
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of November 2016

Commission File Number: 001-37821

LINE Corporation

(Translation of registrant's name into English)

Shibuya Hikarie, 27th Floor
21-1 Shibuya 2-chome
Shibuya-ku, Tokyo 150-8510, Japan
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LINE Corporation
(Registrant)

Date: November 8, 2016

By: /s/ In Joon Hwang
(Signature)

Name: In Joon Hwang
Title: Director and Chief Financial Officer

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” 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	16th term Nine months ended September 30, 2015	17th term Nine months ended September 30, 2016	16th term
Accounting period	From January 1, 2015 to September 30, 2015	From January 1, 2016 to September 30, 2016	From January 1, 2015 to December 31, 2015
Revenues [Third quarter] (Thousands of yen)	88,073,667 [31,899,163]	103,239,332 [35,929,724]	120,405,531
Profit/(loss) before tax from continuing operations (Thousands of yen)	1,329,582	15,265,707	(530,118)
(Loss)/profit for the period (Thousands of yen)	(7,693,484)	5,684,469	(7,972,111)
(Loss)/profit for the period attributable to the shareholders of the Company [Third quarter] (Thousands of yen)	(7,567,681) [(2,277,302)]	5,314,543 [2,755,264]	(7,581,801)
Total comprehensive (loss)/income for the period, net of tax (Thousands of yen)	(5,979,953)	4,331,041	(6,333,191)
Equity attributable to the shareholders of the Company (Thousands of yen)	14,963,980	156,480,223	17,743,295
Total assets (Thousands of yen)	107,995,491	218,088,416	122,159,231
Basic (loss)/profit for the period [Third quarter] (Yen)	(43.25) [(13.02)]	28.54 [13.23]	(43.33)
Diluted (loss)/profit for the period (Yen)	(43.25)	25.68	(39.12)
Ratio of equity attributable to the shareholders of the Company to total assets (%)	13.9	71.8	14.5
Net cash (used in)/provided by operating activities (Thousands of yen)	(384,639)	16,347,024	6,979,470
Net cash used in investing activities (Thousands of yen)	(8,602,570)	(4,059,420)	(12,228,577)
Net cash provided by financing activities (Thousands of yen)	18,945,255	84,427,822	18,859,895
Cash and cash equivalents at the end of the period (Thousands of yen)	28,915,005	129,514,949	33,652,250

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. On February 12, 2016, the Company's board of directors approved the abandonment of the MixRadio service. The MixRadio business has been classified as a discontinued operation as of March 21, 2016, when the abandonment took effect. As a result, the MixRadio business was retrospectively presented as a discontinued operation in the Group's Consolidated Statement of Profit or Loss for the year ended December 31, 2015 and Interim Condensed Consolidated Statement of Profit or Loss for the nine months ended September 30, 2015.

2. Business description

During the nine months ended September 30, 2016, there were no material changes in the business of the Company and its subsidiaries (collectively, the “Group”) or in the principal subsidiaries and affiliates of the Company.

II. Business

1. Risk factors

During the nine months ended September 30, 2016, there were no material changes either regarding the occurrence of new operational risks or regarding operational risks mentioned in the Securities Registration Statement.

For readers of this English translation: There were no material changes from the information presented in the Risk Factors section of the Company's Registration Statement on Form F-1 (No. 333-211954) filed with the Securities and Exchange Commission (the "SEC").

2. Material contracts

No important operational contracts, etc. were decided or entered into during the third quarter ended September 30, 2016.

For readers of this English translation: With respect to material contracts, there were no material changes from the information presented in the Company's Registration Statement on Form F-1 (No. 333-211954) filed with the SEC.

3. Analysis of financial position, operating results and cash flow position

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

(1) Operating results

In the first nine months of 2016 (from January 1, 2016 to September 30, 2016), the global economy overall followed a gentle trend of recovery despite continuing uncertainty regarding the future direction of the emerging Asian economies, particularly the Chinese economy. On the other hand, the Japanese economy continued to lack strength in growth of personal spending, despite a gradual improvement in employment and income that accompanied a recovery in corporate earnings.

Amid such circumstances, in the internet industry in which the Group is engaged, the mobile internet market is continuing to expand. Smartphone shipments in Japan increased 2.9% during the period from April 1, 2015 to March 31, 2016 year on year to 29,170,000 units, and the ratio of smartphones among total mobile phone shipments increased 6.5 percentage points year on year to 79.7%, which illustrates an increase in users switching from feature phones to smartphones. The number of SIM-free smartphones also increased during the same period. (Source: MM Research Institute, Overview of domestic mobile phone shipments for FY 2015).

In this business environment, the Group actively moved forward with business development focused on the LINE business and portal segment. In September 2016, our global MAUs reached 220 million, a year-on-year increase of 3.5% and MAUs in our four key countries of Japan, Taiwan, Thailand and Indonesia reached 162 million, a year-on-year increase of 17.6%.

Revenues

LINE Business and Portal segment

In communication, existing services including original Stickers and Creators' Stickers and new services such as LINE Creators' Themes released in April 2016 contributed to increased revenues. In content, despite the continuing strong popularity of "LINE Brown Farm," factors such as a weaker performance of new titles resulted in a decrease in revenues from content year on year. On the other hand, in LINE advertising, the increase in sales of "performance ads" such as Timeline Ads and LINE News Ads provided by the LINE advertising platform released in June 2016 has contributed to increased revenues. In other sales, in addition to an overseas-focused expansion in LINE Friends, the Group started LINE Mobile in September 2016 as a Mobile Virtual Network Operator ("MVNO") service.

MixRadio segment

The Group had acquired MixRadio on March 16, 2015. Subsequently, the Group made a strategic decision to focus on its core LINE business and portal segment. On February 12, 2016, the Company's board of directors approved the abandonment of the MixRadio segment. The operation of the MixRadio business was classified as a discontinued operation as of March 21, 2016, when the abandonment took effect. As a result, the MixRadio business was retrospectively presented as a discontinued operation on the Interim Condensed Consolidated Statement of Profit or Loss for the nine-month period ended September 30, 2015.

As a result of the above, the Group recorded revenues during the first nine months of 2016 of 103,239,332 thousand yen, a year-on-year increase of 17.2%, mainly due to increases in communication and advertising sales. By service, revenues from communication increased by 6.2% to 22,317,307 thousand yen in the first nine months of 2016 compared to the first nine months of 2015, content decreased by 9.6% to 34,024,710 thousand yen in the first nine months of 2016 compared to the first nine months of 2015, and revenues from LINE advertising increased 72.2% to 31,423,408 thousand yen in the first nine months of 2016 from the first nine months of 2015.

Profit from operating activities

Profit from operating activities consists of revenues and other operating income reduced by operating expenses. In the first nine months of 2016, the Group recorded revenues and other operating income of 108,451,304 thousand yen, a year-on-year increase of 22.6%, and operating expenses of 90,157,457 thousand yen, a year-on-year increase of 3.3%. Other operating income for this period mainly consisted of 2,460,935 thousand yen of pre-tax gain on sale of land in Fukuoka and 1,730,917 thousand yen of gain on fair value measurement for the Group's interest arising from the deconsolidation of LINE BIZ Plus Ltd., our former subsidiary providing LINE Pay services in Thailand that came to be accounted for as a joint venture under the equity method as RABBIT-LINE Pay Company Limited. Looking at operating expenses, there was an increase in employee compensation expenses, due to headcount growth in accordance with business expansion, and increases in costs associated with the expansion of the LINE Friends service and the office relocation in Fukuoka. On the other hand, the Group managed to achieve an overall decrease in marketing expenses because of factors such as the reduction of promotion expenses for new services associated with LINE Pay and LINE Music and the concentration of its business resources into gaining further recognition in the Asian market. This concentration of business resources began in the previous fiscal year and resulted in a decrease in marketing expenses outside of Asia. As a result, for the first nine months of 2016, the Group recorded profit from operating activities of 18,293,847 thousand yen, a more than 15 fold increase year on year.

Profit for the period from continuing operations

The Group recorded profit before tax for the period from continuing operations of 15,265,707 thousand yen in the first nine months of 2016, a more than 11 fold increase year on year, due in part to an increase in profit from operating activities and loss on foreign currency transactions, net, mainly caused by the strength of the yen against foreign currencies, particularly the US dollar, and also fair value measurement loss relating to conversion right of redeemable preferred stock held by the Company. On an after-tax basis, profit for the period from continuing operations was 7,447,001 thousand yen, compared to a loss of 2,957,626 thousand yen in the first nine months of 2015. The effective tax rate for the nine-month period ended September 30, 2016 of 51.2% differed from the Japanese statutory tax rate of 35.6 % for the year ended December 31, 2015. The effective income tax rate of 51.2% was primarily due to non-deductible share-based payment expenses, including share-based payment expenses in connection with stock options granted to non-Japanese employees and directors, and pre-tax losses recorded by subsidiaries on a standalone basis for which no deferred tax assets were recognized as the related tax benefits could not be recognized.

Profit for the period

After subtracting loss from discontinued operations, which consisted of the MixRadio business, from profit from continuing operations, profit for the period was 5,684,469 thousand yen in the first nine months of 2016, compared to a loss of 7,693,484 thousand yen in the first nine months of 2015. Profit for the period attributable to the shareholders of the Company was 5,314,543 thousand yen in the first nine months of 2016, compared to a loss attributable to the shareholder of the Company of 7,567,681 thousand yen in the first nine months of 2015.

(2) Financial position

Regarding the financial position of the Group as of September 30, 2016, total assets of the Group increased by 95,929,185 thousand yen compared to the end of the previous fiscal year to 218,088,416 thousand yen, primarily due to a 95,862,699 thousand yen increase in cash and cash equivalents. Total liabilities decreased by 43,306,753 thousand yen to 61,319,593 thousand yen as of September 30, 2016, primarily attributable to a decrease of 41,966,187 thousand yen in other financial liabilities, current. Total shareholders' equity increased by 139,235,938 thousand yen to 156,768,823 thousand yen as of September 30, 2016. These changes were primarily attributable to an issuance of new shares in connection with the initial public offering of the Company's shares in the first nine months of 2016 and the repayments of borrowings using the net proceeds from the initial public offering.

(3) Cash flow position

The balance of cash and cash equivalents (hereinafter, “cash”) as of September 30, 2016 increased by 95,862,699 thousand yen from the end of the previous fiscal year to 129,514,949 thousand yen.

The respective cash flow positions are as follows.

Cash flows from operating activities

Net cash provided by operating activities was 16,347,024 thousand yen in the first nine months of 2016, compared to net cash used in operating activities of 384,639 thousand yen in the first nine months of 2015. The cash inflows, and related adjustments for non-cash items and changes in working capital, in the first nine months of 2016 are primarily related to recognition of profit before tax from continuing operations of 15,265,707 thousand yen, recognition of share-based compensation expenses of 7,313,386 thousand yen, an increase of 4,068,686 thousand yen in other current liabilities and recognition of depreciation and amortization expenses of 3,658,943 thousand yen. The cash outflows, and related adjustments for non-cash items and changes in working capital, in the first nine months of 2016 are primarily related to income taxes paid of 6,887,881 thousand yen and a decrease of 5,859,564 thousand yen in trade and other payables.

Cash flows from investing activities

Net cash used in investing activities was 4,059,420 thousand yen in the first nine months of 2016, compared to net cash used in investing activities of 8,602,570 thousand yen in the first nine months of 2015. Factors affecting the cash flows in the first nine months of 2016 are primarily related to proceeds from disposal of property and equipment and intangible assets of 5,077,509 thousand yen, acquisition of property and equipment and intangible assets of 3,473,344 thousand yen, payments of office security deposits of 2,480,071 thousand yen, guarantee deposits for the Japanese Payment Services Act of 790,000 thousand yen, investments in associates of 782,431 thousand yen and purchase of time deposits of 731,228 thousand yen.

Cash flows from financing activities

Net cash provided by financing activities was 84,427,822 thousand yen in the first nine months of 2016, compared to net cash provided by financing activities of 18,945,255 thousand yen in the first nine months of 2015. The cash inflows in the first nine months of 2016 are primarily related to 126,847,875 thousand yen in proceeds from issue of new shares in connection with the Company’s initial public offering. The cash outflows in the first nine months of 2016 are primarily related to repayment of short-term borrowings of 42,427,428 thousand yen.

(4) Operational and financial issues to be addressed

During the nine months ended September 30, 2016, there were no material changes in operational and financial issues to be addressed by the Group.

(5) Research and development activities

Not applicable.

III. Company information

1. Share information

(1) Total number of shares

- a. Total number of shares authorized

Class	Total number of shares authorized (Share)
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 September 30, 2016)	Number of shares issued as of filing date (Shares; as of November 8, 2016)	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	217,147,000	217,234,000	Tokyo Stock Exchange (First Section) and New York Stock Exchange	100 shares constitute one "unit" of common stock, which is not restricted by any significant limitations in terms of shareholders' rights.
Total	217,147,000	217,234,000	—	—

(Note) Through an amendment of its articles of incorporation effective as of March 31, 2016, the Company terminated its dual class structure and converted all class A shares into common shares. The amount stated in the "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 November 1, 2016 until the filing date of this Quarterly Securities Report.

(2) Stock acquisition rights

Not applicable.

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

Not applicable.

(4) Rights plans

Not applicable.

(5) 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 (Thousands of yen)	Balance of share capital (Thousands of yen)	Change in legal capital reserve (Thousands of yen)	Balance of legal capital reserve (Thousands of yen)
July 14, 2016 (Note 2)	35,000,000	209,992,000	55,151,250	67,747,447	55,151,250	57,812,457
August 16, 2016 (Note 3)	5,250,000	215,242,000	8,272,687	76,020,135	8,272,687	66,085,144
July 21, 2016 to September 30, 2016 (Note 4)	1,905,000	217,147,000	1,296,103	77,316,238	1,296,103	67,381,248

(Notes) 1. Amounts less than one thousand yen are rounded down.

2. Public offering (offered by book-building process)

Issue price 3,300 yen

Issue value 3,151.50 yen

Amount incorporated into capital 1,575.75 yen

Aggregate paid-in amount 110,302,500 thousand yen

3. Third-party offering (allotment of new shares to third parties concerning secondary distribution by overallotment)

Issue price 3,151.50 yen

Amount incorporated into capital 1,575.75 yen

Allottees Morgan Stanley & Co. LLC, Nomura Securities Co., Ltd.

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

5. Total number of shares issued increased by 87,000 shares, and share capital and legal capital reserve each increased by 75,539 thousand yen upon the exercise of the stock options during the period from October 1, 2016 to October 31, 2016.

(6) Principal shareholders

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

(7) Voting rights

a. Shares issued

(As of September 30, 2016)

Classification	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.)	—	—	—
Shares with full voting rights (others)	Common stock 217,139,000	2,171,390	100 shares constitute one “unit” of common stock, which is not restricted by any significant limitations in terms of shareholders’ rights.
Shares constituting less than one unit	Common stock 8,000	—	—
Total number of shares issued	217,147,000	—	—
Total number of voting rights held by all shareholders	—	2,171,390	—

- b. Treasury stock, etc.
Not applicable.

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”).

1 Interim condensed consolidated financial statements

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

		<i>(In thousands of yen)</i>	
	Notes	December 31, 2015	September 30, 2016
Assets			
Current assets			
Cash and cash equivalents		33,652,250	129,514,949
Trade and other receivables	8	27,248,497	25,313,910
Other financial assets, current	8	341,403	1,899,520
Inventories		1,475,939	840,039
Other current assets		2,454,776	2,830,599
Total current assets		<u>65,172,865</u>	<u>160,399,017</u>
Non-current assets			
Property and equipment	5	10,500,750	8,285,854
Goodwill	15	3,120,767	3,399,680
Other intangible assets	15	1,011,531	1,662,996
Investments in associates and joint ventures	17	1,785,826	4,284,683
Other financial assets, non-current	8	23,466,920	22,871,023
Deferred tax assets	6	16,942,051	16,901,045
Other non-current assets		158,521	284,118
Total non-current assets		<u>56,986,366</u>	<u>57,689,399</u>
Total assets		<u>122,159,231</u>	<u>218,088,416</u>
Liabilities			
Current liabilities			
Trade and other payables	8	22,983,242	17,945,717
Other financial liabilities, current	8	43,933,212	1,967,025
Accrued expenses		7,019,114	6,744,923
Income tax payables	6	3,018,891	3,094,466
Advances received		9,517,756	10,220,726
Provisions, current		381,217	734,614
Other current liabilities	7	9,024,284	12,191,434
Total current liabilities		<u>95,877,716</u>	<u>52,898,905</u>
Non-current liabilities			
Other financial liabilities, non-current	8	8,284	—
Deferred tax liabilities	6	1,843,944	1,461,265
Provisions, non-current		1,400,986	944,369
Post-employment benefits		5,495,416	6,015,054
Total non-current liabilities		<u>8,748,630</u>	<u>8,420,688</u>
Total liabilities		<u>104,626,346</u>	<u>61,319,593</u>
Shareholders' equity			
Share capital	9	12,596,198	77,316,239
Share premium	9	18,982,776	89,019,715
Accumulated deficit		(19,204,203)	(13,834,230)
Accumulated other comprehensive income		5,368,524	3,978,499
Equity attributable to the shareholders of the Company		<u>17,743,295</u>	<u>156,480,223</u>
Non-controlling interests		(210,410)	288,600
Total shareholders' equity		<u>17,532,885</u>	<u>156,768,823</u>
Total liabilities and shareholders' equity		<u>122,159,231</u>	<u>218,088,416</u>

See Notes to Interim Condensed Consolidated Financial Statements

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

		<i>(In thousands of yen)</i>	
		For the nine-month period ended September 30,	
	Notes	2015	2016
Revenues and other operating income:			
Revenues		88,073,667	103,239,332
Other operating income	5,16	366,469	5,211,972
Total revenues and other operating income		88,440,136	108,451,304
Operating expenses:			
Payment processing and licensing expenses		(20,883,232)	(22,435,314)
Employee compensation expenses	13	(25,543,807)	(28,889,376)
Marketing expenses		(13,466,046)	(7,552,221)
Infrastructure and communication expenses		(5,575,265)	(5,657,013)
Authentication and other service expenses		(9,137,972)	(9,720,404)
Depreciation and amortization expenses		(2,629,264)	(3,658,943)
Other operating expenses	18	(10,025,138)	(12,244,186)
Total operating expenses		(87,260,724)	(90,157,457)
Profit from operating activities		1,179,412	18,293,847
Finance income		54,831	55,229
Finance costs		(78,007)	(57,944)
Share of loss of associates and joint ventures		(142,720)	(325,982)
Loss on foreign currency transactions, net		(180,609)	(1,646,405)
Other non-operating income	12	870,464	3,647
Other non-operating expenses	12	(373,789)	(1,056,685)
Profit before tax from continuing operations		1,329,582	15,265,707
Income tax expenses	6	(4,287,208)	(7,818,706)
(Loss)/profit for the period from continuing operations		(2,957,626)	7,447,001
Loss from discontinued operations, net of tax	10	(4,735,858)	(1,762,532)
(Loss)/profit for the period		(7,693,484)	5,684,469
Attributable to:			
The shareholders of the Company	11	(7,567,681)	5,314,543
Non-controlling interests		(125,803)	369,926
<i>(In yen)</i>			
Earnings per share			
Basic (loss)/profit for the period attributable to the shareholders of the Company	11	(43.25)	28.54
Diluted (loss)/profit for the period attributable to the shareholders of the Company	11	(43.25)	25.68
Earnings per share from continuing operations			
Basic (loss)/profit from continuing operations attributable to the shareholders of the Company	11	(16.19)	38.00
Diluted (loss)/profit from continuing operations attributable to the shareholders of the Company	11	(16.19)	34.20
Earnings per share from discontinued operations			
Basic loss from discontinued operations attributable to the shareholders of the Company	11	(27.06)	(9.46)
Diluted loss from discontinued operations attributable to the shareholders of the Company	11	(27.06)	(8.52)

See Notes to Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statement of Profit or Loss - Unaudited

		<i>(In thousands of yen)</i>	
		For the three-month period ended September 30,	
	Notes	2015	2016
Revenues and other operating income:			
Revenues		31,899,163	35,929,724
Other operating income		145,463	169,558
Total revenues and other operating income		32,044,626	36,099,282
Operating expenses:			
Payment processing and licensing expenses		(7,723,305)	(7,307,784)
Employee compensation expenses		(9,048,746)	(9,775,038)
Marketing expenses		(3,453,180)	(2,797,927)
Infrastructure and communication expenses		(2,057,835)	(1,881,425)
Authentication and other service expenses		(3,293,526)	(3,583,896)
Depreciation and amortization expenses		(929,674)	(1,425,176)
Other operating expenses		(3,425,027)	(4,401,470)
Total operating expenses		(29,931,293)	(31,172,716)
Profit from operating activities		2,113,333	4,926,566
Finance income		12,376	15,051
Finance costs		(28,000)	(17,526)
Share of loss of associates and joint ventures		(90,565)	(181,749)
Loss on foreign currency transactions, net		(260,530)	(269,880)
Other non-operating income		870,464	108,730
Other non-operating expenses		(243,848)	(2,985)
Profit before tax from continuing operations		2,373,230	4,578,207
Income tax expenses		(2,575,582)	(1,663,620)
(Loss)/profit for the period from continuing operations		(202,352)	2,914,587
Loss from discontinued operations, net of tax		(2,139,054)	(96,252)
(Loss)/profit for the period		(2,341,406)	2,818,335
Attributable to:			
The shareholders of the Company	11	(2,277,302)	2,755,264
Non-controlling interests		(64,104)	63,071
<i>(In yen)</i>			
Earnings per share			
Basic (loss)/profit for the period attributable to the shareholders of the Company	11	(13.02)	13.23
Diluted (loss)/profit for the period attributable to the shareholders of the Company	11	(13.02)	12.06
Earnings per share from continuing operations			
Basic (loss)/profit from continuing operations attributable to the shareholders of the Company	11	(0.80)	13.69
Diluted (loss)/profit from continuing operations attributable to the shareholders of the Company	11	(0.80)	12.48
Earnings per share from discontinued operations			
Basic loss from discontinued operations attributable to the shareholders of the Company	11	(12.22)	(0.46)
Diluted loss from discontinued operations attributable to the shareholders of the Company	11	(12.22)	(0.42)

See Notes to Interim Condensed Consolidated Financial Statements

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

		<i>(In thousands of yen)</i>	
		For the nine-month period ended September 30,	
	Notes	2015	2016
(Loss)/profit for the period		(7,693,484)	5,684,469
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets:			
Net changes in fair value	12	2,495,983	(729,210)
Reclassification to profit or loss		260,443	276,402
Exchange differences on translation of foreign operations:			
Loss arising during the period		(998,996)	(929,831)
Reclassification to profit or loss		—	50,318
Proportionate share of other comprehensive income of associates and joint ventures		13,922	(16,031)
Income tax relating to items that may be reclassified subsequently to profit or loss		(57,821)	(5,076)
Total other comprehensive income for the period, net of tax		<u>1,713,531</u>	<u>(1,353,428)</u>
Total comprehensive (loss)/income for the period, net of tax		<u>(5,979,953)</u>	<u>4,331,041</u>
Attributable to:			
The shareholders of the Company		(5,864,458)	3,924,518
Non-controlling interests		(115,495)	406,523

See Notes to Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statement of Comprehensive Income - Unaudited

	<i>(In thousands of yen)</i>		
	For the three-month period ended September 30,		
	Notes	2015	2016
(Loss)/profit for the period		(2,341,406)	2,818,335
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets:			
Net changes in fair values		5,637,020	121,480
Reclassification to profit or loss		93,428	2,985
Exchange differences on translation of foreign operations:			
(Loss)/gain arising during the period		(1,394,225)	326,304
Proportionate share of other comprehensive income of associates and joint ventures		11,892	(3,040)
Income tax relating to items that may be reclassified subsequently to profit or loss		(1,144,516)	(46,132)
Total other comprehensive income for the period, net of tax		<u>3,203,599</u>	<u>401,597</u>
Total comprehensive income for the period, net of tax		<u>862,193</u>	<u>3,219,932</u>
Attributable to:			
The shareholders of the Company		915,425	3,158,333
Non-controlling interests		(53,232)	61,599

See Notes to Interim Condensed Consolidated Financial Statements

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

	Equity attributable to the shareholder of the Company									
	Accumulated other comprehensive income					Accumulated other comprehensive income				
	Notes	Share capital	Share premium	Accumulated deficit	Foreign currency translation reserve	Available-for-sale reserve	Defined benefit plan reserve	Total	Non-controlling interests	Total shareholder's equity
Balance at January 1, 2015		12,596,198	7,771,659	(11,622,496)	527,802	3,866,280	(643,359)	12,496,084	14,884	12,510,968
Comprehensive (loss)/income		—	—	(7,567,681)	—	—	—	(7,567,681)	(125,803)	(7,693,484)
Loss for the period		—	—	—	(1,009,303)	2,712,526	—	1,703,223	10,308	1,713,531
Other comprehensive income		—	—	—	—	—	—	—	—	—
Total comprehensive (loss)/income for the period		—	—	(7,567,681)	(1,009,303)	2,712,526	—	(5,864,458)	(115,495)	(5,979,953)
Net investment by non-controlling interests		—	—	—	—	—	—	94	143,906	144,000
Recognition of share-based payments	9,13	—	8,333,773	—	—	—	—	8,333,773	—	8,333,773
Acquisition of subsidiary		—	—	—	—	—	—	—	133	133
Acquisition of non-controlling interests	9	—	(1,513)	—	—	—	—	(1,513)	(142)	(1,655)
Balance at September 30, 2015		12,596,198	16,103,919	(19,190,083)	(481,501)	6,578,806	(643,359)	14,963,980	43,286	15,007,266
(In thousands of yen)										
		Equity attributable to the shareholders of the Company								
		Accumulated other comprehensive income								
	Notes	Share capital	Share premium	Accumulated deficit	Foreign currency translation reserve	Available-for-sale reserve	Defined benefit plan reserve	Total	Non-controlling interests	Total shareholder's equity
Balance at January 1, 2016		12,596,198	18,982,776	(19,204,203)	239,984	6,917,774	(1,789,234)	17,743,295	(210,410)	17,532,885
Comprehensive (loss)/income		—	—	5,314,543	—	—	—	5,314,543	369,926	5,684,469
Profit for the period		—	—	—	(1,168,361)	(221,664)	—	(1,390,025)	36,597	(1,353,428)
Other comprehensive income		—	—	—	—	—	—	—	—	—
Recognition of share-based payments	9,13	—	7,314,639	—	—	—	—	7,314,639	—	7,314,639
Forfeiture of stock options	9,13	—	(55,430)	55,430	—	—	—	—	—	—
Exercise of stock options	9,13	1,296,103	(75,679)	—	—	—	—	1,220,424	—	1,220,424
Acquisition of subsidiary	15	—	—	—	—	—	—	—	92,401	92,401
Initial public offering	9	63,423,938	62,853,409	—	—	—	—	126,277,347	—	126,277,347
Other		—	—	—	—	—	—	—	86	86
Balance at September 30, 2016		77,316,239	89,019,715	(13,834,230)	(928,377)	6,696,110	(1,789,234)	156,480,223	288,600	156,768,823

See Notes to Interim Condensed Consolidated Financial Statements

LINE Corporation

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

		<i>(In thousands of yen)</i>	
		For the nine-month period ended September 30,	
	Notes	2015	2016
Cash flows from operating activities			
Profit before tax from continuing operations		1,329,582	15,265,707
Loss before tax from discontinued operations	10	(4,735,858)	(2,699,083)
(Loss)/profit before tax		(3,406,276)	12,566,624
Adjustments for:			
Depreciation and amortization expenses		2,856,252	3,658,943
Finance income		(54,636)	(55,229)
Finance costs		78,007	57,944
Share-based compensation expenses	9,13	8,333,773	7,313,386
Gain on loss of control of subsidiaries	16	—	(1,751,880)
(Gain)/loss on financial assets at fair value through profit or loss	12	(870,464)	676,477
Gain on disposal of property and equipment and intangible assets	5	(1,189)	(2,338,537)
Impairment loss of available-for-sale financial assets	8	260,443	276,402
Share of loss of associates		142,720	325,982
Loss on foreign currency transactions, net		1,397,828	1,523,947
Changes in:			
Trade and other receivables		147,305	1,846,824
Inventories		72,180	486,716
Trade and other payables		(2,639,961)	(5,859,564)
Accrued expenses		(602,500)	(164,258)
Advances received		3,221,463	741,564
Provisions		512,261	87,539
Post-employment benefits		534,274	628,822
Other current assets		(976,094)	(734,150)
Other current liabilities		1,560,636	4,068,686
Others		(632,662)	(118,298)
Cash provided by operating activities		9,933,360	23,237,940
Interest received		56,556	51,036
Interest paid		(78,601)	(54,071)
Income taxes paid		(10,295,954)	(6,887,881)
Net cash (used in)/provided by operating activities		(384,639)	16,347,024
Cash flows from investing activities			
Purchase of time deposits		(1,892,273)	(731,228)
Proceeds from maturities of time deposits		1,643,599	326,177
Purchase of equity investments	12	(436,789)	(433,943)
Acquisition of property and equipment and intangible assets		(3,288,927)	(3,473,344)
Proceeds from disposal of property and equipment and intangible assets	5	33,045	5,077,509
Investments in associates	17	(342,000)	(782,431)
Payments of office security deposits		(1,094,534)	(2,480,071)
Guarantee deposits for the Japanese Payment Services Act		(130,203)	(790,000)
Refund of office securities deposits		130,922	160,770
Return of the office security deposits received under sublease arrangement		(393,650)	(7,502)
Decrease in loan receivables		22,335	164
Acquisition of subsidiaries, net of cash acquired	15	(2,926,572)	(423,424)
Cash disposed on loss of control of subsidiary	16	—	(484,731)
Others		72,477	(17,366)
Net cash used in investing activities		(8,602,570)	(4,059,420)
Cash flows from financing activities			
Proceeds from/(repayment of) short-term borrowings, net		19,806,510	(42,427,428)
Payments for redemption of bonds		(640,569)	(510,000)
Repayment of borrowing arrangement		(368,625)	—
Capital contribution from third party non-controlling interests		144,000	76
Payment of common shares issuance costs	9	—	(701,590)
Proceeds from initial public offering	9	—	126,847,875

Proceeds from exercise of stock options	9	—	1,220,424
Others		3,939	(1,535)
Net cash provided by financing activities		<u>18,945,255</u>	<u>84,427,822</u>
Net increase in cash and cash equivalents		<u>9,958,046</u>	<u>96,715,426</u>
Cash and cash equivalents at the beginning of the year		20,254,455	33,652,250
Effect of exchange rate fluctuations on cash and cash equivalents		<u>(1,297,496)</u>	<u>(852,727)</u>
Cash and cash equivalents at the end of the interim reporting period		<u><u>28,915,005</u></u>	<u><u>129,514,949</u></u>

See Notes to Interim Condensed Consolidated Financial Statements

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 2-21-1 Shibuya, Shibuya-ku, Tokyo, Japan.

The Company listed shares of its common stock in the form of American depositary shares on the New York Stock Exchange on July 14, 2016 and shares of its common stock on the Tokyo Stock Exchange on July 15, 2016. Additionally, on August 16, 2016, Nomura Securities Co., Ltd. and Morgan Stanley & Co. LLC. exercised their options to purchase 5,250,000 additional shares of common stock in an allotment of new shares. Refer to Note 9 Issued Capital and Reserves for further details.

The Group mainly operates a cross-platform messenger application, LINE, and provides communication and content sales and advertising services. Communication and content is provided via the LINE platform, while advertising services are provided via LINE advertising, livedoor blog and NAVER Matome.

2. Basis of Preparation

The unaudited interim condensed consolidated financial statements for the nine-month period ended September 30, 2016 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, 2015.

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 November 8, 2016.

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.

On February 12, 2016, the board of directors approved the abandonment of the MixRadio service (the “MixRadio”). The operation of the MixRadio business was classified as a discontinued operation on March 21, 2016, when the abandonment took effect. As a result, the MixRadio business was retrospectively presented as a discontinued operation in the Interim Condensed Consolidated Statement of Profit or Loss for the nine-month periods ended September 30, 2015 and 2016. Refer to Note 10 Discontinued Operations for further details.

Intercompany balances and transactions have been eliminated upon consolidation.

Prior year adjustments

In the nine-month period ended September 30, 2015, the Group recorded adjustments to correct prior period errors in revenue and net loss on foreign currency transactions, which originated in the fiscal years ended December 31, 2013 and 2014. The aggregated adjustment increased profit before tax from continuing operations in the Interim Condensed Consolidated Statement of Profit or Loss by 123,616 thousand yen for the nine-month period ended September 30, 2015. The Group determined that the adjustment was not material to the unaudited interim condensed consolidated financial statements for any of the prior periods and for the three-month and the nine-month periods ended September 30, 2015.

3. Significant Accounting Policies

The 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, 2015.

The adoption of new and revised IFRSs issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after January 1, 2016 had no impact on the Group's unaudited interim condensed consolidated financial statements as of and for the nine-month periods ended September 30, 2015 and 2016 and annual consolidated financial statements as of December 31, 2015.

Standards issued but not yet effective

The IASB issued IFRS 15 Revenue from Contracts with Customers for recognizing revenue. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or industry, with limited exceptions. The Group has determined not to early adopt IFRS 15 and is currently assessing the impacts of IFRS 15's adoption. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

4. Segment Information

The operating segment of the Group is a component for which discrete financial information is available and whose operating results are regularly reviewed by the Group's chief operating decision maker in making decisions about allocation of resources and assessment of performance. 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.

Since the fourth quarter of 2015, the structure of the business units that management uses to make decisions about operating matters and the main performance measures used for the purpose of allocating resources to the units had changed. Segment reporting was based on two business units, the LINE business and portal segment and the MixRadio segment.

However, the board of directors approved the abandonment of the MixRadio segment on February 12, 2016. The MixRadio segment was subsequently abandoned on March 21, 2016, and retrospectively classified as a discontinued operation. Refer to Note 10 Discontinued Operations for further details.

(1) Description of Reportable Segment

The Group has a single reportable segment:

LINE business and portal segment – The Group mainly operates a cross-platform messenger application, LINE, and provides communication and content and advertising services. Communication and content are primarily provided to end users via various communication and content. Communication mainly includes LINE Stickers. Content includes LINE Games and LINE Play. Others within Communication and Contents include LINE Friends. Advertising services are provided via LINE advertising, livedoor blog and NAVER Matome. LINE advertising includes LINE Official Accounts, Sponsored Stickers, LINE Point Ads and Timeline Ads.

5. Property and Equipment

During the nine-month periods ended September 30, 2015 and 2016, the Group acquired property and equipment with a cost of 2,628,762 thousand yen and 3,948,529 thousand yen, respectively. Such purchases mainly consisted of server infrastructure purchased for the operation of the LINE business and portal segment. The purchases of server infrastructure amounted to 1,478,679 thousand yen and 1,665,104 thousand yen for the nine-month periods ended September 30, 2015, and 2016, respectively. Additionally, such purchases included 749,110 thousand yen of furniture and fixture purchased due to relocation of a subsidiary's office during the nine-month period ended September 30, 2016.

Contractual commitments for the acquisition of property and equipment as of December 31, 2015 and September 30, 2016 were 199,090 thousand yen and 331,079 thousand yen, respectively.

On June 29, 2016, the Company sold land in Fukuoka prefecture to Kyushu Railway Company. The sale price was 5,050,000 thousand yen and the Group recognized a gain on the sale of 2,460,935 thousand yen, which was recognized in the Interim Condensed Consolidated Statement of Profit or Loss as "Other operating income."

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 nine-month period ended September 30, 2015 of 322.4% differed from the Japanese statutory tax rate of 38.0% for the year ended December 31, 2014. The effective income tax rate of 322.4% was primarily due to non-deductible share-based payment expenses, including share-based payment expenses in connection with stock options granted to non-Japanese employees and directors, and partially attributable to pre-tax losses recorded by subsidiaries on a standalone basis for which no deferred tax assets were recognized as the related tax benefits could not be recognized.

The effective tax rate for the nine-month period ended September 30, 2016 of 51.2% differed from the Japanese statutory tax rate of 35.6% for the year ended December 31, 2015. The effective income tax rate of 51.2% was primarily due to non-deductible share-based payment expenses, including share-based payment expenses in connection with stock options granted to non-Japanese employees and directors, and partially due to pre-tax losses recorded by subsidiaries on a standalone basis for which no deferred tax assets were recognized as the related tax benefits could not be recognized.

The effective tax rate for the nine-month period ended September 30, 2016 was 51.2% compared to the effective tax rate of 322.4% for the nine-month period ended September 30, 2015. This change resulted mainly from an increase in the estimated annual profit before tax and a decrease in estimated annual non-deductible share-based payment expenses for the year ending December 31, 2016 as compared to the year ended December 31, 2015, resulting in the percentage of income tax expenses over the profit before tax from continuing operations for the nine-month period ended September 30, 2016 to decrease compared to the percentage of income tax expenses over the profit before tax from continuing operations for the nine-month period ended September 30, 2015. The decrease in estimated annual non-deductible share-based payment expenses is due to the vesting in 2016 of most of the stock options granted to the directors and employees.

7. Other Current Liabilities

Other current liabilities as of December 31, 2015 and September 30, 2016 are as follows:

	<i>(In thousands of yen)</i>	
	December 31, 2015	September 30, 2016
Deferred revenue	7,820,054	9,326,984
Others	1,204,230	2,864,450
Total other current liabilities	<u>9,024,284</u>	<u>12,191,434</u>

8. 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 IAS 39 Financial Instruments: Recognition and Measurement as of December 31, 2015 and September 30, 2016, 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 available-for-sale financial assets, which are measured at fair value.

Items	December 31, 2015		September 30, 2016	
	Book value	Fair value	Book value	Fair value
Financial assets				
Trade and other receivables				
Loans and receivables	27,248,497		25,313,910	
Other financial assets, current				
Loans and receivables-Time deposits	314,194		707,769	
Office security deposits	—		1,124,359	
Other	27,209		67,392	
Total	341,403		1,899,520	
Other financial assets, non-current				
Held-to-maturity investments ⁽¹⁾	280,490	294,595	280,432	296,570
Loans and receivables				
Guarantee deposits ⁽¹⁾	2,531,620		3,321,620	
Office security deposits	3,832,993	3,661,179	4,758,914	4,637,158
Financial assets at fair value through profit or loss				
Conversion right and redemption right of preferred stock	871,309	871,309	286,428	286,428
Available-for-sale financial assets ⁽²⁾	15,863,543	15,863,543	14,194,440	14,194,440
Other	86,965		29,189	
Total	23,466,920		22,871,023	
Financial liabilities				
Trade and other payables				
Financial liabilities measured at amortized cost	22,983,242		17,945,717	
Other financial liabilities, current				
Financial liabilities measured at amortized cost				
Deposits received	935,041		1,705,803	
Short-term borrowings ⁽³⁾	42,464,553		58,000	
Current portion of long-term borrowings ⁽⁴⁾	—		203,222	
Corporate bonds	510,000		—	
Other	23,618		—	
Total	43,933,212		1,967,025	
Other financial liabilities, non-current				
Financial liabilities measured at amortized cost				
Office security deposits received under sublease agreement	7,502	7,502	—	
Other	782		—	
Total	8,284		—	

8. Financial Assets and Financial Liabilities (continued)

- (1) The Japanese Payment Services Act requires non-banking entities that engage in business activities involving advance payments from end users using virtual credits to secure a certain amount of money equal to or more than one half of the unused balance of virtual credits purchased by the end users as of the most recent base date set on March 31 and September 30 of each year, either by depositing or entrusting a cash reserve or government bonds with the Legal Affairs Bureau, or by concluding a guarantee contract with a financial institution. If deposits are made, they are recorded as guarantee deposits. If guarantee contracts are entered into, guarantee fees equal to the contractual amount times a guarantee fee rate are incurred. In accordance with the Japanese Payment Services Act, the Group had deposited cash of 2,530,200 thousand yen and 3,320,200 thousand yen as of December 31, 2015 and September 30, 2016, respectively. The Group also had deposited investments in Japanese government bonds of 280,490 thousand yen and 280,432 thousand yen as of December 31, 2015 and September 30, 2016, respectively, which the Group intends to hold until maturity for this purpose. In addition, the Group entered into a credit guarantee contract with a bank in the year ended December 31, 2014 and in the nine-month period ended September 30, 2016, for 2,000,000 thousand yen with a guarantee fee rate of 0.2% and 12,600,000 thousand yen with a guarantee fee rate of 0.1%, respectively, to comply with the Japanese Payment Services Act.
- (2) Impairment losses of 1,789,603 thousand yen and 276,402 thousand yen were recognized for available-for-sale financial assets for the year ended December 31, 2015 and the nine-month period ended September 30, 2016, respectively.
- (3) The weighted average interest rate of the remaining outstanding short-term borrowings as of December 31, 2015 and September 30, 2016 was 0.2% and 1.0%, respectively. Most of the loans have been repaid during the three-month period ended September 30, 2016.
- (4) The weighted average interest rate of the remaining outstanding long-term borrowings as of September 30, 2016 was 1.0%.

9. Issued Capital and Reserves

(1) Shares issued

The movements of shares issued for the nine-month period ended September 30, 2016 are as follows:

	Shares issued (Share capital with no-par value)		Share capital (In thousands of yen)
	Common Shares	Class A shares	
January 1, 2016	—	174,992,000	12,596,198
Conversion of class A shares to common shares ⁽¹⁾	174,992,000	(174,992,000)	—
Initial public offering ⁽²⁾	40,250,000	—	63,423,938
Exercise of stock options ⁽³⁾	1,905,000	—	1,296,103
September 30, 2016	<u>217,147,000</u>	<u>—</u>	<u>77,316,239</u>

- (1) Through an amendment of its articles of incorporation effective as of March 31, 2016, the Company terminated its dual class structure of common shares and class A shares and converted all class A shares into common shares.
- (2) The Company issued 35,000,000 shares of common stock through the initial public offering of new shares on July 14, 2016. Additionally, on August 16, 2016, Nomura Securities Co., Ltd. and Morgan Stanley & Co. LLC. exercised their options to purchase 5,250,000 additional shares of common stock in an allotment of new shares.
- (3) Refer to Note 13 Share-Based Payments for further details.

9. Issued Capital and Reserves (continued)

(2) Share premium

The movements in share premium for the nine-month period ended September 30, 2015 are as follows:

(In thousands of yen)

	Share-based payments ⁽¹⁾	Common control business combinations	Others ⁽²⁾	Share premium total
January 1, 2015	3,810,281	293,629	3,667,749	7,771,659
Share-based payments	8,333,773	—	—	8,333,773
Acquisition of non-controlling interests	—	—	(1,513)	(1,513)
September 30, 2015	<u>12,144,054</u>	<u>293,629</u>	<u>3,666,236</u>	<u>16,103,919</u>

The movements in share premium for the nine-month period ended September 30, 2016 are as follows:

(In thousands of yen)

	Share-based payments ⁽¹⁾	Common control business combinations	Others ⁽²⁾	Share premium total
January 1, 2016	15,022,911	293,629	3,666,236	18,982,776
Share-based payments	7,314,639	—	—	7,314,639
Forfeiture of stock options	(55,430)	—	—	(55,430)
Exercise of stock options	(1,816,028)	—	1,740,349	(75,679)
Initial public offering ⁽³⁾	—	—	63,423,938	63,423,938
Cost related to initial public offering ⁽⁴⁾	—	—	(570,529)	(570,529)
September 30, 2016	<u>20,466,092</u>	<u>293,629</u>	<u>68,259,994</u>	<u>89,019,715</u>

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

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

(3) The Company issued 35,000,000 shares of common stock through the initial public offering of new shares on July 14, 2016. Additionally, on August 16, 2016, Nomura Securities Co., Ltd. and Morgan Stanley & Co. LLC. exercised their options to purchase 5,250,000 additional shares of common stock in an allotment of new shares.

(4) Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

10. Discontinued Operations

The Group acquired MixRadio on March 16, 2015. Subsequently, the Group made a strategic decision to focus on its core LINE business and portal segment. 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. As a result, the MixRadio business has been retrospectively presented as a discontinued operation on the Interim Condensed Consolidated Statement of Profit or Loss for the nine-month periods ended September 30, 2015 and 2016.

The aggregated results of the discontinued operations for the nine-month periods ended September 30, 2015 and 2016 are presented below.

	<i>(In thousands of yen)</i>	
	2015	2016
Revenues	170,115	443,742
Other income	19,791	2
Expenses ⁽¹⁾	<u>(4,925,764)</u>	<u>(3,142,827)</u>
Loss before tax from discontinued operations	(4,735,858)	(2,699,083)
Income tax benefits on disposal ⁽²⁾	—	936,551
Loss for the period from discontinued operations (attributable to the shareholders of the Company)	<u>(4,735,858)</u>	<u>(1,762,532)</u>

- (1) In connection with the abandonment of MixRadio on March 21, 2016, restructuring expenses related to employee termination benefits of 1,164,758 thousand yen and office lease termination fees of 125,786 thousand yen have been incurred.
- (2) The income tax benefits for the nine-month period ended September 30, 2016 is mainly due to the deductible temporary difference arising from the investment in MixRadio Limited, which incurred loss during the period.

The aggregated cash flow information for the discontinued operations for the nine-month periods ended September 30, 2015 and 2016 are presented below.

	<i>(In thousands of yen)</i>	
	2015	2016
Operating	(4,875,550)	(4,672,115)
Investing	(2,349,819)	6,679
Financing	—	—
Net cash outflow	<u>(7,225,369)</u>	<u>(4,665,436)</u>

11. Earnings per Share

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

For the nine-month period ended September 30

	<i>(In thousands of yen, except number of shares)</i>	
	2015	2016
(Loss)/profit for the period attributable to the shareholders of the Company from continuing operations	(2,831,823)	7,077,075
Loss for the period attributable to the shareholders of the Company from discontinued operations	(4,735,858)	(1,762,532)
Total (loss)/profit for the period attributable to the shareholders of the Company for basic and diluted earnings per share	<u>(7,567,681)</u>	<u>5,314,543</u>
Weighted average number of total common shares and class A shares for basic earnings per share⁽¹⁾	174,992,000	186,259,776
Effect of dilution:		
Stock options	—	20,672,714
Weighted average number of total common shares and class A shares adjusted for the effect of dilution⁽¹⁾	<u>174,992,000</u>	<u>206,932,490</u>

For the three-month period ended September 30

	<i>(In thousands of yen, except number of shares)</i>	
	2015	2016
(Loss)/profit for the period attributable to the shareholders of the Company from continuing operations	(138,248)	2,851,516
Loss for the period attributable to the shareholders of the Company from discontinued operations	(2,139,054)	(96,252)
Total (loss)/profit for the period attributable to the shareholders of the Company for basic and diluted earnings per share	<u>(2,277,302)</u>	<u>2,755,264</u>
Weighted average number of total common shares and class A shares for basic earnings per share⁽¹⁾	174,992,000	208,310,694
Effect of dilution:		
Stock options	—	20,109,292
Weighted average number of total common shares and class A shares adjusted for the effect of dilution⁽¹⁾	<u>174,992,000</u>	<u>228,419,986</u>

- (1) Through the amendment of its articles of incorporation on June 15, 2015, the Company introduced a dual class structure of common shares and class A shares and converted all outstanding common shares into class A shares; therefore, the weighted average number of shares for the three-month and nine-month periods ended September 30, 2015 include average number of common shares and class A shares for the three and nine-month periods ended September 30, 2015. Additionally, through an amendment of its article of incorporation effective as of March 31, 2016, the Company terminated its dual class structure of common shares and class A shares and converted all class A shares into common shares.

11. Earnings per Share (continued)

In calculating diluted earnings per share, share options outstanding and other potential shares are taken into account where their impact is dilutive. Outstanding stock options as of September 30, 2015, which were equivalent to 9,942,500 common shares and 15,836,500 class A shares upon exercise, were excluded from the potential common and class A shares used in the calculation of diluted earnings per share for both the three and nine-month periods ended September 30, 2015, as their impact was antidilutive.

Potential common shares used in the calculation of diluted earnings per share for the nine-month period ended September 30, 2016, included options representing 23,559,500 shares which were outstanding as of September 30, 2016 as their impact was dilutive.

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 consolidated financial statements 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.

12. Fair Value Measurements (continued)

(2) Fair value measurements by fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and September 30, 2016 are as follows:

	<i>(In thousands of yen)</i>			
December 31, 2015	Level 1	Level 2	Level 3	Total
Financial asset at fair value through profit or loss				
Conversion right and redemption right of preferred stock	—	—	871,309	871,309
Available-for-sale financial assets				
Listed equity securities	2,215,330	—	—	2,215,330
Private equity investments	—	—	13,648,213	13,648,213
Total	<u>2,215,330</u>	<u>—</u>	<u>14,519,522</u>	<u>16,734,852</u>

	<i>(In thousands of yen)</i>			
September 30, 2016	Level 1	Level 2	Level 3	Total
Financial asset at fair value through profit or loss				
Conversion right and redemption right of preferred stock	—	—	286,428	286,428
Available-for-sale financial assets				
Listed equity securities	2,148,795	—	—	2,148,795
Private equity investments	—	—	12,045,645	12,045,645
Total	<u>2,148,795</u>	<u>—</u>	<u>12,332,073</u>	<u>14,480,868</u>

There have been no transfers among Level 1, Level 2 and Level 3 during the nine-month period ended September 30, 2016.

12. Fair Value Measurements (continued)

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

(In thousands of yen)

	2015		2016	
	Private equity investments	Conversion right and redemption right of preferred stock	Private equity investments	Conversion right and redemption right of preferred stock
Fair value as of January 1	7,302,439	816,605	13,648,213	871,309
Total (loss)/gain for the period:				
Included in profit or loss ⁽¹⁾	(93,428)	870,464	(12,342)	(676,477)
Included in other comprehensive income ⁽²⁾	6,214,372	—	(689,217)	—
Comprehensive income (loss)	6,120,944	870,464	(701,559)	(676,477)
Purchases	416,306	—	243,450	188,965
Return of capital	—	—	(8,363)	—
Effect of exchange rate changes	(984,319)	(130,990)	(1,136,096)	(97,369)
Fair value as of September 30	12,855,370	1,556,079	12,045,645	286,428

- (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 available-for-sale financial assets in the Group’s Interim Condensed Consolidated Statement of Comprehensive Income.

- (4) Valuation techniques and inputs

Measured at fair value

Conversion right and redemption right of preferred stock

The conversion right and redemption right of preferred stock are embedded derivatives. Such conversion right and redemption right are bifurcated from the underlying preferred stock and measured at fair value using a binomial option pricing model. Below is the quantitative information regarding the valuation technique and significant unobservable inputs used in measuring the fair value of certain conversion right and redemption right of preferred stock:

<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>December 31, 2015</u>	<u>September 30, 2016</u>
Binomial option pricing model	Comparable listed companies’ average historical volatility	63.6%	17.0% - 41.7%
	Discount rate	1.9%	1.3% - 1.4%

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.

12. Fair Value Measurements (continued)

(4) Valuation techniques and inputs (continued)

Private equity investments

Available-for-sale financial assets categorized within Level 3 mainly consist of unlisted equity securities and private equity investment funds. Private equity investment funds were measured at fair value based on net asset value as of December 31, 2015 and September 30, 2016.

Unlisted equity securities are measured at fair value either based on the most recent transactions, or using the market approach and option pricing model. Below is the quantitative information regarding the valuation techniques and significant unobservable inputs used in measuring the fair value of certain unlisted equity securities:

<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>December 31, 2015</u>	<u>September 30, 2016</u>
Market approach - market comparable companies	EBITDA multiple	11.1-16.0	11.8-18.3
	EBIT multiple	11.4	11.3
	Revenue multiple	1.5-4.7	1.5-4.6
	Liquidity discount	30%	30%
Option pricing model	Comparable listed companies' average historical volatility	64.5%-81.5%	17.0%-79.4%
	Discount rate	(0.0%)-1.9%	(0.2%)-1.4%

A significant increase (decrease) in the EBITDA, EBIT and revenue multiple would result in a higher (lower) fair value of the unlisted equity securities, while a significant increase (decrease) in the liquidity discount, comparable listed companies' average historical volatility and discount rate would result in a lower (higher) fair value of the unlisted equity securities.

The valuation techniques and the valuation results of the Level 3 financial assets, including those performed by the external experts, were reviewed and approved by the management of the Group.

13. Share-Based Payments

The Group has stock option incentive plans for directors and employees. Each stock option represents the right to purchase 500 common shares at a fixed price (344 yen for 2012 and 2013 grants and 1,320 yen for 2014 and 2015 grants per common share) for a defined period of time. During the nine-month period ended September 30, 2016, no additional stock options were granted.

On June 15, 2015, through the amendment of its articles of incorporation, the Company introduced a dual class structure of common shares and class A shares. Under the dual class structure, each common share has one vote per unit of 100 shares, and each class A share has one vote per unit of 10 shares, while both classes of shares have the same rights to share in profit, distribution of retained earnings and residual assets. Additionally, the Company amended the terms applicable to a portion of two tranches of stock options. As a result of the amendment, 24,724 Common Stock Options originally granted on December 17, 2012 and 6,949 Common Stock Options originally granted on February 4, 2015 were converted to Class A Stock Options. While all other contract terms remain unchanged, the holders of Class A Stock Options are entitled to acquire 500 class A shares upon exercise of each stock option. The Class A Stock Options are mandatorily converted to Common Stock Options on a one-to-one basis upon passage of time or occurrence of certain events as specified in the terms and conditions of Class A Stock Options.

Through an amendment of its article of incorporation effective as of March 31, 2016, the Company terminated its dual class structure of common shares and class A shares and amended the terms applicable to stock options from class A shares to common shares.

The fair value of stock options is determined using the Black-Scholes model, a commonly accepted stock option pricing method. Stock options granted vest after two years from the grant date and are exercisable for a period of eight years from the vesting date. 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.

(1) Movements during the nine-month period ended September 30, 2016

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

	Common Stock Options		Class A Stock Options	
	Number (shares)	WAEP (yen per share)	Number (shares)	WAEP (yen per share)
Outstanding at January 1, 2016	9,848,000	827	15,836,500	558
Granted during the period	—	—	—	—
Forfeited during the period	(220,000)	1,123	—	—
Exercised during the period ⁽¹⁾	(1,905,000)	641	—	—
Expired during the period	—	—	—	—
Conversion of Class A Stock Options to Common Stock Options	15,836,500	558	(15,836,500)	558
Outstanding at September 30, 2016	<u>23,559,500</u>	<u>659</u>	<u>—</u>	<u>—</u>
Exercisable at September 30, 2016	<u>17,658,500</u>	<u>438</u>	<u>—</u>	<u>—</u>

(1) The weighted average share price at the date of exercise of these options was 4,275 yen.

The weighted average remaining contractual life for the Common Stock Options outstanding as of September 30, 2016 was 6.9 years.

13. Share-Based Payments (continued)

- (2) The Group has recognized 8,333,773 thousand yen and 7,313,386 thousand yen of share-based compensation expenses in the Interim Condensed Consolidated Statement of Profit or Loss for the nine-month periods ended September 30, 2015 and 2016, respectively.

14. Related Party Transactions

The following tables provides the total amount of related party transactions entered into during the nine-month periods ended September 30, 2015 and 2016, as well as balances with related parties as of December 31, 2015 and September 30, 2016.

- (1) Significant related party transactions during the nine-month period ended September 30, 2015, and outstanding balances with related parties as of December 31, 2015, are as follows:

(In thousands of yen)

<u>Relationship</u>	<u>Name</u>	<u>Transaction</u>	<u>Transaction amount</u>	<u>Outstanding receivable/ (payable) balances⁽³⁾</u>
Parent company	NAVER	Advertising service ⁽¹⁾	967,596	159,964
Subsidiary of parent company	NAVER Business Platform Corp. ⁽²⁾	Operating expenses	5,967,430	(942,488)

- (1) LINE Plus and NAVER entered into an agreement for exchange of services in which LINE Plus 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 incurred advertising revenues of 967,596 thousand yen in connection with the advertising services provided by NAVER for the nine-month period ended September 30, 2015.
- (2) This subsidiary of NAVER provided IT infrastructure services and related development services to the Group
- (3) The payable amount outstanding is unsecured and will be settled in cash.

14. Related Party Transactions (continued)

- (2) Significant related party transactions during the nine-month period ended September 30, 2016 and outstanding balances with related parties as of September 30, 2016, are as follows:

<i>(In thousands of yen)</i>				
Relationship	Name	Transaction	Transaction amount	Outstanding receivable/ (payable) balances⁽³⁾
Parent company	NAVER	Advertising service ⁽¹⁾	264,424	136,157
Subsidiary of parent company	NAVER Business Platform Corp. ⁽²⁾	Operating expenses	5,412,392	(803,339)

- (1) LINE Plus and NAVER entered into an agreement for exchange of services in which LINE Plus 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 264,424 thousand yen in connection with the advertising services provided to NAVER for the nine-month period ended September 30, 2016.
- (2) This subsidiary of NAVER provided IT infrastructure services and related development services to the Group.
- (3) The payable amount outstanding is unsecured and will be settled in cash.
- (3) The total compensation of key management personnel for the nine-month periods ended September 30, 2015 and 2016 are as follows:

<i>(In thousands of yen)</i>		
	2015	2016
Salaries (including bonuses)	189,654	327,739
Share-based payments ⁽¹⁾	3,847,692	4,285,294
Total	4,037,346	4,613,033

- (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 in 2015

Acquisition of MixRadio

On March 16, 2015, the Group acquired the MixRadio, a music streaming service, from Microsoft Mobile Oy. The acquisition of MixRadio allowed the Group to expand the range of services. The Group determined that the acquisition of MixRadio was a business combination in accordance with IFRS 3, as the Group acquired inputs and processes, such as music rights and the trade name of MixRadio, with which principal activities had been commenced. The valuation of the fair values of the assets acquired and the liabilities assumed was completed as of December 31, 2015.

In the fourth quarter of 2015, the Group made a strategic decision to focus on its core LINE business and portal segment. As of December 31, 2015, the Group considered the abandonment of the MixRadio business to be probable. Therefore, as the future cash flows were expected to be negative, goodwill allocated to the MixRadio business was fully impaired. In addition, MixRadio's intangible assets with definite useful life and property and equipment were fully impaired. MixRadio was subsequently abandoned on March 21, 2016. Refer to Note 10 Discontinued Operations for further details.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of MixRadio as of the date of acquisition were as follows:

	<i>(In thousands of yen)</i>
	Fair value recognized on acquisition
Assets	
Property and equipment	39,320
Intangible assets	
Technology	845,121
Music rights	543,292
Trademarks	156,951
Customer relationships	108,658
Other intangible assets	3,665
	<u>1,697,007</u>
Liabilities	
Trade and other payables	1,544,410
Other liabilities	550,774
	<u>2,095,184</u>
Total identifiable net assets at fair value	(398,177)
Goodwill	2,697,621
Total consideration	<u><u>2,299,444</u></u>

The Group paid 2,299,444 thousand yen in cash, which was included as part of cash flows from investing activities in the Interim Condensed Consolidated Statement of Cash Flows, and assumed certain liabilities in acquiring MixRadio. Goodwill of 2,697,621 thousand yen represented the value of expected synergies arising from the acquisition. All of the goodwill recognized is expected to be deductible for income tax purposes.

15. Business Combinations (continued)

Acquisition in 2015 (continued)

Acquisition of MixRadio (continued)

As part of the business combination, the Group also acquired an assembled workforce from MixRadio. However, the assembled workforce did not meet the criteria for recognition as an intangible asset under IAS 38.

From the date of acquisition, MixRadio increased the Group's loss from discontinued operations, net of tax, by 4,735,858 thousand yen for the nine-month period ended September 30, 2015. However, because MixRadio was classified as a discontinued operation, revenues and expenses from continuing operations were not impacted. If the combination had taken place on January 1, 2015, the loss for the nine-month period ended September 30, 2015, would have been 8,548,249 thousand yen (unaudited). However, because MixRadio was classified as a discontinued operation, revenues and expenses from continuing operations were not impacted.

Acquisition related transaction costs of 74,029 thousand yen have been expensed and are included in "Other operating expenses" in the Interim Condensed Consolidated Statement of Profit or Loss.

15. Business Combinations (continued)

Acquisition in 2016

Acquisition of M.T. Burn

On February 29, 2016, the Group acquired 50.5% of the voting shares of M.T. Burn Inc., (“M.T. Burn”), an unlisted company based in Japan, specialized in developing and providing a native mobile advertising platform, “Hike”. M.T. Burn became a consolidated subsidiary. The Group acquired M.T. Burn for the purpose of enhancing the Group’s knowledge and technological capability for advertisement. The final purchase price allocation of M.T. Burn was completed and resulted in an increase of 401,000 thousand yen in customer relationships, an increase of 26,000 thousand yen in software, an increase in deferred tax assets of 88,453 thousand yen and an increase in deferred tax liabilities of 148,639 thousand yen as compared with the preliminary estimates. The corresponding impact for these adjustments was a decrease in goodwill of 185,219 thousand yen and an increase of 181,595 thousand yen in non-controlling interest.

Assets acquired and liabilities assumed

The identifiable assets and liabilities of M.T. Burn, which are measured at fair value as of the date of acquisition except for limited exceptions in accordance with IFRS, were as follows:

	<i>(In thousands of yen)</i>
	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	86,551
Trade receivables, net	83,161
Intangible assets	
Customer relationships	401,000
Software	26,000
Deferred tax assets	88,453
Other assets	1,221
	<u>686,386</u>
Liabilities	
Trade and other payables	77,695
Other financial liabilities, current	50,000
Other financial liabilities, non-current	210,141
Deferred tax liabilities	148,639
Other liabilities	13,266
	<u>499,741</u>
Total identifiable net assets at fair value	<u>186,645</u>
Non-controlling interest	(92,401)
Goodwill	415,731
Total consideration	<u>509,975</u>

All consideration was paid in cash. The fair value of the trade receivables was 83,161 thousand yen. The gross contractual amounts of the trade receivables were not materially different from the fair value determined as part of the purchase price allocation.

15. Business Combinations (continued)

Acquisition in 2016 (continued)

Acquisition of M.T. Burn (continued)

Non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date.

Goodwill of 415,731 thousand yen represented the value of expected synergies arising from the acquisition and was allocated entirely to the LINE business and portal segment. None of the goodwill recognized was expected to be deductible for income tax purposes.

From the date of acquisition, M.T. Burn had contributed 252,014 thousand yen to revenue and had reduced profit before tax from continuing operations of the Group by 582,430 thousand yen for the nine-month period ended September 30, 2016. If the combination had taken place on January 1, 2016, revenue for the Group from continuing operations would have been 103,376,324 thousand yen (unaudited) and profit before tax from continuing operations for the Group would have been 15,255,852 thousand yen (unaudited) for the nine-month period ended September 30, 2016.

Acquisition related transaction costs of 5,468 thousand yen have been expensed and are included in "Other operating expenses" in the Interim Condensed Consolidated Statement of Profit or Loss.

	<i>(In thousands of yen)</i>
Analysis of cash flows on acquisition:	
Total consideration related to the acquisition	(509,975)
Net cash acquired with the subsidiary	<u>86,551</u>
Net cash flows on acquisition (included in cash flows from investing activities)	<u><u>(423,424)</u></u>

16. Principal Subsidiaries

Information on subsidiaries

The table below includes subsidiaries which were newly consolidated during the nine-month period ended September 30, 2016, 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, 2015	September 30, 2016
PT LINE PLUS INDONESIA ⁽¹⁾	Marketing	Indonesia	—	99.8%
LINE Mobile Corporation ⁽²⁾	MVNO service	Japan	—	100.0%
M.T. Burn ⁽³⁾	Advertising platform service	Japan	—	50.5%
Bonsai Garage Corporation ⁽⁴⁾	Fashion	Japan	100.0%	—
RABBIT-LINE Pay Company Limited ⁽⁵⁾	Payment service	Thailand	100.0%	50.0%

(1) LINE Plus established PT LINE PLUS INDONESIA in January 2016.

(2) The Company established LMN Corporation in February 2016. LMN Corporation was renamed to LINE Mobile Corporation in June 2016.

(3) The Company acquired M.T. Burn in February 2016.

(4) Bonsai Garage Corporation was sold to a third party in February 2016.

(5) On April 25, 2016, an issuance of new shares to BSS Holdings Co., Ltd., a provider of smart cards for mass transit systems and offline e-payment at retail in Thailand, resulted in a decrease of the Group's ownership of LINE BIZ Plus Ltd. from 100.0% to 50.0%. LINE BIZ Plus Ltd. was accounted for as a joint venture under the equity method because the Group had joint control of the entity under the shareholders agreement. Through the issuance of new shares, the joint venture added new channels for making payments and adding funds and expanded the user base in Thailand. As of the transaction date, the re-measurement to fair value of the investment retained by the Group in LINE BIZ Plus Ltd. amounted to 2,383,846 thousand yen and was based on the issuance of new shares for 750 million Baht. As a result, the Group recognized a gain of 1,730,917 thousand yen, which was recognized in the Interim Condensed Consolidated Statement of Profit or Loss as "Other operating income".

The assets, liabilities and other items of LINE BIZ Plus Ltd. transferred in connection with the loss of control were as follows:

	<i>(In thousands of yen)</i>
Cash and cash equivalents(*)	481,610
Other current assets	18,636
Non-current assets	177,512
Current liabilities	(70,936)
Non-current liabilities	(4,220)
Exchange differences on translation of foreign operations	50,318
Non-controlling interests	9
Total	<u>652,929</u>

(*) This amount is included in "Cash disposed on loss of control of subsidiary" in the Group's Interim Condensed Consolidated Statement of Cash Flows.

The carrying amount of the investment in this joint venture was 2,223,030 thousand yen as of September 30, 2016. As a result of the transaction, LINE BIZ Plus Ltd. was renamed to RABBIT-LINE Pay Company Limited.

16. Principal Subsidiaries (continued)

Ultimate parent company of the Group

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

17. Investments in Associates and Joint Ventures

Establishment of Beijing Lantu Times Technology Company Limited

In April 2016, Lantu Games Limited, a 50% owned joint venture of the Group, established Beijing Lantu Times Technology Company Limited, a wholly-owned subsidiary. The amount of investment in this entity was 870,841 thousand yen. Beijing Lantu Times Technology Company Limited plans to provide game development and related services.

Change in LINE BIZ Plus Ltd. (RABBIT-LINE Pay Company Limited) from subsidiary to joint venture

Refer to Note 16 Principal Subsidiaries for further details.

Sale of shares of LINE Bros. Corporation

All of the shares of LINE Bros. Corporation held by the Company were sold to a third party in May 2016.

Establishment of transcosmos online communications inc.

In May 2016, the Group acquired a 40.0% interest in a new entity, transcosmos online communications inc., established to provide customer support services to certain business partners that use the LINE platform. The carrying amount of the investment in this associate was 45,707 thousand yen as of September 30, 2016.

Investment in NPLE GAMES Co., Ltd.

In August 2016, LINE Naver Game Partnership, a 66.7% owned joint operation of the Group, acquired a 22.2% interest in NPLE GAMES Co., Ltd.. As the Group has significant influence over NPLE GAMES Co., Ltd. through LINE Naver Game Partnership, the Group accounts for its ownership in NPLE GAMES Co., Ltd. using the equity method. The carrying amount of the investment in this associate was 132,840 thousand yen as of September 30, 2016.

18. Other Operating Expenses

Other operating expenses in the nine-month period ended September 30, 2016, consist mainly of 2,556,401 thousand yen for cost of goods, 2,257,698 thousand yen for rent expenses, 1,647,779 thousand yen for professional fees and 1,250,183 thousand yen for travel expenses compared to 1,807,961 thousand yen, 1,587,449 thousand yen, 1,634,969 thousand yen and 1,363,915 thousand yen, respectively, in the nine-month period ended September 30, 2015. Cost of goods and rent increased mainly due to the expansion of the LINE Friends service and the office relocation in Fukuoka.

19. Subsequent Events

Investment in Yume no Machi Souzou Iinkai Co., Ltd.

On September 29, 2016, the Company's board of directors approved an investment in Yume no Machi Souzou Iinkai Co., Ltd. ("Yume no Machi Souzou Iinkai"), which operates a delivery portal site "Demae-Can" and has a share capital of 1,113,300 thousand yen. On October 14, 2016, the Company acquired 11.9% of the outstanding shares of Yume no Machi Souzou Iinkai by paying 2,376,000 thousand yen in cash. Additionally, on October 18, 2016, the Company acquired 8.1% of the outstanding shares of Yume no Machi Souzou Iinkai by paying 1,620,000 thousand yen in cash, resulting in the Company owning 20.0% of Yume no Machi Souzou Iinkai. The acquisition of shares of Yume no Machi Souzou Iinkai is expected to allow the Company to further develop its online-to-offline services and its delivery services. The Group determined that it exercises significant influence over Yume no Machi Souzou Iinkai. Therefore, the Group will account for its ownership interest in Yume no Machi Souzou Iinkai using the equity method.

Investment in Snow Corporation

On September 29, 2016, the Company's board of directors approved an investment in Snow Corporation, which has a share capital of 1,700,000 thousand Korean won and is a subsidiary of NAVER, the Group's ultimate parent company. On October 18, 2016, the Company acquired newly issued voting shares of Snow Corporation by paying 49,999,800 thousand Korean won (4,610,401 thousand yen) in cash, resulting in the Company owning 25.0% of Snow Corporation. Snow Corporation develops and operates a self-portrait photograph app, which is distributed primarily in Asia. The acquisition of shares of Snow Corporation is expected to allow the Company to expand its business in Asia and to extend the Company's services to the existing users. The Group determined that it exercises significant influence over Snow Corporation. Therefore, the Group will account for its ownership interest in Snow Corporation using the equity method.