

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.

October 30, 2019

**LINE Corporation Announces Summary of
Consolidated Financial Results
for the Nine Months Ended September 30, 2019**
<Prepared in accordance with the International Financial Reporting Standards (“IFRS”)
as issued by the International Accounting Standards Board (“IASB”)>

TOKYO — LINE Corporation (NYSE: LN) (TOKYO: 3938) announces the summary of its consolidated financial results for the nine months ended September 30, 2019.

Company name: **LINE Corporation** (Stock Code: 3938) (the “Company”)
 Stock exchange on which the shares are listed: Tokyo Stock Exchange
 URL: <http://linecorp.com/>
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 Filing date of quarterly securities report: November 8, 2019
 Payment date of dividends: –
 Supplemental materials prepared on quarterly financial results: Yes
 Financial results conference scheduled: Yes (for institutional investors and analysts)

(Yen amounts are rounded to the nearest million, unless otherwise noted.)

1. Consolidated financial results for the first nine months of 2019 (from January 1, 2019 to September 30, 2019)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenues		Profit/(loss) from operating activities		Loss before income taxes		Loss for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the nine months ended								
September 30, 2019	166,702	10.2	(27,521)	—	(36,224)	—	(36,834)	—
September 30, 2018	151,211	24.7	6,745	(72.4)	(226)	—	(7,690)	—

	Loss attributable to the shareholders of the Company		Comprehensive income/(loss) for the period		Basic earnings/(loss) per share		Diluted earnings/(loss) per share	
	Millions of yen	%	Millions of yen	%	Yen		Yen	
For the nine months ended								
September 30, 2019	(33,961)	—	(40,007)	—	(142.09)		(142.09)	
September 30, 2018	(6,068)	—	(9,696)	—	(25.50)		(25.50)	

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to the shareholders of the Company	Ratio of equity attributable to the shareholders of the Company to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2019	530,442	182,493	164,844	31.1
December 31, 2018	486,587	208,514	198,916	40.9

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
For the year ended December 31, 2018	—	0.00	—	0.00	0.00
For the year ending December 31, 2019	—	0.00	—	—	—
For the year ending December 31, 2019 (Forecast)	—	—	—	—	—

Note: Revisions to the cash dividends forecasts most recently announced: None

Cash dividend forecasts for the year ending December 31, 2019: The Company has not yet made a decision regarding its year-end dividends.

3. Consolidated earnings forecasts for 2019 (from January 1, 2019 to December 31, 2019)

Amid rapid international and domestic changes, there is a level of uncertainty within the mobile applications market for smartphones and other mobile devices, the main business of the Company and its subsidiaries (collectively, the “Group”). As the state of this market significantly impacts the Group’s financial results, it is difficult to formulate a precise earnings forecast. Furthermore, as the Company’s shares are listed on the New York Stock Exchange as well as the Tokyo Stock Exchange, we are also carefully considering risks relating to U.S. securities regulations. Accordingly, an announcement concerning earnings forecasts is not made at this time.

Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Changes in accounting policies and estimates
 - a. Changes in accounting policies due to revisions in accounting standards under IFRS: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: Yes

From FY 2019, the Group has adopted IFRS 16 Leases, and has revised the estimated useful lives on some of its property and equipment.

(3) Number of shares issued and outstanding (common stock)

- a. Total number of common shares issued and outstanding at the end of the period (including treasury shares)

As of September 30, 2019	240,961,642 shares
As of December 31, 2018	240,524,642 shares

- b. Number of treasury shares at the end of the period

As of September 30, 2019	1,575,171 shares
As of December 31, 2018	1,979,775 shares

c. Average number of common shares outstanding during the period (cumulative from the beginning of the fiscal year)

For the nine months ended September 30, 2019	239,020,020 shares
For the nine months ended September 30, 2018	237,945,107 shares

Quarterly financial results reports are exempt from review procedures conducted by certified accountants or an audit firm.

For the purpose of fair disclosure in connection with the release of the financial statements by NAVER Corporation, the Company's parent company, and timely disclosure of the Company's Summary of Consolidated Financial Results, the Company discloses the Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Statement of Profit or Loss and segment information in advance, and other information will be released as soon as it has been prepared. Supplementary information to this earnings release, including the Group's profit and loss by segment, will be available today at the following IR website: <https://linecorp.com/en/ir/top>.

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1. Interim Condensed Consolidated Financial Statements and selected Notes

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

(In millions of yen)

	December 31, 2018	September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	256,978	200,279
Trade and other receivables	37,644	40,888
Other financial assets, current	15,915	27,083
Contract assets	339	168
Inventories	4,887	6,287
Other current assets	9,751	10,536
Total current assets	<u>325,514</u>	<u>285,241</u>
Non-current assets		
Property and equipment	24,726	25,650
Right-of-use assets	—	56,063
Goodwill	17,095	16,948
Other intangible assets	5,298	8,127
Investments in associates and joint ventures	53,921	66,424
Other financial assets, non-current	42,287	50,266
Deferred tax assets	17,107	20,799
Other non-current assets	639	924
Total non-current assets	<u>161,073</u>	<u>245,201</u>
Total assets	<u>486,587</u>	<u>530,442</u>
Liabilities		
Current liabilities		
Trade and other payables	34,985	39,740
Other financial liabilities, current	36,726	42,096
Accrued expenses	18,405	16,607
Income tax payables	4,855	1,033
Lease liabilities, current	—	11,286
Contract liabilities	24,637	25,020
Provisions, current	2,581	3,149
Other current liabilities	1,037	5,225
Total current liabilities	<u>123,226</u>	<u>144,156</u>
Non-current liabilities		
Corporate bonds	142,132	142,670
Other financial liabilities, non-current	527	409
Lease liabilities, non-current	—	46,387
Deferred tax liabilities	503	1,051
Provisions, non-current	3,309	4,372
Post-employment benefits	6,943	7,832
Other non-current liabilities	1,433	1,072
Total non-current liabilities	<u>154,847</u>	<u>203,793</u>
Total liabilities	<u>278,073</u>	<u>347,949</u>
Shareholders' equity		
Share capital	96,064	96,535
Share premium	118,626	119,343
Treasury shares	(8,205)	(6,598)
Accumulated deficit	(5,556)	(39,471)
Accumulated other comprehensive income	(2,013)	(4,965)
Equity attributable to the shareholders of the Company	<u>198,916</u>	<u>164,844</u>
Non-controlling interests	<u>9,598</u>	<u>17,649</u>
Total shareholders' equity	<u>208,514</u>	<u>182,493</u>
Total liabilities and shareholders' equity	<u>486,587</u>	<u>530,442</u>

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

(In millions of yen)

	For the nine-month period ended September 30,	
	2018	2019
Revenues and other operating income:		
Revenues	151,211	166,702
Other operating income	11,222	2,897
Total revenues and other operating income	162,433	169,599
Operating expenses:		
Payment processing and licensing expenses	(22,650)	(26,406)
Sales commission expenses	(11,081)	(12,197)
Employee compensation expenses	(42,106)	(51,572)
Marketing expenses	(14,362)	(25,566)
Infrastructure and communication expenses	(7,764)	(8,063)
Outsourcing and other service expenses	(23,014)	(30,619)
Depreciation and amortization expenses	(7,852)	(16,324)
Other operating expenses	(26,859)	(26,373)
Total operating expenses	(155,688)	(197,120)
Profit/(loss) from operating activities	6,745	(27,521)
Finance income	298	400
Finance costs	(326)	(1,459)
Share of loss of associates and joint ventures	(7,311)	(9,567)
Gain/(loss) on foreign currency transactions, net	72	(237)
Other non-operating income	317	2,347
Other non-operating expenses	(21)	(187)
Loss before tax from continuing operations	(226)	(36,224)
Income tax expenses	(7,467)	(609)
Loss for the period from continuing operations	(7,693)	(36,833)
Profit/(loss) from discontinued operations, net of tax	3	(1)
Loss for the period	(7,690)	(36,834)
Attributable to:		
The shareholders of the Company	(6,068)	(33,961)
Non-controlling interests	(1,622)	(2,873)
		<i>(In yen)</i>
Earnings per share		
Basic loss for the period attributable to the shareholders of the Company	(25.50)	(142.09)
Diluted loss for the period attributable to the shareholders of the Company	(25.50)	(142.09)
Earnings per share from continuing operations		
Basic loss from continuing operations attributable to the shareholders of the Company	(25.51)	(142.08)
Diluted loss from continuing operations attributable to the shareholders of the Company	(25.51)	(142.08)
Earnings per share from discontinued operations		
Basic profit/(loss) from discontinued operations attributable to the shareholders of the Company	0.01	(0.01)
Diluted profit/(loss) from discontinued operations attributable to the shareholders of the Company	0.01	(0.01)

(3) Notes to Interim Condensed Consolidated Financial Statements – Unaudited

Notes for segment information

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

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

(1) Description of Reportable Segments

The Group's reportable segments are as follows:

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

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

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

For the nine-month period ended September 30, 2018

(In millions of yen)

	Reportable segments			Corporate adjustments ⁽¹⁾	Consolidated
	Core business	Strategic business	Total		
Revenue from external customers	131,920	19,291	151,211	—	151,211
Segment profit/(loss) ⁽²⁾	21,280	(22,894)	(1,614)	8,359	6,745
Depreciation and amortization expenses	6,396	1,456	7,852	—	7,852

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

⁽²⁾ The amount of “Segment profit/(loss)” is equivalent to profit from operating activities on the Interim Condensed Consolidated Statement of Profit or Loss.

For the nine-month period ended September 30, 2019

(In millions of yen)

	Reportable segments			Corporate adjustments ⁽¹⁾	Consolidated
	Core business	Strategic business	Total		
Revenue from external customers	144,881	21,821	166,702	—	166,702
Segment profit/(loss) ⁽²⁾	24,959	(52,412)	(27,453)	(68)	(27,521)
Depreciation and amortization expenses	10,464	5,860	16,324	—	16,324

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

⁽²⁾ The amount of “Segment profit/(loss)” is equivalent to loss from operating activities on the Interim Condensed Consolidated Statement of Profit or Loss.

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

For the nine-month periods ended September 30,

(In millions of yen)

	2018	2019
Segment profit/(loss)	6,745	(27,521)
Finance income	298	400
Finance costs	(326)	(1,459)
Share of loss of associates and joint ventures	(7,311)	(9,567)
Gain/(loss) on foreign currency transactions, net	72	(237)
Other non-operating income	317	2,347
Other non-operating expenses	(21)	(187)
Loss for the period before tax from continuing operations	(226)	(36,224)

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

(3) Revenues from Major Services

The Group's revenues from continuing operations from its major services for the nine-month periods ended September 30, 2018 and 2019 are as follows.

Revenue recognized at a point in time mainly consists of revenue from LINE Friends.

For the nine-month periods ended September 30,

	<i>(In millions of yen)</i>	
	2018	2019
Core business		
Advertising		
Display advertising ⁽¹⁾	27,143	34,640
Account advertising ⁽²⁾	41,379	46,261
Other advertising ⁽³⁾	10,764	10,200
Sub-total	<u>79,286</u>	<u>91,101</u>
Communication, content, and others		
Communication ⁽⁴⁾	21,633	21,549
Content ⁽⁵⁾	28,504	28,694
Others	2,497	3,537
Subtotal	<u>52,634</u>	<u>53,780</u>
Core business total	<u>131,920</u>	<u>144,881</u>
Strategic business		
Friends ⁽⁶⁾	12,637	14,048
Others ⁽⁷⁾	6,654	7,773
Strategic business total	<u>19,291</u>	<u>21,821</u>
Total	<u>151,211</u>	<u>166,702</u>

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

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

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

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

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

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

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

Notes for going concern assumption

Not applicable.