

LINE Q1 2019

Earnings Results

LINE Corporation

April 24, 2019

Disclaimer

This presentation contains forward-looking statements with respect to the current plans, estimates, strategies and beliefs of LINE Corporation (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 positions and results of operations may differ significantly from those expressed in any forward-looking statements in the presentation. 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:

1. its ability to attract and retain users and increase the level of engagement of its users;
2. its ability to improve user monetization;
3. its ability to successfully enter new markets and manage its business expansion;
4. its ability to compete in the global social network services market;
5. 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
6. its ability to increase revenues and its revenue growth rate;
7. its ability to maintain good relationships with platform partners and attract new platform partners;
8. its ability to attract advertisers to the LINE platform and increase the amount that advertisers spend with LINE;
9. its expectations regarding its user growth rate and the usage of its mobile applications;
10. its ability to increase revenues and its revenue growth rate;
11. its ability to timely and effectively scale and adapt its existing technology and network infrastructure;
12. its ability to successfully acquire and integrate companies and assets;
13. its future business development, results of operations and financial condition;
14. the regulatory environment in which it operates;
15. fluctuations in currency exchange rates and changes in the proportion of its revenues and expenses denominated in foreign currencies; and
16. changes in business or macroeconomic conditions.

The information contained in this material are preliminary results as of April 24, 2019, and LINE does not guarantee its accuracy or completeness.

Q1 2019 Highlights

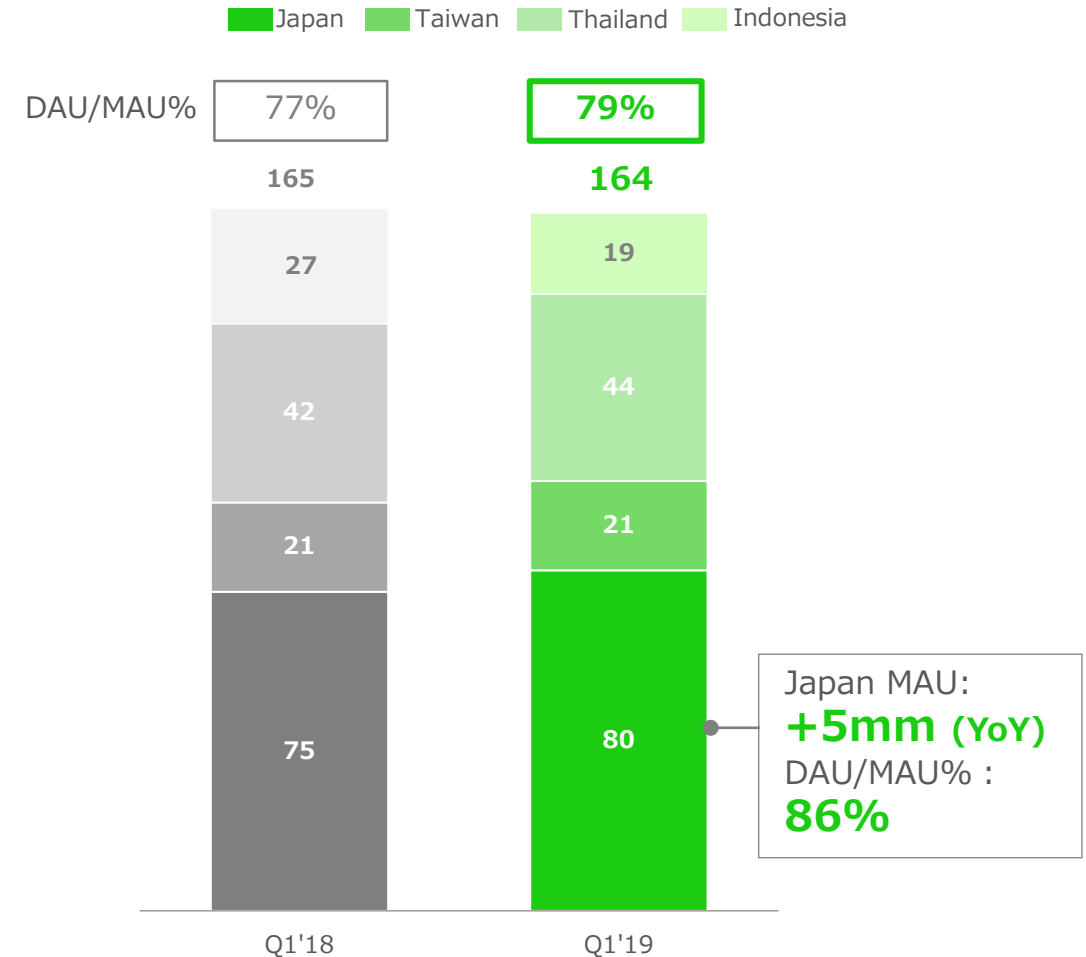
Highlights

Core	<ul style="list-style-type: none">• Smart Channel release ongoing as scheduled• Sharp increase in number of new Official Accounts
Strategic	<ul style="list-style-type: none">• LINE Pay MAU increasing consistently due to 'Pay-Toku' campaign and other promotions• Mobile Payment Alliance: allowing payment providers to share merchant base
Others	<ul style="list-style-type: none">• Reorganization to 'company-based' structure• Established Compensation Committee and policy*• Announced new share-based compensation plan

* For details on the compensation policy, please refer to <https://linecorp.com/en/ir/governance>

Monthly Active Users | Four Key Countries

(mm users)



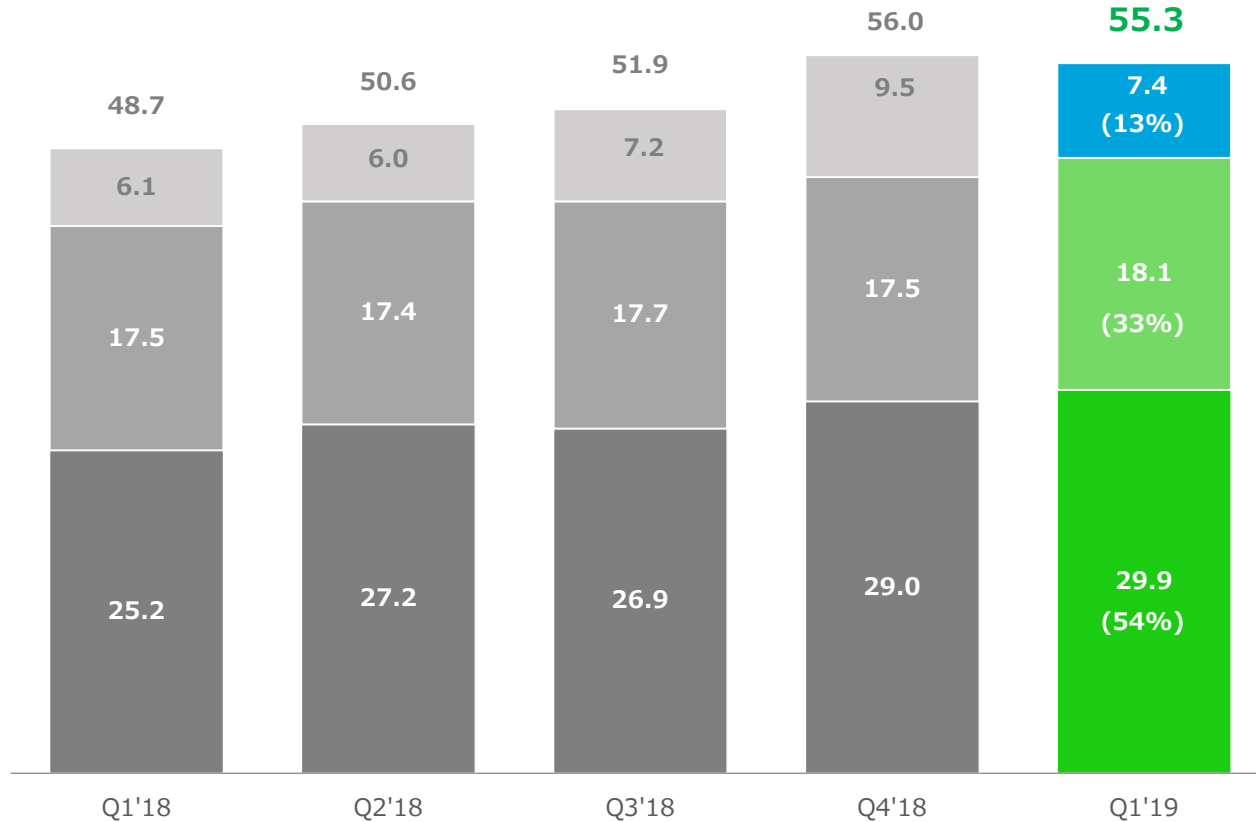
Revenues

Revenues

(bn yen)

- Strategic Business
- Core Business (Communication/Content/Others)
- Core Business (Ads)

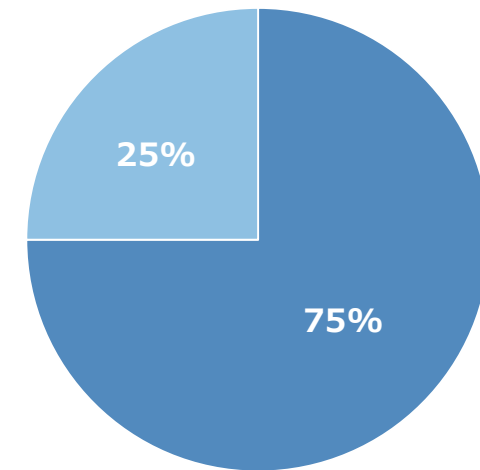
**YoY
+ 13.5%**
55.3



Geographical breakdown

(For Q1 2019)

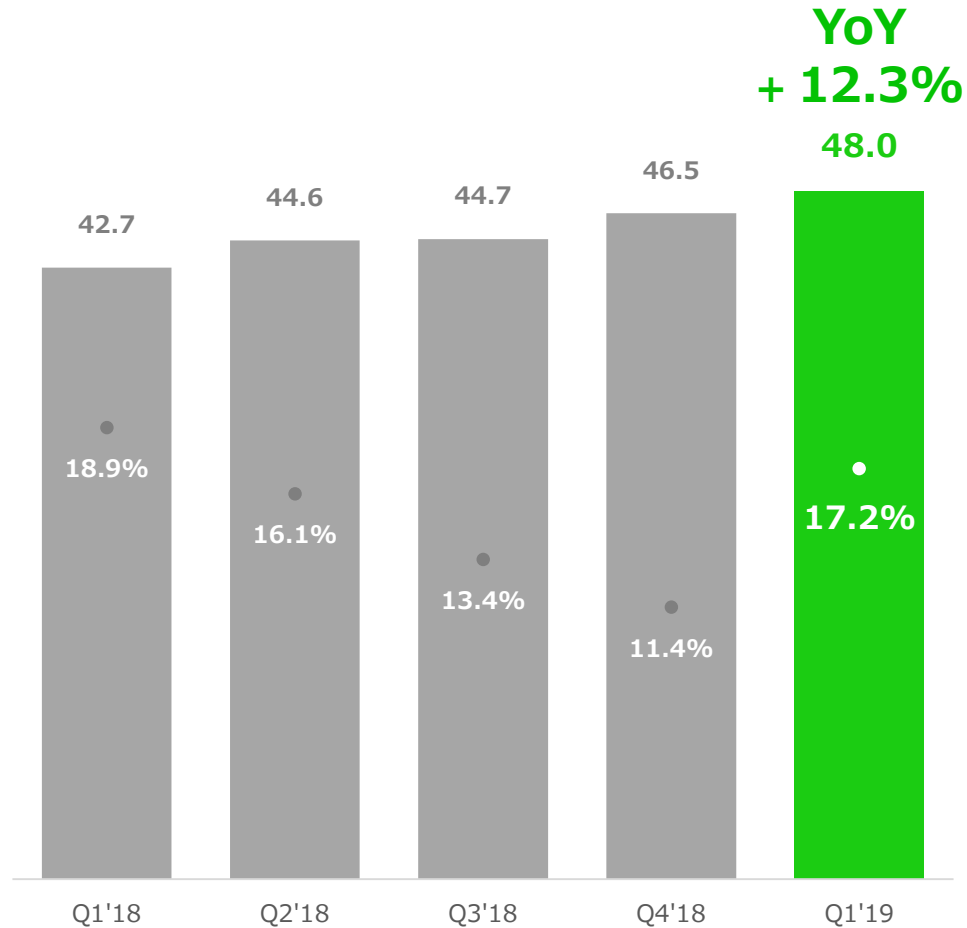
- Japan
- Overseas



Segment Revenue and Operating Margin

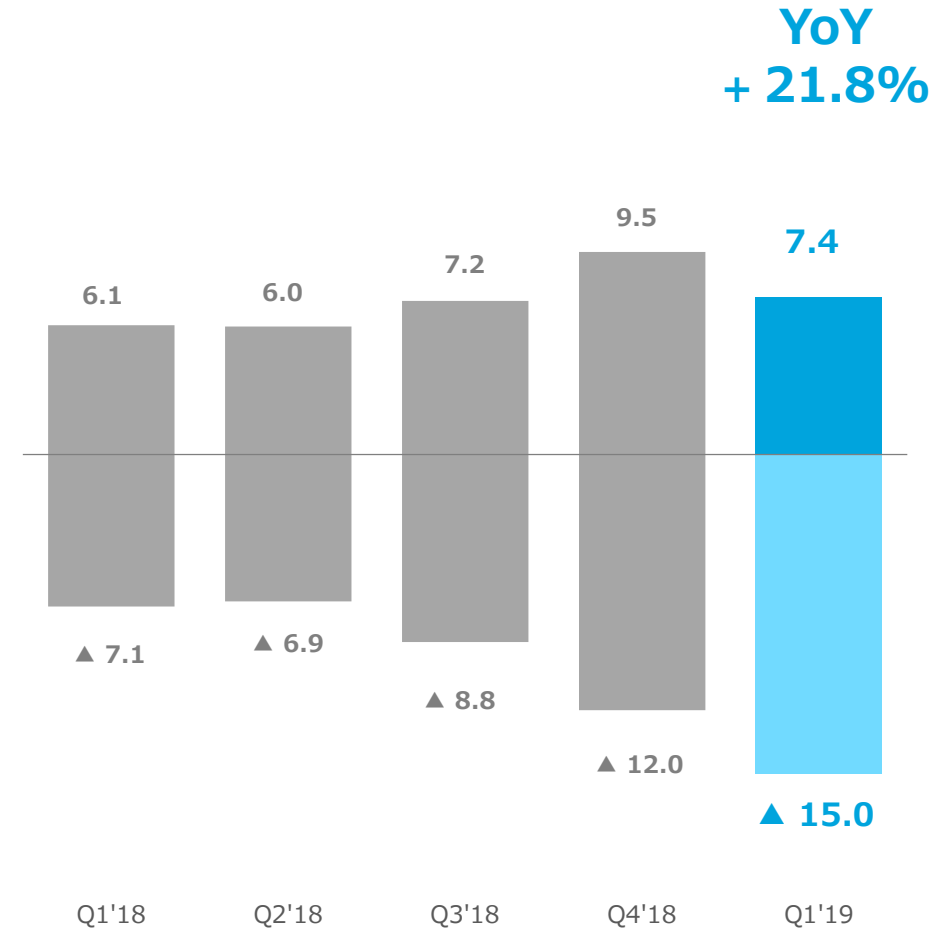
Core | Revenue / Operating margin

(bn yen)



Strategic | Revenues / Operating income

(bn yen)



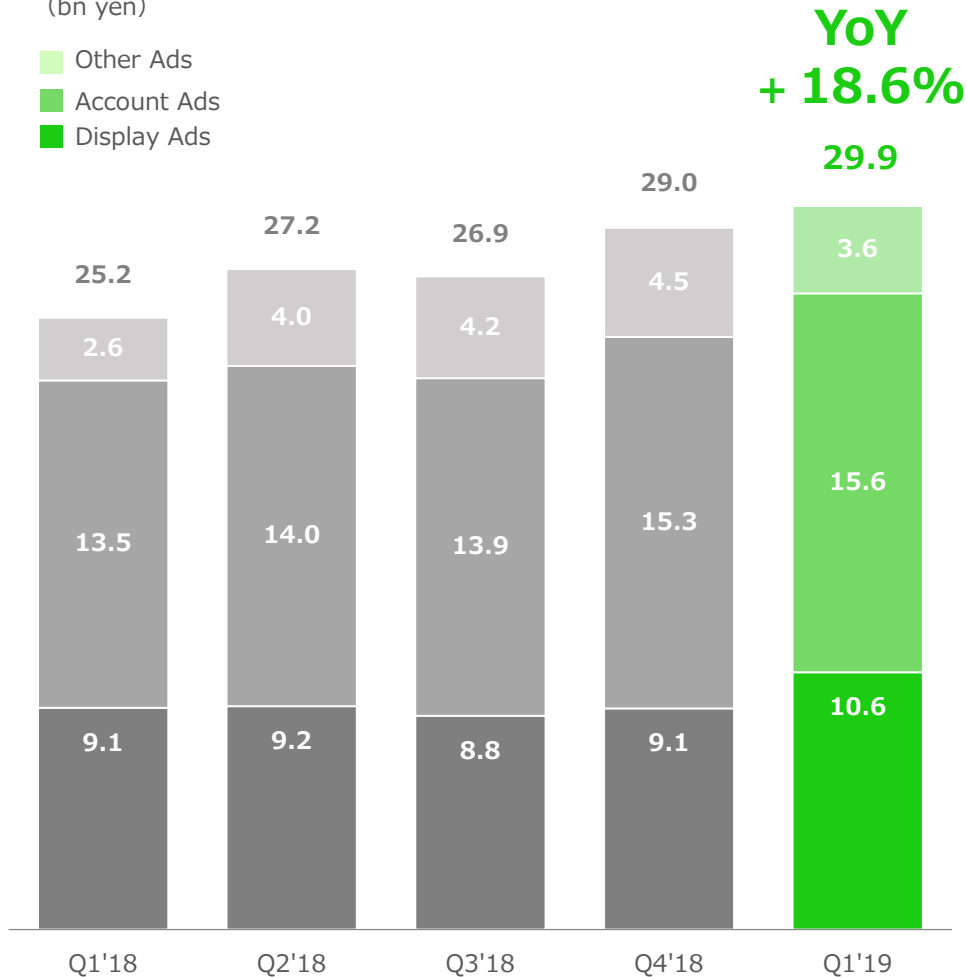
Core Business

Core | Ads

Revenues

(bn yen)

- Other Ads
- Account Ads
- Display Ads



Note: Others include ad revenues mainly from Livedoor, NAVER Matome, and LINE Part Time Jobs (since Q2 2018)

Key KPI

of Official Accounts

(accounts)

Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
657	672	677	774	925

*Global paid official accounts

of LINE@ Accounts

(accounts in thousands)

Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
7,327	7,929	8,526	9,156	9,747

*Global active accounts

of LAP Impressions

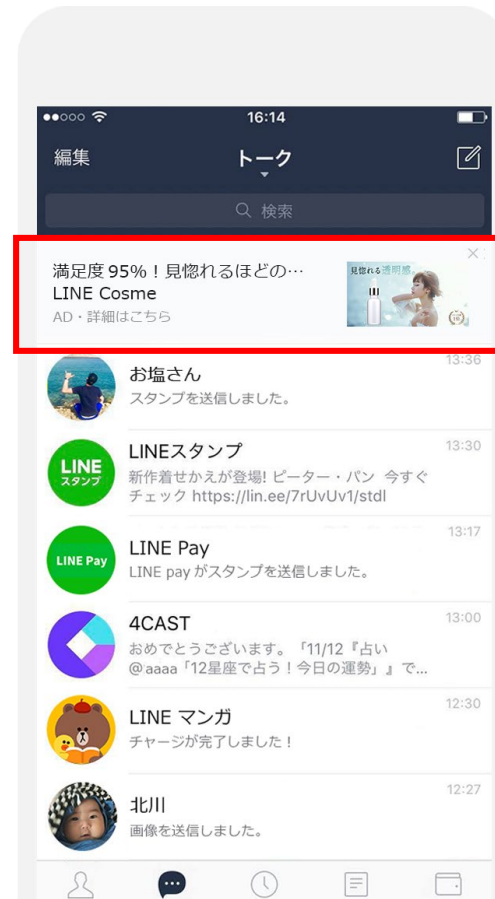
(impressions in millions)

Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
17,671	21,167	23,265	23,568	26,291

*LAP: LINE Ads Platform

Core | Ads: Smart Channel

Current status	<ul style="list-style-type: none">• Release to all LINE users during April• Advertisement exposure to be gradually increased
On-going initiatives	
Products	<ul style="list-style-type: none">• Broaden content lineup• Improve UI and UX• Enable more formats such as video
Features	<ul style="list-style-type: none">• Improve targeting• Optimize distribution logic such as display timing and period
Global	<ul style="list-style-type: none">• Content release from April



← **Smart Channel**

Providing personalized content including:

- News articles
- Weather reports
- Horoscopes
- Manga
- Sticker shop

Core | Ads : LINE Sales Promotion

Current status

- # new Sales Promotions in Q1: 60 (+400% YoY)
- LINE Mileage and LINE Instant Win implementation increasing

On-going initiatives

Products

- Launched LINE Check-in (alternative to storefront POP display)
- Distribute flyers with retailers and distributors (measuring store visit conversions)

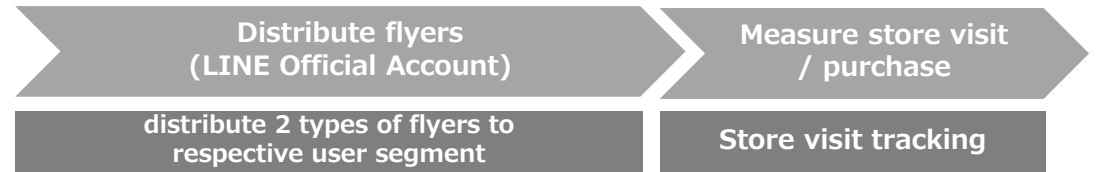
Features

- Provide CMS and API for campaigns
- Increase campaign varieties

Data

- Cross-data usage between Official Account, display ads, and purchase/store visit data

Promotional Campaign with Daiei Inc.



Examples of flyers



Measurement of store visit conversions with LINE Beacon



Conversion tracking from campaign participation using receipts

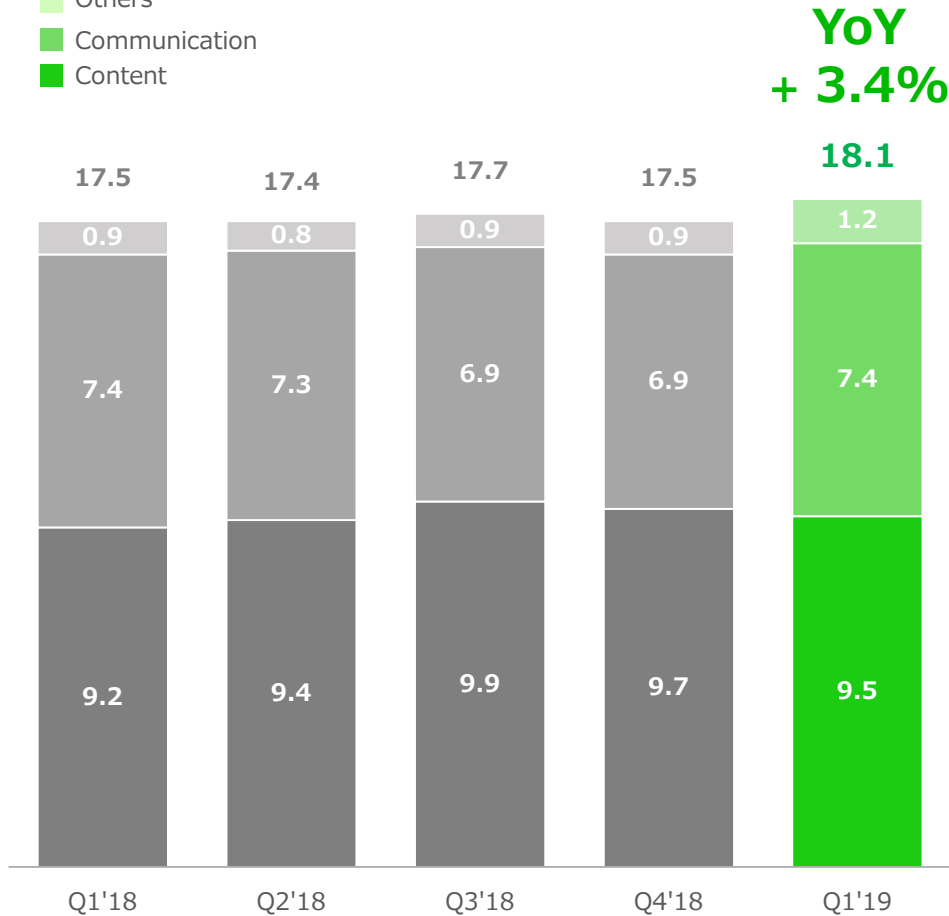


Core | Communication / Content / Others

Revenue

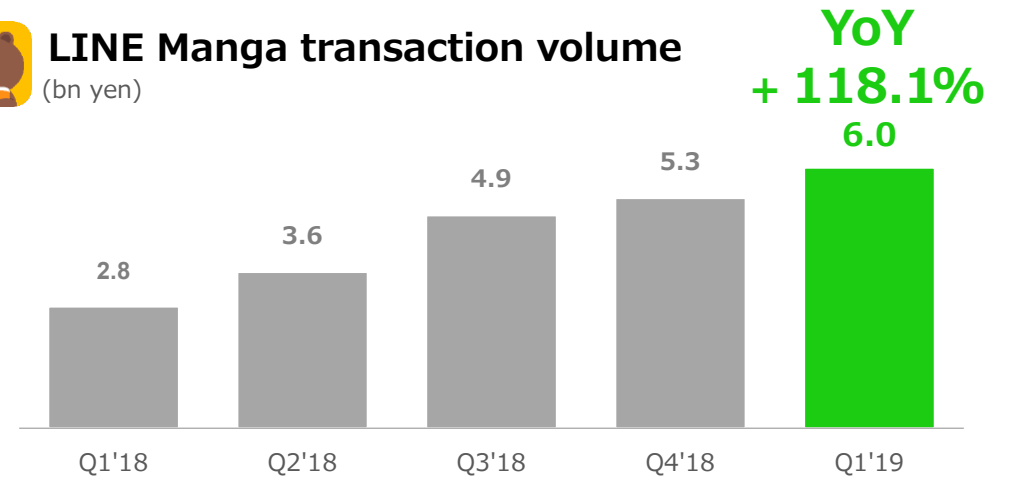
(bn yen)

- Others
- Communication
- Content



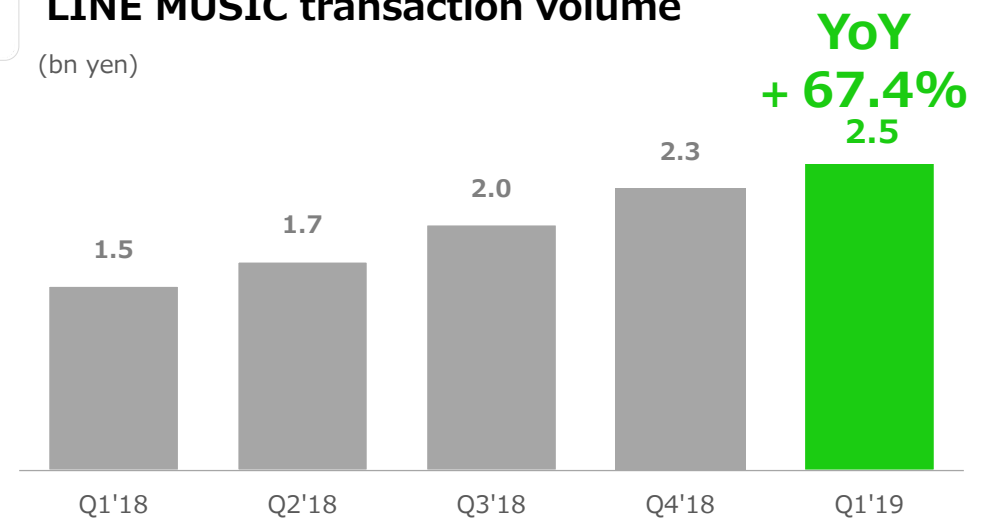
LINE Manga transaction volume

(bn yen)



LINE MUSIC transaction volume

(bn yen)



Strategic Business

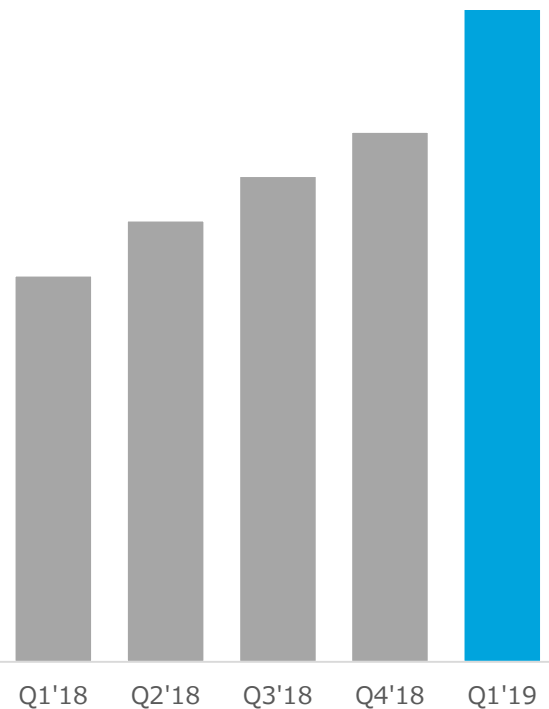
Strategic | O2O · Commerce

Shopping-related transaction volume



• SHOPPING GO (off-line)
released December 2018

YoY
+ 69.0%

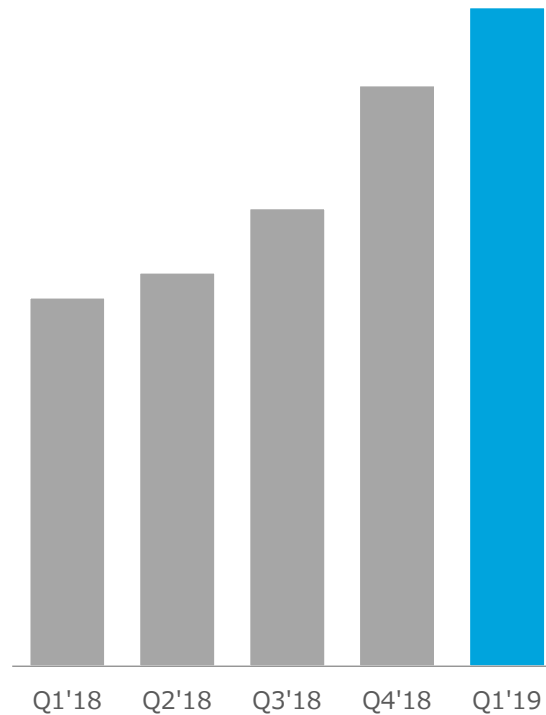


Gourmet-related transaction volume



• LINE Pockeo (take-out)
released April 2019

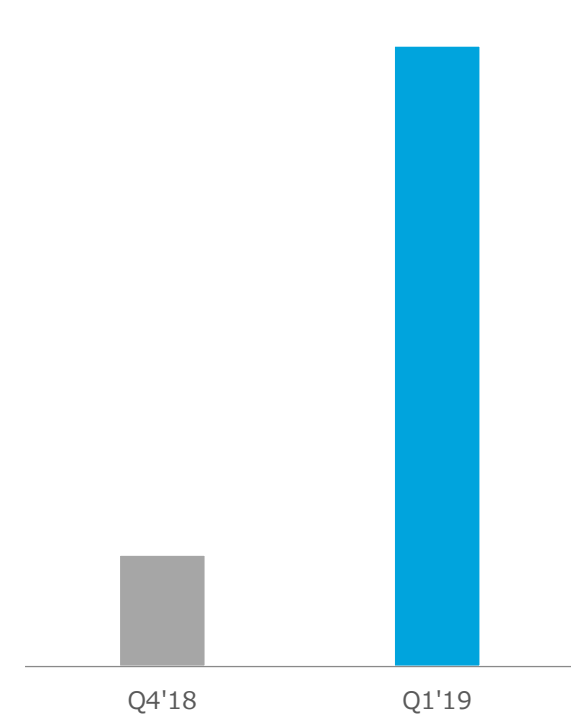
YoY
+ 79.6%



Travel-related transaction volume



QoQ
+ 456.1%



Note: The shopping-related transaction volume includes LINE Shopping and SHOPPING GO
The travel-related transaction volume is the sum of past reservations and estimates based on past reservations

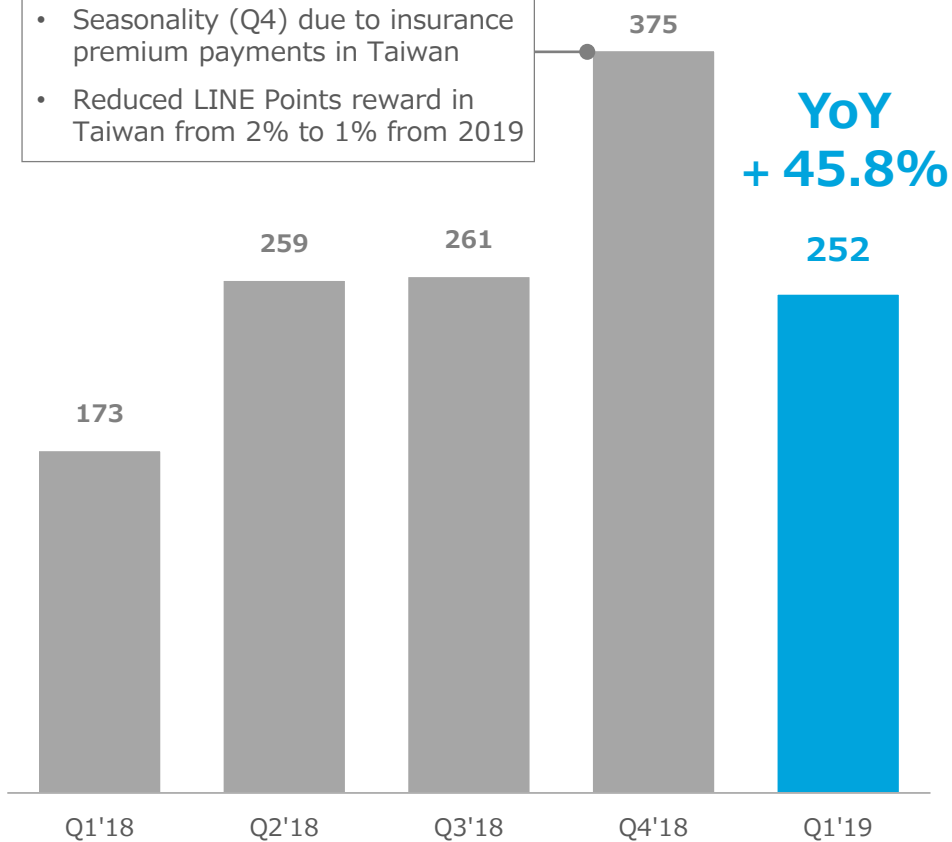
Strategic | LINE Pay

LINE Pay Global Transaction Volume

(bn yen)

LINE Pay

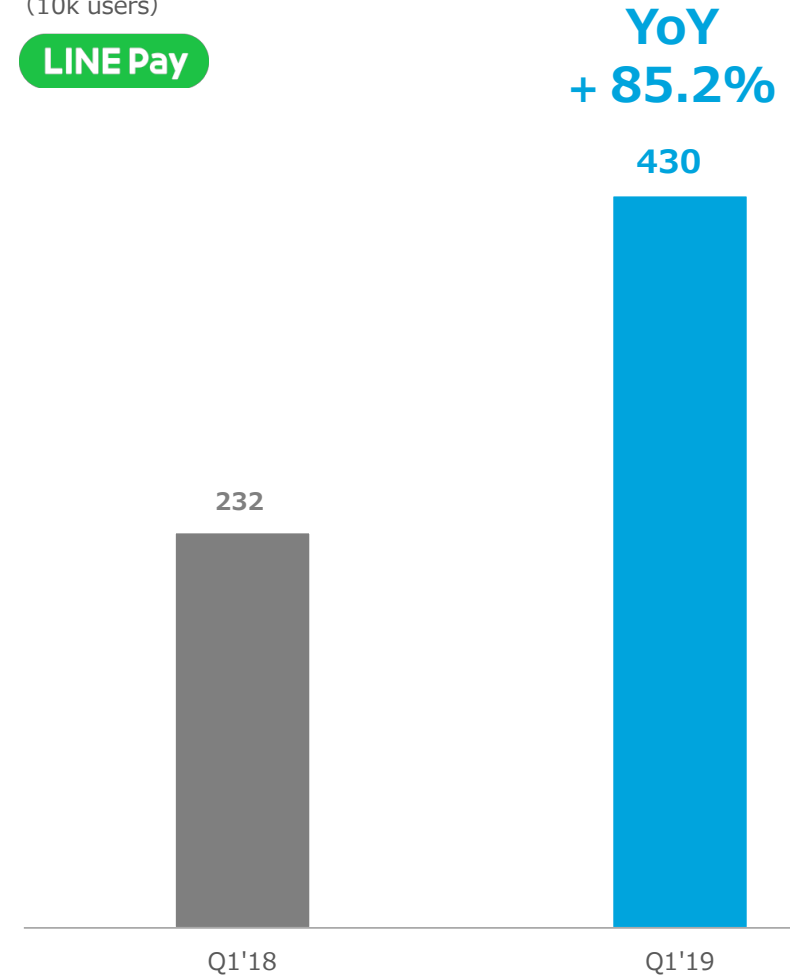
- Seasonality (Q4) due to insurance premium payments in Taiwan
- Reduced LINE Points reward in Taiwan from 2% to 1% from 2019






LINE Pay Global MAU

(10k users)

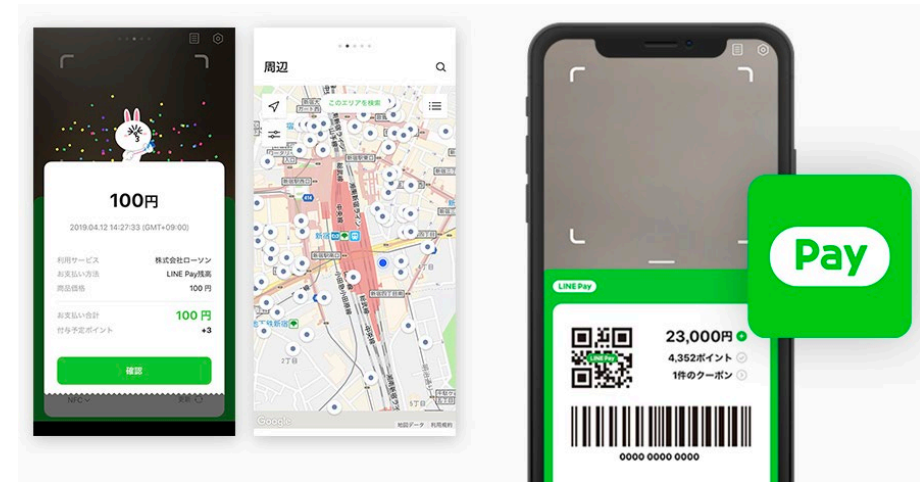
LINE Pay



Strategic | LINE Pay: Initiatives in Japan

<p>Merchants</p>	<ul style="list-style-type: none"> Mobile Payment Alliance <ul style="list-style-type: none"> Cross sharing merchants with Merpay 
<p>Users</p>	<ul style="list-style-type: none"> Various user marketing campaign including 'Pay-toku' 
<p>Products</p>	<ul style="list-style-type: none"> Released LINE Pay app Online verification (LINE Pay e-KYC) Preparing co-branded credit card 
<p>Partnership</p>	<ul style="list-style-type: none"> Comprehensive partnership with Starbucks 

LINE Pay app released



- Simple app dedicated to payments
- Enables QR and barcode payments, merchant map, and coupons
- LINE Pay app payment during the 'Heisei Pay-Toku' campaign will receive double reward points

Finance Section

Earnings Summary (Q1 2019)

(mm yen)	Q1'18	Q4'18	Q1'19	Growth rate	
				Y/Y	Q/Q
Revenues and other operating income	50,209	72,849	55,475	10.5%	-23.8%
Revenues	48,736	55,971	55,323	13.5%	-1.2%
Operating income	1,246	9,365	-7,892	N/M	N/M
Margin(%)	2.5%	12.9%	-14.2%	-16.7%p	-27.1%p
Core Revenue	42,681	46,478	47,948	12.3%	3.2%
Core Operating income	8,076	5,279	8,266	2.4%	56.6%
Margin(%)	18.9%	11.4%	17.2%	-1.7%p	5.9%p
Strategic Revenue	6,055	9,493	7,375	21.8%	-22.3%
Strategic Operating income	-7,131	-12,037	-14,987	N/M	24.5%
Common Revenue	1,473	16,878	152	-89.7%	-99.1%
Common Operating expense	1,172	755	1,323	12.9%	75.2%

Note: Common revenue includes other revenues. Operating expense is mainly share-based compensations.

Operating Expenses

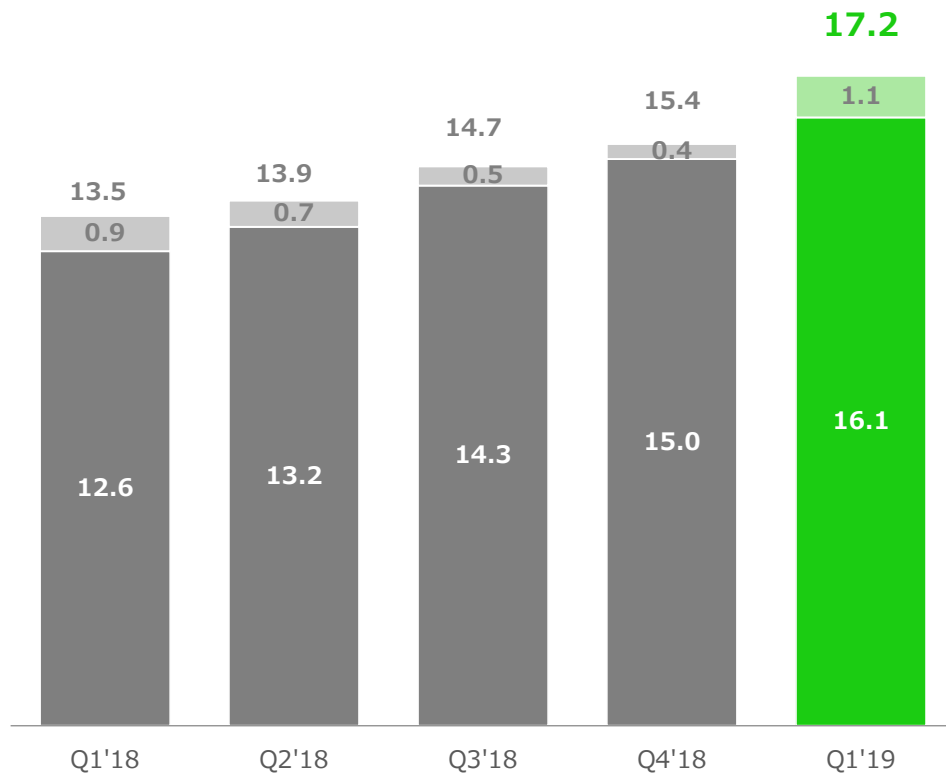
(mm yen)	Q1'18	Q4'18	Q1'19	Growth rate	
				Y/Y	Q/Q
Revenues and other operating income	50,209	72,849	55,475	10.5%	-23.8%
Operating expenses	48,963	63,484	63,367	29.4%	-0.2%
Payment processing and licensing	7,306	8,173	8,803	20.5%	7.7%
Sales commission	3,011	4,879	4,254	41.3%	-12.8%
Employee compensation	13,493	15,387	17,190	27.4%	11.7%
Marketing	3,931	5,949	7,499	90.8%	26.1%
Infrastructure and communication	2,601	2,719	2,708	4.1%	-0.4%
Outsourcing expense	7,937	8,811	9,101	14.7%	3.3%
Depreciation and amortization	2,329	3,283	5,184	122.6%	57.9%
Other operating expenses	8,355	14,283	8,628	3.3%	-39.6%
Operating income	1,246	9,365	-7,892	N/M	N/M
Margin(%)	2.5%	12.9%	-14.2%	-16.7%p	-27.1%p
Pre-tax income	-138	3,580	-11,270	N/M	N/M
Corporate tax	-1,636	-2,055	547	N/M	N/M
Net income from continuing operations	-1,774	1,525	-10,723	N/M	N/M
Net income	-1,770	1,898	-10,718	N/M	N/M

Employee Compensation & Marketing

Employee Compensation

(bn yen)

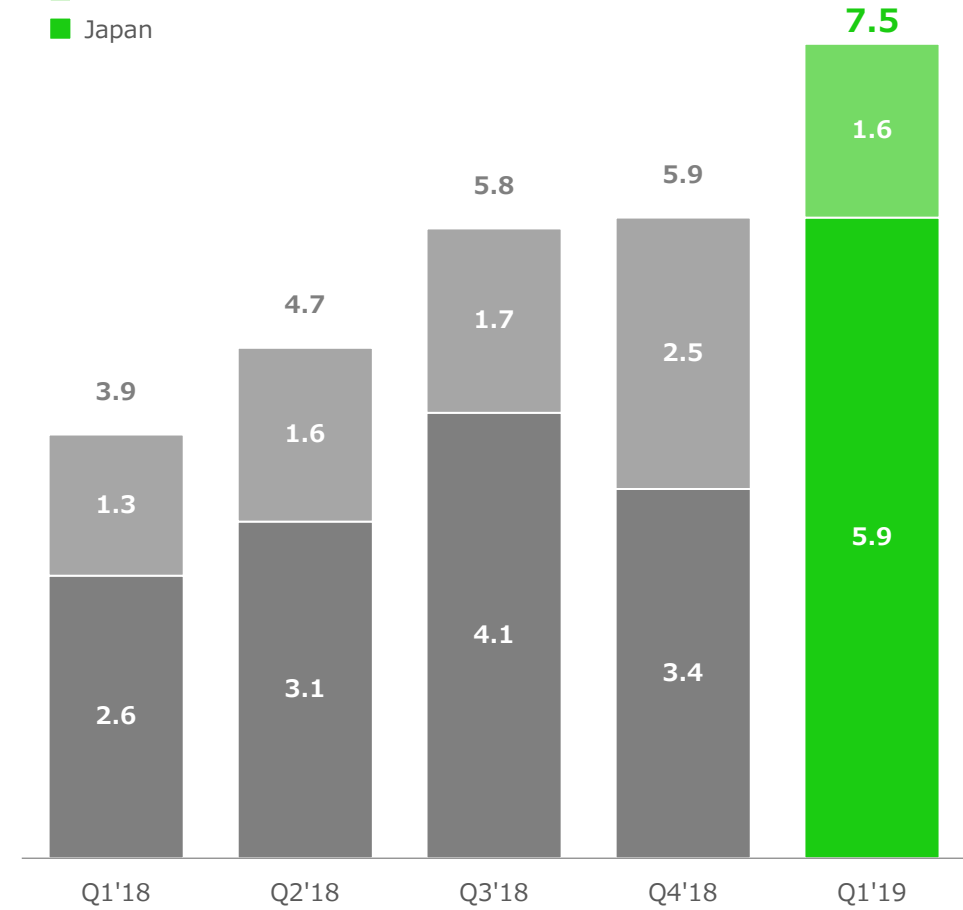
- SBC
- Salary · Others



Marketing

(bn yen)

- Overseas
- Japan

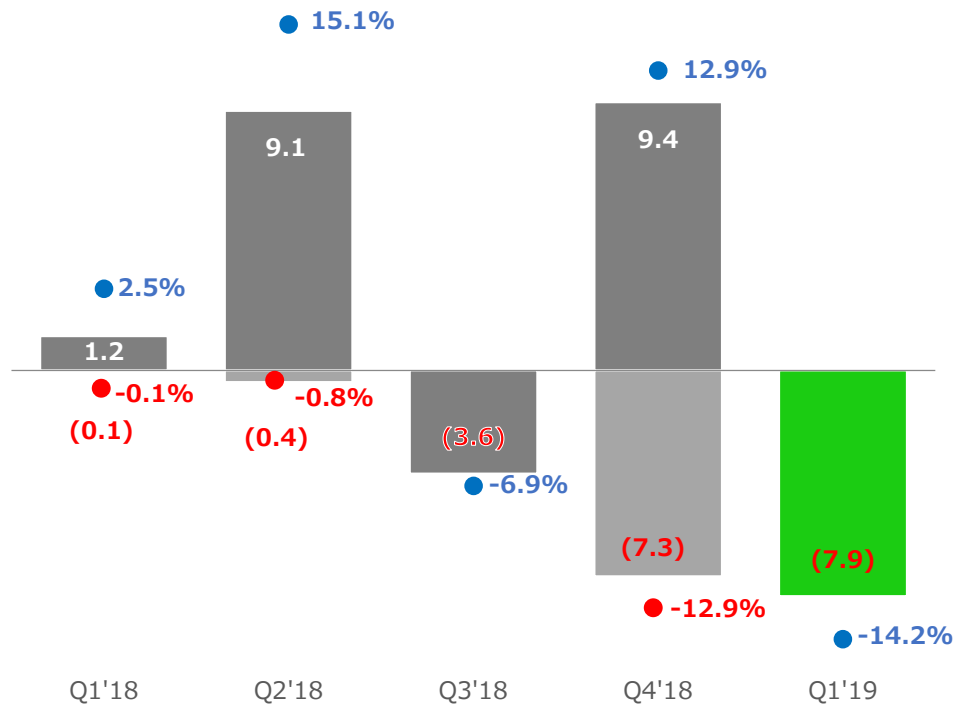


Operating & Net Income

Operating Income (Margin)

(bn yen)

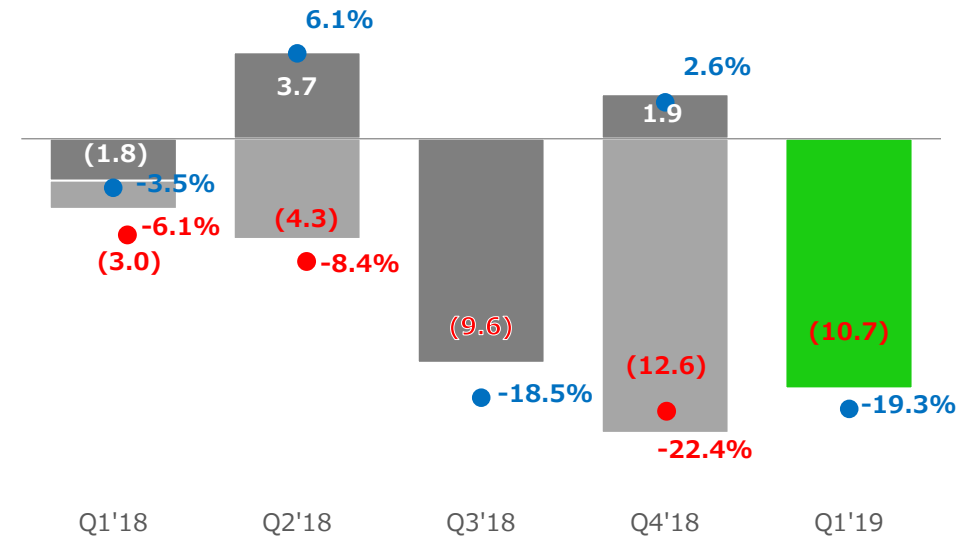
- Operating income
- OP margin (%)
- Operating income (excl. one-time)
- Operating margin (excl. one-time) (%)



Net Income (Margin)

(bn yen)

- Net income
- Net margin (%)
- Net income (excl. one-time income)
- Net margin (excl. one-time income) (%)



Appendix

IR Official Account

Upon friending the LINE IR News Official Account, LINE users can receive the latest helpful information including IR disclosures, financial results, notable press releases and CSR news.

How to friend the account

Scan the **QR code** or search for the **account name** below.

QR code



LINE IR News

How to search for account name

1. Friend Search
2. ID
3. Search “@lineir_en”
4. Add **LINE IR News**

Search for “@lineir_en” by going to: Friend Search > ID

Revenues and Other Operating Income

(mm yen)	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Revenues and other operating income	50,209	60,280	51,943	72,849	55,475
Revenues	48,736	50,625	51,850	55,971	55,323
Core Business	42,681	44,577	44,662	46,478	47,948
Ads	25,171	27,169	26,946	28,951	29,853
Account Ads	13,468	13,999	13,912	15,335	15,590
Display Ads	9,128	9,177	8,838	9,078	10,624
Others ¹⁾	2,575	3,993	4,196	4,538	3,639
Communication	7,415	7,313	6,905	6,894	7,427
Content	9,231	9,342	9,931	9,733	9,492
Others	864	753	880	900	1,176
Strategic Business	6,055	6,048	7,188	9,493	7,375
LINE FRIENDS	3,390	4,092	5,155	6,942	4,463
Fintech/AI/Commerce/Mobile ²⁾	2,665	1,956	2,033	2,551	2,912
Other operating income	1,473	9,655	93	16,878	152

Note:

1) Other Ads from Q2 2018 include LINE Part Time Jobs in addition to Livedoor and Naver Matome ad revenues

2) Equity-method starting Q2 2018

Operating Expenses

(mm yen)	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Operating expenses by segment	48,963	51,205	55,519	63,484	63,367
Core business	34,605	37,378	38,657	41,199	39,682
Strategic business	13,186	12,965	16,034	21,530	22,362
Common	1,172	862	828	755	1,323
Operating expenses by account	48,963	51,205	55,519	63,484	63,367
Payment processing and licensing	7,306	7,837	7,507	8,173	8,803
Sales commission	3,011	3,939	4,131	4,879	4,254
Employee compensation	13,493	13,884	14,728	15,387	17,190
Marketing	3,931	4,655	5,775	5,949	7,499
Infrastructure and communication	2,601	2,482	2,681	2,719	2,708
Outsourcing expense	7,937	6,976	8,101	8,811	9,101
Depreciation and amortization	2,329	2,620	2,903	3,283	5,184
Other operating expenses	8,355	8,812	9,693	14,283	8,628

LINE

LINE