

**LINE Corporation Announces Consolidated Financial Results for the  
Three Months Ended March 31, 2019**

TOKYO—LINE Corporation (NYSE:LN) (TOKYO: 3938) announces its consolidated financial results for the three months ended March 31, 2019.

This is an English translation of the original Japanese-language document. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail. All references to the “Company,” “we,” “us,” or “our” shall mean LINE Corporation and, unless the context otherwise requires, its consolidated subsidiaries.

Cautionary statement with respect to forward-looking statements, and other information

This document contains forward-looking statements with respect to the current plans, estimates, strategies and beliefs of the Company. Forward-looking statements include, but are not limited to, those statements using words such as “anticipate,” “believe,” “continues,” “expect,” “estimate,” “intend,” “project,” “aim,” “plan,” “likely to,” “target,” “contemplate,” “predict,” “potential” and similar expressions and future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” “may,” or similar expressions generally intended to identify forward-looking statements. These forward-looking statements are based on information currently available to the Company, speak only as of the date hereof and are based on the Company’s current plans and expectations and are subject to a number of known and unknown uncertainties and risks, many of which are beyond the Company’s control. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ significantly from those expressed in any forward-looking statements in the document. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented and the Company does not intend to update any of these forward-looking statements. Risks and uncertainties that might affect the Company include, but are not limited to:

- i. its ability to attract and retain users and increase the level of engagement of its users;
- ii. its ability to improve user monetization;
- iii. its ability to successfully enter new markets and manage its business expansion;
- iv. its ability to compete in the global social network services market;
- v. its ability to develop or acquire new products and services, improve its existing products and services and increase the value of its products and services in a timely and cost-effective manner;
- vi. its ability to maintain good relationships with platform partners and attract new platform partners;
- vii. its ability to attract advertisers to the LINE platform and increase the amount that advertisers spend with LINE;
- viii. its expectations regarding its user growth rate and the usage of its mobile applications;
- ix. its ability to increase revenues and its revenue growth rate;
- x. its ability to timely and effectively scale and adapt its existing technology and network infrastructure;
- xi. its ability to successfully acquire and integrate companies and assets;
- xii. its future business development, results of operations and financial condition;
- xiii. the regulatory environment in which it operates;
- xiv. fluctuations in currency exchange rates and changes in the proportion of its revenues and expenses denominated in foreign currencies; and
- xv. changes in business or macroeconomic conditions.

**LINE Corporation**  
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## A. Corporate information

### I. Corporate overview

#### 1. Selected consolidated financial data

Term		19th term	20th term	19th term
		Three months ended March 31, 2018	Three months ended March 31, 2019	From January 1, 2018 to March 31, 2018
Accounting period		From January 1, 2018 to March 31, 2018	From January 1, 2019 to March 31, 2019	From January 1, 2018 to December 31, 2018
Revenues	(Millions of yen)	48,736	55,323	207,182
Profit/Loss before tax from continuing operations	(Millions of yen)	(138)	(11,270)	3,354
Loss for the period	(Millions of yen)	(1,770)	(10,718)	(5,792)
Loss for the period attributable to the shareholders of the Company	(Millions of yen)	(1,383)	(10,314)	(3,718)
Total comprehensive loss for the period, net of tax	(Millions of yen)	(4,431)	(11,555)	(11,929)
Equity attributable to the shareholders of the Company	(Millions of yen)	181,095	188,554	198,916
Total assets	(Millions of yen)	297,935	541,001	486,587
Basic loss for the period per share attributable to the shareholders of the Company	(Yen)	(5.82)	(43.23)	(15.62)
Diluted loss for the period per share attributable to the shareholders of the Company	(Yen)	(5.82)	(43.23)	(15.62)
Ratio of equity attributable to the shareholders of the Company to total assets	(%)	60.8	34.9	40.9
Net cash provided by/(used in) operating activities	(Millions of yen)	2,485	(2,066)	9,122
Net cash used in investing activities	(Millions of yen)	(18,055)	(15,085)	(52,884)
Net cash provided by financing activities	(Millions of yen)	204	9,128	178,401
Cash and cash equivalents at the end of the period	(Millions of yen)	107,266	248,838	256,978

Notes: 1. Trends in these selected financial data for the Company on a stand-alone basis are not separately discussed as we prepare quarterly consolidated financial statements.

2. Revenues do not include consumption taxes.

3. The above financial data were prepared based on the unaudited interim condensed consolidated financial statements and the consolidated financial statements prepared in accordance with International Financial Reporting Standards "IFRS".

4 Total assets increased as a result of proceeds received from the issuance of convertible bonds with stock acquisition rights for the nine-month period ended September 30, 2018.

**2. Business description**

During the three months ended March 31, 2019, there were no material changes in the business of the Group or in the principal subsidiaries and affiliates of the Company.

## II. Business

### 1. Risk factors

During the three months ended March 31, 2019, there were no material changes either regarding the occurrence of new operational risks or regarding operational risks mentioned in the previous fiscal year's annual securities report.

For readers of this English translation: There were no material changes from the information presented in the Risk Factors section of the Company's Annual Report on Form 20-F (File No. 001-37821) filed with the Securities and Exchange Commission (the "SEC") on March 29, 2019 (the "2018 Form 20-F").

### 2. Analysis of financial position, operating results and cash flow position by management

The analysis of financial position, operating results and cash flow position of the Group by management is as follows:

#### (1) Financial position and operating results

Consolidated financial results of the Group are calculated based on IFRS.

Results of operations

	Three months ended March 31, 2018	Three months ended March 31, 2019
Revenues	48,736	55,323
Profit/(loss) from operating activities	1,246	(7,892)
Loss before tax for the period from continuing operations	(138)	(11,270)
Loss for the period	(1,770)	(10,718)
Loss for the period attributable to the shareholders of the Company	(1,383)	(10,314)

The revenues in the first three months ended March 31, 2019 was 55,323 million yen, an increase of 13.5% year on year. The major factor for the increase in revenues was an increase of sales revenues related to advertising services and LINE Friends.

Loss from operating activities in the first three months ended March 31, 2019 was 7,892 million yen, compared to a profit of 1,246 million yen in the same period of the previous year.

The key factors for this loss included an absence of 1,237 million yen in other operating income recorded in the same period of the previous year due to increased interests in associates and joint ventures accounted for under the equity method, a 3,697 million yen increase in employee compensation expenses in conjunction with an increase in the number of employees and the introduction of a J-ESOP, a 3,568 million yen increase in marketing expenses in connection with various promotions for Fintech and other services, and a 1,164 million yen increase in outsourcing expenses in association with the development of AI technology and Fintech-related technology. In addition, depreciation of right-of-use assets related to properties were recorded following the application of IFRS 16 *Leases*. As a result, depreciation and amortization expenses increased 2,855 million yen year on year. Moreover, due to the application of IFRS 16 *Leases*, rent expenses decreased by a similar amount to the depreciation expenses of the right-of-use assets. Meanwhile, other operating expenses increased 273 million yen due to an increase in costs associated with the issuance of LINE Points and the payment of taxes and dues stemming from a subsidiary's capital increase.

As discussed above, the application of IFRS 16 *Leases*, led to an increase in depreciation and amortization expenses and a decrease in rent expenses by a similar amount, resulting in insignificant impact on results from operating activities on a net basis for the three-month period ended March 31, 2019.

Loss before tax for the period from continuing operations in the first three months ended March 31, 2019 was 11,270 million yen, compared to a loss of 138 million yen in the same period of the previous year.

The main factors for the loss were the increase in the share of loss of associates and joint ventures in addition to the aforementioned factors for loss from operating activities.

Loss for the period in the three months ended March 31, 2019 was 10,718 million yen, compared to a loss of 1,770 million yen in the same period of the previous year.

The main factors for the loss for the period were the same as the aforementioned factors for the loss before tax for the period from continuing operations.

As a result of the above, loss for the period attributable to the shareholders of the Company in the three months ended March 31, 2019 was 10,314 million yen, compared to a loss of 1,383 million yen in the same period of the previous year.

## **Profit and loss by segment**

The Group has two reportable segments: Core business and Strategic business. The Group's profit and loss by segment are as follows:

### **Core business**

Revenues from the Core business segment for the first three months ended March 31, 2019 was 47,948 million yen, an increase of 12.3% year on year, and profit from operating activities in this segment was 8,266 million yen, an increase of 2.4% year on year.

The increases in revenues and profit in the Core business segment were driven by an increase in advertising sales due to strong sales of accounts ads and display ads.

### **Strategic business**

Revenues from the Strategic business segment for the first three months ended March 31, 2019 was 7,375 million yen, an increase of 21.8% year on year, and operating loss in this segment was 14,987 million yen whereas it was 7,131 million yen in the same period in the previous year.

The main factor for the increase in revenues in the Strategic business segment was the increase in revenues from LINE Friends and E-commerce. The increase in operating loss in this segment was mainly due to an increase in development and marketing expenses related to our Fintech business.

For more details of profit and loss by segment, see Note 4 of the Notes to Interim Condensed Consolidated Financial Statements – Unaudited.

Total assets as of March 31, 2019 were 541,001 million yen, an increase of 54,414 million yen from December 31, 2018, mainly due to the recording of right-of-use assets pursuant to our adoption of IFRS 16 *Lease*.

Total liabilities as of March 31, 2019 were 333,632 million yen, an increase of 55,559 million yen from December 31, 2018, mainly due to the recording of lease liabilities pursuant to our adoption of IFRS 16 *Lease*.

The amount of total shareholders' equity as of March 31, 2019 was 207,369 million yen, a decrease of 1,145 million yen from December 31, 2018, mainly due to the recording of loss for the period and an increase in non-controlling interests following payment from non-controlling shareholders.

## **(2) Cash flow position**

The balance of cash and cash equivalents (hereinafter, “cash”) as of March 31, 2019 decreased by 8,140 million yen from the end of the previous fiscal year to 248,838 million yen.

The respective cash flow positions are as follows:

### **Cash flows from operating activities**

Net cash used in operating activities was 2,066 million yen in the first three months of 2019, compared to net cash provided by operating activities of 2,485 million yen in the first three months of 2018. Cash provided by operating activities in the first three months of 2019 primarily consisted of an increase of 3,987 million yen in trade and other payables, an increase of 1,717 million yen in other current liabilities, adjustments for non-cash items including depreciation and amortization expenses of 5,184 million yen, as well as share-based compensation expenses of 1,131 million yen and share of loss of associates and joint ventures of 3,474 million yen. The main factors contributing to cash decrease for the first three months of 2019 were the loss before tax for the period from continuing operations of 11,270 million yen, an increase of 3,317 million yen in trade and other receivables, and income taxes paid of 2,990 million yen.

### **Cash flows from investing activities**

Net cash used in investing activities was 15,085 million yen in the first three months of 2019, compared to net cash used in investing activities of 18,055 million yen in the first three months of 2018. Factors affecting the cash outflows in the first three months of 2019 were primarily related to purchase of time deposits of 1,053 million yen, investments in debt instruments of 3,661 million yen, acquisition of property and equipment and intangible assets of 6,217 million yen and guarantee deposits of 5,836 million yen. Factors affecting the cash inflows in the first three months of 2019 were primarily related to proceed from redemption of debt instruments of 1,087 million yen.

### **Cash flows from financing activities**

Net cash provided by financing activities was 9,128 million yen in the first three months of 2019, compared to net cash provided by financing activities of 204 million yen in the first three months of 2018. The cash outflows in the first three months of 2019 were primarily related to repayment of lease liabilities of 1,862 million yen. Factors affecting the cash inflows in the first three months of 2019 were primarily related to payment from non-controlling shareholders of 9,886 million yen.

In addition, cash used in operating activities decreased by 1,862 million yen and cash provided by financing activities decreased by 1,862 million yen compared to those under IAS 17, due to cash payments for the principal portion of the lease liabilities being classified to the cash flows from financing activities, as a result of our adoption of IFRS 16.

## **(3) Operational and financial issues to be addressed**

During the three months ended March 31, 2019, there were no material changes in operational and financial issues to be addressed by the Group.

## **(4) Research and development activities**

The Group conducted research and development in areas including Fintech and AI. Research and development expenses in the first three months of 2019 were 6,254 million yen.

## **3. Material contracts**

No important operational contracts, etc. were decided or entered into during the three months ended March 31, 2019.

### III. Company information

#### 1. Share information

##### (1) Total number of shares

###### a. Total number of shares authorized

Class	Total number of shares authorized (Shares)
Common stock	690,000,000
Total	690,000,000

###### b. Number of shares issued

Class	Number of shares issued as of end of period (Shares; as of March 31, 2019)	Number of shares issued as of filing date (Shares; as of May 14, 2019)	Name of securities exchange where the shares are traded or the name of authorized financial instruments firms association where the shares are registered	Details
Common stock	240,659,142	240,702,142	Tokyo Stock Exchange (First Section) and New York Stock Exchange	100 shares constitute one "unit" of common stock. Common stock is stock with full voting rights and not restricted by any significant limitations in terms of shareholders' rights.
Total	240,659,142	240,702,142	—	—

Note: "Number of shares issued as of filing date" does not include the number of shares issued upon the exercise of the stock options during the period from May 1, 2019 until the filing date of this Quarterly Securities Report.

##### (2) Stock acquisition rights

###### a. Stock option plan

Not applicable.

###### b. Other stock acquisition rights

Not applicable.

##### (3) Exercises of bonds with stock acquisition rights with exercise price amendment clause

Not applicable.

**(4) Total number of shares issued, share capital, etc.**

Date	Change in the number of shares issued (Shares)	Balance of shares issued (Shares)	Change in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Balance of legal capital reserve (Millions of yen)	Balance of legal capital reserve (Millions of yen)
From January 1, 2019 to March 31, 2019 (Note 2)	Common stock 134,500	Common stock 240,659,142	135	96,199	135	86,264

Notes: 1. Amounts less than one million yen are rounded down.

2. Increase in total number of shares issued as a result of the exercise of stock options.

3. Total number of shares issued increased by 43,000 shares, and share capital and legal capital reserve each increased by 31 million yen upon exercise of the stock options during the period from April 1, 2019 to April 30, 2019.

**(5) Principal shareholders**

The principal shareholders are not presented on account of the current quarterly accounting period being the first quarter period.

## (6) Voting rights

### a. Shares issued

Classification	(As of March 31, 2019)		
	Number of shares (Shares)	Number of voting rights (Units)	Details
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	900	—	—
Shares with full voting rights (others)	240,582,400	2,405,824	—
Shares constituting less than one unit	75,842	—	—
Total number of shares issued	240,659,142	—	—
Total number of voting rights held by all shareholders	—	2,405,824	—

Notes: 1. Common stock in “Shares with full voting rights (others)” includes 1,975,400 stocks held by the Trust for Employee Stock Ownership Plan (J-ESOP) and 900 shares of treasury stock.

2. “Shares constituting less than one unit” includes 1 share of the Group, which is held by the Trust for the Employee Stock Ownership Plan (J-ESOP), and 53 shares of treasury stock.

### b. Treasury stock, etc.

Name of Shareholder	Address of Shareholder	(As of March 31, 2019)			
		Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of shares held to total shares issued (%)
LINE Corporation	4-1-6 Shinjuku, Shinjuku-ku, Tokyo	900	—	900	0.00
Total		—	900	900	0.00

Notes: 1. The treasury shares above do not include 1,975,401 shares of the Company held by the Trust for Employee Stock Ownership Plan (J-ESOP). However, these shares are reported as treasury shares in the Interim Condensed Financial Statements.

2. The treasury shares above do not include 53 shares which constitute less than one unit.

## (7) Certain exemptions

For readers of this English translation: As a foreign private issuer, the Company is permitted to rely on exemptions from certain New York Stock Exchange corporate governance standards applicable to listed U.S. companies. For instance, the Company is not subject to New York Stock Exchange requirements regarding (i) independence of a majority of its board of directors or members of certain committees thereof, (ii) shareholder approval of equity compensation plans, equity offerings that do not qualify as public offerings for cash, and offerings of equity to related parties, and (iii) adoption and disclosure of corporate governance guidelines. Additionally, as a foreign private issuer, the Company is not subject to certain SEC disclosure requirements that are applicable to companies organized within the United States.

## 2. Directors and executive officers

Not applicable.

#### IV. Accounting

##### Preparation of interim condensed consolidated financial statements

The interim condensed consolidated financial statements of the Group are prepared in conformity with International Accounting Standard 34, “Interim Financial Reporting” pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007; hereinafter referred to as the “Ordinance on QCFS”).

The interim condensed consolidated financial statements for the first three-month period ended March 31, 2019 of the Group has been reviewed by PricewaterhouseCoopers Aarata LLC, pursuant to the provision of the Article 193-2, Paragraph (1) of the Financial Instruments and Exchange Act.

##### 1. Interim condensed consolidated financial statements - Unaudited

###### (1) Interim Condensed Consolidated Statement of Financial Position - Unaudited

		<i>(In millions of yen)</i>	
	Notes	December 31, 2018	March 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		256,978	248,838
Trade and other receivables	7,9	37,644	40,962
Other financial assets, current	7	15,915	22,565
Contract assets	9	339	417
Inventories		4,887	5,265
Other current assets		9,751	12,581
<b>Total current assets</b>		<u>325,514</u>	<u>330,628</u>
<b>Non-current assets</b>			
Property and equipment	5	24,726	25,196
Right-of-use assets	3	—	48,745
Goodwill		17,095	17,077
Other intangible assets		5,298	6,014
Investments in associates and joint ventures		53,921	50,629
Other financial assets, non-current	7	42,287	43,829
Deferred tax assets	6	17,107	18,094
Other non-current assets		639	789
<b>Total non-current assets</b>		<u>161,073</u>	<u>210,373</u>
<b>Total assets</b>		<u>486,587</u>	<u>541,001</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	7	34,985	38,613
Other financial liabilities, current	7	36,726	38,501
Accrued expenses		18,405	19,418
Income tax payables		4,855	1,769
Lease liabilities, current	3	—	9,452
Contract liabilities	9	24,637	25,206
Provisions, current		2,581	2,750
Other current liabilities		1,037	1,994
<b>Total current liabilities</b>		<u>123,226</u>	<u>137,703</u>
<b>Non-current liabilities</b>			
Corporate bonds	7	142,132	142,309
Other financial liabilities, non-current	7	527	537
Lease liabilities, non-current	3	—	39,900
Deferred tax liabilities	6	503	644
Provisions, non-current		3,309	3,672
Post-employment benefits		6,943	7,404
Other non-current liabilities		1,433	1,463
<b>Total non-current liabilities</b>		<u>154,847</u>	<u>195,929</u>
<b>Total liabilities</b>		<u>278,073</u>	<u>333,632</u>
<b>Shareholders' equity</b>			
Share capital	8	96,064	96,199
Share premium	8	118,626	119,250
Treasury shares	8	(8,205)	(8,192)
Accumulated deficit		(5,556)	(15,868)
Accumulated other comprehensive income		(2,013)	(2,835)
<b>Equity attributable to the shareholders of the Company</b>		<u>198,916</u>	<u>188,554</u>

<b>Non-controlling interests</b>	9,598	18,815
<b>Total shareholders' equity</b>	<u>208,514</u>	<u>207,369</u>
<b>Total liabilities and shareholders' equity</b>	<u>486,587</u>	<u>541,001</u>

## (2) Interim Condensed Consolidated Statement of Profit or Loss - Unaudited

		<i>(In millions of yen)</i>	
		For the three-month period ended	
		March 31,	
	Notes	2018	2019
<b>Revenues and other operating income:</b>			
Revenues	9	48,736	55,323
Other operating income	9	1,473	152
<b>Total revenues and other operating income</b>		<u>50,209</u>	<u>55,475</u>
<b>Operating expenses:</b>			
Payment processing and licensing expenses		(7,306)	(8,803)
Sales commission expenses		(3,011)	(4,254)
Employee compensation expenses	13	(13,493)	(17,190)
Marketing expenses		(3,931)	(7,499)
Infrastructure and communication expenses		(2,601)	(2,708)
Outsourcing and other service expenses		(7,937)	(9,101)
Depreciation and amortization expenses	3,5	(2,329)	(5,184)
Other operating expenses	3	(8,355)	(8,628)
<b>Total operating expenses</b>		<u>(48,963)</u>	<u>(63,367)</u>
<b>Profit/(loss) from operating activities</b>		<u>1,246</u>	<u>(7,892)</u>
Finance income		99	143
Finance costs	3	(8)	(452)
Share of loss of associates and joint ventures		(1,804)	(3,474)
(Loss)/gain on foreign currency transactions, net		(564)	93
Other non-operating income	12	976	649
Other non-operating expenses	12	(83)	(337)
<b>Loss before tax from continuing operations</b>		(138)	(11,270)
Income tax (expenses)/benefits	6	(1,636)	547
<b>Loss for the period from continuing operations</b>		(1,774)	(10,723)
Profit from discontinued operations, net of tax	10	4	5
<b>Loss for the period</b>		<u>(1,770)</u>	<u>(10,718)</u>
Attributable to:			
The shareholders of the Company	11	(1,383)	(10,314)
Non-controlling interests		(387)	(404)
<i>(In yen)</i>			
<b>Earnings per share</b>			
Basic loss for the period attributable to the shareholders of the Company	11	(5.82)	(43.23)
Diluted loss for the period attributable to the shareholders of the Company	11	(5.82)	(43.23)
Earnings per share from continuing operations			
Basic loss from continuing operations attributable to the shareholders of the Company	11	(5.84)	(43.25)
Diluted loss from continuing operations attributable to the shareholders of the Company	11	(5.84)	(43.25)
Earnings per share from discontinued operations			
Basic profit from discontinued operations attributable to the shareholders of the Company	11	0.02	0.02
Diluted profit from discontinued operations attributable to the shareholders of the Company	11	0.02	0.02

## (3) Interim Condensed Consolidated Statement of Comprehensive Income - Unaudited

		<i>(In millions of yen)</i>	
		For the three-month period ended	
		March 31,	
	Notes	2018	2019
<b>Loss for the period</b>		(1,770)	(10,718)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Net changes in fair value of equity instruments at FVOCI	12	400	(268)
Income tax relating to items that will not be reclassified to profit or loss		(74)	86
<b>Items that may be reclassified to profit or loss:</b>			
Debt instruments at FVOCI			
Net changes in fair value of debt instruments at FVOCI	12	4	(1)
Reclassification to profit or loss of debt instruments at FVOCI		—	4
Exchange differences on translation of foreign operations:			
Loss arising during the period		(2,852)	(741)
Reclassification to profit or loss		(107)	1
Proportionate share of other comprehensive income of associates and joint ventures		11	(3)
Reclassification to profit or loss		(8)	—
Income tax relating to items that may be reclassified subsequently to profit or loss		(35)	85
<b>Total other comprehensive loss for the period, net of tax</b>		<u>(2,661)</u>	<u>(837)</u>
<b>Total comprehensive loss for the period, net of tax</b>		<u>(4,431)</u>	<u>(11,555)</u>
Attributable to:			
The shareholders of the Company		(3,756)	(11,084)
Non-controlling interests		(675)	(471)

## (4) Interim Condensed Consolidated Statement of Change in Equity - Unaudited

(In millions of yen)

	Equity attributable to the shareholders of the Company								
	Notes	Share capital	Share premium	Treasury shares	Accumulated deficit	Accumulated other comprehensive income			Total
						Foreign currency translation reserve	Financial assets at FVOCI	Defined benefit plan reserve	
<b>Balance at January 1, 2018</b>		92,369	93,560	(4,000)	(4,294)	3,158	3,928	354	185,075
Adjustment on adoption of new accounting standards		—	—	—	177	—	(1,258)	—	(1,081)
<b>Balance at January 1, 2018 (adjusted)</b>		92,369	93,560	(4,000)	(4,117)	3,158	2,670	354	183,994
<b>Comprehensive income</b>									
Loss for the period		—	—	—	(1,383)	—	—	—	(1,383)
Other comprehensive (loss)/income		—	—	—	—	(2,714)	341	—	(2,373)
<b>Total comprehensive (loss)/income for the period</b>		—	—	—	(1,383)	(2,714)	341	—	(3,756)
Recognition of share-based payments	8,13	—	586	—	—	—	—	—	586
Exercise of stock options	8,13	360	(89)	—	—	—	—	—	271
Acquisition of non-controlling interests		—	—	—	—	—	—	—	—
<b>Balance at March 31, 2018</b>		<u>92,729</u>	<u>94,057</u>	<u>(4,000)</u>	<u>(5,500)</u>	<u>444</u>	<u>3,011</u>	<u>354</u>	<u>181,095</u>
	Notes	Non-controlling interests	Total shareholders' equity						
<b>Balance at January 1, 2018</b>		4,902	189,977						
Adjustment on adoption of new accounting standards		(85)	(1,166)						
<b>Balance at January 1, 2018 (adjusted)</b>		4,817	188,811						
<b>Comprehensive income</b>									
Loss for the period		(387)	(1,770)						
Other comprehensive (loss)/income		(288)	(2,661)						
<b>Total comprehensive (loss)/income for the period</b>		(675)	(4,431)						
Recognition of share-based payments	8,13	—	586						
Exercise of stock options	8,13	—	271						
Acquisition of non-controlling interests		(72)	(72)						
<b>Balance at March 31, 2018</b>		<u>4,070</u>	<u>185,165</u>						

## Equity attributable to the shareholders of the Company

	Notes	Accumulated other comprehensive income or loss							Total
		Share capital	Share premium	Treasury shares	Accumulated deficit	Foreign currency translation reserve	Financial assets at FVOCI	Defined benefit plan reserve	
<b>Balance at January 1, 2019</b>		96,064	118,626	(8,205)	(5,556)	(659)	(1,417)	63	198,916
Adjustment on adoption of new accounting standards		—	—	—	(26)	—	—	—	(26)
<b>Balance at January 1, 2019 (adjusted)</b>		96,064	118,626	(8,205)	(5,582)	(659)	(1,417)	63	198,890
<b>Comprehensive income</b>									
Loss for the period		—	—	—	(10,314)	—	—	—	(10,314)
Other comprehensive loss		—	—	—	—	(584)	(186)	—	(770)
<b>Total comprehensive loss for the period</b>		—	—	—	(10,314)	(584)	(186)	—	(11,084)
Recognition of share-based payments	8,13	—	460	—	—	—	—	—	460
Exercise of stock options	8,13	135	(34)	—	—	—	—	—	101
Changes in interest in subsidiaries	16	—	208	—	—	—	—	—	208
Acquisition of subsidiaries		—	—	—	—	—	—	—	—
Disposal of treasury shares	8	—	(10)	13	—	—	—	—	3
Transfer of accumulated other comprehensive income to accumulated deficit		—	—	—	52	—	(52)	—	—
Other		—	—	—	(24)	—	—	—	(24)
<b>Balance at March 31, 2019</b>		96,199	119,250	(8,192)	(15,868)	(1,243)	(1,655)	63	188,554

	Notes	Non-controlling interests	Total shareholders' equity
<b>Balance at January 1, 2019</b>		9,598	208,514
Adjustment on adoption of new accounting standards		—	(26)
<b>Balance at January 1, 2019 (adjusted)</b>		9,598	208,488
<b>Comprehensive income</b>			
Loss for the period		(404)	(10,718)
Other comprehensive loss		(67)	(837)
<b>Total comprehensive loss for the period</b>		(471)	(11,555)
Recognition of share-based payments	8,13	—	460
Exercise of stock options	8,13	—	101
Changes in interest in subsidiaries	16	9,602	9,810
Acquisition of subsidiaries		86	86
Disposal of treasury shares	8	—	3
Transfer of accumulated other comprehensive income to accumulated deficit		—	—
Other		—	(24)
<b>Balance at March 31, 2019</b>		18,815	207,369

## (5) Interim Condensed Consolidated Statement of Cash Flows - Unaudited

		<i>(In millions of yen)</i>	
		For the three-month period ended	
		March 31,	
	Notes	2018	2019
<b>Cash flows from operating activities</b>			
Loss before tax from continuing operations		(138)	(11,270)
Profit before tax from discontinued operations	10	6	7
Loss before tax		(132)	(11,263)
Adjustments for:			
Depreciation and amortization expenses		2,329	5,184
Finance income		(99)	(143)
Finance costs		8	452
Dividend income		—	(30)
Share-based compensation expenses	13	933	1,131
Gain on financial assets at fair value through profit or loss	7, 12	(903)	(287)
Impairment loss of financial assets	12	10	—
Share of loss of associates and joint ventures		1,804	3,474
Dilution (gain)/loss from changes in equity interest in associates and joint ventures		(1,237)	76
Loss/(gain) on foreign currency transactions, net		187	(64)
Changes in:			
Trade and other receivables		3,013	(3,317)
Contract assets	9	130	(78)
Inventories		473	(366)
Trade and other payables		(1,193)	3,987
Accrued expenses		(1,037)	(258)
Contract liabilities	9	369	578
Provisions		616	159
Post-employment benefits		195	497
Other current assets		113	12
Other current liabilities		(901)	1,717
Others		(395)	(433)
<b>Cash provided by operating activities</b>		<b>4,283</b>	<b>1,028</b>
Interest received		149	141
Interest paid		(4)	(275)
Dividend received		—	30
Income taxes paid		(1,943)	(2,990)
<b>Net cash provided by/(used in) operating activities</b>		<b>2,485</b>	<b>(2,066)</b>
<b>Cash flows from investing activities</b>			
Purchase of time deposits		(2,942)	(1,053)
Proceeds from maturities of time deposits		1,080	982
Purchase of equity investments		(1,858)	—
Proceeds from sales of equity investments		—	114
Investments in debt instruments		(2,402)	(3,661)
Proceeds from redemption of debt instruments		85	1,087
Acquisition of property and equipment and intangible assets		(4,668)	(6,217)
Proceeds from sales of property and equipment and intangible assets		59	209
Investments in associates and joint ventures		(7,573)	(743)
Return on capital from investments in associates		499	—
Payment of office security deposits		(204)	(37)
Refund of office security deposits		14	37
Payment of guarantee deposits	7	—	(5,836)
Payment for loan receivables		(342)	—
Collection of loan receivables		153	11
Acquisition of subsidiaries and businesses, net of cash acquired		64	—
Others		(20)	22
<b>Net cash used in investing activities</b>		<b>(18,055)</b>	<b>(15,085)</b>
<b>Cash flows from financing activities</b>			
Repayments of lease liabilities		—	(1,862)
Proceeds from short-term borrowings		—	1,000
Repayment of short-term borrowings		(66)	0
Repayment of long-term borrowings		(1)	(1)
Payment of common shares issuance costs		(2)	(1)
Proceeds from exercise of stock options		272	102

Capital contribution from third party non-controlling interests	16	—	9,886
Others		1	4
<b>Net cash provided by financing activities</b>		<u>204</u>	<u>9,128</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(15,366)</u>	<u>(8,023)</u>
<b>Cash and cash equivalents at the beginning of the interim reporting period</b>		123,606	256,978
Effect of exchange rate fluctuations on cash and cash equivalents		(974)	(117)
<b>Cash and cash equivalents at the end of the interim reporting period</b>		<u>107,266</u>	<u>248,838</u>

## **(6) Notes to Interim Condensed Consolidated Financial Statements – Unaudited**

### **1. Reporting Entity**

LINE Corporation (the “Company”) was incorporated in September 2000 in Japan in accordance with the Companies Act of Japan under the name Hangame Japan Corporation to provide online gaming services. The Company changed its name to NHN Japan Corporation in August 2003, and subsequently changed its name to LINE Corporation in April 2013. The Company is a subsidiary of NAVER Corporation (“NAVER”), formerly NHN Corporation, which is domiciled in Korea. NAVER is the Company and its subsidiaries’ (collectively, the “Group”) ultimate parent company. The Company’s head office is located at 4-1-6 Shinjuku, Shinjuku-ku, Tokyo, Japan.

The Company listed shares of its common shares in the form of American depositary shares on the New York Stock Exchange and shares of its common shares on the Tokyo Stock Exchange.

The Group operates core business and strategic business. Core business mainly consists of advertising services, communication and content sales. Strategic business includes Fintech business such as LINE Pay service, AI business and commerce business such as LINE Friends. Refer to Note 4. Segment Information for further details.

### **2. Basis of Preparation**

The unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as of December 31, 2018.

The unaudited interim condensed consolidated financial statements were approved by Representative Director, President and Chief Executive Officer Takeshi Idezawa and Director and Chief Financial Officer In Joon Hwang on May 14, 2019.

The Group meets the criteria of a “specified company” defined under Article 1-2 of the Ordinance on QCFS.

The preparation of the unaudited interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent amounts at the date of the unaudited interim condensed consolidated financial statements as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates and assumptions are reviewed by management on a regular basis. The effects of a change in estimates and assumptions are recognized in the period of the change or in the period of the change and future periods.

Intercompany balances and transactions have been eliminated upon consolidation.

### **3. Significant Accounting Policies**

The significant accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new and revised IFRS standards effective as of January 1, 2019.

The impacts of the adoption of new and revised IFRS issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after January 1, 2019 on the Group’s unaudited interim condensed consolidated financial statements as of and for the three-month periods ended March 31, 2018 and 2019 and annual consolidated financial statements for the year ended December 31, 2018 are as follows:

#### *IFRS16 Leases*

The Group has adopted IFRS 16 *Leases* from the fiscal year beginning January 1, 2019. The Group has applied the modified retrospective method permitted by IFRS 16 and recognized the cumulative amount of the impact as of January 1, 2019 upon adoption of the standard. As a result, the Group has not restated the amounts in the comparative reporting period prior to adoption of IFRS 16.

IFRS 16 sets out the principal for the recognition, measurement, presentation and disclosure of lease contracts for lessees and lessors. Under IFRS 16, lessees no longer make a distinction between finance and operating leases as required under IAS 17, and apply a single accounting model. At the commencement date of a lease, lessees recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use assets). Subsequently, lessees are required to recognize separately the interest expense on the lease liability and the depreciation expense on the right-of-use assets. The right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the assets or the lease term. Lessors accounting under IFRS 16 remains substantially unchanged from IAS 17.

Upon the adoption of IFRS 16, the Group recognized lease liabilities for its leases previously classified as operating lease under IAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate used for the lease liabilities as of January 1, 2019 was 2.21%.

The Group applied the following practical expedients permitted by IFRS 16 when applying IFRS 16:

- Relied on its assessment of whether leases are onerous applying IAS 37 immediately before the date of initial application as an alternative to an impairment review.
- Accounted operating leases with less than 12 months of lease term remaining as of January 1, 2019 for as short-term leases.
- Used hindsight when determining the lease term of contract including extension options and/or termination options.

The Group elected not to apply IFRS 16 to the agreements that were not identified as containing a lease component applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

	<i>(In millions of yen)</i>
Commitments for operating lease as of December 31, 2018 as disclosed in the Group's consolidated financial statements	58,688
(Less) Short-term leases recognized as an expense on a straight-line basis	(549)
(Less) Leases of low-value assets recognized as an expense on a straight-line basis	(29)
(Less) Lease contracts start on or after January 1, 2019	<u>(2,802)</u>
Lease liabilities before discounts	55,308
Discounts using the Group's incremental borrowing rate	<u>(6,998)</u>
Lease liabilities recognized at January 1, 2019	<u>48,310</u>

As a result of above, the Group recognized 48,245 million yen 48,310 million yen for the right-of-use assets and lease liabilities, respectively, in the Consolidated Statement of Financial Position as of January 1, 2019.

Due to the adoption of IFRS 16, the infrastructure and communication expenses which included operating lease expenses, and other operating expenses decreased by 263 million yen and 2,248 million yen, respectively for the three-month period ended March 31, 2019. The depreciation and amortization expenses which included the depreciation expenses of right-of-use assets, and finance costs which included interest expenses for lease liabilities increased by 2,394 million yen and 268 million yen, respectively for the three-month period ended March 31, 2019. In addition, cash used in operating activities decreased by 1,862 million yen and cash provided by financing activities decreased by 1,862 million yen compared to those under IAS 17, due to cash payments for the principal portion of the lease liabilities being classified to the cash flows from financial activities.

The accounting policies applied by the Group in accordance with the IFRS 16 *Leases* as of January 1, 2019 are as follows:

The Group, as a lessee, mainly leases properties and data centers. A lease contract is normally entered into the fixed term from 1 year to 5 years but it may include extension options.

Leases are recognized as right-of-use assets and the corresponding liabilities when the lease assets become available for use by the Group. Each lease payment is apportioned between repayments of the lease liability and finance costs. The finance costs are accounted for as expenses over the lease term and calculated based on constant periodic rate of interest on the remaining balance of the lease liability. The right-of-use assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The assets and liabilities arising from leases are measured at the present value of the lease at the commencement date. The lease liability includes the net present value of the following lease payments:

- fixed payments less any lease incentives
- variable lease payments that depends on an index or a rate
- amounts expected to be payable under a residual value guarantee
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

Lease payments are determined using the discount rate as the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate.

The right-of-use assets is measured at cost shall comprise:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct cost
- cost of restoring the underlying asset to the original condition

As a practical expedient, the Group elects, by class of underlying asset, not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

The lease payments associated with short-term lease and leases of low-value assets are recognized as expenses on a straight-line basis.

A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. A lease of low-value asset, for example, comprises low value assets such as office furniture and fixture.

Most of the Group's property leases include extension options and termination options.

Extension option shall be included in the lease term only if the lessee is reasonably certain to exercise that option.

Changes in accounting estimates

The Group changed the estimated useful lives of servers to reflect the most recent condition of use. Due to this change in estimates, loss from operating activities decreased by 471 million yen for the three months ended March 31, 2019 compared to the previous method.

#### 4. Segment Information

The Group identifies operating segments based on the internal report regularly reviewed by the Group's Chief Operating Decision Maker to determine the allocation of resources to each segment and to assess performance. An operating segment of the Group is a component for which discrete financial information is available. The Chief Operating Decision Maker has been identified as the Company's board of directors. No operating segments have been aggregated to form the reportable segments.

Under the corporate strategy to allocate the resources generated from the Core business to the Strategic business, the Company's board of directors individually assesses the business performance of Core business based on the growth of revenue and profitability and of Strategic business based on profitability as well as important non-financial KPIs such as the expansion of user base.

##### (1) Description of Reportable Segments

The Group's reportable segments are as follows:

Core business segment	Core business segment mainly consists of Advertising service, communication and content. Advertising services mainly includes display advertising, accounts advertising, and other advertising. Display advertising provides advertisements on services such as LINE NEWS. Account advertising mainly includes LINE Official Accounts and Sponsored Stickers. Other advertising mainly includes advertisements on the services such as livedoor blog, NAVER Matome and advertisement appears on LINE Part-Time Job. Communication mainly includes LINE Stickers. Content mainly includes LINE Games.
Strategic business segment	Strategic business segment consists of Fintech services, such as LINE Pay service, AI, LINE Friends, and E-commerce.

##### (2) Profit or Loss for the Group's operating segments

The Group's operating profit or loss for each segment is prepared by the same method as the preparation of consolidated financial statements, except certain items such as other operating income and share-based compensation expenses are included in corporate adjustment. Also, IT development expenses and indirect expenses such as department management fees are allocated based on the information such as the hours of service provided, the number of server infrastructures used to provide the service, or the percentage of revenues. As the Company's board of directors uses information after eliminating intercompany transactions for their performance assessment, there is no adjustments between segments.

**For the three-month period ended March 31, 2018**

*(In millions of yen)*

	Reportable segments			Corporate adjustments <sup>(1)</sup>	Consolidated
	Core business	Strategic business	Total		
Revenue from external customers	42,681	6,055	48,736	—	48,736
Segment profit/(loss)	8,076	(7,131)	945	301	1,246
Depreciation and amortization expenses	1,965	364	2,329	—	2,329

<sup>(1)</sup> Corporate adjustments mainly include other operating income and share-based compensation expenses.

**For the three-month period ended March 31, 2019**

*(In millions of yen)*

	Reportable segments			Corporate adjustments <sup>(1)</sup>	Consolidated
	Core business	Strategic business	Total		
Revenue from external customers	47,948	7,375	55,323	—	55,323
Segment profit/(loss)	8,266	(14,987)	(6,721)	(1,171)	(7,892)
Depreciation and amortization expenses	3,283	1,901	5,184	—	5,184

<sup>(1)</sup> Corporate adjustments mainly include other operating income and share-based compensation expenses.

The reconciliation of segment profit to loss before tax from continuing operations is as follows:

**For the three-month periods ended March 31,**

*(In millions of yen)*

	2018	2019
Segment profit/(loss)	1,246	(7,892)
Financial income	99	143
Financial costs	(8)	(452)
Share of loss of associates and joint ventures	(1,804)	(3,474)
(Loss)/gain on foreign currency transactions, net	(564)	93
Other non-operating income	976	649
Other non-operating expenses	(83)	(337)
Loss for the period before tax from continuing operations	<u>(138)</u>	<u>(11,270)</u>

The above items are not allocated to individual segments as these are managed on an overall group basis.

### (3) Revenues from Major Services

The Group's revenues from continuing operations from its major services for the three-month periods ended March 31, 2018 and 2019 are as follows.

Revenues recognized at one time mainly consist of revenues from LINE Friends.

#### For the three-month periods ended March 31,

	<i>(In millions of yen)</i>	
	<u>2018</u>	<u>2019</u>
<b>Core business</b>		
Advertising		
Display advertising <sup>(1)</sup>	9,128	10,624
Account advertising <sup>(2)</sup>	13,468	15,590
Other advertising <sup>(3)</sup>	2,575	3,639
Sub-total	<u>25,171</u>	<u>29,853</u>
Communication, content, and others		
Communication <sup>(4)</sup>	7,415	7,427
Content <sup>(5)</sup>	9,231	9,492
Others	864	1,176
Subtotal	<u>17,510</u>	<u>18,095</u>
Core business total	<u>42,681</u>	<u>47,948</u>
<b>Strategic business</b>		
Friends <sup>(6)</sup>	3,390	4,463
Others <sup>(7)</sup>	2,665	2,912
Strategic business total	<u>6,055</u>	<u>7,375</u>
<b>Total</b>	<u>48,736</u>	<u>55,323</u>

(1) Revenues from display advertising primarily consisted of fees from advertisement on services such as Timeline and LINE NEWS.

(2) Revenues from account advertising primarily consisted of fees from LINE Official Accounts, Sponsored Stickers, and LINE Points.

(3) Revenues from other advertising were mainly attributable to advertising revenue from livedoor, NAVER Matome, and LINE Part-Time Job.

(4) Revenues from communication were mainly attributable to sales of LINE Stickers and Creator Stickers.

(5) Revenues from content primarily consisted of sales of LINE GAMES's virtual items.

(6) Friends primarily consisted of revenues from sales of character goods.

(7) Others primarily consisted of revenues from E-commerce.

### 5. Property and Equipment

During the three-month periods ended March 31, 2018 and 2019, the Group acquired property and equipment with a cost of 4,672 million yen and 2,331 million yen, respectively. During the three-month period ended March 31, 2018, such additions mainly consisted of server infrastructure in the amount of 3,348 million yen related to Core business segment and Strategic business segment.

Such additions during the three-month period ended March 31, 2019 mainly consisted of server infrastructures in the amount of 987 million yen, and furniture and fixtures related to the increase in the office space in the amount of 1,256 million yen.

Contractual commitments for the acquisition of property and equipment as of December 31, 2018 and March 31, 2019 were 1,820 million yen and 2,002 million yen, respectively.

## **6. Income Taxes**

The Group's tax provision for interim periods is determined using an estimate of the Group's annual effective tax rate, adjusted for discrete items arising during the period. In each quarter, the Group updates the estimate of the annual effective tax rate, and if the estimated annual tax rate changes, the Group makes a cumulative adjustment in that quarter.

The effective tax rate for the three-month period ended March 31, 2018 of (1,182.1)% differed from the Japanese statutory tax rate of 31.7 % for the year ended December 31, 2017. The effective income tax rate of (1,182.1)% was primarily due to pre-tax losses recorded by subsidiaries as well as associates and joint ventures on a standalone basis, whereas the related tax benefits could not be recognized since the deferred tax assets were not expected to be realized within a foreseeable period.

The effective tax rate for the three-month period ended March 31, 2019 of 4.9 % differed from the Japanese statutory tax rate of 31.7% for the year ended December 31, 2018. The effective income tax rate of 4.9 % was primarily due to pre-tax losses recorded by subsidiaries as well as associates and joint ventures on a standalone basis for which the related tax benefits could not be recognized since the deferred tax assets were not expected to be realized within a foreseeable period, whereas pre-tax losses recorded on interim condensed consolidated statement of profit or loss for the three months period ended March 31, 2019.

The effective tax rate for the three-month period ended March 31, 2019 was 4.9% as compare to (1,182.1)% for the three-month period ended March 31, 2018. This change was resulted mainly due to the increase in the pre-tax losses for the three-month ended March 31, 2019 on consolidated basis as well as the increase in the proportion of pre-tax losses of the certain subsidiaries which could not recognize tax benefits for the deferred tax assets, to consolidated quarterly pre-tax loss.

## **7. Financial Assets and Financial Liabilities**

The carrying amounts and fair value of financial instruments, except for cash and cash equivalents, by line item in the Interim Condensed Consolidated Statement of Financial Position and by category as defined in IFRS 9 Financial Instrument, as of December 31, 2018 and March 31, 2019 respectively, are as follows:

The fair value is not disclosed for those financial instruments which are not measured at fair value in the Interim Condensed Consolidated Statement of Financial Position, and whose fair value approximates their carrying amount due to their short-term and/or variable-interest bearing nature. Refer to Note 12 "Fair Value Measurements" for more details of the financial instruments, which are measured at fair value.

Items	December 31, 2018		(In millions of yen) March 31, 2019	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
<b>Trade and other receivables</b>				
Financial assets at amortized cost	37,644		40,962	
Total	37,644		40,962	
<b>Other financial assets, current</b>				
Financial assets at amortized cost				
Time deposits	11,507		11,581	
Short-term loans	593		584	
Guarantee deposits <sup>(1)(2)</sup>	853		6,775	
Office security deposits	—		2	
Others	4		—	
Financial assets at FVOCI <sup>(3)</sup>	2,958	2,958	3,379	3,379
Financial assets at fair value through profit or loss <sup>(2)(4)</sup>	—	—	244	244
Total	15,915		22,565	
<b>Other financial assets, non-current</b>				
Financial assets at amortized cost				
Corporate bonds and other debt instruments	280	288	280	288
Guarantee deposits <sup>(1)</sup>	123	123	74	74
Office security deposits	9,162	9,050	9,220	9,091
Others	118	118	96	96
Financial assets at FVOCI <sup>(3)</sup>	22,343	22,343	22,431	22,431
Financial assets at fair value through profit or loss <sup>(4)</sup>	10,261	10,261	11,728	11,728
Total	42,287		43,829	

Items	December 31, 2018		March 31, 2019	
	Book value	Fair value	Book value	Fair value
<i>(In millions of yen)</i>				
<b>Financial liabilities</b>				
<b>Trade and other payables</b>				
Financial liabilities at amortized cost	34,985		38,613	
<b>Other financial liabilities, current</b>				
Financial liabilities measured at amortized cost				
Deposits received	13,653		14,394	
Short-term borrowings <sup>(5)</sup>	23,000		24,002	
Others	57		51	
Financial liabilities at fair value through profit or loss				
Put option liabilities	16	16	16	16
Others <sup>(2)</sup>	—	—	38	38
Total	<u>36,726</u>		<u>38,501</u>	
<b>Corporate bonds<sup>(6)</sup></b>	<u>142,132</u>	143,743	<u>142,309</u>	143,951
<b>Other financial liabilities, non-current</b>				
Financial liabilities at amortized cost				
Office security deposits received under sublease agreement	16	16	16	16
Others	231		227	
Financial liabilities at fair value through profit or loss				
Put option liabilities	280	280	294	294
Total	<u>527</u>		<u>537</u>	

- (1) The Group had deposited investments in Japanese government bonds of 280 million yen as of December 31, 2018 and 280 million yen as of March 31, 2019, which the Group intends to hold until maturity. In addition, the Group had credit guarantee contracts with banks for 18,500 million yen with a weighted average guarantee fee rate of 0.1% and for 23,500 million yen with a weighted average guarantee fee rate of 0.1% as of December 31, 2018 and March 31, 2019, respectively, to comply with the Japanese Payment Services Act.
- (2) The Group commenced derivatives instruments investment in such as currency, interest rate, commodity futures transaction for investment purposes and made deposits of 2,015 million yen to a securities brokerage in January 2019. Impact of this transaction on loss before taxes from continuing operation for the three-month period ended March 31, 2019 was 205 million yen in gain. The Group recognized financial assets at fair value through profit or loss of 134 million yen and financial liabilities at fair value through profit or loss of 25 million yen as a result of fair value measurement as of March 31, 2019. In addition, the Group has deposited 3,585 million yen in a financial institution to enter into banking business in Taiwan and withdrawal of the fund is restricted.
- (3) Impairment loss of 4 million yen was recognized for debt instrument of financial assets at FVOCI for the three-month period ended March 31, 2019.
- (4) A gain of 903 million yen and 34 million yen were recognized for financial assets at fair value through profit or loss for the three-month period ended March 31, 2018 and 2019, respectively.
- (5) The weighted average interest rate of the remaining outstanding short-term borrowings was 0.1% as of December 31, 2018 and 0.1% as of March 31, 2019.
- (6) During the year ended December 31, 2018, Euro-yen convertible bonds with stock acquisition rights due to overseas public offering of 37,494.5 million yen (Zero coupon convertible bonds due September 2023) and 37,494.5 million yen (Zero coupon convertible bonds due September 2025) were issued. The Group also issued Euro-yen convertible bonds with stock acquisition rights through two of the separate third-party allotments to NAVER Corporation, amounted to 37,494.5 million yen (Zero coupon convertible bonds due September 2023) and 37,494.5 million yen (Zero coupon convertible bonds due September 2025). The book value of the liability of the convertible bonds with stock acquisition rights as of March 31, 2019 amounted to 142,309 million yen, which was the summation of the book value of the liability as of December 31, 2018 and the interest expense of 177 million yen.

## 8. Issued Capital and Other Reserves

### (1) Shares issued

The movements of shares issued for the three-month period ended March 31, 2019 are as follows:

	Number of Common Shares issued (Share capital with no-par value)	Share capital (In millions of yen)
January 1, 2019	240,524,642	96,064
Exercise of stock options <sup>(1)</sup>	134,500	135
March 31, 2019	<u>240,659,142</u>	<u>96,199</u>

<sup>(1)</sup> Refer to Note 13. Share-Based Payments for further details.

### (2) Share premium

The movements in share premium for the three-month period ended March 31, 2018 are as follows:

(In millions of yen)

	Share-based payments <sup>(1)</sup>	Common control business combinations	Others <sup>(2)</sup>	Share premium total
January 1, 2018	7,062	294	86,204	93,560
Share-based payments	586	—	—	586
Exercise of stock options	(528)	—	440	(88)
Cost related to issuance of common shares <sup>(3)</sup>	—	—	(1)	(1)
March 31, 2018	<u>7,120</u>	<u>294</u>	<u>86,643</u>	<u>94,057</u>

The movements in share premium for the three-month period ended March 31, 2019 are as follows:

(In millions of yen)

	Share-based payments <sup>(1)</sup>	Common control business combinations	Others <sup>(2)</sup>	Share premium total
January 1, 2019	10,717	(194)	108,103	118,626
Share-based payments	460	—	—	460
Exercise of stock options	(200)	—	166	(34)
Cost related to issuance of common shares <sup>(3)</sup>	—	—	0	0
Changes in interests in subsidiaries	—	—	208	208
Disposal of treasury shares	(8)	—	(2)	(10)
March 31, 2019	<u>10,969</u>	<u>(194)</u>	<u>108,475</u>	<u>119,250</u>

<sup>(1)</sup> Refer to Note 13. Share-Based Payments for further details.

<sup>(2)</sup> Resulted mainly from capital reserve requirements under the Companies Act of Japan.

<sup>(3)</sup> Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

## 9. Revenue from contracts with customers

The Group has recognized the following amounts relating to revenue in the Interim Condensed Consolidated Statement of Profit or Loss for the three-month period ended March 31, 2018 and 2019:

	2018	2019
<i>(In millions of yen)</i>		
Revenue from contracts with customers		
Revenue <sup>(1)</sup>	48,736	55,323
Other operating income: virtual credits breakage income	68	96
	<u>48,804</u>	<u>55,419</u>
Revenue from other sources		
Other operating income	1,405	56

<sup>(1)</sup> Refer to Note 4. Segment Information for further details of revenue for major services.

Trade and other receivables, contract assets and liabilities:

	December 31, 2018	March 31, 2019
<i>(In millions of yen)</i>		
Trade and other receivables	37,644	40,962
Contract assets <sup>(1)</sup>	339	417
Contract liabilities		
Unsatisfied performance obligations <sup>(2)</sup>	12,927	13,018
Virtual credits <sup>(3)</sup>	11,710	12,188
Total contract liabilities	<u>24,637</u>	<u>25,206</u>

<sup>(1)</sup> Contract assets mainly consists of transactions related to the advertising contracts in which the revenues from these transactions are recognized over time by measuring the progress towards completion of satisfaction of the performance obligations.

<sup>(2)</sup> Unsatisfied performance obligations will be fulfilled mainly within a year. Therefore, the transaction price allocated to unsatisfied contract is not disclosed, based on the practical expedient as permitted under IFRS 15.

<sup>(3)</sup> The timing of transfer of goods or services related to virtual credits is determined at the customer's discretion.

Revenue recognized in relation to contract liabilities which were outstanding as of January 1, 2018 and 2019 are as follow:

For the three-month period ended March 31,

	2018	2019
<i>(In millions of yen)</i>		
Unsatisfied performance obligation	7,956	7,836
Virtual credits	4,024	3,769

The Group recorded contract costs of 4,367 million yen and 4,310 million yen as of December 31, 2018 and March 31, 2019, respectively, on the Interim Condensed Consolidated Statement of Financial Position and amortization expenses of such assets during the three-month period ended March 31, 2018 and 2019 was 446 million yen and 2,380 million yen, respectively.

## 10. Discontinued Operations

On February 12, 2016, the board of directors approved the abandonment of the MixRadio segment. The operation of the MixRadio business was classified as a discontinued operation on March 21, 2016, when the abandonment took effect.

The aggregated results of the discontinued operations for the three-month periods ended March 31, 2018 and 2019 are presented below.

	2018	2019
Revenues	6	7
Expenses	0	0
Profit before tax from discontinued operations	6	7
Income tax expenses on liquidation <sup>(1)</sup>	(2)	(2)
Profit for the period from discontinued operations (attributable to the shareholders of the Company)	<u>4</u>	<u>5</u>

<sup>(1)</sup> The income tax expenses on liquidation for the three-month periods ended March 31, 2018 and 2019 are mainly due to the deductible temporary difference arising from the investment in MixRadio Limited, which incurred profit during the period.

The aggregated cash flow information of the discontinued operations for the three-month periods ended March 31, 2018 and 2019 are presented below.

	2018	2019
Operating	(5)	0
Investing	—	—
Financing	—	—
Net cash (outflow)/inflow	<u>(5)</u>	<u>0</u>

## 11. Earnings per Share

The loss for the period and the weighted average number of shares used in the calculation of earnings per share are as follows:

**For the three-month period ended March 31,**

	2018	2019
Loss for the period attributable to the shareholders of the Company from continuing operations	(1,387)	(10,319)
Profit for the period attributable to the shareholders of the Company from discontinued operations	4	5
<b>Total loss for the period attributable to the shareholders of the Company for basic and diluted earnings per share</b>	<u>(1,383)</u>	<u>(10,314)</u>
<b>Weighted average number of total common shares</b>	238,631,431	240,581,175
<b>Weighted average number of total treasury shares</b>	(1,007,710)	(1,978,552)
<b>Weighted average number of common shares for basic earnings per share</b>	237,623,721	238,602,623
Effect of dilution:		
Stock options	—	—
Employee Stock Ownership Plan (J-ESOP)	—	—
Convertible bonds with stock acquisition rights	—	—
<b>Weighted average number of total common shares adjusted for the effect of dilution</b>	<u>237,623,721</u>	<u>238,602,623</u>

In calculating diluted earnings per share, share options and other potential shares are taken into account where their impact is dilutive.

Potential common shares used in the calculation of diluted earnings per share for the three-month period ended March 31, 2018, included Stock options and Employee Stock Ownership Plan (J-ESOP), representing 5,501,813 shares which were outstanding as of March 31, 2018 as they had an anti-dilutive impact on loss per share from continuing operations.

Potential common shares used in the calculation of diluted earnings per share for the three-month period ended March 31, 2019, included Stock options, Employee Stock Ownership Plan (J-ESOP) and Convertible bonds with stock acquisition rights, representing 23,610,453 shares which were outstanding as of March 31, 2019 as they had an anti-dilutive impact on loss per share from continuing operations.

## 12. Fair Value Measurements

### (1) Fair value hierarchy

The Group referred to the levels of the fair value hierarchy for financial instruments measured at fair value on the Interim Condensed Consolidated Statement of Financial Position based on the following inputs:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable, which reflect the reporting entity's own assumptions that market participants would use in establishing a price.

Transfers between levels of the fair value hierarchy are recognized as if they have occurred at the beginning of the reporting period.

### (2) Fair value measurements by fair value hierarchy

Assets and liabilities measured at fair values on a recurring basis in the Interim Condensed Consolidated Statement of Financial Position as of December 31, 2018 and March 31, 2019 are as follows:

	<i>(In millions of yen)</i>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>December 31, 2018</b>				
Financial assets at fair value through profit or loss	—	—	10,261	10,261
Financial assets at FVOCI				
Equity instruments	791	—	6,505	7,296
Debt instruments	—	18,005	—	18,005
<b>Total</b>	<u>791</u>	<u>18,005</u>	<u>16,766</u>	<u>35,562</u>
Financial liabilities at fair value through profit or loss				
Put option liabilities	—	—	296	296
<b>Total</b>	<u>—</u>	<u>—</u>	<u>296</u>	<u>296</u>
<b>March 31, 2019</b>				
Financial assets at fair value through profit or loss	134	—	11,838	11,972
Financial assets at FVOCI				
Equity instruments	1,033	—	5,861	6,894
Debt instruments	—	18,916	—	18,916
<b>Total</b>	<u>1,167</u>	<u>18,916</u>	<u>17,699</u>	<u>37,782</u>
Financial liabilities at fair value through profit or loss				
Put option liabilities	—	—	310	310
Other	25	13	—	38
<b>Total</b>	<u>25</u>	<u>13</u>	<u>310</u>	<u>348</u>

There have been no transfers among Level 1, Level 2 and Level 3, except for the transfer among Level 1 and Level 3 noted under the following section (3), during the fiscal year ended December 31, 2018 and three-month period ended March 31, 2019.

(3) Reconciliations from the opening balance to the closing balance of financial instruments categorized within Level 3 are as follows:

(In millions of yen)

	2018			2019		
	Financial assets at fair value through profit or loss	Financial assets at FVOCI	Put option liabilities	Financial assets at fair value through profit or loss	Financial assets at FVOCI	Put option liabilities
Fair value as of January 1	7,143	8,539	(486)	10,261	6,505	(296)
Total gain/(loss) for the period:						
Included in profit or loss <sup>(1)</sup>	900	—	16	55	—	(14)
Included in other comprehensive income <sup>(2)</sup>	—	394	—	—	(511)	—
Comprehensive income/(loss)	8,043	8,933	16	10,316	5,994	(310)
Purchases	233	1,875	—	1,498	—	—
Sales and settlements	—	—	—	—	(136)	—
Others	28	(66)	(3)	—	—	—
Effect of exchange rate changes	(230)	(298)	15	24	3	—
Fair value as of March 31	8,074	10,444	(458)	11,838	5,861	(310)

(1) This amount is included in “Other non-operating income” or “Other non-operating expenses” in the Group’s Interim Condensed Consolidated Statement of Profit or Loss.

(2) This amount is included in “Net changes in fair value” of equity instruments at FVOCI in the Group’s Interim Condensed Consolidated Statement of Comprehensive Income.

(4) Valuation techniques and inputs

Assets and liabilities measured at fair value on a recurring basis in the Interim Condensed Consolidated Statements of Financial Position

*Financial asset at fair value through profit or loss*

Financial asset at fair value through profit or loss categorized within Level 3 primarily consist of private equity investment funds, conversion or redemption rights of preferred stock. Conversion right and redemption right of preferred stock are measured at fair value using a binomial option pricing model as of December 31, 2018 and March 31, 2019. Private equity investment funds are measured at fair value based on net asset value, and preferred stocks are measured at fair value based on the most recent transactions, market approach or the discount cash flow model. Below is the quantitative information regarding the valuation technique and significant unobservable inputs used in measuring the fair value of financial asset at fair value through profit or loss classified as Level 3:

Valuation technique	Significant unobservable input	December 31, 2018	March 31, 2019
Market approach - market comparable companies	Revenue multiple	—	1.5
Discount cash flow model	Discount rate	16.0%	—
	Growth rate	2.0%	—
Binomial option pricing model	Comparable listed companies’ average historical volatility	53.3% - 54.0%	50.0% - 53.3%
	Discount rate	2.0% - 2.2%	1.7% - 2.0%

A significant increase (decrease) in the revenue multiple and the growth rate would result in a higher (lower) fair value of the unlisted equity securities, while a significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the unlisted equity securities.

A significant increase (decrease) in the comparable listed companies' average historical volatility would result in a higher (lower) fair value of the conversion right and redemption right of preferred stock, while a significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the conversion right and redemption right of preferred stock.

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss categorized within Level 2 consist of exchange forward contracts. The exchange forward contracts are measured at the fair value based on the data such as the exchange rate provided by financial institutions as of March 31, 2019.

The financial liabilities at fair value through profit or loss categorized within Level 3 are the put option liabilities, options written on shares of subsidiaries, associates, and investments. Such put option liabilities are measured at fair value using mainly option pricing model or the Monte Carlo simulation. Below is the quantitative information regarding the valuation techniques and significant unobservable inputs used in measuring the fair value of certain put option liabilities:

Valuation technique	Significant unobservable input	December 31, 2018	March 31, 2019
Option pricing model	Comparable listed companies' average historical volatility	51.9%	51.9%
	Discount rate	1.8%	1.8%
Monte Carlo simulation	Comparable listed companies' average historical volatility	43.1%	43.5%
	Discount rate	2.0%	1.8%

A significant increase (decrease) in the comparable listed companies' average historical volatility would result in a higher (lower) fair value of the put option liabilities, while a significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the put option liabilities.

*Financial assets at fair value through other comprehensive income*

Financial assets at FVOCI categorized within Level 2 mainly consist of bonds. Such bonds are measured at fair value using discounted cash flow model and using the observable input such as estimated yield rate when acquiring similar debt instruments as of December 31, 2018 and March 31, 2019.

Financial assets at FVOCI categorized within Level 3 mainly consist of unlisted equity securities. Unlisted equity securities are measured at fair value based on the models such as market approach model as of December 31, 2018 and as of March 31, 2019. Below is the quantitative information regarding the valuation techniques and significant unobservable inputs used in measuring the fair value of certain unlisted equity securities:

Valuation technique	Significant unobservable input	December 31, 2018	March 31, 2019
Market approach	Revenue multiple	1.3 - 9.1	1.3 - 6.4
	- Market comparable companies Liquidity discount	30.0%	30.0%

A significant increase (decrease) in the revenue multiple would result in a higher (lower) fair value of the unlisted equity securities, while a significant increase (decrease) in the liquidity discount and discount rate would result in a lower (higher) fair value of the unlisted equity securities.

### 13. Share-Based Payments

The Group has stock option incentive plans for directors and employees.

#### (1) Stock Option Plan

For the stock options granted during the years ended December 31, 2012, 2013, 2014, and 2015, each stock option represents the right to purchase 500 common shares at a fixed price for a defined period of time. The exercise price of stock options, which were granted during the years ended December 31, 2012 and 2013 was 344 yen, whereas that of those options, which were granted during the years ended December 31, 2014 and 2015 was 1,320 yen.

In the year ended December 31, 2017, the Company has granted 23,860 of stock options equivalent to 2,386,000 of common shares with the exercise price of 4,206 yen.

The fair value of stock options is determined using the Black-Scholes model, a commonly accepted stock option pricing method.

Stock options granted during the years ended December 31, 2012, 2013, 2014 and 2015 vest after two years from the grant date and are exercisable for a period of eight years from the vesting date. Stock options granted during the year ended December 31, 2017 vest 25% of stock options per year from the grant date and are exercisable from the vesting date until July 18, 2027.

Conditions for vesting and exercise of the stock options require that those who received the allotment of stock options continue to be employed by the Group from the grant date to the vesting date, and from the grant date to the exercise date, respectively, unless otherwise permitted by the board of directors.

i. Movements during the three-month period ended March 31, 2019

The following table illustrates the number and weighted average exercise prices (“WAEP”) of, and movements in, outstanding Common Stock Options on a per-common-share basis during the period:

	Common Stock Options	
	Number (shares)	WAEP (yen per share)
Outstanding at January 1, 2019	3,738,300	2,245
Granted during the period	—	—
Forfeited during the period	—	—
Exercised during the period <sup>(1)</sup>	(134,500)	758
Expired during the period	—	—
Outstanding at March 31, 2019	<u>3,603,800</u>	<u>2,300</u>
Exercisable at March 31, 2019	<u>2,566,900</u>	<u>1,531</u>

<sup>(1)</sup> The weighted average share price at the date of exercise of these options was 3,972 yen.

ii. The exercise price and the number of shares for options outstanding as of March 31, 2019 are as follows:

Grant dates	Exercise price (yen)	Number (Shares)
December 17, 2013	344	467,000
February 8, 2014	1,320	636,500
August 9, 2014	1,320	138,000
November 1, 2014	1,320	119,500
February 4, 2015	1,320	860,500
July 18, 2017	4,206	1,382,300

The weighted average remaining contractual life for the stock options outstanding as of March 31, 2019 was 6.4 years.

iii. The Group has recognized 427 million yen and 144 million yen of share-based compensation expenses in the Interim Condensed Consolidated Statement of Profit or Loss for the three-month periods ended March 31, 2018 and 2019, respectively.

(2) Equity-settled Employee Stock Ownership Plan (J-ESOP)

The Group has a Group policy, the Regulations on Stock Compensation, which regulates an incentive for the employees in line with the stock price movement and for the purpose of securing excellent human resources and their long-term success.

In accordance with the Regulations on Stock Compensation, the Group has granted points equivalent to 262,069 shares, 26,946 shares, 260,133 shares and 48,651 shares to the employees of the Group on July 18, 2017, January 1, 2018, July 20, 2018 and January 23, 2019 respectively. The points vest once the employees who received the points satisfy the conditions under the Regulations on the Stock Compensation. As the points vest, the trust grants the Company’s shares equivalent to the number of points, which the trust owns, to the employees of the Company and its domestic subsidiary.

Under the Regulations on Stock Compensation, the employees granted the points on July 18, 2017 are required to be employed by the Group until the vesting dates, which are set between April 1, 2018 and April 1, 2020. The employees granted the points on January 1, 2018 are required to be employed by the Group until the vesting dates, which are set between October 1, 2018 and October 1, 2020 and the employees granted the points on July 20, 2018 are required to be employed by the Group until the vesting dates, which are set between April 1, 2019 and April 1, 2021. The employees granted the points on January 23, 2019 are required to be employed by the Group until the vesting dates, which are set between October 1, 2019 and October 1, 2021.

i. Movements during the three-month period ended March 31, 2019

The following table illustrates the movements in outstanding points during the three-month period ended March 31, 2019:

	<b>J-ESOP (Equity-settled) Number Points<sup>(1)</sup></b>
Outstanding at January 1, 2019	445,401
Granted during the period	48,651
Forfeited during the period	(13,678)
Exercised during the period	(2,809)
Expired during the period	—
Outstanding at March 31, 2019	<u>477,565</u>
Exercisable at March 31, 2019	<u>2,764</u>

<sup>(1)</sup> One point is equal to one share.

ii. The Group's J-ESOP does not have an exercise price as the employees receive the number of shares equivalent to the points. The weighted average remaining contractual life as of March 31, 2019 was 1.0 years.

iii. The fair value of the points issued on January 23, 2019 was the share price of the day the points were granted, 3,905 yen.

iv. The expenses recognized in connection with share-based payments during the three-month ended March 31, 2018 and 2019 are 158 million yen and 310 million yen, respectively.

(3) Cash-settled Employee Stock Ownership Plan (J-ESOP)

In accordance with the Regulations on Stock Compensation, the Group has granted points equivalent to 567,056 shares, 58,660 shares, 543,733 shares and 90,744 shares to the employees of the Group on July 18, 2017, on January 1, 2018, on July 20, 2018 and January 23, 2019, respectively. The points vest once the employees who received the points satisfy the conditions under the Regulations on the Stock Compensation. As the points vest, the trust sells the shares of the Company, which are equivalent to the number of points in the market and distributes the cash obtained from the transaction to the employees.

Under the Regulations on Stock Compensation, the employees granted the points on July 18, 2017 are required to be employed by the Group until the vesting dates, which are set between April 1, 2018 and April 1, 2020. The employees granted the points on January 1, 2018 are required to be employed by the Group until the vesting dates, which are set between October 1, 2018 and October 1, 2020. The employees granted the points on July 20, 2018 are required to be employed by the Group until the vesting dates, which are set between April 1, 2019 and April 1, 2021. The employees granted the points on January 23, 2019 are required to be employed by the Group until the vesting dates, which are set between October 1, 2019 and October 1, 2021.

i. Movements during the three-month period ended March 31, 2019

The following table illustrates the movements in outstanding points during the three-month period ended March 31, 2019:

	<b>J-ESOP (Cash-settled) Number Points<sup>(1)</sup></b>
Outstanding at January 1, 2019	890,624
Granted during the period	90,744
Forfeited during the period	(18,722)
Exercised during the period	(1,569)
Expired during the period	—
Outstanding at March 31, 2019	<u>961,077</u>
Exercisable at March 31, 2019	<u>1,241</u>

<sup>(1)</sup> One point is equal to one share.

ii. The Group's J-ESOP does not have an exercise price as the employees receive the amount of cash equivalent to the points. The weighted average remaining contractual life as of March 31, 2019 was 1.0 years.

iii. The fair value of the points granted on January 23, 2019 as of the grant date and the measurement date were the share price as of the grant date of 3,905 yen and the share price of March 31, 2019 of 3,905 yen, respectively.

- iv. The expenses recognized in connection with share-based payments during the three-month periods ended March 31, 2018 and 2019 are 348 million yen and 677 million yen, respectively.
- v. The Group has respectively recognized 1,055 million yen of current liabilities and 935 million yen of non-current liabilities associated with Cash-settled J-ESOP in the Interim Condensed Consolidated Statement of Financial Position as of March 31, 2019, whereas 758 million yen of current liabilities and 669 of non-current liabilities as of December 31, 2018.
- vi. The liabilities regarding the points vested but not yet paid as of December 31, 2018 and March 31, 2019 was 12 million yen and 8 million yen, respectively.

#### 14. Related Party Transactions

The following tables provides the total amount of related party transactions entered into during the three-month periods ended March 31, 2018 and 2019, as well as balances with related parties as of December 31, 2018 and March 31, 2019.

- (1) Significant related party transactions during the three-month period ended March 31, 2018, and outstanding balances with related parties as of December 31, 2018, are as follows:

Relationship	Name	Transaction	Transaction amount	(In millions of yen)
				Outstanding receivable/ (payable) balances <sup>(2)</sup>
Parent company	NAVER	Advertising service <sup>(1)</sup>	168	184
Subsidiary of parent company	NAVER Business Platform Corp.	IT infrastructure services and related development services	2,191	(883)

- (1) LINE Plus Corporation and NAVER entered into an agreement for exchange of services in which LINE Plus Corporation provides advertising services via the LINE platform and the right to use certain LINE characters in exchange for NAVER's advertising services for LINE Plus Corporation via NAVER's web portal. The Group generated advertising revenues of 168 million yen in connection with the advertising services provided to NAVER for the three-month period ended March 31, 2018.

- (2) The receivable and payable amounts outstanding are unsecured and will be settled in cash.

- (2) Significant related party transactions during the three-month period ended March 31, 2019 and outstanding balances with related parties as of March 31, 2019, are as follows:

Relationship	Name	Transaction	Transaction amount	(In millions of yen)
				Outstanding receivable/ (payable) balances <sup>(3)</sup>
Parent company	NAVER	Underwrite of convertible bonds <sup>(1)</sup>	—	(71,954)
Parent company	NAVER	Advertising service <sup>(2)</sup>	170	180
Subsidiary of parent company	NAVER Business Platform Corp.	IT infrastructure services and related development services	2,212	(976)

- (1) During the year ended December 31, 2018, the Group issued Euro-yen convertible bonds with stock acquisition rights through two of the separate third-party allotments to NAVER Corporation amounted to 37,494.5 million yen (Zero coupon convertible bonds due September 2023) and 37,494.5 million yen (Zero coupon convertible bonds due September 2025). The amount shown for the outstanding payable balance is the liability measured at amortized cost as of March 31, 2019 excluding the equity components. Refer to Note 7 Financial assets and financial liabilities for further detail.

- (2) LINE Plus Corporation and NAVER entered into an agreement for exchange of service in which LINE Plus Corporation provides advertising services via the LINE platform and the right to use certain LINE characters in exchange for NAVER's advertising services for LINE Plus via NAVER's web portal. The Group generated advertising revenues of 170 million yen in connection with the advertising services provided to NAVER for the three-month period ended March 31, 2019.

- (3) The receivable and payable amounts outstanding are unsecured and will be settled in cash.

- (3) The total compensation of key management personnel for the three-month periods ended March 31, 2018 and 2019 are as follows:

	(In millions of yen)	
	2018	2019
Salaries (including bonuses)	281	149
Share-based payments <sup>(1)</sup>	244	132
Other	—	14
<b>Total</b>	<b>525</b>	<b>295</b>

- (1) Refer to Note 13 Share-Based Payments for further details.

Key management personnel include directors and corporate auditors of the Company.

**15. Business Combinations**

**Acquisition for the three-month period ended March 31, 2018**

There was no significant business combination, individually or in aggregate.

**Acquisition for the three-month period ended March 31, 2019**

Not applicable.

## 16. Principal Subsidiaries

### Information on subsidiaries

The table below includes subsidiaries, which were newly consolidated during the three-month period ended March 31, 2019, and subsidiaries in which the Company's percentage of ownership changed during such period:

Name	Primary business activities	Country of incorporation	Percentage of ownership	
			December 31, 2018	March 31, 2019
LINE Securities Preparatory Corporation <sup>(1)</sup>	Financial service business	Japan	100.0%	51.0%

<sup>(1)</sup> LINE Financial and Nomura Holdings, Inc. executed the capital injection in LINE Securities Preparatory Corporation in January 2019. As a result, the share of the Group's decreased from 100.0% to 51%, resulting in LINE Securities Preparatory Corporation became a specified subsidiary as its amount of share capital is equivalent to 10% of the Company's capital amount.

### Ultimate parent company of the Group

The ultimate parent company of the Group is NAVER, which is domiciled in Korea and listed on the Korea Stock Exchange.

## 17. Investments in Associates and Joint Ventures

There is no significant changes in investment in associates and joint ventures for the three -month ended March 31, 2019.

## 18. Subsequent Events

Not applicable.

**2 Others**

Not applicable.