

LINE Q2 2018

Earnings Results

LINE Corporation

July 25, 2018

(Updated August 9, 2018)

The figures for the historical period in this material were adjusted based on IFRS15 for the purpose of calculating year-on-year performance changes. However, they were updated/modified further, due to the impact from foreign exchange adjustments as well as the inspection after announcement of the Earnings Release Call. Those of amounts corrected are all underlined.

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 July 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.

Q2 2018 Highlights

LC18

- LINE Conference 2018 : Introduced new innovative services surrounding 「Redesign」 as the theme
 - Payment Revolution : Aggressive business development surrounding LINE Pay

Core

- Ad continue to show steady growth with 42% YoY increase
- Display ad impression grew QoQ 20%; 15 total Official Accounts ad increase QoQ
- Oversea sales ratio increased due to oversea ad growth

Strategic

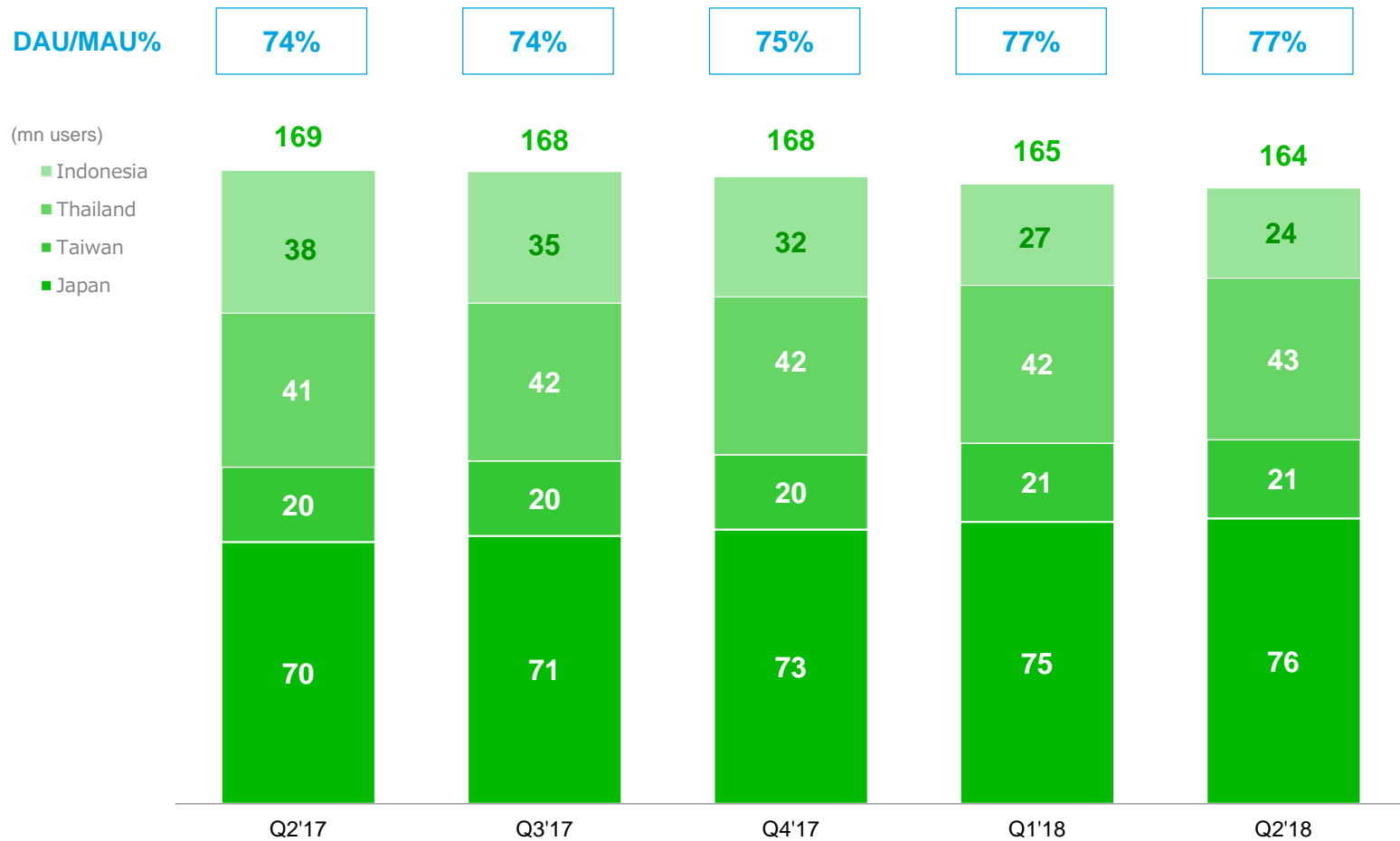
- Exceeded 94,000 locations where LINE Pay smartphone payments are accepted; additional 720k locations with partnership with QUICPay
- Clova Friends Mini launched; skills platform opened

Finance

- AUBE Corp (LINE Baito) consolidated
- LINE Mobile accounted under equity-method; incurred other operating income due to revaluation

Monthly Active Users | Four Key Countries

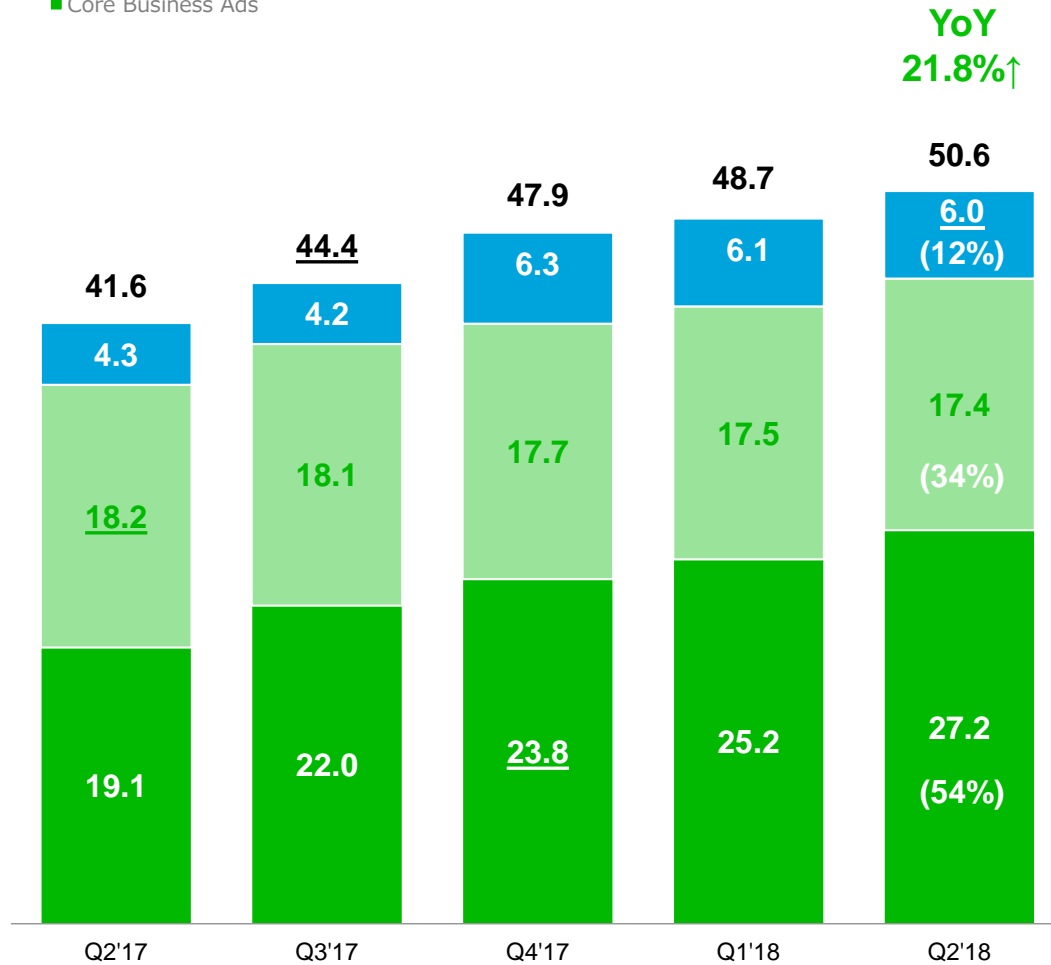
- 164 million monthly active users across the four key countries, with a DAU/MAU ratio of 77%
- Monthly active users in Japan grew 1 million, with DAU/MAU ratio of 85%



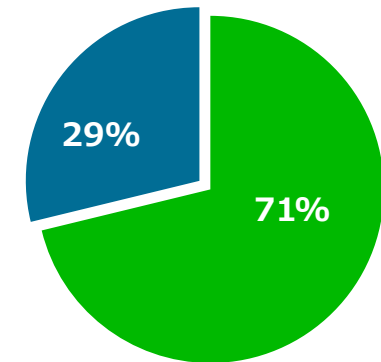
Revenues

(bn yen)

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



By Geography



■ Japan ■ Overseas

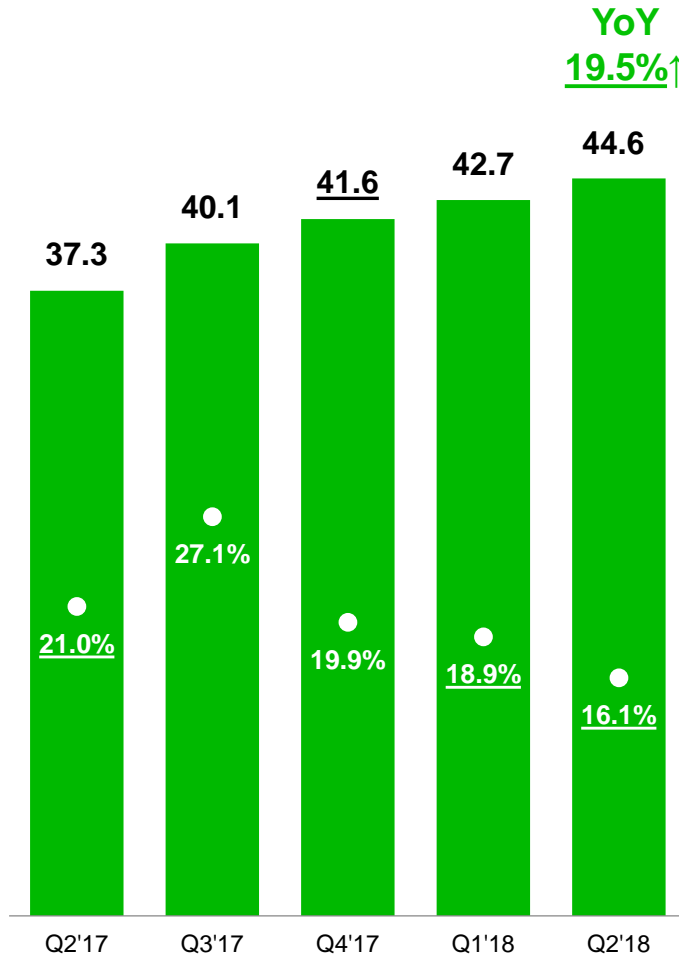
For Q2 2018

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

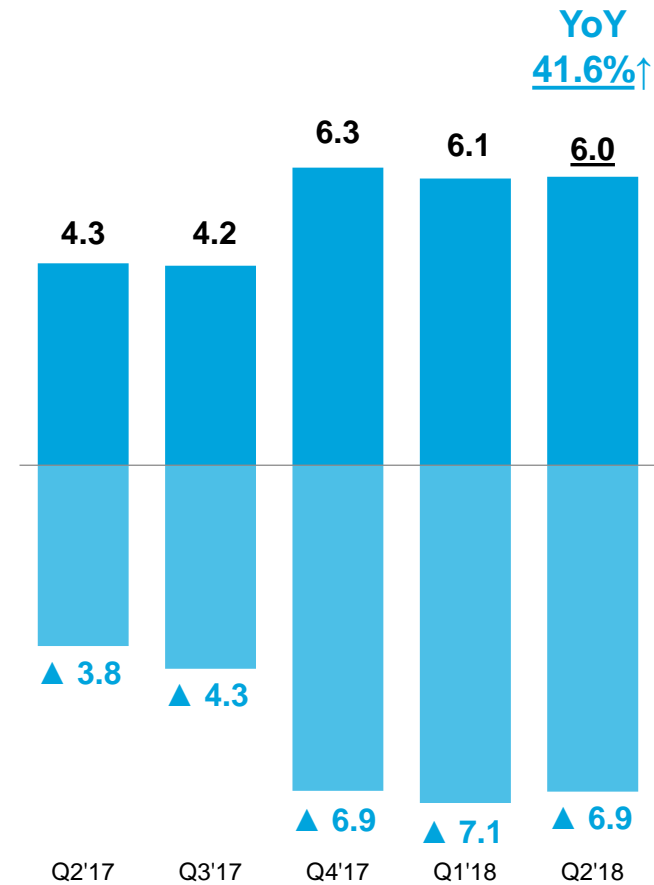
Core | Revenue / Operating margin

(bn yen)

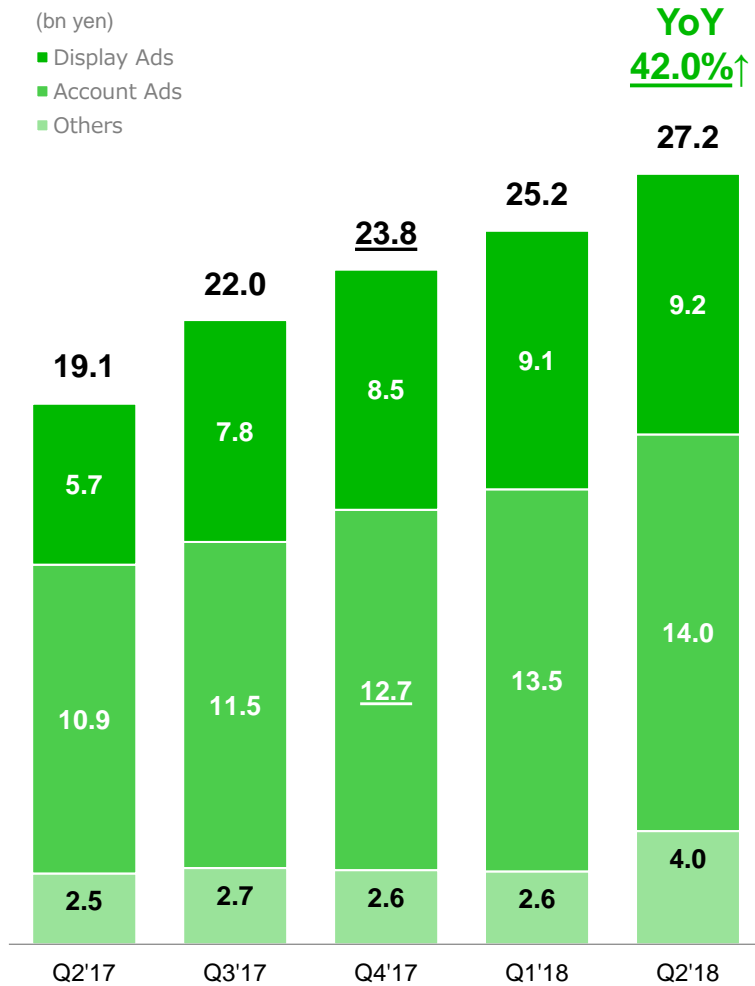


Strategic | Revenues / Operating income

(bn yen)



Core | Ads



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

of Official Accounts

(accounts)

Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
605	631	645	657	672

*Global paid official accounts

of LINE@ Accounts

(thousand accounts)

Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
5,413	6,085	6,710	7,327	7,929

*Global active accounts

of LAP Impressions

(mn impressions)

Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
14,668	15,940	15,985	17,671	21,167

*LAP: LINE Ads Platform

Core | Display Ads strategy update

Smart Channel

Display personalized contents such as weather based on current location, disaster information, and news on the top screen of the front chat page



New LINE Ads Platform

Clients

- Self-serve

New Features

- Dynamic Product Ads (DPA)
- App ads ROAS optimization
- Brand ads targeting for non-TV viewers
- New features for O2O ad

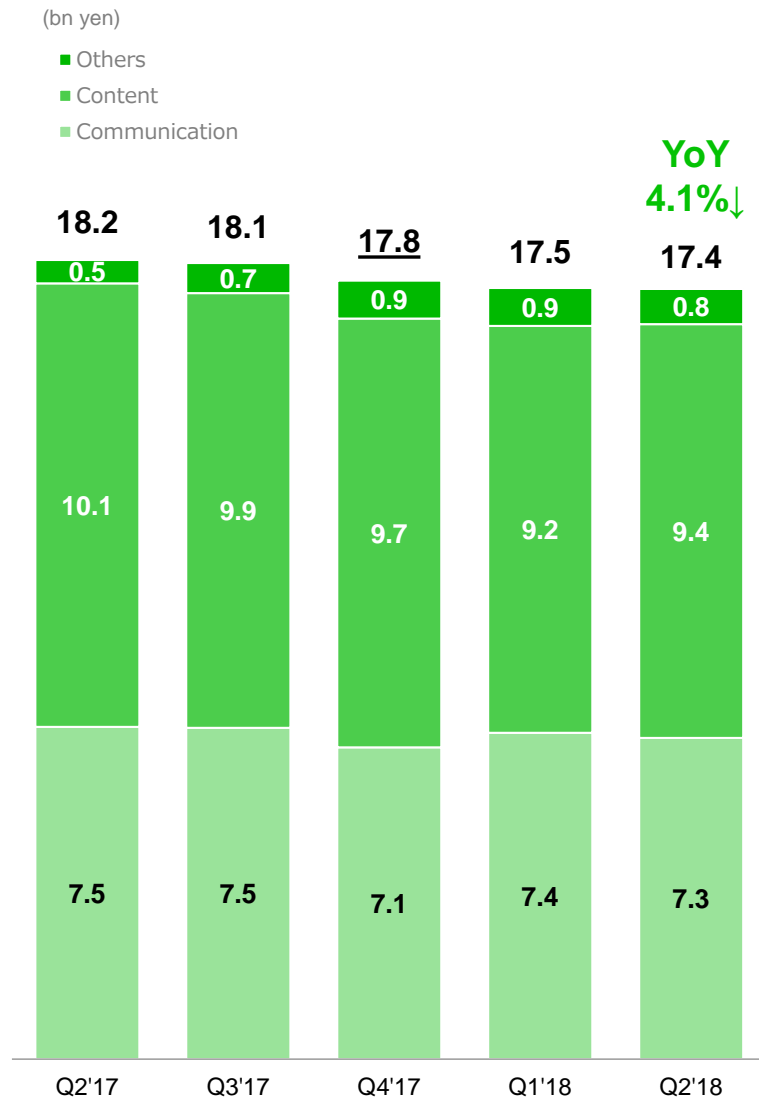
Data

- Collaboration targeting with Account ads
- Collaboration targeting with SP Solutions
- LINE Shopping purchase data, etc.

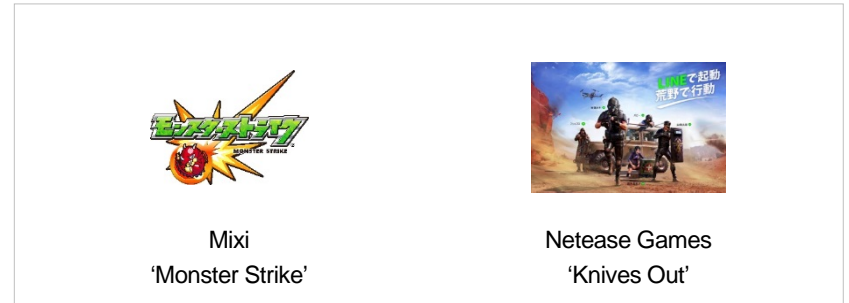
Inventory

- Smart channel

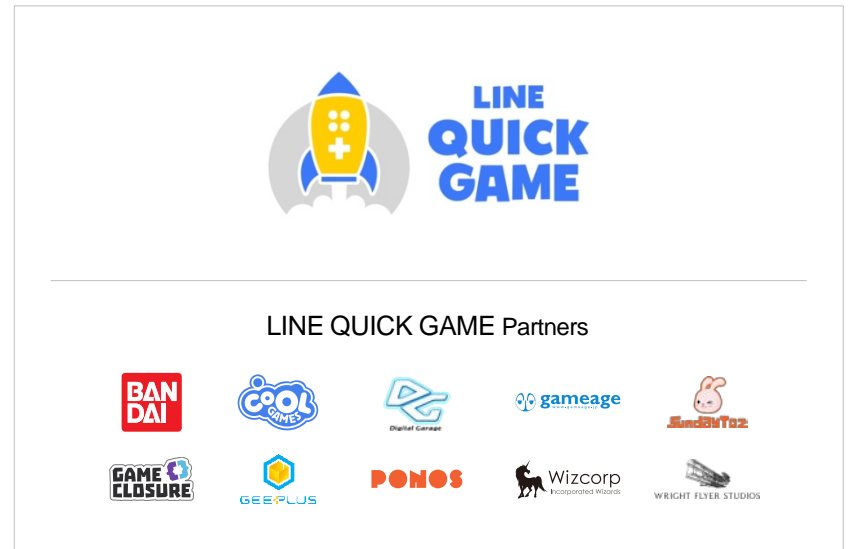
Core | Communication / Content / Others



LINE alliance with other games



HTML5 Game launched



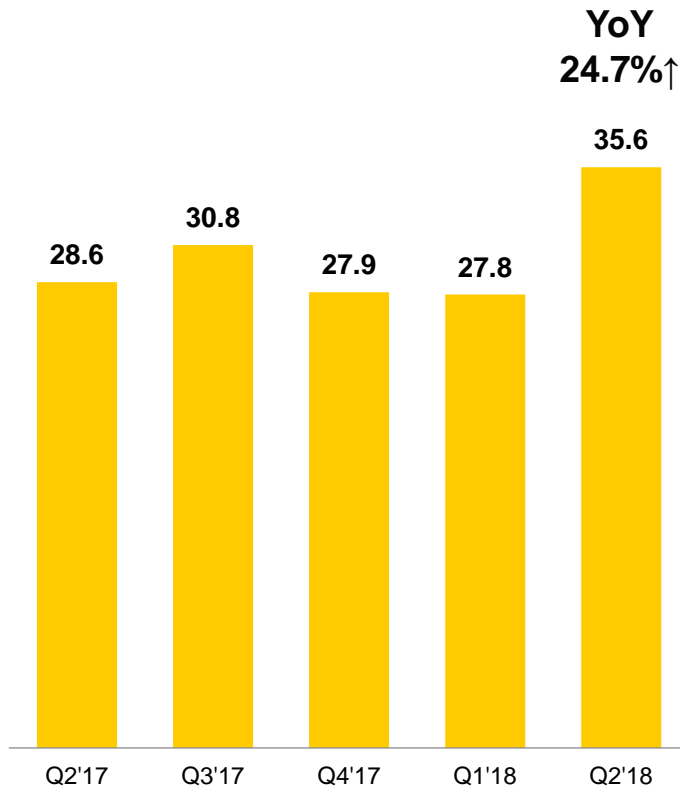
Core | LINE Manga / LINE MUSIC



LINE Manga Transaction volume

(100mn yen)

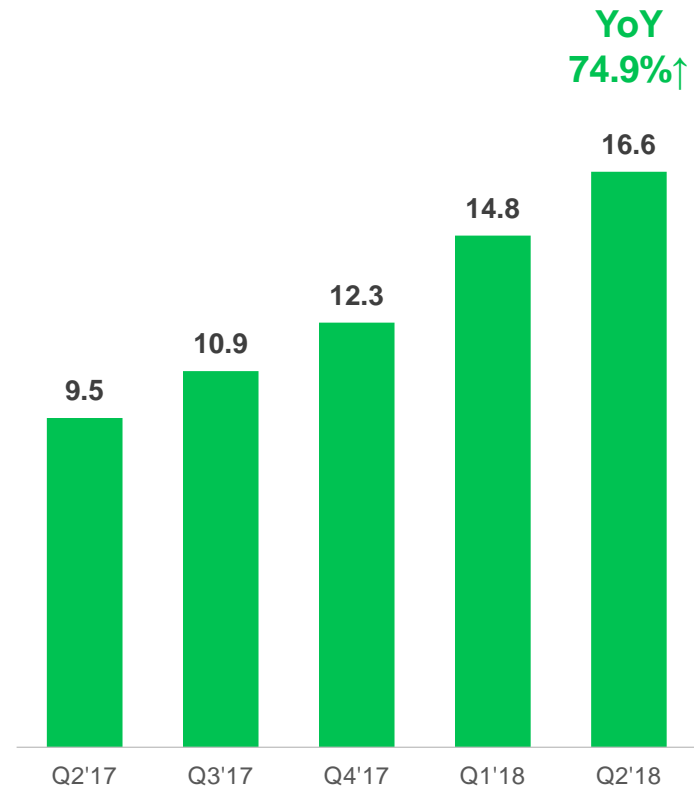
- Users and revenues growth after renewal in June
- Capital alliance with NAVER WEBTOON



LINE MUSIC Transaction volume

(100mn yen)

- Music video to be viewable
- Preparing Chatroom BGM

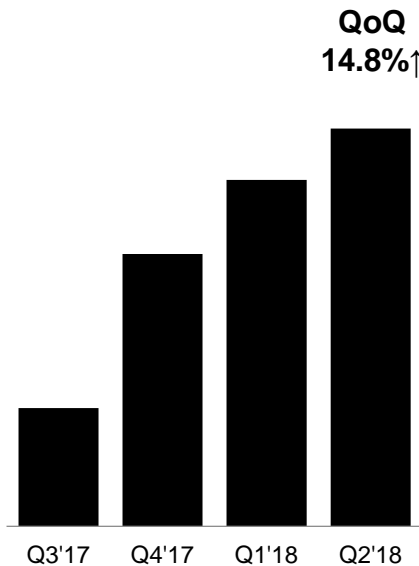


Strategic | Commerce



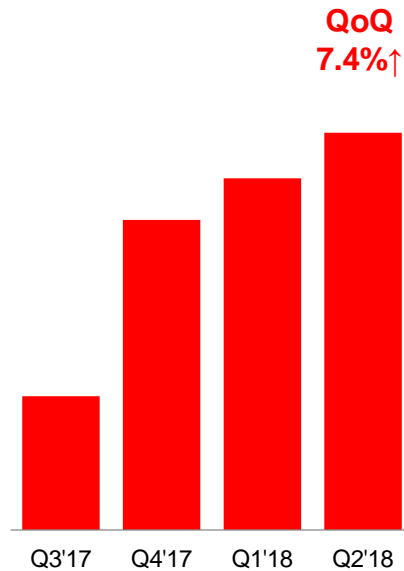
LINE Shopping Transaction volume

- SHOPPING LENS (Visual search) released
- Preparing LINE Pay for ID settlement



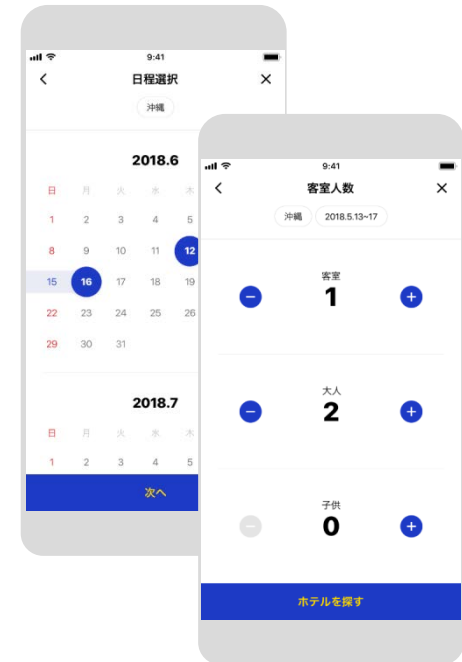
LINE Delima Transaction volume

- PC site service launched
- Preparing take-out service



LINE Travel

- Travel service launched, capital alliance with Venture Republic(operator of Travel.jp site)

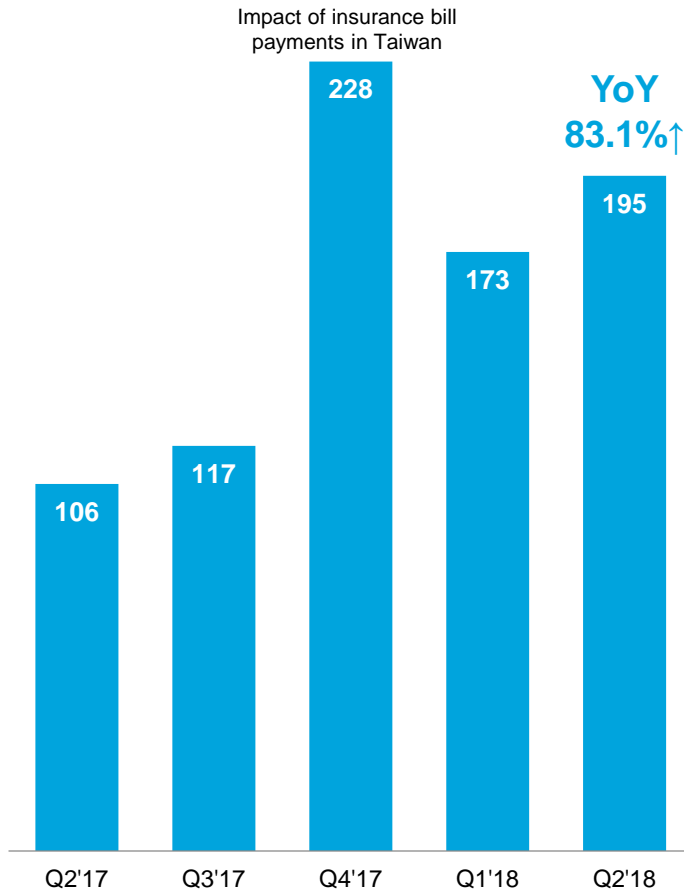


Strategic | LINE Pay

LINE Pay

LINE Pay Transaction volume

(bn yen)



Japan

- LINE Pay connected with 63 domestic banks
- LINE Pay chosen for Fukuoka city cashless project
- P2P transfer marketing campaign

Taiwan




- Exceeding 10million settlements per month since April
- Tax payment season
- JCB Co-brand card released

Thailand

- Rabbit LINE Pay subscriber surpassed 4 million
- Connected as exclusive eWallet to My AIS App

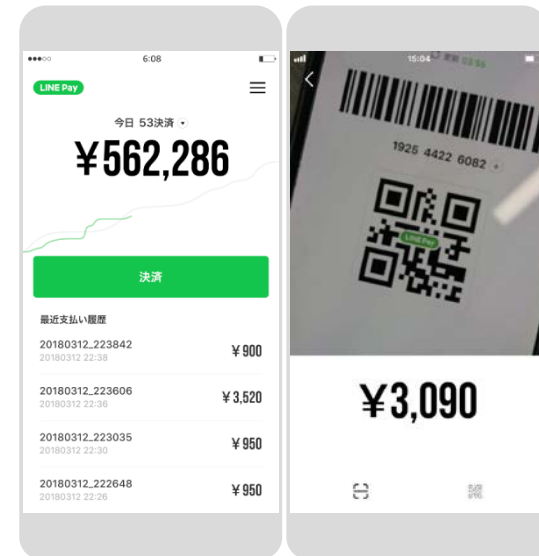
Strategic | LINE Pay

- Key partnership to achieve 1 million locations in 2018
 - Currently 94,000 locations; additional approx. 720k locations from alliance with QUICPay
- LINE Pay accepts all digital settlement form including QR/Barcode, NFC and card
- Launched LINE Pay merchant app to increase SMB penetration. No installment fee and no transaction fee for 3years*

QR/Barcode		94,000 Locations
NFC		approx. 720k Locations
Card		JCB global 33mn stores

LINE Pay for Merchant app (Starting from 6/28)

- No installment fee
- No transaction fee for 3 years*



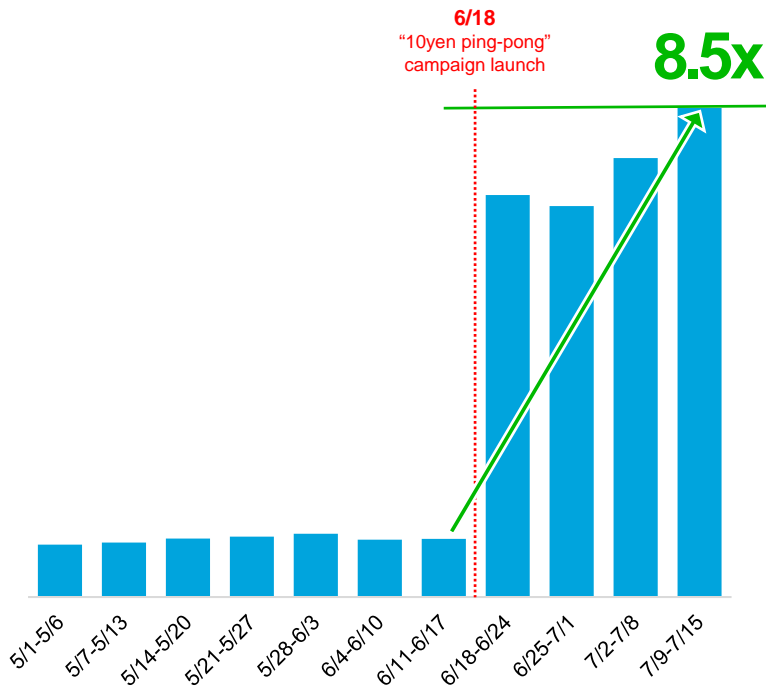
*Starting from August 2018

Strategic | LINE Pay

- P2P money transfer marketing campaign
- Enhanced user incentive program; also introduced additional 3% reward for code settlement

Money transfer promotion

of money transfers
pre/post-campaign (weekly)



Settlement promotion

New incentive program "My Color"

- Provides incentive % based on user's usage

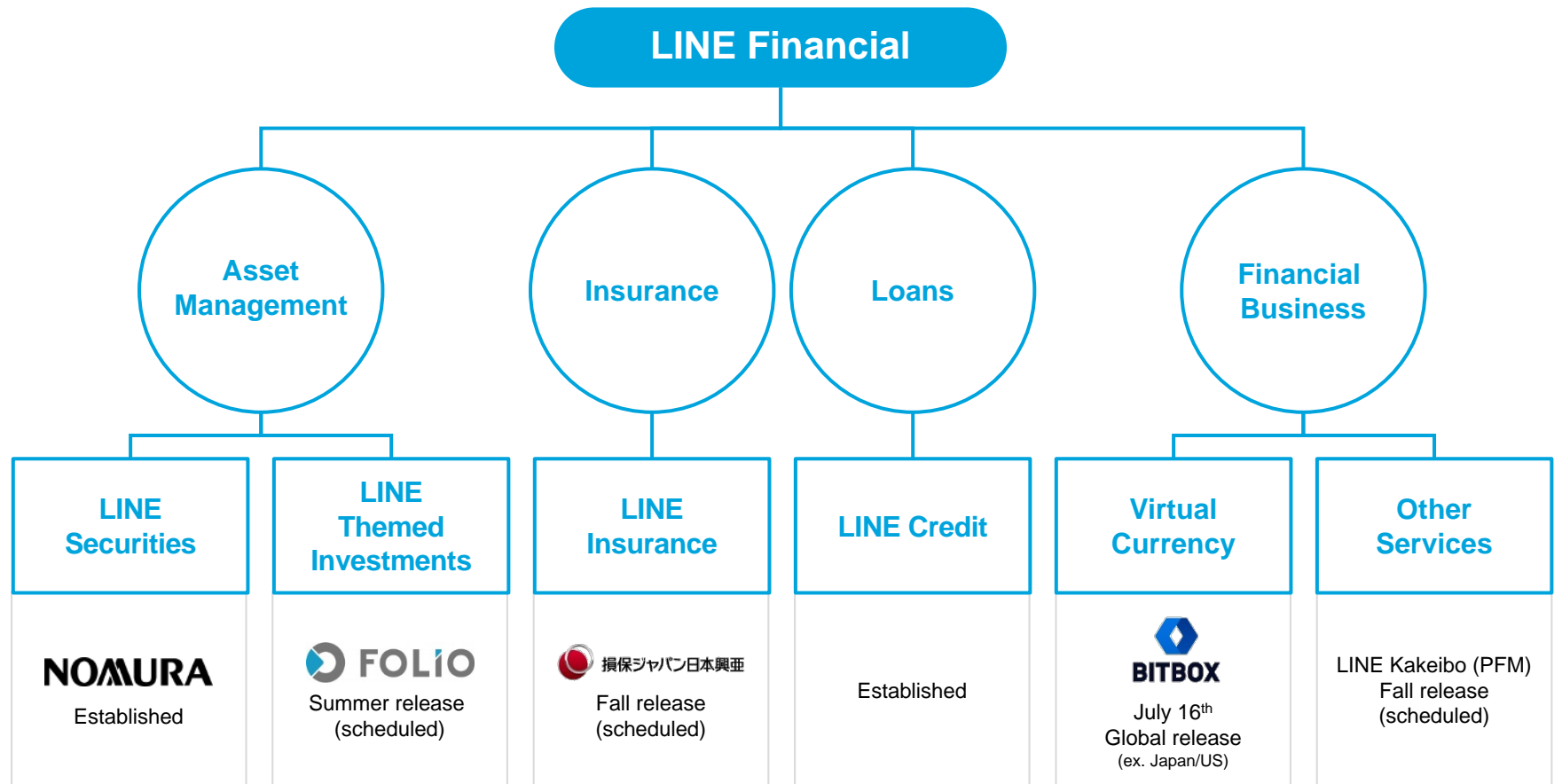
0.5%~ **2%** + **3%**

LINE Pay user
(Starting August 2018)

Code settlement
(For one year starting August 2018)

Max 5% reward

Strategic | LINE Financial



PFM: Personal Financial Management

Strategic | LINE Clova

- Clova Friends mini launched in June well received. Preparing Minions model (fall) and Clova desk (winter)
- Introduced Clova Extensions Kit. Development and expansion of Clova skills with partnership with corporations and developers
- Announced Clova Auto, partnership with Toyota. Capable of using LINE services while driving



Clova WAVE



Clova Friends Series



Sony Mobile
Communications
"Xperia Ear Duo"



Clova Friends mini
MINIONS



Clova Auto



Clova Desk

Fall

2018.12

Winter

LINE Q2 2018

Finance Section

LINE Corporation

July 25, 2018

Earnings Summary (Q2 2018)

(mn yen)	Q2'18	Q1'18	Q2'17	Growth Rate	
				Q/Q	Y/Y
Revenues and other operating income	60,280	50,209	<u>52,261</u>	20.1%	15.3%
Revenues	50,625	48,736	<u>41,567</u>	3.9%	21.8%
Operating income	9,075	1,246	<u>14,604</u>	<u>628.5%</u>	<u>-37.9%</u>
Margin(%)	15.1%	2.5%	27.9%	12.6%p	<u>-12.8%p</u>
Core Revenue	<u>44,577</u>	<u>42,681</u>	<u>37,295</u>	4.4%	<u>19.5%</u>
Core Operating income	<u>7,199</u>	<u>8,076</u>	<u>7,824</u>	<u>-10.9%</u>	<u>-8.0%</u>
Margin(%)	<u>16.1%</u>	<u>18.9%</u>	<u>21.0%</u>	<u>-2.8%p</u>	<u>-4.9%p</u>
Strategic Revenue	<u>6,048</u>	<u>6,055</u>	<u>4,272</u>	<u>-0.1%</u>	<u>41.6%</u>
Strategic Operating income	<u>-6,917</u>	<u>-7,131</u>	<u>-3,821</u>	<u>-3.0%</u>	<u>81.0%</u>
Margin(%)	<u>-114.4%</u>	-117.8%	<u>-89.4%</u>	<u>3.4%p</u>	<u>-25.0%p</u>
Common Revenue	<u>9,655</u>	<u>1,473</u>	<u>10,694</u>	<u>555.5%</u>	<u>-9.7%</u>
Common Operating income	<u>8,793</u>	<u>301</u>	<u>10,601</u>	<u>2821.3%</u>	<u>-17.1%</u>

Note: 1.Revenue for the historical periods have been adjusted for IFRS15 for illustration and comparison purposes

2.The adjustments for the operating profit in Core business, Strategic business and the corporate for the period ended FY18Q1 were JPY38 million, JPY10 million, and JPY-63 million respectively due to the difference in the applicable foreign exchange rate under the managerial accounting. Therefore, these amounts differ from the footnote in the segment information in the consolidated condensed financial statements by the amount of the aforementioned adjustments.

Operating Expenses

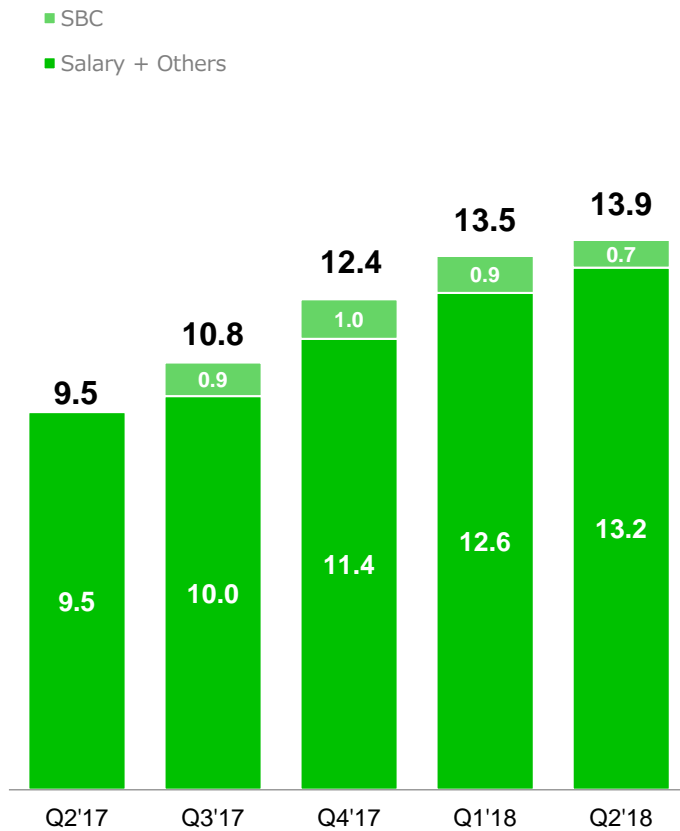
(mn yen)	Q2'18	Q1'18	Q2'17	Growth Rate	
				Q/Q	Y/Y
Revenues and other operating income	60,280	50,209	<u>52,261</u>	20.1%	15.3%
Operating expenses	51,205	48,963	<u>37,657</u>	4.6%	36.0%
Payment processing and licensing	7,837	7,306	7,340	7.3%	6.8%
Sales commission	3,939	3,011	<u>1,921</u>	30.8%	<u>105.0%</u>
Employee compensation	13,884	13,493	9,547	2.9%	45.4%
Marketing	4,655	<u>3,931</u>	3,832	18.4%	21.5%
Infrastructure and communication	2,482	2,601	2,243	-4.6%	10.7%
Outsourcing expense	6,976	7,937	5,622	-12.1%	24.1%
Depreciation and amortization	2,620	2,329	1,541	12.5%	70.0%
Other operating expenses	8,812	<u>8,355</u>	5,611	5.5%	57.1%
Operating income	9,075	1,246	<u>14,604</u>	<u>628.5%</u>	-37.9%
Margin(%)	15.1%	2.5%	27.9%	12.6%p	-12.9%p
Pre-tax income	6,772	-138	13,395	-	-49.4%
Corporate tax	-3,098	-1,636	-4,474	89.4%	-30.8%
Net income from continuing operations	3,674	-1,774	8,921	-	-58.8%
Net income	3,677	-1,770	8,917	-	-58.8%

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

Employee Compensation & Marketing

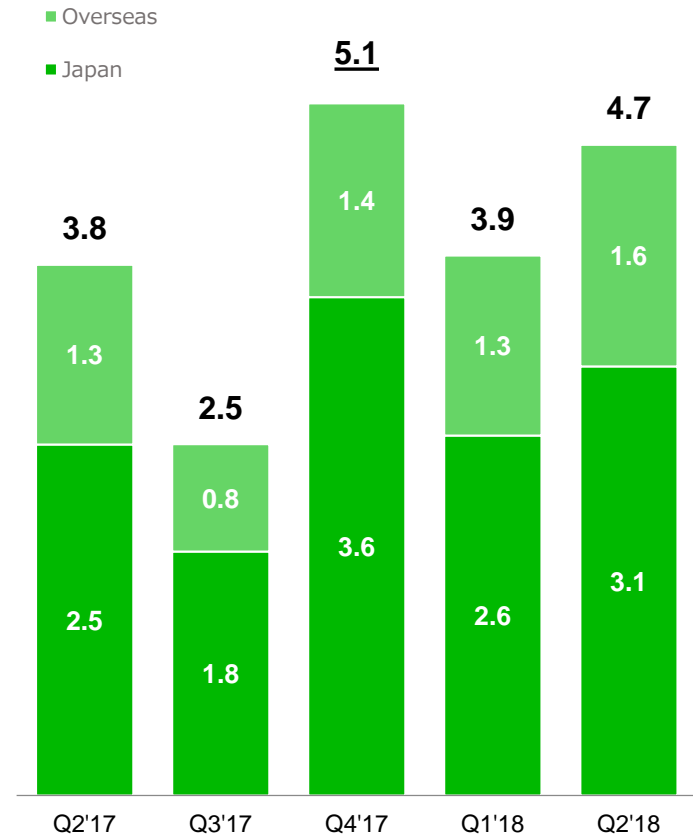
Employee Compensation

(bn yen)



Marketing

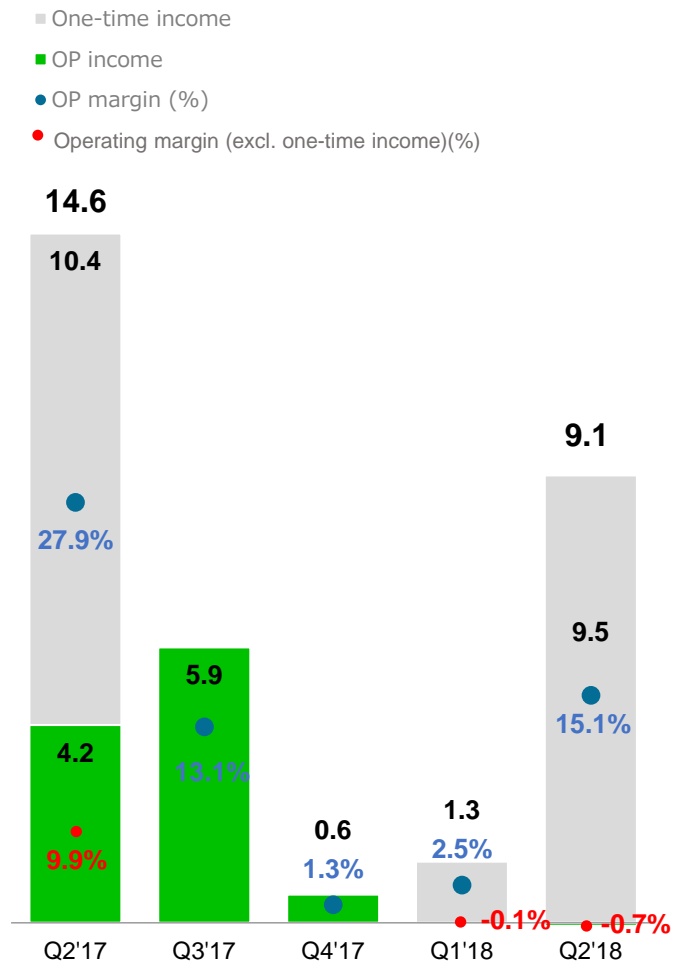
(bn yen)



Operating & Net Income

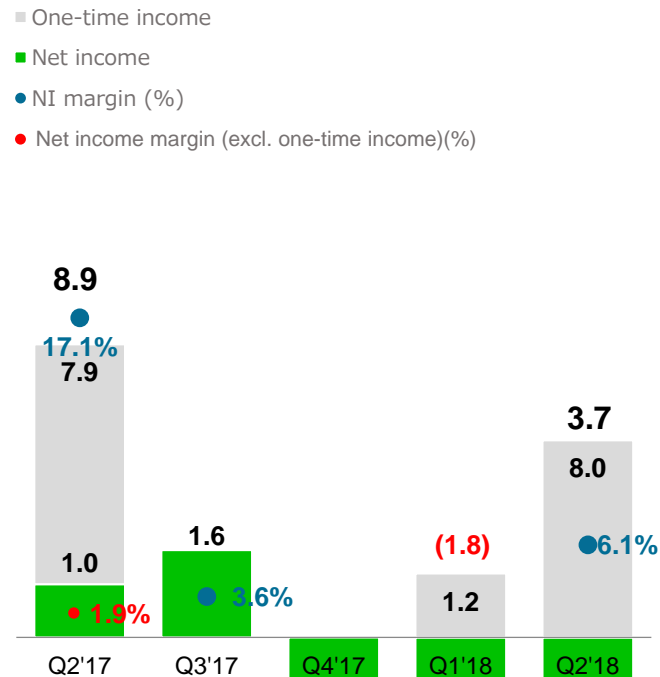
Operating Income (Margin)

(bn yen)



Net Income (Margin)

(bn yen)



LINE Q2 2018

Appendix

LINE Corporation


July 25, 2018

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.

<p style="text-align: center;"><u>QR code</u></p>  <p style="text-align: center;">LINE IR News</p>	<p style="text-align: center;"><u>How to search account name</u></p> <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>
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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)	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Revenues and other operating income	<u>52,261</u>	<u>44,842</u>	<u>48,411</u>	<u>50,209</u>	<u>60,280</u>
Revenues	<u>41,567</u>	<u>44,351</u>	<u>47,915</u>	<u>48,736</u>	<u>50,625</u>
Core Business	<u>37,295</u>	<u>40,132</u>	<u>41,577</u>	<u>42,681</u>	<u>44,577</u>
Ads	<u>19,136</u>	<u>22,044</u>	<u>23,815</u>	<u>25,171</u>	<u>27,169</u>
Account Ads	<u>10,901</u>	11,518	<u>12,720</u>	<u>13,468</u>	<u>13,999</u>
Display Ads	5,680	<u>7,832</u>	<u>8,477</u>	9,128	9,177
Others ¹⁾	2,555	2,694	2,618	2,575	3,993
Communication	7,548	7,526	7,084	7,415	7,313
Content	10,080	9,879	9,744	<u>9,231</u>	<u>9,342</u>
Others	<u>531</u>	683	<u>934</u>	864	753
Strategic Business	<u>4,272</u>	<u>4,219</u>	<u>6,338</u>	<u>6,055</u>	<u>6,048</u>
LINE FRIENDS	<u>2,495</u>	3,040	<u>4,121</u>	<u>3,390</u>	<u>4,092</u>
Fintech/AI/Commerce/Mobile ²⁾	1,777	1,179	<u>2,217</u>	<u>2,665</u>	<u>1,956</u>
Other operating income	<u>10,694</u>	<u>491</u>	<u>496</u>	<u>1,473</u>	<u>9,655</u>

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)	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Operating expenses by segment	<u>37,657</u>	<u>38,992</u>	<u>47,811</u>	<u>48,963</u>	<u>51,205</u>
Core business	<u>29,471</u>	<u>29,275</u>	<u>33,301</u>	<u>34,605</u>	<u>37,378</u>
Strategic business	<u>8,093</u>	<u>8,522</u>	<u>13,213</u>	<u>13,186</u>	<u>12,965</u>
Common	<u>92</u>	<u>1,195</u>	<u>1,297</u>	<u>1,172</u>	<u>862</u>
Operating expenses by account	<u>37,657</u>	<u>38,992</u>	<u>47,811</u>	<u>48,963</u>	<u>51,205</u>
Payment processing and licensing	7,340	7,296	7,269	7,306	7,837
Sales commission	<u>1,921</u>	1,988	<u>2,453</u>	3,011	3,939
Employee compensation	9,547	10,799	12,405	13,493	13,884
Marketing	3,832	2,538	5,081	<u>3,931</u>	4,655
Infrastructure and communication	2,243	2,225	2,477	2,601	2,482
Outsourcing expense	5,622	6,338	<u>7,232</u>	7,937	6,976
Depreciation and amortization	1,541	1,870	2,262	2,329	2,620
Other operating expenses	5,611	5,938	8,632	<u>8,355</u>	<u>8,812</u>

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

LINE