	Korea	December	49.00	1,839,582	1,777,646
Cineplay	Online information service and online advertising	Korea	December	49.00	632,448	601,901
Designpress	Online information service and internet contents business	Korea	December	49.00	801,755	730,586
Interbiz (Dong-A JV)	Online information service and internet contents business	Korea	December	49.00	629,384	614,424
Artitian (Kyunghyang Daily News JV)	Online information service and internet contents business	Korea	December	49.00	244,441	211,327
Schooljam (EBS JV)	Online information service and internet contents business	Korea	December	49.00	434,851	390,201
Agroplus (Korea Business JV)	Online information service and internet contents business	Korea	December	49.00	631,852	538,696
Sumlab (Munhwa Ilbo JV)	Online information service and internet contents business	Korea	December	49.00	681,014	623,586
Techplus (Electronic Times JV)	Online information service and internet contents business	Korea	December	49.00	888,527	692,285

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Name of entity	Primary business	Location	Closing month	June 30, 2020		December 31, 2019
				Percentage of ownership (%)	Book amount	Book amount
Animal and Human Story (Hankook Ilbo JV)	Online information service and internet contents business	Korea	December	49.00	347,840	301,103
Law and Media (Money Today JV)	Online information service and internet contents business	Korea	December	49.00	201,800	184,048
DANAA Data	Software development and distribution	Korea	December	49.00	4,937,778	4,893,200
Cinamon Games	Software development and distribution	Korea	December	20.00	252,880	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	18,201,975	19,081,211
Collab+LINE	Investment	USA	December	50.00	1,833,971	1,693,966
Kasikorn LINE	Software development and distribution	Thailand	December	49.99	38,941,982	41,859,924
LINE Bank Taiwan Limited	Financial business	Taiwan	December	49.90	200,343,981	-
					<u>274,149,456</u>	<u>76,250,226</u>
					<u>₩ 1,824,280,642</u>	<u>₩ 1,558,268,185</u>

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 prior to the current periods for the entities as their recoverable amounts were below the book amounts.

³ Stopped applying equity method due to accumulated deficits.

⁴ Excluded from investments in associates due to the decreased Group's ownership in these entities during the six-month period ended June 30, 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.

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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, PIG BKK, ZeroGames
Venture Republic	VENTURE REPUBLIC GLOBAL, Trip101
FOLIO Holdings	FOLIO, FOLIO Asset Management
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

⁷ Excluded from investments in associates as the entity was included in the consolidation due to the Group's additional acquisition of shares during the six-month period ended June 30, 2020.

⁸ As DEMAЕ-CAN (formerly, Yume no machi Souza linkai) was included in the consolidation due to the Group's additional acquisition of shares, associates of DEMAЕ-CAN (formerly, Yume no machi Souza linkai) were acquired.

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Changes in investments in associates and joint ventures for the six-month periods ended June 30, 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	105,127,450	201,840,802	306,968,252
Disposal	(39,214,123)	-	(39,214,123)
Valuation of investment using the equity method			
· Share of loss of associates and joint ventures	(3,379,839)	(5,355,604)	(8,735,443)
· Share of other comprehensive income of associates and joint ventures	34,232,710	1,400,005	35,632,715
· Dividends	(22,875,714)	-	(22,875,714)
· Other changes	(5,777,257)	14,027	(5,763,230)
Ending balance	<u>₩ 1,550,131,186</u>	<u>₩ 274,149,456</u>	<u>₩ 1,824,280,642</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	422,948,056	2,386,200	425,334,256
Disposal	-	(5,150,833)	(5,150,833)
Valuation of investment using the equity method			
· Share of loss of associates and joint ventures	(48,437,040)	(3,328,612)	(51,765,652)
· Share of other comprehensive income of associates and joint ventures	22,544,921	1,375,583	23,920,504
· Dividends	(6,893,261)	-	(6,893,261)
· Other changes	17,989,487	-	17,989,487
Ending balance	<u>₩ 1,366,786,865</u>	<u>₩ 38,009,758</u>	<u>₩ 1,404,796,623</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 ₩ 9,585 million as at June 30, 2020.

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10. Borrowings and Debentures

Borrowings as at June 30, 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 (%)	June 30, 2020	December 31, 2019	
Short-term borrowings						
Foreign currency	Sumitomo Mitsui Banking Corporation	September 30, 2020	0.07	₩ 133,926,000 (JPY 12,000,000)	₩ 127,616,400 (JPY 12,000,000)	
	Mizuho Corporate Bank, Ltd.	September 30, 2020	0.12	111,605,000 (JPY 10,000,000)	106,347,000 (JPY 10,000,000)	
	Resona Bank Co. Ltd	June 30, 2021	0.24	11,160,500 (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	2,427,116 (HKD 15,666)	2,329,041 (HKD 15,666)	
	Goodwater Capital II, L.P. ¹	-	10.00	1,212,369 (HKD 7,826)	1,163,380 (HKD 7,826)	
	Mistletoe Singapore Pte. Ltd. ¹	-	10.00	2,427,156 (HKD 15,667)	2,329,080 (HKD 15,667)	
	SCC Growth IV Holdco A, Ltd. ¹	-	10.00	36,185,708 (HKD 233,577)	34,723,518 (HKD 233,577)	
	SenseView Investment Limited ¹	-	10.00	6,068,178 (HKD 39,170)	5,822,975 (HKD 39,170)	
	SNOW Limited Liability Partnership ¹	-	10.00	24,160,353 (HKD 155,954)	23,184,083 (HKD 155,954)	
	Individuals	December 2, 2020	2.62	1,059,240 (TWD 26,000)	1,000,480 (TWD 26,000)	
	Local currency	Woori Bank	-	-	-	50,000,000
		Woori Bank	February 3, 2021	2.75	299,998,167	143,345,881
	Foreign currency	Sendai Bank	-	-	- (JPY -)	1,595 (JPY 150)
Mizuho Corporate Bank, Ltd.		June 17, 2021	0.47	27,901,250 (JPY 2,500,000)	- (JPY -)	
Citibank, N.A., Tokyo Branch		April 15, 2021	0.40	55,802,500 (JPY 5,000,000)	- (JPY -)	
Current portion of long-term borrowings						
Local currency	Shinhan Bank	October 31, 2020	2.67	50,000,000	50,000,000	
	Sunny Solution 3 rd	April 30, 2021	3.16	50,000,000	-	
Foreign currency	Yamanashi bank	July 25, 2020	1.80	3,281 (JPY 294)	- (JPY -)	
	Dai Ichi Kangyo Credit Cooperative	June 15, 2023	1.00	16,741 (JPY 1,500)	15,952 (JPY 1,500)	
	Japan Finance Corporation	-	-	- (JPY -)	7,221 (JPY 679)	
				₩ 813,953,559 (JPY 30,501,794) (HKD 467,860) (TWD 26,000)	₩ 559,584,776 (JPY 23,102,329) (HKD 467,860) (TWD 26,000)	

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	Lender	Maturity date	Annual interest rate (%)		June 30, 2020		December 31, 2019
Long-term borrowings							
Foreign currency	Dai Ichi Kangyo Credit Cooperative	June 15, 2023	1.00	₩	33,482	₩	39,880
				(JPY)	(3,000)	(JPY)	(3,750)
Local currency	Sunny Solution 3 rd	April 30, 2021	3.16		-		50,000,000
				₩	33,482	₩	50,039,880
				(JPY)	(3,000)	(JPY)	(3,750)

¹ SNOW China, a subsidiary of the Group, 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 June 30, 2020 and December 31, 2019, are as follows:

(in thousands of Korean won and in thousands of Japanese yen)	Maturity date	Annual interest rate (%)		June 30, 2020		December 31, 2019
Convertible bonds in foreign currency ¹	September 20, 2023	-	₩	408,251,090	₩	389,017,326
				(JPY 36,580,000)		(JPY 36,580,000)
	September 19, 2025	-		408,251,090		389,017,326
				(JPY 36,580,000)		(JPY 36,580,000)
				(24,208,530)		(25,764,467)
Less: Discount on bonds payable				(JPY 2,169,126)		(JPY 2,422,679)
			₩	792,293,650	₩	752,270,185
				(JPY 70,990,874)		(JPY 70,737,321)

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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 in 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.

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11. Net Defined Benefit Liabilities

The amounts recognized in the statements of comprehensive income for the three-month and six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Current service cost	₩ 24,731,935	₩ 51,326,911	₩ 19,696,536	₩ 40,206,908
Net interest cost	4,110,899	7,126,401	2,623,994	4,640,323
Total expenses included in employee benefits	<u>₩ 28,842,834</u>	<u>₩ 58,453,312</u>	<u>₩ 22,320,530</u>	<u>₩ 44,847,231</u>

Details of net defined benefit liabilities recognized in the statements of financial position as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in thousands of Korean won)</i>	June 30, 2020		December 31, 2019	
Present value of funded defined benefit liabilities	₩	65,577,399	₩	86,625,373
Present value of unfunded defined benefit liabilities		<u>468,938,951</u>		<u>403,503,893</u>
Sub total		534,516,350		490,129,266
Fair value of plan assets		<u>(16,316,464)</u>		<u>(16,691,311)</u>
Net defined benefit liabilities	₩	<u>518,199,886</u>	₩	<u>473,437,955</u>

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12. Provisions

Details and changes in provisions for the six-month periods ended June 30, 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	1,500	35,682	7,334,384	7,371,566
Unused amounts reversed	(110,952)	(302,310)	(26,089)	(439,351)
Charged during the period	-	5,704,925	67,931	5,772,856
Used during the period	(154,910)	(528,408)	(290,091)	(973,409)
Others ¹	(18,577)	1,569,471	70,851	1,621,745
Ending balance	₩ 927,939	₩ 66,476,022	₩ 8,818,681	₩ 76,222,642
Current	₩ 927,939	₩ 1,443,615	₩ 8,795,187	₩ 11,166,741
Non-current	-	65,032,407	23,494	65,055,901

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	-	-	-	2,196,956	2,196,956
Unused amounts reversed	-	-	(128,619)	-	(128,619)
Charged during the period	-	-	10,928,540	-	10,928,540
Used during the period	-	-	(189,367)	(160,897)	(350,264)
Others ¹	-	-	2,010,735	(308,577)	1,702,158
Ending balance	₩ 926,439	₩ 249,054	₩ 55,760,926	₩ 2,298,995	₩ 59,235,414
Current	₩ 926,439	₩ 249,054	₩ 784,426	₩ 2,252,527	₩ 4,212,446
Non-current	-	-	54,976,500	46,468	55,022,968

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

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13. Issuance and Acquisition of Shares

The Company's total number of authorized shares is 300,000,000 shares. As at June 30, 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 June 30, 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 retirement of shares.

The Company acquired 83,000 shares (2019, 2Q: 735,295 shares) of treasury shares amounting to ₩ 15,516 million (2019, 2Q: ₩ 93,689 million) and retired 550,000 treasury shares for the six-month period ended June 30, 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 June 30, 2020, the estimated average annual effective income tax rate used for the year ending December 31, 2020, is 47.5% (the estimated tax rate for the six-month period ended June 30, 2019: 60.5%).

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

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16. Commitments and Contingencies

As at June 30, 2020, the Group has borrowing agreements with four Korean financial institutions, including Kookmin bank, and Sunny Solution 3rd, with an aggregated credit limit up to ₩ 936,000 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 June 30, 2020, the Group has been provided with guarantees of ₩ 112,080 million from Seoul Guarantee Insurance, Korea Software Financial Cooperative and others in relation to the performance guarantee, and ₩ 7,200 million from Shinhan bank in relation to the payment guarantee.

As at June 30, 2020, the Group has entered into a construction contract amounting to ₩ 403,511 million (outstanding amount: ₩ 273,495 million) with Samsung C&T Corporation in relation to a construction of a new building for the Group. Also, the Group has entered into contracts to acquire land amounting to ₩ 72,249 million and ₩ 51,000 million (outstanding amount: ₩ 100 million) for construction of cloud data center and others.

As at June 30, 2020, the Group is a defendant in 32 lawsuit cases filed with regard to patent infringement and compensation for damages (aggregate amounts of cases: ₩ 13,212 million), and the Group is a plaintiff in eight lawsuit cases filed with regard to compensation for damages (aggregate amount of the cases: ₩ 934 million). As at June 30, 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 June 30, 2020, which are recognized as long-term financial instruments. In addition, the Group had credit guarantee contracts for JPY 33,829 million with Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank and three other financial institutions as at June 30, 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.

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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 June 30, 2020, are as follows:

(in thousands of Korean won)

	Agreed amount	Accumulated investment	Unexecuted amount
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	₩ 500,000,000	₩ 263,680,116	₩ 236,319,884
Sequoia Capital Global Growth Fund III	162,094,500	56,490,659	105,603,841
K-Fund I	270,038,000	190,722,679	79,315,321
DST Global VII, L.P.	120,070,000	46,000,437	74,069,563
Mirai Fund	223,210,000	196,530,810	26,679,190
China Ventures Fund I, L.P.	240,140,000	222,040,192	18,099,808

The Group's capital expenditures contracted but not been recognized yet as at June 30, 2020, are ₩ 20,349 million in property and equipment and ₩ 2,587 million in leases and other purchases.

As at June 30, 2020, LINE Credit, a subsidiary of the Group, has a business loan agreement with its customer that has an aggregated limit of JPY 4,899 million, and LINE has a revolving agreement with its associate, LINE Music, amounting to JPY 1,000 million.

As at June 30, 2020, the Group has entered into executives and employees' group injury insurance with KB insurance.

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17. Related Party Transactions

Details of subsidiaries and associates and joint ventures as at June 30, 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 June 30, 2020 and December 31, 2019, are as follows:

Type	June 30, 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 six-month periods ended June 30, 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	-	450,000
ARO In Tech	-	679,398
Alchera	-	100,378
Bigpicture Comics	-	438,222
Studio JHS	-	1,186,998
YLAB Japan ³	-	195,642
LINE Music	8,172,763	11,291,326
DEMAE-CAN (formerly, Yume no machi Souzou linkai) ³	1,059,718	1,473,499
Transcosmos Online Communication	4,142,821	2,555
LINE Mobile	8,304,549	1,586,763
Venture republic	1,462,527	625
LINE Games	534,168	5,031
iPASS	321,266	27,890
The Grim Ent.	-	2,361,627
AXIS	-	420,539
Others	211,597	1,987
Joint ventures		
JobsN	424,002	1,043,412
RABBIT-LINE PAY COMPANY	1,311,441	645,244
YEOPEUL	3,000	804,685

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(in thousands of Korean won)

	2020	
	Operating revenues and others	Operating expenses and others
Techplus (Electronic Times JV)	-	934,957
Cineplay	4,400	567,343
Interbiz (Dong-A JV)	246,557	793,689
Schooljam (EBS JV)	-	538,607
Sumlab (Munhwa Ilbo JV)	-	653,423
China Lab	25,500	656,549
Designpress	84,613	697,130
Agroplus (Korea Business JV)	126,714	638,059
Artitian (Kyunghyang Daily News JV)	-	594,425
Animal and Human Story (Hankook Ilbo JV)	-	578,742
Law and Media (Money Today JV)	21,000	515,400
Others	35,770	34,486
Others¹		
Happybean foundation	824,346	8,124,789
NAVER Cultural foundation	12,361	256
Connect foundation	662,600	7,002,718

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 six-month period ended June 30, 2020. The amount represents transactions prior to the exclusion from associates.

³ Entities were excluded from associates due to the additional acquisition of shares during the six-month period ended June 30, 2020. The amount represents transactions prior to the exclusion from associates.

(in thousands of Korean won)

	2019	
	Operating revenues and others	Operating expenses and others
Associates		
KG Allat	₩ -	₩ 188,202
ARO In Tech	-	356,716
Studio Horang	300,900	1,651
Bigpicture Comics	-	471,755
Studio JHS	-	414,190
YLAB Japan	-	285,811
LINE Music	8,708,413	46,065
Yume no machi Souzou linkai	1,872,450	1,694,242
Transcosmos Online Communication	569,156	2,504
LINE Mobile	9,772,557	1,530,637
Venture Republic	1,197,666	-
Orpeo Sound Works	176,800	-

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(in thousands of Korean won)

	2019	
	Operating revenues and others	Operating expenses and others
Others	198,393	704,112
Joint ventures		
JobsN	494,761	1,180,491
RABBIT-LINE PAY COMPANY	1,590,260	162,171
YEOPEUL	75,371	1,218,723
Techplus	-	844,614
Cineplay	-	931,254
Interbiz	112,100	873,033
YTN PLUS ³	-	716,059
Schooljam	-	913,484
China Lab	65,000	627,982
Designpress	90,829	745,598
Agroplus	61,829	614,502
Artitian	-	592,557
Animal and Human Story	-	604,941
Law and Media	10,400	500,480
Others	34,832	740,713
Others¹		
Happybean foundation	869,117	597
NAVER Cultural foundation	145,007	6,000,000
Connect foundation	1,319,093	7,000,000
Everyoung Korea ²	30,038	-
YTN PLUS ³	-	100,000

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 Transaction amount before the entities are excluded from the large enterprise group and the related parties during the six-month period ended June 30, 2019

³ The entity was excluded from joint ventures and included in the entities which is classified as others of related party, belonging to the the same large enterprise group, due to the disposal of shares during the six-month period ended June 30, 2019, and transactions at the time of disposal were classified as others.

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Outstanding balances of receivables due from and payables due to related parties as at June 30, 2020 and December 31, 2019, are as follows:

(in thousands of Korean won)

	June 30, 2020			
	Receivables		Payables	
	Trade receivables	Other receivables and others	Other payables	Accrued expenses and others
Associates				
MiraeAsset MAPS Private Placement				
Real Estate 62	₩	-	₩	3,277,327
Synapssoft		-	220,000	-
ARO In Tech		-	76,808	-
FOLIO Holdings	134,238	-	-	-
The Grim Ent.		-	453,036	-
Studio JHS		-	122,896	-
AXIS ²		386,348	57,530	-
LINE Music ³	2,827,264	391,818	4,832,190	-
Transcosmos Online Communication	1,930,328	3,484	-	-
LINE Mobile	1,979,116	734,223	427,103	42,422
Venture republic	46,535	-	-	1,206
LINE Games	102,001	33,561,986	-	-
K-Fund I		411,637	1,350,190	-
iPASS	2,585,792	132,747	104,268	-
Others	19,949	-	60,933	-
Joint ventures				
China Lab	14,850	-	261,524	-
JobsN	78,229	-	19,425	-
Designpress	16,800	-	120,011	-
Artitian (Kyunghyang Daily News JV)		-	20,778	-
Interbiz (Dong-A JV)	50,050	-	11,358	-
Agroplus (Korea Business JV)	23,100	200	124,419	-
Sumlab (Munhwa Ilbo JV)		-	119,154	-
Techplus (Electronic Times JV)		-	254,820	-
Lantu Games Limited		1,320,394	-	-
RABBIT-LINE PAY COMPANY	272,242	195,006	184,494	-
Others	12,200	-	7,763	3,520
Others¹				
Happybean foundation	128,218	88,630	974,996	-
NAVER Cultural foundation	3,953	320	-	-
Connect foundation	48,644	3,713	1,189	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.

² The outstanding balance of other receivables and others of AXIS does not include the allowance of ₩ 1,014 million.

³ The outstanding balance of other receivables and others of LINE Music does not include the allowance of ₩ 11,161 million.

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(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
Others¹				
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.

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Fund transactions with related parties for the six-month periods ended June 30, 2020 and 2019, are as follows:

(in thousands of Korean won)

		2020		
		Contributions in cash	Dividends received and others	Loans
Associates	K-Fund I	₩ 6,779,850	₩ -	₩ -
	MiraeAsset-Naver Asia Growth Fund	1,964,250	2,630,000	-
	MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	8,345,664	11,724,434	-
	China Ventures Fund I, L.P.	80,289,130	-	-
	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	-	-
	CONG TY CO PHAN RBW VIETNAM	575,300	-	-
	LINE Games	-	-	33,481,500
	LINE Music	-	-	11,160,500
	NAVER-Suprema Youth Foundation No.5 Investment Fund	-	1,161,077	-
	NAVER KIP Cheer up! Gamers Fund	-	2,050,000	-
	Future Creation NAVER-SB Startup Investment Fund	-	651,676	-
	Future Creation NAVER-Stonebridge Early Stage Start-up Fund	-	960,000	-
	BonAngels Pacemaker Fund	-	250,000	-
	ARO In Tech	-	21,200	-
	Fast Cowell Private Equity Fund	-	150,000	-
Joint ventures	LINE Bank Taiwan Limited	201,446,300	-	-
	Cinamon Games	380,635	-	-

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(in thousands of Korean won)

		2019	
		Contributions in cash	Dividends received and others
Associates	ARO In Tech	₩	-
	Future Creation NAVER-SB Startup Investment Fund		₩ 6,803
	Mirae Asset-NAVER New Growth Fund 1	10,000,000	3,618,209
	MiraeAsset MAPS Private Placement Real Estate 62	-	-
	MiraeAsset-Naver Asia Growth Fund	23,955,000	3,268,250
	MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	95,496,034	-
	K-Fund I	54,783,922	-
	China Ventures Fund I, L.P.	47,060,563	-
	JQ COMICS	350,325	-
	ZK Studio	400,000	-
	Soo COMICS	400,000	-
	Laiqu Technology (Shenzhen)	865,999	-
	LINE Mobile	30,460,794	-
	PT. Bank KEB HANA Indonesia	159,175,419	-
Joint ventures	Lantu Games	2,386,200	-

The compensation paid or payable to key management (executive directors) for their services for the six-month periods ended June 30, 2020 and 2019, consists of:

(in thousands of Korean won)

	2020	2019
Short-term employee benefits	₩ 2,277,333	₩ 1,762,635
Post-employment benefits	(678,898)	236,726
Other long-term benefits	-	165,340
Share-based payment expenses	221,346	53,054

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18. Business Combination

In April 2020, the Group acquired 60.79% shares of DEMAЕ-CAN. 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:

<i>(in thousands of Korean won)</i>	Amount
Purchase consideration	
Cash and cash equivalent	₩ 344,142,918
Fair value of equity interest held before the business combination	74,362,203
	<u>418,505,121</u>
Non-controlling interest ¹	<u>140,099,684</u>
Recognized amounts of identifiable assets acquired and liabilities assumed ²	
Assets	
Cash and cash equivalents	348,213,975
Trade and other receivables	69,189,111
Inventories	763,011
Property and equipment	1,996,590
Intangible assets	11,758,469
Right-of-use assets	255,571
Deferred tax assets	626,065
Other assets	4,192,484
	<u>436,995,276</u>
Liabilities	
Trade and other payables	77,006,228
Long-term borrowings	14,867
Lease liabilities	128,503
Other liabilities	2,515,658
	<u>79,665,256</u>
Total identifiable net assets	<u>357,330,020</u>
Goodwill	<u>₩ 201,274,785</u>

¹ The non-controlling interest was measured proportionately to the share of the fair value of net identifiable assets.

² The fair values of identifiable assets and liabilities are provisional amounts and may be adjusted in accordance with the final assessment.

The Group recognized a gain of ₩ 36,411 million as a result of measuring at fair value its 21.60% equity interest in DEMAЕ-CAN held before the business combination. The gain is included in other income in the Group's statement of comprehensive income for the six-month period ended June 30, 2020.

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The revenue included in the consolidated statement of comprehensive income since the acquisition date, contributed by DEMAЕ-CAN was ₩ 25,240 million. DEMAЕ-CAN also contributed loss of ₩ 7,543 million over the same period. Had DEMAЕ-CAN been consolidated from January 1, 2020, the consolidated statement of comprehensive income would have shown a revenue of ₩ 3,662,159 million and profit of ₩ 218,015 million.

In June 2020, the Group acquired 100.00% shares of YLAB Japan. 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:

<i>(in thousands of Korean won)</i>	Amount
Purchase consideration	
Cash and cash equivalents	₩ 2,239,062
Fair value of equity interest held before the business combination	966,324
	<u>3,205,386</u>
Non-controlling interest	<u>-</u>
Recognized amounts of identifiable assets acquired and liabilities assumed ¹	
Assets	
Cash and cash equivalents	428,622
Trade and other receivables	137,817
Property and equipment	34,543
Other assets	87,601
	<u>688,583</u>
Liabilities	
Trade and other payables	65,559
Other liabilities	20,859
	<u>86,418</u>
Total identifiable net assets	<u>602,165</u>
Goodwill	<u>₩ 2,603,221</u>

¹ The fair values of identifiable assets and liabilities are provisional amounts and may be adjusted in accordance with the final assessment.

The Group recognized a gain of ₩ 492 million as a result of measuring at fair value its 25.21% equity interest in YLAB Japan held before the business combination. The gain is included in other income in the Group's statement of comprehensive income for the six-month period ended June 30, 2020.

Had YLAB Japan been consolidated from January 1, 2020, the consolidated statement of comprehensive income would have shown a revenue of ₩ 3,634,721 million and profit of ₩ 225,030 million.

The fair values of identifiable intangible assets and property and equipment are provisional amounts and may be adjusted in accordance with the final assessment.

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19. 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 and six-month period ended June 30, 2019, are as follows:

(in thousands of Korean won)

	2019	
	Three months	Six months
Operating revenues	₩ -	₩ -
Operating expenses	-	(134)
Operating loss	-	(134)
Other income	(121,739)	3,466
Other expenses	(105,586)	(2,801,172)
Finance income	-	-
Finance costs	-	-
Loss before income tax	(227,325)	(2,797,840)
Income tax expense	457,213	(319,402)
Profit (loss) for the period of discontinued operations	₩ 229,888	₩ (3,117,242)

Summarized cash flows from discontinued operations for the six-month period ended June 30, 2019, are as follows:

(in thousands of Korean won)

	2019	
Cash flows from operating activities	₩	(133)
Cash flows from investing activities		-
Cash flows from financing activities		-
Effects of foreign currency translation on cash and cash equivalents		33,726
Net cash inflow	₩	33,593

20. Events after the Reporting Period

On December 23, 2019, the Group entered into a transaction agreement, a joint venture agreement and a capital alliance agreement with SoftBank Corp., under which the Group and SoftBank Corp., agreed for a business integration of LINE, a subsidiary of the Group, and Z-Holdings Corp., a subsidiary of SoftBank Corp. As at August 4, 2020, anti-monopoly reviews in relevant countries have been passed and completed.