

LINE Q3 2019

Earnings Results

LINE Corporation

October 30, 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 maintain good relationships with platform partners and attract new platform partners;
7. its ability to attract advertisers to the LINE platform and increase the amount that advertisers spend with LINE;
8. its expectations regarding its user growth rate and the usage of its mobile applications;
9. its ability to increase revenues and its revenue growth rate;
10. its ability to timely and effectively scale and adapt its existing technology and network infrastructure;
11. its ability to successfully acquire and integrate companies and assets;
12. its future business development, results of operations and financial condition;
13. the regulatory environment in which it operates;
14. fluctuations in currency exchange rates and changes in the proportion of its revenues and expenses denominated in foreign currencies; and
15. changes in business or macroeconomic conditions.

The information contained in this material are preliminary results as of October 30, 2019, and LINE does not guarantee its accuracy or completeness.

Q3 2019 Highlights

Highlights

Core

- Display ad revenue 42% YoY growth
 - Smart Channel and LINE NEWS continue to drive growth
- Strong increase in number of new Official Accounts

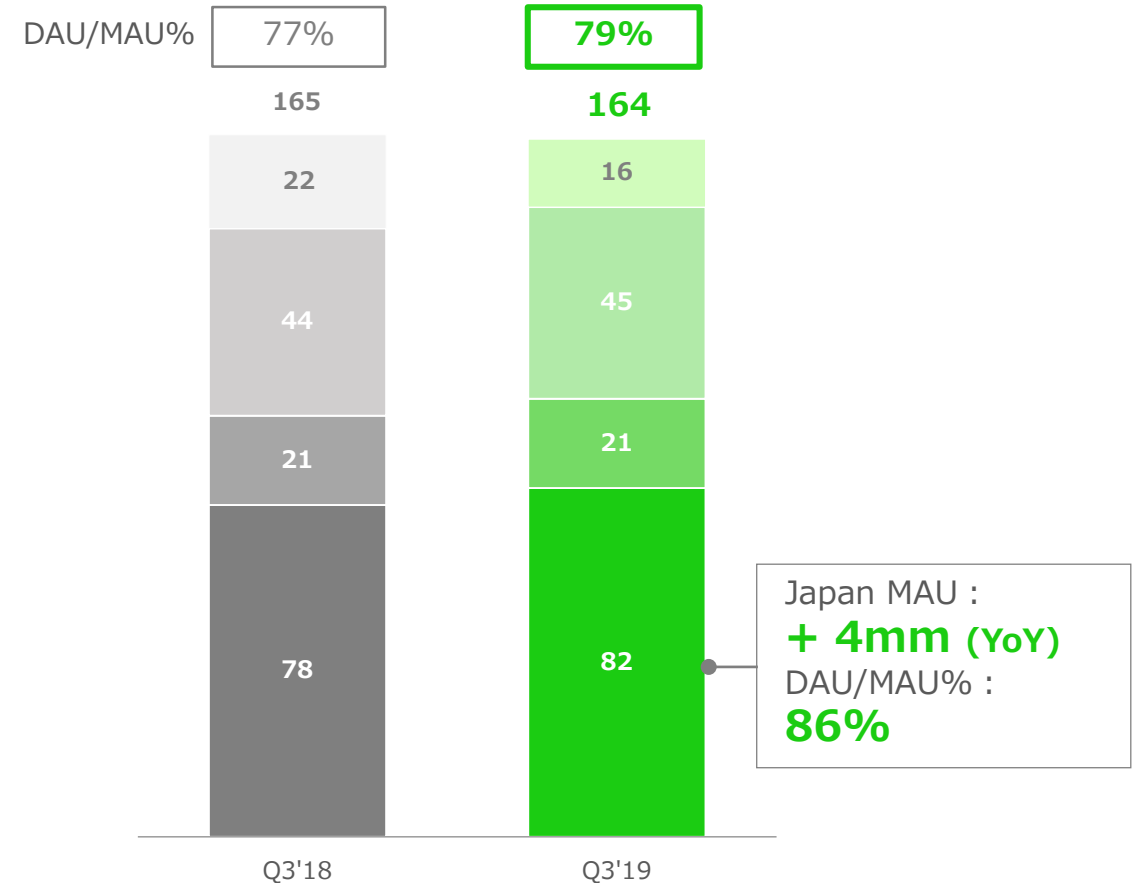
Strategic

- LINE Pay achieving efficient growth
 - Focused on effective marketing/investments instead of extensive giveaway campaigns
 - Maintaining high retention rate and acquiring new users through network effect
 - VISA LINE Pay Card began accepting pre-applications
- Launched several fintech services in Japan
 - LINE Securities
 - LINE Pocket Money (personal loan service)
 - BITMAX (cryptocurrency exchange in Japan)
- LINE Score registered users surpass 2 million becoming the largest player in Japan
- LINE Bank Taiwan granted internet-only banking permit

Monthly Active Users | Four Key Markets

(mm users)

■ Japan ■ Taiwan ■ Thailand ■ Indonesia



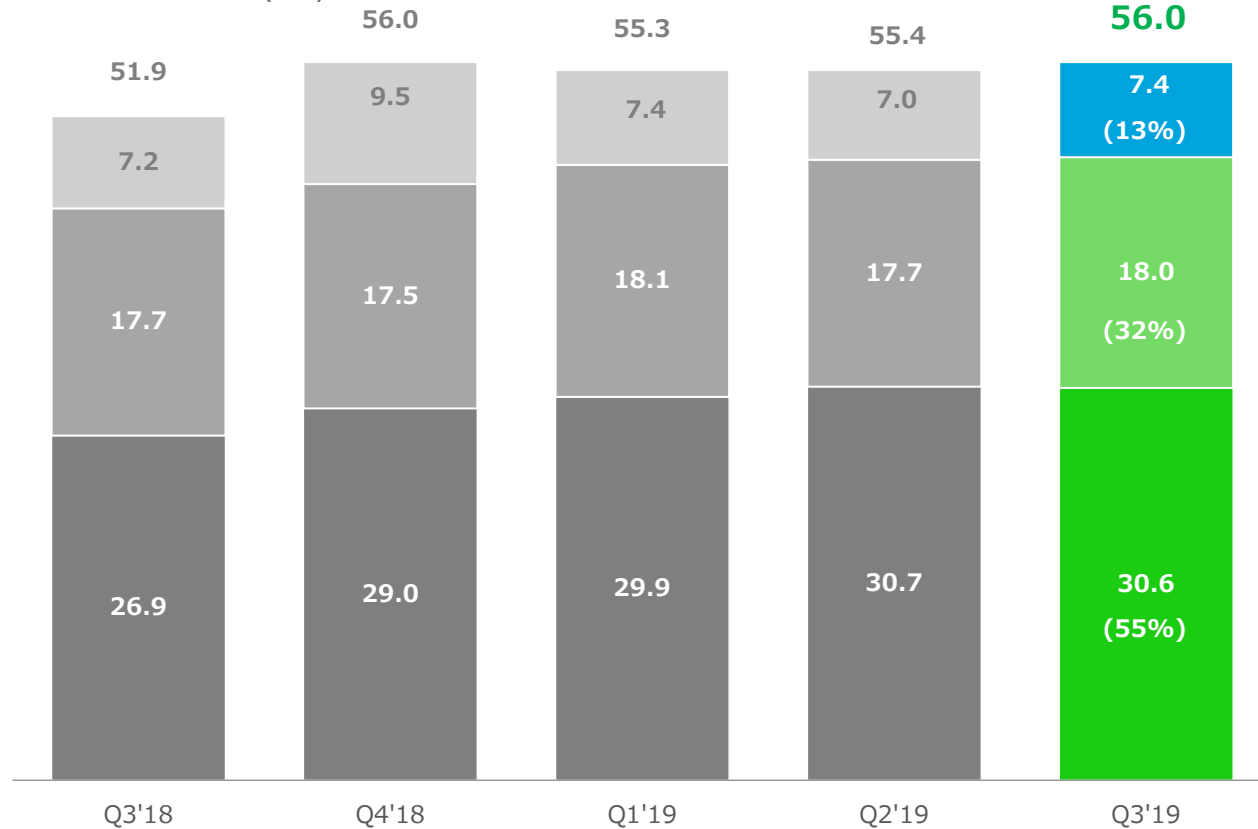
Revenues

Revenues

(bn yen)

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

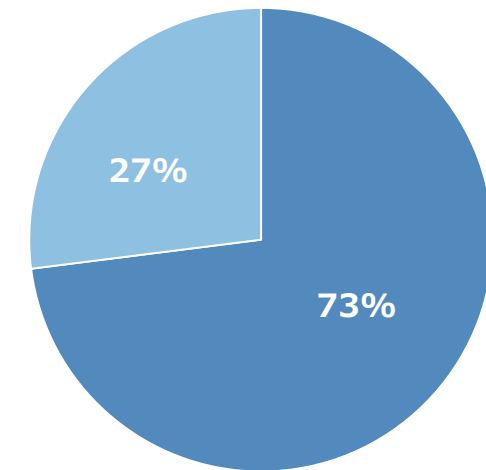
YoY
+ 7.9%
56.0



Geographical breakdown

(For Q3 2019)

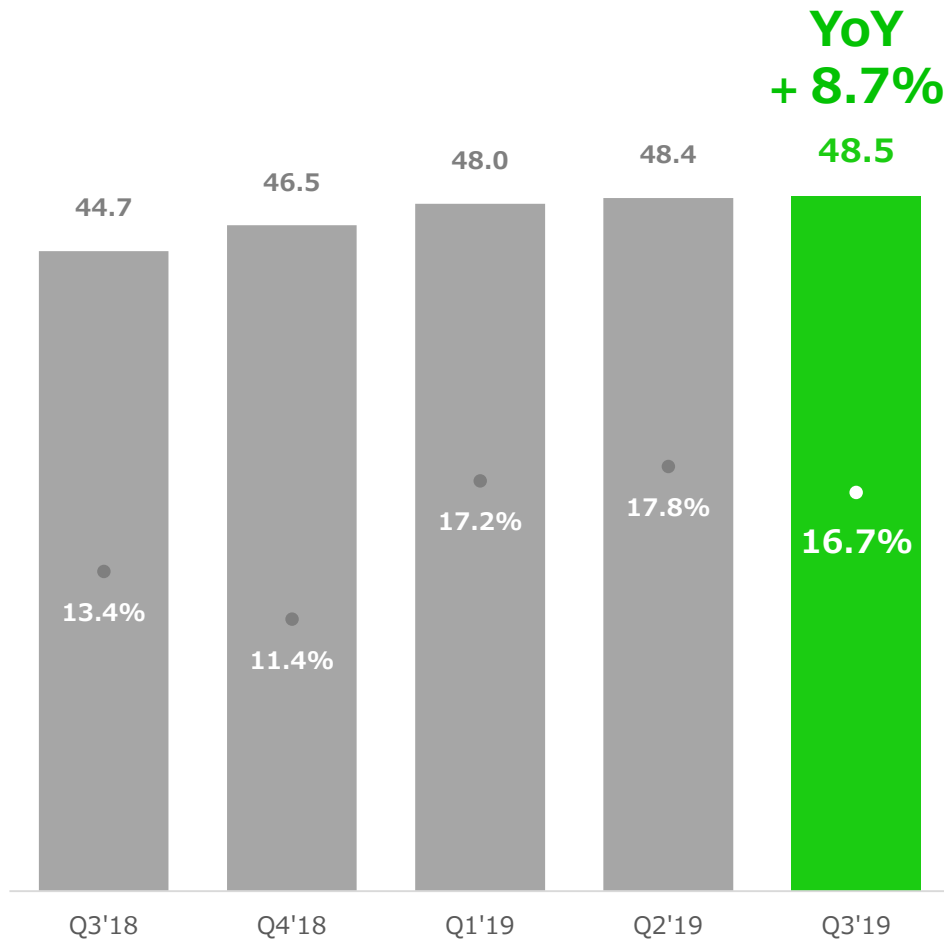
- Japan
- Overseas



Segment Revenues and Operating Margin

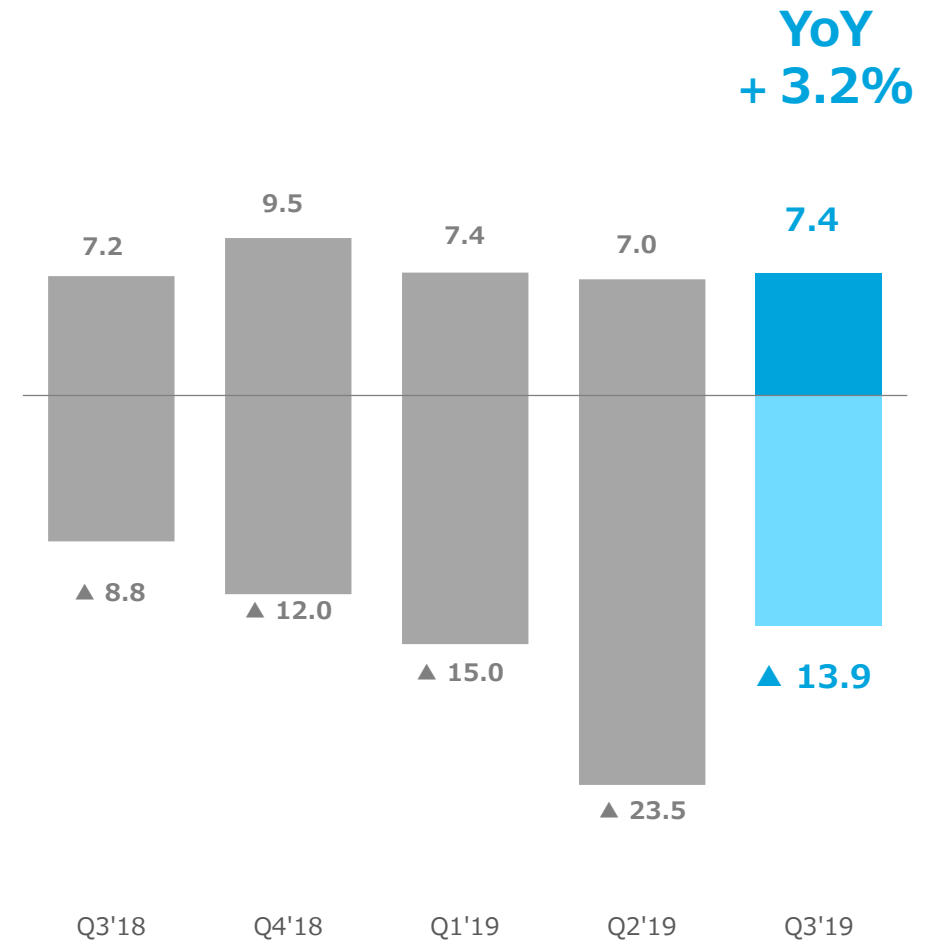
Core | Revenues / Operating margin

(bn yen)



Strategic | Revenues / Operating income

(bn yen)



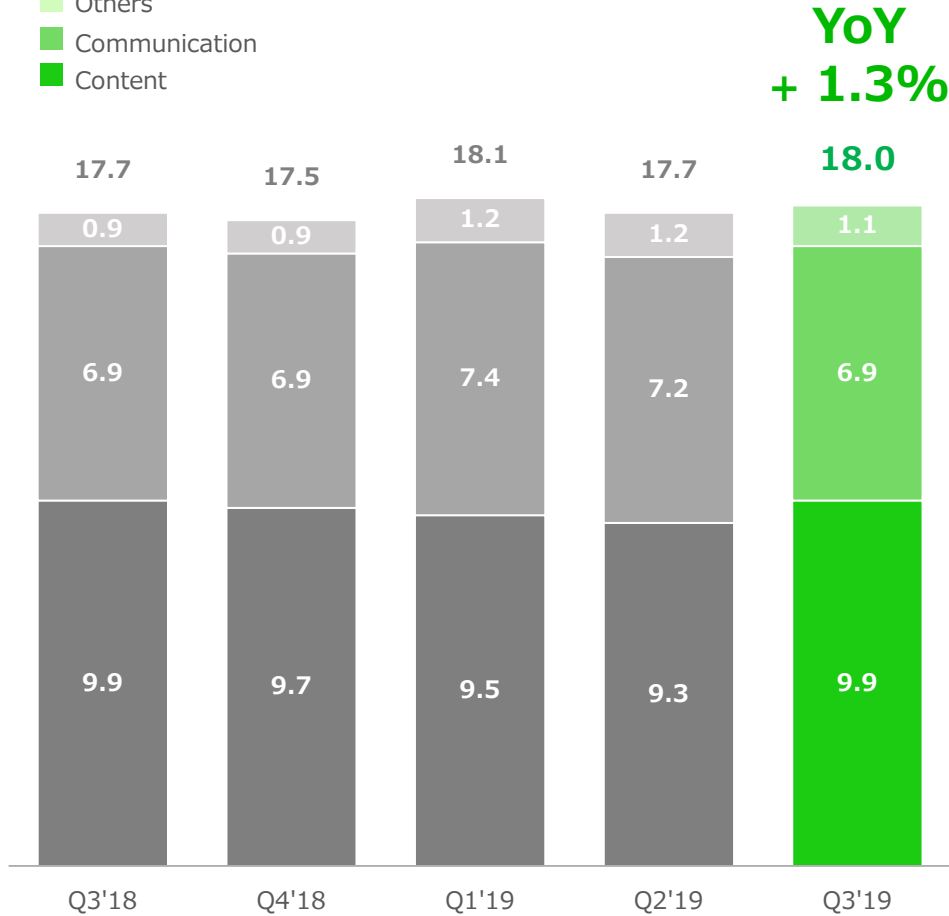
Core Business

Core | Communication / Content / Others

Revenues

(bn yen)

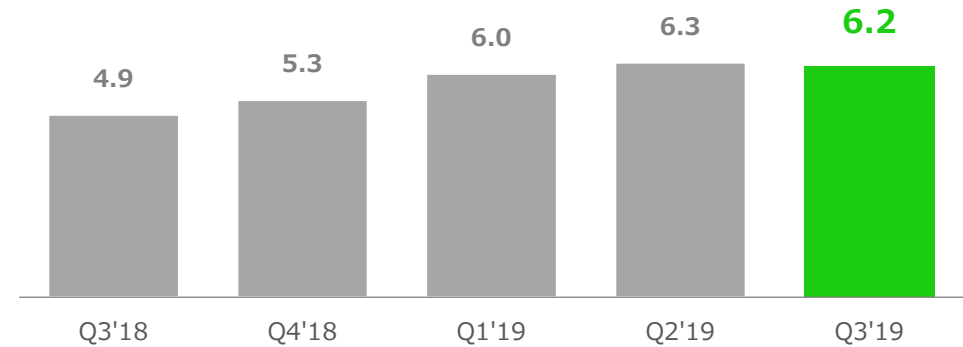
- Others
- Communication
- Content



LINE Manga transaction volume

(bn yen)

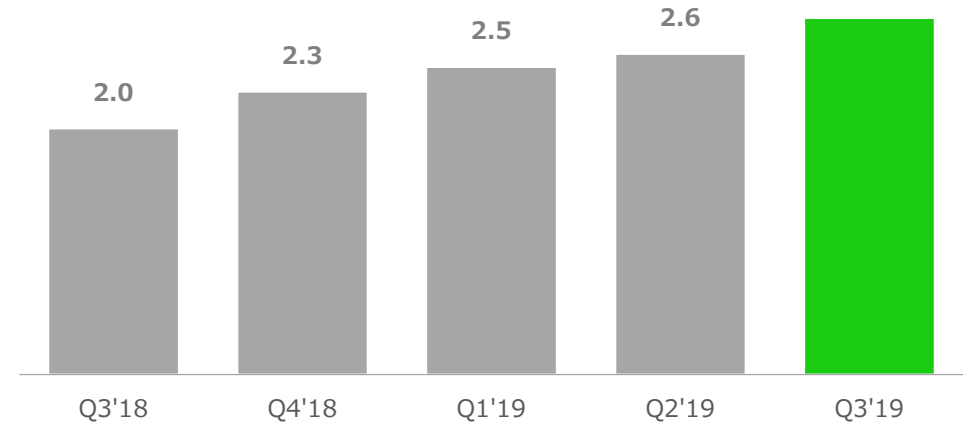
YoY + 25.9%



LINE MUSIC transaction volume

(bn yen)

YoY + 46.0%

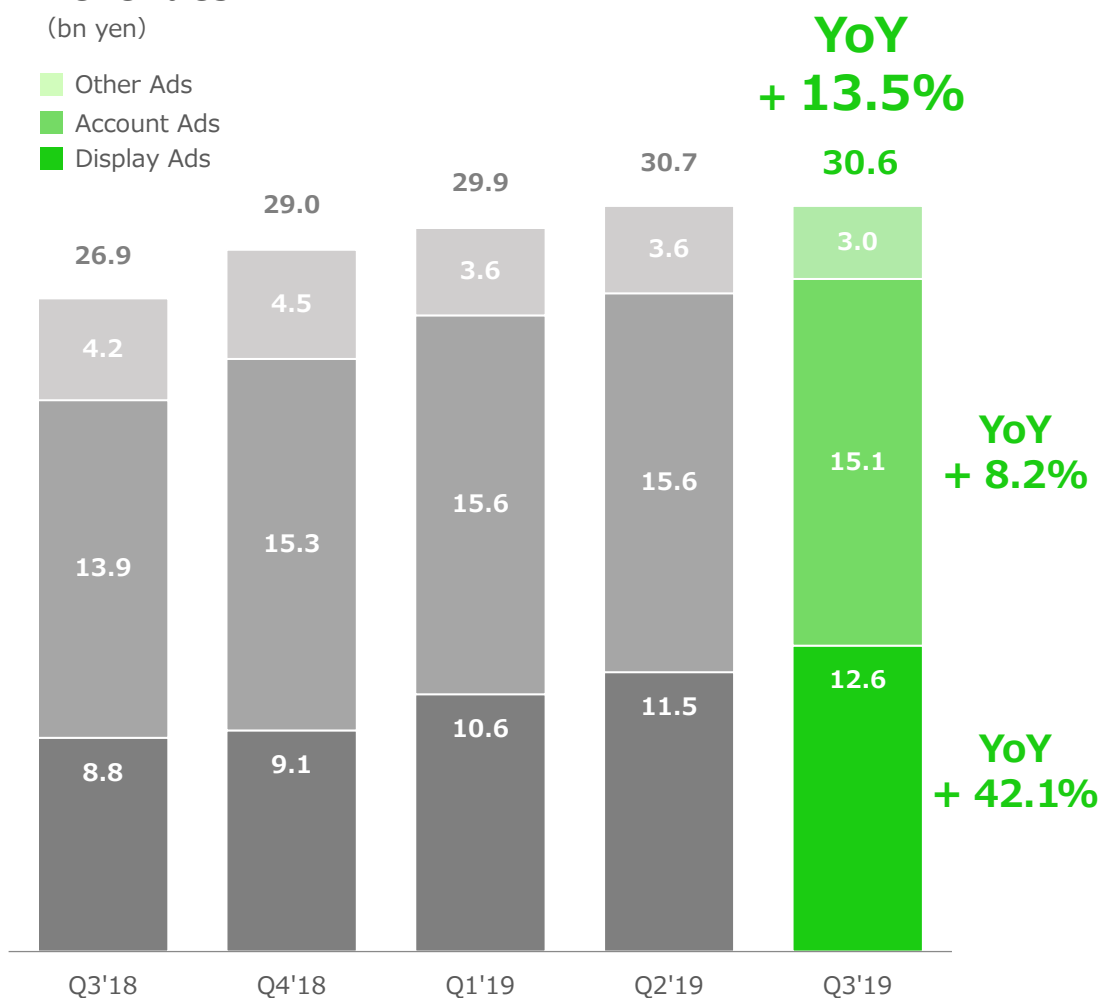


Core | Ads

Revenues

(bn yen)

- Other Ads
- Account Ads
- Display Ads



Key KPI

of Official Accounts

	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
# of original Official Accounts	677	774	925	1,183	-
# of original LINE@ Accounts (accounts in thousands)	8,526	9,156	9,747	9,859	-
# of new Official Accounts (accounts in thousands)	-	-	9,748*	9,860*	11,005

*The number of accounts are the sum of original Official Accounts and LINE@ Accounts

of LAP Impressions

(impressions in millions)

Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
23,265	23,568	26,291	37,653	44,208

*LAP: LINE Ads Platform

Note: Other Ads include ad revenues mainly from Livedoor, NAVER Matome and LINE Part Time Jobs

Strategic Business

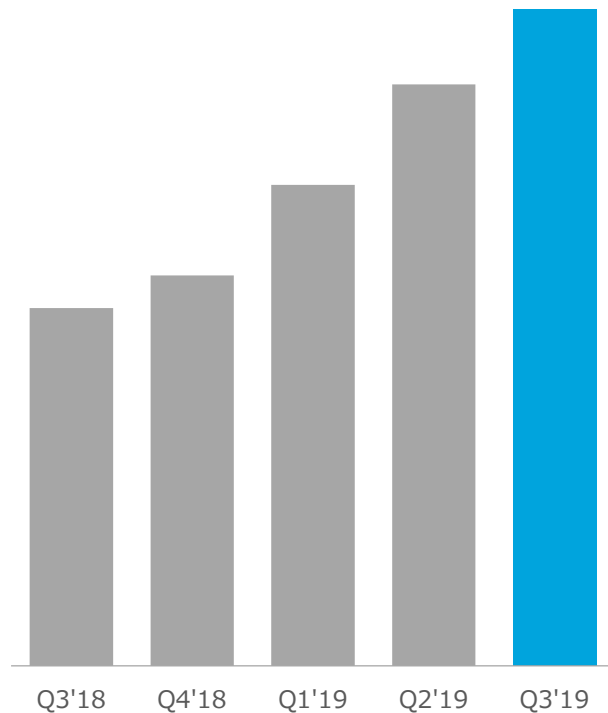
Strategic | O2O · Commerce

Shopping-related transaction volume



• SHOPPING GO (off-line)
released December 2018

YoY
+ 83.4%

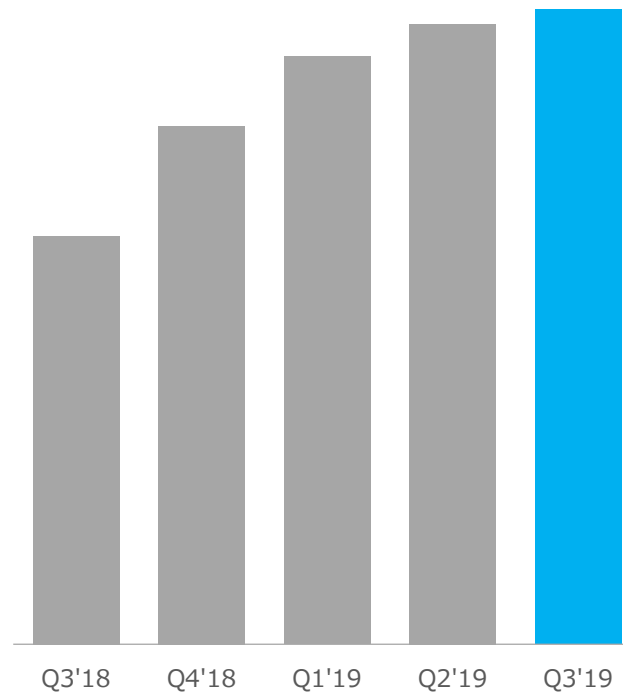


Gourmet-related transaction volume



• LINE Pockeo (take-out)
released April 2019

YoY
+ 55.5%

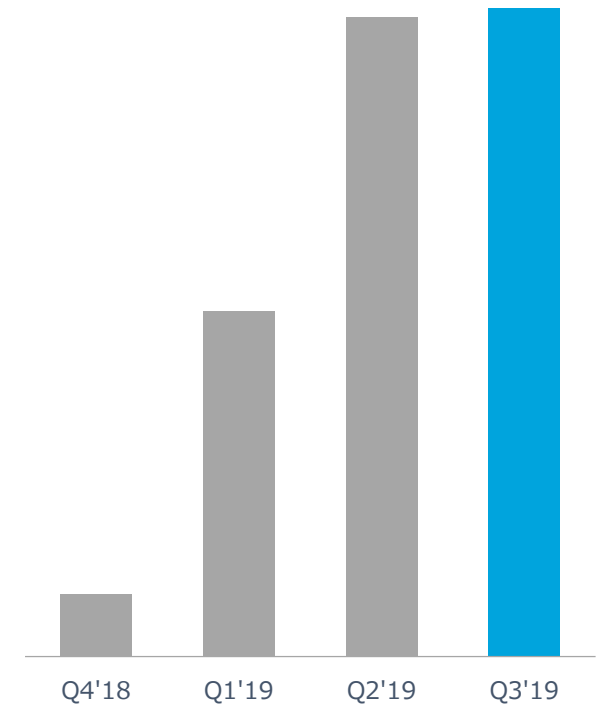


Travel-related transaction volume



• Odekake NOW
(search and reservation
service for restaurant,
events, activities) released
on June 27

QoQ
+ 1.3%



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

Strategic | LINE Pay

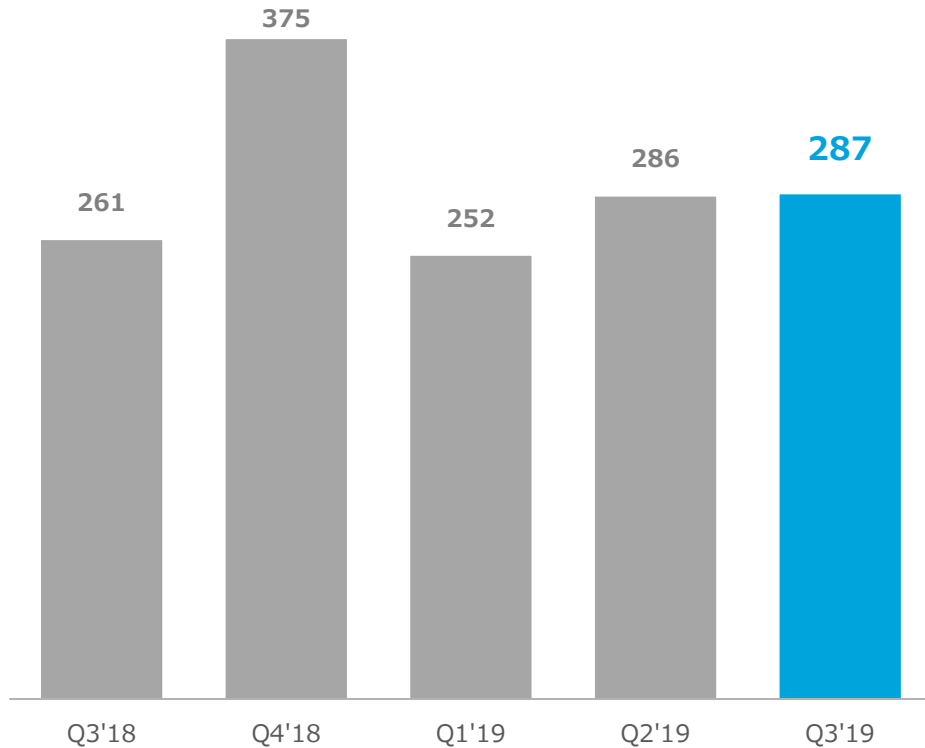
- Over 50 million global LINE Pay registered users
- 36.9 million registered users in Japan (increase of 670k users QoQ). Exceeded 5 million KYC-ed users
- Maintained transaction volume despite a decrease in light users acquired through Q2 campaign

LINE Pay Global Transaction Volume

(bn yen)

LINE Pay

YoY
+ 9.9%

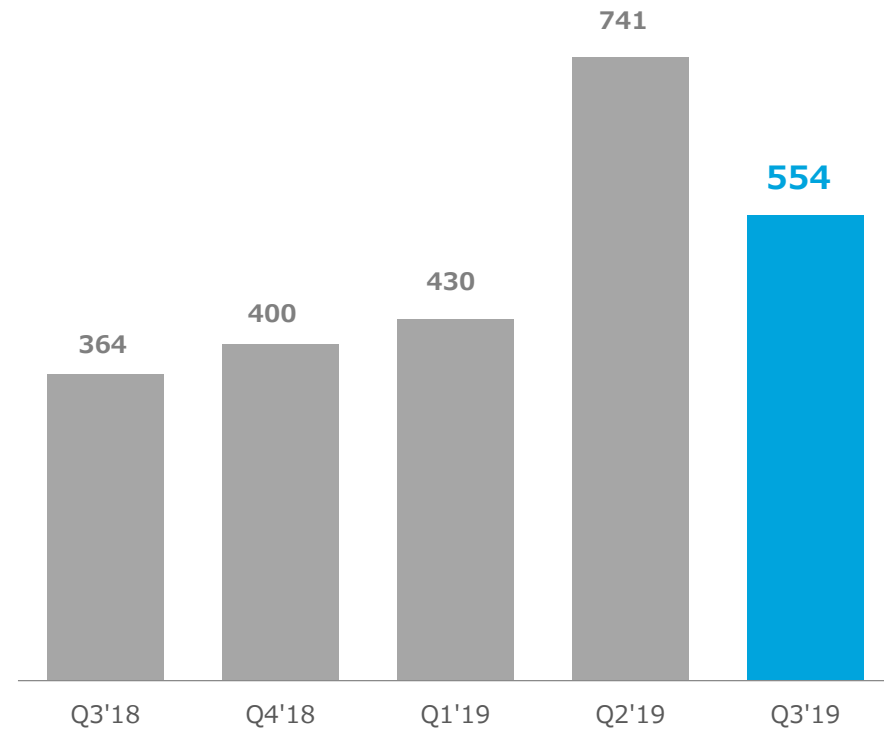


LINE Pay Global MAU

(10k users)

LINE Pay

YoY
+ 52.1%

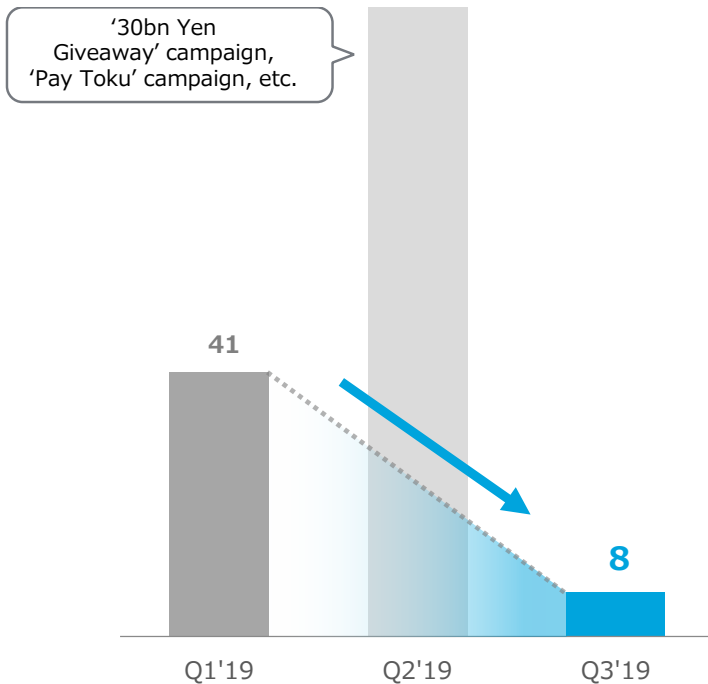


Strategic | LINE Pay (Japan)

- LINE Pay achieving efficient growth
 - Drastic cut in marketing expenses including user incentives and focused on effective ROI
 - Maintaining high retention rate. Observing network effect of new user acquisition after the Q2 campaign coming from LINE's unique engagement
 - Digital money transfer count doubled compared to Q1. Cashless scenes continues to expand and evident that LINE Pay use is a habit for core users
 - Achieving organic growth through enhanced services leveraging LINE Pay's unique features and assets instead of activating low-engagement users through extensive campaigns

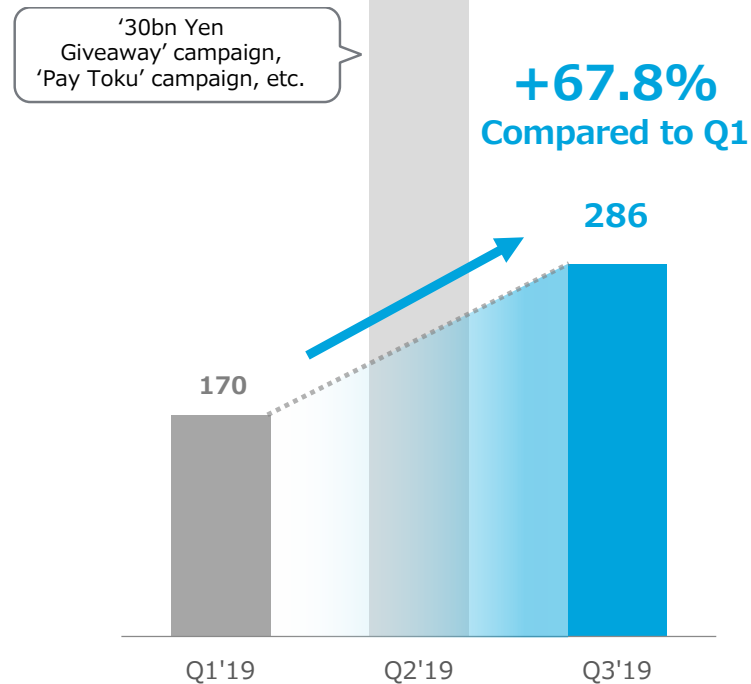
LINE Pay Marketing Expenses

(100mm yen)



LINE Pay Japan MAU

(10k users)



Digital Money Transfers

2x
Compared to Q1

Retention Rate

Over 75%

Note: Retention rate is defined as the percentage of users who used LINE Pay Card or the QR Code payment method in the current month and the following month

Finance Section

Earnings Summary (Q3 2019)

(mm yen)	Q3'18	Q2'19	Q3'19	Growth rate	
				Y/Y	Q/Q
Revenues and other operating income	51,943	56,689	57,435	10.6%	1.3%
Revenues	51,850	55,437	55,942	7.9%	0.9%
Operating income	-3,576	-13,924	-5,705	N/M	N/M
Margin(%)	-6.9%	-24.6%	-9.9%	-3.0%p	14.6%p
Core Revenue	44,662	48,407	48,526	8.7%	0.2%
Core Operating income	6,005	8,595	8,098	34.9%	-5.8%
Margin(%)	13.4%	17.8%	16.7%	3.2%p	-1.1%p
Strategic Revenue	7,188	7,030	7,416	3.2%	5.5%
Strategic Operating income	-8,846	-23,496	-13,929	N/M	N/M
Common Revenue	93	1,252	1,493	N/M	19.2%
Common Operating expense	828	275	1,367	65.1%	N/M

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

Operating Expenses

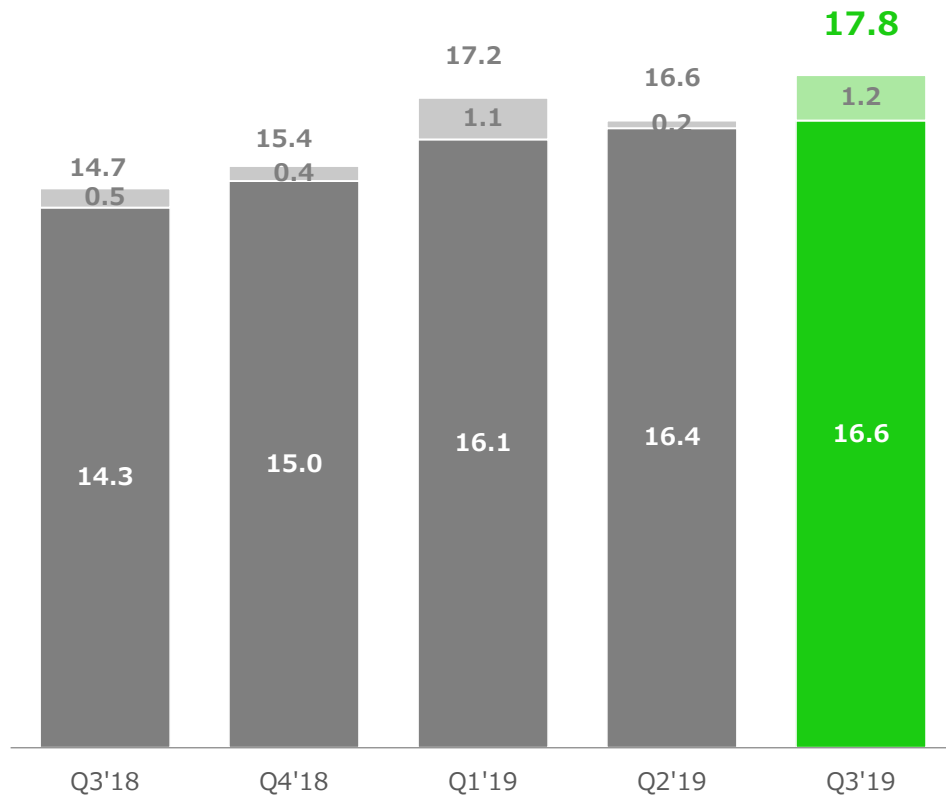
(mm yen)	Q3'18	Q2'19	Q3'19	Growth rate	
				Y/Y	Q/Q
Revenues and other operating income	51,943	56,689	57,435	10.6%	1.3%
Operating expenses	55,519	70,613	63,140	13.7%	-10.6%
Payment processing and licensing	7,507	8,367	9,236	23.0%	10.4%
Sales commission	4,131	4,370	3,573	-13.5%	-18.2%
Employee compensation	14,728	16,585	17,797	20.8%	7.3%
Marketing	5,775	13,109	4,958	-14.1%	-62.2%
Infrastructure and communication	2,681	2,590	2,765	3.1%	6.8%
Outsourcing expense	8,101	11,017	10,501	29.6%	-4.7%
Depreciation and amortization	2,903	5,386	5,754	98.2%	6.8%
Other operating expenses	9,693	9,189	8,556	-11.7%	-6.9%
Operating income	-3,576	-13,924	-5,705	N/M	N/M
<i>Margin(%)</i>	-6.9%	-24.6%	-9.9%	-3.0%p	14.6%p
Pre-tax income	-6,860	-17,220	-7,734	N/M	N/M
Corporate tax	-2,733	-86	-1,070	N/M	N/M
Net income from continuing operations	-9,593	-17,306	-8,804	N/M	N/M
Net income	-9,597	-17,311	-8,805	N/M	N/M

Employee Compensation & Marketing

Employee Compensation

(bn yen)

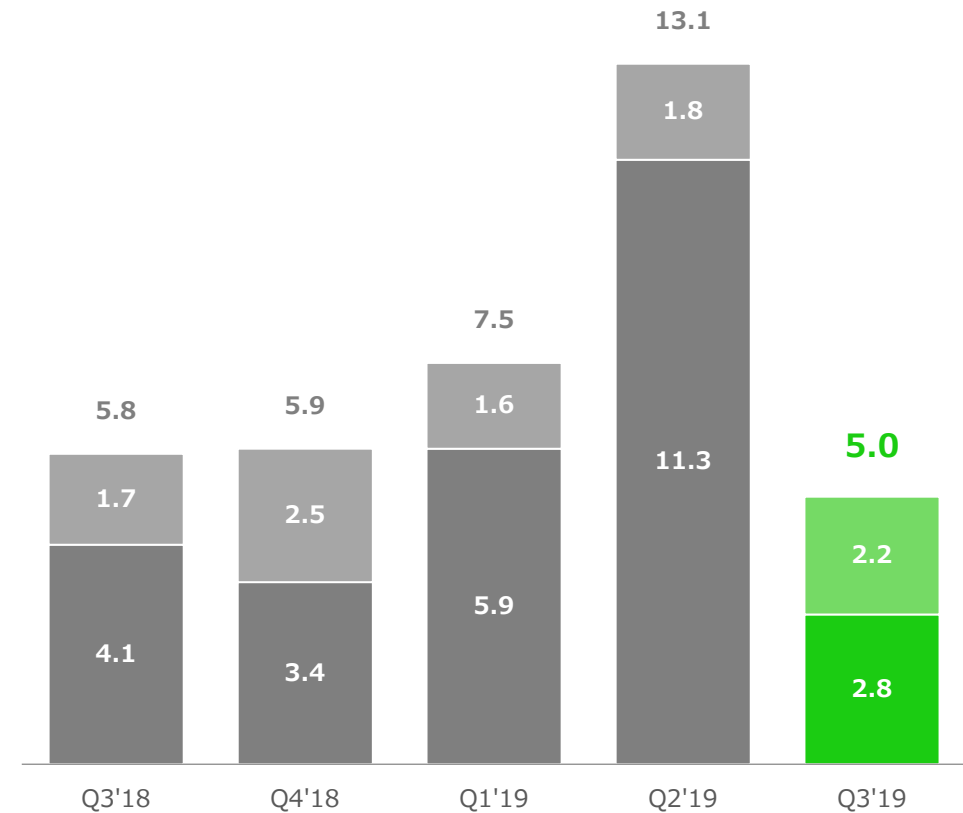
- SBC
- Salary · Others



Marketing

(bn yen)

- Overseas
- Japan

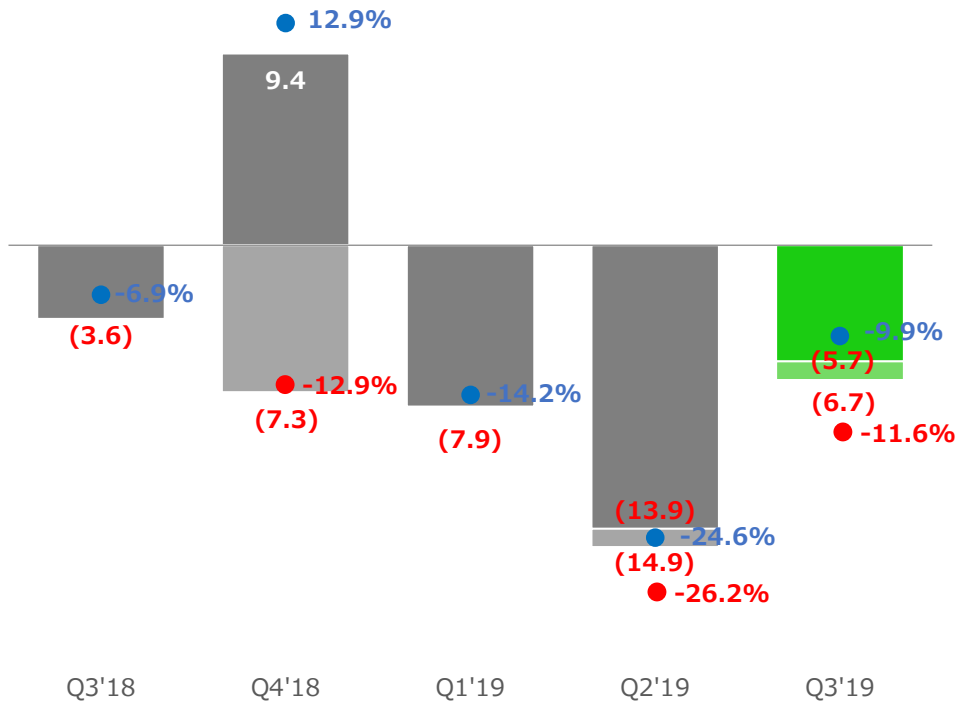


Operating & Net Income

Operating Income (Margin)

(bn yen)

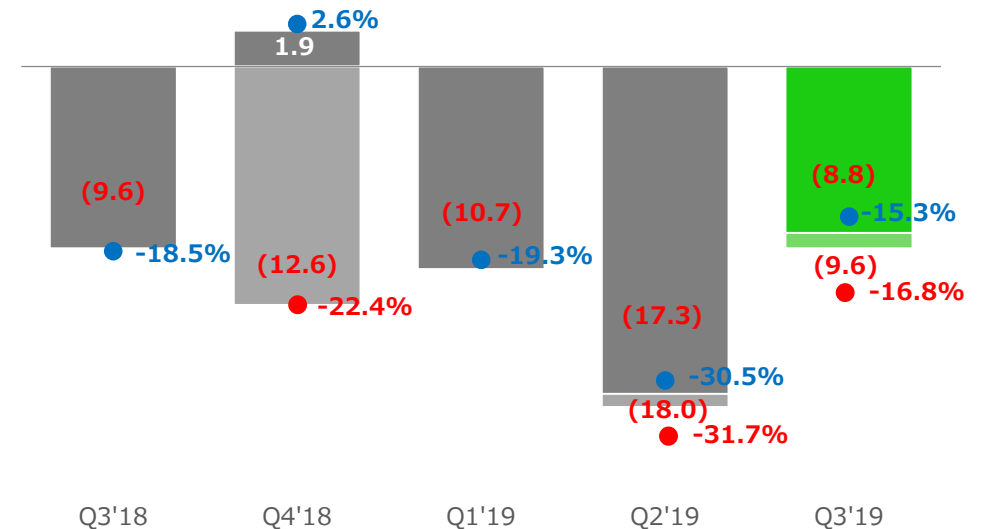
- Operating income
- OP margin (%)
- Operating income (excl. one-time)
- Operating margin (excl. one-time) (%)



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)	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Revenues and other operating income	51,943	72,849	55,475	56,689	57,435
Revenues	51,850	55,971	55,323	55,437	55,942
Core Business	44,662	46,478	47,948	48,407	48,526
Ads	26,946	28,951	29,853	30,676	30,572
Account Ads	13,912	15,335	15,590	15,620	15,051
Display Ads	8,838	9,078	10,624	11,456	12,560
Others ¹⁾	4,196	4,538	3,639	3,600	2,961
Communication	6,905	6,894	7,427	7,174	6,948
Content	9,931	9,733	9,492	9,337	9,865
Others	880	900	1,176	1,220	1,141
Strategic Business	7,188	9,493	7,375	7,030	7,416
LINE FRIENDS	5,155	6,942	4,463	4,674	4,911
Fintech/AI/Commerce	2,033	2,551	2,912	2,356	2,505
Other operating income	93	16,878	152	1,252	1,493

Note:

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

Operating Expenses

(mm yen)	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Operating expenses by segment	55,519	63,484	63,367	70,613	63,140
Core business	38,657	41,199	39,682	39,812	40,428
Strategic business	16,034	21,530	22,362	30,526	21,345
Common	828	755	1,323	275	1,367
Operating expenses by account	55,519	63,484	63,367	70,613	63,140
Payment processing and licensing	7,507	8,173	8,803	8,367	9,236
Sales commission	4,131	4,879	4,254	4,370	3,573
Employee compensation	14,728	15,387	17,190	16,585	17,797
Marketing	5,775	5,949	7,499	13,109	4,958
Infrastructure and communication	2,681	2,719	2,708	2,590	2,765
Outsourcing expense	8,101	8,811	9,101	11,017	10,501
Depreciation and amortization	2,903	3,283	5,184	5,386	5,754
Other operating expenses	9,693	14,283	8,628	9,189	8,556

LINE