

LINE 2017 Earnings Results

January 31, 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,” “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.

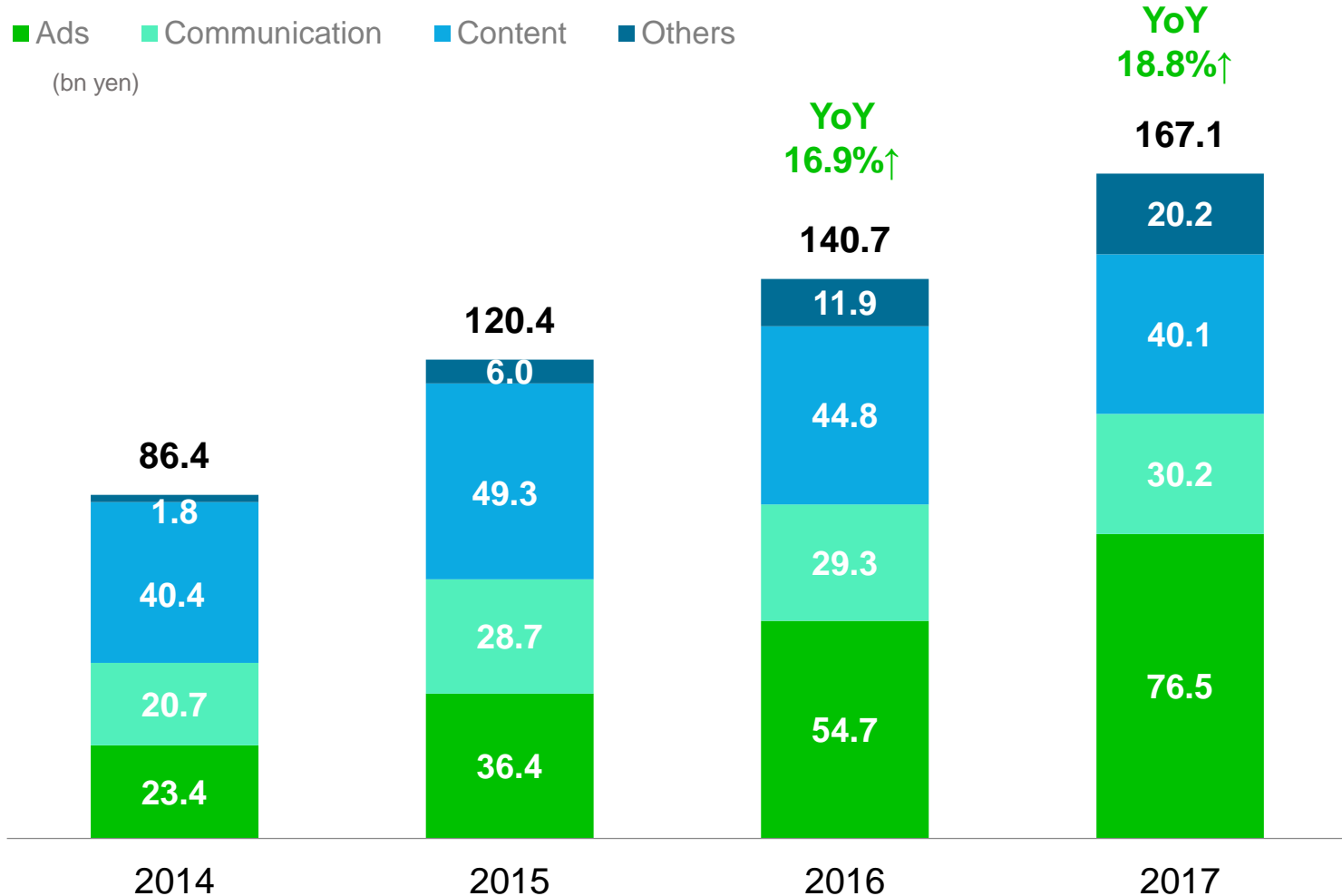
2017 Earnings Summary

LINE 2017 Highlights

- **Revenue grew 18.8% YoY, reaching 167.1 billion yen**
- **Ads business continues to lead revenue growth with 39.9% YoY**
- **High engagement continue at 75% DAU/MAU ratio for the four key countries**
 - DAU/MAU ratio for Japan is 84%
- **Smart Portal strategy: platform transaction volume increase**
 - Continued GMV increase at LINE Pay, LINE SHOPPING, and LINE Manga and others
- **Post-smartphone strategy**
 - Launched Clova WAVE and Clova Friends smart speakers in Japan and Korea

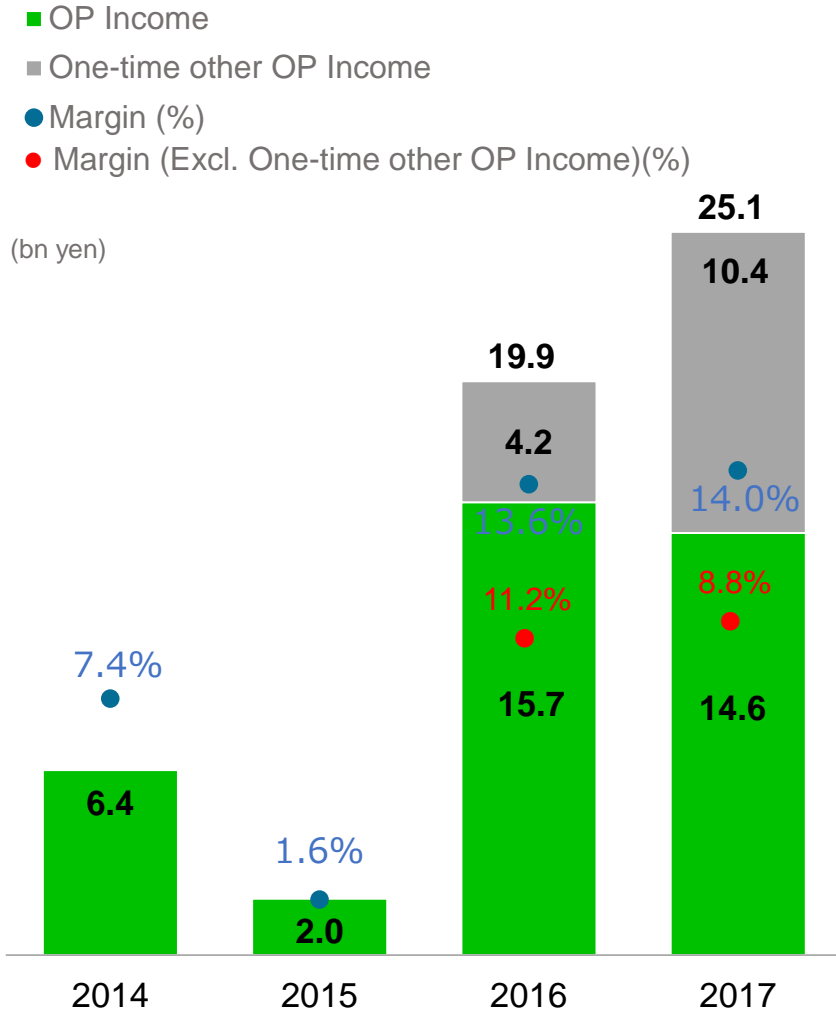
Annual Revenues

- 2017 revenues grew 18.8% YoY, accelerating growth vs 2016
- Ads business driving growth (39.9% YoY)

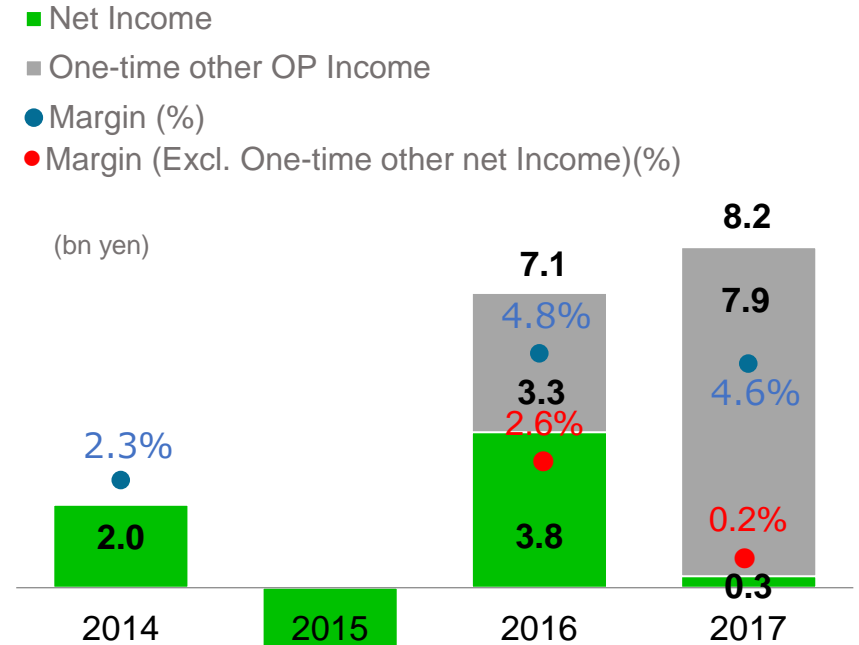


Annual Operating Income & Net Income

OP Income (Margin)



Net Income (Margin)



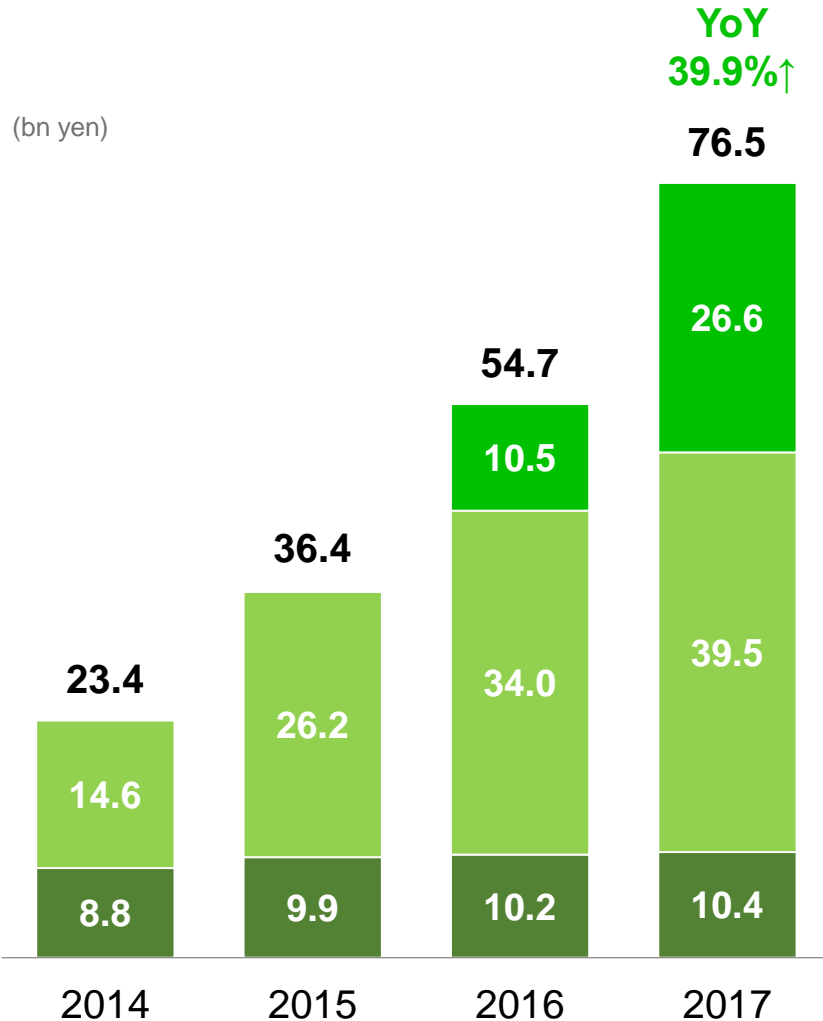
Monthly Active Users | Four Key Countries

- 168 million MAU across the four key countries as of 2017 end, DAU/MAU ratio of 75%
- Monthly active users in Japan grew 7.4 million, DAU/MAU ratio of 84%



Ads

■ Portal Ads ■ Messenger Ads ■ Performance Ads



of Official Accounts

(accounts)

2016	2017	YoY
549	645	17.5%↑

* Based on the number of global paid accounts

of LINE@ Accounts

(thousand accounts)

2016	2017	YoY
4,037	6,710	66.2%↑

* Based on the number of global active accounts

of LAP* Impressions

(mn impressions)

2016**	2017	YoY
21,099	58,866	179.0%↑

* LAP: LINE Ads Platform
** Since July 2016

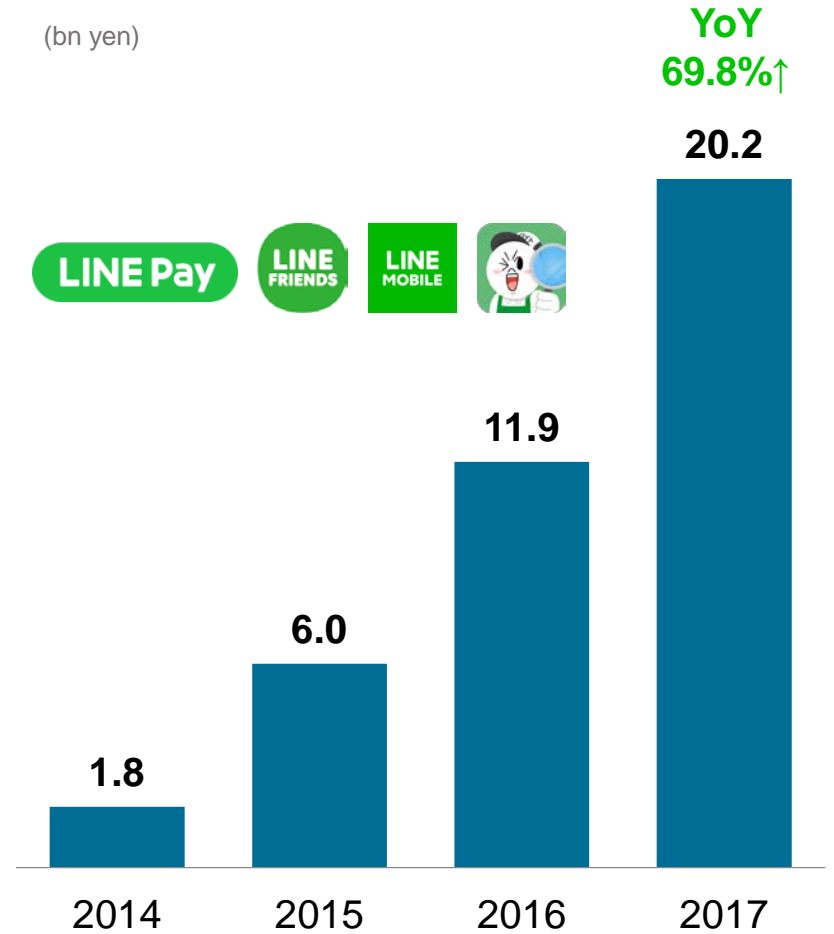
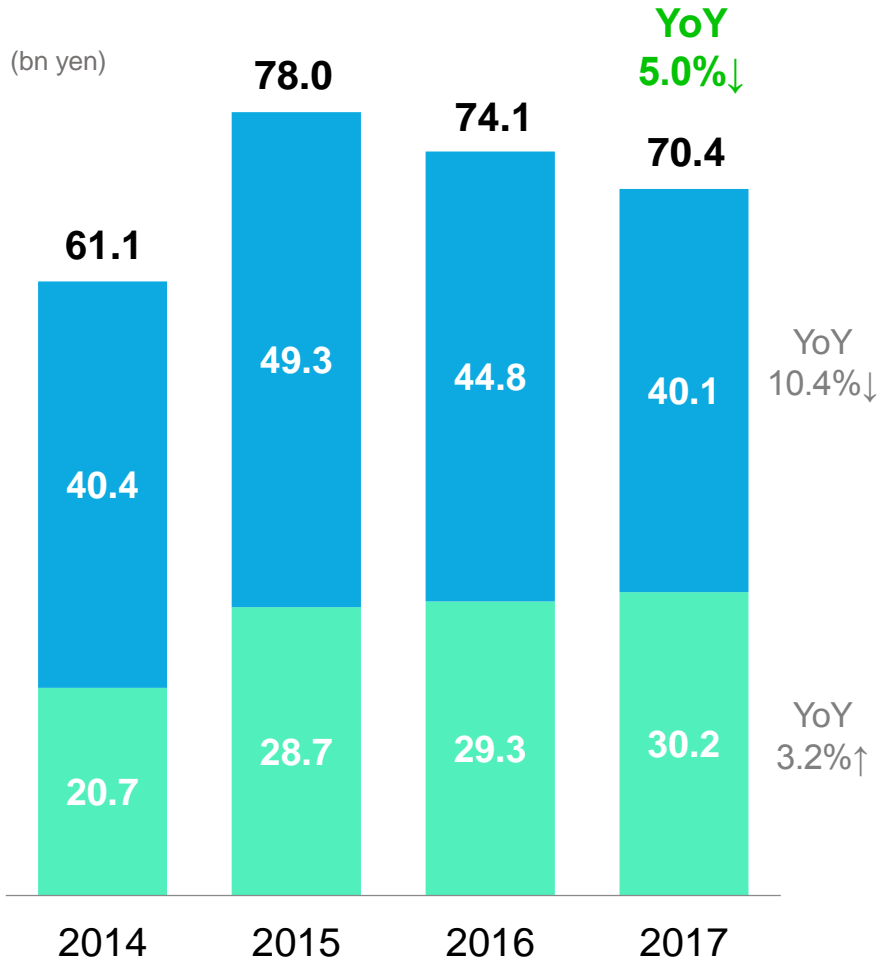
Communication / Content / Others

■ Communication

■ Content

■ Others

■ LINE FRIENDS and LINE MOBILE led revenue growth



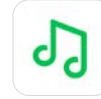
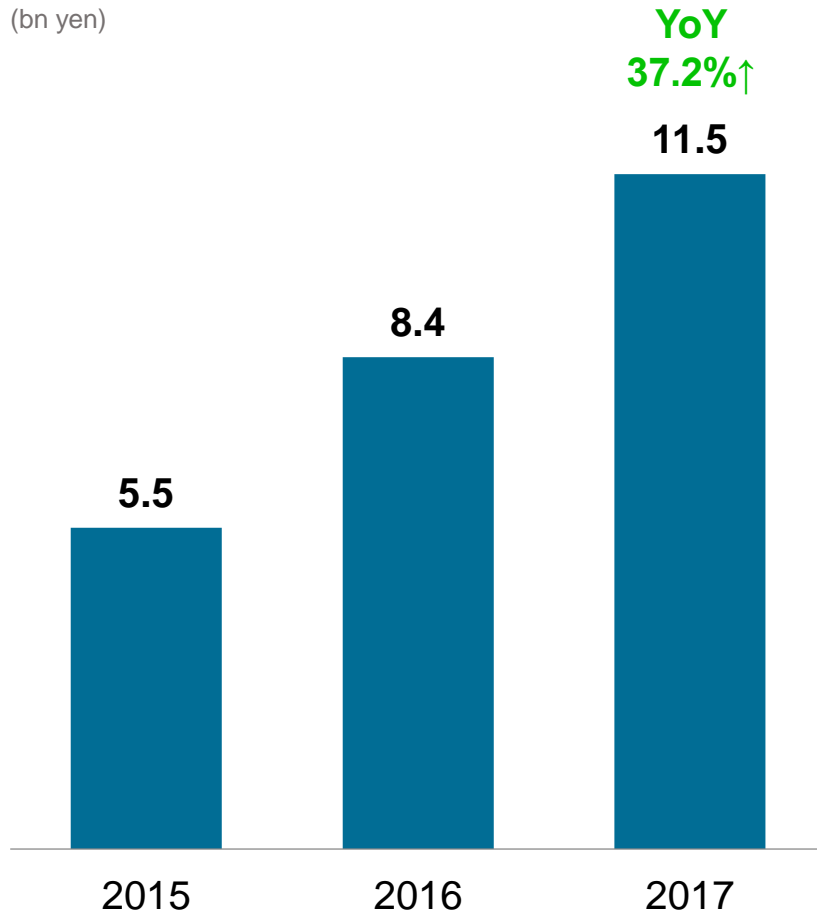
Smart Portal Progress



LINE Manga Transaction Volume

- No. 1 digital book app and growing

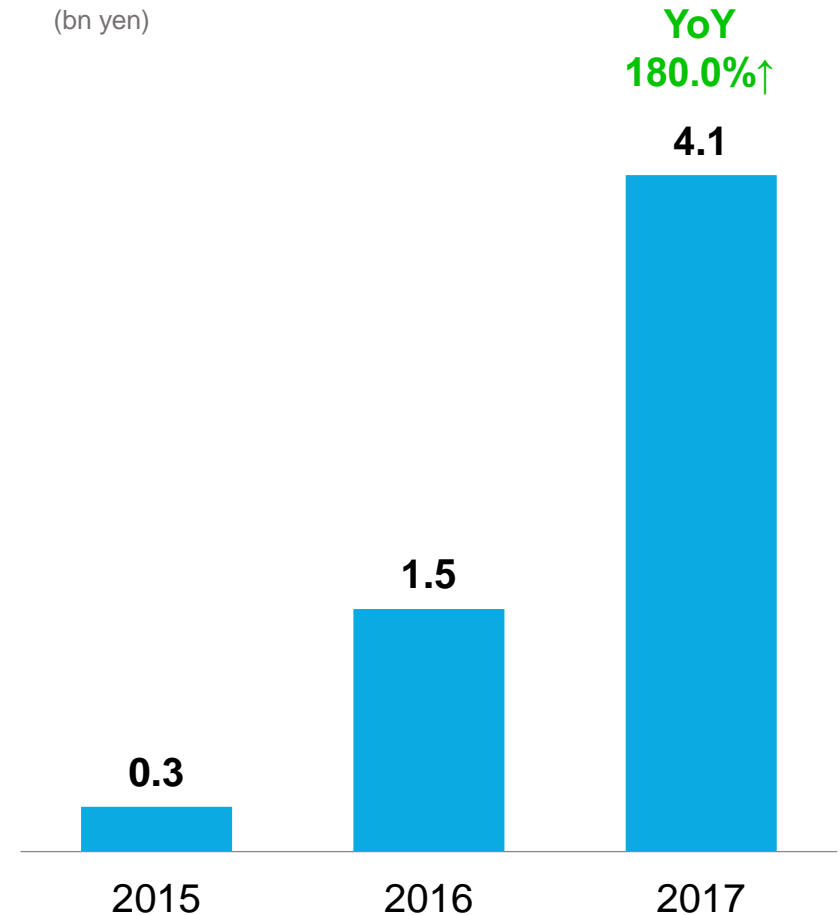
(bn yen)



LINE MUSIC Transaction Volume

- Transaction volume grew, providing over 43 million songs and adding LINE BGM features

(bn yen)

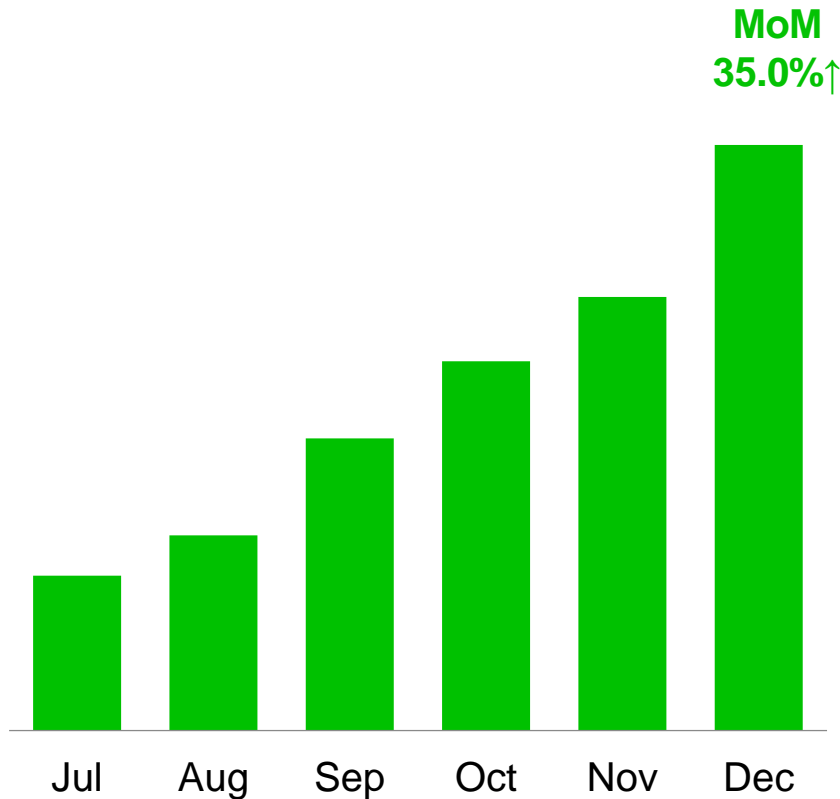


Smart Portal Progress



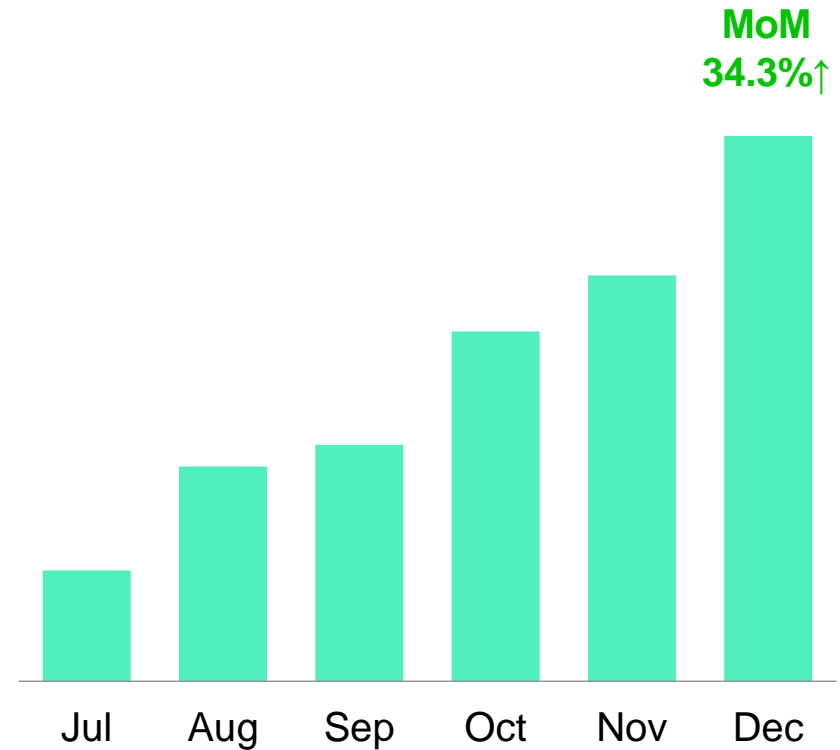
LINE SHOPPING Transaction Volume

- 14 million registered users
- Exceeded over 30 million item listings



LINE Delima Transaction Volume

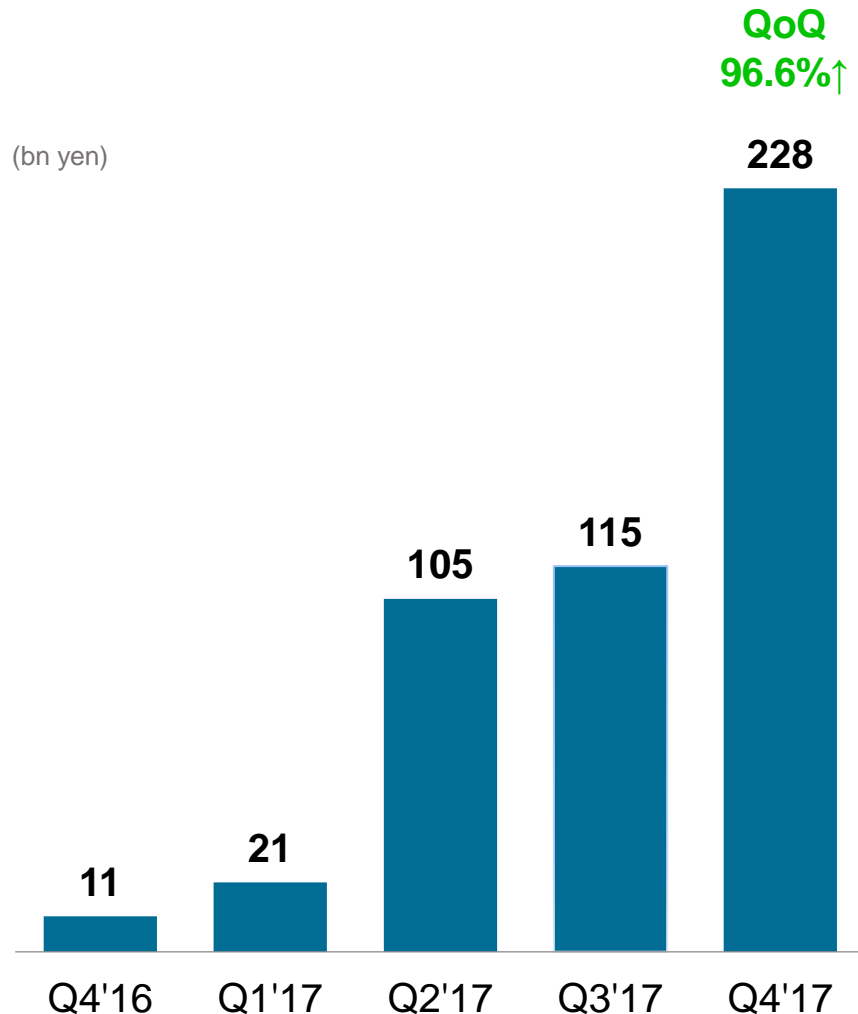
- 3.7 million registered users
- Reaching over 14,000 merchants nationwide



Smart Portal Progress

LINE Pay

LINE Pay Transaction Volume



- Exceeded 450 billion yen in transactions in 2017

- Globally surpassed 40 million registered accounts with over 10 million transactions handled each month



- Expanded merchant partnerships with nationwide franchises (Lawson and major drug stores)

- Alliance with over 50 banks including major 3 megabanks



- Invested and majority shareholder in iPASS, an e-wallet (transportation) provider in Taiwan

Post smartphone strategy | Clova

- Launched smart speaker 「Clova WAVE」 and 「Clova Friends」
- Voice recognition and response time improved. Killer skills such as infrared remote and LINE voice/chat
- Prepared distribution network through mass retailers

2017



Q1

Feb Announced the vision for Clova, LINE's in-house developed AI assistant, at Mobile World Congress

Q2

Jun Showcased Clova WAVE, the first-edition of LINE's in-house developed smart speaker, and revealed external device partners at LINE Conference

Q3

Sep Launched pre-release edition of Clova WAVE smart speaker



Q4

Oct Announced concept car with Clova-connected AI functionality at the Tokyo Motor Show

Nov Distribution at 362 mass electronics retailers

Dec Pre-orders for the second-edition smart speaker, Clova Friends



Dec Approximately 20 skills implemented, including:
MUSIC, weather, fortune-telling, infrared remote, news, people search,
and free calling

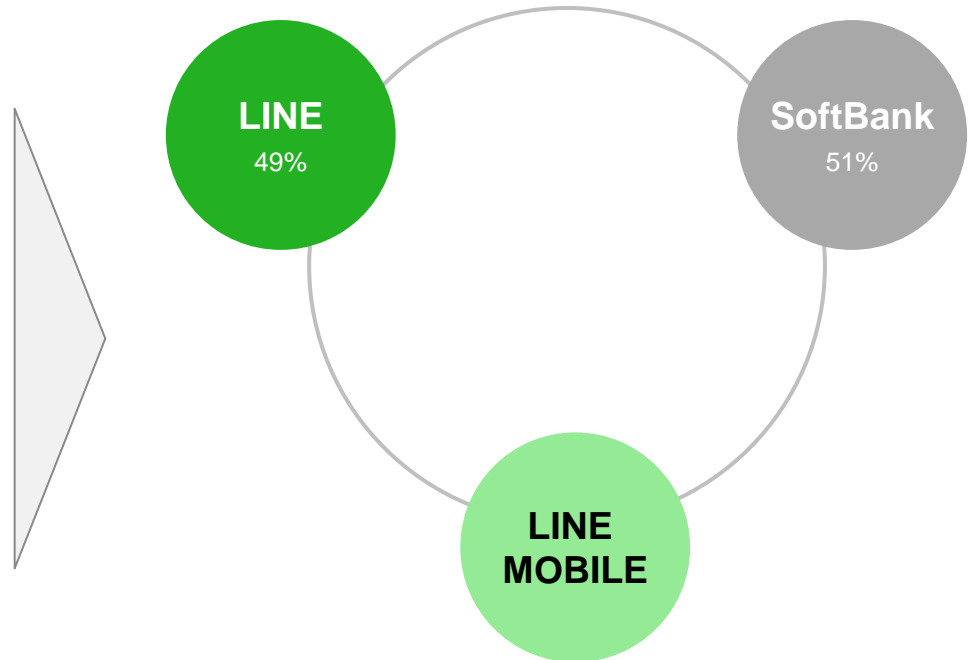
Today's Announcement | Strategic Alliance with SoftBank

LINE MOBILE KPI

User Satisfaction	Over 91% ¹⁾
Customer Recommendation	Over 82% ¹⁾
# of Applications	230% (YoY growth in 2017 Q4)
Average Monthly Charge(ARPU)	130% (YoY growth in 2017 Q4)
Average Monthly Cancellation	0.92% ²⁾ (cumulative total from service launch)

LINE MOBILE's Future

Aim to further expand and grow user value through strategic alliance with SoftBank³⁾

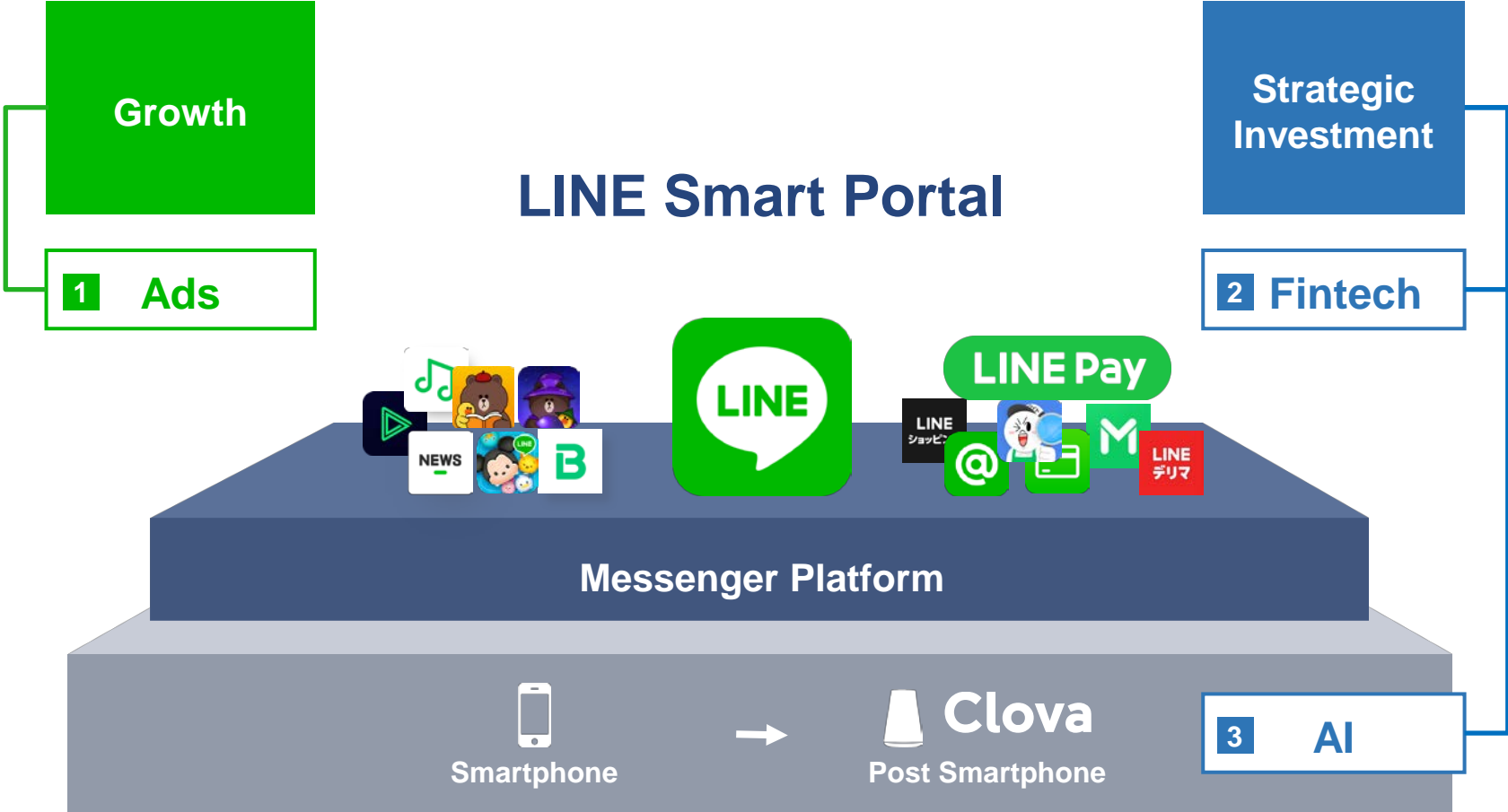


- 1) Average response from surveys for LINE MOBILE users conducted from the LINE MOBILE official account in February, May, August, and November 2017
- 2) Average monthly voluntary cancellation rate. The total value of: voluntary cancellations ÷ monthly active subscribers for the period ((number of contracts at the beginning of the month + number of contracts at the end of the month) ÷ 2)
- 3) Planned to conclude around March 2018

2018 Business Strategy

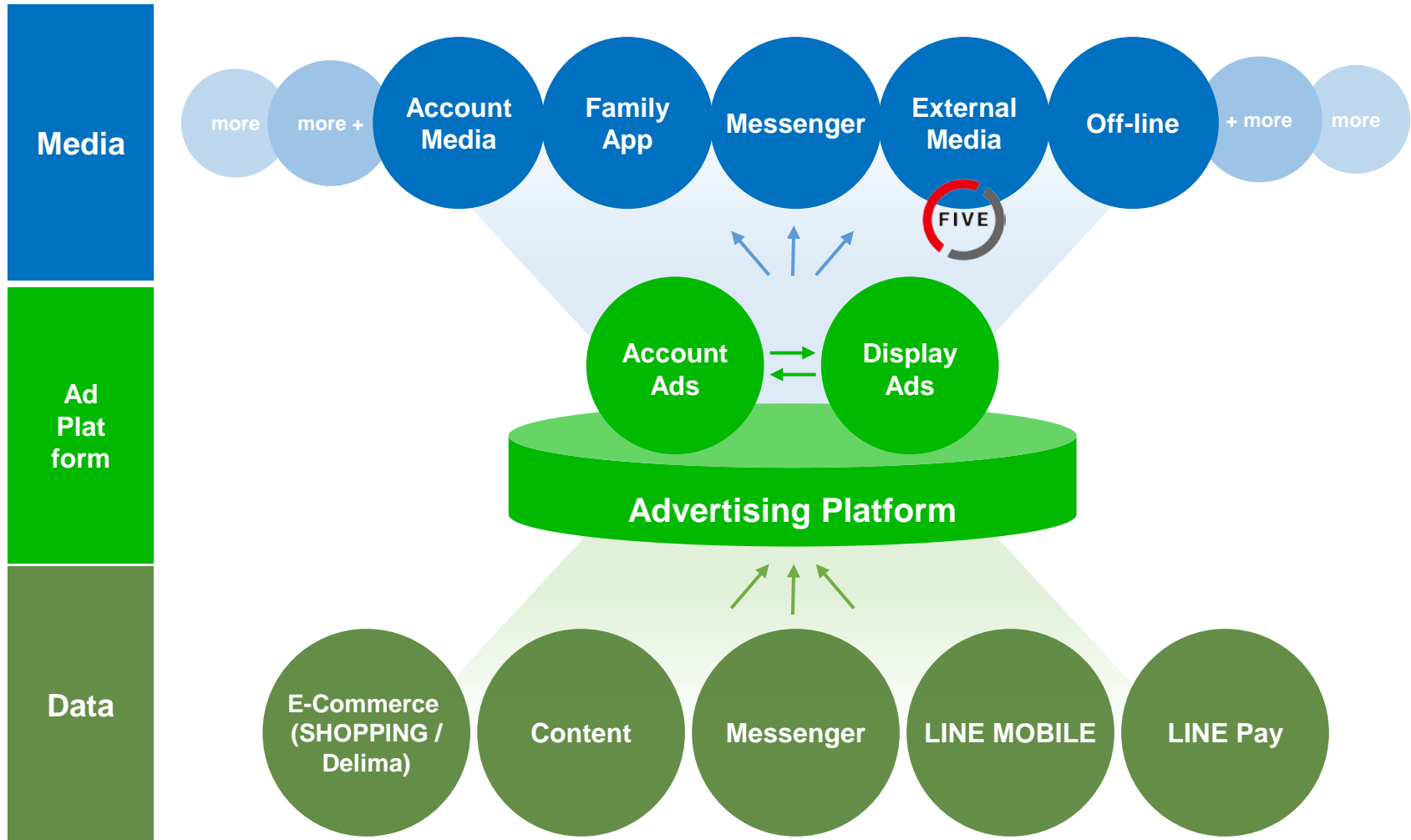
Business Strategy: Priorities

- LINE's focus areas will be (1) Ads (2) FinTech and (3) AI



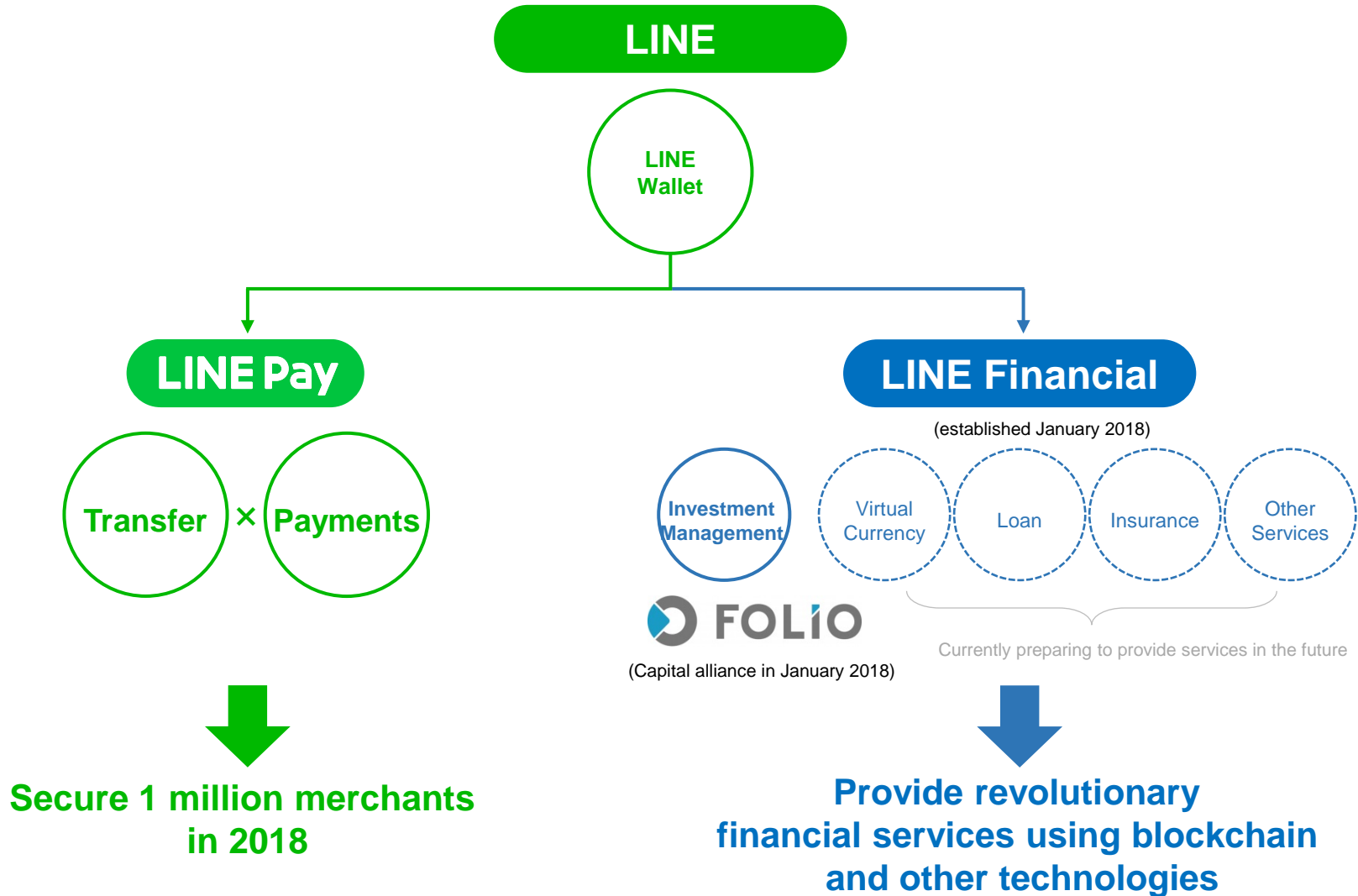
1 Advertising Business

- Enhance and strengthen Ad Platform by leveraging Japan's largest big data, increase contact points with users and optimizing solutions
- Aim to grow in Japan and oversea



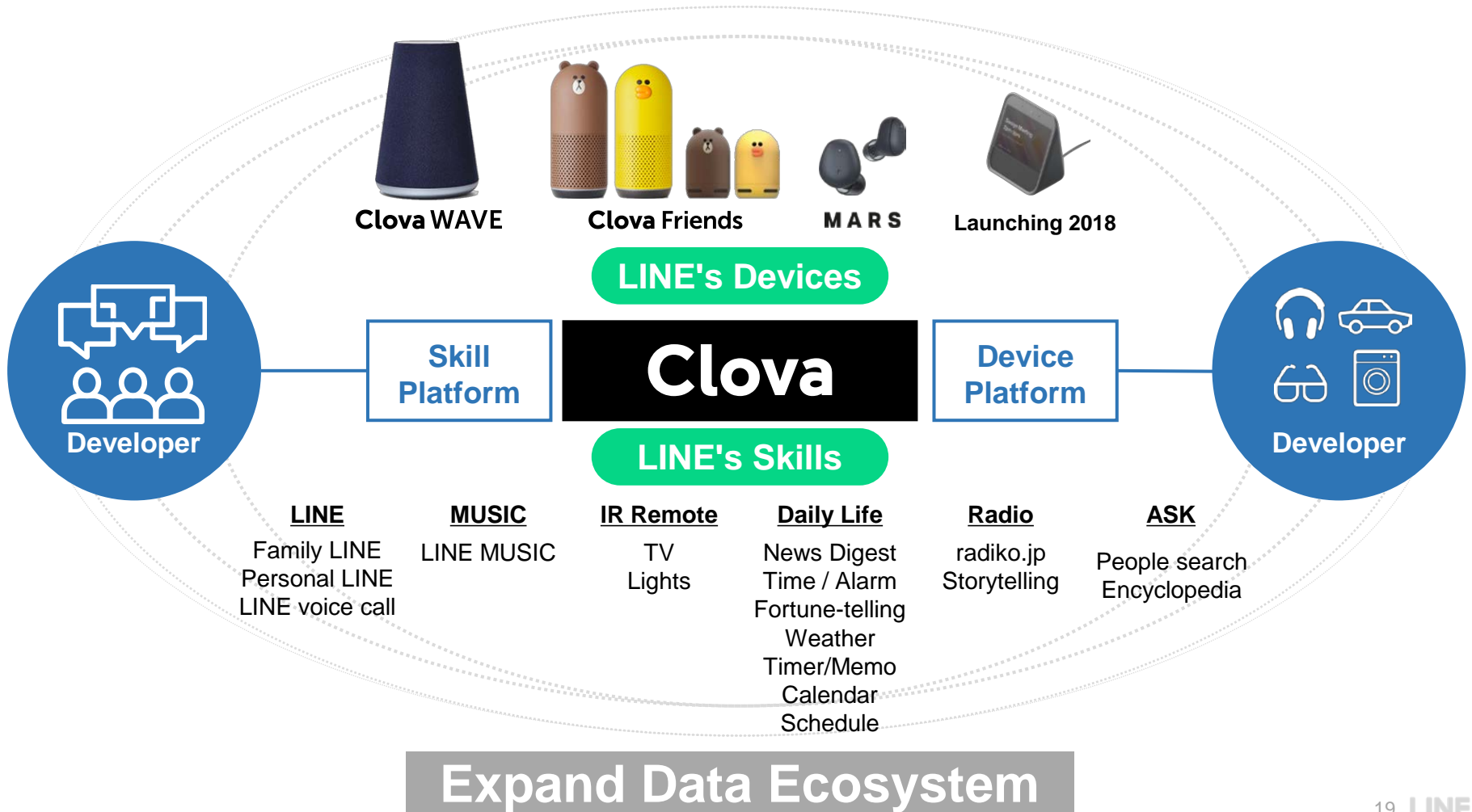
2 FinTech Business

- In addition to expanding LINE Pay, expand Fintech services



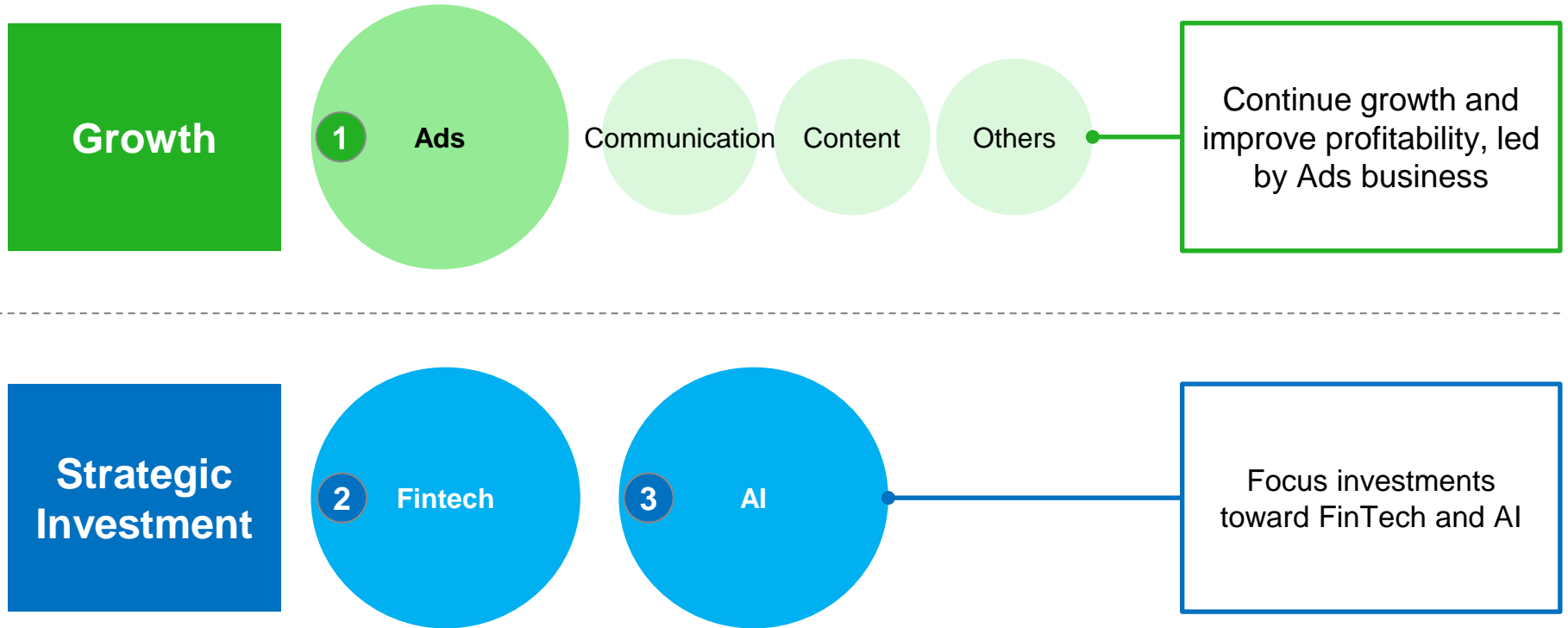
3 AI Business

- Launching smart speaker with display
- Opening skills and device platform for third party development
- Enhancing voice recognition capability



Future Disclosure Policy

- Disclosing by two segments from Q1 2018



Q4 2017 Earnings Summary

Revenues Summary (Q4 2017)

(mn yen)

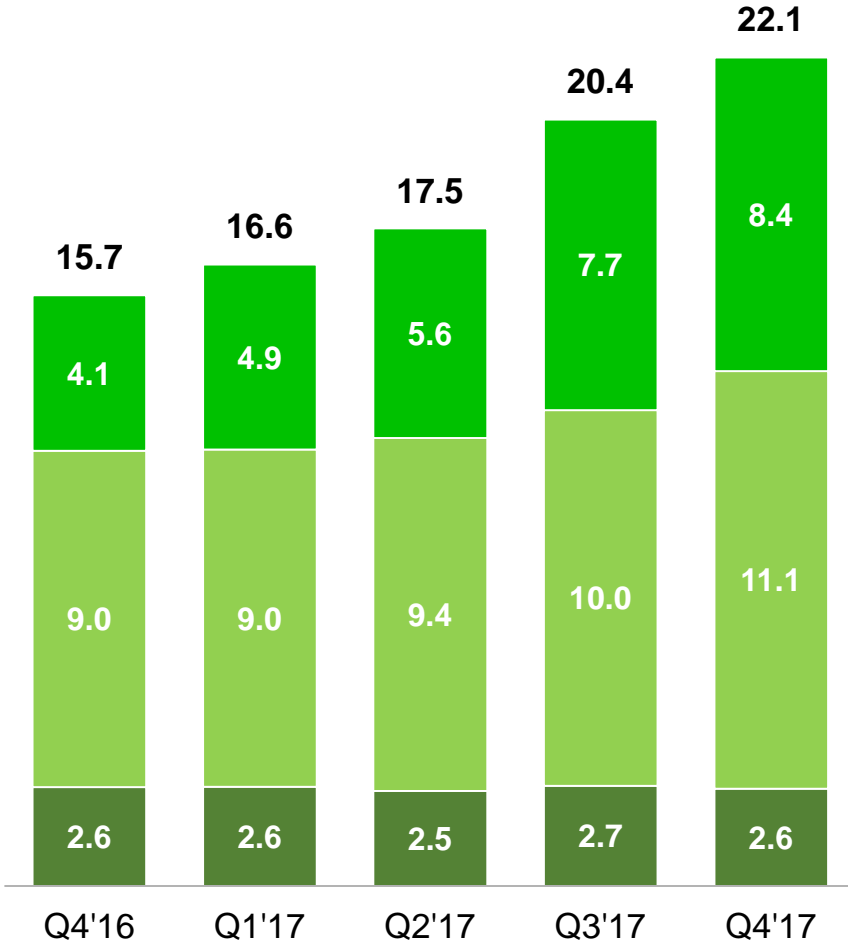
	Q4'17	Q3'17	Q4'16	Growth Rate	
				Q/Q	Y/Y
Revenues and other operating income	46,410	43,028	38,145	7.9%	21.7%
Revenues	45,914	42,537	37,465	7.9%	22.6%
Ads	22,062	20,411	15,731	8.1%	40.2%
Messenger ads	11,115	10,001	8,959	11.1%	24.1%
Performance ads	8,355	7,740	4,139	7.9%	101.9%
Communication	7,084	7,526	6,973	-5.9%	1.6%
Content	9,744	9,879	10,760	-1.4%	-9.4%
Others	7,024	4,721	4,002	48.8%	75.5%
<i>Other operating income</i>	496	491	680	0.8%	-27.1%
Operating expenses	45,811	37,178	36,542	23.2%	25.4%
Operating income	599	5,850	1,603	-89.8%	-62.6%
<i>Margin (%)</i>	1.3%	13.6%	4.2%	-12.3pt	-2.9pt

Ads

■ Portal Ads ■ Messenger Ads ■ Performance Ads

(bn yen)

YoY
40.2%↑



of Official Accounts

(accounts)

Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
549	567	605	631	645

* Based on the number of global paid accounts

of LINE@ Accounts

(thousand accounts)

Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
4,037	4,725	5,413	6,085	6,710

* Based on the number of global active accounts

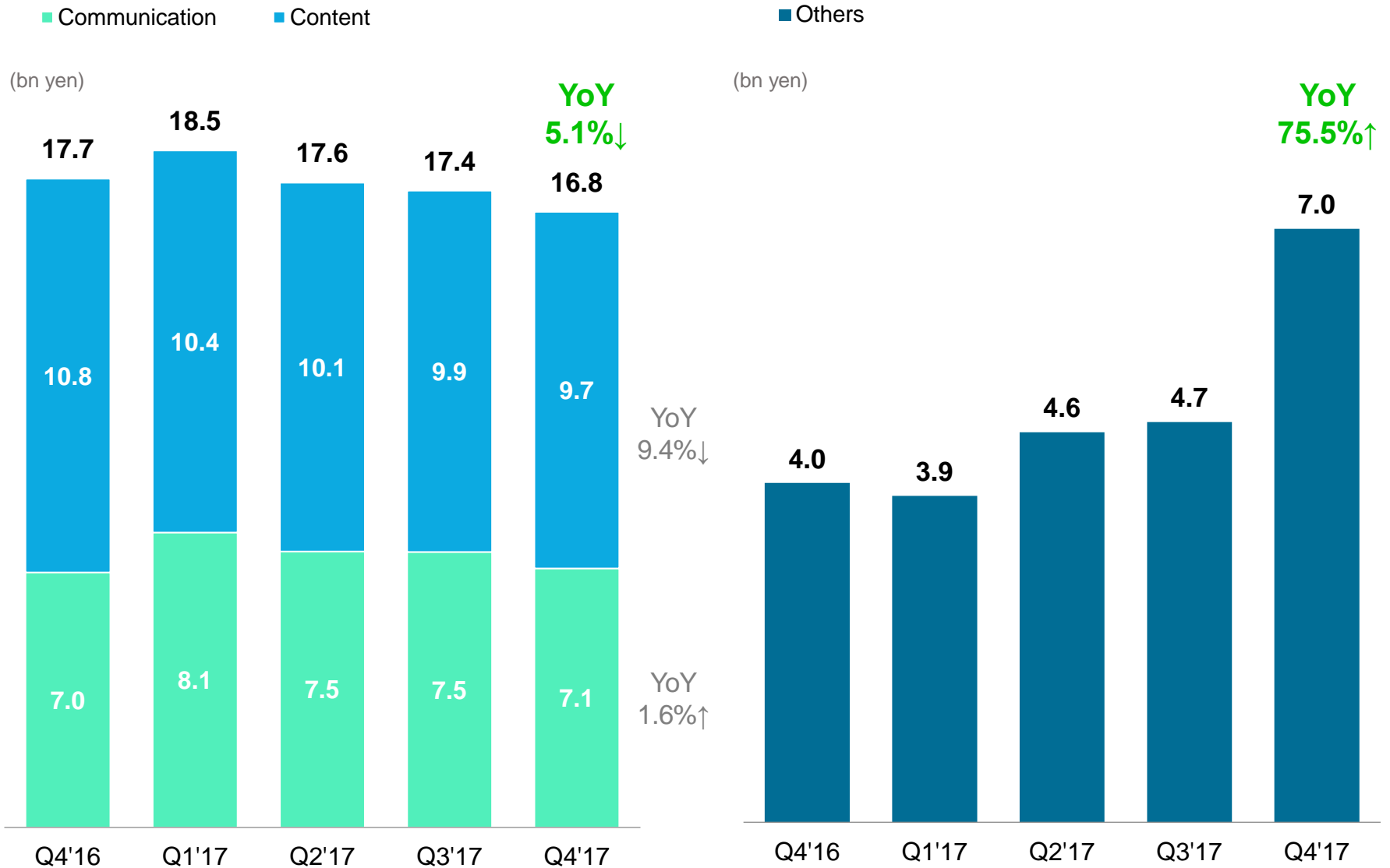
of LAP Impressions

(mn impressions)

Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
11,166	12,275	14,668	15,940	15,985

* LAP: LINE Ads Platform

Communication / Content / Others



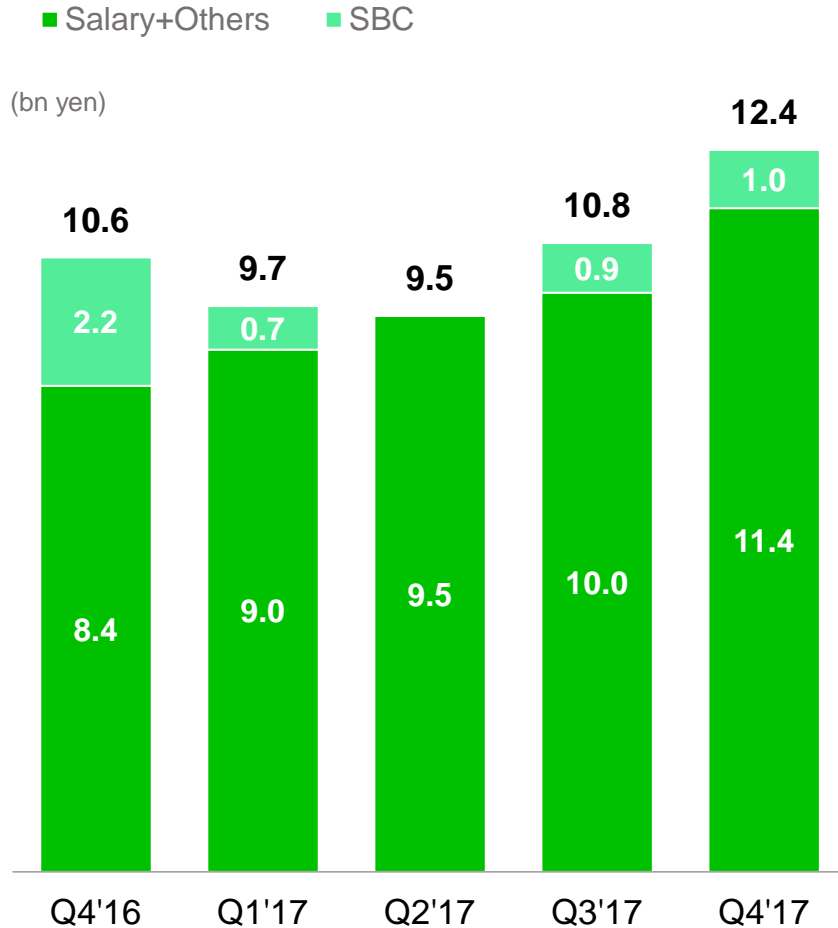
Earnings Summary (Q4 2017)

(mn yen)

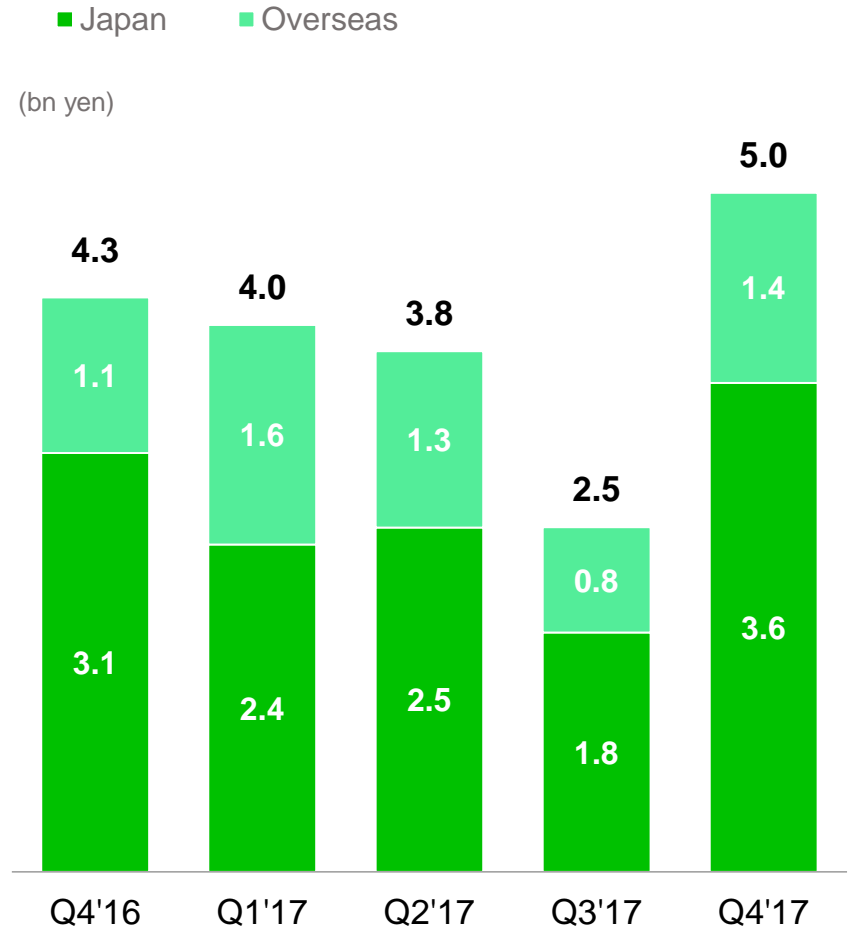
	Q4'17	Q3'17	Q4'16	Growth Rate	
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Revenues and other operating income	46,410	43,028	38,145	7.9%	21.7%
Operating expenses	45,811	37,178	36,542	23.2%	25.4%
Payment processing and licensing	7,269	7,296	7,346	-0.4%	-1.0%
Employee compensation	12,405	10,799	10,556	14.9%	17.5%
Marketing	5,081	2,538	4,281	100.2%	18.7%
Infrastructure and communication	2,477	2,225	2,113	11.3%	17.2%
Authentication and other services	7,685	6,512	4,674	18.0%	64.4%
Depreciation and amortization	2,262	1,870	1,441	21.0%	57.0%
Other operating expenses	8,632	5,938	6,131	45.4%	40.7%
Operating income	599	5,850	1,603	-89.8%	-62.6%
<i>Margin (%)</i>	<i>1.3%</i>	<i>13.6%</i>	<i>4.2%</i>	<i>-12.3pt</i>	<i>-2.9pt</i>
Pre-tax income	-3,053	4,237	2,724	n/a	n/a
Corporate tax	919	2,598	1,085	-64.6%	-15.3%
Net income from continuing operations	-3,972	1,639	1,639	n/a	n/a
Net income	-3,974	1,635	1,420	n/a	n/a

Employee Compensation & Marketing

Employee Compensation



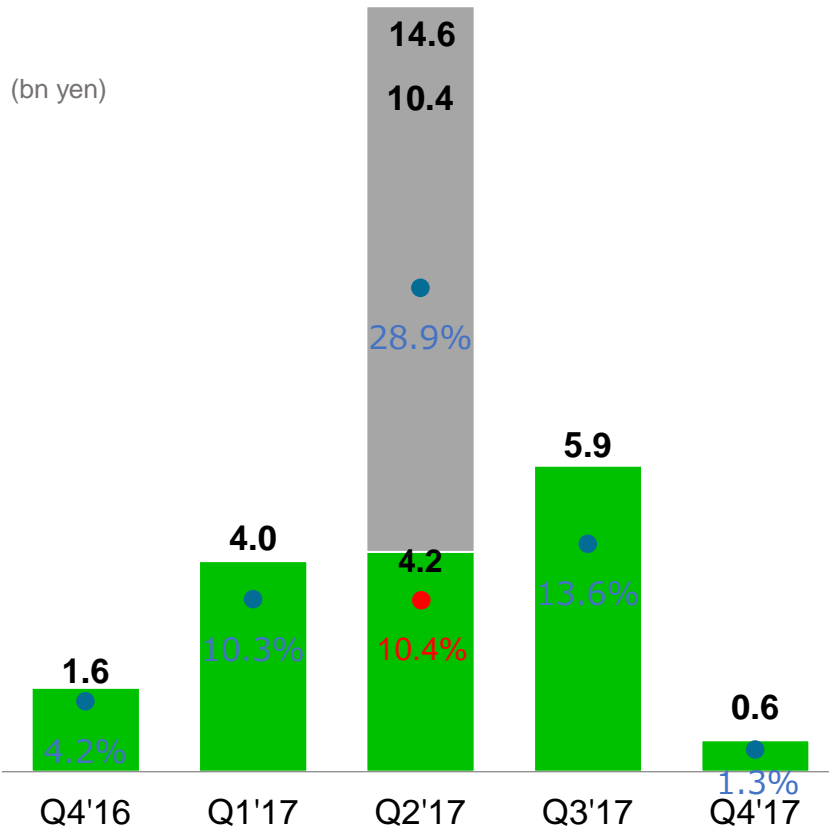
Marketing



Operating & Net Income

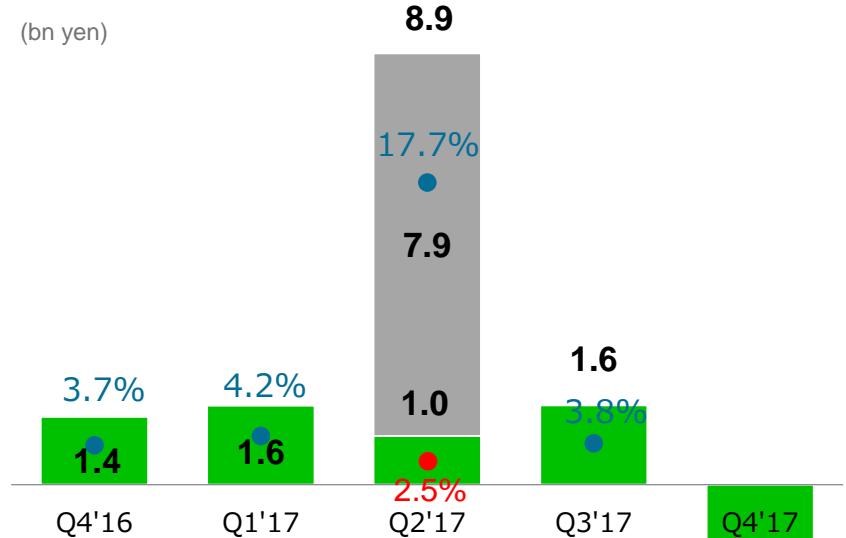
OP Income (Margin)

- OP Income
- One-time other OP Income
- Margin (%)
- Margin (Excl. One-time other OP Income)(%)



Net Income (Margin)

- Net income
- One-time other OP Income
- Margin (%)
- Margin (Excl. One-time other OP Income)(%)



Supplemental Information to Q4 2017 Results

Operating Expenses | vs QoQ

- Impact from expediting sale of Clova Friends: 2.24 billion yen
(Marketing expenses: 1.38 billion)
- Increase of 980 million yen in game marketing expenses, including new titles
- Increase of 960 million yen due to year-end size based business tax

Non-operating Expenses

- 2.01 billion yen loss from Snow Corporation and other equity method subsidiaries
- 1.23 billion yen impairment from venture investments
- 500 million yen loss from foreign exchange

LINE

IR Official Account

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● 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"

