

DYNAMIC TECH CUBE

→ NEW IMPETUS

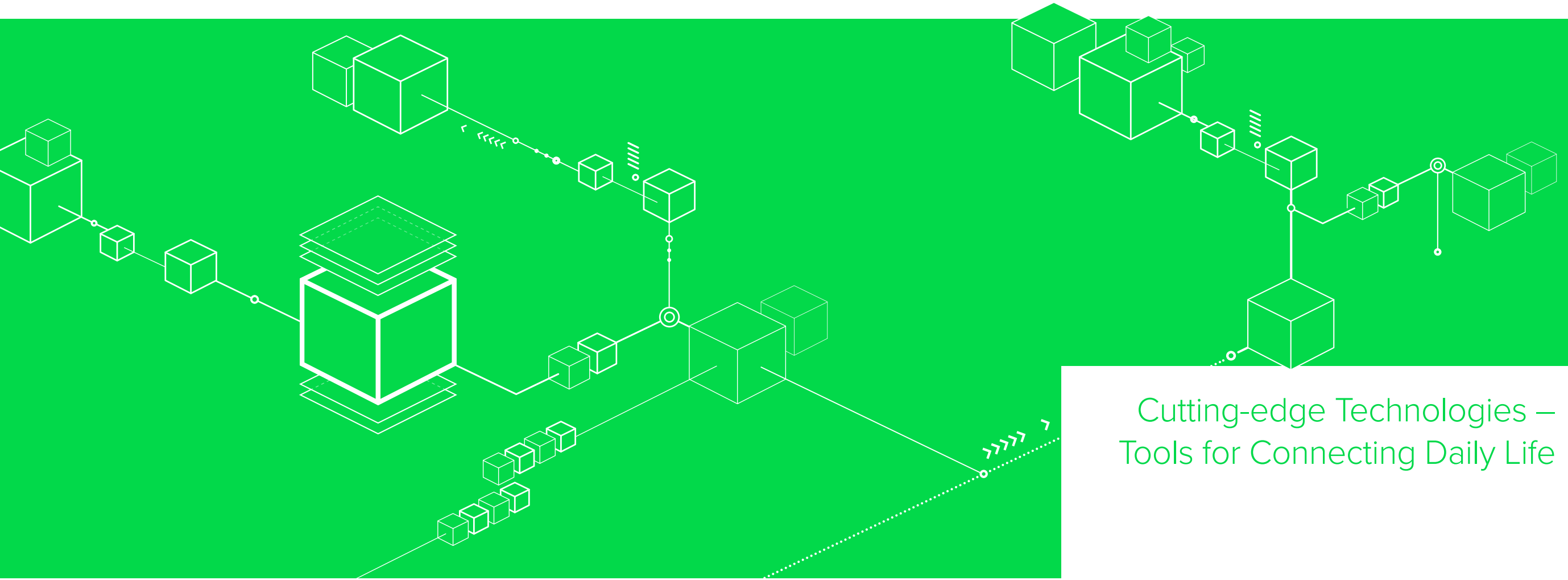
→ NAVER ANNUAL REPORT 2019

DYNAMIC TECH CUBE

The future is a gift for all of us.
Which is why we should make today more meaningful
by overcoming the limitations of time and physical spaces.

And for this reason, NAVER ceaselessly takes on challenges.
There is no stop on the path of challenges leading to
a technology platform. There are no boundaries defining targets
to pursue. An innovation that rises up from between the familiar
and the new should be in contact with a better future.

“Dynamic Tech Cube” is the future that NAVER envisions
as a technology platform. It embodies our promise that
we will help creators bloom in success with technology, and
offer users the convenience of connection and the joy of discovery.
NAVER will become the best partner that lays stepping stones
to a future where today’s dreams lead to a better tomorrow
and imaginations come true.



Cutting-edge Technologies – Tools for Connecting Daily Life

#CONNECT,
BUILD, AND BOAST

If we use technologies with greater ease, we can challenge ourselves to do things of greater value. This is why NAVER turn cutting-edge technologies, such as artificial intelligence (AI), robotics and autonomous driving, into a “tool for daily life” easy enough for anyone to use the technologies. The tools that we have unveiled are innumerable – tools for connection, tools for creation, tools for search, etc. If users adroitly apply these tools to create something of greater value, it will enable them to focus on what really matters and develop their own dreams. NAVER is therefore opening a new chapter in the evolution of technology platforms through the “Dynamic Tech Cube”.



Technology Platform Designed by Users

An Influencer Search, that NAVER has recently unveiled, is a powerful tool designed exclusively for creators. It is a search cube evolving with one purpose – to better serve creators, the owners of content, so that they can focus on creative activities. NAVER Smart Store, a sales and marketing tool for small business operators, is a creation cube developed to help them register their business and sell their products online with ease. As such, NAVER is evolving into a technology platform in which a user can decide and design how to meet with other users. We will develop as many tech cubes possible so that diverse creators and many business operators can combine various cubes possessing dynamic characteristics as much as they want in designing creation and production activities as well as compensation structures, and gain wider attraction and grow all together within NAVER.

#CREATE AND INTERACT, DYNAMICALLY



Global Challenge for Dynamic Tech Cube

CHALLENGE TO CHANGE #GLOBALLY

There are as many as 30 million users within the NAVER ecosystem. Every month, 1.6 million creators produce 20 million works of content in their approach to other users. Many advertisers and over 290,000 merchants across the nation meet with users through NAVER Shopping and Smart Stores. Providing such many people with quality solutions is the goal of a technology platform that we pursue. It is also the path to realizing our global dream. We are now preparing for greater growth by creating diverse towards globality. We will make all moments of encounter with NAVER safe, convenient and fast by fine-tuning and combining our tech cubes to global market needs, and thus reach a place where we could not go before with existing technologies.

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NAVER publishes its annual report every year in Korean and English in its efforts to better communicate with its stakeholders at home and abroad. NAVER 2019 Annual Report, in particular, is published as an interactive PDF, allowing readers to move quickly and easily to pages in the report, and including shortcuts to related web pages, for more effective stakeholder communication in digital environment.

-  Reference page
-  Website link
-  Video clip



SERVICE OVERVIEW

NAVER is realizing the value of connection by offering a wide range of services. In the 4th Industrial Revolution era in which the value of connection is drawing attention more than ever before, we are discovering a greater value of connection as we are evolving into a technology platform and expanding into a commerce platform.

P. 030 

SUSTAINABILITY MANAGEMENT

NAVER creates economic as well as social and environmental values through the Internet platform. We are also building a healthy ecosystem in which all stakeholders can grow together using on/offline spaces all connected by NAVER.

P. 050 

NAVER INVESTOR RELATIONS

This report is available in PDF format which can be downloaded at the "Investors" section of the company website at www.navercorp.com/en.

Investor Relations 



CEO MESSAGE

NAVER is evolving into a set of global challenge by redefining the value of connection. We pursue new possibilities of connection by upgrading them to the next level through technologies on a global scale, and by transforming tomorrow's technology into today's daily life tools. Going forward, NAVER will envision a bolder future in a wider world, and thus create opportunities that enable us to go further.

In 2019, NAVER focused on laying the foundation for sustainable growth by overhauling its business structure around new growth engines, mainly company-in-company (CIC) and subsidiaries. As a result, NAVER Webtoon has been fast expanding into major overseas markets, thereby growing into a global platform where content creators and users can interact from anywhere in the world. NAVER Pay CIC was spun off to launch NAVER Financial, and thus established an important basis for new business. Our B2B businesses, including NAVER Cloud Platform and LINE WORKS, have been steadily increasing revenues, and becoming new growth drivers of NAVER.



Seong-sook Han
President & CEO, NAVER Corporation

NAVER Webtoon is strengthening its global leadership based on its unrivaled position in South Korea, and entered a full-scale business growth stage. As of the end of 2019, its global monthly actual users (MAUs) exceeded 60 million, of which more than 10 million are in North America. The 75% of its U.S. users are Generation Z – a 24-and-younger demographic cohort, the largest of the U.S. population and voracious in content consumption – makes a strong case for NAVEr Webtoon’s long-term growth in the U.S. In addition, with services in French and Spanish launched in the second half of 2019, we are pursuing new growth opportunities in European and South American markets. NAVEr Webtoon will strive to be a leading player in major countries, with its sight on becoming a truly global leader, by developing and executing strategies to the characteristics of target countries based on its localization successes in Taiwan, Thailand, Indonesia, and the U.S.

While NAVEr Webtoon is in pursuit of global leadership, NAVEr Financial is expanding into TechFin, a new business area to NAVEr. The financial arm of NAVEr, which had rapidly grown on its payment business, became an independent entity on November 1 and attracted a KRW 800 billion investment from Mirae Asset, laying a solid foundation for another leap forward. NAVEr will continue to facilitate closely connected financial services, with the payment at the center, by leveraging its distinctive strengths. This will enable us to build a virtuous cycle of robust financial services expanding our business ecosystem, which in turn will lead to further growth of payments. The increasing volume of quality payment data, collected from 12 million buyers and 320 thousand merchants a month, will serve as an important part of the basis for NAVEr seeking a successful expansion into TechFin business. NAVEr Financial will strive to offer unique financial services by fully leveraging its valuable data and advanced technical know-how.

In addition to global expansion and advances into TechFin business, our efforts to secure next-generation growth drivers in the B2B area are also underway as planned. NAVEr Cloud Platform is building references in diverse fields by further improving its technologies and products. In particular, the platform business has been receiving positive

responses from the market, thereby attracting financial companies as new customers, after the recent opening of a Financial Cloud Zone in Yeouido, Seoul. Also, in the public sector, we are expanding our customer base by providing a cloud service to a large-scale big data platform construction project led by the National Information Society Agency. NAVEr Cloud Platform is a suit of B2B cloud computing solutions, formatted to the needs of corporate customers, which run on the same standardized infrastructure, development tools and services that we use at NAVEr. We will continue to commercialize our distinctive technologies and services, such as LINE WORKS’ business collaboration solutions and CLOVA’s AI technologies, with an aim of securing global competitiveness in cloud solutions.

We are also steadily making NAVEr’s platform in the domestic market more competitive. NAVEr Smart Store, which has grown with small and medium sized enterprises (SMEs) online, plans to strengthen its ties with large brands and distributors, and thus expand commerce ecosystems. By creating a Brand Store within NAVEr Shopping, we will offer various spaces for publicizing brands, with flexibility and functionality comparable to that of their own websites. In addition, we will provide data consulting services that help maximize brand companies’ revenues through sales data analysis. By successfully running the Brand Store this year, we will ensure healthy growth of data commerce ecosystem, which effectively reflects NAVEr’s philosophy of win-win and diversity, with an eye towards completing it into a starting point for all online shopping.

NAVEr Search has been progressing with the growth of not only commerce but also diverse vertical services, such as user-generated content (UGC). As merchants’ success is important in commerce, so is creators’ in UGC, for the latter’s success is the basis for securing quality content. NAVEr will therefore continue to support content creators’ efforts to conduct creative activities with ease, and concentrate on building success stories of creators by enabling them to more effectively engage with users. To this end, we will roll out such upgraded versions of existing UGC services as “Influencer Search” and “Knowledge-iN eXpert” which have been well received since their launch late last year.

Moreover, we will facilitate the services by adopting new advertising products and by improving the incentive system to include profit sharing so that creators are rewarded according to their efforts.

In addition to growth efforts, we are proactively building a healthy ecosystem and providing support to SMEs and creators. Number of NAVEr Partner Square, a support space for startups and small businesses, has increased to seven, with the opening of three branches in Jongno, Hongdae and Sangsu in 2019, providing target groups with comprehensive support in various areas. As a result of these efforts, NAVEr was given a “Best” rating in the 2019 Win-Win Index Evaluation for three years in a row.

Nevertheless, the recent COVID-19 epidemic has brought a great deal of difficulty on many SMEs. In response, we have been taking various support measures, including a temporary suspension of merchant fees, mask donations and a donation drive through the Happy Bean Foundation. At the same time, in order to meet the increasing needs of SME employees working from home, we are offering such technologies and solutions as LINE WORKS and NAVEr Cloud Platform, for free or at a discount for the time being. Going forward, we will help our business partners overcome the crisis and thus grow together by continuing our efforts to share their pain and burden.

Lastly, we are making smooth progress with merger of LINE and Z Holdings. Once the integration process is completed, we expect to see synergies generated by not only between LINE and Z Holdings but also among all four companies, including NAVEr and SoftBank as well. We will further expand collaboration with various partners to make our domestic businesses more competitive, based on which we will make the most of business opportunities in the U.S. and Japan for another leap forward.

NAVEr will continue to focus on improving shareholder value as well as fulfilling our social responsibilities, while doing our best in joining global efforts to fight against the coronavirus. I ask for your continued encouragement and support for NAVEr.

KEY HIGHLIGHTS

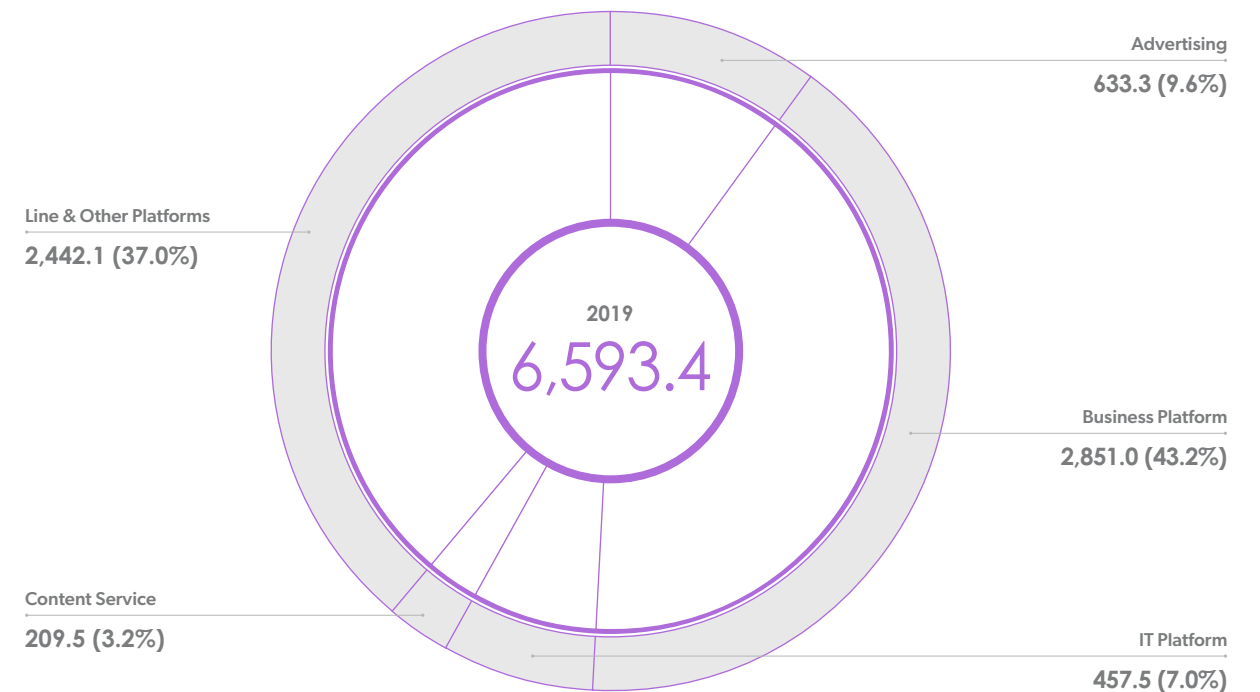
BALANCED GROWTH

NAVER continues to take on new challenges in its pursuit of harnessing opportunities in the fast-changing Internet environment, as well as stable growth of its business operations.

In 2019, NAVER maintained its solid growth momentum in advertising and platform business, two of its core operations. Specifically, the artificial intelligence (AI) technologies in which we had long invested led to tangible outcomes in the search and shopping segments, proving our additional growth potential. In FinTech, content development, B2B and other new business areas, we focused on developing new growth drivers at home and abroad. As a result, all of our businesses grew evenly throughout 2019, enabling us to exceed KRW 6 trillion in revenue in a year from the KRW 5 trillion mark reached in 2018.

OPERATING REVENUE

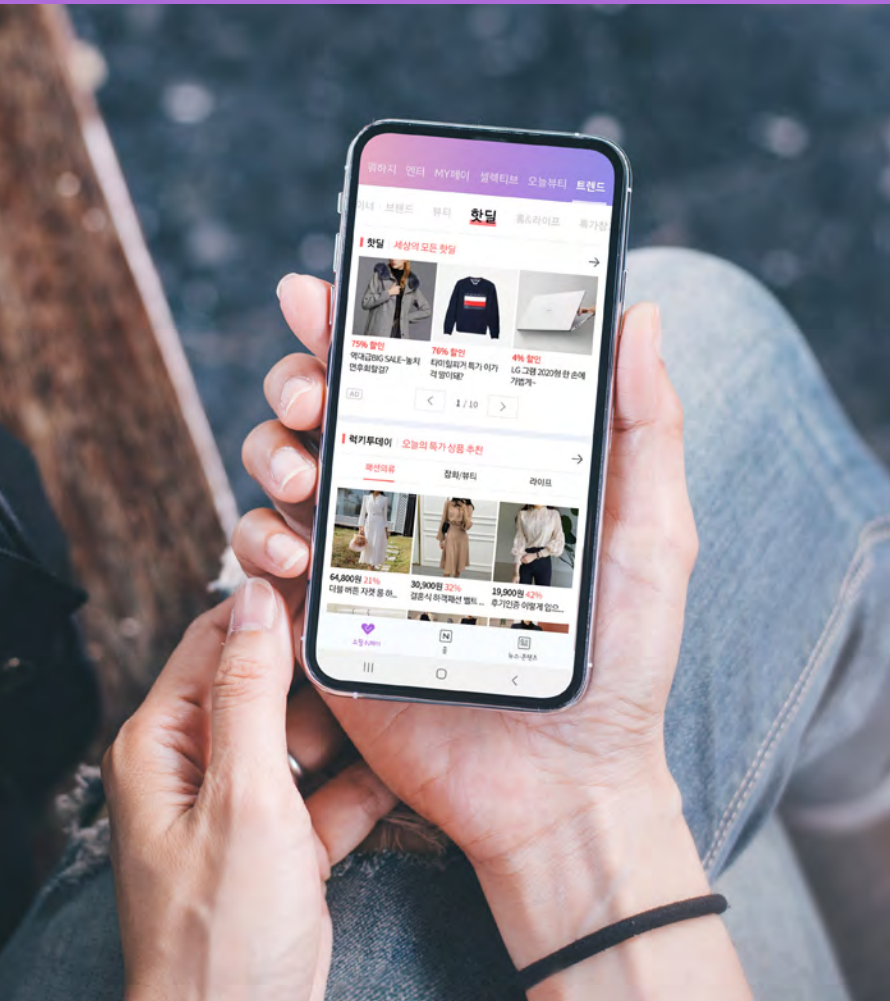
(Unit: KRW billion, %)



KRW 6.6 trillion

In 2019, NAVER recorded an operating revenue of KRW 6,593.4 billion, up 18.0% year-on-year, exceeding the KRW 6 trillion milestone for the first time in its history.

* As of the end of 2019



We grow in a sustainable manner based on our strategy centered on striking a right balance between profitability and growth potential as well as current growth and future possibilities.

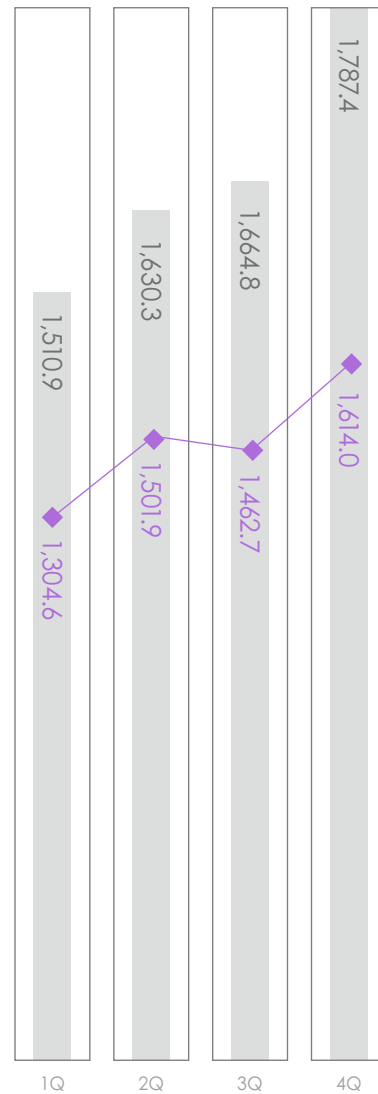
Building a foundation for stable growth

While enhancing the competitiveness of its key businesses centered on search and commerce, NAVER is expanding its foundation for stable revenue generation by investing in services with high growth potential with proactive support. These efforts will also enable us to enhance our corporate value.

OPERATING REVENUE AND EXPENSES IN 2019

(Unit: KRW billion)

- Operating Revenue
- ◆ Operating Expenses



Reached growth targets as planned, including the launch of NAVER Financial and cloud service's acquisition of new references, and achieved annual revenue growth of 28.6%



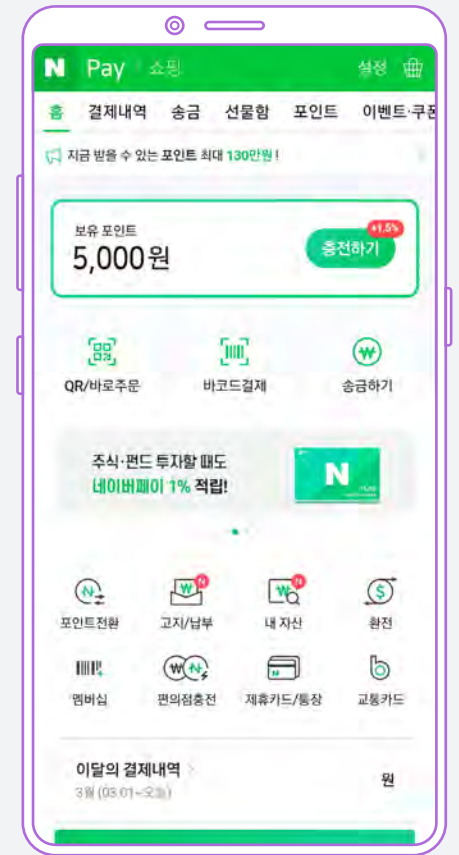
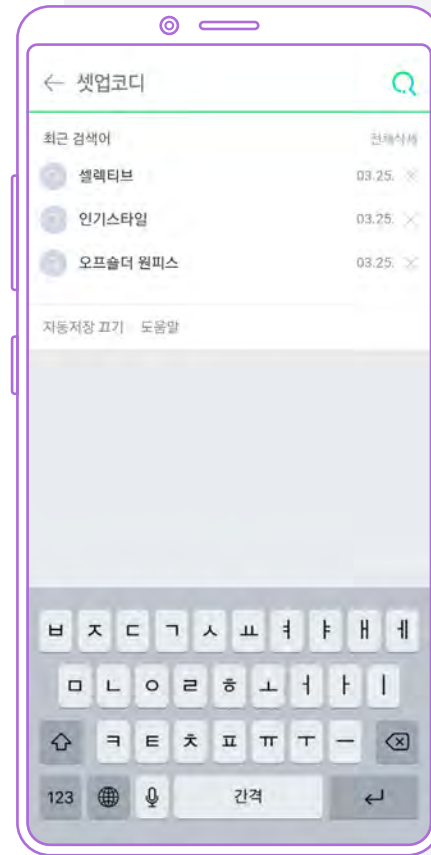
NEWS HIGHLIGHT

Launched NAVER Financial

NAVER Pay, which has been leading the domestic digital payment market, has evolved into an innovative financial platform. On November 1, 2019, NAVER spun off NAVER Pay, a company-in-company (CIC), as a subsidiary with the new name, NAVER Financial, in order to strengthen its independence and to accelerate its innovation drive. Moreover, with the goal of helping the newly formed subsidiary develop expertise and competitiveness, we secured investments totaling around KRW 800 billion on December 13 from Mirae Asset, our strategic partner.

The major strengths of NAVER Financial include the user database, service experiences and market insights acquired by NAVER Pay. Behind the fast growth of NAVER Pay were NAVER social log-in users averaging 19 million a month. In addition, NAVER Pay had established itself as a mainstream service with more than 12 million monthly paying users (MPUs), thanks to its successful efforts to improve payment convenience in online shopping. By leveraging NAVER's strengths as much as possible in facilitating financial services closely related to payment service, NAVER Financial will offer distinctive and superior services.

 Website of NAVER Financial



MPUs

12,000,000+

GLOBAL GROWTH



NAVER is a global ICT company, continuing to expand the scope of its serves, take on challenges, and we compete and cooperate with global companies in the global market.

NAVER is expanding its presence in the global market through a wide range of services, including the global mobile messenger LINE, the most profitable webtoon application NAVER Webtoon serving around 100 countries across the globe, and the global live community platform V LIVE connecting 62 nations. Moreover, in our efforts to ensure a safe and efficient management of data, a bedrock of ICT companies' assets and competitiveness, we are building data hubs such as our Chuncheon Data Center 'Gak' and six Regions around the world. In 2019, we announced a new milestone to reach by unveiling a plan to build a second data center in Sejong City at a total cost of around KRW 650 billion.

KRW **650** billion

The construction of NAVER's second data center, which will be completed through an investment totaling KRW 650 billion, will be specialized for cloud services.

GLOBAL REGION

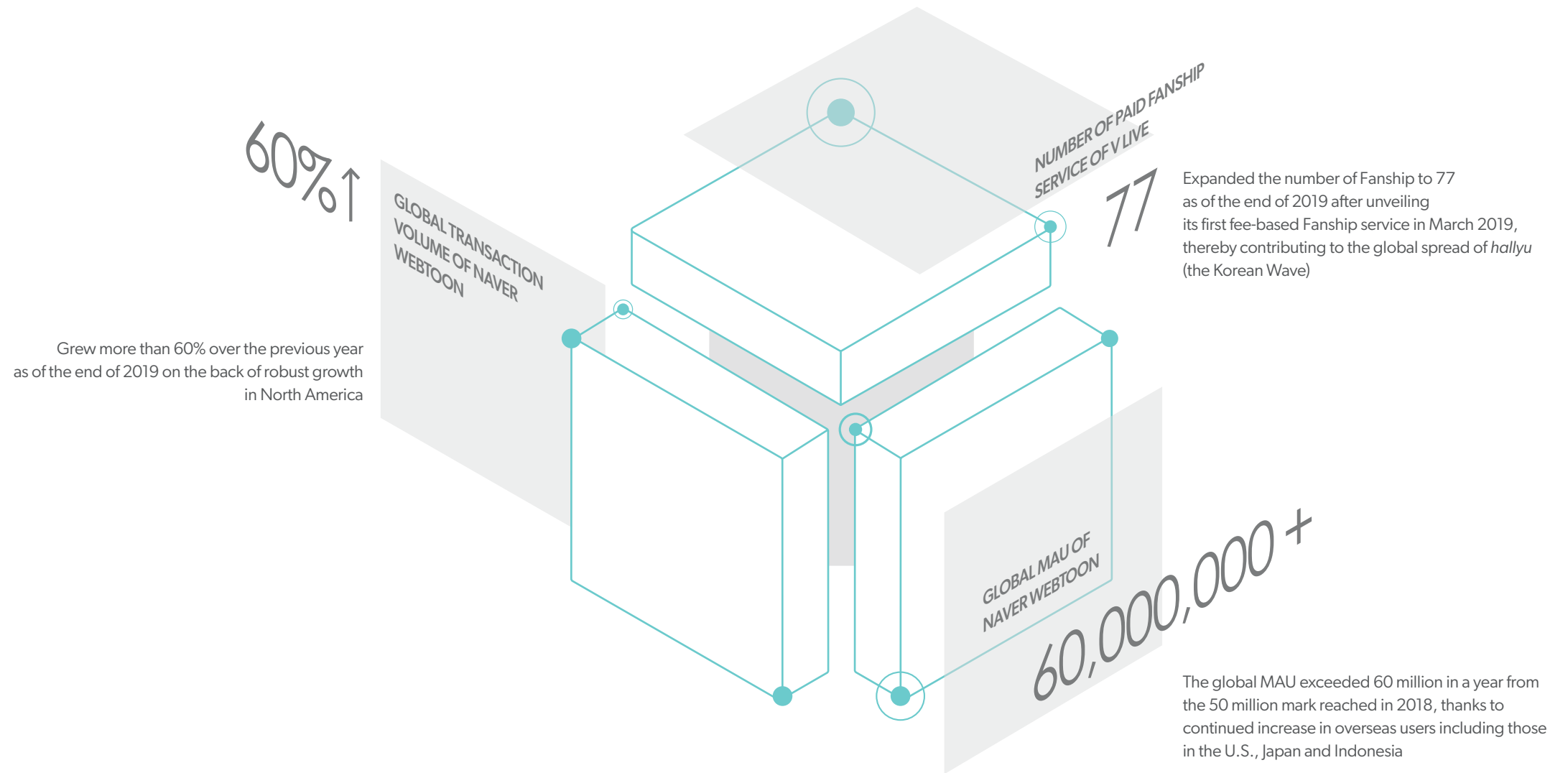
Equipped with infrastructure bases and global networks in 10 major regions world-wide, NAVER is well positioned to provide its services anywhere across the globe.



We constantly unveil best possible services, embrace dynamic environment changes, and thus create new growth opportunities in the global market.

Accelerating global growth

While commerce is leading the domestic growth of NAVER, NAVER Webtoon and V LIVE are driving the global growth in the content area. Adding the technological and data competencies to the distinctive content services, we are evolving into a global platform, further spurring the global growth.



NEWS HIGHLIGHT

NAVER Webtoon, exceeding 10 million MAU in North America

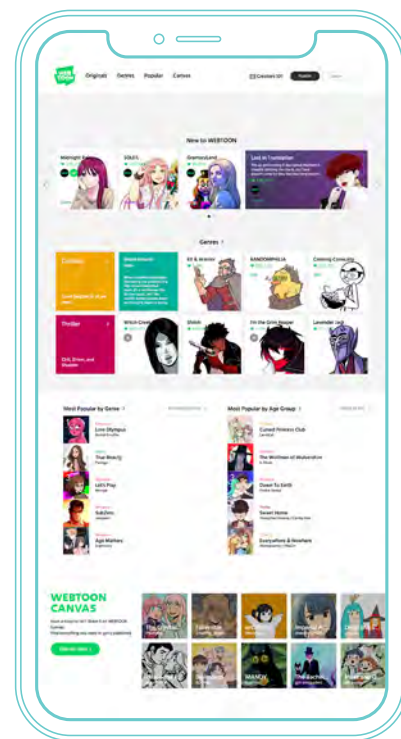
The number of monthly actual users (MAUs) of the LINE Webtoon, a global service of NAVER Webtoon, in North America exceeded 10 million in November 2019. The increase proves that the service has entered the growth stage as it is more than double the MAU of 5 million achieved in October 2018, four years after the July 2014 launch of the service in the North American market. In particular, considering that 75% of the U.S. users is Generation Z¹⁾, long-term growth is also expected. NAVER Webtoon’s fast growth can be attributed to the application of a revenue model proven in South Korea to overseas markets, and to the establishment of a strong local webtoon ecosystem. In the North American market, we are helping local artists grow into intellectual property (IP) creators through “Canvas”, a program offering a space for amateur artists to explore their creativity, thus further solidifying NAVER’s unique creation ecosystem.

¹⁾ A population segment of 24 years old and younger, largest of the U.S. population and voracious in consumption

THE MOST PROFITABLE WEBTOON APPLICATION IN AROUND 100 COUNTRIES WORLD-WIDE

No.1

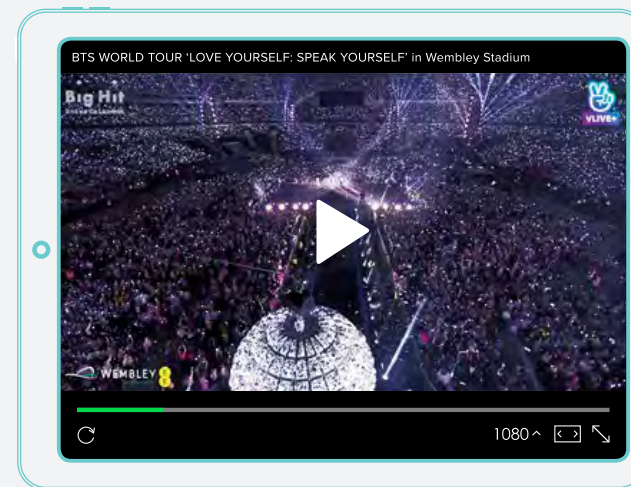
 Website of LINE Webtoon



V LIVE – a live video technology of proven global competitiveness

V LIVE successfully completed an exclusive live broadcasting of the UK Wembley Stadium performance of BTS, a world-renowned boy band, reaffirming its technological prowess. In order to increase the quality of the world-wide coverage, V LIVE connected the BTS performance broadcasting with the NAVER Cloud Platform of the German Region by using a local UK Internet line; and by placing the broadcasting transmission connection server at a local Internet data center (IDC), NAVER built a network connecting the stadium and the local server, and installed a private network connecting the stadium and the German Region. It also calculated offered traffic by leveraging its know-how and data, based on which it installed four times as many servers as required; and built an automatic recovery system in case of any major equipment malfunctions. All of these enabled V Live to provide the high-quality sound and images of the performance to a 140 thousand ARMYs²⁾ and fans around the world.

²⁾ Official fandom name of BTS



 BTS World Tour in Wembley Stadium

REACHED 140 THOUSAND CONCURRENT USERS

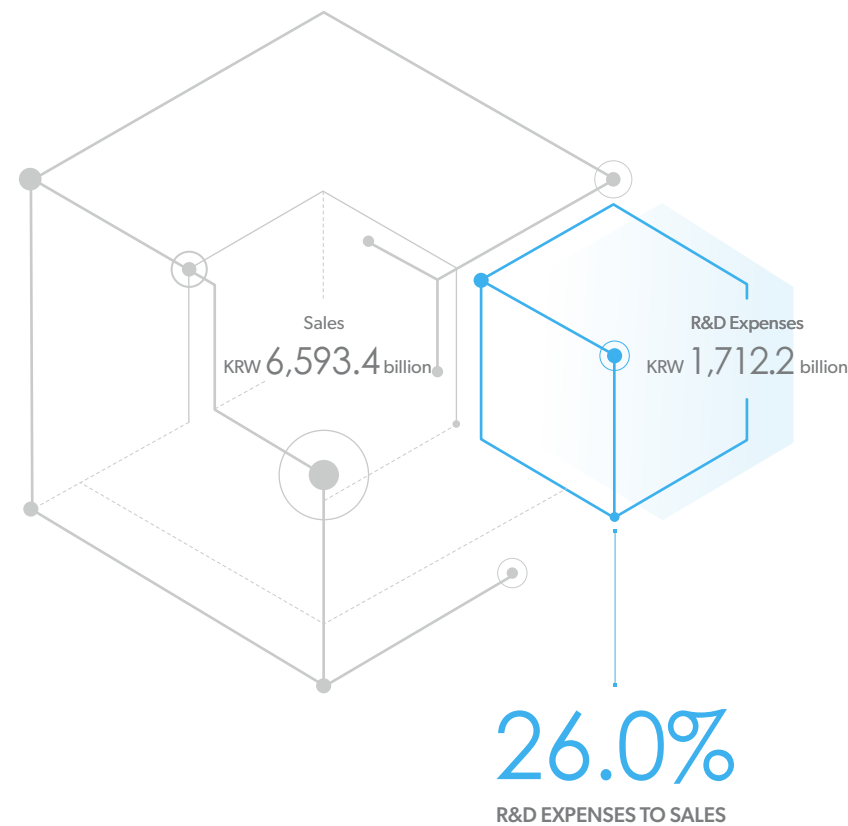
140,000

FUTURE GROWTH

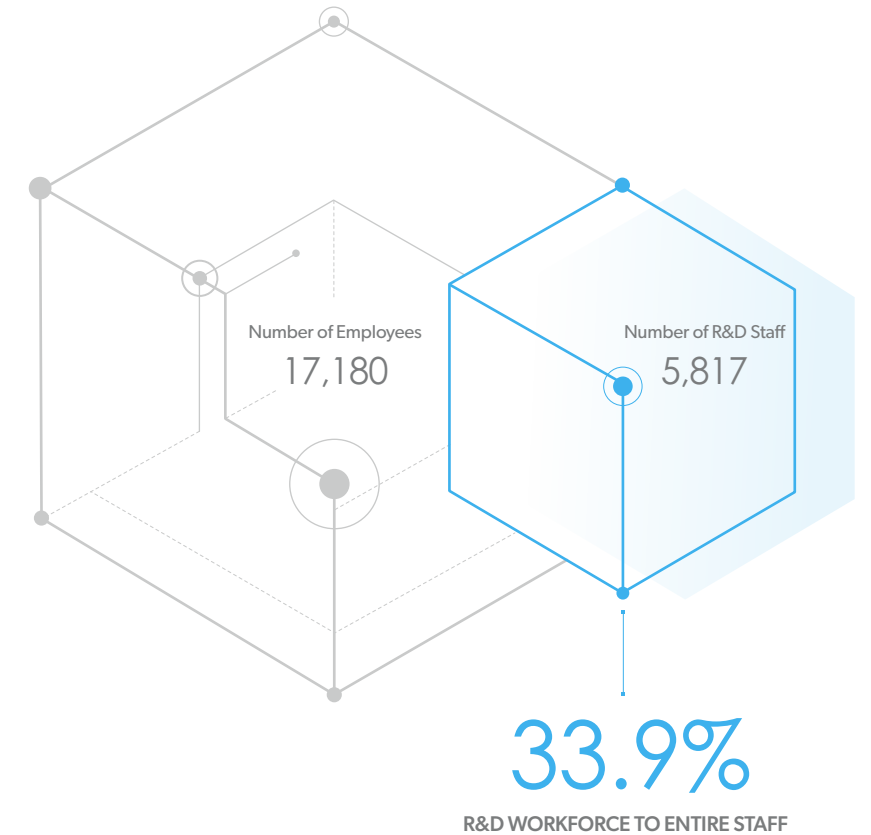
NAVER is fully engaged in R&D to stay ahead of the curve toward a new future which will be built on the convergence of technologies, including AI, robotics, autonomous driving and cloud computing.

While actively developing technologies through our internal research organization, we are expanding collaboration with domestic and overseas companies and organizations for innovative technology R&D and continuing investment in innovative startups. We are also increasing investment in R&D and focusing on HR development. In 2019, we invested KRW 1,712.2 billion, or 26.0% of total sales, in R&D – the highest ratio among companies in South Korea. NAVER will make continuous investments in technologies and human resources that will shape the future.

R&D EXPENSES TO SALES



R&D WORKFORCE TO ENTIRE STAFF



* As of the end of 2019

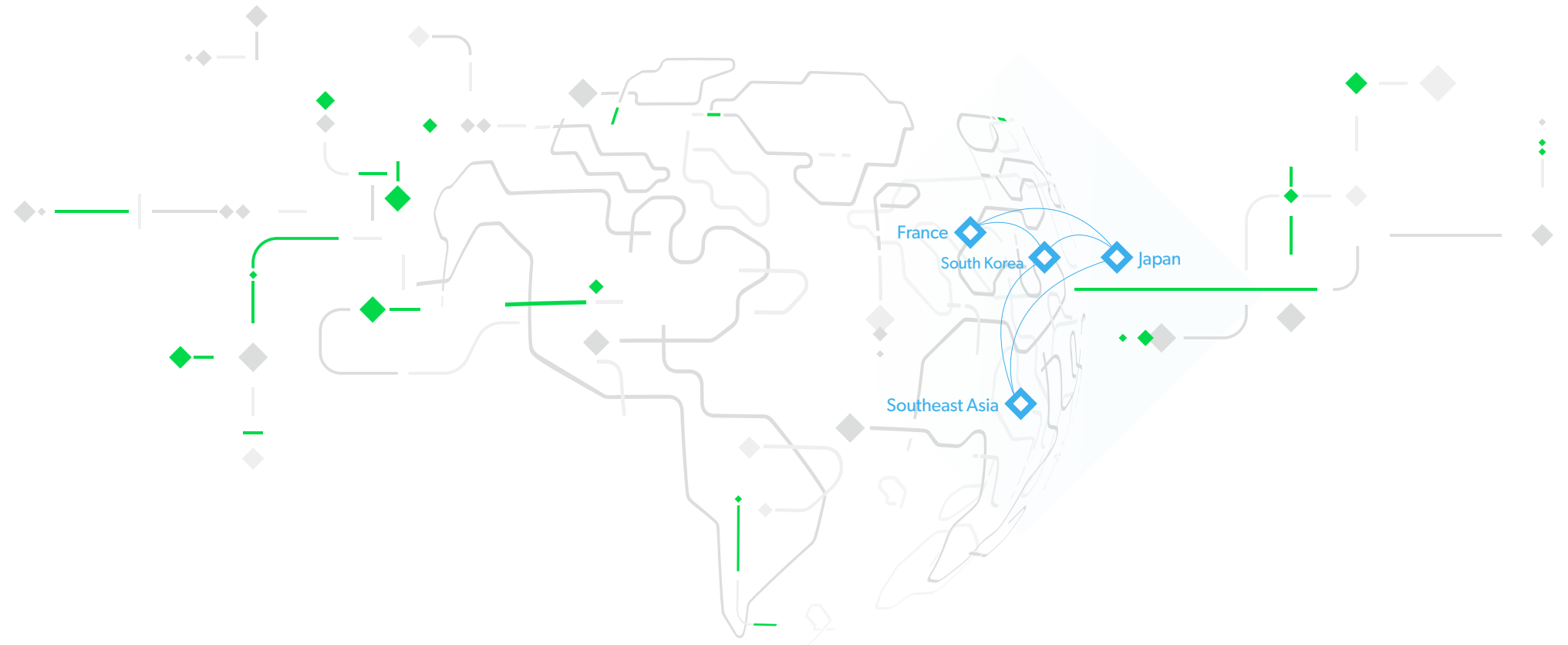


We leverage our advanced technological capabilities in order to create practical value for users and businesspersons, and thus lead a new technology paradigm.

Constructing the Global AI Research Belt

In October 2019, NAVER announced a plan to establish the “Global AI Research Belt”, an AI technology network connecting Asia and Europe. The Global AI Research Belt, at the center of which stands NAVER, is to connect South Korea, Japan, France – where NAVER’s key AI research lab is located – and Southeast Asia – where NAVER and its subsidiaries have entered. The new network is anticipated to create a new global flow in R&D activities for AI.

GLOBAL AI RESEARCH BELT



NEWS HIGHLIGHT

Held the AI and robotics workshop with global scholars

In November 2019, NAVER held "AI for Robotics", a global workshop, and discussed topics of the future in which AI and robots will become a part of daily life with 11 leading scholars in the AI and robotics from around the world. Held in Grenoble, France and hosted by NAVER Labs Europe, a global AI research lab, the workshop generated various opinions on the subject of how AI could be used to provide services of higher value to improve people's daily lives. The workshop also served as a starting point for the Global AI Research Belt which NAVER is planning to build. Going forward, we will increase cooperation and investment to enable leading researchers, startups and organizations across the globe to participate in advanced AI technology researches taking place in different regions, with the goal of generating synergies and fostering outstanding R&D talent.



Established a partnership for developing 5G-based service robot solutions

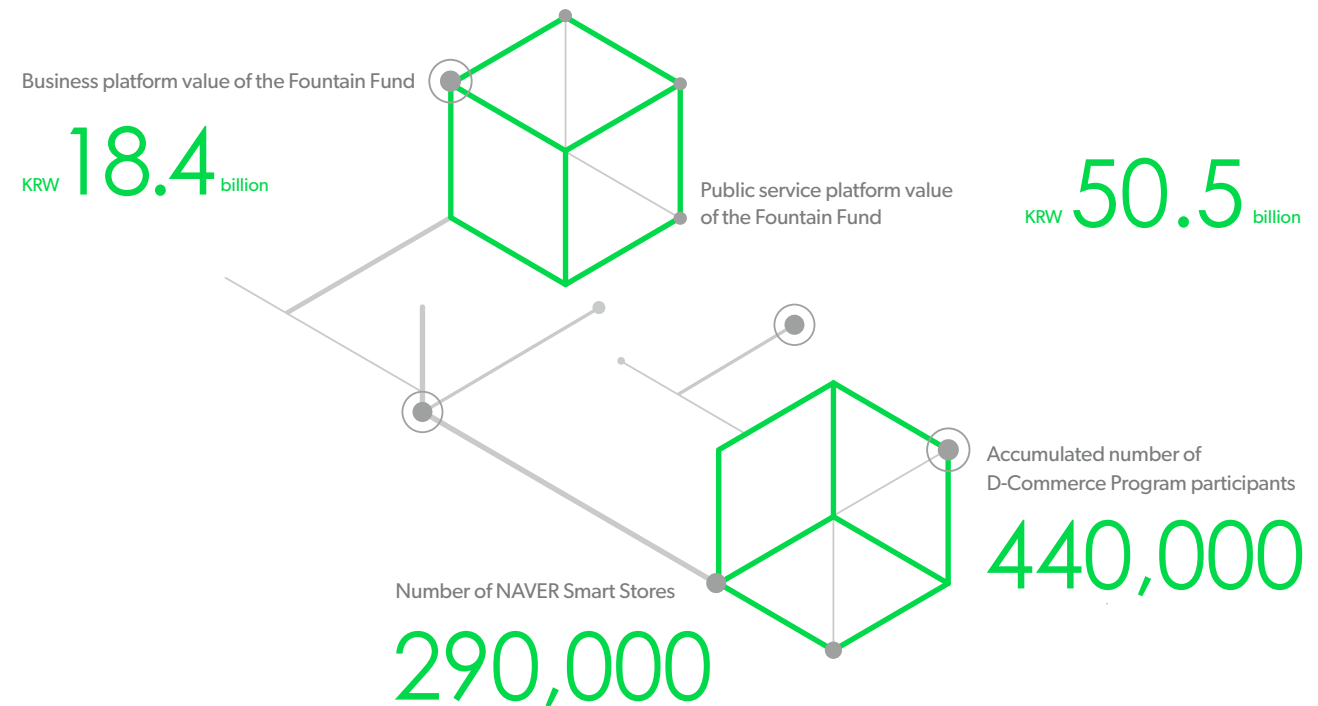
NAVER Labs, a subsidiary of NAVER Corp. committed to technology R&D, and NAVER Business Platform (NBP), a platform business subsidiary, formed an alliance with KT, the nation's No. 1 telecom provider, and Intel, a global semiconductor company, for joint development of 5G-based service robot solutions. In accordance with the partnership established at Mobile World Congress (MWC) 2019, the world's largest exhibition and conference for the mobile industry held in Barcelona, Spain in February 2019, NAVER Labs will design and develop a service robot by using such solutions as 5G, computing and sensor, offered by Intel. NBP's NAVER Cloud Platform will perform roles as a brain for the NAVER Labs' autonomous-driving brainless service robots. In addition, KT will connect the robots and the cloud platform with its 5G communication network to provide the foundation for the service robots to seamlessly exchange data. The participating companies will cooperate with one another in diverse ways to enable the convergence of advanced technologies representing their respective areas, in order to set an exemplary model of cooperation and to generate an outcome that sets a milestone in the global 5G-based service robot market.



SUSTAINABLE GROWTH

NAVER's technologies and platforms serve as the top soil for "Happybean" to take root for social changes and for "Project Flower" to bear fruits of win-win growth.

We help people use seemingly difficult cutting-edge technologies in their daily lives with ease, hoping that such an effort would lead more people to better discover opportunities in the world and thus grow together. We also help realize the sustainable value of connections through a wide array of activities, including "Happybean", an online donation service enabling happy social changes with a few screen taps; "Project Flower", identifying promising small businesses and creators, and providing them with opportunities to approach a greater number of users with quality contents; and "ON STAGE", discovering and shedding the light of public interest on hidden culture.



* As of the end of 2019

We are blooming flowers of success and spreading the scent of happiness together with various partners and local communities as a technology platform realizing the value of connection.

KRW **111.4** billion+

Cumulative donations collected through Happybean for 15 years since its launch in 2005

15 million+

Cumulative number of people donating through Happybean for 15 years since its launch in 2005

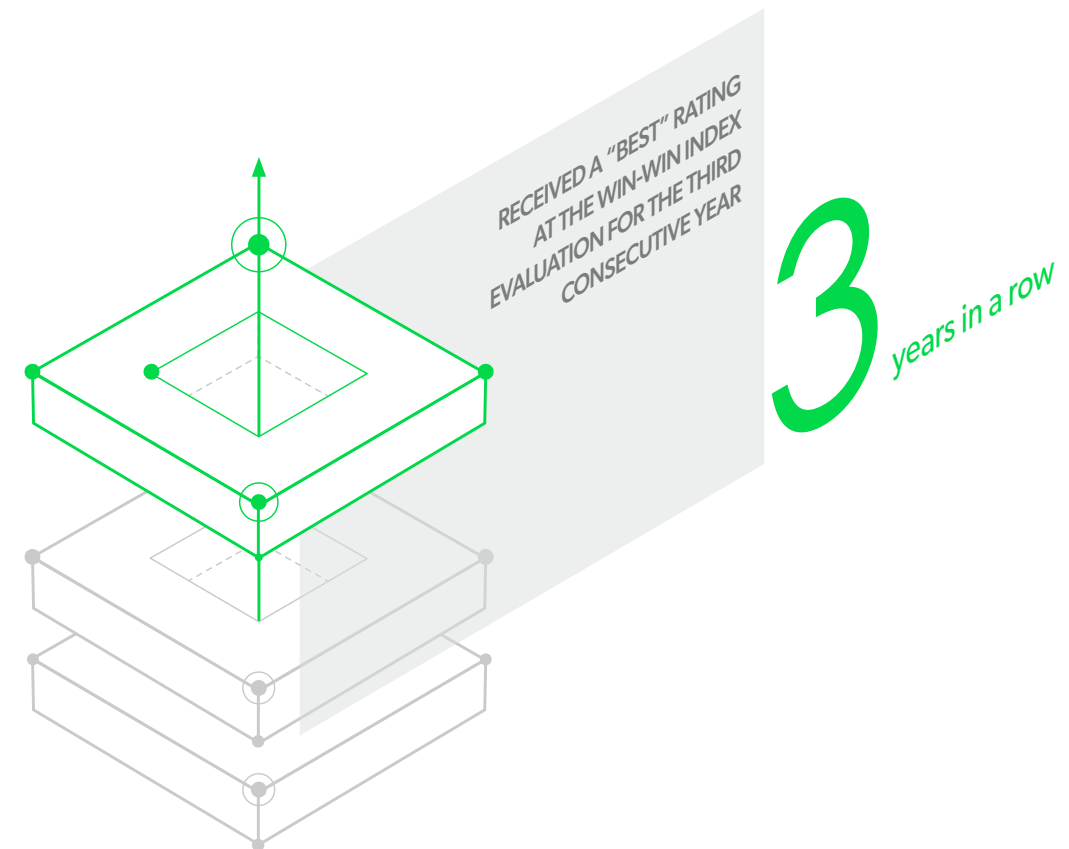
7,309

Number of public interest organizations supported through Happybean for 15 years since its launch in 2005

Chosen as a “Best Honorary Company” in Win-Win Index Evaluation

NAVER cooperates with various partners, and strives to build a healthy Internet ecosystem and grow together. Our main activities for win-win growth across the Internet platforms include “Project Flower” campaign that supports small businesses and creators; “NAVER Partner Square”, an open space for business owners and creators; and “D-Commerce Program”, providing data-based tailored training and growth programs to small businesses. In addition, we respect our partners as a companion of our business activities, and thus run effective and distinctive programs developed to facilitate shared growth.

As a result of these efforts, NAVER received a Best rating at the “2018 Win-Win Index Evaluation”, which were announced in 2019, and we were also chosen as a “Best Honorary Company”. The rating was given for the third consecutive year, and the title was bestowed for the first time on an Internet platform business. The Win-Win Index quantifies the win-win efforts and level of shared growth achieved by domestic companies, based on “SME Sensory Level Survey” results of the Commission on Shared Growth and “Evaluations of Fair Trade Agreement Practices” of the Fair Trade Commission. The Best Honorary Company title requires three years of receiving a “Best” rating.



* As of the end of 2019

NEWS HIGHLIGHT

Opened three additional Partner Squares

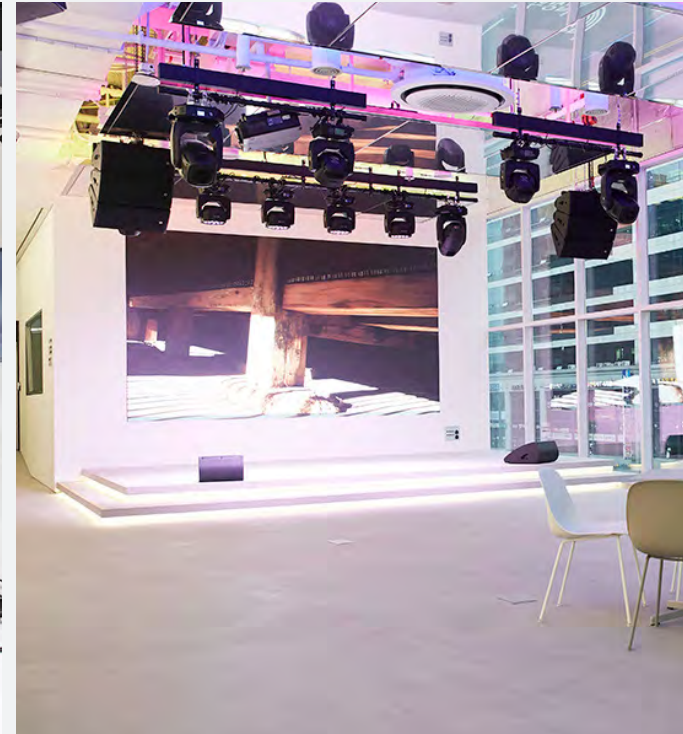
In 2019, three Partner Squares were newly opened in three key areas in Seoul – Jongno, Hongdae and Sangsu – a part of our efforts to widen the stride of Project Flower. Over the years, NAVER has been helping small businesses and creators bring their relatively unappreciated value into the light of mainstream through Project Flower; and Partner Square is the offline hub of the project. Having launched the first Partner Square in 2013, followed by another in 2014, both in Seoul, we opened two more in Busan and Gwangju, as a regional hub, in 2017 and 2018, respectively. The addition of the three more Partner Squares in 2019 is expected to provide substantial and comprehensive support to more diverse businesses in more regions.

 [Website of NAVER Partner Square](#)



Partner Square Jongno

This is a professional space for “small makers” running the business of promoting the unique content of their own creation. Comprising an exclusive studio equipped with a professional apparatus, Partner Square Jongno helps small makers develop their creativity into online business by providing a “Makers’ Program” that offers support for training and business space.



Partner Square Hongdae

This is a professional space for creators engaged in blogging, video/audio creation and other content development activities. As the first Partner Square that provides in-depth support to content creators, Partner Square Hongdae guides creators throughout their growth stages from the launch. It also provides a studio space and professional training in line with the latest content trends.



Partner Square Sangsu

This professional studio is set up for food creators, and is equipped for small-scale lecturing and video shooting. In addition to a space where creators can meet users in various ways, Partner Square Sangsu offers networking programs.

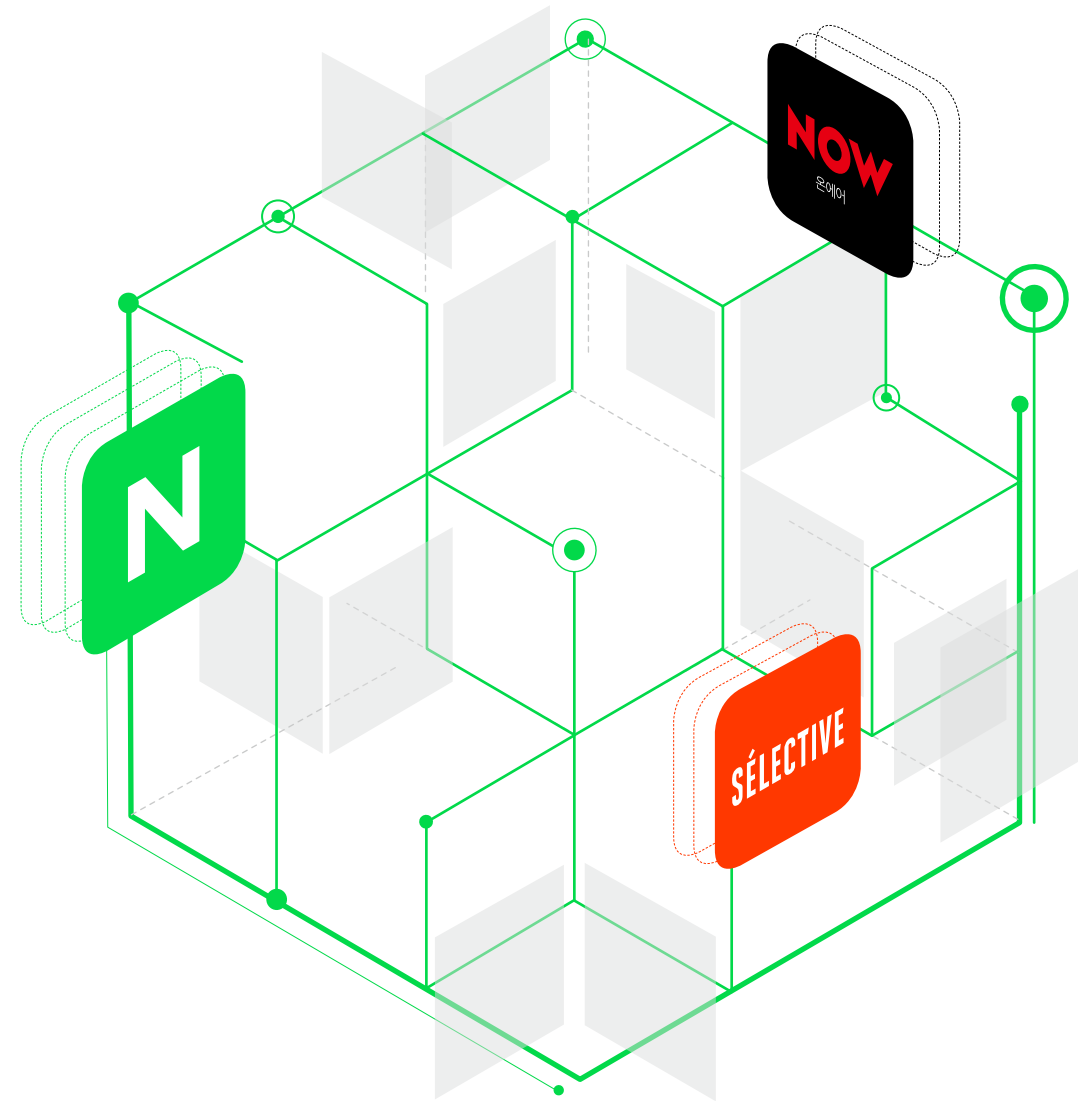
NEW SERVICES

NAVER strives to deliver the convenience of connection and the joy of discovery for users, opportunities to grow together for partners, and best results for investors by launching more convenient services and by providing more diverse content.

NAVER News, evolving into a technology platform linking media and users

The first screen of the NAVER News app has been personalized. In April 2019, NAVER completed the automation of news editing by replacing the section showing its edition of news articles of various media with those automatically selected based on the AiRS (AI Recommender System). AiRS is an AI content recommendation algorithm that we unveiled in February 2017. It recommends different content to different users by analyzing the patterns of users' content consumption. Accordingly, the first screen of the NAVER News app is divided into two sections, one for news articles recommended by AiRS and the other for those of media of users' choice.

News editing automation is also in line with NAVER's fundamental value – direct connection of people and information as well as people and people based on technology. We will continue to faithfully perform our role as a platform enabling users to easily access diverse news articles selected through a more elaborate and advanced algorithm, and to fully enjoy the value of selected media.



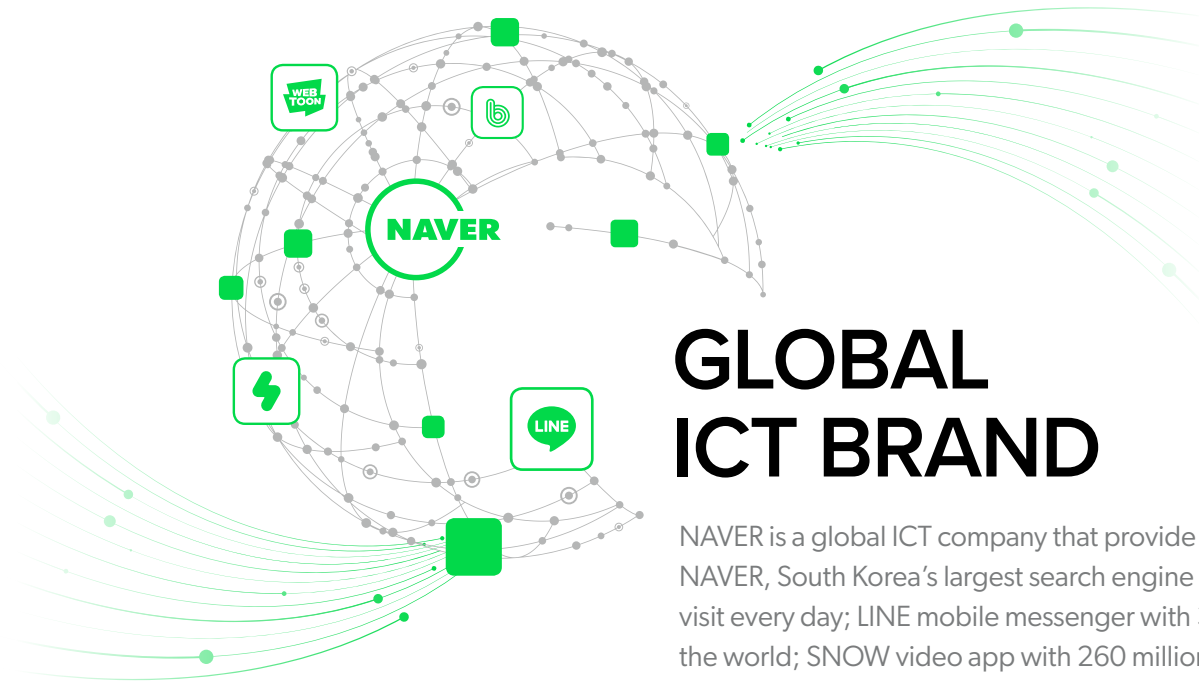
NOW – a new concept of live audio streaming services

In August 2019, NAVER launched "NOW", a streaming service through which users can enjoy diverse audio content live 24/7. Available on the first screen of NAVER Mobile to increase its service accessibility, NOW is expected to generate synergy with "VIBE", another music service offered by NAVER. The key features of NOW include a multi-tasking characteristic of audio content that allows users to seamlessly enjoy content while using diverse NAVER services; a strength of live service that enables a host and a user to chat real-time; and a push notification so that users receive notice regarding programs of their choice. Going forward, we will explore diverse audio and video content formats based on our advanced live technologies, and also further strengthen our multimedia content.

SELECTIVE – an influencer stylebook service

NAVER presented a new user experience by launching "SELECTIVE" in 2019. The new service is unique in that it collects only refined content from among style-related content strewn across many social media channels through big data-based recommendations. Users of the service can browse through diverse content of influencers, find styles and items of interest, and purchase a product if they want. Influencers have recently been expanding their influence on the consumption habits beyond online boundaries; and an increasing number of consumers are tapping through content of interest and then moving on to shopping while searching the Internet for other purposes. In response such trends, NAVER has developed SELETIVE, a new-concept service combining content and commerce.

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GLOBAL ICT BRAND

NAVER is a global ICT company that provide a wide range of services including NAVER, South Korea’s largest search engine with more than 30 million users visit every day; LINE mobile messenger with 300 million users from around the world; SNOW video app with 260 million monthly active users; and NAVER Webtoon that 60 million monthly active users enjoy across the globe.

KEY FIGURES

	2017	2018	2019
Summarized Statements of Comprehensive Income (Unit: KRW billion)			
Operating Revenue	4,678.5	5,586.9	6,593.4
Operating Expenses	3,499.3	4,644.4	5,883.3
Operating Income	1,179.2	942.5	710.1
Net Income	770.1	627.9	396.8
Summarized Statements of Financial Position (Unit: KRW billion)			
Total Assets	8,019.3	9,881.2	12,299.5
Total Liabilities	2,714.1	3,932.1	5,795.6
Total Equity	5,305.2	5,949.1	6,503.9
Profitability Ratios (Unit: %)			
ROE	18.5	13.0	10.6
Operating Margin	25.2	16.9	10.8
Net Margin	16.5	11.2	6.0

* Based on consolidated figures

OPERATING REVENUE

6,593.4

Recorded an operating revenue of KRW 6,593.4 billion, up 18.0% year-on-year, exceeding the KRW 6 trillion milestone for the first time in its history

TOTAL ASSETS

12,299.5

Recorded KRW 12,299.5 billion in assets, a year-on-year increase of 24.5%

ROE

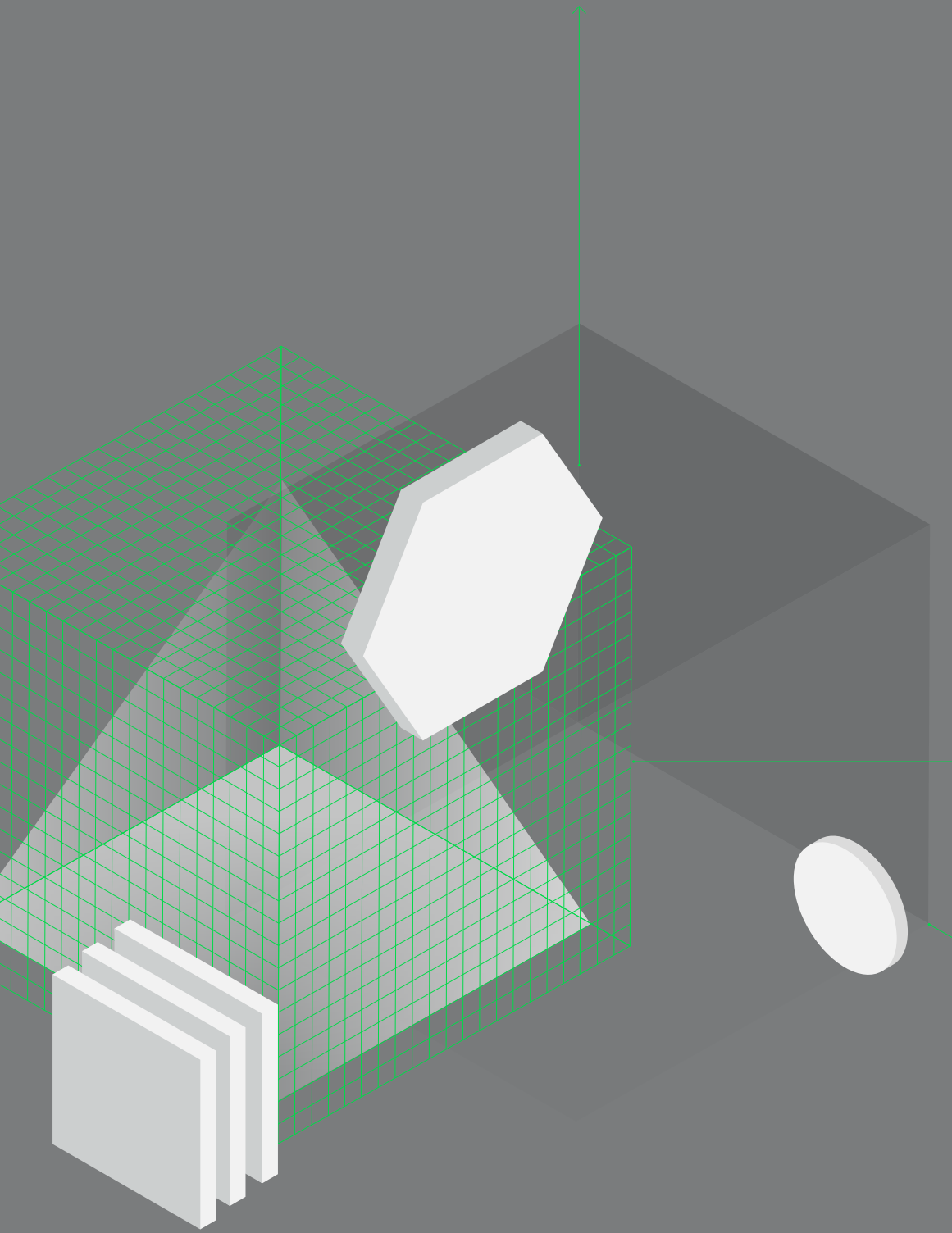
10.6%

Achieved strong profitability by maintaining ROE of above 10%

DEBT RATIO

89.1%

Maintained stability and soundness by recording a debt ratio of less than 100%



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CORPORATE GOVERNANCE

NAVER has established a transparent and stable governance system in order to promote the interests of shareholders, protect the rights of stakeholders, and also to enhance corporate value and achieve sustainable growth.

Corporate Governance Principle

NAVER has a global standard governance system in place which separates the CEO and the Board Chairman. In addition, the Board of Directors (BOD) is centered on outside directors, ensuring efficiency in its management advisory and supervisory functions, strict compliance management, greater expertise in the BOD and its Sub-Committees, and independent and transparent internal audit systems.

NAVER discloses all material matters related to governance in its efforts to ensure transparency in governance. Among other matters posted on our website, we share information concerning BOD-related regulations, changes to the composition of the BOD, details of annual BOD activity, and management succession. We also make public announcements through the Financial Supervisory Service's electronic disclosures and corporate governance reporting system, as part of our commitment to total management transparency.

Board of Directors

COMPOSITION OF THE BOD

The BOD of NAVER has consisted of a majority of outside independent directors since 2012 when the company's total assets exceeded KRW 2 trillion. In addition, NAVER has established the principle of having its BOD centered on independent outside directors, in order to ensure that it fulfills its functions in monitoring and supervising management. As of March 31, 2020, the BOD consists of seven members, of whom four members or 57% of total members are outside directors.

Composition of the Board

Position	Name	Area of activity (Work in charge)	Initial appointment date	Reappointment status (No. of reappointments)	Term	Area of expertise	Professional & educational background
President & CEO	Han Seong-sook	President & CEO	Mar. 17, 2017	Reappointed (1)	Mar. 2017 - Mar. 2023	Business	<ul style="list-style-type: none"> B.A. in English Literature at Sookmyung Womens University Director of Search Business Division, EMPAS Division Head of NAVER Service Division 1, NAVER Corp. General Director of Service Management Committee, NAVER Corp. Currently President & CEO, NAVER Corp.
Inside director	Choi In-hyuk	COO	Mar. 23, 2018	-	Mar. 2018 - Mar. 2021	Technology	<ul style="list-style-type: none"> M.D. Control and Measurement Engineering, Seoul National University Samsung SDS Leader, NAVER Business Committee Currently COO, NAVER Corp. Currently CEO, Happybean Foundation
	Byun Dae-gyu	Chairman of the Board	Mar. 17, 2017	Reappointed (1)	Mar. 2017 - Mar. 2023	Business	<ul style="list-style-type: none"> Ph. D. in Control and Measurement Engineering, Graduate School of Seoul National University President & CEO, Humax Outside Director, SK Telecom Outside Director, POSCO Currently Vice President, The National Academy of Engineering of Korea Currently President & CEO, Humax Holdings Chairman of the Board of Directors, Humax
	Cheong Ui-jong	Work related to overall company-wide management	Mar. 29, 2013	Reappointed (2)	Mar. 2013 - Mar. 2022	Law	<ul style="list-style-type: none"> M.A in Law, Seoul National University LL.M, Columbia University Member of Economic Policy Consultation Committee, Ministry of Strategy and Finance Member of Financial Dispute Consultation Committee, Financial Supervisory Service Currently Auditor, BAE, KIM & LEE LLC Currently Lawyer, BAE, KIM & LEE LLC
Independent outside directors ¹⁾	Hong Jun-pyo	Work related to overall company-wide management	Mar. 29, 2013	Reappointed (2)	Mar. 2013 - Mar. 2022	Business	<ul style="list-style-type: none"> Medical MBA, University of South Carolina M.D., College of Medicine, Yonsei University Currently Professor, Ulsan University Currently Plastic Surgery Surgeon, Asan Medical Center
	Lee In-moo	Work related to overall company-wide management	Mar. 23, 2018	-	Mar. 2018 - Mar. 2021	Investment	<ul style="list-style-type: none"> Ph.D. Finance, University of Illinois at Urbana-Champaign Associate Professor, Korea University & National University of Singapore Vice President, Dimensional Fund Advisors Advisory Committee, Reserve Management Group at the Bank of Korea Member of Risk Management Committee, National Pension Service Currently Professor, Korea Advanced Institute of Science and Technology & Head, School of Management Engineering
	Jung Do-jin	Work related to overall company-wide management	Mar. 22, 2019	-	Mar. 2019 - Mar. 2022	Accounting	<ul style="list-style-type: none"> Ph.D. in Accounting, Kentucky University Member of Evaluation Team for Management Performance of Public Corporation or Quasi-governmental Institution, Ministry of Strategy and Finance Member of Accounting Oversight Deliberation Committee, Financial Services Commission Currently Member of International Public Sector Accounting Standards Board (IPSASB) Currently Professor, Chung-Ang University Business School

* As of March, 2020

¹⁾ Independent outside directors include outside directors and non-executive directors



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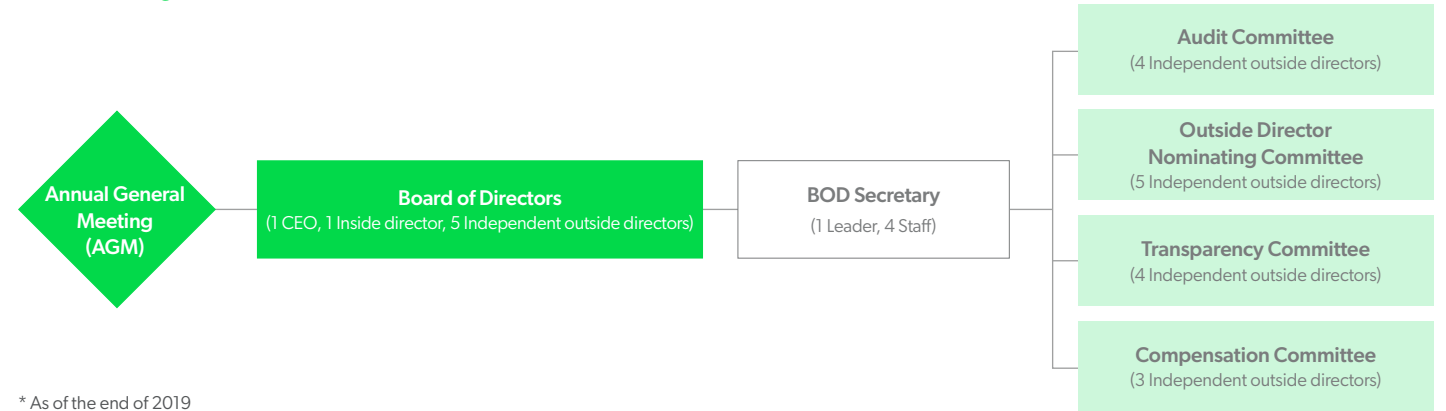
NAVER has separated the roles of the CEO and the Board Chairman, which has reduced dependence on executive management in decision-making and ensured the independence of the BOD, thereby strengthening the BOD's role in supervising management and ensuring transparency. In order to prevent conflicts of interest, the BOD strictly complies with regulations which stipulate that "Of those attending the BOD, a person with a specific interest in a BOD resolution cannot exercise his/her voting rights". NAVER's BOD has thus built a system which enables effective discussions and prudent decision-making, and is performing independent functions from the management and controlling shareholders.

EXPERTISE OF THE BOD

A company must appoint a competent person to a director, with a sense of responsibility and particular expertise and experience in diverse fields of knowledge, in order to ensure that the BOD can contribute effectively to the management of the company. To this end, the BOD Secretariat of NAVER selects outside director candidates based on their business reputation and relevant expertise, and appoints experts with extensive understanding and experience in the various fields required in corporate management, including banking, law, finance and technology.

The BOD Secretary provides support so that the Board and its sub-committees can perform their duties to professional standards. It provides detailed information and explanations regarding agenda to help the BOD and its sub-committees make the best decisions possible. It also undertakes a wide range of other support activities, including providing extensive information about the company and training programs.

The Board Organization



* As of the end of 2019

Reasons for Being Appointed to the Board

Position	Name	Reasons for being appointed
President & CEO	Han Seong-sook	<ul style="list-style-type: none"> She performed leading roles in the growth of NAVER into the No. 1 Internet company in South Korea As the CEO who most deeply understands management issues, she presents a vision to make NAVER into a technology platform company
Inside director	Choi In-hyuk	<ul style="list-style-type: none"> He has a wide range of experiences in technology development platforms, development service operation and business planning, accumulated over approximately 20 years
Independent outside directors ¹⁾	Byun Dae-gyu	<ul style="list-style-type: none"> He is highly regarded for his forward-looking venture spirit as the first venture generation, drive to advance overseas, and capability that has enabled NAVER to grow into a global company He is anticipated to provide advice and counsel that is needed for NAVER to advance into a global technology platform
	Cheong Ui-jong	<ul style="list-style-type: none"> Reviews legal risks concerning finance, investment, M&A and other matters based on legal knowledge
	Hong Jun-pyo	<ul style="list-style-type: none"> Presents expert opinions on diverse businesses in the medical treatment and health care sector, which is an important market in the era of the 4th Industrial Revolution
	Lee In-moo	<ul style="list-style-type: none"> Presents opinions on global investments and financial risk management, as an expert in corporate financing, investment and risk management, and performs the role of supervising the execution of investments
	Jung Do-jin	<ul style="list-style-type: none"> Performs the role of managing the BOD and strengthening its function of supervision and auditing as an accounting expert in accordance with an increasing importance of the role of the BOD and Audit Committee in line with the amendment to the Act on External Audit of Stock Companies

¹⁾ Independent outside directors include outside directors and non-executive directors

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SUB-COMMITTEES UNDER THE BOD

NAVER runs a number of standing committees within the BOD, based on the Articles of Association and BOD regulations, for professional and systematic composition and operations of the BOD. These include the Outside Director Nominating Committee, the Transparency Committee, the Compensation Committee, and the Audit Committee. All committee members are composed of independent outside directors, thereby ensuring independent, transparent decision-making and the effective supervision of management.

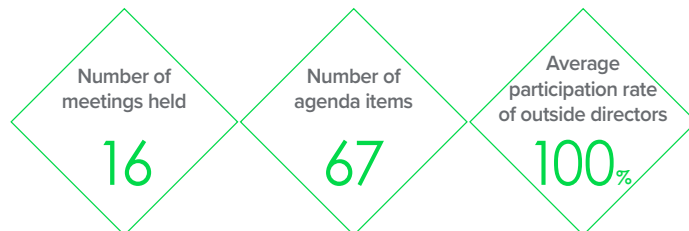
OPERATIONS OF THE BOD

Regular BOD meeting is held once a month, and extraordinary BOD meetings are held when there is an urgent need to make a specific resolution. As the top decision-making body of the company, the BOD determines major matters related to corporate management. It also supervises the management in the execution of their duties. Except for in cases where otherwise stipulated, a resolution is passed if supported by a majority of directors in attendance, with at least three-fifths of the total number of BOD members being present.

Sub-committees under the Board must notify directors of a resolution after the resolution is passed. If a director thus notified objects to the resolution or judges it to be a wrong decision, that director can demand that the Chairman of the Board calls a BOD meeting, and the Chairman must accept such a demand. The BOD can decide on any resolution passed by a sub-committee, except resolutions of the Audit Committee.

In 2019, the BOD held a total of 16 meetings, including 12 regular meetings and four extraordinary meetings. It made decisions on 28 resolution items and 39 report items, including an increase in paid-in capital for NAVER Webtoon, an amendment to internal accounting regulations, and the provision of stock options to employees.

BOD Activities in 2019



Composition of the Sub-committees under the BOD

Committee	Functions	Chair Member						
		Han Seong-sook	Choi In-hyuk	Byun Dae-gyu	Cheong Ui-jong	Hong Jun-pyo	Lee In-moo	Jung Do-jin
Audit Committee	<ul style="list-style-type: none"> Supervises the work of directors and the management Gives approval for the selection of an outside auditor Other matters stipulated in the Articles of Association or internal regulations in relation to audit work 				○	○	○	●
Outside Director Nominating Committee	<ul style="list-style-type: none"> Establishes, examines and complements the principles of outside director appointment Recommends candidates for outside directors who will be appointed at the AGM Manages a pool of outside director candidates at all times and verify them 			●	○	○	○	○
Transparency Committee	<ul style="list-style-type: none"> Establishes basic policies and strategies on risk management Entrusted with BOD responsibilities to strengthen timely, quick decision-making Discusses and determines external policies, social contributions, donations to foundations, environmental issues, and other various matters related activities outside the company 			○	●		○	○
Compensation Committee	<ul style="list-style-type: none"> Matters related to determination of compensation for the management and payment method Matters related to designing and operating of a compensation system for the management, and evaluating the adequacy of the design and operations Matters related to the decision-making process regarding compensation policy 			●	○		○	

* As of March, 2020

Outside Auditor System

As a listed company, NAVER appoints an outside auditor whose duties are to impartially undertake audit work independent from the management and controlling shareholders, and to conduct audits on financial statements, supplementary schedules and other statutory releases in order to provide reliable accounting information to all stakeholders, including shareholders. We appoint the same auditor for three consecutive business years in accordance with the Act on External Audit of Stock Companies. On February 26, 2018, NAVER appointed Samil PwC as its outside auditor for three consecutive business years starting in 2018. The same company had also been appointed for the three years immediately prior to 2018.

The Audit Committee receives quarterly reports from the outside auditor on the outcome of its audit activities, without company management being in attendance. It also engages in regular non-statutory communications with the outside auditor. If the outside auditor discovers an illicit act by a director in relation to the execution

of his/her duties, an important matter which is in violation of any law or the Articles of Association, or the company's violation of accounting criteria, the auditor makes an immediate and direct report to the Audit Committee. After receiving such notice from the outside auditor, the Audit Committee appoints an outside expert to investigate the violation, with the investigation paid for by the company, and demands corrective measures by the CEO should the results of the investigation so require.

Outside Auditor and Audit Opinion

Business year	Auditor	Audit opinion	Special notes in the auditor's report
21st (2019)	Samil PwC	Adequate	None applicable
20th (2018)	Samil PwC	Adequate	None applicable
19th (2017)	Samil PwC	Adequate	None applicable

BUSINESS ETHICS

NAVER increases value for all of its stakeholders, and enhances its reputation as a transparent and trusted company by adhering to strict standards of corporate ethics.

Integrity Code

NAVER has established an Integrity Code so that all staff members can fulfill their responsibilities towards both customers and a wider society, and undertake their work in responsible and honorable ways. All employees adhere to the Code, thus helping to build a reliable, transparent company. We set out the purpose and the detailed criteria for the Integrity Code, and systematically manage them in line with internal and external requirements. We offer mandatory corporate ethics training to new employees every year, and detailed criteria are shared through ethics training which takes place every quarter. In addition, all employees sign an annual commitment to observe the Integrity Code as part of our efforts to build a culture of integrity.

Ethical Management Training and Activities

NAVER's corporate ethics are not unilaterally declared to employees simply through training, but are improved and revised during the process of actual work, enabling corporate ethics to continue to evolve and improve. To this end, we operate "Knock", a two-way channel which provides advice on ethics, and through which employees make reports in case of concerns while carrying out their work duties. We have also implemented a "responsibility report" process which allows employees to quickly report any problems, instead of hiding them, thus enabling an early detection of risk and a reduction of potential harm. We transparently disclose violations of the Integrity Code within the company, and share the remedies needed to prevent recurrence.

We conduct surveys on a regular basis to partner companies in order to monitor whether their partnerships with NAVER are fairly implemented, and we have an independent channel in place to enable the reporting of irregularities or corruption. We also separated the organization which establishes ethical criteria from the organization in charge of investigation and monitoring, thereby ensuring the independence of the organization in charge of anti-corruption within the company. In addition, the "Self Check" monitoring system immediately informs an employee on any matter which is assessed as being in potential violation of the Integrity Code, with the employee then required to give an explanation and/or given a warning.

Leaders in positions of considerable roles and responsibilities receive ethical management trainings at workshops every year, while staff members regularly evaluate the ethical mindset of the leaders with an aim to look out for potential problems. In the case of violations by leaders, disciplinary action is much stricter than for regular employees as part of our efforts to prevent corruption from taking place in the first place.



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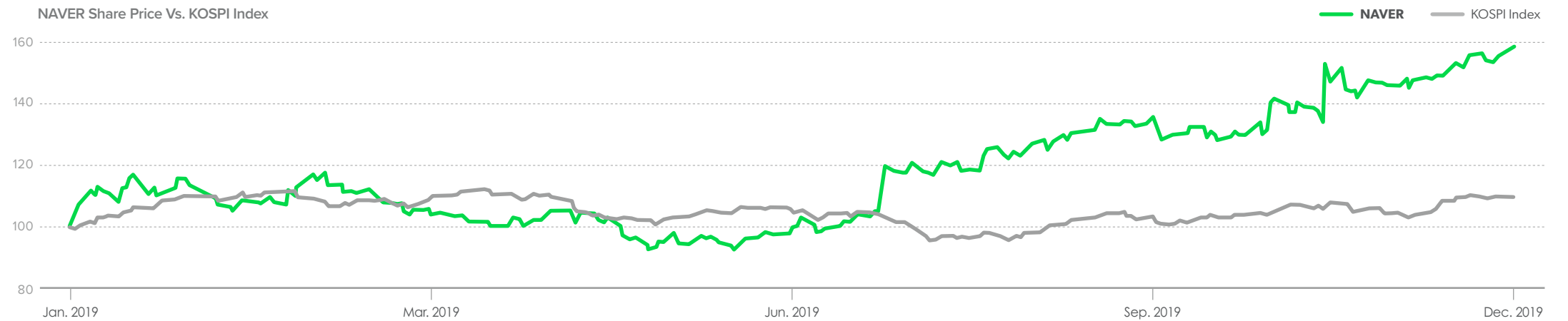
Stock Information

STOCK INFORMATION

NAVER makes continuous efforts to build growth momentum and corporate credibility so that the company's growth leads to the enhancement of corporate value, which in turn generates greater shareholder value.

Stock Information

Stock Performance



* 2019 performance of the NAVER stock and KOSPI, both indexed 100 at year-start for comparison purposes

Share Price Change

(Unit: KRW)

	2019	2018	2017
High	186,500	190,000	192,000
Low	108,500	106,500	144,000
Year-end	186,500	122,000	174,000
KOSPI index (year-end)	2,197.67	2,041.04	2,467.49
Market capitalization (KRW million)	30,737,698	20,107,234	28,677,531

Shareholder Composition

	Ownership	Number of shares
Major shareholder (National Pension Service)	11.5%	18,978,533
Foreigners	59.4%	97,893,696
Domestic institutions (excluding NPS)	11.0%	18,155,771
Individuals and other companies	6.3%	10,419,795
Treasury shares	11.8%	19,365,600
Total	100.0%	164,813,395

* As of the end of 2019

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Shareholder Return Policy

NAVER pays cash dividends and implements stock repurchases in order to maximize shareholder returns, and the size of dividends and repurchases are determined according to annual free cash flow. In 2019, we paid a cash dividend of KRW 376 per share, up 19.7% compared to the previous year. In addition, a BOD resolution was passed on January 30, 2019 to acquire 735,000 treasury shares, with the acquisition being completed on February 18, 2019.

In order to stabilize returns by reducing fluctuations caused by the changing business environment, in early 2020 NAVER changed its criterion on shareholder returns from 30% of annual consolidated free cash flow to 30% of the average of the consolidated free cash flows for the previous two years. We also disclosed the formulae and components of free cash flow in our efforts to increase the predictability and transparency of shareholder returns. The dividend payout ratio is maintained at 5% of the non-consolidated net income, while making changes to buy back treasury shares by using remaining funds after dividends, and then to immediately cancel them. This is expected to increase direct returns. NAVER therefore plans to retire a total of 550,000 treasury shares, as it has decided to retire 467,000 treasury shares of the company, in addition to the newly acquired 83,000 treasury shares. We will continue our efforts to maximize shareholder value through a shareholder-friendly dividend policy based on a strong financial performance.

Dividend

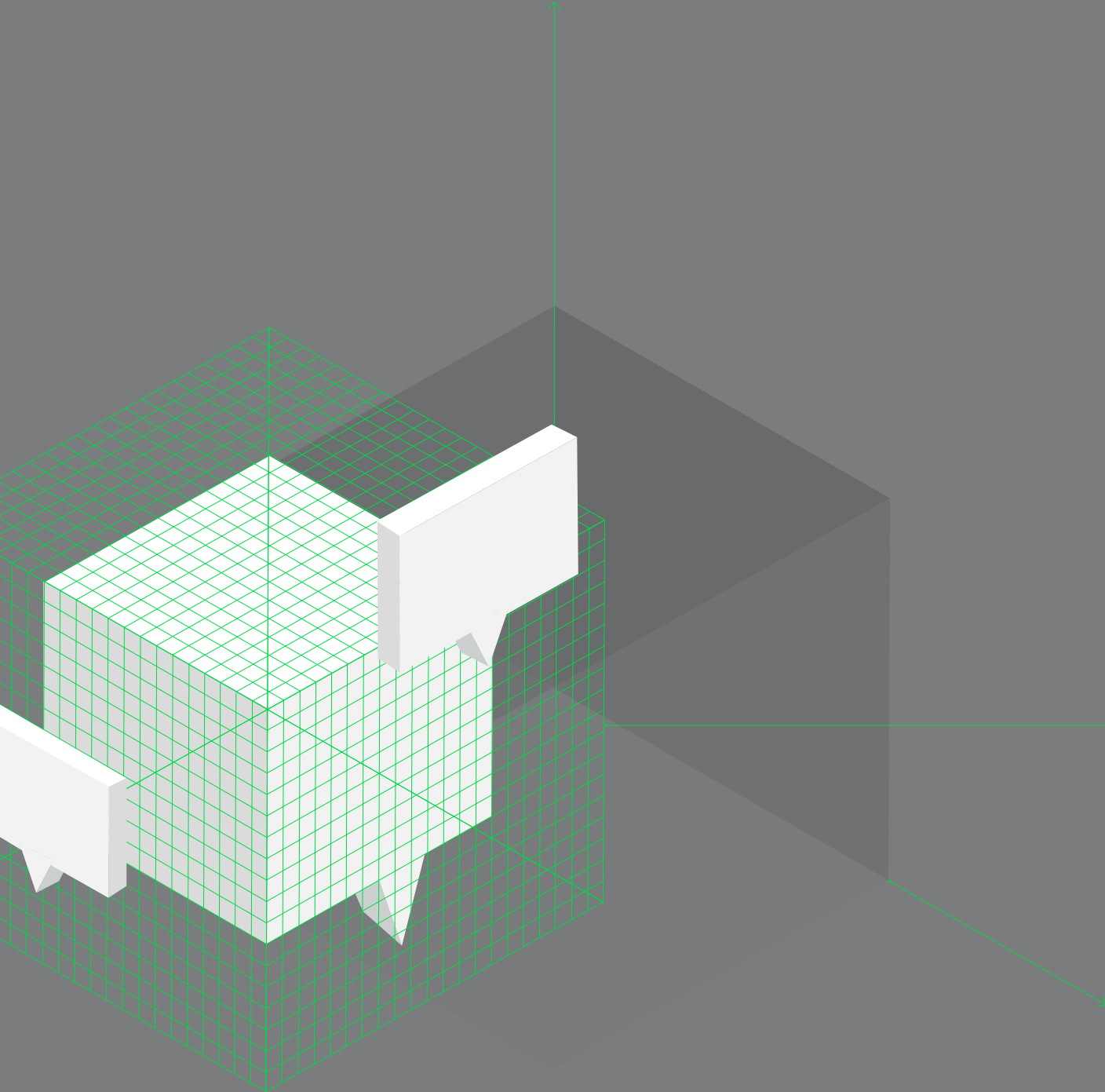
	2019	2018	2017
Net income (Separate figure, KRW million)	1,092,525	900,423	849,412
Cash dividend (KRW million)	54,688	45,901	42,470
Cash dividend per share (KRW)	376	314	1,446 ¹⁾
Payout ratio (Separate figure, %)	5.0	5.1	5.0

¹⁾ Figure before stock split

IR Activities

NAVER strives to increase shareholder value and gain market trust by communicating with shareholders and investors through a wide range of channels based on an effective and consistent IR policy. We post public announcements and materials related to the company's performance on our website in both Korean and English, and we hold regular meetings with investors. In 2019, we were invited to a number of corporate days and conferences hosted by major organizations, and had 12 IR events. We held non-deal roadshows both in South Korea and overseas, including in the U.S., Singapore and Malaysia. In addition, NAVER shared its annual report ahead of the annual general shareholders' meeting, thereby helping investors make decisions based on accurate and up-to-date information.





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NAVER Cloud Platform | LINE WORKS | VIBE | audio clip | Whale | Papago | LINE

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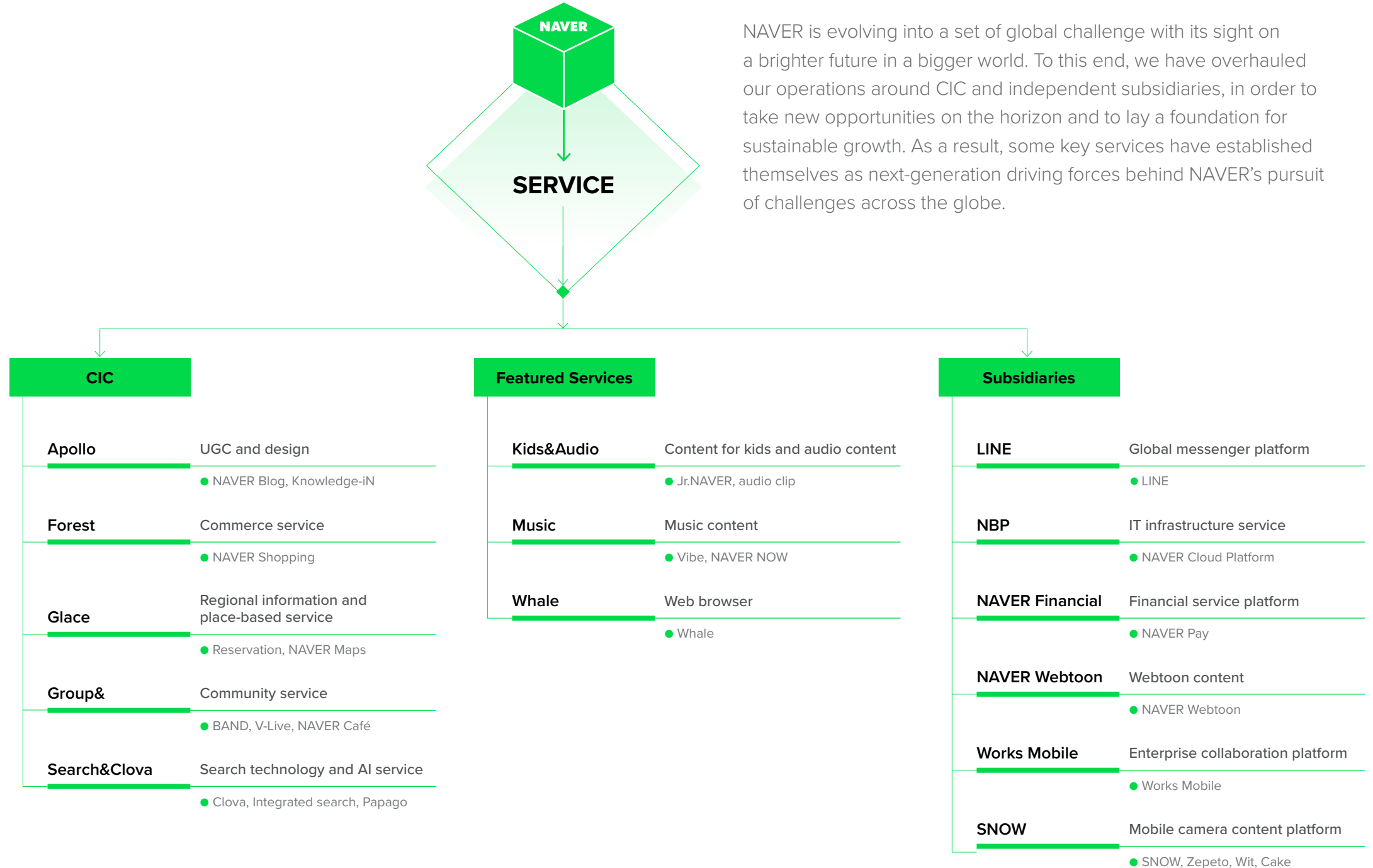
audio clip

Whale

Papago

LINE

OVERVIEW



NAVER is evolving into a set of global challenge with its sight on a brighter future in a bigger world. To this end, we have overhauled our operations around CIC and independent subsidiaries, in order to take new opportunities on the horizon and to lay a foundation for sustainable growth. As a result, some key services have established themselves as next-generation driving forces behind NAVER's pursuit of challenges across the globe.

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NAVER



South Korea's No. 1 Internet Search Portal

[naver.com](#)

Strengthening search quality

NAVER makes continuous efforts to provide users with better value by launching new services, improving existing services, and increasing both the quality and quantity of content. The “Influencer Search” unveiled in November 2019 is a service for creators who consistently create good content. NAVER search mainly consists of user-generated content (UGC) such as blogs and café reviews. We have leveraged the unique characteristics of NAVER to develop the Influencer Search that enables creators and users to connect better, with a particular focus on content creators, and “Keyword Challenge” is the key to the new service. When a user enters a keyword in the NAVER search window, the list of influencers who have made content related to that keyword is displayed. Creators can introduce themselves on the influencer home screen, while users can get good information from creators with similar tastes.

Knowledge-iN is an online knowledge-sharing platform, leading the growth of online knowledge-sharing culture, with approximately 23 million questions and 37 million answers registered in 2019 alone. In 2019, it added “Knowledge-iN eXpert”, a real-time professional knowledge counseling platform. The new feature has upgraded and transformed the previous expert answer function by enabling customized counseling sessions through one-on-one communications with an expert. It has been very well received by users, with around 12,000 counseling sessions taking place in only six weeks after its launch.

Improving services through AI technology

NAVER is applying advanced technologies to its diverse range of services. In 2019, we expanded the use of AI technology, resulting in better search quality and increased convenience in the shopping functions. Launched in 2017, “AiTEMS” is an AI-based product recommendation system which recommends products based on a user’s gender, age, real-time click, and cycles and patterns of purchasing. Following a favorable response from users, we widened the application of AiTEMS to all shopping functions, and as a result, 80% of users has received product recommendations. AiTEMS also connects stores to users, which has doubled recommendation-based transaction volumes compared to the previous year, exceeding 10% of the total shopping volume.

In April 2019, we completed the automation of news editing, a process which began with the launch of the AiRS (AI Recommender System) for news on the first screen of the mobile NAVER service in February 2017. AiRS is an expert-verified AI-based algorithm which recommends content based on a combination of the collaborative filter the quality model – the former analyzes the content consumption patterns of each user and then displays content which has been extensively viewed by people with similar interests, and the latter reflects document fidelity and user feedback. It also recommends content which is different from established user preferences, as part of our efforts to minimize confirmation bias. The adoption of AiRS has resulted in more active consumption of content, including an approximately 30% rise in the consumption of articles per user, as users can now more conveniently access articles on subjects in which they are interested from a wide range of media outlets.

We also used AI technology to improve the most searched keyword service. This service analyzes keywords entered into the NAVER search window over a defined period of time and then displays the keywords in order, with the fastest rate of increase in usage, thus enabling rapid and user-driven confirmation of the flow of interest. However, user convenience was being affected by an increase in the real-time use of keywords. NAVER therefore developed “RIYO (Rank-It-Yourself)”, an AI-based keyword recommendation system which offers most searched keywords according to the interests of the individual user, rather than just presenting the same chart to everybody. RIYO analyzes the correlation between keywords with a sharp rise in search volumes and subject categories set by a user, and then determines the right keyword chart for each individual. As a result, users are able to view high-quality information which reflects their own interests and tastes. Initially launched in November 2019, RIYO has received a very positive response, so that in January 2020 we expanded the scope of its application to include not just events and discounts, but also current events, sports and entertainment.

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NAVER is expanding its scope of service into a commerce platform through the use of AI-based technologies while also improving search quality in its existing businesses. We are also providing new voice- and image-based user experiences, and featuring a wider variety of content, such as webtoons and videos, and thus taking a step closer to users across the globe.

Expanding into a commerce platform

NAVER is adding commerce platform functions to its existing search platform, thereby strengthening its competitive advantage. As part of these efforts, in March 2019 we unveiled the experimental new service “SELECTIVE”, that combines commerce and content, enabling users to look at influencers’ fashion and then be connected to make purchases. As well as offering consumers new experiences, SELECTIVE is increasing opportunities for a diverse range of creators to meet with more users and generate greater profits.

NAVER Pay, which provides convenient payments for shoppers, maintains robust growth pace by improving customer convenience and actively supporting the growth of merchant stores. NAVER Pay expanded its points benefits for frequent customers in 2019, and also solidified its position as an important supporter of small businesses by launching the “Quick Escrow”, a program tailored to support Smart Store merchants by making upfront payments for sales they have made. NAVER also offers a range of useful business tools, designed by using AI technology and big data, and other additional supports to Smart Stores, which mostly tend to be small and medium sized businesses.

NAVER plans to expand its commerce ecosystem by strengthening partnerships with major brands and distributors. We will create a “Brand Store” within NAVER Shopping which will provide the full spatial and technical support needed to introduce and publicize brands. In addition, we will leverage our expertise in data to offer consulting insights which will provide practical help in increasing brand sales. We will make the new service a fully integrated part of the data commerce ecosystem within NAVER, and thus reflect the win-win philosophy of diversity to which NAVER is committed.

Number of daily mobile unique visitors

* As of the end of 2019

30 million +



NAVER WEBTOON



Global Webtoon Content Service

comic.naver.com

Substantial increase in global users

NAVER Webtoon continues to build on its position as the leading webtoon platform in many of the major global markets in which it operates, including the U.S., Japan, Taiwan, Indonesia and Thailand. In 2019, the number of its monthly actual users (MAU) exceeded 60 million on the back of rapid growth in North America. Behind the rapid growth was a three-stage promotion system of selecting, nurturing and finally publishing webtoons, as well as other efforts by NAVER to work and grow together with the artists.

NAVER Webtoon applied the business model which was successful in South Korea and adapted it for local markets, leading to continued solid growth in countries around the world. We have made our webtoon service also available in French and Spanish in the fourth quarter of 2019, thereby looking into new growth opportunities in Europe and South America. Building on our successful localization strategies in the U.S., Taiwan, Thailand and Indonesia, we will establish business models which are in line with the characteristics of each country, and thus maintain global growth momentum. In addition, we will focus on developing into a global entertainment content platform by increasing the exchange of content between countries.

Since its launch in 2004, NAVER Webtoon has established an unrivaled position in the South Korean webtoon market as a cradle for many star artists. It has also expanded substantially overseas, and is now beloved in global markets across Asia, the U.S. and Europe.

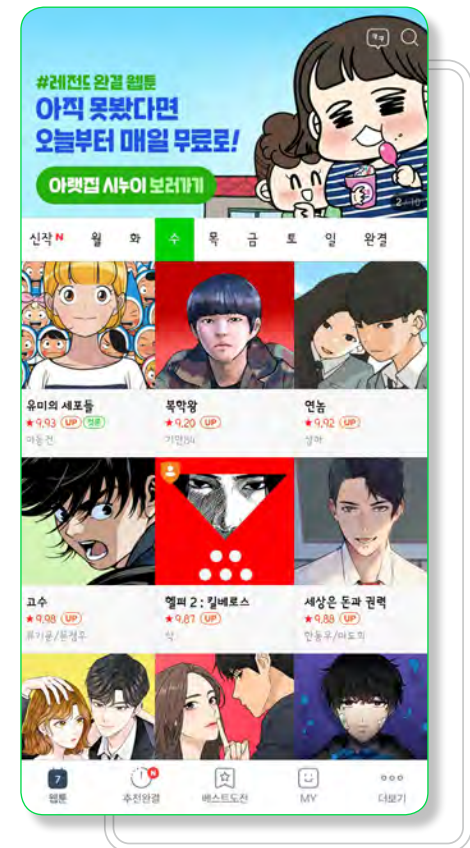
Expanding into new industries

NAVER Webtoon is expanding into new industries, including publishing, movies, TV shows and game, supported by ownership of content with strong intellectual property (IP) rights and a very loyal fan base. In 2019, four popular series on NAVER Webtoon, including “The Tale of Nokdu”, “Hell Is Other People” and “Pegasus Market”, were broadcast as TV shows, and all ranked the most-watched TV programs over the same time period, affirming the potential of the webtoon IP business. Going forward, we will continue to create secondary content, such as animations and TV broadcasts, based on creative and famous webtoon content whose IP rights are owned by NAVER. We will also launch these new services into global markets across North America, Europe and Southeast Asia, thereby accelerating our business expansion in IP.

Number of global monthly active users

* As of the end of 2019

60 million +





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V LIVE



Global Live Video Service

vlive.tv

Proving fee-based live broadcasting of performances

In 2019, V LIVE provided exclusive live broadcasting of a performance given by BTS, a world-renowned boy band of South Korea, at Wembley Stadium in London. It also streamed a fan meeting in Seoul and a concert in Saudi Arabia as fee-based live services. V LIVE provided stable viewing to 140,000 concurrent users around the world for the Wembley performance. The fan meeting used five multi-cams to deliver the sense of a live performance, and as a result won very positive feedback from both fans and the media. First unveiled in 2019, V LIVE offers fans the opportunity to enjoy performances in their homes at a competitive price, and with a real sense of being there in person. It also provides additional income to agencies and celebrities, thereby opening a new chapter of the performance industry. The fee-based service is a new source of profit to NAVER as well. Going forward, we will leverage our expertise in content, technology and data to further improve V LIVE so that it becomes a global membership program.

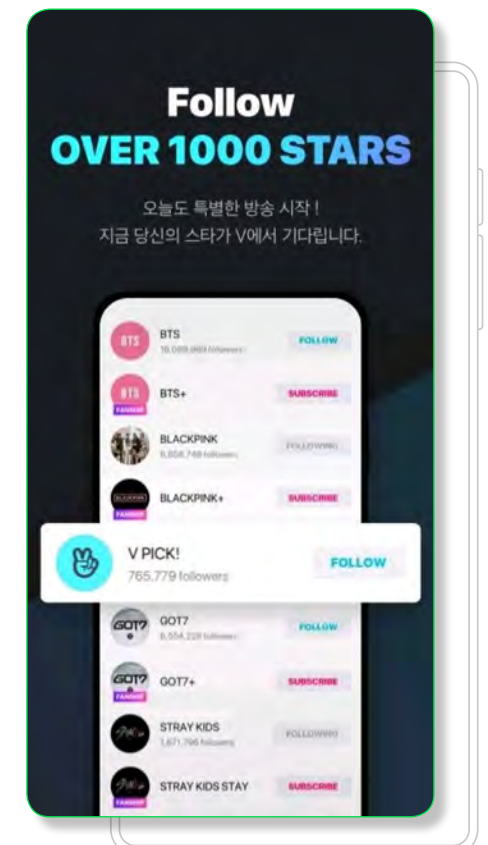
Expanding the global market presence of V Fanship

Launched by V LIVE in March 2019, "V Fanship" is a global community platform which brings together NAVER's advanced technologies in member management systems, infrastructure for livestreaming, and global payments. As of the end of 2019, the number of its services has increased to 77, with participation of a wide range of celebrities from Kpop idols to musicians and actors. It is also enjoying a rise in participation of overseas celebrities, including in Vietnam. V LIVE will continue to expand its unique Fanship services by adding more celebrities at home and abroad, thereby generating new value in the global entertainment market.

Number of global cumulative downloads

* As of the end of 2019

85 million



Launched in 2015, V LIVE is a live video platform featuring real-time celebrity broadcasts. It is developing into a global fan community by providing highly varied and entertaining content, and connecting fans world-wide with their favorite celebrities.

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SNOW



AR Camera Content Platform

snow.me

The most loved AR camera content platform

On the back of the world's best camera app technologies, SNOW is leading communication trends for teens around the world through a new concept called "Zepeto". As of the end of 2019, the number of global monthly active users (MAUs) of SNOW app exceeded 260 million, with a high proportion of overseas users, affirming its position as a global service. Zepeto is a virtual platform which creates avatars by using cutting-edge technologies such as augmented reality (AR) and 3D. In only four months after its launch in September 2018, it became the number one app in approximately 30 countries across the globe, and in 2019, its MAUs exceeded 10 million, proving its global popularity. In particular, Zepeto is the leading global avatar service for Generation Z, with 92% of overseas users being aged 13 to 18.

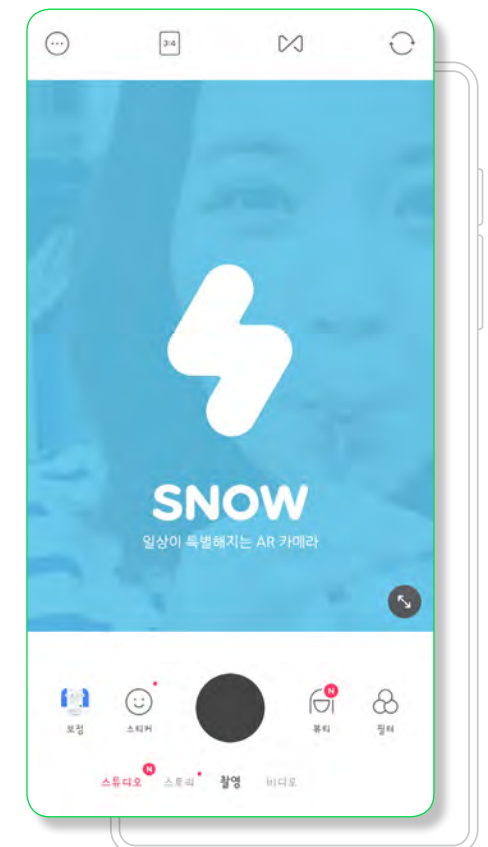
Providing competitive and innovative services

SNOW offers a wide range of content and services, including "Cake", "JAM LIVE", "Wit" and "Sticker.ly". Launched in 2018, JAM LIVE has been successful thanks to its accessibility, quality content and instant rewards, and is broadening its reach by collaborating with companies across various fields. In 2019, it added new contact points between brands and consumers through a new type of e-commerce live-streaming by adopting the characteristics of a mobile live quiz show. Cake, an English learning app, is also earning favorable reviews from users thanks to its convenient and fun learning methods. Going forward, we will maintain our global growth momentum by strengthening AI-based vision technologies and by improving our community-based services.

Number of global cumulative downloads

* As of the end of 2019

260 million



SNOW is a mobile augmented reality (AR) camera content platform which enables users to generate a variety of effects on their smartphone cameras. Launched in 2015, it has continued to innovate and grow by keeping up with the latest in teens.

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Mobile Community Service

band.us/home

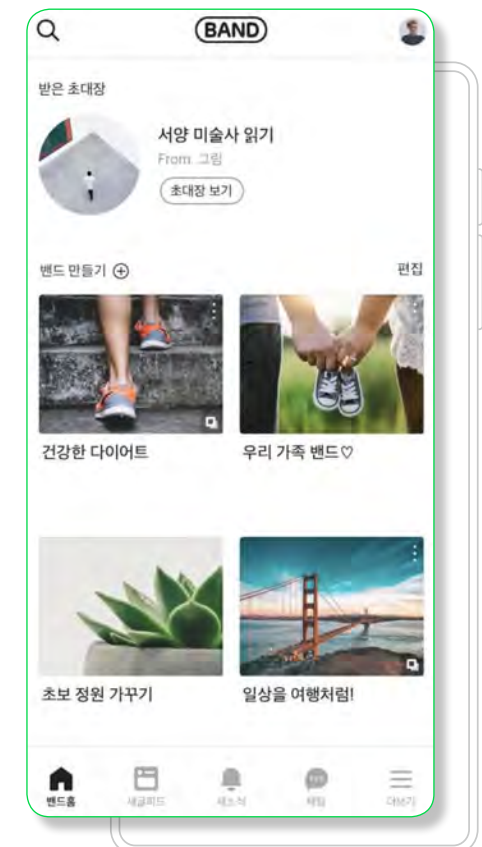
Solidifying its position as a leading community app

The BAND group social media networking service has brought together more than 25 million groups in approximately 220 countries around the world, through its PC and mobile versions. It began as a closed community website based on personal friendship, but grew exponentially by adding a community band function in 2015, enabling anybody to participate according to their interests. BAND maintains a strong first place in the group social media networking sector in South Korea, and by leveraging this success, it is actively expanding overseas as well. In particular, the number of users in the U.S. has been increasing steadily as many people chose BAND for their small group activities, such as after-school activities and church gatherings. This popularity led to the signing of official communications partnerships with major organizations in the U.S. related to after-school activities. As a result, its total monthly active users exceeded 2.3 million in 2019.

Expanding into a community service platform

With BAND users continuing to demand a diversified and wide range of applications, BAND is establishing new arenas for communications between users with shared interests, including clubs, hobbies, shared goals, fitness and study. Millennials in particular have a considerable interest in self-development, leading to a form of validation culture. In support of this, BAND hosted an event in July 2019 during which users with shared goals set out their daily missions, disclosed whether they achieved that mission, and cheered each other. Approximately 27,000 users participated through approximately 160 bands, and following positive responses, we added a service which allows users to set a mission and validate their achievement. We will expand the service areas of BAND while also making continuous efforts to improve user convenience through better functionality and new designs.

Launched in 2012, BAND is a global community app which enables users to keep in touch with family and friends, as well as to set up study and business meetings. It is also expanding into theme-based communities, including hobbies, clubs and media outlets.



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NAVER CLOUD PLATFORM



Enterprise Cloud Service

ncloud.com

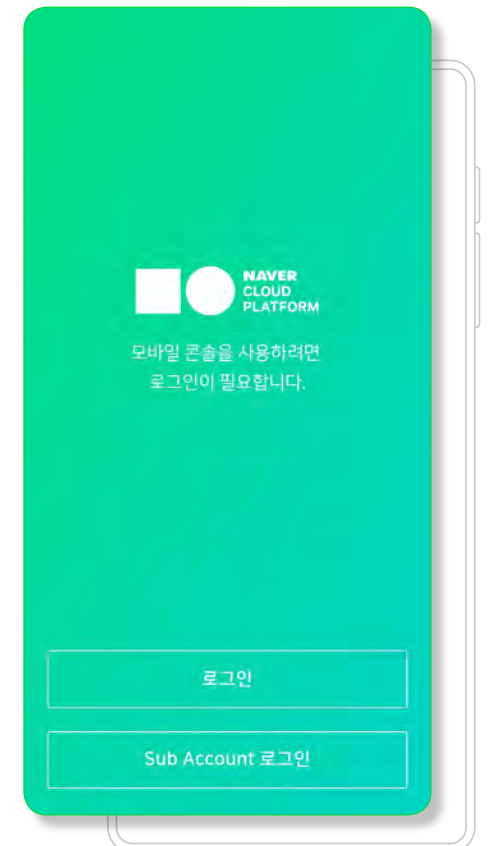
Expanding market presence

NAVER Cloud Platform leverages NAVER's top-level technologies and extensive experiences in IT infrastructure to offer its diverse customers a total of 149 products in 16 categories. In addition, as the only Korean cloud service platform to be able to provide reliable services around the globe, NAVER Cloud Platform is achieving success at home and abroad. In 2019, we were chosen to implement the "big data platform and data exchange implementation project" led by the Ministry of Science and ICT and the National Information Society Agency. This government project with KRW 150 billion of budget involves building 10 highly advanced platforms, including for finance, telecommunications and the environment, and we will provide cloud services for seven of them. NAVER Cloud Platform has also attracted major new overseas customers, including the World Customs Organization, an international organization based in Belgium. In addition, NAVER is collaborating with major global IT companies. For example, we have formed a strategic alliance with Intel for joint development of technology and products, and undertook a project with the Russian internet company Yandex to increase cloud inter-compatibility.

Since its launch in 2017, NAVER Cloud Platform has been offering optimal services to corporate customers across a wide spectrum of businesses. It also continues to expand its global "Regions" in order to offer faster, more stable services to customers world-wide.

Opened the Financial Cloud Zone

In September 2019, NAVER made inroad into a financial services market by completing the construction of its Financial Cloud Zone. Hanwha Life chose NAVER's cloud service to adopt an AI cloud system for the real-time automatic review of claims settlements for the first-time among insurance companies in South Korea, which has enabled us to establish a new milestone in the cloud computing services for the financial industry. In 2020, NAVER Cloud Platform will further improve the stability and efficiency of the hybrid cloud, so that key IT systems of financial institutions can be also installed in the cloud. Moreover, the Financial Cloud Zone is designed to comply entirely with all relevant regulations in South Korea, including regulations relating to network separation, and is therefore expected to give us a competitive advantage.



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Enterprise Collaboration Platform

line.worksmobile.com/kr

A world-leading enterprise collaboration platform

LINE WORKS derives its competitive edge from the user convenience that integrates all enterprise groupware services available into one mobile app, including enterprise emails, in-house messengers, drives, calendars and address books. It also offers advanced stability by enabling each enterprise to customize its own security settings. LINE WORKS also affirmed its excellence in managing personal information by acquiring global security certifications¹⁾. On the strengths of these, LINE WORKS continued to grow in 2019. In particular, it won the largest market share in the enterprise collaboration platform market in Japan in 2018, only three years after its entry into the market, and maintained the leading position in 2019 by attracting large new corporate customers and many small and medium sized businesses. LINE WORKS will expand its sales channels through increased branding activities and more partner programs, and thus further increase its market presence.

¹⁾ ISO/IEC 27001, 27017, 27018; and SOC2, SOC3(Sys Trust)

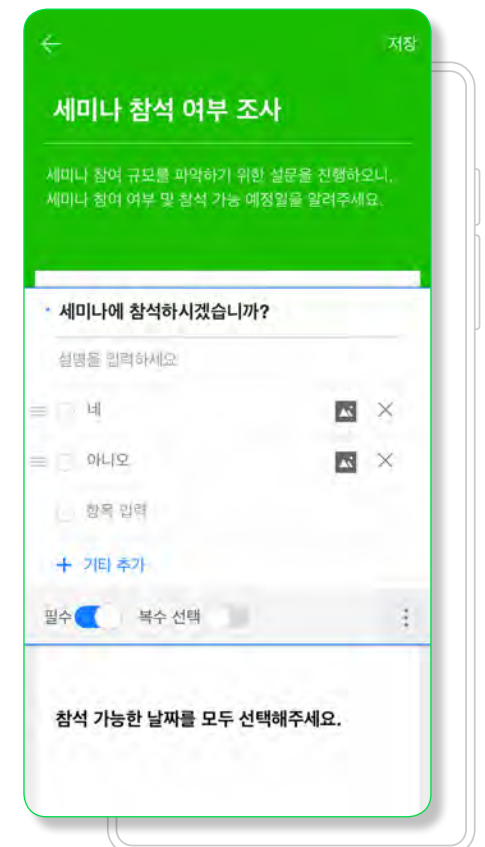
Improving user convenience and service quality

LINE WORKS is leveraging the strengths of NAVER in order to improve user experience, and deliver unique value. For example, the infrastructure of NAVER Business Platform provides seamless services to customers across the globe, and Papago offers real-time translation of emails. As a result of these efforts, LINE WORKS more than doubled its business year-on-year, as measured by the number of billing IDs, and secured strong global growth.

Number of global corporate customers

* As of the end of 2019

30,000



LINE WORKS is a cloud-based enterprise collaboration platform which integrates groupware services into one mobile app. It is expanding into global markets by offering outstanding user convenience and enhanced stability in information management.

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VIBE

**Music Streaming Platform**vibe.naver.com/today

Providing AI-based personalized services

VIBE consists mainly of two services – “Mix Tape”, a collection of music from various artists and albums, and the theme-based “Playlist” which is comprised of music chosen by renowned editors and music trendsetters across many genres. Mix Tape uses AI technologies to identify music-playing patterns and preferences of each user, and then creates a customized playlist by making personalized choices for individual users. In November 2019, it evolved further by adding the automatic recommendation play function which seamlessly recommends music for subsequent play based on the music the user is currently listening to. When there are no more tracks to play, a deep learning model utilizes the listening data of each user to analyze the style of music which has been played, and then recommends the next piece. The scope of recommendations has been expanded to consider each user’s established tastes as well as the context of the song being played at the time. VIBE will continue to improve its AI recommendation system so that users can go beyond “music that satisfies my tastes” to enjoy “music that I want now”.

Launched in 2018, VIBE is a next-generation AI-based music service. On the strengths of NAVER’s AI technologies and extensive experiences, it delivers personalized music content for each user, thereby pioneering new markets.

audio clip

**Audio Content Platform**audioclip.naver.com

Celebrated the first-year anniversary

audio clip was launched by NAVER in response to the growth potential of the market for “content to listen” which has grown rapidly alongside the development of ICT. It began as a podcast channel which enables users to subscribe to content across a diverse range of subjects, including languages, lectures, IT, economy and science, as well as popular content from many broadcasting companies. It then launched an audiobook service, providing much-loved literary works, recent bestsellers and other popular voice-based works. audio clip celebrated its one-year anniversary in December 2019, and now provides approximately 10,000 audiobooks, the largest number in South Korea, in partnership with approximately 60 publishing companies. Readers of the audiobooks include professional voice actors as well as on-screen actors, Kpop idols, writers and other celebrities, thus delivering a reading experience which is different from printed books. audio clip will continue to explore new possibilities of audio content with the goal of providing a better user experience and also leading the market.

Launched as a fee-based audiobook service in 2018, audio clip is an audio-only platform which offers users the chance to enjoy a wide range of voice-based content. It provides distinctive audio content including 2,500 audio channels and market-leading audiobooks.

Building a vibrant audiobook ecosystem

audio clip strives to facilitate the growth of an audiobook ecosystem by actively investing in audiobooks. We invested in ten publishing companies in 2019, producing 200 audiobooks, and will continue to invest in 2020 in order to offer users distinctive content, and to increase cooperation with publishing companies. In addition, we are making new attempts, such as subscription model, to create a virtuous cycle through which users can enjoy audiobooks at reasonable prices, which in turn enables publishing companies to create more audiobooks and to generate more profits.



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Whale**Papago**

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Whale



Internet Browser

 whale.naver.com

Providing a completely new browsing experience

On the strengths of technologies, developed in-house by NAVER, and elegant design, Whale provides a new experience beyond traditional web surfing. Its key features include “omni-tasking” through which users can handle all their tasks in one window. It also offers various other user-friendly functions, such as “Quick Search”, which gives users an answer to their question when they simply drag an unfamiliar word, and “Smart Pop-up”, which prevents and/or arranges disorganized pop-ups. Moreover, Whale is designed to be highly secure. It has strengthened the encryption of such sensitive information as PIN numbers, and is equipped with a safe browsing function which automatically blocks illegal, counterfeit websites and malware. Whale also protects user information and enables safe Internet surfing through its “Whale Clean Web” campaign that prevents security risks caused by malicious ads.

Whale is a web browser launched by NAVER in 2017 after five years of development. It features advanced functions and delivers new value for users to more conveniently access to and take advantage of the Internet, thus evolving into a web platform.

Papago



Translation Platform

 papago.naver.com

MAUs exceeded 10 million

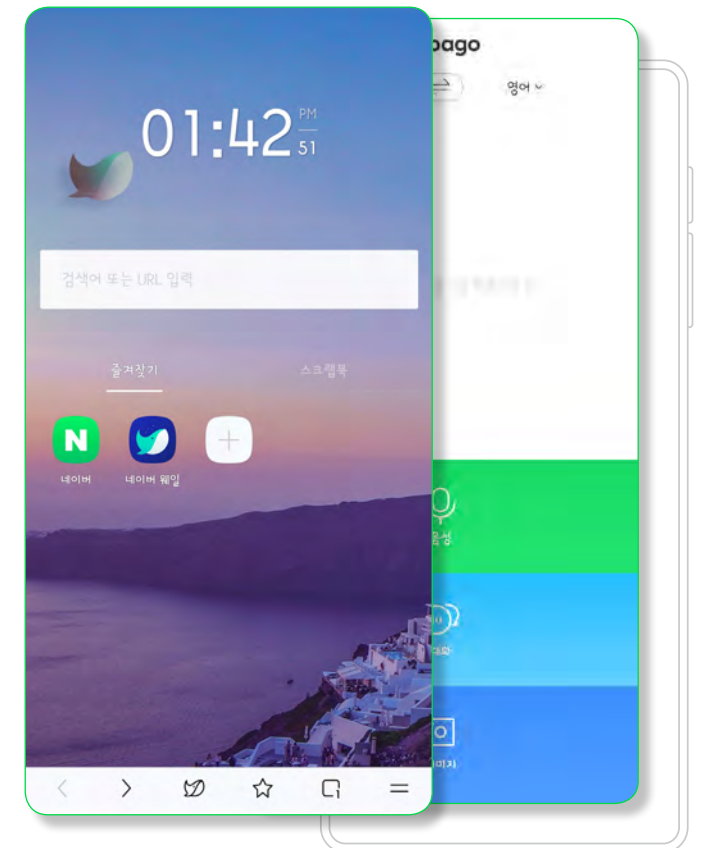
Papago offers more accurate translation services by applying an AI technology called neural machine translation (NMT) to other cutting-edge technologies, such as speech recognition, speech synthesis, machine translation and character recognition. We are increasing the number of languages that offers NMT-based translations. In January 2019, Papago was updated, and it is now capable of rendering English into honorific Korean. We also improved the image translation function in three languages – Korean, English and Chinese – in August, and added offline translation function for 12 languages, including Korean, English, Chinese and Japanese, in November. This has considerably enhanced user convenience in areas where the network environment is not reliable. As such, Papago makes continuous efforts to enhance quality and expand the scope of its services. As a result, the number of monthly active users (MAUs) of Papago surpassed 10 million in March 2019, thus confirming its leading position in interpretation and translation apps in South Korea.

Launched in 2016, Papago is an automated interpretation app which leverages NAVER’s advanced technologies and ability to analyze vast amount of data for users to overcome language barriers anywhere, and at any time.

Number of monthly active users

* As of the end of 2019

10 million



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Global Smart Portal

line.me

Combining online and offline services

In addition to the established communications services, including messenger and stickers, LINE offers other distinctive content, such as news, games, webtoons, music, live videos and TV. 164 million monthly active users in Japan, Taiwan, Thailand and Indonesia are enjoying a wide range of services provided by LINE, and it is expanding the scope of its services into such new fields as FinTech, easy payment, music, game and travel, in order to provide a greater number of global users with more convenience in their daily lives. LINE will further expand its service areas with the goal of evolving into a “Life Infrastructure” which provides support to users in their daily lives. To this end, it will move beyond O2O that simply connects online to offline markets, and focus more on AI, FinTech and offline services.

Launched as a messenger app in 2011, LINE is now the fastest-growing messenger platform in the world. It has grown into more than just a messenger to be a global smart portal which offers users enjoyment across their daily lives.

Expanding the FinTech business

LINE is adding new services by increasing its investments into a wide array of new technologies, including FinTech. Of particular note is LINE Pay that is expanding its scope of services to include household ledgers and asset management, in addition to its messenger-based remittance and payment services. In addition, it is taking steps required to establish an Internet-only bank in Japan, Thailand, Taiwan and Indonesia, by applying for approvals and a license, and finalizing the cooperation structures with local partners. Japan’s easy payment market is expected to grow significantly, driven by the Japanese government’s vision of a society without cash. LINE is therefore striving to solidify its position in Japan through active investments and substantially increased marketing activities.

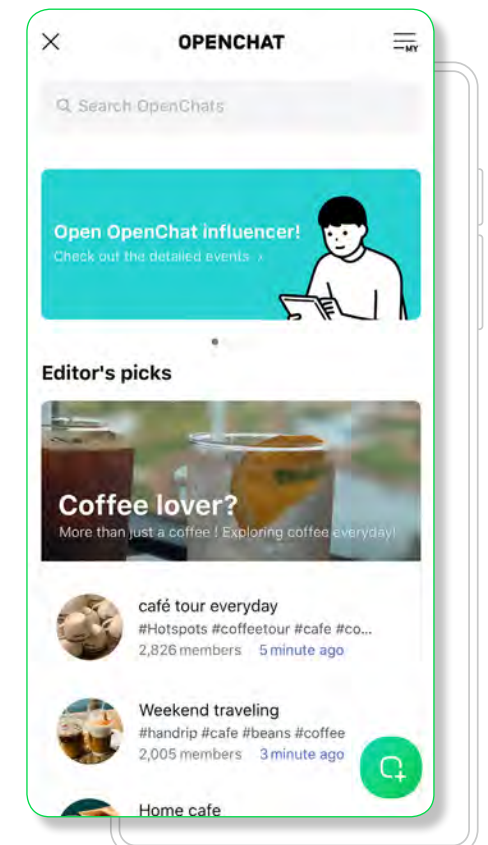
AI-based services to make daily life more convenient

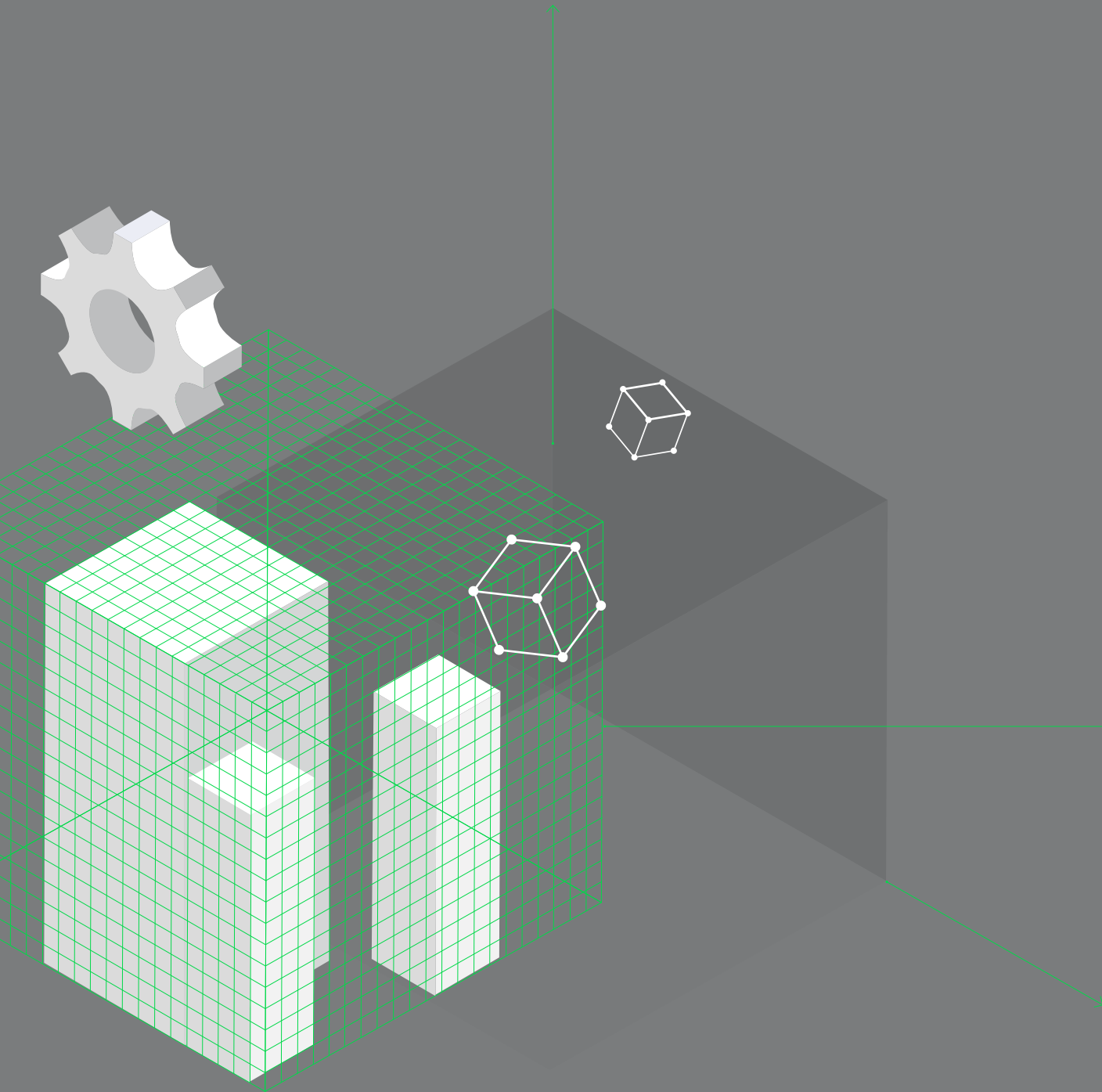
LINE continues to make improvements in its services through AI technologies, and in 2019, it expanded the use of AI to make everyday life more convenient. It unveiled “Duet”, an AI-based voice chatbot service which engages in highly life-like dialogue, and can process restaurant reservations or undertake call center work. It also launched “CONOMI”, a restaurant review service, in cooperation with NAVER. Going forward, LINE will create new user value while also developing the drivers of growth by leveraging AI technologies. To this end, it will add further AI-based functionality to the LINE messenger, and launch new products which combine AI technologies with its cloud-based enterprise software.

Number of monthly active users

* As of the end of 2019; and based on users in Japan, Taiwan, Thailand and Indonesia

164 million





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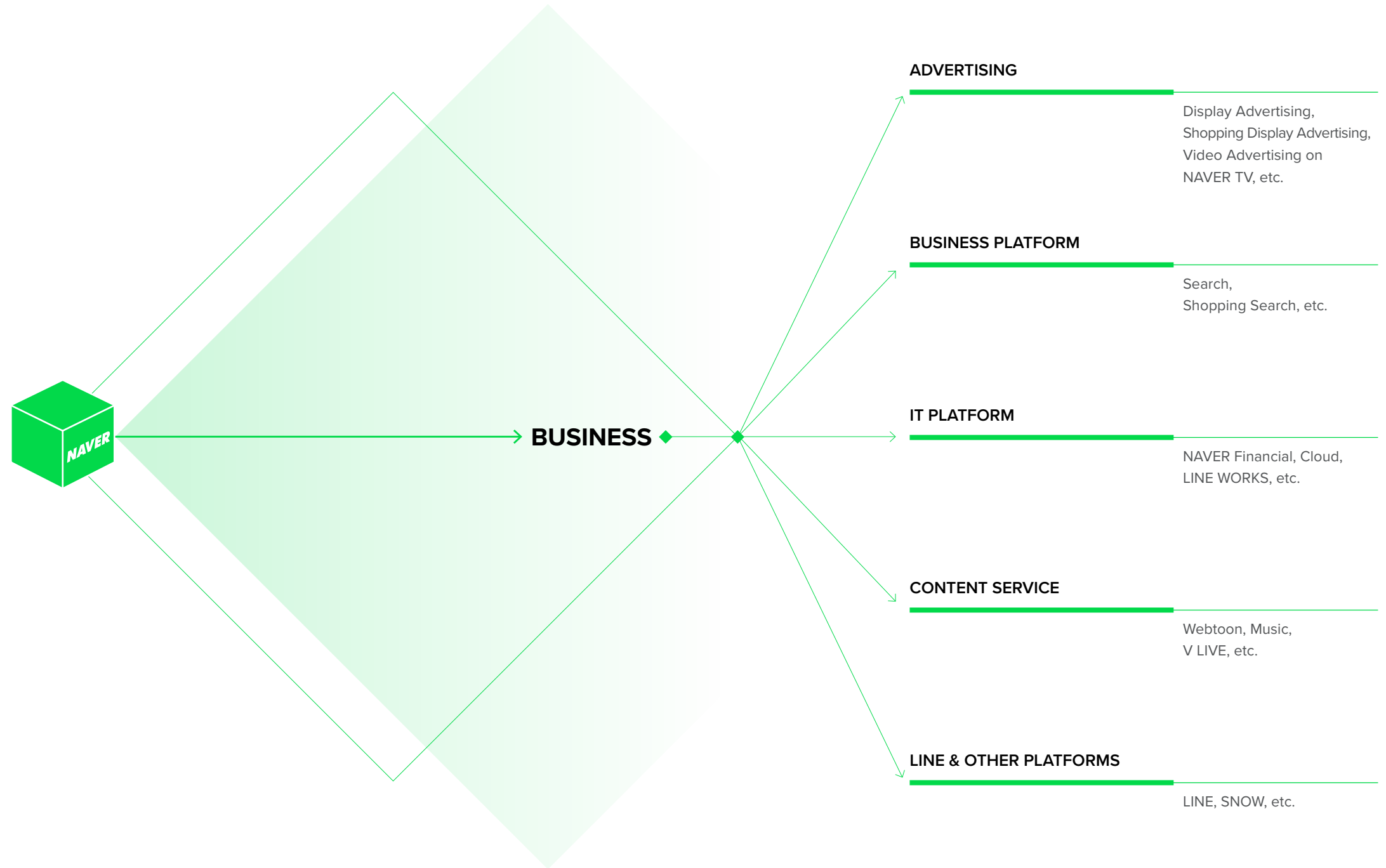
Business Platform

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LINE & Other Platforms

OVERVIEW



ADVERTISING

NAVER makes continuous efforts to enhance our competitiveness in media, upgrade ad platforms, and launch new products, thereby achieving sustained and stable growth.



We operate banner, thematic and video advertisements on the PC and mobile platforms of the No. 1 search portal in South Korea “NAVER”, and post banner ads on the “BAND” group social media networking service.

Advertising sales grew by 10.5% in 2019 to reach KRW 633.3 billion, driven by upgraded ad platforms, enhanced ad products, and support from NAVER for the marketing strategies and activities of our advertisers. Going forward, we will leverage our inventory to overhaul product line-up and increase the impact of advertising, in order to improve business performance of advertisers and to meet user requirements, which will in turn enable us to continue stable growth.

Upgrading ad platforms

NAVER strives to ensure that ads contain information which helps users in addition to increasing advertising impact for our advertisers. In 2019, we improved our ad products to be better targeted based on diverse information, such as time, location and current surroundings, by using AI technology. We also upgraded the “AD Tech” which shows each user the most optimized ad in the context of the content they have consumed. In addition, we unveiled a video ad service in response to the recent trends of moving away from TV advertising and towards online and mobile video ads. Adding new products to the video services provided by NAVER, including NAVER TV and V LIVE, has made our media more competitive and also enhanced the value of ads to both advertisers and users.

Increasing mobile ad growth

The successful completion of the reorganization of NAVER Mobile apps in April 2019 resulted in the rearrangement of our ad line-up as well. In October 2018, NAVER launched a new mobile version which removed news from the first screen, leaving only the search window and a menu search wheel called “Green Dot”. It is divided into the “East Land”, which consists of news and other content that was offered on the previous version, and the “West Lab”, a new feature with a focus on commerce. Users can scroll left and right between the two labs. Along with this reorganization of the first screen, NAVER developed new mobile ad products for optimal impact, and increased the commercial value of ads, thereby achieving strong growth in 2019. We will maintain a robust grow pace by launching mobile ad products with greater commercial value so that users and advertisers can benefit from an integrated, creative marketing cycle, from content and search to shopping.

Revenue (Unit: KRW billion)

2018	573.0
2019	633.3

* As of December 2019; and based on consolidated figures

BUSINESS PLATFORM

NAVER leverage our technologies and data to provide the optimal environment for the growth of our business partners, and to accelerate the pace of our business growth.



NAVER's Business Platform business includes online and mobile search ads, shopping search ads, content search ads, and brand searches which connect our partners' sales strategies with user requirements.

In 2019, NAVER used AI technology to improve our search functionality, created a virtuous cycle of the shopping search ads for small and medium sized enterprises (SMEs), and improved our products and services. As a result, we maintained solid growth in our Business Platform business, recording annual revenues of KRW 2,851.0 billion. In 2020, NAVER will further develop our data-driven commerce, and establish the Brand Store as a major driver of new growth in our ecommerce business, and thus expand the scope of our business and stay ahead of the curve.

Using AI and big data to improve search and shopping

NAVER strives to improve the quality of our search function and strengthen the connection between users and merchants by increasing the use of AI technology. In 2019, we expanded the application of "AiTEMS", a deep learning-based personalized product recommendation system. Growing number of users have been experiencing AiTEMS, which recommends products based on a user's context and established preferences by using a database of 800 million products registered by 300,000 merchants. This has resulted in a 65% increase in the number of products being clicked on compared to before the adoption of AiTEMS. Providing practical support to merchants. In 2020, NAVER will further expand the use of AI technology and big data to widen a commerce ecosystem. The newly launched "Brand Store" is a service that creates a separate space within NAVER Shopping in which major brands can publicize and sell their products. We will help them leverage our expertise in data to better establish and manage their stores, and thus take a step ahead in data commerce innovation once again.

Building a virtuous cycle for SMEs

Shopping search ads, which connect shopping to keyword searches, have expanded the impact of advertising on NAVER Shopping, with products at the top of the NAVER Shopping screen receiving substantial benefits. NAVER makes continuous efforts to improve shopping search ads by enhancing search quality and expanding the product categories. As a result, the number of Smart Stores surpassed 290,000 as of the end of 2019. With the creation of a win-win business cycle through which products are registered with ease, automatically organized in a form optimized for AI-based price comparisons, and publicized in search and/or recommendation results, we are building an ecosystem in which SMEs and NAVER can prosper together.

Revenue (Unit: KRW billion)

2018	2,475.8
2019	2,851.0

* As of December 2019; and based on consolidated figures

IT PLATFORM



NAVER is creating a new driver for growth by strengthening our B2B business based on unrivaled technological prowess, extensive user network, and continuous innovation.

Our IT Platform business is focused on the technologies which support efficient business operations within the NAVER platforms.

In 2019, there were substantial increases in transaction volume and the number of merchant stores on NAVER Pay. In addition, NAVER Cloud Platform has built up its business in a range of sectors, and LINE WORKS, which has maintained its No. 1 position in Japan's enterprise platform market, achieved a steady increase in the number of billing IDs and customers. Thanks to these accomplishments, revenues of our IT Platform business recorded KRW 457.5 billion. Moreover, we advanced into the financial business by launching NAVER Financial on November 1, 2019, and we are now striving to lead innovation in the FinTech market.

NAVER Pay, continuing solid growth

NAVER Pay has continued to strengthen its market position since its launch in 2015, thanks to improved user convenience and expanded support for merchants. As of the end of 2019, number of monthly paying users (MPUs) of NAVER Pay reached 12 million. We will expand our business portfolio in a way that only NAVER can do, for example by encouraging merchants and buyers on our shopping platform to use our financial services, and by using purchase and sales data to provide customized financial products.

NAVER Cloud Platform, achieving stable growth

NAVER Cloud Platform has been achieving rapid growth ever since its launch in 2017 by NAVER Business Platform (NBP), a subsidiary in charge of operating NAVER's IT infrastructure. It continued to expand the range of products and increase the number of customer groups in 2019. In particular, NAVER Cloud Platform satisfied all requirements of the cloud stability evaluation conducted by the Financial Security Institute. It is also attracting new financial customers following positive responses to the opening of the Financial Cloud Zone in September. NAVER Cloud Platform is now competing on a par with global cloud service providers, winning overseas customers such as the World Customs Organization in Belgium and Deskera, the No. 1 SaaS company in Southeast Asia. These achievements are unique to NAVER for we are the only cloud platform in South Korea that is able to provide safe services across the globe, and on the back of the accomplishment, we will attract more customers at home and abroad.

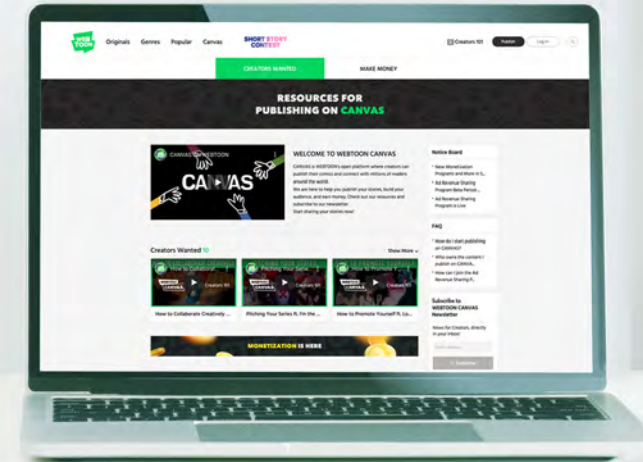
Revenue (Unit: KRW billion)

2018	355.8
2019	457.5

* As of December 2019; and based on consolidated figures

CONTENT SERVICE

NAVER supports creators in many fields so that they can venture into a wider world through innovative ideas and new content, and we can grow in partnership with them.



Our Content Service business includes services, such as webtoons, music and V LIVE, through which creators and users freely create and consume a wide range of content.

NAVER uses our outstanding technologies to offer distinctive content and services, resulting in a significant increase in the annual number of global users. In 2019, revenues rose by 66.5% year-on-year to reach KRW 209.5 billion, thanks to remarkable growth from Naver Webtoon, which has been solidifying its position as the No. 1 webtoon platform in the world, and the on-going popularity of the V LIVE membership program. We will continue to strengthen our unique creation ecosystem, and increase the amount and proportion of content that is shared across borders.

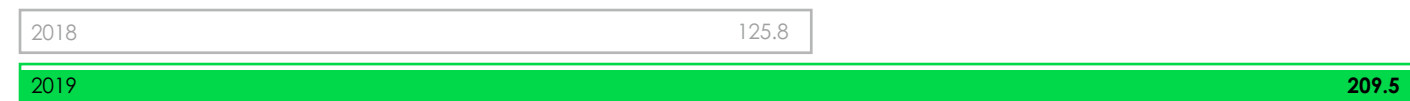
NAVER Webtoon, growing in global markets

NAVER Webtoon is enjoying rapid growth in the number of its global users, fee-based content sales, and creation of secondary content. In South Korea, it commands substantial customer loyalty, with the number of users making fee payments and the payment per user continuing to rise thanks to increased and higher-quality content and an improved system of recommendations. Overseas, Naver Webtoon is increasing its sales, based on the revenue models which have proved successful in South Korea, and driven by marketing activities aimed at improving customer awareness of the Naver Webtoon brand. In 2019, a sharp rise in overseas users led to the number of MAUs surpassing 60 million, with MAUs in North America alone exceeding 10 million, a year-on-year increase of 70%. Naver Webtoon will continue to grow by adding more content and increasing user convenience, enabling it to increase revenues both in South Korea and also in new markets including Europe and South America.

V LIVE, evolving into a Fanship platform

As of the end of 2019, there are around 1,000 celebrity channels operated on V LIVE, with more than 60% of members being overseas fans and more than 90% of revenues generated by membership products. Naver focused on the potential for V LIVE to move beyond live streaming and become a fan community platform, and to expand into offline services. We therefore launched "FANSHIP", a global entertainment membership platform which combines our expertise in live streaming technology and big data in March 2019. Subsequently, in April, V LIVE broadcasted a live performance by BTS, attracting approximately 10 million views in only an hour, and established itself as a truly global fan community. V LIVE will expand its targets to include more celebrities in a wide range of fields at home and abroad, and thus develop into a global fan community platform.

Revenue (Unit: KRW billion)



* As of December 2019; and based on consolidated figures



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Business Platform

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LINE & Other Platforms

LINE & OTHER PLATFORMS



NAVER is developing into a global brand and staying ahead of the curve with next-generation by combining its unrivaled technological prowess with innovative ideas.

“LINE” is a global messenger service and the most beloved mobile app brand in many countries around the world, including Japan, Taiwan, Thailand and Indonesia.

“SNOW” augmented reality (AR) camera content platform is highly popular with teens across the globe, and is attracting more users by launching new content and services. Number of subscribers to the AR avatar social platform “Zepeto” exceeded 100 million in August 2018, less than a year after its launch. Thanks to these achievements, our LINE & Other Platforms business recorded revenues of KRW 2,442.1 billion in 2019, an increase of 18.8% year-on-year.

Increasing revenues in ads and expanding LINE Pay users

LINE, a subsidiary of NAVER, recorded steady growth in its core businesses, including ads and content, and LINE Pay also achieved stable growth in 2019. There was solid growth in ads revenues, attributable to an increase in users of news services and the number of official company accounts for corporate customers to advertise their products. Smart Channel, which features customized ads and user-driven content, also contributed significantly to the growth of ads revenues. With regards to LINE’s communication and content businesses, the increase in revenues was mainly driven by LINE Manga and LINE Music. In FinTech, the strategic business of LINE, extensive and effective marketing activities led to a 63.1% year-on-year increase in the number of monthly active users for LINE Pay. LINE Pay will further expand in global markets by adding more users and merchants, and by strengthening cooperation with its partners.

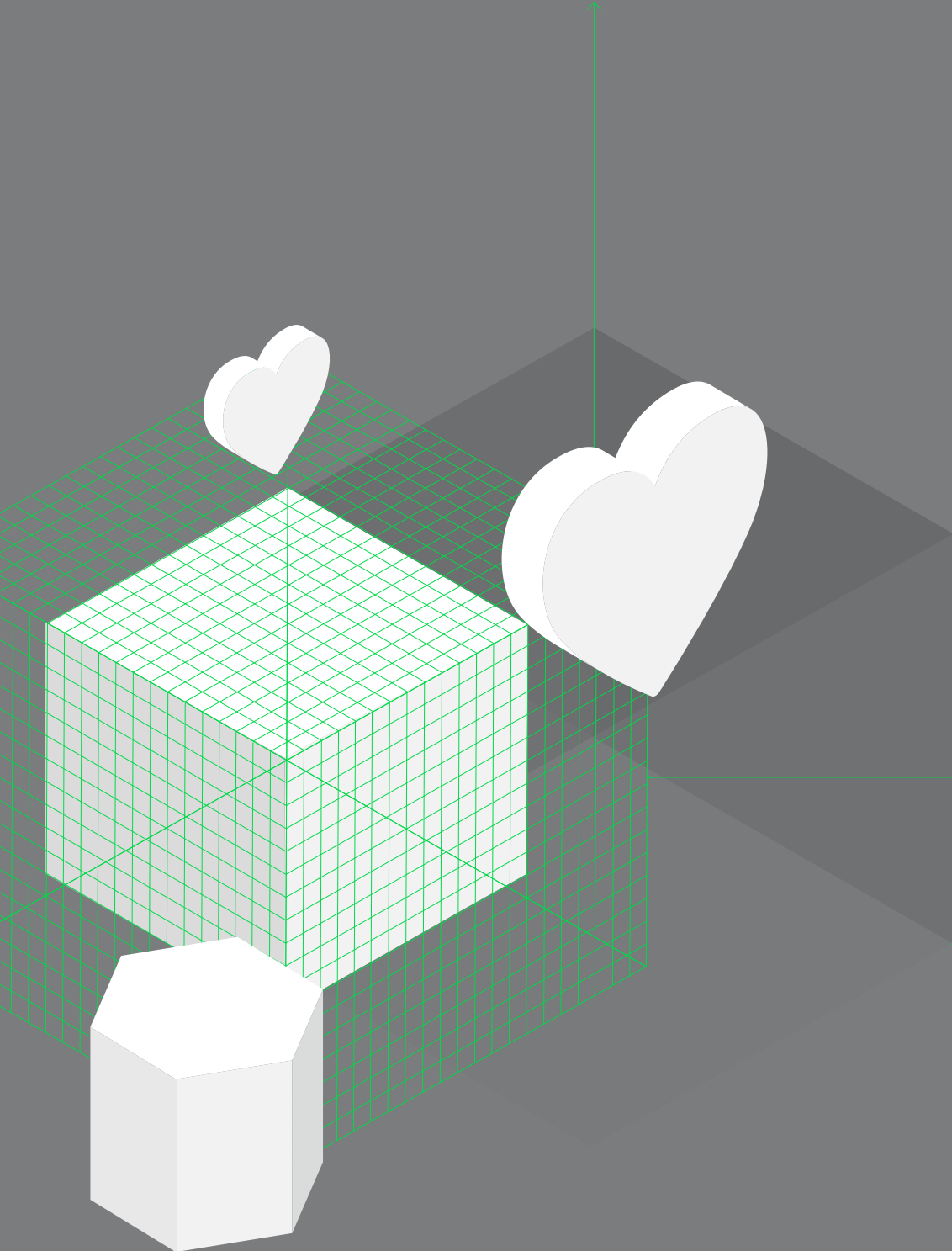
Global growth through business partnerships

In November 2019, LINE has reached an agreement to merge with Z Holdings, the parent company of Yahoo! Japan, the largest portal in Japan, and signed a final agreement in December. Accordingly, NAVER and SoftBank, the parent companies of LINE and Z Holdings respectively, will form a 50:50 joint venture and become the largest co-shareholders in Z Holdings. This new structure is expected to generate synergy between both the parent and subsidiary companies right across their shared businesses, including AI, search, commerce, entertainment and advertising.

Revenue (Unit: KRW billion)

2018	2,056.5
2019	2,442.1

* As of December 2019; and based on consolidated figures



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NAVER Project Flower | Shared Growth with Partners | Digital Literacy | Social Contributions

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NAVER Labs | Supports for Startups and Startup Ecosystem

PEOPLE & PLANET

Great Workplace | Data Privacy | Green Initiatives

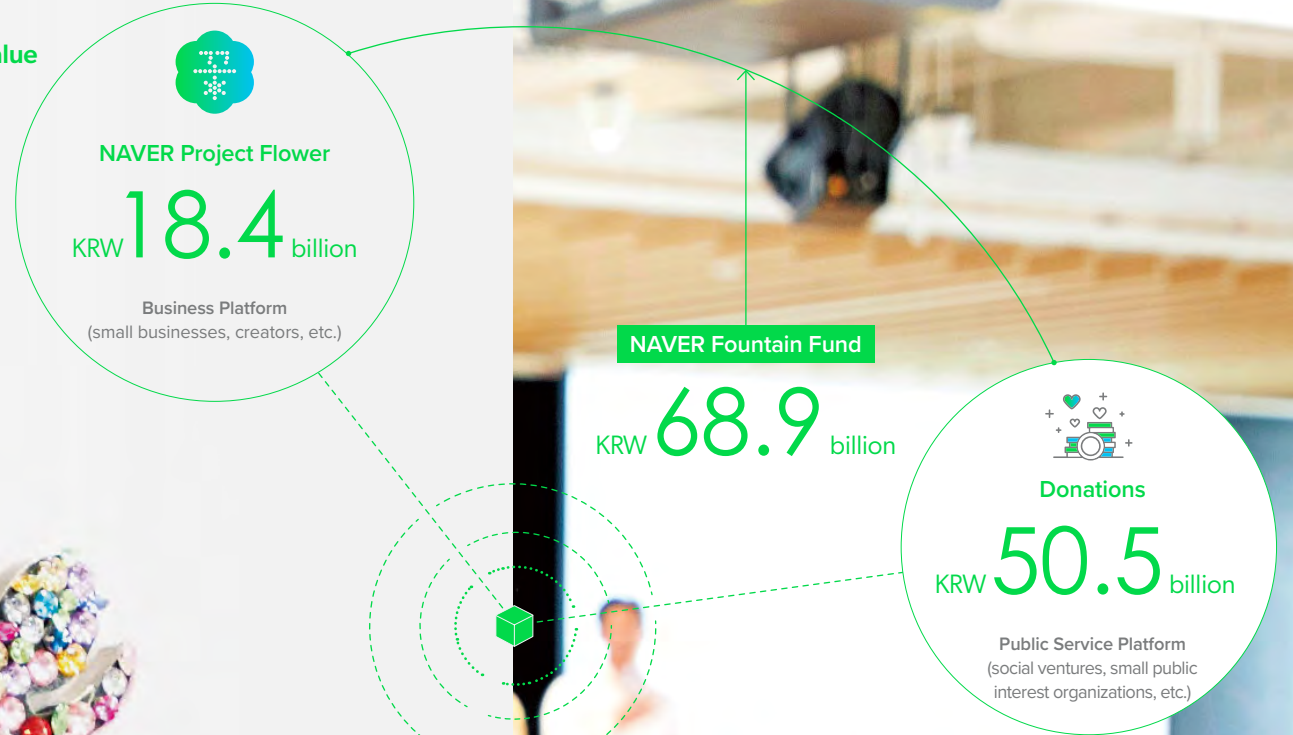
SOCIAL IMPACT

NAVER donates at least 1% of our domestic sales for charity, and the ratio of our donation to sales is the highest among companies in South Korea. We continually look for ways to provide more opportunities to small and medium sized businesses and creators, and to make positive impacts on society as a member of society and a responsible corporate citizen. Operating from 2017, NAVER Fountain Fund is an indicator of our efforts to amplify our social impacts. In 2019, by utilizing the Fountain Fund we spent KRW 68.9 billion, a year-on-year increase of KRW 7.6 billion. The Fund was used as our annual donation to public interest organizations, provided assistance to small businesses and creators for their digital transformation, and supported the creation of diverse fountain effects through our platforms and technologies.

NAVER Fountain Fund Value

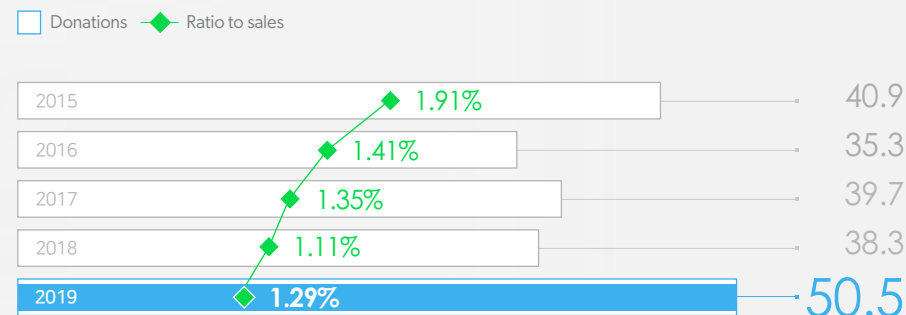
* As of the end of 2019

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The highest level of donation among South Korean companies

(Unit: KRW billion)



* Based on separate figures



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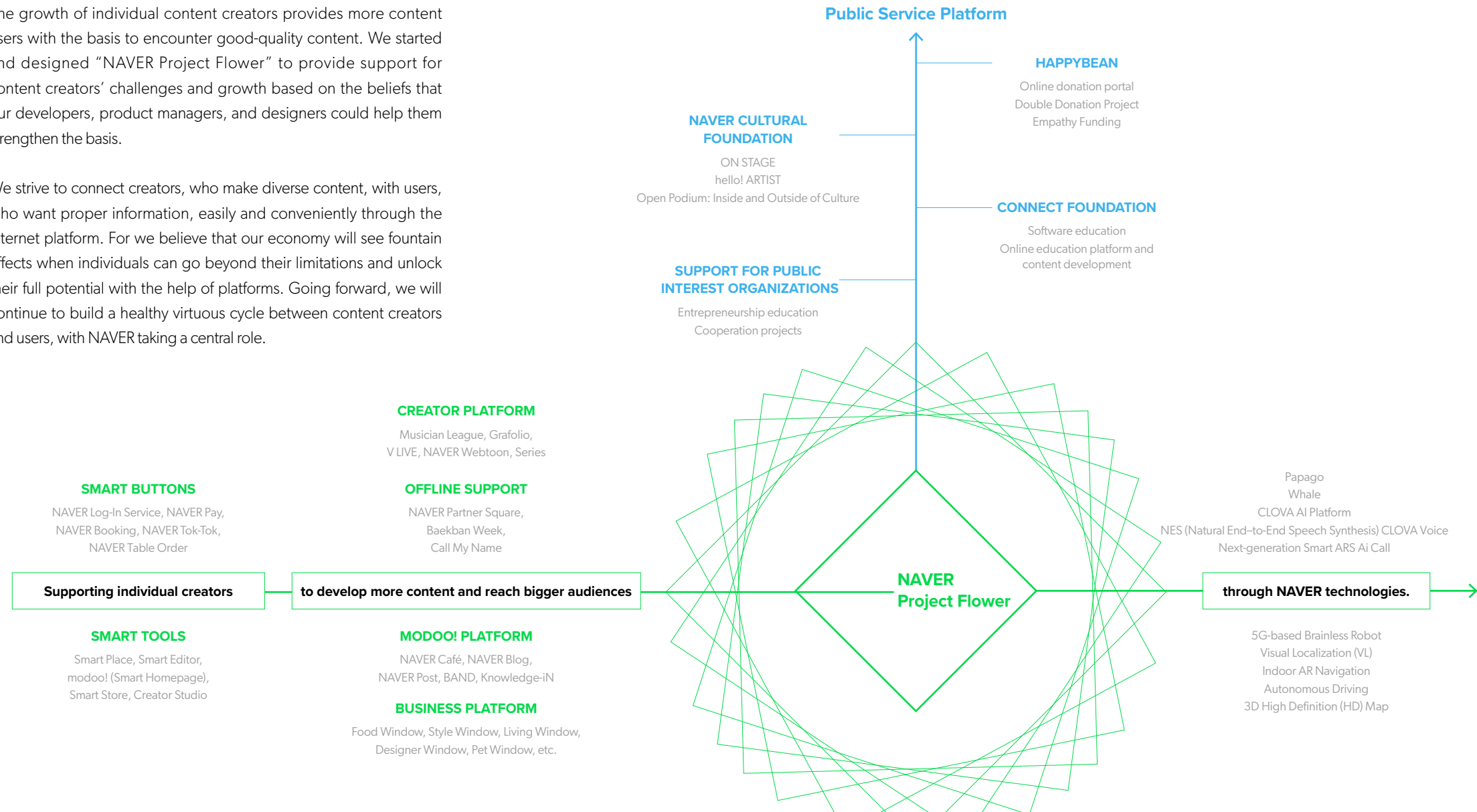
PEOPLE & PLANET

NAVER Project Flower

“NAVER Project Flower” is our core campaign designed to discover the value of diverse small and medium sized businesses and creators producing content through NAVER and support their sustainable growth.

The growth of individual content creators provides more content users with the basis to encounter good-quality content. We started and designed “NAVER Project Flower” to provide support for content creators’ challenges and growth based on the beliefs that our developers, product managers, and designers could help them strengthen the basis.

We strive to connect creators, who make diverse content, with users, who want proper information, easily and conveniently through the Internet platform. For we believe that our economy will see fountain effects when individuals can go beyond their limitations and unlock their full potential with the help of platforms. Going forward, we will continue to build a healthy virtuous cycle between content creators and users, with NAVER taking a central role.



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NAVER Partner Square

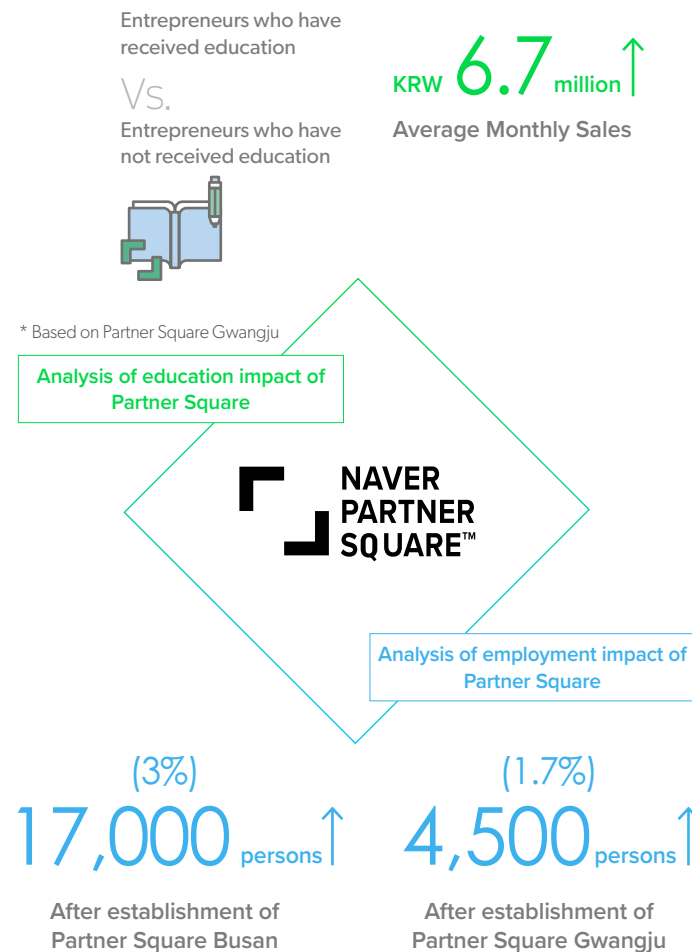
NAVER Partner Square is an offline foothold of NAVER Project Flower and a space designed to help diverse individuals start their own businesses, realize dreams and grow.

Multi-purpose business space for small businesses and creators

NAVER Partner Square is a foothold for business growth, well-suited to local characteristics, through which we provide support to small businesses and creators so that they can achieve sustainable growth. We have continued to open Partner Squares to offer education, consulting and space support, and thus help local businesses go online and improve their digital competitiveness.

Having launched Partner Square Yeoksam, the first Partner Square, in 2013, we opened Partner Square Busan, which provides specialized services to fashion and beauty businesses, and Partner Square Gwangju, which has space designed to provide support to food producers and creators, in 2017 and 2018, respectively. Through the Partner Squares, we have supported approximately 410,000 small businesses and creators over the past six years.

In September 2019, Partner Square Jongno was opened. While the existing three locations are spaces designed to provide comprehensive support for businesses and creators, the new Partner Square is a professional space for "small makers" producing goods with unique features and stories. Partner Square Hongdae, which was opened in November, is a space for creators. It provides studios for different concepts, such as live shows, chroma-key and beauty, as well as professional education programs on such subjects as video editing, copyrights and speech. In addition, stages are set up for open classes and performances.



Shared value created by NAVER Partner Square

The value created by NAVER Partner Square makes positive impacts on local communities as well as on young entrepreneurs. A research team led by Professor Kim Jongsung of Kookmin University analyzed the impact of NAVER Partner Square on small business owned by the rising generation in the e-commerce startup ecosystem. The research results show that those who had received an education at Partner Square Gwangju earned an average of KRW 6.7 million more per month than business owners who had not. The team also processed the monthly employment statistical data of the Economically Active Population Survey conducted by Statistics Korea in the form of a panel during the establishment period of Partner Square Gwangju, to find there is significant interconnectivity between the establishment of Partner Square and employment of the rising generation. The analysis results show that the number of young local hires increased by 17,000, or about a 3% increase from the average person employed for two years in Busan since the establishment of Partner Square Busan. In Gwangju, there has been a 1.7% increase from the average person employed, and 4,500 young people found jobs in one year since the establishment of Partner Square Gwangju. Going forward, NAVER Partner Square will continue to expand its role as NAVER's offline foothold providing support for the growth of local businesses and creators by meeting their diverse needs.



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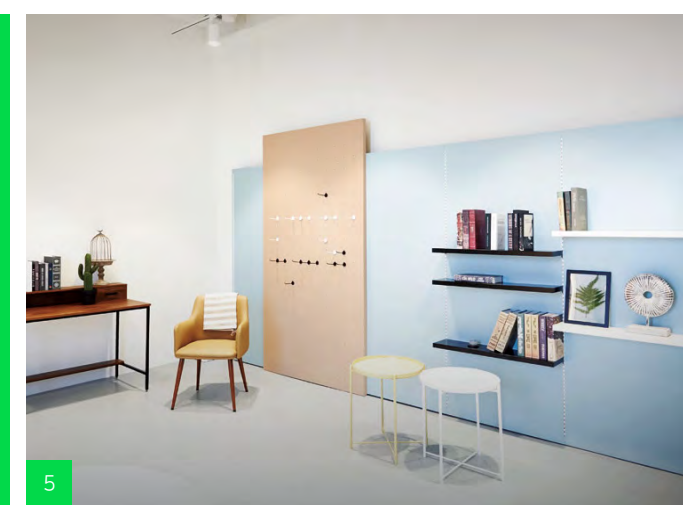
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NAVER Partner Squares

<p>2013 Partner Square Seoul</p> <ul style="list-style-type: none"> • Partner Square Headquarter • Provides online marketing education and studios 	<p>2019 Partner Square Jongno</p> <ul style="list-style-type: none"> • Specialized space for small makers
<p>2017 Partner Square Busan</p> <ul style="list-style-type: none"> • Specialized space for fashion business 	<p>Partner Square Hongdae</p> <ul style="list-style-type: none"> • Studio for content creators
<p>2018 Partner Square Gwangju</p> <ul style="list-style-type: none"> • Specialized space for food and living business • Provides a cooking studio and education; ateliers for creators and direct from farm products 	<p>Partner Square Sangsu</p> <ul style="list-style-type: none"> • Provides a cooking studio and class spaces



5

- 1, 2 Partner Square Jongno
- 3 Partner Square Gwangju
- 4 Partner Square Hongdae
- 5 Partner Square Busan

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D-Commerce Program



D-Commerce Program provides diverse data-based educational and seller growth programs to help startups and small businesses grow their businesses online.

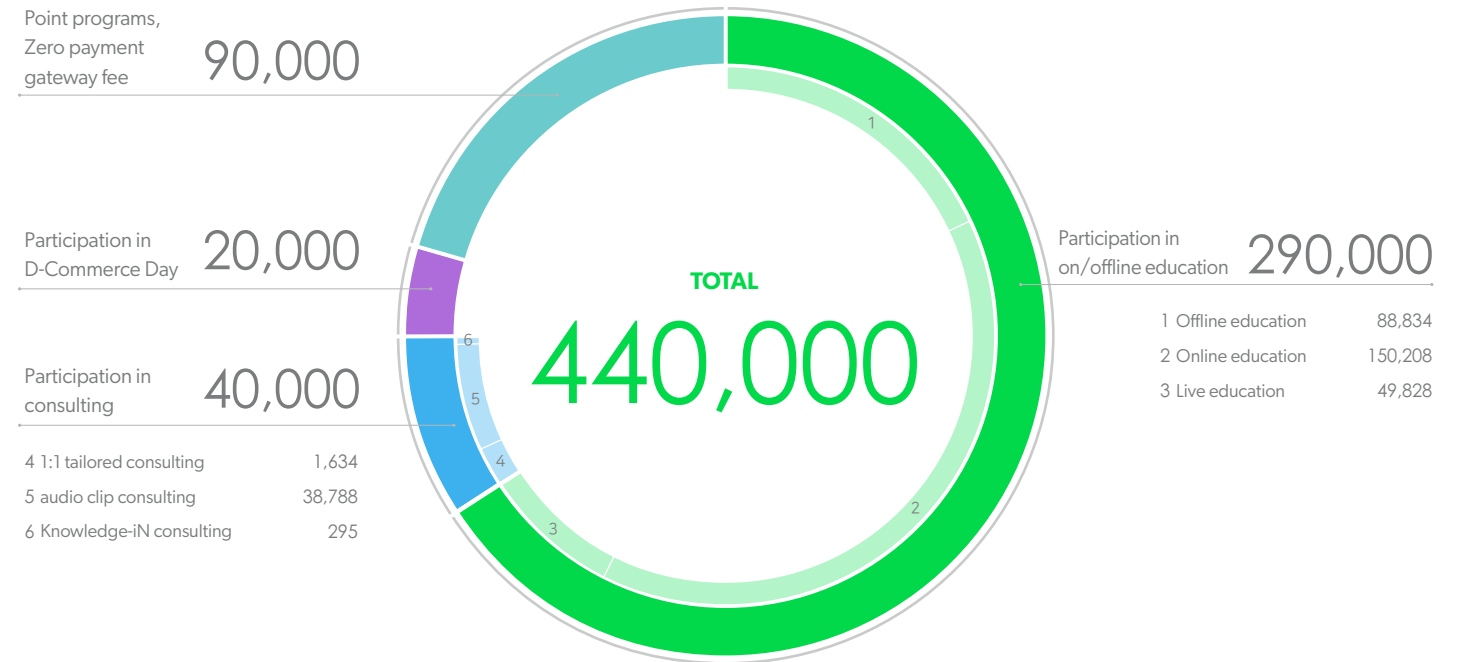
Providing data-based support for small businesses

The D-Commerce Program provides a wide range of support including education, consulting, and funding for startups and businesses that are in their growth or maturity stage. Knowing what small businesses specifically need in their stages of development, we provide them with customized support, and thus bring about fountain effects.

Having launched in June 2018, the D-Commerce Program have expanded its scope of services by opening educational, consulting, and financial programs that reflect the needs of businesses. As of the end of 2019, a total of 440,000 business owners have participated in the program. We also operate the "Start Zero Fee", receiving no payment gateway fee from online startups in their first year of business, and the "Quick Escrow", a program tailored to support small businesses in their maturity stage by making upfront payments for sales they have made. In addition, we provide support for marketing activities of merchants through the "Growth Point" program which offers bonus points in accordance with their stage of development.

Performance of the D-Commerce Program

(Unit: Person)



* Accumulated figures as of the end of 2019 since its launching in June 2018

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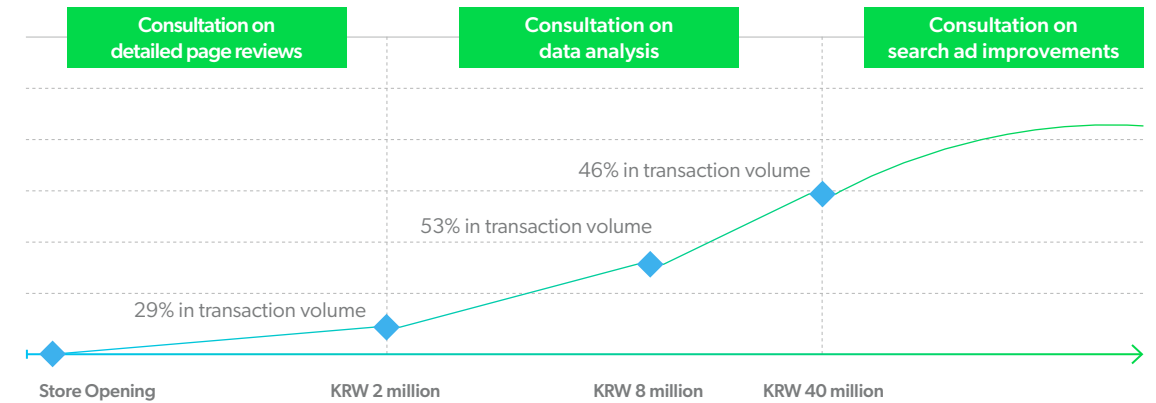
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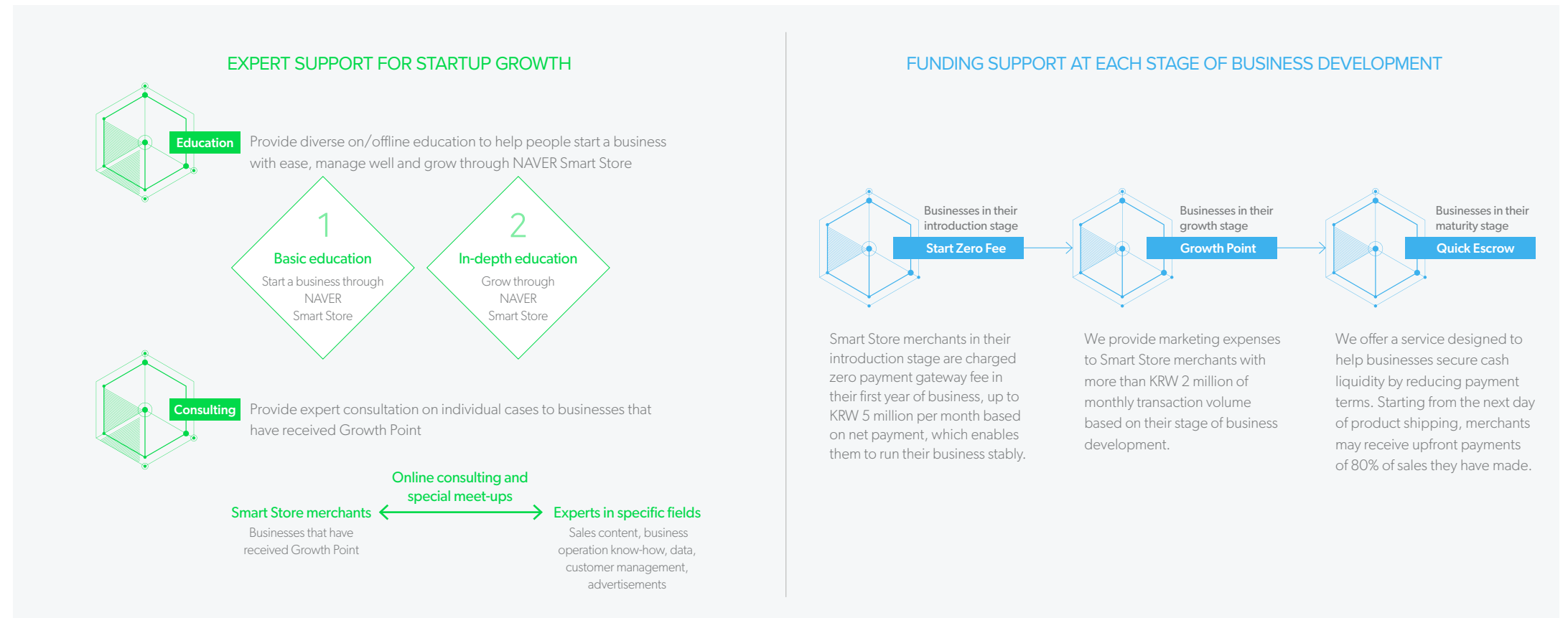
Shared value created by D-Commerce Program

In June 2019, NAVER held the “D-Commerce Day 2019” in celebration of the first anniversary of D-Commerce Program, and shared program performance with Smart Store merchants. The results of performance analysis revealed that customized consulting services contributed to the increase in sales. Specifically, the effectiveness of the program was proved as the revenues of businesses that have received consultation on data analysis, search ad improvement, and detailed page reviews increased by 41%, 28% and 19%, respectively. We will continue to help small businesses by providing a wide range of programs and services through our D-Commerce Program, and focus on building a healthy e-commerce ecosystem.

Effectiveness of D-Commerce Program



Overview of D-Commerce Program





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We deliver true value of small businesses to more people through a wider range of on/offline channels.

“Call My Name” Campaign Season 3

“Call My Name” Campaign is a marketing campaign that sheds light on the value of small businesses and creators who have partnered with NAVER, through a variety of content including videos and webtoons. In the Season 3 carried out in 2019, Jo Seok, who has grown with NAVER, created a series of webtoons that tells stories of young entrepreneurs carrying on their family businesses and young startup representatives with innovative ideas, as well as their family members and employees working together.

These growth and innovation stories of eight young entrepreneurs in the e-commerce field were also created as animation, which have been well received by many users. Call My Name Campaign Season 3 has enabled many people to identify a true value of brands run by young entrepreneurs, and it also helped their business grow leading to a 70% increase of monthly average sales during the event period. We will continue to provide support for small businesses that make their own innovations with strong beliefs by having their value known to more people.

 [Episodes of “Call My Name” Campaign Season 3](#)

The 4th NAVER Baekban Week in Gangneung

“NAVER Baekban Week” is a campaign introducing excellent, but little-known small restaurants across the nation. It is part of our efforts to help small businesses grow, and to contribute to balanced development of the local economy. Having started in Seoul in 2016, the campaign supported small restaurants in Gyeonggi-do and Gwangju in 2017 and 2018, respectively. We helped them create online database for menus and locations, which enabled online users to visit restaurants offline and also to enjoy their trip. The 4th NAVER Baekban Week 2019 in Gangneung was carried out with the participation of 71 restaurants in the five areas representing the city, while the total number of restaurants that have participated in the campaign marks 215.

Of particular note was an online review of small restaurants that have regular customers but not a wide range of customer pool, especially young people, due to lack of information. We expect the online review to be a channel that provides useful information to people, while also enables restaurants to improve their business. It turned out that the sales of the restaurants taking part in the event increased by 25% or more, thanks to an increase in visits, particularly by young people. NAVER will make continuous efforts to help excellent, but little-known small restaurants across the nation enjoy stale and profitable growth.

Supporting the Small Business Day

NAVER offers support for events and festivals held on the “Small Businesses Day”, designated as a legal anniversary in 2016, in our efforts to take active part in the government’s small business policy. In 2016 and 2017, we supported the “Festival for Small Businesses in Our Neighborhood” by providing information on the event through our services, and by holding an educational session on production of mobile homepage and online marketing for small businesses. Since 2018, we have been running “Flea Market Week”, a social media event for introduction of flea markets and traditional markets across the country. In 2019, we took part in the “2019 Korean Small Businesses Rally”, the industry’s largest festival held on the Small Businesses Day, expressing our support to small businesses that serve as grassroots for the national economy. We have also set up a booth to introduce NAVER Partner Square and D-Commerce Program. In addition, we received a plaque of appreciation in recognition of our contributions to support for small businesses.



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“Call My Name” Campaign

- 1 Gochang EM Food
- 2 Seocho Nuringji
- 3 Hobbyful



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We provide ground for nurturing ideas of creators through new approaches to the value of pop culture, contemporary art and digital content.

ON STAGE 2.0 in collaboration with artists

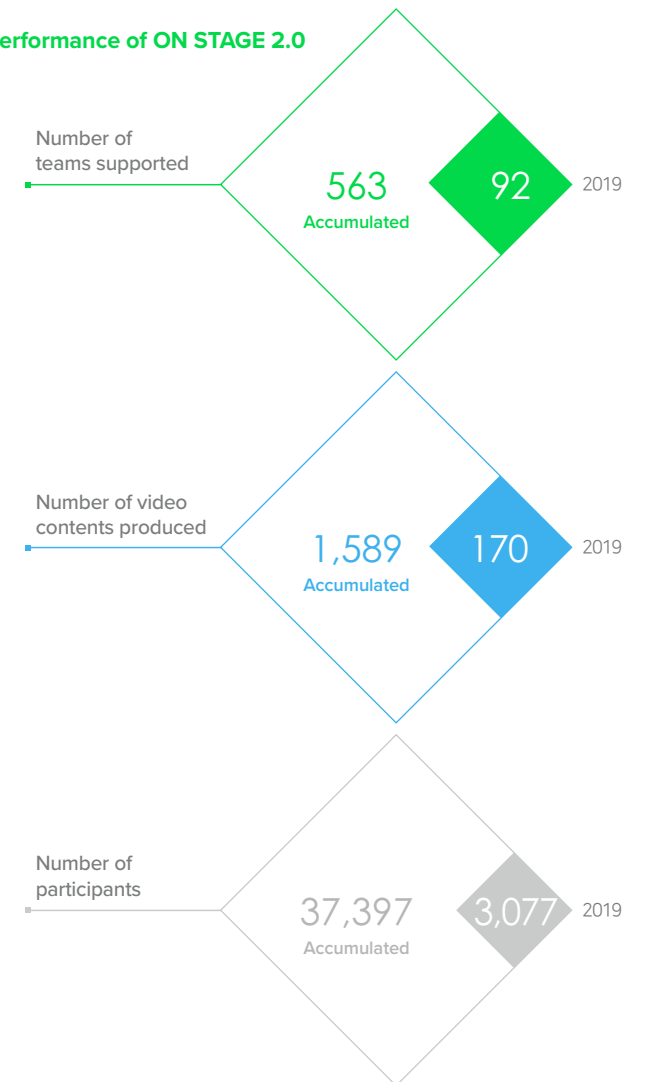
“ON STAGE” is a pop culture program launched in 2010 by NAVER Cultural Foundation. It is the country’s only record of underground music and NAVER’s representative program for supporting creators. In August 2018, we upgraded it to “ON STAGE 2.0” to provide users with a variety of experiences, and to give creators new opportunities. In 2019, the program further solidified its leading position and trustworthiness as an underground music record by continuing to upgrade its program quality and increasing PR activities.

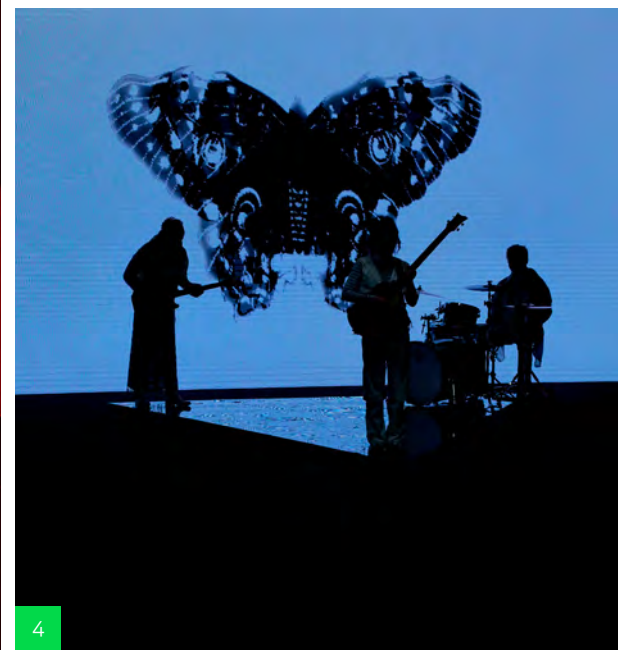
“ON STAGE Live Video” is a channel introducing a team of underground musicians every week. Since 2010, it has introduced a total of 490 teams and provided support for creating a total of 1,486 video contents. It was revamped in 2018, and as a result, its video quality was upgraded by using 360-degree, one-take technique, and through its video identity “cube” made with LED. It also solidified its position as an unrivalled music channel through the evolution of its video content and the cube, with musicians playing a leading role in directing. In 2019, it expanded its scope of genres to include Korean traditional music, crossover music, blues and electronic dance music (EDM), and also increased its PR activities. Thanks to these efforts, in addition to the influence of social media, video view count has increased 65% year-on-year to record a total of 450,000 video views. Moreover, the number of overseas users has been continuously increased, so that South Korean musicians use the On Stage Live Video as a channel to promote their music to fans from around the world. We also showcased the video content through four offline performances with 12 teams. All tickets were sold out and approximately 30,000 V LIVE viewers enjoyed them online, being received as very satisfying performances.

Lunched in 2018, “Digging Club Seoul” is a project to discover unknown music of the past and to support creation activities of ON STAGE musicians. In 2019, the second season of the project, we achieved meaningful results both in supporting creators and making it popular. The sound sources created through the participation of five teams of musicians were well received by users to record 740,000 video views. In the process, NAVER offered practical assistance to underground musicians by helping them produce sound sources, returning profits and promoting their music. In addition, we were successful in making the project more popular thanks to the viral effects through social media and the secondary creation by users.

“ON STAGE X” is another new approach, and is a collaboration project with creators. As part of NAVER Project Flower, it aims to provide practical support for creation activities. In 2019, there were two performances in which 23 creators participated, inspired each other, and thus introduced 21 pieces of art exclusively for ON STAGE X. As the scale of performance has been expanded, the number of offline participants has also increased 30% year-on-year to reach approximately 2,000 people, and a total of 14,000 people enjoyed ON STAGE X, including V LIVE viewers. In addition, there were more than 8.7 million views on social media and a five-fold increase in relevant media reports, thereby affirming our commitment to supporting creators.

Performance of ON STAGE 2.0





1, 2 Performance in celebration of the first anniversary of ON STAGE
3 ON STAGE performance
4, 5 ON STAGE Digging Club Seoul

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Establishing a global webtoon ecosystem with webtoon artists across the globe

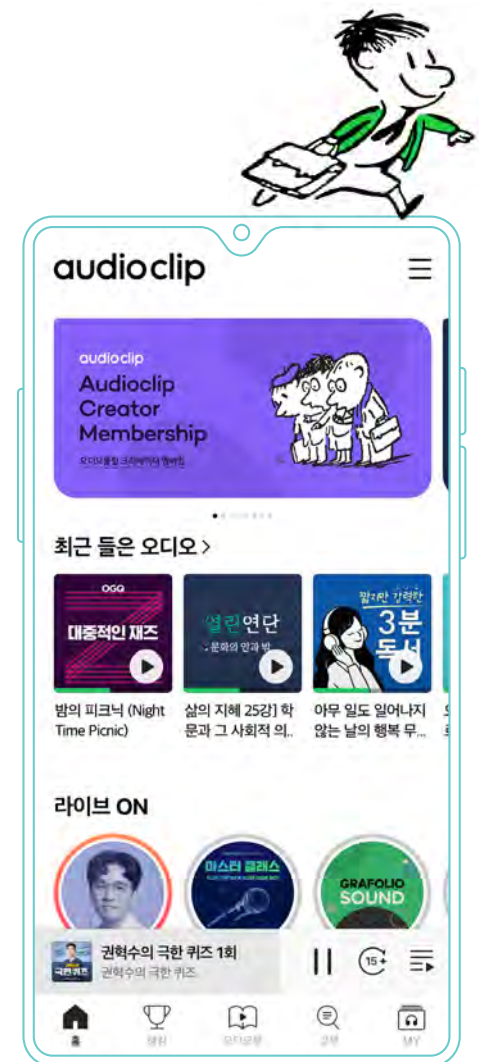
As part of NAVER Project Flower, we help webtoon artists make inroads into the global market, and engage in a wide range of campaigns designed for artists to meet overseas fans. In 2019, we held “Game of Toons” in Thailand as an arena where star webtoon artists of South Korea, including Yaongyi and PARK Taejoon, met with webtoon artists and fans of Thailand, attracting approximately 3,000 people. We hosted a quiz show about the LINE Webtoon series with 100 participants, selected from a total of 410,000 pre-registrations, competing pleasantly. We also provided an autographing session before the event in which fans met webtoon artists in person, while artists had an opportunity to feel a sense of pride, confirming the possibility of a global success of South Korean webtoons.

The LINE Webtoon, a global service of NAVER Webtoon, has grown into a No. 1 webtoon brand in Southeast Asia, securing 16.8 million and 27.7 million subscribers in Thailand and Indonesia, respectively. In particular, considering that 62% of the users is Generation Z, it has positioned itself as a leading content service for young people who are familiar with digital environment. Behind such achievements are our continuous efforts to provide high-quality translation of webtoons created by South Korean artists, and to build a strong creation ecosystem in local markets. For example, webtoons developed in Thailand have been a great success, and the top local artist has a total of 4.2 million subscribers. NAVER will continue to support and encourage creators to follow their dreams in the global market. In addition, we will discover and nurture local artists, and thus establish a creation ecosystem on a global scale.

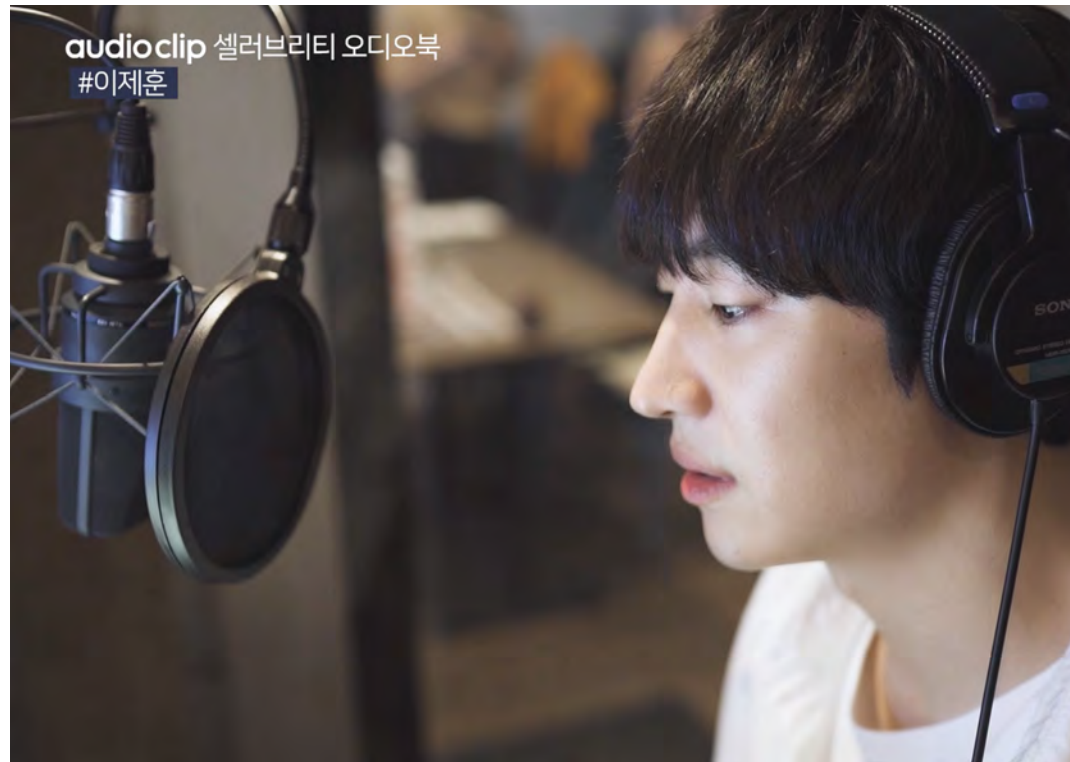
Growing with creators, publishers and users of audio clip

NAVER helps publishers produce audiobooks, while also facilitating the audiobook ecosystem through our audio clip service. Having officially launched in December 2018, the number of audiobooks available on audio clip has increased to over 10,000 as of early 2020, and 64 registered publishers sell their audio books through audio clip. More than 230,000 users have experienced audio books, leading the transition from books to read toward books to listen. We also run the “Wednesday audio clip Store” program through which users can experience one new best-seller and one steady seller for free on every Wednesday.

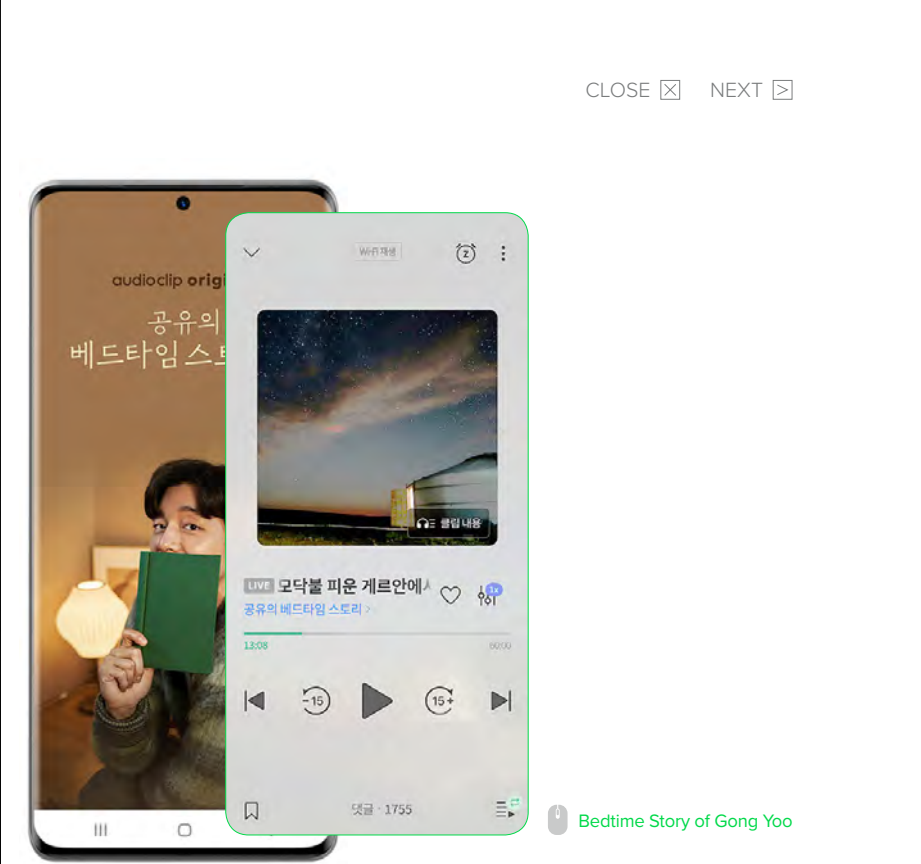
NAVER will continue to build an audiobook ecosystem in which we can grow together with creators and publishers. In addition, we will create more valuable user experiences by offering a differentiated audiobook service that meets content consumption habits, in which the use of mobile devices has become a routine.



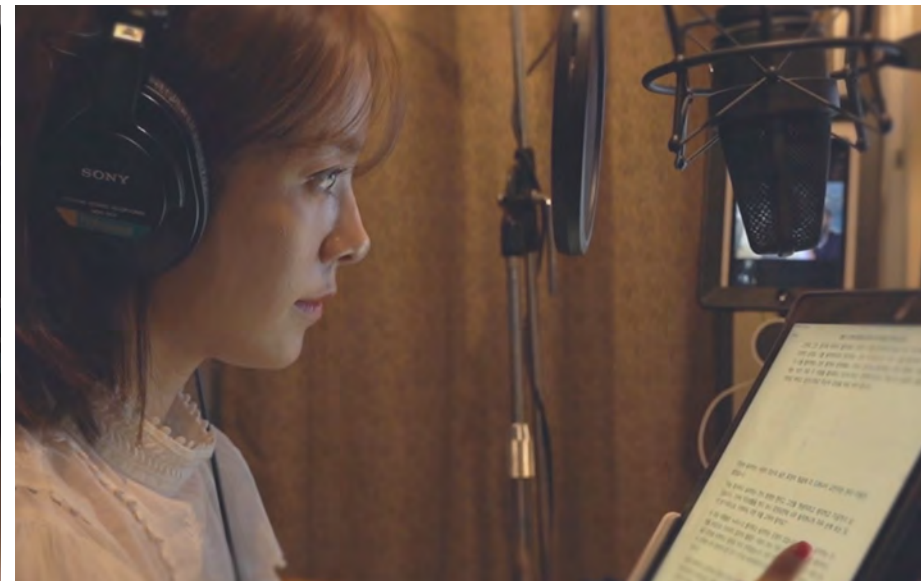




audioclip 셀러브리티 오디오북
#이제훈



Bedtime Story of Gong Yoo



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Shared Growth with Partners

NAVER strives to grow together with our partners through an organization dedicated to win-win growth, regulations to ensure fair trade, and comprehensive partner support programs.

Ensuring fair trade

NAVER selects our business partners through a bidding process in order to prevent verbal orders and unfair contract cancellation taking place in the first place. We also operate an electronic purchasing system for entire process ranging from bidding to signing contracts and making payments with the goal of ensuring transparency and fairness. In addition, we have adopted and observed the "4 Code of Conducts to Comply with Subcontract-related Laws and Regulations"¹⁾ enacted by the Korea Fair Trade Commission to build a culture of reasonable and fair subcontract transactions.

NAVER strives to listen to what our business partners have to say through a wide range of channels including a Voice of Partners (VoP) System, which we conduct surveys to businesses and bidding participants; partner support programs; Partners Line, a channel for suggesting win-win cooperation; and a dispute mediation system, through which our business partners can apply to resolve a problem related to purchasing contract. We also operate the Corporate Ethics Consultation Center for our employees and make other various efforts to establish a culture of fair trade and ethics.

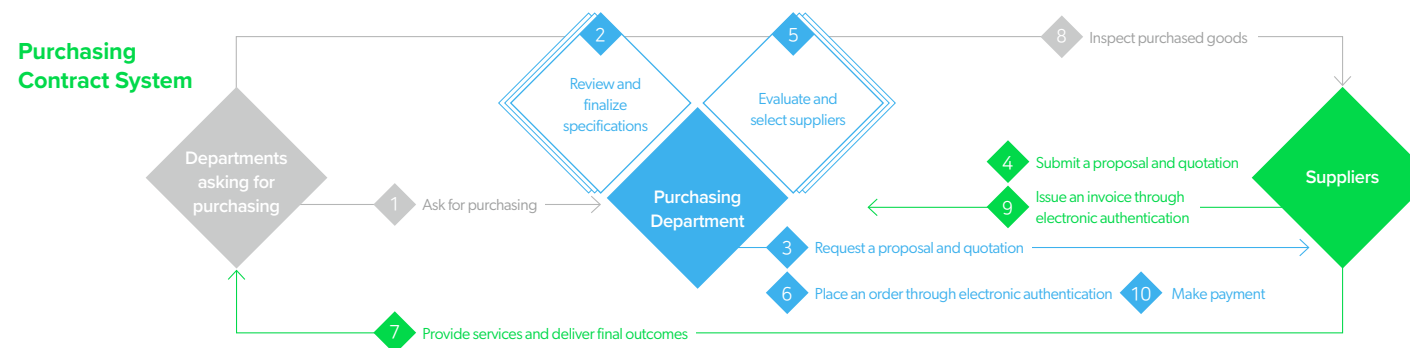
Partner support programs

NAVER does its utmost to expand the win-win growth ecosystem with our business partners based on the belief that their growth leads to our own. In particular, we focus on enhancing self-sustainability of small-sized IT companies, which are our major business partners, and improving employee benefits of those companies through a wide range of support programs in such fields as management, education and welfare.

We make cash payments within 10 business days, aimed at helping our business partners secure liquidity and stably operate their business. We also pay a participation fee for bidding participants to ensure reasonable relationship of transactions. We offer free online consulting on such issues as labor, legal and tax to our business partners. In 2019, we provided consulting to 15 business partners, formed a win-win growth fund worth KRW 17.2 billion, and provided loans at interest rate lower than market interest rate. In addition, we support our small and medium-sized business partners so that they can make inroads into overseas markets. In 2019, we helped 51 companies increase their sales by KRW 63.7 billion in total.

With regards to educational support, we offer monthly offline trainings in addition to regular online courses²⁾ to employees of our business partners, and in 2019 a total of 18,560 people completed the courses. Moreover, we provided software coding trainings to elementary school children and middle school students as part of our efforts to support children of employees from our business partners. We also helped them take better care of their employees and their family members by offering health checkup programs and by supporting family events such as funerals.

Thanks to our proactive efforts for win-win relationships with our business partners, NAVER received a "Best" rating at the "2018 Win-Win Index Evaluation", which were announced in 2019, and accordingly we were chosen as a "Best Honorary Company"³⁾ for the first time among Internet platform businesses in South Korea. We also received the Presidential Award in the "Voluntary Win-win Cooperation (Group)" category at the ceremony commemorating the Week for Shared Growth co-sponsored by the Ministry of SMEs and Startups and the National Commission for Corporate Partnership.



¹⁾ Code of conduct to ensure desired contracts for win-win cooperation between large-sized businesses and SMEs; Code of ensure fair selection (registration) of subcontractors; Code of conduct to establish and operate an internal deliberation committee regarding subcontract; and Code of conduct to proper issuance and preservation of documents in subcontract-related transactions

²⁾ Including courses required by law

³⁾ Title bestowed on a company that has received the top rating for three consecutive years

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NAVER is creating a world in which people enjoy a better life through a wide range of education programs on digital technologies by leveraging our technological prowess and infrastructure.

Connect Foundation, linking learning to life

Connect Foundation is a non-profit educational organization established in 2011 by NAVER to carry out public education programs transparently and professionally. It is leading educational innovations by pursuing democratization of education in which everyone has same opportunity for quality education, and by creating new educational models and platforms. It also offers software education to all levels of students including computer software majors, and nurtures talent required by businesses, thereby helping individuals with their continued development through lifelong education. Going forward, the Foundation will continue to provide diverse online education content and opportunities, in order to expand the basis of software education, while also establishing arenas where experts in software education share their knowhow with each other and grow together.

Let's Play Software

Artificial intelligence (AI) technology is rapidly becoming part of our everyday life, bringing many changes. Endlessly created data is becoming a driving force that moves and changes our lives. In this era of AI and data, NAVER, in partnership with Connect Foundation, runs "Let's Play Software" campaign, providing software education programs to children, who are leaders of the future, so that they can build the foundation of knowledge suited to the new era. In July 2019, we held coding camps for students and their parents in Chuncheon, Gwangju, Gunsan and Seoul. We are developing a wide range of educational content about the use of AI technology and data based on our experiences and technologies.

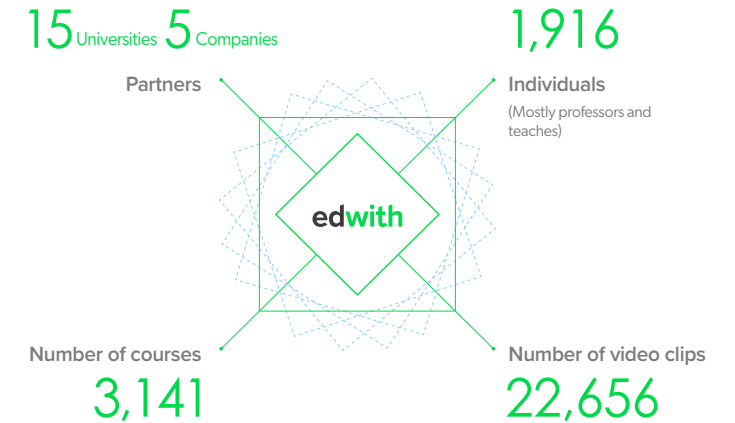


Entry

"Entry" is a software education platform run by Connect Foundation. It helps even beginners create their own work, using block-type programming language, so that students can learn software with ease and fun while teachers teach and manage them more effectively and conveniently. In 2019, the number of subscribers to Entry stood at 1.68 million, a 60% increase year-on-year. In 2018, it was adopted as a regular course of elementary and middle schools in South Korea, and as of now, all elementary schools, 50% of middle schools, and 30% of high schools use it for their software classes. The number of projects developed by students, using Entry, exceeds 5 million. In October 2019, in partnership with LINE, Connect Foundation launched the "LINE Entry", a non-profit project for software education in Japan.



Number of partners that have opened online education courses, using edwith, and number of courses



edwith

Connect Foundation runs "edwith", a massive open online course (MOOC) platform, that enables everyone to receive quality education anywhere, anytime. A good quality education content on software development, language and business is available free of charge, and online courses, provided by leading universities in South Korea, are also offered. In 2014, we formed a partnership with Khan Academy, for the first time among Asian companies, based on which we provide math and computing courses in Korean, and also offer learning management systems (LMS) free of charge. As of the end of 2019, the accumulated number of edwith's members has grown to 570,000, and the number of its monthly active users exceeds 140,000.



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Boost Course & Boost Camp

“Boost Course” is an online education program that helps people enhance their digital skills demanded by their profession. As of the end of 2019, the accumulated number of users reached 80,000. It is focused on IT-related knowledge and core technologies that show growing occupational demand, and people can learn how to solve problems they face in their jobs through the courses designed by Connect Foundation in partnership with companies. Connect Foundation launched an online course, designed to discover and nurture talented people specializing in software development, and provides courses on the development of digital solutions for iOS, Android and the web, as well as digital marketing. In 2019, we focused on providing online courses that meet users’ requirements, including AI, data science, user interface and digital marketing.

Boost Camp is a program developed to train talented people required by IT businesses. It is a community-centered education program for developers through which people learn from IT experts based on their experience and skills. During the six-month program, trainees can grow into highly desirable talent by communicating with their colleagues and mentors, and by conducting working-level tasks.

Cooperative projects with Korea Entrepreneurship Foundation

NAVER has grown from a startup into one of leading companies in South Korea by seizing the opportunity in changes brought by the Internet. In order to help startups of the future follow our footsteps by demonstrating their entrepreneurship from their earlier days, NAVER has been carrying out the project to “spread entrepreneurship in our daily lives as something that we should have” in partnership with Korea Entrepreneurship Foundation. In 2018, we finished up the 3-year program and published “Story of NAVER’s Entrepreneurship School”, a white paper about trials and errors, as well as lessons to be learned, in order to share our experience with other people engaging in teaching entrepreneurship. As a follow-up program to contribute to building an education model for entrepreneurship, suited for South Korea, we launched “Startup Alliance” in collaboration with a research team led by Professor Kim Jongsung of Kookmin University. And we continue to run entrepreneurship education programs, with OEC (currently FREEWILL), and analyze the effectiveness of the programs.

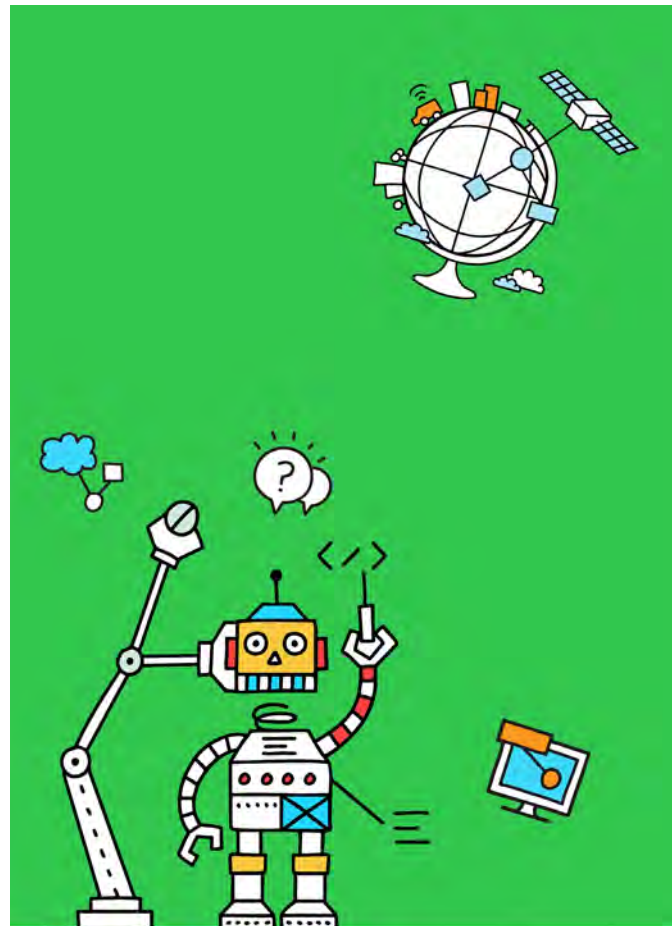
Entrepreneurship School

“Entrepreneurial School” is an entrepreneurship education program jointly carried out by NAVER, Startup Alliance and OEC (currently FREEWILL). Its curriculum is designed to help middle, high school students build the capacity to solve problems they face in their daily lives. We have been running the program by receiving applications from schools semiannually since 2016, and in 2019 we offered the program to a total of 186 students from eight high schools in Seoul, Gyeonggi-do and Incheon.

“Entrepreneurship Korea Conference”, hosted by Startup Alliance and sponsored by NAVER, is the only entrepreneurship conference in South Korea to share cases on discovering change makers who demonstrate their entrepreneurship in many sectors of our society. The 6th Entrepreneurship Korea Conference held in 2019 was comprised of a session focusing on insights from startup founders, a session designed to review cases in various organizations or regions, and a session for sharing cases of using entrepreneurship in large companies, and the event was well attended and received positive feedback.



CLOSE ✕ NEXT ✕





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Social Contributions

Social contribution activities of NAVER are focused on leveraging our expertise as a technology platform and prospering together with our partners.

Happybean

Happybean is an online platform that serves various public interest projects aimed at building a better society. It started as an online donation portal in July 2005 and has expanded its services to include Funding, Happybean Empathy Store, Shall We Go, and other donation services.

Donations

Donations is Happybean's first public interest service designed to make joyful changes with one click. It has grown into a venue where approximately 3,300 public interest organizations interact with approximately a million donors online per year, and as of 2019, the accumulated amount of donations collected exceeded KRW 100 billion. Recent years have witnessed a growing interest in environmental issues with around KRW 4 billion being donated for environment in 2019 and some 60 environmental public interest organizations active on Happybean. For public interest organizations with relatively limited resources and PR capabilities, we help them interact with donors. We are also enhancing the credibility of donation activities by continuing to improve the "Happylog" platform, where people can find information on public interest organizations at a glance.

Moreover, we are building a donation culture in which people can participate with ease in their daily lives through a wide range of promotions, such as "Donation Bean", which provides users with donation items when they use NAVER services free of charge,

"Double Donations", which NAVER and other sponsor companies match donations made by netizens. We also adopted an installment savings system to encourage people to donate on a regular basis, and attracted a total of approximately 8,600 installment savings accounts in 2019.

Funding

Happybean introduces products created by public interest organizations, social ventures and creators striving to solve social problems through its Funding service. In addition to providing them a channel to promote their products, we offer platform services free of charge and waive processing fees. We also support delivery services in partnership with Dohands Corporation, a social enterprise specializing in logistics and contributing to job creation for the underprivileged. Based on the cooperation with diverse partners, we collected a total of KRW 5.1 billion in support funds for 182 projects in 2019, a two-fold growth from the previous year.

Happybean Empathy Store

We help those participated in the Funding continue to interact with users after the funding has ended through the "Happybean Empathy Store" by supporting their promotion activities and helping them build their brand pages on NAVER Smart Store. There are 50 Happybean Empathy Stores in operation as of now, and their sales through NAVER Smart Store have increased up to 200% on average, which in turn led to the creation of positive social impacts as they hired the underprivileged and donations also increased.

Shall We Go

Happybean has been expanding its scope of services from donations to the Funding service and the Happybean Empathy Store project. In March 2019, it evolved once again by adding the "Shall We Go", connecting online users to offline community service projects. In 2019 alone, approximately 22,000 users took part in volunteering activities and other community service projects, hosted by social enterprises or cooperatives, through the Gabolka that uses the reservation service of NAVER. This has also enabled 90 public interest organizations and social ventures to meet with new sponsors and to expand communication with existing participants.

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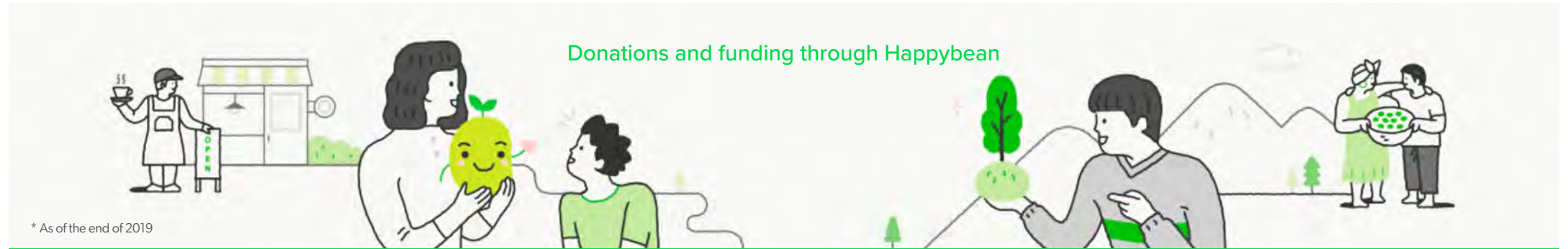
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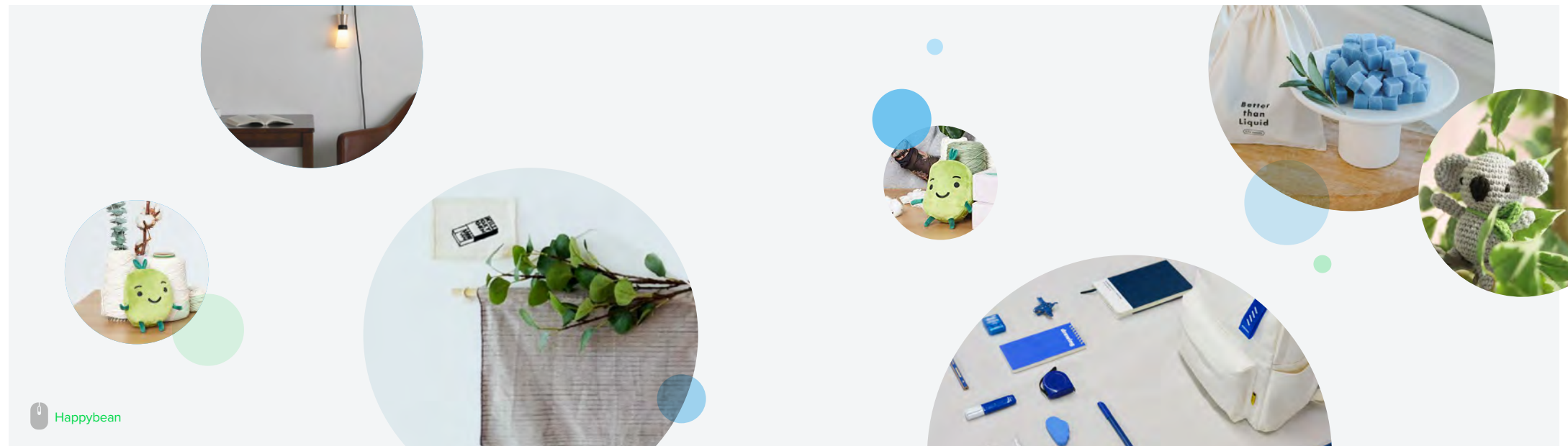
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* As of the end of 2019



Happybean



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NAVER Culture Foundation

NAVER Culture Foundation is a non-profit public foundation established in 2010 to support artists, and to promote cultural content by using our online platforms. We discover talented artists and creators, and help them grow, while also leading the creation of meaningful user experiences through arts and culture.



ON STAGE 2.0

In August 2018, NAVER Culture Foundation launched “ON STAGE 2.0”, an upgraded version of ON STAGE by adding the voice of contemporary users while further solidifying its values and principles. In 2019, we focused on improving the quality of such programs as one-take live footages, “ON STAGE X” collaboration project between musicians and artists, and “Digging Club Seoul” city pop remake project, with the aim of increasing its popularity. Going forward, we will continue to support creators, increase promotion activities, and look for new ways, such as collaboration between creators, or with NAVER Project Flower. This will enable creators to seize opportunity to realize their dream, while provide audiences with opportunity to experience a special stage.

NAVER Hangeul Campaign

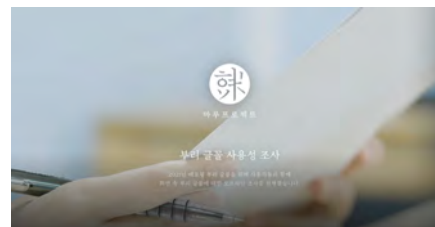
We have been running “NAVER Hangeul Campaign” for better use of *Hangeul*, the Korean alphabet, since 2008. In 2018, we launched “Maru Project”, setting a new direction for *Hangeul* in the digital era, with the goal of developing Maru Buri fonts that suited for the digital environment and distributing them free of charge by 2021. In 2019, we conducted a pre-survey, the first of its kind, about the font’s usability both on and offline. More than 20,000 users participated, and we are reflecting their opinions in developing the font. We also held two workshops in which users experienced the process of creating a *Hangeul* font, and designed 24 online *Hangeul* stickers which were distributed through our website free of charge. Information on these activities was made public on Hangeul Day, thereby publicizing the new font being created more effectively.

hello! ARTIST

“hello! ARTIST” serves as an online platform for visual artists to introduce their works to the public. We have been featuring one artist every other week since 2013, and we also supported 13 offline art exhibitions. Over the past seven years, 166 artists introduced approximately 3,700 pieces of their artwork to around 13.6 million people through “hello! ARTIST”, which is being evaluated as the only online archive in the arts sector.

Open Podium: Inside and Outside of Culture

“Open Podium: Inside and Outside of Culture” is a lecture series led by leading intellectuals and scholars in South Korea. It has been holding lectures every year since 2014, and in 2019, the project carried out its sixth lecture series. A total of 50 lectures with a theme of “Wisdom for Life” was given to provide a venue for discussion on having a better life and establishing a strategy for that. In addition, we provide approximately 1,000 videos and essays, which have been accumulated over the past six years, by sorting them according to themes and keywords that young people might be interested in, thereby expanding the scope of participants. There also have been 13 theme-based curations, held twice a month, delivering true value of existing content to 82,180 people.



▶ Font's usability survey



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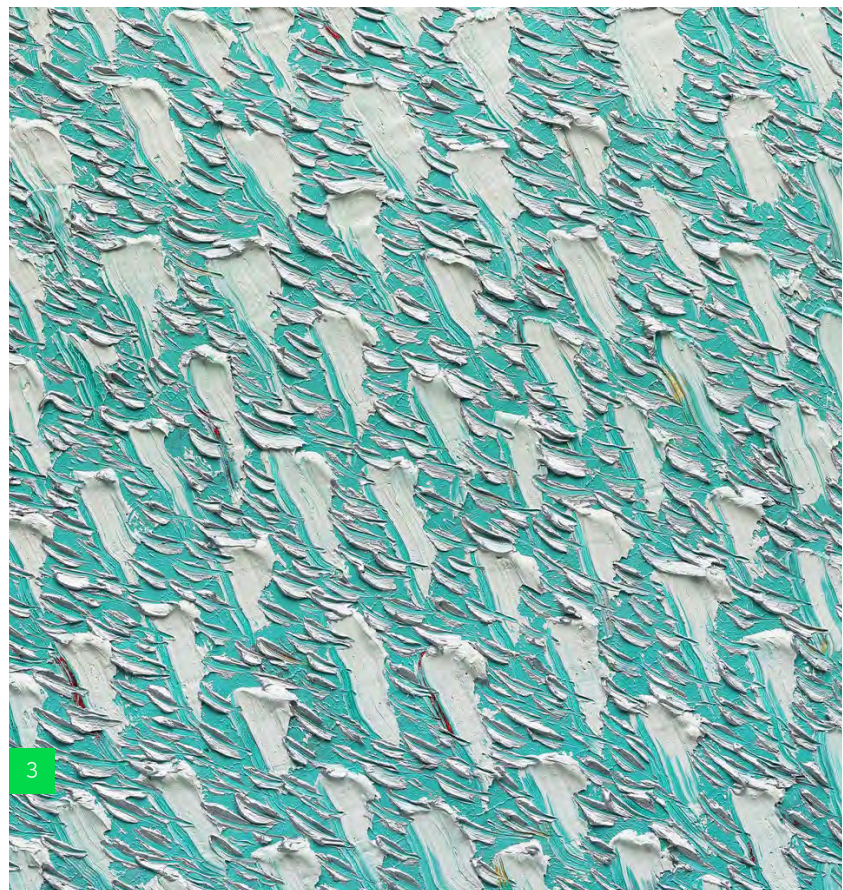


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“저 너머”
(epekeina)

- 만물은 어떤 하나로서 존재한다
- 존재와 분리된 하나 = 좋음의 이데아: “힘과 품격에 있어서 존재의 저 너머에(epekeina tês ousias)”
- 존재와 인식 저 너머의 초월자
- 만물에 한계를 부여하지만, 스스로는 한계가 없는 무한자
- 말할 수 없는 것에 대한 말: 신 자체에 대한 진술이 아니라, 우리의 상태에 대한 진술

1, 2, 3 NAVER Hangeul Campaign
4, 5 Open Podium: Inside and Outside of Culture



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hello! ARTIST

- 1 Cheon Hyelim – Perfect Skin
- 2 Choi Taehwon – South Korean Ensemble
- 3 Kim Miyoung – The Painter's Winter
- 4 Choi Goeun – Suzy A

TECH FOR ALL

NAVER is increasing investments in the development of state-of-the-art technologies and the acquisition of tech companies, in order to evolve into a technology platform, and to realize ambient intelligence. In 2019, we invested KRW 1,712.2 billion, a 26% of our annual sales, in R&D, which is the highest level in South Korea. In addition, we are expanding the scope of our investment into tech startups with high growth potential through our D2SF tech startup accelerator, thereby leading the establishment of a healthy startup ecosystem. NAVER Labs, our subsidiary specializing in R&D, strives to secure technologies for the future, such as autonomous driving, robotics, artificial intelligence (AI) and spatial information, through proactive R&D activities. We are also strengthening industry-academia partnerships with MIT and other top universities in the world to stay ahead of the development of advanced technologies, while also building a strong partnership with Qualcomm and other global leading companies to expand the scope technological applications.

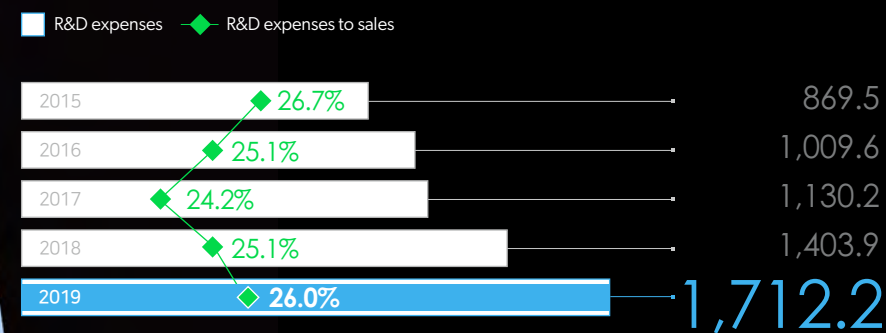
Accumulated number of DEVIEW Participants
27,200

Number of startups invested by DS2F
42



The highest level of R&D investments among South Korean companies

(Unit: KRW billion)



* Based on consolidated figures



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NAVER Labs

Our world-class professionals are realizing the vision of ambient intelligence by transcending all boundaries and challenging all norms through the wonders of technology.

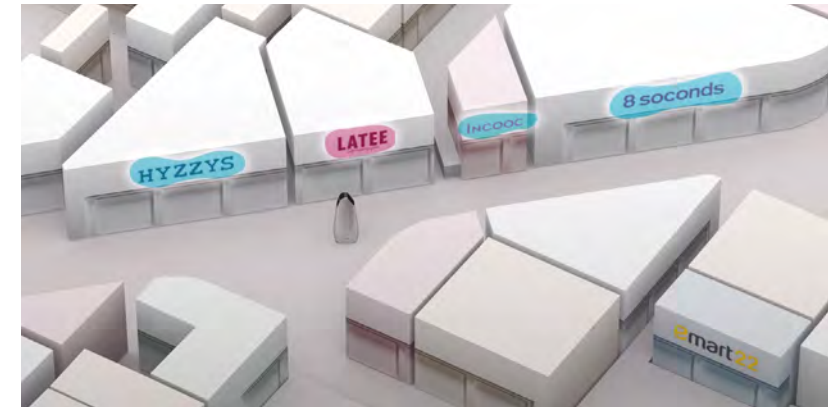
NAVER pursues “ambient intelligence”, a vision of a world where technology accurately anticipates user needs for information and services and delivers them before the such needs materialize. Accordingly, we launched NAVER Labs in January 2017 researching and developing technologies that can seamlessly connect information, machines, and people and information. World-class South Korean and European researchers at NAVER Labs are working together to better understand about the spaces surrounding our daily activities in their pursuit of the intelligence of mobility that connects those spaces.

A-CITY, a vision of a future city

In June 2019, NAVER Labs unveiled “A-CITY”, a vision of a future city. NAVER Labs aims to realize a future city where autonomous spaces containing information, services and products move around in the city and create new connections. To this end, it conducts R&D on technologies that connect every space of the city with various autonomous machines; analyze and extrapolate a vast amount of spatial data; classify and regularly update the data; and ultimately automate logistic services. We also are developing high definition (HD) maps with data collected from a wide range of spaces comprising cities, and working on an intelligent autonomous machine platform that can be modified according to places, environments and purposes. Also being researched is natural human-machine interaction (HMI) as part of our effort to provide useful services to people in everyday spaces.

Developing high definition maps

HD maps are core data for all machines as well as essential to the realization of NAVER’s vision of technology. NAVER Labs therefore is focused on developing 3D HD map solutions. In creating HD maps, we use “M1”, a mapping robot for collecting indoor data; “COMET”, a backpack-type device for mapping stairs, sidewalks and other complex landforms; “R1”, a mobile mapping system that collects data on the road; and “Hybrid HD Mapping”, a technology that converges aerial photograph data. Using these solutions, in 2019, NAVER Labs created a layout data of 2,000 km long roads based on aerial photos of Seoul. The data covers all roads of eight lanes and more in Seoul on which autonomous vehicles can travel. In addition, we became the first Korean company to distribute free of charge an HD map data set developed with hybrid HD mapping technologies as part of our efforts to facilitate R&D of autonomous driving in South Korea.



NAVER Labs also focuses on developing a wide range of technologies to support the publication of most updated maps. We have developed a “self-updating mapping” technology that analyzes data collected by M1 and then updates maps based on cutting-edge AI technology such as robotics, computer vision technology, deep learning and machine learning. In 2019, we launched an “ACROSS Project” to expand the application of the technology to actual roads. It is a cloud sourcing-based update solution that keeps maps up to date by processing data and identifying changes therein, collected through sensors in mapping devices installed on many vehicles. This solution is expected to lead the realization of a future city where 3D HD data of the city and roads is updated real-time.

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Unveiling ALT Project

“ALT Project” aims to develop an autonomous driving robot platform that can be optimized in various forms to the purpose. Expected in ALT platform is convergence of an autonomous driving algorithm using NAVER Labs’ HD data and the most sophisticated hardware technologies available. NAVER Labs has been upgrading all autonomous driving-related technologies since 2017 when it became the first IT firm in South Korea to receive a temporary approval to road-test autonomous driving from the Ministry of Land, Infrastructure and Transport (MOLIT). The R&D lab also is creating an HD map for autonomous driving based on the hybrid HD mapping technology and ACROSS solutions. Moreover, by integrating such technologies and data, it is developing a robot-on-the that can be customized to unmanned delivery, shop or other user-defined purposes. The realization of A-CITY, will result in a city where goods and services are delivered to us instead of us moving to buy goods or receive services.

Upgrading visual localization technology

Visual localization (VL) technology enables HD positioning based on a single photo. It is a useful technology, particularly for indoor uses in which GPS is not available, and NAVER Labs’ VL technology is one of the most competitive technologies in the world. The technology is currently being applied to indoor autonomous driving robot platforms. NAVER Labs is also developing an augmented reality (AR) technology combined with a position-correcting algorithm for real-time HD positioning. AR is a technology crucial to using a space as an interface. NAVER Labs Europe is engaging in the research of “R2D2”, another state-of-the-art technology that pinpoints specified positions regardless of changes in weather, season, hour, light conditions, etc. The technology came in the first place in the Long-Term Visual Localization Challenge category at the CVPR 2019, the world’s largest computer vision conferences.

Upgrading robotics technology

NAVER Labs is focusing on robotic technologies that can aid people in their daily lives as part of its effort to realize ambient intelligence. “AROUND Platform” is a solution developed by NAVER Labs to popularize autonomous driving service robots. The technology makes precise autonomous driving possible with low-priced sensors and medium operating capabilities. It recognizes its positions and selects optimal routes to take based on an M1-created map Cloud platform, and applies an autonomous driving algorithm optimized with deep learning technology. “AROUND C”, a café delivery robot developed in 2019 to verify interactions between people and robots is unique in that it moves among groups of people keeping a comforting distance from them and communicates in a fast and comfortable non-verbal way. “AMBIDEX”, a light and flexible robot arm that can interact safely with people, can carry out a wide range of tasks, from a simple job of moving goods around to a complex task that requires collaboration with people, for the precision of its movements is similar to that of industrial robots. In addition, NAVER Labs engages in diverse pilot studies in cooperation with universities. In 2019, it unveiled “MIT Cheetah 3” and “MIT Mini Cheetah” in a joint development with MIT.

Successful demonstration of 5G brainless robot

In 2019, NAVER Labs successfully demonstrated a 5G brainless robot, the first of its kind in the world, at the Consumer Electronics Show (CES) 2019. The significance of NAVER’s success is that small but very intelligent robots can be made at lower costs. The cost can be reduced as the technology that enables the relocation of the computer serving as robots’ brain to a Cloud platform, which can also control many robots simultaneously via 5G. Also, on the back of NAVER Cloud Platforms’ clouding service that is powerful enough to control robots as their brains, NAVER has marked the start of a new era of cooperation among 5G, cloud computing and robotics.

1784 Project

1784 Project is about turning NAVER’s new headquarters building into a robot-friendly building, the first of its kind in the world slated for completion in 2021. Construction of the new building will also include a conversion of 5G brainless service robot, AI, cloud computing and NAVER’s other future-shaping technologies. Once completed, the world’s first robot-friendly building will become also a first reference space for A-CITY.





Supports for Startups and Startup Ecosystem

NAVER invests in tech startups with outstanding potential, and collaborates with them, in order to build a new model in which NAVER and startup ecosystem can grow together.

DEVIEW, the largest developer conference in Korea

Launched in 2006 to encourage NAVER's in-house developers to share their technology with each other, "DEVIEW" has been open to all developers since 2008. Participants come from IT businesses both inside and outside South Korea, as well as from venture businesses, developers and academia. There has been a total of 27,200 participants over the past 12 years, securing its status as one of the largest tech conferences in the world. The new technologies announced at DEVIEW reflect rapidly changing trends, and help attendees get a grasp of what the future will look like. NAVER presents cutting-edge technologies at DEVIEW every year, helping to popularize technologies such as NoSQL and HTML5 in 2011; Node.js and GPU computing in 2012; machine learning and deep learning in 2013; IoT and VR in 2014; and robotics in 2015.

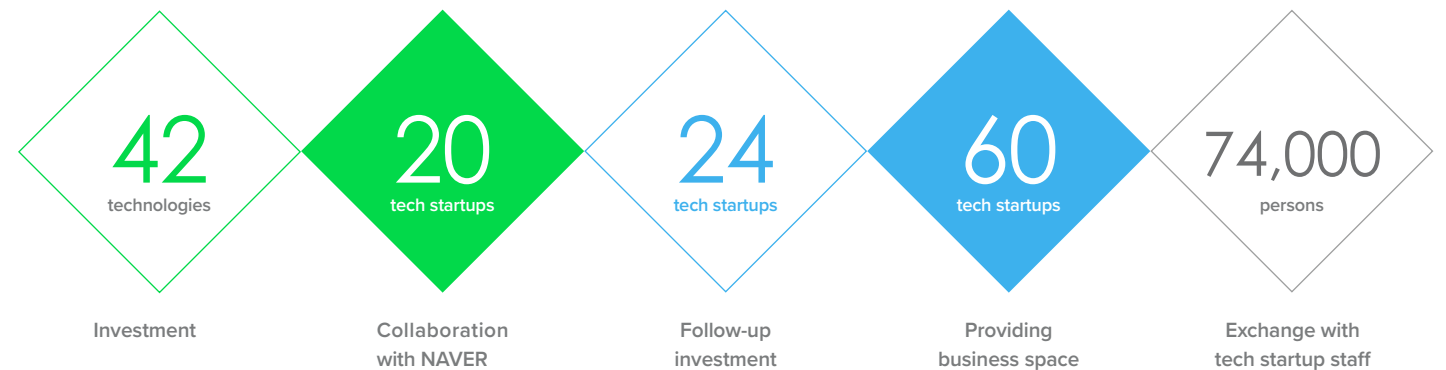
On the first day of "DEVIEW 2019", we shared our experiences in machine learning, AI, information retrieval, computer vision, speech processing, robotics, autonomous driving, as well as mapping and positioning. On the second day, there was a total of 48 sessions on subjects related to the web, mobile, software requirement engineering (SRE), media processing and cloud. We also announced plans for the formation of the "AI Research Belt", a NAVER-centered global tech research network. In addition, we introduced the "Mini Cheetah", a four-legged robot developed by NAVER Labs.

NAVER D2SF, a tech startup accelerator

NAVER D2 Startup Factory (NAVER D2SF) is NAVER's business accelerator. We look for ways to invest in startups with a technological edge in such areas as AI, robotics, TechFin, commerce, mobility, digital health, AR and VR, and how we can help them to grow strategically with us. NAVER D2SF provides funding and business space to startups, as well as support for their PR, marketing and other business requirements, and leverages NAVER's expertise and knowledge, including hosting the Demo Day and other mentoring, to help attract follow-on investment. Following the launch of NAVER D2SF in May 2015, it has invested in 42 tech startups. Two of the startups were taken over by NAVER and NAVER Webtoon, 24 succeeded in attracting follow-on investment, and more than 20 are involved in or planning projects in collaboration with NAVER.

NAVER strives to foster the tech startup ecosystem. We host "TECH MEETS STARTUP", an annual conference designed to share our experiences in solving the problems faced by tech startups. We also hold an annual contest for preliminary tech startups run by undergraduates and graduates, and have now helped 40 startups grow successfully. In addition, we have established a tech startup community centered around NAVER D2SF. As a result of these efforts, NAVER was selected as the top company for providing positive support for startups from 2017 through to 2019. We also won the title of most favored job creator for two consecutive years.

Investment Portfolio of NAVER D2SF



PEOPLE & PLANET

NAVER values people and the environment above all else in order to achieve sustainable growth. Technological development cannot replace people and the environment. Instead, serving and protecting them is our goal as we evolve into a technological platform. We are therefore fully committed to building an open corporate culture in which talented people, our most important assets, can unlock their full potential, recognize each other's diversity, and make sure that their abilities are recognized. In addition, we protect personal information and privacy entrusted by users at all times. We strive to build a healthy and sound Internet ecosystem, and encourage our employees to use their expertise and abilities to preserve the natural environment and achieve green growth.

Preliminary energy efficiency certificate of the second office building

* As of the end of 2019

+1

Number of opinions received through PER

110

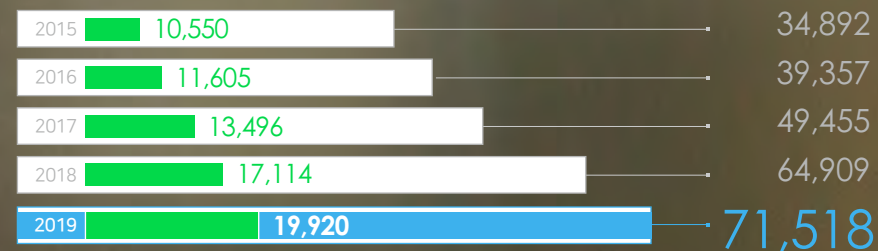
Return to work rate after childcare leave

100%

CO₂ emissions by year

(Unit: tCO₂)

■ Actual CO₂ emissions ■ Reduction in CO₂ emissions



* Based on Data Center Gak

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Great Workplace

NAVER is creating a great workplace in which all of our employees are encouraged to unlock their full potential to contribute to sustained growth of the company and sustainable development of society as well.

Fair and reasonable personnel system

NAVER is fostering an environment in which all employees have a sense of ownership, and work together to meet the ever-changing demands of users and markets. We make it a rule not to discriminate against any employee on the basis of age, race, academic background or gender. Our personnel system operates flexibly, transparently and reasonably, so that employees can apply themselves to their work with a sense of responsibility, knowing that their career development will be determined only according to their abilities. Employees who have worked for the company for more than a year are given stock options worth KRW 10 million every year, thereby encouraging them to create value from a shareholder's point of view, in addition to incentivizing them to work for the company's growth.

We continue to hire to meet the requirements associated with our growth. Following the demerger of NAVER Financial in 2019, the number of NAVER employees was 3,495 at 2019 year-end, a decrease of 89 compared to the previous year. Our current male-to-female employee ratio is 64:36, and 75:25 at team leader level. There is no material difference in the years of service for male and female employees.

Employees' rights and welfare

NAVER operates the NAVER Valuable Opinion (NVO), a labor-management council pursuant to the requirements of the Act on the Promotion of Worker Participation and Cooperation, and strives at all times to communicate openly and transparently with its employees. Employee representatives on the NVO relay employee opinions to management at regular meetings. The council is continually seeking ways to improve the employee welfare system, such as loan support, as well as evaluation and compensation systems, thereby also contributing to improving the labor-management relationship. We respect the basic rights of all employees, including the right to collective bargaining and the right to collective action as guaranteed by the Constitution and relevant labor laws. We therefore sign an annual collective bargaining agreement with the labor union to ensure the healthy development of the company, with the participation of our employees.

We provide a wide range of welfare benefits and leisure programs to our employees, including their families, in our efforts to increase their job satisfaction and work engagement. We run four daycare facilities for the children of employees, in cooperation with specialist institutions. Our Green Factory Building houses a nursing lounge equipped with breast-feeding machines. We permit employees, both male and female, to work reduced hours as needed for childcare, and a year of childcare leave which is in addition to the period stipulated in law. In 2017, 2018, and 2019, the percentage of employees who returned to work upon completion of their childcare was 97%, 100%, and 100%, respectively.

Employee education programs

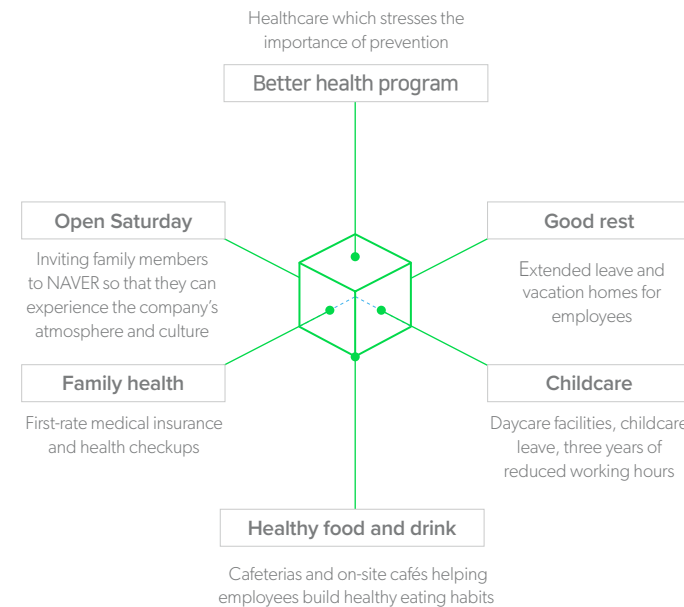
We help new employees adapt to our corporate culture and their new jobs through specific education and training programs. Team leaders are required to attend training on review and compensation system, human resource management, and the prevention of sexual harassment in the workplace. We provide approximately 400 hours a year of technology education for employees who work in technology development, allowing them to select courses which meet their specific needs.

All employees have 2-hour trainings on the prevention of sexual harassment, and on improving awareness of the disabled, every year, required by law. We operate the "With You" channel for reporting problems in the workplace, and provide detailed guidelines to help employees experiencing difficulties. We ensure that we deal with such cases fairly and transparently, with the help of outside experts where necessary. In addition, we strictly prohibit punitive measures and discrimination against whistleblowers.

Corporate culture which respects diversity

We encourage our employees to recognize diversity and respect one another. We strive to build a healthy corporate culture with zero discrimination in hiring, compensation, and other benefits. We also lead by example in fostering an environment in which more people can live free from discrimination. In 2009, we established “N-Visions”, a social enterprise which provides jobs for the visually impaired. We also hire young people with developmental disabilities for jobs such as baristas, cashiers, gardeners at cafés and stores in the Green Factory Building, and we also employ senior citizens at the NAVER Library. We will continue to build a community in which all stakeholders, including our employees, can work according to their ability, and thus contribute to society.

Programs for Employee and Family Health



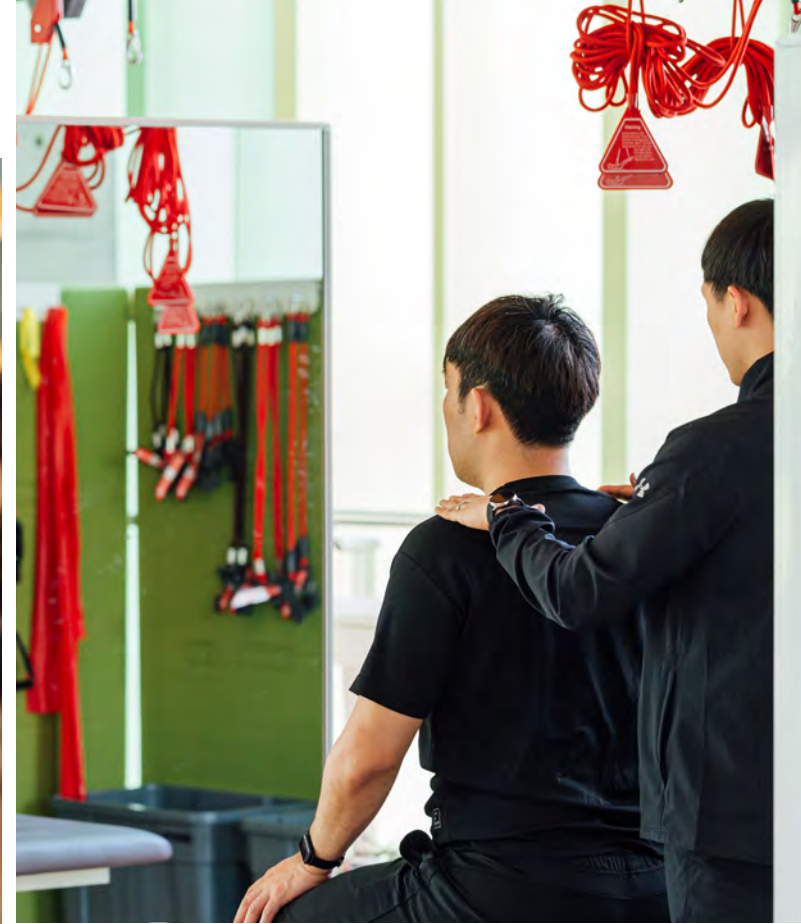
NAVER's Personnel System and Organizational Culture



Employees

(Unit: Person)

		Dec. 2017	Dec. 2018	Dec. 2019
Number of employees	Male	1,791	2,283	2,239
	Female	1,002	1,301	1,256
	Total	2,793	3,584	3,495
Number of full-time employees	Male	1,742	2,236	2,140
	Female	959	1,264	1,213
	Total	2,701	3,500	3,353
Percentage of full-time employees	Male	97.3%	97.9%	95.6%
	Female	95.7%	97.2%	96.6%
	Total	96.7%	97.7%	95.9%
Percentage of Team Leads / Executive Directors	Male	80.2%	76.2%	75.4%
	Female	19.8%	23.8%	24.6%
	Total	4.1%	5.6%	10.1%
Number of years in service	Male	5.01	5.03	5.66
	Female	5.87	5.73	6.39
	Total	5.32	5.28	5.92
Number of employees on childcare leave		33	52	80



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Data Privacy

We carefully manage and thoroughly protect personal information of our users, so that they can enjoy services and values offered by NAVER.

Personal information protection

The protection of personal information is a major priority for NAVER. In 2007, we established the Privacy Impact Assessment process, applying the principle of “Privacy by Design” to ensure that users’ personal information is protected across all our services. Privacy by Design refers to the application of technology and policies which are designed to ensure user privacy and data safety throughout the entire lifecycle of our service to each user.

NAVER is committed to the concept of “Privacy as a Service”, which is why we opened the “NAVER Privacy Center”, the first of its type in South Korea, that provides comprehensive services for the protection of personal information. It also provides users with explanation on the activities, that we undertake to ensure privacy, and other useful information. In addition, we run an official blog and other social media platforms dedicated to the protection of personal

information. “Privacy Enhancement Reward (PER)” is a system which receives opinions about our services directly from users, enabling NAVER to reflect these opinions and better protect privacy and user information in our services. PER is the only system of its kind run by a South Korean company, and since its launch in 2016, it has led NAVER’s efforts to protect user privacy. In 2019, we ran the PER BootCamp for undergraduates, to encourage more users to send us their opinions through PER. The status of PER operations is disclosed through our blog, and we also provide an annual PER report which uses clear and detailed infographics to enhance understanding of the system.

Disclosure of personal information protection activities

NAVER undertakes a range of activities to protect personal information as part of our commitment to the safe management of personal information and the provision of more reliable services. Major activities are disclosed through the NAVER Privacy Center. As a global ICT company representing South Korea, NAVER strives to set an example in the protection of users’ personal information and privacy. We became first Internet business in South Korea to disclose its transparency report, and we publish a “Yearly Report on Personal Data Protection” which compiles all available information on our activities related to the protection of users’ rights and personal information. We also publish an annual “NAVER Privacy White Paper” which shares information about expert research on the protection of personal information. We introduce communications protection activities to the public, and employ expert attorneys who review in detail all search and seizure warrants to check whether such warrants include information on users other than the specified suspect.

[NAVER Privacy Center](#)

[Transparency Report \(Statistics\)](#)

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

[Personal Data Protection Report](#)

We regularly publish a personal data protection report, a compilation of our efforts to protect user data.

[Privacy Whitepaper](#)

We regularly publish a compilation of expert studies on the protection of user privacy.



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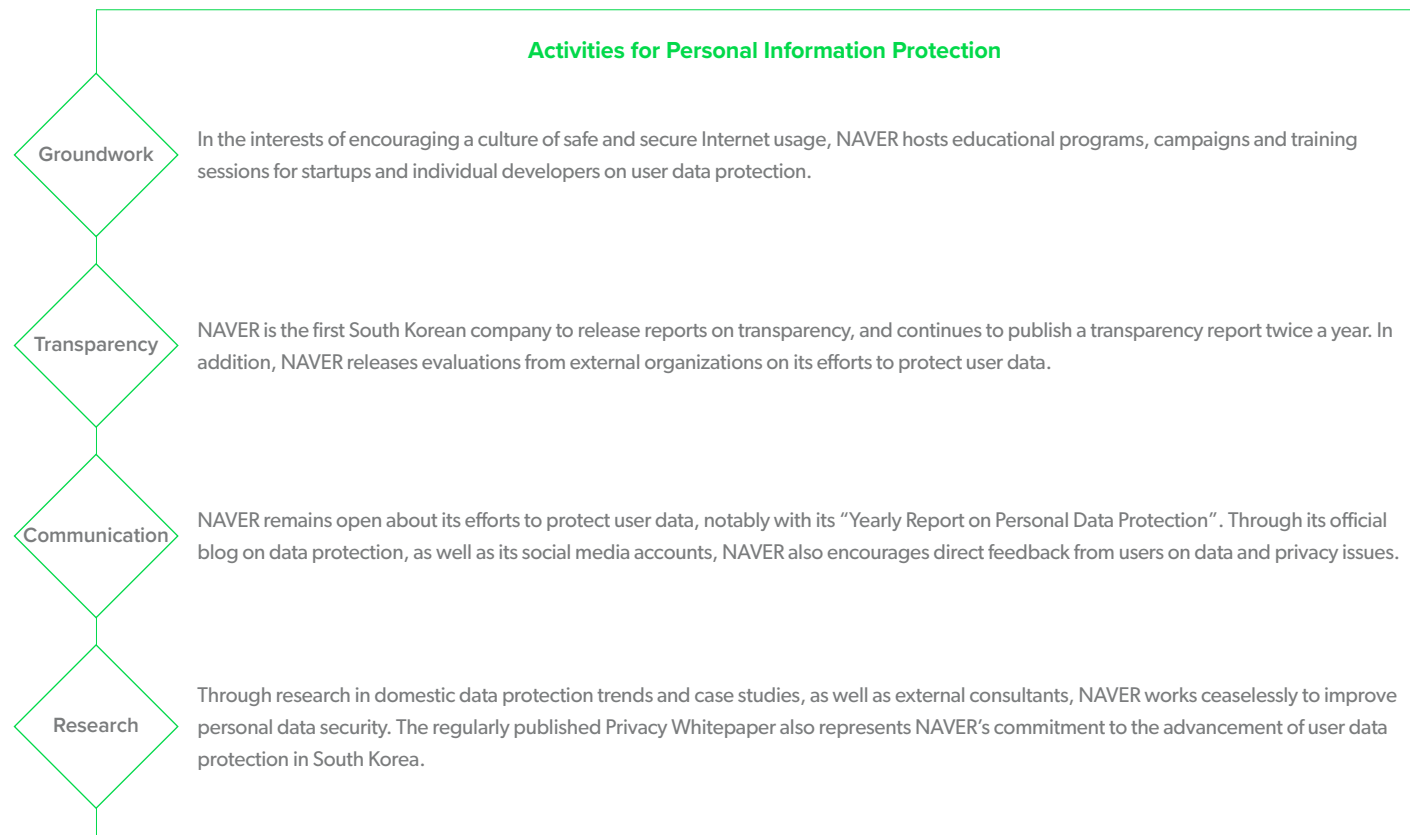
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We share our personal information processing guidelines, including the “Guidelines on the Collection and Use of Personal Information relating to Children”, so that users can see how we process personal information with ease. With NAVER Webtoon, V LIVE, Whale and others NAVER services becoming increasingly popular around the world, we are protecting the personal information of all our global users, as well as holding education sessions and workshops to ensure compliance with the highest global standards of privacy, personal information protection, and personal information protection guidelines.

Moreover, we make continuous efforts to build a healthy Internet ecosystem in which user privacy is fully protected. We provide our Personal Information Protection Guidelines and other useful materials, through the NAVER Privacy Center and our dedicated blogs, to startups and small businesses which may have difficulties due to limited resources and lack of experiences. We share our knowledge by hosting lectures and other education sessions on personal information protection, and we also share ideas on privacy protection by holding seminars. Going forward, we will continue to protect user privacy, and share our expertise and useful information on how to guarantee users’ right to know and to protect their personal information.



Information Protection Certification

NAVER has acquired information protection certifications, to ensure safe use of our services. These certifications also fulfill our legal obligations, and maintain the level of information protection required for specific businesses. In addition, we receive regular advice from the NAVER Personal Information Protection Committee, which is composed of leading experts in relevant fields. NAVER also makes continuous efforts to be transparent and earn the trust of our users for the way in which we process personal information, including by having independent specialist institutions carry out audits.

Data Protection Certification



Information Protection Certification

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NAVER looks for ways to reduce our carbon footprint while increasing the value of our green growth, in order to achieve sustainable development.

Data Center Gak

Protecting nature for future generations

Opened in June 2013, our Data Center Gak lowers the impact of heat from computer servers in an environmentally-friendly way. In recognition of these efforts, the Center won platinum certification from LEED¹⁾-New Construction (NC) 2009, for the first time among data centers in the world. To ensure that the Center operates as efficiently as possible, it uses a range of methods, including Snow Melting²⁾, photovoltaic and solar thermal power generation³⁾, and a natural cooling system using outside air.

The north wing, which is the main building of the Data Center Gak, was completed in 2012, followed by the opening of the west wing in 2014. Work on the south wing began in 2017 for opening in 2018, and put into place an array of the latest energy-efficient technologies to create a world-class Internet data center. The cross-sectional area of air filters was increased in order to optimize air flow, and bypass dampers were used in the heating, ventilating, and air conditioning (HVAC) equipment. Energy-saving DC fans supply greater volumes of moving air where needed, and the structure of the exhaust fans was improved to reduce energy usage. In addition, the Center makes more use of a water thermal storage system which stores electricity at night, when rates are lower, to then use during the day. As a result



of these efforts, the Data Center Gak won the Grand Leader's Award from the Climate Change Center in 2018. It also won a prize for creating social value from the Korea Energy Agency in recognition of its use of innovative energy saving technology.

¹⁾ Leadership in Energy and Environmental Design: Environmentally-friendly building certification developed by the U.S. Green Building Council
²⁾ A road heating system which uses waste heat in the wintertime
³⁾ Used for outdoor lighting and greenhouse heating



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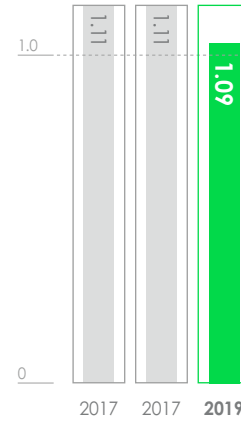
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Achieving global-standard PUE

The Data Center Gak has developed Air Misting Unit (AMU) and NAVER Air Membrane Unit (NAMU) which cool computer servers in an environmentally-friendly way, and is now increasing the scope of their application to maximize energy savings. We strive to use environmentally-friendly technology wherever possible to reduce energy consumption, and as a result, maintain our power usage effectiveness (PUE) level at close to 1¹⁾, thus setting an example for data centers.

Power Usage Effectiveness (PUE)



¹⁾ The ratio of total amount of energy consumption of a data center facility to the energy consumed by IT equipment, it is generally used as a measure of the efficiency of data centers. An ideal PUE is 1.0.

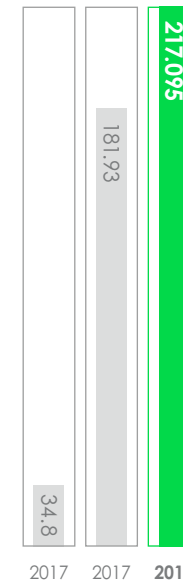


Using recycled and environmentally-friendly energy

The Data Center Gak uses photovoltaic energy, and also invests in relevant businesses. We radically improved the photovoltaic power generation facility at the building in 2018, and as a result, 217.095 MWh of power were saved in 2019, along with about 97 tons of CO₂ emissions. The Center uses energy as efficiently as possible, including through LED lighting and electric vehicles. It uses the air heated in the process of cooling computer servers to operate greenhouses. All plumbing fixtures are water-saving, and uncontaminated water is purified and reused in bathroom fixtures where possible. Rainwater is collected to be used as cooling water or for firefighting. We have been making continued efforts to reduce the amount of water used in air-conditioning, with the volume in 2019 decreasing by 12.53% year-on-year, despite the increase in the number of IT devices. As a result of these efforts, CO₂ emissions at the Center have been reduced by about 20,000 tons per year.

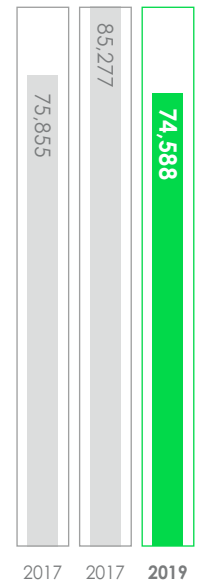
Solar Power Generation

(Unit: MWh)



Clean Water Consumption

(Unit: Ton)



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NAVER Green Factory

NAVER's Green Factory office building was designed to constantly save energy, and does so at a rate of more than 5% every year through investments in energy-efficient devices such as heat-insulated partitions, LED lights, and others. The staircases display the number of calories burned by walking upstairs instead of taking the elevator, and bike racks encourage employees to look after their health and save the environment by cycling instead of using a car.

Thanks to these efforts, energy consumption at the Green Factory has fallen over the past three years. In 2019, the TOE was 3,625, a 4.5% decrease compared to the previous year, and CO₂ emissions also fell by 4.0% year-on-year. The environmentally-friendly operations at the Green Factory have won external plaudits as well. In 2014, it won platinum certification, and the highest score in the world, from the LEED. In 2016, it received the Presidential Medal in the Korea Energy Efficiency Awards.



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1784, NAVER's second office building

NAVER's second office building, which is expected to be completed in 2021, was designed to earn LEED platinum certification and have an energy efficiency level of 1+, thus demonstrating NAVER's commitment to saving energy and protecting the environment. The building has a 763.2 kW¹⁾ geothermal system to make the most of its basement space, and a 140.8 kW photovoltaic power generation facility on the rooftop. On the exterior, double-layered coverings using motorized shades combine with highly-insulated doors and windows to save energy. The building also has low reflective glass which saves energy and minimizes inconvenience for our neighbors. The interiors are designed to use a panel cooling system to save energy and create a more pleasant working environment.

In addition, the building uses a Building Energy Management System (BEMS) to save energy and improve functionality. Primary energy consumption is estimated to be 158.1 kWh/m² a year, which is in the top 10% of business facility buildings with total floor space of 10,000m² or more, based on statistics²⁾ provided by the Korea Energy Agency, and around 31% lower than the average figure – 229.2 kWh/m² a year. The new building has already earned "1+³⁾" preliminary energy efficiency certificate, with main certification to be finalized after the completion of the construction work.

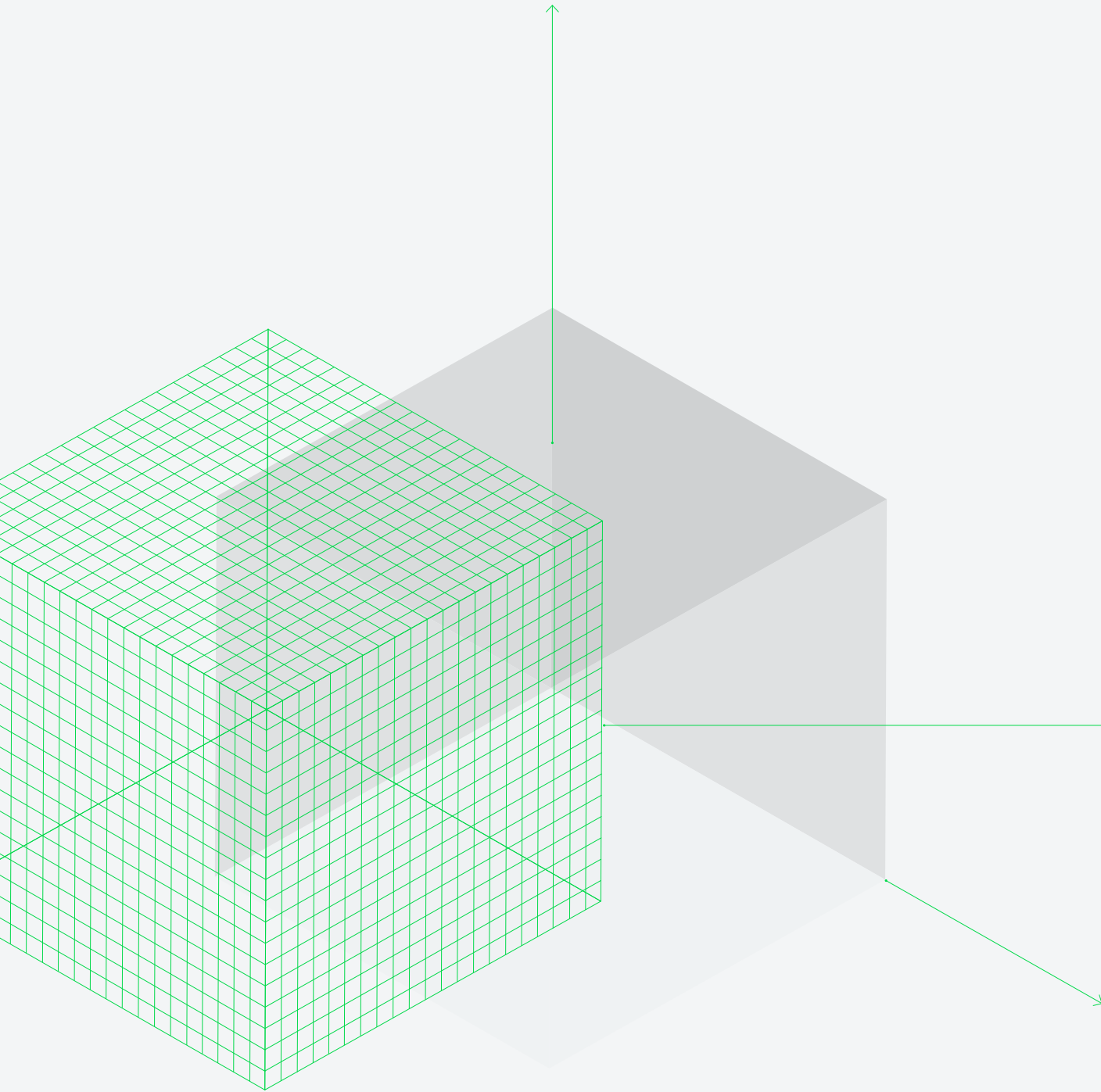
During construction, the building site environment is being managed in a way that follows environmentally-friendly working criteria set by LEED. We are recycling at least 90% of construction waste, and paying close attention to air quality throughout the process of construction. In addition, we are striving to reduce noise and dust pollution, including by adjusting the site entrance and exit in order to keep the environment clean and be considerate of our neighbors. The site uses noise covers, the first of their kind to be used in South Korea. Other efforts to manage the site in a safer and more environmentally-friendly way include hiring noise/dust pollutant consultants, safety and environmental supervisors, and British safety experts. In 2017, the site was selected as one of the best construction sites in South Korea for environmental management. In 2019, it received the Safety Management Award in recognition of the efforts being made to prevent accidents and improve health and safety conditions for site workers. NAVER will continue to prioritize safety and the environment as we construct our new office building as an exemplary hi-tech, green structure.



¹⁾ Based on air-conditioning

²⁾ BEST Platform, <http://best.energy.or.kr>

³⁾ 140-200 kWh/m²



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Management's Discussion & Analysis

DISCLAIMER

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

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

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

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

I. Overview

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

NAVER and its key subsidiaries offer competitive services, including "NAVER", South Korea's No.1 Internet search portal, and "LINE", a global mobile platform. Revenues are generated through five business lines – Advertising offering display and video ads, as well as banner ads on the BAND; Business Platform including Internet search and shopping search; IT Platform comprising NAVER Pay, NAVER Cloud Platform and LINE WORKS; Content Service by NAVER Webtoon, NAVER Music and V LIVE; and LINE and Other Platforms.

The number of wired and wireless Internet users in South Korea has rapidly been increasing, reaching 46.12 million, or 91.5%¹⁾ of the population, at the end of 2018. Such a solid foundation has resulted in the dramatic growth of Internet-related industries, including online advertising, digital content development and e-commerce. In particular, the ubiquity of smartphones has catalyzed the increase of mobile Internet users around the world, followed by a constant stream of new services and products, ensuring sustainable growth of Internet business.

NAVER is a global ICT company comprising NAVER, a South Korea's largest search portal visited by more than 30 million users on a daily basis; LINE mobile messenger with 300 million users from around the world; SNOW video app with 260 million monthly active users; and NAVER Webtoon that 60 million monthly active users enjoy across the globe. On the strength of continuing R&D in artificial intelligence (AI), robotics, autonomous driving, cloud computing, and other future technologies, NAVER seeks to grow with its worldwide users and partners, and evolve into a technology platform through change and innovation.

Subsidiaries as of 2019-end based on consolidated report

NAVER has been strengthening its competitive advantages and expanding services by continuing to acquire, invest in or work with promising SMEs and venture firms. As of the end of 2019, the number of subsidiaries totals 121, including NAVER Financial and NAVER VIETNAM and 15 other companies, while LINE C&I, N Store and 10 others are excluded following mergers and liquidations. Our subsidiaries for consolidated reporting as of the end of 2019 are as follows:

¹⁾ Source: The Korea Internet and Security Agency

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(Unit: KRW billion, %)

Company Name	Major Business	Ownership	Assets
LINE	Mobile service development	73.07	5,387
NAVE Financial	Digital finance	100.00	852
LINE Financial	Digital finance	100.00	799
NAVER Business Platform	Online information service	100.00	703
LINE Plus	Portal and Internet information service	100.00	682
LINE Pay	Mobile billing planning and development	100.00	456
LINE Financial Asia	Finance	100.00	420
NAVER FRANCE	Investment and information service	100.00	314
NAVER Webtoon	Software development and supply	100.00	290
LINE BIZ+Taiwan	Mobile billing planning and development	70.01	272
SB Next Media Innovation Fund	Investment	96.30	213
LINE Financial Taiwan	Finance	100.00	199
LINE Digital Frontier	Software development and supply	100.00	192
LINE Securities Preparatory	Finance	51.00	188
LFG HOLDINGS	Character goods and dolls wholesale and retail	100.00	160

Major
subsidiaries
(25)Other
subsidiaries
(96)

NAVER I&S, Drama & Company, Audiensori, Company AI, Search Solutions, Works Mobile, N-Visions, NAVER-KTB Audio Contents Fund, SpringCamp Early Stage Fund 1, NAVER China, V Live (Formerly WAV Media), Camp Mobile, NAVER VIETNAM, NAVER Business Platform Asia Pacific, NAVER Business Platform America, NAVER Business Platform Europe, NAVER Business Platform Japan, InComms, Green Web Service, N Tech Service, NITService, CommPartners, Lico, Studio N, V.DO, WEBTOON Entertainment, Watong Entertainment, Broccoli Entertainment, Dongman Entertainment, Spring Camp, Playlist, Amuse, HEART IT, Semicolon Studio, SNOW China, SNOW Japan, SNOW, SNOW Vietnam, SNOW China (Beijing), Yiruike Information Technology (Beijing), Xiaying Entertainment, Shine Interactive, myBridge, Works Mobile Japan, LINE Ventures, Five, LINE Fukuoka, Gatebox, LINE Growth Technology, LINE Conomi (Formerly LINE Tapas), LINE TICKET, Next Library, LINE Ventures Japan Limited Liability, LVC, LINE Healthcare, LINE Business Support Corporation, LDI, LINE TECHNOLOGY VIETNAM, LINE Split Preparation, Line Up, LINE Studio, LINE PLAY, Nemustech, GrayHash, LINE Euro-Americas, LINE Digital Technology (Shanghai), PT. LINE PLUS INDONESIA, LINE Man (THAILAND) Company, Beijing Wangzhongwenda Technology, SHINEWANT TECHNOLOGY, JDW, JDW Taxi, LINE VIETNAM JOINT STOCK COMPANY, LINE MAN Corporation, LINE Book Distribution, LINE Investment Technologies, LINE Friends Japan, LINE Friends Taiwan, LINE Friends(Shanghai) Commercial Trade, Markt, Line Biz Plus, BALIE, Webpay Holdings, LINE Pay hokkaido, Webpay, Line Financial Plus, LINE Credit, LINE Bank Preparatory, Unblock, Unchain, LVC USA, LINE TECH PLUS, Unblock Ventures, Mirai Fund LLP, Mission Worldwide Group, CHOCO Media

II. Summary of Operating Performances

NAVER continues to take on a challenge in order to achieve stable growth for its existing businesses and to better identify future opportunities in the fast-changing Internet environment.

In 2019, NAVER reorganized its business operations around new growth engines, with company-in-company (CIC) and subsidiaries forming the axis, in an effort to establish the foundation for sustainable growth. In addition to internal growth efforts, we focused on strengthening the cooperation with competent partners. We attracted a KRW 800 billion investment in NAVER Financial from Mirae Asset, one of our strategic partners, and concluded an agreement between with LINE and Z Holdings to merge, thus accelerating our growth in new areas and markets through close partnerships.

As a result of these efforts, in 2019, our consolidated operating revenue rose 18.0% over the previous year to KRW 6,593.4 billion, as all our businesses grew at steady rates throughout the year, with Advertising and Business Platform achieving solid growth. Operating expenses increased on the rise of year-end bonuses, stock-linked payments following the robust stock performance, and other one-off expenses, as well as expenses related to LINE. Accordingly, operating income and net income decreased by 24.7% and 36.8%, to KRW 710.1 billion and KRW 396.8 billion, respectively. Operating margin recorded 10.8%.

We are continually investing in R&D to keep our services competitive and develop new growth drivers, while focusing on securing talent of global standards as a form of strategic investment. It may be difficult to anticipate the outcome or performance of such investments in a highly competitive and rapidly changing Internet industry. We will however draw on our experience of expanding into new business areas and achieving huge growth to steer the investments into producing similar outcomes.

(Unit: KRW billion, %)

	Consolidated			Non-consolidated		
	2018	2019	Change (%)	2018	2019	Change (%)
Operating revenue	5,586.9	6,593.4	18.0	3,459.0	3,900.0	12.7
Operating income	942.5	710.1	(24.7)	1,263.5	1,393.8	10.3
Operating margin (%)	16.9%	10.8%	(6.1%p)	36.5%	35.7%	(0.8%p)
Net income	627.9	396.8	(36.8)	900.4	1,092.5	21.3

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Operating revenue amounted to KRW 6,593.4 billion, of which 63.0% generated from NAVER platforms (9.6% from Advertising, 43.2% Business Platform, 7.0% IT Platform and 3.2% Content Service), and 37.0% from LINE and Other Platforms. The revenue composition remained similar to the previous year, and all business sectors grew evenly.

(Unit: KRW billion, %)

	Consolidated			
	2018	2019	Change (%)	Ratio to sales
Operating revenue	5,586.9	6,593.4	18.0	100.0
NAVER	3,530.4	4,151.3	17.6	63.0
Advertising	573.0	633.3	10.5	9.6
Business Platform	2,475.8	2,851.0	15.2	43.2
IT Platform	355.8	457.5	28.6	7.0
Content Service	125.8	209.5	66.5	3.2
LINE & Other Platforms	2,056.5	2,442.1	18.8	37.0

NAVER

NAVER is South Korea's leading Internet search portal, having the largest market share comprising 30 million visitors on a daily average. By introducing AI-based technologies and increasing content, NAVER is strengthening business capabilities, expanding into commerce platform business, and working to provide a new voice- and image-based user experience. NAVER Webtoon, V LIVE and BAND are enjoying a steady increase in users both at home and abroad, while NAVER Cloud Platform and LINE WORKS are achieving good performance as well in the B2B market. By pushing forward these efforts, we are evolving into a technology platform that offers the convenience of connection and the pleasure of discovery for users, and opportunities for success and growth for partners.

Advertising

In operating services delivering advertisers' commercial messages to users, NAVER leverages its superior online and mobile platforms to run an effective advertising business handling a variety of display ads, including banner ads, thematic ads, video ads, and banner ads on BAND. In addition, we strive to make our advertising services more competitive by enhancing the impact of ads we display through constant upgrading of the ad platforms, and by launching of a wide variety of new products.

Business Platform

Our Business Platform business sells products that facilitate exchanges between consumers and producers. NAVER offers search ads, shopping search ads, content search ads, and brand search and other related services through PC and mobile platforms. By improving products, expanding shopping search ad categories, and upgrading AI-based mobile search capabilities, the platform business continues to grow at a steady pace.

IT Platform

The IT Platform business is related to various technological elements that facilitate seamless business operations within NAVER platforms. Comprising of NAVER Pay, NAVER Cloud Platform and LINE WORKS, the IT Platform business is performing noticeably well on the strength of NAVER Pay's increasing sales and merchant membership as well as of fast-growing NAVER Cloud Platform, LINE WORKS and other B2B operations.

Content Service

NAVER's Content Services provides a content ecosystem in which creators and consumers of content interact. The Content Service business comprises of webtoons, music and V LIVE. Providing outstanding content and services made possible by advanced technologies, we are seeing an impressive increase in the number of global users every year, and striving to develop diverse revenue models.

LINE & Other Platforms

LINE is fast growing into a global smart portal, providing communication and content services mainly in the four major countries of Japan, Taiwan, Thailand and Indonesia. Continuing to expand into new business areas through commerce and payment business, LINE is consistently introducing new useful services by increasing investment in FinTech and other future technologies. SNOW, an AR camera content platform, is also steadily unveiling new content and services in a bid to attract more global users.

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Operating expenses amounted to KRW 5,883.3 billion in 2019, a year-on-year rise of 26.7%. Platform development & operations expenses increased 21.4% year-on-year to KRW 934.1 billion, reflecting an increase in personnel, year-end bonuses, stock performance-linked payments and other one-off expenses. Agency & partner commission increased 17.8% over the previous year to KRW 1,219.4 billion, mainly attributable to revenue growth. Infrastructure expenses expanded 32.8% year-on-year to KRW 336.1 billion, driven mainly by a gradually rising depreciation cost of the data center. Marketing expenses rose 22.4% to KRW 413.9 billion, due to an increase in user points spurred by growing NAVER Pay transactions and active webtoon marketing. LINE and Other Platforms recorded KRW 2,979.8 billion in operating expenses, up 32.6%, owing to new investments made for business growth, including LINE Pay promotions.

As a result, consolidated operating income decreased by 24.7% year-on-year to record KRW 710.1 billion in 2019, lowering operating margin to 10.8%. Although profitability has somewhat decreased due to an increase in investment and personnel, most of the technologies that we have secured through proactive investments have been applied to all operations and have started to produce tangible results. In particular, the results are more prominent in our global operations, in which we are investing to secure next-generation growth engines. Going forward, we will realize sustainable growth in the mid to long run by taking on more challenges.

(Unit: KRW billion, %)

	Consolidated			
	2018	2019	Change (%)	Ratio to operating expenses
Operating revenue	5,586.9	6,593.4	18.0	
Operating expenses	4,644.4	5,883.3	26.7	
Platform development & operations	758.5	934.1	21.4	15.9
Agency & partner commission	1,035.4	1,219.4	17.8	20.7
Infrastructure	264.3	336.1	32.8	5.7
Marketing	338.3	413.9	22.4	7.0
LINE & Other Platforms	2,247.9	2,979.8	32.6	50.7
Operating income	942.5	710.1	(24.7)	
Operating margin (%)	16.9%	10.8%	(6.1%p)	
Net income	627.9	396.8	(36.8)	
Net margin (%)	11.2%	6.0%	(5.2%p)	

III. Financial Position

NAVER pursues optimal business performance and capital structure through efficient financial strategy. In particular, we seek to maximize shareholder value by making investment decisions, stabilizing cash flows, and managing working capital, all with a focus on growth potential and profit.

NAVER applied "Lease" in the Korean International Financial Reporting Standards (K-IFRS) No. 1116, starting January 1, 2019. Accordingly, we recognized right-of-use assets and lease liabilities, which resulted in an increase in assets and liabilities. For further information on the effects of these decisions, please refer to Note 37 in the consolidated financial statements.

1. Assets

Consolidated assets stood at KRW 12,299.5 billion at the end of 2019, an increase of 24.5% from the previous year. The adoption of the K-IFRS No. 1116 has led to a reclassification regarding lease in asset and liability accounts.

Current Assets

Current assets grew 4.8% year-on-year to KRW 5,643.7 billion, mainly attributable to the efficient management of key items, as well as to business growth. NAVER constantly monitors its liquidity position to stay adequately liquid and to meet capital requirements including working capital.

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Non-current assets went up 48.1% year-on-year to KRW 6,655.8 billion. The growth was attributed to a substantial increase in technology and content-related investments we made to stay competitive. In 2019, NAVER made an external investment of KRW 688.2 billion to maintain its competitive edge and to generate new values.

(Unit: KRW billion, %)

	Consolidated			Non-consolidated		
	2018	2019	Change (%)	2018	2019	Change (%)
Current assets	5,385.6	5,643.7	4.8	1,227.0	880.8	(28.2)
Cash and cash equivalents	3,322.9	3,740.5	12.6	111.0	414.4	273.3
Short-term financial instruments	444.7	289.9	(34.8)	232.3	4.0	(98.3)
Financial asset as measured at fair value through profit or loss	230.8	12.9	(94.4)	103.8	11.8	(88.6)
Financial asset as measured at fair value through other comprehensive income	62.7	63.9	1.9	32.8	0.0	(100.0)
Trade and other receivables	1,101.6	1,211.1	9.9	707.0	410.7	(41.9)
Others	222.9	325.4	46.0	40.1	39.9	(0.5)
Non-current assets	4,495.6	6,655.8	48.1	4,701.6	5,790.8	23.2
Tangible assets	1,457.3	1,596.3	9.5	806.9	855.9	6.1
Right-of-use assets	0.0	697.4	n/a	0.0	24.3	n/a
Intangible assets	307.0	341.4	11.2	38.7	36.3	(6.2)
Long-term financial instruments	26.0	24.0	(7.7)	21.2	21.2	0.0
Financial asset as measured at fair value through profit or loss	553.4	1,229.1	122.1	1,151.9	1,492.3	29.6
Financial asset as measured at fair value through other comprehensive income	666.7	675.6	1.3	440.0	444.9	1.1
Investments in affiliates	1,001.4	1,558.3	55.6	2,102.3	2,804.0	33.4
Others	483.8	533.7	10.3	140.6	111.9	(20.4)
Total assets	9,881.2	12,299.5	24.5	5,928.6	6,671.6	12.5

2. Liabilities

Consolidated total liabilities stood at KRW 5,795.6 billion at the end of 2019, up 47.4% over the year. This is attributable to a rise in trade payables and other liabilities associated with ordinary business activities and business growth as well as to an increase in short-term borrowings related to the purchase of servers and other infrastructure facilities.

NAVER proactively manages capital risks to maintain a sound capital structure. In particular, NAVER has maintained an overall low debt-to-equity ratio by efficiently managing debts on the strength of its sound earnings performance. Consolidated debt-to-equity ratio stood at 89.1% at the end of 2019, attesting to NAVER's satisfactory financial structure.

(Unit: KRW billion, %)

	Consolidated			Non-consolidated		
	2018	2019	Change (%)	2018	2019	Change (%)
Current liabilities	2,619.7	3,773.1	44.0	1,210.8	908.9	(24.9)
Trade and other payables	896.3	1,211.1	35.1	308.7	422.5	36.9
Short-term borrowings	349.8	559.6	60.0	0.0	0.0	n/a
Lease liabilities	0.0	168.9	n/a	0.0	18.8	n/a
Current tax liabilities	278.0	313.8	12.9	226.2	260.1	15.0
Others	1,095.6	1,519.7	38.7	675.9	207.5	(69.3)
Non-current liabilities	1,312.4	2,022.5	54.1	160.9	233.1	44.9
Long-term borrowings	100.1	50.0	(50.1)	0.0	0.0	n/a
Debentures	711.6	752.3	5.7	0.0	0.0	n/a
Liabilities for defined benefit obligations	344.8	473.4	37.3	152.5	184.3	20.9
Non-current lease liabilities	0.0	555.3	n/a	0.0	38.6	n/a
Others	155.9	191.5	18.6	8.4	10.2	21.4
Total liabilities	3,932.1	5,795.6	47.4	1,371.7	1,142.0	(16.8)

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Consolidated shareholders' equity recorded KRW 6,503.9 billion at the end of 2019, an increase of 9.3% from the previous year. As of the end of 2019, NAVER has 19,365,600 treasury shares¹⁾.

To narrow the range of fluctuations responding to changes in the business environment, we have revised our dividend policy from the previous 30% of consolidated surplus cash flows to 30% of the average consolidated surplus cash flows of the two years prior. In addition, while maintaining dividend payout ratio at 5% of non-consolidated profits of the year, we have decided to buy back treasury shares within the limit of financial resources available after dividends and to immediately retire them. Besides this, NAVER has decided to retire 467,000 treasury shares of its own, together with 83,000 shares it plans to acquire after dividend payouts, totaling 550,000 treasury shares amounting to around KRW 100 billion.

(Unit: KRW billion)

	Consolidated			Non-consolidated		
	2018	2019	Change	2018	2019	Change
Share capital	16.5	16.5	0.0	16.5	16.5	0.0
Capital surplus	1,541.0	1,575.3	34.3	362.4	362.4	0.0
Other capital	(1,546.4)	(1,498.7)	47.7	(1,477.5)	(1,548.5)	(71.0)
Retained earnings	5,229.2	5,712.1	482.9	5,655.5	6,699.2	1,043.7
Non-controlling interests	708.8	698.7	(10.1)	0.0	0.0	0.0
Total equity	5,949.1	6,503.9	554.8	4,556.9	5,529.6	972.7

¹⁾ 11.8% of issued shares as of the end of 2019

IV. Cash Flows

Consolidated cash and cash equivalents went up 12.6% year-on-year to KRW 3,740.5 billion. Cash flow from operating activities increased 39.4% to KRW 1,356.8 billion. NAVER maintains a stable cash flow from operating activities every year on the strength of its overall solid growth performance.

Cash flow from investing activities stood at minus KRW 1,078.1 billion, reflecting changes associated with various financial instruments, as well as investing activities we maintained in 2019 to retain a competitive edge and create new values. Capital expenditures decreased 14.8%, from KRW 575 billion in 2018 to KRW 489.9 billion. Cash flow from financial activities went down 93.0% over the previous year to record KRW 52.3 billion.

On the back of a stable cash flow, NAVER continues to push forward new business, invest in sustainable management, allocate surplus funds with prudence, buy back treasury shares and pay dividends, all as part of our shareholder return policy.

(Unit: KRW billion)

	Consolidated			Non-consolidated		
	2018	2019	Change	2018	2019	Change
Cash flow from operating activities	973.5	1,356.8	383.3	980.4	1,398.6	418.2
Cash flow from investing activities	(388.3)	(1,078.1)	(689.8)	(1,009.6)	(950.6)	469.1
Cash flow from financing activities	751.0	52.3	(698.7)	(316.9)	(563.5)	(246.6)
Effect of exchange rate changes on cash and cash equivalents	79.1	86.6	7.5	(0.7)	8.8	9.5
Net increase in cash and cash equivalents	1,415.3	417.6	(997.7)	(346.7)	303.4	650.1
Cash and cash equivalents at the beginning of the year	1,907.6	3,322.9	1,415.3	457.8	111.0	(346.8)
Cash and cash equivalents at the end of the year	3,322.9	3,740.5	417.6	111.0	414.4	303.4

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V. Outlook for 2020 And Business Plans

Rapid changes and fierce competition are expected to continue in 2020 as technological innovations becomes more common and business boundaries become less clear with the advent of the 4th Industrial Revolution. Accordingly, we will strengthen our platform services, with a focus on search and commerce, while concentrating on gaining more substantial performance in content, TechFin and B2B, our future growth drivers. In addition, we will increase proactive investments in preparation for the future.

To enhance the competitiveness of NAVER platforms catering to domestic users, we will further expand the scope of our commerce business. In particular, in the e-commerce sector which has been growing with SMEs through Smart Stores, we will strengthen our partnerships with major brands and distributors to expand the commerce ecosystem. By creating Brand Store within NAVER Shopping and by supporting brand PR and sales by using data, which is one of our core strengths, we will develop it into a healthy data commerce ecosystem that effectively reflects NAVER's philosophy of win-win and diversity. In addition, we will further upgrade our user-generated content (UGC) services, such as "Influencer Search" and "Knowledge-iN eXpert", launched in 2019 to positive response, to better support content creators' creation activities and users' active interactions with creators and merchants. Through this, we will further solidify the overall NAVER ecosystem encompassing users, creators and merchants.

We will strive to achieve good results in global and FinTech business areas where we are investing in order to develop a next-generation growth driver. NAVER Webtoon will grow further by accelerating its domestic revenue model and expanding international content exchanges. V LIVE will continue to solidify its growth foundation through revenue model diversification, service improvement and content expansion. If the content business is endeavoring to secure global leadership, the new businesses are extending their reach to include FinTech, with NAVER Financial leading the charge. In 2020 in particular, we will channel all our strengths and energy into facilitating financial services closely connected to payment settlement; and ultimately evolve into a comprehensive wealth management platform based on a mountain of quality data we have accumulated over the years.

Moreover, we will try to develop global growth momentum in our B2B businesses. NAVER Cloud Platform, which gained major references in the financial and public markets in 2019, will attract more global customers by further enhancing its technology prowess and product competitiveness in 2020. LINE WORKS also will increase corporate customers through proactive market penetration and continued competitiveness enhancement.

In addition, in line with the industrial trend recognizing the value of connection, we will do our best to secure core talent around the world so as to offer services with distinctive value online and offline. With the R&D focus on such future technologies as AI, robotics and autonomous driving, we will expand the scope of cooperation and convergence to achieve smarter and more sustainable growth in the 4th Industrial Revolution era, thereby identifying new opportunities for NAVER to advance further.

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TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAVER CORPORATION

Opinion

We have audited the accompanying consolidated financial statements of NAVER Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

Basis for Opinion

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

Key Audit Matters

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

(1) Revenue recognition of search advertisement service

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

The Group recognizes search advertisement service revenue when a platform user has searched relevant information and executed related activities on the Group's platform (Note 2). For the year ended December 31, 2019, total revenue and search advertisement revenue are ₩ 6,593 billion and ₩ 2,574 billion, respectively.

Search advertisement service revenue represents a significant portion of the Group's total operating revenues. Also, the determination of its occurrence and measurement involves a complex use of numerous systems. Accordingly, there is a risk of material misstatement in relation to the search advertisement service revenue. For these reasons, we determined the revenue recognition (occurrence) of search advertisement service as a key audit matter.

How our audit addressed the key audit matter

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

- Obtained an understanding of the Group'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
- Checked accuracy and completeness of the revenue associated data interfaces between/to search related systems and accounting system
- Checked occurrence revenue transactions by examining related supporting data and cash receipts 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, 2019, the Group's financial assets measured at fair value amount to ₩ 1,982 billion, of which ₩ 1,280 billion were categorized as level 3 financial assets measured based on unobservable valuation inputs (Note 5).

The financial assets categorized as level 3 is material to the consolidated financial statements and involves the Group management's significant judgement and estimation in determination of valuation models, assumptions and inputs used in the fair value measurement. For these reasons, we determined the fair value measurement of financial assets categorized as level 3 as a key audit matter.

How our audit addressed the key audit matter

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

- Obtained an understanding of the Group's accounting policies, processes, and internal controls relating to the fair value measurement of financial assets
- 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 Group
- Evaluated the appropriateness of the valuation methods and the reasonableness of input assumptions used in the valuation by management on a sample basis

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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 consolidated financial statements may differ from those generally accepted and applied in other countries.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Seoul, Korea
March 11, 2020

This report is effective as at March 11, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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December 31, 2019 and 2018

NAVER Corporation and Subsidiaries

(in Korean won)

	Notes	December 31, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	6, 7	₩ 3,740,513,761,418	₩ 3,322,884,102,567
Short-term financial instruments	6, 7	289,910,618,872	444,702,261,235
Financial assets at fair value - profit or loss	5, 6, 7	12,920,430,454	230,774,469,760
Trade and other receivables	6, 7	1,211,072,909,858	1,101,551,045,302
Financial assets at fair value - other comprehensive income	5, 6, 7	63,916,531,256	62,725,505,906
Inventories	9	55,114,731,809	57,440,292,749
Current tax asset		12,717,980,739	8,044,073,349
Other current assets	10	257,547,495,258	157,447,835,597
		5,643,714,459,664	5,385,569,586,465
Non-current assets			
Property and equipment	11	1,596,271,317,726	1,457,302,209,262
Right-of-use assets	12	697,351,304,664	-
Intangible assets	13	341,442,833,327	306,963,470,197
Long-term financial instruments	6, 7	24,034,591,006	25,990,573,425
Financial assets at fair value - profit or loss	5, 6, 7	1,229,097,428,653	553,399,539,414
Trade and other receivables	6, 7	124,821,356,161	113,160,988,276
Financial assets at fair value - other comprehensive income	5, 6, 7	675,602,433,315	666,651,322,237
Investments in associates and joint ventures	14	1,558,268,184,714	1,001,362,122,331
Deferred tax assets	27	381,279,417,985	340,178,774,174
Other non-current assets	10	27,643,793,571	30,612,323,543
		6,655,812,661,122	4,495,621,322,859
Total assets		₩ 12,299,527,120,786	₩ 9,881,190,909,324

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	Notes	December 31, 2019	December 31, 2018
Liabilities			
Current liabilities			
Trade and other payables	4,6,15	₩ 1,211,070,361,564	₩ 896,276,258,656
Financial liabilities at fair value - profit or loss	5,6	649,038,368	7,418,409,882
Short-term borrowings	4,6,17	559,584,776,483	349,873,009,389
Current tax payables		313,781,745,056	277,992,093,674
Provisions	18	3,822,401,193	2,462,733,532
Current lease liabilities	12	168,937,301,210	-
Other current liabilities	16	1,515,273,206,866	1,085,649,147,454
		3,773,118,830,740	2,619,671,652,587
Non-current liabilities			
Trade and other payables	4,6,15	42,469,680,072	23,370,588,587
Financial liabilities at fair value - profit or loss	5,6	8,339,734,792	2,785,234,016
Long-term borrowings	4,6,17	50,039,880,125	100,061,591,213
Debentures	4,6,17	752,270,184,693	711,561,946,218
Net defined benefit liabilities	19	473,437,955,422	344,780,260,840
Provisions	18	59,046,834,258	42,423,909,342
Non-current lease liabilities	12	555,287,968,236	-
Deferred tax liabilities	27	80,453,751,124	86,244,846,912
Other non-current liabilities	16	1,136,232,744	1,150,366,316
		2,022,482,221,466	1,312,378,743,444
Total liabilities		5,795,601,052,206	3,932,050,396,031
Equity			
Equity attributable to owners of the Parent Company			
Share capital	20	16,481,339,500	16,481,339,500
Share premium	20	1,575,307,844,438	1,540,985,517,982
Other components of equity	21	(1,498,653,013,809)	(1,546,389,664,299)
Retained earnings	23	5,712,091,453,142	5,229,202,813,045
Non-controlling interest		698,698,445,309	708,860,507,065
Total equity		6,503,926,068,580	5,949,140,513,293
Total liabilities and equity		₩ 12,299,527,120,786	₩ 9,881,190,909,324

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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NAVER Corporation and Subsidiaries

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	Notes	2019	2018
Operating revenues	34	₩ 6,593,400,065,244	₩ 5,586,904,533,355
Operating expenses	24	(5,883,329,891,731)	(4,644,371,971,812)
Operating profit		710,070,173,513	942,532,561,543
Other income	25	127,850,039,103	316,773,923,951
Other expenses	25	(152,375,851,429)	(114,624,964,081)
Interest income		16,395,673,587	27,243,776,093
Finance income	26	395,352,360,724	164,181,993,767
Finance costs	26	(166,169,887,339)	(139,365,243,783)
Share of net loss of associates and joint ventures accounted for using the equity method	14	(64,400,374,196)	(85,069,772,652)
Profit before income tax expense		866,722,133,963	1,111,672,274,838
Income tax expense	27	(466,311,853,314)	(488,756,397,806)
Profit from continuing operations		400,410,280,649	622,915,877,032
Profit (loss) from discontinued operations	35	(3,589,218,184)	4,985,996,300
Profit for the year		₩ 396,821,062,465	₩ 627,901,873,332
Profit for the year is attributable to:			
Owners of the Parent Company			
Profit from continuing operations		586,641,122,833	643,826,906,430
Profit (loss) from discontinued operations		(3,589,218,184)	4,985,996,300
Non-controlling interests		(186,230,842,184)	(20,911,029,398)

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	Notes	2019	2018
Other comprehensive income (loss)			
Items that may be subsequently reclassified to profit or loss			
Gain on valuation of debt instruments at fair value - other comprehensive income		248,538,199	2,441,198,331
Exchange differences		139,029,178,403	77,213,086,172
Share of other comprehensive income of associates and joint ventures	14	6,699,339,351	20,523,957,234
Items that will not be reclassified to profit or loss			
Gain (loss) on valuation of equity instruments at fair value - other comprehensive income		50,343,180,326	(105,238,566,292)
Gain (loss) on disposal of equity instruments at fair value - other comprehensive income		(4,611,398,596)	18,158,594,324
Share of other comprehensive income (loss) of associates and joint ventures	14	14,147,944	(137,313,796)
Remeasurements of net defined benefit liabilities	19,27	(52,992,040,208)	(7,085,480,963)
Other comprehensive income for the year, net of tax		138,730,945,419	5,875,475,010
Total comprehensive income for the year		₩ 535,552,007,884	₩ 633,777,348,342
Total comprehensive income (loss) for the year is attributable to:			
Owners of the Parent Company		659,506,460,173	627,230,960,514
Non-controlling interests		(123,954,452,289)	6,546,387,828
Earnings (losses) per share from continuing and discontinued operations attributable to the equity holders of the Parent Company			
Basic earnings (losses) per share			
From continuing operations	28	₩ 4,031	₩ 4,403
From discontinued operations	28	(25)	34
Diluted earnings (losses) per share			
From continuing operations	28	₩ 4,031	₩ 4,403
From discontinued operations	28	(25)	34

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

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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NAVER Corporation and Subsidiaries

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	Notes	Attributable to owners of the Parent Company				Non-controlling Interest	Total Equity
		Share Capital	Share Premium	Other Components of Equity	Retained Earnings		
Balance at January 1, 2018		₩ 16,481,339,500	₩ 1,507,878,510,842	₩ (1,317,531,622,681)	₩ 4,555,517,868,323	₩ 542,840,138,965	₩ 5,305,186,234,949
Changes in accounting policies		-	-	(64,788,048,920)	55,366,825,496	-	(9,421,223,424)
Restated total equity at the beginning of the financial year		16,481,339,500	1,507,878,510,842	(1,382,319,671,601)	4,610,884,693,819	542,840,138,965	5,295,765,011,525
Total comprehensive income for the year							
Profit for the year		-	-	-	648,812,902,730	(20,911,029,398)	627,901,873,332
Gain (loss) on valuation of debt instruments at fair value - other comprehensive income		-	-	4,067,704,130	-	(1,626,505,799)	2,441,198,331
Loss on valuation of equity instrument at fair value - other comprehensive income		-	-	(93,712,148,447)	-	(11,526,417,845)	(105,238,566,292)
Gain on disposal of equity instruments at fair value - other comprehensive income		-	-	114,374,500	18,044,219,824	-	18,158,594,324
Exchange differences		-	-	37,883,152,845	-	39,329,933,327	77,213,086,172
Share of other comprehensive income of associates and joint ventures	14	-	-	18,090,049,964	(137,313,796)	2,433,907,270	20,386,643,438
Remeasurements of net defined benefit liabilities	19,27	-	-	-	(5,931,981,236)	(1,153,499,727)	(7,085,480,963)
Transactions with owners							
Dividends	29	-	-	-	(42,469,708,296)	-	(42,469,708,296)
Share-based payment expenses	22	-	-	-	-	14,503,846,869	14,503,846,869
Acquisition of treasury shares	21	-	-	(124,458,933,570)	-	-	(124,458,933,570)
Increase due to business combination		-	-	-	-	6,840,967,703	6,840,967,703
Share issuance of subsidiaries		-	13,432,968,459	(6,054,192,120)	-	197,947,525,810	205,326,302,149
Others		-	19,674,038,681	-	-	(59,818,360,110)	(40,144,321,429)
Balance at December 31, 2018		₩ 16,481,339,500	₩ 1,540,985,517,982	₩ (1,546,389,664,299)	₩ 5,229,202,813,045	₩ 708,860,507,065	₩ 5,949,140,513,293

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	Notes	Attributable to owners of the Parent Company				Non-controlling Interest	Total Equity
		Share Capital	Share Premium	Other Components of Equity	Retained Earnings		
Balance at January 1, 2019		₩ 16,481,339,500	₩ 1,540,985,517,982	₩ (1,546,389,664,299)	₩ 5,229,202,813,045	₩ 708,860,507,065	₩ 5,949,140,513,293
Changes in accounting policies	37	-	-	-	(200,802,631)	(71,478,344)	(272,280,975)
Restated total equity at the beginning of the financial year		16,481,339,500	1,540,985,517,982	(1,546,389,664,299)	5,229,002,010,414	708,789,028,721	5,948,868,232,318
Total comprehensive income for the year							
Profit for the year		-	-	-	583,051,904,649	(186,230,842,184)	396,821,062,465
Gain on valuation of debt instruments at fair value - other comprehensive income		-	-	248,538,199	-	-	248,538,199
Gain on valuation of equity instrument at fair value - other comprehensive income		-	-	39,580,419,489	-	10,762,760,837	50,343,180,326
Loss on disposal of equity instruments at fair value - other comprehensive income		-	-	(115,033,900)	(4,496,364,696)	-	(4,611,398,596)
Exchange differences		-	-	87,748,199,609	-	51,280,978,794	139,029,178,403
Share of other comprehensive income of associates and joint ventures	14	-	-	3,053,460,941	14,147,944	3,645,878,410	6,713,487,295
Remeasurements of net defined benefit liabilities	19,27	-	-	-	(49,578,754,909)	(3,413,285,299)	(52,992,040,208)
Gain (loss) on valuation of derivatives for cash flow hedge		-	-	(57,153)	-	57,153	-
Transactions with owners	29						
Dividends	22	-	-	-	(45,901,490,260)	(960,046,676)	(46,861,536,936)
Share-based payment expenses	21	-	-	10,910,448,495	-	18,722,674,912	29,633,123,407
Acquisition of treasury shares		-	-	(93,689,325,190)	-	-	(93,689,325,190)
Decrease due to business combination		-	-	-	-	(474,386,383)	(474,386,383)
Share issuance of subsidiaries		-	36,319,313,514	-	-	142,867,090,522	179,186,404,036
Others		-	(1,996,987,058)	-	-	(46,291,463,498)	(48,288,450,556)
Balance at December 31, 2019		₩ 16,481,339,500	₩ 1,575,307,844,438	₩ (1,498,653,013,809)	₩ 5,712,091,453,142	₩ 698,698,445,309	₩ 6,503,926,068,580

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

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CASH FLOWS**Years Ended December 31,
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	Note	2019	2018
Cash flows from operating activities			
Cash generated from operations	30	₩ 1,835,912,025,978	₩ 1,455,189,893,246
Interest received		17,559,981,761	27,124,396,728
Interest paid		(39,296,364,906)	(10,694,341,270)
Dividends received		20,742,864,205	27,727,492,377
Income taxes paid		(478,075,026,619)	(525,841,072,928)
Net cash inflow from operating activities		1,356,843,480,419	973,506,368,153
Cash flows from investing activities			
Net decrease in short-term financial instruments		162,122,479,766	651,167,198,299
Increase in long-term financial instruments		-	(13,756,962,062)
Decrease in long-term financial instruments		-	12,000,000,000
Net decrease (increase) in financial assets at fair value - profit or loss		(170,452,838,537)	184,109,996,728
Acquisition of property and equipment		(435,908,502,083)	(535,035,089,109)
Disposal of property and equipment		6,743,736,986	17,665,787,353
Collection of lease receivables		257,941,120	-
Acquisition of intangible assets		(75,729,758,448)	(46,274,584,498)
Disposal of intangible assets		4,766,029,881	4,126,716,005
Acquisition of financial assets at fair value - other comprehensive income		(40,967,500,755)	(208,558,868,121)
Disposal of financial assets at fair value - other comprehensive income		97,789,083,542	100,973,500,025
Acquisition of investments in associates and joint ventures		(621,718,974,099)	(502,976,581,662)
Disposal of investments in associates and joint ventures		18,714,872,614	6,111,466,320
Decrease in cash due to business combination		(4,991,454,614)	(6,879,491,848)
Net cash flow due to the disposal of subsidiaries		9,787,731,685	(28,108,469,981)
Cash outflows from other investing activities		(28,541,689,482)	(22,851,564,666)
Net cash outflow from investing activities		(1,078,128,842,424)	(388,286,947,217)

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	Note	2019	2018
Cash flows from financing activities			
Proceeds from short-term borrowings		220,649,373,194	533,051,141,952
Repayment of short-term borrowings		(76,172,581,572)	(408,323,250,753)
Proceeds from long-term borrowings		-	50,973,796,988
Proceeds from issuance of debentures		-	705,013,490,134
Repayment of debentures		-	(150,000,000,000)
Repayment of lease liabilities		(138,021,891,444)	-
Acquisition of treasury shares		(93,689,325,190)	(124,458,933,570)
Dividends paid		(46,861,536,936)	(42,469,708,296)
Share issuance of subsidiaries		179,186,404,036	190,557,847,107
Cash inflows (outflows) from other financing activities		7,246,124,297	(3,364,485,450)
Net cash inflow from financing activities		52,336,566,385	750,979,898,112
Effects of exchange rate changes on cash and cash equivalents		86,578,454,471	79,109,722,852
Net increase in cash and cash equivalents		417,629,658,851	1,415,309,041,900
Cash and cash equivalents at the beginning of the year		3,322,884,102,567	1,907,575,060,667
Cash and cash equivalents at the end of the year		₩ 3,740,513,761,418	₩ 3,322,884,102,567

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

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NAVER CORPORATION AND SUBSIDIARIES

December 31, 2019 and 2018

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, 2019, the major shareholders of the Company consist of National Pension Fund (11.52%) and others.

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

1.1 Consolidated Subsidiaries

Details of the consolidated subsidiaries as at December 31, 2019 and 2018, are as follows:

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				December 31, 2019	December 31, 2018	
NAVER	NAVER Business Platform	Korea	Online information distribution business	100.00	100.00	December
	NAVER I&S	Korea	Business support, workforce supply and employee dispatch	100.00	100.00	December
	NAVER Webtoon	Korea	Software development and distribution	100.00	100.00	December
	SNOW	Korea	Software development and distribution	100.00	100.00	December
	Drama & Company	Korea	Software development and distribution	81.24	81.32	December
	Audiensori	Korea	Software development and distribution	100.00	100.00	December
	Company AI	Korea	Software development and distribution	73.90	56.50	December
	Search Solution	Korea	Software development and distribution	100.00	100.00	December
	Nstore	Korea	Software development and distribution	-	100.00	-
	Works Mobile	Korea	Applied software development and distribution	100.00	100.00	December
	N-Visions	Korea	Exhibition and performance planning business	100.00	100.00	December
	NAVER Labs	Korea	Information services and manufacturing electrical equipment	100.00	100.00	December
	NAVER Financial	Korea	Electronic financial business	100.00	-	December
	SB Next Media Innovation Fund	Korea	Investment	96.30	95.04	December
	TBT Global Growth Fund I	Korea	Investment	89.91	99.00	December
	NAVER-KTB Audio Contents Fund	Korea	Investment	99.00	99.00	December
	SpringCamp Early Stage Fund I	Korea	Investment	100.00	100.00	December
	LINE ²	Japan	Mobile service development	73.07	73.36	December

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Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				December 31, 2019	December 31, 2018	
NAVER	NAVER J.Hub	Japan	Real estate rental	100.00	100.00	December
	NAVER China	China	Software development and distribution	100.00	100.00	December
	V Live (formerly, WAV Media)	USA	Mobile service development	100.00	100.00	December
	Camp Mobile	USA	Mobile service operations	100.00	100.00	December
	Naver France	France	Investment and information services	100.00	100.00	December
	NAVER VIETNAM	Vietnam	Mobile service operations	99.00	-	December
NAVER Business Platform	NAVER Business Platform Asia Pacific	Singapore	IT infrastructure operations	100.00	100.00	December
	NAVER Business Platform America	USA	IT infrastructure operations	100.00	100.00	December
	NAVER Business Platform Europe	Germany	IT infrastructure operations	100.00	100.00	December
	NAVER Business Platform Japan	Japan	IT infrastructure operations	100.00	100.00	December
NAVER I&S	Incomms	Korea	Other contract services	100.00	100.00	December
	Greenweb Service	Korea	Other contract services	100.00	100.00	December
	N Tech Service	Korea	Software consulting, development and distribution	100.00	100.00	December
	NIT Service	Korea	Software development and consulting	100.00	100.00	December
	CommPartners	Korea	Portal and other Internet services	100.00	100.00	December
NAVER Webtoon	Lico	Korea	Online information distribution business	100.00	100.00	December
	Studio N Corporation	Korea	Film production and distribution	100.00	100.00	December
	V.DO	Korea	Software development and distribution	51.71	-	December
	WEBTOON Entertainment	USA	Mobile service development	100.00	100.00	December
	Watong Entertainment	Hong Kong	Mobile service operations	100.00	100.00	December
Watong Entertainment	Broccoli Entertainment	China	Mobile service operations	100.00	100.00	December
	Dongman Entertainment	China	Mobile service operations	100.00	100.00	December
SNOW	Spring Camp	Korea	Investment	100.00	100.00	December
	Playlist	Korea	Information and communication service	83.73	100.00	December
	Amuse	Korea	Cosmetics manufacturing, distribution and sales	100.00	100.00	December
	HEART IT	Korea	Mobile service development	100.00	100.00	December
	Semicolon Studio	Korea	Information and communication service	100.00	-	December
	SNOW China	Hong Kong	Mobile service operations	96.22	96.22	December
	SNOW Japan	Japan	Mobile service operations	100.00	100.00	December
	SNOW	USA	Mobile service operations	100.00	100.00	December
	SNOW Vietnam	Vietnam	Mobile service operations	99.00	-	December
	SNOW China	SNOW China (Beijing)	China	Mobile service operations	100.00	100.00

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				December 31, 2019	December 31, 2018	
SNOW China (Beijing)	Yiruike Information Technology (Beijing)	China	Mobile service operations	100.00	100.00	December
	Xiaying Entertainment	China	Mobile service operations	100.00	100.00	December
Xiaying Entertainment	Shine Interactive	China	Mobile service operations	100.00	100.00	December
Drama & Company	myBridge	Japan	Mobile service operations	100.00	100.00	December
Works Mobile	Works Mobile Japan	Japan	Mobile service operations	100.00	100.00	December
	LINE Plus	Korea	Portal and Internet information services	100.00	100.00	December
	LINE C&I	Korea	Investment and Mergers & Acquisitions	-	100.00	-
	LINE Game Investment Fund	Korea	Investment	-	100.00	-
	LINE SOUTHEAST ASIA	Singapore	Mobile billing system planning and development	100.00	100.00	December
	MIXRADIO	UK	Mobile service development	-	100.00	-
	LFG HOLDINGS	Hong Kong	Character and doll wholesale and retail	100.00	100.00	December
	LINE Ventures	Japan	Investment	100.00	100.00	December
	LINE Game Global Gateway	Japan	Investment	-	100.00	-
	LINE Life Global Gateway	Japan	Investment	-	100.00	-
	M.T. Burn	Japan	Mobile advertising service	-	50.49	-
	Five	Japan	Mobile advertising service	100.00	100.00	December
	LINE Fukuoka	Japan	Mobile service operations	100.00	100.00	December
	Gatebox	Japan	Mobile service development	55.09	51.00	December
LINE	LINE Part Time Job	Japan	Mobile service development	-	60.00	-
	LINE Growth Technology	Japan	Mobile service development	100.00	100.00	December
	LINE Digital Frontier	Japan	Software development and distribution	100.00	100.00	December
	LINE Conomi (formerly, LINE Tapas)	Japan	Software development and distribution	100.00	100.00	December
	LINE TICKET	Japan	Internet information services	51.00	51.00	December
	Next Library	Japan	Internet information services	100.00	100.00	December
	LINE Pay	Japan	Mobile billing system planning and development	100.00	100.00	December
	LINE Financial	Japan	Financial business	100.00	100.00	December
	LINE Ventures Global Limited Liability Partnership	Japan	Investment	100.00	100.00	December
	LINE Ventures Japan Limited Liability Partnership	Japan	Investment	100.00	100.00	December
	LVC	Japan	Financial business	90.00	100.00	December
	LINE Healthcare	Japan	Telemedicine services	51.00	-	December
	LINE Business Support Corporation	Japan	Business support and workforce supply	100.00	-	December
	LDI Corporation	Japan	Internet information services	60.00	-	December

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				December 31, 2019	December 31, 2018	
LINE	LINE TECHNOLOGY VIETNAM	Vietnam	Mobile service operations	100.00	100.00	December
	LINE Split Preparation	Japan	Mobile service development	100.00	-	December
LINE Plus	LINE Up	Korea	Mobile game software development and distribution	100.00	100.00	December
	LINE Studio	Korea	Mobile game software development and distribution	100.00	100.00	December
	LINE Play	Korea	Software development	100.00	100.00	December
	Nemustech	Korea	Software development	100.00	88.57	December
	Grayhash Co., Ltd. ³	Korea	Software development	58.51	40.00	December
	LINE Euro-Americas	USA	Mobile service marketing	100.00	100.00	December
	LINE Digital Technology (Shanghai)	China	Mobile service marketing	100.00	100.00	December
	LINE Taiwan	Taiwan	Mobile service operations	100.00	100.00	December
	LINE Company (Thailand)	Thailand	Mobile service operations	99.95	99.95	December
	PT. LINE PLUS INDONESIA	Indonesia	Mobile service operations	99.99	99.99	December
LINE Company (Thailand)	LINE Man (THAILAND) Company	Thailand	Information and communication service	100.00	-	December
LINE Digital Technology (Shanghai)	Beijing Wangzhongwenda Technology	China	Mobile service operations	100.00	100.00	December
LINE Taiwan	SHINEWANT TECHNOLOGY	Taiwan	Internet information services	100.00	100.00	December
	JDW	Taiwan	Internet information services	81.20	-	December
JDW	JDW Taxi	Taiwan	Internet information services	62.50	-	December
SHINEWANT	Silent Illumination	Taiwan	Software development and distribution	-	100.00	-
LINE SOUTHEAST ASIA	LINE VIETNAM JOINT STOCK COMPANY	Vietnam	Online information distribution business	99.11	99.00	December
	LINE MAN Corporation	Singapore	Applied software development and distribution	100.00	-	December
LINE Digital Frontier	LINE Book Distribution	Japan	Mobile service development	52.00	52.00	December
LINE Ventures	LINE Investment Technologies	Japan	Investment	100.00	-	December
LFG HOLDINGS	LINE Friends	Korea	Character and doll wholesale and retail	100.00	100.00	December
	LINE Friends Japan	Japan	Character and doll wholesale and retail	100.00	100.00	December
	LINE Friends	USA	Character and doll wholesale and retail	100.00	100.00	December
	LINE Friends Taiwan	Taiwan	Character and doll wholesale and retail	100.00	-	December
	LINE Friends(Shanghai) Commercial Trade	China	Character and doll wholesale and retail	100.00	100.00	December
LINE Friends	Markt	Korea	Software development and wholesale and retail	51.00	51.00	December

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				December 31, 2019	December 31, 2018	
LINE Pay	LINE BIZ+	Korea	Software development and distribution	100.00	100.00	December
	BALIE	Japan	Searching advertising service business	100.00	60.00	December
	Webpay Holdings	Japan	Mobile billing system planning and development	100.00	100.00	December
	LINE Pay hokkaido	Japan	Mobile billing system planning and development	70.00	-	December
	LINE BIZ+ Taiwan	Taiwan	Mobile billing system planning and development	70.01	70.01	December
Webpay Holdings	Webpay	Japan	Mobile billing system planning and development	100.00	100.00	December
LINE Financial	LINE Financial Plus	Korea	Financial business	100.00	100.00	December
	LINE Credit	Japan	Financial business	51.00	100.00	December
	LINE Securities Preparatory	Japan	Financial business	51.00	100.00	December
	LINE Bank Preparatory	Japan	Financial business	51.00	-	December
	LINE Financial Asia	Hong Kong	Financial business	100.00	100.00	December
LINE Financial Asia	LINE Financial Taiwan	Taiwan	Financial business	100.00	100.00	December
LVC	Unblock	Korea	Software development and distribution	100.00	100.00	December
	Unchain	Korea	Software development and distribution	50.98	50.98	December
	LVC USA	USA	Financial business	100.00	100.00	December
	LINE TECH PLUS	Singapore	Financial business	100.00	100.00	December
	LVC Hong Kong	Hong Kong	Financial business	-	100.00	-
	Unblock Ventures	Hong Kong	Financial business	100.00	100.00	December
NAVER J.Hub	Mirai Fund LLP	Japan	Investment	100.00	100.00	December
Mirai Fund LLP	Mission Worldwide Group	Virgin Islands	Software development and distribution	59.06	59.06	December
Mission Worldwide Group	CHOCO Media	Taiwan	Mobile service operations	100.00	100.00	December
	CHOCO Labs	Singapore	Software development and distribution	-	100.00	-
V Live (formerly, WAV Media)	WAV Recordings	USA	Mobile service development	-	100.00	-

¹ Ownership interest held by the Group includes shares held by subsidiaries.

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

³ Although the Group owns less than 50% ownership of Grayhash Co., Ltd. as at December 31, 2018, the Group is considered to have control over the entity because it has a right to appoint all of its BOD members by virtue of an agreement with other shareholders.

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Summarized financial information for consolidated subsidiaries as at and for the years ended December 31, 2019 and 2018, is as follows:

(in thousands of Korean won)

Subsidiary	2019					
	Assets	Liabilities	Equity	Operating revenues (expenses)	Profit (loss) for the year	Total comprehensive income (loss)
LINE	₩ 5,386,752,128	₩ 3,025,361,507	₩ 2,361,390,621	₩ 1,780,631,286	₩ 8,049,591	₩ 151,818,570
NAVER Financial	851,847,263	828,784,636	23,062,627	86,787,790	(4,592,069)	(5,451,587)
LINE Financial	799,422,763	8,575,629	790,847,134	3,835,598	(23,006,703)	(8,852,057)
NAVER Business Platform	702,504,833	436,046,476	266,458,357	492,580,515	11,528,999	1,855,249
LINE Plus	682,110,036	205,174,788	476,935,248	413,795,341	(44,892,711)	(19,746,559)
LINE Pay	456,346,447	323,514,060	132,832,387	67,148,247	(220,357,990)	(212,593,395)
LINE Financial Asia	419,604,442	2,152,982	417,451,460	-	(4,834,389)	(3,957,340)
Naver France	313,691,402	10,660,734	303,030,668	26,023,946	1,933,190	5,364,696
NAVER Webtoon	290,286,395	84,564,304	205,722,091	161,023,510	(33,492,765)	(35,196,838)
LINE BIZ+ Taiwan	272,110,014	94,648,293	177,461,721	29,938,953	(5,755,034)	3,181,102
SB Next Media Innovation Fund	213,276,762	1,115,244	212,161,518	-	11,287,995	11,287,995
LINE Financial Taiwan	198,759,976	1,927,840	196,832,136	-	(1,922,640)	(3,048,918)
LINE Digital Frontier	192,224,450	80,513,729	111,710,721	65,940,968	17,197,434	21,642,026
LINE Securities Preparatory	188,337,199	21,974,496	166,362,703	(504,656)	(42,487,523)	(34,297,749)
LFG HOLDINGS	160,096,919	15,170,803	144,926,116	12,169,914	(2,732,711)	2,122,901

(in thousands of Korean won)

Subsidiary	2018					
	Assets	Liabilities	Equity	Operating revenues	Profit (loss) for the year	Total comprehensive income (loss)
LINE	₩ 4,592,096,587	₩ 2,407,086,274	₩ 2,185,010,312	₩ 1,490,503,830	₩ 22,177,019	₩ 138,963,803
LINE Financial	587,156,419	4,222,464	582,933,954	536,677	(14,533,787)	(8,229,730)
LINE Plus	540,790,642	163,883,579	376,907,063	398,672,212	(13,659,972)	7,225,811
Naver France	304,764,113	7,098,142	297,665,972	29,607,001	8,725,539	4,286,078
LINE BIZ+ Taiwan	281,406,597	107,135,425	174,271,172	15,811,602	(11,625,345)	(11,457,378)
LINE Financial Asia	257,369,907	13,106	257,356,801	-	(4,515,914)	(3,952,098)
NAVER Webtoon	195,825,972	36,621,615	159,204,357	72,200,964	(62,748,438)	(64,929,931)
LINE Pay	155,361,910	173,034,832	(17,672,922)	44,230,798	(54,824,011)	(53,796,635)
LINE Digital Frontier	146,534,475	56,472,590	90,061,885	22,991,550	(3,685,555)	(2,851,114)
SB Next Media Innovation Fund	119,752,524	918,800	118,833,724	-	(7,553,456)	(7,553,456)
LINE Friends	112,966,973	38,169,277	74,797,696	142,045,809	5,194,895	5,706,571

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Subsidiary	2018					
	Assets	Liabilities	Equity	Operating revenues	Profit (loss) for the year	Total comprehensive income (loss)
SNOW	111,751,468	22,330,555	89,420,913	8,324,286	(57,546,360)	(60,426,115)
LINE Taiwan	105,867,294	83,274,802	22,592,491	101,107,454	4,921,942	5,415,483
LFG HOLDINGS	105,466,656	15,907,682	89,558,973	7,299,649	(210,401)	(9,672,810)
NAVER J.Hub	83,591,668	14,934	83,576,733	60,278	(217,551)	(593,999)

1.3 Changes in Scope of Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2019, are as follows:

Reason	Subsidiaries
Newly established	NAVER VIETNAM, LINE Man (THAILAND) Company, LINE Healthcare, LINE Business Support Corporation, LDI Corporation, LINE Investment Technologies, LINE Friends Taiwan, LINE MAN Corporation, LINE Pay hokkaido, Semicolon Studio, NAVER Financial, LINE Bank Preparatory, SNOW Vietnam, LINE Split Preparation
Newly acquired	V.DO, JDW, JDW Taxi

Subsidiaries excluded from the consolidation for the year ended December 31, 2019, are as follows:

Reason	Subsidiaries
Liquidated	LINE Life Global Gateway, LINE Game Global Gateway, Silent Illumination, LINE Game Investment Fund, LVC Hong Kong, CHOCO Labs, M.T. Burn, MIXRADIO
Merged ¹	LINE C&I, Nstore, WAV Recordings, LINE Part Time Job

¹ For the year ended December 31, 2019, LINE C&I, Nstore, WAV Recordings and LINE Part Time Job were merged with the LINE Plus, NAVER Webtoon, V Live (formerly, WAV media) and LINE, respectively.

2. Significant Accounting Policies

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

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been restructured and translated into English from the Korean language financial statements.

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

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

The 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.

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

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019.

- Enactment of Korean IFRS 1116 *Leases*

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

With implementation of Korean IFRS 1116 *Lease*, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard, and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Group has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 37.

- Amendment to Korean IFRS 1109 *Financial Instruments – Prepayment Features with Negative Compensation*

The narrow-scope amendments made to Korean IFRS 1109 *Financial Instruments* enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1019 *Employee Benefits – Amendment, Curtailment or Settlement of the Plan*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment does not have a significant impact on the financial statements.

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

The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. The enactment does not have a significant impact on the financial statements.

- Annual Improvements to Korean IFRS 2015 – 2017 Cycle:

- **Amendments to Korean IFRS 1103 *Business Combination***

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The amendment does not have a significant impact on the financial statements.

- **Amendments to Korean IFRS 1111 *Joint Agreements***

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The amendment does not have a significant impact on the financial statements.

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- Amendments to Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1023 *Borrowing Costs*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. The amendment does not have a significant impact on the financial statements.

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

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Group.

- Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

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

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

- Decisions of IFRS Interpretations Committee of the IASB – *Lease Period*

On December 16, 2019, the IFRS Interpretations Committee (IFRIC) announced that the enforceable period of a lease under IFRS 16, "Leases" reflects broader economics, not just legal rights and termination cash payments, when the lessee and the lessor each has the right to terminate the lease without permission from the other party. The Group is assessing the impact that the change in accounting policy of enforceable period will have on the Group's financial statements, and the Group will apply the impact in the financial statements once the assessment is completed.

2.3 Consolidation

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

(a) Subsidiaries

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

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

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

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

Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

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

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method

(c) Joint arrangements

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

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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(c) Translation to the presentation currency

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

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

2.5 Financial Assets

(a) Classification

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

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

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

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

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

(b) Measurement

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

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

A. Debt instruments

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

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

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from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'finance income and finance costs' and impairment loss in 'finance costs'.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'finance income and finance costs' in the period in which it arises.

B. Equity instruments

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

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income and finance costs' in the consolidated 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 Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, other receivables, contract assets, and lease receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(Note 4 provides more details of how the Group 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 Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

(e) Offsetting of financial instruments

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

2.6 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.

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2.8 Inventories

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

2.9 Property and Equipment

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

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

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

2.11 Intangible Assets

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

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

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

	Useful life
Industrial rights	5 years
Software	5 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 Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position either by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

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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. Nonfinancial 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 Group prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days 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.

2.15 Financial Liabilities

(a) Classification and measurement

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

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

(b) Derecognition

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

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

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

2.17 Provisions

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

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2.18 Current and Deferred Income Tax

The tax expense for the period consists of current and deferred tax. The Company is implementing a consolidated tax payment system to presume 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 tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

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

2.19 Employee Benefits

(a) Post-employment benefits

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

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

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

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

(b) Share-based payments

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

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

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

The Group treats grants of equity instruments to employees of its own or its subsidiaries' parent company through share options as a capital 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.

2.20 Revenue Recognition

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

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

(a) Advertisement

The Group has an obligation to provide advertisement services over the contract period. Accordingly, the Group recognizes the allocated transaction price for each performance obligation over the service period as revenue. However, the Group 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 Group provides the option to additionally select the goods or services when providing advertisement services to its customers, in which the Group 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 Group would sell a promised good or service separately to the customer. The best evidence of an individual selling price is the observable price of a good or service when the Group sells that good or service separately in similar circumstances and to similar customers.

(b) Contents services

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

2.21 Leases

As explained in Note 2.2 (a) above, the Group has changed its accounting policy for leases. The impact of the new accounting policies is disclosed in Note 37.

(a) Accounting policy under Korean IFRS 1017 – Prior reporting period

As at December 31, 2018, leases of property and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding lease payments, net of finance charges, were included in lease liabilities. Each lease payment was allocated between the liability and finance cost. The finance cost was 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. Property and equipment acquired under finance leases were depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the lease period.

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(b) Accounting policy under Korean IFRS 1116 – Current reporting period

Lease income from operating leases where the Group is a lessor is recognized in income on a straightline 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 Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

The Group leases various properties, vehicles, circuits, IDC, and others. Lease contracts are made for fixed periods of 1 to 36 years, but may have extension options.

Contracts may contain both lease and non-lease components. For lease contracts for which the Group is lessee, the Group applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for them 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.

Until the 2018 financial year, leases of property and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, 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 Group.

The Group 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 Group should consider a termination penalty in determining the period for which the contract is enforceable.

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 Group (the lessee) under residual value guarantees
- exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the Group (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 Group uses a build-up approach that starts with an interest rate that the Group can be practically financed or a risk-free interest rate adjusted for economic circumstances, lease period and credit risk for leases and makes adjustments specific to the lease, for example, country, currency and others.

The Group 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:

- 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
- restoration costs

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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 Group 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 straightline 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.

2.22 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 34). The chief operating decision-maker, responsible for making strategic decisions by allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

2.23 Approval of Issuance of the Financial Statements

The consolidated financial statements 2019 were approved for issue by the Board of Directors on January 29, 2020 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

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

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) Goodwill impairment

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

(b) Income taxes

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

If certain portion of taxable income is not used for investments or increase in wages or dividends for the three years starting from 2018, in accordance with *Tax System for Recirculation of Corporate Income*, the Group 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 systems. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(c) Fair value of financial instruments

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

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(d) Impairment of financial assets

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

(e) Net defined benefit liability

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

(f) Provisions

As at December 31, 2019, the Group recognizes provisions for litigation, restoration and others. These provisions are estimated based on historical experience (Note 18).

(g) Stock option

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

(h) 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 Group, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group 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 Group 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 Group 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.

4. Financial Risk Management

4.1 Financial Risk Factors

The Group'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 Group's overall risk management policies focuses on the volatility of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

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4.1.1 Market risk

(a) Foreign exchange risk

The Group 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 Group'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 as at December 31, 2019 and 2018, are as follows:

(in US dollars, in Japanese yen, and thousands of Korean won)

		2019		2018	
		Foreign currency	Korean won	Foreign currency	Korean won
Financial asset					
Cash and cash equivalents	USD	96,950,738	₩ 112,249,565	75,149,067	₩ 84,024,172
	JPY	3,604,189,732	38,329,477	1,345,991,348	13,637,315
Shor-term financial instruments	USD	5,000,658	5,789,761	100,000,000	111,810,000
	JPY	30,112,029	34,863,708	101,344,076	113,312,811
Trade and other receivables	USD	22,207,498	25,711,841	6,993,571	7,819,512
	JPY	529,110,570	5,626,932	8,536,830,097	86,493,455
Financial assets at fair value - other comprehensive income	USD	268,843,099	311,266,539	7,247,391	8,103,308
	JPY	187,148,814	1,990,271	-	-
Financial liabilities					
Trade and other payables	USD	12,586,008	14,572,080	42,385,966	47,391,748
	JPY	522,900,007	5,560,885	11,391,718,912	115,418,618
Derivatives liabilities (held for trading)	USD	363,413	420,760	-	-
	JPY	-	-	66,814,263	676,949

The impact of weakened/strengthened Korean won by 5% against foreign currencies with all other variables held constant on the post-tax profit for the years ended and equity as at December 31, 2019 and 2018, is as follows:

(in thousands of Korean won)

		Impact on post-tax profit		Impact on equity	
		2019	2018	2019	2018
USD	Strengthened	₩ 17,283,017	₩ 9,416,109	₩ 18,193,470	₩ 9,686,430
	Weakened	(17,283,017)	(9,416,109)	(18,193,470)	(9,686,430)
JPY	Strengthened	1,452,511	(813,292)	1,452,511	(813,292)
	Weakened	(1,452,511)	813,292	(1,452,511)	813,292

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(b) Price risk

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

The impact of increases/decreases of the stock index of each country by 5% with all other variables held constant on the Group's post-tax profit for the years ended and equity as at December 31, 2019 and 2018, is as follows:

(in thousands of Korean won)

		Impact on post-tax profit		Impact on equity	
		2019	2018	2019	2018
Korea	Increase	₩ -	₩ 447	₩ 14,773,130	₩ 14,079,307
	Decrease	-	(447)	(14,773,130)	(14,079,307)
USA	Increase	-	7,637	-	7,637
	Decrease	-	(7,637)	-	(7,637)
Japan	Increase	-	-	2,460,167	290,553
	Decrease	-	-	(2,460,167)	(290,553)

Profit (loss) for the year would increase/decrease as a result of gains/losses on equity securities classified at fair value - profit or loss. Equity would increase/decrease as a result of gains/losses on equity securities classified at fair value - other comprehensive income.

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

(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 on floating rate deposits and borrowings. The Group's objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty from interest rates fluctuations and net interest expense.

As at December 31, 2019, the Group's floating rate deposits which exceed floating rate borrowings, which results in net interest income increase when interest rates increase. The Group adequately minimizes risks from interest rate fluctuations through various policies, such as avoiding high rate borrowings, reforming capital structure, monitoring fluctuations of domestic and foreign interest rates 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 Group's post-tax profit for the years ended and equity as at December 31, 2019 and 2018, is as follows:

(in thousands of Korean won)

	Impact on post-tax profit		Impact on equity	
	2019	2018	2019	2018
Increase	₩ 1,244,089	₩ 838,744	₩ 1,244,089	₩ 838,744
Decrease	(1,244,089)	(838,744)	(1,244,089)	(838,744)

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4.1.2 Credit Risk

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

- trade receivables, other receivables, and contract assets at amortized cost
- debt instruments at amortized cost
- debt instruments at fair value through other comprehensive income
- lease receivables within the scope of Korean IFRS 1116

Expected credit losses identified in lease receivables was not material. While cash equivalents are also subject to the impairment requirement, the identified impairment loss was not material.

(a) Trade receivables, other receivables and contract assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables, and contract assets. To measure the expected credit losses, trade receivables, other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at December 31, 2019 and 2018 was determined as follows for both trade receivables, other receivables, and contract assets:

(in thousands of Korean won)

	2019			
	Less than 6 months past due and within due	More than 6 months past due	More than 1 year past due	Total
Trade and other receivables				
Expected loss rate	0.15%	39.05%	95.52%	1.39%
Gross carrying amount	₩ 1,144,334,176	₩ 2,927,745	₩ 13,840,072	₩ 1,161,101,993
Loss allowance provision	₩ 1,741,406	₩ 1,143,265	₩ 13,219,390	₩ 16,104,061
Contract assets				
Expected loss rate	0.02%	0.00%	0.00%	0.02%
Gross carrying amount	₩ 2,564,320	₩ -	₩ -	₩ 2,564,320
Loss allowance provision	₩ 462	₩ -	₩ -	₩ 462

(in thousands of Korean won)

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

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Movements in the loss allowance provision for trade receivables and other receivables for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019	2018
Beginning balance	₩ 12,660,257	₩ 12,574,578
Effect of changes in accounting policies	-	349,164
Beginning balance (adjusted)	12,660,257	12,923,742
Increase in loss allowance recognized in profit or loss during the year	4,660,388	4,668,447
Receivables written off during the year as uncollectible	(1,429,288)	1,892,796
Other increases/decreases	212,704	3,039,136
Ending balance	₩ 16,104,061	₩ 12,660,257

For the year ended December 31, 2019, movements in the loss allowance provision for contract assets arising from the movements in loss allowance amount to ₩ 250 thousand (2018: increase in loss allowance amounting to ₩ 712 thousand) recognized in profit or loss for the year.

As at December 31, 2019 and 2018, the gross carrying amount of trade receivables, other receivables, and contract assets, reflecting the maximum exposure to credit risk, is as follows:

(in thousands of Korean won)

	2019	2018
Trade receivables	₩ 677,476,161	₩ 585,471,178
Other receivables	483,625,832	506,600,451
Contract assets	2,564,320	3,438,980

The amounts recognized in profit or loss as 'operating expenses' in relation to impaired receivables for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019	2018
Impairment loss		
Movement in loss allowance	₩ 4,660,388	₩ 4,668,447

Other receivables were assessed collectively, to determine whether there was an objective evidence that an impairment had been incurred but not yet identified. For these receivables, the estimated impairment losses were recognized as a provision which presented in the statement of financial position as a deduction to these receivables.

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

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

(b) Other financial assets at amortized cost

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

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Movements in loss allowance provision for other financial assets at amortized cost for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Beginning balance	₩	83,103	₩	287,604
Effect of changes in accounting policies		-		313,504
Beginning balance (adjusted)		83,103		601,108
Increase (reversal) in loss allowance recognized in profit or loss during the year		1,713,533		(474,065)
Other increases/decreases		(9,652)		(43,940)
Ending balance	₩	1,786,984	₩	83,103

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

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

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

Movements in loss allowance provision for debt instruments at fair value - other comprehensive income for years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Beginning balance	₩	384,794	₩	-
Effect of changes in accounting policies		-		354,493
Beginning balance (adjusted)		384,794		354,493
Increase (reversal) in loss allowance recognized in profit or loss during the year		(107,526)		30,301
Other increases/decreases		15,981		-
Ending balance	₩	293,249	₩	384,794

All of these financial assets are considered to have low credit risk, and thus the loss allowance provision recognized was limited to 12 months expected credit losses during the year. The Group 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.

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

The Group 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, 2019 and 2018.

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Impairment losses recognized in profit or loss in relation to impaired financial assets for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Trade receivables and other receivables	₩	4,660,388	₩	4,668,447
Other financial assets at amortized cost		1,713,533		(474,065)
Financial assets at fair value - other comprehensive income		(107,526)		30,301
Net impairment loss	₩	6,266,395	₩	4,224,683

4.1.3 Liquidity Risk

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, and external regulatory or legal requirements on internal financial ratio targets and currency restrictions. As at December 31, 2019, the Group has borrowing agreements with a limit of ₩ 752,000 million and JPY 43,680 million for managing liquidity risk (Note 31).

Details of the Group's liquidity risk analysis as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019					
	Book amount	Contractual cash flow	Less than 1 years	Between 1 and 5 years	Over 5 years	
Trade and other payables	₩ 975,373,679	₩ 975,373,679	₩ 932,903,999	₩ 42,469,680	₩ -	
Borrowings	609,624,656	620,610,471	570,431,091	50,179,380	-	
Debentures	752,270,185	778,034,653	-	389,017,327	389,017,327	
Lease liabilities	724,225,269	831,914,085	170,335,530	326,781,114	334,797,441	
Financial liabilities at fair value - profit or loss	8,988,773	8,988,773	649,038	8,339,735	-	
	₩ 3,070,482,562	₩ 3,214,921,661	₩ 1,674,319,658	₩ 816,787,236	₩ 723,814,767	

(in thousands of Korean won)

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

4.2 Capital Risk Management

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

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The Group's gearing ratio as at December 31, 2019 and 2018, is as follows:

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	2019		2018	
Total debt	₩	5,795,601,052	₩	3,932,050,396
Total equity		6,503,926,069		5,949,140,513
Gearing ratio		89.11%		66.09%

5. Fair Value

5.1 Financial Instruments Measured at Fair Value

Details of financial instruments measured at fair value as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Financial assets at fair value - profit or loss	₩ 1,242,017,859	₩ 1,242,017,859	₩ 784,174,009	₩ 784,174,009
Financial assets at fair value - other comprehensive income	739,518,965	739,518,965	729,376,828	729,376,828
	₩ 1,981,536,824	₩ 1,981,536,824	₩ 1,513,550,837	₩ 1,513,550,837
Financial liabilities				
Financial liabilities at fair value - profit or loss	₩ 8,988,773	₩ 8,988,773	₩ 10,203,644	₩ 10,203,644

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 Group classifies its financial instruments into the three levels prescribed under the accounting standards. Financial instruments that are measured at fair value are categorized by the fair value hierarchy, and the defined levels are as follows:

- Level 1: The fair value of financial instruments traded in active markets (e.g. 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 Group 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.

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at December 31, 2019 and 2018, are as follows:

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

(in thousands of Korean won)

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

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

The Group recognizes transfers between levels of the fair value at the end of the reporting period. There were no transfers between level 1 and level 2 for recurring fair value measurements during the year ended December 31, 2019.

Changes in level 3 for recurring fair value measurements for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
	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	₩ 731,579,660	₩ 118,046,299	₩ 171,812,839	₩ 362,028,591
Effect of changes in accounting policies	-	-	635,115,739	(259,717,984)
Beginning balance (adjusted)	731,579,660	118,046,299	806,928,578	102,310,607
Total profit or loss				
Amounts recognized in profit or loss	253,294,221	-	49,417,879	-
Amounts recognized in other comprehensive income	-	50,579,668	-	(14,759,484)
Purchase	329,466,806	8,888,501	307,531,449	96,682,809
Sales	(139,160,586)	(22,175,938)	(452,002,062)	(68,716,900)
Others ¹	27,242,604	(13,736,084)	-	-
Transfer into Level 1	-	(71,784,182)	-	-
Exchange differences	4,677,789	3,074,145	19,703,816	2,529,267
Ending balance	₩ 1,207,100,494	₩ 72,892,409	₩ 731,579,660	₩ 118,046,299

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

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Valuation techniques and inputs used in the fair value measurements of major financial instruments that are categorized as levels 2 and level 3 of the fair value hierarchy as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019					
	Fair value	Level	Valuation techniques	Major inputs	Unobservable inputs	Range of unobservable inputs
Financial assets at fair value - profit or loss						
					Correlation coefficient	0.00 ~ 1.00
Securities linked derivative	₩ 9,982,479	3	Option pricing model	Underlying asset, CDS spread, KRW IRS Curve, recovery rate	CDS SPREAD	0.201% ~ 0.544%
					KRW IRS Curve	1.34% ~ 1.47%
					Recovery rate	40.00%
			Option pricing model	Underlying asset price, volatility of underlying asset	Volatility of the underlying assets	8.60% ~ 53.30%
Compound financial instruments	766,646,406	3	Market approach and others	PBR, EV/SALES, PSR, recent transaction price, et asset value	PBR	1.86 ~ 9.30
					EV/SALES	0.98 ~ 22.40
					PSR	1.81 ~ 11.97
			Present value method	Credit risk adjusted discount rate	Discount rate	9.86% ~ 12.42%
Beneficiary certificates and funds	33,799,243	2	Present value method	Credit risk adjusted discount rate	-	-
Beneficiary certificates and funds	430,471,609	3	Market approach and others	Underlying asset price	(*)	(*)
Derivatives	104,894	2	Present value method, option pricing model	Forward exchange rate	-	-
Debt instruments at fair value - other comprehensive profit or loss						
Debt securities	191,590,570	2	Present value method	Credit risk adjusted discount rate, recent transaction price	-	-
Debt securities	471,117	3	Present value method	-	-	-
Equity instruments at fair value - other comprehensive profit or loss						
Equity securities	72,421,292	3	Present value method, market approach	EV/SALES, PSR, etc	EV/SALES	1.37 ~ 12.08
					PSR	1.37 ~ 13.3
Financial liabilities at fair value - profit or loss						
Derivatives	8,339,735	3	Option pricing model	Volatility of underlying asset	Volatility of underlying asset	42.8% ~ 43.6%

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	2018					
	Fair value	Level	Valuation techniques	Major inputs	Unobservable inputs	Range of unobservable inputs
Financial assets at fair value - profit or loss						
Securities linked derivative	₩ 43,353,829	3	Option pricing model	Underlying asset, CDS spread, KRW IRS Curve, recovery rate	Correlation coefficient CDS SPREAD KRW IRS Curve Recovery rate	0.00 ~ 1.00 0.13% ~ 0.57% 1.77% ~ 1.91% 40.00%
Compound financial instruments	404,520,696	3	Option pricing model Market approach and others	Underlying asset price, volatility of underlying asset, discount rate PBR, EV/SALES, PSR, recent transaction price, net asset value	Volatility of the underlying assets Discount rate PBR EV/SALES PSR PER	5.6% ~ 54.06% 1.93% ~ 2.17% 1.00 ~ 9.78 2.8 ~ 16.60 0.58 ~ 8.88 51.92
Beneficiary certificates and funds	1,731,245	2	Present value method	Credit risk adjusted discount rate	Discount rate	13.40% ~ 16.00%
Beneficiary certificates and funds	283,705,136	3	Market approach and others	Underlying asset price	(*)	(*)
Debt securities	50,563,329	2	Present value method	Credit risk adjusted discount rate	-	-
Derivatives	76,750	2	Present value method, option pricing model	Forward exchange rate	-	-
Debt instruments at fair value – other comprehensive profit or loss						
Debt securities	214,932,920	2	Present value method	Credit risk adjusted discount rate, recent transaction price	-	-
Debt securities	448,839	3	Present value method	-	-	-
Equity instruments at fair value – other comprehensive profit or loss						
Equity securities	117,597,460	3	Present value method, Market approach	Discount rate, PBR, EV/SALES, PSR, etc	Discount rate PBR EV/SALES PSR	13.03 ~ 15.17 1.58 ~ 4.86 5.98 1.32 ~ 9.13
Financial liabilities at fair value - profit or loss						
Derivatives	2,947,567	3	Option pricing model	Volatility of the underlying assets, discount rate	Volatility Discount rate	51.90% 1.76%
Derivatives	7,256,077	2	Present value method	Forward exchange rate	-	-

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

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5.5 Valuation Processes for Fair Value Measurements Categorized Within Level 3

The Group'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 chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO and these teams at least once every quarter, in line with the Group's quarterly reporting 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 most favorable or most unfavorable amounts are presented.

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)

	2019			
	Favorable changes		Unfavorable changes	
	Profit or loss	Equity	Profit or loss	Equity
Financial assets				
Derivatives-linked securities ¹	₩ 36	₩ 36	₩ (29)	₩ (29)
Unlisted equity securities ²	16,933,666	18,568,188	(16,067,724)	(17,702,246)
Financial liabilities				
Derivatives	624,709	624,709	(554,194)	(554,194)

(in thousands of Korean won)

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

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

² 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%.

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6. Financial Instruments by Category

6.1 Carrying Amounts of Financial Instruments by Category

Categorizations of financial assets and liabilities as at December 31, 2019 and 2018, are as follows:

(a) Financial assets

(in thousands of Korean won)

	2019				
	Financial assets at fair value - profit or loss	Financial assets at fair value - other comprehensive income	Financial assets at amortized cost	Other financial assets ¹	Total
Cash and cash equivalents	₩ -	₩ -	₩ 3,740,513,761	₩ -	₩ 3,740,513,761
Long and short-term financial instruments ²	-	-	313,945,210	-	313,945,210
Financial assets at fair value - profit or loss	1,242,017,859	-	-	-	1,242,017,859
Trade and other receivables	-	-	1,335,630,862	263,404	1,335,894,266
Financial assets at fair value - other comprehensive income	-	739,518,965	-	-	739,518,965
	₩ 1,242,017,859	₩ 739,518,965	₩ 5,390,089,833	₩ 263,404	₩ 7,371,890,061

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

² 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, ₩ 500 million are pledged for restoration of leasehold facilities and ₩ 6,254 million are restricted for the borrowings for the Group's employees. In addition, ₩ 1,600 million are pledged to Shinhan bank for payment guarantees in relation to Naver Pay service and others, and ₩ 2,979 million of long-term financial instrument are pledged for the business operation of LINE, a subsidiary of the Group (Note 31).

(in thousands of Korean won)

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

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

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(in thousands of Korean won)

	2019	
	Financial liabilities at fair value - profit or loss	Financial liabilities at amortized cost
Trade and other payables	₩ -	₩ 975,373,679
Financial liabilities at fair value - profit or loss	8,988,773	-
Borrowings	-	609,624,656
Debentures	-	752,270,185
	₩ 8,988,773	₩ 2,337,268,520

(in thousands of Korean won)

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

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, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019	2018
Financial asset at fair value - profit or loss		
Interest income	₩ 2,593,219	₩ 4,649,320
Foreign exchange gain (loss)	(5,015,086)	3,972,071
Gain on valuation	214,774,926	38,210,342
Gain on disposal	39,683,934	9,401,401
Gain on derivative trading	7,255,561	381,469
Dividend income	8,492,938	7,579,854
Financial asset at fair value - other comprehensive income		
Interest income	2,471,947	2,370,316
Dividend income	10,675,710	11,884,200
Foreign exchange gain (loss)	(1,297,636)	136,117
Impairment loss (reversal)	(5,805)	(103,923)
Gain (loss) on valuation - other comprehensive income	50,591,719	(102,797,368)
Loss on disposal - profit or loss	(556,564)	(2,921,189)
Gain (loss) on disposal (adjustment for reclassification)	(4,611,399)	18,158,594

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	2019	2018
Financial assets at amortized cost		
Interest income	11,326,479	20,224,140
Impairment loss	(5,467,817)	(2,277,430)
Other impairment loss	(1,254,724)	(1,923,322)
Foreign exchange gain (loss)	(12,016,091)	(4,649,968)
Gain on disposal	65,000	438,229
Financial liabilities at fair value - profit or loss		
Gain (loss) on valuation	456,246	(8,053,915)
Foreign exchange gain (loss)	(3,047,688)	-
Gain on disposal	7,256,077	-
Financial liabilities at amortized cost		
Interest expense	(19,502,794)	(13,723,512)
Foreign exchange gain (loss)	7,265,949	(1,715,943)

7. Financial Assets

7.1 Financial Assets at Fair Value - Profit or Loss

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

(in thousands of Korean won)

	2019	2018
Non-current		
Compound financial instruments	₩ 766,646,406	₩ 256,599,842
Beneficiary certificates and funds	462,451,023	273,778,694
Debt securities	-	23,021,003
	1,229,097,429	553,399,539
Current		
Securities linked derivatives	9,982,479	43,353,829
Compound financial instruments	-	147,920,853
Beneficiary certificates and funds, and others	1,819,829	11,657,687
Debt securities	-	27,542,326
Equity securities	-	223,025
Derivatives	1,118,122	76,750
	12,920,430	230,774,470
	₩ 1,242,017,859	₩ 784,174,009

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(b) Amounts recognized in profit or loss

Amounts recognized in profit or loss for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Securities linked derivatives	₩	(194,301)	₩	1,684,687
Compound financial instruments		227,528,877		34,714,142
Beneficiary certificates and funds		26,165,540		10,406,811
Others		8,214,305		1,187,572
	₩	261,714,421	₩	47,993,212

7.2 Financial Assets at Fair Value - Other Comprehensive Income

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

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

(in thousands of Korean won)

	2019		2018	
Listed equity securities	₩	475,035,986	₩	396,397,609
Unlisted equity securities		72,421,292		117,597,460
	₩	547,457,278	₩	513,995,069

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.

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

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

(in thousands of Korean won)

	2019		2018	
Corporate bonds	₩	192,354,936	₩	215,766,553
Less: provision for impairment		(293,249)		(384,794)
	₩	192,061,687	₩	215,381,759

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

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(in thousands of Korean won)

	2019		2018	
Trade receivables	₩	677,476,161	₩	585,471,177
Other receivables		483,625,832		506,600,451
Less: provision for impairment		(16,104,061)		(12,660,257)
Trade and other receivables - net	₩	1,144,997,932	₩	1,079,411,371

(b) Other financial assets at amortized cost

(in thousands of Korean won)

	2019		
	Current	Non-current	Total
Cash equivalents	₩ 3,740,513,761	₩ -	₩ 3,740,513,761
Time deposits	289,167,931	21,805,820	310,973,751
Corporate bonds	-	-	-
Bank debenture	-	-	-
Government bonds	744,368	2,235,281	2,979,649
Loans	16,446,549	401,600	16,848,149
Accrued income	7,889,103	-	7,889,103
Leasehold deposits	43,295,693	124,313,185	167,608,878
Other financial assets	205,021	123,977	328,998
	4,098,262,426	148,879,863	4,247,142,289
Less: provision for impairment	(1,780,474)	(6,510)	(1,786,984)
	₩ 4,096,481,952	₩ 148,873,353	₩ 4,245,355,305

(in thousands of Korean won)

	2018		
	Current	Non-current	Total
Cash equivalents	₩ 3,322,884,103	₩ -	₩ 3,322,884,103
Time deposits	429,773,400	21,700,000	451,473,400
Corporate bonds	15,000,000	-	15,000,000
Bank debenture	-	100,595	100,595
Government bonds	-	2,839,526	2,839,526
Loans	7,740,306	348,320	8,088,626
Accrued income	5,727,514	-	5,727,514
Leasehold deposits	8,671,853	112,748,931	121,420,784
Other financial assets	-	1,426,154	1,426,154
	3,789,797,176	139,163,526	3,928,960,702
Less: provision for impairment	(71,139)	(11,964)	(83,103)
	₩ 3,789,726,037	₩ 139,151,562	₩ 3,928,877,599

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(c) Impairment

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

8. Contract Assets and Liabilities

(a) Contract assets and liabilities

The contract assets and liabilities that the Group recognizes as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019	2018
Contract assets related LINE Sticker	₩ 2,441,343	₩ 3,067,557
Contract assets related to advertisement service	122,515	370,711
Total contract assets	₩ 2,563,858	₩ 3,438,268
Customer loyalty programs	₩ 11,328,753	₩ 1,747,289
Contracts related to advertisement service	4,493,584	2,968,370
Contracts related to business platform service	106,470,367	96,732,069
Contracts related to IT platform service	10,890,658	9,079,776
Contracts related to contents service	18,697,846	37,907,869
Contracts related to LINE & other platform services	302,378,965	253,931,056
Total contract liabilities	₩ 454,260,173	₩ 402,366,429

In addition to the balances of contract assets disclosed above, the Group recognized for costs incurred to obtain the sticker contracts amounting to ₩1,890 million (2018: ₩6,150 million) as assets.

(b) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized for the years ended December 31, 2019 and 2018, related to carried-forward contract liabilities from the prior year. There is no revenue recognized in the current year in relation to performance obligations that were satisfied in the prior year.

(in thousands of Korean won)

	2019	2018
Revenue recognized during the current year that was included in the contract liability balance at the beginning of the year		
Customer loyalty programs	₩ 1,747,289	₩ 4,876,339
Contracts related to advertisement service	2,968,370	279,464
Contracts related to business platform service	96,732,069	77,099,894
Contracts related to IT platform service	9,079,776	7,339,341
Contracts related to contents service	37,196,944	11,989,488
Contracts related to LINE & other platform services	234,130,488	222,432,289
	₩ 381,854,936	₩ 324,016,815

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In addition to the contract balances disclosed above, the Group recognized assets in relation to costs to fulfill contracts of LINE Sticker, Theme Shop and Creator's Market Sticker which are presented as 'other current assets' (prepaid expenses) in the consolidated statements of financial position.

(in thousands of Korean won)

	2019		2018	
Assets recognized from costs to fulfill a contract as at December 31	₩	19,781,538	₩	18,216,224
Amortization and impairment loss recognized as cost of providing services during the year		18,019,997		15,428,979

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

9. Inventories

(in thousands of Korean won)

	2019		2018	
Merchandise	₩	39,978,112	₩	66,836,937
Less : Valuation loss		(13,895,416)		(13,151,305)
Finished goods		211,143		338,153
Raw materials and others		28,820,893		3,416,508
	₩	55,114,732	₩	57,440,293

Inventories charged to expenses during the year ended December 31, 2019, amounted to ₩ 121,633 million (2018: ₩ 97,095 million). These were included in 'operating expenses'.

The Group recognized ₩ 731 million of loss on inventory valuation as 'operating expenses' during the year ended December 31, 2019 (2018: ₩ 3,429 million).

10. Other Assets

Details of other assets as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
	Current	Non-current	Current	Non-current
Prepayment	₩ 97,906,366	₩ 4,493,171	₩ 16,653,317	₩ 829,412
Prepaid expenses	131,975,742	23,092,799	117,593,075	29,730,595
Prepaid value added tax	9,357,629	-	18,487,285	-
Others	18,307,758	57,823	4,714,159	52,317
	₩ 257,547,495	₩ 27,643,793	₩ 157,447,836	₩ 30,612,324

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11. Property and Equipment

Details of property and equipment as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		
	Acquisition cost	Accumulated depreciation ¹	Book amount
Land	₩ 309,262,220	₩ -	₩ 309,262,220
Buildings	491,590,977	(112,109,416)	379,481,561
Structures	113,860,438	(60,683,184)	53,177,254
Machinery	1,193,340,276	(680,713,467)	512,626,809
Vehicles	1,080,966	(789,285)	291,681
Equipment	330,918,413	(177,896,649)	153,021,764
Others	55,161,467	(32,460,468)	22,700,999
Construction in progress	165,709,030	-	165,709,030
	₩ 2,660,923,787	₩ (1,064,652,469)	₩ 1,596,271,318

(in thousands of Korean won)

	2018		
	Acquisition cost	Accumulated depreciation ¹	Book amount
Land	₩ 239,113,704	₩ -	₩ 239,113,704
Buildings	465,290,041	(95,759,441)	369,530,600
Structures	113,641,283	(49,209,913)	64,431,370
Machinery	1,034,784,246	(557,971,513)	476,812,733
Vehicles	1,193,940	(661,255)	532,685
Equipment	262,941,348	(126,082,660)	136,858,688
Others	52,422,567	(23,699,659)	28,722,908
Construction in progress	141,299,521	-	141,299,521
	₩ 2,310,686,650	₩ (853,384,441)	₩ 1,457,302,209

¹ Includes accumulated impairment losses and government grants.

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Changes in property and equipment for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019								
	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Others	Construction in progress	Total
Beginning balance, net	₩ 239,113,704	₩ 369,530,600	₩ 64,431,370	₩ 476,812,733	₩ 532,685	₩ 136,858,688	₩ 28,722,908	₩ 141,299,521	₩ 1,457,302,209
Acquisition/ capital expenditures	26,364,846	24,777,409	1,039,156	230,887,243	-	73,550,332	6,869,425	72,210,620	435,699,031
Depreciation	-	(16,613,196)	(11,473,272)	(200,900,448)	(173,210)	(60,606,792)	(10,760,603)	-	(300,527,521)
Disposals	-	-	(820,000)	(1,531,520)	(72,051)	(4,475,828)	(2,201,355)	(361,280)	(9,462,034)
Disposal of a subsidiary	-	-	-	-	-	(431)	-	-	(431)
Others ¹	43,783,670	1,786,748	-	7,358,801	4,257	7,695,795	70,624	(47,439,831)	13,260,064
Ending balance, net	₩ 309,262,220	₩ 379,481,561	₩ 53,177,254	₩ 512,626,809	₩ 291,681	₩ 153,021,764	₩ 22,700,999	₩ 165,709,030	₩ 1,596,271,318

(in thousands of Korean won)

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

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

Depreciation expense is classified as 'operating expenses' in the consolidated financial statements

During the year ended December 31, 2019, the Group has capitalized borrowing costs amounting to ₩ 1,927 million (2018: ₩ 3,565 million) on property and equipment that are qualifying assets. The capitalization rate of borrowings used to determine the amount of borrowing costs to be capitalized is 3.39% (2018: 2.49%).

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12. Leases

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

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

(in thousands of Korean won)

	December 31, 2019		January 1, 2019	
Right-of-use assets				
Properties	₩	402,473,068	₩	398,852,147
Vehicles		1,189,745		837,409
IDC buildings		290,850,644		184,291,105
Leased Internet line		2,837,848		4,328,576
	₩	697,351,305	₩	588,309,237
Lease receivables	₩	263,404	₩	273,846

(in thousands of Korean won)

	December 31, 2019		January 1, 2019	
Lease liabilities				
Current	₩	168,937,301	₩	131,737,323
Non-current		555,287,968		474,604,446
	₩	724,225,269	₩	606,341,769

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

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

(in thousands of Korean won)

	2019	
Depreciation of right-of-use assets		
Properties	₩	133,840,334
Vehicles		600,373
IDC buildings		23,876,223
Leased Internet line		1,490,728
	₩	159,807,658
Interest expense relating to lease liabilities (included in 'finance costs') ¹	₩	17,142,363
Expense relating to short-term leases and leases of low-value assets		10,096,634
Expense relating to variable lease payments not included in lease liabilities		83,330,330

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

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The total cash outflow and inflow for leases during the year ended December 31, 2019, were ₩ 248,591 million and ₩ 262 million, respectively.

(c) Operating lease

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

(in thousands of Korean won)

	2018	
Minimum lease payments	₩	104,806,857
Sub-lease payments		(11,668)
Contingent rent		(31,303,299)
Total lease payments	₩	73,491,890

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

(in thousands of Korean won)

	2018	
Within 1 year	₩	123,554,232
1 year to 5 years		276,318,114
Later than 5 years		163,737,576
	₩	563,609,922

13. Intangible Assets

(a) Details of intangible assets as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		
	Acquisition cost	Accumulated amortization ¹	Book amount
Industrial rights	₩ 14,216,571	₩ (8,505,024)	₩ 5,711,547
Software	130,687,444	(73,120,863)	57,566,581
Goodwill	217,271,120	(5,134,112)	212,137,008
Others	164,206,028	(98,178,331)	66,027,697
	₩ 526,381,163	₩ (184,938,330)	₩ 341,442,833

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	2018		
	Acquisition cost	Accumulated amortization ¹	Book amount
Industrial rights	₩ 15,291,540	₩ (8,578,228)	₩ 6,713,312
Software	83,034,254	(62,199,996)	20,834,258
Goodwill	231,044,622	(26,396,034)	204,648,588
Others	162,306,698	(87,539,386)	74,767,312
	₩ 491,677,114	₩ (184,713,644)	₩ 306,963,470

¹ Includes accumulated impairment losses and government grants.

(b) Changes in intangible assets for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019				
	Industrial rights	Software	Goodwill	Others	Total
Beginning balance, net	₩ 6,713,312	₩ 20,834,258	₩ 204,648,588	₩ 74,767,312	₩ 306,963,470
Acquisition and capital expenditures	4,854,623	41,872,908	-	27,172,728	73,900,259
Increase due to business combination (Note 33)	-	-	8,231,768	-	8,231,768
Amortization	(1,149,554)	(12,005,121)	-	(24,522,017)	(37,676,692)
Disposals	(44,987)	(770,451)	-	(5,490,880)	(6,306,318)
Impairment	-	-	-	(1,985,870)	(1,985,870)
Disposal of a subsidiary	-	-	(4,658,512)	-	(4,658,512)
Others ¹	(4,661,847)	7,634,987	3,915,164	(3,913,576)	2,974,728
Ending balance, net	₩ 5,711,547	₩ 57,566,581	₩ 212,137,008	₩ 66,027,697	₩ 341,442,833

¹ Others include the amount adjusted as a result of final fair valuation of identifiable intangible assets of Mission Worldwide Group acquired through a business combination in 2018, and the effects of changes in foreign currency exchange rates.

(in thousands of Korean won)

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

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

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

(c) Total research and development costs recognized by the Group amount to ₩ 1,712,468 million (2018: ₩ 1,403,927 million), which are expensed as 'operating expenses'.

(d) As at December 31, 2019 and 2018, goodwill is allocated for each cash-generating unit (CGU) by which goodwill is monitored by management. The table below summarizes goodwill allocation for each cash-generating unit:

(in thousands of Korean won)

	2019		2018	
Naver service	₩	32,818,859	₩	33,489,427
LINE service		176,808,898		168,660,544
Other		2,509,251		2,498,617
	₩	212,137,008	₩	204,648,588

(e) Impairment tests for goodwill

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

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

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

	2019	2018
Discount rate	8.2%	8.7%
Sales growth rate during the estimation period	11.7%	12.7%
Perpetual growth rate ¹	1.3%	1.3%

¹ The long-term average inflation rates in Japan, adjusted to reflect external macroeconomic data, is applied as the perpetual growth rate.

There is no impairment loss recognized during the year ended December 31, 2019, based on the recoverable amount which is calculated on the basis of the value in use of each CGU, as the recoverable amounts have considerably exceeded the carrying amounts of each CGU. In validating the value in use determined for the CGU, the sensitivity of key assumptions used in the discounted cashflow model was evaluated. The outcomes of the impairment tests were not sensitive to reasonably likely changes in any of the assumptions underlying the cash flow projections used for the impairment tests.

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

(in KAU)

	Emission permits allocated with nil consideration
2 nd phase	
2018	51,758
2019	35,454
2020	35,453
	122,665

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

(in thousands of Korean won and in KAU)

	2019	
	Quantity	Amount
Beginning balance	-	₩ -
Allocation with nil consideration	51,758	-
Purchase	16,000	432,000
Disposal	-	-
Surrendered to the government	(64,906)	(354,996)
Ending balance	2,852	₩ 77,004

14. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures of the Group as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

Name of entity	Primary business	Location	Closing month	2019		2018
				Percentage of ownership (%)	Book amount	Book amount
Associates						
KG Allat ⁶	Internet commerce payment service	Korea	December	20.00	₩ 3,106,638	₩ 4,203,279
NetMania	Software development and distribution	Korea	December	27.17	1,006,434	976,619
Synapsoft	Software development and distribution	Korea	December	26.45	4,954,775	4,291,022
ARO In Tech	Software development and distribution	Korea	December	29.85	642,003	514,709
Trust Us ⁴	Software consulting, development and distribution	Korea	December	-	-	-
Silicon Cube	Applied software development and distribution	Korea	December	41.89	2,448,616	2,291,346

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Name of entity	Primary business	Location	Closing month	2019		2018
				Percentage of ownership (%)	Book amount	Book amount
NSPACE	Space service business	Korea	December	49.04	450,563	217,094
One Store	E-Commerce business	Korea	December	27.70	41,732,881	19,970,146
Meshkorea	Telecom order brokerage, e-commerce	Korea	December	-	-	13,299,831
BonAngels Pacemaker Fund	Investment	Korea	December	22.73	3,197,462	3,134,205
Korea Contents Mutual Aid Association ¹	Investment	Korea	December	57.60	9,048,019	9,247,075
Future Creation NAVER-Stonebridge Early Stage Start-up Fund	Investment	Korea	December	40.00	5,059,696	6,109,969
Future Creation NAVER-SB Startup Investment Fund	Investment	Korea	December	37.04	10,728,698	16,194,573
NAVER KIP Cheer up! Gamers Fund	Investment	Korea	December	50.00	4,186,612	3,579,691
NAVER-Suprema Youth Foundation No.5 Investment Fund	Investment	Korea	December	50.00	8,043,445	8,543,088
Mirae Asset-NAVER New Growth Fund 1	Investment	Korea	December	50.00	37,735,406	18,179,090
YG NAVER Contents & Lifestyle Fund ¹	Investment	Korea	December	90.91	47,949,009	50,388,242
Soran Media Venture Fund I ¹	Investment	Korea	December	66.67	836,605	899,296
MiraeAsset MAPS Private Placement Real Estate 62	Investment	Korea	December	45.08	187,936,912	189,393,769
MiraeAsset-Naver Asia Growth Fund ^{5,6}	Investment	Korea	December	16.67	50,924,712	19,519,948
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT ⁶	Investment	Singapore	December	40.00	205,600,678	76,157,930
Digital Media Partners II	Investment	Cayman Islands	December	30.00	2,676,544	2,598,808
K-Fund I ¹	Investment	France	December	99.75	187,786,461	108,199,648
China Ventures Fund I, L.P. ^{1,6}	Investment	Canada	December	99.99	142,469,646	3,330,600
The Grim Ent.	Webtoon production	Korea	December	34.98	1,003,722	993,456
Studio Horang	Webtoon production	Korea	December	35.00	337,964	323,373
Bigpicture Comics	Webtoon production	Korea	December	35.00	1,143,373	961,448
Studio JHS	Webtoon production	Korea	December	35.00	503,209	649,342
JQ COMICS	Webtoon production	Korea	December	35.06	296,404	-
ZK Studio	Webtoon production	Korea	December	40.00	395,573	-
Soo COMICS	Webtoon production	Korea	December	40.00	395,039	-
YLAB Japan	Software development and distribution	Japan	December	25.21	274,626	404,055
Alchera ⁵	Software consulting, development and distribution	Korea	December	18.19	3,187,753	2,294,222
Fandom ²	Software development and distribution	Korea	December	20.00	-	-
Bravepops ²	Software development and distribution	Korea	December	20.67	-	-
AXIS ³	Software development and distribution	Korea	December	28.57	-	2,307,974
Fast Cowell Private Equity Fund	Investment	Korea	December	21.13	1,417,999	1,464,163
Laiqu Technology (Shenzhen)	Software development and distribution	China	December	23.85	857,360	483,202

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Name of entity	Primary business	Location	Closing month	2019		2018
				Percentage of ownership (%)	Book amount	Book amount
LINE Games ⁶	Software development and distribution	Korea	December	49.48	154,366,934	185,596,317
Epic Voyage	Mobile service development	Japan	December	30.00	26,867	25,708
LINE Music ³	Mobile service development	Japan	December	36.72	-	4,933,610
DEMAE-CAN (formerly,Yume no machi Souzou linkai) ⁶	Mobile service development	Japan	December	21.60	36,821,281	38,801,208
Transcosmos Online Communication	Business customer support	Japan	December	37.06	1,174,358	1,165,315
LENSA, LTD.	Mobile advertising service business	Japan	December	49.00	1,160,065	947,502
LINE Mobile	Telecommunications service	Japan	December	40.05	85,600,720	74,248,707
Venture republic ⁶	Online information distribution business	Japan	December	33.98	8,901,244	16,392,944
PT. Bank KEB HANA Indonesia	Bank and financial business	Indonesia	December	20.00	167,427,011	-
Orpeo Sound Works ²	Software development and distribution	Korea	December	27.41	-	-
FOLIO Holdings ⁶	Financial business	Japan	December	41.36	42,654,911	52,812,854
iPASS	Mobile payment system planning and development	Taiwan	December	29.82	11,773,661	12,589,324
Connection Labs	Software development and distribution	Taiwan	December	31.10	2,982,980	-
Alliance Internet	Online information distribution business	Korea	December	23.53	793,090	-
					₩ 1,482,017,959	₩ 958,634,702
Joint ventures						
YTN PLUS ⁴	Digital contents production, distribution and sales	Korea	December	-	₩ -	₩ 4,852,402
China Lab	Database and online information service	Korea	December	49.00	318,303	239,795
JobsN	Online information service	Korea	December	49.00	1,735,840	1,447,064
YEOPEUL	Online information service and internet contents business	Korea	December	49.00	1,777,646	1,157,850
Cineplay	Online information service and online advertising	Korea	December	49.00	601,901	575,843
Designpress	Online information service and internet contents business	Korea	December	49.00	730,586	468,740
Interbiz (Dong-A JV)	Online information service and internet contents business	Korea	December	49.00	614,424	285,543
Artitian (Kyunghyang Daily News JV)	Online information service and internet contents business	Korea	December	49.00	211,327	173,322
Schooljam (EBS JV)	Online information service and internet contents business	Korea	December	49.00	390,201	254,011
Agroplus (Korea Business JV)	Online information service and internet contents business	Korea	December	49.00	538,696	334,721
Sumlab (Munhwa Ilbo JV)	Online information service and internet contents business	Korea	December	49.00	623,586	365,538
Techplus (Electronic Times JV)	Online information service and internet contents business	Korea	December	49.00	692,285	370,102
Animal and Human Story (Hankook Ilbo JV)	Online information service and internet contents business	Korea	December	49.00	301,103	138,135

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Name of entity	Primary business	Location	Closing month	2019		2018
				Percentage of ownership (%)	Book amount	Book amount
Law and Media (Money Today JV)	Online information service and internet contents business	Korea	December	49.00	184,048	182,578
DANAA Data	Software development and distribution	Korea	December	49.00	4,893,200	4,866,664
Cinamon Games	Software development and distribution	Korea	December	49.98	1,979	1,979
LINE Project ³	Investment	Japan	December	49.95	-	-
Lantu Games ^{3,6}	Mobile service development	Hong Kong	December	50.00	-	192,498
RABBIT-LINE PAY COMPANY	Online payment service	Thailand	December	33.33	19,081,211	22,198,433
Collab+LINE	Investment	USA	December	50.00	1,693,966	1,510,946
Kasikorn LINE	Software development and distribution	Korea	December	49.99	41,859,924	3,111,256
					76,250,226	42,727,420
					₩ 1,558,268,185	₩ 1,001,362,122

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

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

³ Stopped applying equity method due to accumulated deficits.

⁴ Excluded from investments in associates and joint ventures due to the decreased Group's ownership in these entities during the year ended December 31, 2019.

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

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

Associates and joint ventures	Subsidiaries of the associates and joint ventures
LINE Games	PIG, Stairs, Msquared Management, MFC, InnoAG inc., Oozoo, Studio 4LEAF
Venture republic	VENTURE REPUBLIC GLOBAL, Trip101
FOLIO Holdings	FOLIO, FOLIO Asset Management
DEMAE-CAN (formerly, Yume no machi Souzou linkai)	SATSUMAEBISUDO, PT Klik Eat Indonesia
Lantu Games	Beijing Lantu Times Technology Company
KG Allat	KG F&B, KFC Korea
MiraeAsset-Naver Asia Growth Fund	MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT
China Ventures Fund I, L.P.	China Ventures Fund I, PTE.LTD.
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	LogisValley BacNinh Joint Stock Company

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Details of valuation of investments in associates and joint ventures that are accounted for using the equity method for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	Valuation of equity method in 2019							
	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	Ending balance
Associates								
KG Allat	₩ 4,203,279	₩ -	₩ (1,101,567)	₩ 4,926	₩ -	₩ -	₩ -	₩ 3,106,638
NetMania	976,619	-	29,815	-	-	-	-	1,006,434
Synapsoft	4,291,022	-	676,480	(4,669)	-	-	(8,058)	4,954,775
BonAngels Pacemaker Fund	3,134,205	-	63,257	-	-	-	-	3,197,462
Korea Contents Mutual Aid Association	9,247,075	-	(199,056)	-	-	-	-	9,048,019
ARO In Tech	514,709	-	134,094	-	(6,800)	-	-	642,003
Future Creation NAVER Stonebridge Early Stage Start-up Fund	6,109,969	-	(506,273)	-	(544,000)	-	-	5,059,696
Future Creation NAVER-SB Startup Investment Fund	16,194,574	-	1,238,033	(3,085,700)	(3,618,209)	-	-	10,728,698
Epic Voyage	25,708	-	(552)	1,711	-	-	-	26,867
LINE Music	4,933,610	3,323	(4,936,933)	-	-	-	-	-
Digital Media Partners II	2,598,808	-	(14,468)	92,204	-	-	-	2,676,544
NAVER-Suprema Youth Foundation No.5 Investment Fund	8,543,088	-	(1,088,160)	588,517	-	-	-	8,043,445
NAVER KIP Cheer up! Gamers Fund	3,579,691	-	606,921	-	-	-	-	4,186,612
NSPACE	217,094	-	233,469	-	-	-	-	450,563
Silicon Cube	2,291,346	-	134,898	-	-	-	22,372	2,448,616
One Store	19,970,145	-	(1,150,521)	(176,295)	-	-	23,089,552	41,732,881
Transcosmos Online Communication	1,165,315	-	(48,242)	57,285	-	-	-	1,174,358
Alchera	2,294,222	-	(1,205,661)	-	-	-	2,099,192	3,187,753
DEMAE-CAN (formerly, Yume no machi Souzou linkai)	38,801,208	-	(3,486,532)	1,792,449	-	-	(285,844)	36,821,281
Mirae Asset-NAVER New Growth Fund I	18,179,090	20,000,000	(443,684)	-	-	-	-	37,735,406
K-Fund I	108,199,648	72,380,103	16,759,296	(4,388,193)	(5,164,393)	-	-	187,786,461
Fandom	-	-	-	-	-	-	-	-
YG NAVER Contents & Lifestyle Fund	50,388,242	-	(1,591,008)	(528,305)	-	-	(319,920)	47,949,009
Orpeo Sound Works	-	-	-	-	-	-	-	-
The Grim Ent.	993,456	-	10,266	-	-	-	-	1,003,722
Meshkorea	13,299,831	-	-	-	-	-	(13,299,831)	-
Studio Horang	323,373	-	14,591	-	-	-	-	337,964

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ZK Stuido	-	400,000	(4,427)	-	-	-	-	395,573
Soran Media Venture Fund I	899,296	-	(62,691)	-	-	-	-	836,605
Soo COMICS	-	400,000	(4,961)	-	-	-	-	395,039
Fast Cowell Private Equity Fund	1,464,163	-	(46,164)	-	-	-	-	1,417,999
YLAB Japan	404,054	-	(357,269)	5,693	-	-	222,148	274,626
Laiqu Technology (Shenzhen)	483,202	865,999	(491,045)	(796)	-	-	-	857,360
FOLIO Holdings (formerly, FOLIO)	52,812,854	-	(7,979,921)	(2,178,022)	-	-	-	42,654,911
Bigpicture Comics	961,448	-	181,925	-	-	-	-	1,143,373
iPASS	12,589,324	-	(1,401,550)	585,887	-	-	-	11,773,661
Bravepops	-	-	-	-	-	-	-	-
JQ COMICS	-	350,325	(53,921)	-	-	-	-	296,404
AXIS	2,307,974	-	(2,307,974)	-	-	-	-	-
MiraeAsset MAPS Private Placement Real Estate 62	189,393,769	-	5,133,812	-	(6,590,669)	-	-	187,936,912
LENSA, LTD.	947,502	-	168,212	44,351	-	-	-	1,160,065
LINE Mobile	74,248,707	30,471,315	(30,911,002)	5,107,030	-	-	6,684,670	85,600,720
Studio JHS	649,342	-	(146,133)	-	-	-	-	503,209
Venture republic	16,392,944	-	(3,864,499)	842,039	-	(4,469,240)	-	8,901,244
MiraeAsset-Naver Asia Growth Fund	19,519,948	31,275,000	(625,012)	754,776	-	-	-	50,924,712
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	76,157,930	124,230,514	2,158,873	3,053,361	-	-	-	205,600,678
China Ventures Fund I, L.P.	3,330,600	138,384,629	3,002,678	(2,248,261)	-	-	-	142,469,646
PT. Bank KEB HANA Indonesia	-	159,175,419	6,171,958	2,079,634	-	-	-	167,427,011
Connection Labs Ltd	-	2,982,980	-	-	-	-	-	2,982,980
Alliance Internet	-	200,000	593,090	-	-	-	-	793,090
LINE Games	185,596,318	-	(33,151,885)	1,922,501	-	-	-	154,366,934
	958,634,702	581,119,607	(59,869,443)	4,322,123	(15,924,071)	(4,469,240)	18,204,281	1,482,017,959
Joint ventures								
YTN PLUS	4,852,402	(5,140,000)	289,214	9,223	-	-	(10,839)	-
LINE Project	-	-	-	-	-	-	-	-
Collab+LINE	1,510,946	-	133,630	49,390	-	-	-	1,693,966
Lantu Games	192,498	2,386,200	(2,578,698)	-	-	-	-	-
JobsN	1,447,064	-	288,776	-	-	-	-	1,735,840

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RABBIT-LINE PAY COMPANY	22,198,433	-	(4,427,032)	1,309,810	-	-	-	19,081,211
YEOPEUL	1,157,850	-	619,796	-	-	-	-	1,777,646
Cineplay	575,843	-	26,058	-	-	-	-	601,901
China Lab	239,795	-	78,508	-	-	-	-	318,303
Designpress	468,740	-	261,846	-	-	-	-	730,586
Interbiz (Dong-A JV)	285,543	-	328,881	-	-	-	-	614,424
Artitian (Kyunghyang Daily News JV)	173,322	-	38,005	-	-	-	-	211,327
Schooljam (EBS JV)	254,011	-	136,190	-	-	-	-	390,201
Agroplus (Korea Business JV)	334,721	-	203,975	-	-	-	-	538,696
Sumlab (Munhwa Ilbo JV)	365,538	-	258,048	-	-	-	-	623,586
Techplus (Electronic Times JV)	370,102	-	322,183	-	-	-	-	692,285
Animal and Human Story (Hankook Ilbo JV)	138,135	-	162,968	-	-	-	-	301,103
Law and Media (Money Today JV)	182,579	-	1,469	-	-	-	-	184,048
DANAA data	4,866,664	-	26,536	-	-	-	-	4,893,200
Cinamon Games	1,979	-	-	-	-	-	-	1,979
Kasikom LINE	3,111,255	38,427,011	(701,284)	1,022,942	-	-	-	41,859,924
	42,727,420	35,673,211	(4,530,931)	2,391,365	-	-	(10,839)	76,250,226
	₩ 1,001,362,122	₩ 616,792,818	₩ (64,400,374)	₩ 6,713,488	₩ (15,924,071)	₩ (4,469,240)	₩ 18,193,442	₩ 1,558,268,185

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	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	Ending balance
Associates								
KG Allat	₩ 3,708,376	₩ -	₩ 494,903	₩ -	₩ -	₩ -	₩ -	₩ 4,203,279
NetMania	846,150	-	130,469	-	-	-	-	976,619
Synapsoft	3,993,600	-	285,705	11,717	-	-	-	4,291,022
Cloud Application Factory	1,487	-	(1,487)	-	-	-	-	-
BonAngels Pacemaker Fund	4,109,379	-	(225,174)	-	(750,000)	-	-	3,134,205
Korea Contents Mutual Aid Association	5,274,711	4,000,000	(83,549)	28,458	-	-	27,455	9,247,075
ARO In Tech	415,967	-	38,923	59,819	(4,800)	-	4,800	514,709
Future Creation NAVER Stonebridge Early Stage Start-up Fund	6,844,658	-	(734,689)	-	-	-	-	6,109,969

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Future Creation NAVER-SB Startup Investment Fund	8,011,687	-	2,117,548	6,435,709	(1,707,292)	-	1,336,922	16,194,574
Epic Voyage	24,929	-	(486)	1,676	-	-	(411)	25,708
LINE Music	447,864	11,927,760	(7,321,204)	(31,415)	-	-	(89,395)	4,933,610
Digital Media Partners II	2,499,797	-	(94,595)	193,606	-	-	-	2,598,808
LINE Part Time Job	3,169,994	(3,920,189)	624,186	126,009	-	-	-	-
NAVER-Suprema Youth Foundation No.5 Investment Fund	7,915,533	1,500,000	(652,066)	-	(220,379)	-	-	8,543,088
NAVER KIP Cheer up! Gamers Fund	4,128,854	-	(49,163)	-	(500,000)	-	-	3,579,691
NSPACE	1,360,751	-	(1,143,657)	-	-	-	-	217,094
Silicon Cube	2,192,699	-	98,647	-	-	-	-	2,291,346
One Store	21,511,791	-	(1,442,766)	(98,880)	-	-	-	19,970,145
Transcosmos Online Communication	1,152,090	-	(63,664)	76,889	-	-	-	1,165,315
Nplegames	4,502,629	(3,675,207)	(827,422)	-	-	-	-	-
Alchera	1,862,085	-	444,694	-	-	-	(12,557)	2,294,222
Trust Us	-	-	-	-	-	-	-	-
DEMAE-CAN (formerly, Yume no machi Souzou linkai)	37,080,639	-	(1,137,298)	2,861,552	-	-	(3,685)	38,801,208
Mirae Asset-NAVER New Growth Fund I	19,562,524	-	(383,610)	-	(999,824)	-	-	18,179,090
K-Fund I	24,435,726	82,980,787	(5,470,526)	6,278,474	-	-	(24,813)	108,199,648
Fandom	150,793	-	16,369	-	-	(167,162)	-	-
YG NAVER Contents & Lifestyle Fund	48,661,077	-	582,637	(28,390)	-	-	1,172,918	50,388,242
Orpeo Sound Works	1,948,965	-	(77,809)	-	-	(1,871,156)	-	-
Nano Interactive	517,457	(576,291)	58,876	(42)	-	-	-	-
The Grim Ent.	1,049,309	-	(55,853)	-	-	-	-	993,456
Meshkorea	25,163,892	-	(21,636,616)	-	-	-	9,772,555	13,299,831
Studio Horang	332,814	-	(9,441)	-	-	-	-	323,373
Oozoo	2,442,539	(2,442,539)	(302,411)	73,346	-	-	229,065	-
Soran Media Venture Fund I	1,000,000	-	(100,704)	-	-	-	-	899,296
Motif	1,999,899	(1,702,609)	(297,290)	-	-	-	-	-
Fast Cowell Private Equity Fund	1,500,000	-	(35,837)	-	-	-	-	1,464,163
Skeinglobe	1,220,800	(1,220,800)	-	-	-	-	-	-
YLAB Japan	479,600	350,278	(295,770)	(130,111)	-	-	58	404,055
Laiqu Technology (Shenzhen)	164,067	678,157	(449,516)	(15,976)	-	-	106,470	483,202

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Rock Square	-	359,861	(359,861)	-	-	-	-	-
FOLIO Holdings	-	56,829,616	(4,787,052)	770,290	-	-	-	52,812,854
Bigpicture Comics	-	700,033	261,415	-	-	-	-	961,448
iPASS	-	12,433,800	252,130	(96,606)	-	-	-	12,589,324
Bravepops	-	648,294	110	-	-	(648,404)	-	-
AXIS	-	3,000,000	(1,780,095)	(437)	-	-	1,088,506	2,307,974
MiraeAsset MAPS Private Placement Real Estate 62	-	196,330,551	(3,819,546)	-	(6,593,313)	-	3,476,077	189,393,769
LENSA, LTD.	-	966,221	(44,856)	26,137	-	-	-	947,502
LINE Mobile	-	-	(26,658,714)	2,390,186	-	-	98,517,235	74,248,707
Studio JHS	-	700,033	(50,691)	-	-	-	-	649,342
Venture republic	-	16,667,880	(318,890)	43,954	-	-	-	16,392,944
MiraeAsset-Naver Asia Growth Fund	-	19,665,103	(145,155)	-	-	-	-	19,519,948
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	-	78,277,820	(2,154,475)	34,585	-	-	-	76,157,930
China Ventures Fund I, L.P.	-	3,330,600	-	-	-	-	-	3,330,600
LINE Games	-	-	(3,432,660)	(298,462)	-	-	189,327,440	185,596,318
	251,685,132	477,809,159	(81,037,987)	18,712,088	(10,775,608)	(2,686,722)	304,928,640	958,634,702
Joint ventures								
YTN PLUS	4,298,774	-	553,628	-	-	-	-	4,852,402
LINE Project	-	-	-	-	-	-	-	-
Collab+LINE	1,147,638	-	226,430	52,610	-	-	84,268	1,510,946
Lantu Games	399,883	2,238,500	(3,126,175)	718,668	-	-	(38,378)	192,498
JobsN	898,764	-	548,300	-	-	-	-	1,447,064
RABBIT-LINE PAY COMPANY	20,061,560	-	(4,274,776)	903,277	-	-	5,508,372	22,198,433
YEOPEUL	523,102	-	634,748	-	-	-	-	1,157,850
Cineplay	492,381	-	83,462	-	-	-	-	575,843
China Lab	185,692	-	54,103	-	-	-	-	239,795
Designpress	281,207	-	187,533	-	-	-	-	468,740
Interbiz (Dong-A JV)	91,654	-	193,889	-	-	-	-	285,543
Artitian (Kyunghyang Daily News JV)	134,610	-	38,712	-	-	-	-	173,322
Schooljam (EBS JV)	185,110	-	68,901	-	-	-	-	254,011
Agroplus (Korea Business JV)	158,006	-	176,715	-	-	-	-	334,721

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Sumlab (Munhwa Ilbo JV)	141,837	-	223,701	-	-	-	-	365,538
Techplus (Electronic Times JV)	109,533	-	260,569	-	-	-	-	370,102
Animal and Human Story (Hankook Ilbo JV)	94,906	-	43,229	-	-	-	-	138,135
Law and Media (Money Today JV)	107,334	-	75,245	-	-	-	-	182,579
DANAA data	-	4,866,664	-	-	-	-	-	4,866,664
Cinamon Games	-	1,979	-	-	-	-	-	1,979
Kasikom LINE	-	3,111,256	-	-	-	-	-	3,111,256
	29,311,991	10,218,399	(4,031,787)	1,674,555	-	-	5,554,262	42,727,420
	₩ 280,997,123	₩ 488,027,558	₩ (85,069,774)	₩ 20,386,643	₩ (10,775,608)	₩ (2,686,722)	₩ 310,482,902	₩ 1,001,362,122

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

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	2019				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Associates					
PT. Bank KEB HANA Indonesia LINE Mobile ²	₩ 3,659,590,270	₩ 83,669,259	₩ 2,930,035,640	₩ 30,418,449	₩ 782,805,440
Mirae Asset-NAVER Asia Growth Fund ¹	151,408,981	19,403,296	61,913,788	15,437,196	93,451,063
One Store ²	502,535,802	23,984,119	4,045,354	10,193,654	305,548,271
DEMAE-CAN (formerly, Yume no machi Souzou linkai) ¹	208,526,962	29,263,663	88,841,804	4,782,771	143,705,697
Mirae Asset-NAVER New Growth Fund 1	63,030,254	38,983,739	56,215,073	8,434,821	37,364,099
K-Fund I	18,939,868	56,531,808	11,530	-	75,460,146
YG NAVER Contents & Lifestyle Fund	9,073,929	179,649,677	467,679	-	188,255,927
LINE Games ¹	17,972,527	34,771,383	-	-	52,743,910
MIRAE ASSE-NAVER ASIA GROWTH INVESTMENT ¹	65,109,032	120,753,732	10,734,232	19,652,171	150,732,261
MiraeAsset MAPS Private Placement Real Estate 62	5,013,979	520,483,291	2,002,252	10,913,772	512,552,908
Joint ventures	9,965,041	519,735,305	118,103,710	-	411,596,636
RABBIT-LINE PAY COMPANY	32,460,383	7,586,076	13,722,702	165,734	26,158,023
Kasikorn LINE	76,468,325	13,216,711	6,072,720	-	83,612,316

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	2019					
	Revenue	Operating income (loss)	Profit (loss) for the year	Other comprehensive income	Total comprehensive income (loss)	Dividend received
Associates						
PT. Bank KEB HANA Indonesia	₩ 99,084,687	₩ 41,640,411	₩ 31,903,782	₩ 6,375,700	₩ 38,279,482	₩ -
LINE Mobile	140,589,000	(73,266,746)	(72,813,306)	-	(72,813,306)	-
Mirae Asset-NAVER Asia Growth Fund ¹	7,777,926	140,501	(528,418)	-	(528,418)	-
One Store ²	135,115,915	(5,150,041)	(5,415,275)	-	(5,415,275)	-
DEMAE-CAN (formerly, Yume no machi Souzou linkai) ¹	100,900,969	(5,873,994)	(6,469,114)	-	(6,469,114)	-
Mirae Asset-NAVER New Growth Fund 1	154,448	(887,368)	(887,368)	-	(887,368)	-
K-Fund I	82	(55,012)	16,846,248	-	16,846,248	(5,164,393)
YG NAVER Contents & Lifestyle Fund	2,082,588	(2,060,863)	(1,999,634)	-	(1,999,634)	-
LINE Games ¹	25,969,205	(52,219,712)	(64,586,198)	837,678	(63,748,520)	-
MIRAE ASSE-NAVER ASIA GROWTH INVESTMENT ¹	9,391,689	5,589,824	5,512,702	-	5,512,702	-
MiraeAsset MAPS Private Placement Real Estate 62	17,814,920	11,388,273	11,388,273	-	11,388,273	(6,590,669)
Joint ventures						
RABBIT-LINE PAY COMPANY	5,765,582	(14,026,007)	(13,665,162)	-	(13,665,162)	-
Kasikorn LINE	365,800	(1,368,170)	(1,368,170)	-	(1,368,170)	-

¹ Based on the consolidated financial statements and equity and profit for the year only includes profit attributable to the controlling shareholders.² Stock options granted to the employees and directors are excluded from the equity.

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	2018				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Associates					
BonAngels Pacemaker Fund	₩ 2,016,473	₩ 11,716,120	₩ 69,978	₩ -	₩ 13,662,615
Future Creation NAVER Stonebridge Early Stage Start-up Fund	119,209	14,929,969	376,205	-	14,672,973
Future Creation NAVER-SB Startup Investment Fund	8,738,988	34,838,904	451,822	-	43,126,070
One Store	92,844,264	24,071,681	63,439,899	2,449,810	51,026,236
DEMAE-CAN (formerly, Yume no machi Souzou linkai) ¹	58,293,775	44,882,589	38,695,298	10,934,875	53,546,191
Mirae Asset-NAVER New Growth Fund 1	4,114,158	32,233,356	-	-	36,347,514
K-Fund I	2,093,933	106,502,302	394,787	-	108,201,448
YG NAVER Contents & Lifestyle Fund	27,954,231	26,182,625	-	-	54,136,856

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	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Mesh Korea	54,147,738	8,640,640	8,728,154	10,429,379	43,630,845
LINE Games	145,335,637	90,574,942	12,005,267	9,838,148	214,067,164
MIRAE ASSE-NAVER ASIA GROWTH INVESTMENT	939,222	188,968,557	961,742	-	188,946,037
MiraeAsset MAPS Private Placement Real Estate 62	9,146,624	413,526,379	7,844,640	-	414,828,363
Joint ventures					
RABBIT-LINE PAY COMPANY	48,596,338	6,781,826	19,710,215	158,263	35,509,686
Lantu Games ²	3,680,671	323,903	3,005,389	614,189	384,996

(in thousands of Korean won)

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

¹ Based on the consolidated financial statements and equity and profit for the year only includes profit attributable to the controlling shareholders.² Included financial information of Beijing Lantu Times Technology Company, a subsidiary of Lantu Games.

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Details of adjustments from financial information of associates and joint ventures to the book amount of investments in associates and joint ventures as at December 31, 2019 and 2018, are as follows:

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	2019					
	Net asset (a)	Group's ownership in % (b)	Group's share in net asset (a x b)	Goodwill	Others ³	Book amount
Associates						
KG Allat ²	₩ 15,533,188	20.00%	₩ 3,106,638	₩ -	₩ -	₩ 3,106,638
NetMania	3,703,663	27.17%	1,006,434	-	-	1,006,434
Synapsoft	16,832,869	26.45%	4,452,544	502,231	-	4,954,775
BonAngels Pacemaker Fund	13,940,945	22.73%	3,168,397	29,065	-	3,197,462
Korea Contents Mutual Aid Association	14,656,144	57.60%	8,442,479	605,540	-	9,048,019
ARO In Tech	1,902,050	29.85%	567,776	74,227	-	642,003
Future Creation NAVER Stonebridge Early Stage Start-up Fund	12,047,289	40.00%	4,818,916	240,780	-	5,059,696
Future Creation NAVERSB Startup Investment Fund	28,368,207	37.04%	10,506,743	221,955	-	10,728,698
Epic Voyage	89,557	30.00%	26,867	-	-	26,867
LINE Music	(7,840,305)	36.72%	(2,878,960)	1,141,370	1,737,590	-
Digital Media Partners II	8,921,815	30.00%	2,676,544	-	-	2,676,544
NAVER-Suprema Youth Foundation No.5 Investment Fund	16,086,889	50.00%	8,043,445	-	-	8,043,445
NAVER KIP Cheer up! Gamers Fund	8,373,224	50.00%	4,186,612	-	-	4,186,612
NSPACE	450,563	49.04%	220,977	1,082,057	(852,471)	450,563
Silicon Cube	2,510,519	41.89%	1,051,656	1,006,541	390,419	2,448,616
One Store	143,705,697	27.70%	39,813,163	1,919,718	-	41,732,881
Transcosmos Online Communication	3,169,041	37.06%	1,174,358	-	-	1,174,358
Alchera	11,828,752	18.19%	2,151,770	1,035,983	-	3,187,753
DEMAE-CAN (formerly, Yume no machi Souzou linkai) ²	37,364,099	21.60%	8,070,584	28,750,697	-	36,821,281
Mirae Asset-NAVER New Growth Fund 1	75,460,146	50.00%	37,730,073	5,333	-	37,735,406
K-Fund I	188,255,927	99.75%	187,786,461	-	-	187,786,461
ZK Stuido	388,580	40.00%	155,432	240,141	-	395,573
YG NAVER Contents & Lifestyle Fund	52,743,910	90.91%	47,949,009	-	-	47,949,009
Soo COMICS	385,258	40.00%	154,103	240,936	-	395,039
The Grim Ent.	917,546	34.98%	320,962	682,760	-	1,003,722
JQ COMICS	172,291	35.06%	60,405	235,999	-	296,404
Studio Horang	316,582	35.00%	110,809	227,155	-	337,964

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Soran Media Venture Fund I	1,254,908	66.67%	836,605	-	-	836,605
Fast Cowell Private Equity Fund	6,691,297	21.13%	1,413,654	4,345	-	1,417,999
YLAB Japan	1,089,529	25.21%	274,626	-	-	274,626
Laiqu Technology (Shenzhen)	2,645,285	23.85%	630,916	226,444	-	857,360
FOLIO Holdings ²	44,665,585	41.36%	18,473,173	24,181,738	-	42,654,911
Bigpicture Comics	2,039,034	35.00%	713,695	429,678	-	1,143,373
iPASS	35,079,370	29.82%	10,462,268	1,311,393	-	11,773,661
Connection Labs Ltd ¹	(788,959)	31.10%	(245,366)	3,228,346	-	2,982,980
Alliance Internet	3,077,598	23.53%	724,141	68,949	-	793,090
PT. Bank KEB HANA Indonesia	782,805,440	20.00%	156,561,088	10,865,923	-	167,427,011
AXIS	(638,404)	28.57%	(182,401)	1,964,611	(1,782,210)	-
MiraeAsset MAPS Private Placement Real Estate 62	411,596,636	45.08%	185,547,005	2,389,907	-	187,936,912
Fandom ⁴	127,279	20.00%	-	-	-	-
Bravepops ⁴	100,822	20.67%	-	-	-	-
Orpeo Sound Works ⁴	667,388	27.41%	-	-	-	-
LENSA	2,367,480	49.00%	1,160,065	-	-	1,160,065
LINE Mobile	93,451,063	40.05%	37,424,964	48,165,234	10,522	85,600,720
Studio JHS	13,461	35.00%	4,712	498,497	-	503,209
Venture republic ²	(2,829,579)	33.98%	(961,365)	9,862,609	-	8,901,244
MiraeAsset-Naver Asia Growth Fund ²	305,548,271	16.67%	50,924,712	-	-	50,924,712
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT ²	512,552,908	40.00%	205,021,163	579,515	-	205,600,678
China Ventures Fund I, L.P. ²	142,469,646	100.00%	142,469,646	-	-	142,469,646
LINE Games ²	150,732,261	49.48%	74,586,354	79,780,580	-	154,366,934
	3,145,002,765		1,260,713,852	221,800,257	(496,150)	1,482,017,959
Joint ventures						
Collab+LINE	3,387,932	50.00%	1,693,966	-	-	1,693,966
Lantu Games ²	(1,667,578)	50.00%	(833,789)	-	833,789	-
JobsN	3,542,532	49.00%	1,735,840	-	-	1,735,840
RABBIT-LINE PAY COMPANY	26,158,023	33.33%	8,719,340	10,361,871	-	19,081,211
YEOPEUL	3,627,850	49.00%	1,777,646	-	-	1,777,646
Cineplay	1,228,370	49.00%	601,901	-	-	601,901
China Lab	649,598	49.00%	318,303	-	-	318,303

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Designpress	1,490,992	49.00%	730,586	-	-	730,586
Interbiz	1,253,926	49.00%	614,424	-	-	614,424
Artitian	431,279	49.00%	211,327	-	-	211,327
Schooljam	796,329	49.00%	390,201	-	-	390,201
Agroplus	1,099,380	49.00%	538,696	-	-	538,696
Sumlab	1,272,624	49.00%	623,586	-	-	623,586
Techplus	1,412,826	49.00%	692,285	-	-	692,285
Animal and Human Story	614,495	49.00%	301,103	-	-	301,103
Law and Media	375,608	49.00%	184,048	-	-	184,048
DANAA Data	9,986,123	49.00%	4,893,200	-	-	4,893,200
Cinamon Games	3,960	49.98%	1,979	-	-	1,979
Kasikorn LINE	83,612,316	49.99%	41,806,156	53,768	-	41,859,924
	139,276,585		65,000,798	10,415,639	833,789	76,250,226
	₩ 3,284,279,350		₩ 1,325,714,650	₩ 232,215,896	₩ 337,639	₩ 1,558,268,185

¹ Acquired at the end of November 2019 and therefore the acquisition cost was recognized as book amount.² Based on the consolidated financial statements and therefore, the net asset represents amount attributable to the controlling shareholders.³ Others include recognized amounts for preferred shares, recognition of impairment loss and others.⁴ Recognized impairment loss during the prior period for the entities as the book amounts exceeded their recoverable amounts.

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	2018					
	Net asset (a)	Group's ownership in % (b)	Group's share in net asset (a x b)	Goodwill	Others ³	Book amount
Associates						
KG Allat	₩ 21,016,393	20.00%	₩ 4,203,279	₩ -	₩ -	₩ 4,203,279
NetMania	3,593,945	27.17%	976,619	-	-	976,619
Synapsoft	14,281,115	26.53%	3,788,791	502,231	-	4,291,022
BonAngels Pacemaker Fund	13,662,615	22.73%	3,105,139	29,066	-	3,134,205
Korea Contents Mutual Aid Association	15,322,706	56.56%	8,666,198	580,877	-	9,247,075
ARO In Tech	1,475,614	29.85%	440,482	74,227	-	514,709
Future Creation NAVER Stonebridge Early Stage Start-up Fund	14,672,973	40.00%	5,869,189	240,780	-	6,109,969
Future Creation NAVER-SB Startup Investment Fund	43,126,070	37.04%	15,972,618	221,955	-	16,194,573
Epic Voyage	87,065	30.00%	26,120	-	(412)	25,708
LINE Music	10,570,900	36.72%	3,881,634	1,141,370	(89,394)	4,933,610

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Digital Media Partners II	8,662,694	30.00%	2,598,808	-	-	2,598,808
NAVER-Suprema Youth Foundation No.5 Investment Fund	17,086,176	50.00%	8,543,088	-	-	8,543,088
NAVER KIP Cheer up! Gamers Fund	7,159,381	50.00%	3,579,691	-	-	3,579,691
NSPACE	339,353	49.04%	166,419	1,082,057	(1,031,382)	217,094
Silicon Cube	2,432,384	45.05%	1,095,789	1,006,541	189,016	2,291,346
One Store	51,026,236	34.46%	17,582,490	2,387,656	-	19,970,146
Transcosmos Online Communication	3,144,638	37.06%	1,165,315	-	-	1,165,315
Alchera	2,015,855	24.54%	494,672	1,035,983	763,567	2,294,222
DEMAE-CAN (formerly, Yume no machi Souzou linkai) ²	53,546,191	21.77%	11,659,679	27,141,529	-	38,801,208
Mirae Asset-NAVER New Growth Fund I	36,347,514	50.00%	18,173,757	5,333	-	18,179,090
K-Fund I	108,201,448	100.00%	108,201,448	-	(1,800)	108,199,648
Fandom	45,829	20.00%	9,166	119,613	(128,779)	-
YG NAVER Contents & Lifestyle Fund	54,136,856	90.91%	49,215,324	-	1,172,918	50,388,242
Orpeo Sound Works	949,024	27.41%	260,127	1,611,048	(1,871,175)	-
The Grim Ent.	888,197	34.98%	310,696	682,760	-	993,456
Meshkorea	43,630,845	20.94%	11,038,604	19,295,275	(17,034,048)	13,299,831
Studio Horang	274,896	35.00%	96,218	227,155	-	323,373
Soran Media Venture Fund I	1,348,943	66.67%	899,296	-	-	899,296
Fast Cowell Private Equity Fund	6,909,804	21.13%	1,459,818	4,345	-	1,464,163
YLAB Japan	1,131,543	35.71%	404,055	-	-	404,055
Laiqu Technology (Shenzhen)	2,104,893	22.96%	483,202	-	-	483,202
FOLIO Holdings	69,224,348	41.36%	28,631,116	24,181,738	-	52,812,854
Bigpicture Comics	1,519,271	35.00%	531,769	429,679	-	961,448
iPASS	37,814,239	29.82%	11,277,931	1,311,393	-	12,589,324
Bravepops	(35,873)	20.67%	(7,415)	656,818	(649,403)	-
AXIS	2,868,936	30.00%	860,681	1,964,611	(517,318)	2,307,974
MiraeAsset MAPS Private Placement Real Estate 62	414,828,363	45.08%	187,003,862	2,389,907	-	189,393,769
LENSA	1,933,678	49.00%	947,502	-	-	947,502
LINE Mobile	36,413,058	49.00%	17,842,399	53,271,037	3,135,271	74,248,707
Studio JHS	430,965	35.00%	150,844	498,498	-	649,342
Venture republic	6,066,411	33.98%	2,061,095	14,331,849	-	16,392,944

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	2018					
	Net asset (a)	Group's ownership in % (b)	Group's share in net asset (a x b)	Goodwill	Others ³	Book amount
MiraeAsset-Naver Asia Growth Fund	117,119,689	16.67%	19,519,948	-	-	19,519,948
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	188,946,037	40.00%	75,578,414	579,516	-	76,157,930
China Ventures Fund I, L.P.	3,330,933	99.99%	3,330,600	-	-	3,330,600
LINE Games	214,067,164	49.48%	105,926,158	79,670,159	-	185,596,317
	1,633,719,315		738,022,635	236,675,006	(16,062,939)	958,634,702
Joint ventures						
YTN PLUS	9,704,805	50.00%	4,852,402	-	-	4,852,402
Collab+LINE	3,021,892	50.00%	1,510,946	-	-	1,510,946
Lantu Games	384,996	50.00%	192,498	-	-	192,498
JobsN	2,953,191	49.00%	1,447,064	-	-	1,447,064
RABBIT-LINE PAY COMPANY	35,509,686	33.33%	11,836,562	10,361,871	-	22,198,433
YEOPEUL	2,362,959	49.00%	1,157,850	-	-	1,157,850
Cineplay	1,175,191	49.00%	575,843	-	-	575,843
China Lab	489,378	49.00%	239,795	-	-	239,795
Designpress	956,612	49.00%	468,740	-	-	468,740
Interbiz	582,741	49.00%	285,543	-	-	285,543
Artitian	353,718	49.00%	173,322	-	-	173,322
Schooljam	518,389	49.00%	254,011	-	-	254,011
Agroplus	683,104	49.00%	334,721	-	-	334,721
Sumlab	745,995	49.00%	365,538	-	-	365,538
Techplus	755,310	49.00%	370,102	-	-	370,102
Animal and Human Story	281,909	49.00%	138,135	-	-	138,135
Law and Media	372,609	49.00%	182,578	-	-	182,578
DANAA Data ¹	9,931,967	49.00%	4,866,664	-	-	4,866,664
Cinamon Games	3,960	49.98%	1,979	-	-	1,979
Kasikorn LINE ¹	6,114,978	50.00%	3,057,488	53,768	-	3,111,256
	76,903,390		32,311,781	10,415,639	-	42,727,420
	₩ 1,710,622,705		₩ 770,334,416	₩ 247,090,645	₩ (16,062,939)	₩ 1,001,362,122

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

² Based on the consolidated financial statements and therefore, net asset represents amount attributable to the controlling shareholders.

³ Others include recognized amounts for preferred shares, recognition of impairment loss and others.

As at December 31, 2019, listed security in associates and joint ventures held by the Group is DEMAECAN (formerly, Yume no machi Souzou linkai), whose fair value is ₩ 106,430 million (2018: ₩ 107,458 million).

The Group has stopped recognizing its share of losses in LINE Music and three others using the equity method as their respective book amount is less than nil (0) due to accumulated losses. The unrecognized accumulated losses amount to ₩ 3,441 million as at December 31, 2019.

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15. Trade and Other Payables

Trade and other payables as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
	Current	Non-current	Current	Non-current
Financial liabilities				
Non-trade payables	₩ 758,685,734	₩ 20,294,029	₩ 594,607,439	₩ 9,042,867
Accrued expenses	169,390,748	22,003,795	120,932,868	14,253,573
Deposits received	4,827,517	171,856	3,364,492	74,149
	932,903,999	42,469,680	718,904,799	23,370,589
Non-financial liabilities				
Accrued expenses	278,166,363	-	177,371,460	-
	₩ 1,211,070,362	₩ 42,469,680	₩ 896,276,259	₩ 23,370,589

16. Other Liabilities

Other liabilities as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 364,583,833	₩ -	₩ 311,266,336	₩ -
Unearned revenues	145,038,052	976,712	122,188,838	998,389
Withholdings	893,983,374	159,521	580,605,533	151,977
VAT withholdings	98,484,034	-	71,588,440	-
Others	13,183,914	-	-	-
	₩ 1,515,273,207	₩ 1,136,233	₩ 1,085,649,147	₩ 1,150,366

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17. Borrowings and Debentures

(a) Borrowings as at December 31, 2019 and 2018, are as follows:

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

	Lender	Maturity date	Annual interest rate (%)		2019		2018
Short-term borrowings							
	Sumitomo Mitsui Banking Corporation	September 30, 2020	0.07	₩	127,616,400	₩	121,581,600
				(JPY)	12,000,000)	(JPY)	12,000,000)
	Mizuho Corporate Bank, Ltd.	September 30, 2020	0.13		106,347,000		101,318,000
				(JPY)	10,000,000)	(JPY)	10,000,000)
	Resona Bank Co. Ltd	June 30, 2020	0.27		10,634,700		10,131,800
				(JPY)	10,000,000)	(JPY)	10,000,000)
	Mizuho Corporate Bank, Ltd.	January 20, 2020	0.48		1,063,470		-
				(JPY)	10,000,000)		
	DAG Ventures VI, L.P. ¹	-	10.00		2,329,041		2,236,763
				(HKD)	15,667)	(HKD)	15,667)
Foreign currency	Goodwater Capital II, L.P. ¹	-	10.00		1,163,380		1,117,286
				(HKD)	7,826)	(HKD)	7,826)
	Mistletoe Singapore Pte. Ltd. ¹	-	10.00		2,329,080		2,236,800
				(HKD)	15,667)	(HKD)	15,667)
	SCC Growth IV Holdco A, Ltd. ¹	-	10.00		34,723,518		33,347,751
				(HKD)	233,577)	(HKD)	233,577)
	SenseView Investment Limited ¹	-	10.00		5,822,975		5,592,265
				(HKD)	39,170)	(HKD)	39,170)
	SNOW Limited Liability Partnership ¹	-	10.00		23,184,083		22,265,516
				(HKD)	155,954)	(HKD)	155,954)
	Individuals	December 2, 2020	2.62		1,000,480		-
				(TWD)	26,000)		
Local currency	Woori Bank	May 24, 2020	2.64		50,000,000		50,000,000
	Woori Bank	February 3, 2020	2.93		143,345,881		-
Foreign currency	Sendai Bank	January 15, 2020	1.00		1,595		18,237
				(JPY)	150)	(JPY)	1,800)

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	Lender	Maturity date	Annual interest rate (%)	2019	2018
Current portion of long-term borrowings					
Local currency	Shinhan Bank	October 31, 2020	2.67	50,000,000	-
Foreign currency	Dai Ichi Kangyo Credit Cooperative	June 15, 2023	1.00	15,952	15,198
				(JPY 1,500)	(JPY 1,500)
	Japan Finance Corporation	June 30, 2020	1.4	7,221	11,793
				(JPY 679)	(JPY 1,164)
			₩ 559,584,776	₩ 349,873,009	
			(JPY 23,102,329)	(JPY 23,004,464)	
			(HKD 467,860)	(HKD 467,860)	
			(TWD 26,000)		
Long-term borrowings					
Foreign currency	Japan Finance Corporation	-	-	₩ -	₩ 6,789
				(JPY 679)	(JPY 679)
Foreign currency	Dai Ichi Kangyo Credit Cooperative	June 15, 2023	1.00	39,880	53,192
				(JPY 3,750)	(JPY 5,250)
Local currency	Sendai Bank	-	-	-	1,520
	Shinhan Bank	-	-	-	(JPY 150)
	Sunny Solution 3 rd	January 31, 2021	3.16	50,000,000	50,000,000
				₩ 50,039,880	₩ 100,061,591
				(JPY 3,750)	(JPY 6,079)

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

(b) Debentures as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won and in thousands of Japanese yen)

	Maturity date	Annual interest rate (%)	2019	2018
Convertible bonds in foreign currency ¹	September 20, 2023	-	₩ 389,017,326	₩ 370,621,244
			(JPY 36,580,000)	(JPY 6,580,000)
	September 19, 2025	-	389,017,326	370,621,244
			(JPY 36,580,000)	(JPY 36,580,000)
Less: Discount on bonds payable			(25,764,467)	(29,680,542)
			(JPY 2,422,679)	(JPY 2,929,444)
			₩ 752,270,185	₩ 711,561,946
			(JPY 70,737,321)	(JPY 70,230,556)

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

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

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

18. Provisions

Changes in provisions for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019				
	Provision for litigation	Provision for customer loyalty programs	Provision for restoration	Others	Total
Beginning balance	₩ 926,439	₩ 249,054	₩ 43,139,637	₩ 571,513	₩ 44,886,643
Charged / (credited) to the consolidated statement of comprehensive income					
Additional provisions	285,577	-	-	1,916,942	2,202,519
Unused amounts reversed	-	(249,054)	(1,101,406)	(46,468)	(1,396,928)
Charged during the year	-	-	17,286,252	4,743	17,290,995
Used during the year	-	-	(434,226)	(554,936)	(989,162)
Others	(1,138)	-	1,106,405	(230,099)	875,168
Ending balance	₩ 1,210,878	₩ -	₩ 59,996,662	₩ 1,661,695	₩ 62,869,235
Current portion	₩ 1,210,878	₩ -	₩ 954,552	₩ 1,656,971	₩ 3,822,401
Non-current portion	-	-	59,042,110	4,724	59,046,834

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	2018				
	Provision for litigation	Provision for custome loyalty programs	Provision for restoration	Others	Total
Beginning balance	₩ 926,439	₩ 249,054	₩ 34,909,410	₩ 4,578,491	₩ 40,663,394
Charged / (credited) to the consolidated statement of comprehensive income					
Additional provisions	-	-	-	963,448	963,448
Unused amounts reversed	-	-	(1,149,685)	(297,280)	(1,446,965)
Charged during the year	-	-	8,842,990	-	8,842,990
Used during the year	-	-	(464,953)	(4,212,272)	(4,677,225)
Others	-	-	1,001,875	(460,874)	541,001
Ending balance	₩ 926,439	₩ 249,054	₩ 43,139,637	₩ 571,513	₩ 44,886,643
Current portion	₩ 926,439	₩ 249,054	₩ 871,168	₩ 416,073	₩ 2,462,734
Non-current portion	-	-	42,268,469	155,440	42,423,909

19. Post-Employment Benefits

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

Details of net defined benefit liabilities recognized in the consolidated statements of financial position as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019	2018
Present value of funded defined benefit obligations	₩ 86,625,373	₩ 45,061,744
Present value of unfunded defined benefit obligations	403,503,893	317,685,556
Sub total	490,129,266	362,747,300
Fair value of plan assets	(16,691,311)	(17,967,039)
Net defined benefit liabilities	₩ 473,437,955	₩ 344,780,261

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Movements in the defined benefit obligations for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Beginning balance	₩	362,747,300	₩	300,362,872
Current service cost		80,061,382		73,977,535
Interest expense		10,392,837		11,456,098
Remeasurements				
Actuarial gain from change in demographic assumptions		16,583,507		465,298
Actuarial gain (loss) from change in financial assumptions		30,168,401		(4,178,173)
Actuarial gain from experience adjustments		18,022,063		10,712,431
Payments from plans				
Benefit payments		(31,033,587)		(25,315,734)
Others		3,187,363		(4,733,027)
Ending balance	₩	490,129,266	₩	362,747,300

Movements in the fair value of plan assets for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Beginning balance	₩	17,967,039	₩	16,329,665
Interest income		495,958		1,442,080
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)		(238,634)		(266,532)
Contribution:				
Employee		-		1,271,215
Payments from plans:				
Benefit payments		(1,533,052)		(809,389)
Ending balance	₩	16,691,311	₩	17,967,039

Plan assets as at December 31, 2019 and 2018, consist of:

(in thousands of Korean won)

	2019		2018	
	Amount	Ratio (%)	Amount	Ratio (%)
Cash and cash equivalents, etc.	₩ 3,944,800	26.63	₩ 6,083,119	33.86
Securities	1,927,075	11.55	1,847,947	10.28
Beneficiary certificates	10,812,229	64.78	10,029,019	55.82
Others	7,207	0.04	6,954	0.04
Ending balance	₩ 16,691,311	100	₩ 17,967,039	100

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The significant actuarial assumptions as at December 31, 2019 and 2018, are as follows:

	2019	2018
Discount rate	1.73% ~ 3.13%	2.50% ~ 3.50%
Salary growth rate	3.28% ~ 18.71%	3.40% ~ 10.75%

(in thousands of Korean won)

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

	Impact on defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1% increase / decrease	₩ (48,499,454)	₩ 57,379,968
Salary growth rate	1% increase / decrease	54,039,687	(46,903,458)

(in thousands of Korean won)

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 consolidated statement of financial position.

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

There are no expected contributions to plan assets for the year ending December 31, 2020, and the weighted average duration of the defined benefit obligations is between 8.97 and 18.58 years.

The expense recognized in the current period in relation to defined contribution plan was ₩ 119 million (2018: ₩ 28 million).

20. Issuance and Acquisition of Shares

The Company's total number of authorized shares is 300,000,000 shares. As at December 31, 2019, the Company has issued 164,813,395 ordinary shares (₩ 100 per share) and 19,365,600 treasury shares. The Company's share capital and share premium as at December 31, 2019, amount to ₩ 16,481,340 thousand and ₩ 132,920,605 thousand, respectively. There are no changes in the number of shares issued for the years ended December 31, 2019 and 2018.

21. Other Components of Equity

Other components of equity as at December 31, 2019 and 2018, are as follows:

	2019	2018
Treasury shares	₩ (1,390,387,655)	₩ (1,296,698,329)
Stock options	10,910,448	-
Loss on valuation of financial assets at fair value - other comprehensive income	(91,084,642)	(130,955,566)
Share of other comprehensive income of associates and joint ventures	14,974,823	11,921,362
Exchange differences	(14,994,015)	(102,731,215)
Others	(28,071,973)	(27,914,916)
	₩ (1,498,653,014)	₩ (1,546,389,664)

(in thousands of Korean won)

For the year ended December 31, 2019, the Group purchased treasury shares amounting to ₩ 93,689 million (735,295 shares) (2018: ₩ 124,459 million (669,290 shares)).

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22. Share-Based Payment

As at December 31, 2019, the Group entered into share-based payment agreements for the employees and directors of the Group upon the resolution of several shareholders' meetings and the Board of Directors.

(a) Stock option

(1) Equity-settled stock option

The Group granted equity-settled stock options to its employees during and before the years ended December 31, 2019 and 2018. Details of the equity-settled stock options granted are as follows:

	Granted on February 27, 2019	Granted on March 22, 2019	Granted during December 1, 2013 ~ February 1, 2015	Granted on July 18, 2017	Granted on July 29, 2019
Granted by	NAVER	NAVER	LINE	LINE	LINE
Vesting condition	Two years' service from the grant date	Three years' service from the grant date	Two years' service from the grant date	Vested at 25% per annum for four years from the grant date	Vested at 20%, 30% and 50% if completed service for three, four, and five years, respectively, 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	Eight years from the exercisable date	From the vesting date to July 18, 2027	From the vesting date to July 8, 2029
Authorized shares	Registered ordinary shares				
Granting method	Either issuance of shares or distribution of treasury shares				

The changes in the number of equity-settled stock options and weighted average exercise prices for the years ended December 31, 2019 and 2018, are as follows:

(in number of shares, in Korean won and in Japanese yen)

Grant date	2019					
	Beginning unexercised balance	Granted	Exercised	Expired	Ending unexercised balance	Granted by
Parent Company						
2019.02.27	-	426,167	-	(19,055)	407,112	NAVER
2019.03.22	-	837,000	-	(25,000)	812,000	NAVER
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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Grant date	2019					
	Beginning unexercised balance	Granted	Exercised	Expired	Ending unexercised balance	Grated by
Subsidiaries						
2013.12.01	544,500	-	(235,500)	-	309,000	LINE
2014.02.01	649,000	-	(146,500)	-	502,500	LINE
2014.08.01	148,500	-	(32,500)	-	116,000	LINE
2014.10.01	122,500	-	(13,500)	-	109,000	LINE
2015.02.01	891,500	-	(180,500)	(2,500)	708,500	LINE
2017.07.18	1,382,300	-	-	(120,200)	1,262,100	LINE
2019.07.29	-	4,702,800	-	(29,600)	4,673,200	LINE
Total number of stock option	3,738,300	4,702,800	(608,500)	(152,300)	7,680,300	
Weighted average exercise price	JPY 2,245	JPY 3,500	JPY 942	JPY 4,021	JPY 3,081	

(in number of shares, in Korean won and in Japanese yen)

Grant date	2018					
	Beginning unexercised balance	Granted	Exercised	Expired	Ending unexercised balance	Grated by
2013.12.01	763,500	-	(219,000)	-	544,500	LINE
2014.02.01	818,000	-	(164,000)	(5,000)	649,000	LINE
2014.08.01	218,000	-	(69,500)	-	148,500	LINE
2014.10.01	145,000	-	(22,000)	(500)	122,500	LINE
2015.02.01	1,246,500	-	(351,000)	(4,000)	891,500	LINE
2017.07.18	2,386,000	-	(30,000)	(973,700)	1,382,300	LINE
Total number of stock option	5,577,000	-	(855,500)	(983,200)	3,738,300	
Weighted average exercise price	JPY 2,421	JPY -	JPY 1,171	JPY 4,178	JPY 2,245	

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The Group calculated the compensation costs using Black-Scholes model, 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, in Korean won and in Japanese yen)

	Parent Company		Subsidiaries						
	2019.02.27	2019.03.22	2013.12.01	2014.02.01	2014.08.01	2014.10.01	2015.02.01	2017.07.18	2019.07.29
Risk-free interest rate (%)	1.98	1.92	0.30	0.20	0.20	0.20	0.30	(0.04)	(0.15)
Expected exercise period	5 years	5 years	6 years	6 years	6 years	6 years	6 years	5.5 years	10 years
Expected price volatility (%)	24.30	24.00	67.00	58.00	53.00	52.00	56.20	44.90	36.60
Expected dividend yield (%)	0.24	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Weighted average share price at grant date	₩ 129,500	₩ 127,000	JPY 1,011	JPY 1,161	JPY 3,280	JPY 3,297	JPY 4,225	JPY 3,840	JPY 3,500
Weighted average fair value of stock options granted at grant date	₩ 39,906	₩ 19,365	JPY 793	JPY 575	JPY 2,310	JPY 2,312	JPY 3,219	JPY 1,436	JPY 1,105 ~ 1,508
Exercise price	₩ 128,900	₩ 131,000	JPY 344	JPY 1,320	JPY 1,320	JPY 1,320	JPY 1,320	JPY 4,206	JPY 3,500

In addition to the stock options mentioned above, the Group granted equity-settled stock options in regards to the shares of SNOW and Drama & Company, its subsidiaries.

The amount of expenses recognized in relation to equity-settled stock options is ₩ 21,226 million for the year ended December 31, 2019.

(2) Cash-settled stock options

The Group granted cash-settled stock options to its employees during the year ended December 31, 2019. Details of the cash-settled stock options granted are as the follows:

	Granted on February 27, 2019	Granted on March 22, 2019
Granted by	Certain subsidiaries of NAVER Corporation	
Vesting condition	Two years' service from the grant date	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

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

(in number of shares and in Korean won)

Grant date	2019				
	Beginning unexercised balance	Granted	Exercised	Expired	Ending unexercised balance
2019.02.27	-	152,250	-	(8,291)	143,959
2019.03.22	-	181,500	-	(1,000)	180,500
Total number of stock option	-	333,750	-	(9,291)	324,459
Weighted average exercise price	₩ -	₩ 130,042	₩ -	₩ 129,126	₩ 130,068

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The Group calculated the compensation costs using the binomial model and LSMC, and the assumptions and inputs used for calculation of the compensation costs are as follows:

(in number of shares and in Korean won)

	February 27, 2019	March 22, 2019
Risk-free interest rate (%)	1.57	1.62
Expected exercise period	5 years	5 years
Expected price volatility (%)	21.20	21.20
Expected dividend yield (%)	0.10	0.10
Weighted average fair value of stock options granted at grant date	₩ 73,280	₩ 51,197
Exercise price	₩ 128,900	₩ 131,000

The amount of expenses recognized in relation to cash-settled stock options is ₩ 6,834 million for the year ended December 31, 2019.

(b) Employee stock ownership plan ("ESOP")**(1) Overview of ESOP**

Details of the ESOP granted are as follows:

	Granted on July 18, 2017	Granted on January 1, 2018	Granted on July 20, 2018	Granted on January 23, 2019	Granted on July 29, 2019
Granted by	LINE				
Type	Grant both equity-settled and cash-settled options simultaneously				
Vesting condition	Service up to vesting date, which is set between April 1, 2018 to April 1, 2020	Service up to vesting date, which is set between October 1, 2018 to October 1, 2020	Service up to vesting date, which is set between April 1, 2019 to April 1, 2021	Service up to vesting date, which is set between October 1, 2019 to October 1, 2021	Service up to vesting date, which is set between April 1, 2020 to April 1, 2021
Exercisable period and condition	Paid when the vesting conditions are met				
Authorized shares	Registered ordinary shares				
Granting method for equity-settled	Shares are issued in a number corresponding to the number of points that the employee holds. The employee shall select a granting method from issuance of shares or distributing treasury stock.				
Granting method for cash-settled	Cash is paid to an employee either from proceeds from sales of a number of shares that are corresponding to the number of points the employee holds, or in cash equivalent to the employee's points.				

(2) The changes in the number of points for the years ended December 31, 2019 and 2018, are as follows:

(in number of shares)

	2019					
	Grant date	Beginning unexercised balance	Granted	Exercised	Expired	Ending unexercised balance
Equity-settled	2017.07.18	179,716	-	(68,468)	(14,109)	97,139
Equity-settled	2018.01.01	17,777	-	(6,857)	(2,305)	8,615
Equity-settled	2018.07.20	247,908	-	(60,805)	(24,711)	162,392
Equity-settled	2019.01.23	-	48,651	(9,449)	(2,882)	36,320
Equity-settled	2019.07.29	-	161,172	-	(5,047)	156,125

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	2019					
	Grant date	Beginning unexercised balance	Granted	Exercised	Expired	Ending unexercised balance
Cash-settled	2017.07.18	341,465	-	(132,392)	(23,702)	185,371
Cash-settled	2018.01.01	34,634	-	(13,227)	(4,809)	16,598
Cash-settled	2018.07.20	514,525	-	(136,739)	(45,307)	332,479
Cash-settled	2019.01.23	-	90,744	(23,365)	(7,538)	59,841
Cash-settled	2019.07.29	-	306,452	(37)	(13,117)	293,298

(in number of shares)

	2018					
	Grant date	Beginning unexercised balance	Granted	Exercised	Expired	Ending unexercised balance
Equity-settled	2017.07.18	251,302	-	(51,286)	(20,300)	179,716
Equity-settled	2018.01.01	-	26,946	(6,603)	(2,566)	17,777
Equity-settled	2018.07.20	-	260,133	-	(12,225)	247,908

(in number of shares)

	2018					
	Grant date	Beginning unexercised balance	Granted	Exercised	Expired	Ending unexercised balance
Cash-settled	2017.07.18	533,502	-	(125,585)	(66,452)	341,465
Cash-settled	2018.01.01	-	58,660	(15,527)	(8,499)	34,634
Cash-settled	2018.07.20	-	543,733	(2,729)	(26,479)	514,525

As the Group's ESOP does not have an exercise price, the employees receive the number of shares or the amount of cash equivalent to the points. The fair value of the points (equity-settled) at the vesting date was LINE's share price of the day the points were granted (JPY 3,840, JPY 4,865, JPY 5,130, JPY 3,905 and JPY 3,500, respectively), and the fair value of the points issued for cash-settled ESOP was JPY 5,350 as at December 31, 2019.

The amounts of expenses recognized in relation to equity-settled and cash-settled ESOP are ₩ 8,407 million and ₩ 27,002 million, respectively, for the year ended December 31, 2019.

23. Retained Earnings

Retained earnings as at December 31, 2019 and 2018, consist of:

(in thousands of Korean won)

	2019		2018	
Legal reserves ¹	₩	8,240,670	₩	8,240,670
Other reserves		13,909,235		13,909,235
Retained earnings before appropriation		5,689,941,549		5,207,052,908
	₩	5,712,091,453	₩	5,229,202,813

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued 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.

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24. Operating Expenses

Operating expenses for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Salaries and wages	₩	1,355,180,172	₩	1,074,277,728
Post-employment benefits		93,561,594		85,433,633
Share-based payment expenses		63,468,645		21,436,191
Employee benefits		215,541,287		183,278,753
Travel		49,074,396		45,411,276
Depreciation		300,527,521		228,016,116
Depreciation of right-of-use assets		159,807,658		-
Amortization		37,676,692		33,050,972
Communication		160,038,222		157,427,133
Utility		26,229,138		40,632,932
Taxes and dues		44,428,123		28,068,611
Rental		18,035,497		104,806,857
Commission		2,209,709,387		1,779,071,017
Advertising		884,405,680		649,388,039
Insurance		4,550,439		3,725,781
Freight		8,307,986		7,748,789
Supplies		54,772,846		45,937,551
Training		29,647,667		25,724,542
Others		168,366,942		130,936,051
	₩	5,883,329,892	₩	4,644,371,972

25. Other Income and Other Expenses

Details of other income for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Rental income	₩	2,244,557	₩	131,096
Foreign currency exchange gain		38,374,815		24,466,402
Gain on disposal of property and equipment		2,112,456		2,532,561
Gain on disposal of investments in subsidiaries and associates		58,827,119		272,764,648
Others		26,291,092		16,879,217
	₩	127,850,039	₩	316,773,924

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Details of other expenses for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Foreign currency exchange	₩	37,373,255	₩	28,524,388
Social contribution expenses		60,637,101		39,500,033
Miscellaneous loss		23,292,112		28,413,268
Non-operating commission		12,645,044		7,260,383
Impairment loss on investments in associates and joint ventures		4,469,240		2,686,722
Other impairment loss		1,254,724		1,923,322
Others		12,704,375		6,316,848
	₩	152,375,851	₩	114,624,964

26. Finance Income and Finance Costs

Details of finance income for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Dividends income	₩	19,168,648	₩	24,446,651
Foreign currency exchange gain		16,582,687		21,713,285
Gain on valuation of financial assets and liabilities at fair value - profit or loss		292,845,035		100,480,376
Gain on transaction of derivatives		18,259,588		769,556
Gain on disposal of financial assets at fair value - profit or loss		47,929,323		15,838,019
Gain on disposal of financial assets at fair value - other comprehensive income		502,080		495,878
Gain on disposal of financial assets at value of amortized cost		65,000		438,229
	₩	395,352,361	₩	164,181,994

Details of finance costs for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Interest expenses	₩	34,886,841	₩	13,723,512
Foreign currency exchange loss		31,694,799		19,913,023
Loss on valuation of financial assets and liabilities at fair value - profit or loss		77,613,863		70,323,949
Loss on transaction of derivatives		11,004,027		388,087
Loss on disposal of financial assets at fair value - profit or loss		989,312		6,436,617
Loss on disposal of financial assets at fair value - other comprehensive income		1,058,644		3,417,067
Impairment loss on financial assets at fair value - other comprehensive income		5,805		103,923
Others		8,916,596		25,059,066
	₩	166,169,887	₩	139,365,244

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27. Income Tax Expense

Income tax expense for the years ended December 31, 2019 and 2018, consists of:

(in thousands of Korean won)

	2019		2018	
Current tax				
Current tax on profits for the year	₩	512,089,984	₩	439,104,933
Adjustments in respect of prior years		2,482,804		37,518,074
Deferred tax				
Origination and reversal of temporary differences		(49,424,176)		12,032,609
Impact of changes in corporate tax rate		1,918,679		(202,448)
Income tax expense (benefit)	₩	467,067,291	₩	488,453,168
Continuing operations	₩	466,311,853	₩	488,756,398
Discontinued operations		755,438		(303,230)

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

(in thousands of Korean won)

	2019		2018	
Profit before income tax expense				
Continuing operations profit before income tax expense	₩	866,722,134	₩	1,111,672,275
Discontinued operations profit (loss) before income tax expense		(2,833,780)		4,682,766
		863,888,354		1,116,355,041
Tax at domestic tax rates applicable to profits in the respective countries		296,039,353		352,784,776
Adjustments				
Income not subject to tax		(16,501,189)		(4,399,318)
Expenses not deductible for tax purposes		16,367,866		17,138,449
Tax credits		(9,930,814)		134,573
Changes in non-recoverable deferred tax asset		165,945,441		80,474,189
Adjustment in respect of prior years		2,482,804		37,518,074
Change in deferred tax attributable to the corporate tax rate		1,918,679		(202,448)
Tax effects on recirculation of corporate income		9,226,260		1,846,097
Others		1,518,891		3,158,776
Income tax expense (benefit)	₩	467,067,291	₩	488,453,168
Continuing operations	₩	466,311,853	₩	488,756,398
Discontinued operations		755,438		(303,230)

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The weighted average applicable tax rate of the Group was 34.27% (2018: 31.63%).

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

Income tax effect relating to components of other comprehensive income (loss) for the years ended December 31, 2019 and 2018, is as follows:

(in thousands of Korean won)

	2019		
	Before tax	Tax effect	After tax
Gain (loss) on valuation of financial assets at fair value - other comprehensive income	₩ 67,395,251	₩ (21,414,931)	₩ 45,980,320
Remeasurements of the net defined benefit liabilities	(65,012,605)	12,020,565	(52,992,040)
Exchange difference ¹	139,029,178	-	139,029,178
Shares of other comprehensive income of associates and joint ventures ¹	6,713,487	-	6,713,487
	₩ 148,125,311	₩ (9,394,366)	₩ 138,730,945

(in thousands of Korean won)

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

¹ The Group did not recognize deferred tax assets and liabilities for the exchange differences and share of other comprehensive income of subsidiaries and associates and joint ventures from the investment in subsidiaries and associates as at December 31, 2019, considering the Group has no plan for disposal of those investments.

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There are no income tax effect that are charged or credited directly to equity for the years ended December 31, 2019 and 2018.

The analysis of deferred tax assets and liabilities as at December 31, 2019 and 2018, is as follows:

(in thousands of Korean won)

	2019		2018	
Deferred tax assets				
Deferred tax asset to be recovered within 12 months	₩	222,158,241	₩	157,271,949
Deferred tax asset to be recovered after more than 12 months		234,842,013		180,713,016
		457,000,254		337,984,965
Deferred tax liabilities				
Deferred tax liability to be within 12 months		(98,362,999)		(16,912,252)
Deferred tax liability to be recovered after more than 12 months		(57,811,588)		(67,138,787)
		(156,174,587)		(84,051,039)
Deferred tax assets, net	₩	300,825,667	₩	253,933,926

The movement in deferred tax assets and liabilities for the years ended December 31, 2019 and 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in thousands of Korean won)

	2019					
	Beginning balance	Change of accounting policies	Statement of profit or loss	Other comprehensive income (loss)	Exchange difference	Ending balance
Financial assets at fair value - profit or loss	₩ (16,912,252)	₩ -	₩ (73,791,201)	₩ -	₩ (229,699)	₩ (90,933,152)
Convertible bond	(9,070,627)	-	3,020,916	-	(1,380,136)	(7,429,847)
Investments in subsidiaries and associates	(58,068,160)	-	(1,902,956)	-	2,159,528	(57,811,588)
Deferred income tax liabilities	(84,051,039)	-	(72,673,241)	-	549,693	(156,174,587)
Financial liabilities at fair value - profit or loss	1,991,793	-	(1,991,793)	-	-	-
Financial assets at fair value - other comprehensive income	49,805,365	-	(1,107,819)	(21,414,931)	81,925	27,364,540
Provision for impairment	6,491,185	-	1,227,983	-	234,524	7,953,692
Intangible assets	8,730,342	-	(1,737,422)	-	(163,620)	6,829,300
Accrued expenses	47,364,651	(3,645,919)	21,089,814	-	544,782	65,353,328
Unearned revenues	79,655,491	-	11,209,142	-	3,942,278	94,806,911
Net defined benefit liabilities	83,974,947	-	12,156,441	12,020,565	149	108,152,102
Tax losses and tax credit carryforward	4,367,462	-	1,899,120	-	289,233	6,555,815
Others	55,603,729	3,769,066	77,433,272	-	3,178,499	139,984,566
Deferred income tax assets	337,984,965	123,147	120,178,738	(9,394,366)	8,107,770	457,000,254
Deferred income tax assets (liabilities), net	₩ 253,933,926	₩ 123,147	₩ 47,505,497	₩ (9,394,366)	₩ 8,657,463	₩ 300,825,667

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

The Group did not recognize deferred tax assets for the temporary differences amounting to ₩ 1,614,129 million (2018: ₩ 995,158 million) from the investments in subsidiaries and associates which are not subject to disposal, and tax losses amounting to ₩ 79,436 million (2018: ₩ 173,172 million) which are not recoverable because of the uncertainty of future taxable income of the subsidiaries.

28. Earnings per Share

Basic earnings per share for operating profit from continuing operations for the years ended December 31, 2019 and 2018, are as follows:

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

	2019	2018
Profit from continuing operations attributable to the controlling ordinary shareholders of the Group	₩ 586,641,123	₩ 643,826,906
Weighted average number of ordinary shares outstanding	145,532,908	146,236,075
Basic earnings per share from continuing operations (in Korean won)	₩ 4,031	₩ 4,403

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Basic earnings (loss) per share for operating profit (loss) from discontinued operations for the years ended December 31, 2019 and 2018, are as follows:

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

	2019		2018	
Profit (loss) from discontinued operation attributable to the controlling ordinary shareholders of the Group	₩	(3,589,218)	₩	4,985,996
Weighted average number of ordinary shares outstanding		145,532,908		146,236,075
Basic earnings (loss) per share from discontinued operations (in Korean won)	₩	(25)	₩	34

Weighted average number of ordinary shares outstanding for the years ended December 31, 2019 and 2018, are calculated as follows:

(in number of shares)

	2019	
	Number of ordinary shares outstanding	Cumulative shares
Beginning balance	146,183,090	53,356,827,850
Treasury shares acquisition	(735,295)	(237,316,467)
		53,119,511,383

Weighted average number of ordinary shares outstanding:

$$53,119,511,383 \div 365 \text{ days} = 145,532,908 \text{ shares}$$

(in number of shares)

	2019	
	Number of ordinary shares outstanding	Cumulative shares
Beginning balance	146,852,380	53,601,118,700
Treasury shares acquisition	(669,290)	(224,951,565)
		53,376,167,135

Weighted average number of ordinary shares outstanding:

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has stock options granted by the Company, and stock options and a convertible bonds granted by subsidiaries as dilutive potential ordinary shares. For the stock 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 Group's shares) based on the monetary value of the subscription rights attached to outstanding stock 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. Increase in the rate of non-controlling interest caused by exercising stock options and convertible bonds granted by subsidiaries results in a decrease in profit from continuing operations attributable to owners of the Company. The Group calculated diluted earnings per share by assuming that all stock options are exercised at the beginning of the year. In the current period, the number of shares option granted by the Group does not have dilutive effects, and stock options and convertible bonds granted by subsidiaries do not have dilutive effects when assumed to have been converted into ordinary shares. Therefore, diluted earnings per share is identical to basic earnings per share. The potential ordinary shares likely to be exercised, which were not included in calculation of diluted earnings per share as they do not have dilutive effects, are as follows:

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The potential ordinary shares likely to be exercised, which were not included in calculation of diluted earnings per share as they do not have dilutive effects, are as follows:

Name of entity	Type	Exercisable period	Exercise price	Shares to be granted
NAVER	Stock option	5 years	₩ 128,900 ~ 131,000	1,219,112
LINE	Stock option	5.5 ~ 10 years	JPY 344 ~ 4,206	7,680,300
LINE	Employee stock ownership plan	-	-	460,591
LINE	Convertible bond	4.9 ~ 6.9 years	JPY 7,467 ~ 7,518	9,764,543

29. Dividends

Dividends in respect of the year ended December 31, 2018, amounting to ₩ 45,901 million, was paid in April, 2019. Details of the dividends are as follows:

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

	2019	2018
Shares eligible for dividends	₩ 146,183,090	₩ 146,852,380
Dividend rate per share (%)	314	289
Cash dividends	₩ 45,901,490	₩ 42,469,708

30. 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, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019	2018
Profit for the year		
Adjustments	₩ 396,821,062	₩ 627,901,873
Impairment loss	5,467,817	2,277,430
Depreciation	300,527,521	228,016,116
Depreciation of right-of-use assets	159,807,658	-
Amortization	37,676,692	33,050,972
Gain on foreign currency translation	(29,808,918)	(20,229,868)
Loss on foreign currency translation	21,269,709	20,367,983
Gain on disposal of property and equipment	(2,112,456)	(2,532,561)
Gain on disposal of right-of-use assets	(134,748)	-
Loss on disposal of property and equipment	2,839,943	3,100,702
Loss on disposal of right-of-use assets	1,707	-
Impairment loss on property and equipment	603,769	-
Impairment loss on right-of-use assets	6,615,789	-

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	2019	2018
Gain on disposal of intangible assets	(716,856)	(323,686)
Loss on disposal of intangible assets	348,320	363,530
Impairment loss on intangible assets	1,985,870	2,385,899
Gain on valuation of financial assets at fair value - profit or loss	(292,845,035)	(100,480,376)
Loss on valuation of financial assets at fair value - profit or loss	77,613,863	70,323,949
Gain on disposal of financial assets at fair value - profit or loss	(66,188,911)	(15,838,019)
Loss on disposal of financial assets at fair value - profit or loss	11,993,339	6,436,617
Gain on disposal of financial assets at fair value - other comprehensive income	(502,080)	(495,878)
Loss on disposal of financial assets at fair value - other comprehensive income	1,058,644	3,417,067
Impairment loss on financial assets at fair value - other comprehensive income	5,805	103,923
Gain on disposal of investments in associates and joint ventures	(58,827,119)	(272,764,648)
Loss on disposal of investments in associates and joint ventures	304,737	446,089
Impairment loss on investments in associates and joint ventures	4,469,240	2,686,722
Share of profit of associates and joint ventures	(40,487,752)	(8,751,958)
Share of loss of associates and joint ventures	104,888,126	93,821,731
Share-based payment expenses	63,468,645	21,436,191
Post-employment benefits	91,863,390	85,433,633
Interest income	(16,395,674)	(27,243,776)
Interest expenses	34,886,841	13,723,512
Dividends income	(19,168,648)	(24,446,651)
Income tax expenses	467,067,291	488,756,398
Others	4,998,995	4,033,114
Change in operating assets and liabilities, net		
Decrease (increase) in trade receivables	(55,844,355)	48,775,939
Decrease (increase) in other receivables	983,852	(67,249,323)
Increase in other current assets	(65,233,466)	(72,706,106)
Increase in other non-current assets	(5,297,802)	-
Increase in other payables	178,321,639	51,562,754
Increase in accrued expenses	134,650,381	76,835,730
Increase in long-term accrued expenses	317,243	-
Increase in other current liabilities	398,583,922	218,713,764
Decrease in provisions	(5,007,114)	(4,438,491)
Decrease in net defined benefit liabilities	(28,577,616)	(17,860,098)
Others	13,618,766	(13,420,306)
	₩ 1,835,912,026	₩ 1,455,189,893

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Significant transactions not affecting cash flows for the years ended December 31, 2019 and 2018, are as follows:

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	2019		2018	
Reclassification of construction in progress	₩	49,891,522	₩	1,114,625
Other payables arising from acquisitions of property and equipment		209,471		5,300,850
Reclassification of current portion of long-term financial instruments		745,303		15,000,000
Reclassification of current portion of long-term borrowings and debentures		50,024,688		138,111
Other receivables arising from disposals of subsidiaries	₩	26,647,956	₩	26,647,956

Changes in liabilities arising from financing activities for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019									
	Liabilities from financing activities				Total					
	Short-term borrowings	Long-term borrowings	Debenture	Lease liabilities						
Beginning balance	₩	349,873,009	₩	100,061,591	₩	711,561,946	₩	-	₩	1,161,496,546
Effect of changes in accounting policies (Note 37)		-		-		-		606,341,768		606,341,768
Beginning balance (adjusted)		349,873,009		100,061,591		711,561,946		606,341,768		1,767,838,314
Cash flows - proceeds		220,649,373		-		-		-		220,649,373
Cash flows - repayment		(76,172,582)		-		-		(138,021,891)		214,194,473
Recognized for the year		-		-		-		240,889,613		240,889,613
Current portion reclassification		50,024,688		(50,024,688)		-		-		-
Disposal		-		-		-		(2,791,707)		(2,791,707)
Amortization		-		-		5,412,751		17,142,363		22,555,114
Others ¹		15,210,338		2,927		35,295,488		665,122		51,173,875
Ending balance	₩	559,584,776	₩	50,039,880	₩	752,270,185	₩	724,225,269	₩	2,086,120,110

¹ Includes effects of changes in foreign currency exchange rate and interest payments which are presented as operating activities in the statement of cash flows when paid.

(in thousands of Korean won)

	2018									
	Liabilities from financing activities				Total					
	Short-term borrowings	Long-term borrowings	Debenture	Lease liabilities						
Beginning balance	₩	211,011,222	₩	49,933,677	₩	150,000,000	₩	-	₩	410,944,899
Cash flows - proceeds		533,051,142		50,973,797		-		705,013,490		1,289,038,429
Cash flows - repayment		(408,323,250)		-		(150,000,000)		-		(558,323,250)
Current portion reclassification		138,111		(138,111)		-		-		-
Business combination		2,444,066		92,000		-		-		2,536,066
Amortization		-		-		-		1,410,336		1,410,336
Others ¹		11,551,718		(799,772)		-		5,138,120		15,890,066
Ending balance	₩	349,873,009	₩	100,061,591	₩	-	₩	711,561,946	₩	1,161,496,546

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

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31. Commitments and Contingencies

As at December 31, 2019, the Group has borrowing agreements with three Korean financial institutions, including Kookmin bank and Sunny Solution 3rd, with an aggregated credit limit up to ₩ 752,000 million. And the Group has borrowing agreements with Sumitomo Mitsui Banking Corporation, Mizuho Corporate Bank and others, with an aggregated credit limit up to JPY 43,680 million.

As at December 31, 2019, the Group has been provided with guarantees of ₩ 12,637 million from Seoul Guarantee Insurance and ₩ 7,200 million from Shinhan bank in relation to the performance and payment guarantee, respectively.

As at December 31, 2019, the Group has entered into a construction contract amounting to ₩ 403,511 million with Samsung C&T Corporation in relation to a construction of a new building for the Group and the outstanding amount of the contract is ₩ 316,654 million. Also, the Group has entered into a contract to acquire a land amounting to ₩ 51,000 million and the outstanding amount of the contract is ₩ 100 million.

As at December 31, 2019, the Group is a defendant in 27 lawsuit cases filed with regard to patent infringement and compensation for damages (aggregate amounts of cases: ₩ 14,256 million), and the Group is a plaintiff in four lawsuit cases filed with regard to compensation for damages (aggregate amount of the cases: ₩ 1,315 million). As at December 31, 2019, the Group has been notified with three examination reports on restriction on competition by the Korea Fair Trade Commission regarding a number of services provided by the Group. The outcome of these cases is uncertain as at the reporting date and the Group's management recognizes the provision in relation to the potential loss if these cases meet the condition for the recognition of the provision.

The Japanese Payment Services Act requires non-banking entities that engage in business activities involving advance payments from end users using virtual credits to secure a certain amount of money equal to the unused balance of virtual credits purchased by the end users, either by depositing or entrusting a cash reserve or government bonds with the Legal Affairs Bureau, or by concluding a guarantee contract with a financial institution. In accordance with the Japanese Payment Services Act, the Group had deposited investments in Japanese government bonds of JPY 280 million as at December 31, 2019, which are recognized as long-term financial instruments. In addition, the Group had credit guarantee contracts for JPY 33,500 million with Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank as at December 31, 2019, to comply with the Japanese Payment Services Act.

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

On December 23, 2019, the Company entered into a transaction agreement, a joint venture agreement and a capital alliance agreement with SoftBank Corp., under which the Company and SoftBank Corp., agreed for a business integration of LINE, a subsidiary of the Group, and Z-Holdings Corp., a subsidiary of SoftBank Corp. This deal is expected to be closed in October, 2020, on the following conditions:

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

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Details of significant capital commitments contracted in relation to funds owned by the Group as at December 31, 2019, are as follows:

(in thousands of Korean won)

	Agreed amount	Accumulated investment	Unexecuted amount
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	₩ 500,000,000	₩ 253,370,202	₩ 246,629,798
Mirai Fund	212,694,000	24,459,810	188,234,190
Sequoia Capital Global Growth Fund III	145,314,000	40,331,205	104,982,795
China Ventures Fund I, L.P.	222,540,000	141,751,062	80,788,938
K-Fund I	255,727,000	183,942,829	71,784,171

The Group's capital expenditures contracted but not been recognized yet as at December 31, 2019, are ₩ 11,136 million in property and equipment, ₩ 132,550 million in right-of-use assets, and ₩ 1,453 million in leases and other purchases.

As at December 31, 2019, LINE Credit, a subsidiary of the Group, has a business loan agreement with its customer that has an aggregated limit of JPY 2,191 million.

As at December 31, 2019, the Group has entered into executives and employees' group injury insurance with KB insurance.

32. Related Party Transactions

Details of subsidiaries and associates and joint ventures as at December 31, 2019 and 2018, are described in Note 1.1 and Note 14, respectively.

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

	2019	2018
Others ¹	Happybean foundation, NAVER Cultural Foundation and Connect foundation	EVERYOUNG KOREA, Happybean foundation NAVER Cultural Foundation, Connect foundation and Iscon

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

Transactions with related parties including operating revenues and operating expenses for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019	
	Operating revenues and others	Operating expenses and others
Associates		
KG Allat	₩ -	₩ 373,708
Synapsoft	-	660,137
ARO In Tech	-	787,863
Studio Horang	351,900	3,330
Bigpicture Comics	-	1,162,026
Studio JHS	-	1,041,362
YLAB Japan	-	578,020
LINE Music	17,317,614	102,986

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	2019	
	Operating revenues and others	Operating expenses and others
DEMAE-CAN (formerly, Yume no machi Souzou linkai)	2,811,453	2,489,339
Transcosmos online communications	1,983,108	4,171
LINE Mobile	17,472,161	3,945,207
Venture republic	4,012,000	881
LINE Games	1,099,290	2,142
Orpeo Sound Works	176,801	-
AXIS	47,361	413,708
Others	592,901	591,450
Joint ventures		
JobsN	894,461	2,294,216
RABBIT-LINE PAY COMPANY	3,274,753	289,311
YEOPEUL	153,400	2,437,566
Techplus (JV with Electronic Times)	-	1,606,614
Cineplay	-	1,895,688
Interbiz (JV with Dong-A)	241,443	1,872,768
YTN PLUS3	-	716,059
Schooljam (JV with EBS)	-	1,502,507
Sumlab (JV with Munhwa Ilbo)	-	1,315,054
China Lab	88,600	1,230,144
Designpress	183,029	1,447,013
Agroplus (JV with Korea Business)	104,777	1,204,387
Artitian (JV with Kyunghyang Daily News)	-	1,214,017
Animal and Human Story (JV with Hankook Ilbo)	-	1,654,875
Law and Media (JV with Money Today)	22,400	1,065,100
Others	67,860	177,664
Others¹		
Happybean foundation	1,838,020	618,672
NAVER Cultural Foundation	313,445	6,000,000
Connect foundation	2,436,541	7,000,100
EVERYOUNG KOREA ²	30,038	-
YTN PLUS ³	₩ -	₩ 100,000

¹ Although these entities are not related parties of the Group in accordance with Korean IFRS 1024, they belong to the same large enterprise group according to the Monopoly Regulation and Fair Trade Act. Transaction amounts from the time of being designated as a large enterprise group are disclosed.

² Amount transacted prior to the exclusion from the large enterprise group and the related parties during the current period are disclosed.

³ Entity were excluded from joint ventures due to the disposal of shares during the year ended December 31, 2019. Those are classified as others from the time of disposal of their shares to the time of being excluded from the same large enterprise group and the related parties.

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

¹ Although these entities are not related parties of the Group in accordance with Korean IFRS 1024, they belong to the same large enterprise group according to the Monopoly Regulation and Fair Trade Act. Transaction amounts from the time of being designated as a same large enterprise group are disclosed.

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Outstanding balances of receivables due from and payables due to related parties as at December 31, 2019 and 2018, are as follows:

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	2019			
	Receivables		Payables	
	Trade receivables	Other receivables and others	Other payables	Accrued expenses and others
Associates				
KG Allat	₩ 51,162	₩ 3,179	₩ -	₩ -
Synapsoft	-	-	220,000	-
ARO In Tech	-	-	82,555	-
FOLIO Holdings	48,941	-	-	-
Bigpicture Comics	-	-	97,439	-
Studio JHS	-	-	59,607	-
AXIS	-	1,436,069	-	-
LINE Music	2,353,111	470,621	4,192,841	-
DEMAE-CAN (formerly, Yume no machi Souzou linkai)	-	-	521,529	-
Transcosmos online communications	740,872	3,189	-	-
Line Mobile	2,422,831	367,570	768,165	36,093
Venture republic	512,869	-	1,406	-
LINE Games	55,257	17,086	-	-
iPASS	247,879	128,680	63,917	-
Others	66,993	395,696	53,285	-
Joint ventures				
China Lab	4,400	-	340,175	-
JobsN	117,921	-	27,831	-
Designpress	30,800	-	148,313	-
Interbiz (JV with Dong-A)	50,600	-	152,962	-
Agroplus (JV with Korea Business)	8,800	200	106,403	-
Sumlab (JV with Munhwa Ilbo)	-	-	124,647	-
Techplus (JV with Electronic Times)	-	-	223,682	-
Lantu Games	-	1,246,662	-	-
RABBIT-LINE PAY COMPANY	323,786	529,401	179,993	-
Others	41,500	-	520,394	5,646
Others¹				
Happybean foundation	144,587	102,547	907,255	-
NAVER Cultural Foundation	36,279	-	-	-
Connect foundation	344,469	2,408	647	37,014
Others	4,309	-	-	-

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

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	2018			
	Receivables		Payables	
	Trade receivables	Other receivables and others	Other payables	Accrued expenses and others
Associates				
Synapsoft	₩ -	₩ -	₩ 1,220,000	₩ -
AXIS	-	806,150	-	-
LINE Music	2,471,430	447,832	3,024,936	-
DEMAE-CAN (formerly, Yume no machi Souzou linkai)	354,040	-	3,142,080	342,886
Transcosmos online communications	182,825	-	-	-
LINE Mobile	1,254,238	266,057	275,278	110,043
Orpeo Sound Works	22	-	176,800	-
iPASS	946,157	48,724	2,319,191	-
Others	167,877	13,980	304,924	13,921
Joint ventures				
YTN PLUS	-	-	178,767	-
China Lab	7,700	-	372,430	-
JobsN	267,521	-	63,965	-
Sumlab (JV with Munhwa Ilbo)	-	-	230,547	-
Techplus (JV with Electronic Times)	-	-	265,475	-
Lantu Games	-	1,152,342	-	-
RABBIT-LINE PAY COMPANY	927,659	238,562	195,978	-
Others	117,700	-	235,197	-
Others¹				
Happybean foundation	109,871	8,931	934,503	-
NAVER Cultural Foundation	22,103	-	-	-
Connect foundation	447,933	147	-	-

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

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

Fund transactions with related parties for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

Type	Name of entity	2019		
		Contributions in cash	Dividends received and others	Loans
	Mirae Asset-NAVER New Growth Fund 1	₩ 20,000,000	₩ -	₩ -
	K-Fund I	72,380,103	5,164,393	-
	Laiqu Technology (Shenzhen)	865,999	-	-
	LINE Mobile	30,460,794	-	-
	MiraeAsset-Naver Asia Growth Fund	31,275,000	-	-
	MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	124,230,514	-	-
	China Ventures Fund I. L.P	138,384,629	-	-
	JQ Comics	350,325	-	-
Associates	ZK Studio	400,000	-	-
	Soo COMICS	400,000	-	-
	PT. Bank KEB HANA Indonesia	159,175,419	-	-
	Connection Labs Ltd	2,982,980	-	-
	Future Creation NAVER Stonebridge Early Stage Start-up Fund	-	544,000	-
	ARO In Tech	-	6,800	-
	AXIS	-	-	600,000
	Future Creation NAVER-SB Startup Investment Fund	-	3,618,209	-
	MiraeAsset MAPS Private Placement Real Estate 62	-	6,590,669	-
Joint Ventures	Lantu Games	2,386,200	-	-
	Kasikom LINE	38,427,011	-	-

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Type	Name of entity	2018		
		Contributions in cash	Dividends received and others	Loans
	DIGITAL MEDIA PARTNERS II	₩ 88,986	₩ -	₩ -
	FOLIO	56,829,616	-	-
	iPASS	12,433,800	-	-
	Kasikom LINE	3,111,256	-	-
Associates	K-Fund I	82,980,787	-	-
	Laiqu Technology (Shenzhen)	678,157	-	-
	LINE Music	11,927,760	-	-
	MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	78,606,768	-	-
	NAVER-Suprema Youth Foundation No.5 Investment Fund	1,500,000	220,379	-
	Ventur republic	16,764,774	-	-
	YLAB Japan	350,278	-	-
	Nano Interactive	174,236	-	-
	NAVER KIP Cheer up! Gamers Fund	-	500,000	-
	Rock Square	1,500,120	-	-
	MiraeAsset-Naver Asia Growth Fund	19,665,103	-	-
	Mirae Asset-NAVER New Growth Fund 1	-	999,824	-
	MiraeAsset MAPS Private Placement Real Estate 62	196,330,551	6,593,313	-
	Future Creation NAVER-SB Startup Investment Fund	-	1,707,292	-
Associates	BonAngels Pacemaker Fund	-	750,000	-
	Bravepops	648,294	-	-
	Bigpicture Comics	700,033	-	-
	Studio JHS	700,033	-	-
	SINAMON Games	1,979	-	-
	ARO In Tech	-	4,800	-
	AXIS	3,000,000	-	800,000
	Korea Contents Mutual Aid Association	4,000,000	-	-
	LENSA, LTD	966,221	-	-
	China Ventures Fund I. L.P	3,330,600	-	-
Joint Ventures	Lantu Games	2,238,500	-	1,112,700
	DANAA Data	4,866,664	-	-

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There is no payment guarantees provided by the Group to the related parties as at December 31, 2019.

The compensation paid or payable to key management (executive directors) for their services for the years ended December 31, 2019 and 2018, consists of:

(in thousands of Korean won)

	2019		2018	
Short-term employee benefits	₩	4,880,000	₩	2,298,000
Post-employment benefits		1,049,648		261,932
Other long-term benefits		708,390		1,647,212
Share-based payment expenses		150,673		-

33. Business Combination

On December 31, 2019, the Group acquired 81.2% shares of JDW Co., Ltd. The goodwill arising from the acquisition is attributable to the acquisition of the taxi platform in Taiwan. Goodwill recognized will not be deductible for tax purposes.

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

(in thousands of Korean won)

	Amount	
Consideration		
Cash and cash equivalents	₩	4,295,430
Non-controlling interest ¹		(474,386)
Recognized amounts of identifiable assets acquired and liabilities assumed ²		
Assets		
Cash and cash equivalents		267,619
Trade and other receivables		458,923
Right-of-use assets		80,830
Other assets		18,826
		826,198
Liabilities		
Trade and other payables		338,895
Short-term borrowings		2,905,240
Other liabilities		430,757
		3,674,892
Total identifiable net assets		(2,848,694)
Goodwill	₩	6,669,738

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

² The Group was not able to complete the assessment of fair values of identifiable intangible assets and others by the end of December 31, 2019. Therefore, the provisional amounts have been recognized and these may be adjusted in accordance with the final assessment.

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On December 31, 2019, the Group acquired 51.71% shares of V.DO. The goodwill arising from the acquisition is attributable to the synergy of the deep-learning technology related to development of a natural language-based video search solution. Goodwill recognized will not be deductible for tax purposes.

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

(in thousands of Korean won)

	Amount
Consideration	
Cash and cash equivalents	₩ 1,613,589
Fair value of equity held before the business combination	1,091,400
Non-controlling interest ¹	-
Recognized amounts of identifiable assets acquired and liabilities assumed ²	
Assets	
Cash and cash equivalents	127,756
Trade and other receivables	55,101
Other assets	8,040
	190,897
Liabilities	
Trade and other payables	123,511
Other liabilities	15,827
	139,338
Total identifiable net assets	51,559
Goodwill	₩ 1,562,030

¹ The Group is currently determined to have an access to risks and benefits arising from all remaining interests. Accordingly, the Group decided the allocation distribution ratio to the non-controlling interest.

² The Group was not able to complete the assessment of fair values of identifiable intangible assets and others by the end of December 31, 2019. Therefore, the provisional amounts have been recognized and these may be adjusted in accordance with the final assessment.

34. Operating Segment Information

The chief operating decision-maker of the Group is the Board of Directors who makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis. Accordingly, the Group have determined that they have a single reportable segment and operating segment structure. Operating information by service types is reported to the chief operating decision-maker and such reported segment information does not differ from the amount reported in the consolidated statements of comprehensive income.

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Operating revenues by service types for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
	Operating revenues	Ratio (%)	Operating revenues	Ratio (%)
Advertisement ¹	₩ 633,310,139	9.60	₩ 573,044,332	10.26
Business Platform ²	2,851,024,286	43.24	2,475,784,054	44.31
IT Platform ³	457,454,765	6.94	355,824,705	6.37
Contents Service ⁴	209,479,643	3.18	125,780,230	2.25
LINE & Other Platforms ⁵	2,442,131,232	37.04	2,056,471,212	36.81
	₩ 6,593,400,065	100.00	₩ 5,586,904,533	100.00

¹ DA, Shopping DA, NAVER TV Video Ads, Band DA and others (CPM)

² Search, Shopping Search and others (CPC/CPS)

³ NAVER Pay, IT Services, Cloud, WORKS and others

⁴ NAVER Music, Webtoon, V LIVE and others

⁵ LINE, SNOW and others

Revenue from external customers by region for the year ended December 31, 2019 and 2018, and noncurrent assets as at December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	Revenue from external customers		Non-current assets ¹	
	2019	2018	2019	2018
Domestic	₩ 4,284,732,398	₩ 3,720,179,900	₩ 2,518,702,653	₩ 1,924,694,854
Japan	1,944,095,425	1,614,411,227	913,544,202	526,047,919
Others	364,572,242	252,313,406	788,730,579	345,497,352
	₩ 6,593,400,065	₩ 5,586,904,533	₩ 4,220,977,434	₩ 2,796,240,125

¹ Excludes financial instruments and deferred tax assets.

The revenue from contracts with customers by category for the years ended December 31, 2019 and 2018, is as follows:

(in thousands of Korean won)

	2019	2018
By timing of revenue recognition		
Recognized at a point in time	₩ 3,285,220,662	₩ 2,766,711,952
Recognized over time	3,308,179,403	2,820,192,581
	₩ 6,593,400,065	₩ 5,586,904,533

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35. Discontinued Operation

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

Profit (loss) from discontinued operations for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Operating revenues	₩	-	₩	-
Operating expenses		(134)		(60,494)
Operating loss		(134)		(60,494)
Other income		54,943		4,858,086
Other expenses		(2,888,589)		(151,766)
Finance income		-		51,117
Finance costs		-		(14,176)
Profit (loss) before income tax		(2,833,780)		4,682,767
Income tax expense (income)		755,438		303,230
Profit (loss) for the year from discontinued operations	₩	(3,589,218)	₩	4,985,997

Summarized cash flows from discontinued operations for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019		2018	
Cash flows from operating activities	₩	(133)	₩	174,297
Cash flows from investing activities		-		-
Cash flows from financing activities		-		(3,477,810)
Effects of exchange rate changes on cash and cash equivalents		75,855		14,430
Net cash inflow (outflow)	₩	75,722	₩	(3,289,083)

36. Information for Non-controlling Interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2019 and 2018:

(in thousands of Korean won)

	2019						
	Noncontrolling interest rate (%)	Accumulated non-controlling interests at the beginning of the year	Changes in non-controlling interests by share issuance of subsidiaries	Loss allocated to noncontrolling interests	Other comprehensive income allocated to non-controlling interests	Others	Accumulated non-controlling interests at the end of the year
LINE	26.93	₩ 630,602,673	₩ 66,203,653	₩ (147,298,420)	₩ 2,240,302	₩ 17,518,620	₩ 569,266,828

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	2018						
	Noncontrolling interest rate (%)	Accumulated non-controlling interests at the beginning of the year	Changes in non-controlling interests by share issuance of subsidiaries	Loss allocated to noncontrolling interests	Other comprehensive income allocated to non-controlling interests	Others	Accumulated non-controlling interests at the end of the year
LINE	26.64	₩ 531,279,176	₩ 96,437,838	₩ (15,278,324)	₩ (16,188,375)	₩ 4,352,358	₩ 630,602,673

Effects of transactions with non-controlling interests on the equity attributable to owners of the Parent Company for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of Korean won)

	2019	2018
Changes in interest in subsidiaries that do not result in loss of control ¹	₩ 36,319,314	₩ 7,378,776
Net effect on the Parent Company's equity	₩ 36,319,314	₩ 7,378,776

¹ During the year, the Group recognized additional 0.29% of non-controlling interests due to shares issuance from exercised stock option of LINE, a subsidiary of the Group. Additionally, non-controlling interests of LINE Securities Preparatory and LINE Credit were increased by 35.95% and 35.97%, respectively, due to issuance of shares in those subsidiaries.

Set out below is the summary of financial information of LINE, a subsidiary of the Group, which noncontrolling interests are material to the Group. The amounts disclosed for the subsidiary are before intercompany eliminations:

(1) Consolidated statements of financial position

(in thousands of Korean won)

	2019	2018
Current assets	₩ 3,144,053,343	₩ 3,298,042,745
Non-current assets	2,613,062,772	1,631,959,421
Current liabilities	1,719,194,967	1,248,501,187
Non-current liabilities	2,180,432,541	1,568,878,835
Equity	₩ 1,857,488,606	₩ 2,112,622,145

(2) Consolidated statements of comprehensive income

(in thousands of Korean won)

	2019	2018
Revenue	₩ 2,466,842,916	₩ 2,343,516,401
Net loss	(549,793,648)	(57,691,216)
Other comprehensive income (loss)	8,361,962	(61,127,589)
Total comprehensive loss	₩ (541,431,686)	₩ (118,818,805)

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(3) Consolidated statements of cash flows

(in thousands of Korean won)

	2019		2018	
Cash flows from operating activities	₩	(33,201,908)	₩	90,859,681
Cash flows from investing activities		(461,223,149)		(526,751,082)
Cash flows from financing activities		65,355,897		1,776,963,161
Effects of exchange rate changes on cash and cash equivalents		136,818,332		89,421,033
Net increase (decrease) in cash and cash equivalents		(292,250,828)		1,430,492,793
Cash and cash equivalents at the beginning of the year		2,603,649,700		1,173,156,907
Cash and cash equivalents at the end of the year	₩	2,311,398,872	₩	2,603,649,700

37. Changes in Accounting Policies**(a) Adoption of Korean IFRS 1116 Leases**

As explained in Note 2.2.1, the Group has adopted Korean IFRS 1116, retrospectively, from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new lease standards are, therefore, recognized in the consolidated statement of financial position on January 1, 2019.

(b) Adjustments recognized on adoption of Korean IFRS 1116 Leases

On adoption of Korean IFRS 1116, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Korean IFRS 1017. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019, was 2.18%.

For leases previously classified as 'finance leases', the Group recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of Korean IFRS 1116 are only applied after that date. The remeasurements to the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application.

(in thousands of Korean won)

	2019	
Operating lease commitments disclosed as at December 31, 2018	₩	563,609,922
Discounted using the lessee's incremental borrowing rate as at the date of initial application		496,307,468
Less: short-term and low-value leases not recognized as a liability		(5,714,149)
Add: contracts reassessed as lease contracts		536,425
Add: adjustments as a result of a different treatment of extension and termination options		63,647,696
Add: including non-lease components (administrative expenses and others)		51,564,329
Lease liability recognized as at January 1, 2019		606,341,769
Of which are:		131,737,323
Current lease liabilities		474,604,446
Non-current lease liabilities	₩	606,341,769

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The change in accounting policy affected the following items in the consolidated statement of financial position on January 1, 2019:

- right-of-use assets: increased by ₩ 588,309 million
- lease receivables: increased by ₩ 274 million
- deferred tax assets: increased by ₩ 123 million
- lease liabilities: increased by ₩ 606,342 million
- trade and other payables: decreased by ₩ 17,363 million

The net impact on retained earnings on January 1, 2019, was a decrease of ₩ 272 million.

(c) Practical expedients applied

In applying Korean IFRS 1116 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Impairment review of right-of-use assets by reliance on previous assessments on whether leases are onerous contracts;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019, as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

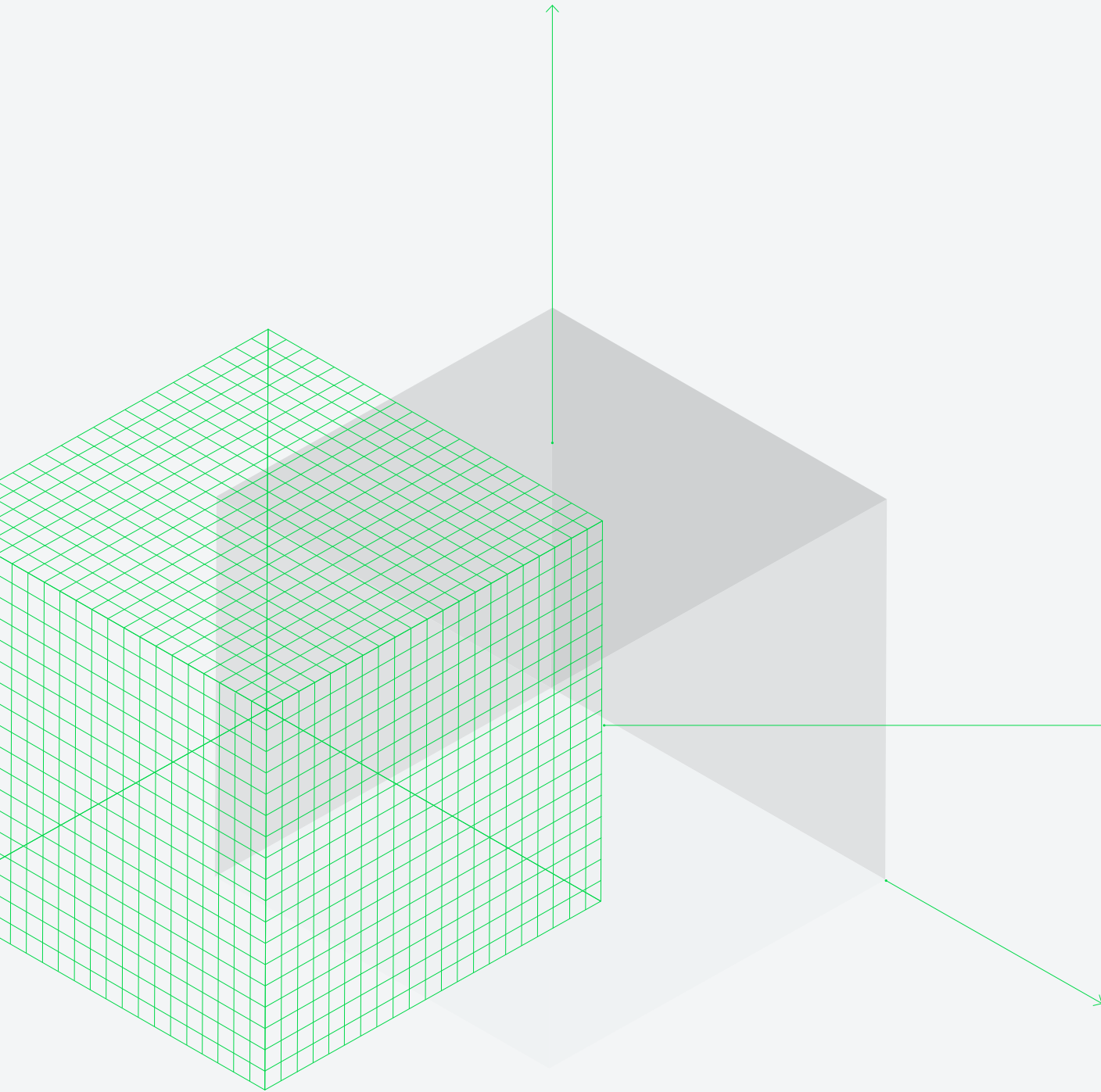
The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying Korean IFRS 1017 and Interpretation 2104 Determining whether an Arrangement contains a Lease.

38. Events after the Reporting Period

According to the resolution of the Board of Directors on January 29, 2020, the Group acquired 83,000 shares of treasury shares after the reporting period, and retired a total of 550,000 shares of treasury shares, which is a sum of 467,000 shares of treasury shares outstanding as at December 31, 2019, and those newly acquired after the reporting period.

With the resolution of the Board of Directors on January 29, 2020, the Group increased the amount of credit limit of borrowings from financial institutions by ₩ 334,000 million for the purpose of securing liquidity.

On January 15, 2020, NAVER Financial, a subsidiary of the Group, increased its capital through the third party allotment in which 214,477 ordinary shares and 214,094 convertible preferred shares were issued at ₩ 1,865,000 per share through Mirae Asset Daewoo Co., Ltd. and three other financial institutions.



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Subsidiaries

Largest Shareholder

Subsidiaries / Ownership interest held by the Group (%)¹⁾
 The number of our subsidiaries for consolidated reporting was 121 as of the end of December 2019.

NAVER

NAVER Business Platform / 100.0
 Online information distribution business

NAVER I&S / 100.0
 Business support, workforce supply, employee dispatch, and software development

LINE²⁾ / 73.1
 Mobile service development

NAVER China / 100.0
 Software development and distribution

Search Solutions / 100.0
 Software development and distribution

N-Visions / 100.0
 Exhibition and performance planning business

Works Mobile / 100.0
 Applied software development and distribution

V Live Inc. / 100.0
 Mobile service development

SNOW / 100.0
 Software development and distribution

SB Next Media Innovation Fund / 96.3
 Investment

NAVER Labs / 100.0
 Information services and electrical equipment manufacturing

NAVER Webtoon / 100.0
 Software development and distribution

NAVER France / 100.0
 Investment and information services

Company AI / 73.9
 Software development and distribution

Drama & Company / 81.4
 Software development and distribution

NAVER-KTB Audio Contents Fund / 99.0
 Investment

SpringCamp Early Stage Fund 1 / 100.0
 Investment

Camp Mobile Inc. / 100.0
 Mobile service operations

NAVER J.Hub / 100.0
 Real estate

TBT Global Growth Fund I / 89.9
 Investment

Audiensori / 100.0
 Software development and distribution

NAVER VIETNAM COMPANY LIMITED / 100.0
 Mobile service operations

NAVER Financial / 100.0
 Digital finance

NAVER Business Platform

NAVER Business Platform Asia Pacific / 100.0
 IT infrastructure operations

NAVER Business Platform America / 100.0
 IT infrastructure operations

NAVER Business Platform Europe / 100.0
 IT infrastructure operations

NAVER Business Platform Japan / 100.0
 IT infrastructure operations

NAVER I&S

Incomms / 100.0
 Other contract services

Greenweb Service / 100.0
 Other contract services

N Tech Service (formerly NHN Technology Service) / 100.0
 Software consulting, development and distribution

NIT Service / 100.0
 Software development and consulting

CommPartners / 100.0
 Portal and other Internet services, call center and telemarketing services

Works Mobile

Works Mobile Japan / 100.0
 Mobile service operations

NAVER Webtoon

WEBTOON Entertainment / 100.0
 Mobile service development

Watong Entertainment / 100.0
 Mobile service operations

Lico / 100.0
 Online information distribution

Studio N / 100.0
 Film production and distribution

V.DO / 51.7
 Software development and distribution

Watong Entertainment

Broccoli Entertainment / 100.0
 Mobile service operations

Dongman Entertainment / 100.0
 Mobile service operations

SNOW

SNOW China / 73.4
 Mobile service operations

SNOW Japan / 100.0
 Mobile service operations

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SNOW Inc. / 100.0
Mobile service operations

Spring Camp / 100.0
Investment

Amuse / 100.0
Cosmetics manufacturing, distribution and sales

HEART IT / 100.0
Mobile service development

SNOW Vietnam / 99.0
Mobile service operations

NAVER Webtoon & SNOW

Playlist / 84.2
Information and communication service

Semicolon Studio / 100.0
Information and communication service

SNOW China

SNOW China (Beijing) / 100.0
Mobile service operations

Xiaying Entertainment / 100.0
Mobile service operations

SNOW China (Beijing)

Yiruike Information Technology (Beijing) / 100.0
Mobile service operations

Xiaying Entertainment

Shine Interactive / 100.0
Mobile service operations

NAVER J.Hub

Mirai Fund LLP / 100.0
Investment

Mirai Fund LLP

Mission World Group / 59.1
Software development and distribution

Mission World Group

CHOCO Media / 100.0
Mobile service operations

LINE Plus

LINE PLAY / 100.0
Software development

LINE Euro-Americas / 100.0
Mobile service marketing

LINE Taiwan / 100.0
Mobile service operations

LINE Company (Thailand) / 50.0
Mobile service operations

LINE Digital Technology (Shanghai) / 100.0
Mobile service marketing

PT.LINE PLUS INDONESIA / 100.0
Mobile service operations

LINE Up / 100.0
Mobile game software development and distribution

LINE Studio / 100.0
Mobile game software development and distribution

Nemustech / 100.0
Software development

GrayHash / 58.5
Software development

Drama & Company

myBridge / 100.0
Mobile service operations

LINE Taiwan

SHINEWANT TECHNOLOGY / 100.0
Internet information service

JDW / 81.2
Internet information service

JDW

JDW Taxi / 62.5
Internet information service

LINE

LINE Plus / 100.0
Portal and Internet services

LINE Fukuoka / 100.0
Mobile service operations

LINE SOUTHEAST ASIA (formerly LINE BIZ+) / 100.0
Mobile billing planning and development

LINE Ventures / 100.0
Investment

Gatebox / 55.1
Mobile service development

LINE TICKET / 51.0
Internet information service

Next Library / 100.0
Internet information service

Five / 100.0
Mobile advertising service

LFG HOLDINGS / 100.0
Character and doll wholesale and retail

LINE Pay / 100.0
Mobile billing planning and development

LINE Financial / 100.0
Financial business

LINE Digital Frontier / 100.0
Software development and distribution

LINE Growth Technology / 100.0
Mobile service development

LINE Ventures Global Limited Liability Partnership / 100.0
Financial business

LINE Ventures Japan Limited Liability Partnership / 100.0
Financial business

LVC / 100.0
Financial business

LINE Conomi / 100.0
Software development and distribution

LINE Business Support / 100.0
Business support and workforce supply

LINE Healthcare / 51.0
Internet information service

LDI / 100.0
Internet information service

LINE Split Preparation / 100.0
Mobile service development

LINE TECHNOLOGY VIETNAM / 100.0
Mobile service operations

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IR Information

LINE VIETNAM JOINT STOCK COMPANY / 99.1

Online information distribution business

LINE MAN Corporation / 100.0

Information and communication service

LINE MAN Corporation

LINE Man (THAILAND) Company / 100.0

Information and communication service

LINE Ventures

LINE Investment Technologies Corporation / 100.0

Investment

LINE Digital Frontier

LINE Book Distribution³⁾ / 52.0

Mobile service development

LFG HOLDINGS

LINE Friends⁴⁾ / 100.0

Character and doll wholesale and retail

LINE Friends Japan⁴⁾ / 100.0

Character and doll wholesale and retail

LINE Friends⁴⁾ / 100.0

Character and doll wholesale and retail

LINE Friends (Shanghai) Commercial Trade⁴⁾ / 100.0

Character and doll wholesale and retail

LINE Friends Taiwan Limited / 100.0

Character and doll wholesale and retail

LINE Taiwan

SHINEWANT TECHNOLOGY / 100.0

Internet information service

LINE Pay

Webpay Holdings / 100.0

Mobile billing planning and development

LINE BIZ+ / 100.0

Software development and distribution

BALIE / 100.0

Searching advertising service business

LINE BIZ+ Taiwan / 70.0

Mobile billing planning and development

LINE Pay hokkaido Corporation / 100.0

Digital finance

Webpay Holdings

Webpay / 100.0

Mobile billing planning and development

LINE Friends

Markt / 51.0

Software development and wholesale and retail

LINE Digital Technology (Shanghai)

Beijing Wangzhongwenda Technology / 100.0

Mobile service operations

LINE Financial

LINE Financial Plus / 100.0

Financial business

LINE Credit / 100.0

Financial business

LINE Securities / 100.0

Financial business

LINE Financial Asia / 100.0

Financial business

LINE Bank Preparatory / 51.0

Financial business

LINE Financial Asia

LINE Financial Taiwan⁵⁾ / 100.0

Financial business

LVC

LVC USA / 100.0

Financial business

LINE TECH PLUS / 100.0

Financial business

Unblock Ventures / 100.0

Financial business

Unblock / 100.0

Software development and distribution

Unchain / 51.0

Software development and distribution

¹⁾ Ownership interest held by the Group represents the aggregate ownership held by subsidiary companies

²⁾ The ownership of the Group decreased due to issuance of shares arising from the exercise of stock options

³⁾ Shares held by LINE were transferred to LINE Digital Frontier

⁴⁾ Shares held by LINE and LINE Friends were transferred to LFG Holdings

⁵⁾ Shares held by LINE Financial were transferred to LINE Financial Asia

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Awards & Accolades

- 2000. 02.** Awarded for Excellence in the field of Digital Information Technology (Hankyoreh Daily)
- 05.** NAVER was selected as Korea's top search portal by Korea Management Association Consulting (KMAC)
- 12.** Awarded the Internet Grand Prize for Top Search Portal (Chosun Ilbo)
- 2001. 06.** Awarded the Internet Grand Prix of Entertainment Award (New Business Management)
- 2002. 05.** Won the 1st place for The Best Web Awards, Game Division for 3 years in a row (KMAC)
- 10.** Awarded for excellence in privacy protection by the Korea Association of Information and Telecommunication (KAIT)
- 12.** Certified as a model company using genuine software (Software Database Certification)
- 12.** Awarded the Grand Prize for Best Internet Company of Year (Korea Internet Corporations Association, Journalist Association of Korea)
- 2003. 03.** NAVER ranked No.1 among search portals by National Customers Satisfaction Index (NCSI)
- 07.** Awarded the Grand Prize among 2003 Korean Technology Fast 50 (Deloitte Consulting)
- 08.** Ranked No.1 search portal in the Korea Service-Quality Index (Korean Standards Association)
- 12.** NAVER's "Knowledge-in" service was selected as one of the Hits of the Year (Samsung Economic Research Institute, Joongang Ilbo)
- 12.** Received Presidential Award for Contribution to the Advancement of Korean Software Industry
- 2004. 08.** Ranked No.1 search portal in the Korea Service-Quality Index (Korean Standards Association)
- 12.** Awarded Gold Prize in the Web Award Korea 2004, Game Division (Web Award Committee)
- 2005. 03.** Awarded Namoo Prize, "I-People Award" (joins.com)
- 06.** Awarded the Grand Prize for Best Internet Company of the year (New Business Management)
- 06.** Named as Korean Brand Star, Portal Division (Brand Stock)
- 09.** Ranked No.1 search portal in the Korea Service-Quality Index for three years in a row (Korean Standards Association)
- 10.** Awarded "CEO Who Brightens Korea", Talent Management Division (Korea Economy, Seoul National University Academics and Industry Cooperation Foundation)
- 11.** Won Grand Prize in the Korean IR Awards (Korea IR Association)
- 12.** Received the Grand Prize in the IMI Management Award, Social Contribution Category (IMI)
- 12.** Selected as the Internet Company of the Year, Portal Category (Korea Internet Corporations Association)
- 2006. 06.** Awarded the Best KOSDAQ Listed Company Award (KOSDAQ Listed Companies Association)
- 06.** Acquired "Good Design" mark for the first time in the industry (Korea Institute of Design Promotion)
- 09.** Ranked No.1 search portal in the Korea Service-Quality Index for four years in a row (Korean Standards Association)
- 10.** Hangame won the 1st place in the National Brand Competitive Index (NBCI), Game Portal Division for two years in a row (Korea Productivity Center)
- 2007. 04.** NHN received the Presidential Citation in the Award for Excellence in Gender Equality Employment (Ministry of Labor)
- 11.** Awarded Presidential Prize in the Korea Internet Awards (Ministry of the Interior)
- 11.** Awarded Grand Prize in the Korean IR Awards (Korea IR Association)
- 12.** Selected as the Technology Fast 500 Asia Pacific for fifth consecutive year (Deloitte Consulting)
- 12.** Awarded Innovation Grand Prize in the Web Award Korea 2007 (Web Award Committee)
- 12.** Awarded 1st Prize for Cyberethics Index Evaluation, Portal Division (Government Youth Commission)
- 2008. 02.** NHN was named the 60 CMT Shareholder Performance Index (Oliver Wyman)
- 02.** NHN was named the Korea's Most Admired Companies 2008, All-Star 3 (Korean Management Association Consulting)
- 03.** NHN ranked top in the National Customers Satisfaction Index (NCSI), Search Portal Service Division for three years in a row (Korea Productivity Center)
- 04.** NHN named the Global 2000 (Forbes)
- 09.** NHN named the Asia50 (Businessweek)
- 11.** NHN awarded the 1st prize for 2008 Korea Design Awards, InDesign Management Division (Ministry of Knowledge Economy, Korea Institute of Design Promotion)
- 12.** NHN ranked the 5th in the 2008 Most Profitable Companies in Internet Service (Newsweek)
- 2009. 04.** Hangame ranked 2nd place in web board games (Korea Productivity Center)
- 04.** NHN ranked top in the National Customers Satisfaction Index (NCSI), Search Portal Service Division for four years in a row (Korea Productivity Center)
- 06.** Awarded the Best Venture Business with Highest Sales in 2009 among venture businesses with sales of KRW 100 billion (Korea Venture Business Association)
- 10.** Ranked No.1 search portal in the Korea Service-Quality Index for six years in a row (Korean Standards Association)
- 11.** Ranked 1st place in the 2009 Korean Customer Satisfaction Index for seven years in a row (Korea Management Association)
- 11.** NAVER ranked no.5 among worldwide search portals (Comscore)
- 12.** NHN awarded grand prize in mobile web & media/information service category (Web Award Korea)
- 12.** C9 awarded grand prize at 2009 Game Awards Korea (Ministry of Culture, Sports and Tourism)
- 12.** NHN listed in the 50 promising Asia-Pacific companies 2009 (Forbes)
- 12.** Ranked 3rd in the 2009 Top 100 Brands of Korea (Brandstock)
- 12.** NHN awarded the 2009 Korea Sharing and Volunteer Awards (Hankook Daily News)
- 12.** NHN received the Minister's Award in the Library Donation Category (Ministry of Culture, Sports and Tourism)
- 2010. 04.** NHN ranked top in the National Customers Satisfaction Index (NCSI), Search Portal Service Division for five years in a row (Korea Productivity Center)
- 06.** NAVER Hangeul campaign "Hangeul, beauty in every letter" won PR Silver Lions at Cannes Lions International Advertising Festival
- 08.** Annual report received gold prize in Internet service, publication/production category and bronze prize in design category (Annual Report Competition 2010 Awards)
- 08.** NHN won five awards for Brand Design (Red Dot Award)

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- 08.** Won nine design awards including NAVER greenwindow, Dialogue in the dark intro clip (iF Design Award)
- 12.** NAVER listed in Top 10 TechCompanies representing Asia (Business Insider)
- 12.** Won 15 awards include mobile web & media/information service category (Web Award Korea)
- 2011. 04.** NHN ranked top in the National Customers Satisfaction Index (NCSI), Search Portal Service Division for six years in a row (Korea Productivity Center)
- 07.** NHN awarded The Best Venture Business with Highest Sales in 2011 (Small & Medium Business Administration, Korea Venture Business Association)
- 08.** Annual report received gold prize in Internet service and picture, silver for publishing, and bronze for design (Annual Report Competition 2011 Awards)
- 10.** Green Factory received the Excellence Award in the Korean Architecture Award 2011
- 11.** NAVER App Square and Photo printing package awarded in the Communication Category of iF Design Award
- 12.** NHN received the Grand Award for 2011 Information Protection (Korea Communications Commission, Korea Intranet & Security Agency)
- 2012. 04.** NHN ranked top in the National Customers Satisfaction Index (NCSI), Search Portal Service Division for seven years in a row (Korea Productivity Center)
- 06.** NAVER App Square, NHN Next Identity awarded by Red Dot Award
- 07.** NAVER Real Estate App, NHN Diary package awarded in four categories by IDEA
- 10.** NHN received the Presidential Citation in the Group Category, 2012 Digital Geo EXPO (Ministry of Land, Transport and Maritime Affairs)
- 12.** NAVER Music awarded the Best Korea TV app. in Daily Life (Korea Communication Commission)
- 12.** NHN received the Excellence Award in the non-manufacturing category (Citizens' Coalition for Economic Justice)
- 12.** NHN won seven design awards including for NHN NEXT identity and LINE (iF Design Award)
- 2013. 04.** NHN ranked top in the National Customers Satisfaction Index (NCSI), Search Portal Service Division for eight years in a row (Korea Productivity Center)
- 2014. 02.** Received the Lifetime Achievement Award (Korean Bar Association)
- 02.** Won four design awards including for IDC "Gak" (iF Design Award)
- 04.** Received the Minister's Award for Excellence in Employment (Ministry of Labor)
- 05.** Received the Presidential Citation in the 2014 Award for Excellence in Gender Equality Employment (Ministry of Labor)
- 07.** Won six design awards including for NAVER Hangeul Campaign (IDEA)
- 08.** Won five design awards including the Best of the Best for NAVER SDF Data Square (Red Dot Award)
- 10.** NAVER Green Factory achieved the world's best score (LEED Platinum)
- 12.** Won Gold Prize in donation for education, company section (Ministry of Education)
- 12.** Received the Lifetime Achievement Award for promoting software industry (Ministry of Science, ICT and Future Planning)
- 2015. 01.** LINE Friends awarded Best Property prizes (LIMA and ALA)
- 02.** Won eight design awards, including for NAVER Library and TOSS (iF Design Award)
- 02.** LINE awarded the Best International Startup (Crunchies Award)
- 08.** Won five design awards, including the Best of the Best for NAVER Subway map in the social responsibility field (Red Dot Award)
- 08.** Won two design awards, including the Best of the Best for B612, a selfie app of LINE in the communication design field (Red Dot Award)
- 08.** NAVER Service History Wall at Connect One won gold prize in digital design area (IDEA)
- 09.** Received the Minister's Award for win-win challenge between agriculture and business (Ministry of Agriculture, Food and Rural Affairs)
- 11.** Received the Minister's Award for using genuine software (Ministry of Science, ICT & Future Planning)
- 2016. 01.** NAVER ranked top in the National Customers Satisfaction Index (NCSI), Search Portal Service Division for 10 years in a row (Korea Productivity Center)
- 08.** Nominated as The World Most Innovative Companies' for third consecutive year (Forbes)
- 10.** Ranked 1st in the Korean Customer Satisfaction Index for 13 consecutive years (Korea Management Association)
- 10.** Received the Presidential Citation in the 38th Korea Energy Efficiency Awards (Ministry of the Interior)
- 2017. 03.** NAVER ranked top in the National Customers Satisfaction Index (NCSI), Search Portal Service Division for 11 years in a row (Korea Productivity Center)
- 05.** Ranked Best company of management (CEO SCORE)
- 11.** Data Center "GAK" granted as Energy Champion Company
- 2018. 06.** Chosen as Best in the Win-Win Index Evaluation for two years in a row (National Commission for Corporate Partnership)
- 08.** Papago, Whale and NAVER Maps received awards in the Communication Category in the Red Dot Award
- 09.** LICO received the Grand Prize in the New Media Content category at BCWW2018 for its web animation "A Day Before Us"
- 10.** Received awards for six types of products, including Clova Friends, in four categories (IDEA)
- Chosen as sixth place by FORTUNE in The Future 50 (FORTUNE)
- 11.** NAVER-NAVER Labs received awards for four products at the CES 2019 Innovation Award
- NAVER Business Platform received the Minister's Award at the Grand Cloud Conference (Ministry of Science and ICT) (Commendation from the Minister for merit in developing the cloud industry)
- 2019. 02.** Won six design awards (iF Design Award)
- V LIVE original live format received an award in the Music Category (Media Excellence Awards)
- 06.** Chosen as the Best for three years in a row in the Win-Win Index Evaluation, and was the first in the Internet platform business to be named the Best Honorary Company (National Commission for Corporate Partnership)
- 09.** Chosen as Korea's Best Job (Ministry of Employment and Labor)
- 10.** Received an appreciation plaque in the 2019 Korea Small Business Contest
- Six products, including LINE WORKS and Clova Clock, received Japan's Good Design Award
- 11.** Received the Presidential Citation in the Voluntary Win-Win Cooperation category at the Win-Win Week Ceremony (Ministry of SMEs and Startups, National Commission for Corporate Partnership)
- 12.** Received the Best Company Award in the Win-Win Index Evaluation for three years in a row in the Korea Win-Win Awards (National Commission for Corporate Partnership)
- 2020. 02.** Won three design awards (iF Design Award)

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- 1999 06.** Established Navercom; and launched search portal “NAVER”
- 06.** Launched children’s portal “Jr.NAVER”
- 12.** Launched game portal “Hangame”

- 2000 07.** Merged Hangame Communications and One-Cue; and acquired Search Solutions
- 09.** Established Hangame Japan

- 2001 09.** Changed the corporate name to NHN (Next Human Network)

- 2002 10.** Listed on Korean Securities Dealers Automated Quotations (KOSDAQ)

- 2003 10.** Hangame Japan changed the company name to NHN Japan
- 12.** Acquired digital content transmission technology company Future Valley

- 2004 04.** Ranked No.1 on KOSDAQ in market capitalization
- 06.** Launched Ourgame joint venture company with Sea Rainbow Holdings Corporation in China
- 11.** Established game development studio “NHN Games”

- 2005 07.** Launched online donation portal “Happybean”
- 07.** Incorporated NHN USA
- 08.** Established Internet service management company, NHN Services

- 2006 06.** Acquired search company. Inoon
- 10.** Acquired data storage management solution company, Datachorus

- 2007 05.** NHN USA started official services of game portal “ijji.com”
- 11.** Established NAVER Japan
- 12.** Established NHST (Next Human Search Technology)

- 2008 11.** Transferred to Korea Composite Stock Price Index (KOSPI)

- 2009 01.** Acquired me2day, a micro blog website
- 02.** Acquired Wingbus, a tour guide website
- 05.** Established the Happybean Foundation, to strengthen online donation culture
- 05.** NHN Corporation demerged to launch NHN Business Platform (NBP)
- 07.** Acquired ITOPF, a mobile coupon distribution solution company
- 08.** Changed corporate identity (CI) in celebration of the 10th anniversary

- 2010 01.** NHN signed an Agreement to Promote a Women-Friendly Corporate Culture with Ministry of Gender Equality and Family
- 04.** Established NHN Investment, specializing in asset management and venture investment business
- 04.** NHN Japan acquired livedoor.com
- 04.** Moved the company headquarters to Green Factory
- 05.** Established NHN Culture Foundation
- 07.** Merged Wingbus, a tour guide website
- 07.** NHN Social Enterprise accredited as social enterprise from the Ministry of Labor

- 2011 01.** NBP started full-fledged autonomous advertisement service
- 01.** Established the affiliated company Orange Crew, smart device game developer
- 04.** Established NTS (NHN Technology Services)
- 09.** Jointly established Khan Communications with KT, as a local advertising affiliate

- 2012 01.** Merged three entities, NHN Japan, Naver Japan, Livedoor to establish NHN Japan
- 04.** Established The Sarang, for hiring employees from vulnerable social groups, in partnership with Webzen
- 08.** Established NHN SINGAPORE PTE.LTD

- 2013 03.** Established LINE Plus, a LINE affiliate for its global business
- 03.** Established Camp Mobile, a mobile-exclusive subsidiary
- 04.** Changed corporate name of NHN Japan to LINE Corp.
- 06.** Established Gak, a data facility for NAVER Corp.
- 08.** NAVER Corporation and NHN Entertainment demerged
- 12.** Camp Mobile acquired Taiwanese company Gogolook, and its product Whoscall, a spam filtering application

- 2014 07.** NAVER Corp. acquired NBP’s advertising and platform businesses

- 2015 04.** Established Works Mobile as a business services subsidiary
- 06.** Acquired software education platform Entry Korea

- 2016 07.** LINE Corp dual listed on NYSE (New York) and TSE (Tokyo)
- 08.** Established SNOW, Inc.

- 2017 01.** Established NAVER Labs, Inc., a R&D focused company
- 05.** Established NAVER Webtoon Corp.
- 06.** Opened Space Green, a space for nurturing startups, within France’s Station F, the world’s largest startup incubator
- 06.** Acquired Xerox Research Centre Europe (XRCE)

- 2018 02.** Merged with Camp Mobile
- 04.** Established joint AI research lab with Hong Kong University of Science and Technology
- 08.** NAVER Webtoon established STUDIO N, an IP enterprise
- 11.** NAVER Labs signed an MOU with Qualcomm for cooperation for future technology R&D

- 2019 11.** Established NAVER Financial

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IR Information

Name of Company	NAVER Corporation (KOSPI 035420)
CEO	Seong-sook Han
Establishment	June 2, 1999
Capital	KRW 16,481,339,500
Head Office	NAVER Green Factory, 6, Buljeong-ro , Bundang-gu, Seongnamsi, Gyeonggi-do, South Korea (Postal code: 13561)
Website	www.navercorp.com

Major Services

Internet

Internet search portal NAVER	www.naver.com
Search portal for kids Jr.NAVER	www.jr.naver.com
On-line donation portal Happybean	https://happybean.naver.com
NAVER Webtoon	https://comic.naver.com
V LIVE	www.vlive.tv
BAND	www.band.us

Mobile

Mobile NAVER	https://m.naver.com
Global mobile messenger LINE	https://line.me/ko/
AR camera content SNOW	www.snow.me

Employees (As of December 31, 2019)

NAVER Corp.	3,495 (excluding subsidiaries)
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Stock Information (As of December 31, 2019)

Number of common shares outstanding	164,813,395
Market capitalization	KRW 30,737.6 billion

Independent Auditor

Samil PricewaterhouseCoopers

Address	92, Hangang-daero, Yongsan-gu, Seoul, Korea
Website	www.pwc.com/kr/en
Tel	+82-2-3781-3131
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IR Information

The 2019 Annual Report and recent investment information on NAVER Corporation can be found in both Korean and English on NAVER Corporation's website (www.navercorp.com).

Contact Information

If you have any questions, please feel free to contact the following:

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Disclaimer

This report does not contain a complete description of NAVER Corporation's business performance. All investments involve an element of risk, and the performances described herein must not be taken as a guarantee of future results. Executives and employees of NAVER Corporation and its affiliates are not liable for losses or damages arising from investments or business decisions made by a third party based on the information contained herein.

NAVER