

**NAVER Corporation**  
**Separate Financial Statements**  
**December 31, 2020 and 2019**

**NAVER Corporation**  
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**December 31, 2020 and 2019**

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## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of  
NAVER Corporation

### Opinion

We have audited the accompanying separate financial statements of NAVER Corporation (the "Company"), which comprise the separate statements of financial position as at December 31, 2020 and 2019, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2020 and 2019, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as at December 31, 2020, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 5, 2021 expressed an unqualified opinion.

### Basis for Opinion

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

### Key Audit Matters

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

#### (1) Revenue recognition of search advertisement service

##### Reasons why the matter was determined to be a key audit matter

The Company recognizes search advertisement service revenue when a platform user has searched relevant information and executed related activities on the Company's platform (Note 2). For the year ended December 31, 2020, total operating revenues and search advertisement revenue are ₩ 4,127 billion and ₩ 2,817 billion, respectively.

The principal considerations for our determination that revenue recognition (occurrence) of the search advertisement service is a key audit matter are (i) search advertisement service revenue represents a significant portion of the Company's total operating revenues and (ii) there is a risk of potential material misstatement related to search advertisement service revenue due to various and complex systems involved in recognition and measurement of such revenue.

#### **How our audit addressed the key audit matter**

Our main audit procedures performed on the Company's revenue recognition of the search advertisement service are as follows:

- Obtained an understanding of the Company's accounting policies, processes, and internal controls relating to the search advertisement service revenue recognition
- Evaluated the design and operating effectiveness of IT general controls and internal controls relating to the search advertisement service revenue recognition
- Tested the accuracy and completeness of the revenue related data transfer between/to search service related systems and accounting system
- Tested the occurrence of revenue transactions by examining related underlying data on a sample basis

#### **(2) Fair value measurement of financial assets categorized as level 3**

##### **Reasons why the matter was determined to be a key audit matter**

As at December 31, 2020, the Company's financial assets measured at fair value amount to ₩ 2,611 billion, of which ₩ 1,417 billion were categorized as level 3 financial assets measured based on unobservable valuation inputs (Note 5).

The principal considerations for our determination that fair value measurement of financial assets categorized as level 3 is a key audit matter are (i) book value of the financial assets categorized as level 3 is material to the Company's separate financial statements and (ii) the significant judgment and estimation by management when determining valuation models and inputs used to measure the fair value of financial assets.

#### **How our audit addressed the key audit matter**

Our main audit procedures performed on the Company's fair value measurement of financial assets categorized as level 3 are as follows:

- Obtained an understanding of the Company's accounting policies, processes, and internal controls relating to the fair value measurement of financial assets based on the risk assessment.
- Evaluated the design and operating effectiveness of the internal controls on the fair value measurement of financial assets
- Reviewed the competency and independence of valuation expert engaged by the Company
- Evaluated the appropriateness of the valuation methods and the reasonableness of input assumptions used in the valuation by management on a sample basis

#### **Other Matter**

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

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

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

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

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

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

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

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

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

Seoul, Korea  
March 5, 2021

This report is effective as at March 5, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**NAVER Corporation**  
**Separate Statements of Financial Position**  
**December 31, 2020 and 2019**

<i>(in Korean won)</i>	Notes	December 31, 2020	December 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6,7	₩ 369,314,307,214	₩ 414,429,035,373
Short-term financial instruments	6,7	3,998,800,000	3,998,800,000
Financial assets at fair value - profit or loss	5,6,7	1,134,151,477	11,802,308,451
Trade and other receivables	6,7	553,283,357,905	410,689,554,192
Other current assets	9	27,725,389,027	38,935,038,474
Inventories		2,546,626,045	907,256,265
		<u>958,002,631,668</u>	<u>880,761,992,755</u>
<b>Non-current assets</b>			
Property and equipment	10	1,078,819,008,478	855,943,164,259
Right-of-use assets	11	22,191,160,932	24,260,629,075
Intangible assets	12	40,107,676,668	36,324,658,454
Long-term financial instruments	6,7	13,755,872,000	21,193,640,000
Financial assets at fair value - profit or loss	5,6,7	1,370,978,035,427	1,492,283,956,575
Trade and other receivables	6,7	24,861,039,898	36,034,353,430
Financial assets at fair value - other comprehensive income	5,6,7	1,238,899,975,144	444,854,718,026
Investments in subsidiaries, associates and joint ventures	13	4,046,756,563,826	2,804,011,012,118
Deferred tax assets	26	-	65,002,985,690
Other non-current assets	9	29,178,569,706	10,916,223,400
		<u>7,865,547,902,079</u>	<u>5,790,825,341,027</u>
<b>Total assets</b>		<u>₩ 8,823,550,533,747</u>	<u>₩ 6,671,587,333,782</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	6,14	₩ 569,677,851,494	₩ 422,526,416,408
Short-term borrowings	6,16	40,000,000,000	-
Current tax payables	26	359,805,275,309	260,073,069,099
Provisions	17	32,541,708,760	1,899,060,110
Lease liabilities	11	19,788,581,544	18,821,003,660
Other current liabilities	15	247,655,861,357	205,613,250,331
		<u>1,269,469,278,464</u>	<u>908,932,799,608</u>
<b>Non-current liabilities</b>			
Trade and other payables	4,6,14	14,510,378,435	8,068,802,207
Net defined benefit liabilities	18	220,740,226,032	184,260,624,054
Provisions	17	2,092,860,956	1,819,748,322
Lease liabilities	11	24,672,861,187	38,637,306,142
Other non-current liabilities	15	269,097,204	321,180,540
Deferred tax liabilities	26	29,669,335,032	-
		<u>291,954,758,846</u>	<u>233,107,661,265</u>
<b>Total liabilities</b>		<u>1,561,424,037,310</u>	<u>1,142,040,460,873</u>
<b>Equity</b>			
Share capital	19	16,481,339,500	16,481,339,500
Share premium	19	675,891,629,000	362,406,388,434
Other components of equity	20	(1,233,773,041,044)	(1,548,531,531,541)
Retained earnings	22	7,803,526,568,981	6,699,190,676,516
<b>Total equity</b>		<u>7,262,126,496,437</u>	<u>5,529,546,872,909</u>
<b>Total liabilities and equity</b>		<u>₩ 8,823,550,533,747</u>	<u>₩ 6,671,587,333,782</u>

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

**NAVER Corporation**  
**Separate Statements of Comprehensive Income**  
**Years Ended December 31, 2020 and 2019**

<i>(in Korean won)</i>	Notes	2020	2019
<b>Operating revenues</b>	32	₩ 4,126,629,312,584	₩ 3,900,013,295,633
<b>Operating expenses</b>	23	<u>(2,685,815,580,704)</u>	<u>(2,506,201,301,207)</u>
<b>Operating profit</b>		1,440,813,731,880	1,393,811,994,426
Other income	24	50,734,211,779	19,881,970,261
Other expenses	24	(206,972,193,347)	(99,543,705,520)
Interest income		4,956,097,488	7,819,792,284
Finance income	25	412,115,444,862	267,155,641,370
Finance costs	25	<u>(41,343,378,557)</u>	<u>(47,629,623,696)</u>
<b>Profit before income tax expense</b>		1,660,303,914,105	1,541,496,069,125
Income tax expense	26	<u>(463,379,370,520)</u>	<u>(448,971,525,987)</u>
<b>Profit for the year</b>		<u>₩ 1,196,924,543,585</u>	<u>₩ 1,092,524,543,138</u>
<b>Other comprehensive income (loss)</b>			
Items that may be subsequently reclassified to profit or loss			
Gain on valuation of debt instruments at fair value - other comprehensive income		-	297,056,077
Items that will not be reclassified to profit or loss			
Gain on valuation of equity instruments at fair value - other comprehensive income		110,915,469,318	11,611,891,278
Gain on disposal of equity instruments at fair value - other comprehensive income		2,034,430,424	10,255,359,647
Remeasurements of net defined benefit liabilities		<u>(176,218,395)</u>	<u>(13,343,168,446)</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>112,773,681,347</u>	<u>8,821,138,556</u>
<b>Total comprehensive income for the year</b>		<u>₩ 1,309,698,224,932</u>	<u>₩ 1,101,345,681,694</u>
<b>Earnings per share</b>	27		
Basic earnings per share		₩ 8,214	₩ 7,507
Diluted earnings per share		8,168	7,507

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



**NAVER Corporation**  
**Separate Statements of Changes in Equity**  
**Years Ended December 31, 2020 and 2019**

	Notes	Attributable to owners of the Parent Company				
		Share Capital	Share Premium	Other Components of Equity	Retained Earnings	Total Equity
<i>(in Korean won)</i>						
<b>Balance at January 1, 2019</b>		₩ 16,481,339,500	₩ 362,406,388,434	₩ (1,477,546,568,301)	₩ 5,655,540,684,179	₩ 4,556,881,843,812
Changes in accounting policies		-	-	-	(285,642)	(285,642)
<b>Restated total equity at the beginning of the financial year</b>		16,481,339,500	362,406,388,434	(1,477,546,568,301)	5,655,540,398,537	4,556,881,558,170
<b>Total comprehensive income for the year</b>						
Profit for the year		-	-	-	1,092,524,543,138	1,092,524,543,138
Gain on valuation of debt instruments at fair value - other comprehensive income	6	-	-	297,056,077	-	297,056,077
Gain on valuation of equity instruments at fair value - other comprehensive income	6	-	-	11,611,891,278	-	11,611,891,278
Gain (loss) on disposal of equity instruments at fair value - other comprehensive income	6	-	-	(115,033,900)	10,370,393,547	10,255,359,647
Remeasurements of net defined benefit liabilities	18	-	-	-	(13,343,168,446)	(13,343,168,446)
<b>Transactions with owners</b>						
Dividends	22	-	-	-	(45,901,490,260)	(45,901,490,260)
Acquisition of treasury shares	20	-	-	(93,689,325,190)	-	(93,689,325,190)
Share-based payment expenses	21	-	-	10,910,448,495	-	10,910,448,495
<b>Balance at December 31, 2019</b>		₩ 16,481,339,500	₩ 362,406,388,434	₩ (1,548,531,531,541)	₩ 6,699,190,676,516	₩ 5,529,546,872,909
<b>Balance at January 1, 2020</b>		₩ 16,481,339,500	₩ 362,406,388,434	₩ (1,548,531,531,541)	₩ 6,699,190,676,516	₩ 5,529,546,872,909
<b>Total comprehensive income for the year</b>						
Profit for the year		-	-	-	1,196,924,543,585	1,196,924,543,585
Gain on valuation of equity instruments at fair value - other comprehensive income	6	-	-	110,915,469,318	-	110,915,469,318
Gain on disposal of equity instruments at fair value - other comprehensive income	6	-	-	-	2,034,430,424	2,034,430,424
Remeasurements of net defined benefit liabilities	18	-	-	-	(176,218,395)	(176,218,395)
<b>Transactions with owners</b>						
Dividends	22	-	-	-	(54,688,370,920)	(54,688,370,920)
Share-based payment expenses	21	-	-	28,211,760,128	-	28,211,760,128
Acquisition of treasury shares	20	-	-	(15,516,003,480)	-	(15,516,003,480)
Disposal of treasury shares	20	-	328,485,240,566	151,388,772,302	-	479,874,012,868
Changes in equity due to business combination	33	-	(15,000,000,000)	-	-	(15,000,000,000)
Retirement of treasury shares	19	-	-	39,758,492,229	(39,758,492,229)	-
<b>Balance at December 31, 2020</b>		₩ 16,481,339,500	₩ 675,891,629,000	₩ (1,233,773,041,044)	₩ 7,803,526,568,981	₩ 7,262,126,496,437

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

**NAVER Corporation**  
**Separate Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

<i>(in Korean won)</i>	Note	2020	2019
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	₩ 1,668,333,659,331	₩ 1,724,498,206,592
Interest received		3,900,318,666	10,306,416,837
Interest paid		(1,709,784,849)	(1,832,925,432)
Dividends received		46,848,446,017	28,780,986,878
Income taxes paid	26	(430,253,184,593)	(363,125,535,704)
<b>Net cash inflow from operating activities</b>		<u>1,287,119,454,572</u>	<u>1,398,627,149,171</u>
<b>Cash flows from investing activities</b>			
Net decrease in short-term financial instruments		-	219,150,000,000
Increase in short-term loans		(95,268,000,000)	-
Payments for financial assets at fair value - profit or loss		(334,969,205,470)	(125,546,188,399)
Proceeds from disposal of financial assets at fair value - profit or loss		801,146,157,760	112,476,886,650
Payments for property and equipment	10	(256,096,494,860)	(84,567,828,413)
Proceeds from disposal of property and equipment		1,617,851,470	951,525,289
Payments for intangible assets	12	(10,516,027,161)	(3,819,575,914)
Proceeds from disposal of intangible assets		1,032,880,000	1,343,983,185
Payments for financial assets at fair value - other comprehensive income	13	(46,470,714,355)	(8,888,500,755)
Proceeds from disposal of financial assets at fair value - other comprehensive income		5,584,356,500	48,518,637,592
Payments for investments in subsidiaries and associates		(1,506,443,550,995)	(742,186,582,086)
Proceeds from disposal of investments in subsidiaries and associates		153,479,128,783	33,551,733,835
Increase in deposits		-	(5,181,472,200)
Decrease in deposits		-	1,901,454,100
Collection of lease receivables	11	11,161,612,229	11,766,839,089
Cash outflow due to split-off		-	(410,101,381,291)
Increase in long-term financial instruments		(2,560,000,000)	-
Proceeds from disposal of long-term financial instruments		10,000,000,000	-
Cash outflows due to business combination	33	(13,771,707,516)	-
Cash outflows from other investing activities		(2,488,461,610)	-
<b>Net cash outflow from investing activities</b>		<u>(1,284,562,175,225)</u>	<u>(950,630,469,318)</u>
<b>Cash flows from financing activities</b>			
Dividends paid	28	(54,688,370,920)	(45,901,490,260)
Acquisition of treasury shares	20	(15,516,003,480)	(93,689,325,190)
Proceeds from short-term borrowings	16	40,000,000,000	65,000,000,000
Repayment of short-term borrowings		-	(65,000,000,000)
Repayment of lease liabilities		(18,288,199,584)	(14,437,745,610)
Cash inflows from other financing activities		178,899,551	657,809,949
<b>Net cash outflow from financing activities</b>		<u>(48,313,674,433)</u>	<u>(153,370,751,111)</u>
Effects of exchange rate changes on cash and cash equivalents		641,666,927	8,773,769,499
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(45,114,728,159)</u>	<u>303,399,698,241</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>414,429,035,373</u>	<u>111,029,337,132</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>₩ 369,314,307,214</u>	<u>₩ 414,429,035,373</u>

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

# **NAVER Corporation**

## **Notes to the Separate Financial Statements**

### **December 31, 2020 and 2019**

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#### **1. General Information**

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

On October 29, 2002, the Company listed its shares on the Korean Securities Dealers' Automated Quotations market. On November 28, 2008, the Company transferred its share listing to the Korea Composite Stock Price Index market. As at December 31, 2020, the major shareholders of the Company consist of National Pension Fund (11.56%) and others.

#### **2. Significant Accounting Policies**

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **2.1 Basis of Preparation**

The Company 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 separate financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

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

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

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments)
- defined benefit pension plans – plan assets measured at fair value

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

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

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**2.2 Changes in Accounting Policy and Disclosures**

(a) New and amended standards adopted by the Company

The Company has applied the following standards and amendments 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 definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments do not have a significant impact on the financial statements.

*- Amendments to Korean IFRS 1103 Business Combination – Definition of 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 the definition of output excludes the returns in the form of lower costs and other economic benefits. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments do not have a significant impact on the financial statements.

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

The amendments allow to apply the exceptions in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions require the Company 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.

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

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

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Company.

*- Amendments to Korean IFRS 1116 Lease – 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, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. The amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

*- Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform*

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

*- Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

*- Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

*- Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract*

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of

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fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

#### *- Annual improvements to Korean IFRS 2018-2020*

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

#### *- Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

### **2.3 Subsidiaries, Associates and Joint ventures**

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027 *Separate Financial Statements*. Investments in subsidiaries, associates and joint ventures are recognized at cost under the direct equity method. Management applied the carrying amounts under the previous K-GAAP at the time of transition to the Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries, associates and joint ventures in profit or loss when its right to receive the dividend is established.

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#### 2.4 Foreign Currency Translation

##### (a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment (the “functional currency”). The separate financial statements are presented in Korean won, which is the Company’s functional and presentation currency.

##### (b) Transactions in foreign currency and translation of period end

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

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

#### 2.5 Financial Assets

##### (a) Classification

The Company classifies its financial assets in the following measurement categories:

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

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

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

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

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(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*A. Debt instruments*

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

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



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*B. Equity instruments*

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

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

(c) Impairment

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

(d) Recognition and derecognition

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

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

(e) Offsetting of financial instruments

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

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#### 2.6 Derivative Instruments

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

#### 2.7 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance.

#### 2.8 Inventories

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

#### 2.9 Property and Equipment

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

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

	<b>Useful life</b>
Buildings	30 years
Structures	10 years
Vehicles	5 years
Equipment	3 - 5 years
Machinery	3 years
Others	4 - 5 years

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

#### 2.10 Borrowing Costs

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

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**2.11 Intangible Assets**

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

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

	<b>Useful lives</b>
Industrial rights	5 years
Software	5 years
Others	5, 30 years

**2.12 Government Grants**

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

**2.13 Impairment of Non-financial Assets**

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

**2.14 Trade Payables and Other Payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within mutually agreed period of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

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**2.15 Financial Liabilities**

(a) Classification and measurement

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

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

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

**2.16 Provisions**

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

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**2.17 Current and Deferred Tax**

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

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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

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

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

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

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**2.18 Employee Benefits**

(a) Post-employment benefits

The Company operates a defined benefit plan.

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

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

(b) Share-based payments

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

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

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

If the Company treats grants rights of its equity instruments of its own (or its subsidiaries' parent company) to employees of its subsidiaries, a corresponding increase recognized in equity as a contribution. The fair value of employee services, calculated based on the fair value of the equity instrument at the grant date, is accounted for as an increase in the investment in the subsidiary over the vesting period, and the corresponding amount is recognized in other capital.

(c) Other long-term employee benefits

The Company provides long-term employee benefits to employees who have worked for more than a

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certain period of time. Long-term employee benefits are calculated annually by independent actuaries using the projected unit credit method. The Company recognizes service cost, net interest on long-term employee benefits and remeasurements as profit or loss for the year.

**2.19 Revenue Recognition**

The Company engages in providing internet search portal services, and its operating revenues are mainly comprised of advertisement and contents providing services.

The Company allocates transaction prices based on relative individual selling prices if several performance obligations are identified in a single contract.

(a) Advertisement

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

(b) Contents services

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

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#### 2.20 Leases

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

The Company leases various properties, vehicles, and others. Lease contracts are typically made for fixed periods but may have extension options.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for lease contracts for which the Company is lessee, the Company applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Company determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Company should consider a termination penalty in determining the period for which the contract is enforceable.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Company (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company (the lessee) exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Company uses a build-up approach that starts with an



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interest rate that the Company can be practically financed for economic circumstances, lease period for leases, credit risk for leases and others, and makes adjustments specific to the lease, for example, country, currency and others.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and office furniture.

#### **2.21 Segment Reporting**

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 32). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

#### **2.22 Approval of Issuance of the Financial Statements**

The separate financial statements 2020 were approved for issue by the Board of Directors on January 27, 2021 and are subject to change with the approval of shareholders at their Annual General Meeting.

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**3. Critical Accounting Estimates and Assumptions**

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

(a) Income taxes

The Company's income is subject to income taxes based on tax laws and interpretations of tax authorities and there are many transactions and calculations for which the ultimate tax determination is uncertain (Note 26).

If certain portion of taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Company is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(b) Fair value of financial instruments

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

(c) Impairment of financial assets

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

(d) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate and wage growth rate (Note 18).

(e) Provisions

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As at December 31, 2020, the Company recognizes provisions for litigation, restoration and others. These provisions are estimated based on historical experience (Note 17).

(f) Stock option

The Company measures the cost of equity-settled share-based payment transaction by reference to the fair value of equity instruments granted at the grant date and the fair value is estimated using valuation models which considers the conditions upon which equity instruments are granted. Also, the Company measures the cost of cash-settled share-based payment transaction based on the fair value of the liability considering vesting conditions. Until the liability is settled, the Company is required to remeasure the fair value of the liability at the end of each reporting period and at the date of settlement (Note 21).

(g) *Impairment loss of investments in subsidiaries*

The recoverable amount for tests of impairment of investments in subsidiaries is determined based on value-in use method (Note 13).

(h) *Lease*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases held by the Company, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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**4. Financial Risk Management**

**4.1 Financial Risk Factors**

The Company's activities exposes it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focuses on the volatility of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

**4.1.1 Market risk**

(a) Foreign exchange risk

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

The Company's financial assets and liabilities denominated in currencies other than the functional currency (i.e., US dollar and Japanese yen) and thus exposed to foreign currency risk for major foreign currencies as at December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>		<u>2020</u>	<u>2019</u>
		Foreign currency	Foreign currency
<b>Financial assets</b>			
Cash and cash equivalents	USD ₩	61,923,123	₩ 3,172,468
	JPY	2,071,810	32,055,260
Trade and other receivables	USD	29,165,310	1,019,881
	JPY	100,152,569	22,540,101
Financial assets at fair value - profit or loss	USD	625,420,116	268,438,022
	JPY	1,831,155	784,295,558
Financial assets at fair value - other comprehensive income	USD	10,867,566	15,126,053
	JPY	24,837,660	-
<b>Financial liabilities</b>			
Trade and other payables	USD ₩	5,737,491	₩ 2,455,495
	JPY	533,527	1,427,946

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The impact of weakened/strengthened Korean won by 5% against foreign currencies with all other variables held constant on the post-tax profit for the years ended and equity as at December 31, 2020 and 2019, is as follows:

		<i>(in thousands of Korean won)</i>		Impact on post-tax profit		Impact on equity			
				2020	2019	2020	2019		
USD	Strengthened	₩	25,779,666	₩	9,799,243	₩	26,173,833	₩	10,347,865
	Weakened		(25,779,666)		(9,799,243)		(26,173,833)		(10,347,865)
JPY	Strengthened		3,754,740		30,374,782		4,655,602		30,374,782
	Weakened		(3,754,740)		(30,374,782)		(4,655,602)		(30,374,782)

(b) Price risk

The Company is exposed to equity securities price risk arises from investments held by the Company that are classified either as financial assets at fair value - other comprehensive income or financial assets at fair value - profit or loss in the separate statement of financial position.

The impact of increases/decreases of the stock price by 5% with all other variables held constant on the Company's post-tax profit for the years ended and equity as at December 31, 2020 and 2019, is as follows:

		<i>(in thousands of Korean won)</i>		Impact on post-tax profit		Impact on equity			
				2020	2019	2020	2019		
Korea	Increase	₩	-	₩	-	₩	42,701,793	₩	14,773,130
	Decrease		-		-		(42,701,793)		(14,773,130)
Japan	Increase		-		-		908,313		-
	Decrease		-		-		(908,313)		-

The amounts recognized in current profit or loss and other comprehensive income in relation to the various financial instruments held by the Company are discussed in Note 6.

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(c) Interest rate risk

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

As at December 31, 2020, the Company's floating rate deposits which exceed floating rate borrowings, which results in net interest income increase when interest rates increase. The Company adequately minimizes risks from interest rate fluctuations through various policies, such as avoiding high rate borrowings, reforming capital structure, monitoring fluctuations of domestic and foreign interest rates on a daily, weekly and monthly basis, establishing alternatives, and balancing floating rate short-term borrowings with floating rate deposits.

The impact of 10bp increase/ decrease in interest rate with all other variables held constant on the Company's post-tax profit for the years ended and equity as at December 31, 2020 and 2019, is as follows:

<i>(in thousands of Korean won)</i>	<b>Impact on post-tax profit</b>		<b>Impact on equity</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Increase	₩ 98,895	₩ 128,113	₩ 98,895	₩ 128,113
Decrease	(98,895)	(128,113)	(98,895)	(128,113)

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**4.1.2 Credit Risk**

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

- trade receivables and other receivables carried at amortized cost
- other financial assets carried at amortized cost, and
- debt investments carried at fair value through other comprehensive income
- lease receivables that is within the scope of Korean IFRS 1116

While cash equivalents and lease receivables are also subject to the impairment requirement, the identified impairment loss was not material.

(a) Trade receivables and other receivables

To measure the expected credit losses which is inclusive of forward looking information, the company has grouped its trade receivables and other receivables based on credit risk characteristics and the days past due. On that basis, the loss allowance as at December 31, 2020 and 2019, was determined as follows for trade receivables and other receivables:

(in thousands of Korean won)

	<b>2020</b>			
	<b>Less than 6 months past due and within due</b>	<b>More than 6 months past due</b>	<b>More than 1 year past due</b>	<b>Total</b>
Expected loss rate	0.03%	21.68%	100.00%	1.34%
Gross carrying amount	₩ 446,136,025	₩ 2,485,369	₩ 5,403,513	₩ 454,024,907
Loss allowance provision	₩ 123,073	₩ 538,817	₩ 5,403,511	₩ 6,065,401

(in thousands of Korean won)

	<b>2019</b>			
	<b>Less than 6 months past due and within due</b>	<b>More than 6 months past due</b>	<b>More than 1 year past due</b>	<b>Total</b>
Expected loss rate	0.10%	33.07%	90.67%	1.27%
Gross carrying amount	₩ 398,428,573	₩ 334,241	₩ 5,112,188	₩ 403,875,002
Loss allowance provision	₩ 381,702	₩ 110,530	₩ 4,635,087	₩ 5,127,319

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Movements in the loss allowance provision for trade receivables and other receivables for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Beginning balance	₩	5,127,319	₩	4,808,146
Increase in loss allowance recognized in profit or loss during the year		967,783		412,590
Receivables written off during the year as uncollectible		(29,701)		(2,427)
Decrease due to split-off		-		(90,990)
Ending balance	₩	<u>6,065,401</u>	₩	<u>5,127,319</u>

The amounts recognized in profit or loss as 'operating expenses' in relation to impaired receivables for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Impairment loss				
Movement in loss allowance	₩	967,783	₩	412,590

(b) Other financial assets at amortized cost

Other financial assets at amortized cost include long and short-term financial instruments like time deposits and other receivables.

Movements in loss allowance provision for other financial assets at amortized cost for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Beginning balance	₩	7,560	₩	77,499
Reversal of loss allowance recognized in profit or loss during the year		(2,232)		(69,459)
Decrease due to split-off		-		(480)
Ending balance	₩	<u>5,328</u>	₩	<u>7,560</u>

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



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

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

Movements in loss allowance provision for debt instruments at fair value - other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Beginning balance	₩	-	₩	113,332
Reversal of loss allowance recognized in profit or loss during the year		-		(113,332)
Ending balance	₩	-	₩	-

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

(d) Financial asset at fair value – through profit or loss

The Company is exposed to credit risk from financial assets at fair value – through profit or loss. The maximum exposure is the carrying amount of these assets as at December 31, 2020 and 2019.

(e) Impairment loss

Impairment loss recognized in profit or loss in relation to impaired financial assets for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Trade receivables and other receivables	₩	967,783	₩	412,590
Other financial assets at amortized cost		(2,232)		(69,459)
Financial assets at fair value - other comprehensive income		-		(113,332)
Net impairment loss	₩	965,551	₩	229,799

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**4.1.3 Liquidity Risk**

The Company monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal financial ratio targets and external regulatory or legal requirements such as currency restrictions. As at December 31, 2020, the Company has borrowing agreements with a limit of ₩ 786,000 million for managing liquidity risk (Note 30).

Details of the Company's liquidity risk analysis as at December 31, 2020 and 2019, are as follows:

*(in thousands of Korean won)*

	<b>2020</b>				
	<b>Book amount</b>	<b>Contractual cash flow</b>	<b>Less than 1 years</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	₩ 454,406,915	₩ 454,406,915	₩ 446,357,367	₩ 8,049,548	₩ -
Borrowings	40,000,000	40,000,000	40,000,000	-	-
Lease liabilities	44,461,443	46,558,262	20,420,100	25,874,490	263,672
Financial guarantee contracts	2,982,724	1,772,882,101	1,772,882,101	-	-
	<u>₩ 541,851,082</u>	<u>₩ 2,313,847,278</u>	<u>₩ 1,772,882,101</u>	<u>₩ 33,924,038</u>	<u>₩ 263,672</u>

*(in thousands of Korean won)*

	<b>2019</b>			
	<b>Book amount</b>	<b>Contractual cash flow</b>	<b>Less than 1 years</b>	<b>Between 1 and 5 years</b>
Trade and other payables	₩ 324,799,983	₩ 324,799,983	₩ 316,929,335	₩ 7,870,648
Lease liabilities	57,458,309	60,186,373	18,867,428	41,318,945
	<u>₩ 382,258,292</u>	<u>₩ 384,986,356</u>	<u>₩ 335,796,763</u>	<u>₩ 49,189,593</u>

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**4.2 Capital Risk Management**

The Company's objectives when managing capital are to maintain a sound capital structure. The Company uses debt to equity ratio for capital management. This ratio is calculated as total debt divided by total equity as shown in the separate statements of financial position.

The Company's gearing ratio as at December 31, 2020 and 2019, is as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Total debt	₩	1,561,424,037	₩	1,142,040,461
Total equity		<u>7,262,126,496</u>		<u>5,529,546,873</u>
Gearing ratio		21.50%		20.65%

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**5. Fair Value**

**5.1 Financial Instruments Measured at Fair Value**

Details of financial instruments measured at fair value as at December 31, 2020 and 2019, are as follows:

*(in thousands of Korean won)*

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Financial assets at fair value - profit or loss	₩ 1,372,112,187	₩ 1,372,112,187	₩ 1,504,086,265	₩ 1,504,086,265
Financial assets at fair value - other comprehensive income	1,238,899,975	1,238,899,975	444,854,718	444,854,718
	<u>₩ 2,611,012,162</u>	<u>₩ 2,611,012,162</u>	<u>₩ 1,948,940,983</u>	<u>₩ 1,948,940,983</u>

The financial assets and liabilities whose book amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

**5.2 Fair Value Hierarchy**

To provide an indication about the reliability of the inputs used in determining fair value, the Company 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 (e.g. as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (e.g. 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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Fair value hierarchy classifications of the financial instruments that are measured at fair value as at December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value - profit or loss	₩ -	₩ 1,134,151	₩ 1,370,978,035	₩ 1,372,112,187
Equity instruments at fair value - other comprehensive income	1,192,510,414	-	46,389,561	1,238,899,975

(in thousands of Korean won)

	2019			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value - profit or loss	₩ -	₩ 1,819,829	₩ 1,502,266,436	₩ 1,504,086,265
Equity instruments at fair value - other comprehensive income	403,251,804	-	41,602,914	444,854,718

**5.3 Transfers between Fair Value Hierarchy Levels of Recurring Fair Value Measurements**

The Company recognizes transfers between levels of the fair value at the end of the reporting period. There were no transfers between level 1 and level 2 for recurring fair value measurements during the year ended December 31, 2020.

Changes in level 3 for recurring fair value measurements for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020		2019	
	Financial assets at fair value - profit or loss	Financial assets at fair value - other comprehensive income	Financial assets at fair value - profit or loss	Financial assets at fair value - other comprehensive income
Beginning balance	₩ 1,502,266,436	₩ 41,602,914	₩ 1,203,132,735	₩ 51,680,292
Total profit or loss				
Amount recognized in profit or loss	324,104,464	-	191,035,553	-
Amount recognized in other comprehensive income	-	8,479,229	-	12,876,918
Purchase	334,969,205	8,677,732	125,546,189	8,888,502
Sales	(800,690,641)	-	(61,159,454)	(16,227,334)
Others <sup>1</sup>	10,328,572	(12,370,314)	43,711,413	(15,615,464)
Ending balance	₩ 1,370,978,036	₩ 46,389,561	₩ 1,502,266,436	₩ 41,602,914

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

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**5.4 Valuation Techniques and Inputs**

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

		2020					
		Fair value	Level	Valuation techniques	Major Inputs	Unobservable inputs	Range of unobservable inputs
<i>(in thousands of Korean won)</i>							
<b>Financial assets at fair value - profit or loss</b>							
Compound financial instruments	₩ 664,073,081	3	Option pricing model	Underlying asset price, volatility of the underlying assets	Volatility of the underlying assets		41.71% ~ 115.70%
			Market approach method	PBR, EV/SALES, PSR	PSR PBR EV/SALES		0.44~11.20 1.32~10.80 1.30~20.12
			Present value method	Recent transaction price, underlying asset price	-		-
Beneficiary certificates and funds	1,134,151	2	Present value method	Credit risk adjusted discount rate	-		-
	706,904,955	3	Market approach method and others	Underlying asset price	(*)		(*)
<b>Equity instruments at fair value - other comprehensive income</b>							
Equity securities	46,389,561	3	Present value method, Market approach method	Recent transaction price, EV/SALES, PSR and others	EV/SALES PSR		1.93~11.10 1.28

		2019					
		Fair value	Level	Valuation techniques	Major Inputs	Unobservable inputs	Range of unobservable inputs
<i>(in thousands of Korean won)</i>							
<b>Financial assets at fair value - profit or loss</b>							
Securities linked derivatives	₩ 9,982,479	3	Option pricing model	Underlying asset, CDS SPREAD, KRW IRS Curve, recovery rate	Correlation coefficient CDS SPREAD KRW IRS Curve		0.00 ~ 1.00 0.201% ~ 0.544% 1.34% ~ 1.47%
					Recovery rate		40.00%
Compound financial instruments	1,146,359,207	3	Option pricing model	Underlying asset price, volatility of the underlying assets	Volatility of the underlying assets		23.02% ~ 44.67%
			Market approach method	PBR, EV/SALES, PSR	EV/SALES PSR PBR		0.98 ~ 22.40 1.81 ~ 11.97 9.3
			Profit approach	Discount rate	Discount rate		9.86%
			Present value method	Recent transaction	-		-

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				price, underlying asset price		
Beneficiary certificates and funds	1,819,829	2	Present value method	Credit risk adjusted discount rate	-	-
	345,924,750	3	Market approach method and others	Underlying asset price	(*)	(*)
<b>Equity instruments at fair value - other comprehensive income</b>						
Equity securities	41,602,914	3	Present value method, Market approach method	Recent transaction price, EV/SALES	EV/SALES	1.37 ~ 12.08

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

### 5.5 Valuation Processes for Fair Value Measurements Categorized Within Level 3

The Company's investment management team and treasury team performs the fair value measurements required for financial reporting purposes, including level 3 fair values. These teams report directly to the director in financial department("director"). Discussions of valuation processes and results are held between the director and these teams at least once every quarter, in line with the Company's quarterly reporting schedule.

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

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

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

(in thousands of Korean won)

	<b>2020</b>			
	<b>Favorable changes</b>		<b>Unfavorable changes</b>	
	<b>Profit or loss</b>	<b>Equity</b>	<b>Profit or loss</b>	<b>Equity</b>
<b>Financial assets</b>				
Derivatives-linked securities <sup>1</sup>	₩ -	₩ -	₩ -	₩ -
Unlisted equity securities <sup>2</sup>	35,014,461	35,879,066	(34,888,622)	(35,753,227)

(in thousands of Korean won)

	<b>2019</b>			
	<b>Favorable changes</b>		<b>Unfavorable changes</b>	
	<b>Profit or loss</b>	<b>Equity</b>	<b>Profit or loss</b>	<b>Equity</b>
<b>Financial assets</b>				
Derivatives-linked securities <sup>1</sup>	₩ 36	₩ 36	₩ (29)	₩ (29)
Unlisted equity securities <sup>2</sup>	7,696,488	8,105,660	(7,296,609)	(7,705,781)

<sup>1</sup> For derivative-linked securities related to stocks (index), foreign exchange rate and interest rate, changes in their fair value are calculated by increasing or decreasing the volatility of the underlying

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assets and/or correlation which are significant unobservable inputs, by 10%. For derivative-linked securities related to credit events, changes in fair value are calculated by increasing or decreasing the CDS SPREAD by 10bp.

<sup>2</sup> For unlisted equity securities, changes in their fair value are calculated by increasing or decreasing the discount rate, which is significant unobservable inputs, by 1%, and by increasing or decreasing the volatility of underlying assets, PBR, EV/SALES, PSR and others, which are significant unobservable inputs, by 10%.

**6. Financial Instruments by Category**

**6.1. Carrying Amounts of Financial Instruments by Category**

Categorizations of financial assets and liabilities as at December 31, 2020 and 2019, are as follows:

(a) Financial assets

(in thousands of Korean won)

	<b>2020</b>				
	<b>Financial assets at fair value - profit or loss</b>	<b>Financial assets at fair value - other comprehensive income</b>	<b>Financial assets at amortized cost</b>	<b>Other financial assets<sup>1</sup></b>	<b>Total</b>
Cash and cash equivalents	₩ -	₩ -	₩ 369,314,307	₩ -	₩ 369,314,307
Long and short-term financial instruments <sup>2</sup>	-	-	17,754,672	-	17,754,672
Financial assets at fair value - profit or loss	1,372,112,187	-	-	-	1,372,112,187
Trade and other receivables	-	-	555,532,836	22,611,561	578,144,397
Financial assets at fair value - other comprehensive income	-	1,238,899,975	-	-	1,238,899,975
	<u>₩ 1,372,112,187</u>	<u>₩ 1,238,899,975</u>	<u>₩ 942,601,815</u>	<u>₩ 22,611,561</u>	<u>₩ 3,576,225,538</u>

<sup>1</sup> Other financial assets represent lease receivables, which are not subject to financial instruments categorization.

<sup>2</sup> As at December 31, 2020, long and short-term financial instruments amounting to ₩ 13,760 million are restricted as deposits for shared corporate growth program and ₩ 4,000 million are restricted for the borrowings with prime rate for the Company's employees.



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	<b>2019</b>				
	<b>Financial assets at fair value - profit or loss</b>	<b>Financial assets at fair value - other comprehensive income</b>	<b>Financial assets at amortized cost</b>	<b>Other financial assets<sup>1</sup></b>	<b>Total</b>
Cash and cash equivalents	₩ -	₩ -	₩ 414,429,035	₩ -	₩ 414,429,035
Long and short-term financial instruments <sup>2</sup>	-	-	25,192,440	-	25,192,440
Financial assets at fair value - profit or loss	1,504,086,265	-	-	-	1,504,086,265
Trade and other receivables	-	-	412,898,601	33,825,306	446,723,908
Financial assets at fair value - other comprehensive income	-	444,854,718	-	-	444,854,718
	<u>₩ 1,504,086,265</u>	<u>₩ 444,854,718</u>	<u>₩ 852,520,076</u>	<u>₩ 33,825,306</u>	<u>₩ 2,835,286,366</u>

<sup>1</sup> Other financial assets represent lease receivables, which are not subject to financial instruments categorization.

<sup>2</sup> As at December 31, 2019, long and short-term financial instruments amounting to ₩ 21,200 million are restricted as deposits for shared corporate growth program and ₩ 4,000 million are restricted for the borrowings with prime rate for the Company's employees.

*(b) Financial liabilities*

(in thousands of Korean won)

	<b>2020</b>	
	<b>Financial liabilities at fair value - profit or loss</b>	<b>Financial liabilities at amortized cost</b>
Trade and other payables	₩ -	₩ 454,406,915
Short-term borrowings	-	40,000,000
	<u>₩ -</u>	<u>₩ 494,406,915</u>

(in thousands of Korean won)

	<b>2019</b>	
	<b>Financial liabilities at fair value - profit or loss</b>	<b>Financial liabilities at amortized cost</b>
Trade and other payables	₩ -	₩ 324,799,984

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**6.2. Net Gains or Losses by Category of Financial Instruments**

Net gains or losses on each category of financial instruments for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Financial asset at fair value - profit or loss</b>		
Gain on valuation	₩ 317,114,717	₩ 191,567,716
Gain on disposal	6,304,070	7,343,576
Interest income	891,120	945,136
Dividend income	11,448,475	6,468,767
<b>Financial asset at fair value - other comprehensive income</b>		
Interest income	-	76,325
Dividend income	12,322,275	10,675,710
Gain on valuation - other comprehensive income	110,915,469	11,908,947
Loss on disposal - profit or loss	-	(556,564)
Gain (loss) on disposal - reclassification	2,034,430	(115,034)
<b>Financial assets at amortized cost</b>		
Interest income	3,170,742	5,489,132
Impairment loss	(967,783)	(412,590)
Reversal of other impairment loss	2,232	182,791
Foreign currency exchange differences	(3,840,040)	(6,232,484)
Gain on disposal	-	65,000
<b>Financial liabilities at amortized cost</b>		
Foreign currency exchange differences	(20,815)	(487,425)
Interest expense	43,883	-

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**7. Financial Assets**

**7.1 Financial Assets at Fair Value - Profit or Loss**

(a) Financial assets at fair value - profit or loss

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Non-current</b>		
Compound financial instruments <sup>1</sup>	₩ 664,073,081	₩ 1,146,359,207
Beneficiary certificates and funds	706,904,955	345,924,750
	<u>1,370,978,036</u>	<u>1,492,283,957</u>
<b>Current</b>		
Securities linked derivatives	-	9,982,479
Beneficiary certificates and funds	1,134,151	1,819,829
	<u>1,134,151</u>	<u>11,802,308</u>
	<u>₩ 1,372,112,187</u>	<u>₩ 1,504,086,265</u>

<sup>1</sup> The Company recognized gain amounting ₩ 4,495 million as the convertible bond the Company held was redeemed by LINE, a subsidiary of the Company(Note 31).

(b) Amounts recognized in profit or loss

Amounts recognized in profit or loss for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Compound financial instruments	₩ 180,585,342	₩ 171,531,377
Beneficiary certificates and funds	142,808,264	19,752,814
Others	25,181	7,627,101
	<u>₩ 323,418,787</u>	<u>₩ 198,911,292</u>

Profit or loss during the years ended December 31, 2020 and 2019 does not include Interest and dividend income.

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**7.2 Financial Assets at Fair Value - Other Comprehensive Income**

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

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

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Listed equity securities	₩	1,192,510,414	₩	403,251,804
Unlisted equity securities		46,389,561		41,602,914
	₩	<u>1,238,899,975</u>	₩	<u>444,854,718</u>

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

**7.3 Trade Receivables and Other Financial Assets at Amortized Cost**

(a) Trade receivables and other receivables

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Trade receivables	₩	396,864,416	₩	346,883,198
Other receivables		57,160,491		56,991,804
Less: provision for impairment		<u>(6,065,401)</u>		<u>(5,127,319)</u>
Trade receivables and other receivables - net	₩	<u>447,959,506</u>	₩	<u>398,747,683</u>

(b) Other financial assets at amortized cost

Other financial assets at amortized cost comprise the following individual investments:

<i>(in thousands of Korean won)</i>	<b>2020</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Cash equivalents	₩ 369,314,307	₩ -	₩ 369,314,307
Time deposits	4,000,000	13,760,000	17,760,000
Loans	89,612,100	-	89,612,100
Accrued income	1,129,134	-	1,129,134
Leasehold deposits	2,516,674	14,315,423	16,832,097
Lease receivables	12,065,945	10,545,617	22,611,562
	<u>478,638,160</u>	<u>38,621,040</u>	<u>517,259,200</u>
Less: provision for impairment	<u>(1,200)</u>	<u>(4,128)</u>	<u>(5,328)</u>
	<u>₩ 478,636,960</u>	<u>₩ 38,616,912</u>	<u>₩ 517,253,872</u>

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	<b>2019</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Cash equivalents	₩ 414,429,035	₩ -	₩ 414,429,035
Time deposits	4,000,000	21,200,000	25,200,000
Loans	-	-	-
Accrued income	73,355	-	73,355
Leasehold deposits	-	14,077,563	14,077,563
Lease receivables	11,868,516	21,956,790	33,825,306
	<u>430,370,906</u>	<u>57,234,353</u>	<u>487,605,259</u>
Less: provision for impairment	(1,200)	(6,360)	(7,560)
	<u>₩ 430,369,706</u>	<u>₩ 57,227,993</u>	<u>₩ 487,597,699</u>

(c) Impairment

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

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**8. Contract Assets and Liabilities**

(a) Contract assets and liabilities

There are no contract assets that the Company recognizes, and the contract liabilities as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019<sup>1</sup></b>
Customer loyalty programs	₩ 2,405,829	₩ 1,847,917
Search Platform	107,601,934	87,659,432
Commerce	29,293,889	19,376,083
Contents	<u>6,828,909</u>	<u>5,157,412</u>
Total contract liabilities	<u>₩ 146,130,561</u>	<u>₩ 114,040,844</u>

<sup>1</sup>The Company changed the classification of operating information by service types during year ended December 31, 2020, and the comparatives of the prior period have been restated accordingly.

(b) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized for the years ended December 31, 2020 and 2019, related to carried-forward contract liabilities from the prior year.

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019<sup>1</sup></b>
Revenue recognized during the current year that was included in the contract liability balance at the beginning of the year		
Customer royalty programs	₩ 1,847,917	₩ 1,747,289
Search Platform	87,659,432	81,762,221
Commerce	19,376,083	51,804,515
Contents	<u>5,157,412</u>	<u>3,095,008</u>
	<u>₩ 114,040,844</u>	<u>₩ 138,409,033</u>

<sup>1</sup>The Company changed the classification of operating information by service types during year ended December 31, 2020, and the comparatives of the prior period have been restated accordingly

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**9. Other Assets**

Details of other assets as at December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020		2019	
	Current	Non-current	Current	Non-current
Prepayment	₩ 8,290,551	₩ 9,777,132	₩ 3,243,449	₩ -
Prepaid expenses	19,434,838	19,401,438	35,691,589	10,916,223
	<u>₩ 27,725,389</u>	<u>₩ 29,178,570</u>	<u>₩ 38,935,038</u>	<u>₩ 10,916,223</u>

**10. Property and Equipment**

(a) Details of property and equipment as at December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020		
	Acquisition Cost	Accumulated depreciation <sup>1</sup>	Book amount
Land	₩ 269,970,459	₩ -	₩ 269,970,459
Buildings	464,612,962	(126,005,313)	338,607,649
Structures	113,860,438	(71,394,343)	42,466,095
Machinery	2,759,168	(1,613,844)	1,145,324
Vehicles	629,421	(550,693)	78,728
Equipment	81,533,941	(50,427,273)	31,106,668
Others	627,678	(529,546)	98,132
Construction in progress	395,345,953	-	395,345,953
	<u>₩ 1,329,340,020</u>	<u>₩ (250,521,012)</u>	<u>₩ 1,078,819,008</u>

(in thousands of Korean won)

	2019		
	Acquisition Cost	Accumulated depreciation <sup>1</sup>	Book amount
Land	₩ 269,732,845	₩ -	₩ 269,732,845
Buildings	463,104,611	(111,211,129)	351,893,482
Structures	113,860,438	(60,683,184)	53,177,254
Machinery	1,511,998	(1,511,470)	528
Vehicles	656,321	(515,723)	140,598
Equipment	65,568,633	(44,300,105)	21,268,528
Others	624,406	(478,646)	145,760
Construction in progress	159,584,169	-	159,584,169
	<u>₩ 1,074,643,421</u>	<u>₩ (218,700,257)</u>	<u>₩ 855,943,164</u>

<sup>1</sup> Includes accumulated impairment losses and government grants.

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(b) Changes in property and equipment for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020								
	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Others	Construction in progress	Total
Beginning balance, net	₩ 269,732,845	₩ 351,893,482	₩ 53,177,254	₩ 528	₩ 140,598	₩ 21,268,528	₩ 145,760	₩ 159,584,169	₩ 855,943,164
Acquisition/ capital expenditures	-	-	-	685,011	-	13,635,399	-	243,011,894	257,332,304
Disposal	-	-	-	-	-	(332,596)	-	(619,350)	(951,946)
Depreciation	-	(14,794,184)	(10,711,159)	(103,215)	(61,870)	(11,242,207)	(50,900)	-	(36,963,535)
Others <sup>1</sup>	237,614	1,508,351	-	563,000	-	7,777,544	3,272	(6,630,760)	3,459,021
Ending balance, net	₩ 269,970,459	₩ 338,607,649	₩ 42,466,095	₩ 1,145,324	₩ 78,728	₩ 31,106,668	₩ 98,132	₩ 395,345,953	₩ 1,078,819,008

(in thousands of Korean won)

	2019								
	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Others	Construction in progress	Total
Beginning balance, net	₩ 225,648,372	₩ 363,288,272	₩ 63,666,037	₩ 2,450	₩ 289,391	₩ 22,250,833	₩ 249,613	₩ 131,545,757	₩ 806,940,725
Acquisition/ capital expenditures	518,913	2,747,935	1,039,155	1,244	-	8,985,082	45,000	71,408,122	84,745,451
Disposal	-	-	-	-	(49,703)	(600,954)	(32,554)	(361,280)	(1,044,491)
Depreciation	-	(15,512,235)	(11,527,938)	(3,166)	(99,090)	(9,046,529)	(116,299)	-	(36,305,257)
Split-off (Note 33)	-	-	-	-	-	(319,904)	-	-	(319,904)
Others <sup>1</sup>	43,565,560	1,369,510	-	-	-	-	-	(43,008,430)	1,926,640
Ending balance, net	₩ 269,732,845	₩ 351,893,482	₩ 53,177,254	₩ 528	₩ 140,598	₩ 21,268,528	₩ 145,760	₩ 159,584,169	₩ 855,943,164

<sup>1</sup> Includes capitalization of borrowing costs and others.

(c) During the year ended December 31, 2020, the Company has capitalized borrowing costs amounting to ₩ 1,710 million (2019: ₩ 1,927 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 2.85% (2019: 3.39%).

(d) Depreciation expense is classified as 'operating expenses' in the separate financial statements.



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**11. Leases**

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

Details of amounts relating to leases as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Right-of-use assets		
Properties	₩ 21,398,913	₩ 23,469,210
Vehicles	792,248	791,419
	<u>₩ 22,191,161</u>	<u>₩ 24,260,629</u>
Lease receivables	₩ 22,611,561	₩ 33,825,306

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Lease liabilities		
Current	₩ 19,788,582	₩ 18,821,004
Non-current	24,672,861	38,637,306
	<u>₩ 44,461,443</u>	<u>₩ 57,458,310</u>

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

Details of amounts relating to leases for the years ended December 31, 2020 and 2019, are as follows::

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Depreciation of right-of-use assets		
Properties	₩ 7,553,062	₩ 4,165,101
Vehicles	413,194	314,912
	<u>₩ 7,966,256</u>	<u>₩ 4,480,013</u>
Interest expense relating to lease liabilities (included in 'finance costs') <sup>1</sup>	₩ 1,744,285	₩ 1,798,227
Expense relating to short-term leases and leases of low-value assets	1,855,340	1,839,705

<sup>1</sup> There is a difference between interest expenses recognized with regard to the leases and interest expenses in the statement of comprehensive income due to capitalization of borrowing costs.

The total cash outflow and inflow for leases during the year ended December 31, 2020, were ₩ 21,888 million (2019: ₩ 18,076 million) and ₩ 13,765 million (2019: ₩ 11,767 million), respectively.

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**12. Intangible Assets**

(a) Details of intangible assets as at December 31, 2020 and 2019, are as follows:

*(in thousands of Korean won)*

	<b>2020</b>		
	<b>Acquisition cost</b>	<b>Accumulated amortization<sup>1</sup></b>	<b>Book amount</b>
Industrial rights	₩ 9,311,468	₩ (7,839,011)	₩ 1,472,457
Software	24,494,278	(22,613,161)	1,881,117
Others	77,590,568	(40,836,465)	36,754,103
	<u>₩ 111,396,314</u>	<u>₩ (71,288,637)</u>	<u>₩ 40,107,677</u>

*(in thousands of Korean won)*

	<b>2019</b>		
	<b>Acquisition cost</b>	<b>Accumulated amortization<sup>1</sup></b>	<b>Book amount</b>
Industrial rights	₩ 9,147,199	₩ (6,963,641)	₩ 2,183,558
Software	23,912,900	(21,529,536)	2,383,364
Others	71,472,062	(39,714,326)	31,757,736
	<u>₩ 104,532,161</u>	<u>₩ (68,207,503)</u>	<u>₩ 36,324,658</u>

<sup>1</sup> Includes accumulated impairment losses and government grants.

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(b) Changes in intangible assets for the years ended December 31, 2020 and 2019, are as follows:

*(in thousands of  
Korean won)*

	<b>2020</b>			
	<b>Industrial rights</b>	<b>Software</b>	<b>Others<sup>1</sup></b>	<b>Total</b>
Beginning balance, net	₩ 2,183,558	₩ 2,383,364	₩ 31,757,736	₩ 36,324,658
Acquisition	204,477	668,489	9,641,397	10,514,363
Disposal	(9,612)	(82)	(605,380)	(615,074)
Amortization	(905,966)	(1,170,654)	(1,340,252)	(3,416,872)
Impairment loss	-	-	(216,707)	(216,707)
Others <sup>1</sup>	-	-	(2,482,691)	(2,482,691)
Ending balance, net	<u>₩ 1,472,457</u>	<u>₩ 1,881,117</u>	<u>₩ 36,754,103</u>	<u>₩ 40,107,677</u>

<sup>1</sup> Others include greenhouse gas emission permits surrendered to the government and others.

*(in thousands of  
Korean won)*

	<b>2019</b>			
	<b>Industrial rights</b>	<b>Software</b>	<b>Others<sup>1</sup></b>	<b>Total</b>
Beginning balance, net	₩ 2,865,115	₩ 2,911,491	₩ 32,913,274	₩ 38,689,880
Acquisition	244,418	725,879	2,842,990	3,813,287
Disposal	(9,062)	(30,055)	(1,245,483)	(1,284,600)
Amortization	(915,550)	(1,211,262)	(1,422,649)	(3,549,461)
Impairment loss	-	-	(975,400)	(975,400)
Split-off (Note 33)	(1,363)	(12,689)	-	(14,052)
Others <sup>1</sup>	-	-	(354,996)	(354,996)
Ending balance, net	<u>₩ 2,183,558</u>	<u>₩ 2,383,364</u>	<u>₩ 31,757,736</u>	<u>₩ 36,324,658</u>

<sup>1</sup> Others include greenhouse gas emission permits surrendered to the government and others.

Amortization cost is classified as 'operating expenses' in the separate financial statements.

(c) Total research and development costs recognized by the Company amounts to ₩ 526,350 million (2019: ₩ 485,680 million), which are expensed as 'operating expenses'.

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(d) Emission permits

Allocated quantity of emission permits for the 2<sup>nd</sup> phase (2018 to 2020) as at December 31, 2020 and 2019, is as follows:

<i>(in KAU)</i>	<b>Emission permits allocated with nil consideration</b>	
	<b>2020</b>	<b>2019</b>
2 <sup>nd</sup> phase		
2018	51,758	51,758
2019	58,964	35,454
2020	35,453	35,453
	<u>146,175</u>	<u>122,665</u>

Changes in the allocated emission quantity and book amount during the years ended December 31, 2020 and 2019, are as follows:

	<b>2020</b>		<b>2019</b>	
	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>
Beginning balance	2,852	₩ 77,004	-	₩ -
Allocation with nil consideration	58,964	-	51,758	-
Purchase	25,100	905,900	16,000	432,000
Surrendered to the government	(71,534)	(470,583)	(64,906)	(354,996)
Ending balance	<u>15,382</u>	<u>₩ 512,321</u>	<u>2,852</u>	<u>₩ 77,004</u>

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**13. Investments in Subsidiaries, Associates and Joint Ventures**

(a) Details of investments in subsidiaries, associates and joint ventures of the Company as at December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

Name of entity	Primary business	Location	Year end	2020		2019
				Percentage of ownership (%)	Book amount	Book amount
<b>Subsidiaries</b>						
NAVER CLOUD CORP. (formerly, NAVER Business Platform)	Cloud service	Korea	December	100.00	₩ 98,449,807	₩ 98,449,807
NAVER I&S	Business support, workforce supply, and employee dispatch	Korea	December	100.00	28,031,186	28,031,186
NAVER WEBTOON COMPANY Corporation (formerly, NAVER webtoon) <sup>7</sup>	Webtoon service	Korea	December	100.00	27,076,000	340,610,134
WEBTOON Entertainment <sup>7</sup>	Webtoon service	USA	December	66.60	344,149,120	-
SNOW	Camera and communication application service	Korea	December	75.46	327,003,526	257,003,456
Drama & Company <sup>1</sup>	Business card application development and operations	Korea	December	40.59	29,308,399	29,308,399
Audiensori	Audio contents production and distribution	Korea	December	100.00	5,811,601	5,811,601
Company AI	AI service development and research	Korea	December	100.00	-	3,695,000
Search Solution	Searching solution development	Korea	December	100.00	3,459,255	3,459,255
Works Mobile	Groupware development and service	Korea	December	62.59	98,000,069	56,000,000
N-Visions	Exhibition and performance planning business	Korea	December	100.00	1,452,802	1,452,802
NAVER Labs	New technology development and research	Korea	December	100.00	34,332,903	74,341,924
NAVER Financial <sup>6</sup>	Electronic financial business	Korea	December	81.16	28,852,802	28,514,214
SB Next Media Innovation Fund	Investment	Korea	December	96.30	156,295,821	190,000,000
TBT Global Growth Fund I	Investment	Korea	December	89.91	99,000,000	99,000,000
NAVER-KTB Audio Contents Fund	Investment	Korea	December	99.00	26,928,000	26,928,000
SpringCamp Early Stage Fund 1	Investment	Korea	December	99.00	39,600,000	37,125,000
SpringCamp Early Stage Fund 2	Investment	Korea	December	88.18	10,000,000	-
LINE	Mobile service development	Japan	December	71.78	221,372,599	221,372,599
NAVER J.Hub	Global Business Support	Japan	December	100.00	868,948,890	84,467,200
NAVER China	Software development and distribution	China	December	83.00	6,820,604	6,820,604

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Name of entity	Primary business	Location	Year end	2020		2019
				Percentage of ownership (%)	Book amount	Book amount
LINE Conomi (formerly, LINE Tapas) <sup>3</sup>	Software development and distribution	Japan	December	49.90	4,847,572	4,847,572
V Live	Online streaming service	USA	December	100.00	-	-
NAVER BAND (formerly, Camp Mobile)	North America Community service and marketing	USA	December	100.00	-	-
NAVER France	Europe IT investment and research and development	France	December	100.00	302,902,769	302,902,769
NAVER VIETNAM	Online live broadcast service and local marketing	Vietnam	December	99.00	50,849,396	1,702,345
SVA Content Media	Investment	Korea	December	97.52	16,774,282	-
Do Ventures Annex Fund, LP	Investment	USA	December	99.01	177,075	-
SVA Soda Private Equity Partnership	Investment	Korea	December	98.10	22,002,860	-
Smart Spring Fund <sup>10</sup>	Investment	Korea	December	35.71	2,000,000	-
Naver-Quantum Contents 1 Fund	Investment	Korea	December	98.81	6,250,000	-
LINE Friends <sup>8</sup>	Character and doll wholesale and retail	Korea	December	30.00	85,000,048	-
NAVER Hands <sup>9</sup>	Standard workplace for the disabled operations	Korea	December	47.00	47,000	-
					2,945,744,386	1,901,843,867
<b>Associates</b>						
KG Allat <sup>5</sup>	Internet commerce payment service	Korea	December	-	-	1,924,560
NetMania	Software development and distribution	Korea	December	27.17	161,829	161,829
Synapsoft	Software development and distribution	Korea	December	26.43	1,249,990	1,249,990
ARO In Tech	Software development and distribution	Korea	December	29.85	500,000	500,000
Silicon Cube	Applied software development and distribution	Korea	December	41.89	-	2,598,400
NSPACE	Space service business	Korea	December	49.04	1,700,006	1,700,006
One Store	E-Commerce business	Korea	December	27.53	29,497,707	29,497,707
Alliance Internet	Revenue support for internet business start-up	Korea	December	23.53	200,000	200,000
BonAngels Pacemaker Fund	Investment	Korea	December	22.73	3,750,000	4,000,000
Korea Contents Mutual Aid Association <sup>2</sup>	Investment	Korea	December	57.76	10,000,000	10,000,000
Future Creation NAVER-Stonebridge Early Stage Start-up Fund	Investment	Korea	December	40.00	1,800,000	1,800,000
Future Creation NAVER-SB Startup Investment Fund	Investment	Korea	December	37.04	8,188,794	8,199,313
NAVER KIP Cheer up! Gamers Fund	Investment	Korea	December	50.00	2,450,000	4,500,000
NAVER-Suprema Youth Foundation No.5 Investment Fund	Investment	Korea	December	50.00	6,580,164	9,850,000
Mirae Asset-NAVER New Growth	Investment	Korea	December	50.00	49,000,176	39,000,176

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Name of entity	Primary business	Location	Year end	2020		2019
				Percentage of ownership (%)	Book amount	Book amount
<b>Fund 1</b>						
YG NAVER Contents & Lifestyle Fund <sup>2</sup>	Investment	Korea	December	90.91	50,000,000	50,000,000
Soran Media Venture Fund I <sup>2</sup>	Investment	Korea	December	66.67	1,000,000	1,000,000
MiraeAsset MAPS Private Placement Real Estate 62	Investment	Korea	December	45.08	196,330,551	196,330,551
MiraeAsset-Naver Asia Growth Fund <sup>4</sup>	Investment	Korea	December	16.67	62,476,265	50,940,103
DHP private equity fund 3	Investment	Korea	December	25.16	200,000	-
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	Investment	Singapore	December	40.00	249,247,176	202,837,282
Digital Media Partners II	Investment	Cayman Islands	December	26.09	3,370,770	3,370,770
K-Fund I <sup>2</sup>	Investment	Korea	December	74.81	147,728,572	134,617,229
China Ventures Fund I, L.P. <sup>2</sup>	Investment	China	December	70.33	143,274,892	141,715,229
AIRI, Inc. <sup>4</sup>	AI technology research and investment	Korea	December	14.29	3,000,000	-
YN Culture & Space	Record Production and Planning	Korea	December	49.37	1,974,950	-
Do Ventures Fund I-A, LP	Investment	Cayman Islands	December	34.17	5,926,500	-
Carousell Pte Ltd	Investment	USA	December	8.13	74,862,910	-
SMEJ Plus.	Record, musician management	Japan	December	30.07	38,366,926	-
Smart Korea Rising Investment Association	Naver-Stonebridge Investment	Korea	December	37.74	2,000,000	-
					1,094,838,178	895,993,145
<b>Joint ventures</b>						
China Lab	Database and online information service	Korea	December	49.00	98,000	98,000
JobsN	Online information service	Korea	December	49.00	98,000	98,000
YEOPEUL	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Cineplay	Online information service and online advertising	Korea	December	49.00	98,000	98,000
Designpress	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Interbiz (Dong-A JV)	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Artitian (Kyunghyang Daily News JV)	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Schooljam (EBS JV)	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Agroplus (Korea Business JV)	Online information service	Korea	December	49.00	98,000	98,000

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Name of entity	Primary business	Location	Year end	2020		2019
				Percentage of ownership (%)	Book amount	Book amount
Sumlab (Munhwa Ilbo JV)	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Techplus (Electronic Times JV)	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Animal and Human Story (Hankook Ilbo JV)	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Law and Media (Money Today JV)	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
DANAA Data	Software development and distribution	Korea	December	49.00	4,900,000	4,900,000
					6,174,000	6,174,000
					₩ 4,046,756,564	₩ 2,804,011,012

<sup>1</sup> Although the Company has less than 50% ownership in Drama & Company, the Company is considered to have control over this entity since LINE Plus, a subsidiary of the Company, owns 40.59% ownership of the entity. As a result, Drama & Company has been classified as a subsidiary.

<sup>2</sup> Although the Company has more than 50% ownership in the investees, the Company does not have control over these entities by virtue of agreements and classifies them as associates.

<sup>3</sup> The Company is considered to have control over LINE Conomi (formerly known as LINE Tapas) since LINE, a subsidiary of the Company owns 50.1% ownership of the entity. As a result, LINE Conomi has been classified as a subsidiary.

<sup>4</sup> As at December 31, 2020, although the Company has less than 20% ownership in the investees, the Company has significant effect over these entities by virtue of agreements and classified as associates.

<sup>5</sup> Excluded from investments in associates and joint ventures due to the decreased Company's ownership in these entities during the year ended December 31, 2020.

<sup>6</sup> The Company's ownership in NAVER Financial is based on the number of shares with voting right.

<sup>7</sup> During the year ended December 31, 2020, NAVER WEBTOON COMPANY Corporation (formerly, NAVER webtoon) spun off its business divisions excluding the Chinese business division, and Naver Webtoon LLC (formerly, Webtoon Entertainment Korea) merged with the spin-off divisions, and the Company received shares of WEBTOON Entertainment as a consideration of the merger through division.

<sup>8</sup> Although the Company has less than 50% ownership in LINE Friends, the Company is considered to



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have control over this entity since LINE Split Preparation, a subsidiary of the Company, owns 70% ownership of the entity. As a result, LINE Friends has been classified as a subsidiary.

<sup>9</sup> Although the Company has less than 50% ownership in NAVER Hands, the Company is considered to have control over this entity since SNOW, NAVER Financial, NAVER WEBTOON COMPANY Corporation and NAVER CLOUD CORP., subsidiaries of the Company, own 53% ownership of the entity. As a result, NAVER Hands has been classified as a subsidiary.

<sup>10</sup> Although the Company owns less than 50% ownership in Smart Spring Fund, the Company is considered to have control over this entity since Spring Camp, a subsidiary of the Company, owns 12.68% ownership of the entity and the Company has significant influence over investment decision-makings as a general partner. As a result, Smart Spring Fund has been classified as a subsidiary.

(b) Changes in investments in subsidiaries, associates and joint ventures for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Beginning balance	₩ 2,804,011,012	₩ 2,102,324,066
Acquisition	1,851,224,291	742,186,582
Disposal	(499,334,225)	(6,011,952)
Impairment <sup>1</sup>	(109,381,071)	(36,859,147)
Increase due to split-off (Note 34)	-	28,411,695
Others	236,556	(26,040,232)
Ending balance	<u>₩ 4,046,756,564</u>	<u>₩ 2,804,011,012</u>

<sup>1</sup> The Company recognized impairment losses as the carrying amounts of investments exceed their recoverable amounts due to persistent operating losses of Naver Labs, NAVER WEBTOON COMPANY Corporation and others. The recoverable amount is measured on the value in use or the fair value less the costs of disposal which were estimated using an income approach. An assumed discount rate used for the measurement of value in use is 14.3%.

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**14. Trade and Other Payables**

Trade and other payables as at December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020		2019	
	Current	Non-current	Current	Non-current
Financial Liabilities				
Non-trade payables	₩ 443,825,417	₩ -	₩ 312,922,831	₩ -
Accrued expenses	19,951	-	19,951	-
Deposits received	2,512,000	8,049,548	3,986,553	7,870,648
	<u>446,357,368</u>	<u>8,049,548</u>	<u>316,929,335</u>	<u>7,870,648</u>
Non-financial Liabilities				
Accrued expenses	123,320,484	6,460,830	105,597,081	198,154
	<u>₩ 569,677,852</u>	<u>₩ 14,510,378</u>	<u>₩ 422,526,416</u>	<u>₩ 8,068,802</u>

**15. Other Liabilities**

Other liabilities as at December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020		2019	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 178,344,073	₩ -	₩ 140,380,376	₩ -
Unearned revenues	6,112,763	269,097	3,889,302	321,181
Withholdings	4,401,467	-	6,323,489	-
VAT withholdings	58,797,559	-	55,020,083	-
	<u>₩ 247,655,862</u>	<u>₩ 269,097</u>	<u>₩ 205,613,250</u>	<u>₩ 321,181</u>

**16. Borrowings**

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

(in thousands of Korean won)

	Lender	Maturity date	Annual interest rate (%)	2020		2019	
Short-term borrowings	KEB Hana Bank	January 1, 2021	1.87	₩ 10,000,000	₩	..	..
	Shinhan Bank	January 1, 2021	1.71	30,000,000	₩	..	..
				<u>₩ 40,000,000</u>	<u>₩</u>	<u>..</u>	<u>..</u>

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**17. Provisions**

Changes in provisions for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020				
	Provision for litigation	Provision for restoration	Provision for greenhouse gas emissions	Others <sup>1</sup>	Total
Beginning balance	₩ 926,439	₩ 1,819,748	₩ 972,621	₩ -	₩ 3,718,808
Charged / (credited) to the statement of comprehensive income					
Additional provisions	1,500	43,883	183,361	27,732,000	27,960,744
Unused amounts reversed	-	-	-	-	-
Charged during the year	-	442,876	-	3,356,363	3,799,239
Used during the year	-	-	(470,583)	(373,638)	(844,221)
Ending balance	₩ 927,939	₩ 2,306,507	₩ 685,399	₩ 30,714,725	₩ 34,634,570
Current	₩ 927,939	₩ 213,646	₩ 685,399	₩ 30,714,725	₩ 32,541,709
Non-current	-	2,092,861	-	-	2,092,861

<sup>1</sup>In relation to certain services provided by the Company, a penalty amounting to ₩ 27,732 million, which had been imposed by the Fair Trade Commission, is recognized as provision at December 31, 2020.

(in thousands of Korean won)

	2019				
	Provision for litigation	Provision for customer loyalty program	Provision for restoration	Provision for greenhouse gas emissions	Total
Beginning balance	₩ 926,439	₩ 249,054	₩ 796,235	₩ -	₩ 1,971,728
Charged / (credited) to the statement of comprehensive income					
Additional provisions	-	-	16,615	1,327,617	1,344,232
Unused amounts reversed	-	(249,054)	(8,111)	-	(257,165)
Charged during the year	-	-	1,015,009	-	1,015,009
Used during the year	-	-	-	(354,996)	(354,996)
Ending balance	₩ 926,439	₩ -	₩ 1,819,748	₩ 972,621	₩ 3,718,808
Current	₩ 926,439	₩ -	₩ -	₩ 972,621	₩ 1,899,060
Non-current	-	-	1,819,748	-	1,819,748

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**18. Post-Employment Benefits**

**18.1 Defined benefit pension plans**

The Company operates defined benefit pension plans. The level of benefits provided depends on employees' length of service and their salary in the final years leading up to retirement. The certain amount of benefits are funded by trustee administered funds. Plan assets held in trusts are governed by local regulations and practice in each country.

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

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Present value of funded defined benefit liabilities	₩	14,868,149	₩	15,591,778
Present value of unfunded defined benefit liabilities		<u>216,830,135</u>		<u>179,838,683</u>
Sub total		231,698,284		195,430,461
Fair value of plan assets		<u>(10,958,058)</u>		<u>(11,169,837)</u>
Liability in the statement of financial position	₩	<u>220,740,226</u>	₩	<u>184,260,624</u>

(b) Changes in the defined benefit liabilities for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Beginning balance	₩	195,430,461	₩	164,752,463
Current service cost		39,858,378		30,739,656
Interest expense		5,299,370		4,632,868
Remeasurements:				
Actuarial losses from change in demographic assumptions		16,338,431		5,817,149
Actuarial losses (gains) from changes in financial assumptions		(19,333,763)		7,502,230
Actuarial losses from experience adjustments		3,147,665		4,737,152
Payments from plans:				
Benefit payments		(9,556,292)		(14,324,276)
Transfer to / from subsidiaries		514,034		(553,290)
Split-off (Note 34)		-		(7,873,491)
Ending balance	₩	<u>231,698,284</u>	₩	<u>195,430,461</u>

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(c) Changes in the fair value of plan assets for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Beginning balance	₩	11,169,837	₩	12,204,180
Interest income		297,671		333,243
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)		(88,599)		(154,425)
Payments from plans:				
Benefit payments		(420,851)		(1,213,161)
Ending balance	₩	<u>10,958,058</u>	₩	<u>11,169,837</u>

(d) Plan assets as at December 31, 2020 and 2019, consist of:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>
Cash and cash equivalents	₩ 854,728	7.8%	₩ 302,703	2.7%
Beneficiary certificates	524,891	4.8%	1,309,105	11.7%
Government bonds	9,578,439	87.4%	9,558,030	85.6%
	₩ <u>10,958,058</u>	<u>100.0%</u>	₩ <u>11,169,837</u>	<u>100.0%</u>

(e) The principal actuarial assumptions as at December 31, 2020 and 2019, are as follows:

	<b>2020</b>	<b>2019</b>
Discount rate	3.04%	2.85%
Salary growth rate	5.69%	6.52%

(f) The sensitivity analysis of the defined benefit liabilities to changes in the principal assumptions is:

<i>(in thousands of Korean won)</i>	<b>Impact on defined benefit obligation</b>		
	<b>Changes in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
Discount rate	1% increase/decrease	₩ (25,319,084)	₩ 30,112,049
Salary growth rate	1% increase/decrease	29,022,961	(24,974,201)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

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

(g) Effects of defined benefit plans on future cash flows

There are no expected contributions to plan assets for the year ending December 31, 2021, and the weighted average duration of the defined benefit obligation is 12.45 years.

**18.2 Other Short-term and Long-term Employee Benefits**

The short-term employee benefits represent the amount recognized for paid absences in respect of service rendered by employees in the current period and other long-term employee benefits represent the amount recognized for long-term paid absences for which the employees render the related services.

*(in thousands of Korean won)*

	<b>2020</b>		<b>2019</b>	
Short-term employee benefits	₩	27,308,676	₩	21,333,835
Other long-term employee benefits		<u>15,317,398</u>		<u>11,023,152</u>
	₩	<u>42,626,074</u>	₩	<u>32,356,987</u>

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**19. Issuance and Acquisition of Shares**

The Company's total number of authorized shares is 300,000,000 shares. As at December 31, 2020, the Company has issued 164,263,395 ordinary shares (par value - ₩ 100 per share) and 16,804,360 treasury shares (excludes retired shares). The Company's share capital and share premium as at December 31, 2020, amount to ₩ 16,481,340 thousand and ₩ 132,920,605 thousand, respectively. The par value of outstanding shares amounting to ₩ 16,426,340 thousand differs from the share capital (₩ 16,481,340 thousand) due to the retirement of shares.

**20. Other Components of Equity**

Other components of equity as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Treasury shares	₩ (1,214,756,394)	₩ (1,390,387,655)
Stock options	39,122,209	10,910,448
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	2,699,257	(108,216,212)
Others	(60,838,113)	(60,838,113)
	<u>₩ (1,233,773,041)</u>	<u>₩ (1,548,531,532)</u>

The Company acquired 83,000 shares (2019: 735,295 shares) of treasury shares amounting to ₩ 15,516 million (2019: ₩ 93,689 million) and retired 550,000 treasury shares for the year ended December 31, 2020, which are accounted for as other components of equity. In addition, the Company disposed of 2,094,240 shares (acquisition cost of ₩ 151,389 million) through treasury shares exchange transaction with CJ logistics Corporation and 2 affiliate companies and recognized gain on disposal of treasury shares amounting to ₩ 328,485 million.

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**21. Share-Based Payments**

As at December 31, 2020, the Company entered into share-based payment agreements for the employees and directors of the Company upon the resolution of shareholders' meetings and the Board of Directors.

(1) Equity-settled stock option

Details of equity-settled stock options granted to employees as at December 31, 2020, are as follows:

	<b>Granted on February 27, 2019</b>	<b>Granted on March 22, 2019</b>	<b>Granted on February 26, 2020</b>	<b>Granted on February 26, 2020</b>	<b>Granted on March 27, 2020</b>
Vesting condition	More than two years' service from the grant date	More than three years' service from the grant date	More than two years' service from the grant date	More than three years' service from the grant date	More than three years' service from the grant date
Exercisable period and condition	Five years from the exercisable date	- Five years from the exercisable date - If daily closing price for ten consecutive days immediately preceding the exercising date or during the exercisable period are ₩ 192,000 or greater	Five years from the exercisable date	- Five years from the exercisable date - If daily closing price for ten consecutive days immediately preceding the exercising date or during the exercisable period are ₩ 192,000 or greater	- Five years from the exercisable date - If daily closing price for ten consecutive days immediately preceding the exercising date or during the exercisable period are ₩ 192,000 or greater
Authorized shares	Registered ordinary shares				
Granting method	Either issuance of shares or distribution of treasury shares				



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The changes in the number of equity-settled stock options and weighted average exercise prices for the years ended December 31, 2020 and 2019, are as follows:

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

Grant date	2020					
	Beginning unexercised balance	Granted	Exercised	Expired	Ending unexercised balance	
2019.2.27	407,112	-	-	(14,088)	393,024	
2019.3.22	812,000	-	-	(25,000)	787,000	
2020.2.26	-	162,869	-	(9,116)	153,753	
2020.2.26	-	907,000	-	(25,500)	881,500	
2020.3.27	-	682,000	-	(12,000)	670,000	
Total number of stock option	1,219,112	1,751,869	-	(85,704)	2,885,277	
Weighted average exercise price	₩ 130,299	₩ 186,000	₩ -	₩ 160,570	₩ 163,220	

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

Grant date	2019					
	Beginning unexercised balance	Granted	Exercised	Expired	Ending unexercised balance	
2019.2.27	-	426,167	-	(19,055)	407,112	
2019.3.22	-	837,000	-	(25,000)	812,000	
Total number of stock option	-	1,263,167	-	(44,055)	1,219,112	
Weighted average exercise price	₩ -	₩ 130,292	₩ -	₩ 130,092	₩ 130,299	

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The Company calculated the compensation costs using binomial model and Least Square Monte-Carlo (“LSMC”), and the assumptions and inputs used for calculation of the compensation costs are as follows:

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

	<b>February 27, 2019</b>	<b>March 22, 2019</b>	<b>February 26, 2020</b>	<b>February 26, 2020</b>	<b>March 27, 2020</b>
Risk-free interest rate (%)	1.98	1.92	1.40	1.40	1.48
Expected option life	7 years	8 years	7 years	8 years	8 years
Expected price volatility (%)	24.30	24.00	20.40	20.40	24.00
Expected dividend yield (%)	0.24	0.25	0.16	0.16	0.20
Share price at grant date	₩ 129,500	₩ 127,000	₩ 190,500	₩ 190,500	₩ 152,500
Fair value of stock options at grant date	₩ 39,906	₩ 19,365	₩ 48,526	₩ 37,580	₩ 18,219
Exercise price	₩ 128,900	₩ 131,000	₩ 186,000	₩ 186,000	₩ 186,000

The amount of expenses recognized in relation to equity-settled stock options is ₩ 28,092 million (2019: ₩ 10,808 million) and the amount recognized as an investment in a subsidiary is ₩ 751 million (2019: ₩ 103 million) for the year ended December 31, 2020.

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(2) Cash-settled stock options

Details cash-settled stock options granted by some of the Company's subsidiaries to their employees as at December 31, 2020, are as follows

	<b>Granted on February 27, 2019</b>	<b>Granted on March 22, 2019</b>	<b>Granted on February 26, 2020</b>	<b>Granted on February 26, 2020</b>	<b>Granted on April 30, 2020</b>
Granted by	Certain subsidiaries of NAVER Corporation				
Vesting condition	More than two years' service from the grant date	More than three years' service from the grant date	More than two years' service from the grant date	More than three years' service from the grant date	More than two years' service from the grant date
Exercisable period and condition	Five years from the exercisable date	- Five years from the exercisable date - If daily closing price for ten consecutive days immediately preceding the exercising date or during the exercisable period are ₩ 192,000 or greater	Five years from the exercisable date	- Five years from the exercisable date - If daily closing price for ten consecutive days immediately preceding the exercising date or during the exercisable period are ₩ 192,000 or greater	Five years from the exercisable date

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The changes in the number of cash-settled stock options and weighted average exercise prices for the years ended December 31, 2020 and 2019, are as follows:

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

Grant date	2020				
	Beginning unexercised balance	Transfer from/to associates	Exercised	Expired	Ending unexercised balance
2019.02.27	5,999	1,187	-	(663)	6,523
2019.03.22	1,000	1,000	-	-	2,000
2020.02.26	-	1,482	-	-	1,482
2020.02.26	-	4,000	-	-	4,000
2020.04.30	-	212	-	-	212
Total number of stock option	6,999	7,881	-	(663)	14,217
Weighted average exercise price	₩ 129,200	₩ 170,421	₩ -	₩ 128,900	₩ 152,064

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

Grant date	2019				
	Beginning unexercised balance	Transfer from/to associates	Exercised	Expired	Ending unexercised balance
2019.2.27	-	6,616	-	(617)	5,999
2019.3.22	-	1,000	-	-	1,000
Total number of stock option	-	7,616	-	(617)	6,999
Weighted average exercise price	₩ -	₩ 129,176	₩ -	₩ 128,900	₩ 129,200

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The Company calculated the compensation costs using binomial model and Monte-Carlo, and the assumptions and inputs used for calculation of the compensation costs are as follows:

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

	<b>February 27, 2019</b>	<b>March 22, 2019</b>	<b>February 26, 2020</b>	<b>February 26, 2020</b>	<b>April 30, 2020</b>
Risk-free interest rate (%)	1.40	1.48	1.48	1.57	1.48
Expected option life	5.16 years	6.22 years	6.16 years	7.16 years	6.16 years
Expected price volatility (%)	34.90	34.90	34.90	34.90	34.90
Expected dividend yield (%)	0.13	0.13	0.13	0.13	0.13
Share price at the end of period	₩ 292,500	₩ 292,500	₩ 292,500	₩ 292,500	₩ 292,500
Fair value of stock options granted at the end of period	₩ 175,274	₩ 167,026	₩ 144,609	₩ 133,200	₩ 144,609
Exercise price	₩ 128,900	₩ 131,000	₩ 186,000	₩ 186,000	₩ 186,000

The amount of expenses recognized in relation to cash-settled stock options is ₩ 958 million (2019: ₩ 192 million) for the year ended December 31, 2020.

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**22. Retained Earnings**

Retained earnings as at December 31, 2020 and 2019, consist of:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Legal reserves <sup>1</sup>	₩ 8,240,670	₩ 8,240,670
Other reserves	13,909,234	13,909,234
Retained earnings before appropriation	<u>7,781,376,665</u>	<u>6,677,040,773</u>
	<u>₩ 7,803,526,569</u>	<u>₩ 6,699,190,677</u>

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

The appropriation of retained earnings for the year ended December 31, 2020, is expected to be appropriated at the shareholders' meeting on March 24, 2021. The appropriation date for the year ended December 31, 2019, was March 27, 2020.

The appropriation of retained earnings for the years ended December 31, 2020 and 2019, is as follows:

<i>(in thousands of Korean won)</i>	<b>December 31, 2020</b> <b>(Expected appropriation</b> <b>date: March 24, 2021)</b>	<b>December 31, 2019</b> <b>(Actual appropriation date:</b> <b>March 27, 2020)</b>
Retained earnings available for appropriation		
Unappropriated retained earnings carried over from prior year	₩ 6,622,352,402	₩ 5,587,489,290
Profit for the year	1,196,924,544	1,092,524,543
Remeasurements of the defined benefit liabilities	(176,218)	(13,343,168)
Gain on disposal of equity instruments at fair value - other comprehensive income	2,034,430	10,370,394
Changes in accounting policies	-	(286)
Retirement of treasury shares	<u>(39,758,492)</u>	<u>-</u>
	<u>7,781,376,665</u>	<u>6,677,040,773</u>
Appropriation of retained earnings		
Dividends		
Dividends per share:		
2020: ₩ 402 (402%)		
2019: ₩ 376 (376%)	<u>59,278,532</u>	<u>54,688,371</u>
Unappropriated retained earnings to be carried forward	<u>₩ 7,722,098,133</u>	<u>₩ 6,622,352,402</u>

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**23. Operating Expenses**

Operating expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Salaries and wages	₩ 388,803,963	₩ 380,490,676
Post-employment benefits	43,017,186	33,274,499
Employee benefits	65,611,750	58,008,292
Share-based payment expenses	29,050,863	11,000,075
Depreciation	36,963,536	36,305,257
Depreciation of right-of-use assets	7,966,256	4,480,013
Amortization	3,416,872	3,549,461
Utility	17,637,694	16,936,514
Taxes and dues	7,633,240	8,239,533
Commission	1,614,031,361	1,590,238,689
Advertising	425,634,461	321,632,179
Supplies	8,384,569	6,040,133
Others	37,663,830	36,005,980
	<u>₩ 2,685,815,581</u>	<u>₩ 2,506,201,301</u>

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**24. Other Income and Other Expenses**

Details of other income for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Rental income	₩	2,512,335	₩	2,411,893
Foreign currency exchange gain		3,385,190		2,048,637
Gain on disposal of property and equipment		648,068		283,627
Gain on disposal of intangible assets		427,500		97,022
Gain on disposal of investments in subsidiaries and associates		35,666,870		2,845,025
Others		8,094,249		12,195,766
	₩	<u>50,734,212</u>	₩	<u>19,881,970</u>

Details of other expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Foreign currency exchange loss	₩	7,888,072	₩	2,223,598
Donations		52,401,364		50,522,616
Impairment loss on investments in subsidiaries and associates		109,381,071		36,859,147
Others		37,301,686		9,938,345
	₩	<u>206,972,193</u>	₩	<u>99,543,706</u>



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**25. Finance Income and Finance Costs**

Details of finance income for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Dividends income	₩	46,848,446	₩	28,780,987
Foreign currency exchange gain		2,359,164		3,904,300
Gain on valuation of financial assets at fair value - profit or loss		356,603,765		225,658,560
Gain on transactions of financial assets at fair value - profit or loss		6,304,070		8,256,341
Gain on transactions of financial assets at fair value - other comprehensive income		-		490,453
Gain on disposal of financial assets at amortized cost		-		65,000
	₩	<u>412,115,445</u>	₩	<u>267,155,641</u>

Details of finance costs for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Interest expenses	₩	43,883	₩	-
Foreign currency exchange loss		1,717,137		10,449,248
Loss on valuation of financial assets at fair value - profit or loss		39,489,048		34,090,844
Loss on transactions of financial assets at fair value - profit or loss		-		912,765
Loss on transactions of financial assets at fair value - other comprehensive income		-		1,047,017
Others		93,310		1,129,750
	₩	<u>41,343,379</u>	₩	<u>47,629,624</u>

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**26. Income Tax Expense**

Income tax expense for the years ended December 31, 2020 and 2019, consists of:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Current tax:		
Current tax on profits for the year	₩ 412,119,332	₩ 407,748,388
Adjustments in respect of prior year	(3,006,814)	(10,731,329)
Deferred tax:		
Origination and reversal of temporary differences	53,416,004	49,648,848
Impact of changes in corporate tax rate	850,849	2,305,619
Income tax expense	<u>₩ 463,379,371</u>	<u>₩ 448,971,526</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Profit before income tax expense	<u>₩ 1,660,303,914</u>	<u>₩ 1,541,496,069</u>
Income tax expense calculated at statutory tax rate	446,121,847	413,549,419
Adjustments:		
Non-taxable income	(3,969,969)	(859,765)
Non-deductible expenses	16,504,521	9,744,659
Change in reserve at beginning	467,319	20,530,194
Changes in unrecognized deferred tax asset	32,259,061	18,539,748
Adjustment in respect of prior years	(3,006,814)	(10,731,329)
Tax effects on recirculation of corporate income	9,741,204	9,226,260
Effects of consolidated tax return	(37,235,333)	(14,457,260)
Change in deferred tax attributable to the corporate tax rate and timing of realization	850,849	2,305,619
Others	1,646,686	1,123,981
Income tax expense	<u>₩ 463,379,371</u>	<u>₩ 448,971,526</u>

The weighted average applicable tax rate of the Company was 26.81% (2019: 26.83%).

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Income tax effect relating to components of other comprehensive income (loss) for the years ended December 31, 2020 and 2019, is as follows:

*(in thousands of Korean won)*

	<b>2020</b>		
	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Gain (loss) on valuation of financial assets at fair value - other comprehensive income	₩ 151,385,652	₩ (40,470,183)	₩ 110,915,469
Remeasurements of net defined benefit liabilities	(240,933)	64,715	(176,218)
	<u>₩ 151,144,719</u>	<u>₩ (40,405,468)</u>	<u>₩ 110,739,251</u>

*(in thousands of Korean won)*

	<b>2019</b>		
	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Gain (loss) on valuation of financial assets at fair value - other comprehensive income	₩ 17,896,446	₩ (5,987,499)	₩ 11,908,947
Remeasurements of net defined benefit liabilities	(18,210,957)	4,867,789	(13,343,168)
	<u>₩ (314,511)</u>	<u>₩ (1,119,710)</u>	<u>₩ (1,434,221)</u>

The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the year ended December 31, 2020, is as follows. And, there are no income tax effect that are charged or credited directly to equity for the year ended December 31, 2019.

*(in thousands of Korean won)*

	<b>2020</b>		
	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Gain (loss) on disposal of treasury shares	₩ 448,610,988	₩ (120,125,747)	₩ 328,485,241
Gain (loss) on disposal of financial assets at fair value - other comprehensive income	2,781,557	(747,126)	2,034,431
	<u>₩ 451,392,545</u>	<u>₩ (120,872,873)</u>	<u>₩ 330,519,672</u>

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The analysis of deferred tax assets and liabilities as at December 31, 2020 and 2019, is as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Deferred tax assets				
Deferred tax asset to be recovered within 12 months	₩	51,587,160	₩	40,917,532
Deferred tax asset to be recovered after more than 12 months		84,988,325		108,419,758
		<u>136,575,485</u>		<u>149,337,290</u>
Deferred tax liabilities				
Deferred tax liability to be recovered within 12 months		194,304		(76,833,962)
Deferred tax liability to be recovered after more than 12 months		(166,439,124)		(7,500,342)
		<u>(166,244,820)</u>		<u>(84,334,304)</u>
Deferred tax assets (liabilities), net	₩	<u>(29,669,335)</u>	₩	<u>65,002,986</u>

The movement in deferred tax assets and liabilities for the years ended December 31, 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>			
	<b>Beginning balance</b>	<b>Statement of profit or loss</b>	<b>Other comprehensive income (loss)</b>	<b>Ending balance</b>
Investments in subsidiaries and associates	₩ (223,724)	₩ (198,837)	₩ -	₩ (422,561)
Financial assets at fair value - profit or loss	(84,090,437)	(81,080,183)	-	(165,170,620)
Accrued income	(20,143)	(290,030)	-	(310,173)
Financial assets at fair value - other comprehensive income	40,056,608	72,108	(40,470,182)	(341,466)
<b>Deferred tax liabilities</b>	<u>(44,277,696)</u>	<u>(81,496,942)</u>	<u>(40,470,182)</u>	<u>(166,244,820)</u>
Provision for impairment	1,774,007	(1,318,021)	-	455,986
Intangible assets	4,634,754	(67,983)	-	4,566,771
Accrued expenses	27,476,415	4,497,125	-	31,973,540
Net defined benefit liabilities	47,179,870	12,046,240	64,715	59,290,825
Provisions	1,288,462	8,532,039	-	9,820,501
Depreciation	20,560,452	3,553,025	-	24,113,477
Others	6,366,722	(12,337)	-	6,354,385
<b>Deferred tax assets</b>	<u>109,280,682</u>	<u>27,230,088</u>	<u>64,715</u>	<u>136,575,485</u>
<b>Deferred tax assets (liabilities), net</b>	<u>₩ 65,002,986</u>	<u>₩ (54,266,854)</u>	<u>₩ (40,405,467)</u>	<u>₩ (29,669,335)</u>

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(in thousands of Korean won)	2019					
	Beginning balance	Changes in accounting policies	Statement of profit or loss	Other comprehensive income (loss)	Split-off	Ending balance
Investments in subsidiaries and associates	₩ (567,952)	₩ -	₩ 344,228	₩ -	₩ -	₩ (223,724)
Financial assets at fair value - profit or loss	(19,531,782)	-	(64,558,655)	-	-	(84,090,437)
Accrued income	(1,066,937)	-	1,046,794	-	-	(20,143)
<b>Deferred tax liabilities</b>	<b>(21,166,671)</b>	<b>-</b>	<b>(63,167,633)</b>	<b>-</b>	<b>-</b>	<b>(84,334,304)</b>
Provision for impairment	1,397,413	-	376,594	-	-	1,774,007
Financial liabilities at fair value - profit or loss	1,991,793	-	(1,991,793)	-	-	-
Financial assets at fair value - other comprehensive income	46,118,137	-	(74,030)	(5,987,499)	-	40,056,608
Intangible assets	4,562,225	-	72,529	-	-	4,634,754
Accrued expenses	16,333,073	-	11,143,342	-	-	27,476,415
Net defined benefit liabilities	41,874,504	-	2,510,572	4,867,789	(2,072,995)	47,179,870
Provisions	1,026,679	-	261,783	-	-	1,288,462
Depreciation	17,066,936	-	3,493,516	-	-	20,560,452
Others	10,945,961	108	(4,579,347)	-	-	6,366,722
<b>Deferred tax assets</b>	<b>141,316,721</b>	<b>108</b>	<b>11,213,166</b>	<b>(1,119,710)</b>	<b>(2,072,995)</b>	<b>149,337,290</b>
<b>Deferred tax assets (liabilities), net</b>	<b>₩ 120,150,050</b>	<b>₩ 108</b>	<b>₩ (51,954,467)</b>	<b>₩ (1,119,710)</b>	<b>₩ (2,072,995)</b>	<b>₩ 65,002,986</b>

The Company did not recognize deferred tax assets for the temporary differences amounting to ₩ 400,706 million (2019: ₩ 280,707 million) from the investments in subsidiaries / associates and others which are not subject to disposal.

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**27. Earnings per Share**

(a) Basic earnings per share for the years ended December 31, 2020 and 2019, is calculated as follows:

<i>(in thousands of Korean won and in number of shares)</i>	<b>2020</b>	<b>2019</b>
Profit for the year attributable to ordinary shares	₩ 1,196,924,544	₩ 1,092,524,543
Weighted average number of ordinary shares	145,724,906	145,532,908
Basic earnings per share <i>(in Korean won)</i>	<u>₩ 8,214</u>	<u>₩ 7,507</u>

(b) Weighted average number of ordinary shares outstanding for the years ended December 31, 2020 and 2019, is calculated as follows:

<i>(in number of shares)</i>	<b>2020</b>	
	<b>Number of ordinary shares outstanding</b>	<b>Cumulative shares</b>
Beginning balance	145,447,795	53,233,892,970
Treasury shares acquisition	(83,000)	(26,325,964)
Disposal of treasury shares	2,094,240	127,748,640
		<u>53,335,315,646</u>

Weighted average number of ordinary shares outstanding:  
53,335,315,646 ÷ 366 days = 145,724,906 shares

<i>(in number of shares)</i>	<b>2019</b>	
	<b>Number of ordinary shares outstanding</b>	<b>Cumulative shares</b>
Beginning balance	146,183,090	53,356,827,850
Treasury shares acquisition	(735,295)	(237,316,467)
		<u>53,119,511,383</u>

Weighted average number of ordinary shares outstanding:  
53,119,511,383 ÷ 365 days = 145,532,908 shares

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(c) Diluted Earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has stock options as dilutive potential ordinary shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the share options are exercised.

<i>(in thousands of Korean won and in number of shares)</i>	<b>2020</b>		<b>2019</b>	
Profit (loss) attributable to the controlling ordinary shareholders of the Company	₩	1,196,924,544	₩	1,092,524,543
Profit (loss) for calculating diluted earnings per share		1,196,924,544		1,092,524,543
Weighted average number of ordinary shares outstanding		145,724,906		145,532,908
Stock option		805,705		-
Weighted average number of ordinary shares outstanding for calculating diluted earnings (loss) per share		146,530,611		145,532,908
Diluted earnings (loss) per share		8,168		7,507

**28. Dividends**

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

<i>(in thousands of Korean won and in number of shares)</i>	<b>2020</b>		<b>2019</b>	
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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**29. Cash Generated from Operations**

Details of cash generated from operations and changes in assets and liabilities due to operations for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Profit for the year	₩ 1,196,924,544	₩ 1,092,524,543
Adjustments:		
Depreciation	36,963,536	36,305,257
Depreciation – ROU assets	7,966,256	4,480,013
Amortization	3,416,872	3,549,461
Gain on valuation of financial assets at fair value - profit or loss	(356,603,765)	(225,658,560)
Loss on valuation of financial assets at fair value - profit or loss	39,489,048	34,090,844
Gain on transaction of financial assets at fair value - profit or loss	(6,304,070)	(8,256,341)
Loss on transaction of financial assets at fair value - profit or loss	-	912,765
Gain on transaction of financial assets at fair value - other comprehensive income	-	(490,453)
Loss on transaction of financial assets at fair value - through other comprehensive income	-	1,047,017
Gain on disposal of investments in subsidiaries and associates	(35,666,870)	(2,845,025)
Impairment loss of investments in subsidiaries and associates	109,381,071	36,859,147
Interest income	(4,956,097)	(7,819,792)
Interest expenses	43,883	-
Dividends income	(46,848,446)	(28,780,987)
Post-employment benefits	43,017,186	33,274,499
Income tax expenses	463,379,370	448,971,526
Share-based payment expenses	29,050,863	11,000,075
Others	32,219,660	(548,050)
Changes in operating assets and liabilities, net:		
Increase in trade receivables	(49,966,900)	(86,690,680)
Decrease in other receivables	30,409,146	34,219,174
Decrease (increase) in other current assets	28,285,849	(549,375)
Increase in other non-current assets	(35,498,546)	(2,395,933)
Increase in other payables	129,758,002	173,228,812
Increase in accrued expenses	16,669,361	43,798,691
Increase in other liabilities	41,154,126	141,513,343
Increase in long-term accrued expenses	6,010,207	-
Decrease in net defined benefit liabilities	(7,273,037)	(11,899,624)
Others	(2,687,593)	4,657,860
	<u>₩ 1,668,333,659</u>	<u>₩ 1,724,498,207</u>



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Significant transactions not affecting cash flows for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Reclassification of construction in progress	₩	8,340,544	₩	44,935,070
Other payables arising from acquisitions of property and equipment		1,235,809		263,889
Reclassification of current portion of long-term prepaid expenses		17,236,200		971,036
Other receivable arising from disposals of investment in subsidiaries		27,303,478		26,647,956
Increase in investments in subsidiaries due to split-off		-		28,411,695
Increase in investments in subsidiaries due to issue of stock option		750,994		102,519

Changes in liabilities arising from financing activities for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		
	<b>Liabilities from financing activities</b>		
	<b>Short-term borrowings</b>	<b>Lease liabilities</b>	<b>Total</b>
Beginning balance	₩	₩	₩
		57,458,310	57,458,310
Cash flows - proceeds	40,000,000	-	40,000,000
Cash flows - repayment	-	(18,288,200)	(18,288,200)
Recognized for the year	-	5,296,414	5,296,414
Amortization	-	1,744,285	1,744,285
Others <sup>1</sup>	-	(1,749,366)	(1,749,366)
Ending balance	₩	₩	₩
	40,000,000	44,461,443	84,461,443

<i>(in thousands of Korean won)</i>	<b>2019</b>		
	<b>Liabilities from financing activities</b>		
	<b>Short-term borrowings</b>	<b>Lease liabilities</b>	<b>Total</b>
Beginning balance	₩	₩	₩
	-	-	-
Effect of changes in accounting policies	-	48,838,250	48,838,250
Beginning balance (adjusted)	-	48,838,250	48,838,250
Cash flows - proceeds	65,000,000	-	65,000,000
Cash flows - repayment	(65,000,000)	(14,437,746)	(79,437,746)
Recognized for the year	-	23,057,806	23,057,806
Amortization	-	1,798,227	1,798,227
Others <sup>1</sup>	-	(1,798,227)	(1,798,227)
Ending balance	₩	₩	₩
	-	57,458,310	57,458,310

<sup>1</sup> Includes interest payments which are presented as operating activities in the separate statement of cash flows when paid.

**NAVER Corporation**  
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**30. Commitments and Contingencies**

- (a) As at December 31, 2020, the Company has borrowing agreements with Kookmin Bank and other five financial institutions with an aggregated credit limit up to ₩ 786,000 million.
- (b) As at December 31, 2020, the Company has been provided with guarantees of ₩ 3,975 million from Seoul Guarantee Insurance and ₩ 910 million(available up to ₩ 4,700 million) from Shinhan Bank in relation to the performance and payment guarantee, respectively.
- (c) As at December 31, 2020, the Company has entered into a construction contract amounting to ₩ 403,511 million with Samsung C&T Corporation in relation to a construction of a new building for the Company and the outstanding amount of the contract is ₩ 176,520 million. Also, the Company has entered into contracts to acquire land amounting to ₩ 51,000 million (outstanding amount: ₩ 100 million) for construction of cloud data center and others.
- (d) As at December 31, 2020, the Company is a defendant in 14 lawsuit cases filed with regard to patent infringement and compensation for damages (aggregate amounts of cases: ₩ 6,290 million), and the Company is a plaintiff in one lawsuit case filed with regard to compensation for damages (aggregate amount of the cases: ₩ 150 million). The outcome of these cases is uncertain as at the reporting date and the Company's management recognizes the provision in relation to the potential loss if these cases meet the condition for the recognition of the provision.
- (e) 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 Company, and Z-Holdings Corp., a subsidiary of SoftBank Corp. As at December 31, 2020, this deal is expected to be closed when the conditions are met.
- (f) As at December 31, 2020, the Company has entered into executives and employees' group injury insurance with KB insurance.
- (g) Details of significant capital commitments contracted in relation to funds owned by the Company as at December 31, 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>Total commitment to invest</b>	<b>Accumulated investment</b>	<b>Unexecuted amount</b>
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT <sup>1</sup>	₩ 500,000,000	₩ 325,670,692	₩ 174,329,308
Sequoia Capital Global Growth Fund III	146,880,000	81,075,735	65,804,265
K-Fund I	200,736,000	150,768,357	49,967,643
China Ventures Fund I, L.P.	217,600,000	176,674,644	40,925,356
DST Global VII, L.P.	108,800,000	89,419,139	19,380,861

<sup>1</sup> Contract amount in relation with investment in associate MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT and MIRAE ASSET-NAVER ASIA GROWTH FUND

**NAVER Corporation**  
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- (h) With the resolution of the Board of Directors on March 27, 2020, and the Transparency Committee on April 9, 2020, the Company has entered into a loan agreement amounting to JPY 8.5 billion with NAVER J. Hub, a subsidiary of the Company, and a one-year payment guarantee contract for borrowings of NAVER J. Hub amounting to JPY 5 billion from Citi Bank Japan on April 13, 2020. Also, with the resolution of the Board of Directors on August 3, 2020, the Company has entered into a payment guarantee contract for borrowings of NAVER J. Hub amounting to JPY 65 billion (each maturity for 3-year and 5-year) from Mizuho Bank and SMBC .
- (i) With the resolution of the Board of Directors on September 23, 2020, the Company has entered into a payment guarantee contract for the borrowings from 22 financial institutions, including SMBC, amounting to JPY 148.6 billion (JPY 74.3 billion for 1 year from the date of initial execution, and up to the completion date of the business integration for the remaining JPY 74.3 billion) to secure early redemption for convertible bonds issued by LINE on September 20, 2018.
- (j) With the resolution of the Board of Directors on October 26, 2020, the Company conducted an exchange of treasury shares (CJ Logistics Corporation and CJ ENM CO., Ltd.) and contributions in kind (Studio Dragon Corporation) to reinforce and maintain strategic partnership with CJ corporate group affiliates. In connection with this exchange, the Company entered into a mutual agreement for preferential purchase right and sale claim right. The shares acquired by the Company is restricted on disposal for a certain period.

# NAVER Corporation

## Notes to the Separate Financial Statements

### December 31, 2020 and 2019

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#### 31. Related Party Transactions

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

#### 2020

Subsidiaries      NAVER CLOUD CORP. (formerly, NAVER Business Platform), NAVER Cloud Asia Pacific (formerly, NAVER Business Platform Asia Pacific), NAVER Cloud America (formerly, NAVER Business Platform America), NAVER Cloud EUROPE GmbH (formerly, NAVER Business Platform Europe), NAVER Cloud Japan (formerly, NAVER Business Platform Japan), SB Next Media Innovation Fund, NAVER-KTB Audio Contents Fund, SpringCamp Early Stage Fund 1, SpringCamp Early Stage Fund 2, SVA Content Media, DoVentures Annex Fund, LP, Smart Spring Fund, SVA Soda Private Equity Partnership, Naver-Quantum Contents 1 Fund, NAVER I&S, N Tech Service, Greenweb Service, Incomms, CommPartners, NIT Service, Line, Line Euro America, LINE Plus, LINE Play, LINE TECHNOLOGY VIETNAM, Line Fukuoka, LINE Pay, LINE SOUTHEAST ASIA, LINE Taiwan, LINE Digital Technology (Shanghai), LINE Company (Thailand), LINE Book Distribution, Line Biz Plus, LINE Ventures, LINE Friends, Webpay Holdings, Webpay, LINE Pay Taiwan, PT.LINE PLUS INDONESIA, LINE Friends, Gatebox, Beijing Wangzhongwenda Technology, LINE Friends(Shanghai) Commercial Trade, BALIE, LINEFriends Japan, LINE TICKET, LFG HOLDINGS, SHINEWANT TECHNOLOGY, LINE Studio, LINE Up, Nemustech, LINE VIETNAM, Next Library, Unblock, Markt, LINE Financial, LVC, LINE Financial Plus, myBridge,LVC USA, LINE TECH PLUS, LINE Credit, LINE Growth Technology, LINE Securities Preparatory, LINE Ventures Global, LINE Ventures Japan, LINE Digital Frontier, Unblock Ventures, Unchain Corporation, LINE Financial Taiwan, Mirai Fund, LINE Financial Asia, LINE Conomi (formerly, LINE Tapas), LINE Bank Preparatory, GrayHash, LINE Healthcare, LINE Pay hokkaido, LINE Friends Taiwan, LINE business support, HOP (formerly, LDI Corporation), LINE Investment Technologies, LINE Split Preparation, JDW, JDW Taxi, DEMAECAN, SATSUMAEBISUDO, Search Solution , N-Visions, NAVER CHINA, NAVER BAND (formerly, Camp Mobile), Works Mobile, Works Mobile Japan, V Live, SNOW, SNOW China, WEBTOON Entertainment, Watong Entertainment, SNOW Japan, NAVER Labs, SNOW China (Beijing), SNOW USA, Broccoli Entertainment, Dongman Entertainment, Spring Camp, NAVER WEBTOON COMPANY Corporation (formerly, NAVER webtoon), Playlist, Naver France, Company AI, Lico, Yiruike Information Technology (Beijing), Amuse, Drama & Company, HEART IT, NAVER J.Hub, Studio N Corporation, Shine Interactive, TBT Global Growth Fund I , Audiensori, Xiaying Entertainment, Mission Worldwide Group, CHOCO Media, NAVER VIETNAM, Semicolon Studio, SNOW VIETNAM, NAVER Financial, V.DO., NAVER Z Corporation, Naver Webtoon LLC, NF Insurance Service Corporation.,YLAB Japan, Cake, NAVER Hands, C-FUND

**NAVER Corporation**  
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**2020**

Associates	NetMania, Synapsoft, BonAngels Pacemaker Fund, ARO In Tech, NAVER KIP Cheer up! Gamers Fund, Korea Contents Mutual Aid Association, Epic Voyage, LINE Music, Future Creation NAVER Stonebridge Early Stage Start-up Fund, Future Creation NAVER-SB Startup Investment Fund, Digital Media Partners II, NAVER-Suprema Youth Foundation No.5 Investment Fund, NSPACE, Silicon Cube, Transcosmos Online Communication, One Store, Mirae Asset-NAVER New Growth Fund 1, K-Fund I, YG NAVER Contents & Lifestyle Fund, Studio Horang, The Grim Ent., Soran Media Venture Fund I, Fast Cowell Private Equity Fund, Laiqu Technology (Shenzhen), FOLIO, Bigpicture Comics, iPASS, AXIS, MiraeAsset MAPS Private Placement Real Estate 62, FOLIO Asset Management, LENSEA, LINE Mobile, Venture Republic, Studio JHS, Mirae Asset-NAVER Asia Growth Fund, CHINA VENTURES FUND I, L.P, Cinamon Games, LINE Games, MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT, VENTURE REPUBLICGLOBAL, Trip101, FOLIO Holdings, JQ Comics, PT. Bank KEB Hana Indonesia, ZK Studio, Soo COMICS, PIG Corporation, Studio 4LEAF Corporation, Stairs, Msquared Management, Oozoo, InnoAG Inc., MFC, Connection Labs, Alliance Internet, China Ventures Fund I, LogisValley BacNinh, Famous Studio Corp., VRex Lab Co., Ltd, CONG TY CO PHAN RBW VIETNAM, DHP private equity fund 3, Meerkat Games Co.,Ltd., Zerogames, Japan Food Delivery, PIG BKK, PLACE A (formerly, Lano Co.,Ltd), YN Culture & Space, SMEJ Plus, LINE MAN, LINE Man (THAILAND), DoVentures Fund I-A, LP, AIRI, Inc., Wongnai Media, Studio Mul, Have It Co., Ltd., Smart Korea Naver-Stonebridge Rising Investment Association, Carousell Pte Ltd
Joint ventures	LINE PROJECT, Collab+LINE, Lantu Games, Beijing Lantu Times Technology, RABBIT-LINE PAY, JobsN, YEOPEUL, Cineplay, Designpress, China Lab, Interbiz (Dong-A JV), Artitian (Kyunghyang Daily News JV), Agropius (Korea Business JV), Schooljam (EBS JV), Sumlab (Munhwa Ilbo JV), Techplus (Electronic Times JV), Animal and Human Story (Hankook Ilbo JV), Law and Media (Money Today JV), Kasikorn LINE, DANAA Data, LINE Bank Taiwan

**2019**

Subsidiaries	NAVER CLOUD CORP. (formerly, NAVER Business Platform), NAVER I&S, Incomms, N-Visions, CommPartners, Greenweb Service, N Tech Service, NIT Service, LINE, LINE Plus, LINE Euro Americas, LINE Fukuoka, LINE Play, NAVER China, LINE Vietnam, Search Solution, NAVER BAND(formerly, Camp Mobile), Line Biz Plus, LINE Ventures, LINE Taiwan, LINE Company (Thailand), LINE Pay, LINE SOUTHEAST ASIA, LINE Book Distribution, LINE Digital Technology (Shanghai), LINE Friends, Webpay Holdings, Webpay, PT.LINE PLUS INDONESIA, LINE BIZ+ Taiwan, Works Mobile, NAVER Cloud Asia Pacific (formerly, NAVER Business Platform Asia Pacific), NAVER Cloud America (formerly, NAVER Business Platform America), NAVER Cloud EUROPE GmbH (formerly, NAVER Business Platform Europe), Works Mobile Japan, V Live, SNOW, SNOW China, SNOW Japan, WEBTOON Entertainment, SB Next Media Innovation Fund, NAVER Labs, SNOW USA, LINE Friends, Broccoli Entertainment, Spring Camp, Dongman Entertainment, Watong Entertainment, SNOW China (Beijing), NAVER-KTB Audio Contents Fund, SpringCamp Early Stage Fund 1, Gatebox, Beijing Wangzhongwenda Technology, LINE Friends(Shanghai) Commercial Trade, NAVER WEBTOON COMPANY Corporation (formerly, NAVER webtoon), Playlist, Naver France, Company AI, Lico, LINE Friends Japan, LINE TICKET, BALIE, LINE Up, LINE Studio, Next Library, NAVER Cloud Japan (formerly, NAVER Business Platform Japan), LFG HOLDINGS, Amuse, Drama & Company, Nemustech, Markt, Unblock, Five, Tre Tho Information Service Joint Stock Company (Webtretho), SHINEWANT TECHNOLOGY,
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**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
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**2019**

	Yiruike Information Technology (Beijing), LINE Financial, LVC, LINE Financial Plus, HEART IT, myBridge, LVC USA, LINE TECH PLUS, LINE Credit, LINE Growth Technology, LINE Securities Preparatory, LINE Ventures Global, LINE Ventures Japan, LINE Digital Frontier, Unblock Ventures, LINE Financial Taiwan, Mirai Fund, LINE Financial Asia, NAVER J.Hub, Studio N Corporation, Shine Interactive, TBT Global Growth Fund I , Unchain Corporation, Xiaying Entertainment, Audiensori, LINE Conomi (formerly, LINE Tapas), Mission World Group, CHOCO Media, GrayHash, NAVER VIETNAM, LINE Healthcare, LINE Pay hokkaido, LINE Bank Preparatory, LINE Friends Taiwan, Semicolon Studio, LINE business support, LINE MAN, HOP (formerly, LDI Corporation), LINE Man (THAILAND), LINE Investment Technologies, SNOW VIETNAM, NAVER Financial,V.DO., LINE Split Preparation, JDW, JDW Taxi
Associates	KG Allat (formerly, Allat), NetMania, Synapsoft, BonAngels Pacemaker Fund, Korea Contents Mutual Aid Association, ARO In Tech, Future Creation NAVER Stonebridge Early Stage Start-up Fund, Future Creation NAVER-SB Startup Investment Fund, Epic Voyage, LINE Music, Digital Media Partners II, NAVER KIP Cheer up! Gamers Fund, NAVER-Suprema Youth Foundation No.5 Investment Fund, NSPACE, Silicon Cube, One Store, Transcosmos Online Communication, Alchera, DEMA-E-CAN, Mirae Asset-NAVER New Growth Fund 1, K-Fund I , YG NAVER Contents & Lifestyle Fund, SATSUBISUDO, PT Klik Eat Indonesia, Studio Horang, Alliance Internet, The Grim Ent., Soran Media Venture Fund I, Fast Cowell Private Equity Fund, YLAB Japan, Laiqu Technology (Shenzhen), FOLIO, Bigpicture Comics, iPASS, AXIS, MiraeAsset MAPS Private Placement Real Estate 62, FOLIO Asset Management, LENSEA, Line Mobile, Mirae Asset-NAVER Asia Growth Fund, China Ventures Fund I, L.P., Venture Republic, Studio JHS, LINE Games, MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT, FOLIO Holdings, JQ Comics, PT. Bank KEB Hana Indonesia, ZK Studio, Soo COMICS, VENTURE REPUBLICGLOBAL, Trip101, Allstay, PIG Corporation, MFC, InnoAG Inc., Oozoo, Msquared Management, Stairs, Studio 4LEAF Corporation, Connection Labs, KG F&B, KFC Korea, China Ventures Fund I, LogisValley BacNinh
Joint ventures	LINE Project, Collab+LINE, Lantu Games, Beijing Lantu Times Technology, JobsN, RABBIT-LINE PAY, YEOPEUL, Cineplay, China Lab, Designpress, Interbiz (Dong-A JV), Artitian (Kyunghyang Daily News JV), Agroplus (Korea Business JV), Schooljam (EBS JV), Sumlab (Munhwa Ilbo JV), Techplus (Electronic Times JV), Animal and Human Story (Hankook Ilbo JV), Law and Media (Money Today JV), DANAA Data, Kasikorn LINE, Cinamon Games

Details of other related parties of the Company as at December 31, 2020 and 2019, are as follows:

Type	2020	2019
Others <sup>1</sup>	Happybean foundation <sup>1</sup> , Fandom, Orpeo Sound Works, Bravepops, Studio Pot, ITSB, ESPRESO MEDIA, Luna Soft, ICART GROUP, Mesh Korea, Mystic Story, Jakga Company, Naver Cultural foundation <sup>1</sup> , Naver Connect (formerly, Connect foundation) <sup>1</sup>	Fandom, Orpeo Sound Works, Bravepops, Happybean foundation <sup>1</sup> , Naver Cultural foundation <sup>1</sup> , Naver Connect (formerly, Connect foundation) <sup>1</sup>

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

**NAVER Corporation**  
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Transactions with related parties including operating revenues and operating expenses for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

Type	2020			
	Operating revenues and others <sup>3</sup>		Operating expenses and others	
	Operating revenues	Others	Operating expenses	Others
<b>Subsidiaries</b>				
NAVER CLOUD CORP. (formerly, NAVER Business Platform)	₩ 20,213,563	₩ 230,502	₩ 402,343,252	₩ -
NAVER I&S	22,258	328,060	11,857,975	-
N Tech Service	-	14,311	46,927,346	-
Greenweb Service	-	-	33,696,724	-
Incomms	-	140,728	18,105,562	-
CommPartners	-	-	10,479,402	-
NIT Service	-	-	1,166,348	-
Line	20,812,877	321,002	733,854	-
LINE Plus	2,368,104	24,992	6,690,852	-
LINE Friends	224,320	-	6,383,775	234,720
LINE Conomi (formerly, LINE Tapas)	3,075,138	-	-	-
LINE Healthcare	2,636,755	-	-	-
Search Solution	3,752	30,636	3,440,100	-
NAVER CHINA	-	-	14,242,143	-
NAVER BAND (formerly, Camp Mobile)	-	-	6,172,411	-
Works Mobile	1,702,131	141,929	33,137,127	-
NAVER WEBTOON COMPANY Corporation (formerly, NAVER webtoon)	202,761	90,982	29,012,796	-
Playlist	8,634	-	2,561,288	-
Naver France	-	-	28,942,035	-
Company AI	940	25,944	1,510,095	-
NAVER J.Hub	-	1,085,754	14,776	-
Audiensori	-	-	1,041,572	-
NAVER VIETNAM	-	-	5,532,264	-
NAVER Financial	15,067,743	1,168,206	66,867,434	-
Naver Webtoon LLC	1,901,630	32,060	32,045,122	-
Markt co., Ltd	6,267	-	23,219,809	-
Others	349,928	212,166	2,259,593	22,991
<b>Associates</b>				
KG Allat (formerly, Allat) <sup>2</sup>	-	-	106,240	-

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
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(in thousands of Korean won)

Type	2020			
	Operating revenues and others <sup>3</sup>		Operating expenses and others	
	Operating revenues	Others	Operating expenses	Others
Synapsoft	-	-	850,000	-
ARO In Tech	-	-	1,301,243	812
AXIS	-	-	194,560	-
Others	121,000	-	38,438	162,919
<b>Joint ventures</b>				
JobsN	1,149,500	-	2,330,862	-
YEOPEUL	456,643	-	1,744,649	-
Cineplay	24,400	-	1,289,200	-
Designpress	216,527	-	1,420,045	-
China Lab	27,214	-	1,382,810	-
Interbiz (Dong-A JV)	383,271	-	1,736,390	-
Artitian (Kyunghyang Daily News JV)	-	-	1,155,575	-
Agroplus (Korea Business JV)	287,445	-	1,310,331	-
Schooljam (EBS JV)	-	-	1,090,539	-
Sumlab (Munhwa Ilbo JV)	133,714	-	1,444,181	-
Techplus (Electronic Times JV)	-	-	1,782,217	-
Animal and Human Story (Hankook Ilbo JV)	32,071	-	1,347,268	-
Law and Media (Money Today JV)	39,929	-	1,163,686	-
<b>Others</b>				
Happybean foundation <sup>1</sup>	12,238	-	-	8,137,552
Espresso Media Co	-	-	358,208	-
Luna Soft	-	-	83,467	-
Naver Cultural foundation <sup>1</sup>	-	-	-	6,000,000
Naver Connect (formerly, Connect foundation) <sup>1</sup>	13,968	67,152	4,874	7,000,000

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

<sup>2</sup> This entity is excluded from associates due to the disposal of shares during the year ended December 31, 2020 and transaction amount before the exclusion from associates are disclosed.

<sup>3</sup> The amounts above exclude ₩ 9,871 million paid by the Company for Naver Webtoon LLC, LINE, SNOW and others, the related parties.



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(in thousands of Korean won)	2019									
	Operating revenues and others <sup>4</sup>		Operating expenses and others		Acquisition of right-of-use assets					
	Operating revenues	Others	Operating expenses	Others						
Type										
<b>Subsidiaries</b>										
NAVER CLOUD CORP. (formerly, NAVER Business Platform)	₩	21,390,973	₩	326,572	₩	334,396,016	₩	-	₩	-
NAVER I&S		70		469,198		125,537,447		-		-
NAVER WEBTOON COMPANY Corporation (formerly, NAVER webtoon)		473,370		205,571		37,987,104		-		-
NAVER Labs		-		91,643		146,202		22,389		978,023
Company AI		-		25,944		970,444		-		-
Search Solution		-		30,636		3,634,953		-		-
Nstore <sup>1</sup>		10,170		16,314		430,336		-		-
Works Mobile		1,104,970		200,300		28,278,614		-		-
LINE		10,013,470		-		-		-		-
NAVER China		-		-		11,531,662		-		-
V Live (formerly, WAV Media)		1,597,051		-		-		-		-
NAVER BAND (formerly, Camp Mobile)		-		-		5,505,670		-		-
Naver France		-		-		25,849,180		-		-
NAVER VIETNAM		-		-		5,046,164		-		-
Playlist		25,299		-		1,915,131		-		-
LINE Plus		100,457		34,474		7,516,457		-		-
LINE Conomi (formerly, LINE Tapas)		1,865,467		-		-		-		-
LINE Friends		638,567		29,192		1,913,390		4,666		-
Markt		16,269		782		1,665,404		-		-
NAVER Financial <sup>2</sup>		245,653		145,960		7,758,975		-		-
Line Biz Plus		85,000		156,624		-		-		-
Audiensori		2,334		-		605,871		-		-
Others		206,172		291,689		1,210,551		2,720		-
<b>Associates</b>										
Synapsoft		-		-		660,137		-		-
ARO In Tech		-		-		784,454		409		-
KG Allat (formerly, Allat)		-		-		373,070		-		-
Others		120,000		176,800		6,326		-		-
<b>Joint ventures</b>										
YTN PLUS		-		-		449,354		266,705		-
China Lab		88,600		-		1,230,144		-		-
JobsN		891,997		-		2,294,216		-		-
YEOPEUL		153,400		-		2,437,566		-		-

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(in thousands of Korean won)	2019				
	Operating revenues and others <sup>4</sup>		Operating expenses and others		Acquisition of right-of-use assets
	Operating revenues	Others	Operating expenses	Others	
Cineplay	-	-	1,895,688	-	-
Designpress	183,029	-	1,447,013	-	-
Interbiz (Dong-A JV)	241,443	-	1,872,768	-	-
Artitian (Kyunghyang Daily News JV)	-	-	1,214,017	-	-
Schooljam (EBS JV)	-	-	1,502,507	-	-
Agroplus (Korea Business JV)	104,777	-	1,204,587	-	-
Sumlab (Munhwa Ilbo JV)	-	-	1,315,054	-	-
Techplus (Electronic Times JV)	-	-	1,606,614	-	-
Animal and Human Story (Hankook Ilbo JV)	-	-	1,654,875	-	-
Law and Media (Money Today JV)	22,400	-	1,065,100	-	-
<b>Others</b>					
Happybean foundation <sup>3</sup>	218,213	-	15,300	602,220	-
Naver Connect (formerly, Connect foundation) <sup>3</sup>	177	-	-	6,000,000	-
Naver Cultural foundation <sup>3</sup>	-	67,152	100	7,000,000	-
YTN PLUS	-	-	100,000	-	-

<sup>1</sup> Transaction amounts before the merger are disclosed.

<sup>2</sup> Transaction amounts after the split are disclosed.

<sup>3</sup> Although these entities are not related parties of the Company in accordance with Korean IFRS 1024, they belong to a same large enterprise group according to the Monopoly Regulation and Fair Trade Act. Transaction amounts from the time of being designated as a large enterprise group are disclosed.

<sup>4</sup> The amounts above exclude ₩ 21,436 million paid by the Company for NAVER WEBTOON COMPANY Corporation (formerly, NAVER webtoon), LINE, NAVER CLOUD CORP. (formerly, NAVER Business Platform) and others, the related parties.

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

	2020				
	Receivables		Loans	Payables	
	Trade receivables	Other receivables and others <sup>1</sup>			Other payables
<b>Subsidiaries</b>					
NAVER CLOUD CORP. (formerly, NAVER Business Platform)	₩ 2,581,065	₩ 5,803,347	₩ -	₩ 133,995,964	₩ 1,892,770
NAVER I&S	12,478	3,761,572	-	1,314,838	915,524
N Tech Service	39,737	361,571	-	5,056,861	112,596
Greenweb Service	-	1,725	-	3,549,121	-
Incomms	7	88	-	1,773,846	57,816
CommPartners	508	11,412	-	1,046,453	-
Line	4,894,079	18,598,213	-	203,655	-
LINE Plus	230,275	789,075	-	1,171,275	196,482
LINE Friends	1	14,321	-	2,969,248	-
NAVER CHINA	-	65,807	-	1,216,235	-
Works Mobile	312,238	3,540,932	-	5,588,826	1,147,554
Playlist	6	-	-	1,023,000	-
Naver France	-	63,376	-	15,547,856	-
NAVER J.Hub	-	1,114,331	89,612,100	8,872	-
NAVER Financial	88,032,882	1,691,744	-	72,372,895	786,022
Naver Webtoon LLC	828,733	5,653,990	-	8,698,090	1,484,943
Others	1,389,315	5,645,141	-	3,124,626	1,890,744
<b>Associates</b>					
Synapsoft	-	-	-	220,000	-
ARO In Tech	-	-	-	65,808	-
K-Fund I	-	305,995	-	-	-
CHINA VENTURES FUND I, L.P	-	27,303,478	-	-	-
Others	11,000	76	-	-	-
<b>Joint ventures</b>					
JobsN	110,000	-	-	25,683	-
YEOPEUL	117,150	-	-	26,917	-
Cineplay	-	-	-	101,389	-
China Lab	-	-	-	256,453	-
Sumlab (Munhwa Ilbo JV)	23,100	-	-	212,193	-
Techplus (Electronic Times JV)	-	-	-	274,444	-
Law and Media (Money Today JV)	6,050	-	-	101,705	-
Others	68,200	-	-	201,967	-
<b>Others</b>					
Happybean foundation <sup>1</sup>	315	1,324	-	-	-
Espresso Media Co	-	-	-	349,400	-

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in thousands of Korean won)

	2020				
	Receivables		Loans	Payables	
	Trade receivables	Other receivables and others <sup>1</sup>		Other payables	Leasehold deposits and others
Luna Soft	-	-	-	17,561	-
Naver Cultural foundation <sup>1</sup>	-	522	-	-	-
Naver Connect (formerly, Connect foundation) <sup>1</sup>	5,072	200	-	1,451	37,014

<sup>1</sup> Includes lease receivable.

<sup>2</sup> Although these entities are not related parties of the Company in accordance with Korean IFRS 1024, they belong to a 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.

(in thousands of Korean won)

	2019			
	Receivables		Payables	
	Trade receivables	Other receivables and others <sup>1</sup>	Other payables	Leasehold deposits and others
<b>Subsidiaries</b>				
NAVER CLOUD CORP. (formerly, NAVER Business Platform)	₩ 2,366,079	₩ 8,808,920	₩ 94,696,866	₩ 1,892,770
NAVER I&S	1,670	6,444,597	10,875,163	1,273,823
NAVER WEBTOON COMPANY Corporation (formerly, NAVER webtoon)	23,782	6,614,922	5,723,883	1,177,751
NAVER Financial	54,608,582	5,720,959	31,954,328	479,084
Works Mobile	121,598	5,238,529	5,226,671	1,147,554
LINE	2,624,222	38,318,519	585,898	-
NAVER China	-	31,983	988,717	-
Naver France	-	159,212	7,161,477	-
NAVER VIETNAM	-	28,101	518,016	-
N Tech Service	811	540,556	172,466	112,596
Lico	162	1,350,653	-	294,624
LINE Plus	138	1,237,112	2,073,587	196,482
LINE Conomi (formerly, LINE Tapas)	701,034	-	-	-
LINE Up	-	1,464,255	-	317,328
LINE Friends	172,062	19,087	404,514	-
Line Biz Plus	48	4,139,846	270	671,561
Others	133,718	1,025,864	2,096,936	980,923
<b>Associates</b>				
Synapsoft	-	-	220,000	-
K-Fund I	-	296,808	-	-
ARO In Tech	-	-	82,280	-

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in thousands of Korean won)

	2019			
	Receivables		Payables	
	Trade receivables	Other receivables and others <sup>1</sup>	Other payables	Leasehold deposits and others
Others <sup>2</sup>	62,162	266	10	-
<b>Joint ventures</b>				
China Lab	4,400	-	340,175	-
JobsN	117,700	-	27,831	-
Designpress	30,800	-	148,313	-
Interbiz (Dong-A JV)	50,600	-	152,962	-
Agroplus (Korea Business JV)	8,800	-	106,403	-
Sumlab (Munhwa Ilbo JV)	-	-	124,647	-
Techplus (Electronic Times JV)	-	-	223,682	-
Cineplay	-	-	152,020	-
Animal and Human Story (Hankook Ilbo JV)	-	-	249,608	-
Others	41,500	-	110,459	-
<b>Others</b>				
Happybean foundation	1,126	10	-	-
Naver Cultural foundation	11	-	-	-
Naver Connect(formerly, Connect foundation)	-	173	647	37,014

<sup>1</sup> Includes lease receivable.

<sup>2</sup> Although these entities are not related parties of the Company in accordance with Korean IFRS 1024, they belong to a same large enterprise group according to the Monopoly Regulation and Fair Trade Act.

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

Fund transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)	2020							
	Contributions in cash		Dividends received and others			Loans <sup>1</sup>	Collections <sup>1</sup>	Repayments <sup>1</sup>
<b>Subsidiaries</b>								
NAVER CLOUD CORP. (formerly, NAVER Business Platform)	₩	-	₩	-	₩	-	₩ 3,265,968	₩ -
SB Next Media Innovation Fund		-		39,462,956		-	-	-
SpringCamp Early Stage Fund 1		2,475,000		-		-	-	-
SpringCamp Early Stage Fund 2		10,000,000		-		-	-	-
SVA Content Media		16,774,282		-		-	-	-
DoVentures Annex Fund, LP		177,075		-		-	-	-
Smart Spring Fund		2,000,000		-		-	-	-
SVA Soda		22,002,860		-		-	-	-
Naver-Quantum Contents 1 Fund		6,250,000		-		-	-	-
NAVER I&S		-		9,990,000		-	2,937,503	-
N Tech Service		-		-		-	185,428	-
Line		-		-		-	783,333,780	-
LINE Plus		-		-		-	323,574	-
Line Biz Plus		-		-		-	1,166,019	-
LINE Friends		85,000,048		-		-	-	-
LINE Up		-		-		-	522,592	-
Works Mobile		42,000,069		-		-	1,988,370	-
SNOW		70,000,070		-		-	269,344	-
WEBTOON Entertainment		344,780,740		-		-	-	-
NAVER Labs		-		-		-	-	289,066
NAVER WEBTOON COMPANY Corporation (formerly, NAVER webtoon) <sup>2</sup>		90,000,418		-		7,479,706	12,993,744	-
Company AI		-		-		-	-	-
Lico		-		-		-	485,200	-
Amuse		-		-		-	3,141	-
NAVER J.Hub		784,481,690		-		89,612,100	-	-
NAVER VIETNAM		49,147,051		-		-	-	-
Naver Webtoon LLC		-		-		5,515,029	1,090,488	-
NAVER Hands		47,000		-		-	-	-
<b>Associates</b>								
BonAngels Pacemaker Fund		-		250,000		-	-	-
ARO In Tech		-		21,200		-	-	-
NAVER KIP Cheer up! Gamers Fund		-		2,050,000		-	-	-
Future Creation NAVER Stonebridge Early Stage		-		2,208,000		-	-	-

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in thousands of Korean won)

	2020				
	Contributions in cash	Dividends received and others	Loans <sup>1</sup>	Collections <sup>1</sup>	Repayments <sup>1</sup>
Start-up Fund					
Future Creation NAVER-SB Startup Investment Fund	-	651,676	-	-	-
NAVER-Suprema Youth Foundation No.5 Investment Fund	-	1,161,077	-	-	-
Mirae Asset-NAVER New Growth Fund 1	10,000,000	-	-	-	-
K-Fund I	13,111,343	-	-	-	-
MiraeAsset MAPS Private Placement Real Estate 62	-	3,277,327	-	-	-
Mirae Asset-NAVER Asia Growth Fund	14,166,162	2,630,000	-	-	-
CHINA VENTURES FUND I, L.P	62,227,060	33,471,156	-	-	-
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	58,134,328	11,724,434	-	-	-
DHP private equity fund 3	200,000	-	-	-	-
YN Culture & Space	1,974,950	-	-	-	-
SMEJ Plus	38,366,926	-	-	-	-
DoVentures Fund I-A, LP	5,926,500	-	-	-	-
Smart Korea Naver-Stonebridge Rising Investment Association	2,000,000	-	-	-	-
Carousell Pte Ltd	74,862,910	-	-	-	-
Institute of Artificial Intelligence	3,000,000				
<b>Others</b>					
ESPRESSO MEDIA	958,257	-	-	-	-
Luna Soft	810,720	-	-	-	-
ICART GROUP	1,750,150	-	-	-	-
Mystic Story	12,000,055	-	-	-	-

<sup>1</sup> Includes transaction resulting from leases.

<sup>2</sup> During the year ended December 31, 2020, NAVER WEBTOON COMPANY Corporation (formerly, NAVER webtoon) spun off its business divisions excluding the Chinese business division, and Naver Webtoon LLC(formerly, Webtoon Entertainment Korea) merged with the spin-off divisions, and the Company received shares of WEBTOON Entertainment as a consideration of the merger through division.

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in thousands of Korean won)	2019					
	Contributions in cash	Dividends received and others	Borrowings <sup>1</sup>	Repayments <sup>1</sup>	Loans <sup>1</sup>	Collections <sup>1</sup>
<b>Subsidiaries</b>						
NAVER WEBTOON COMPANY Corporation (formerly, NAVER webtoon)	₩ 80,000,371	₩ -	₩ -	₩ -	₩ 7,540,840	₩ 1,990,919
SNOW	69,999,842	-	-	-	375,213	105,869
Audiensori	1,000,001	-	-	-	-	-
Company AI	870,000	-	-	-	-	-
NAVER Labs	70,000,000	-	1,041,905	181,783	-	-
NAVER VIETNAM	1,702,345	-	-	-	-	-
SB Next Media Innovation Fund	70,000,000	-	-	-	-	-
TBT Global Growth Fund I	49,500,000	174,956	-	-	-	-
NAVER-KTB Audio Contents Fund	13,464,000	-	-	-	-	-
SpringCamp Early Stage Fund 1	17,325,000	-	-	-	-	-
Lico	-	-	-	-	1,875,199	468,793
Amuse	-	-	-	-	12,140	3,035
N Tech Service	-	-	-	-	716,642	179,158
LINE Plus	-	-	-	-	1,250,546	312,632
LINE Up	-	-	-	-	2,019,711	504,920
NAVER CLOUD CORP. (formerly, NAVER Business Platform)	-	-	-	-	11,997,740	3,186,198
Works Mobile	-	-	-	-	7,347,500	1,939,873
Line Biz Plus	-	-	-	-	5,448,745	1,137,580
NAVER I&S	-	-	-	-	8,741,108	1,937,863
<b>Associates</b>						
ARO In Tech Future Creation NAVER-SB Startup Investment Fund	-	6,800	-	-	-	-
Mirae Asset-NAVER New Growth Fund 1	20,000,000	3,618,209	-	-	-	-
MiraeAsset MAPS Private Placement Real Estate 62	-	6,590,669	-	-	-	-
Mirae Asset-NAVER Asia Growth Fund	31,275,000	-	-	-	-	-
Future Creation NAVER Stonebridge Early Stage Start-up Fund	-	544,000	-	-	-	-
MIRAE ASSET- NAVER ASIA GROWTH	124,230,514	-	-	-	-	-



**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in thousands of Korean won)	2019					
	Contributions in cash	Dividends received and others	Borrowings <sup>1</sup>	Repayments <sup>1</sup>	Loans <sup>1</sup>	Collections <sup>1</sup>
INVESTMENT						
K-Fund I	54,369,602	3,870,775	-	-	-	-
CHINA VENTURES FUND I, L.P.	138,384,629	-	-	-	-	-

<sup>1</sup> Includes transaction resulting from leases.

Other than the above fund transactions, the Company spun off in Naver Pay business service segment and established Naver Financial during the year ended December 31, 2019 (Note 34).

The convertible bonds issued by LINE, a subsidiary, were redeemed during the year ended December 31, 2020, and related gain on redemption of ₩ 4,495 million was recognized. The main conditions of the convertible bonds are as follows:

**Details**

Par value	JPY 73,160 million
Value at issue	JPY 74,989 million
Conversion period	Matured in 2023: from October 4, 2018 to September 6, 2023 Matured in 2025: from October 4, 2018 to September 6, 2025
Conversion price	Matured in 2023: JPY 7,467 per share Matured in 2025: JPY 7,518 per share
Mature repayment value	100% of par value
Conversion price adjustments	Conversion price is adjusted for share split or share merger, share exchange and issuance of convertible securities.
Stated interest rate	0%
Early repayment by issuer	1) Clean up repayment: with notification, if remaining amount is under 10% of par value 2) 130% call-option repayment: with notification, if LINE's stock value in Tokyo stock exchange is excess of 130% of conversion price for 20 consecutive days (bond maturing in 2023: from September 21, 2021, bond maturing in 2025: from September 20, 2023) 3) Others: if there are other causes triggered by either tax or corporate regulations

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

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Details of payment guarantees provided by the Company for the related parties as at December 31, 2020, are as follows:

Type	Name of company guaranteed	Name of creditors	Commencement date	Maturity date	Currency	Guarantee amount	Amount executed
Subsidiaries	NAVER J.Hub Corporation	Citi bank	2020-04-13	2021-04-15	JPY	5,000,000,000	5,000,000
	NAVER J.Hub Corporation	Mizuho, SMBC	2020-09-23	2023-09-23	JPY	130,000,000,000	14,292,324,385
	Line Corporation	Mizuho	2020-10-24	2023-10-23	JPY	148,600,000,000	146,797,785,930

The compensation paid or payable to key management (executive directors) for their services for the years ended December 31, 2020 and 2019, consists of:

<i>(in thousands of Korean won)</i>		<b>2020</b>		<b>2019</b>
Short-term employee benefits	₩	4,564,872	₩	4,880,000
Post-employment benefits		536,712		1,049,648
Other long-term benefits		5,720		708,390
Share-based payment expenses		472,703		150,673

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

**32. Operating Segment Information**

The Company 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 separate statement of comprehensive income.

Operating revenues by service types for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
	<b>Operating revenues</b>	<b>Ratio (%)</b>	<b>Operating revenues</b>	<b>Ratio (%)</b>
Search Platform <sup>1</sup>	₩ 2,807,900,782	68.04	₩ 2,655,099,936	68.08
Commerce <sup>2</sup>	1,089,658,062	26.41	792,131,946	20.31
FinTech <sup>3</sup>	52,267,105	1.27	328,923,585	8.43
Contents <sup>4</sup>	134,604,579	3.26	92,667,816	2.38
Cloud <sup>5</sup>	42,198,784	1.02	31,190,013	0.80
	<u>₩ 4,126,629,312</u>	<u>100.00</u>	<u>₩ 3,900,013,295</u>	<u>100.00</u>

<sup>1</sup> Search and Display

<sup>2</sup> Shopping Search & Display, brokerage fees and others

<sup>3</sup> Pay services and Digital finance

<sup>4</sup> NAVER Music, V and others

<sup>5</sup> Cloud and others

The Company changed the classification of operating information by service types during year ended December 31, 2020, and the comparatives of the prior period have been restated accordingly.

The revenue from contracts with customers by category for the years ended December 31, 2020 and 2019, is as follows

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>By timing of revenue recognition</b>		
Recognized at a point in time	₩ 2,922,974,715	₩ 2,874,061,574
Recognized over time	1,203,654,597	1,025,951,722
	<u>₩ 4,126,629,312</u>	<u>₩ 3,900,013,296</u>

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

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**33. Business Combination of Entities under a Common Control**

On October 1, 2020 the Company acquired JAM Live service business of SNOW, a subsidiary of the Company in order to strengthen its service competitiveness. The Company applied the book amount method to account for the business acquisition, applying a business combination among the entities under a common control. Details of the business acquisition are as follows:

*(a) Summary of business acquisition*

	<b>Transferee</b>	<b>Transferor</b>
Name of company	NAVER Corporation	SNOW
Main business	Online information distribution business	Camera and communication application service

*(b) Accounting treatments of business combination*

The assets and liabilities acquired from JAM Live service business of SNOW through business acquisition were recognized as the book amount on the consolidated financial statements of the Parent Company at the date of acquisition. Also, the difference between the consideration amounting to ₩ 13,722 million and the book amount of acquired net assets amounting to ₩ (-)1,228 million amounts to ₩ (-)15,000 million, which was recognized as share premium.

The following table summarizes, the book amount of assets acquired and liabilities assumed:

*(in thousands of Korean won)*

	<b>Amount</b>
I. Consideration	
Cash and cash equivalents	₩ 13,771,708
II. Amounts recognized as identifiable assets and liabilities	
Trade and other receivables	64,350
Property and equipment	37,632
Intangible assets	647
Trade and other payables	(294,937)
Other liabilities	(541,464)
Net defined benefit liabilities	(494,520)
Total identifiable net liabilities	<u>(1,228,292)</u>
III. Difference (share premium)	<u>₩ (15,000,000)</u>

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

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**34. Split-off**

(a) For the year ended December 31, 2019

The Company's Board of Directors approved to split-off of the NAVER Pay business and to establish a wholly owned subsidiary named NAVER Financial on July 24, 2019. Shareholders approved the split-off on September 20, 2019, during the shareholders' meeting.

Details of the split-off is as follows:

Category	Details
Method of stock split	Split-off
Companies subject to stock split	NAVER Corporation (existing company) NAVER Financial (newly established company)
Approval from shareholders	September 20, 2019
Completion of stock split	November 1, 2019

The Company determined the acquisition cost of the investments in subsidiaries as the carrying amount of the net asset decreased as a result of the split-off. The carrying amount of net assets of the NAVER Pay business and the acquisition cost of the investments in subsidiaries are as follows:

*(in thousands of Korean won)*

	<u>2019</u>
	<b>Amount</b>
<b>Assets</b>	
Cash and cash equivalents	₩ 410,101,381
Financial assets at amortized cost	1,599,520
Trade and other receivables	330,071,506
Property and equipment	319,904
Intangible assets	14,052
Deferred income tax assets	2,072,995
Other assets	144,006
Total assets	<u>744,323,364</u>
<b>Liabilities</b>	
Trade and other payables	104,658,049
Net defined benefit liabilities	7,873,491
Other liabilities	603,380,129
Total liabilities	<u>715,911,669</u>
<b>Net carrying amount (investments in subsidiaries)</b>	<u>₩ 28,411,695</u>

**NAVER Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

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**35. Events after the Reporting Period**

- (a) With the resolution of the Board of Directors on January 19, 2021, the Company decided to acquire 100% shares of Wattpad Corporation in Canada to diversify the global content business and strengthen its business in North America. The acquisition cost is approximately ₩ 653.3 billion and may subsequently change subject to the purchase price adjustment and final settlement.
- (b) With the resolution of the Board of Directors on January 27, 2021, the Company decided to acquire 49% shares of BeNX Co., Ltd., a subsidiary of Big Hit Entertainment Co., Ltd., to accelerate global growth in the entertainment platform market. The acquisition cost is approximately ₩ 411.9 billion.
- (c) The business integration of LINE, a subsidiary of the Company, and SoftBank Corp. has been completed on March 1, 2021. As a result, the Company acquired a 50% stake in A-Holdings Corp. and it is recorded as investment in associates.
- (d) In accordance with the resolution of the Board of Directors on January 27, 2021, the Company decided to issue non-bearer and non-guaranteed public bonds. The issuance value of the bonds is ₩ 700 billion and the raised funds will be used for facility investment and acquisition of other corporate securities.

**Report on Independent Auditor's  
Audit of Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of  
NAVER Corporation

**Opinion on Internal Control over Financial Reporting**

We have audited NAVER Corporation's (the "Company") Internal Control over Financial Reporting as at December 31, 2020, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2020, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Company, which comprise the separate statement of financial position as at December 31, 2020, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including a summary of significant accounting policies, and our report dated March 5, 2021, expressed an unqualified opinion.

**Basis for Opinion on Internal Control over Financial Reporting**

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards are further described in the *Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of internal control over financial reporting and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management and Those Charged with Governance for Internal Control over Financial Reporting**

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Report on the Effectiveness of Internal Control over Financial Reporting.

Those charged with governance have the responsibilities for overseeing internal control over financial reporting.

**Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting**

Our responsibility is to express opinion on the Company's internal control over financial reporting based on our audit. We conducted the audit in accordance with Korean Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

### **Definition and Inherent Limitations of Internal Control over Financial Reporting**

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable separate financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of separate financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the separate financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Seoul, Korea  
March 5, 2021

This report is effective as at March 5, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the Company's internal control over financial reporting thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.



**Report on the Effectiveness of  
Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

To the Shareholders, Board of Directors and Audit Committee of  
NAVER Corporation

We, as the Chief Executive Officer (“CEO”) and the Internal Control over Financial Reporting Officer of NAVER Corporation (the “Company”), assessed the effectiveness of the design and operation of the Company’s Internal Control over Financial Reporting (“ICFR”) for the year ended December 31, 2020.

The Company’s management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We designed and operated ICFR in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting* established by the Operating Committee of Internal Control over Financial Reporting in Korea (the “ICFR Committee”). And, we conducted an evaluation of ICFR based on *Best Practice Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting* established by the ICFR Committee.

Based on the assessment results, we believe that the Company’s ICFR, as at December 31, 2020, is designed and operating effectively, in all material respects, in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

**February 23, 2021**

**Seong-sook Han**  
Chief Executive Officer

**Sang Jin Park**  
Internal Control over Financial Reporting Officer