

LINE Q3 2018

Earnings Results

LINE Corporation

October 24, 2018

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;
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 October 24, 2018, and LINE does not guarantee its accuracy or completeness.

Q3 2018 Highlights

Core

- Transitioning of both Ad platforms on-going as planned. New LINE Ad Platform for Display ads, 'Redesigning' Account Ads
- Game business continue to provide stable revenue stream while other content services growing recurring revenue

Strategic

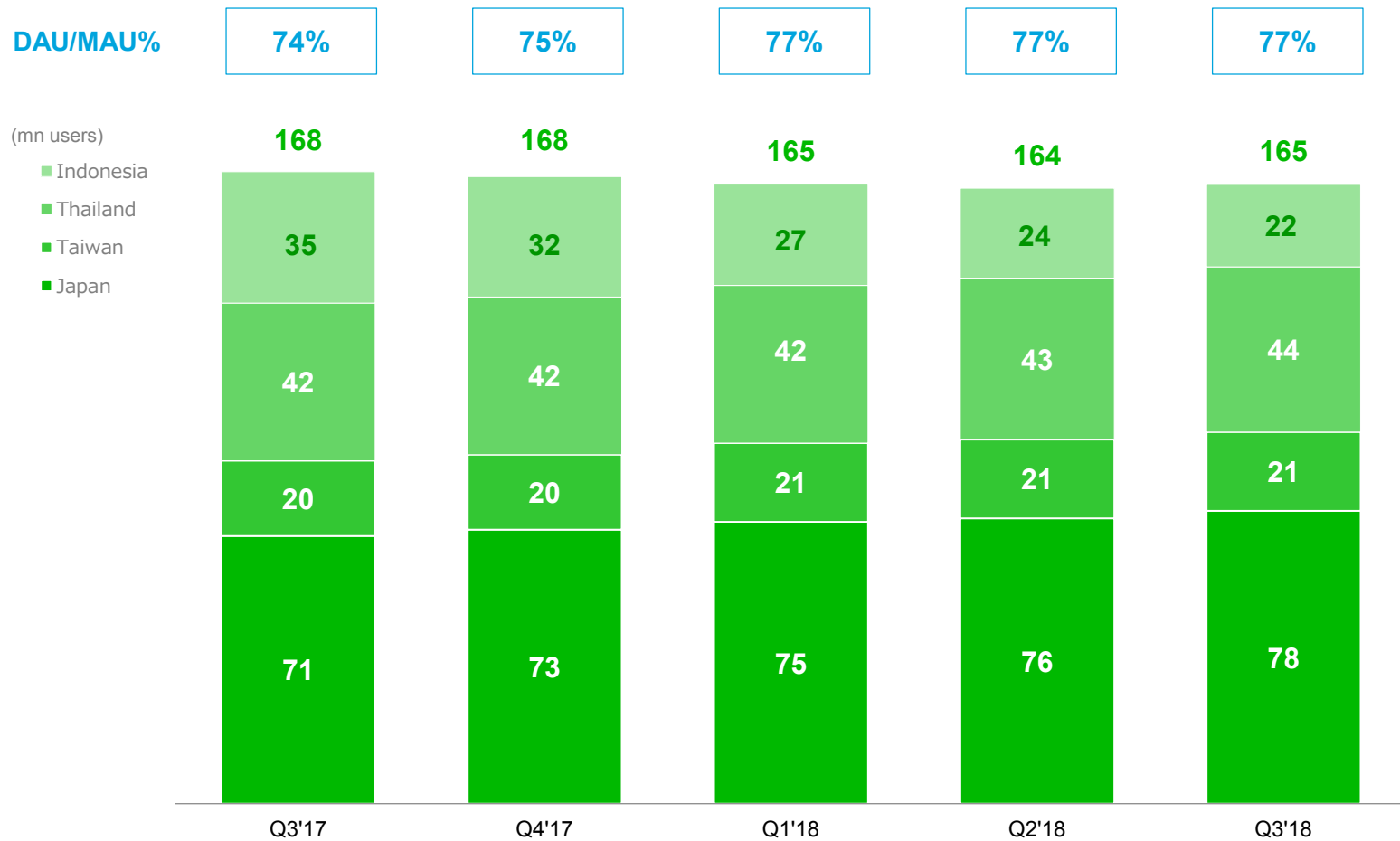
- LINE Pay business continues to show steady growth globally
 - Japan : 920k planned locations accepting LINE Pay, growing merchant acceptance
 - Taiwan : LINE Pay balance model implemented, available for QR code scanning. Growing MAU
 - Thailand : Tie-up with transportation card Rabbit
- New fintech services, LINE Insurance and LINE Smart Invest launched. Extremely positive acceptance
- Issued LINE token LINK and expanding LINE Token Economy
- Significantly increased the number of skills from opening CLOVA skills platform. Expanding use case through CLOVA Auto and Clova Home

Finance

- Issued ¥148 billion convertible bonds in September for further growth investments in strategic businesses

Monthly Active Users | Four Key Countries

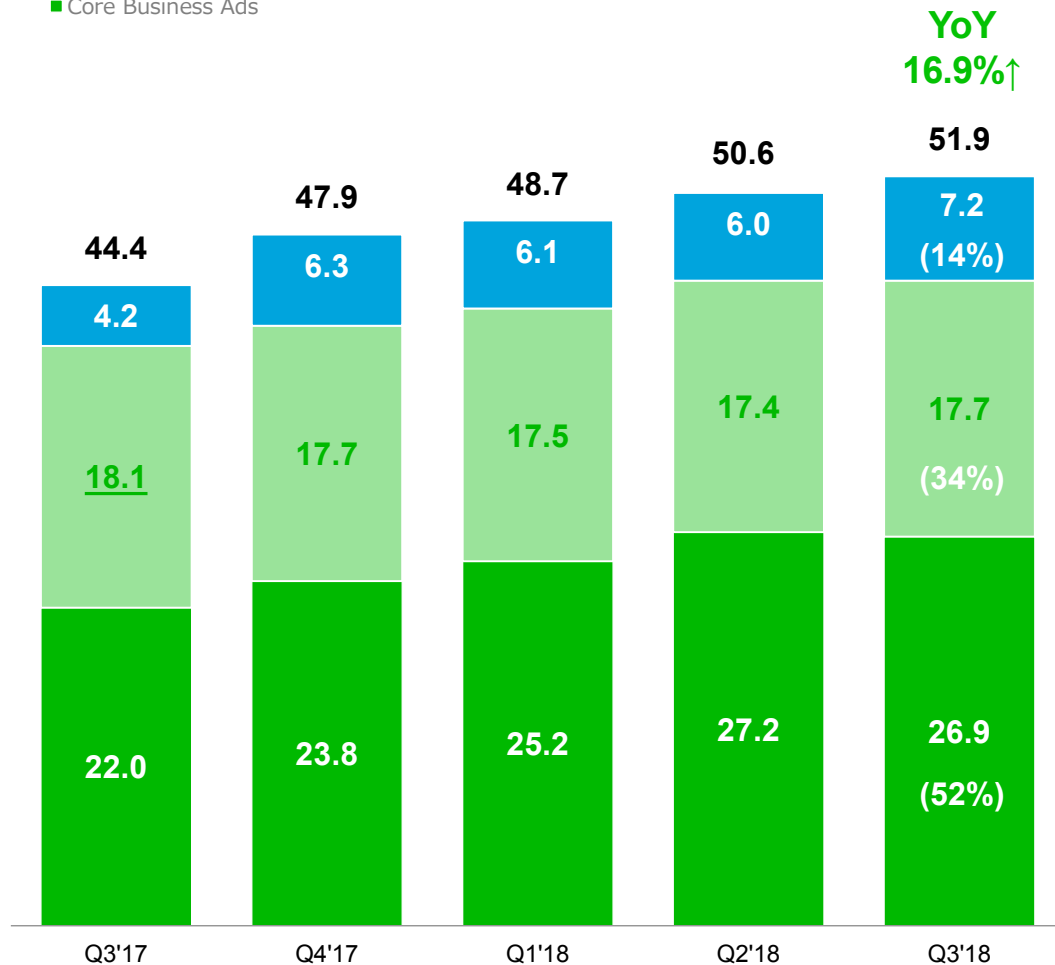
- 165 million monthly active users across the four key countries, with a DAU/MAU ratio of 77%
- Monthly active users in Japan grew 2 million, with DAU/MAU ratio of 85%



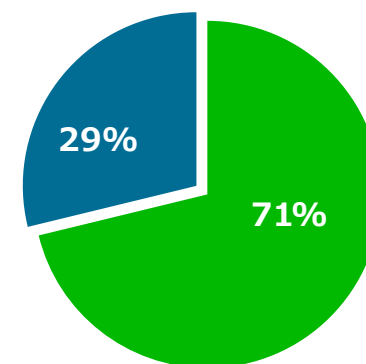
Revenues

(bn yen)

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



By Geography



■ Japan ■ Overseas

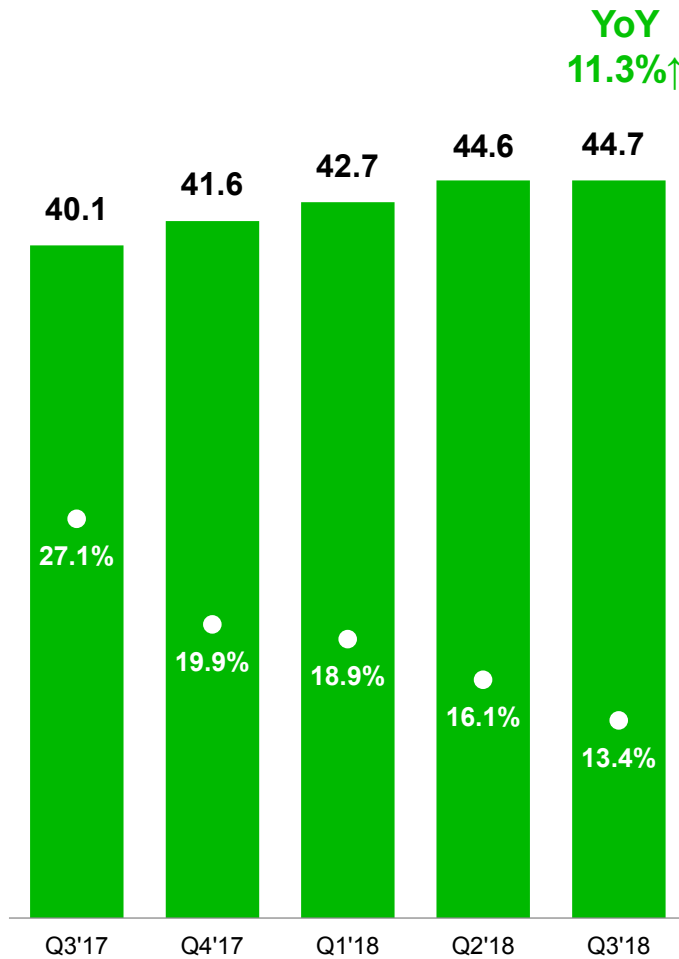
For Q3 2018

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

Segment Revenue and Operating Margin

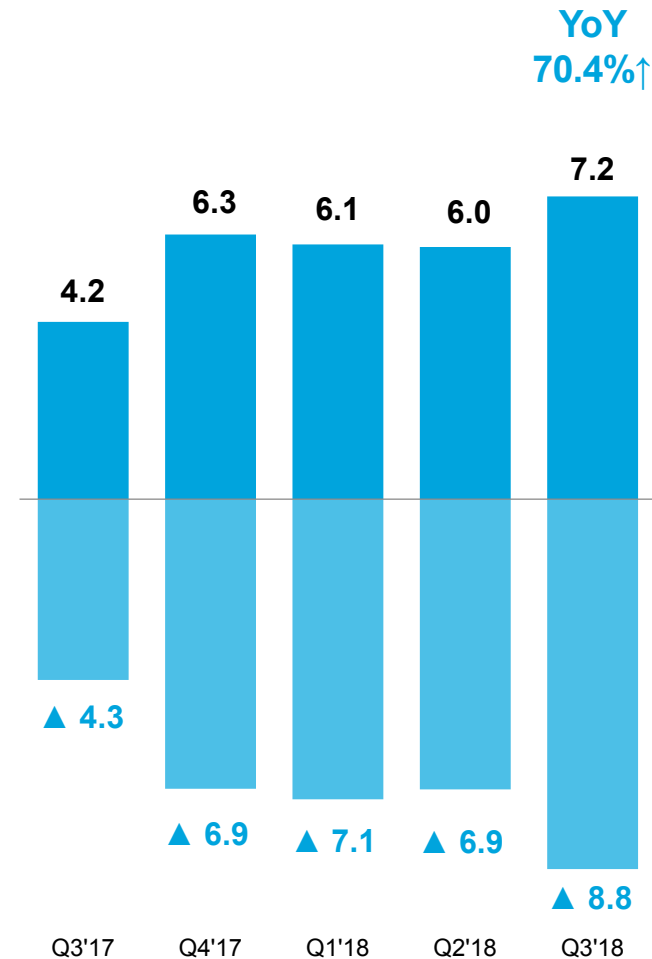
Core | Revenue / Operating margin

(bn yen)



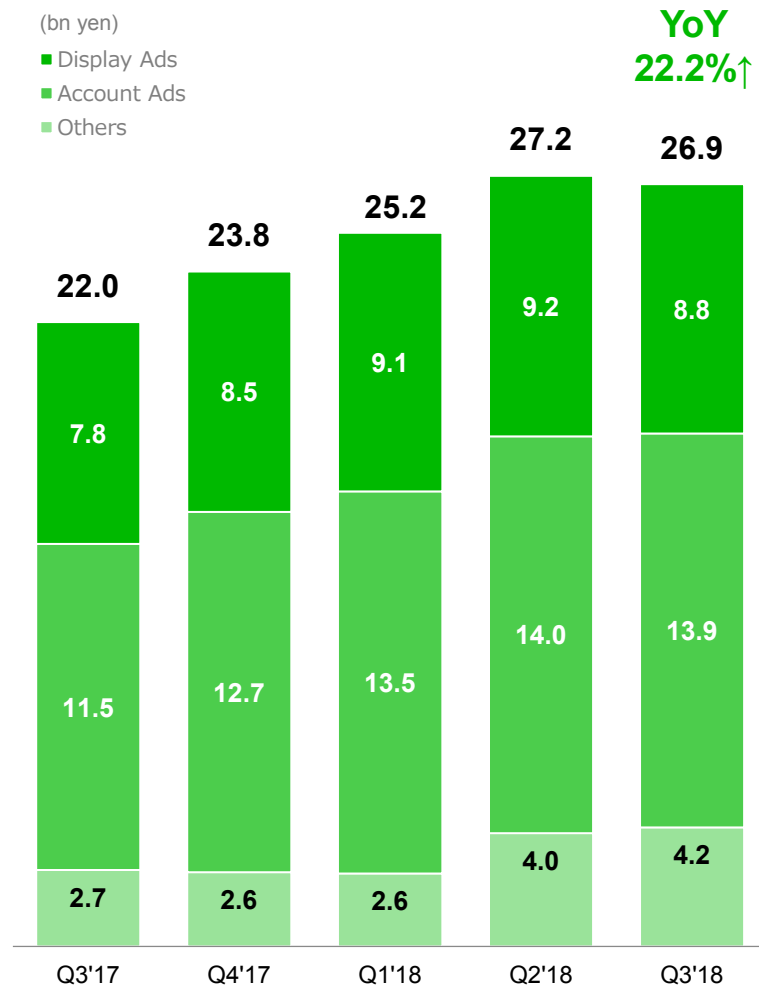
Strategic | Revenues / Operating income

(bn yen)



Core | Ads

- Display Ad : Transitioning to New LINE Ad Platform (LAP). Fully operational from 1Q2019
- Account Ad : Significant increase in inquiry for 'redesigned' new official accounts. Opening new accounts from December



of Official Accounts

(accounts)

Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
631	645	657	672	677

*Global paid official accounts

of LINE@ Accounts

(thousand accounts)

Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
6,085	6,710	7,327	7,929	8,526

*Global active accounts

of LAP Impressions

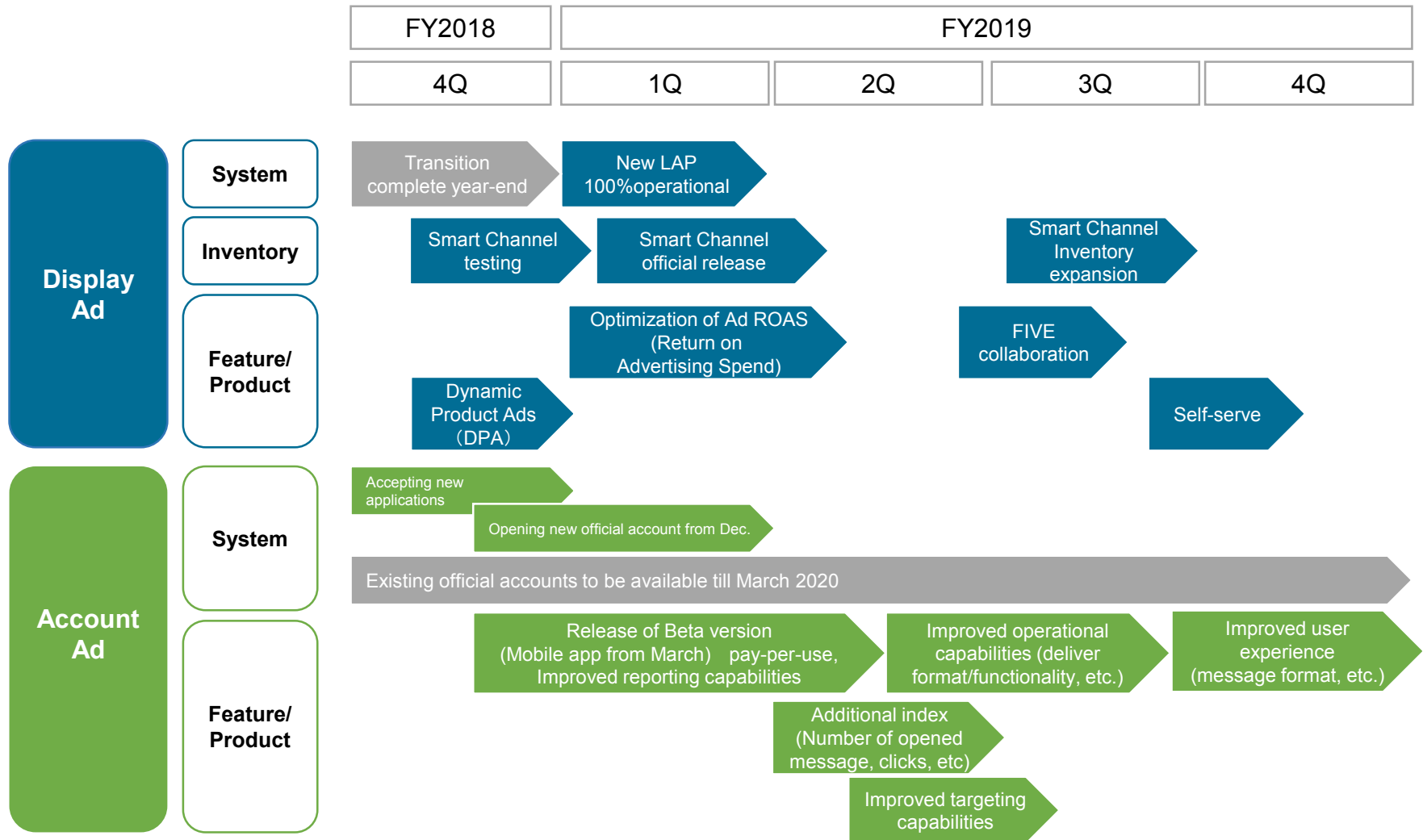
(mn impressions)

Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
15,940	15,985	17,671	21,167	23,265

*LAP: LINE Ads Platform

Note: Others are ad revenues mainly from Livedoor, NAVER Matome and LINE Baito

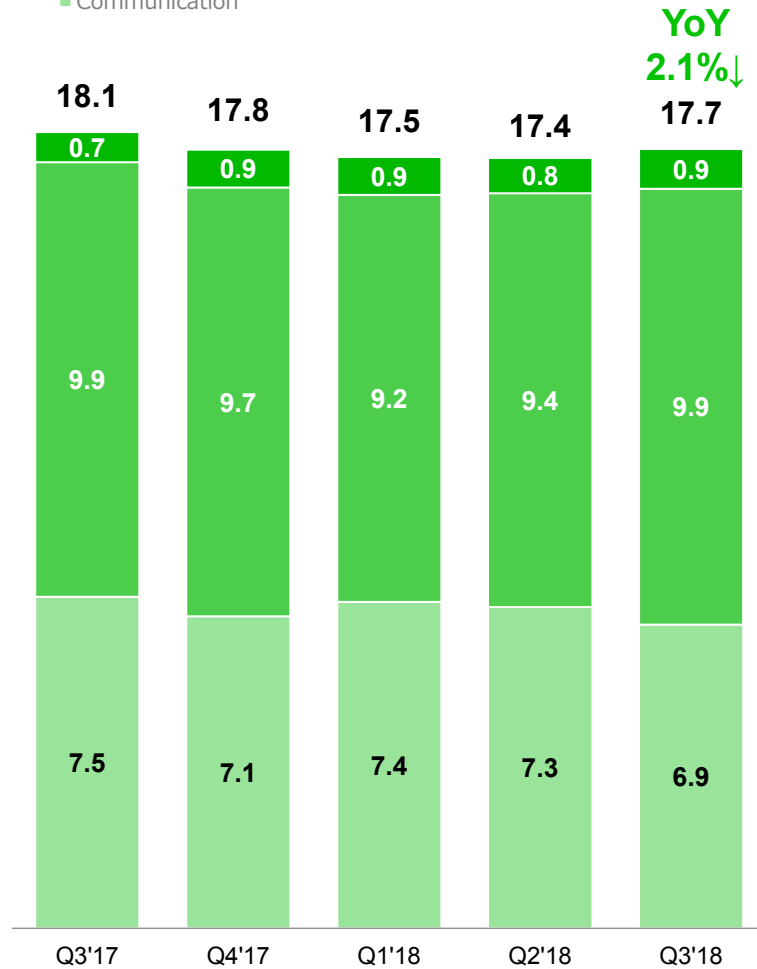
Core | Roadmap of Ad platform



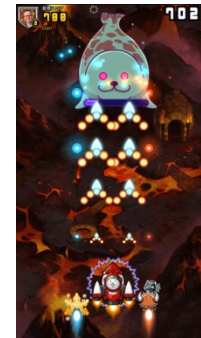
Core | Communication / Content / Others

(bn yen)

- Others
- Content
- Communication



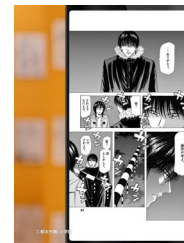
Launched “LINE QUICK GAME”



- App-free HTML5 games available on LINE app
- Acquired more than 3 million users within a month after the launch on Sept. 18th

「Tamagotchi on LINE!!」 ©BANDAI, WIZ
 「Battle Cats Galaxy」 © Game Closure Inc. & © PONOS Corp All Rights Reserved.

LINE Manga



- Aggressive marketing initiative

- Drama of original comic content

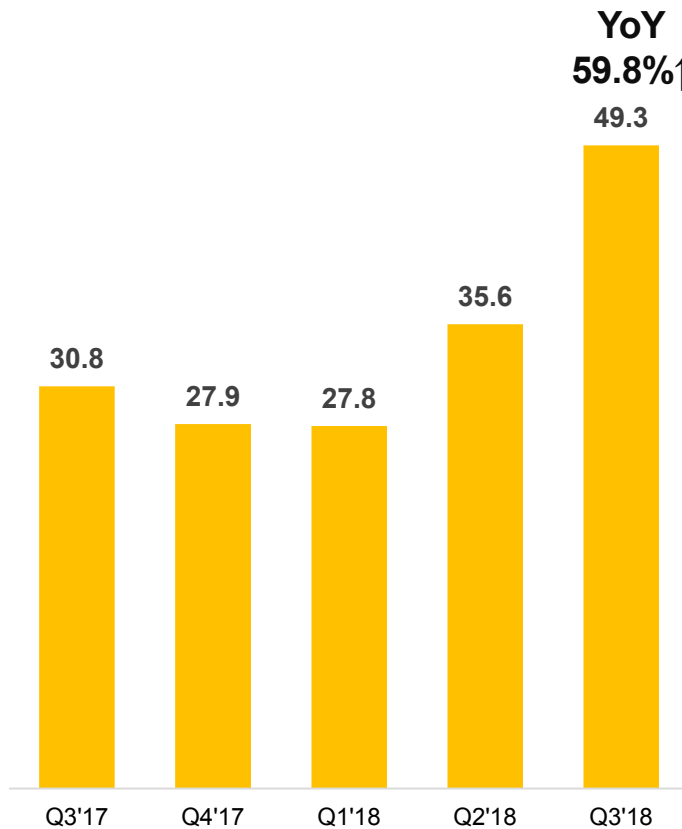
Core | LINE Manga / LINE MUSIC



LINE Manga Transaction volume

(100mn yen)

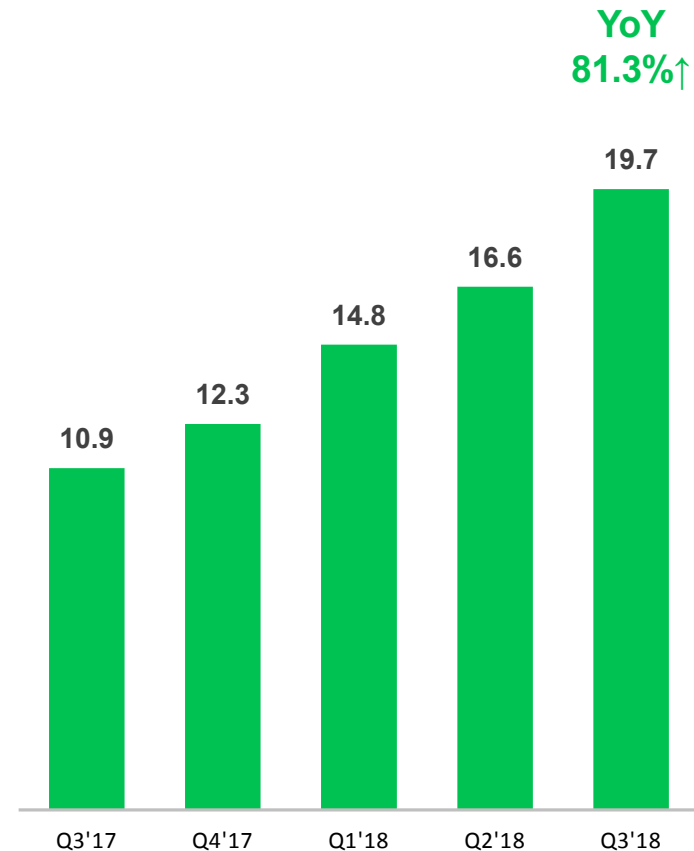
- Users and transaction volume grew through aggressive marketing initiatives
- Integrating approximately 100 titles provided by XOY



LINE MUSIC Transaction volume

(100mn yen)

- Preparing Chatroom BGM
- Cross-sell with LINE Ticket; preparing music video

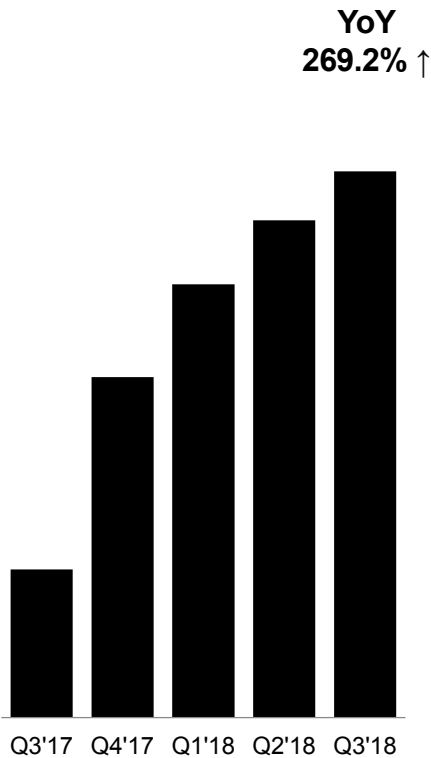


Strategic | Commerce



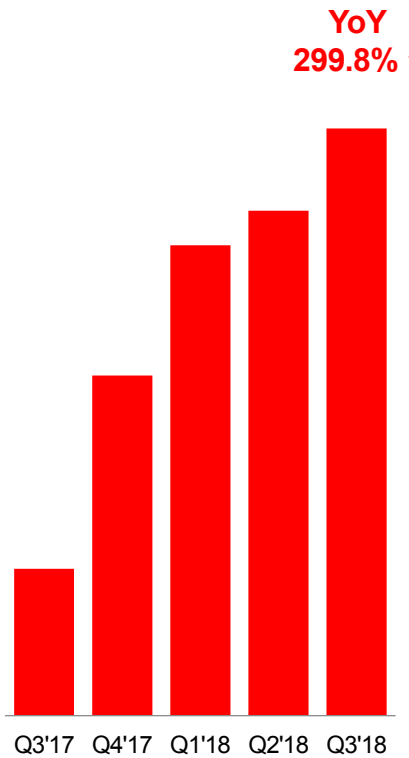
LINE Shopping Transaction volume

- Expanding offline initiatives (omni-channel)



LINE Delima Transaction Volume

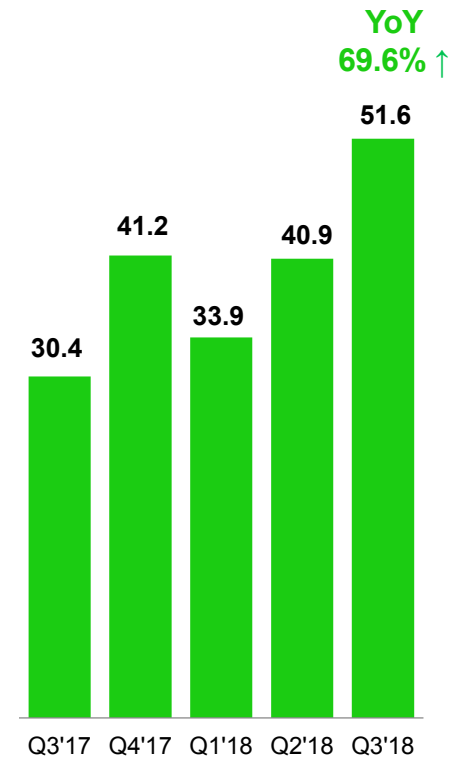
- Preparing take-out service next spring



LINE FRIENDS Revenue

(100mn yen)

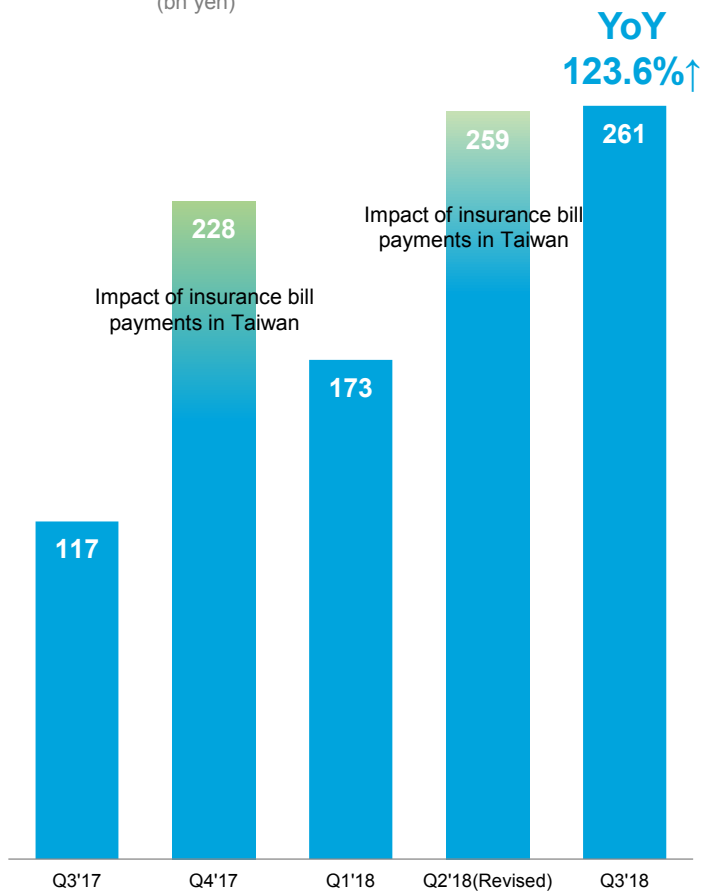
- Hollywood pop-up store
- 41 stores open globally



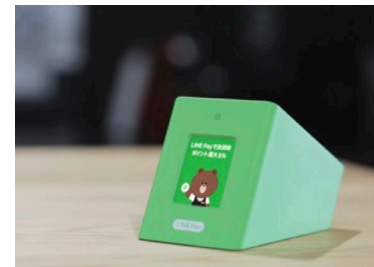
Strategic | LINE Pay

- Approaching to 1 million locations; currently exceeded 920k planned locations (incl. approx. 720k locations with QUICPay)
- First department store, Hankyu Hanshin, and FamilyMart (convenience store) to accept LINE Pay
- Providing LINE Pay original terminal for QR code payment this year

LINE Pay LINE Pay Transaction volume (bn yen)



Japan



- Terminal exclusive for LINE Pay QR code payment
- Available in Japan and Taiwan
- Equipped with QR code display panel

Major merchants introducing LINE Pay



株式会社 阪急阪神百貨店



* Available from Dec. 4th

Strategic | LINE Pay

Taiwan

- Introduced balance model within LINE Wallet
- Successful “Hongbao” (Red envelope) campaign
- Released QR code payment and expanding accepting locations

QR code payment at transportation system



Taxi



Subway

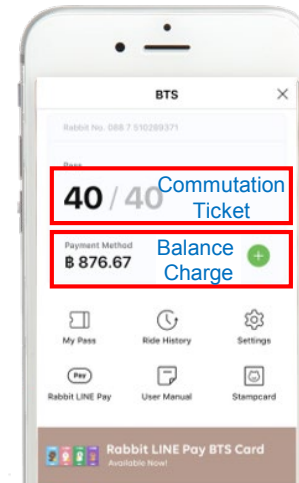
Thailand

- Partnership with Rabbit card, public transport card

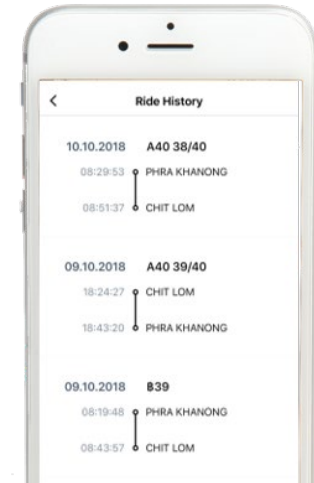
LINE Character Rabbit Card



Purchase ticket on mobile

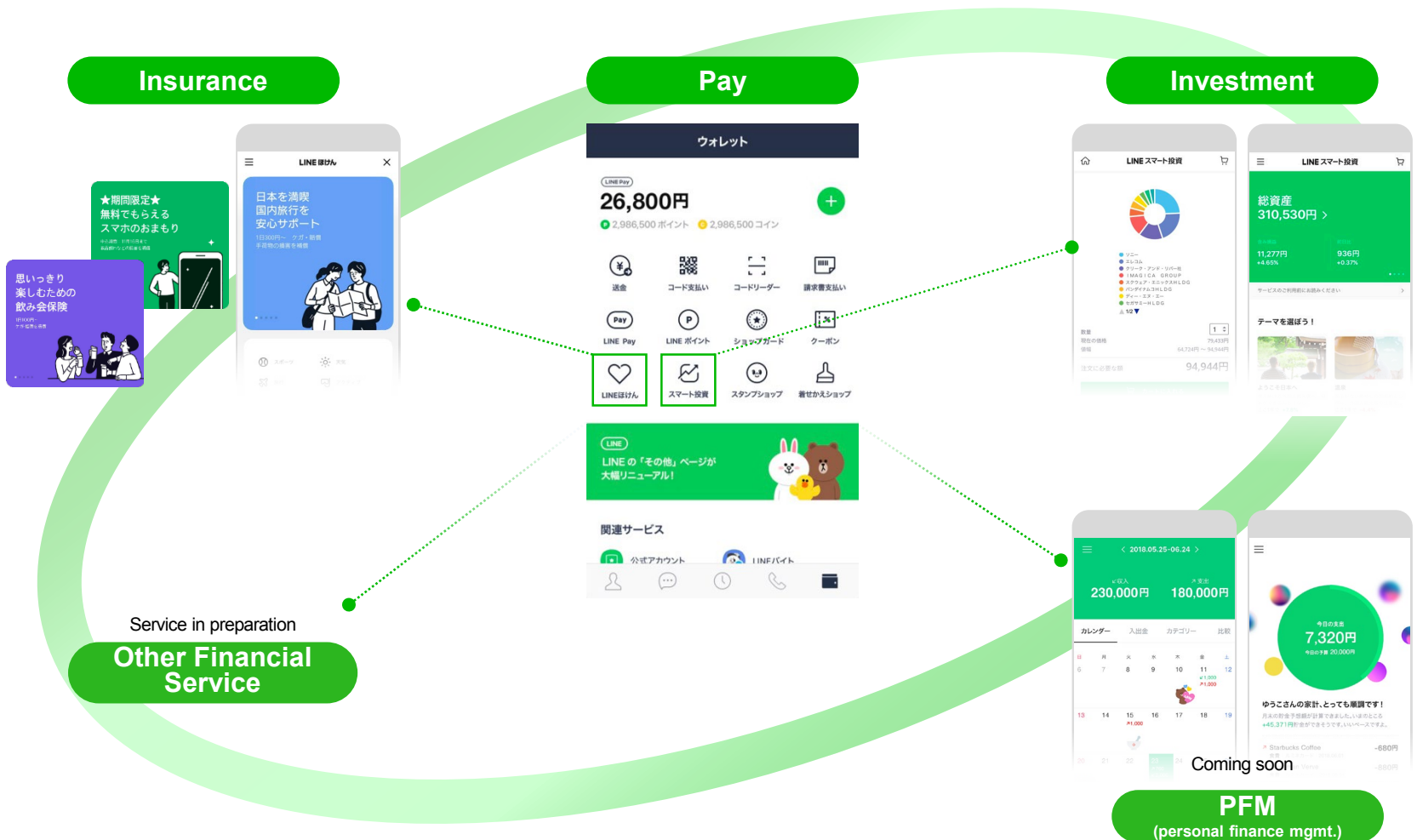


Confirm usage history



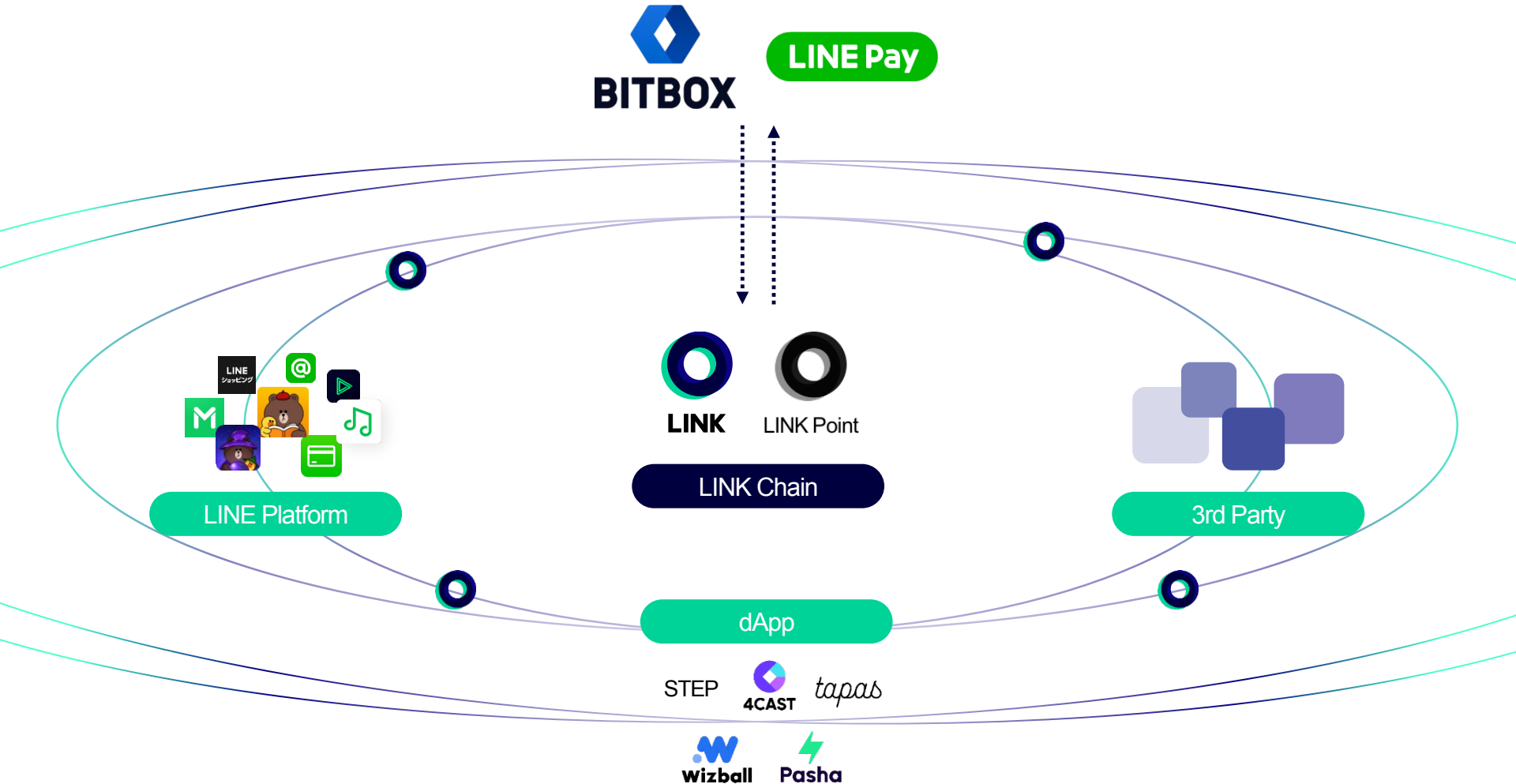
Strategic | LINE Financial

- Launched LINE Insurance and LINE Smart Invest, extremely positive feedback from users
- Preparing variety of financial services including PFM, surrounding LINE Pay



Strategic | Token Economy

- Released LINK Chain and LINE's cryptocurrency, LINK or LINK Point in Japan. Expanding token economy ecosystem
- LINK is available on the global digital asset exchange BITBOX from October 16th (for market outside of Japan and the United States)



* For residents in Japan, "LINK Points" can be used on other dApp services or can be exchanged to "LINE Points".
Until any and all legal requirements have been satisfied in Japan, users in Japan are prohibited from (a) any trading in LINK (including any transfer or payments); and (b) purchasing, selling or exchanging LINK on any cryptocurrency exchange.

Strategic | LINE Clova

- More than 120 skills available on Clova after releasing the Clova Extensions Kit
- Expanding use case with Clova Home (Infrared and IoT) and Clova Auto (car navigation system using Toyota's "Smart Device Link (SDL) ")

Expanding LINE Clova use case



Expanding skills after the release of Clova Extensions Kit

LINE Q3 2018

Finance Section

Earnings Summary (Q3 2018)

(mn yen)	Q3'17	Q2'18	Q3'18	Growth Rate	
				Y/Y	Q/Q
Revenues and other operating income	44,842	60,280	51,943	15.8%	-13.8%
Revenues	44,351	50,625	51,850	16.9%	2.4%
Operating income	5,850	9,075	-3,576	-161.1%	-139.4%
Margin(%)	13.0%	15.1%	-6.9%	-19.9%p	-22.0%p
Core Revenue	40,132	44,577	44,662	11.3%	0.2%
Core Operating income	10,857	7,199	6,005	-44.7%	-16.6%
Margin(%)	27.1%	16.1%	13.4%	-13.6%p	-2.7%p
Strategic Revenue	4,219	6,048	7,188	70.4%	18.8%
Strategic Operating income	-4,303	-6,917	-8,846	105.6%	27.9%
Margin(%)	-102.0%	-114.4%	-123.1%	-21.1%p	-8.7%p
Common Revenue	491	9,655	93	-81.1%	-99.0%
Common Operating income	-704	8,793	-735	4.4%	-108.4%

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

Operating Expenses

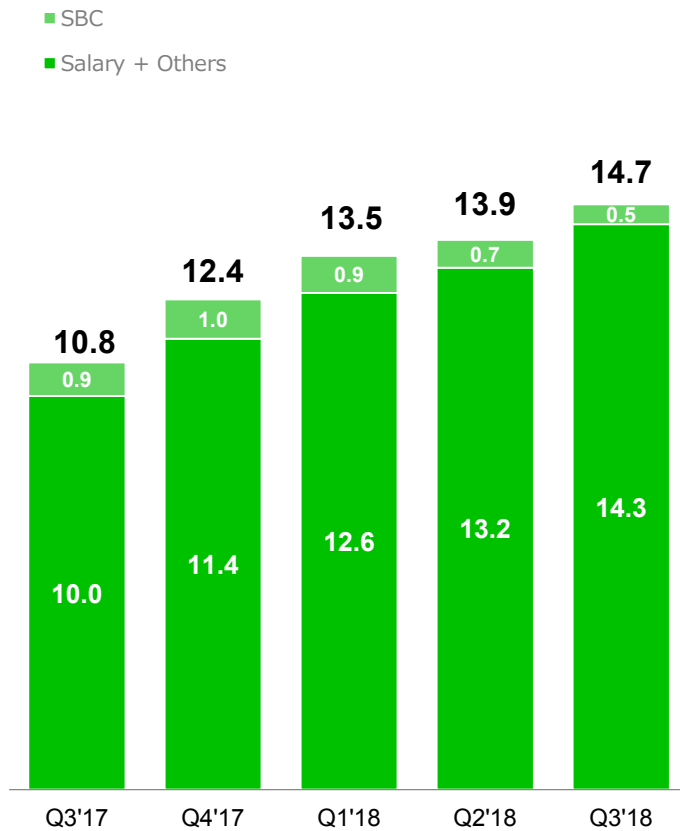
(mn yen)	Q3'17	Q2'18	Q3'18	Growth Rate	
				Y/Y	Q/Q
Revenues and other operating income	44,842	60,280	51,943	15.8%	-13.8%
Operating expenses	38,992	51,205	55,519	42.4%	8.4%
Payment processing and licensing	7,296	7,837	7,507	2.9%	-4.2%
Sales commission	1,988	3,939	4,131	107.8%	4.9%
Employee compensation	10,799	13,884	14,728	36.4%	6.1%
Marketing	2,538	4,655	5,775	127.5%	24.1%
Infrastructure and communication	2,225	2,482	2,681	20.5%	8.0%
Outsourcing expense	6,338	6,976	8,101	27.8%	16.1%
Depreciation and amortization	1,870	2,620	2,903	55.2%	10.8%
Other operating expenses	5,938	8,812	9,693	63.2%	10.0%
Operating income	5,850	9,075	-3,576	-161.1%	-139.4%
Margin(%)	13.0%	15.1%	-6.9%	-19.9%p	-22.0%p
Pre-tax income	4,237	6,772	-6,860	-261.9%	-201.3%
Corporate tax	-2,598	-3,098	-2,733	5.2%	-11.8%
Net income from continuing operations	1,639	3,674	-9,593	-685.3%	-361.1%
Net income	1,635	3,677	-9,597	-687.0%	-361.0%

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

Employee Compensation & Marketing

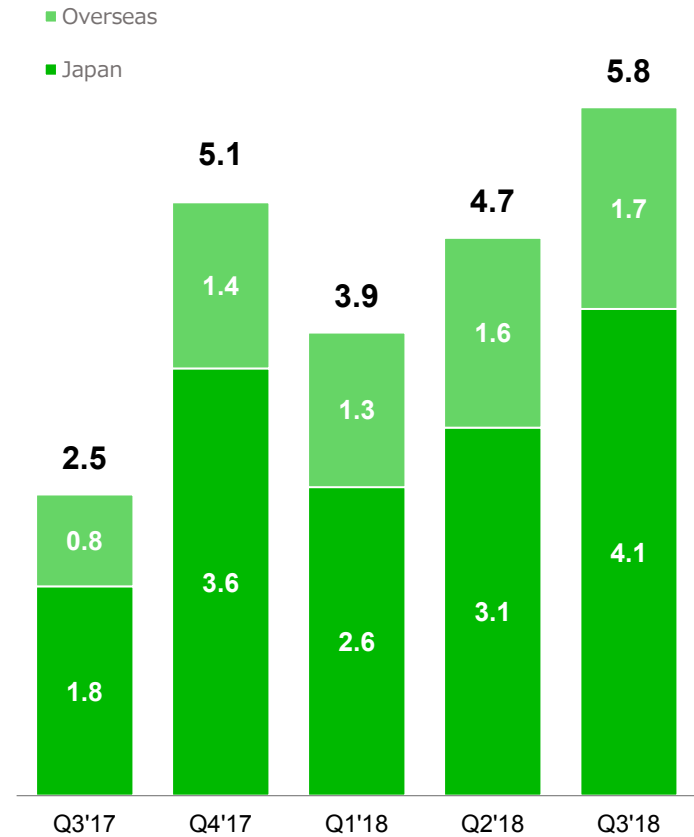
Employee Compensation

(bn yen)



Marketing

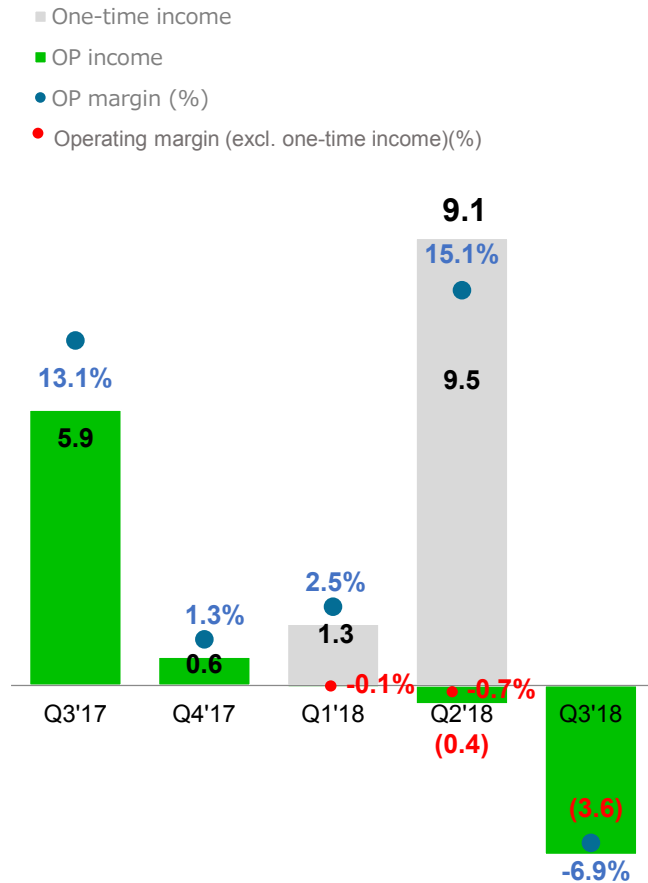
(bn yen)



Operating & Net Income

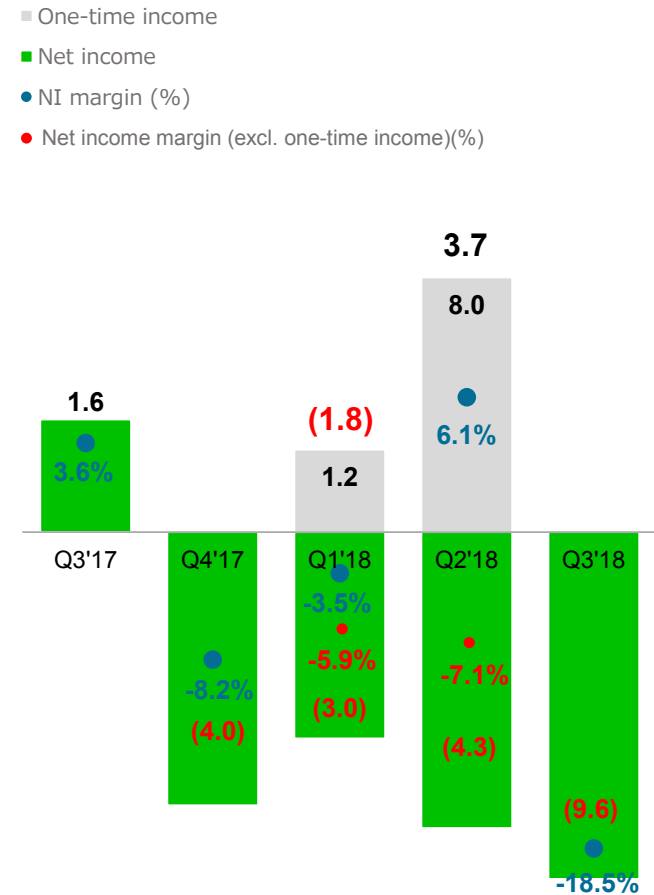
Operating Income (Margin)

(bn yen)



Net Income (Margin)

(bn yen)



LINE Q3 2018


Appendix

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 Friend

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

<u>QR code</u>	<u>How to search account name</u>
 LINE IR News	<ol style="list-style-type: none">1. Other2. Official account3. Search by account name, ID or Category4. Search by「@lineir_en」 <p>Search for “@lineir_en” by going to: More > Official Accounts > Search by name, ID, or category</p>

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)	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
Revenues and other operating income	44,842	48,411	50,209	60,280	51,943
Revenues	44,351	47,915	48,736	50,625	51,850
Core Business	40,132	41,577	42,681	44,577	44,662
Ads	22,044	23,815	25,171	27,169	26,946
Account Ads	11,518	12,720	13,468	13,999	13,912
Display Ads	7,832	8,477	9,128	9,177	8,838
Others ¹⁾	2,694	2,618	2,575	3,993	4,196
Communication	7,526	7,084	7,415	7,313	6,905
Content	9,879	9,744	9,231	9,342	9,931
Others	683	934	864	753	880
Strategic Business	4,219	6,338	6,055	6,048	7,188
LINE FRIENDS	3,040	4,121	3,390	4,092	5,155
Fintech/AI/Commerce/Mobile ²⁾	1,179	2,217	2,665	1,956	2,033
Other operating income	491	496	1,473	9,655	93

Note: Revenue and Operating expenses 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 Baito since Q2'18

2) Equity-method starting Q2'18

Operating Expenses

(mn yen)	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
Operating expenses by segment	38,992	47,811	48,963	51,205	55,519
Core business	29,275	33,301	34,605	37,378	38,657
Strategic business	8,522	13,213	13,186	12,965	16,034
Common	1,195	1,297	1,172	862	828
Operating expenses by account	38,992	47,811	48,963	51,205	55,519
Payment processing and licensing	7,296	7,269	7,306	7,837	7,507
Sales commission	1,988	2,453	3,011	3,939	4,131
Employee compensation	10,799	12,405	13,493	13,884	14,728
Marketing	2,538	5,081	3,931	4,655	5,775
Infrastructure and communication	2,225	2,477	2,601	2,482	2,681
Outsourcing expense	6,338	7,232	7,937	6,976	8,101
Depreciation and amortization	1,870	2,262	2,329	2,620	2,903
Other operating expenses	5,938	8,632	8,355	8,812	9,693

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

LINE