

NAVER Corporation

Separate financial statements
for the year ended December 31, 2022
with the independent auditor's report

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Independent auditor's report

(English Translation of a Report Originally Issued in Korean)

The Shareholders and Board of Directors NAVER Corporation

Opinion

We have audited the accompanying separate financial statements of NAVER Corporation (the "Company"), which comprise the separate statement of financial position as of December 31, 2022 and the separate statements of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2022, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

We have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Design and Operation Integrated Framework in accordance with Korean Standards on Auditing ("KSA") issued by the Committee of Internal Control Operations, and our report dated March 7, 2023 expressed an unqualified opinion.

Basis for opinion

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

Key audit matters

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

(1) Revenue recognition of search advertisement service – occurrence

The Company recognizes search advertisement service revenue when a platform user has searched relevant information and executed related activities on the Company's platform.

We have determined the recognition of revenue from the search advertisement service as a key audit matter because (i) search advertisement service revenue accounts for a significant portion of the Company's total operating revenues and (ii) there is a risk of potential material misstatement related to search advertisement service revenue due to various and complex systems involved in recognition and measurement of such revenue.

The main audit procedures we have performed for this key audit matter are as follows:

- We obtained an understanding on accounting policies, processes, and internal controls relating to the search advertisement service revenue.
- We evaluated the effectiveness of the design and operation of IT general controls and internal controls relating to the search advertisement services.
- We tested the accuracy and completeness of data transfer process between search service related systems and revenue recognition system in respect to data about revenue from search advertisement services.
- We performed analytical review on the recognition of search advertisement service revenue.
- We assessed the evidence of search advertisement occurrence for a sample of data related thereto.

(2) Impairment valuation of Investments in Subsidiaries - valuation

As described in Note 14, investments in Wattpad Corporation, presented in the consolidated financial statements, account for a significant portion of the Company's assets and the Company determined that there is a risk of material misstatement due to complexity of value-in-use estimation and significant possibility of management's subjective biased judgment involved in such estimation. Therefore, we have decided that the accounting related to the impairment valuation of investments in Wattpad Corporation is a key audit item.

The main audit procedures we have performed for this key audit matter are as follows:

- We obtained an understanding on accounting policies, processes, and internal controls relating to the impairment valuation of the investments in Wattpad Corporation.
- We evaluated the effectiveness of design and operation of internal controls relating to the impairment valuation of investments in Wattpad Corporation.
- We evaluated the appropriateness and independence of external experts whom the Company used after the Company's management reviewed their careers and qualifications relating to the impairment valuation of investments in Wattpad Corporation.
- We compared assumptions applied in the impairment valuation of investments in Wattpad Corporation (e.g., discount rate, growth rate, etc.) with those used in peer industries or past impairment valuation cases.
- We involved internal experts in reviewing methodology of estimating amount recoverable from investments in Wattpad Corporation and performing sensitivity analysis relating thereto.
- We involved internal experts in comparing the discount rate applied by management with the discount rate calculated independently based on observable information.
- We reviewed whether Wattpad Corporation's business plan is consistent with the business plan approved by management of the Company.

Other matters

The separate statement of financial position as of December 31, 2021 and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended of the Company, presented for comparative purposes, were audited by Samil PricewaterhouseCoopers, in accordance with KSA whose report dated on March 4, 2022 expressed an unqualified opinion.

Responsibilities of management and those charged with governance for the separate financial statements

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the separate financial statements

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

As part of an audit in accordance with KSA we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jung ho, Chae.

Ernst & Young Han Young

March 7, 2023

This audit report is effective as of March 7, 2023 the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

NAVER Corporation

Separate financial statements
for the years ended December 31, 2022 and 2021

“The accompanying separate financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Company.”

Su yeon, Choi
Chief Executive Officer
NAVER Corporation

NAVER Corporation
Separate statements of financial position
as of December 31, 2022 and December 31, 2021

(Korean won)

	Notes	December 31, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents	4,6,7	₩ 841,798,144,735 ₩	964,418,443,986
Short-term financial instruments	4,6,7	513,311,636,005	205,748,800,000
Financial assets at fair value – profit or loss	4,5,6,7	776,459,606	3,692,735,930
Financial assets at fair value – other comprehensive income	4,5,6,7	-	24,254,505,540
Trade and other receivables	4,6,7,11	629,806,460,191	538,909,879,285
Inventories		664,259,446	1,657,864,895
Other current assets	9	<u>44,389,032,908</u>	<u>41,090,961,495</u>
		2,030,745,992,891	1,779,773,191,131
Non-current assets			
Property, plant and equipment	10	1,755,777,290,537	1,429,366,401,646
Right-of-use-assets	11	41,433,967,479	27,825,290,362
Intangible assets	12	72,452,309,393	52,992,451,444
Investment properties	13	302,769,701,062	-
Long-term financial instruments	4,6,7	13,755,872,000	13,755,872,000
Financial assets at fair value – profit or loss	4,5,6,7	1,345,111,602,072	1,619,663,081,922
Financial assets at fair value – other comprehensive income	4,5,6,7	1,300,968,382,382	2,009,532,628,699
Investments in subsidiaries, associates and joint ventures	14	6,679,788,696,290	5,872,911,000,309
Deferred tax assets	27	273,949,308,018	95,528,039,196
Trade and other receivables	4,6,7,11	60,402,336,507	27,689,808,738
Other non-current assets	9	<u>26,687,395,611</u>	<u>33,382,800,462</u>
		11,873,096,861,351	11,182,647,374,778
Total assets		<u>₩ 13,903,842,854,242</u>	<u>₩ 12,962,420,565,909</u>
Liabilities			
Current liabilities			
Trade and other payables	4,6,15	₩ 585,350,189,629 ₩	523,648,450,674
Current tax liabilities		310,985,098,623	466,079,897,352
Current portions of long-term borrowings	4,6,17	187,274,700,000	-
Provisions	18	2,059,949,479	2,674,409,542
Lease liabilities	4,6,11	48,996,419,693	18,371,326,491
Other current liabilities	8,16	<u>368,691,642,191</u>	<u>323,720,635,850</u>
		1,503,357,999,615	1,334,494,719,909
Non-current liabilities			
Trade and other payables	15	₩ 30,288,080,685 ₩	9,533,697,878
Debentures	4,6,17	1,704,518,276,546	1,636,827,463,521
Long-term borrowings	4,6,17	157,977,000,000	349,525,600,000
Net defined benefit liabilities	19	316,047,654,369	277,385,543,494
Provisions	18	10,042,393,730	2,302,657,082
Lease liabilities	4,6,11	328,806,361,025	19,505,218,405
Other non-current liabilities	16	<u>2,985,274,805</u>	<u>387,013,868</u>
		2,550,665,041,160	2,295,467,194,248
Total liabilities		<u>₩ 4,054,023,040,775</u>	<u>₩ 3,629,961,914,157</u>
Equity			
Share capital	20	₩ 16,481,339,500 ₩	16,481,339,500
Capital surplus	20	1,123,109,857,937	1,055,716,814,497
Other components of equity	21,22	(1,388,661,591,817)	(997,204,415,003)
Retained earnings	23	<u>10,098,890,207,847</u>	<u>9,257,464,912,758</u>
Total equity		<u>9,849,819,813,467</u>	<u>9,332,458,651,752</u>
Total liabilities and equity		<u>₩ 13,903,842,854,242</u>	<u>₩ 12,962,420,565,909</u>

The accompanying notes are an integral part of the separate financial statements.

NAVER Corporation
Separate statements of comprehensive income
for the years ended December 31, 2022 and 2021

(Korean won)

	Notes	2022	2021
Operating revenue	33	₩ 5,512,586,322,305	₩ 5,018,667,294,374
Operating expenses	24	<u>(3,958,791,474,206)</u>	<u>(3,459,938,514,095)</u>
Operating profit		1,553,794,848,099	1,558,728,780,279
Other income	25	272,016,767,875	51,361,277,372
Other expenses	25	(393,092,815,383)	(279,284,899,638)
Interest income	6	24,852,752,219	5,275,649,103
Finance income	6,26	672,701,267,366	824,513,997,579
Finance costs	6,26	<u>(563,551,581,850)</u>	<u>(71,247,340,942)</u>
Profit before tax		1,566,721,238,326	2,089,347,463,753
Income tax expenses	27	<u>(474,563,630,470)</u>	<u>(564,592,453,792)</u>
Profit for the period		<u>₩ 1,092,157,607,856</u>	<u>₩ 1,524,755,009,961</u>
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Loss on valuation of equity instruments at fair value – other comprehensive income	6	₩ (428,858,803,868)	₩ (74,057,026,958)
Gain (loss) on disposal of equity instruments at fair value – other comprehensive income	6	(45,127,813,925)	17,199,903,875
Remeasurements of net defined benefit liabilities	19	<u>7,759,428,551</u>	<u>(13,245,960,772)</u>
		<u>(466,227,189,242)</u>	<u>(70,103,083,855)</u>
Total comprehensive income for the period, net of tax		<u>₩ 625,930,418,614</u>	<u>₩ 1,454,651,926,106</u>
Earnings per share	28		
Basic earnings per ordinary share		₩ 7,293	₩ 10,257
Diluted earnings per ordinary share		7,261	10,165

The accompanying notes are an integral part of the separate financial statements.

NAVER Corporation
**Separate statements of changes in equity
for the years ended December 31, 2022 and 2021**

(Korean won)

	Notes	Share capital	Capital surplus	Other components of equity	Retained earnings	Total
As of January 1, 2021		₩ 16,481,339,500	₩ 675,891,629,000	₩ (1,233,773,041,044)	₩ 7,803,526,568,981	₩ 7,262,126,496,437
Total comprehensive income for the period:						
Profit for the period		-	-	-	1,524,755,009,961	1,524,755,009,961
Loss on valuation of equity instruments at fair value – other comprehensive income	6	-	-	(74,057,026,958)	-	(74,057,026,958)
Gain on disposal of equity instruments at fair value – other comprehensive income	6	-	-	-	17,199,903,875	17,199,903,875
Remeasurements of net defined benefit liabilities	19	-	-	-	(13,245,960,772)	(13,245,960,772)
Transactions with shareholders:						
Dividends	29	-	-	-	(59,278,532,070)	(59,278,532,070)
Transaction of share-based payment	22		42,100,214,545	190,489,657,965	-	232,589,872,510
Retirement of treasury shares	20		-	15,492,077,217	(15,492,077,217)	-
Transaction of treasury shares	20	-	332,414,020,979	104,643,917,817	-	437,057,938,796
Changes in equity due to business combination		-	5,310,949,973	-	-	5,310,949,973
As of December 31, 2021		<u>₩ 16,481,339,500</u>	<u>₩ 1,055,716,814,497</u>	<u>₩ (997,204,415,003)</u>	<u>₩ 9,257,464,912,758</u>	<u>₩ 9,332,458,651,752</u>
As of January 1, 2022		₩ 16,481,339,500	₩ 1,055,716,814,497	₩ (997,204,415,003)	₩ 9,257,464,912,758	₩ 9,332,458,651,752
Total comprehensive income for the period:						
Profit for the period		-	-	-	1,092,157,607,856	1,092,157,607,856
Loss on valuation of equity instruments at fair value – other comprehensive income	6	-	-	(428,858,803,868)	-	(428,858,803,868)
Loss on disposal of equity instruments at fair value – other comprehensive income	6	-	-	-	(45,127,813,925)	(45,127,813,925)
Remeasurements of net defined benefit liabilities	19	-	-	-	7,759,428,551	7,759,428,551
Transactions with shareholders:						
Dividends	29	-	-	-	(213,363,927,393)	(213,363,927,393)
Transaction of share-based payment	22	-	67,393,043,440	37,401,627,054	-	104,794,670,494
As of December 31, 2022		<u>₩ 16,481,339,500</u>	<u>₩ 1,123,109,857,937</u>	<u>₩ (1,388,661,591,817)</u>	<u>₩ 10,098,890,207,847</u>	<u>₩ 9,849,819,813,467</u>

The accompanying notes are an integral part of separate financial statements.

NAVER Corporation
Separate statements of cash flows
for the years ended December 31, 2022 and 2021

(Korean won)

	2022	2021
Cash flows from operating activities		
Cash generated from operations	₩ 1,753,196,758,754	₩ 1,656,553,370,619
Interest received	16,343,587,372	4,581,536,466
Interest paid	(28,716,517,713)	(15,792,780,568)
Dividends received	468,978,562,474	330,762,793,801
Income tax paid	(758,167,415,086)	(610,139,155,670)
Net cash provided by operating activities	1,451,634,975,801	1,365,965,764,648
Cash flows from investing activities		
Net increase in short-term financial instruments	(334,942,836,005)	(187,544,000,000)
Acquisition of financial assets at fair value – profit or loss	(319,252,415,435)	(289,352,018,876)
Proceeds from disposal of financial assets at fair value – profit or loss	301,165,331,415	176,867,578,236
Decrease of financial assets at fair value – profit or loss	(16,016,168,742)	-
Acquisition of property, plant and equipment	(396,214,814,570)	(381,462,480,731)
Proceeds from disposal of property, plant and equipment	5,856,144,181	785,914,054
Collection of lease receivables	12,822,926,264	11,877,750,317
Acquisition of intangible assets	(24,029,938,051)	(16,905,804,564)
Proceeds from disposal of intangible assets	822,791,750	1,572,701,194
Acquisition of financial assets at fair value – other comprehensive income	(26,284,601,243)	(484,354,877,014)
Proceeds from disposal of financial assets at fair value – other comprehensive income	123,160,305,801	152,862,987,099
Acquisition of investments in subsidiaries and associates	(1,008,609,893,146)	(1,961,871,943,107)
Proceeds from disposal of investments in subsidiaries and associates	210,780,448,459	207,101,722,713
Net increase in cash due to business combination	-	10,476,254,714
Net decrease (increase) in short-term loans	36,341,800,000	(40,046,440,000)
Cash inflows (outflows) from other investing activities	4,121,575,046	(25,501,525,090)
Net cash used in investing activities	(1,430,279,344,276)	(2,825,494,181,055)
Cash flows from financing activities		
Increase in short-term borrowings	-	158,905,500,000
Repayments of short-term borrowings	-	(196,301,500,000)
Increase in long-term borrowings	20,000,000,000	351,297,700,000
Proceeds from issuance of debentures	-	1,588,456,943,730
Repayments of lease liabilities	(45,020,165,920)	(20,033,517,627)
Proceeds from disposal of treasury shares	-	188,237,813,981
Dividends paid	(213,363,927,393)	(59,278,532,070)
Exercise of stock options	61,406,468,500	39,796,328,200
Cash inflows from other financing activities	21,049,229,430	704,415,860
Net cash provided by (used in) financing activities	(155,928,395,383)	2,051,785,152,074
Effects of exchange rate changes on cash and cash equivalents	11,952,464,607	2,847,401,105
Net increase (decrease) in cash and cash equivalents	(122,620,299,251)	595,104,136,772
Cash and cash equivalents at the beginning of the period	964,418,443,986	369,314,307,214
Cash and cash equivalents at the end of the period	<u>₩ 841,798,144,735</u>	<u>₩ 964,418,443,986</u>

The accompanying notes are an integral part of the separate financial statements.

NAVER Corporation
Notes to separate financial statements
for the years ended December 31, 2022 and 2021

1. General

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 95, Jeongjail-ro, 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 of December 31, 2022, the major shareholders of the Company consist of National Pension Service (8.45%) and others.

2. Significant Accounting Policies

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

A. Basis of Preparation

The Company prepares statutory financial statements in Korean in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“KIFRS”), enacted by the *Act on External Audit of Stock Companies*. The accompanying separate financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor’s report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

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

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

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

B. Changes in Accounting Policy and Disclosures

(1) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for the annual reporting periods beginning on or after January 1, 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to KIFRS 1037

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Company applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

B. Changes in Accounting Policy and Disclosures (cont'd)

Reference to the Conceptual Framework – Amendments to KIFRS 1103

The amendments replace a reference to a previous version of the International Accounting Standards Board (IASB)'s *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of KIFRS 1103 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets* or KIFRS Interpretation 2121 *Levies*, if incurred separately. The exception requires entities to apply the criteria in KIFRS 1037 or KIFRS Interpretation 2121, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to KIFRS 1103 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the separate financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to KIFRS 1016

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company will retrospectively apply the amendments only to those tangible assets available after the start date of the earliest period (date of initial application) indicated when the amendments are first applied.

These amendments had no impact on the separate financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

KIFRS 1101 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(1) of KIFRS 1101 to measure cumulative translation differences using the amounts reported in the parent's separate financial statements, based on the parent's date of transition to KIFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(1) of KIFRS 1101. These amendments had no impact on the separate financial statements of the Company as it is not a first-time adopter.

These amendments had no impact on the separate financial statements of the Company as subsidiary of the Company is not first-time adopter.

B. Changes in Accounting Policy and Disclosures (cont'd)

KIFRS 1109 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for KIFRS 1039 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).

These amendments had no impact on the separate financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

KIFRS 1041 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041. These amendments had no impact on the separate financial statements of the Company as it did not have assets in scope of KIFRS 1041 as of the reporting date.

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

The new and amended accounting standards and interpretations that are issued, but not yet effective up to the date of approval on the issuance of the Company's financial statements are disclosed below. These standards and interpretations have not been early adopted by the Company.

KIFRS 1117 Insurance Contracts

In 2021, KIFRS 1117 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure was issued. Once effective, KIFRS 1117 will replace KIFRS 1104 *Insurance Contracts* that was issued in 2007. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

KIFRS 1117 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies KIFRS 1109 and KIFRS 1115 on or before the date it first applies KIFRS 1117. These amendments had no impact on the separate financial statements of the Company.

B. Changes in Accounting Policy and Disclosures (cont'd)

Amendments to KIFRS 1001: Classification of Liabilities as Current or Non-current

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to KIFRS 1008

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to KIFRS 1001

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to KIFRS 1012

The amendments narrow the scope of the initial recognition exception under KIFRS 1012, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Company is currently assessing the impact of the amendments.

C. Subsidiaries, Associates and Joint ventures

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

D. Foreign Currency Translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The separate financial statements are presented in Korean won.

(2) Transactions in foreign currency and translation at period end

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

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

E. Financial Assets

(1) Classification

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

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

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

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

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

(2) Measurement

At initial recognition, the Company 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.

① Debt instruments

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

- Amortized cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

E. Financial Assets (cont'd)

- Fair value through other comprehensive income:

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (and reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'finance income and finance costs' and impairment loss in 'finance costs'.

- Fair value through profit or loss:

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

② Equity instruments

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

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

(3) Impairment

The Company 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, contract assets, and lease receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. (Note 4 provides more details of how the Company determines whether there has been a significant increase in credit risk.)

E. Financial Assets (cont'd)

(4) Recognition and derecognition

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

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

(5) Offsetting of financial instruments

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

F. 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.

G. 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.

H. Inventories

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

I. 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:

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

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

J. 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.

K. Intangible Assets

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

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

	<u>Useful life</u>		<u>Useful life</u>
Industrial rights	5 years	Others	5~30 years
Software	5 years		

L. Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position 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.

M. Impairment of Non-financial Assets

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. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

N. Trade Payables and Other Payables

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

O. Financial Liabilities

(1) Classification and measurement

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

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

All financial liabilities are initially recognized at fair value, and borrowings, etc. are deducted from directly attributable transaction costs.

Financial liabilities at fair value - profit or loss include short-term trading financial liabilities and financial liabilities designated at fair value through profit or loss at initial recognition

If a financial liability is generated for repurchase within a short period of time, it is classified as a short-term trading item. This category also includes derivatives that are not designated as hedging instruments in the hedging relationship defined in K-IFRS 1109. Separated embedded derivatives are also classified as short-term trading items unless they are designated as effective hedging instruments. Gains and losses arising from financial liabilities held for trading are recognized in profit or loss.

Financial liabilities designated as fair value through profit or loss are designated only at the time of initial recognition if they meet the criteria of K-IFRS 1109.

O. Financial Liabilities (cont'd)

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(2) Derecognition

Financial liabilities are removed from the separate 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.

P. Provisions

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

Q. Current and Deferred Income Tax

The tax expense for the period consists of current and deferred tax. The Company is implementing a separate 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 separate tax payment system measure and pay their tax returns by regarding each entity as a taxation unit. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

Q. Current and Deferred Income Tax (cont'd)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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

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

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

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

R. Employee Benefits

(1) Post-employment benefits

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

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

R. Employee Benefits (cont'd)

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

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

(2) Share-based payments

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

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

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

(3) Long-term employee benefits

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

S. Revenue Recognition

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

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

(1) Advertisement

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

(2) Contents services

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

(3) Sales commission

The Company provides brokerage service for the sale of goods and others on the online platforms and receives commissions. Although the Company receives the entire considerations from the transactions, only commissions are recognized as sales since the Company provides the service as an agent.

T. Leases

① Lessor

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

② Lessee

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

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

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

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

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

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

Measurement of lease liability also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease.

T. Leases (cont'd)

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

To determine the incremental borrowing rate, the Company uses a build-up approach that starts with an interest rate that the Company can be practically financed adjusted for economic circumstances, lease period for leases, credit risk for leases and others, makes adjustments specific to the lease, for example, country, currency and others.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

- 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

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

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

U. Investment properties

Property held for rental income or for capital gains is classified as investment property. Also, property under construction or development for future use as investment property is also classified as investment property.

Investment property is measured at cost upon initial recognition, including transaction costs incurred on acquisition. After initial recognition, investment property is measured at fair value. Investment properties under construction are measured at fair value, if their fair value can be determined reliably. If the fair value of an investment property under construction cannot be determined reliably at the moment, but is expected to be calculated reliably at the time of completion of construction, such investment property shall be measured at the cost less accumulated impairment loss until the earlier of when the fair value can be reliably calculated and when the construction is completed.

The fair value of investment properties reflects market conditions at the end of the reporting period and, if necessary, is adjusted to reflect the characteristics, condition and location of specific assets. An independent appraiser with certified professional qualifications and recent experience in appraising similar properties in the region in which the investment property is located conducts the fair value evaluation, and based on this appraisal amount, the carrying amount for financial reporting purposes is determined.

Subsequent costs are included in the asset's carrying amount, or recognized as a separate asset if the recognition criteria are met, only when it is probable that the inflow of economic benefits arising from the asset will be generated and the cost of the asset can be measured reliably. The portion of carrying amount replaced by subsequent expenditure is removed. All other repair and maintenance costs are recognized in profit or loss as incurred.

Profit or loss arising from changes in the fair value of an investment property is reflected in profit or loss as incurred. If an investment property is disposed of at fair value through transactions between independent parties, the carrying amount of the investment property before disposal is adjusted to its fair value, and the difference is reflected in gains or losses on valuation of fair value in the separate income statement.

V. Segment Reporting

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

W. Approval of Issuance of the Financial Statements

The separate financial statements for the year end December 31, 2022 were approved for issue by the Board of Directors on February 2, 2023 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 Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

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

A. Subsidiary, Associates and Joint ventures impairment

The recoverable amount that the Company tests whether investments in subsidiary, associates and joint ventures has suffered any impairment is determined based on value-in-use calculations (Note 14).

B. Income taxes

The Company'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 certain periods, the Company is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax systems. As the Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

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 Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5).

D. Impairment of financial assets

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

E. Net defined benefit liabilities

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).

3. Critical Accounting Estimates and Assumptions (cont'd)

F. Provisions

As of December 31, 2022, the Company recognizes provisions for litigation, restoration and others. These provisions are estimated based on historical experience (Note 18).

G. Share-based payments

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

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

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

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

4. Financial Risk Management

A. Financial Risk Management Factor

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

(1) Market risk

(A) Foreign exchange risk

① Foreign exchange risk

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

The Company's financial assets and liabilities denominated in currencies other than the functional currency (i.e., US dollar, Japanese yen and Euro) and thus, exposed to foreign currency risk as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

		Translated to Korean won	
	Currency	December 31, 2022	December 31, 2021
Financial asset			
Cash and cash equivalents	USD	₩ 450,701,143	₩ 180,042,914
	JPY	143,747,411	67,365,730
	EUR	31,449,566	16,456,975
Shor-term financial instruments	USD	253,460,000	118,550,000
Trade and other receivables	USD	8,152,385	1,626,108
	JPY	96,038,878	144,381,531
	EUR	8,582,512	43,385
Financial assets at fair value - other	USD	51,325,425	39,835,090
comprehensive income	JPY	52,772,711	111,352,049
	EUR	-	111,228,239
Financial assets at fair value - profit or loss	USD	783,788,876	1,000,224,734
	JPY	1,905,577	1,690,567
	EUR	110,257,511	120,341,053
Financial liabilities			
Trade and other payables	USD	26,232,157	11,191,967
	JPY	580,155	640,388
	EUR	10,212,045	14,999,235
Borrowings and debentures	USD	1,005,646,571	938,457,067
	JPY	300,251,700	324,525,600

4. Financial Risk Management (cont'd)

② Sensitivity analysis

The impact of changes in Korean won by 5% against foreign currencies with all other variables held constant on the post-tax profit and equity as of December 31, 2022 and 2021 is as follows: (Korean won in thousands)

		Impact on post-tax profit		Impact on equity	
		December 31,	December 31,	December 31,	December 31,
		2022	2021	2022	2021
USD / KRW	Strengthened	₩ 17,355,002	₩ 12,807,515	₩ 19,273,803	₩ 14,261,894
	Weakened	(17,355,002)	(12,807,515)	(19,273,803)	(14,261,894)
JPY / KRW	Strengthened	(2,210,948)	(4,079,195)	(238,041)	(13,732)
	Weakened	2,210,948	4,079,195	238,041	13,732
EUR / KRW	Strengthened	5,236,799	4,448,458	5,236,799	8,509,401
	Weakened	(5,236,799)	(4,448,458)	(5,236,799)	(8,509,401)

(B) Price risk

The Company is exposed to equity securities price risk that arises from investments held by the Company, all of which are classified either as financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss in the separate 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 Company's post-tax profit and equity as of December 31, 2022 and 2021 is as follows: (Korean won in thousands)

		Impact on post-tax profit		Impact on equity	
		December 31,	December 31,	December 31,	December 31,
		2022	2021	2022	2021
Listed equity security					
Korea	Increase	₩ -	₩ -	₩ 37,342,414	₩ 49,654,841
	Decrease	-	-	(37,342,414)	(49,654,841)
U.S.A	Increase	-	108,895	-	404,814
	Decrease	-	(108,895)	-	(404,814)
Japan	Increase	-	-	1,972,908	4,065,463
	Decrease	-	-	(1,972,908)	(4,065,463)
Germany	Increase	-	-	-	4,060,943
	Decrease	-	-	-	(4,060,943)
Indonesia	Increase	-	-	3,153,622	8,034,455
	Decrease	-	-	(3,153,622)	(8,034,455)

Gains and losses generated from financial assets at fair value - profit or loss have impacts on post-tax profit and equity, and financial assets at fair value - other comprehensive income have impacts on equity

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

4. Financial Risk Management (cont'd)

(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 Company's objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty from interest rates fluctuations and net interest expense.

The Company adequately minimizes risks from interest rate fluctuations through various policies, such as monitoring fluctuations of domestic and foreign interest rates, establishing alternatives, and balancing floating rate short-term borrowings with floating rate deposits.

The impact of 10bp increase/decrease in interest rate with all other variables held constant on the Company's post-tax profit and equity as of December 31, 2022 and 2021 is as follows: (Korean won in thousands)

	Impact on post-tax profit		Impact on equity	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Increase	₩ (113,133)	₩ 207,495	₩ (113,133)	₩ 207,495
Decrease	113,133	(207,495)	113,133	(207,495)

(2) Credit Risk

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

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

While lease receivables and cash equivalents are subject to the impairment requirement, the identified expected credit losses were not material.

4. Financial Risk Management (cont'd)

(A) Trade receivables, other receivables and contract assets

To measure the expected credit losses which is inclusive of forward looking information, the Company has grouped its trade receivables, other receivables and contract assets based on shared credit risk characteristics and the days past due.

The loss allowance as of December 31, 2022 and 2021 is as follows: (Korean won in thousands)

December 31, 2022				
	Less than 6 months past due and within due	More than 6 months past due	More than 1 year past due	Total
Trade receivables and other receivables				
Expected loss rate	0.04%	52.63%	100.00%	1.19%
Gross carrying amount	₩ 528,165,782	₩ 409,140	₩ 5,928,005	₩ 534,502,927
Loss allowance provision	205,189	215,335	5,928,005	6,348,529

December 31, 2021				
	Less than 6 months past due and within due	More than 6 months past due	More than 1 year past due	Total
Trade receivables and other receivables				
Expected loss rate	0.05%	66.93%	100.00%	1.59%
Gross carrying amount	₩ 388,769,797	₩ 281,093	₩ 5,903,706	₩ 394,954,595
Loss allowance provision	199,150	188,122	5,903,706	6,290,978

Changes in the loss allowance for trade receivables and other receivables for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022	2021
Beginning balance	₩ 6,290,978	₩ 6,065,401
Increase in loss allowance recognized in profit or loss during the year	60,486	231,443
Receivables written off during the year as uncollectible	(2,935)	(5,866)
Ending balance	₩ 6,348,529	₩ 6,290,978

The amounts recognized in profit or loss as 'operating expenses' in relation to impaired receivables for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022	2021
Impairment loss		
Change in loss allowance	₩ (352,678)	₩ 231,443

4. Financial Risk Management (cont'd)

(B) Other financial assets at amortized cost

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

Changes in loss allowance for other financial assets at amortized cost for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022	2021
Beginning balance	₩ 5,328	₩ 5,328
Increase in loss allowance recognized in profit or loss during the year	-	-
Ending balance	<u>₩ 5,328</u>	<u>₩ 5,328</u>

All of these financial assets measured at amortized cost are considered to have low credit risk, and their loss allowance provision are recognized as 12 months expected losses during the year. The Company 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) Financial assets at fair value – through profit or loss

The Company is exposed to credit risk from financial assets at fair value – through profit or loss. The maximum exposure is the carrying amount of these assets as of December 31, 2022 and 2021.

(D) Impairment loss

Impairment losses recognized in profit or loss in relation to impaired financial assets for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022	2021
Trade receivables and other receivables	₩ 60,486	₩ 231,443

(3) Liquidity Risk

The Company monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, and external regulatory or legal requirements on internal financial ratio targets and currency restrictions. As of December 31, 2022, the Company has borrowing agreements with a limit of ₩ 1,270,000 million and JPY 31,500 million and USD 1,180 million for managing liquidity risk (Note 31).

NAVER Corporation
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4. Financial Risk Management (cont'd)

Details of liquidity risk analysis as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022				
	Carrying amount	Contractual cash flow	Less than 1 year	Between 1 and 5 years	More than 5 years
Financial liabilities					
Trade and other payables	₩ 447,315,676	₩ 450,983,121	₩ 423,343,550	₩ 24,992,512	₩ 2,647,059
Borrowings and debentures	2,049,769,977	2,144,195,252	215,591,513	1,928,603,739	-
Lease liabilities	377,802,781	445,168,543	49,912,278	175,134,252	220,122,013
Financial guarantee contract	251,731	926,105,286	926,105,286	-	-
	<u>₩ 2,875,140,165</u>	<u>₩ 3,966,452,202</u>	<u>₩ 1,614,952,627</u>	<u>₩ 2,128,730,503</u>	<u>₩ 222,769,072</u>
December 31, 2021					
	Carrying amount	Contractual cash flow	Less than 1 year	Between 1 and 5 years	More than 5 years
Financial liabilities					
Trade and other payables	₩ 387,054,428	₩ 387,054,428	₩ 384,106,250	₩ 2,948,178	-
Borrowings and debentures	1,986,353,064	2,113,980,614	27,081,639	2,086,898,975	-
Lease liabilities	37,876,545	39,485,734	18,821,414	20,664,320	263,672
Financial guarantee contract	710,473	1,222,683,479	1,222,683,479	-	-
	<u>₩ 2,411,994,510</u>	<u>₩ 3,763,204,255</u>	<u>₩ 1,652,692,782</u>	<u>₩ 2,110,511,473</u>	<u>₩ 263,672</u>

B. Capital Risk Management

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

The Company's gearing ratio as of December 31, 2022 and 2021 is as follows: (Korean won in thousands)

	December 31, 2022	December 31, 2021
Total debt	₩ 4,054,023,041	₩ 3,629,961,914
Total equity	9,849,819,813	9,332,458,652
Gearing ratio	41.16%	38.90%

NAVER Corporation
Notes to separate financial statements
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5. Fair Value

There are no significant changes in the business and economic environments that affect the fair value of financial assets and liabilities of the Company for the year ended December 31, 2022.

A. Financial Instruments Measured at Fair Value

Details of financial instruments measured at fair value as of December 31, 2022 and 2021 are as follows:
(Korean won in thousands)

	December 31, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value - profit or loss	₩ 1,345,888,063	₩ 1,345,888,063	₩ 1,623,355,818	₩ 1,623,355,818
Financial assets at fair value - other comprehensive income	1,300,968,381	1,300,968,381	2,033,787,134	2,033,787,134
	<u>₩ 2,646,856,444</u>	<u>₩ 2,646,856,444</u>	<u>₩ 3,657,142,952</u>	<u>₩ 3,657,142,952</u>

The financial assets and liabilities whose book amounts are reasonable approximations of fair value are excluded from the fair value disclosures.

B. Fair Value Hierarchy

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

- Level 1 : The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The instrument is 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 of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value – profit or loss	₩ -	₩ 776,460	₩ 1,345,111,602	₩ 1,345,888,062
Financial assets at fair value – other comprehensive income	1,135,988,850	-	164,979,532	1,300,968,382
	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value – profit or loss	₩ 2,982,610	₩ 710,126	₩ 1,619,663,082	₩ 1,623,355,818
Financial assets at fair value – other comprehensive income	1,810,781,179	-	223,005,955	2,033,787,134

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5. Fair Value (cont'd)

C. Transfers between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

The Company recognizes transfers between levels of the fair value at the end of the reporting period. There were no transfers between level 1 and level 2 for recurring fair value measurements for the year ended December 31, 2022.

Changes in level 3 for recurring fair value measurements for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022		2021	
	Financial assets at fair value - profit or loss	Financial assets at fair value – comprehensive income	Financial assets at fair value - profit or loss	Financial assets at fair value – comprehensive income
Beginning balance	₩ 1,619,663,082	₩ 223,005,955	₩ 1,370,978,035	₩ 46,389,561
Total profit or loss				
Amounts recognized in profit or loss	(304,150,079)	-	406,432,190	-
Amounts recognized in other comprehensive income	-	(54,613,988)	-	76,899,186
Acquisitions/Borrowings	120,124,415	26,284,601	289,352,019	82,343,800
Disposals/Repayments	(96,827,644)	(24,679,558)	(415,261,573)	(4,056,030)
Others(*)	6,301,828	(3,663,032)	(13,134,414)	24,662,103
Transfer into Level 1	-	(1,354,446)	(18,703,175)	(3,232,665)
Ending balance	1,345,111,602	164,979,532	1,619,663,082	223,005,955

(*) Includes transfers from (to) other account items due to changes in ownership of financial assets at fair value.

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5. Fair Value (cont'd)

D. Valuation Techniques and the Inputs

Valuation techniques and inputs used in the fair value measurements of financial instruments categorized in levels 2 and level 3 of the fair value hierarchy as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

December 31, 2022							
	Fair value	Level	Valuation techniques	Major inputs	Unobservable inputs	Range of unobservable inputs	
Financial assets at fair value – profit or loss							
Compound financial instruments and equity securities	₩	358,138,532	3	Option pricing model	Underlying asset price, volatility of underlying asset PBR, EV/SALES, PSR, PER	Volatility of the underlying assets	40.43% ~ 70.93%
				Market approach and others	recent transaction price, net asset value	EV/SALES	0.41 ~ 12.13
					Recent transaction price, underlying asset price	PSR	0.16 ~ 4.80
					PER	7.40	
					Present value method	-	-
Beneficiary certificates and funds		776,460	2	Present value method	Credit risk adjusted discount rate	-	-
		986,973,070	3	Market approach and others	Underlying asset price	(*)	(*)
				Financial assets at fair value – other comprehensive income			
Equity securities		164,979,532	3	Present value method, market approach	EV/SALES, PSR and others	EV/SALES	1.83 ~ 2.35
						PSR	0.91 ~ 2.38

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

5. Fair Value (cont'd)

December 31, 2021						
	Fair value	Level	Valuation techniques	Major inputs	Unobservable inputs	Range of unobservable inputs
Financial assets at fair value – profit or loss						
			Option pricing model	Underlying asset price, volatility of underlying asset	Volatility of the underlying assets	36.37% ~ 68.16%
				PBR, EV/SALES, PSR, PER	EV/SALES	1.00 ~ 15.54
Compound financial instruments and equity securities	₩ 480,558,804	3	Market approach and others	recent transaction price, net asset value	PSR	0.57 ~ 5.32
					PBR	3.27
					PER	26.41
			Present value method	Recent transaction price, underlying asset price	-	-
	710,126	2	Present value method	Credit risk adjusted discount rate	-	-
Beneficiary certificates and funds	1,139,104,278	3	Market approach and others	Underlying asset price	(*)	(*)
Financial assets at fair value – other comprehensive income						
			Present value method, market approach	EV/SALES, PSR and others	EV/SALES	2.63 ~ 13.69
Equity securities	223,005,955	3			PSR	1.21 ~ 4.27

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

E. Valuation Processes for Fair Value Measurements Categorized Within Level 3

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

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5. Fair Value (cont'd)

F. Sensitivity Analysis for Recurring Fair Value Measurements Categorized Within Level 3

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

The results of the sensitivity analysis for the effect on profit or loss from changes in inputs for each financial instrument, which is categorized within Level 3 and subject to sensitivity analysis, for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022				2021			
	Favorable changes		Unfavorable changes		Favorable changes		Unfavorable changes	
	Profit or		Profit or		Profit or		Profit or	
	loss	Equity	loss	Equity	loss	Equity	loss	Equity
Financial assets								
Unlisted equity securities(*)	₩ 10,749,068	₩ 14,650,538	₩(10,472,334)	₩(14,373,803)	₩ 14,338,564	₩ 15,388,580	₩(14,324,788)	₩(15,374,804)

(*) 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%. For compound financial instruments, it is calculated by changing the price of underlying asset used for valuation (identical method for unlisted shares) and increasing or decreasing the volatility of the underlying asset price by 10%.

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6. Financial Instruments by Category

A. Categorizations of financial assets and liabilities as of December 31, 2022, are as follows: (Korean won in thousands)

	Financial assets					
	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	₩ -	₩ -	₩ 841,798,145	₩ -	₩ -	841,798,145
Long and short-term financial instruments(*2)	-	-	527,067,508	-	-	527,067,508
Financial assets at fair value - profit or loss	1,345,888,062	-	-	-	-	1,345,888,062
Trade and other receivables	-	-	652,581,685	37,627,112	-	690,208,797
Financial assets at fair value - other comprehensive income	-	1,300,968,382	-	-	-	1,300,968,382
	₩ 1,345,888,062	₩ 1,300,968,382	₩ 2,021,447,338	₩ 37,627,112	₩ -	4,705,930,894

(*1) Other financial assets include lease receivables which are not in the scope of financial instruments.

(*2) Long and short-term financial instruments presented above include ₩ 13,760 million of deposits for cooperative growth program, ₩ 2,653 million of collateral pledged for affiliates' leasehold deposits and ₩ 57,200 million of deposits with restriction on use in order to provide borrowings to employees of the Company.

	Financial liabilities		
	Financial liabilities at amortized cost	Other financial liabilities (*1)	Total
Trade and other payables	₩ 447,315,676	₩	- ₩ 447,315,676
Financial liabilities at fair value - profit or loss	-	-	-
Current portion of long-term borrowings	187,274,700	-	187,274,700
Long-term borrowings	157,977,000	-	157,977,000
Debentures	1,704,518,277	-	1,704,518,277
Lease liabilities	-	377,802,781	377,802,781
	₩ 2,497,085,653	₩ 377,802,781	₩ 2,874,888,434

(*) Other financial liabilities include lease liabilities which are not in the scope of financial instruments.

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6. Financial Instruments by Category (cont'd)

B. Categorizations of financial assets and liabilities as of December 31, 2021 are as follows: (Korean won in thousands)

	Financial assets					
	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	₩ -	₩ -	₩ 964,418,444	₩ -	₩ -	₩ 964,418,444
Long and short-term financial instruments(*2)		-	219,504,672		-	219,504,672
Financial assets at fair value - profit or loss	1,623,355,818	-	-	-		1,623,355,818
Trade and other receivables		-	555,645,823	10,953,865		566,599,688
Financial assets at fair value - other comprehensive income		-	2,033,787,134		-	2,033,787,134
	₩ 1,623,355,818	₩ 2,033,787,134	₩ 1,739,568,939	₩ 10,953,865	₩ -	₩ 5,407,665,756

(*1) Other financial assets include lease receivables, which are not in the scope of financial instruments.

(*2) Long and short-term financial instruments presented above include ₩ 13,760 million of deposits for cooperative growth program and ₩ 37,200 million of deposits with restriction on use in order to provide borrowings to employees of the Company.

	Financial liabilities	
	Financial liabilities at amortized cost	
Trade and other payables	₩	387,054,428
Borrowings		349,525,600
Debentures		1,636,827,464
	₩	2,373,407,492

NAVER Corporation
Notes to separate financial statements
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6. Financial Instruments by Category (cont'd)

C. Net gains or losses on each category of financial instruments for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	<u>2022</u>	<u>2021</u>
Financial asset at fair value – profit or loss		
Interest income	₩ 690,386	₩ 771,928
Gain (loss) on valuation	(309,832,748)	400,827,406
Gain on disposal	-	2,713,354
Loss on derivative trading	(4,309,500)	-
Dividend income	27,880,933	202,717,070
Financial asset at fair value – other comprehensive income		
Dividend income	20,002,442	11,527,396
Loss on valuation – other comprehensive income	(428,858,804)	(74,057,027)
Gain (loss) on disposal (adjustment for reclassification)	(45,127,814)	17,199,904
Financial assets at amortized cost		
Interest income	23,070,225	3,992,589
Impairment loss	(352,678)	(231,443)
Reversal of other impairment loss	413,163	-
Foreign exchange gain (loss)	(25,538,080)	15,501,630
Financial liabilities at fair value – profit or loss		
Loss on valuation	(16,016,169)	-
Financial liabilities at amortized cost		
Interest expense	(23,504,900)	(12,805,070)
Foreign exchange loss	(40,125,020)	(42,598,831)

7. Financial Assets

A. Financial Assets at Fair Value – Profit or Loss

(1) Details of financial assets measured at fair value through profit or loss for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current		
Compound financial instruments and equity securities	₩ 358,138,532	₩ 480,558,804
Beneficiary certificates and funds	986,973,070	1,139,104,278
	<u>1,345,111,602</u>	<u>1,619,663,082</u>
Current		
Compound financial instruments and equity securities	₩ -	₩ 2,982,610
Beneficiary certificates and funds, and others	776,460	710,126
	<u>776,460</u>	<u>3,692,736</u>
	<u>₩ 1,345,888,062</u>	<u>₩ 1,623,355,818</u>

NAVER Corporation
Notes to separate financial statements
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7. Financial Assets (cont'd)

(2) In relation to financial assets measured at fair value through profit or loss amounts recognized in profit or loss for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022	2021
Compound financial instruments and equity securities	₩ (158,895,529)	₩ 108,295,504
Beneficiary certificates and funds	(150,937,219)	295,245,255
Derivatives	(4,309,500)	-
	<u>₩ (314,142,248)</u>	<u>₩ 403,540,759</u>

(*) Above profit or loss does not include Interest and dividend income.

B. Financial Assets at Fair Value – Other Comprehensive Income

(1) Equity instruments at fair value – other comprehensive income comprises the following individual investments for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022	December 31, 2021
Listed equity securities	₩ 1,135,988,850	₩ 1,810,781,179
Unlisted equity securities	164,979,532	223,005,955
	<u>₩ 1,300,968,382</u>	<u>₩ 2,033,787,134</u>

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

(2) There are no debt instruments at fair value – other comprehensive income as of December 31, 2022 and 2021.

C. Trade Receivables and Other Financial Assets at Amortized Cost

(1) Details of trade receivables and other receivables as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022	December 31, 2021
Trade receivables	₩ 433,287,923	₩ 382,059,754
Other receivables	101,215,004	12,894,841
Less: provision for impairment	(6,348,529)	(6,290,977)
	<u>₩ 528,154,398</u>	<u>₩ 388,663,618</u>

(2) Details of other financial assets at amortized cost as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022			December 31, 2021		
	Current	Non-current	Total	Current	Non-current	Total
Cash equivalents	₩ 841,798,145	₩ -	₩ 841,798,145	₩ 964,418,443	₩ -	₩ 964,418,443
Time deposits	513,312,836	13,760,000	527,072,836	205,750,000	13,760,000	219,510,000
Loans	84,396,430	-	84,396,430	127,304,640	-	127,304,640
Accrued income	9,334,420	-	9,334,420	2,630,791	-	2,630,791
Leasehold deposits	1,799,168	25,271,348	27,070,516	10,901,104	26,145,671	37,046,775
Other financial assets(*)	<u>6,122,044</u>	<u>35,130,989</u>	<u>41,253,033</u>	<u>9,409,727</u>	<u>1,544,138</u>	<u>10,953,865</u>
	1,456,763,043	74,162,337	1,530,925,380	1,320,414,705	41,449,809	1,361,864,514
Less: provision for impairment	(1,200)	(4,128)	(5,328)	(1,200)	(4,128)	(5,328)
	<u>₩1,456,761,843</u>	<u>₩ 74,158,209</u>	<u>₩1,530,920,052</u>	<u>₩1,320,413,505</u>	<u>₩ 41,445,681</u>	<u>₩1,361,859,186</u>

(*) Other financial assets consist of lease receivables and long-term receivables.

NAVER Corporation
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7. Financial Assets (cont'd)

(3) Impairment

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

8. Contract Liabilities

A. Details of contract assets and liabilities as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022	December 31, 2021
Customer loyalty programs	₩ 2,637,055	₩ 2,926,593
Contracts related to search platform service	145,856,637	136,535,793
Contracts related to commerce service	45,486,985	41,140,608
Contracts related to contents service	22,783,144	16,916,234
	<u>₩ 216,763,821</u>	<u>₩ 197,519,227</u>

(*) Contract liabilities are included in other liabilities (advances from customers, unearned revenues and withholdings).

B. Details of revenue recognized from the contract liabilities as of January 1 for the years ended December 31, 2022 and 2021 are as follows and No amount was recognized as revenue for the year ended December 31, 2022 in relation to performance obligations satisfied for the year ended December 31, 2021(Korean won in thousands).

	2022	2021
Revenue recognized from the contract liabilities as of January 1 attributable to:	₩ 197,519,227	₩ 146,130,561
Customer loyalty programs	2,926,593	2,405,829
Search platform	136,535,792	107,601,934
Commerce	41,140,608	29,293,889
Contents	16,916,234	6,828,909

9. Other Assets

Details of other assets as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Prepayment	₩ 18,506,522	₩ 11,331,828	₩ 15,643,132	₩ 9,487,858
Prepaid expenses	25,882,511	15,355,568	25,447,829	23,894,942
	<u>₩ 44,389,033</u>	<u>₩ 26,687,396</u>	<u>₩ 41,090,961</u>	<u>₩ 33,382,800</u>

NAVER Corporation
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10. Property and Equipment

A. Details of property and equipment as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022			December 31, 2021		
	Acquisition cost	Accumulated depreciation(*)	Carrying amount	Acquisition cost	Accumulated depreciation(*)	Carrying amount
Land	₩ 278,055,131	₩ -	₩ 278,055,131	₩ 271,222,169	₩ -	₩ 271,222,169
Buildings	1,066,339,955	(176,391,006)	889,948,949	493,422,657	(141,576,863)	351,845,794
Structures	139,152,057	(94,506,601)	44,645,456	113,915,120	(81,929,225)	31,985,895
Machinery	3,965,983	(2,645,887)	1,320,096	3,545,930	(2,023,042)	1,522,888
Vehicles	554,421	(554,421)	-	554,421	(535,825)	18,596
Equipment	134,464,644	(72,541,387)	61,923,257	94,569,141	(60,398,597)	34,170,544
Construction in progress	479,884,403	-	479,884,403	738,600,516	-	738,600,516
	<u>₩ 2,102,416,594</u>	<u>₩ (346,639,302)</u>	<u>₩ 1,755,777,292</u>	<u>₩ 1,715,829,953</u>	<u>₩ (286,463,551)</u>	<u>₩ 1,429,366,402</u>

(*) Accumulated impairment losses and government grants are included.

B. Changes in property and equipment for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022						
	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Construction in progress
Beginning balance, net	₩ 271,222,169	₩ 351,845,794	₩ 31,985,895	₩ 1,522,888	₩ 18,596	₩ 34,170,544	₩ 738,600,516
Acquisition/ Capital expenditures(*1)	4,556,100	81,663,117	1,601,285	420,064	-	35,144,844	280,645,745
Depreciation	-	(34,814,143)	(12,577,376)	(622,846)	(18,596)	(19,804,053)	-
Disposals/ Impairment(*2)	-	-	-	(11)	-	(8,547,306)	(1,235,934)
Reclassification	2,276,862	491,254,181	23,635,652	-	-	20,959,228	(538,125,923)
Others	-	-	-	-	-	-	-
Ending balance, net	<u>₩ 278,055,131</u>	<u>₩ 889,948,949</u>	<u>₩ 44,645,456</u>	<u>₩ 1,320,095</u>	<u>₩ -</u>	<u>₩ 61,923,257</u>	<u>₩ 479,884,404</u>

(*1) Capitalization of borrowing costs and other are included.

(*2) The amount from disposal of business is ₩ 81 million for the year ended December 31, 2022.

	2021						
	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Others
Beginning balance, net	₩ 269,970,459	₩ 338,607,649	₩ 42,466,095	₩ 1,145,324	₩ 78,728	₩ 31,106,668	₩ 98,132
Acquisition/ capital expenditures	986,102	2,251,230	54,682	786,762	-	12,483,106	-
Depreciation	-	(15,571,550)	(10,534,882)	(409,197)	(60,132)	(14,282,738)	(41,068)
Disposals/ Impairment	-	-	-	-	-	(477,881)	(57,064)
Reclassification	265,608	26,558,465	-	-	-	5,341,389	-
Others(*)	-	-	-	-	-	-	8,772,023
Ending balance, net	<u>₩ 271,222,169</u>	<u>₩ 351,845,794</u>	<u>₩ 31,985,895</u>	<u>₩ 1,522,888</u>	<u>₩ 18,596</u>	<u>₩ 34,170,544</u>	<u>₩ 738,600,516</u>

(*) Capitalization of borrowing costs and other are included.

C. For the year ended December 31, 2022, the Company has capitalized borrowing costs amounting to ₩ 8,601 million (2021: ₩ 8,722 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 1.61% (2021: 1.75%).

D. Depreciation expense is classified as 'operating expenses'.

NAVER Corporation
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11. Leases

A. Details of amounts recognized in the separate statements of financial position as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Right-of-use assets(*1)		
Properties	₩ 39,801,985	₩ 26,655,072
Vehicles	<u>1,631,982</u>	<u>1,170,218</u>
	<u>₩ 41,433,967</u>	<u>₩ 27,825,290</u>
Lease receivables	₩ 37,627,112	₩ 10,953,865
Lease liabilities(*2)		
Current	₩ 48,996,420	₩ 18,371,326
Non-current	<u>328,806,361</u>	<u>19,505,218</u>
	<u>₩ 377,802,781</u>	<u>₩ 37,876,544</u>

(*1) The outstanding balance of right-of-use assets is net of accumulated depreciation.

(*2) The outstanding balance of lease liabilities is net of present value discount.

Additions to the right-of-use assets for the year ended December 31, 2022 were ₩ 71,583 million (2021 : ₩ 14,901 million).

B. Details of amounts recognized in the separate statements of comprehensive income (loss) for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	<u>2022</u>	<u>2021</u>
Depreciation of right-of-use assets		
Properties	₩ 4,556,397	₩ 8,774,648
Vehicles	<u>579,834</u>	<u>492,533</u>
	<u>₩ 5,136,231</u>	<u>₩ 9,267,181</u>
Interest expense relating to lease liabilities (included in 'finance costs')(*)	9,596,649	1,292,740
Expense relating to short-term leases and leases of low-value assets	3,056,299	5,392,891

(*) There is a difference between interest expenses recognized with regard to the leases and interest expenses in the separate statement of comprehensive income due to capitalization of borrowing costs.

The total cash outflow for leases for the year ended December 31, 2022, is ₩ 48,076 million (2021: ₩ 26,719 million), and the total cash inflow for leases for the year ended December 31, 2022, is ₩ 40,527 million (2021: ₩ 14,385 million), respectively.

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12. Intangible Assets

A. Details of intangible assets as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022			December 31, 2021		
	Acquisition cost	Accumulated amortization(*)	Carrying amount	Acquisition cost	Accumulated amortization(*)	Carrying amount
Industrial rights	₩ 9,661,722	₩ (9,165,407)	₩ 496,315	₩ 9,489,054	₩ (8,681,108)	₩ 807,946
Software	32,328,707	(26,054,027)	6,274,680	30,819,932	(24,059,959)	6,759,973
Others	107,441,006	(41,759,692)	65,681,314	87,588,389	(42,163,857)	45,424,532
	<u>₩ 149,431,435</u>	<u>₩ (76,979,126)</u>	<u>₩ 72,452,309</u>	<u>₩ 127,897,375</u>	<u>₩ (74,904,924)</u>	<u>₩ 52,992,451</u>

(*) Accumulated impairment losses and government grants are included.

B. Changes in intangible assets for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022			
	Industrial rights	Software	Others	Total
Beginning balance, net	₩ 807,946	₩ 6,759,974	₩ 45,424,532	₩ 52,992,452
Acquisition/ capital expenditures	216,250	1,508,775	21,002,677	22,727,702
Amortization	(514,186)	(1,994,069)	(1,224,079)	(3,732,334)
Disposals(*)	(13,694)	-	(841,498)	(855,192)
Impairment	-	-	1,319,682	1,319,682
Ending balance, net	<u>₩ 496,316</u>	<u>₩ 6,274,680</u>	<u>₩ 65,681,314</u>	<u>₩ 72,452,310</u>

(*) The amount from disposal of business is ₩ 14 million for the year ended December 31, 2022.

	2021			
	Industrial rights	Software	Others	Total
Beginning balance, net	₩ 1,472,457	₩ 1,881,117	₩ 36,754,103	₩ 40,107,677
Acquisition/ capital expenditures	186,494	6,325,654	10,423,600	16,935,748
Amortization	(849,909)	(1,446,798)	(1,327,392)	(3,624,099)
Disposals	(1,096)	-	(575,779)	(576,875)
Others(*)	-	-	150,000	150,000
Ending balance, net	<u>₩ 807,946</u>	<u>₩ 6,759,973</u>	<u>₩ 45,424,532</u>	<u>₩ 52,992,451</u>

(*) Others include greenhouse gas emission permits surrendered to the government and others

C. Amortization cost is classified as 'operating expenses'.

D. Total research and development costs recognized by the Company amount to ₩ 737,434 million (2021: ₩ 629,620 million), which are expensed as 'operating expenses'.

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12. Intangible Assets (cont'd)

E. Emission permits

(1) The quantities of expected emission permits which are allocated free of charge for the 3rd planning period (2021~2025) are as follows: (in KAU)

2021	2022	2023	2024	2025	Total
76,726	68,467	68,467	67,825	67,825	349,310

(2) Changes in the allocated emission quantity and book amount for the years ended December 31, 2022 and 2021 are as follows: (in KAU, Korean won in thousands)

	2022		2021	
	Quantity	Amount	Quantity	Amount
Beginning balance	5,000	₩ 150,000	15,382	₩ 512,321
Allocation with nil consideration	76,726	-	63,350	-
Purchase	-	-	-	-
Surrendered to the government	(78,884)	(64,740)	(73,176)	(345,697)
Disposal	(955)	(28,650)	(556)	(16,624)
Ending balance	1,887	₩ 56,610	5,000	₩ 150,000

13. Investment properties

A. Changes in investment properties for the year ended December 31, 2022 are as follows: (Korean won in thousands)

	Right-of-use asset
Beginning balance	₩ -
Acquisition	324,522,964
Decrease	(21,753,263)
Ending balance	₩ 302,769,701

B. Expense in relation to investment property is classified as 'other expenses'.

C. Income and expenses in relation to investment property for the year ended December 31, 2022 are as follows: (Korean won in thousands)

	2022
Rental income from investment property	₩ 22,043,040
Expense in relation to investment property	21,753,263
Direct operation expenses generating rental income(maintenance expense included)	-

D. The Company has an agreement to provide operating sublease for some of its right-of-use assets.

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14. Investments in Subsidiaries, Associates and Joint Ventures

A. Details of investments in subsidiaries, associates and joint ventures of the Company as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

Subsidiary:	Primary business	Location	Closing month	Ownership (%)	December 31, 2022	December 31, 2021
					Carrying amount	
NAVER Cloud Corporation	Cloud service management	Korea	December	100.00	₩ 98,576,479	₩ 98,449,807
NAVER I&S Corp	Business support, workforce supply, and employee dispatch	Korea	December	100.00	28,031,186	28,031,186
N Visions Co., Ltd.	Exhibition and performance planning business	Korea	December	100.00	1,452,802	1,452,802
NAVER CHINA CORPORATION	Software development and distribution	China	December	100.00	11,807,060	11,807,060
WORKS MOBILE Corporation	Groupware development and service management	Korea	December	62.59	98,000,069	98,000,069
Snow Corporation	Camera and communication application development service	Korea	December	82.96	597,003,223	447,003,463
SB Next Media Innovation Fund	Investment	Korea	December	96.30	139,845,023	145,518,763
NAVER LABS Corporation(*7)	New technology development and research	Korea	December	100.00	-	50,599,924
NAVER-KTB Audio Contents Fund	Investment	Korea	December	99.00	29,714,850	26,928,000
SpringCamp Early Stage Fund 1	Investment	Korea	December	99.00	39,600,000	39,600,000
SpringCamp Early Stage Fund 2	Investment	Korea	December	91.95	60,000,000	30,000,000
NAVER U.Hub Inc(*7)	Global business support	U.S.A	December	100.00	-	-
NAVER BAND Inc(*7)	North America community service marketing	U.S.A	December	100.00	-	-
NAVER France SAS	Europe IT investment and research and development	France	December	100.00	302,902,769	302,902,769
NAVER WEBTOON COMPANY Corporation	Webtoon service development and management	Korea	December	100.00	19,962,185	19,962,185
NAVER J.Hub Corporation	Global business support	Japan	December	100.00	1,148,207,685	983,514,210
TBT Global Growth Fund I	Investment	Korea	December	89.91	74,340,360	95,007,093
Audiensori Corporation	Audio content production and distribution	Korea	December	100.00	5,811,601	5,811,601
NAVER VIETNAM COMPANY LIMITED	Online live broadcast service and local marketing	Vietnam	December	99.00	50,849,396	50,849,396
NAVER Financial Corporation(*3)	Electronic financial business	Korea	December	89.21	29,587,662	29,284,740
WEBTOON Entertainment Inc	Webtoon service development and management	U.S.A	December	67.52	1,046,328,776	651,034,952
Do Ventures Annex Fund, LP	Investment	U.S.A	December	99.00	3,401,110	1,580,960
SVA Soda(*5)	Investment	Korea	December	1.43	1,359,790	1,359,790
Smart Spring Fund(*4)	Investment	Korea	December	35.71	9,000,000	9,000,000
Naver-Quantum Contents 1 Fund	Investment	Korea	December	98.81	6,250,000	6,250,000
NAVER HANDS Corporation	Standard workplace operation for the disabled	Korea	December	50.80	63,500	47,000
NAVER WP I, L.P.	Managing local business	U.S.A	December	100.00	2,807,628	2,807,628
NAVER WP II, LLC	Managing local business	U.S.A	December	100.00	-	-
Wattpad Corporation	Global web novel platform	Canada	December	100.00	698,168,630	698,168,630
SVA Content Media Private Equity Fund II	Investment	Korea	December	98.83	70,395,030	70,395,030
NW MEDIA CONTENTS INC	Contents production	U.S.A	December	100.00	10,762,479	-
KREAM Corporation (*9)	Sneakers trading platform operations	Korea	December	5.43	49,998,651	-
PROTON PARENT, INC.	Investment	U.S.A	December	100.00	-	-
					4,634,227,944	3,905,367,058
Associate:						
Netmania Co., Ltd.	Software development and distribution	Korea	December	27.17	161,829	161,829

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					December 31, 2022	December 31, 2021
					Ownership (%)	Carrying amount
	Primary business	Location	Closing month			
SYNAP SOFT CORP.	Software development and distribution	Korea	December	26.41	1,249,990	1,249,990
BonAngels Pacemaker Fund	Investment	Korea	December	22.73	750,000	750,000
Korea Contents Mutual Aid Association(*1)	Mutual Aid Association	Korea	December	52.97	10,000,000	10,000,000
Arointech inc	Software development and distribution	Korea	December	29.85	500,000	500,000
NAVER KIP Cheer up! Gamers Fund	Investment	Korea	December	50.00	1,265,000	1,265,000
Future Creation NAVER-SB Startup Investment Fund	Investment	Korea	December	37.04	6,955,243	7,336,945
Digital Media Partners II, L.P.	Investment	Cayman Islands	December	26.88	3,321,036	3,321,036
NAVER-BSK Youth Foundation No.5 Investment Fund	Investment	Korea	December	50.00	3,277,782	4,421,803
N Space Co., Ltd.	Space service business	Korea	December	49.04	1,700,006	1,700,006
Onestore Co., Ltd.	E-Commerce business	Korea	December	25.10	29,497,707	29,497,707
Mirae Asset-NAVER New Growth Fund I	Investment	Korea	December	50.00	48,283,176	49,000,176
K-Fund I(*1)d	Investment	France	December	74.81	162,172,120	172,060,079
YG NAVER Contents & Lifestyle Fund(*1)	Investment	Korea	December	90.91	50,000,000	50,000,000
Soran Media Venture Fund (*1)	Investment	Korea	December	66.67	747,173	747,173
Mirae Asset MAPS Private Placement Real Estate 62	Investment	Korea	December	45.08	196,330,551	196,330,551
Mirae Asset - Naver Asia Growth Investment Pte. Ltd.	Investment	Singapore	December	40.00	264,631,541	350,483,239
Mirae Asset-Naver Asia Growth Fund(*2)	Investment	Korea	December	16.67	66,855,390	87,610,771
China Ventures Fund I, Limited Partnership(*1)	Investment	Canada	December	70.33	104,280,409	99,007,308
CHINA VENTURES FUND II, L.P.(*1)	Investment	Cayman Islands	December	50.04	105,205,213	75,450,379
Alliance Internet Corp.	Revenue support for internet business start-up	Korea	December	23.53	200,000	200,000
DHP private equity fund 3	Investment	Korea	December	25.16	160,898	200,000
Artificial Intelligence Research Institute(*2)(*7)	AI technology investment	Korea	December	14.29	-	3,000,000
YN CULTURE & SPACE	Record production and planning	Korea	December	23.88	11,769,235	7,846,155
Do Ventures Fund I, I-A	Investment	Cayman Islands	December	22.34	8,552,300	5,926,500
SMEJ Plus INC	Global fanship related investment	Japan	December	30.07	14,873,626	14,873,626
Carousell Pte Ltd(*2)	Platform Investment	Singapore	December	8.26	74,862,910	74,862,910
Smart Korea Naver-Stonebridge Rising Investment Association	Investment	Korea	December	37.74	6,000,000	4,000,000
Silicon Cube Co.,Ltd.(*10)	Applied software development and distribution	Korea	December	41.89	-	-
A Holdings Corporation	Mobile service development	Japan	March	42.25	221,372,599	221,372,599
LINE Conomi Corporation	Global restaurant review service	Japan	March	49.90	4,847,572	4,847,572
IPX Corporation(formerly, LINE friends corporation)	Character and doll wholesale and retail	Korea	March	30.00	71,593,000	71,593,000
WEVERSE COMPANY Inc.(*8)	Content production	Korea	December	44.55	411,884,049	211,884,516
K-Fund II(*1)	Investment	France	December	46.90	36,473,310	2,174,976
Cafe24 Corp.(*2)	Hosting and related service	Korea	December	14.81	39,689,366	137,164,280
FUTURE INNOVATION PRIVATE EQUITY FUND III	Investment	Korea	December	25.38	45,831,000	45,831,000
ICART GROUP PTE. LTD.(*2)(*7)	Online daily necessities and fresh food platforms	Singapore	December	5.91	-	12,726,816
Paramark KB Fund I(*6)	Investment	Korea	December	-	-	1,972,000
Mirae Asset Partnership Growth Fund I (*1)	Investment	Korea	December	90.00	4,500,000	-

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	Primary business	Location	Closing month	December 31, 2022		December 31, 2021
				Ownership (%)	Carrying amount	
TBT Global Growth Fund III (*1)	Investment	Korea	December	39.84	7,500,000	-
LINE NEXT Inc. (*2)	Applied Software development and distribution	U.S.A	December	4.94	2,092,721	-
STL 18th Private Equity Fund	Investment	U.S.A	December	22.20	20,000,000	-
					2,039,386,752	1,961,369,942
Joint venture:						
jobsN CO., Ltd	Online information service	Korea	December	49.00	98,000	98,000
Cineplay Co., Ltd	Online information service and online advertising	Korea	December	49.00	98,000	98,000
Designpress Co., Ltd.	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
China Lab Co., Ltd.	Database and online information service	Korea	December	49.00	98,000	98,000
Yeopeul Co., Ltd.	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Inter Biz Co., Ltd.	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Artition Co., Ltd.	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
School Jaem Co., Ltd.	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Agro Plus Co., Ltd.	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Sseom Lab Co., Ltd.	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Tech Plus Co., Ltd.	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Animal and Human Story Co., Ltd.	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
Law&Media Co., Ltd.	Online information service and internet contents business	Korea	December	49.00	98,000	98,000
DANAA Data	Applied Software development and distribution	Korea	December	49.00	4,900,000	4,900,000
					6,174,000	6,174,000
					<u>₩ 6,679,788,696</u>	<u>₩ 5,872,911,000</u>

(*1) As of December 31, 2022, although the Company owns more than 50% ownership in the investee, the Company does not have control over these entities by virtue of agreements and classifies it as associates.

(*2) As of December 31, 2022, although the Company owns less than 20% ownership in the investees, the Company has significant influence over these entities by virtue of agreements and classified as associates.

(*3) The Company's ownership in NAVER Financial Corporation is based on the number of shares with voting right.

(*4) Although the Company owns less than 50% ownership in Smart Spring Fund, the Company is considered to have control over this entity since SpringCamp Inc., a subsidiary of the Company, owns 12.68% ownership of the entity and the Company has significant influence over investment decision-making as a general partner. As a result, Smart Spring Fund has been classified as a subsidiary.

(*5) Although the Company owns less than 50% ownership in SVA Soda, a joint venture, the Company is considered to have control over this entity since KREAM Corporation, a subsidiary of the Company, owns 98.1% ownership of the entity is included. As a result, SVA Soda has been classified as subsidiary.

(*6) The investment in associates is reclassified to financial instrument due to the decrease in the portion of ownership for the year ended December 31, 2022.

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(*7) The carrying amount is nil (0) because the Company recognized impairments of total acquisition amount due to accumulated losses.

(*8) For the year ended December 31, 2022, the Company acquired 15.09% ownership as a consideration for business transfer, but the Company's share of ownership decreased due to paid-in capital increase by allotment to third-parties.

(*9) Although the Company owns less than 50% ownership in the KREAM Corporation, the Company is considered to have control over the entity since the Company has significant influence over the entity considering 43.31% of stakes in the entity held by Snow Corporation, a subsidiary of the Company, and the composition of shareholders and Boards of Directors. Therefore, KREAM Corporation is classified as a subsidiary.

(*10) As the Company's plan to partially dispose interests in the entity has cancelled, interests in the entity are reclassified from financial instruments to investments in associates for the year ended December 31, 2022.

B. Changes in investments in subsidiaries, associates and joint ventures as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022		2021
Beginning balance	₩ 5,872,911,000	₩	4,046,756,564
Acquisition(*3)	1,208,609,426		2,111,763,039
Disposals	(219,598,120)		(179,977,740)
Impairment(*1)(*2)	(163,801,653)		(99,747,208)
Others	(18,331,957)		(5,883,654)
Ending balance	₩ 6,679,788,696	₩	5,872,911,000

(*1) For the year ended December 31, 2022 and 2021, the Company recognized impairment loss for NAVER LABS Corporation as carrying amounts exceeded their recoverable amounts due to its consistent operation loss. For the year ended December 31, 2022, the Company recognized investments in ICART GROUP PTE. LTD. in entirety as impairment loss, concluding that the entity is not likely to continue as a going concern for the foreseeable future due to its consistent operation loss caused by deteriorating business environment.

(*2) The Company recognized an impairment loss of ₩97,475 million for the investment in Cafe24 Corp. for the year ended December 31, 2022, since the Company judged that its stock price having constantly decreased indicates the impairment and the carrying amount of the investment exceeded the recoverable amount as a result of the value-in-use assessment performed thereafter. The discount rate applied for the assessment is 14.26% and the perpetual growth rate used is 1.0%.

(*3) The ownership of WEVERSE COMPANY Inc. amounting to ₩ 200,000 million is acquired (*3) The ownership of WEVERSE COMPANY Inc. amounting to ₩ 200,000 million is acquired as a consideration for business transfer for December 31, 2022.

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15. Trade and Other Payables

Details of trade and other payables as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Financial Liabilities				
Non-trade payables	₩ 412,465,687	₩ -	₩ 370,857,496	₩ -
Accrued expenses	5,076,194	-	4,789,719	-
Deposits received	<u>5,779,839</u>	<u>23,993,957</u>	<u>8,459,036</u>	<u>2,948,178</u>
	423,321,720	23,993,957	384,106,251	2,948,178
Non-financial Liabilities				
Accrued expenses	<u>162,028,470</u>	<u>6,294,124</u>	<u>139,542,200</u>	<u>6,585,520</u>
	<u>₩ 585,350,190</u>	<u>₩ 30,288,081</u>	<u>₩ 523,648,451</u>	<u>₩ 9,533,698</u>

16. Other Liabilities

Details of other liabilities as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 258,522,495	₩ -	₩ 228,746,978	₩ -
Unearned revenues	25,610,527	2,985,275	17,677,171	387,014
Withholdings	6,224,972	-	6,282,064	-
VAT withholdings	<u>78,333,648</u>	<u>-</u>	<u>71,014,422</u>	<u>-</u>
	<u>₩ 368,691,642</u>	<u>₩ 2,985,275</u>	<u>₩ 323,720,635</u>	<u>₩ 387,014</u>

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17. Borrowings and Debentures

A. Details of borrowings as of December 31, 2022 and 2021 are as follows: (Korean won in thousands and foreign currency in thousands)

				December 31, 2022		December 31, 2021	
	Financial Institution	Latest maturity	Interest rate (%)	Carrying amount	Foreign currency amount	Carrying amount	Foreign currency amount
Current portion of long-term borrowings							
Local currency	Kookmin Bank	2023.10.01	2.50	₩ 30,000,000	-	₩ -	-
Foreign currency	Mizuho Bank	2023.11.15	0.58	157,274,700 JPY	16,500,000	-	-
Long-term borrowings							
Local currency	Shinhan Bank	2025.12.03	2.99	15,000,000	-	15,000,000	-
Foreign currency	BNP Paribas	2024.12.23	0.61	142,977,000 JPY	15,000,000	154,536,000 JPY	15,000,000
Local currency	Kookmin Bank	2023.10.01	2.50	-	-	10,000,000	-
Foreign currency	Mizuho Bank	2023.11.15	0.58	-	-	169,989,600 JPY	16,500,000
				<u>₩ 345,251,700</u>	<u>JPY 31,500,000</u>	<u>₩ 349,525,600</u>	<u>JPY 31,500,000</u>

B. Details of debentures as of December 31, 2022 and 2021 are as follows: (Korean won in thousands and foreign currency in thousands)

				December 31, 2022		December 31, 2021	
	Issue date	Latest maturity	Interest rate (%)	Carrying amount	Foreign currency amount	Carrying amount	Foreign currency amount
Debentures in won(4 th -1)	2021.02.25	2024.02.25	1.24	₩ 250,000,000	-	₩ 250,000,000	-
Debentures in won(4 th -2)	2021.02.25	2026.02.25	1.60	450,000,000	-	450,000,000	-
Unsubordinated unsecured debentures in foreign currency	2021.03.29	2026.03.29	1.50	1,013,840,000 USD	800,000	948,400,000 USD	800,000
Less: Discount on debentures	2021.05.12			(9,321,723) USD	(6,465)	(11,572,536) USD	(8,387)
				<u>₩ 1,704,518,277</u>	<u>USD 793,535</u>	<u>₩ 1,636,827,464</u>	<u>USD 791,613</u>

C. Details of conditions of issuance of debentures as of December 31, 2022 are as follows:

	Payment of principal and interest	Financial ratios maintenance (*)	Restriction on settlement of security right (*)	Limit on the sale of assets (*)	Restriction on changes in governance
Debentures in won(4 th -1)	Interest paid quarterly and lump-sum repayment at maturity for principal	Debt ratio below 300%	Equity capital below 500%	Within 100% of total assets	Change in largest shareholder
Debentures in won(4 th -2)					
Unsubordinated unsecured debentures in foreign currency	Interest paid semi-annually and lump-sum repayment at maturity for principal	-	Restrictions on the settlement of security rights over a certain amount under contractual terms	Restriction on the sale of important property under contractual terms	Restriction on the merger and others under contractual terms

(*) The above financial ratio maintenance, restrictions on the settlement of security rights and limits on the sale of assets are applied based on the consolidated financial statements.

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18. Provisions

Details of provisions as of December 31, 2022 and 2021 and changes in provisions for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022 and 2022			
	Provision for litigation	Provision for restoration	Others	Total
Beginning balance	₩ 927,939	₩ 3,267,314	₩ 781,813	₩ 4,977,066
Charged/(credited) to statements of comprehensive income (loss):				
Additional provisions	-	247,102	-	247,102
Unused amounts reversed	(1,500)	(501,845)	(484,351)	(987,696)
Charged during the period	-	8,002,548	313,817	8,316,365
Used during the period		(394,994)	(55,500)	(450,494)
Ending balance	₩ 926,439	₩ 10,620,125	₩ 555,779	₩ 12,102,343
Current	₩ 926,439	₩ 577,731	₩ 555,779	₩ 2,059,949
Non-current	-	10,042,394	-	10,042,394

	December 31, 2021 and 2021			
	Provision for litigation	Provision for restoration	Others	Total
Beginning balance	₩ 927,939	₩ 2,306,507	₩ 31,400,124	₩ 34,634,570
Charged/(credited) to statements of comprehensive income (loss):				
Additional provisions	-	59,274	541,923	601,197
Unused amounts reversed	-	(762,920)	(2,237,040)	(2,999,960)
Charged during the period	-	1,664,453	10,221	1,674,674
Used during the period	-	-	(28,933,415)	(28,933,415)
Ending balance	₩ 927,939	₩ 3,267,314	₩ 781,813	₩ 4,977,066
Current	₩ 927,939	₩ 964,657	₩ 781,813	₩ 2,674,409
Non-current	-	2,302,657	-	2,302,657

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19. Post-employment Benefits

A. Defined benefit pension plans

The Company operates defined benefit pension plans in various countries. 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 an external institution.

(1) Details of net defined benefit liabilities as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022	December 31, 2021
Present value of funded defined benefit obligations	₩ 13,677,852	₩ 15,009,871
Present value of unfunded defined benefit obligations	312,614,831	272,835,865
	326,292,683	287,845,736
Fair value of plan assets	(10,245,029)	(10,460,193)
Net defined benefit liabilities	₩ 316,047,654	₩ 277,385,543

(2) Changes in net defined benefit obligations for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022	2021
Beginning balance	₩ 287,845,736	₩ 231,698,284
Current service cost	55,151,044	46,317,760
Interest expense	10,571,476	6,795,737
Remeasurements:		
- Actuarial loss from change in demographic assumptions	6,352,853	906,101
- Actuarial gain from change in financial assumptions	(31,622,333)	15,058,274
- Actuarial loss (gain) from experience adjustments	14,569,477	1,922,018
Payments from plans:		
- Benefit payments	(13,740,944)	(15,683,273)
Transfer to / from subsidiaries	(1,098,879)	(332,212)
Business combination (Note 33)	(1,735,747)	1,163,048
Ending balance	₩ 326,292,683	₩ 287,845,736

(3) Changes in plan assets for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022	2021
Beginning balance	₩ 10,460,193	₩ 10,958,058
Interest income	386,245	316,894
Remeasurements:		
- Return on plan assets (excluding amounts included in interest income)	(242,448)	(241,376)
Contribution:		
- Employee	(358,961)	(573,383)
Ending balance	₩ 10,245,029	₩ 10,460,193

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19. Post-employment Benefits (cont'd)

(4) Details of plan assets as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022		December 31, 2021	
	Amount	Ratio(%)	Amount	Ratio(%)
Cash and cash equivalents and others	₩ 158,798	1.5	₩ 1,499,992	14.34
Securities and others	377,017	3.7	1,009,409	9.65
Others	9,709,214	94.8	7,950,793	76.01
	<u>₩ 10,245,029</u>	<u>100.00</u>	<u>₩ 10,460,193</u>	<u>100.00</u>

(5) The principal actuarial assumptions as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Discount rate	6.04%	3.56%
Salary growth rate	8.41%	6.71%

(6) The sensitivity analysis of the defined benefit liabilities by changes in the principal assumptions as of December 31, 2022 is as follows: (Korean won in thousands)

	Impact on defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1% increase / decrease	₩ (36,196,992)	₩ 43,184,627
Salary growth rate	1% increase / decrease	41,783,446	(35,813,991)

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 by changes in principle actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

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

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

There are no expected contributions to plan assets for the year ended December 31, 2023, and the weighted average duration of the defined benefit obligation is 13.03 years.

19. Post-employment Benefits (cont'd)

B. Other Short-term and Long-term Employee Benefits

Short-term employee benefit liabilities are the amount of long-term paid leaves that are expected to be settled within 12 months from the end of the period and the amount of paid leaves recognized for the service provided during the current period. Long-term employee benefit liabilities are the amount of long-term paid leaves that are expected to be settled after 12 months from the end of the period.

Details of other short-term and long-term employee benefits as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other short-term employee benefits	₩ 51,132,581	₩ 44,390,335
Other long-term employee benefits	6,199,001	5,761,905
	<u>₩ 57,331,582</u>	<u>₩ 50,152,240</u>

20. Issuance and Acquisition of Shares

A. The Company's total number of authorized shares is 300,000,000 shares. As of December 31, 2022, the Company has issued 164,049,085 ordinary shares (par value - ₩ 100 per share) and 14,067,367 treasury shares (excludes retired shares). The Company's share capital and share premium as of December 31, 2022 amount to ₩ 16,481,340 thousand and ₩ 132,920,605 thousand, respectively. The par value of outstanding shares amounting to ₩ 16,404,909 thousand differs from the share capital (₩ 16,481,340 thousand) due to the retirement of shares.

B. The Company disposed of 682,763 treasury shares through exercise of stock options and recognized gain on disposal of treasury shares amounting to ₩ 67,350 million for the year ended December 31, 2022.

21. Other Components of Equity

A. Other components of equity as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Treasury shares	₩ (1,016,904,185)	₩ (1,066,259,871)
Stock options	189,297,280	201,251,339
Loss on valuation of financial assets at fair value - other comprehensive income	(500,216,574)	(71,357,770)
Others	(60,838,113)	(60,838,113)
	<u>₩ (1,388,661,592)</u>	<u>₩ (997,204,415)</u>

B. The Company disposed 682,763 treasury shares (acquisition cost: ₩ 49,356 million) as its employees exercise stock options and the Company paid stock grants to employees, and recognized gain on disposal of treasury shares amounting to ₩ 67,350 million for the year ended December 31, 2022.

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21. Other Components of Equity (cont'd)

C. Changes in treasury shares for the years ended December 31, 2022 and 2021 are as follows: (in number of shares)

	<u>2022</u>	<u>2021</u>
Beginning balance	14,750,130	16,804,360
Acquisition	-	-
Disposal(*)	(682,763)	(1,839,920)
Retirement	-	(214,310)
Ending balance	<u>14,067,367</u>	<u>14,750,130</u>

(*) Exercise of stock options and payment of stock grants to employees are granted through treasury shares.

22. Share-Based Payments

As of December 31, 2022, the Company entered into share-based payment agreements for the employees and directors of the Company upon the resolution of shareholders' meetings and the Board of Directors.

A. Stock option

(1) Equity-settled stock option

(A) Details of equity-settled stock options granted to employees as of December 31, 2022 are as follows:

	<u>Granted on 2019.02.27</u>	<u>Granted on 2019.03.22</u>	<u>Granted on 2020.02.26</u>	<u>Granted on 2020.02.26</u>
Granted shares	Shares of Naver corporation			
Vesting condition	More than two years' service from the grant date	More than three years' service from the grant 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	More than two years' service from the grant date	More than three years' service from the grant 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
Exercisable period and condition	Five years from the exercisable date		Five years from the exercisable date	
Authorized shares	Registered ordinary shares			
Granting method	Either issuance of shares or distribution of treasury shares			

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22. Share-Based Payments (cont'd)

	Granted on 2020.03.27	Granted on 2021.02.23	Granted on 2021.02.23	Granted on 2021.03.24
Granted shares	Shares of Naver corporation			
Vesting condition	More than three years' service from the grant 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	More than two years' service from the grant date	More than three years' service from the grant date	More than three years' service from the grant date
Exercisable period and condition		Five years from the exercisable date	Five years from the exercisable date	Five years from the exercisable date
Authorized shares	Registered ordinary shares			
Granting method	Either issuance of shares or distribution of treasury shares			

(B) Changes in the number of equity-settled stock options and weighted average exercise prices for the years ended December 31, 2022 and 2021 are as follows: (in number of shares)

2022						
Granted date	Beginning unexercised balance	Granted	Exercised	Expired	Transfer from/to associates	Ending unexercised balance
Shares of Naver corporation						
2019.02.27	78,485	-	(21,912)	(77)	108	56,604
2019.03.22	708,000	-	(320,240)	(2,000)	(3,000)	382,760
2020.02.26	143,524	-	(72,498)	(1,961)	(106)	68,959
2020.02.26	844,500	-	-	(46,000)	(1,000)	797,500
2020.03.27	604,000	-	-	(8,000)	(48,000)	548,000
2021.02.23	81,324	-	-	(6,210)	-	75,114
2021.02.23	988,500	-	-	(74,500)	-	914,000
2021.03.24	765,000	-	-	(8,000)	(50,000)	707,000
	4,213,333	-	(414,650)	(146,748)	(101,998)	3,549,937
Weighted average exercise price (KRW)	₩ 256,551 ₩	- ₩	140,505 ₩	293,115 ₩	281,749 ₩	267,870

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22. Share-Based Payments (cont'd)

Granted date	2021					Transfer from/to associates	Ending unexercised balance
	Beginning unexercised balance	Granted	Exercised	Expired			
Shares of Naver corporation							
2019.02.27	368,808	-	(289,723)	(585)	(15)		78,485
2019.03.22	747,000	-	-	(35,000)	(4,000)		708,000
2020.02.26	152,852	-	-	(9,063)	(265)		143,524
2020.02.26	878,500	-	-	(31,000)	(3,000)		844,500
2020.03.27	670,000	-	-	(60,000)	(6,000)		604,000
2021.02.23	-	86,643	-	(5,319)	-		81,324
2021.02.23	-	1,027,500	-	(39,000)	-		988,500
2021.03.24	-	806,000	-	(41,000)	-		765,000
	2,817,160	1,920,143	(289,723)	(220,967)	(13,280)		4,213,333
Weighted average exercise price (KRW)	₩ 163,941 ₩	₩ 371,735 ₩	₩ 128,900 ₩	₩ 249,369 ₩	₩ 169,369 ₩	₩	256,551

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

	NAVER Corporation							
	2019.02.27	2019.03.22	2020.02.26	2020.02.26	2020.03.27	2021.02.23	2021.02.23	2021.03.24
Risk-free interest rate	1.98	1.92	1.40	1.40	1.48	1.02	1.19	1.44
Expected maturity	7 years	8 years	7 years	8 years	8 years	3 years	4 years	4 years
Expected price volatility	24.30	24.00	20.40	20.40	24.00	26.12	25.09	25.11
Expected dividend yield	0.2	0.2	0.16	0.16	0.2	0.2	0.2	0.2
Stock price as of granted date	₩ 129,500 ₩	₩ 127,000 ₩	₩ 190,500 ₩	₩ 190,500 ₩	₩ 152,500 ₩	₩ 386,500 ₩	₩ 386,500 ₩	₩ 386,000 ₩
Fair value as of granted date	₩ 39,906 ₩	₩ 19,365 ₩	₩ 48,526 ₩	₩ 37,580 ₩	₩ 18,219 ₩	₩ 81,253 ₩	₩ 89,003 ₩	₩ 79,368 ₩
Exercise price	₩ 128,900 ₩	₩ 131,000 ₩	₩ 186,000 ₩	₩ 186,000 ₩	₩ 186,000 ₩	₩ 362,500 ₩	₩ 362,500 ₩	₩ 384,500 ₩

(D) The amount of expenses recognized in relation to equity-settled stock options is ₩ 67,253 million (2021: ₩ 72,050 million) and the amount recognized as an investment in a subsidiary is ₩ 6,738 million (2021: ₩ 5,884 million) for the year ended December 31, 2022.

22. Share-Based Payments (cont'd)

(2) Cash-settled stock options

(A) Details of the cash-settled stock options granted as of December 31, 2022 are as the follows:

	Granted on 2019.02.27	Granted on 2019.03.22	Granted on 2020.02.26	Granted on 2020.02.26	Granted on 2020.03.27
Granted by	Certain subsidiaries of NAVER Corporation				
Vesting condition	More than two years service from the grant date	More than three years service from the grant date	More than two years service from the grant date	More than three years service from the grant date	More than three years service from the grant date
Exercisable period and condition	Five years from the exercisable date	- Five years from the exercisable date - If daily closing price for ten consecutive days immediately preceding the exercising date or during the exercisable period are ₩ 192,000 or greater	Five years from the exercisable date	- Five years from the exercisable date - If daily closing price for ten consecutive days immediately preceding the exercising date or during the exercisable period are ₩ 192,000 or greater	- Five years from the exercisable date - If daily closing price for ten consecutive days immediately preceding the exercising date or during the exercisable period are ₩ 192,000 or greater
	Granted on 2020.04.30	Granted on 2020.04.30	Granted on 2021.02.23	Granted on 2021.02.23	Granted on 2021.03.24
Granted by	Certain subsidiaries of NAVER Corporation				
Vesting condition	More than two years service from the grant date	More than three years service from the grant date	More than two years service from the grant date	More than three years service from the grant date	More than three years service from the grant date
Exercisable period and condition	Five years from the exercisable date	- Five years from the exercisable date - If daily closing price for ten consecutive days immediately preceding the exercising date or during the exercisable period are ₩ 192,000 or greater	-Five years from the exercisable date	-Five years from the exercisable date	-Five years from the exercisable date

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22. Share-Based Payments (cont'd)

(B) Changes in the number of cash-settled stock options and weighted average exercise prices for the years ended December 31, 2022 and 2021 are as follows: (in number of shares)

Granted date	2022					Transfer from/to associates	Ending unexercised balance
	Beginning unexercised balance	Granted	Exercised	Expired			
2019.02.27	4,459	-	(77)	-		278	4,660
2019.03.22	3,000	-	(1,250)	-		3,000	4,750
2020.02.26	2,383	-	(371)	-		108	2,120
2020.02.26	4,000	-	-	-		(1,894)	2,106
2020.03.27	-	-	-	-		4,000	4,000
2020.04.30	424	-	-	-		106	530
2020.04.30	1,553	-	-	(106)		553	2,000
2021.02.23	972	-	-	(54)		621	1,539
2021.02.23	6,554	-	-	(2,000)		5,554	10,108
2021.03.24	-	-	-	-		6,000	6,000
	23,345	-	(1,698)	(2,160)		18,326	37,813
Weighted average exercise price (KRW)	₩ 224,926 ₩	- ₩	₩ 142,922 ₩	₩ 353,838 ₩		₩ 300,592 ₩	₩ 257,916

Granted date	2021					Transfer from/to associates	Ending unexercised balance
	Beginning unexercised balance	Granted	Exercised	Expired			
2019.02.27	6,523	-	(4,391)	-		2,327	4,459
2019.03.22	2,000	-	-	-		1,000	3,000
2020.02.26	1,482	-	-	(159)		1,060	2,383
2020.02.26	4,000	-	-	-		-	4,000
2020.04.30	212	-	-	(53)		265	424
2020.04.30	-	-	-	-		1,553	1,553
2021.02.23	-	-	-	(27)		999	972
2021.03.24	-	-	-	-		6,554	6,554
	14,217	-	(4,391)	(239)		13,758	23,345
Weighted average exercise price (KRW)	₩ 152,064 ₩	- ₩	₩ 128,900 ₩	₩ 205,939 ₩		₩ 269,241 ₩	₩ 224,926

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22. Share-Based Payments (cont'd)

(C) The Company calculated the compensation costs using binomial model and Monte-Carlo simulation ("Monte-Carlo"), and the assumptions and inputs used for calculation of the compensation costs are as follows (% and Korean won)

		<u>2019.03.22</u>	<u>2020.02.26</u>	<u>2020.02.26</u>	<u>2020.03.27</u>	<u>2020.04.30</u>
Risk-free interest rate		3.75	3.78	3.78	3.78	3.77
Expected maturity		1.22 years	2.16 years	2.16 years	2.24 years	2.33 years
Expected price volatility		27.41	27.41	27.41	27.41	27.41
Expected dividend yield		0.14	0.14	0.14	0.14	0.14
Share price at the end of period	₩	177,500 ₩	177,500 ₩	177,500 ₩	177,500 ₩	177,500
Fair value of stock options at the end of period	₩	35,218 ₩	30,140 ₩	21,650 ₩	21,962 ₩	31,660
Exercise price	₩	131,000 ₩	186,000 ₩	186,000 ₩	186,000 ₩	186,000
		<u>2020.04.30</u>	<u>2020.04.30</u>	<u>2021.02.23</u>	<u>2021.02.23</u>	<u>2021.03.24</u>
Risk-free interest rate		3.77	3.77	3.73	3.73	3.74
Expected maturity		2.33 years	2.33 years	3.15 years	3.15 years	3.23 years
Expected price volatility		27.41	27.41	27.41	27.41	27.41
Expected dividend yield		0.14	0.14	0.14	0.14	0.14
Share price at the end of period	₩	177,500 ₩	177,500 ₩	177,500 ₩	177,500 ₩	177,500
Fair value of stock options at the end of period	₩	22,333 ₩	22,333 ₩	5,716 ₩	5,716 ₩	4,902
Exercise price	₩	186,000 ₩	186,000 ₩	362,500 ₩	362,500 ₩	384,500

(D) The amount of expenses recognized in relation to cash-settled stock options is ₩ 2,741 million (2021: ₩ 1,414 million) for the year ended December 31, 2022.

B. Treasury share payment (stock grant)

The Company distributed treasury shares amounting to ₩ 43,456 million without consideration to employees for the year ended December 31, 2022. (in number of shares and Korean won)

		<u>Issued on 2022.07.01</u>	<u>Issued on 2023.01.02</u>
Disposal value per share	₩	237,000 ₩	179,500
Total number of shares disposed		91,503	121,278

22. Share-Based Payments (cont'd)

C. Restricted Stock Unit

(1) The Company granted restricted stock unit ("RSU") to employees and directors of the Company upon the resolution of the Board of Directors. Details are as the follows:

	<u>Description</u>
Granted shares	Common shares of Naver corporation
Total number of RSU	192,959 shares
Total amount of RSU	₩ 48,594 million (Stock price as of granted date: ₩ 288,000)
Exercise price	Nil (Exercise price under current shared-based payments system: nil)
Grant date	2022.05.31
Vesting condition	Servicing at the exercisable date and meeting some market conditions
Exercisable date	Payment effect of RSU will occur on March 31, 2023, March 31, 2024 and March 31, 2025

(2) The amount of expenses recognized in relation to RSU is ₩ 18,220 million for the year ended December 31, 2022.

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23. Retained Earnings

A. Retained earnings as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022	December 31, 2021
Legal reserves(*)	₩ 8,240,670	₩ 8,240,670
Other reserves	13,909,234	13,909,234
Retained earnings before appropriation	10,076,740,304	9,235,315,009
	<u>₩ 10,098,890,208</u>	<u>₩ 9,257,464,913</u>

(*) 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.

B. The appropriation of retained earnings for the years ended December 31, 2022 and 2021 is as follows: (Korean won in thousands)

	2022	2021
	(Expected appropriation date: March 22, 2023)	(Actual appropriation date: March 14, 2022)
Expected appropriation date/ Actual appropriation date		
Unappropriated retained earnings carried over from prior year	₩ 9,159,023,243	₩ 7,722,098,133
Profit for the year	1,092,157,608	1,524,755,010
Gain on disposal of equity instruments at fair value - other comprehensive income	(45,127,814)	17,199,904
Remeasurements of the defined benefit liabilities	7,759,428	(13,245,961)
treasury shares	-	(15,492,077)
Interim dividends	(137,072,161)	-
Retained earnings available for appropriation	<u>10,076,740,304</u>	<u>9,235,315,009</u>
Dividends	-	76,291,766
Dividends per share: 2022: ₩ -(-%), 2021: ₩ 511 (511%)	-	
Appropriation of retained earnings	-	76,291,766
Unappropriated retained earnings to be carried forward	<u>₩ 10,076,740,304</u>	<u>₩ 9,159,023,243</u>

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24. Operating Expenses

Details of operating expenses for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022	2021
Salaries and wages(*)	₩ 673,354,375	₩ 562,387,175
Employee benefits	115,110,224	86,927,611
Share-based payment expenses	82,731,906	73,463,673
Depreciation	67,837,014	40,899,567
Depreciation of right-of-use assets	5,136,230	9,267,181
Amortization	3,732,334	3,624,099
Utility	19,819,629	16,615,952
Taxes and dues	11,634,696	5,718,093
Commission	2,296,311,912	2,026,661,095
Advertising	632,703,429	579,450,942
Supplies	5,930,764	4,897,360
Others	44,488,961	50,025,766
	<u>₩ 3,958,791,474</u>	<u>₩ 3,459,938,514</u>

(*) Expenses related to stock grants amounting to ₩ 44,300 million for the year ended December 31, 2022(2021: ₩ 39,449 million) are included.

25. Other Income and Other Expenses

A. Details of other income for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022	2021
Rental income	₩ 27,703,914	₩ 2,171,450
Foreign currency exchange gain	38,772,752	13,631,504
Gain on disposal of property and equipment	755,886	516,051
Gain on disposal of intangible assets	198,301,511	1,503,683
Gain on disposal of investments in subsidiaries and associates	-	28,564,360
Others	6,482,705	4,974,229
	<u>₩ 272,016,768</u>	<u>₩ 51,361,277</u>

B. Details of other expenses for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022	2021
Foreign currency exchange loss	₩ 89,008,316	₩ 57,782,107
Social contribution expenses	77,368,721	90,297,443
Miscellaneous loss	10,724,442	12,754,604
Non-operating commission	25,230,017	17,363,138
Impairment loss on investments in subsidiaries and associates	163,801,653	99,747,208
Others	26,959,666	1,340,400
	<u>₩ 393,092,815</u>	<u>₩ 279,284,900</u>

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26. Finance Income and Finance Costs

A. Details of finance income for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022		2021
Dividend income	₩ 488,574,643	₩	346,854,161
Foreign currency exchange gain	42,295,616		22,969,946
Gain on valuation of financial assets at fair value - profit or loss	141,831,008		449,993,627
Gain on disposal of financial assets at fair value - profit or loss	-		4,696,264
	<u>₩ 672,701,267</u>	₩	<u>824,513,998</u>

B. Details of finance costs for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022		2021
Interest expenses	₩ 33,348,650	₩	13,900,708
Foreign currency exchange loss	57,723,151		5,916,545
Loss on valuation of financial assets at fair value - profit or loss	451,663,756		49,166,221
Loss on disposal of financial assets at fair value - profit or loss	-		1,982,910
Loss on disposal of derivatives	20,325,669		-
Others	490,356		280,956
	<u>₩ 563,551,582</u>	₩	<u>71,247,340</u>

27. Income Tax Expense

A. Income tax expense for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022		2021
Current tax			
Current tax on profits for the year	₩ 597,860,486	₩	580,695,308
Adjustments for current tax attributable to prior years	(3,022,622)		(11,341,368)
Deferred tax			
Origination and reversal of temporary differences	(124,590,448)		(4,793,752)
Impact of changes in corporate tax rate	4,316,214		32,266
Income tax expense	<u>₩ 474,563,630</u>	₩	<u>564,592,454</u>

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27. Income Tax Expense (cont'd)

B. The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company is as follows: (Korean won in thousands)

	2022	2021
Profit before income tax expense	₩ 1,566,721,238	₩ 2,089,347,464
Income tax expense calculated at statutory tax rate	420,486,341	566,739,802
Adjustments:		
Non-taxable income	(22,146,276)	(23,208,659)
Non-deductible expenses	31,470,300	29,344,480
Change in reserve at beginning	(8,038,014)	2,255,666
Income not subject to tax	(9,472,212)	-
Changes in unrecognized deferred tax asset	29,921,138	27,108,205
Adjustment in respect of prior years	(3,022,622)	(11,341,368)
Change in deferred tax attributable to the corporate tax rate	4,316,214	32,266
Effects of consolidated tax return	(14,219,565)	(10,719,385)
Others	45,268,326	(15,618,553)
Income tax expense	₩ 474,563,630	₩ 564,592,454

The weighted average applicable tax rate of the Company was 26.84% (2021: 27.13%).

C. Income tax effect relating to components of other comprehensive income (loss) for the years ended December 31, 2022 and 2021 is as follows: (Korean won in thousands)

	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain (loss) on valuation of financial assets at fair value - other comprehensive income	₩ (576,398,756)	₩ 147,539,953	₩ (428,858,803)	₩ (101,347,261)	₩ 27,290,234	₩ (74,057,027)
Remeasurements of the net defined benefit liabilities	10,457,555	(2,698,127)	7,759,428	(18,127,769)	4,881,808	(13,245,961)
	₩ (565,941,201)	₩ 144,841,826	₩ (421,099,375)	₩ (119,475,030)	₩ 32,172,042	₩ (87,302,988)

D. Income tax effect that are charged or credited directly to equity for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain (loss) on disposal of treasury shares	₩ 92,307,593	₩ (24,957,278)	₩ 67,350,315	₩ 513,957,587	₩ (139,450,734)	₩ 374,506,853
Gain (loss) on disposal of financial assets at fair value through other comprehensive income	(61,850,340)	16,722,526	(45,127,814)	23,604,431	(6,404,527)	17,199,904
Stock options	74,740,732	(86,694,791)	(11,954,059)	112,987,493	88,263,846	201,251,339
	₩ 105,197,985	₩ (94,929,543)	₩ 10,268,442	₩ 650,549,511	₩ (57,591,415)	₩ 592,958,096

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27. Income Tax Expense (cont'd)

E. The analysis of deferred tax assets and liabilities related to continuing operations as of December 31, 2022 and 2021 is as follows: (Korean won in thousands)

	December 31, 2022	December 31, 2021
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	₩ 134,807,327	₩ 42,153,091
Deferred tax asset to be recovered after more than 12 months	<u>217,700,503</u>	<u>238,152,465</u>
	352,507,830	280,305,556
Deferred tax liabilities		
Deferred tax liability to be within 12 months	(99,846,451)	885,559
Deferred tax liability to be recovered after more than 12 months	<u>21,287,929</u>	<u>(185,663,075)</u>
	(78,558,522)	(184,777,516)
Deferred tax assets (liabilities), net	<u>₩ 273,949,308</u>	<u>₩ 95,528,040</u>

F. Changes in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows: (Korean won in thousands)

	Beginning balance	Statement of profit or loss	2022 Other comprehensive income (loss)	Equity	Ending balance
Deferred income tax liabilities					
Investments in subsidiaries and associates	₩ (1,646,332)	₩ 22,934,261	₩ -	₩ -	21,287,929
Financial assets at fair value - profit or loss	(183,079,055)	84,736,030	-	-	(98,343,025)
Accrued income	<u>(52,129)</u>	<u>(1,451,297)</u>	-	-	<u>(1,503,426)</u>
	(184,777,516)	106,218,994	-	-	(78,558,522)
Deferred income tax assets					
Provision for impairment	547,345	(379,044)	-	-	168,301
Intangible assets	4,460,875	2,948,661	-	-	7,409,536
Accrued expenses	33,027,410	6,695,894	-	-	39,723,304
Net defined benefit liabilities	74,874,042	9,332,775	(2,698,127)	-	81,508,690
Provisions	1,439,926	1,866,164	-	-	3,306,090
Financial assets at fair value - other comprehensive income	26,963,926	68,684	147,539,953	-	174,572,563
Depreciation	27,110,355	4,041,763	-	-	31,152,118
Stock options	105,577,256	(12,714,098)	-	(86,694,791)	6,168,367
Others	<u>6,304,421</u>	<u>2,194,440</u>	-	-	<u>8,498,861</u>
	280,305,556	14,055,239	144,841,826	(86,694,791)	352,507,830
Deferred income tax assets(liabilities), net	<u>₩ 95,528,040</u>	<u>₩ 120,274,233</u>	<u>₩ 144,841,826</u>	<u>₩ (86,694,791)</u>	<u>₩ 273,949,308</u>

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27. Income Tax Expense (cont'd)

	2021				
	Beginning balance	Statement of profit or loss(*1)	Other comprehensive income (loss)(*2)	Equity	Ending balance
Deferred income tax liabilities					
Investments in subsidiaries and associates	₩ (422,561)	₩ (1,223,771)	₩ -	₩ -	(1,646,332)
Financial assets at fair value - profit or loss	(165,170,620)	(17,908,435)	-	-	(183,079,055)
Accrued income	(310,173)	258,044	-	-	(52,129)
	(165,903,354)	(18,874,162)	-	-	(184,777,516)
Deferred income tax assets					
Provision for impairment	455,986	91,358	-	-	547,345
Intangible assets	4,566,771	(105,896)	-	-	4,460,875
Accrued expenses	31,973,540	1,053,870	-	-	33,027,410
Net defined benefit liabilities	59,290,825	10,701,409	4,881,808	-	74,874,042
Provisions	9,820,501	(8,380,576)	-	-	1,439,926
Financial assets at fair value - other comprehensive income	(341,466)	15,158	27,290,234	-	26,963,926
Depreciation	24,113,477	2,996,879	-	-	27,110,355
Stock options	-	17,313,410	-	88,263,846	105,577,256
Others	6,354,385	(49,964)	-	-	6,304,421
	136,234,019	23,635,648	32,172,042	88,263,846	280,305,556
Deferred income tax assets(liabilities), net					
	₩ (29,669,335)	₩ 4,761,486	₩ 32,172,042	₩ 88,263,846	₩ 95,528,040

G. The Company did not recognize deferred tax assets for the temporary differences amounting to ₩ 510,534 million (2021: ₩ 454,007 million) from the investments in subsidiaries / associates and others which are not subject to disposal.

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28. Earnings per Share

A. Basic earnings per share for the years ended December 31, 2022 and 2021 are as follows:

(1) Basic earnings per share from continuing operations (Korean won in thousands and in number of shares)

	2022	2021
Profit for the year attributable to ordinary shares	₩ 1,092,157,608	₩ 1,524,755,010
Weighted average number of ordinary shares	149,764,029	148,659,354
Basic earnings per share (in Korean won)	₩ 7,293	₩ 10,257

B. Weighted average number of ordinary shares outstanding for the years ended December 31, 2022 and 2021 are calculated as follows: (in number of shares)

	2022
	Numbers of ordinary shares outstanding
Beginning balance	149,298,955
Treasury shares disposal	682,763
	<u>54,663,870,443</u>

(*) Weighted average number of ordinary shares outstanding: $54,663,870,443 \div 365 \text{ days} = 149,764,029 \text{ shares}$

	2021
	Numbers of ordinary shares outstanding
Beginning balance	147,459,035
Treasury shares disposal	1,839,920
	<u>54,260,664,337</u>

(*) Weighted average number of ordinary shares outstanding: $54,260,664,337 \div 365 \text{ days} = 148,659,354 \text{ shares}$

C. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has stock options as dilutive potential ordinary shares. For the 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 Company'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. (Korean won in thousands and in number of shares)

	2022	2021
Profit attributable to the controlling ordinary shareholders of the Company	₩ 1,092,157,608	₩ 1,524,755,010
Weighted average number of ordinary shares outstanding	149,764,029	148,659,354
Adjustment details		
Stock option	<u>654,184</u>	<u>1,344,737</u>
Weighted average number of ordinary shares outstanding for calculating diluted earnings (loss) per share	150,418,213	150,004,091
Diluted earnings per share	₩ 7,261	₩ 10,165

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29. Dividends

The dividend of ordinary shares for fiscal year ended December 31, 2021 of ₩ 76,292 million was paid in April 2022, and details of dividends for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Shares eligible for dividends	149,298,955 Shares	147,459,035 Shares
Dividends per share (Korean won)	₩ 511	₩ 402
Cash dividends (Korean won in thousands)	₩ 76,291,766	₩ 59,278,532

The interim dividend of ordinary shares of ₩ 137,072 million was paid on November 15, 2022, upon a resolution of the Board of Directors made on November 2, 2022, and details of the dividend are as follows:

	<u>2022 (interim dividends)</u>
Shares eligible for dividends	149,969,542 Shares
Dividends per share (Korean won)	₩ 914
Cash dividends (Korean won in thousands)	₩ 137,072,161

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30. Cash flow statements

A. Details of cash generated from operations and changes in assets and liabilities due to operations for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022	2021
Profit for the year	₩ 1,092,157,608	₩ 1,524,755,010
Adjustments:		
Bad debt expense	60,486	231,443
Depreciation	67,837,014	40,899,567
Depreciation of right-of-use assets	5,136,230	9,267,181
Amortization	3,732,334	3,624,099
Gain on foreign currency translation	(67,385,504)	(25,253,081)
Loss on foreign currency translation	129,961,238	60,951,667
Gain on disposal of property and equipment	(909,643)	(554,072)
Loss on disposal of property and equipment	1,787,833	262,521
Gain on disposal of intangible assets	(198,301,511)	(1,503,683)
Loss on disposal of intangible assets	67,961	18,053
Impairment loss on intangible assets	106,651	-
Gain on valuation of financial assets and liabilities at fair value - profit or loss	(141,831,008)	(449,993,627)
Loss on valuation of financial assets and liabilities at fair value - profit or loss	471,989,425	49,166,221
Gain on disposal of financial assets at fair value - profit or loss	-	(4,696,264)
Loss on disposal of financial assets at fair value - profit or loss	-	1,982,910
Gain on disposal of investments in subsidiaries, associates and joint ventures	-	(28,564,360)
Loss on disposal of investments in subsidiaries, associates and joint ventures	1,736,007	1,030,094
Impairment loss on investments in subsidiaries, associates and joint ventures	163,801,653	99,747,208
Share-based payment expenses	127,032,398	112,942,803
Post-employment benefits	65,348,903	52,796,602
Interest income	(24,852,752)	(5,275,649)
Interest expenses	33,348,650	13,900,708
Dividend income	(488,574,643)	(346,854,161)
Income tax expenses	474,563,630	564,592,454
Income with no other cash inflows	31,801,190	(10,219,050)
Change in operating assets and liabilities, net:		
Trade receivables	(52,640,387)	11,797,230
Other receivables	(62,769,319)	16,774,685
Other current assets	(3,266,463)	(4,920,654)
Other non-current assets	(1,354,804)	(4,365,104)
Other payables	36,825,216	(75,503,391)
Accrued expenses	51,873,736	17,020,548
Long-term accrued expenses	854,624	(1,437,192)
Other current liabilities	49,208,332	76,112,554
Provisions	(386,295)	(27,732,000)
Net defined benefit liabilities	(14,481,574)	(15,442,102)
Others	719,543	994,201
	<u>₩ 1,753,196,759</u>	<u>₩ 1,656,553,371</u>

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30. Cash flow statements (cont'd)

B. Significant transactions not affecting cash flows for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022	2021
Reclassification of construction in progress	₩ 538,125,923	₩ 32,165,462
Other payables arising from acquisitions of property and equipment	(785,675)	1,747,401
Reclassification of current portion of long-term prepaid expenses	784,482	8,426,601
Increase in investments in subsidiaries due to issue of stock option	429,594	431,938
Increase in right-of-use assets	67,680,051	13,255,520
Increase in investment properties	324,522,964	-
Other payables arising from acquisitions of intangible assets	(10,237)	18,027
Reclassification of current portion of long-term borrowings and debentures	187,274,700	-
Reclassification of current portion of lease liabilities	30,975,025	1,775,139
Other receivable arising from disposals of investment in subsidiaries	8,305,202	(27,303,478)

C. Changes in liabilities arising from financing activities for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022						
	Liabilities from financing activities						
	Short-term borrowings	Current portion of long-term borrowings	Long-term borrowings	Debenture	Lease liabilities	Dividend payable	Other
Beginning balance	₩ -	₩ -	₩ 349,525,600	₩ 1,636,827,464	₩ 37,876,545	₩ -	₩ 8,753,963
Cash flows - proceeds	-	-	20,000,000	-	-	-	32,560,457
Cash flows - repayment	-	-	-	-	(45,020,166)	(213,363,927)	(10,384,130)
Recognized for the year	-	-	-	-	379,099,051	213,363,927	-
Current portion reclassification	-	187,274,700	(187,274,700)	-	-	-	-
Disposal	-	-	-	-	(3,749,301)	-	-
Amortization	-	-	-	-	-	-	406,769
Others (*)	-	-	(24,273,900)	67,690,813	9,596,652	-	(4,074,214)
Ending balance	₩ -	₩ 187,274,700	₩ 157,977,000	₩ 1,704,518,277	₩ 377,802,781	₩ -	₩ 27,262,845

(*) Others Include 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.

	2021				
	Liabilities from financing activities				
	Short-term borrowings	Long-term borrowings	Debenture	Lease liabilities	Total
Beginning balance	₩ 40,000,000	₩ -	₩ -	₩ 44,461,443	₩ 84,461,443
Cash flows - proceeds	158,905,500	351,297,700	1,588,456,944	-	2,098,660,144
Cash flows - repayment	(196,301,500)	-	-	(20,033,518)	(216,335,018)
Recognized for the year	-	-	-	13,874,098	13,874,098
Disposal	-	-	-	(425,478)	(425,478)
Amortization	-	-	-	8,772,023	8,772,023
Others(*)	(2,604,000)	(1,772,100)	48,370,520	(8,772,023)	35,222,397
Ending balance	₩ -	₩ 349,525,600	₩ 1,636,827,464	₩ 37,876,545	₩ 2,024,229,608

(*) Others Include 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.

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31. Commitments and Contingencies

A. As of December 31, 2022, the Company has borrowing agreements with Kookmin Bank and other 7 Korean financial institutions with an aggregated credit limit up to ₩ 1,270,000 million and the Company has borrowing agreements with Mizuho Corporate Bank and other 6 financial institutions with an aggregated credit limit up to JPY 31,500 million and USD 1,180 million.

B. As of December 31, 2022, the Company has been provided with guarantees of ₩ 7,927 million from Seoul Guarantee Insurance Company and ₩ 700 million (available up to ₩ 4,700 million) from Shinhan Bank in relation to the performance and payment guarantee, respectively.

C. As of December 31, 2022, the Company has entered into a construction contract amounting to ₩ 462,241 million (outstanding amount: ₩ 200,374 million) with HYUNDAI ENGINEERING & CONSTRUCTION CO., LTD. in relation to a construction of cloud data center and others. Also, the Company has entered into contracts to acquire land amounting to ₩ 51,000 million (outstanding amount: ₩ 100 million).

D. As of December 31, 2022, the Company is a defendant in 20 lawsuit cases filed with regard to patent infringement and compensation for damages (aggregate amount of the lawsuits: ₩ 6,377 million), there is one case in the stage of applying for dismissal before litigation and the Company is a plaintiff in 8 lawsuit cases filed with regard to compensation for damages (aggregate amount of the lawsuits: ₩ 1,936 million). The outcome of these cases is uncertain as at the reporting date and the Company's management recognizes the provision in relation to the potential loss if these cases meet the condition for the recognition of the provision.

E. Details of significant capital commitments contracted in relation to funds owned by the Company as of December 31, 2022 are as follows: (Korean won in thousands)

	<u>Agreed amount</u>	<u>Accumulated investment</u>	<u>Outstanding amount</u>
General Atlantic LLC	₩ 190,095,000	₩ 70,734,311	₩ 119,360,689
K-Fund II	108,096,000	60,077,297	48,018,703
China Ventures Fund I, Limited Partnership	253,460,000	208,845,993	44,614,007
K-Fund I	202,680,000	172,038,125	30,641,875
Sequoia Capital Global Growth Fund III	171,085,500	141,244,782	29,840,718

F. With the resolution of the Board of Directors on March 27, 2020, and the Transparency Committee on April 9, 2020, the Company has entered into a loan agreement amounting to JPY 8.5 billion with NAVER J.Hub Corporation, a subsidiary of the Company, and a three-year payment guarantee contract for borrowings of NAVER J.Hub Corporation amounting to JPY 5 billion from Citi Bank Japan on April 13, 2020. Also, with the resolution of the Board of Directors on August 3, 2020, the Company has entered into a payment guarantee contract for borrowings of NAVER J.Hub Corporation amounting to JPY 35 billion for 3-year maturity and JPY 10.6 billion for 5-year maturity from Mizuho Bank, and JPY 35 billion for 3-year maturity and JPY 11.6 billion for 5-year maturity from SMBC Corporation.

G. As of December 31, 2022, the Company has entered into executives and employees' group injury insurance and others with KB insurance Co., Ltd. and others.

H. As of December 31, 2022, the Company holds shares of CJ Logistics Corporation, CJ ENM Co., Ltd. and Studio Dragon Corporation to reinforce and maintain strategic partnership with CJ corporate group affiliates. The shares acquired by the Company are restricted on disposal for a certain period, and the Company has preferential purchase right and sale claim right in accordance with the mutual share exchange agreement.

31. Commitments and Contingencies (cont'd)

I. With the resolution of the Board of Directors on March 16, 2021, the Company conducted an exchange of treasury shares (SHINSEGAE INTERNATIONAL Inc. and E-MART Inc.) to reinforce and maintain strategic partnership with SHINSEGAE corporate group affiliates. In connection with this exchange, the Company entered into a mutual agreement for preferential purchase right and sale claim right. The shares acquired by the Company are restricted on disposal for a certain period.

J. With the resolution of the Board of Directors on August 10, 2021, the Company entered into a contract for contribution in kind using treasury shares to reinforce and maintain strategic partnership with Cafe24 Corp. In connection with this contract, the Company entered into an agreement for preferential purchase right and right to nominate directors. The shares acquired by the Company are restricted on disposal for a certain period.

K. As of December 31, 2022, the Company provides time deposits of ₩ 57,200 million as collaterals for the employees' loans from financial institutions. In addition, the Company deposited ₩ 13,760 million for cooperation in partnership growth in short-term and long-term financial instruments. And the pledge has been established for the lease deposit of the affiliated company of ₩ 2,653 million. As of December 31, 2022, the above financial instruments are restricted in use.

L. As of December 31, 2022, the Company entered into a mutual agreement for preferential purchase right and sale claim right in relation to the Company's investments in MIRAE ASSET SECURITIES CO., LTD. (exchange of treasury shares).

M. In relation to the investments in Tving Co., Ltd. held by the Company, as of December 31, 2022, the Company has drag-along rights that are exercisable in accordance with the contract terms. The shares held by the Company are restricted on disposal for a certain period.

N. As of December 31, 2022, the Company and WEVERSE COMPANY Inc., the associate held by the Company, have entered into an agreement on the right of first refusal and call option in relation to the acquisition of shares of WEVERSE COMPANY Inc. WEVERSE COMPANY Inc. can request the Company to sell its shares if certain conditions are satisfied. The shares held by the Company are restricted on disposal for a certain period.

O. As of December 31, 2022, the Company and YN Culture & Space, which is the associate of the Company, have entered into an agreement on the preferred purchase right and drag-along right in relation to shares of YN Culture & Space. The shares held by the Company are restricted on disposal for a certain period.

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32. Related Party Transactions

A. Details of subsidiaries, associates and joint ventures as of December 31, 2022 and 2021 are described in Note 14.A.

B. Details of other related parties that have sales and other transactions or outstanding receivables/payables balances with the Company as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Other (*)	ESPRESSO MEDIA CO., LTD., Lunasoft corp., MYSTIC Story Inc., THE HAPPYBEAN FOUNDATION, NAVER Cultural Foundation, NAVER Connect Foundation, LINE Games Corporation, HD Junction, Inc. Ubob Inc, DOHANDS Co.,Ltd	Orfeosoundworks, Bravepops, Studio Pot, ITSB ,ESPRESSO MEDIA CO., LTD., Lunasoft corp., MESHKOREA Co., Ltd, MYSTIC Story Inc., Jakga Company, THE HAPPYBEAN FOUNDATION, NAVER Cultural Foundation, NAVER Connect Foundation, ZIUM, LINE Games Corporation, PIG, Studio 4 leaf, ZERO Games, HD Junction, Inc., HUNIVERSE GLOBAL Co., Ltd., Studio swingbat, FSS, DOHANDS Co.,Ltd.

(*) Although these entities are not related parties of the Company in accordance with KIFRS 1024, they belong to the same large enterprise group according to the Monopoly Regulation and Fair Trade Act, or the entities issuing compound financial instruments that the Company are determined to be able to exercise significant influences.

C. Transaction with related parties including operating revenues and expenses for years ended December 31, 2022, and 2021 are as follows: (Korean won in thousands)

	2022					
	Operating revenue and others (*2)		Operating expenses and others		Tangible/Intangible Assets	
	Operating revenue	Others	Operating expenses	Others	Purchase	Disposal
Subsidiary:						
NAVER Cloud Corporation	₩ 26,369,438	₩ 7,262,767	₩ 648,699,694	₩ 133,292	₩ 1,964,739	₩ 161,613
NAVER Financial Corporation	21,392,231	1,856,570	111,288,714	10,628,670	42,888	789,643
WORKS MOBILE Corporation	1,894,657	3,418,549	42,690,217	62,831	26,276	10,260
NAVER WEBTOON Ltd.	1,915,171	5,446,120	93,629,664	100,401	6,275	28,002
CommPartners Corp.	19,994	-	13,694,853	-	-	275,274
Green Web Service Corp	29,494	-	43,445,196	-	-	-
InComms Corp	27,765	69,384	20,649,932	-	-	500
NAVER I&S Corp.	24,396	784,007	13,424,747	-	11,964	192,840
NAVER France SAS	-	-	33,237,082	-	-	-
N Tech Service Corp.	9,288	1,152	49,897,089	-	-	2,005,344
Playlist Corporation	44,000	-	3,712,942	-	-	-
SNOW Corporation	38,998	2,165,225	829,301	39,917	10,280	5,189
NITService Corp.	-	47,059	1,770,112	-	-	680,744
NAVER LABS Corporation	39,404	2,133,599	407,366	379	4,640	358,840
NAVER Hands Corporation	200	41,352	1,836,246	743	-	-
NAVER CHINA CORPORATION	-	-	13,359,787	-	-	-
NAVER BAND Inc	-	-	6,227,495	-	-	-
NAVER J.Hub Corporation	10,522	1,265,235	247,951	(714,276)	-	-
NAVER VIETNAM COMPANY LIMITED	-	-	2,934,046	-	-	-
Works Mobile Japan Corporation	-	-	319,664	-	-	-
NAVER Z CO.,LTD.	535,450	2,630,341	850,000	48,583	-	-
Lico Corp	-	6,426	34	-	-	-
NAVER WEBTOON COMPANY Corporation	849	1,895	-	-	-	-
Amuse Co.,Ltd.	41,197	36	-	-	-	-
Audiensori Corporation	63,439	-	967,763	-	-	-
NF Insurance Services Corporation	-	3,676	-	-	-	-
KREAM Corporation	8,893	427,579	-	7,878	-	4,322
Cake Corporation	11,062	385,577	520	7,122	-	-
LINE Digital Frontier Corporation	-	377,556	-	-	-	-
Studio N Corporation	-	12,868	-	-	-	-
WEBTOON Entertainment Inc	926,031	-	-	-	-	-

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	2022					
	Operating revenue and others (*2)		Operating expenses and others		Tangible/Intangible Assets	
	Operating revenue	Others	Operating expenses	Others	Purchase	Disposal
Super Labs Corporation	1,804	324,979	250,000	6,002	-	-
Chengdu NCC Technology Corporation	-	-	5,215,523	-	-	-
Sidus Corporation	10,000	-	-	-	-	-
NAVER U.Hub Inc	-	-	-	(14)	-	-
MUNPIA INC	36,887	-	-	-	-	-
Associate:						
LINE Corporation	26,203,267	-	619,944	706,707	-	-
LINE Plus Corporation	430,706	4,420	2,789,927	-	98,940	69,502
MARKT Co.,Ltd.	160,582	-	22,963,462	-	116,450	-
SYNAP SOFT CORP.	-	-	850,000	-	-	-
Arointech inc	-	-	799,735	565	-	-
Cafe24 Corp.	1,285,879	-	11,495,109	-	-	-
IPX Corporation(formerly, LINE friends corporation)	2,257	-	3,947,836	-	3,200	-
WEVERSE COMPANY Inc	50,863	194,185,026	1,441	52,419	-	10,069
LINE Pay Corporation	464	-	3,019	-	-	-
LINE Biz Plus Corporation	14,804	41,360	-	-	825	4,196
LINE STUDIO Corporation	2,446	52,729	654,700	-	-	-
LINE UP Corporation	316	681	-	-	-	-
LINE Financial Plus Corporation	1,434	-	-	-	-	-
LINE PLAY Corporation.	116,460	-	(365)	-	826	-
LINE Conomi Corporation	-	26,794	-	-	-	-
Onestore Co., Ltd.	-	-	60	-	-	-
PT.LINE PLUS INDONESIA	5,046	-	92,121	-	-	-
AXIS Co.,LTD	-	-	200,000	-	-	-
Chicment Co., Ltd.	-	-	2,000	-	-	-
BY4M Studio Co., Ltd.	8,222	-	-	-	-	-
Mirae Asset - Naver Asia Growth Investment Pte. Ltd.	-	-	-	19	-	-
A Holdings Corporation	-	-	136,533	-	-	-
Paramark KB Fund I	-	55,453	-	-	-	-
LINE NEXT Inc.	37,635	-	-	-	-	-
LINE NEXT Corporation	-	-	-	-	-	3,287
MiraeAsset MAPS Private Placement Real Estate 62	-	446,954	-	9,148,299	-	-
Joint venture:						
jobsN CO., Ltd	-	-	896,998	-	-	-
Cineplay Co., Ltd	-	-	965,200	-	-	-
Yeojeul Co., Ltd.	-	-	1,002,082	-	-	-
Inter Biz Co., Ltd.	54	-	814,990	-	-	-
Sseom Lab Co., Ltd.	90	-	657,160	-	-	-
Agro Plus Co., Ltd.	-	-	843,143	-	-	-
Animal and Human Story Co., Ltd.	7,899	-	611,632	-	-	-
Designpress Co., Ltd.	-	-	1,688,189	-	-	-
Law&Media Co., Ltd.	-	-	881,800	-	-	-
China Lab Co.,Ltd.	53	-	964,036	-	-	-
School Jaem Co., Ltd.	168	-	970,693	-	-	-
Artition Co., Ltd.	-	-	600,000	-	-	-
Tech Plus Co., Ltd.	11	-	627,005	-	-	-
Other:						
NAVER Connect Foundation(*1)	98,554	67	490,545	14,000,000	-	91,760
MYSTIC Story Inc.	27,300	-	1,848,102	-	-	-
HD Junction, Inc.	-	-	58,775	-	-	-
HAPPYBEAN FOUNDATION (*1)	3,240	-	-	10,027,491	-	-
NAVER CULTURAL FOUNDATION (*1)	11,554	-	323	2,000,000	-	-
Other	21,139	-	99,000	256,497	-	-

(*1) Although these entities are not related parties of the Company in accordance with KIFRS 1024, they belong to the same large enterprise group according to the Monopoly Regulation and Fair Trade Act.

(*2) The amounts above exclude ₩ 19,989 million paid on behalf by the Company for the related parties.

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32. Related Party Transactions (cont'd)

	2021			
	Operating revenue and others (*5)		Operating expenses and others	
	Operating revenue	Others	Operating expenses	Others
Subsidiary:				
NAVER Cloud Corporation	₩ 22,039,274	₩ 1,632,917	₩ 546,468,117	-
NAVER Financial Corporation	18,990,557	1,674,911	78,187,509	16,903,208
WORKS MOBILE Corporation	1,487,333	79,708	37,523,578	-
NAVER WEBTOON Ltd.	1,287,913	49,065	59,081,127	-
CommPartners Corp.	127	-	11,603,138	-
Green Web Service Corp	-	-	36,424,576	-
InComms Corp	-	69,384	18,357,512	-
NAVER I&S Corp.	25,194	214,096	12,925,632	-
Naver France SAS	-	-	27,911,011	5,761
N Tech Service Corp.	-	8,482	43,790,112	-
SEARCH SOLUTIONS(*4)	3,009	15,084	1,964,471	-
Playlist Corporation	4,000	-	1,063,439	-
Snow Corporation	201,080	-	623,000	-
NITService Corp.	-	-	1,253,628	-
Audiensori Corporation	-	-	1,133,180	-
NAVER Hands Corporation	-	5,508	978,363	-
NAVER CHINA CORPORATION	-	-	16,681,698	-
NAVER BAND Inc	-	-	5,141,376	-
NAVER J.Hub Corporation	-	1,685,323	-	83,346
NAVER VIETNAM COMPANY LIMITED	-	-	1,270,401	-
Works Mobile Japan Corporation	-	-	286,690	-
A Holdings(formerly,, LINE)(*2)	2,972,179	-	143,805	-
LINE Pay Corporation(*2)	-	-	10,708	-
LINE VIETNAM JOINT STOCK COMPANY(*2)	-	-	269,998	-
LINE freinds Corporation(*2)	-	-	1,160,716	-
LINE Plus Corporation(*2)	486,707	3,195	713,213	-
LINE PLAY Corporation(*2)	17,110	-	-	-
MARKT Co.,Ltd.(*2)	277,372	-	5,511,645	-
LINE Healthcare Corporation(*2)	717,197	-	-	-
Others	197,339	52,952	74,462	13,437
Associate:				
LINE Corporation(*2)	23,614,815	651,404	997,238	620,410
LINE freinds Corporation(*2)	2,254	-	3,040,111	6,322
LINE Plus Corporation(*2)	1,606,656	12,595	180,765	-
LINE Pay Corporation(*2)	565,419	-	35,504	-
MARKT Co.,Ltd.(*2)	706,213	-	29,357,412	-
LINE Conomi Corporation(*2)	506,122	790	-	-
LINE Games Corporation(*3)	20,000	-	-	-
Cafe24 Corp	219,911	-	4,509,745	-
LINE STUDIO Corporation	1,987	-	909,040	-
LINE VIETNAM JOINT STOCK COMPANY(*2)	-	-	1,618,183	-
SYNAP SOFT CORP	-	-	850,000	-
Arointech inc	-	-	801,991	476
Others	387,883	78,530	25,467	4,069
Joint venture:				
jobsN CO., Ltd	1,221,579	-	2,341,213	-
Cineplay Co., Ltd	884,000	-	1,891,560	-
Yeopeul Co., Ltd.	686,307	-	1,780,715	-
Inter Biz Co., Ltd.	398,286	-	1,780,824	-
Sseom Lab Co., Ltd.	382,286	-	1,518,465	-
Animal and Human Story Co., Ltd.	324,429	-	1,695,019	-
Agro Plus Co., Ltd.	241,079	-	1,391,737	-
Designpress Co., Ltd.	191,186	-	1,454,175	-
China Lab Co.,Ltd.	85,294	-	1,374,864	-
Law&Media Co., Ltd.	43,071	-	952,546	-
School Jaem Co., Ltd.	13,516	-	712,799	-
Tech Plus Co., Ltd.	1	-	1,573,718	-
Artition Co., Ltd.	-	-	1,178,346	-
Other:				
NAVER Connect Foundation(*1)	177,571	44,412	-	13,117,833
HAPPYBEAN FOUNDATION(*1)	3,240	-	20,200	10,013,306
LINE Games Corporation(*3)	100,000	-	73	-
ESPRESSO MEDIA CO	-	-	490,792	-
MYSTIC Story Inc	-	-	117,826	-
Other	11,235	-	15,007	-

NAVER Corporation
Notes to separate financial statements
for the years ended December 31, 2022 and 2021

32. Related Party Transactions (cont'd)

(*1) Although these entities are not related parties of the Company in accordance with KIFRS 1024, they belong to the same large enterprise group according to the Monopoly Regulation and Fair Trade Act.

(*2) These entities have been reclassified from subsidiaries to associates as the business integration of LINE and SoftBank Corp. has been completed for the year ended December 31, 2021.

(*3) These entities have been excluded from associates and included in the same large enterprise group and accordingly reclassified to other related parties as the business integration of LINE and SoftBank Corp. has been completed during the year ended December 31, 2021.

(*4) Merged into NAVER during the year ended December 31, 2021.

(*5) The amounts above exclude ₩ 8,079 million paid by the Company for the related parties.

D. Outstanding balances of receivables due from and payables due to related parties as of December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	December 31, 2022				
	Receivables			Payables	
	Trade receivables	Other receivables and others(*2)	Loans	Other payables	Leasehold deposits and others(*3)
Subsidiary:					
NAVER Financial Corporation	₩ 112,908,110	₩ 1,740,420	₩ -	₩ 63,349,549	₩ 1,643,015
NAVER Cloud Corporation	2,812,212	23,746,767	-	87,412,895	9,549,729
NAVER WEBTOON Ltd.	1,230,942	13,764,642	-	7,528,162	5,470,404
WORKS MOBILE Corporation	373,081	9,961,107	-	4,299,725	4,429,340
NAVER I&S Corp.	16,449	1,667,297	-	1,457,261	1,351,954
NAVER LABS Corporation	28,957	1,812,455	-	136,423	1,681,109
CommPartners Corp.	4,291	-	-	1,273,240	-
STUDIO LICO Corp. (formerly, Lico Corp.)	335	7,990	-	-	-
Green Web Service Corp	3,380	70	-	4,125,499	-
N Tech Service Corp.	2,854	171,262	-	4,460,879	-
InComms Corp	2,729	622	-	2,051,266	57,816
NAVER France SAS	-	114,819	-	9,316,354	-
NAVER CHINA CORPORATION	-	273,984	-	963,435	-
NAVER J.Hub Corporation	4,282	4,216,548	81,020,300	196,739	214,993
LINE Digital Frontier Corporation	-	(2,481)	-	-	-
NAVER BAND Inc	-	12,282	-	-	-
SNOW Corporation	293,704	6,181,498	-	1,466,139	2,495,339
Playlist Corporation	-	11,169	-	-	-
NAVER Hands Corporation	-	-	-	195,059	59,083
Audiensori Corporation	-	-	-	247,346	-
NITService Corp.	6	2,440,748	-	155,467	445,199
Amuse Co.,Ltd.	-	832	-	-	-
NAVER WEBTOON COMPANY Corporation	80	2,115	-	-	-
Works Mobile Japan Corporation	-	-	-	99,964	-
NF Insurance Services Corporation	-	-	-	-	1,311
WEBTOON Entertainment Inc	(517)	-	-	157,638	-
Cake Corporation	2,062	911,366	-	572	502,050
KREAM Corporation	1,313	933,942	-	-	880,695
Chengdu NCC Technology Corporation	-	12,478	-	1,172,205	-
Studio N Corporation	-	1,193	-	-	-
Semicolon Studio Corp	-	-	-	-	-
Super Labs Corporation	3,197	777,384	-	275,000	423,149
NAVER VIETNAM COMPANY LIMITED	-	732,317	-	1,287,746	-
NAVER Z CO.,LTD	270,659	6,245,537	-	56,322	3,442,551
Associate:					
LINE Corporation	7,336,168	60,186	-	43,744	-
LINE Conomi Corporation	-	731	3,336,130	-	-
LINE Plus Corporation	299,869	816,558	-	384,178	-
LINE Biz Plus Corporation	105	442,034	-	-	329,630
MARKT Co.,Ltd.	-	12,099,024	-	79,290	-
SYNAP SOFT CORP.	-	-	-	1,020,000	-
Cafe24 Corp.	-	-	-	439,832	-
IPX Corporation(formerly, LINE friends corporation)	20	60,990	-	1,960,745	-
WEVERSE COMPANY Inc.	-	40,350,088	-	5,132	2,647,059

NAVER Corporation
Notes to separate financial statements
for the years ended December 31, 2022 and 2021

	December 31, 2022				
	Receivables			Payables	
	Trade receivables	Other receivables and others(*2)	Loans	Other payables	Leasehold deposits and others(*3)
LINE PLAY Corporation	-	5,639	-	1	-
Aointech inc	-	-	-	62,309	-
LINE Financial Plus	265	34,191	-	-	-
LINE studio Corp.	75	61,899	-	-	-
China Ventures Fund I, Limited Partnership	-	-	-	-	-
MiraeAsset MAPS Private Placement Real Estate 62	-	18,875,390	-	-	351,594,520
Joint venture:					
jobsN CO., Ltd	-	-	-	22,000	-
Cineplay Co., Ltd	-	-	-	-	-
Yeopeul Co., Ltd.	-	-	-	6,190	-
Inter Biz Co., Ltd.	-	-	-	-	-
Sseom Lab Co., Ltd.	-	-	-	-	-
Agro Plus Co., Ltd.	-	-	-	343	-
Animal and Human Story Co., Ltd.	-	-	-	15	-
Designpress Co., Ltd.	-	-	-	391,341	-
Law&Media Co., Ltd.	-	-	-	-	-
China Lab Co.,Ltd.	-	-	-	146,890	-
School Jaem Co., Ltd.	-	-	-	1,130	-
Artition Co., Ltd.	-	-	-	55,000	-
Tech Plus Co., Ltd.	-	-	-	-	-
Other:					
NAVER Connect Foundation(*1)	13,967	1,705	-	200,000	-
ESPRESSO MEDIA CO., LTD(*1).	-	-	-	16,896	-
Other	453	16	-	29,497	-

(*1) Although these entities are not related parties of the Company in accordance with KIFRS 1024, they belong to the same large enterprise group according to the Monopoly Regulation and Fair-Trade Act and the amount is transaction after belonging to large enterprise group.

(*2) Lease receivables are included.

(*3) Lease liabilities are included.

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

NAVER Corporation
Notes to separate financial statements
for the years ended December 31, 2022 and 2021

32. Related Party Transactions (cont'd)

	December 31, 2021				
	Receivables			Payables	
	Trade receivables	Other receivables and others(*2)	Loans	Other payables	Leasehold deposits and others(*3)
Subsidiary:					
NAVER Financial Corporation	₩ 104,916,893	₩ 1,922,874	₩ -	₩ 63,546,332	₩ 1,451,192
NAVER Cloud Corporation	3,497,214	2,630,747	-	70,521,350	1,892,770
NAVER WEBTOON Ltd.	902,223	2,043,615	-	9,529,880	1,484,943
WORKS MOBILE Corporation	157,772	1,723,387	-	5,213,422	1,147,554
NAVER I&S Corp.	3,467	2,551,751	-	1,330,103	985,837
NAVER LABS Corporation	7,021	400,681	-	6,326	87,704
CommPartners Corp.	974	18,215	-	1,194,974	-
STUDIO LICO Corp. (formerly, Lico Corp.)	-	417,986	-	-	294,624
Green Web Service Corp	73	2,082	-	3,645,039	-
N Tech Service Corp.	11	163,573	-	4,153,862	112,596
InComms Corp	-	92	-	1,788,645	57,816
NAVER France SAS	-	43,385	-	14,989,559	-
NAVER CHINA CORPORATION	-	79,842	-	1,421,101	-
NAVER J.Hub Corporation	-	3,501,886	87,570,400	91,862	715,883
NAVER VIETNAM COMPANY LIMITED	-	250,236	-	826,143	-
LINE Digital Frontier Corporation	-	-	36,058,400	-	-
NAVER BAND Inc	-	39,089	-	514,052	-
SNOW Corporation	3,392	124,973	-	404,520	-
Playlist Corporation	4,400	-	-	467,500	-
NAVER Hands Corporation	-	-	-	303,070	4,590
Audiensori Corporation	-	-	-	216,390	-
Other	99,681	34,983	-	284,625	19,021
Associate:					
LINE Corporation	12,622,181	973,851	-	336,157	-
LINE Conomi Corporation	-	790	3,605,840	-	-
LINE Plus Corporation	51,118	156,034	-	7,682	442,130
MARKT Co.,Ltd.	-	-	-	1,371,354	-
IPX Corporation(formerly, LINE friends corporation)	221	8,508	-	931,047	-
LINE Biz Plus Corporation	274	8,899	-	-	671,561
LINE STUDIO Corporation	181	854	-	999,944	-
SYNAP SOFT CORP.	-	-	-	220,000	-
Cafe24 Corp.	-	-	-	1,064,870	12,397
Other	86,273	27,984	-	170,879	71,680
Joint venture:					
jobsN CO., Ltd	52,499	-	-	12,884	-
Cineplay Co., Ltd	70,400	-	-	158,117	-
Agro Plus Co., Ltd.	15,800	-	-	327,101	-
Sseom Lab Co., Ltd.	36,300	-	-	141,389	-
Inter Biz Co., Ltd.	43,450	-	-	76,909	-
China Lab Co.,Ltd.	26,400	-	-	217,900	-
Tech Plus Co., Ltd.	-	-	-	385,876	-
Animal and Human Story Co., Ltd.	30,250	-	-	140,442	-
Yeopeul Co., Ltd.	58,850	-	-	15,848	-
Other	22,550	-	-	70,222	-
Other:					
NAVER Connect Foundation(*1)	196,730	2,989	-	97	37,014
ESPRESSO MEDIA CO., LTD.	-	-	-	349,400	-
Other	11,328	2,750	-	-	-

(*1) Although these entities are not related parties of the Company in accordance with KIFRS 1024, they belong to the same large enterprise group according to the Monopoly Regulation and Fair-Trade Act and the amount is transaction after belonging to large enterprise group.

(*2) Lease receivables are included.

(*3) Lease liabilities are included.

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

NAVER Corporation
Notes to separate financial statements
for the years ended December 31, 2022 and 2021

32. Related Party Transactions (cont'd)

E. Fund transactions with related parties for the years ended December 31, 2022 and 2021 are as follows:
(Korean won in thousands)

	2022				
	Contributions in cash	Dividends received and others	Loans	Repayments(*2)	Collections(*2)
Subsidiaries:					
WEBTOON Entertainment Inc	₩ 402,461,241	₩ -	₩ -	₩ -	-
NAVER LABS Corporation	-	-	-	88,083	-
SNOW Corporation	149,999,760	-	-	-	-
SpringCamp Early Stage Fund 2	30,000,000	-	-	-	-
NAVER WEBTOON COMPANY Corporation	-	-	-	-	14,495
NAVER I&S Corp.	-	-	-	-	1,539,301
WORKS MOBILE Corporation	-	-	-	-	1,381,178
N Tech Service Corp.	-	-	-	-	55,794
Amuse Co.,Ltd.	-	-	-	-	2,713
NAVER WEBTOON Ltd.	-	-	-	-	1,787,253
NAVER Cloud Corporation	-	-	-	-	2,459,795
NITService Corp.	-	-	-	-	687,259
Do Ventures Annex Fund, LP	1,820,149	-	-	-	-
NAVER-KTB Audio Contents Fund	2,786,850	-	-	-	-
NW MEDIA CONTENTS INC	10,762,479	-	-	-	-
NAVER J.Hub Corporation	164,693,475	-	-	-	-
NAVER Hands Corporation	16,500	-	-	-	-
SB Next Media Innovation Fund	-	5,673,740	-	-	-
KREAM Corporation	49,998,651	-	-	-	-
TBT Global Growth Fund I	-	20,666,733	-	-	-
LINE Digital Frontier Corporation	-	-	-	-	36,311,800
Associates:					
K-Fund I	5,081,400	29,258,274	-	-	-
China Ventures Fund I, Limited Partnership	10,516,288	5,243,187	-	-	-
Mirae Asset - Naver Asia Growth Investment Pte. Ltd.	30,489,343	116,341,041	-	-	-
NAVER-BSK Youth Foundation	-	1,144,021	-	-	-
No.5 Investment Fund	-	-	-	-	-
Mirae Asset - Naver Asia Growth Investment Pte. Ltd.	7,823,999	28,579,380	-	-	-
WEVERSE COMPANY Inc (*1)(*3)	199,999,533	-	-	-	2,630,341
Smart Korea Naver-Stonebridge Rising Investment Association	2,000,000	-	-	-	-
K-Fund II	57,902,321	23,603,987	-	-	-
Paramark KB Fund I	11,861,000	2,238,867	-	-	-
CHINA VENTURES FUND II, L.P.	29,754,834	-	-	-	-
LINE Biz Plus Corporation	-	-	-	-	1,061,590
LINE Plus Corporation	-	-	-	-	609,874
LINE UP Corporation	-	-	-	-	82,887
Mirae Asset Partnership Growth Fund I	4,500,000	-	-	-	-
A Holdings Corporation	-	415,330,224	-	-	-
BonAngels Pacemaker Fund	-	1,500,000	-	-	-
SYNAP SOFT CORP	-	107,142	-	-	-
DHP private equity fund 3	-	39,102	-	-	-
YN CULTURE & SPACE	3,923,080	-	-	-	-
MiraeAsset MAPS Private Placement Real Estate 62 (*3)	-	8,371,671	-	26,233,052	-
LINE NEXT Inc	2,092,721	-	-	-	-
Do Ventures Fund I, I-A	2,625,800	-	-	-	-
TBT Global Growth Fund III	7,500,000	9,637	-	-	-
Future Creation NAVER-SB Startup Investment Fund	-	1,457,382	-	-	-
STL 18th Private Equity Fund	20,000,000	-	-	-	-
Mirae Asset-NAVER New Growth Fund I	-	717,000	-	-	-
Arointech inc	-	8,000	-	-	-

(*1) The ownership of WEVERSE COMPANY Inc. is acquired as consideration for business transfer.

(*2) The amounts in relation to lease transaction are included.

NAVER Corporation
Notes to separate financial statements
for the years ended December 31, 2022 and 2021

(*3) For the year ended December 31, 2022, the Company recognized ₩ 385,696 million of right-of-use asset at the time of acquisition in accordance with the 10-year office lease contract with MiraeAsset MAPS Private Placement Real Estate 62 and the balance of lease liabilities for the asset as of December 31, 2022 amounts to ₩ 351,595 million. As of December 31, 2022, the remaining lease amount is ₩168,517 million.

	2021				
	Contributions in cash	Dividends received and others	Loans	Repayments(*1)	Collections(*1)
Subsidiaries:					
WEBTOON Entertainment Inc	₩ 313,201,424	₩ -	₩ -	₩ -	-
SNOW Corporation	119,999,937	-	-	-	-
Smart Spring Fund	7,000,000	-	-	-	-
NAVER WP I, L.P.	2,807,628	-	-	-	-
Wattpad Corporation	698,168,630	-	-	-	-
SB Next Media Innovation Fund	-	22,424,832	-	-	-
SVA Soda	-	20,643,070	-	-	-
NAVER I&S Corp.	-	-	-	1,556,907	-
WORKS MOBILE Corporation	-	-	-	2,038,079	-
N Tech Service Corp.	-	-	-	191,918	-
STUDIO LICO Corp. (formerly, Lico Corp.)	-	-	-	502,182	-
Amuse Co.,Ltd.	-	-	-	3,251	-
NAVER WEBTOON COMPANY Corporation	2,000,066	-	-	21,389	-
NAVER WEBTOON Ltd.	-	-	-	2,637,288	-
NAVER Cloud Corporation	-	-	-	3,362,585	-
NAVER LABS Corporation	70,000,000	-	-	-	297,739
NAVER J.Hub	114,565,320	-	-	-	-
TBT Global Growth Fund I	-	3,992,907	-	-	-
SpringCamp Early Stage Fund 2	20,000,000	-	-	-	-
DoVentures Annex Fund, LP	1,403,885	-	-	-	-
SVA Content Media	-	29,252,046	-	-	-
SVA Content Media II	70,395,030	-	-	-	-
NAVER CHINA CORPORATION	4,986,456	7,355,967	-	-	-
LINE Digital Frontier Corporation	-	-	36,311,800	-	-
Associates:					
WEVERSE COMPANY Inc.	211,884,516	-	-	-	-
Cafe24 Corp(*2)	137,164,280	-	-	-	-
A Holdings Corporation	-	81,247,366	-	-	-
Mirae Asset - Naver Asia Growth Investment Pte. Ltd.	101,236,064	-	-	-	-
CHINA VENTURES FUND II, L.P.	75,450,379	-	-	-	-
FUTURE INNOVATION PRIVATE EQUITY FUND III	45,831,000	178,924	-	-	-
China Ventures Fund I, Limited Partnership	41,457,351	113,028,413	-	-	-
K-Fund I	24,331,507	307,032	-	-	-
MiraeAsset-Naver Asia Growth Fund	25,134,506	-	-	-	-
YN Culture & Space	5,871,205	-	-	-	-
K-Fund II	2,174,976	-	-	-	-
Smart Korea Naver-Stonebridge Rising Investment Association	2,000,000	-	-	-	-
Paramark KB Fund I	1,972,000	-	-	-	-
MiraeAsset MAPS Private Placement Real Estate 62	-	145,486,028	-	-	-
Stonebridge Early Stage Start-up Fund	-	12,164,499	-	-	-
NAVER KIP Cheer up! Gamers Fund	-	9,735,696	-	-	-
NAVER-Suprema Youth Foundation No.5 Investment Fund	-	3,259,293	-	-	-
BonAngels Pacemaker Fund	-	3,000,000	-	-	-
Future Creation Naver-SB Startup Investment Fund	-	851,850	-	-	-
Soran Media Venture Fund	-	252,827	-	-	-
Digital Media Partners II, L.P.	-	49,734	-	-	-
Arointech inc	-	22,000	-	-	-
LINE Conomi Corporation	-	-	3,664,640	-	-
LINE Biz Plus Corporation	-	-	-	1,195,170	-
LINE Plus Corporation	-	-	-	518,383	-
LINE UP Corporation	-	-	-	357,399	-

NAVER Corporation
Notes to separate financial statements
for the years ended December 31, 2022 and 2021

Others:

HD Junction, Inc	2,900,005	-	-	-	-
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(*1) Collections includes collection from loans and transaction resulting from leases, and repayments include transaction resulting from leases.

(*2) Made contribution in kind with its treasury shares.

F. Details of payment guarantees provided by the Company for the related parties as of December 31, 2022 are as follows:

	<u>Financial Institution</u>	<u>Commencement date</u>	<u>Maturity date</u>	<u>Currency</u>	<u>Guarantee amount</u>	<u>Executed amount</u>
Subsidiary:						
	Citi Bank Japan	2020.04.13	2023.04.15	JPY	5,000,000,000	5,000,000,000
		2020.09.23	2023.09.23	JPY	35,000,000,000	35,000,000,000
NAVER J.Hub Corporation	Mizuho Bank	2020.09.23	2025.09.23	JPY	10,599,711,347	10,599,711,347
	SMBC	2020.09.23	2023.09.23	JPY	35,000,000,000	35,000,000,000
	Corporation	2020.09.23	2025.09.23	JPY	11,559,826,807	11,559,826,807

G. The compensation paid or payable to key management (registered directors) for their services for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	₩ 2,919,785	₩ 5,404,500
Post-employment benefits	370,230	430,928
Other benefits	-	310,078
Share-based payment expenses	1,698,389	1,423,922

NAVER Corporation
Notes to separate financial statements
for the years ended December 31, 2022 and 2021

33 Operating Segment Information

A. The Company consists of a single operating segment. Operating information by service types is reported to Chief Operating Decision Maker. Such reported segment information does not differ from the amount presented in the separate statement of comprehensive income.

B. Operating revenues by service types for the years ended December 31, 2022 and 2021 are as follows: (Korean won in thousands)

	2022		2021	
	Operating revenue	Ratio (%)	Operating revenue	Ratio (%)
Search platform (*1)	₩ 3,619,560,177	65.66	₩ 3,354,609,197	66.84
Commerce (*2)	1,749,152,071	31.73	1,492,454,777	29.74
Fintech (*3)	70,860,271	1.29	57,576,201	1.15
Contents (*4)	39,037,237	0.71	61,781,649	1.23
Cloud (*5)	33,976,566	0.62	52,245,470	1.04
	<u>₩ 5,512,586,322</u>	<u>100.00</u>	<u>₩ 5,018,667,294</u>	<u>100.00</u>

(*1) Search and Display

(*2) Shopping Search & Display, brokerage fees and others

(*3) Pay services and Digital finance

(*4) Music, V and others

(*5) Cloud and others

For easier comparison, the Company reclassified the service categories of the separate financial statements for the year ended December 31, 2021 according to the service categories of the separate financial statements for the year ended December 31, 2022. The reclassification had no impact on the reported net asset or the profit for the year ended December 31, 2021.

C. The revenue from contracts with customers by category for the years ended December 31, 2022 and 2021 is as follows: (Korean won in thousands)

	2022	2021
By timing of revenue recognition		
Recognized at a point in time	₩ 3,753,210,542	₩ 3,435,852,156
Recognized over time	<u>1,759,375,780</u>	<u>1,582,815,138</u>
	<u>₩ 5,512,586,322</u>	<u>₩ 5,018,667,294</u>

34. Events after the Reporting Period

In accordance with the resolution of the Board of Directors made on October 3, 2022, the Group decided to acquire a 100% stake in Poshmark, Inc., a U.S.-based company, to secure management rights to enter the U.S. commerce market. As of January 5, 2023, the Company acquired the stake in Poshmark, Inc. and incorporated the entity as a subsidiary. Therefore, the joint responsibility for the merger payment obligation under the merger contract that occurred on October 4, 2022 has been resolved as of January 5, 2023.

Audit opinion on internal control over financial reporting

The accompanying independent auditor's report on internal control over financial reporting is attached as a result of auditing the internal control over financial reporting of NAVER Corporation (the "Company") and the separate financial statements of the Company for the year ended in accordance with the Article 8 of the *Act on External Audit of Stock Companies*.

Attachments:

1. Independent auditor's report on internal control over financial reporting
2. Management's report on the effectiveness of the internal control over financial reporting (ICFR)

Independent auditor's report on internal control over financial reporting

(English Translation of a Report Originally Issued in Korean)

NAVER Corporation The Shareholders and Board of Directors

Opinion on internal control over financial reporting

We have audited NAVER Corporation's (the "Company") internal control over financial reporting ("ICFR") based on the Conceptual Framework for designing and operating ICFR established by the Operating Committee of ICFR (the "ICFR Committee") as of December 31, 2022.

In our opinion, the Company's ICFR has been effectively designed and operated, in all material respects, as of December 31, 2022, in accordance with the Conceptual Framework for designing and operating ICFR.

We also have audited, in accordance with the Korean Standards on Auditing ("KSA"), the statement of financial position as of December 31, 2022, and the statement of comprehensive income (or the statement of profit or loss and other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and our report dated March 7, 2023, expressed unqualified opinion thereon.

Basis for opinion on ICFR

We conducted our audit in accordance with KSA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of ICFR section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of ICFR in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for ICFR

Management is responsible for designing, implementing, and maintaining an effective ICFR, and for assessing the effectiveness of the ICFR included in the accompanying report on the effectiveness of the ICFR.

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

Auditor's responsibilities for the audit of ICFR

Our responsibility is to express an opinion of the Company's ICFR based on our audit. We conducted our audit in accordance with KSA. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective ICFR was maintained in all material respects.

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

ICFR definition and inherent limitations

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jung ho, Chae.



March 7, 2023

This audit report is effective as of March 7, 2023, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this report is used. Such events and circumstances could significantly affect the Company's ICFR and may result in modifications to this report.

Report on the Effectiveness of Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

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

We, as the Chief Executive Officer("CEO") and the Internal Control over Financial Reporting Officer("ICFR Officer") of NAVER Corporation("the Company"), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting("ICFR") for the year ending December 31, 2022.

Design and operation of ICFR is the responsibility of the Company's management, including the CEO and the ICFR officer.

We assessed whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the '*Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*' established by the Operating Committee of Internal Control over Financial Reporting in Korea(the "ICFR Committee") as the criteria for design and operation of the Company's ICFR. And we conducted an evaluation of ICFR based on the '*Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting*' established by the ICFR Committee.

Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2022, in all material respects, in accordance with the '*Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*'.

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

February 15, 2023

Chief Executive Officer

Soo Yeon Choi

ICFR Officer

Namsun Kim