

# LINE Q2 2017 Earnings Results

July 26, 2017

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 position 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.

# Executive summary (Q2 2017)

## Ads

- Performance Ads grew due to improved targeting capabilities, introduction of high priced ad products and NEWS tab addition
- Official Account, Business Connect, and LINE@ growing steadily for Messenger Ads

## Communication & Content

- Established LINE GAMES and announced to acquired Next Floor. Aiming to strengthen development and global publishing capabilities of mid-core games

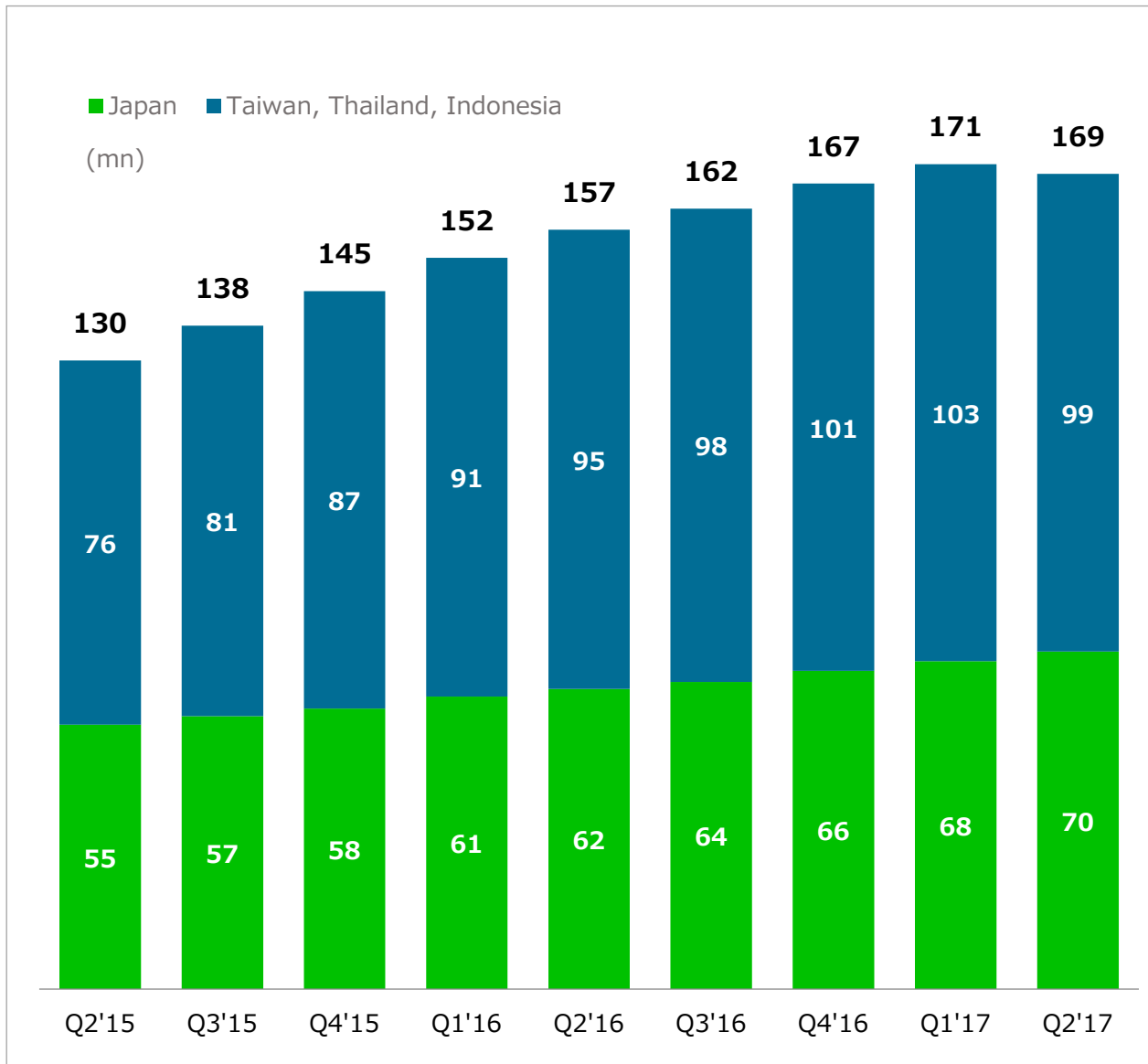
## Smart Portal

- Contents services, such as LINE NEWS, LINE Manga, and LINE Music, continue to grow
- Registered accounts for LINE Pay surpassed 38 million globally, with transaction volume over JPY100bn

## Finance

- Reported 10.4 billion yen in gain on transfer of business, from the merger of SNOW and B612 (camera business)

# Monthly Active Users | Four Key Countries

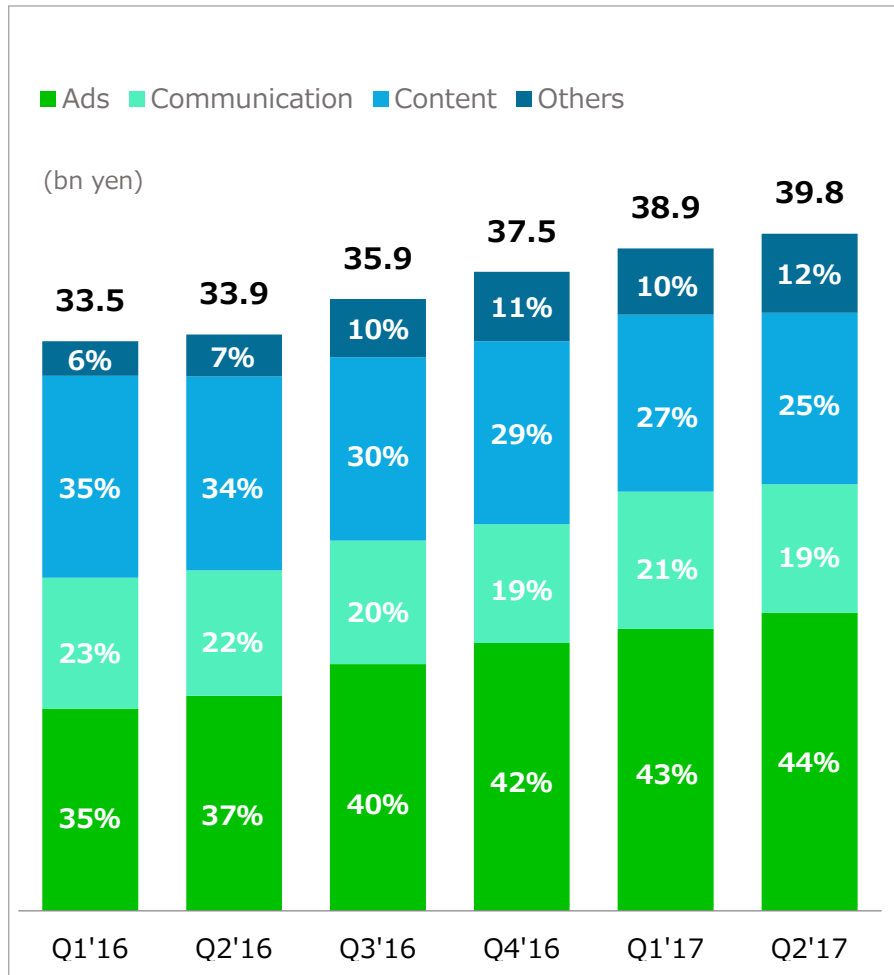


■ YoY 7.5% ↑

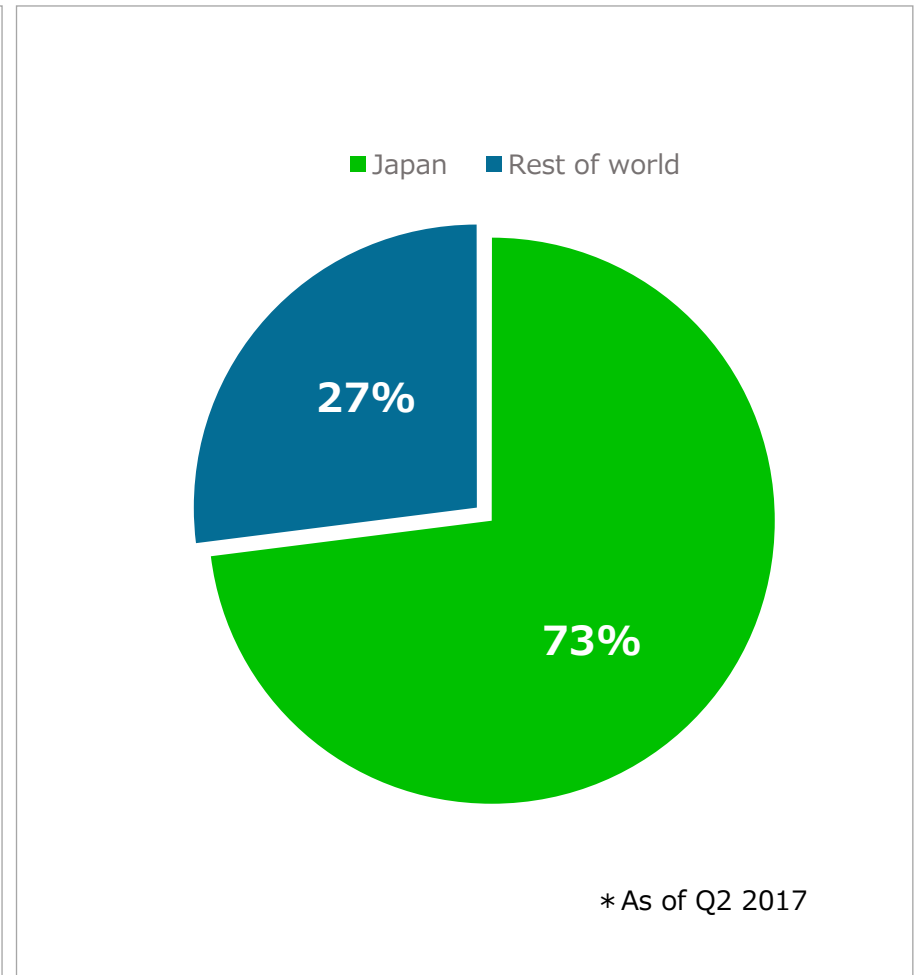
■ DAU/MAU%: 74%

# Revenues

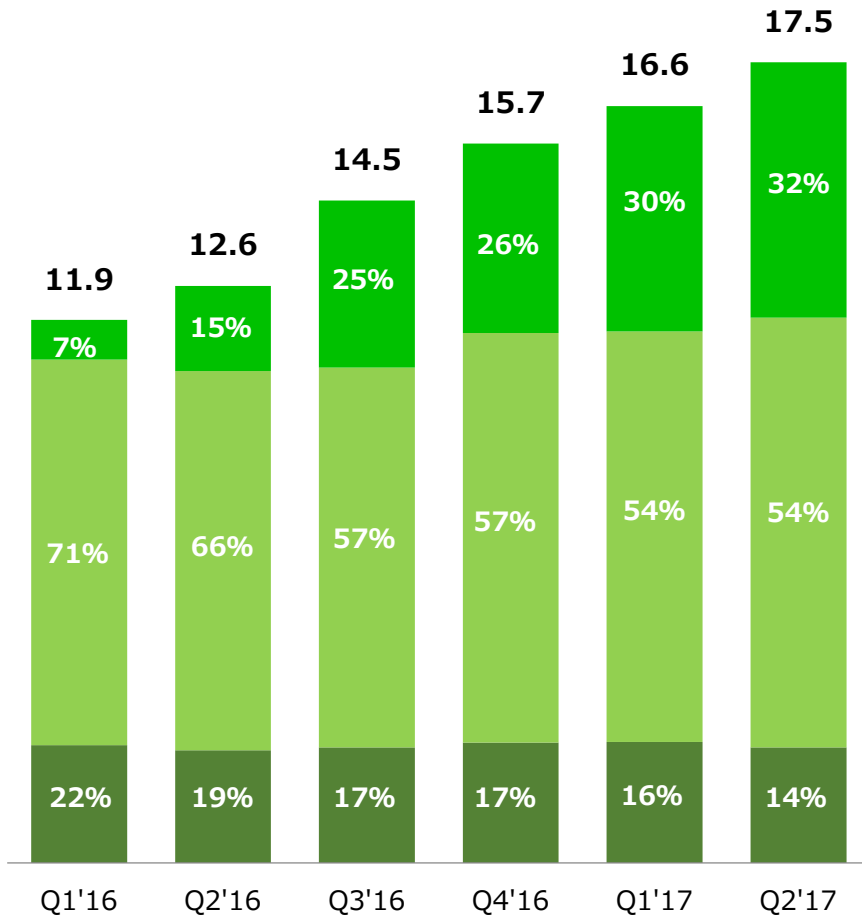
## By Business



## By Geography



■ Portal Ads ■ Messenger Ads ■ Performance Ads  
(bn yen)



## Ads Revenue

YoY 38.7% ↑ / QoQ 5.7% ↑

## Performance Ads Revenue

YoY 199.2% ↑ / QoQ 13.3% ↑

## LAP Impressions

(mn impressions)

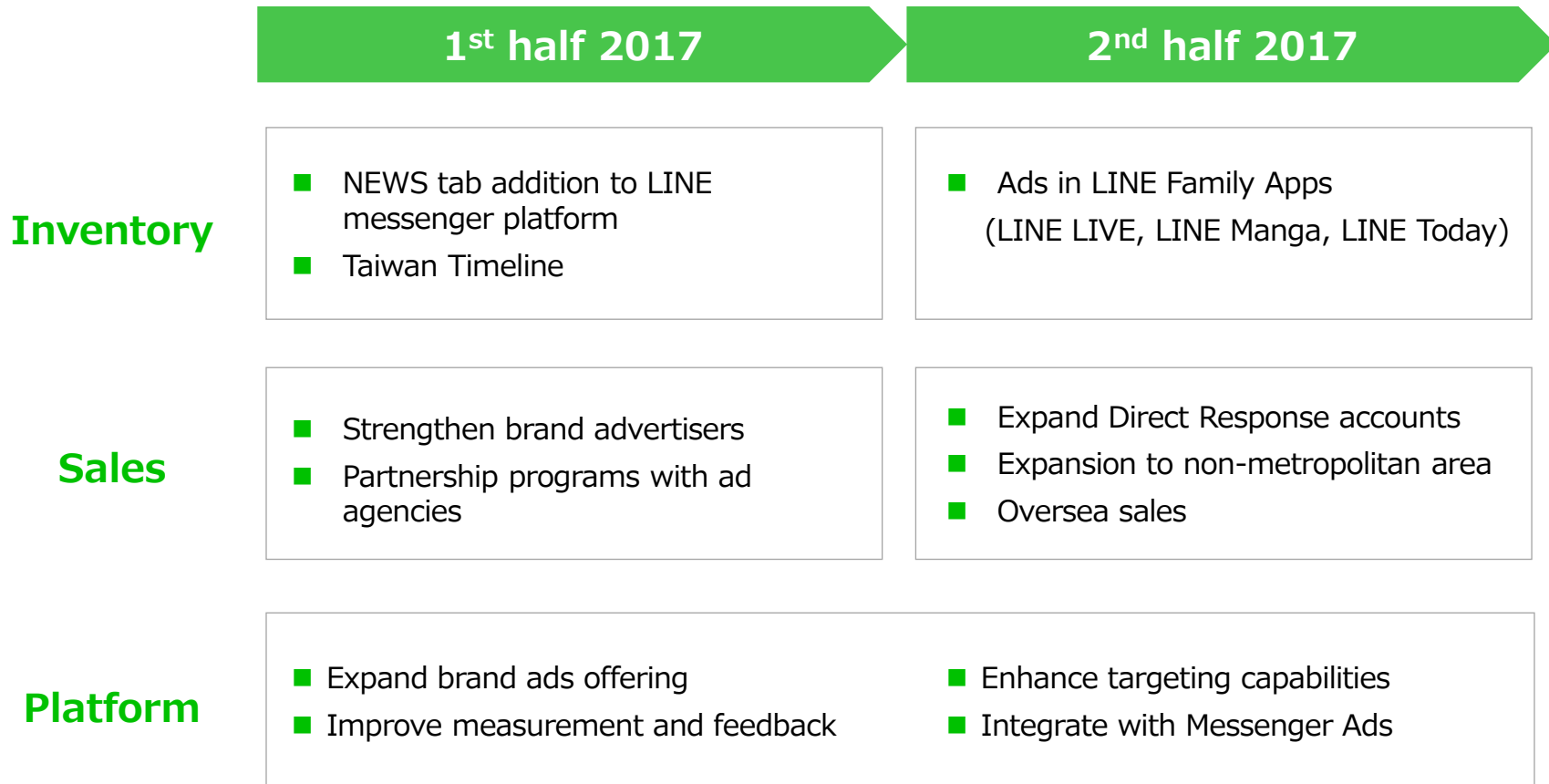
Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
7,992	9,933	11,166	12,275	14,668

\* LAP: LINE Ads Platform

## # of Global Paid Official Accounts

Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
456	480	521	549	567	605

# Ads | Progress on Performance Ads



# Ads | Progress on Messenger Ads

	No. of accounts	
<b>Official Account</b>	605	YoY 26% Japan 294 accounts Oversea 311 accounts
<b>LINE@</b>	5,410,000	YoY 83% Japan 1.38mn accounts Oversea 4.03mn accounts
<b>Business Connect</b>	213	Japan 186 accounts Oversea 27 accounts Beacons installed 18 cases (Japan)
<b>Customer Connect</b>	6	Development/ Sales/Outsourcing partners 24 Corporations

## Beacon installed Vending Machine (Business Connect)

The diagram illustrates the integration of a LINE Beacon into a vending machine. On the left is a KIRIN vending machine. In the center is a green 'LINE Beacon' icon surrounded by various IoT and communication symbols. On the right is a smartphone displaying a 'LINE GATE' interface with a QR code for 'SHOWN CAFE TOKYO'. Below the phone is a 'LINE Pay' logo. Green double-headed arrows indicate the bidirectional communication between the vending machine, the beacon, and the smartphone.

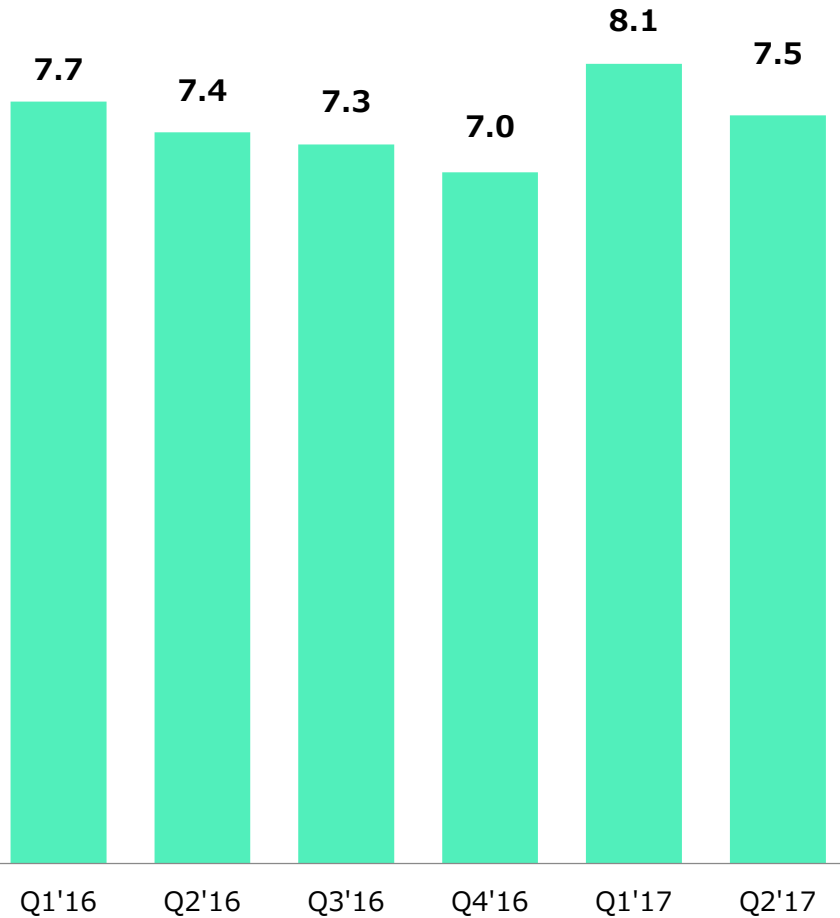
- Connect LINE and vending machine via beacons. Provide points and other benefits to user per each transaction
- 1-on-1 communication among users, IoT, and corporates
- Customers / purchase / product data



# Communication

Stickers, Theme, LINE Out(Call), etc.

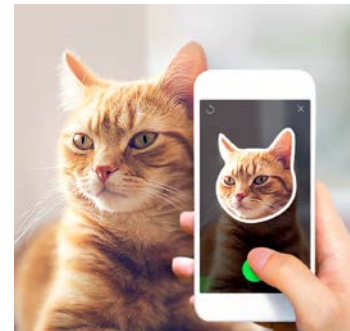
(bn yen)



## Communication Revenue

YoY 2.3% ↑ / QoQ 6.4% ↓

## LINE Creators Studio



## Decoration Letters



## Average Daily Stickers Sent

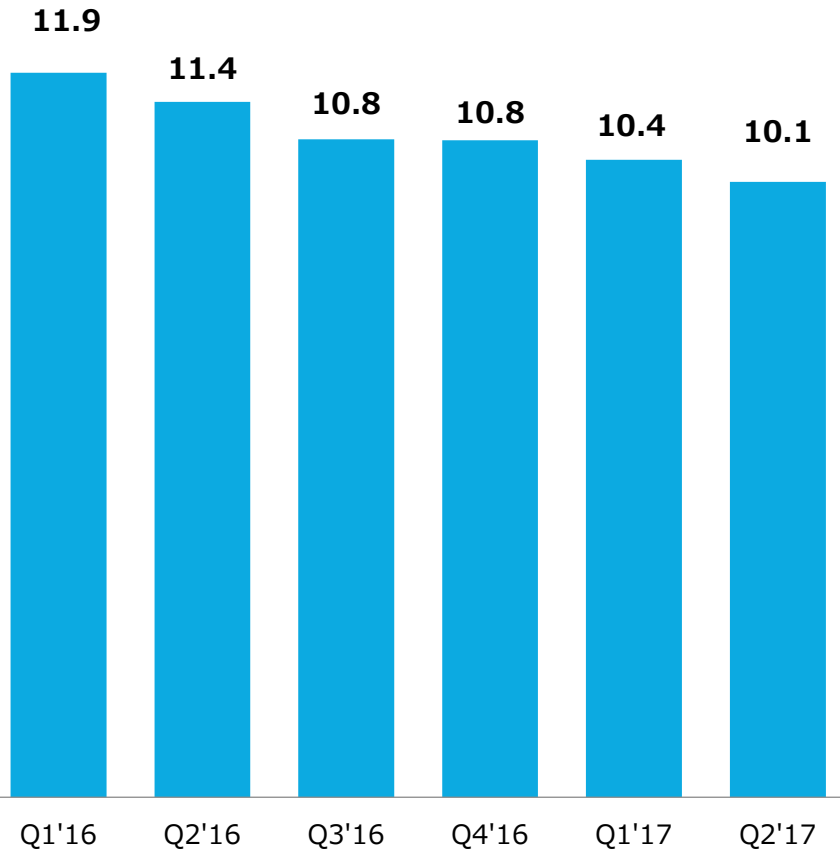
(mn times)

Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
389	397	384	407	441	433

# Content

LINE GAME, LINE PLAY, LINE Manga, LINE Fortune, LINE MUSIC, etc.

(bn yen)



## Content Revenue

YoY 11.5% ↓ / QoQ 3.5% ↓

## LINE GAME KPIs

	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
MAU (mn)	30.8	28.9	27.5	26.5	26.3	23.0
PU ratio	5.2%	4.9%	5.1%	5.0%	5.2%	5.5%

# Content

## LINE GAME



### NextFloor Major Titles

#### Destiny Child

- Collectable Card Game (CCG) released in Korea Oct. 2016
- 2mn downloads

#### Dragon Flight

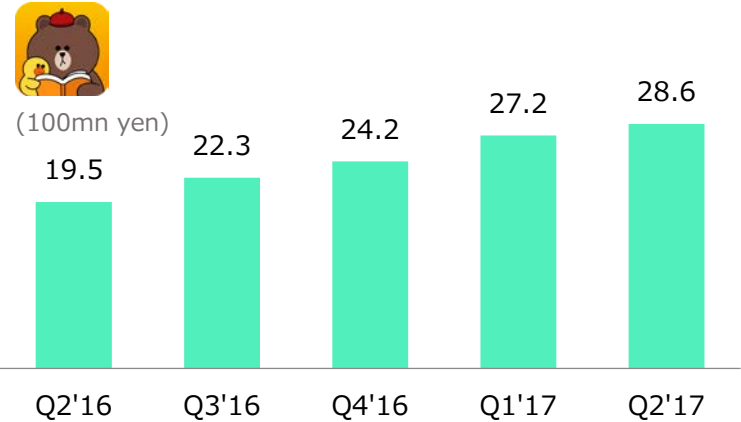
- NextFloor's flagship flight shooting game
- 24mn download since 2012 release

### Major Titles Scheduled for Release 2H 2017

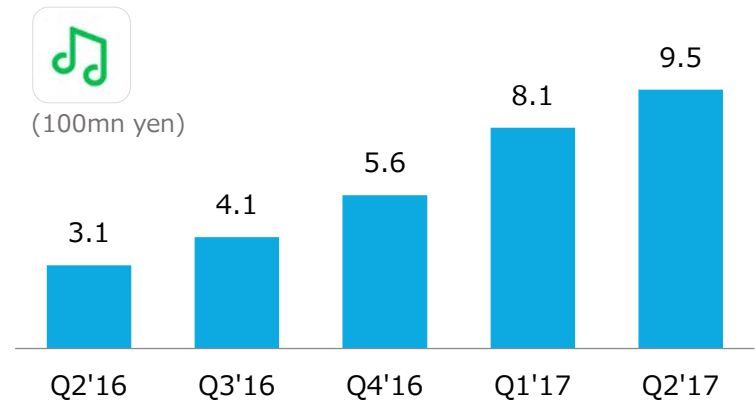
- Battle action RPG using famous animation IP
- **Senjyushi** Simulation game collaborating with Marvelous Inc.
- **Pangya** Casual light sports game for Taiwan, Thailand, oversea release

## Other Content

### LINE Manga Gross Revenue



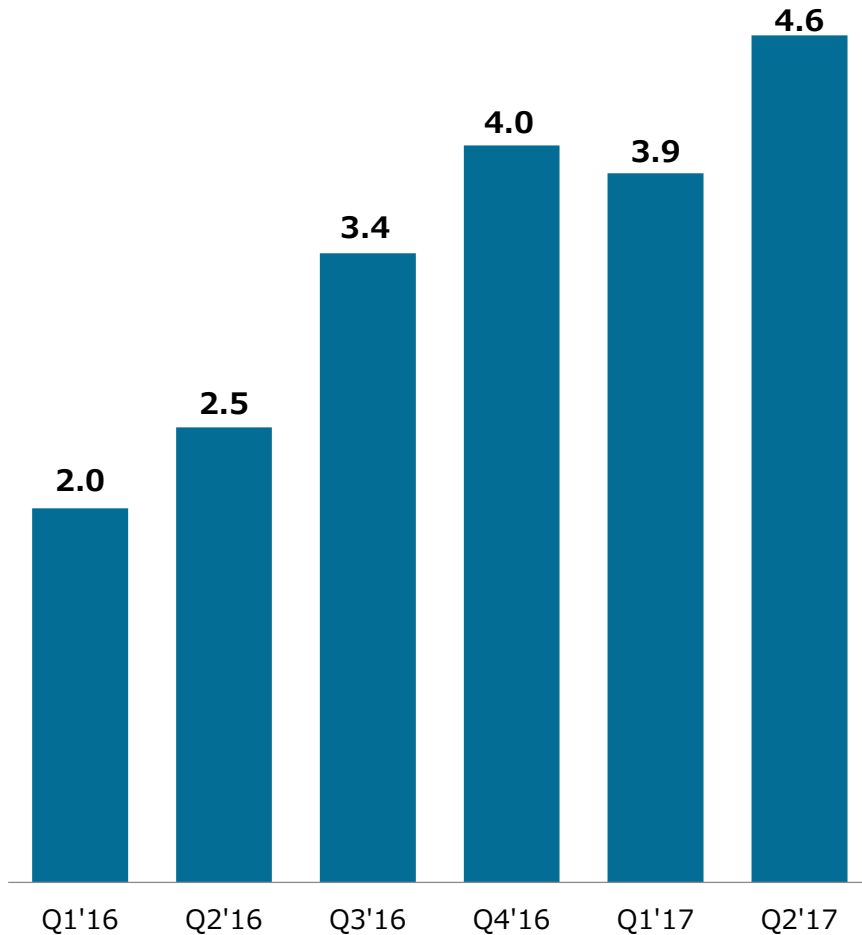
### LINE Music Gross Revenue



# Others

LINE FRIENDS, LINE Part-time Job, LINE Pay, LINE Mobile, etc.

(bn yen)



## Others Revenue

YoY 88.0% ↑ / QoQ 20.6% ↑

## LINE Pay GMV

(bn yen)

Q4'16	Q1'17	Q2'17
10.6	20.7	105.4

## # of LINE Friends Stores

Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
22	19	23	26	27	31

(open in 5 countries)

## LINE MOBILE

Winner of customer satisfaction award for MVNO  
1<sup>st</sup> half 2017



\*IID, Inc. research

# Three Visions for the Next Five Years

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**Everything  
Connected**

**Everything  
Videolized**

**Everywhere  
AI**

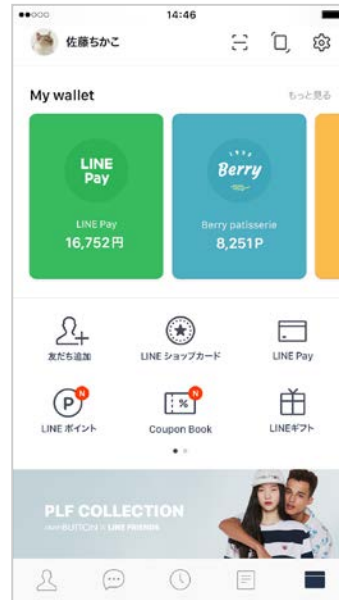
# Connected

## Contents Portal



- Provide information optimized for each user

## Wallet Tab



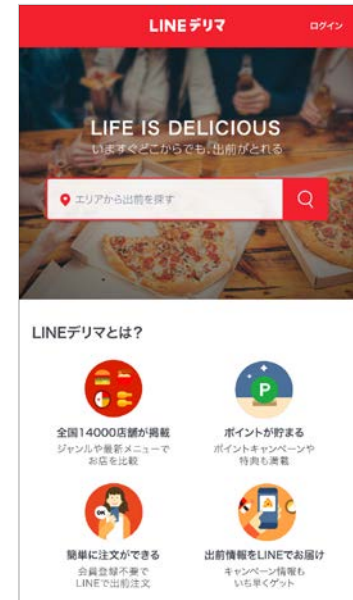
- Strengthening offline and connectivity with corporations

## LINE Shopping



- Driving customer traffic to brand sites
- GMV continues to grow since launch

## LINE Delima



- New delivery service

# Videolized

## LINE LIVE Player



## Chat Live



## Timeline Stories (tentative name)







# Earnings Summary (Q2 2017)

(mn yen)	Q2'16	Q1'17	Q2'17	Growth Rate	
				Y/Y	Q/Q
<b>Revenues and other operating income</b>	<b>38,236</b>	<b>39,246</b>	<b>50,474</b>	<b>32.0%</b>	<b>28.6%</b>
<b>Revenues</b>	<b>33,854</b>	<b>38,916</b>	<b>39,780</b>	<b>17.5%</b>	<b>2.2%</b>
Advertising	12,619	16,557	17,507	38.7%	5.7%
Communication	7,377	8,067	7,548	2.3%	-6.4%
Content	11,387	10,441	10,080	-11.5%	-3.5%
Other	2,471	3,851	4,645	88.0%	20.6%
<b>Other operating income</b>	<b>4,382</b>	<b>330</b>	<b>10,694</b>	<b>144.1%</b>	<b>3,135.9%</b>
<b>Operating expenses</b>	<b>30,207</b>	<b>35,221</b>	<b>35,870</b>	<b>18.8%</b>	<b>1.8%</b>
<b>Operating income</b>	<b>8,029</b>	<b>4,025</b>	<b>14,604</b>	<b>81.9%</b>	<b>262.8%</b>
<i>Margin(%)</i>	<i>21.0%</i>	<i>10.3%</i>	<i>28.9%</i>	<i>7.9pt</i>	<i>18.7pt</i>
<b>Pre-tax income</b>	<b>6,544</b>	<b>3,566</b>	<b>13,395</b>	<b>104.7%</b>	<b>275.7%</b>
Tax	3,418	1,931	4,474	30.9%	131.8%
<b>Net income from continuing operations</b>	<b>3,126</b>	<b>1,635</b>	<b>8,921</b>	<b>185.4%</b>	<b>445.6%</b>
Discontinued operations income	-26	-3	-4	n/a	n/a
<b>Net income</b>	<b>3,100</b>	<b>1,632</b>	<b>8,917</b>	<b>187.6%</b>	<b>446.5%</b>

# Earnings Summary (Q2 2017) Supplementary Information

## Gain on transfer of camera business

- Reported 10.4 billion yen in gain on transfer of business, from the merger of SNOW and B612 (camera business)

## Impact of stock based compensation

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

### Schedule of stock based compensation expenses from Q3 2017

FY17	FY18	FY19	FY20	FY21
2.2	3.2	1.7	0.6	0.1

(bn yen)

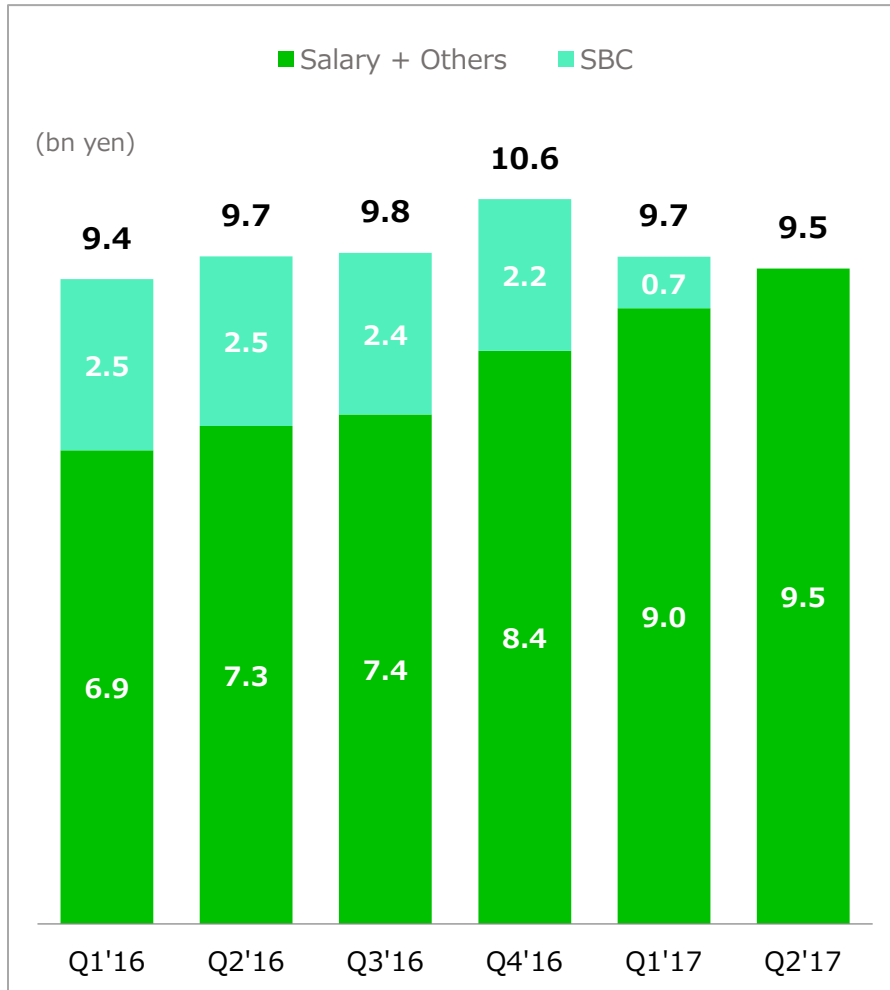
# Operating Expenses

(mn yen)	Q2'16	Q1'17	Q2'17	Growth Rate	
				Y/Y	Q/Q
<b>Operating expenses</b>	<b>30,207</b>	<b>35,221</b>	<b>35,870</b>	<b>18.8%</b>	<b>1.8%</b>
Payment processing and licensing	7,377	7,684	7,340	-0.5%	-4.5%
Employee compensation	9,721	9,718	9,547	-1.8%	-1.8%
Marketing expense	2,448	4,026	3,832	56.6%	-4.8%
Infrastructure and communication	1,994	2,142	2,243	12.5%	4.7%
Authentication and other service	3,240	4,953	5,756	77.7%	16.2%
Depreciation and amortization	1,266	1,476	1,541	21.8%	4.4%
Other operating expenses	4,161	5,222	5,611	34.8%	7.4%

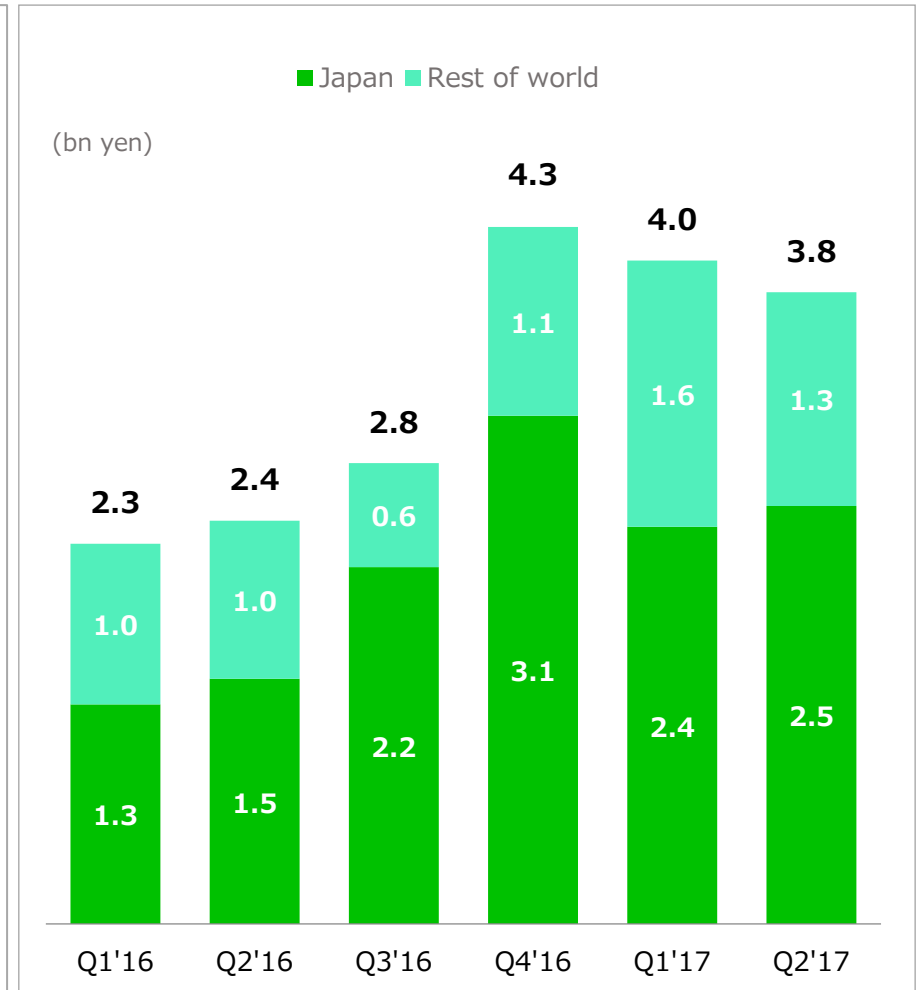
\*Other operating expenses include LINE Friends COGS and office related expenses

# Employee Compensation and Marketing

## Employee Compensation

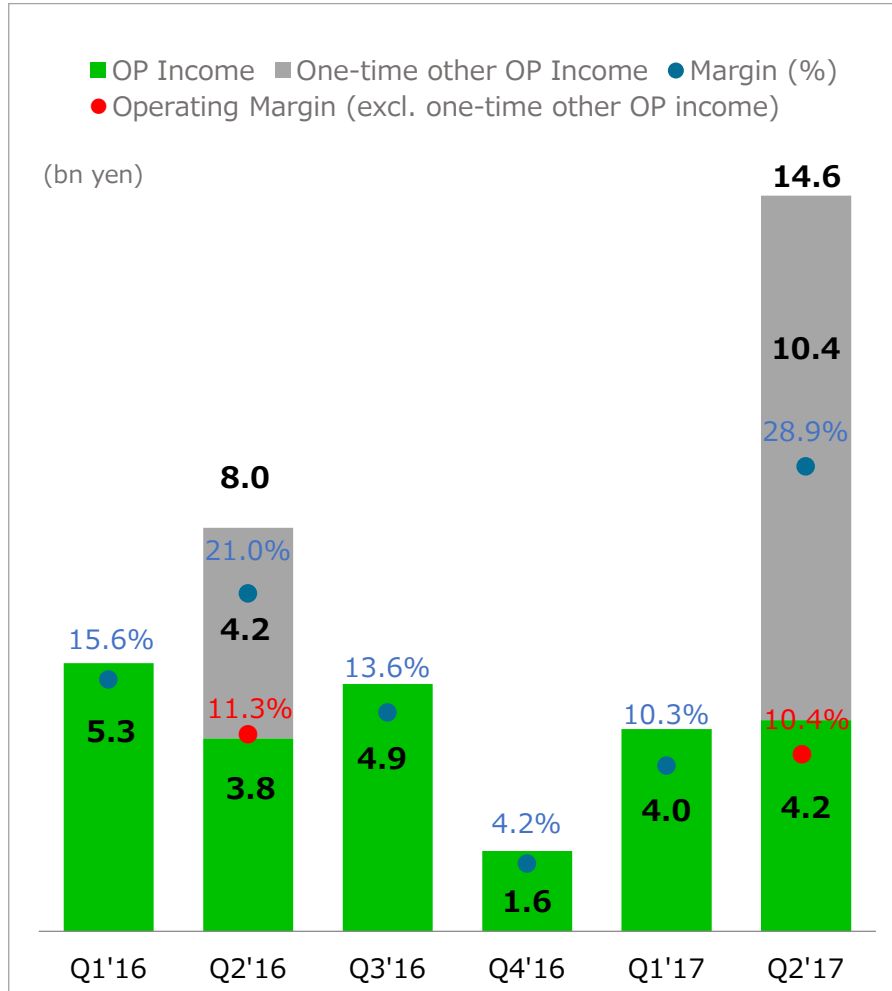


## Marketing

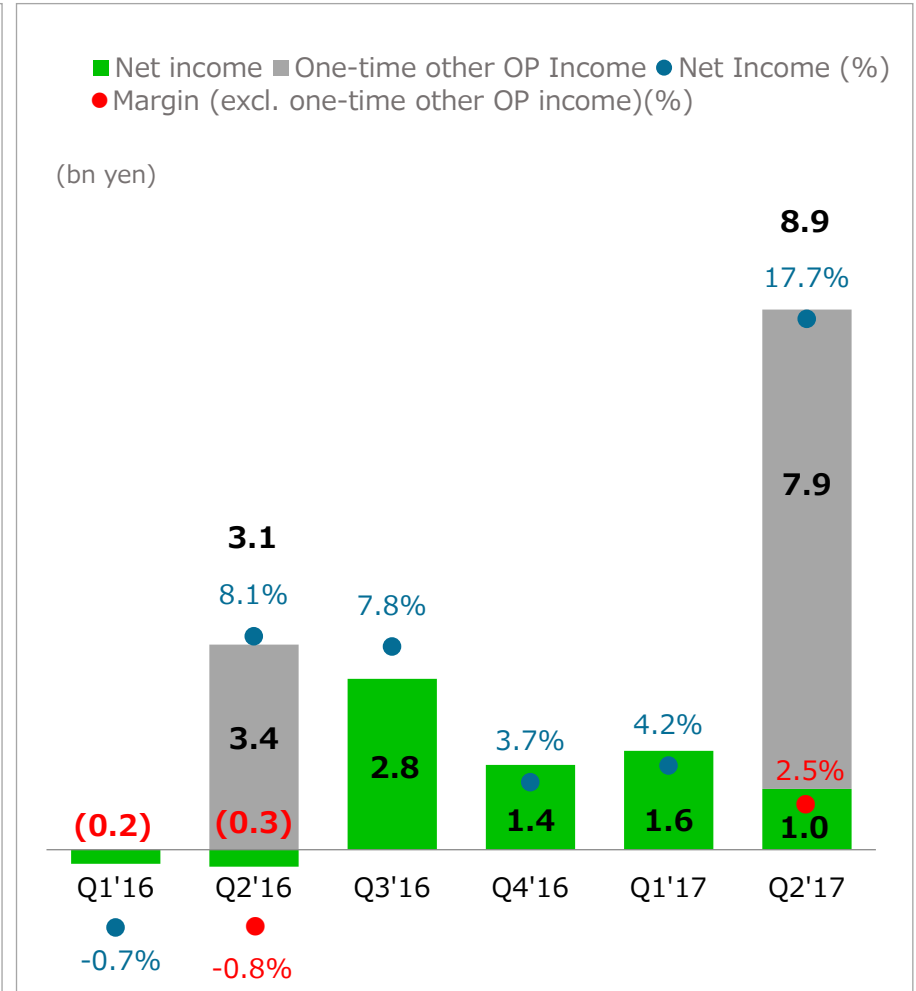


# Operating & Net Income

## Operating Income (Margin)



## Net Income (Margin)



**LINE**