

# LINE Q3 2016 Earnings Results

October 26, 2016

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:

- i. its ability to attract and retain users and increase the level of engagement of its users;
- ii. its ability to improve user monetization;
- iii. its ability to successfully enter new markets and manage its business expansion;
- iv. its ability to compete in the global social network services market;
- v. 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;
- vi. its ability to maintain good relationships with platform partners and attract new platform partners;
- vii. its ability to attract advertisers to the LINE platform and increase the amount that advertisers spend with LINE;
- viii. its expectations regarding its user growth rate and the usage of its mobile applications;
- ix. its ability to increase revenues and its revenue growth rate;
- x. its ability to timely and effectively scale and adapt its existing technology and network infrastructure;
- xi. its ability to successfully acquire and integrate companies and assets;
- xii. its future business development, results of operations and financial condition;
- xiii. the regulatory environment in which it operates;
- xiv. fluctuations in currency exchange rates and changes in the proportion of its revenues and expenses denominated in foreign currencies; and
- xv. changes in business or macroeconomic conditions.

# Executive summary (Q3 2016)

---

## Ads

- Increase in number of Ad clients and Ad inventory led Performance Ads revenue growth
- Stable growth in number of Official Accounts for Messenger Ads

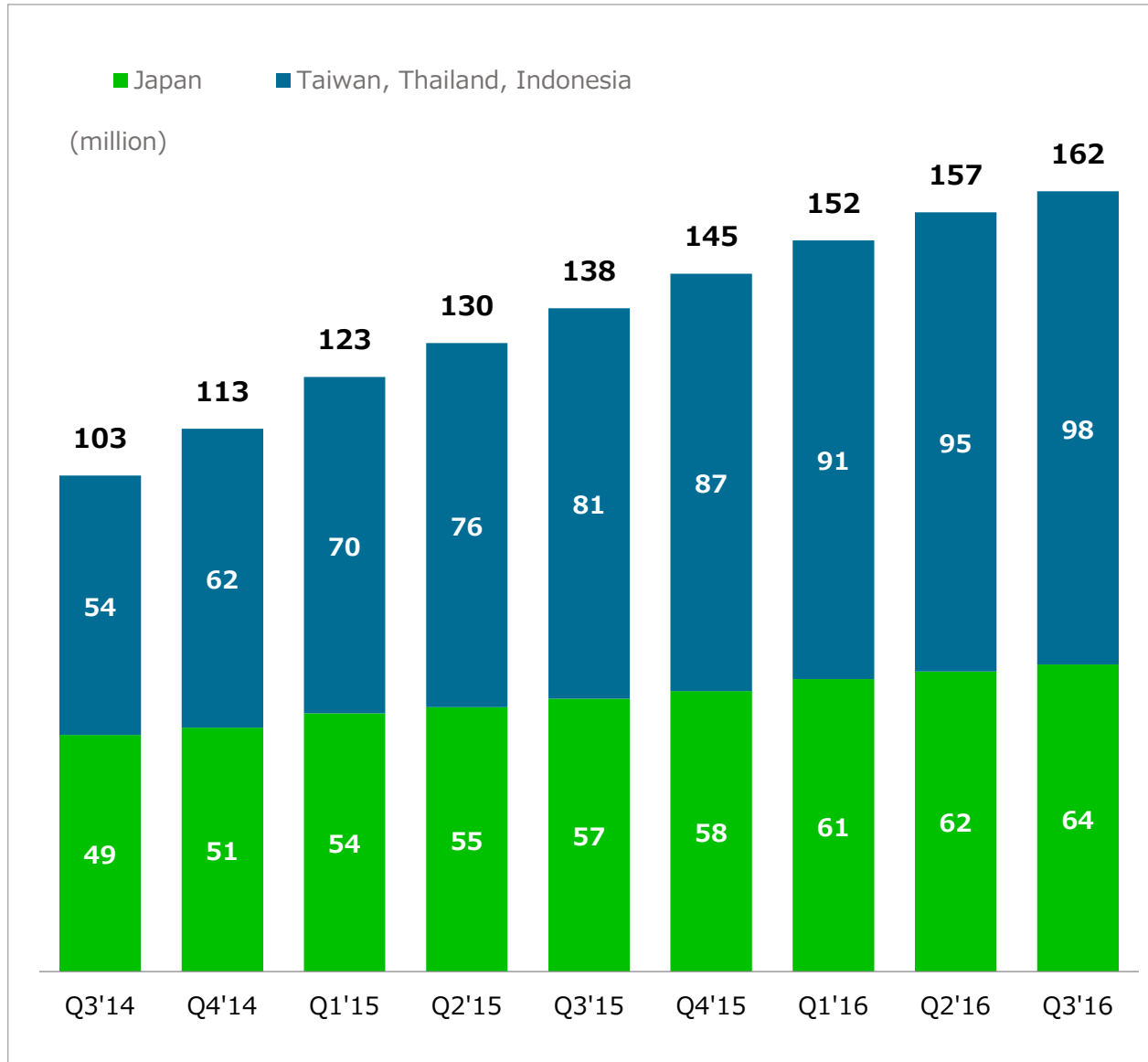
## Communication & Content

- Stickers and Games both contributed to stable revenue but declined from 2Q

## Smart Portal

- Steady growth in MAU for LINE NEWS in Japan and LINE Today overseas
- Investment in SNOW and Yume no Machi Souzou Iinkai
- LINE Mobile MVNO service launch

# Monthly Active Users | Four Key Countries

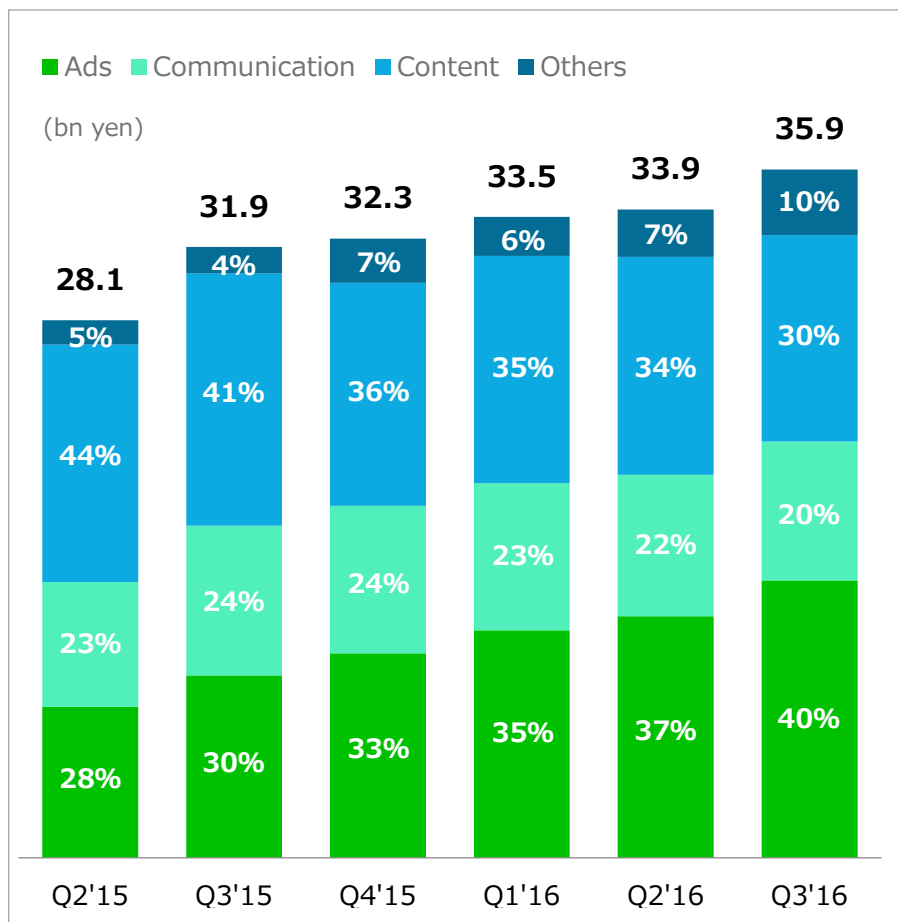


- YoY 18% ↑
- DAU/MAU%: 73%
- Global MAU: 220M

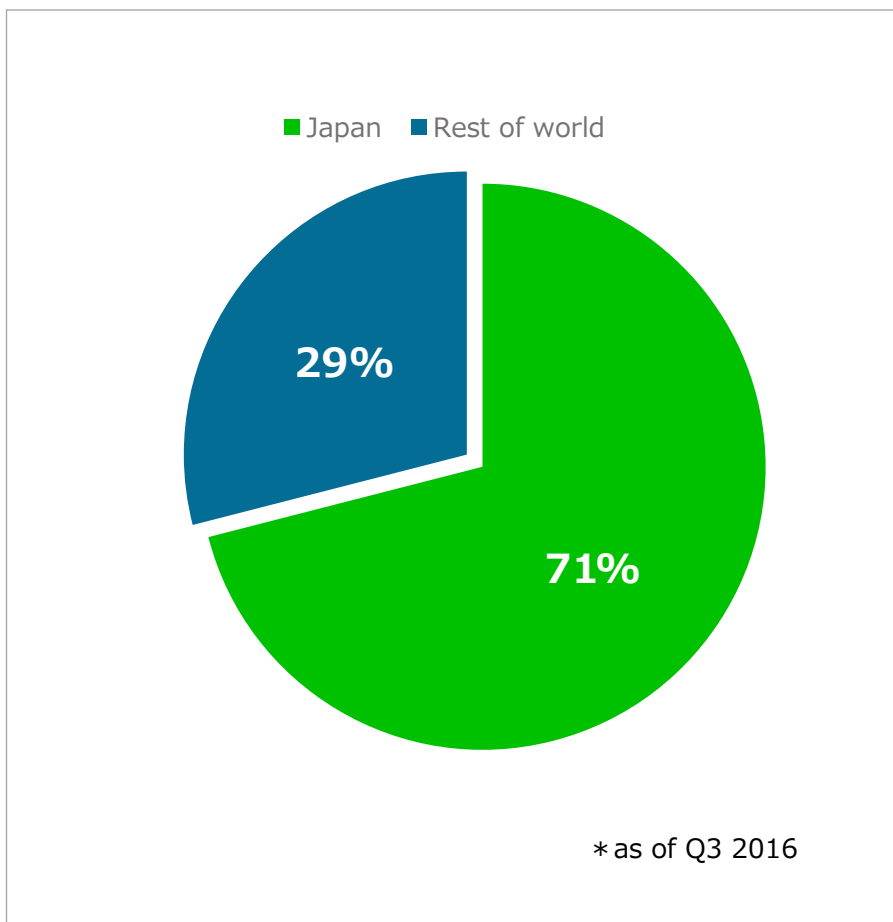
\*As of Sept. 2016

# Revenues

## ■ By Business

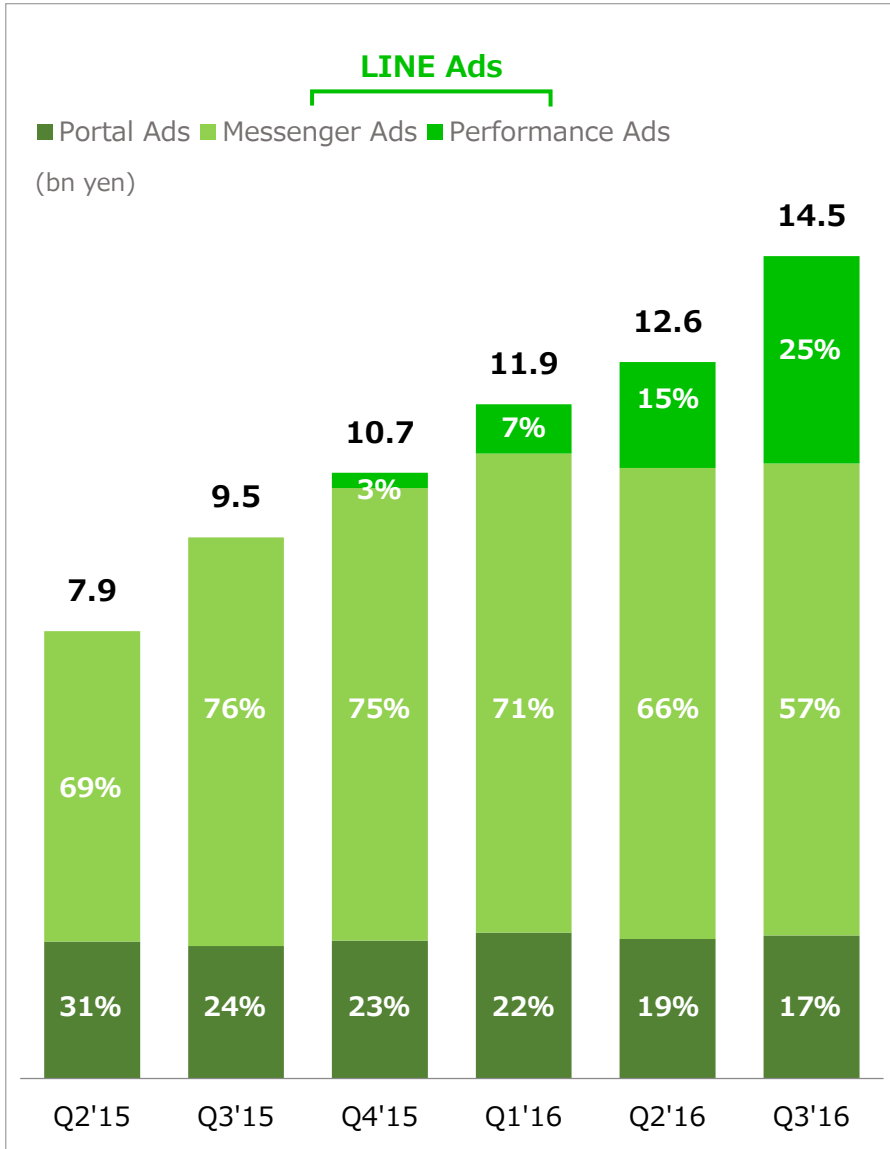


## ■ By Geography



# Ads

Official Account, LINE@, Sponsored Sticker, LINE Point ads, Timeline/LINE NEWS ads, etc.



## Ads revenue

YoY 52.0% ↑ / QoQ 14.8% ↑

## LINE Ads revenue

YoY 66.2% ↑ / QoQ 17.7% ↑

- Over 500 clients for Performance Ads
- Official account revenue steadily contributing to Messenger Ads

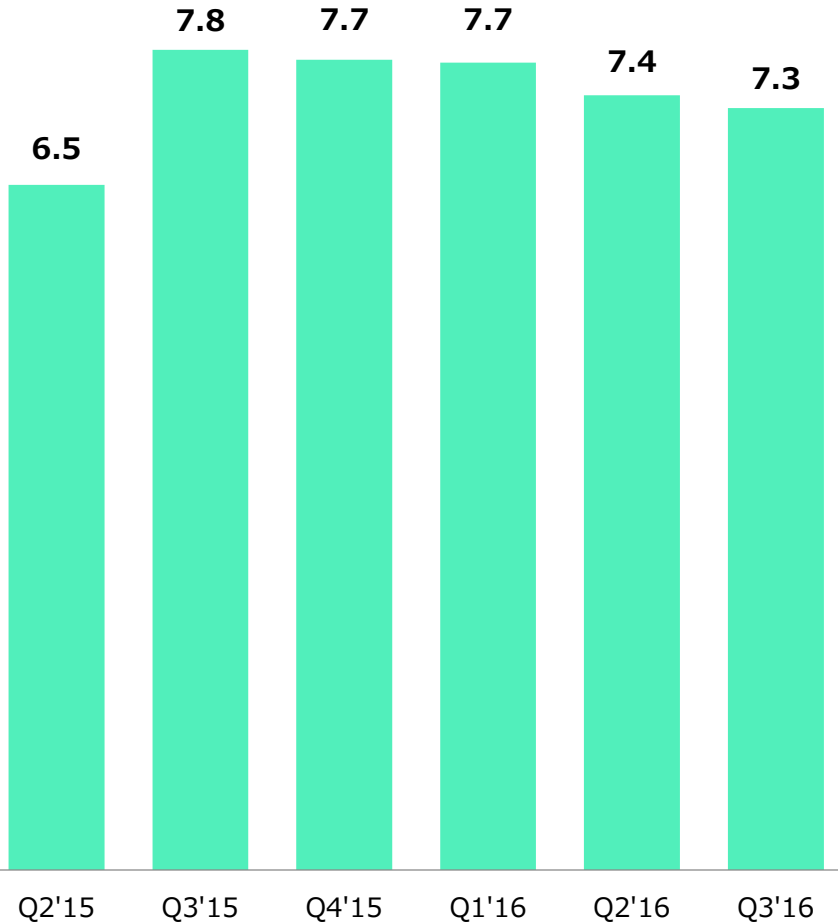
## # of Global Paid Official Account

Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
373	390	419	456	480	521

# Communication

Stickers, Theme, LINE Out(Call), etc

(bn yen)



## Communication revenue

YoY 7.1% ↓ / QoQ 1.7% ↓

## Stickers

- Original sticker revenue declined Q-o-Q
- Expand personalized stickers to match user's preference and needs or promotional activities during life events

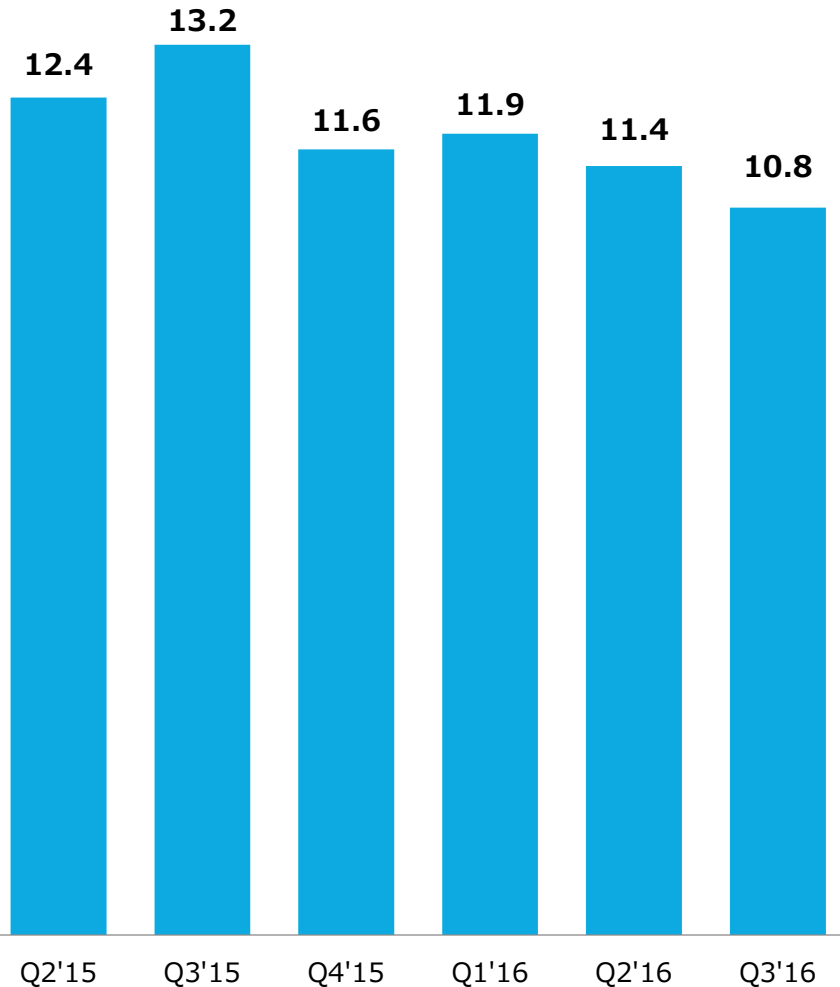
## Average daily stickers sent (mn times)

Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
397	379	388	389	397	384

# Content

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

(bn yen)



## Content revenue

YoY 18.3% ↓ / QoQ 5.4% ↓

## LINE GAME

- Steady revenue contribution from existing casual titles
- In-house midcore title LINE Rangers has peaked and declining in sales
- High expectation for midcore title with strong IP released in 3Q

## LINE GAME KPI

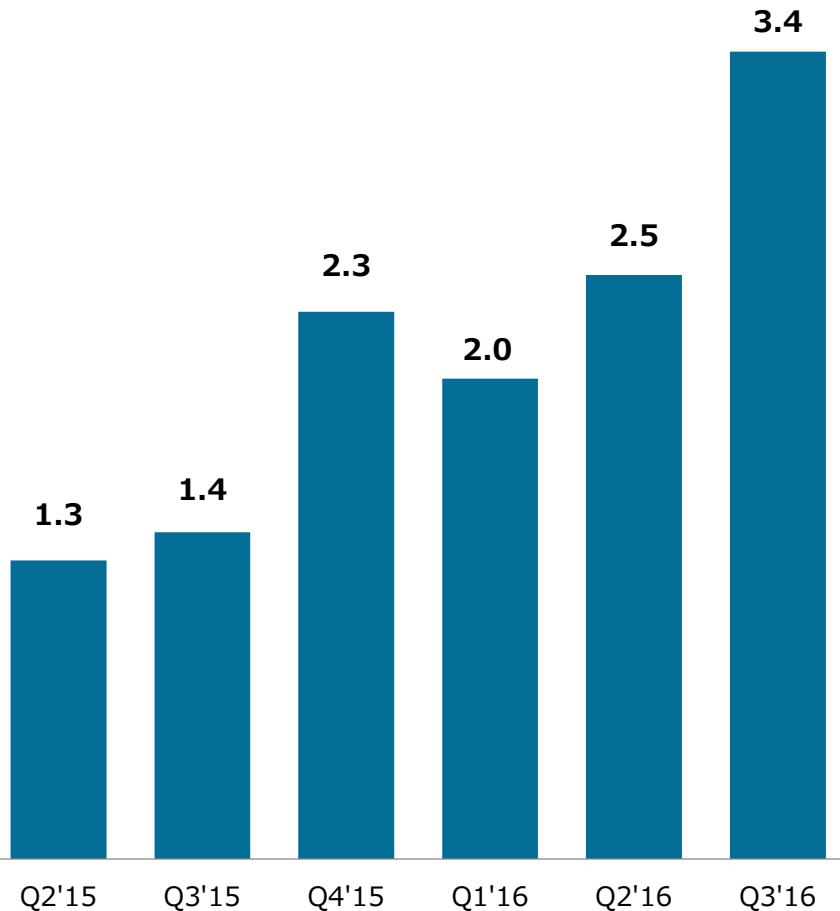
	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
MAU(mn)	35.7	32.0	31.9	30.8	28.9	27.5
PU ratio	4.0%	4.4%	5.2%	5.2%	4.9%	5.1%



# Others

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

(bn yen)



## Others revenue

YoY 147.1% ↑ / QoQ 38.2% ↑

## LINE FRIENDS revenue

YoY 155.7% ↑ / QoQ 37.7% ↑

- 25 LINE FRIENDS STORES in 5 countries (+6 shops from 2Q)

## LINE Mobile

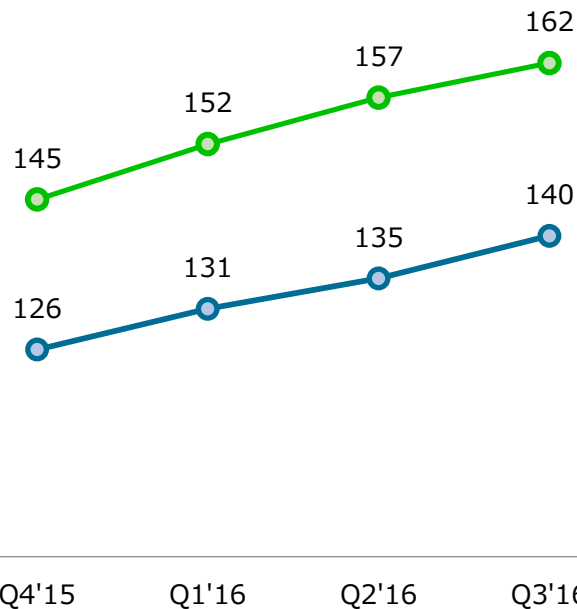
- Launched MVNO service
- Differentiated service offering by LINE. Instagram added to all you can use LINE, FB, Twitter “Communication-free” plan

# Smart Portal | Timeline, LINE NEWS

- Strengthening timeline activities by providing user-friendly tools (e.g. hashtag, rich content upload)
- LINE Today No. 1 (MAU/PV) news platform service in Taiwan, Thailand, Indonesia

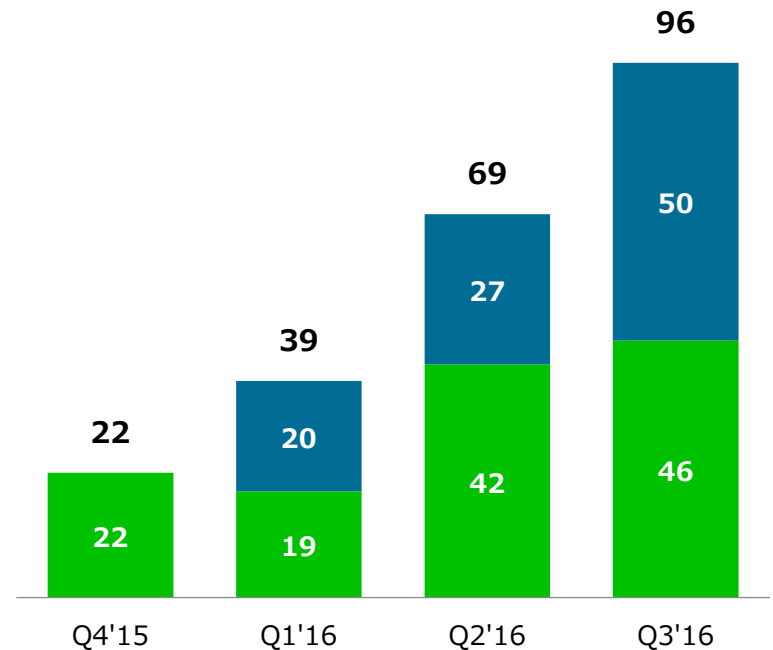
## □ Timeline MAU in four key countries

(mn)      ○ LINE MAU      ● Timeline MAU



## □ LINE NEWS & LINE Today MAU

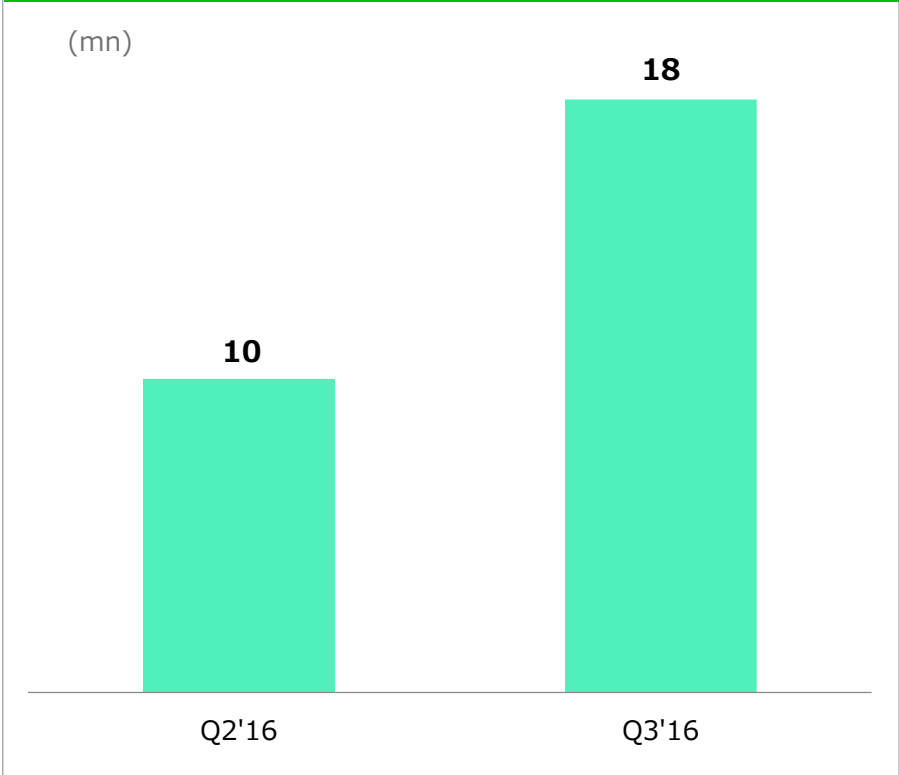
(mn)      ■ Japan      ■ Taiwan, Thailand, Indonesia



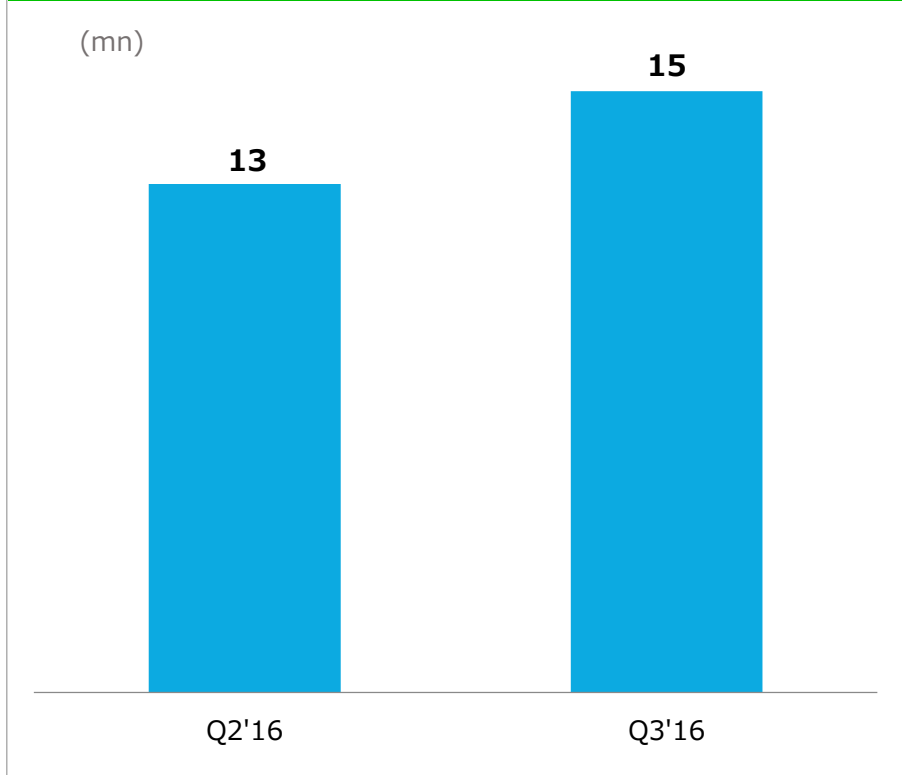
# Smart Portal | LINE LIVE, LINE TV

- LINE LIVE MAU increased from User Generated Contents since August
- LINE TV aims to provide differentiated contents in Thailand

□ LINE LIVE MAU



□ LINE TV(Thailand) MAU



# Smart Portal | New initiatives

- Seamless communication between users and account through Chat interface
- Increase business opportunity by expanding partners in web service and O2O in various verticals

## Information

### NAVITIME



- Train transfer information provided by Chat Bot
- Train info available by one click

## E-commerce

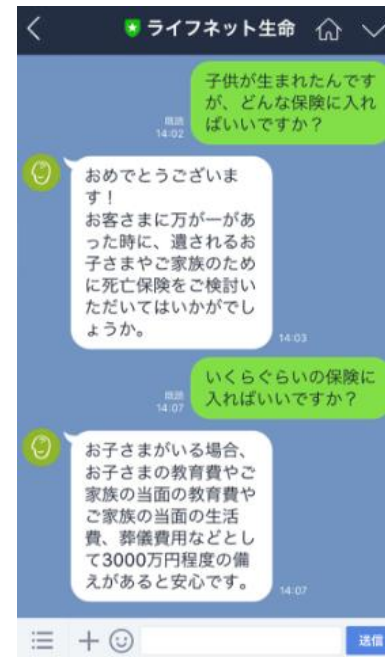
### OLIVE des OLIVE



- Clothes recommendation from dedicated staff
- Seamless user shopping experience by LINE login and Profile+

## CRM

### Life Net Insurance



- Insurance counselling through LINE chat
- Quick advice during idle time

## AI

### Lawson



- Natural chat conversation using AI
- Product recommendation during conversation

# Smart Portal | New initiatives

---

## Snow Corporation



**25% stake  
acquired**

- Over 80mn downloads in Japan, China, Korea, SE Asia
  - Unique SNS opportunity different from LINE
- 

## Yume no Machi Souzou Inkai



**20% stake  
acquired**

- Entry into O2O / delivery segment to complete Smart Portal strategy
- 



**Entry to enterprise  
communication market**

- Entry into Japanese enterprise market through combination of 「Works Mobile」 and 「LINE」
- 

**DAG VENTURES**

Korelya Capital

**New business  
opportunities**

- Establishing network and future investment in US/Europe/China/India etc.

# Earnings Summary (Q3 2016)

(mn yen)	Q3'15	Q2'16	Q3'16	Growth	
				Y/Y	Q/Q
<b>Revenues and other operating income</b>	<b>32,045</b>	<b>38,235</b>	<b>36,099</b>	<b>12.7%</b>	<b>-5.6%</b>
<b>Revenues</b>	<b>31,900</b>	<b>33,854</b>	<b>35,930</b>	<b>12.6%</b>	<b>6.1%</b>
LINE Ads	7,195	10,160	11,960	66.2%	17.7%
Portal Ads	2,333	2,459	2,524	8.2%	2.6%
Communication	7,807	7,377	7,255	-7.1%	-1.7%
Content	13,182	11,387	10,774	-18.3%	-5.4%
Others	1,383	2,471	3,417	147.1%	38.2%
<b>Other operating income</b>	<b>145</b>	<b>4,381</b>	<b>170</b>	<b>16.6%</b>	<b>-96.1%</b>
<b>Operating expenses</b>	<b>29,931</b>	<b>30,206</b>	<b>31,173</b>	<b>4.1%</b>	<b>3.2%</b>
<b>Operating income</b>	<b>2,114</b>	<b>8,029</b>	<b>4,927</b>	<b>133.0%</b>	<b>-38.6%</b>
<i>Margin(%)</i>	6.6%	21.0%	13.6%	7.0pt	-7.4pt
<b>Pre-tax income</b>	<b>2,373</b>	<b>6,544</b>	<b>4,578</b>	<b>92.9%</b>	<b>-30.0%</b>
Tax	2,576	3,418	1,664	-35.4%	-51.3%
<b>Net income from continuing operations</b>	<b>-202</b>	<b>3,126</b>	<b>2,915</b>	<b>n/a</b>	<b>-6.8%</b>
Discontinued operations income	-2,139	-26	-96	n/a	n/a
<b>Net income</b>	<b>-2,341</b>	<b>3,100</b>	<b>2,818</b>	<b>n/a</b>	<b>-9.1%</b>

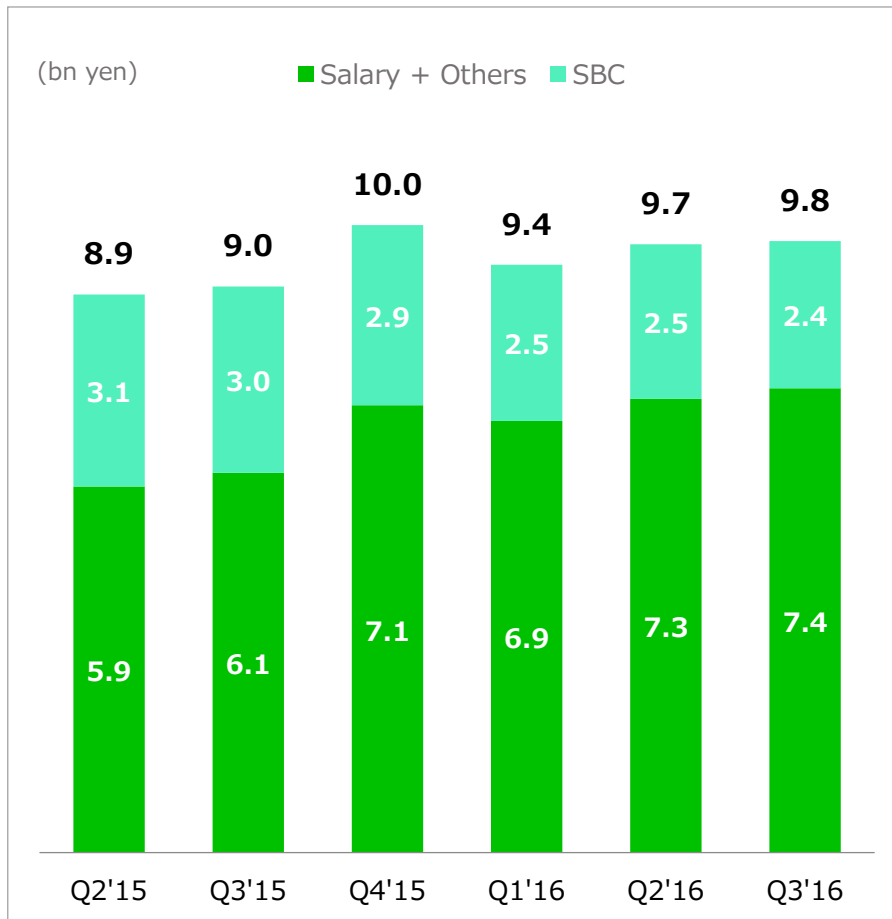
# Operating Expenses

(mn yen)	Q3'15	Q2'16	Q3'16	Growth	
				Y/Y	Q/Q
<b>Operating expenses</b>	<b>29,931</b>	<b>30,206</b>	<b>31,173</b>	<b>4.1%</b>	<b>3.2%</b>
Payment processing and licensing	7,723	7,377	7,308	-5.4%	-0.9%
Employee compensation	9,049	9,721	9,775	8.0%	0.6%
Marketing	3,453	2,448	2,798	-19.0%	14.3%
Infrastructure and communication	2,058	1,994	1,881	-8.6%	-5.6%
Authentication and other service	3,294	3,240	3,584	8.8%	10.6%
Depreciation and amortization	930	1,266	1,425	53.3%	12.6%
Other operating expenses	3,425	4,160	4,401	28.5%	5.8%

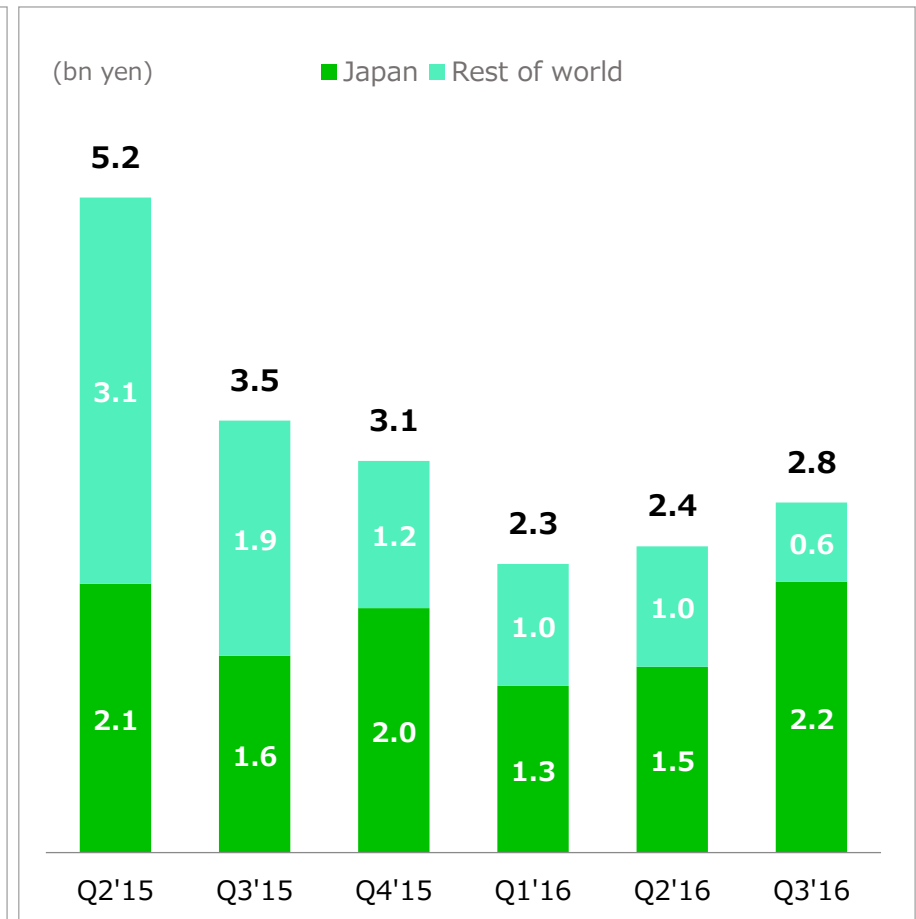
\*Other operating expenses include LINE Friends COGS, office related expense and IPO related expenses

# Employee compensation and Marketing

## ■ Employee compensation



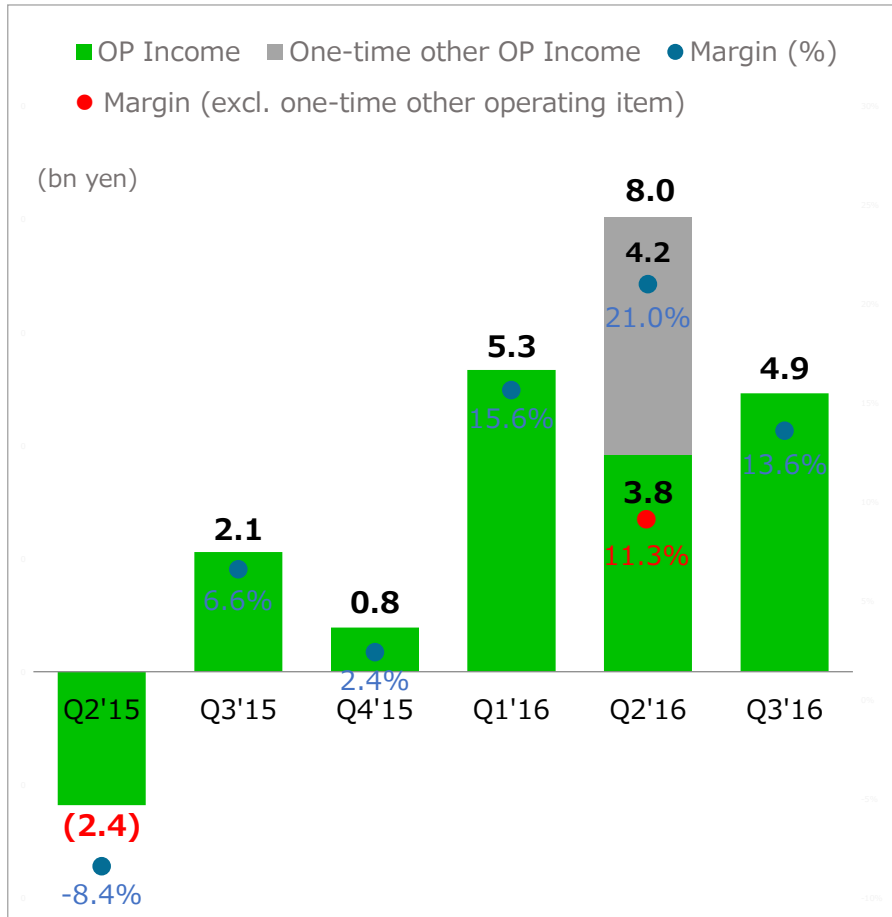
## ■ Marketing



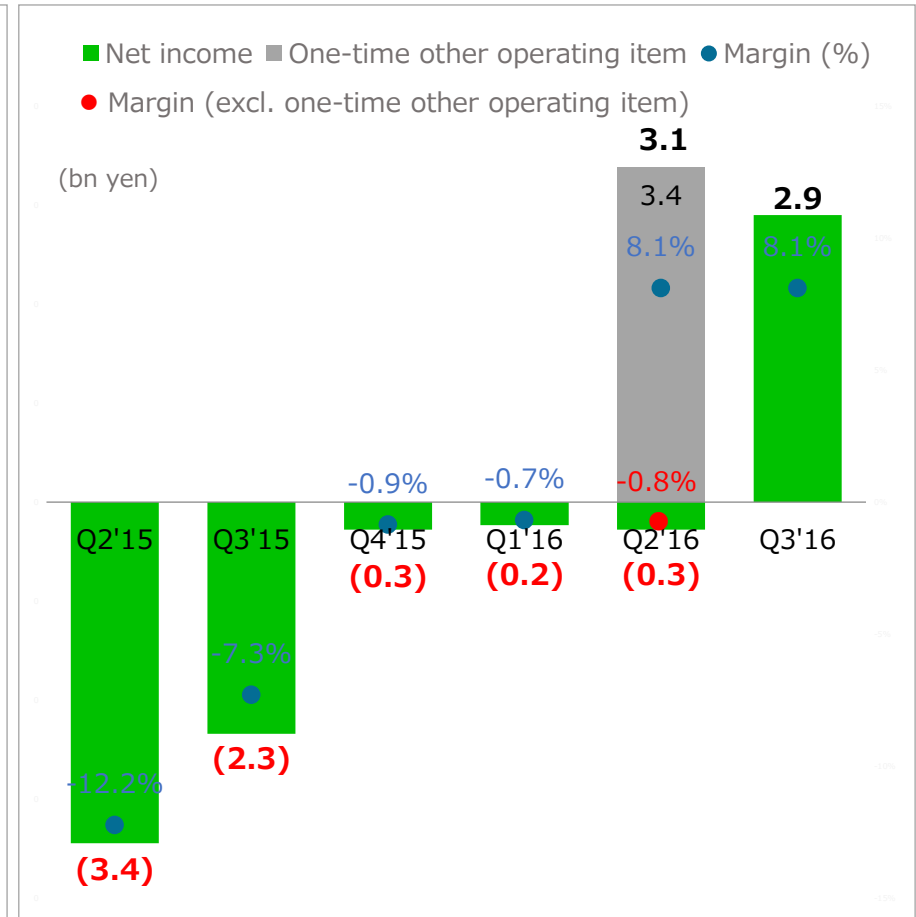


# Operating & Net Income

## ■ Operating Income (Margin)



## ■ Net Income (Margin)



**LINE**