

LINE Q4 2018

# Earnings Results

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LINE Corporation

January 31, 2019

# Disclaimer

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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;  
its ability to increase revenues and its revenue growth rate;
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 January 31, 2019, and LINE does not guarantee its accuracy or completeness.

# 2018 Earnings Summary

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# 2018 Highlights

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## 2018 KPI accomplishments

- ✓ Revenue surpass 200 billion yen
- ✓ Global LINE Pay transaction volume surpass 1 trillion yen
- ✓ Over 1 million locations accepting LINE Pay
- ✓ Launched several fintech services

### Engagement /Earnings

- 164 million MAU for four key countries, maintain high DAU/MAU ratio
- Japan MAU 79 million (7.7% YoY), 85%DAU/MAU ratio
- 2018 annual revenue 207.2billion yen (18.7% YoY)

### Core

- Timeline, NEWS service continue to grow steadily resulting in ad impressions growing 45.5% YoY
- New ad platform migration complete

### Strategic

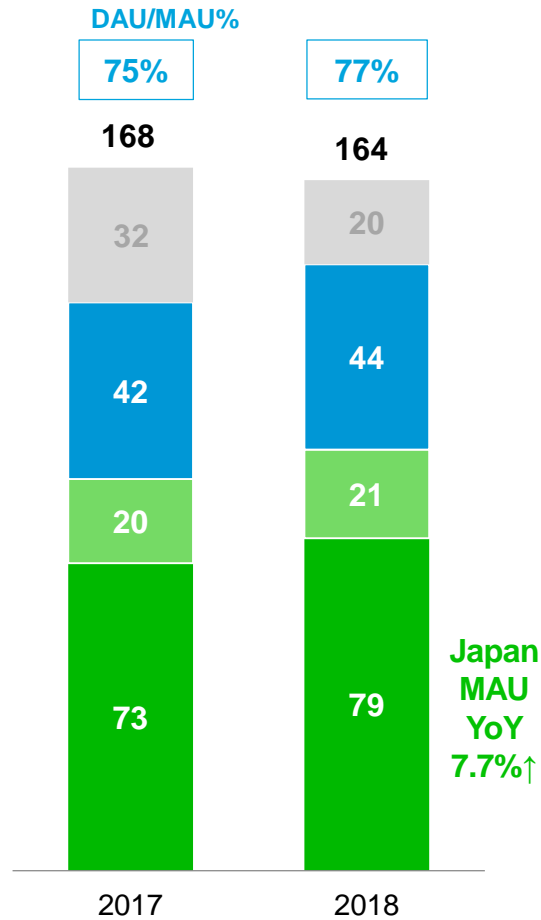
- Global LINE Pay annual transaction volume 1.07 trillion yen (126% YoY)
- 1.33 million locations accepting LINE Pay in Japan
- Released several fintech services. Established bank preparatory company
- Increased number of skills from opening AI/Clova platform, leading to expansion of Clova use case

# Engagement / Annual Results

## Monthly Active Users

(mn users)

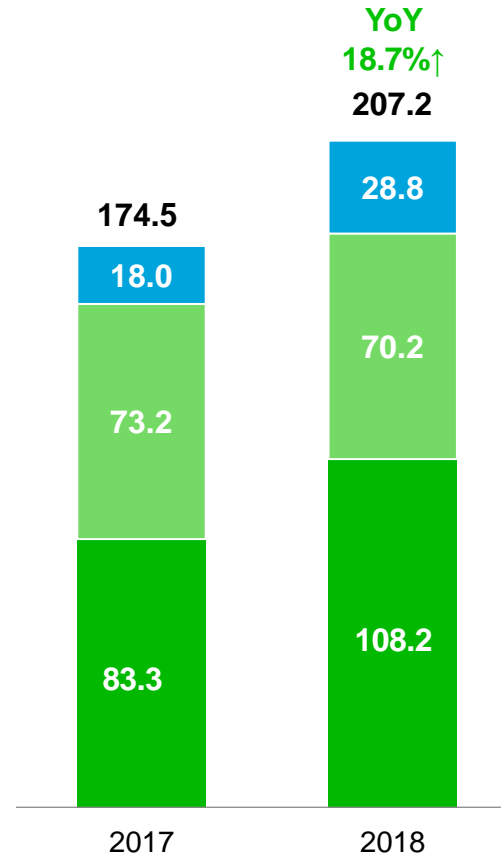
■ Japan ■ Taiwan ■ Thailand ■ Indonesia



## Revenues

(bn yen)

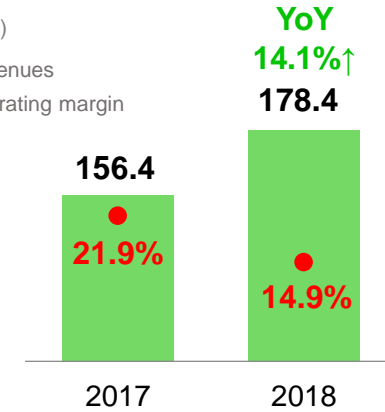
■ Strategic Business  
■ Core Business Communication/Content/Others  
■ Core Business Ads



## Core

(bn yen)

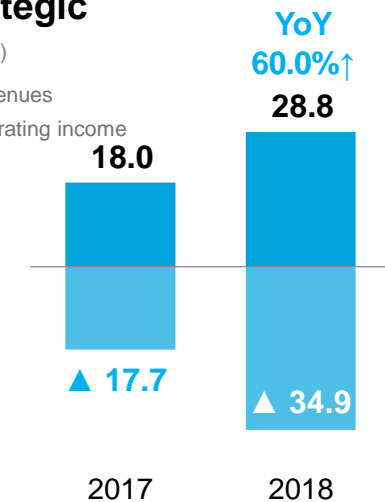
■ Revenues  
● Operating margin



## Strategic

(bn yen)

■ Revenues  
■ Operating income



Note: Only adjusted the retained revenue, without retroactively revising sales revenues of previous years of consolidated financial statements. However, the historical figures have been adjusted above to show fair comparison of gross sales revenue

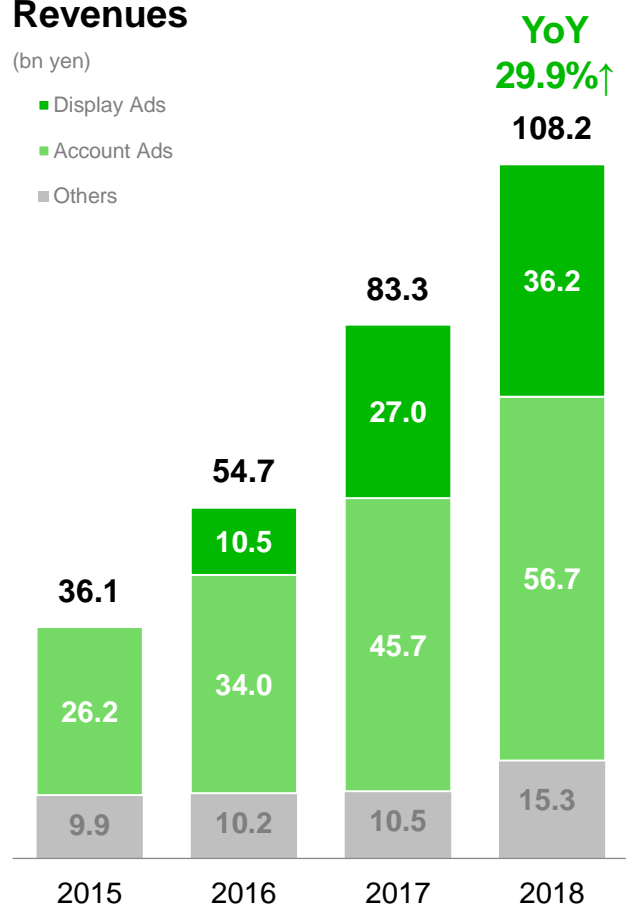
# Core | Ads

- While maintaining high growth rate during 2018, in preparation for further growth in 2019, the ad system was renewed and new products were developed

## Revenues

(bn yen)

- Display Ads
- Account Ads
- Others



## Account Ads

- Announced 'Redesign', launched pay as you go pricing plan
- Official Account increased 129 accounts
- LINE@ accounts increased 36.5% YoY
- Launched LINE Sales Promotion product offering

### # of Official Accounts

(accounts)

2016	2017	2018	YoY
549	645	774	20.0%↑

\*Global paid Official Accounts

### # of LINE@ Accounts

(thousand accounts)

2016	2017	2018	YoY
4,037	6,710	9,156	36.5%↑

\*Global active accounts

## Display Ads

- Migration to new ad platform complete
  - Enhanced cross ad product data usage
- Timeline/NEWS service grew steadily, ad impressions grew 45.5% YoY as a result
- Started testing of Smart Channel

### # of LAP Impressions

(mn impressions)

2016	2017	2018	YoY
35,842	58,869	85,670	45.5%↑

\*LAP: LINE Ads Platform

Note 1): Others are ad revenues mainly from Livedoor, NAVER Matome and LINE Part Time Jobs since Q2'18

Note 2): Historical figures in 2015 and 2016 are based on IAS18. Since 2017, historical figures have been adjusted to show fair comparison of gross sales revenue based on IFRS15

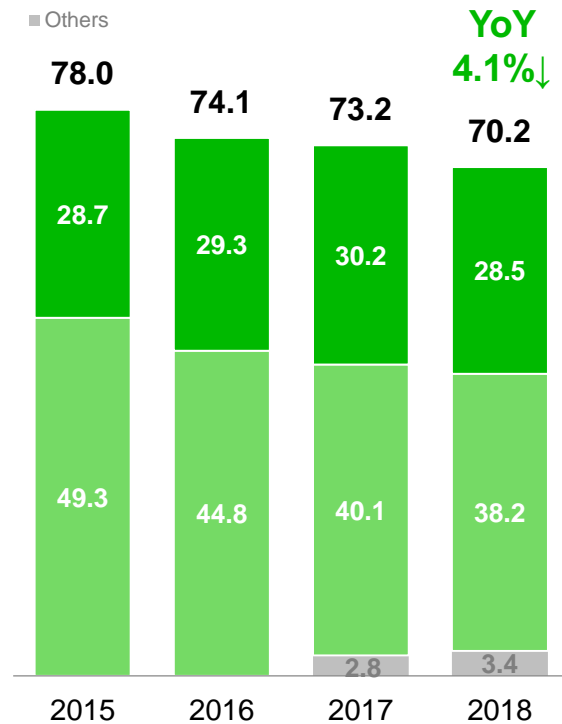
# Core | Communication / Content / Others

- While game and sticker business revenue is stabilizing, LINE Manga and LINE MUSIC transaction volume grew steadily

## Revenues

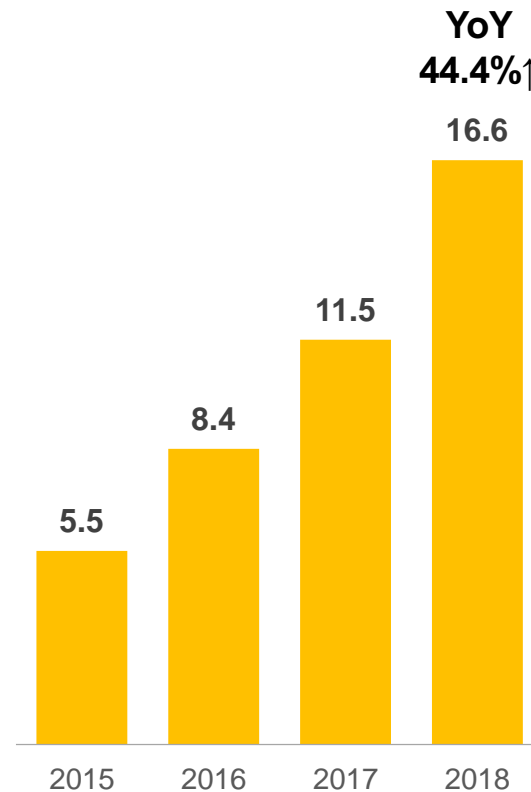
(bn yen)

- Communication
- Content
- Others



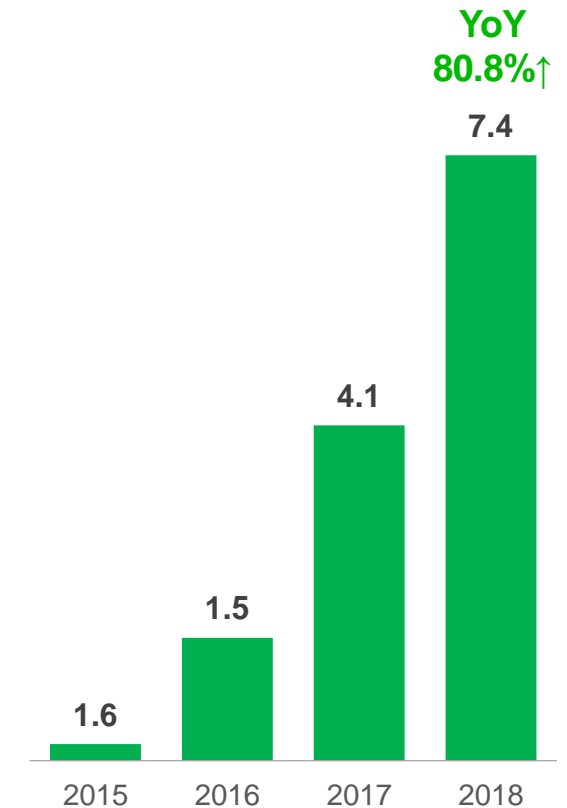
## LINE Manga transaction volume

(bn yen)



## LINE MUSIC transaction volume

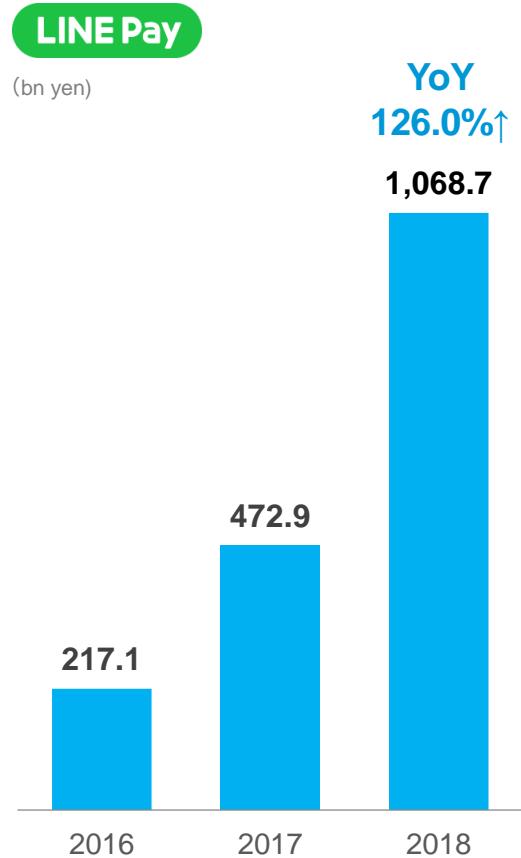
(bn yen)



# Strategic | LINE Pay

- 1.33 million locations accepting LINE Pay in Japan. Continue to expand accepting locations and preparation of new products
- Surge in Japan activity during second half contributed to LINE Pay global transaction volume surpassing 1 trillion yen

## LINE Pay Global transaction volume



## Japan LINE Pay achievement

Expand merchants base

**1.33 million locations accepting LINE Pay**  
Acceptance by leading industry vertical players

Convenience store

Drug store

Department store

Taxi

Restaurant

**Supporting various settlement methods**

Code payment

LINE Pay debit card

NFC

Product preparation

LINE Wallet upgrade

Scan Bill

LINE Kakeibo (PFM)

Split Bill renewal

User campaign









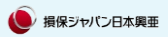


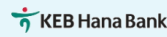
My Level (incentive program)  
Additional 3% for code payment

'Pay toku' campaign  
Monthly 10~20% reward



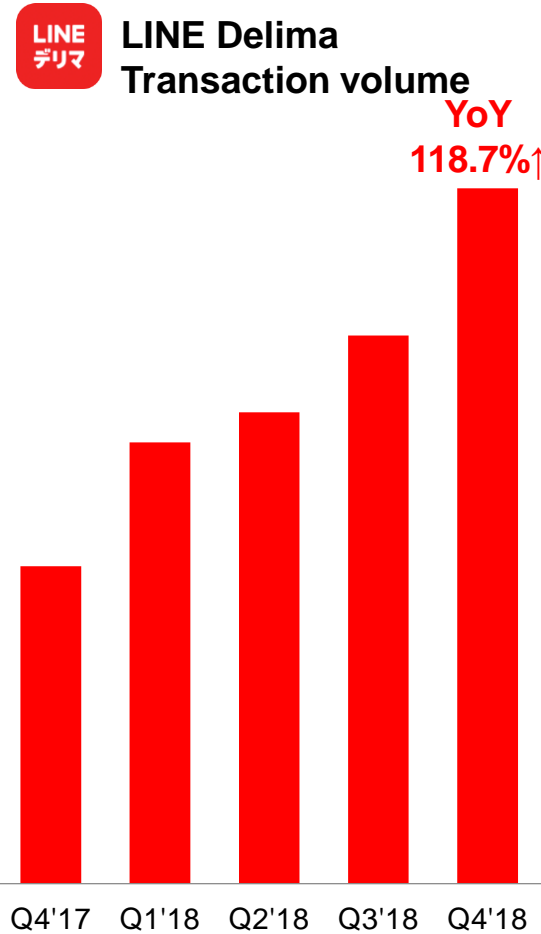
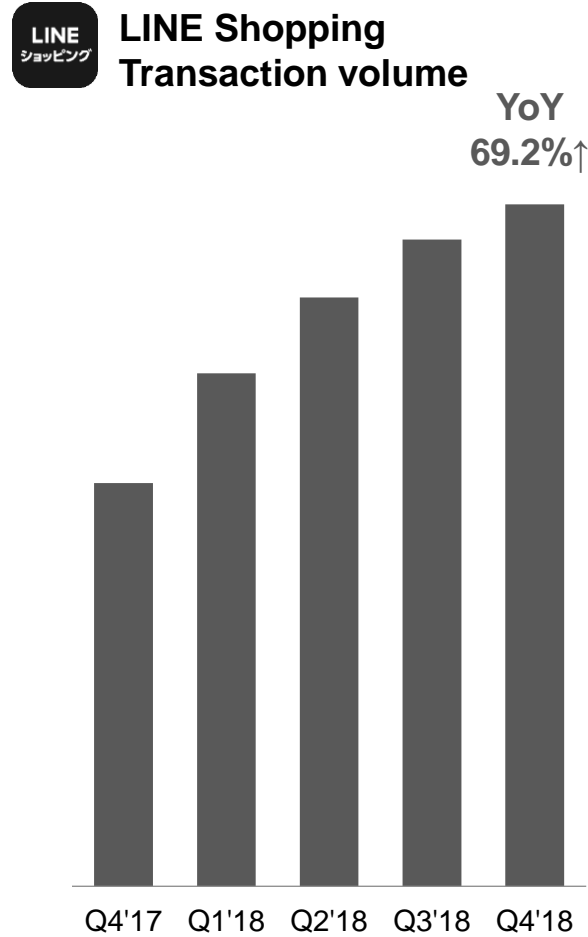
# Strategic | Financial services

- Released LINE Smart Invest and LINE Insurance in 2018. Other fintech services are preparing to launch during 2019 and onwards

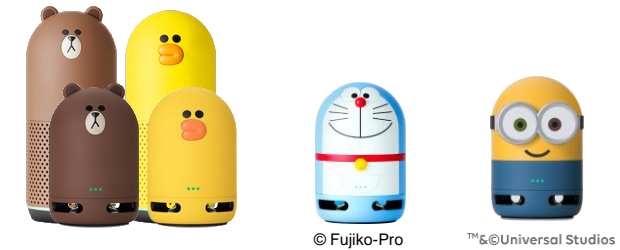
	Investment	Insurance	Scoring	Loan	Bank				Blockchain related business		
Service name	LINE スマート投資	LINE 証券	LINE ほけん	LINE スコア	LINE ポケットマネー	LINE Bank (temp)			 BITBOX	Preparing	
Country											
Strategic partner		NOMURA		-	 Orico		Fubon Bank and other five partners	KASIKORNBANK		-	NOMURA
Service release	October 2018	2019 (plan)	October 2018	2019 1H (plan)	2019 1H (plan)	Preparing license application	Preparing license application	2019 2H (plan)	2019 2H (plan)	July 2018 (ex. Japan/US)	Preparing virtual currency exchange application

# Strategic | Commerce / AI

- Commerce services, LINE Shopping and LINE Delima, transaction volume continue grew consistently. LINE Travel launched
- Increased number of skills from opening AI/Clova platform, leading to expansion of Clova use case



## AI/Clova



### Clova Friends



### Clova Auto

Announced to merge with Toyota's car navigation platform



### Clova Desk

Plan to release in Spring 2019

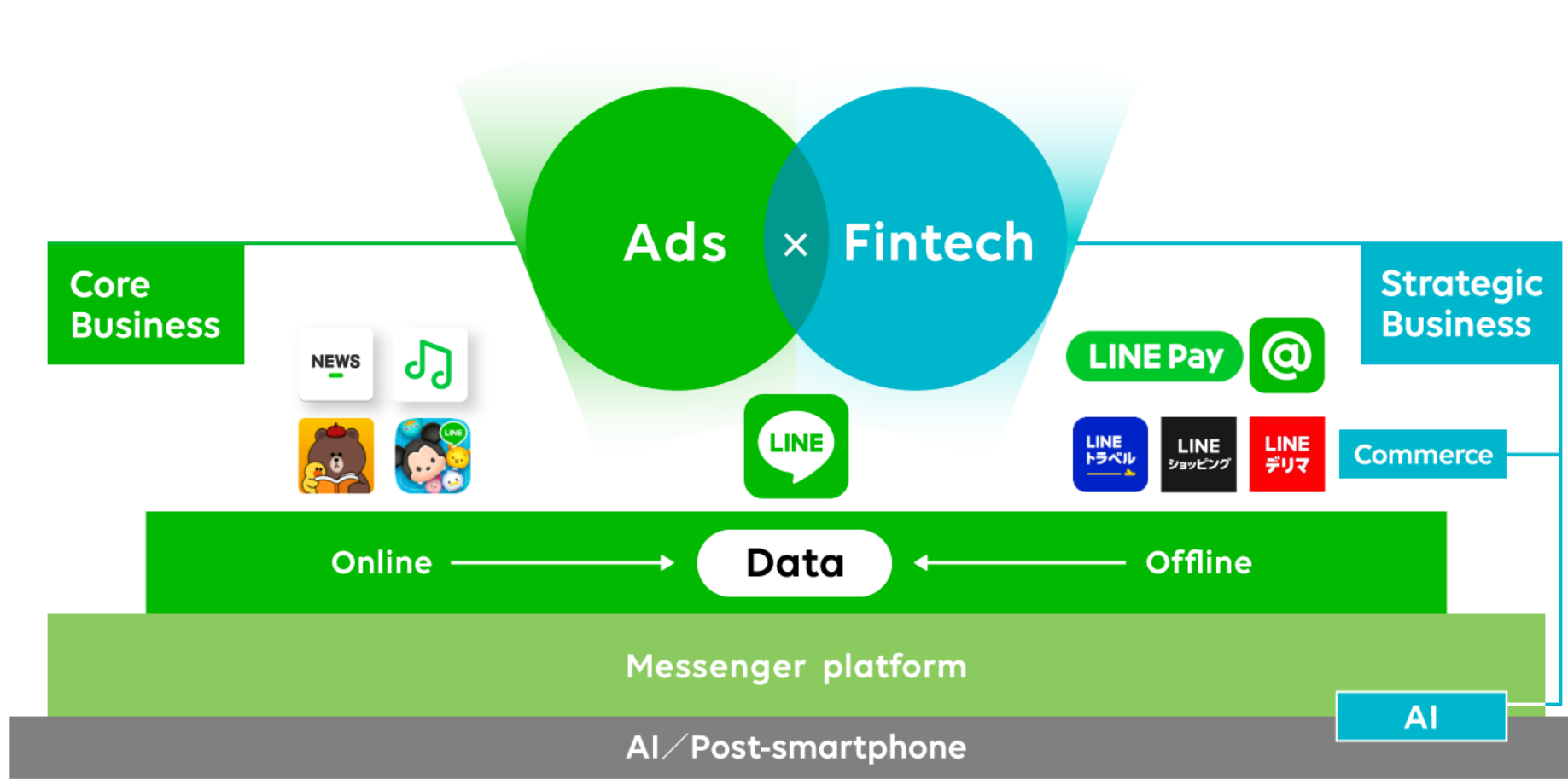
Note) Launched LINE Shopping service in June 2017, LINE Delima service in July 2017

# 2019 Business Strategy

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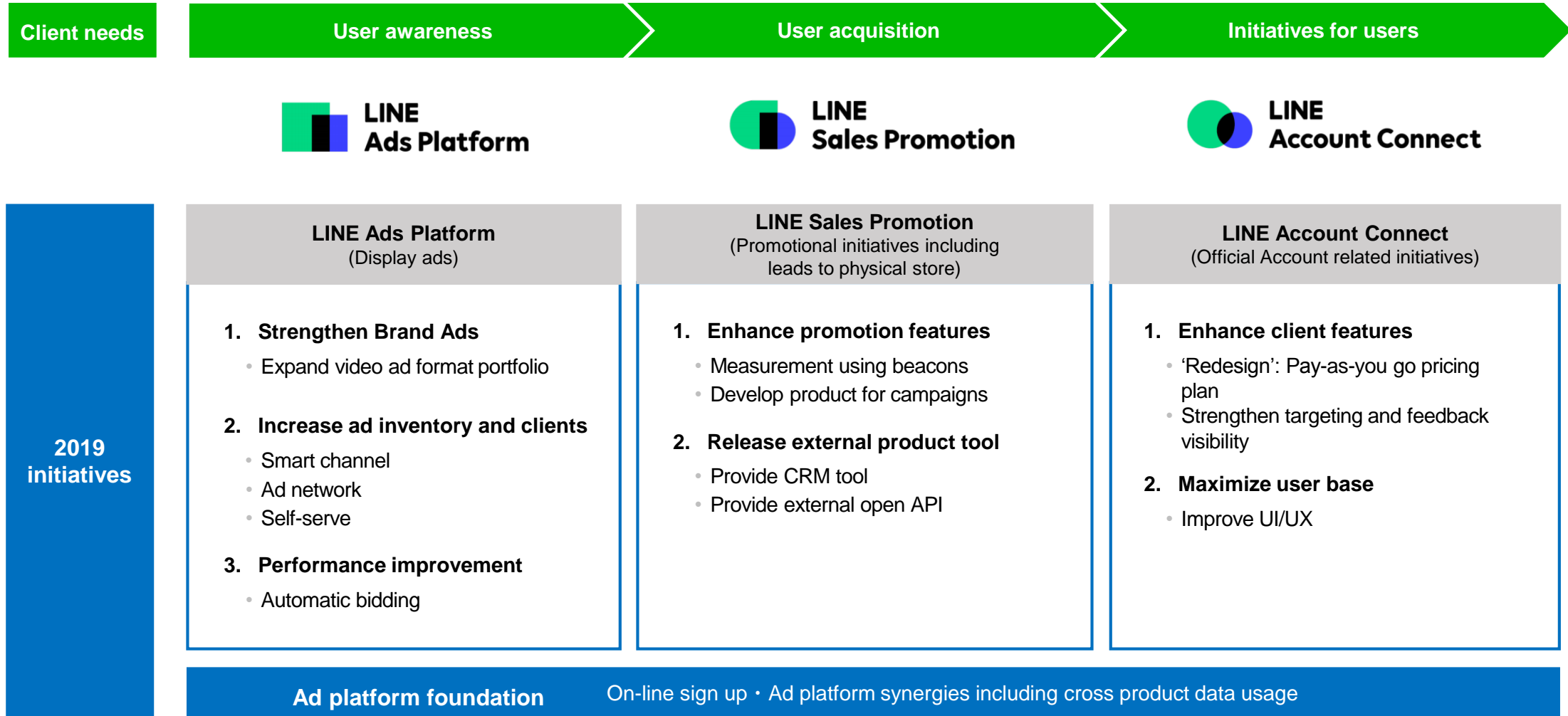
# Business Strategy

- LINE will continue delivering the utmost quality service, maximizing user value, which will maximize corporate value
- Realize mid to long term growth by improving profitability for the core businesses and making bold investments in strategic businesses
- Focus on ads business and LINE Pay business in 2019, leveraging LINE competitive advantage, the dominant user base and data



# Ads Business Strategy

- Establishing ad platform that provides full product line-up and solutions for various ad and promotional needs



# Ads Business Strategy | Display Ads



## System

- Automatic bidding feature specific to campaigns
- Expand ad format portfolios targeted to maximize performance for direct response and branding
- Improve reporting features

## Data

- Usage of location data with acceptance from users
- Cross product (account, sales promotion, display) data sharing and synergies
- Reassessment of all LINE data for further use on the platform

## Smart Channel

- User response positive for content recommendation
- Expand variation and improve targeting of content while maximizing ad exposure

## Third Party Ad Network (tentative)

- Expand ad inventory to external media through network business



## SMB

- Add SMB clients, working together with strategic SMB ad agencies

## Brand

- Add new brand customer by increasing ad format portfolios and reporting features specific to branders, including usage of Smart Channel

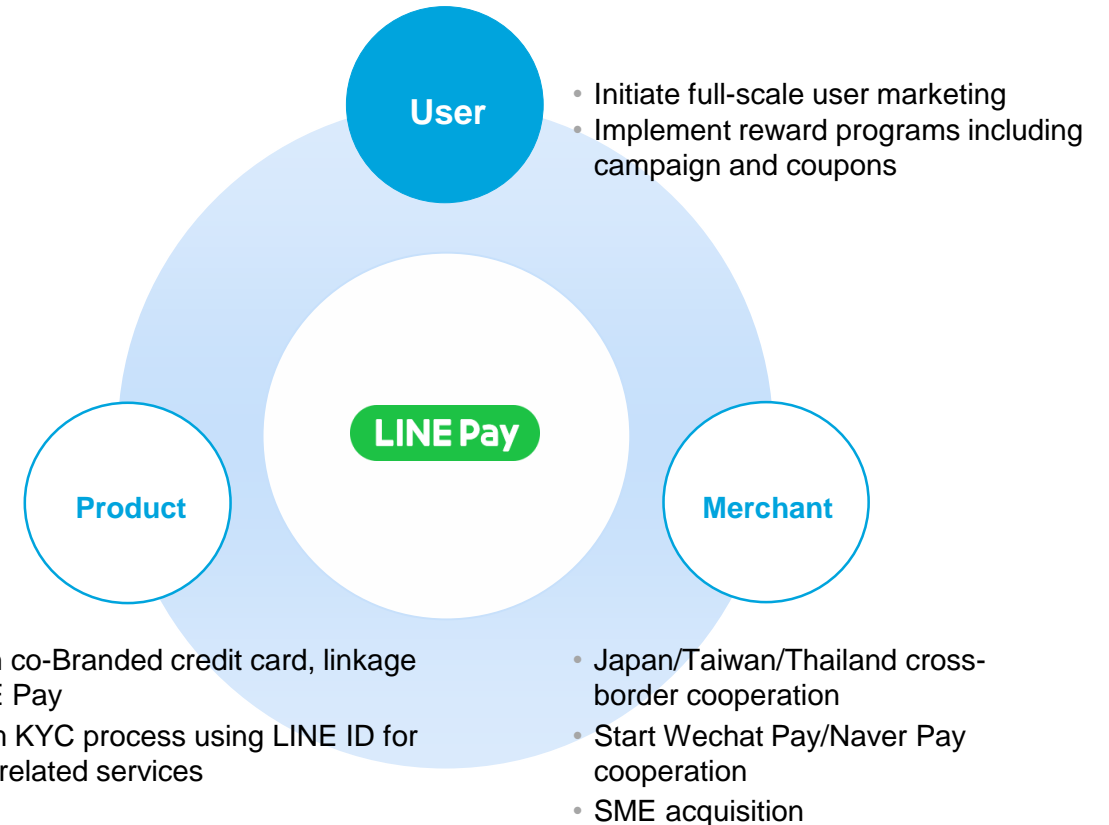


**Accelerate revenue growth  
Become No. 1 smartphone ad platform**

# LINE Pay Business Strategy

	Environment in Japan to promote cashless	LINE Pay strategy
2018	<ul style="list-style-type: none"> <li>'Initial year for cashless' Expanding awareness towards digital settlement</li> </ul>	<p>Achieved over <b>1 million locations accepting LINE Pay</b></p>
2019	<ul style="list-style-type: none"> <li>Possibility of point reward program in relation to tax hike</li> </ul>	<p>Activate users</p> <p>Expand <b>SME merchant base</b></p>
After 2020	<ul style="list-style-type: none"> <li>Ministry of Economy, Trade and Industry 'Cashless vision'                             <ul style="list-style-type: none"> <li>– Achieve 40% cashless ratio by 2025</li> </ul> </li> </ul>	<p>Increase <b>transaction volume</b></p> <p>Monetize</p>

## 2019 Initiatives



Targeting 10 million global LINE Pay MAU during 2019

LINE Q4 2018

# Finance Section

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# Earnings Summary (Q4 2018)

(mn yen)	Q4'17	Q3'18	Q4'18	Growth Rate	
				Y/Y	Q/Q
<b>Revenues and other operating income</b>	48,411	51,943	<b>72,849</b>	50.5%	40.2%
<b>Revenues</b>	47,915	51,850	<b>55,971</b>	16.8%	7.9%
<b>Operating income</b>	599	-3,576	<b>9,365</b>	N/M	N/A
<b>Margin(%)</b>	1.2%	-6.9%	<b>12.9%</b>	11.6%p	19.7%p
<b>Core   Revenue</b>	41,577	44,662	<b>46,478</b>	11.8%	4.1%
<b>Core   Operating income</b>	8,274	6,005	<b>5,279</b>	-36.2%	-12.1%
<b>Margin(%)</b>	19.9%	13.4%	<b>11.4%</b>	-8.5%p	-2.1%p
<b>Strategic   Revenue</b>	6,338	7,188	<b>9,493</b>	49.8%	32.1%
<b>Strategic   Operating income</b>	-6,875	-8,846	<b>-12,037</b>	N/A	N/A
<b>Common   Revenue</b>	496	93	<b>16,878</b>	N/M	N/M
<b>Common   Operating expenses</b>	1,296	828	<b>755</b>	-41.8%	-8.8%

Note: Revenue for the historical periods have been adjusted for IFRS15 for illustration and comparison purposes.

Common revenues include other operating income and common expenses mainly include stock-based compensation expense

# Operating Expenses

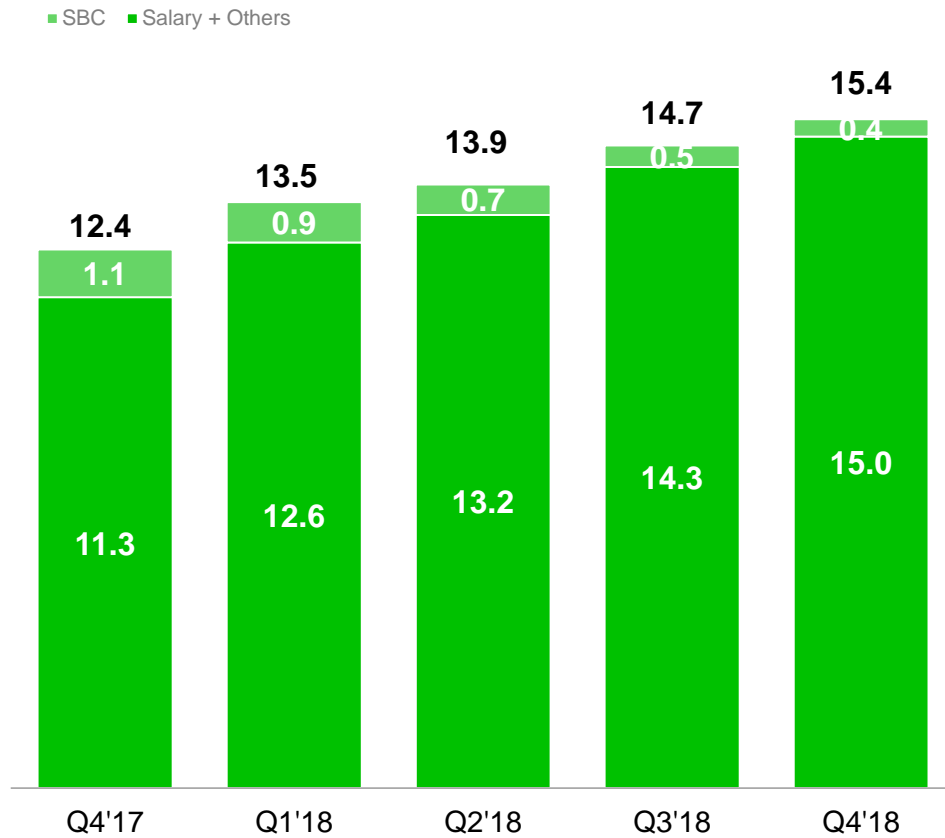
(mn yen)	Q4'17	Q3'18	Q4'18	Growth Rate	
				Y/Y	Q/Q
<b>Revenues and other operating income</b>	48,411	51,943	<b>72,849</b>	50.5%	40.2%
<b>Operating expenses</b>	47,812	55,519	<b>63,484</b>	32.8%	14.3%
Payment processing and licensing	7,269	7,507	<b>8,173</b>	12.4%	8.9%
Sales commission	2,453	4,131	<b>4,879</b>	98.9%	18.1%
Employee compensation	12,405	14,728	<b>15,387</b>	24.0%	4.5%
Marketing	5,081	5,775	<b>5,949</b>	17.1%	3.0%
Infrastructure and communication	2,477	2,681	<b>2,719</b>	9.8%	1.4%
Outsourcing expense	7,233	8,101	<b>8,811</b>	21.8%	8.8%
Depreciation and amortization	2,262	2,903	<b>3,283</b>	45.1%	13.1%
Other operating expenses	8,632	9,693	<b>14,283</b>	65.5%	47.4%
<b>Operating income</b>	599	-3,576	<b>9,365</b>	N/M	N/A
Margin(%)	1.2%	-6.9%	<b>12.9%</b>	11.6%p	19.7%p
<b>Pre-tax income</b>	-3,053	-6,860	<b>3,580</b>	N/A	N/A
Corporate tax	-919	-2,733	<b>-2,055</b>	123.6%	-24.8%
<b>Net income from continuing operations</b>	-3,972	-9,593	<b>1,525</b>	N/A	N/A
<b>Net income</b>	-3,974	-9,597	<b>1,898</b>	N/A	N/A

Note: Revenue for the historical periods have been adjusted for IFRS15 for illustration and comparison purposes

# Employee Compensation & Marketing

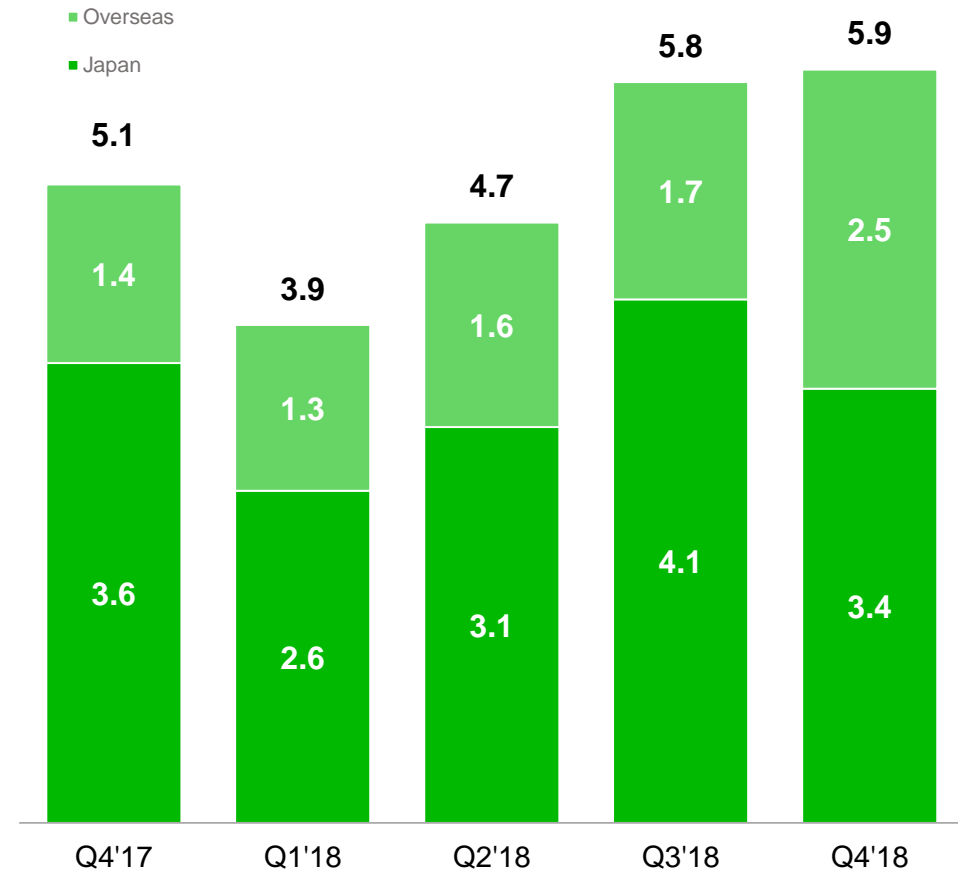
## Employee Compensation

(bn yen)



## Marketing

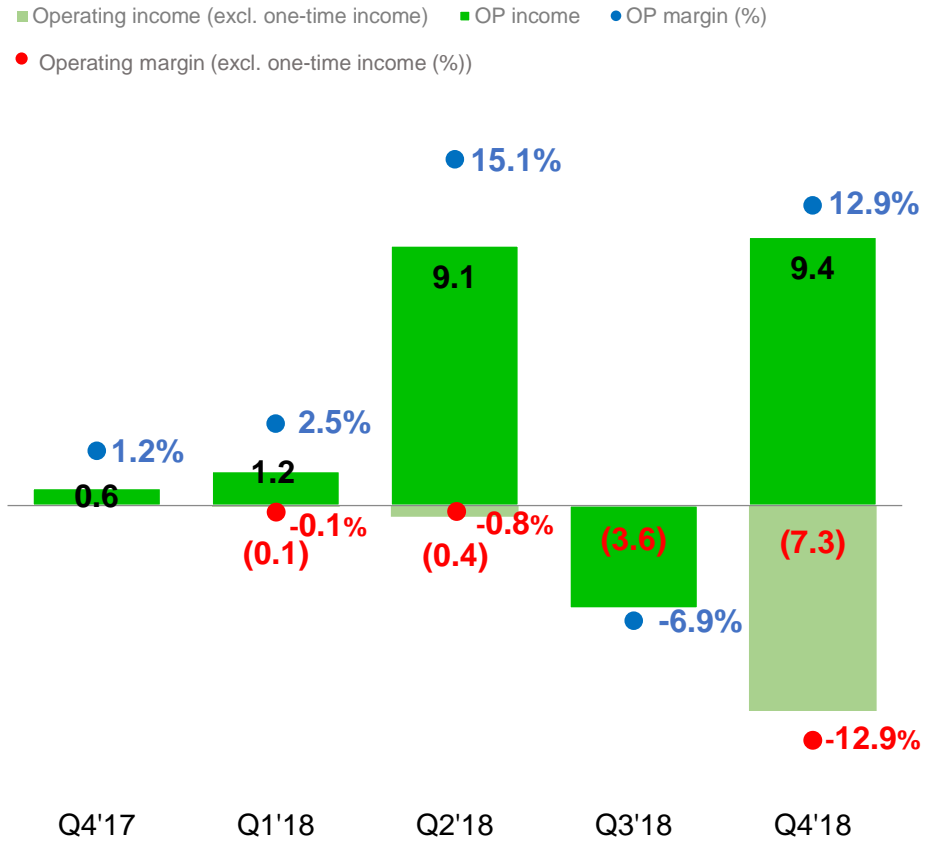
(bn yen)



# Operating & Net Income

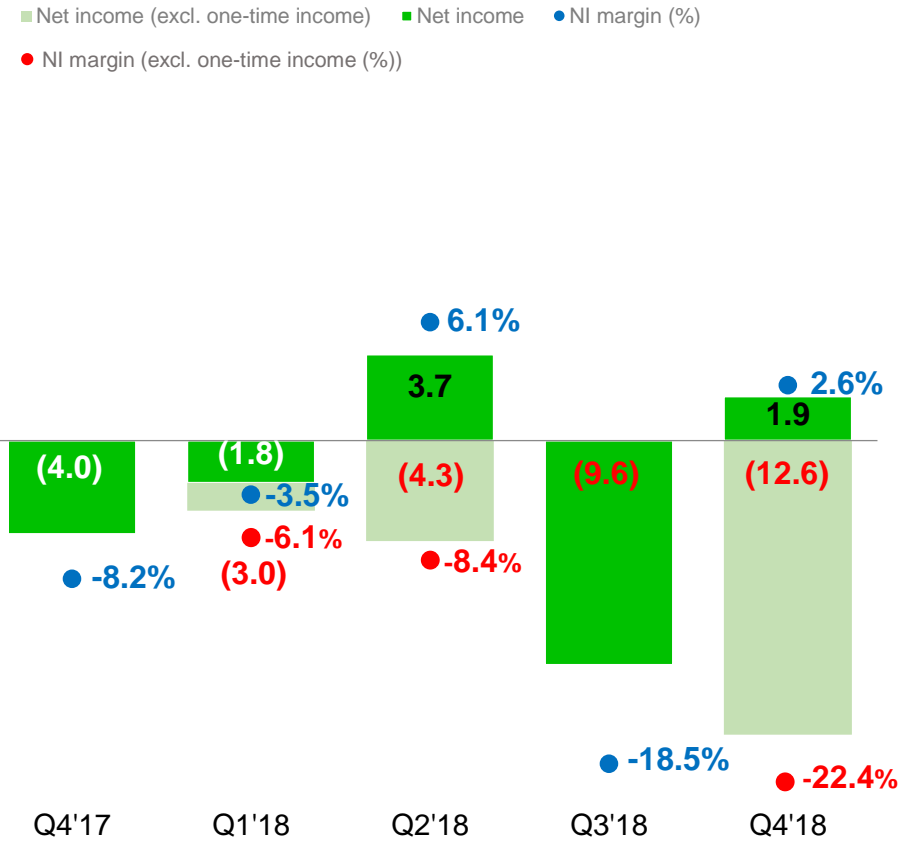
## Operating Income (Margin)

(bn yen)



## Net Income (Margin)

(bn yen)



LINE Q4 2018

# Appendix

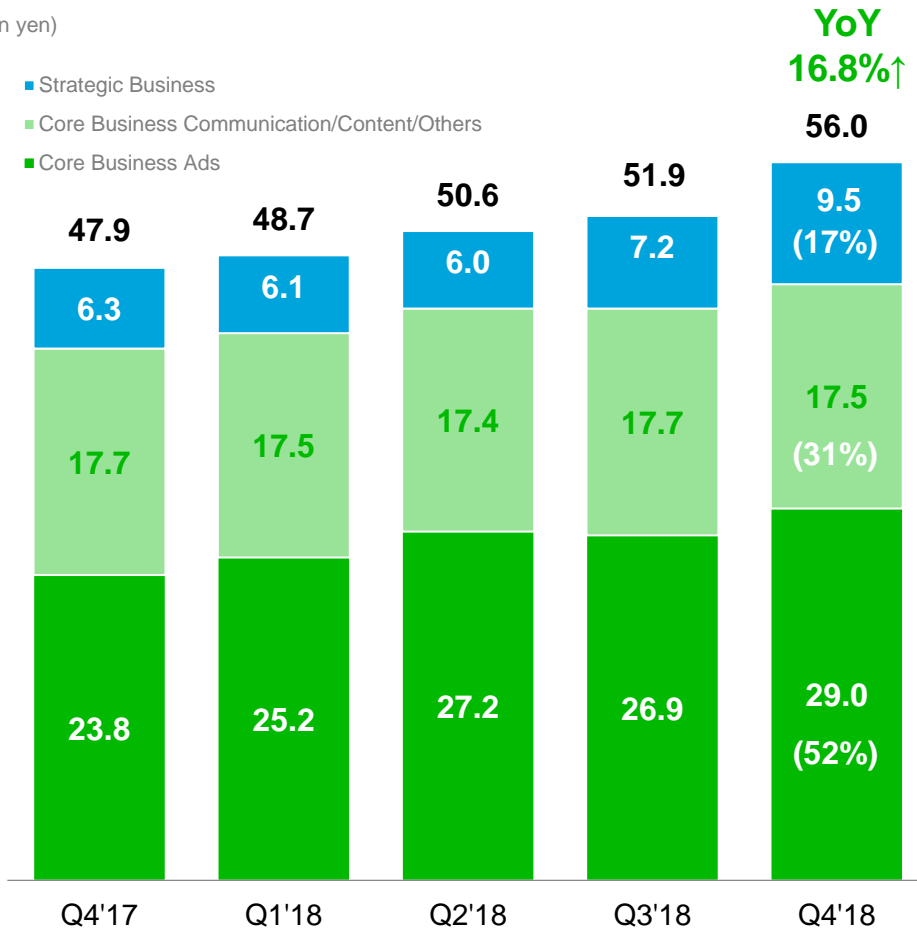
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# Revenues

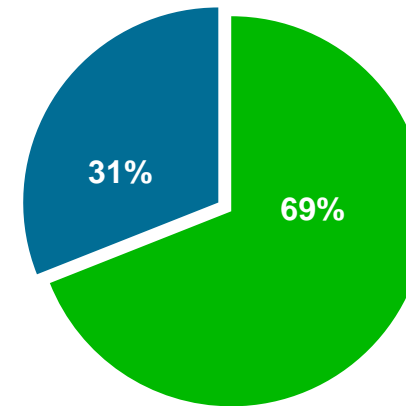
## Revenues

(bn yen)

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



## By Geography



■ Japan ■ Overseas

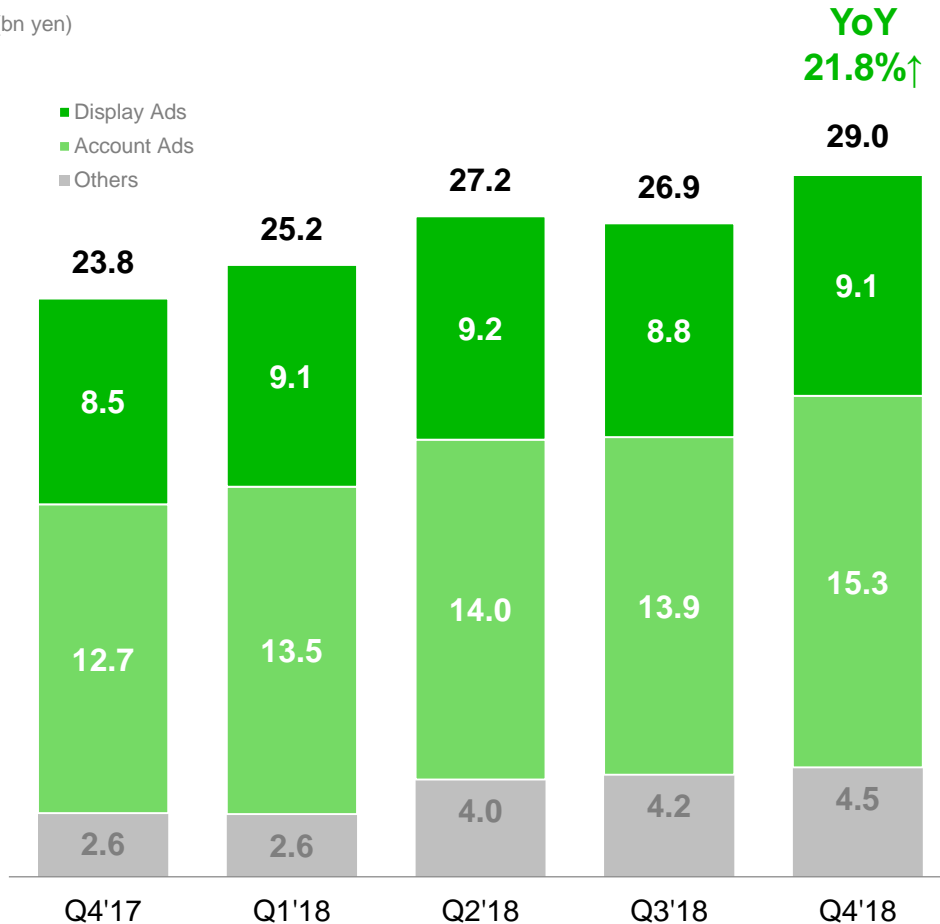
For Q4 2018

Note: Only adjusted the retained revenue, without retroactively revising sales revenues of previous years of consolidated financial statements. However, the historical figures have been adjusted above to show fair comparison of gross sales revenue

# Core | Ads

## Revenues

(bn yen)



## # of Official Accounts

(accounts)

Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
645	657	672	677	774

\*Global paid Official Accounts

## # of LINE@ Accounts

(thousand accounts)

Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
6,710	7,327	7,929	8,526	9,156

\*Global active accounts

## # of LAP Impressions

(mn impressions)

Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
15,985	17,671	21,167	23,265	23,568

\*LAP: LINE Ads Platform

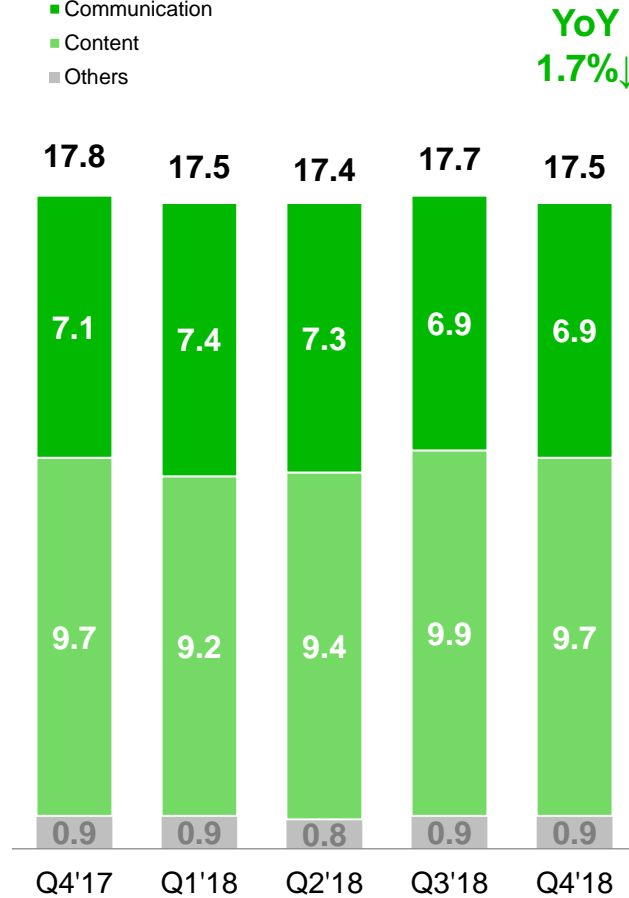
Note: Others are ad revenues mainly from Livedoor, NAVER Matome and LINE Part Time Jobs since Q2'18

# Core | Communication / Content / Others

## Revenues

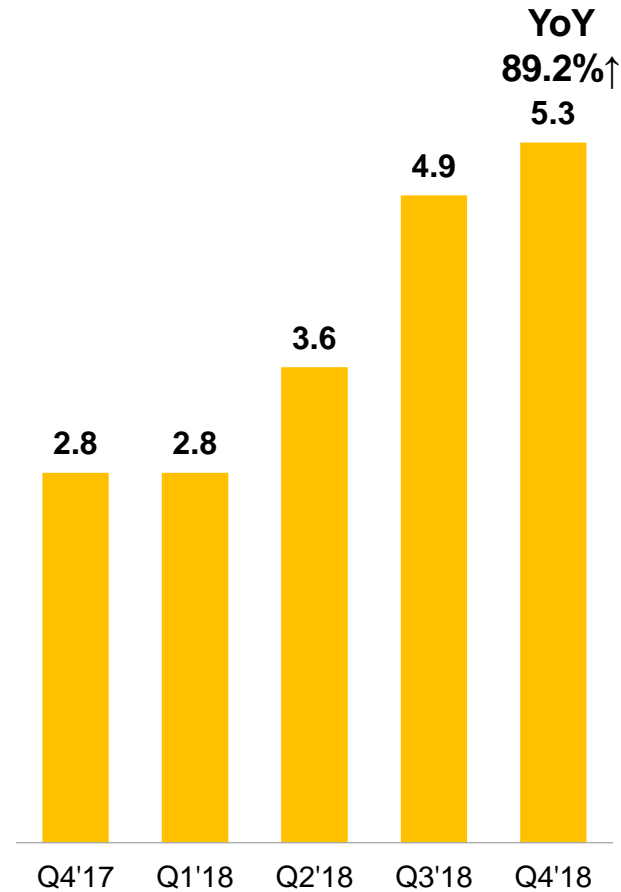
(bn yen)

- Communication
- Content
- Others



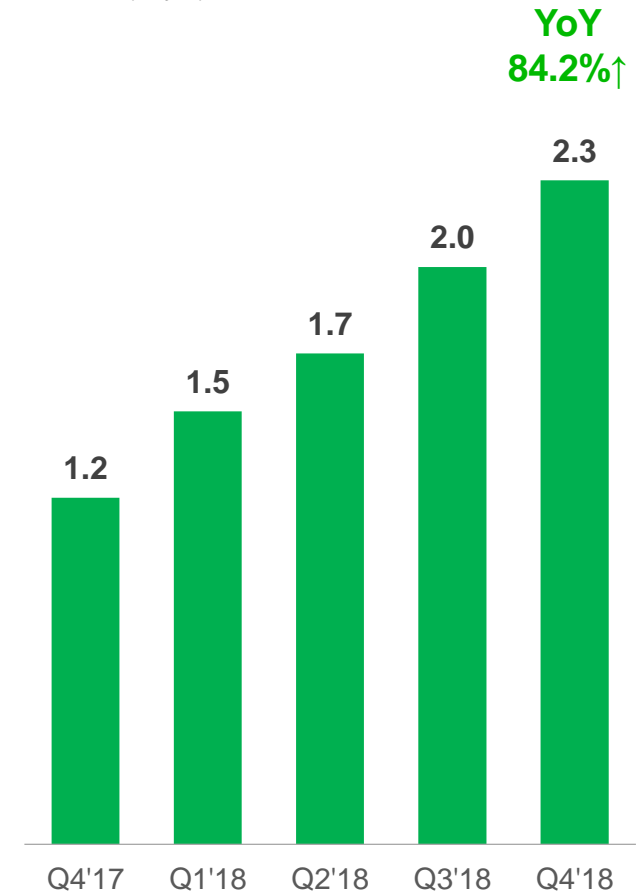
## LINE Manga transaction volume

(bn yen)



## LINE MUSIC transaction volume

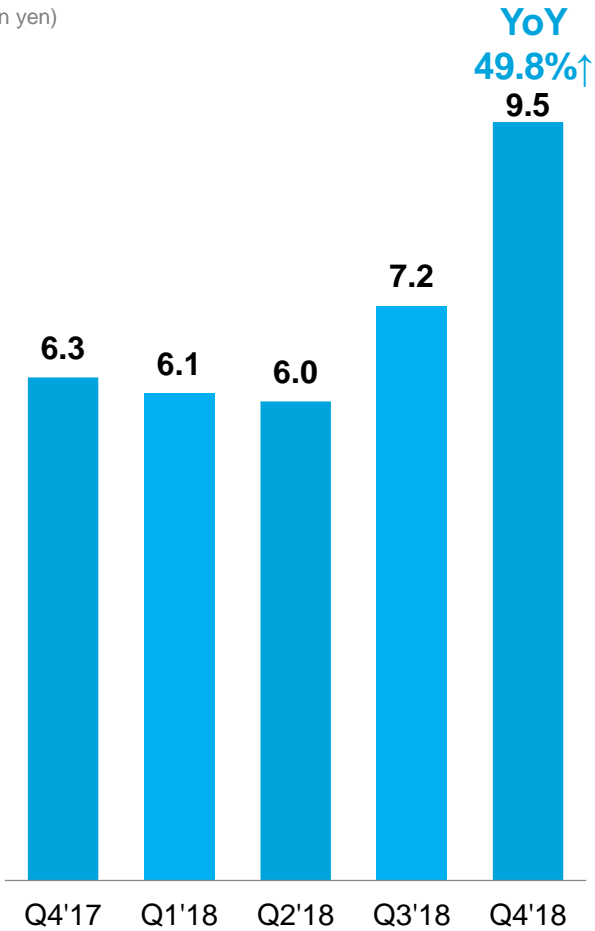
(bn yen)



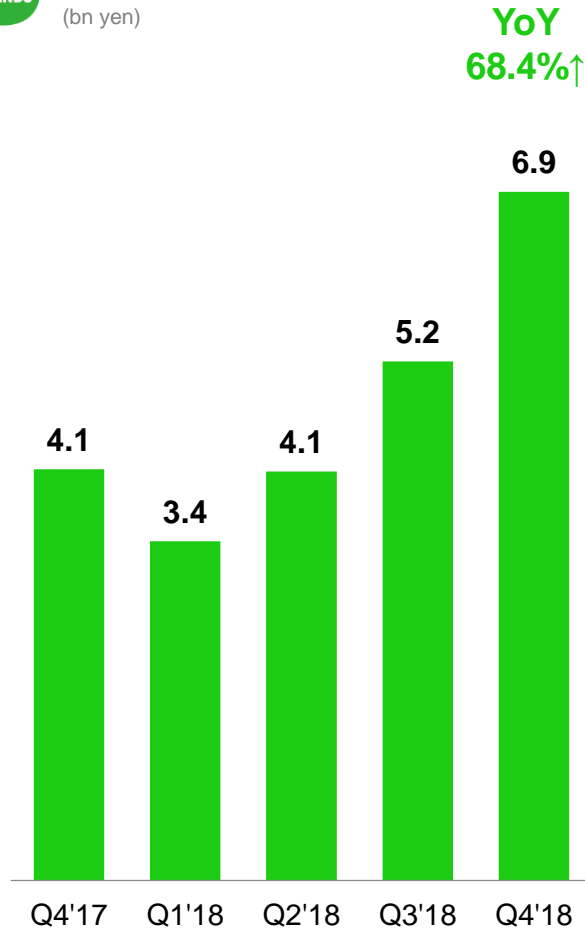


# Strategic

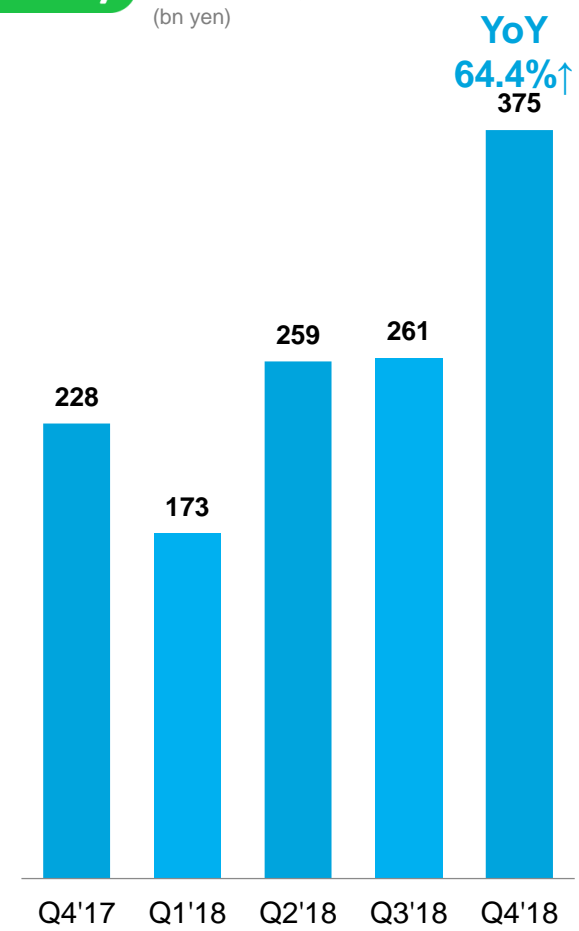
**Revenues**  
(bn yen)



**LINE FRIENDS Revenues**  
(bn yen)



**LINE Pay transaction volume**  
(bn yen)



# Revenues and other operating income

(mn yen)	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
<b>Revenues and other operating income</b>	<b>48,411</b>	<b>50,209</b>	<b>60,280</b>	<b>51,943</b>	<b>72,849</b>
<b>Revenues</b>	<b>47,915</b>	<b>48,736</b>	<b>50,625</b>	<b>51,850</b>	<b>55,971</b>
<b>Core Business</b>	<b>41,577</b>	<b>42,681</b>	<b>44,577</b>	<b>44,662</b>	<b>46,478</b>
Ads	23,815	25,171	27,169	26,946	28,951
Account Ads	12,720	13,468	13,999	13,912	15,335
Display Ads	8,477	9,128	9,177	8,838	9,078
Others <sup>1)</sup>	2,618	2,575	3,993	4,196	4,538
Communication	7,084	7,415	7,313	6,905	6,894
Content	9,744	9,231	9,342	9,931	9,733
Others	934	864	753	880	900
<b>Strategic Business</b>	<b>6,338</b>	<b>6,055</b>	<b>6,048</b>	<b>7,188</b>	<b>9,493</b>
LINE FRIENDS	4,121	3,390	4,092	5,155	6,942
Fintech/AI/Commerce/Mobile <sup>2)</sup>	2,217	2,665	1,956	2,033	2,551
<b>Other operating income</b>	<b>496</b>	<b>1,473</b>	<b>9,655</b>	<b>93</b>	<b>16,878</b>

Note: Revenue for the historical periods have been adjusted for IFRS15 for illustration and comparison purposes

1) Others are ads revenue mainly from Livedoor, NAVER Matome and LINE Part Time Jobs since Q2'18

2) Equity-method starting Q2'18

# Operating Expenses

(mn yen)	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
<b>Operating expenses by segment</b>	<b>47,812</b>	<b>48,963</b>	<b>51,205</b>	<b>55,519</b>	<b>63,484</b>
Core business	33,303	34,605	37,378	38,657	41,199
Strategic business	13,213	13,186	12,965	16,034	21,530
Common	1,296	1,172	862	828	755
<b>Operating expenses by account</b>	<b>47,812</b>	<b>48,963</b>	<b>51,205</b>	<b>55,519</b>	<b>63,484</b>
Payment processing and licensing	7,269	7,306	7,837	7,507	8,173
Sales commission	2,453	3,011	3,939	4,131	4,879
Employee compensation	12,405	13,493	13,884	14,728	15,387
Marketing	5,081	3,931	4,655	5,775	5,949
Infrastructure and communication	2,477	2,601	2,482	2,681	2,719
Outsourcing expense	7,233	7,937	6,976	8,101	8,811
Depreciation and amortization	2,262	2,329	2,620	2,903	3,283
Other operating expenses	8,632	8,355	8,812	9,693	14,283

Note: Operating expenses for the historical periods have been adjusted for IFRS15 for illustration and comparison purposes

# IR Official Account

- Upon friending the LINE IR News Official Account, LINE users can receive the latest information from IR disclosures to financial results, in addition to notable press releases and CSR news.

## How to Add as Friends

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

QR code



**LINE IR News**

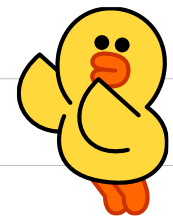
How to search account name

1. Other
2. Official Account
3. Search by account name, ID or Category
4. Search by「@lineir\_en」

Search for “@lineir\_en” by going to: More > Official Accounts > Search by name, ID, or category

2. Add 「**LINE IR News**」 as a friend

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