

FY2016 2Q earning announcement Q&A session

- Q. What are some of the differentiation factors contributing to growth in LINE NEWS
- A. LINE News is performing well. On the product side, in addition to the typical web based or application based news service, the messaging features that we can provide on our platform is our uniqueness. From the contents side, we have kept a great relationship with our media partners and we are now collaborating with about 100 media. We have high expectations to continue growing the service.
- Q. When can we expect the normalization of tax rate?
- A. There are two factors 1) non-tax deductible portion of stock based compensation cost which will not be a factor once we end the cost early next year and 2) certain loss making subsidiary (Pay) which impact will continue for a while but will be decreasing as the business grows
- Q. What are some strategies to increase activity at Timeline, LINE NEWS, LINE LIVE etc. LINE NEWS MAU grew due to introducing news feed within timeline but has timeline activity increased as well?
- A. We are seeing increased activity in Timeline as well. We are also preparing to feed LINE LIVE contents into Timeline. In addition, LINE LIVE is currently professional generated contents but we are expanding to introduce user generated contents in the second half which we expect growth in user activity.
- Q. When can we expect O2O service to contribute to earnings? Are there any services that we should anticipate other than LINE Baito?
- LINE Baito is already a revenue contributor to our business. We just launched service with Demaekan (food delivery). Additionally, we expect to launch multiple services after August including areas such as restaurant and beauty. We will employ a revenue sharing model with our partners.
- Q. What is the mix of advertisers for performance Ad and please describe any new customers.
- A. As of June, 25% was represented by game customers and 25% cosmetics. The remaining 50% is diverse. We have existing relationship with blue chip customers from our messaging Ad business however performance Ad expands the customer base to direct response customers.

Q. Can you share some initiatives at LINE Pay?

A. We revamped some services at LINE Pay since April including 1) issuance of LINE PAY Card 2) connection with major banks and 3) allowing charging of card at convenience store, which have all contributed to significant rise in transaction volume. Going forward we will continue to increase user convenience by allowing connection to local banks as well as expanding availability of usage location

Q. What is the effect of Pokemon Go and please describe your game strategy

A. There has been no impact to LINE or LINE Game's KPI since launch of Pokemon Go. We believe it is a testament that smartphone game continues to be an opportunity and that it is a plus to the industry. We have not released any hit titles for a while as we were raising the quality of some of our games resulting in delay of launch. We are planning to release anticipated titles during the second half.

Q. What are examples of BOT related service on LINE and what are your visions for monetization.

A. An existing good example is Yamato Transport home delivery service where we utilize AI interface for registration of re-delivery of packages on LINE without any operator. We envision a world where transactions currently done via mail/telephone/search be replaced by LINE in the future. There will be various ways to monetize however the most obvious being charging per transaction.

Q. What is your outlook for oversea MAU growth?

A. We are currently focused only 4 countries. We do not need any user acquisition cost in Japan, Taiwan and Thailand as we already have a dominant user base. We already have high brand recognition in Indonesia through initiatives such as TV commercial which we started 2 years ago. Therefore marketing spend in Indonesia going forward for user acquisition will be focused. We will continue to focus on providing localized services that will be accepted by new and local users.

Q. What is your oversea ratio outlook? When will Timeline Ad be available overseas?

A. Timeline Ad will be available in Taiwan and Thailand during the second half of this year. In the near term, the ratio of revenue from Japan will increase due the strong sales from the performance Ad. However as we roll-out other services overseas including Timeline Ad, you will see the oversea ratio to grow.