

LINE Q2 2019

Earnings Results

LINE Corporation

July 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 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 July 24, 2019, and LINE does not guarantee its accuracy or completeness.

Q2 2019 Highlights

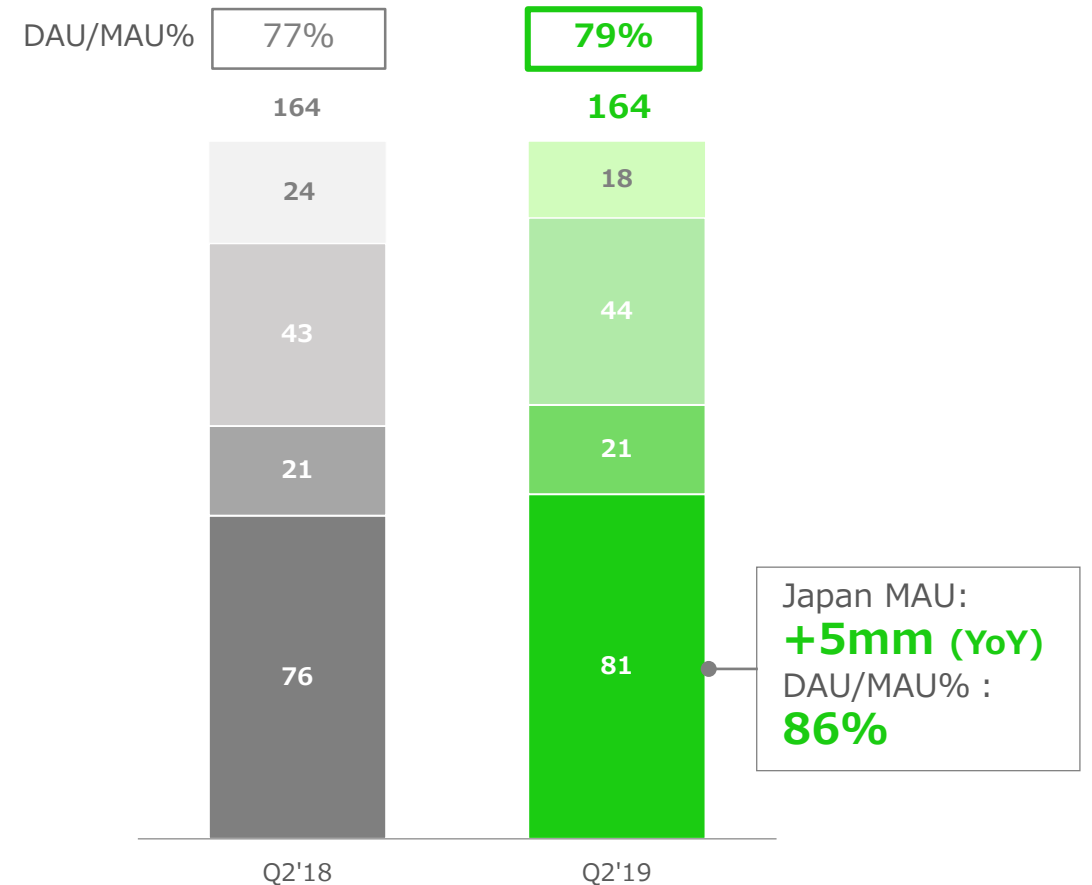
Highlights

Core	<ul style="list-style-type: none">• Display ads revenue 25% YoY growth<ul style="list-style-type: none">• Smart channel expanding as planned• Strong increase in number of new Official Accounts
Strategic	<ul style="list-style-type: none">• Sharp increase in LINE Pay MAU<ul style="list-style-type: none">• High retention rate and increase in remittance transactions• LINE Pay accepting locations growing<ul style="list-style-type: none">• NTT Docomo to participate in MoPA• Expanding partnership with VISA
Others	<ul style="list-style-type: none">• Issuance of stock options

Monthly Active Users | Four Key Countries

(mm users)

■ Japan ■ Taiwan ■ Thailand ■ Indonesia



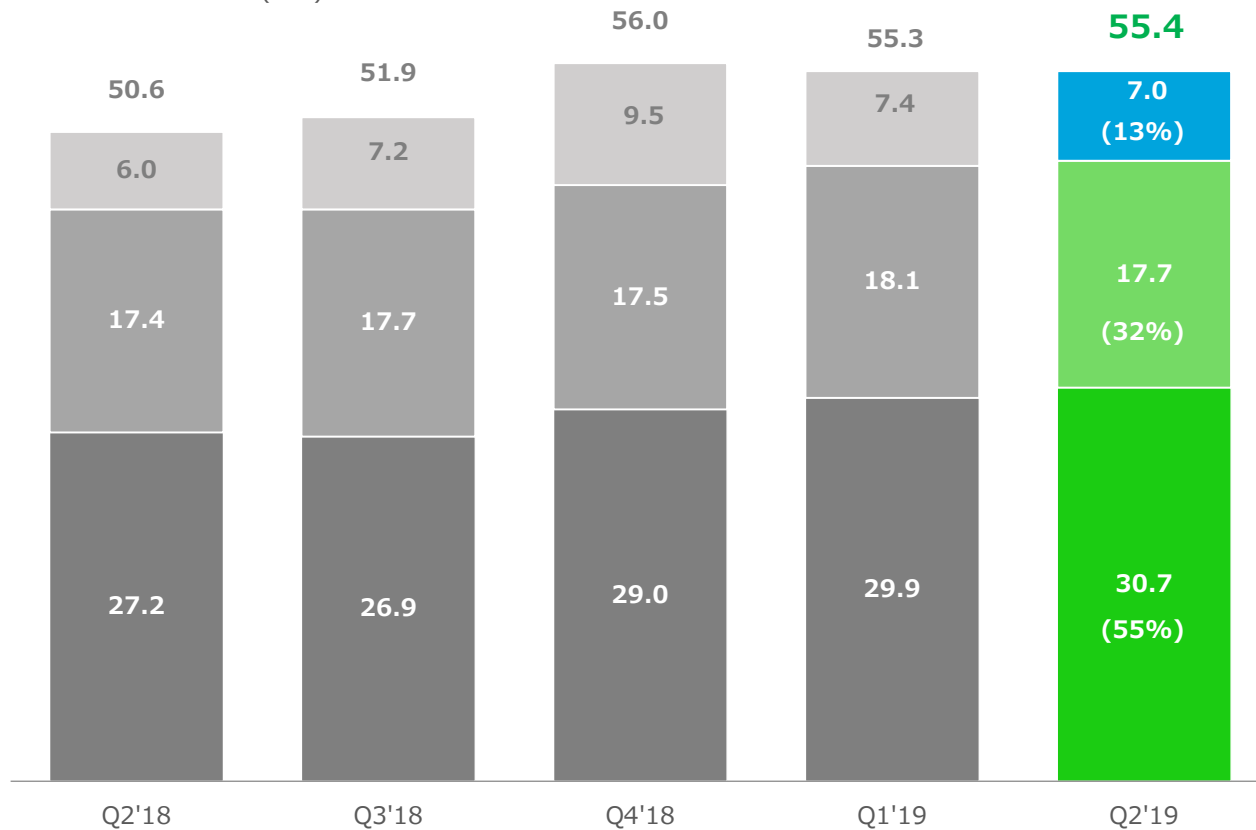
Revenues

Revenues

(bn yen)

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

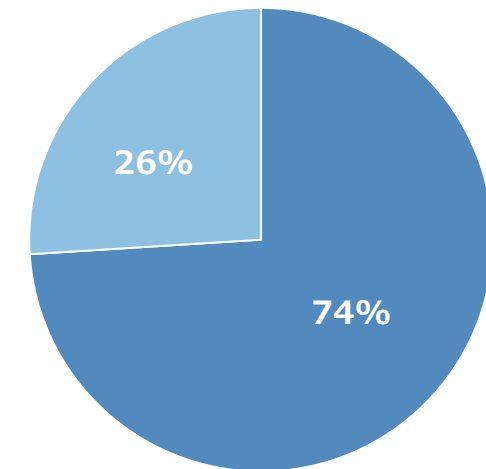
YoY
+ 9.5%



Geographical breakdown

(For Q2 2019)

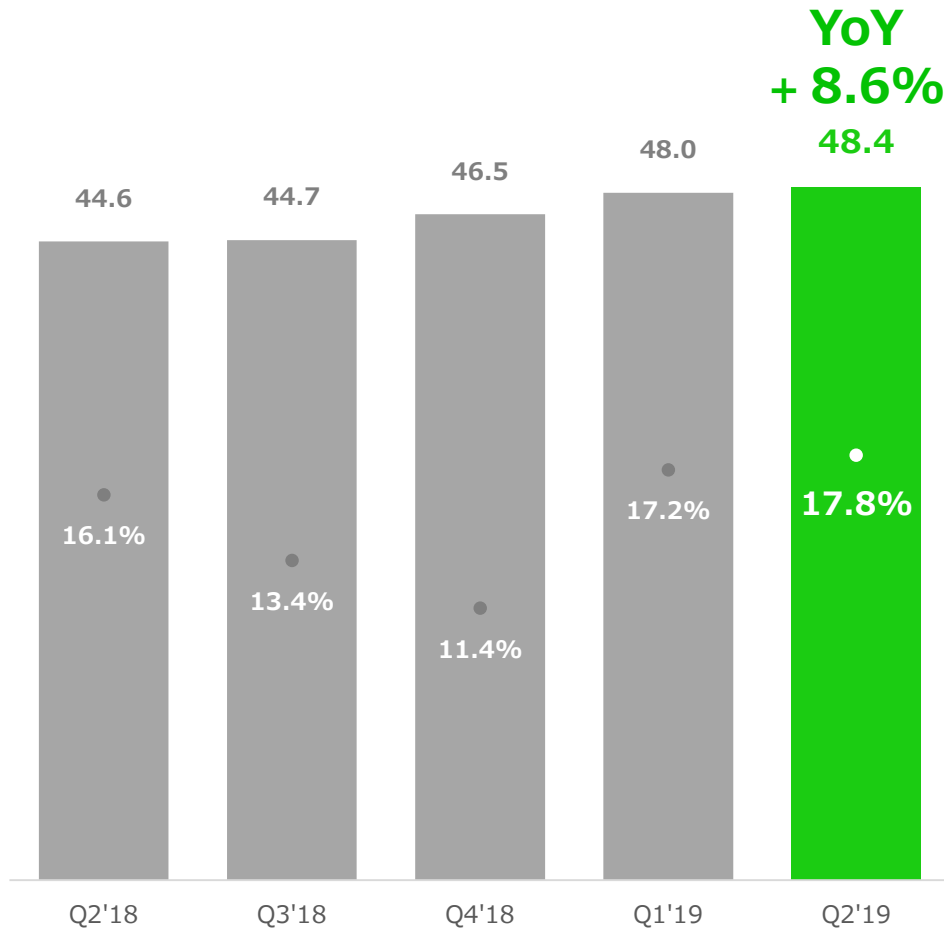
- Japan
- Overseas



Segment Revenues and Operating Margin

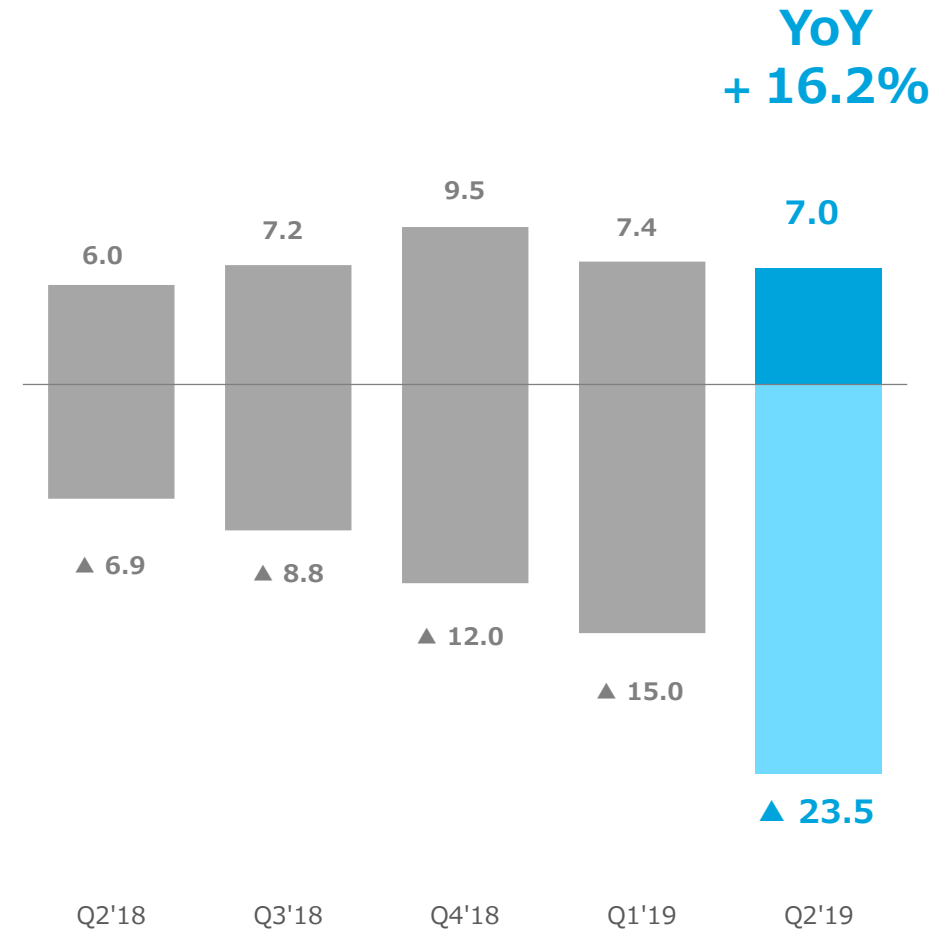
Core | Revenues / Operating margin

(bn yen)



Strategic | Revenues / Operating income

(bn yen)



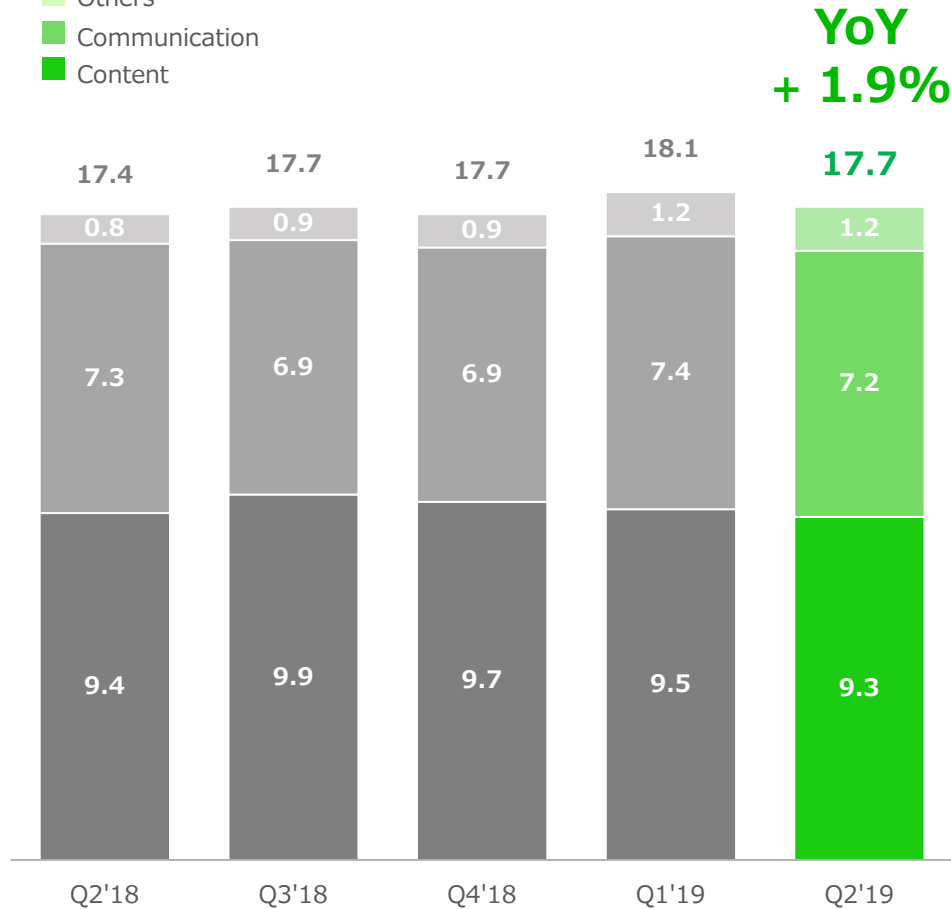
Core Business

Core | Communication / Content / Others

Revenues

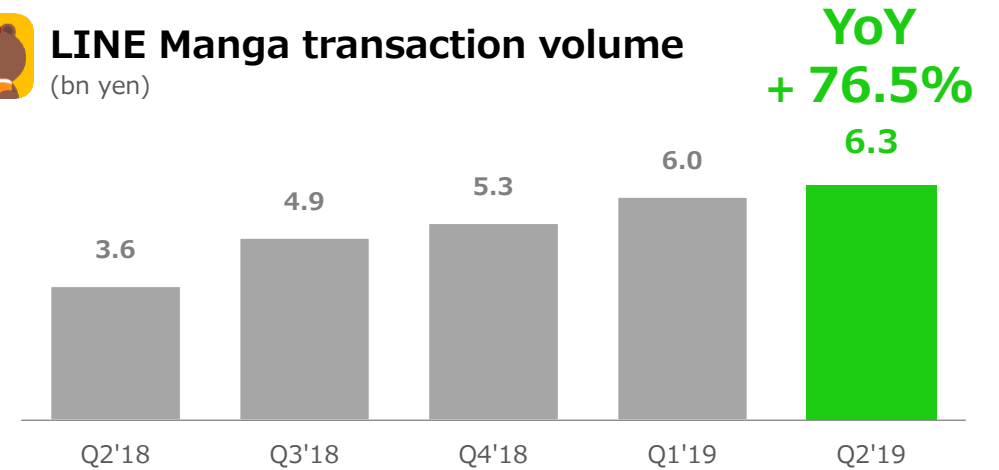
(bn yen)

- Others
- Communication
- Content



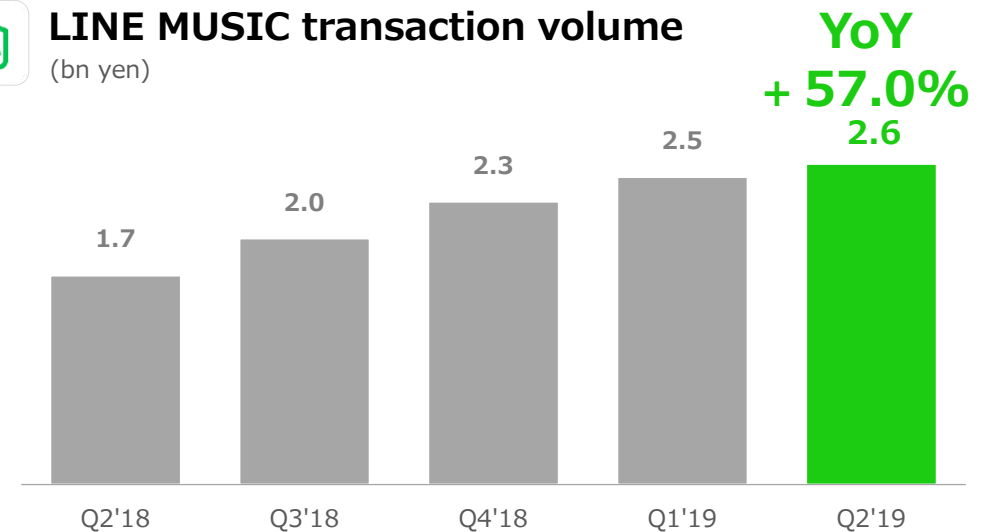
LINE Manga transaction volume

(bn yen)



LINE MUSIC transaction volume

(bn yen)

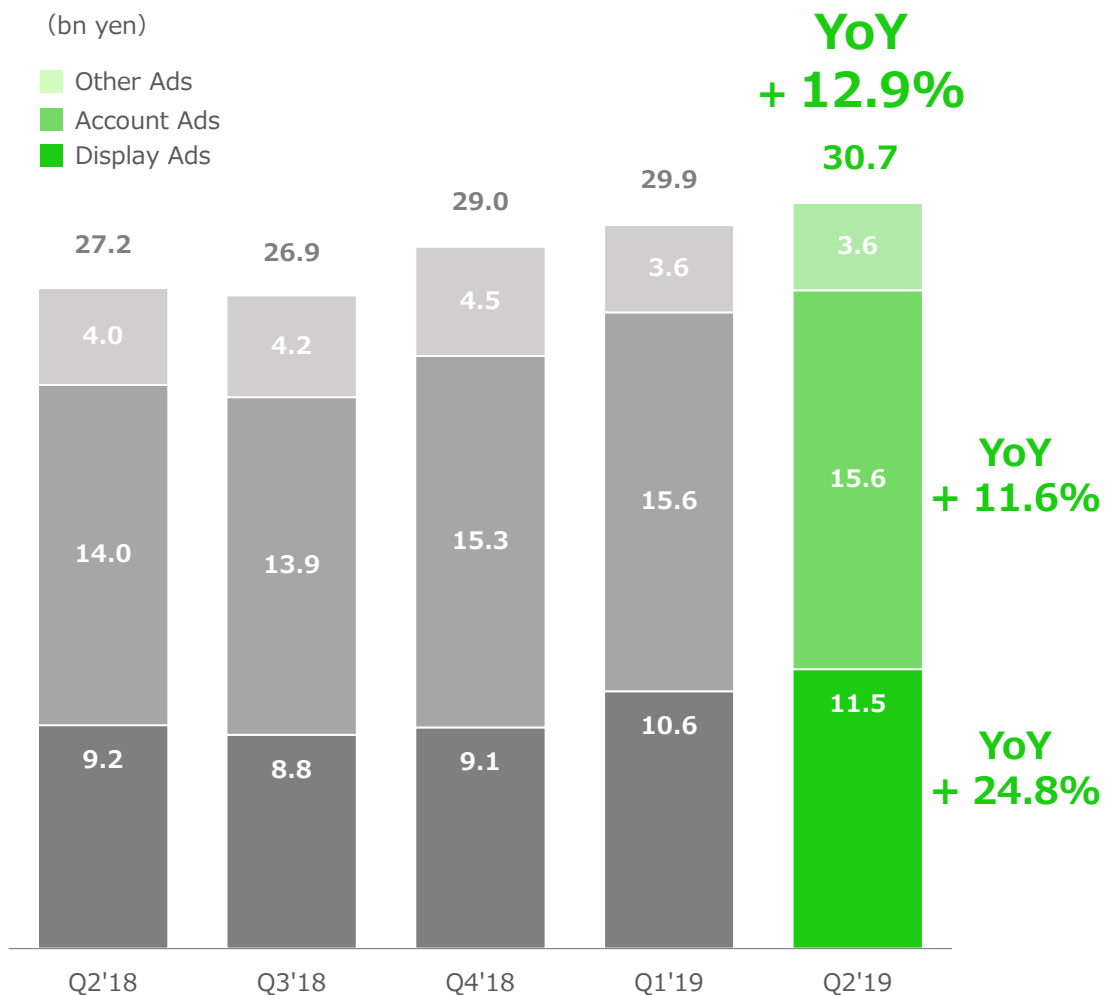


Core | Ads

Revenues

(bn yen)

- Other Ads
- Account Ads
- Display Ads



Key KPI

of Official Accounts

(accounts)

Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
672	677	774	925	1,183

*Global paid official accounts

of LINE@ Accounts

(accounts in thousands)

Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
7,929	8,526	9,156	9,747	9,859

*Global active accounts

of LAP Impressions

(impressions in millions)

Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
21,167	23,265	23,568	26,291	37,653

*LAP: LINE Ads Platform

Note: Others ads include ad revenues mainly from Livedoor, NAVER Matome, and LINE Part Time Jobs
 LINE@ and Official Account merged to become LINE Official Account in April. The number of accounts are accounted based on previous standards

Core | Account Ads : 1H Achievement and 2H Roadmap

1H

2H

Increase
accounts

- Introduced pay-as-you-go pricing plan to provide flexibility to contract
- Added feature for advertisers to send messages based on fixed budget
- Upgraded home tab UI

New accounts created in Japan since December: **396**
(approx. 300 Official Accounts in operation during the first 7yrs since launch)

Increase
sales
price

- Added feature to specify the number of message transmission
- Added 1 to 1 chat capability
- Enhanced dashboard features

Average sale price for new domestic accounts
(opened since Dec.) increased **90%** from Q1 to Q2

- Upgrade search function (enhance search results, map search)
- Prepare pay-as-you-go sponsored stickers
- Link user-friending function with display ads

- Integrate A/B testing function to test ad creatives
- Provide re-targeting and look-a-like targeting functions
- Consolidated and leverage data across LINE ad products
- Improve message UI and reporting format
- Prepare reports outlining user interests and traffic patterns to friend accounts

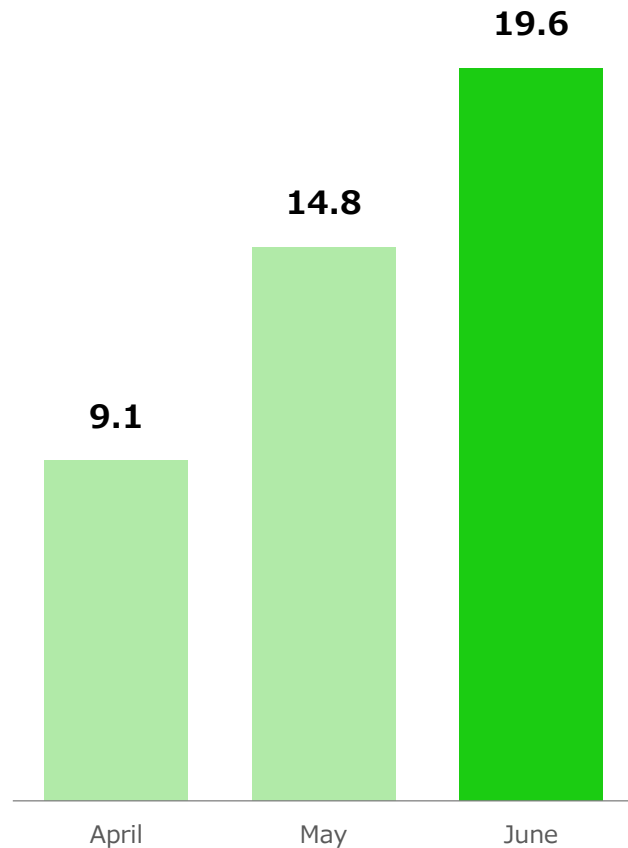
Core | Display Ads : 1H Achievement and 2H Roadmap

	1H	2H
Upgrade platform capability	<ul style="list-style-type: none">• Fully migrated to new ad platform• Changed definition of an impression• Released function to target users in individual municipalities	<ul style="list-style-type: none">• Enhance reports• Improve auto-bidding functions• Optimize distribution logic (using LINE data)
	Strengthen data sharing across LINE ad products	
Expand clients	<ul style="list-style-type: none">• Expanded eligible client base for dynamic ads• Launched auto-bidding feature for app advertiser	<ul style="list-style-type: none">• Prepare and launch self-serve platform and SMB-related initiatives• Offer new products for brand advertisers<ul style="list-style-type: none">• Talk Head View (Smart channel video ad)• Add flyers and other ad formats
Increase ad inventory	<ul style="list-style-type: none">• Began testing of Smart channel• Expanded ad formats for existing ad inventories	<ul style="list-style-type: none">• Fully launch Smart channel in Japan<ul style="list-style-type: none">• Begin overseas• Launch LAP for Publishers (ad network business)

Core | Display Ads : Smart Channel Update

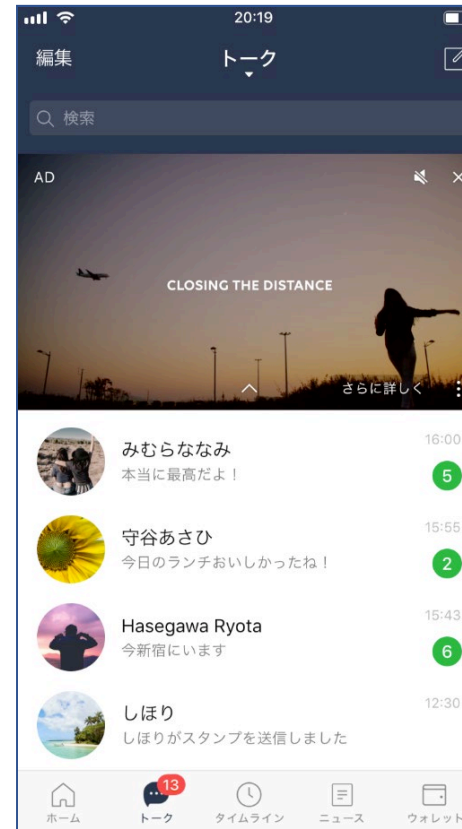
of Smart Channel impressions

(100 mm impression)



Smart Channel Video Ads

- Released in June



Talk
Head
View

Unique reach
47 mm / day

Age group between 15-29
90% reached / day

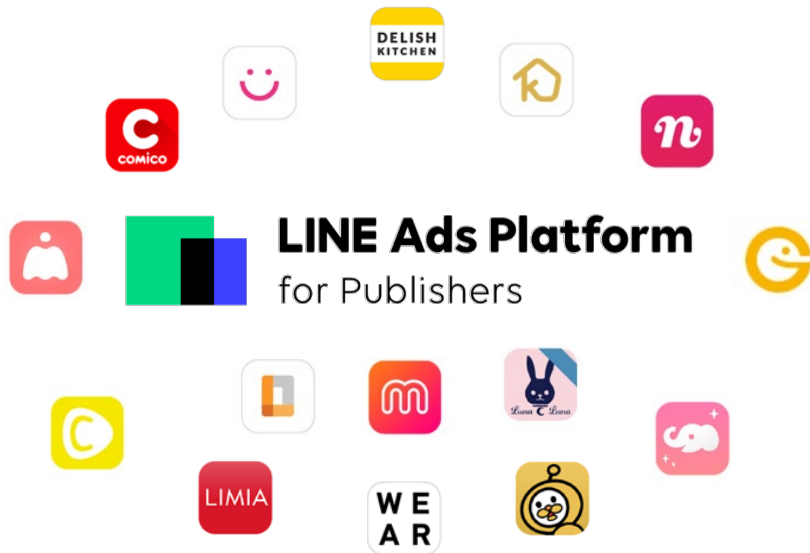


Remarkable reach capability
for a video ad inventory

Core | Display Ads : Further Expansion of Ad Inventory

LAP for Publishers

- Ad distribution platform leveraging LINE's audience data



Release in August

Openchat

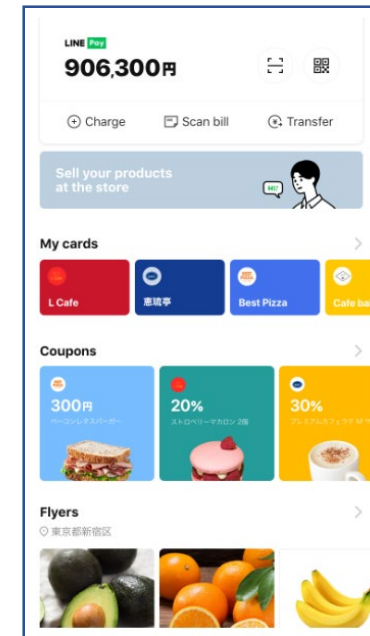
- Group chats to be formed based on forums/communities



Release in summer 2019

Wallet

- Users receive useful/bargain information in wallet tab
- Store card, campaigns, flyers, coupons, location based information, financial, etc.



Release in fall 2019

Strategic Business

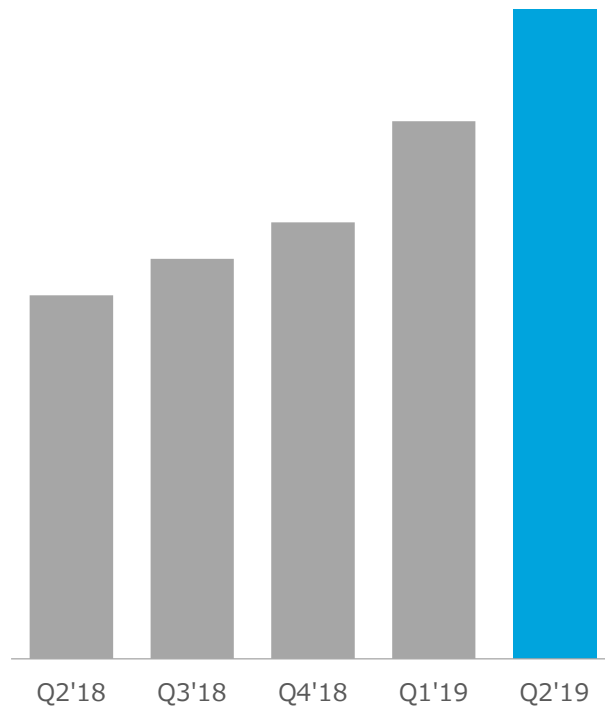
Strategic | O2O · Commerce

Shopping-related transaction volume



• SHOPPING GO (off-line)
released December 2018

YoY
+ 78.8%

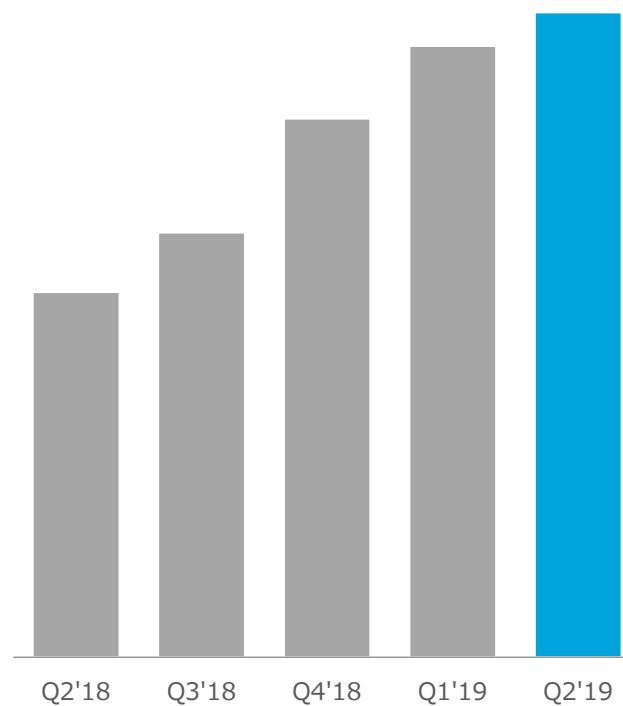


Gourmet-related transaction volume



• LINE Pokeo (take-out)
released April 2019

YoY
+ 76.3%

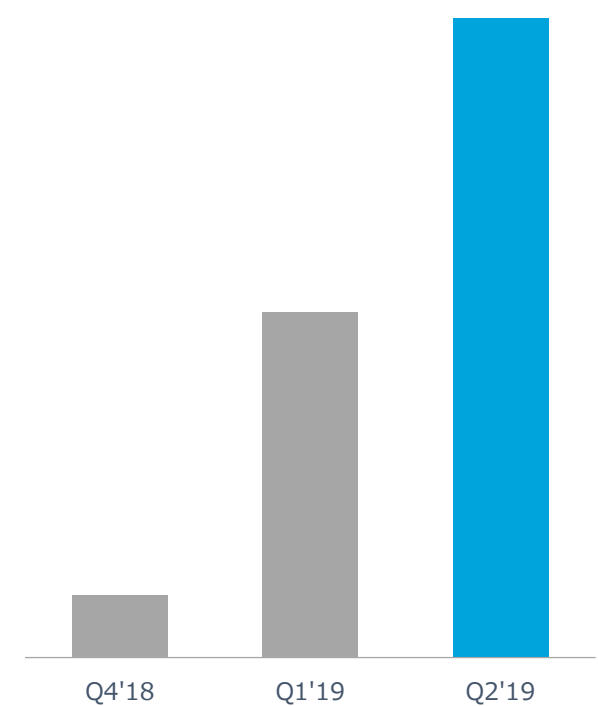


Travel-related transaction volume



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

QoQ
+ 85.4%



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

Strategic | LINE Pay

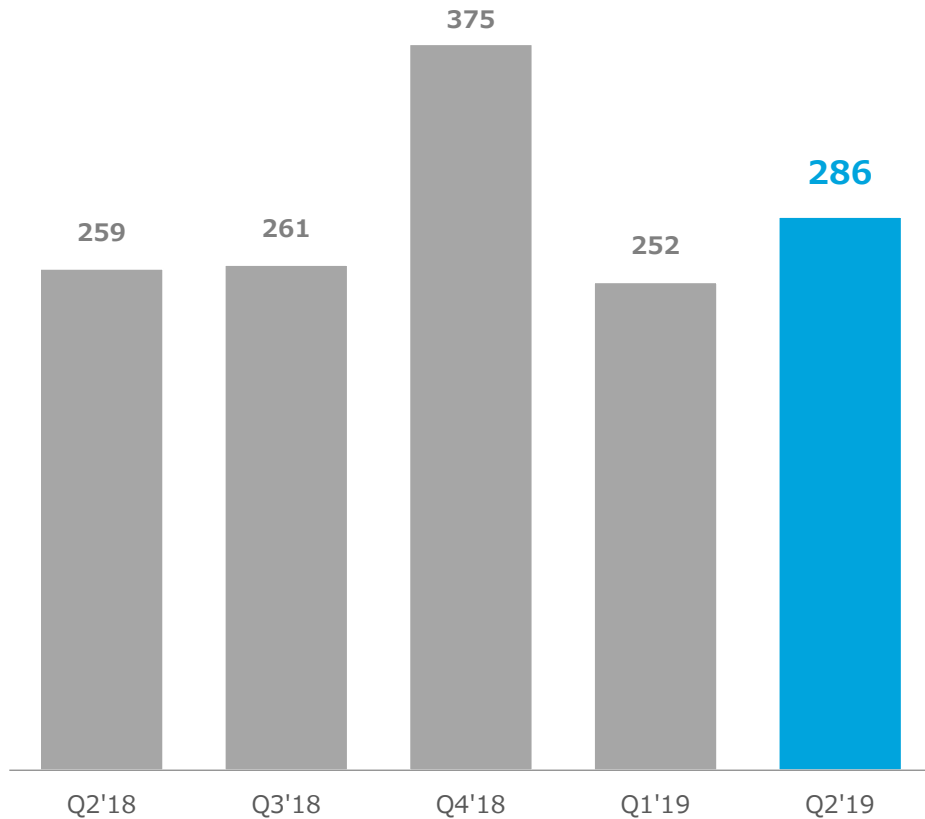
- LINE Pay transaction volume increased QoQ in all countries. Transaction volume in Japan grew 2.2x times YoY

LINE Pay Global Transaction Volume

(bn yen)

LINE Pay

YoY
+ 10.1%

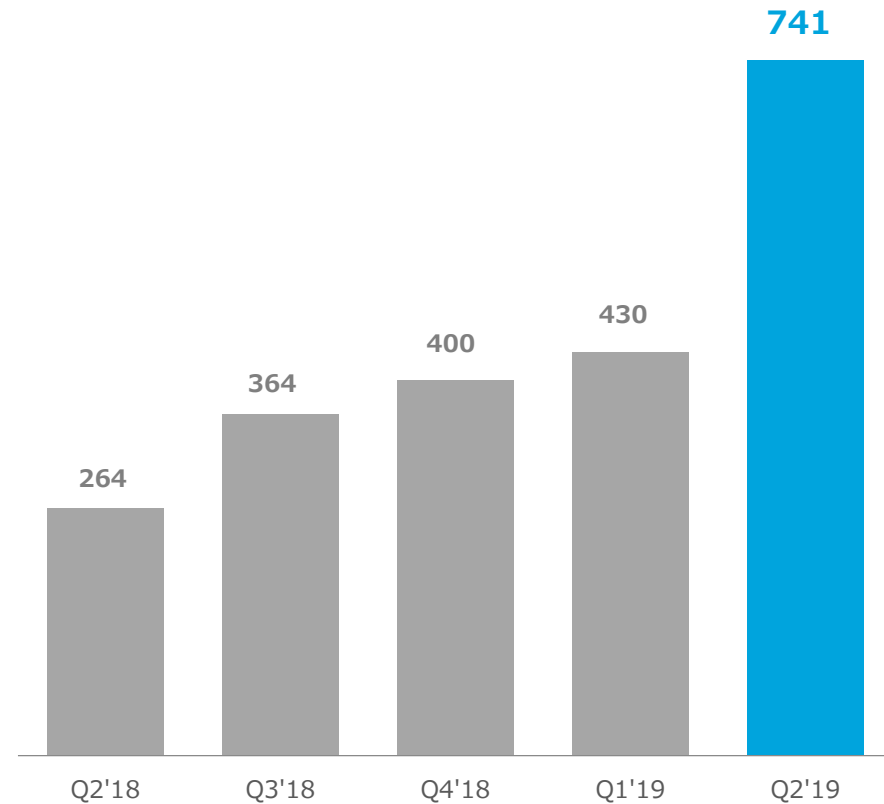


LINE Pay Global MAU

(10k users)

LINE Pay

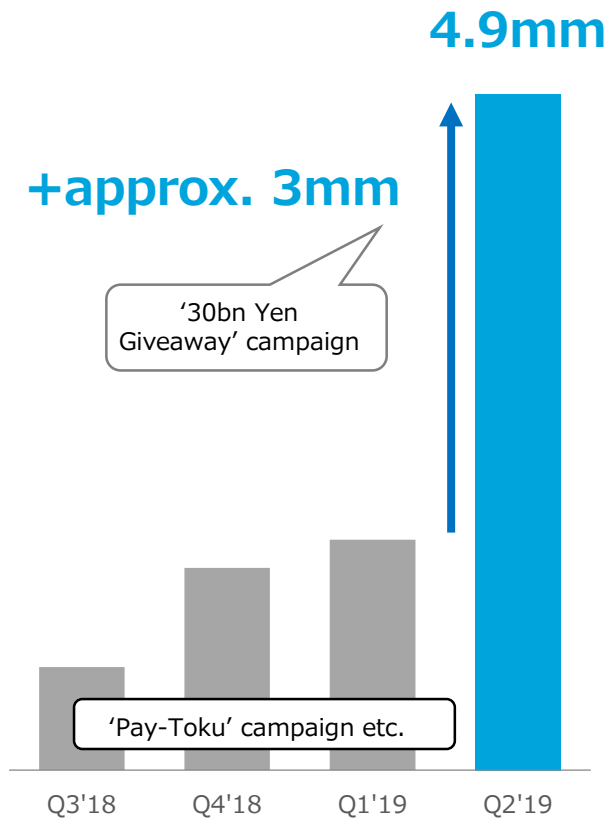
YoY
+ 181.1%



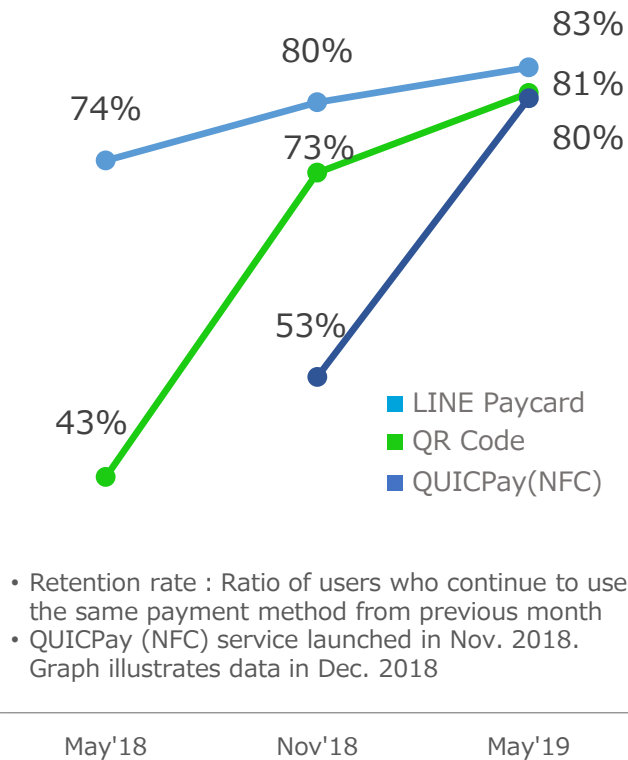
Strategic | LINE Pay (Japan)

- Over 36 million registered users in Japan
- Successfully activated approx. 3 million KYC-ed users through campaigns with low acquisition cost
- Expanding and maintaining high retention rate for each settlement method. Remittance transactions increased significantly

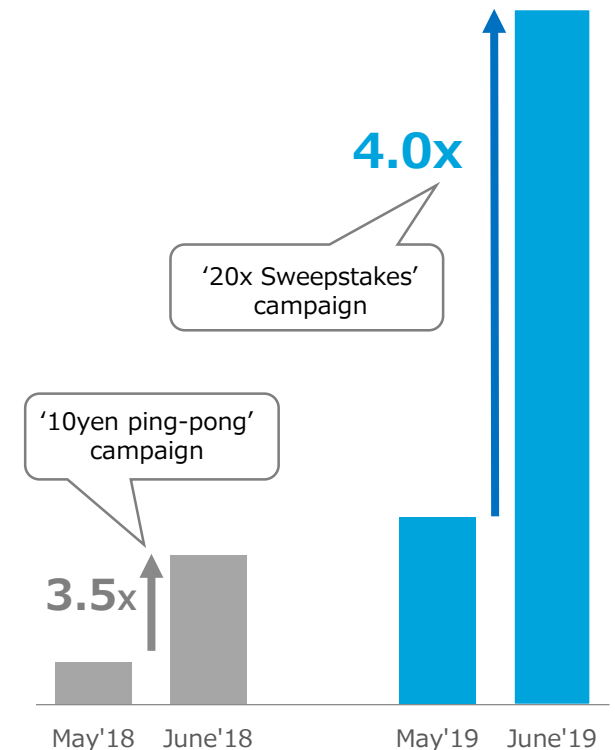
LINE Pay Japan MAU



Retention rate



Remittance transaction



Strategic | LINE Pay (Japan)

- 1.71 million locations accepting LINE Pay (increase of 350k locations QoQ)
- Expecting complementary expansion of merchant base with NTT Docomo joining MoPA and further promoting cashless payments in Japan
- NAVER Pay now accepted at LINE Pay merchants. Expanding partnership with VISA beyond issuance of LINE Pay VISA card

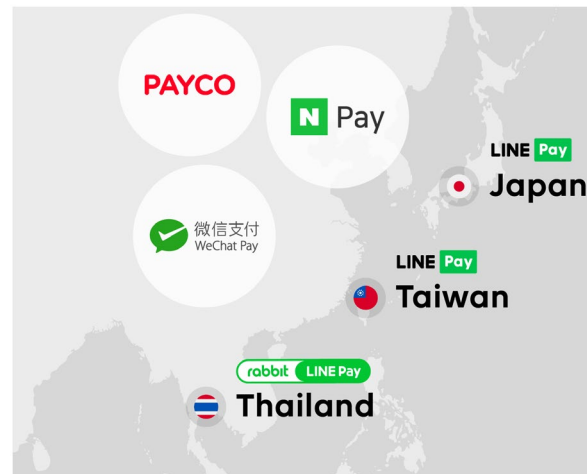
MoPA (Mobile Payment Alliance)

- NTT Docomo to participate together with Merpay
- Sharing of merchant base
- Joint sales effort to enlist more merchants



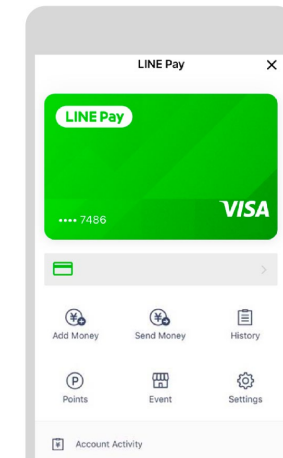
LINE Pay Global Alliance

- Acceptance of NAVER Pay. Partnered with Payco (Korea)
- Preparing integration with WeChat Pay, LINE Pay Taiwan and Thailand

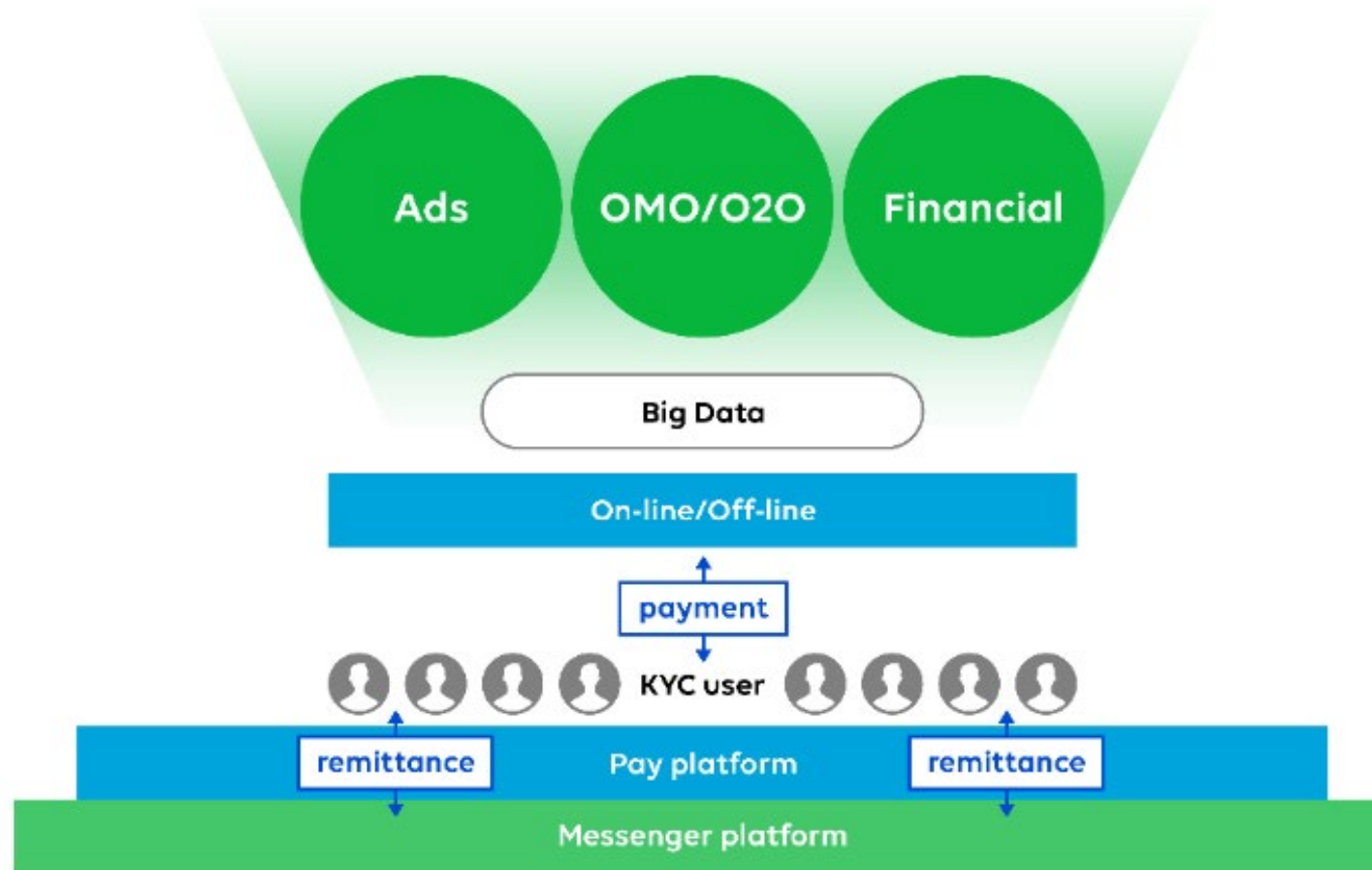


Partnership with VISA

- LINE Pay VISA credit card
 - Accepted at over 54 million merchants worldwide
- Digital settlement card
- Blockchain related fintech service
- Co-marketing at Tokyo Olympics



Strategic | LINE Pay Business Model



Finance Section

Earnings Summary (Q2 2019)

(mm yen)	Q2'18	Q1'19	Q2'19	Growth rate	
				Y/Y	Q/Q
Revenues and other operating income	60,280	55,475	56,689	-6.0%	2.2%
Revenues	50,625	55,323	55,437	9.5%	0.2%
Operating income	9,075	-7,892	-13,924	N/M	N/M
Margin(%)	15.1%	-14.2%	-24.6%	-39.6%p	-10.3%p
Core Revenue	44,577	47,948	48,407	8.6%	1.0%
Core Operating income	7,199	8,266	8,595	19.4%	4.0%
Margin(%)	16.1%	17.2%	17.8%	1.6%p	0.5%p
Strategic Revenue	6,048	7,375	7,030	16.2%	-4.7%
Strategic Operating income	-6,917	-14,987	-23,496	N/M	N/M
Common Revenue	9,655	152	1,252	-87.0%	N/M
Common Operating expense	862	1,323	275	-68.1%	-79.2%

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

Operating Expenses

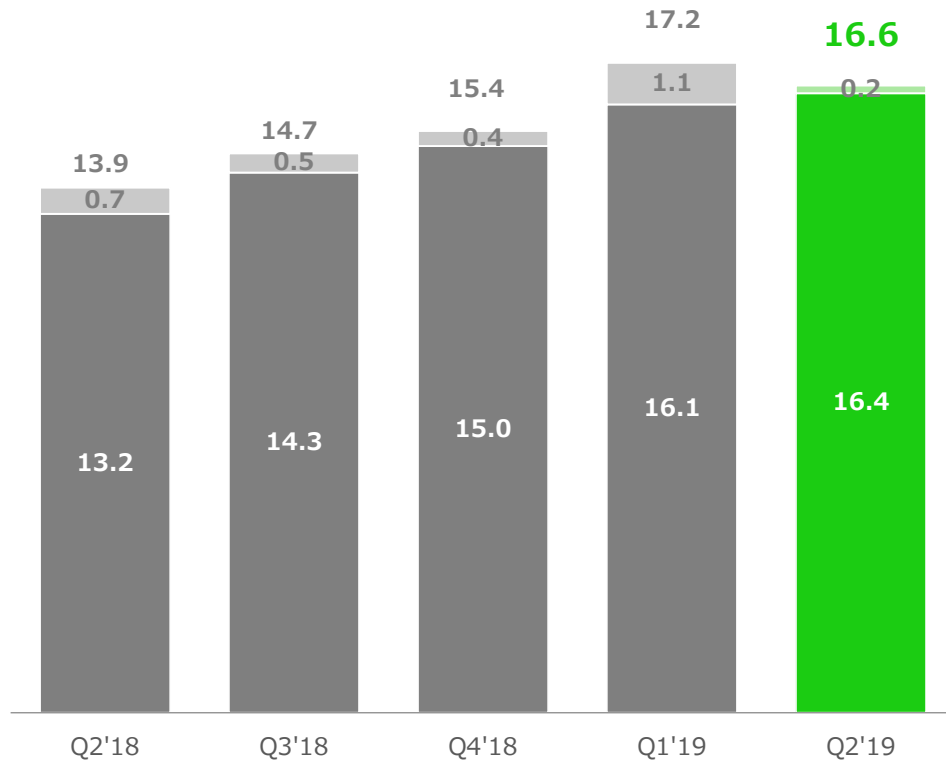
(mm yen)	Q2'18	Q1'19	Q2'19	Growth rate	
				Y/Y	Q/Q
Revenues and other operating income	60,280	55,475	56,689	-6.0%	2.2%
Operating expenses	51,205	63,367	70,613	37.9%	11.4%
Payment processing and licensing	7,837	8,803	8,367	6.8%	-5.0%
Sales commission	3,939	4,254	4,370	10.9%	2.7%
Employee compensation	13,884	17,190	16,585	19.5%	-3.5%
Marketing	4,655	7,499	13,109	181.6%	74.8%
Infrastructure and communication	2,482	2,708	2,590	4.4%	-4.4%
Outsourcing expense	6,976	9,101	11,017	57.9%	21.1%
Depreciation and amortization	2,620	5,184	5,386	105.6%	3.9%
Other operating expenses	8,812	8,628	9,189	4.3%	6.5%
Operating income	9,075	-7,892	-13,924	N/M	N/M
<i>Margin(%)</i>	15.1%	-14.2%	-24.6%	-39.6%p	-10.3%p
Pre-tax income	6,772	-11,270	-17,220	N/M	N/M
Corporate tax	-3,098	547	-86	N/M	N/M
Net income from continuing operations	3,674	-10,723	-17,306	N/M	N/M
Net income	3,677	-10,718	-17,311	N/M	N/M

Employee Compensation & Marketing

Employee Compensation

(bn yen)

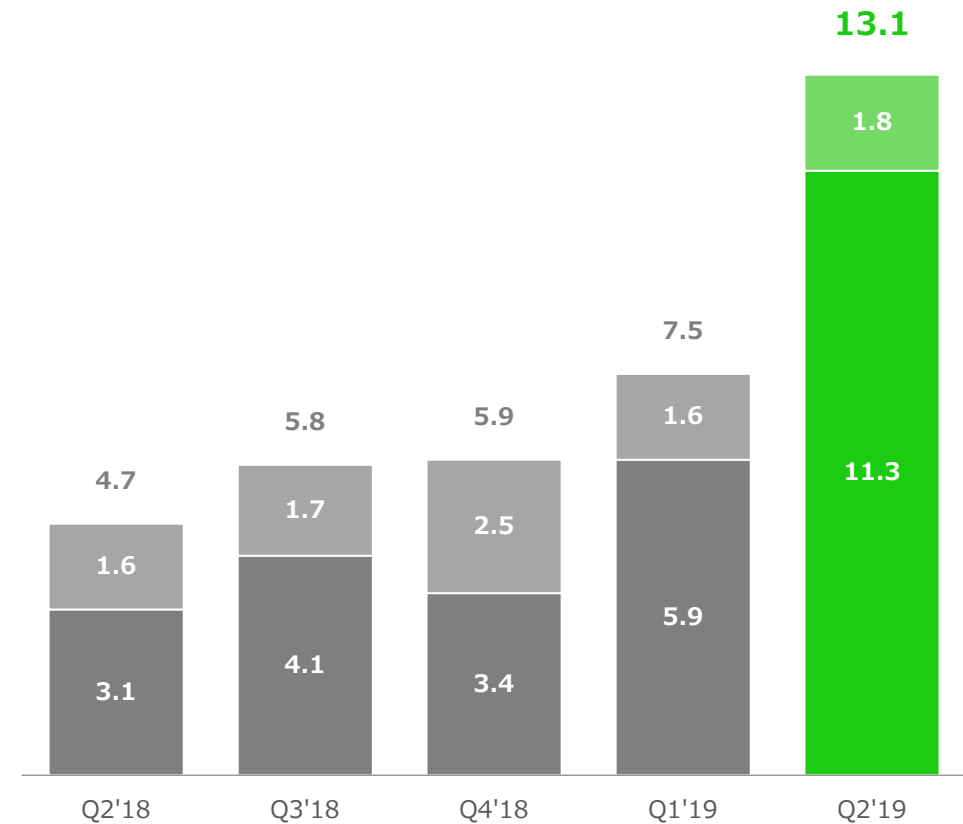
- SBC
- Salary · Others



Marketing

(bn yen)

- Overseas
- Japan



Supplemental Information of Stock Based Compensation Expenses

Schedule of stock based compensation expenses as of Q1 2018

(100mm yen)	FY18	FY19	FY20	FY21
2017 ESOP, SO / 2018 ESOP	36	41	18	4



Schedule of stock based compensation expenses as of July 2019

(100mm yen)	FY18 (A)	FY19	FY20	FY21
2017 ESOP, SO / 2018 ESOP	25	21	9	2
2019 ESOP	-	6	8	3
2019 SO	-	5	11	11
Total	25	32	28	16

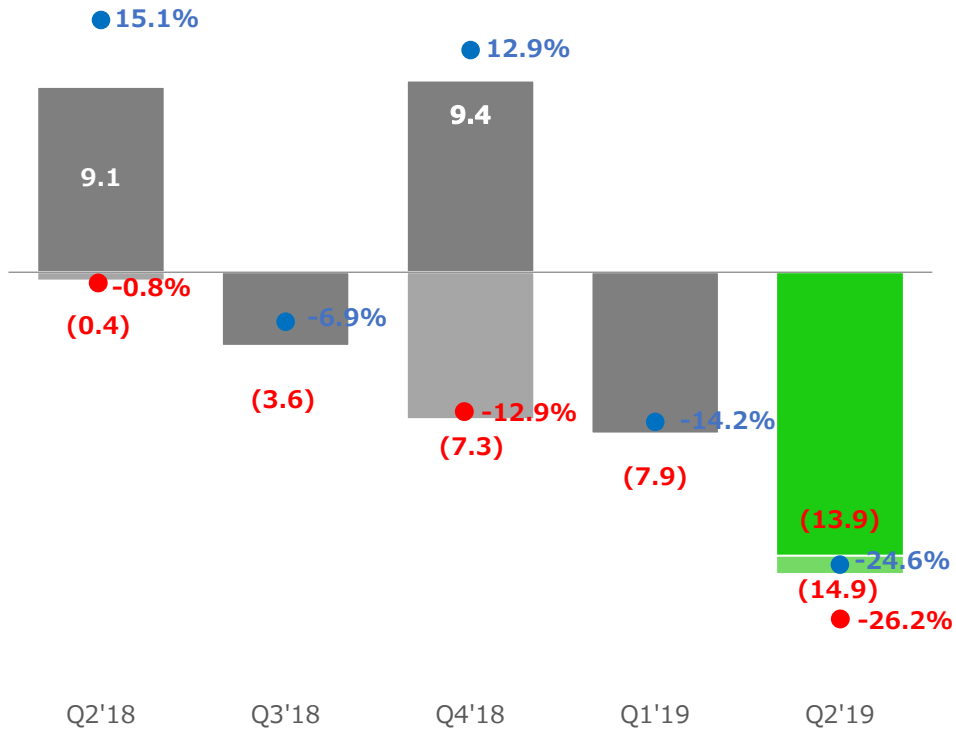
In addition to expiration from resignation, ESOP expenses will fluctuate depending on share price

Operating & Net Income

Operating Income (Margin)

(bn yen)

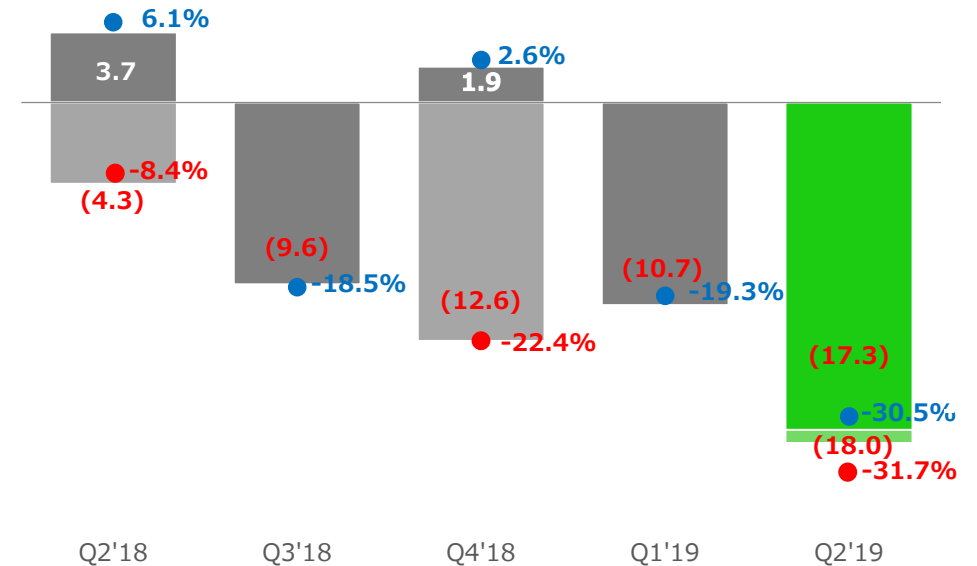
- Operating income
- OP margin (%)
- Operating income (excl. one-time)
- Operating margin (excl. one-time) (%)



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)	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
Revenues and other operating income	60,280	51,943	72,849	55,475	56,689
Revenues	50,625	51,850	55,971	55,323	55,437
Core Business	44,577	44,662	46,478	47,948	48,407
Ads	27,169	26,946	28,951	29,853	30,676
Account Ads	13,999	13,912	15,335	15,590	15,620
Display Ads	9,177	8,838	9,078	10,624	11,456
Others ¹⁾	3,993	4,196	4,538	3,639	3,600
Communication	7,313	6,905	6,894	7,427	7,174
Content	9,342	9,931	9,733	9,492	9,337
Others	753	880	900	1,176	1,220
Strategic Business	6,048	7,188	9,493	7,375	7,030
LINE FRIENDS	4,092	5,155	6,942	4,463	4,674
Fintech/AI/Commerce/Mobile ²⁾	1,956	2,033	2,551	2,912	2,356
Other operating income	9,655	93	16,878	152	1,252

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)	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
Operating expenses by segment	51,205	55,519	63,484	63,367	70,613
Core business	37,378	38,657	41,199	39,682	39,812
Strategic business	12,965	16,034	21,530	22,362	30,526
Common	862	828	755	1,323	275
Operating expenses by account	51,205	55,519	63,484	63,367	70,613
Payment processing and licensing	7,837	7,507	8,173	8,803	8,367
Sales commission	3,939	4,131	4,879	4,254	4,370
Employee compensation	13,884	14,728	15,387	17,190	16,585
Marketing	4,655	5,775	5,949	7,499	13,109
Infrastructure and communication	2,482	2,681	2,719	2,708	2,590
Outsourcing expense	6,976	8,101	8,811	9,101	11,017
Depreciation and amortization	2,620	2,903	3,283	5,184	5,386
Other operating expenses	8,812	9,693	14,283	8,628	9,189

LINE