



LINE Corporation Reports Fourth Quarter 2019 Results

January 29th 2020

LINE Corporation (Ticker TSE: 3938, NYSE: LN) today reported financial results for the quarter ended December, 31st 2019.

Fourth Quarter 2019 Operational and Financial Highlights

User/Engagement Metrics

- 4 Key Countries MAU were 164 million
 - Japan MAU rose steadily to 83 million in the fourth quarter. This is an increase of 4 million compared to the same period of the previous year
- DAU/MAU ratio for the 4 Key Countries was 79%
 - Japan DAU/MAU continues to be at 86% which illustrates the strong engagement on LINE platform

Business Highlights and Financial Metrics

Overall

- Revenue was 60.8bn yen (YoY 8.6% ↑ / QoQ 8.7% ↑)
- Operating loss was 11.5bn yen
- Oversea revenue represented 29% of total

Core - Overall

- Revenue for the Core Business was 51.8bn yen (YoY 11.5% ↑ / QoQ 6.8% ↑)
- Operating margin for the Core Business was 12.8%. As previously guided during the previous quarter, holiday season marketing spends impacted margin to be 3.9 points lower than the previous quarter but 1.4 points higher compared to the same period of the previous year

Core - Ads

- Ad Businesses revenue was 33.7bn yen (YoY 16.5% ↑ / QoQ 10.4% ↑)
- Display ad revenue was 15.0bn yen (YoY 65.4% ↑ / QoQ 19.5% ↑)
 - The strong results were driven by impression growth particularly from LINE NEWS and Smart Channel

- Ad impressions were 54.6bn impressions for the fourth quarter, which is 131.6% increase from the same period of the previous year and 23.5% increase compared to previous quarter
- Additionally, there were strong demands for 「Talk Head View」 (video ad format on the Smart Channel) during December from diverse client base including large brand customers. Talk Head View is now officially available exclusively to one client a day from January
- Account ad revenue was 16.4bn yen (YoY 6.9% ↑ / QoQ 8.9% ↑)
 - During the fourth quarter, additional 348 domestic enterprise accounts (based on the legacy Official Account standard) were created (new accounts created during the previous quarter were 171). Since the announcement of 'Redesign' and opening of new platform (pricing scheme), newly created domestic accounts surpassed 900
 - Official Account migration of the domestic legacy accounts to the new pricing scheme is going as planned and expect to be complete in April 2020 as scheduled
 - Sponsored Sticker new pricing scheme also launched during the quarter
- Other ad revenue was 2.3bn yen (YoY 48.6% ↓ / QoQ 21.2% ↓)

Core – Content/Communication/Others

- Core businesses revenue excluding ad business was 18.1bn yen (YoY 3.2% ↑ / QoQ 0.8% ↑)
- Content revenue was 9.7bn yen (YoY 0.9% ↓ / QoQ 2.2% ↓)
 - LINE MUSIC and LINE Manga GMV continue to increase steadily
- Communication revenue was 6.8bn yen (YoY 1.8% ↓ / QoQ 2.6% ↓)
- Other Core businesses revenue was 1.7bn yen (YoY 85.4% ↑ / QoQ 46.2% ↑)
 - Other Core businesses includes LINE Research and other services
 - LINE Research surpassed 5 million registered questionnaire respondents during the fourth quarter and the business is steadily growing
- Additionally, new services such as 「LINE Legal Inquiry」 (legal inquiries or requests to nationwide lawyers through LINE) or 「LINE Healthcare」 (health consultation with nationwide doctors through LINE) launched during the quarter

Strategic

- Revenue for the Strategic Business was 9.0bn yen (YoY 5.7% ↓ / QoQ 20.7% ↑) of which LINE FRIENDS revenue was 5.1bn yen (YoY 25.9% ↓ / QoQ 4.7% ↑)
 - The remaining revenue comprises of O2O/commerce, Fintech and AI business
- Operating loss was 14.1bn yen which was lower than the previously provided guidance of

15bn yen

- LINE Pay global GMV was 355bn yen and global MAU was 6.5mm for the fourth quarter. This is 68bn yen and 1.0mm users increase, respectively, compared to the previous quarter
- Japan LINE Pay MAU increased to 3.7mm (2.86mm previous quarter)
 - LINE Pay continues to organically grow MAU and GMV with disciplined investment and not relying on large-scale marketing. End of the year coupon campaign, particularly contributed to the user growth and GMV during this quarter
 - In addition to 「LINE Pay easy remittance service」 which allow corporations to transfer money to individual customers' LINE Pay accounts, during fourth quarter, money held in LINE Pay account can now be transferred to personal/corporate bank account
- LINE Score, scoring service, registered users surpassed 3 million in 5 months since launch
- LINE's AI solution business 「LINE BRAIN」 officially started providing AI technologies such as chatbot / optical character recognition / voice recognition etc. to external parties

Supplementary Financial Information

- Payment processing and licensing expense was 9.5bn yen (YoY 15.8% ↑ / QoQ 2.5% ↑)
- Employee compensation was 18.7bn yen (YoY 21.5% ↑ / QoQ 5.0% ↑)
 - The increase in expense is relating to the ESOP stock based compensation, which reflects the stock price for the fourth quarter
- Marketing expense was 7.5bn yen (YoY 25.3% ↑ / QoQ 50.4% ↑)
 - Fourth quarter spending increased compared to previous quarter due to seasonality of the holiday season, particularly in game, O2O/commerce and fintech
- Sales commissions was 3.8bn yen (YoY 22.2% ↓ / QoQ 6.3% ↑)
- Outsourcing expense was 11.3bn yen (YoY 27.9% ↑ / QoQ 7.4% ↑)
 - Outsourcing expense increased due to the launching of new services such as LINE Flyer, LINE Healthcare and LINE Legal Inquiry
- Depreciation expense was 6.4bn yen (YoY 95.3% ↑ / QoQ 11.5% ↑)
 - Continued investment into servers and the opening of new offices contributed to the increase in the expense
- Other operating expense was 12.7bn yen (YoY 11.0% ↓ / QoQ 48.6% ↑)
 - Expenses increased compared to previous quarter particularly due to accruing of year end related tax and increase in COGS
 - Additionally, 1.66bn yen of cost was accounted due to cancellation of system development



Please contact LINE Investor Relations (ir@linecorp.com) for any additional inquiry regarding the financial results for the quarter ended December, 31st 2019. For media inquiry, please contact your PR representative.