

# LINE Q1 2018 Earnings Results

April 25, 2018

LINE Corporation

# 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," "continue," "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 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 April 25, 2018, and LINE does not guarantee its accuracy or completeness. The "Quarterly Consolidated Financial Statements and their notes" will be announced as soon as it is ready.

# Q1 2018 Highlights

## Core Business

- 81%YoY increase in display ad revenue, led by impression growth and ad unit price remaining high
- Account ads continue to show steady growth from account services including LINE official accounts and LINE@
  - Launched new service where companies can send messages to users who are not yet friends of their Official Account by matching phone number info

## Strategic Business

- Exceeded 52,000 locations where LINE Pay Smartphone payments are accepted
- Preparing to establish a joint venture focusing on the securities business with Nomura Holdings
- Announced partnership with Sompo Japan Nipponkoa Insurance Inc. focusing on InsuranceTech
- Expanding third-party devices partners with Clova inside

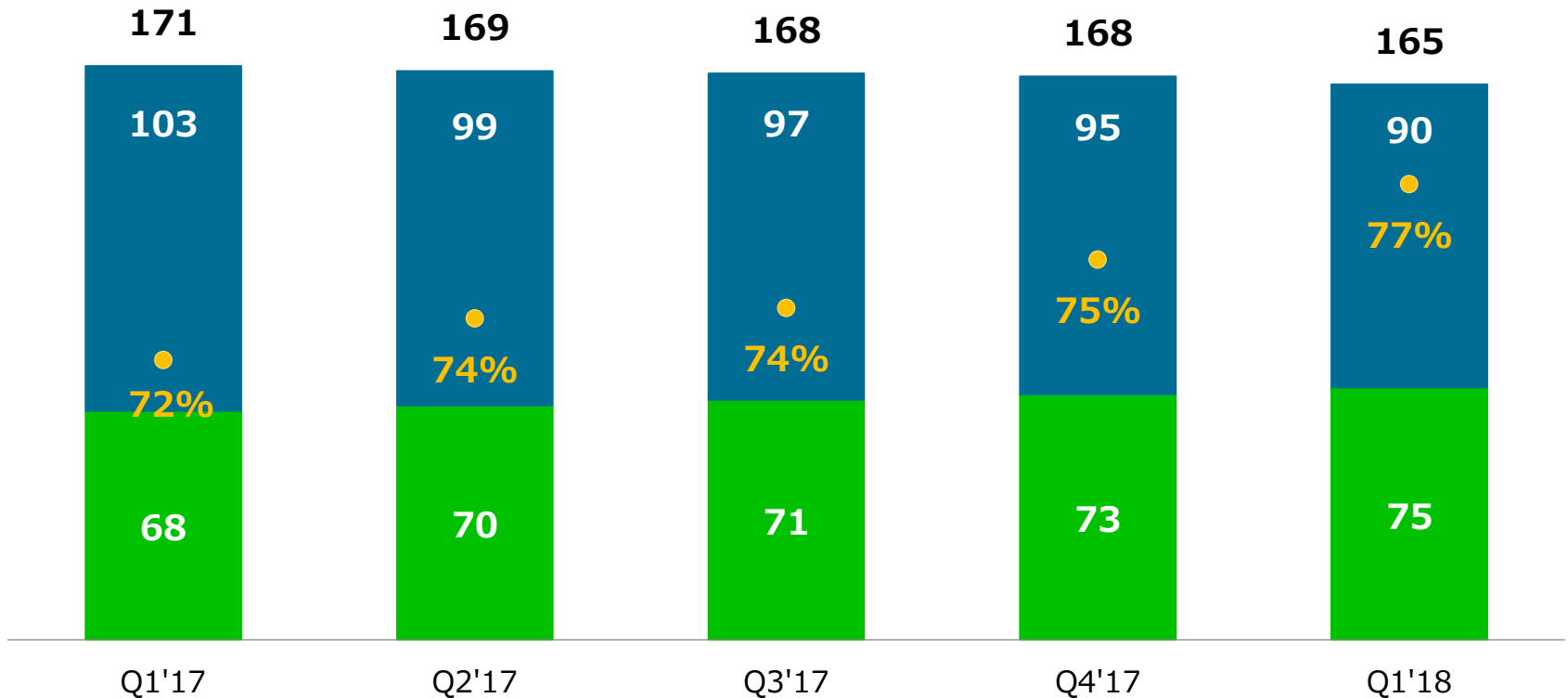
## Finance

- Disclosure of Core Business and Strategic Business Segments
- Changes in accounting procedures for mainly advertising business, due to the introduction of IFRS 15 "Revenue from contracts with customers"

# Monthly Active Users | Four Key Countries

- 165 million monthly active users across the four key countries, with a DAU/MAU ratio of 77%
- Monthly active users in Japan grew 2 million, with DAU/MAU ratio of 85%

(mn users) ■ Japan ■ Taiwan, Thailand, Indonesia ● DAU/MAU(%)



# Changes in Segment Disclosure

Old segment			New segment				
Segment	Service		Segment	Service			
LINE and Portal	Ads	Performance ads	Core Business	Ads	■ Display Ads <sup>(1)</sup>		
		Messenger ads (Incl. LINE Shopping / LINE Delima)			■ Account Ads <sup>(1)</sup>		
		Portal Ads			■ Portal ads		
	Communication / Content	Stickers, Themes, Call		Communication/Content	Strategic Business	Others	■ LINE Baito <sup>(2)</sup> etc.
		Games, Manga, Fortune Telling, Music		Fintech			■ LINE Pay
	Others	LINE Pay, Clova, LINE Friends, LINE Man LINE Mobile, LINE Baito, etc.		AI		■ Clova	Commerce
Others			■ LINE Mobile <sup>(3)</sup>				

Note: Only the main services are listed under "Service" in the chart above

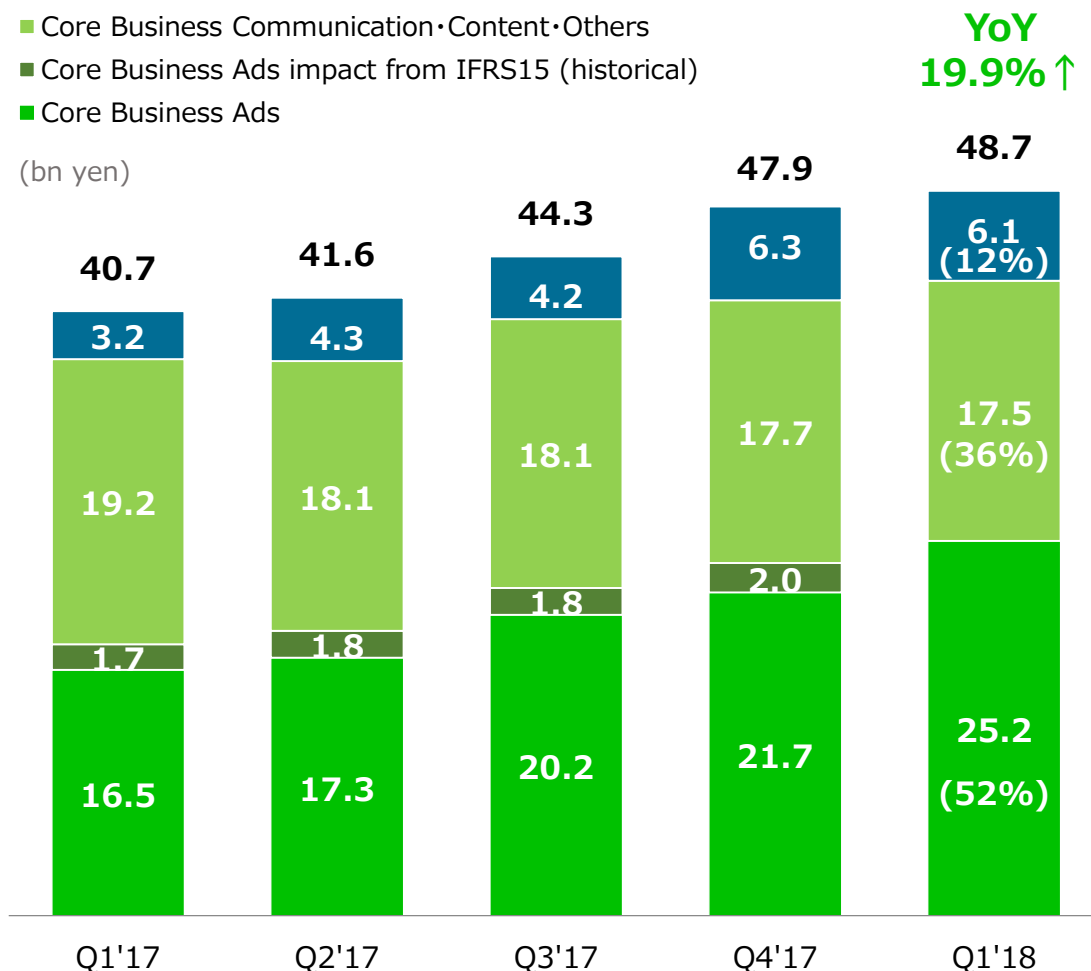
(1) Change of name only (2) Consolidating starting Q2  
(3) Equity-method starting Q2

# Revenues

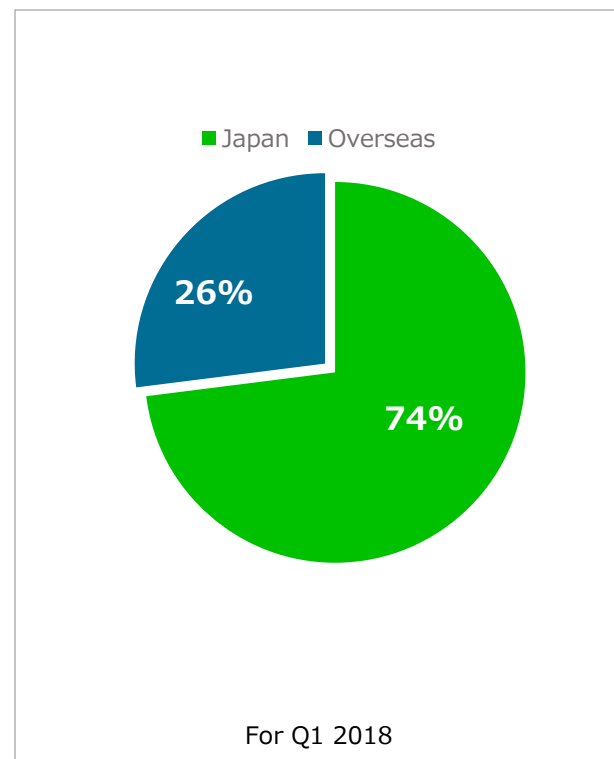
## Revenue by new breakdown

- Strategic Business
- Core Business Communication·Content·Others
- Core Business Ads impact from IFRS15 (historical)
- Core Business Ads

(bn yen)



## By Geography

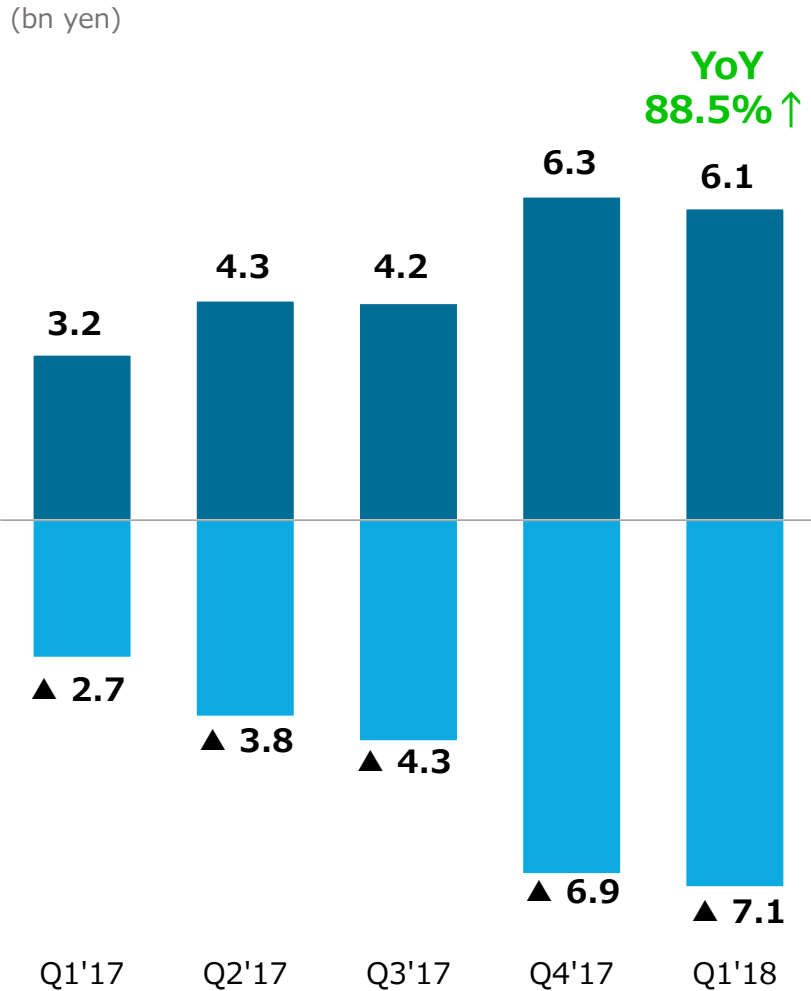


Note: Only adjusted the retained revenue, without retroactively revising sales revenues of previous years of consolidated financial statements. However, in the historical figures have been adjusted above to show fair comparison of gross sales revenue

# Segment Revenue and Operating Margin

## Core | Revenue / Operating margin

## Strategic | Revenues / Operating income



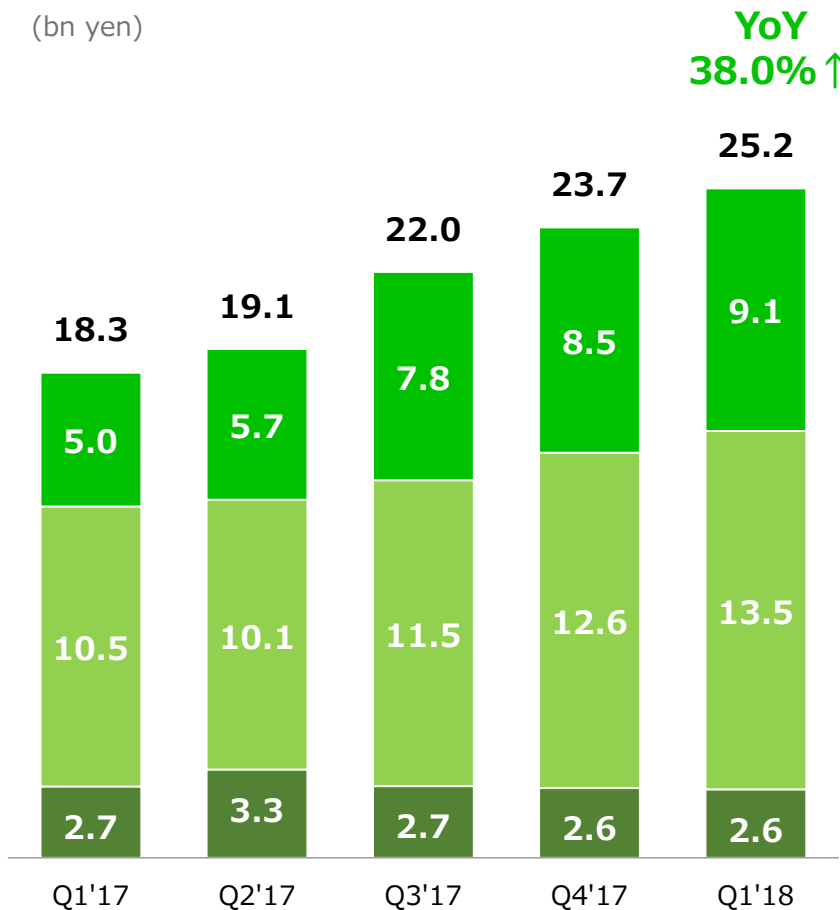
# Core | Ads

Accounting treatment change due to introduction of IFRS15

- IFRS15 introduced from fiscal year 2018. Historically, account ad revenue were recorded on a net basis when sold through ad agencies. Going forward, this will be accounted on a gross basis
- Although impact to profit is minimal, revenue will increase

■ Portal Ads ■ Account Ads ■ Display Ads

(bn yen)



## # of Official Accounts

(accounts)

Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
567	605	631	645	657

\* Global paid official accounts

## # of LINE@ Accounts

(thousand accounts)

Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
4,725	5,413	6,085	6,710	7,327

\* Global active accounts

## # of LAP Impressions

(mn impressions)

Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
12,275	14,668	15,940	15,985	17,649

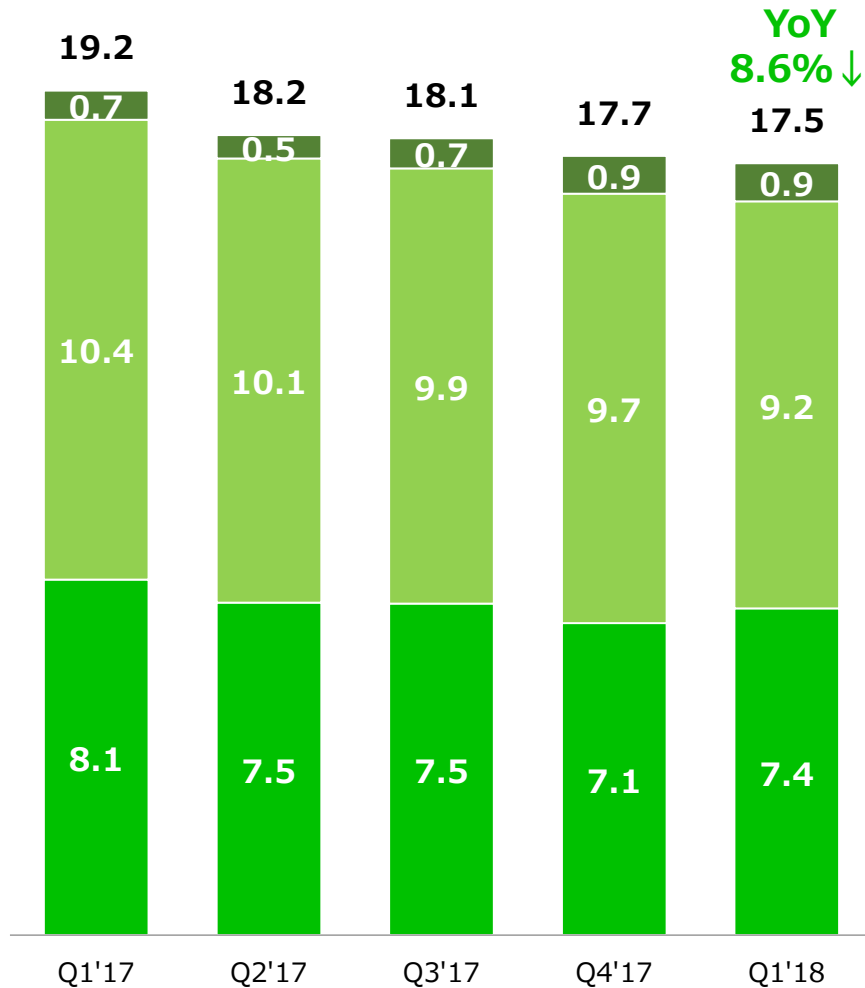
\* LAP: LINE Ads Platform



# Core | Communication / Content / Others

■ Communication ■ Content ■ Others

(bn yen)



## LINE emoji sales launched



## New game titles



"Jumpu Heroes"  
Launched on March 28,  
achieved 1 million  
downloads in one week



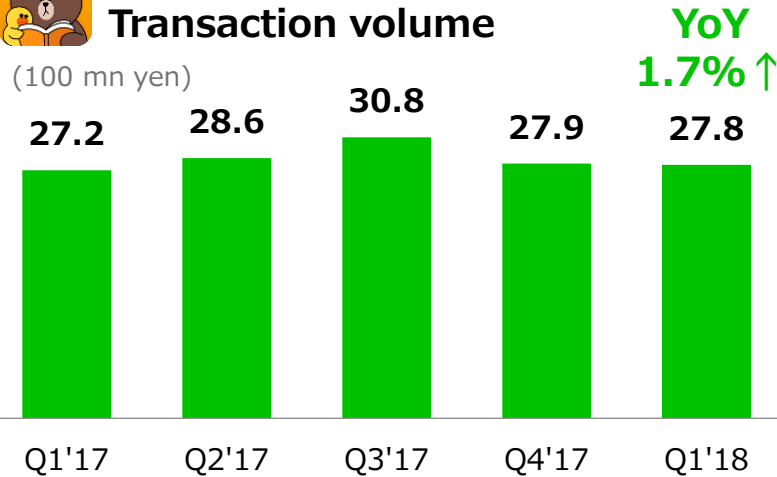
MMORPG "Guardians"  
Pre-registration  
started April 13

# Core | Communication / Content / Others



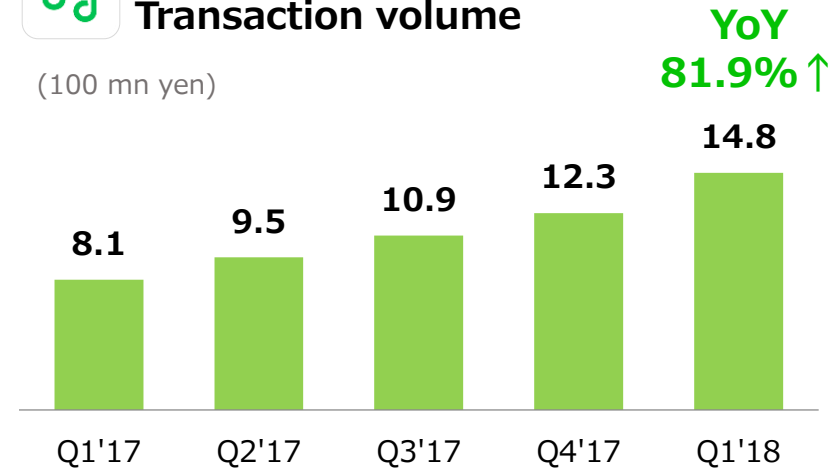
## LINE Manga Transaction volume

(100 mn yen)



## LINE MUSIC Transaction volume

(100 mn yen)



## LINE Baito “Part-time Job” (AUBE Corp.)

- Became a consolidated subsidiary on April 1st (LINE increased stake to 60% from 49%)
- Over 12 million users ever since launch 3 years ago

## LINE Career (LENSA, Ltd.)

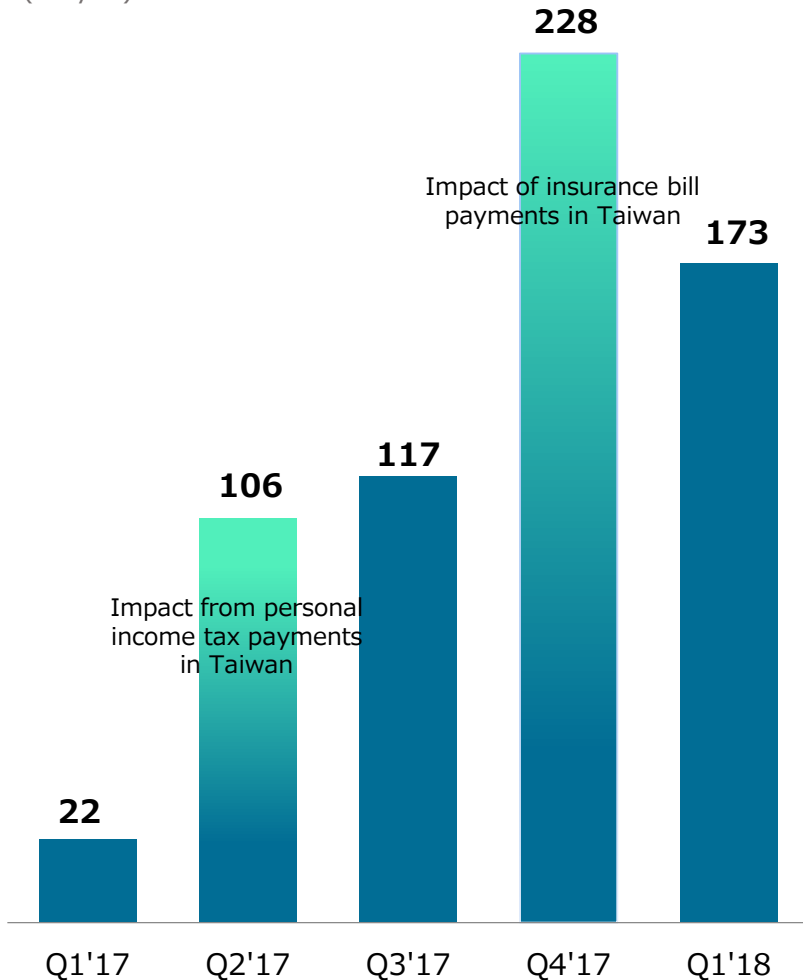
- Established LENSEA, Ltd.
  - Established new company LINE Career through joint investment with en-japan inc. (LINE holds 49%)
- Job transfer posting and information

# Strategic | LINE Pay progress

## LINE Pay

## LINE Pay Transaction Volume

(bn yen)



## Global transaction volume

- Transaction volume decreased QoQ due to seasonality in Taiwan
- Transaction volume in Japan increased 20% QoQ
- Capital investment by AIS, major telecom company, into LINE Pay Thailand

## Functionality improvement

- Introduction of the Wallet Tab
- Started barcode payment service for utility bills
- LINE Points can also be utilized for payment
- Campaign planned during Q2 to promote personal money transfers



# Strategic | LINE Pay Business in Japan

- Exceeded 52,000 locations in Japan where LINE Pay Smartphone payments can be used
- LINE Pay Cards (JCB Merchants) can be used in more than 30 million stores globally
- New feature to add friend to merchant's LINE account when making a payments via LINE Pay

## LINE Pay merchants

Major merchants joined during Q1



## LINE Pay supported vending machines



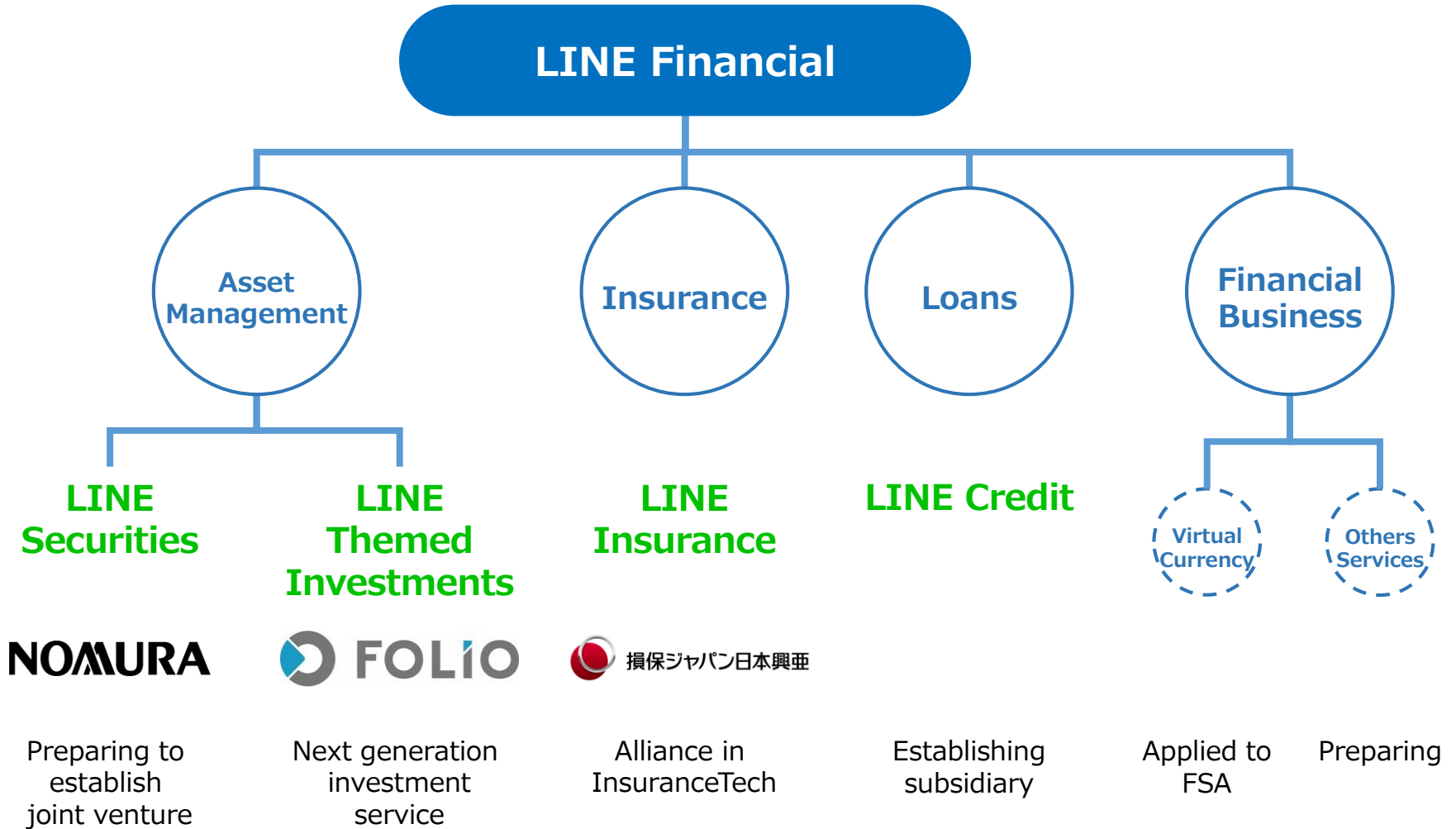
## LINE Pay terminals

- Exploring more merchants to support LINE Pay QR Code payments
- Recognition of the LINE Pay brand



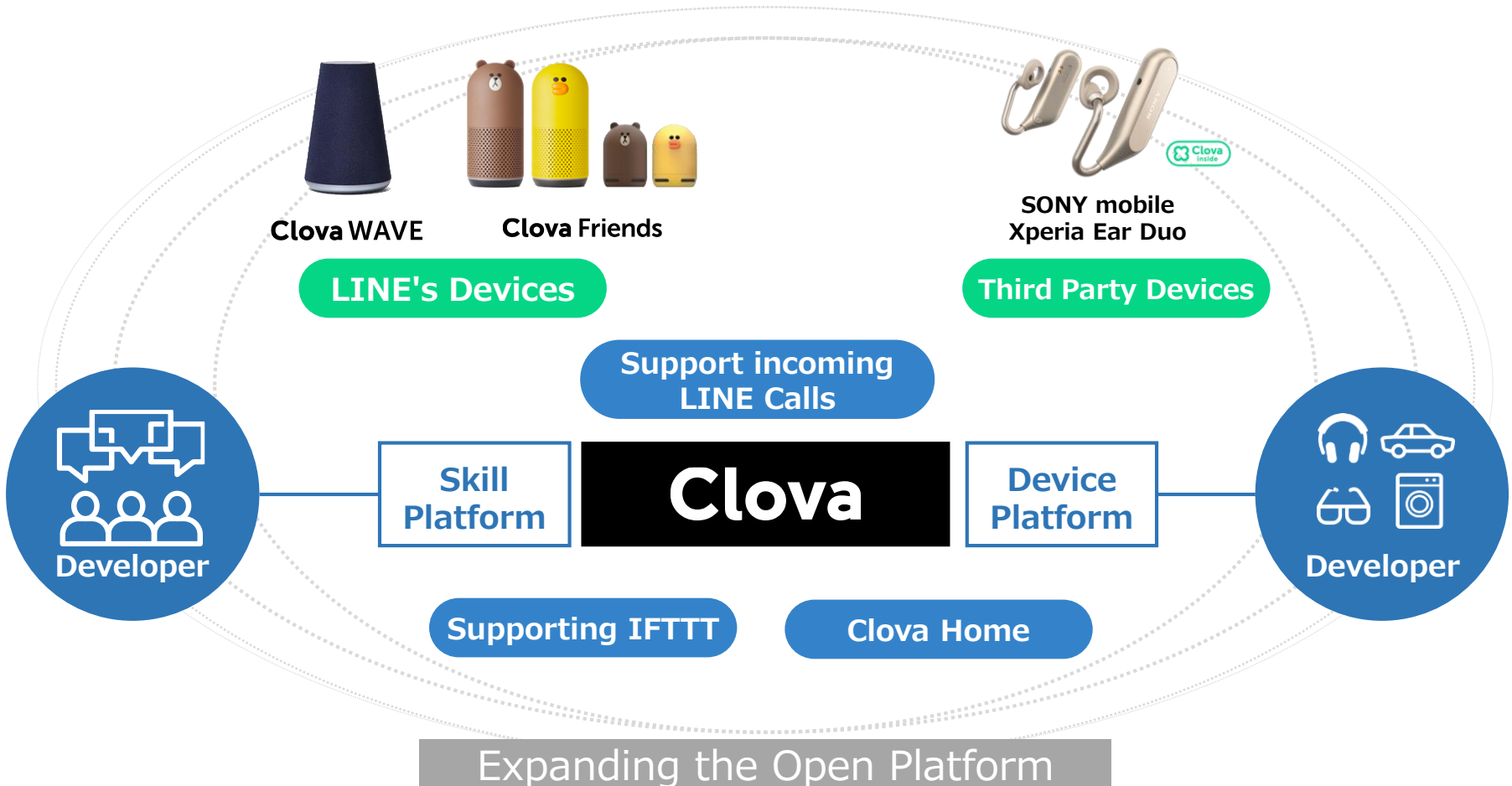
**NETSTARS**  
Capital Alliance

# Strategic | LINE Financial



# Strategic | AI

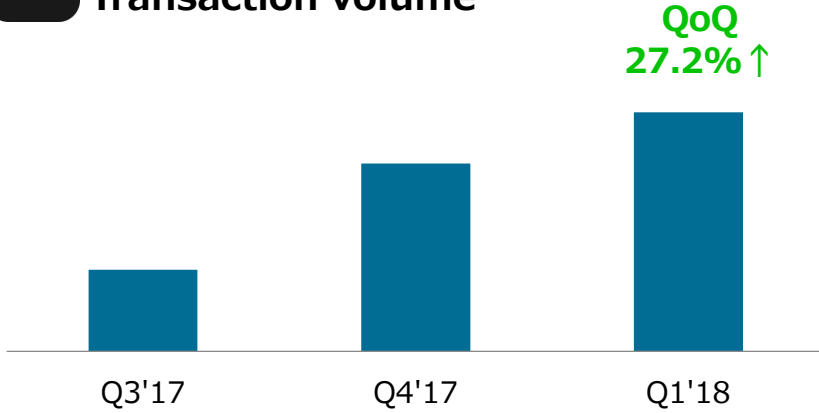
- Expanding Clova open platform; supporting IFTTT and launched "Clova Home"
- Third party device partner with Clova inside, expanding retailer channels
- New product, Clova mini, to be launched in 2Q



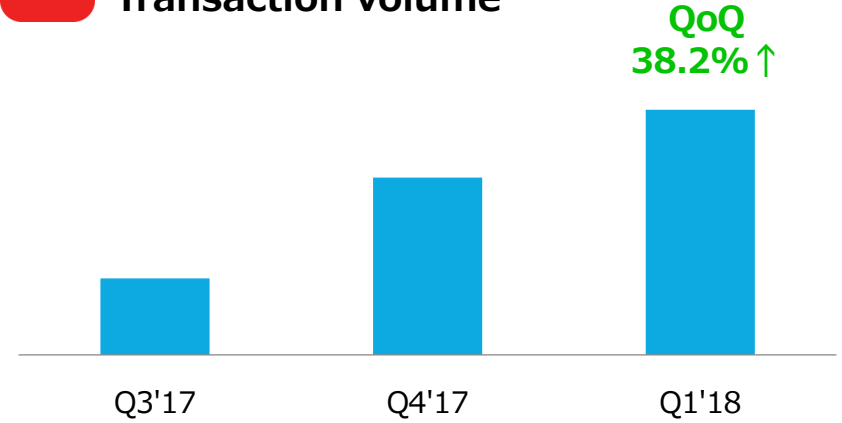
# Strategic | Commerce progress



**LINE Shopping**  
Transaction volume

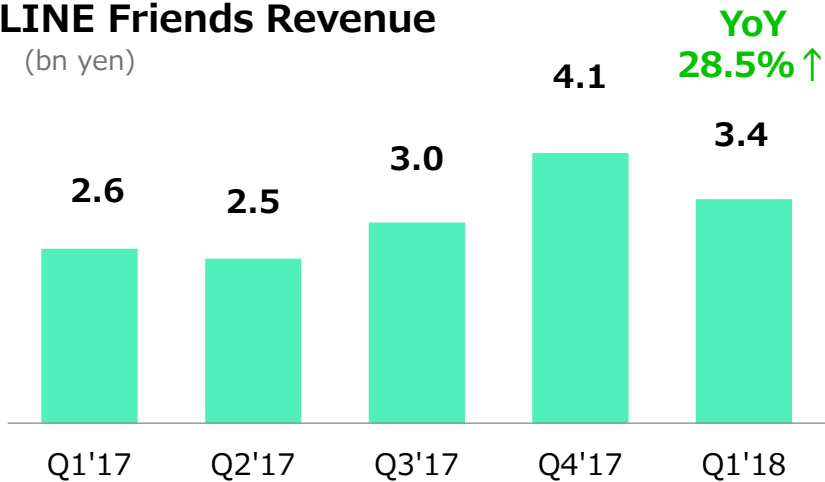


**LINE Delima**  
Transaction volume

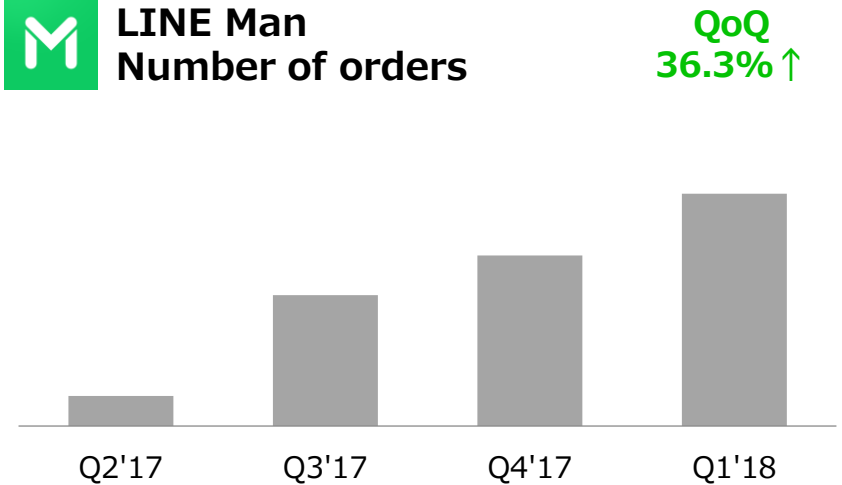


**LINE Friends Revenue**

(bn yen)



**LINE Man**  
Number of orders



**LINE Q1 2018**  
**Finance Section**



# Earnings Summary (Q1 2018)

(mn yen)	Q1'18	Q4'17	Q1'17	Growth Rate	
				Q/Q	Y/Y
<b>Revenues and other operating income</b>	<b>50,209</b>	<b>48,387</b>	<b>40,981</b>	3.8%	22.5%
<b>Revenues</b>	<b>48,736</b>	<b>47,891</b>	<b>40,651</b>	1.8%	19.9%
<b>Operating income</b>	<b>1,246</b>	<b>599</b>	<b>4,025</b>	108.2%	-69.0%
<i>Margin (%)</i>	2.5%	1.2%	9.8%	+1.2%p	-7.3%p
<b>Core   Revenue</b>	<b>42,713</b>	<b>41,399</b>	<b>37,424</b>	3.2%	14.1%
<b>Core   Operating income</b>	<b>8,038</b>	<b>8,241</b>	<b>7,289</b>	-2.5%	10.3%
<i>Margin (%)</i>	18.8%	19.9%	19.5%	-1.1%p	-0.7%p
<b>Strategic   Revenue</b>	<b>6,063</b>	<b>6,293</b>	<b>3,216</b>	-3.7%	88.5%
<b>Strategic   Operating income</b>	<b>-7,141</b>	<b>-6,885</b>	<b>-2,676</b>	3.7%	166.9%
<i>Margin (%)</i>	-217.8%	-209.4%	-183.2%	-8.4%p	-34.6%p
Common   Revenue	1,433	694	341	106.6%	319.7%
Common   Operating income	349	-757	-588	-146.1%	-159.4%

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

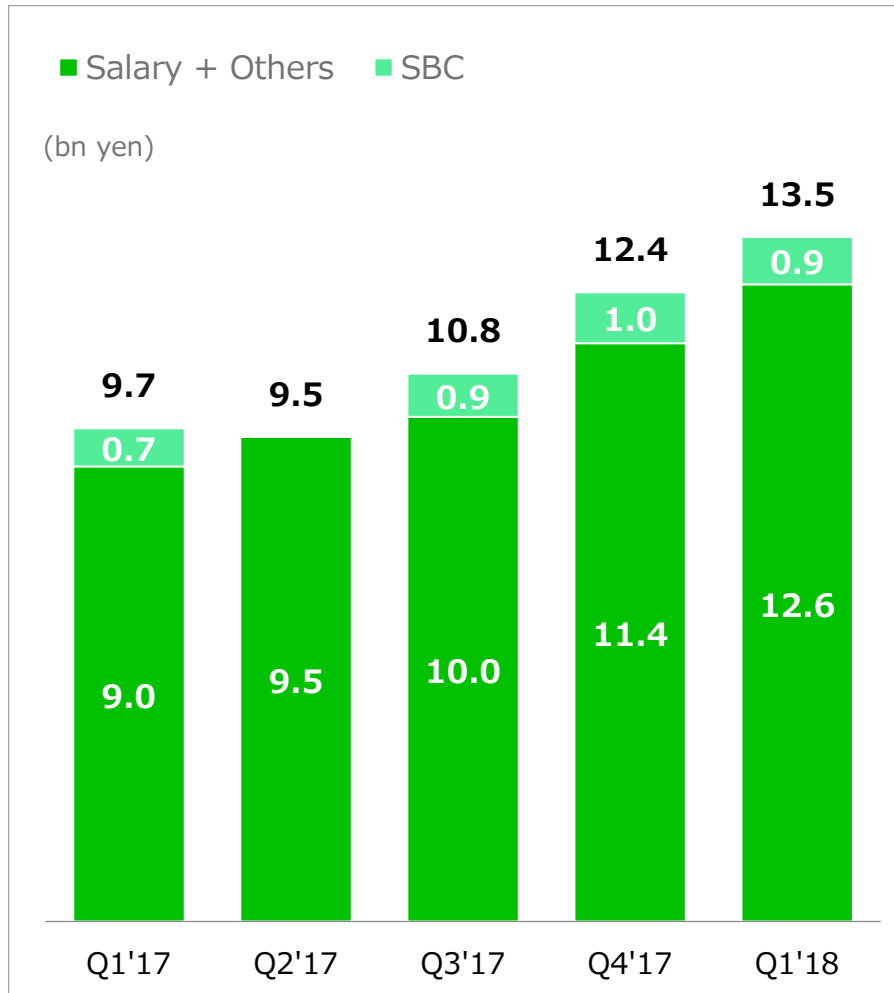
# Operating Expenses

(mn yen)	Q1'18	Q4'17	Q1'17	Growth Rate	
				Q/Q	Y/Y
<b>Revenues and other operating income</b>	<b>50,209</b>	<b>48,387</b>	<b>40,981</b>	<b>3.8%</b>	<b>22.5%</b>
<b>Operating expenses</b>	<b>48,963</b>	<b>47,788</b>	<b>36,956</b>	<b>2.5%</b>	<b>32.5%</b>
Payment processing and licensing	7,306	7,269	7,684	0.5%	-4.9%
Sales commission	3,011	2,428	1,873	24.0%	60.8%
Employee compensation	13,493	12,405	9,718	8.8%	38.9%
Marketing	3,931	5,081	4,026	-22.6%	-2.3%
Infrastructure and communication	2,601	2,477	2,142	5.0%	21.4%
Outsourcing expense	7,937	7,234	4,815	9.7%	64.9%
Depreciation and amortization	2,329	2,262	1,476	3.0%	57.8%
Other operating expenses	8,355	8,632	5,222	-3.2%	60.0%
<b>Operating income</b>	<b>1,246</b>	<b>599</b>	<b>4,025</b>	<b>108.2%</b>	<b>-69.0%</b>
<i>Margin (%)</i>	<i>2.5%</i>	<i>1.2%</i>	<i>9.8%</i>	<i>+1.2%p</i>	<i>-7.3%p</i>
<b>Pre-tax income</b>	<b>-138</b>	<b>-3,053</b>	<b>3,566</b>	<b>-95.5%</b>	<b>-103.9%</b>
Corporate tax	-1,636	-919	-1,931	78.0%	-15.3%
<b>Net income from continuing operations</b>	<b>-1,774</b>	<b>-3,972</b>	<b>1,635</b>	<b>-55.3%</b>	<b>-208.5%</b>
<b>Net income</b>	<b>-1,770</b>	<b>-3,973</b>	<b>1,632</b>	<b>-55.5%</b>	<b>-208.4%</b>

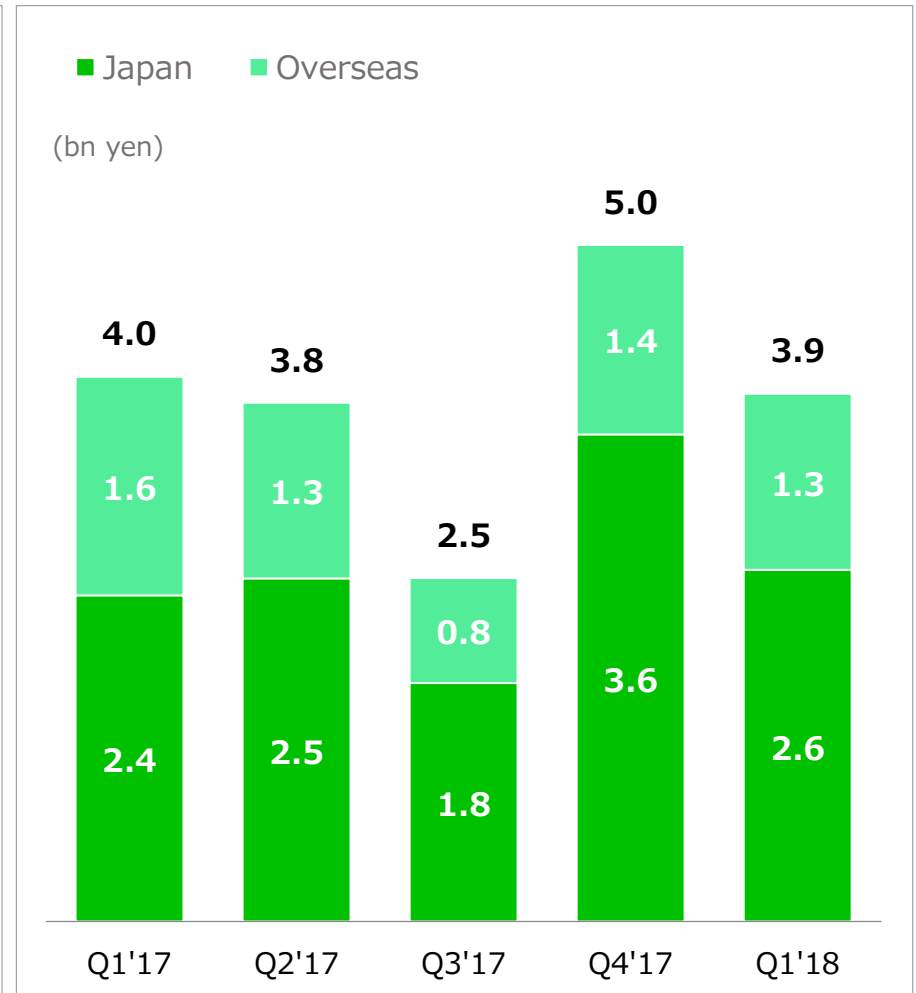
Note: Revenue and Operating expenses for the historical periods have been adjusted for IFRS15 for illustration and comparison purposes

# Employee Compensation & Marketing

## Employee Compensation



## Marketing



# Supplemental Information to Q1 2018 Results

## Impact from stock based compensation

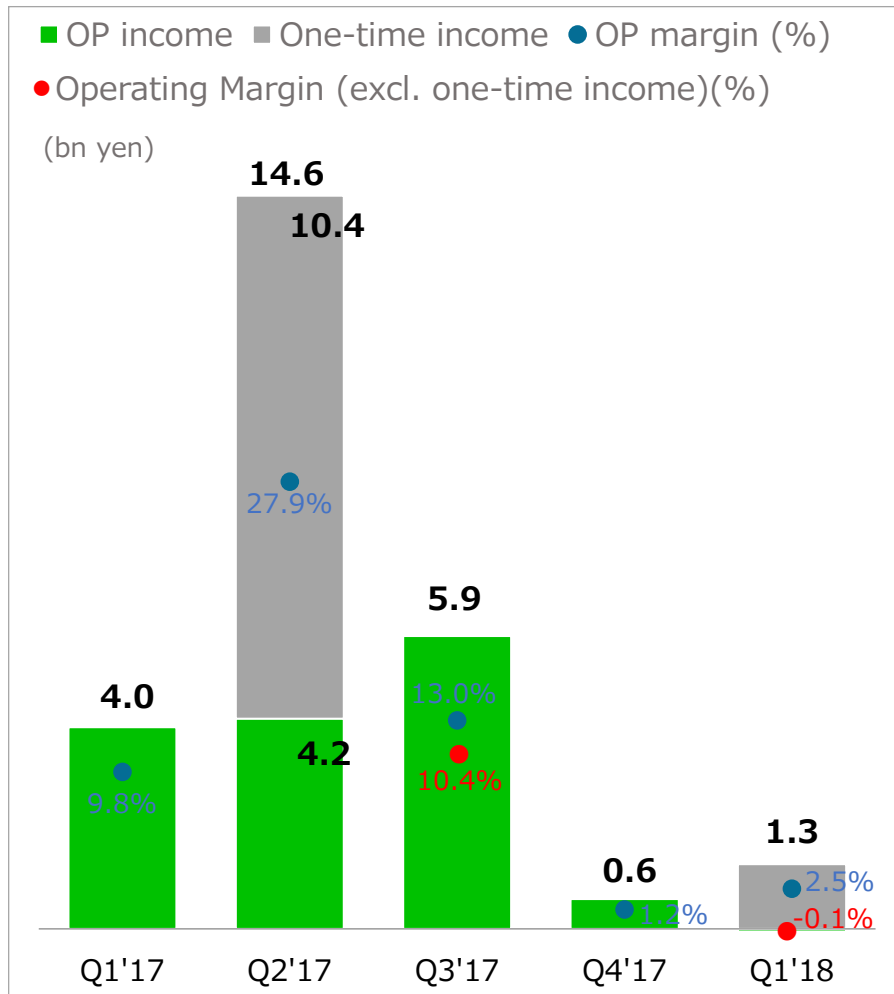
- Issued new employee stock option plan for incentive and retention purposes

### Schedule of stock based compensation expenses from Q2 2018

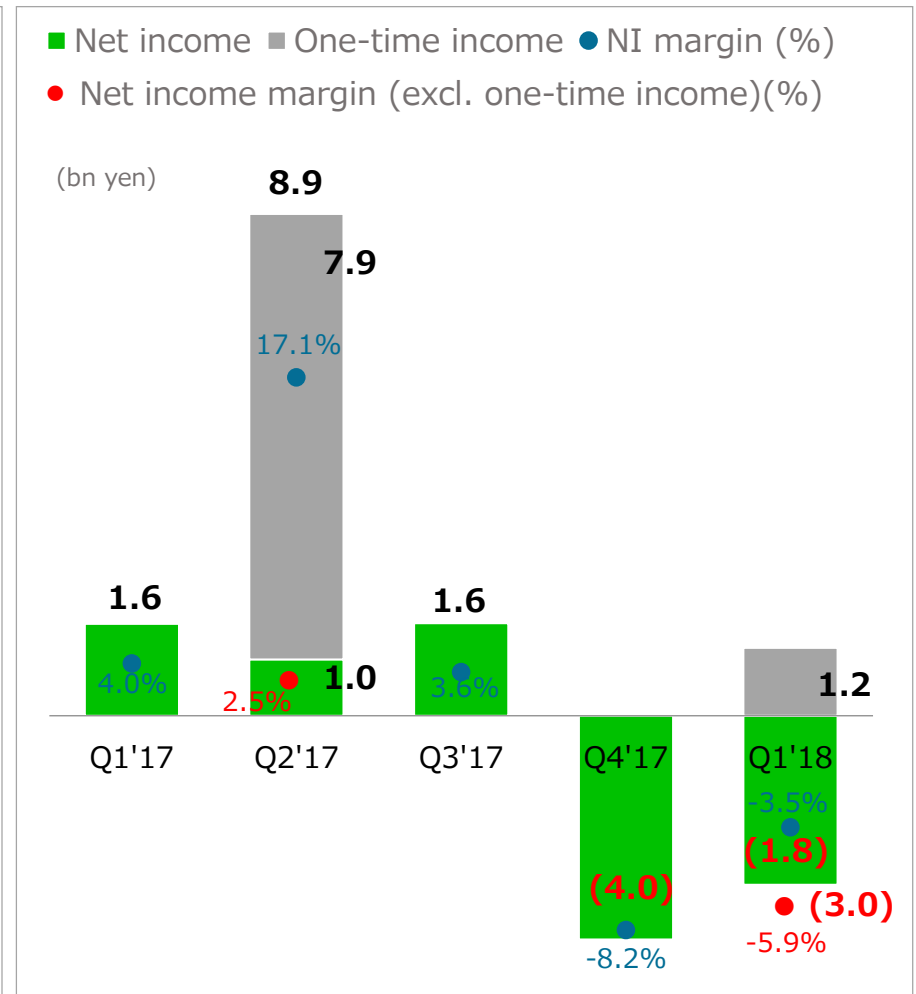
(100mn yen)	FY18	FY19	FY20	FY21
2017 J-ESOP/SO	22	18	7	2
2018 J-ESOP	14	23	11	2
Total	36	41	18	4

# Operating & Net Income

## Operating Income (Margin)



## Net Income (Margin)



# Appendix

# IR Official Account

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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 Friend

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

- QR code



- How to search by account name

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

2. Add "LINE IR News" as a friend

- After confirming the notes on the authorization page, tap "Confirm"



# Revenues and other operating income

(mn yen)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
<b>Revenues and other operating income</b>	<b>40,981</b>	<b>52,273</b>	<b>44,833</b>	<b>48,387</b>	<b>50,209</b>
<b>Revenues</b>	<b>40,652</b>	<b>41,579</b>	<b>44,342</b>	<b>47,890</b>	<b>48,736</b>
<b>Core Business</b>	<b>37,424</b>	<b>37,300</b>	<b>40,124</b>	<b>41,399</b>	<b>42,713</b>
Ads	18,254	19,145	22,036	23,712	25,190
Account Ads	10,543	10,148	11,509	12,619	13,487
Display Ads	5,033	5,680	7,833	8,476	9,128
Portal Ads	2,678	3,317	2,694	2,618	2,575
Communication	8,067	7,548	7,526	7,084	7,415
Content	10,441	10,080	9,879	9,744	9,243
Others	662	527	683	858	865
<b>Strategic Business</b>	<b>3,216</b>	<b>4,271</b>	<b>4,219</b>	<b>6,293</b>	<b>6,063</b>
LINE FRIENDS	2,642	2,494	3,040	4,092	3,395
Fintech/AI/Commerce/Mobile <sup>1)</sup>	574	1,777	1,179	2,201	2,668
Common	341	10,702	489	694	1,433

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

1) Equity-method starting Q2



# Operating Expenses

(mn yen)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
<b>Operating expenses by segment</b>	<b>36,955</b>	<b>37,670</b>	<b>38,982</b>	<b>47,788</b>	<b>48,963</b>
Core business	30,135	29,492	29,261	33,158	34,675
Strategic business	5,892	8,095	8,521	13,178	13,205
Common	928	83	1,200	1,452	1,083
<b>Operating expenses by account</b>	<b>36,955</b>	<b>37,670</b>	<b>38,982</b>	<b>47,788</b>	<b>48,963</b>
Payment processing and licensing	7,684	7,340	7,296	7,269	7,306
Sales commission	1,872	1,934	1,978	2,428	3,011
Employee compensation	9,718	9,547	10,799	12,405	13,493
Marketing	4,026	3,832	2,538	5,081	3,931
Infrastructure and communication	2,142	2,243	2,225	2,477	2,601
Outsourcing expense	4,815	5,622	6,338	7,234	7,937
Depreciation and amortization	1,476	1,541	1,870	2,262	2,329
Other operating expenses	5,222	5,611	5,938	8,632	8,355

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

**LINE**