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Information Disclosed on the Internet at the Time of Notifying Convocation of the 19th Annual General Meeting of Shareholders

Consolidated financial statements

- Consolidated Statements of Changes in Equity
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Non-consolidated financial statements

- Non-consolidated Statements of Changes in Equity
- Notes to Non-consolidated Financial Statements

(For the period from January 1, 2018 to December 31, 2018)

LINE Corporation

“Consolidated Statements of Changes in Equity”, “Notes to Consolidated Financial Statements”, “Non-consolidated Statement of Changes in Equity” and “Notes to Non-consolidated Financial Statements” are published on the Company’s website (<https://linecorp.com/en/ir/stock>) to be offered to shareholders, pursuant to the provisions of laws and regulations as well as Article 16 of our Articles of Incorporation.

Consolidated Statements of Changes in Equity

From January 1, 2018 to December 31, 2018

(In millions of yen)

	Equity attributable to the shareholders of the Company									
	Share capital	Share premium	Treasury shares	Accumulated deficit	Accumulated other comprehensive income			Total	Non-controlling interests	Total shareholders' equity
					Foreign currency translation reserve	Financial assets at FVOCI	Defined benefit plan reserve			
Balance at January 1, 2018	92,369	93,560	(4,000)	(4,294)	3,158	3,928	354	185,075	4,902	189,977
Adjustment on adoption of new accounting standards	—	—	—	177	—	(1,258)	—	(1,081)	(85)	(1,166)
Balance at January 1, 2018 (restated)	92,369	93,560	(4,000)	(4,117)	3,158	2,670	354	183,994	4,817	188,811
Comprehensive loss										
Loss for the year	—	—	—	(3,718)	—	—	—	(3,718)	(2,074)	(5,792)
Other comprehensive loss	—	—	—	—	(3,802)	(1,830)	(298)	(5,930)	(207)	(6,137)
Total comprehensive loss for the year	—	—	—	(3,718)	(3,802)	(1,830)	(298)	(9,648)	(2,281)	(11,929)
Recognition of share-based payments	—	1,336	—	—	—	—	—	1,336	—	1,336
Forfeiture of stock options	—	(37)	—	37	—	—	—	—	—	—
Exercise of stock options	1,195	(199)	—	—	—	—	—	996	—	996
Changes in interests in subsidiaries	—	17,440	—	—	(15)	(27)	1	17,399	8,241	25,640
Derecognition of non-controlling interests due to loss of control of subsidiaries	—	—	—	—	—	—	—	—	(1,974)	(1,974)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	795	795
Issuance of common shares and acquisition of treasury shares under Employee Stock Ownership Plan	2,500	2,488	(5,000)	—	—	—	—	(12)	—	(12)
Issuance of convertible bonds with stock acquisition rights	—	4,175	—	—	—	—	—	4,175	—	4,175
Disposal of treasury shares	—	(137)	799	—	—	—	—	662	—	662
Acquisition of treasury shares	—	—	(4)	—	—	—	—	(4)	—	(4)
Transfer of accumulated other comprehensive income to accumulated deficit	—	—	—	2,224	—	(2,230)	6	—	—	—
Other	—	—	—	18	—	—	—	18	—	18
Balance at December 31, 2018	<u>96,064</u>	<u>118,626</u>	<u>(8,205)</u>	<u>(5,556)</u>	<u>(659)</u>	<u>(1,417)</u>	<u>63</u>	<u>198,916</u>	<u>9,598</u>	<u>208,514</u>

(Note: Amounts are rounded to the nearest million)

Notes to Consolidated Financial Statements

Significant matters for the preparation of consolidated financial statements

1. Accounting principles for the preparation of consolidated financial statements

The consolidated financial statements of LINE corporation (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) pursuant to the provisions of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies. Pursuant to the provisions of the second sentence of the same paragraph of the same Ordinance, certain disclosure items required under IFRS are omitted.

2. Scope of consolidation

Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries:

61 companies

Names of major consolidated subsidiaries:

LINE Fukuoka Corp., FIVE Inc., LINE Digital Frontier Corporation, LINE Part-Time Job, Ltd., LINE Plus Corporation, LINE Company (Thailand) Limited, LINE Taiwan Limited, LINE C&I Corporation, LINE Pay Corporation, LINE SOUTHEAST ASIA CORP.PTE.LTD., LINE Biz+ Taiwan Limited, LINE Friends Corporation, LFG HOLDINGS LIMITED, LINE Financial Corporation, LINE Financial Asia Corporation Limited, LINE Games Global Gateway, L.P., LINE Ventures Global Limited Liability Partnership.

Change in the scope of consolidation

The Group established LINE Digital Frontier Corporation, LINE Financial Corporation, LINE Financial Asia Corporation Limited, LINE Ventures Global Limited Liability Partnership, and the Group acquired additional interest in LINE Part-Time Job, Ltd. during the year ended December 31, 2018. As a result, these entities are included in the scope of consolidation. In addition, LINE Mobile Corporation and LINE Games Corporation are excluded from the scope of consolidation during the year ended December 31, 2018.

3. Application of the equity method

(1) Number of associates and joint ventures accounted for using the equity method and names of major associates and joint ventures accounted for using the equity method

Number of associates and joint ventures accounted for using the equity method:

20 companies

Names of major associates and joint ventures accounted for using the equity method:

RABBIT-LINE PAY COMPANY LIMITED, Yume no Machi Souzou Iinkai Co., Ltd., Snow Corporation, K-Fund I, Drama & Company Co., Ltd., LINE Mobile Corporation, FOLIO Co., Ltd., LINE Games Corporation.

Changes in scope for application of equity method

The Group newly acquired interests in FOLIO Co., Ltd. during the year ended December 31, 2018 and LINE Mobile Corporation and LINE Games Corporation to be accounted for as associates are included in the scope of associates to be accounted for under the equity method rather than as a subsidiaries for the year ended December 31, 2018.

(2) Matters on application of the equity method

In case associates and joint ventures accounted for using the equity method have different fiscal year ends than the Group’s fiscal year end, appropriate adjustments are made for significant transactions or events that occurred between that date and the Group’s fiscal year end for the purpose of preparing the consolidated financial statements.

4. Fiscal year end of consolidated subsidiaries

The fiscal year ends of the consolidated subsidiaries are the same as the Group’s fiscal year end.

5. Accounting policies

(1) Basis and method of valuation of Assets

Basis and method for valuation of financial assets

The Group classifies and measures financial assets based on the following three categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. The Group recognizes financial assets in the Consolidated Statements of Financial Position when the Group becomes a party to the contractual provisions of the financial assets.

A regular way purchase or sale of financial assets, that is a purchase or sale of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the commitment date of the trade.

(a) Initial measurement

At initial recognition, the Group measures financial assets at the fair value. Financial assets not classified as a financial assets at fair value through profit or loss are measure at fair value, including any transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value through profit or loss are expensed in profit or loss.

(b) Subsequent measurement

Debt instruments:

(i) Financial assets at amortized cost

The financial assets at amortized cost are measured at amortized cost using the effective interest method, and related interest income are included in finance income. When the financial asset is derecognized or impaired, a gain or loss on the debt instrument is recognized in profit or loss.

(ii) Fair value through other comprehensive income (FVOCI)

Subsequent to initial recognition, financial assets are measured at fair value and gains or losses arising from changes in the fair value are recorded in other comprehensive income whereas related interest income, foreign exchange gains or losses and expected credit losses are recognized in profit or loss. When debt investments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

(iii) Fair value through profit or loss

Subsequent to initial recognition, financial assets are measured at fair value. Gains or losses on debt instruments are recognized in profit or loss.

Equity instruments:

Where the Group has irrevocably elected to designate equity instruments as financial assets measured at fair value through other comprehensive income, any changes in the book value resulting from fair value measurement are recognized as other comprehensive income. There is no subsequent reclassification of cumulative gains or losses previously recognized in other comprehensive income to profit or loss. Where the Group has not elected to designate equity instruments as financial assets measured at fair value through other comprehensive income, any changes in the book value resulting from fair value measurement are recognized in profit or loss.

Basis and method for valuation of Derivative financial instruments

The Group may use derivative financial instruments, such as exchange forward contracts, to hedge its foreign exchange risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Any gains or losses arising from changes in the fair value of derivatives are recognized in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Impairment of Financial Assets

The Group assesses the expected credit losses associated with its assets carried at amortized cost and FVOCI. The methodology for the assessment of expected credit losses depends on whether there has been a significant increase in a credit risk.

For trade receivables only, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of the receivables.

Basis and method for valuation of inventories

Inventories, consisting of merchandise for resale, are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out ("FIFO") basis. Net realizable value is determined based on the estimated selling price, less costs to sell.

(2) Depreciation methods for fixed assets

(a) Property and Equipment excluding leased assets

Depreciation of property and equipment is computed using the straight-line method.

The estimated useful lives for major property and equipment are as follows:

Equipment (mainly consist of servers): 3–5 years

Furniture and fixtures: 3–5 years

Others: 3–5 years

(b) Intangible Assets excluding leased assets

Amortization of intangible assets excluding customer relationships are computed using the using the straight-line method. Amortization of customer relationships are computed using the declining balance method. The estimated useful lives for major intangible assets are as follows:

Software: 2–10 years

Customer relationships: 7 years

Others: 1–20 years

(c) Leased assets

Assets under finance leases

A leased asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

(3) Basis of recognition for Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

There are uncertainties about the amount and timing of the cash outflows related to provisions. The risks and uncertainties that inevitably surround events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

The Group's provisions mainly consist of provisions for restoration obligations for leased property, and provisions for the licensing expense payable to the third-party partners upon redemption of virtual credits and LINE points granted without charge upon exchange of virtual items by customers in the future.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision may only apply to expenditures for which the provision was originally recognized.

(4) Basis of recognition for revenues and expenses

The Group recognizes revenues associated with the transactions by reference to the stage of completion of the transactions at the end of the reporting period. Determination of the stage of completion for the different revenue streams is described below. Revenue is measured at the fair value of the consideration of services provided in the ordinary course of business, less applicable sales and other taxes, where appropriate.

(i) Advertising

The Group's advertising services mainly consist of accounts advertising, display advertising and other advertising such as web portals.

Accounts advertising

Accounts advertising mainly includes LINE Official Accounts, LINE Sponsored Stickers and LINE Point Ads services.

LINE Official Accounts enable commercial and other advertisers to send messages directly to LINE users who have added the business as a friend. The performance obligation of the Group to advertisers is to maintain the LINE Official Account through the contract period and enable end users to send messages to the LINE Official Accounts at any time during the contract period. Accordingly, the Group recognizes the LINE Official Accounts subscription revenues on a straight-line method over the advertising contract period. In addition, advertisers with LINE Official Accounts may offer Sponsored Stickers to LINE users, who may download them for free. In the LINE Sponsored Stickers contract, only the advertisers are obligated to pay the Group consideration for Sponsored Stickers services, and end users that use Sponsored Stickers do not pay any consideration to the Group, directly or indirectly. Therefore, the Group has determined that only the advertisers are considered "customers". The performance obligation of the Group to advertisers is to make Sponsored Stickers available to the users for their use at any time over the contract period. Accordingly, the Group recognizes revenues on a straight-line method over the contract period.

The LINE Point Ads service is a pay-per-action advertising service offered by the Group. Advertisers pay the Group a predetermined fixed fee per

specific action taken by end users, such as the successful downloading of an application or viewing of a commercial. In exchange, the Group publishes the applications or commercials produced by the advertisers on the LINE platform, and issues LINE Points to the end users without charge. The Group has determined that only the advertisers are customers for LINE Point Ads services because only the advertisers pay the transaction consideration to the Group for the advertising services the Group provides and the users who receive LINE Points, do not pay any transaction prices directly or indirectly. The Group considers its performance obligation in the contract with a customer (i.e. the advertiser), to be satisfied when the Group issues the LINE Points to users since the Group does not have any obligation toward the advertisers to manage LINE Points or to provide uses other services in exchange for the LINE Points thereafter for the advertisers. As a result, the Group recognizes revenue at the time LINE Points are issued to users. The Group recognizes provisions for the expenses expected to be incurred in relation to the consumption of LINE Points, and such expenses are recognized at the same time as the Group satisfies its performance obligation to the customers when LINE Points are issued, that is, at the same time as revenue recognition.

Display Advertising

Display advertising mainly consists of Timeline and LINE NEWS. The Group has contractual relationship with advertisers for which it provides advertisers with the rights to receive payments based on the specific actions, such as impressions, views, and clicks. The Group's performance obligation is to present the advertisement to users at any given time. The display advertising revenues are recognized when such actions specified in the contract are fulfilled.

Other Advertising

Other advertising services mainly consist of job listing and web portal advertising. The Group's performance obligation is to publish advertisements and/or presenting the advertisements to users. Revenues from such advertising services are recognized over the advertising contract periods on a straight-line method if the contract is for a certain period of time. If the advertising contract includes the rights to receive payments based on specific actions such as impressions, views and clicks, the Group recognizes revenue under such specific actions under the contract are fulfilled.

For advertising services such as LINE Official Accounts, an advertising agency may be involved to obtain contracts from customers and provide, on behalf of the Group, services to customers such as formatting advertisement publications to comply with the Group's specification or standards of advertisement publications. Since the service provided by an advertising agency is provided to customers based on the Group's specification or standards of advertisement publication, the Group determined that the Group controls the service provided by the advertising agency and thus the Group is the principal in the transaction. The Group recognizes revenue based on the total consideration received from a customer, including the consideration payable for the service provided by the advertising agency.

Moreover, in considering that the consideration payable for the aforementioned services provided by the advertising agency is the cost arising in relation to the contract with the advertiser as a customer, the Group recognizes costs of contract which consist of consideration payable to the advertising agency as an asset and such costs are expensed as related revenues are recognized. If the advertising contract is renewed at the end of the original term, another consideration payable to the advertising agency will be recognized, and such cost will be expensed during the period that related revenue of the advertising contract is recognized.

(ii) Communication

Communication includes primarily LINE Stickers, LINE Creator Stickers and emoji (collectively, "the Stickers"). The Stickers are emoticons that end users may purchase and use in instant messaging. Payments may be made with virtual credits, cash, LINE Points or credit cards.

When virtual credits are redeemed for the purchase of the Stickers, the end users' virtual credits balances are reduced by the price of the purchase, and the virtual credits redeemed are recognized as revenues over the estimated usage period for the Stickers. The Group acts as a principal in providing the Stickers to end users. The Group determines that Stickers are a similar to the concept of a service of standing ready. The performance obligation of the Group to the customers which are the users who purchased the Stickers is to make the Stickers available to the users for their use at any given time. Accordingly, the users receive the benefit of the services and consume such services as the Group makes the Stickers available to the users for their use. Therefore, the Group determines that its performance obligation is satisfied over a certain period of time. The Group estimated such usage period to be 90 days based on the historical usage pattern. The Group also determined that the users receive the benefits of the services evenly, thus the Group recognizes revenue on a straight-line method over the estimated usage period.

(iii) Content—LINE Games and Applications

Content mainly consists of LINE Games developed by the third party or the Group and applications developed by the Group.

Games developed by third-party game developers

All games developed by third-party game developers are free to download from the LINE platform. End users may purchase in-game virtual items with credit cards.

The Group enters into revenue sharing arrangements with the third-party game developers. The terms of such arrangements provide that when end users purchase in-game virtual items sold by the game developer via the LINE platform, the Group receives a fixed percentage of the net proceeds received from payment processing service providers.

With respect to the sale of in-game virtual items to end users, the Group has determined that the third-party game developer is the primary obligor for

the game-related services, as the third-party game developers have the primary responsibility for creating the in-game virtual items which end users may purchase and use in the mobile games, and developing, maintaining and updating the mobile games.

The Group views the third-party game developers to be its customers, and the Group's deliverables to its customers over the term of the game are: 1) channeling users to the mobile games, 2) providing payment processing services, and 3) providing server hosting services.

The Group determined that each deliverable was a separate unit of account and measured each selling price of channeling services, payment processing services and server hosting services based on the ratio of stand-alone selling price. The stand-alone selling price for the channeling services and server hosting services are estimated based on the cost-plus-margin pricing, taking into consideration other stand-alone terms and conditions, historical costs, and the industry profit margin range of our competitors. The Group also estimates the stand-alone selling price for the payment processing services based on the cost-plus-margin pricing, taking into consideration historical costs and the industry profit margin range of our competitors.

The Group's performance obligations with respect to channeling services are fulfilled at the time that the in-game virtual item is purchased by an end user and accordingly, the revenues attributable to the channeling services are recognized at the time of purchase.

Game termination announcements are made by sending notifications to end users two months prior to game termination. Once the game termination announcement is made, in-game virtual items are no longer available for purchase, but the game is still available to end users for the remaining two-month period and the payment will be made three months after the purchase of the in-game virtual items. Accordingly, subsequent to the announcement of game termination, the Group is required to provide services for a total of three additional months; two additional months of hosting services, i.e. up until game termination, and three additional months of payment processing services, i.e. up until one month after game termination, as payment processing services are provided on a three-month time lag.

The Group's performance obligations with respect to the hosting services and payment processing services are fulfilled as such services are provided, i.e. from game inception through game termination, and from game inception through one month subsequent to game termination, respectively. Accordingly, the revenues attributable to the hosting services and payment processing services are recognized on a straight-line basis over the service periods as described above. However, as the Group does not generate revenues subsequent to the announcement of game termination, the Group defers the revenue attributable to the post-termination-announcement performance obligations for hosting services and payment processing services from the amounts received in the first month of the arrangement, and recognizes such revenues over the two and three months, respectively, following the announcement of game termination.

Internally developed games and applications

Principal vs Agent

The Group also provides games and applications ("apps") developed internally for end users, and considers itself the principal in providing the games or apps to end users. The Group's primary responsibility is to develop, maintain and provide the games and apps, and in-game/in-app virtual items to end users.

Consumable and durable virtual items

All games and apps are free to download; however, in-game/in-app virtual items developed by the Group may be purchased with cash, credit cards or the Group's virtual credits within the games/apps. The Group offers both consumable and durable virtual items in its internally developed games and apps.

Revenue recognition for consumable virtual items

The characteristics of consumable virtual items include virtual items that are consumed by end users' specific actions and do not provide end users with any continuing benefits. The consumable virtual items offered by the Group is comparable to a service of standing ready and the performance obligation of the Group with respect to the consumable virtual items purchased by end users is to make the consumable virtual items available to the users for their use at any given time. The period from the time the end user first purchased the consumable virtual item until the user consumed the item is the performance obligation period; however, consumable virtual items offered by the Group are generally consumed upon purchase by end users. Accordingly, the Group recognizes revenues attributable to consumable virtual items upon sale.

Revenue recognition for durable virtual items

A durable virtual item represents an item that provides the end user with continuing benefits. The consumable virtual items offered by the Group is comparable to a service of standing ready and the performance obligation of the Group with respect to the durable virtual items purchased by end users is to make the durable virtual items available to the users for their use at any given time. The period of benefit of a durable virtual item generally ends at the earliest of 1) an item ceasing to provide further benefits to an end user (i.e. the period of benefit is represented by the usage period of such item), 2) an item being removed from the game board or app, by specific in-app/in-game actions taken by an end user, or 3) an end user abandoning the game or app. Accordingly, the Group determines that revenue attributable to durable virtual items is recognized either, a) on a straight-line basis over the estimated usage period, or b) when the Group cannot estimate the estimated usage period upfront, on a straight-line basis over the estimated

average playing period of paying users adjusted for any virtual items removed from the game board or app.

(a) Revenue recognition for the estimated usage period of the durable virtual items

The estimated usage period for durable virtual items is developed by taking into consideration historical data on purchase patterns and user usage behavior. For the years ended December 31, 2016, 2017 and 2018, the Group recognizes revenues through the estimated usage period for durable virtual items in one of the internally developed games. For the years ended December 31, 2018, the usage periods were estimated to be a several days.

(b) Revenue recognition for the durable virtual items which the estimated usage period cannot be estimated

(i) Revenue recognition by estimating average playing period

The Group defines the playing period as the period from when a paying user first purchased virtual credits to when a paying user is deemed to have become inactive, i.e. when a paying user has not logged onto the game/app for two consecutive months. To estimate the average playing period for a paying user, the Group analyzes monthly cohorts composed of paying users who made their first purchase of virtual credits during such month. The Group tracks these monthly cohorts and analyzes the dates on which paying users within each cohort become inactive. Based on the actual data observed, the Group extrapolates the future declines in paying users to determine the ending point of a paying user's life beyond the date for which observable data is available. The Group then uses the actual and extrapolated data to calculate the average playing period.

(ii) Adjustment of the items removed from the game board or app

Revenue attributable to the durable virtual items removed from the game board or app is recognized by developing estimated removal rates, i.e. the rates at which durable virtual items are being removed from the game board or app by end users, and applying such rates to total sales generated from durable virtual items.

LINE Friends

Revenues from LINE Friends primarily consists of the sales of LINE character merchandise. Revenue from the sale of goods is mainly recognized when customers obtain control over the goods, usually on delivery of the goods. Revenue from the sale of goods is measured at transaction price, adjusted for any discounts.

Significant financing components

There are no significant financing components (i.e. payment terms exceeding one year) within the services provided to customers by the Group.

Notes to changes in accounting policies

The impacts of the adoption of new and revised IFRSs issued by the IASB that are mandatorily effective for an annual period beginning on or after January 1, 2018 on the Group's annual consolidated financial statements as of December 31, 2017 and 2018, and for the year ended December 31, 2017 and 2018, are as follows.

Standards which are effective for annual period beginning on or after January 1, 2018:

1. IFRS 15 *Revenue from Contracts with Customers*

The IASB issued IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 establishes a five-step model that will apply to all revenue arising from contracts with customers, regardless of the type of transaction or industry, with limited exceptions.

The Group recognizes revenue associated with communication and content sales as well as advertising services by reference to the stage of completion. The Group has concluded that the previous methods of revenue recognition and measurement are in accordance with IFRS 15, with the exception of the following services.

The Group has adopted IFRS 15 from the fiscal year 2018. The Group has used the modified retrospective method which is to record cumulative amount of the impact at the beginning balance of the retained earnings upon adoption.

(1) LINE Stickers, Creator Stickers and Emoji (collectively, "The Stickers")

Under the new standard, the timing of revenue recognition changed whereby revenue is recognized over an estimated usage period on a straight-line basis. The previous method, recognized revenue on an accelerated basis which weighted revenue recognition towards the earlier part of the period to reflect the usage pattern of Stickers by users.

Under the previous standard, the Group determined that the measuring method which best depicts the progress towards satisfaction of performance based

on a contract was the users' usage pattern of Stickers which represented the consumption of the user's benefits, and recognized revenue during the earlier part of the estimated usage period.

On the other hand, the concept of a service of standing ready is clarified under IFRS 15. IFRS 15 clarified the service of standing ready as to provide services or to make services available to the users for their use as and when the users decide. The Group determines that Stickers which the Group provides to its users are similar to the concept of a service of standing ready.

The performance obligation of the Group to the customers which are the users who purchased the Stickers is to make them available to the users for their use at any given time. Accordingly, the users receive the benefit of the services and consume such services as the Group makes the Stickers available to the users for their use. Therefore, the Group determines that its performance obligation is evenly fulfilled throughout a certain period of time.

As the Group determines that the end users receive the benefit of the services evenly throughout the estimated usage period of the Stickers, the Group assessed that the straight-line method over an estimated usage period is the best method to measure the progress towards complete satisfaction of the performance obligation. As a result, compared to the previous method, the amount of revenue recognized by the Group increased by 168 million yen, and the profit from operating activities increased by 162 million yen for the year ended December 31, 2018.

(2) LINE Sponsored Stickers

Under the new standard, the timing of revenue recognition changed whereby revenue is recognized over an estimated usage period on a straight-line basis. The previous method, recognized revenue on an accelerated basis which weighted revenue recognition towards the earlier part of the period to reflect the usage pattern of Stickers by users.

Under the previous standard, the Group determined that the measuring method which best depicts the progress towards satisfaction of performance based on a contract was the users' usage pattern of Sponsored Stickers which represent its progress of rendering the services to the users, and recognized revenue based on the users' usage pattern of Sponsored Stickers which was weighted towards the earlier part of the period.

On the other hand, under IFRS 15, the definition of a "customer" is clarified and it is defined as "a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration." Also, the contract with "customers" is within the scope of IFRS 15, and IFRS 15 requires to measure progress based on the method which reflects the satisfaction of performance obligations to customers for all contracts with customers.

In the LINE Sponsored Stickers contract, only an advertiser is obligated to pay consideration for Sponsored Stickers service to the Group, and the users who use Sponsored Stickers do not pay any consideration to the Group directly or indirectly. Therefore, the Group determines the advertisers as "customers." The performance obligation of the Group to the advertisers is to make the Sponsored Stickers available to the users for their use at any given time over a contract period. Accordingly, the Group has assessed that a straight-line method over a contract period is the best method for measuring its progress towards complete satisfaction of the performance obligation. As a result, compared to the previous method, the amount of revenue recognized by the Group increased by 304 million yen, and the profit from operating activities increased by 250 million yen for the year ended December 31, 2018.

(3) LINE Point Ads

Previously, the Group recognized the LINE points granted to users through the LINE Point Ads at fair value as advances received. Under the new standard, in addition to the revenue recognized, the Group accrues the cost incurred when the LINE Points granted are consumed by users.

Under the previous standard, revenue attributable to LINE Points granted were measured at fair value of the LINE Point in accordance with IFRIC 13 even if such points granted through LINE Point Ads were granted to users rather than the Group's customers as the Group received the consideration. The unused LINE Points are recognized as advances received.

On the other hand, IFRS 15 clearly defines a "customer" as mentioned above. Upon the adoption of IFRS 15, the Group identifies its advertisers as customers for its LINE Point Ads service as the considerations are only provided by the advertisers and there is no other consideration provided directly or indirectly by the users which LINE Point Ads are granted to. The Group considers its performance obligation in the contract with a customer (i.e. the advertiser), is to issue the LINE Points to users since the Group does not have any obligation toward the advertisers to manage LINE Points or to provide users other services in exchange for the LINE Points. As the performance obligations to the advertisers are satisfied when LINE Point Ads are granted to the users, the Group recognizes revenue when LINE Point Ads are granted to users. The future costs to be incurred in relation to the LINE Points consumed by the users are also accrued at the same time LINE Points are granted to the users when the Group satisfies its performance obligation, that is, at the time of revenue recognition. As a result, compared to the previous method, the amount of revenue recognized by the Group increased by 84 million yen, and the profit from operating activities decreased by 218 million yen for the year ended December 31, 2018.

(4) Presentation of advertisements

For advertising services such as LINE Official Account, an advertising agency may be involved to provide, on behalf of the Group, services to customers such as formatting advertisement publication to comply with the Group's specification or standards of advertisement publication. In such transaction, the Group earns the consideration received from customers excluding the share of advertising agencies.

Under the previous standard, the share attributable to the advertising agency was identified as an individually identifiable element and the Group recognized revenue excluding such shares from the total consideration received from customers as the Group earned a certain portion of the consideration received, and did not directly provide the service nor they bare credit risk of the shares of the advertising agency.

On the other hand, IFRS 15 reconfigure the evaluation of whether an entity is a principal or an agent based on the identification of performance obligations and transfer of control for services. Specifically, the guidance states that “an entity is a principal if it controls the specified goods or service before that good or service is transferred to a customer” and further enhances the guidance and related interpretations related to whether the entity controls the rights to goods or services provided by other parties. This includes situations where the entity has the ability to direct other parties to perform services to the customer on the entity’s behalf. Since the services provided by the advertising agencies such as formatting advertisement publications are provided to customers based on the Group’s specifications or standards for advertisement publications, the Group determined that the Group controls the services provided by the advertising agencies and thus the Group is deemed as the principal. Due to the factors above, the Group changed the method of revenue recognition to recognize the total consideration received from the customer, including the services provided by the advertising agencies. As a result, compared to the previous method, the amount of revenue recognized by the Group increased by 8,837 million yen for the year ended December 31, 2018.

Moreover, in accordance with IFRS 15, the Group recognizes costs of contract which consist of consideration payable to the advertising agency as an asset and such costs are expensed as the related revenues are recognized. If the advertising contract is renewed at the end of the original term, consideration payable to the advertising agency will be incurred again, and such costs will be expensed during the period that related revenue of the advertising contract is recognized. Therefore, compared to the previous method, the sales commission expenses increased by 8,837 million yen for the year ended December 31, 2018. However, as sales commission expenses increased by the same amount as the revenues, there is no impact on the profit from operating activities.

As a result, the opening balance of accumulated deficit is adjusted as follows.

	<i>(In millions of yen)</i>
	January 1, 2018
Stickers	(967)
LINE Sponsored Stickers	(760)
LINE Point Ads	667
Other	(63)
Total	<u>(1,123)</u>

To reflect the terms used under IFRS 15 on Consolidated Statement of Financial Position for the year ended December 31, 2018, certain amounts previously presented in trade and other receivables related to advertising services are reclassified into contract assets, while certain amounts previously presented in advances received arising from such as LINE Points and in deferred revenue associated with the Stickers or advertising services are reclassified into other financial liabilities, current and contract liabilities.

Under the previous standard, the Group recognized considerations received from advertisers as advertising revenue after subtracting the share of advertising agencies. However, under IFRS 15, the Group recognizes such revenue by the gross recognition where the Group recognizes considerations received from advertisers including the portion for the services provided by the advertising agencies. As a result, the amount of expenses which were to be paid to the advertising agencies increased and became material. Therefore, the “sales commission expenses” which were included in the “authentication and other service expenses” in prior years are presented as a separate line item in the Consolidated Financial Statement of Profit or Loss for the year ended December 31, 2018. As the materiality of authentication expenses decreased, the remaining “authentication and other service expenses” is now presented as “outsourcing and other service expenses”.

2. IFRS 9 *Financial Instruments*

The IASB issued the final version of IFRS 9 *Financial Instruments* which sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 is the new standard for the financial reporting of financial instruments that is principles-based and brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project. IFRS 9 is built on a single classification and measurement approach for financial instruments that reflects the business model in which they are managed and their cash flow characteristics including new impairment requirements that are based on a more forward-looking expected credit loss model that will result in more timely recognition of credit losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

The Group has applied IFRS 9 retrospectively and has assessed which business models to apply to its financial assets and liabilities held at January 1, 2018 and classified such financial assets and liabilities in to appropriate classification under IFRS 9. Following are the impacts on accumulated deficit and accumulated other comprehensive income by classification and measurement of financial assets at January 1, 2018.

		<i>(In millions of yen)</i>
	Accumulated deficit	Accumulated other comprehensive income - Financial assets at FVOCI
Balance of accumulated deficit and accumulated OCI as of January 1, 2018 under IAS 39	(4,294)	3,928
Reclassification from available-for-sale financial assets to financial assets at fair value through profit or loss	316	(316)
Transfer of impairment losses arising from reclassification of available-for-sale financial assets to financial assets at FVOCI and recognized previously in profit or loss	1,000	(1,000)
Fair value measurement of financial assets classified from loans and receivables to financial assets at FVOCI as of January 1, 2018	-	42
Increase in provision for debt instruments at FVOCI	(16)	16
Adjustment to shareholders' equity from adoption of IFRS 9	1,300	(1,258)
Balance of accumulated deficit and accumulated OCI as of January 1, 2018 under IFRS 9	(2,994)	2,670

Additional information

(Employee Stock Ownership Plan - J-ESOP)

The Group has an internal policy ("Regulation on stock compensation") which promotes employee incentives that are linked to the Company's stock price in order to retain employees with high level of expertise for a long period of time.

In accordance with the Regulations on Stock Compensation, the Group has granted points equivalent to 835,614 shares, 85,321 shares and 804,151 shares to the employees of the Group on July 18, 2017, January 1, 2018 and July 20, 2018, 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 and/or 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 date, 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 date, which are set between April 1, 2019 and April 1, 2021.

The Company shares under the custody of the trust are recorded as treasury shares within equity. The carrying value of the treasury shares as of December 31, 2018 is 8,205 million yen with 1,979,775 shares.

No borrowings were made in regard to this transaction.

Notes to Consolidated Statement of Financial Position

(1) Assets pledged as collateral and liabilities relating to collateral

- ①Assets pledged as collateral
Not applicable
- ②Liabilities relating to collateral
Not applicable

In accordance with the Japanese Payment Services Act, the Group had deposited investment securities of 280 million yen. In addition, the Group had credit guarantee contracts with banks for 18,500 million yen to comply with the Japanese Payment Services Act.

(2) Accumulated depreciation ¥21,130 million
The Accumulated depreciation amount also includes accumulated impairment.

(3) Allowance for doubtful accounts deducted from assets

Trade and other receivables	¥454 million
Other financial assets, non-current	¥14 million

Notes to Consolidated Statement of Profit or Loss

(1) Other operating income

Other operating income includes gain on loss of control of LINE Mobile Corporation and LINE Games Corporation of an aggregate of 24,794 million yen resulting from a loss of control and is now accounted for under the equity method whereas was previously accounted for as a consolidated subsidiary.

Notes to Consolidated Statement of Changes in Equity

(1) Class and total number of issued shares

Class of shares	January 1, 2018 (shares)	Increase (shares)	Decrease (shares)	December 31, 2018 (shares)
Common share	238,496,810	2,027,832	—	240,524,642

(Note) The number of common share increased by 855,500 shares due to the exercise of stock options during the period between January 9, 2018 to December 17, 2018 and by 1,172,332 shares due to the additional issuance of new shares to Trust & Custody Service Bank, Ltd. (Trust E) through a third party allotment on April 25, 2018 in accordance with the Employee Stock Ownership Plan (J-ESOP).

(2) Class and total number of treasury shares

Class	January 1, 2018 (shares)	Increase (shares)	Decrease (shares)	December 31, 2018 (shares)
Common share	1,007,710	1,173,285	201,220	1,979,775

(Note) The number of common shares classified as treasury shares increased by 1,172,332 shares due to the issuance of new shares to Trust & Custody Service Bank, Ltd. (Trust E) as a trust asset under the Employee Stock Ownership Plan (J-ESOP). The number of common shares classified as treasury shares also increased by 953 shares due to exercise of request for purchase of less than one unit share to Trust & Custody Service Bank, Ltd. (Trust E) by the shareholders.

The number of common shares classified as treasury shares under the custody of the Trust & Custody Service Bank, Ltd. (Trust E), decreased by 143,300 shares due to sales of shares and also decreased 57,920 shares as the shares were provided to employees under the Employee Stock Ownership Plan (J-ESOP).

(3) Cash dividends

Not applicable

(4) Class and number of shares under subscription rights to shares as of December 31, 2018, excluding rights which exercise period has not yet begun

Subscription Rights	Class	Number of shares
Stock Option	Common Stock	3,738,300
Euro-yen convertible bonds with stock acquisition rights due 2023	Common Stock	9,797,776
Euro-yen convertible bonds with stock acquisition rights due 2025	Common Stock	9,731,311

Notes to financial instruments**(1) Status of financial instruments**

The Group is exposed to financial risks (credit risks, liquidity risks, exchange rate risks, interest rate risks and market price fluctuation risks) in the process of its management activities, and the Group manages risks based on a specific policy in order to avoid or reduce such risks. The status and results of risk management activities are regularly reported to the Company's managements.

The Group policy limits derivatives to transactions for the purpose of mitigating risks from transactions based on actual demand. Therefore, the Group does not transact derivatives for speculation purposes or trading purposes.

(2) Fair value of financial instruments

The carrying amounts on the consolidated statement of financial position and the fair values as of December 31, 2018 are as follows:

(In millions of yen)

	Carrying amount on consolidated statement of financial position	Fair value	Difference
Cash and cash equivalents	256,978	259,978	—
Trade and other receivables	37,644	37,644	—
Other financial assets, current	15,915	15,915	—
Other financial assets, non-current	42,287	42,183	(104)
Trade and other payables	34,985	34,985	—
Other financial liabilities, current	36,726	36,726	—
Other financial liabilities, non-current	527	527	0

The fair values of Cash and cash equivalents, Trade and other receivables, Other financial assets, current, Trade and other payables and Other financial liabilities, current approximate their carrying amounts due to their short-term and/or variable-interest bearing nature.

The fair values of Other financial assets, non-current and Other financial liabilities, non-current for those having market prices are based on market price. The fair values of Other financial assets, non-current and Other financial liabilities, non-current for those not having market prices are mainly estimated using valuation techniques such as Binomial option pricing model, Market approach, Discount cash flow model and Option pricing model, or estimated by referring to the most recent transaction prices.

Notes to per share information

(1) Equity attributable to the shareholders of the Company per share	¥833.87
(2) Basic loss per share:	¥(15.62)
(3) Diluted loss per share	¥(15.62)

Material subsequent events

Not applicable

Non-consolidated Statement of Changes in Equity

From January 1, 2018 to December 31, 2018

	Equity attributable to the shareholders of the Company							Valuation and translation adjustments	Subscription rights to shares	(In millions of yen) Total shareholders' equity
	Capital surplus				Retained earnings					
	Share capital	Legal capital surplus	Other capital surplus	Total capital surpluses	Other retained earnings Retained earnings brought forward	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at January 1, 2018	92,368	82,433	900	83,334	7,512	(3,999)	179,215	417	5,698	185,332
Adjustment on adoption of new accounting standards	—	—	—	—	(642)	—	(642)	—	—	(642)
Balance at January 1, 2018 (restated)	92,368	82,433	900	83,334	6,869	(3,999)	178,572	417	5,698	184,689
Changes of items during the period										
Issuance of new shares	2,499	2,499	—	2,499	—	—	4,999	—	—	4,999
Exercise of stock options	1,195	1,195	—	1,195	—	—	2,390	—	—	2,390
Loss for the year	—	—	—	—	(3,674)	—	(3,674)	—	—	(3,674)
Acquisition of treasury shares	—	—	—	—	—	(5,004)	(5,004)	—	—	(5,004)
Disposal of treasury shares	—	—	24	24	—	798	822	—	—	822
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	(304)	(862)	(1,166)
Total changes of items during the period	3,695	3,695	24	3,719	(3,674)	(4,205)	(465)	(304)	(862)	(1,632)
Balance at December 31, 2018	96,603	86,128	924	87,053	3,195	(8,205)	178,107	113	4,836	183,057

(Note: amounts are rounded down to the nearest million)

Notes to Non-Consolidated Financial Statements

Significant accounting policies

1. Basis and method of valuation for assets

(1) Basis and method of valuation for securities

Investments in affiliates (the “affiliates” includes the Company’s subsidiaries and associates):	Stated at cost based on the moving-average method
Held-to-maturity securities:	Stated at amortized cost using the effective interest method
Other securities	
Marketable securities:	Stated at fair value by reference to market price at the balance sheet date (unrealized gain/loss is included in as a separate component in equity, net of tax; while cost is determined using the moving-average method)
Non-marketable securities:	Stated at cost based on the moving-average method
Securities in investment partnerships:	The Company’s share of an investment partnership is measured based on the investment partnership’s latest financial statements available for the fiscal year as regulated under the partnership agreement. Capital contributions to investment partnerships that are affiliates of the Company are recorded in “Investments in other securities of subsidiaries and associates”.

(2) Basis and method of valuation for inventory

Goods:	Stated at cost on the first-in, first-out basis (The amount on the balance sheet is stated at the lower of cost or net realizable value)
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2. Depreciation and amortization methods for fixed assets

(1) Property and equipment (excluding leased assets): Straight-line method

The main useful lives are as follows:

- Buildings: 1-15 years
- Tools, furniture and fixtures: 2-10 years

(2) Leased assets:

For finance leases that do not transfer ownership of the leased property to the lessee, depreciation expense is mainly computed by the straight-line method over the lease period as the useful life assuming no residual value.

(3) Intangible assets: Straight-line method

The main useful lives are as follows:

- Software: 2-5 years
- Goodwill: The Company determines the useful lives for each individual transaction within 20 years

(4) Long-term prepaid expenses:

Straight-line method

3. Policy on accounting of provisions

- | | |
|--------------------------------------|---|
| (1) Allowance for doubtful accounts: | Provided for possible losses from bad debts at an amount determined based on the historical default rate for ordinary receivables and the individual recoverability of specific doubtful receivables from customers experiencing financial difficulties. |
| (2) Provisions for points: | Provided based on the amount of expenses expected to be incurred in the future when the points, which were granted for the marketing purposes, were utilized. |
| (3) Other provisions: | Provided based on the amount of losses expected to be incurred in relation to rental fees for the unutilized rental periods as a result of events such as the relocation of offices and in relation to cash payments to the employees in accordance with the Company's Regulation on Stock Compensation as the points granted to the employees through the introduction the Employee Stock Ownership Plan vest and as the equivalent number of shares are sold in the market. |

4. Basis of recognition for revenue and expense

Refer to Significant matters for the preparation of consolidated financial statements under Notes to Consolidated Financial Statements.

5. Other

Accounting for consumption taxes and others

Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of consumption taxes.

Notes on change of accounting policies

The Company has early adopted the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No. 29, March 30, 2018) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No. 30, March 30, 2018).

The Company applied the standards in Paragraph 84 of the "Accounting Standard for Revenue Recognition" and the accumulated retrospective impact as of the beginning of the fiscal year ended December 31, 2018 has been reflected in the beginning balance of Retained Earnings and the new standard is applied for all revenue transactions occurring during the year ended December 31, 2018.

As a result, the beginning balance of Retained Earnings brought forward has decreased by 642 million yen on the Non-Consolidated Statement of Changes in Equity.

Additional information

(Employee Stock Ownership Plan - J-ESOP)

The Group has an internal policy (“Regulation on stock compensation”) which promotes employee incentives that are linked to the Company’s stock price in order to retain employees with high level of expertise for a long period of time.

In accordance with the Regulations on Stock Compensation, the Group has granted points equivalent to 323,567 shares, 31,847 shares and 298,661 shares to the employees of the Group on July 18, 2017, January 1, 2018 and July 20, 2018, 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 and/or 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 date, 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 date, which are set between April 1, 2019 and April 1, 2021.

The Company shares under the custody of the trust are recorded as treasury shares within equity. The carrying value of the treasury shares as of December 31, 2018 is 8,205 million yen with 1,979,775 shares.

No borrowings were made in regard to this transaction.

Notes to non-consolidated balance sheet

1. Assets pledged as collateral and liabilities relating to collateral

① Assets pledged as collateral

Not applicable

② Liabilities relating to collateral

Not applicable

In accordance with Article 14.1 of the Japanese Payment Services Act, the Company deposited Investment securities of 280 million yen as of December 31, 2018. In addition, the Company had credit guarantee contracts with banks as of December 31, 2018 for 7,500 million yen to comply with article 15.1 of the Japanese Payment Services Act.

2. Accumulated depreciation ¥16,429 million

3. Guarantee obligations

Guarantees are provided to the following entity for its payables from operating activities with the maximum amount provided below:

LINE Pay Corporation	¥12,607	million
LINE FRIENDS INC.	¥7,484	million
FIVE Inc.	¥33	million

4. Receivables and payables with respect to subsidiaries and affiliates

Short-term receivables:	¥18,040	million
Long-term receivables:	¥5,510	million
Short-term payables:	¥13,638	million
Long-term payables	¥75,077	million

Notes to non-consolidated statement of income

Amount of transactions with subsidiaries and affiliates

Operating transaction amount

Sales: ¥18,080 million

Operating expenses: ¥58,402 million

Non-operating transaction amount ¥563 million

Notes to non-consolidated statement of changes in net assets

Class and number of shares of treasury shares

Class	January 1, 2018 (shares)	Increase (shares)	Decrease (shares)	December 31, 2018 (shares)
Common share	1,007,710	1,173,285	201,220	1,979,775

(Note) The number of common shares classified as treasury shares increased by 1,172,332 shares due to the issuance of new shares to Trust & Custody Service Bank, Ltd. (Trust E) as a trust asset in accordance to the Employee Stock Ownership Plan (J-ESOP). The number of common shares classified as treasury shares also increased by 953 shares due to exercise of request for purchase of less than one unit share to Trust & Custody Service Bank, Ltd. (Trust E) by the shareholders. The number of common shares classified as treasury shares held by Trust & Custody Service Bank, Ltd. (Trust E) decreased by 143,300 shares due to sales of shares, and also decreased by 57,920 shares due to the shares provided to employees under the Employee Stock Ownership Plan (J-ESOP).

Notes on revenue recognition

Refer to “Significant matters for the preparation of consolidated financial statements” in “Notes to consolidated financial statements”.

Notes to Tax effect accounting

Breakdown of deferred tax assets and deferred tax liabilities by major cause

Deferred tax assets	(In millions of yen)
Advances received	3,387
Deferred revenue	2,744
Accrued enterprise taxes	252
Provision for LINE points	1,217
Allowance for doubtful accounts	1,063
Provision for bonuses	253
Accounts payables and accrued expenses	454
Depreciation	3,769
Restoration obligation	641
Share based compensation	926
Loss on valuation of investment in affiliates	8,699
Loss on valuation of investment securities	426
Other	1,032
Sub total	24,869
Less valuation allowance	(5,684)
Total of deferred tax assets	19,184
Deferred tax liabilities	
Prepaid expenses	(1,427)
Expenses associated with restoration obligations	(376)
Other	(129)
Total of deferred tax liabilities	(1,933)
Deferred tax assets, net	17,251

Related-party transactions

Details of transactions

(1) Parent company

(In millions of yen)

Type	Name	Ownership ratio of voting rights	Relation with related parties	Description of transaction	Transaction amount	Line item	Balance as of December 31, 2018
Parent	NAVER Corporation	Direct ownership 72.6%	Concurrent director of the Company	Exercise of convertible bonds with stock options	74,989	Convertible bonds with stock acquisition rights	74,989

(2) Subsidiaries and associates

(In millions of yen)

Type	Name	Ownership ratio of voting rights	Relation with related parties	Description of transaction	Transaction amount	Line item	Balance as of December 31, 2018
Subsidiaries	LINE Plus Corporation	Direct ownership 100%	Concurrent director duties, licensing of various contents	Providing the Platform service or providing revenue sharing on the services received (*1)	Receipt 5,488	Accounts receivable - trade	603
						Other assets, current (other receivables)	854
					Payment 17,096	Accounts payable - trade	69
						Accrued expenses	1,519
				Advance payment of consumption taxes (*2)	5,962	Other current assets (advance payments)	1,481
				Capital Contribution (*3)	9,992	—	—
	LINE Financial Corporation	Direct ownership 100%	Concurrent director duties	Capital Contribution (*4)	49,000	—	—
	LINE Pay Corporation	Direct ownership 100%	Receiving of services, shared director duties	Debt guarantee (*5)	12,606	—	—
	LINE FRIENDS INC.	Indirect ownership 100%	Guarantee on store rental	Debt guarantee (*6)	7,483	—	—

Consumption taxes are not included in the transaction amount or the year-end balance since these transactions occurred in overseas.

(*1) The transactions were based on the fee rates under contracts which both parties agreed upon.

(*2) The Company made advance payments for tax obligations of foreign operators related to taxes such as consumption taxes for providing telecommunication use services for consumers.

(*3) The Company contributed additional capital to LINE Plus Corporation for 500,000 Korean won per share through a third-party allotment.

(*4) The Company contributed additional capital to LINE Financial Corporation for 10,000 yen per share through a third-party allotment.

(*5) The Company, together with Sumitomo Mitsui Banking Corporation, provides guarantee to LINE Pay Corporation for LINE Pay Corporation to be able to comply with the Japanese Payment Services Act.

(*6) The Company guarantees LINE FRIENDS INC.'s rental fees and obligations to restore the site to its original condition for the store which LINE FRIENDS INC. leases.

Notes to per share information

(1) Earnings per share	¥747.12
(2) Loss per share: during the year ended December 31, 2018	¥(15.43)

Material subsequent events

Additional capital injection to a subsidiary (LINE Pay Corporation)

At the board of directors on January 31, 2019, the Company resolved to invest additional capitals of 20,000 million yen into LINE Pay Corporation, which is a subsidiary of the Company. The additional capital will be used for the purpose of business expansion and to secure the soundness of the financial condition of LINE Pay Corporation. The investment is expected to be completed on February 28, 2019.