

LINE Q2 2016 Earnings Results

July 27, 2016
LINE Corporation

LINE

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 (Q2 2016)

Ads

- Performance Ads fully launched starting June
- Messenger Ads steadily growing

Content

- Maintaining stable revenue from timely updates of existing titles
- Brown Farm continues to perform well. Released in Taiwan and Thailand

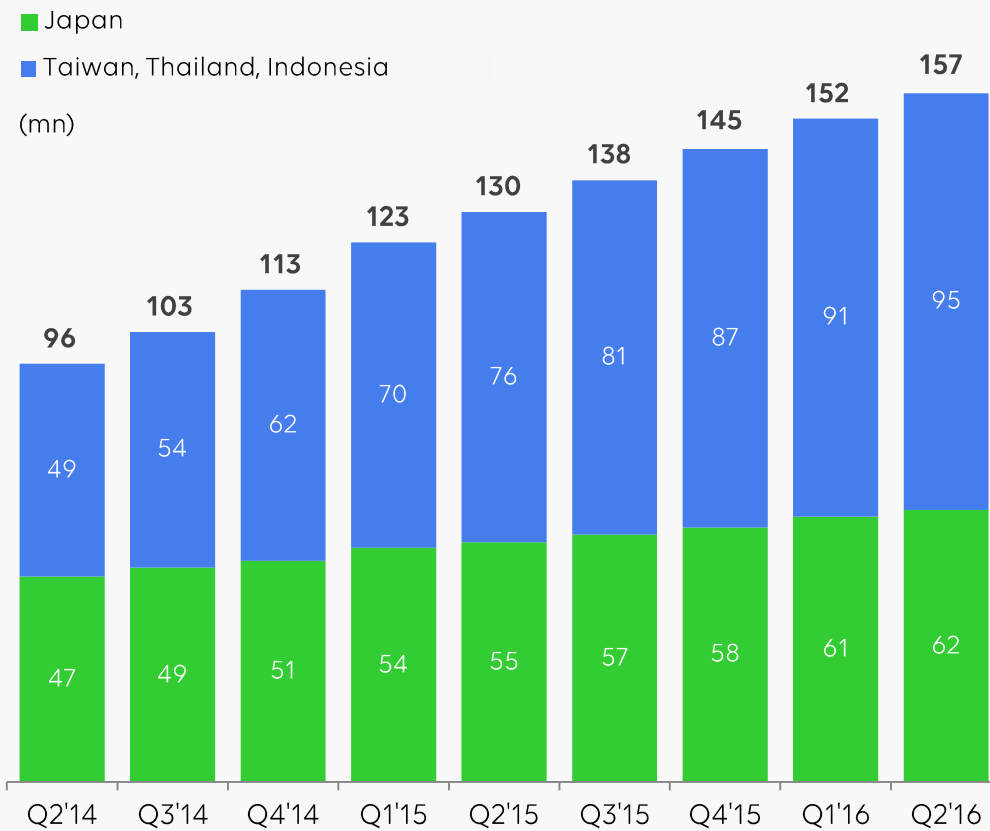
Communication

- New product launch
 - Pop-up sticker, Creators animation sticker, Creators themes

Service

- LINE NEWS
 - 【Japan】 Rise in MAUs from product upgrade and service enhancement
- LINE Today
 - 【Taiwan/Thailand/Indonesia】 News Portal Service launched
- LINE Pay
 - 【Japan】 Increase in transaction volume since launch of LINE Pay Card in March
 - 【Thailand】 Established 「RABBIT-LINE PAY Company Limited」

Monthly Active Users

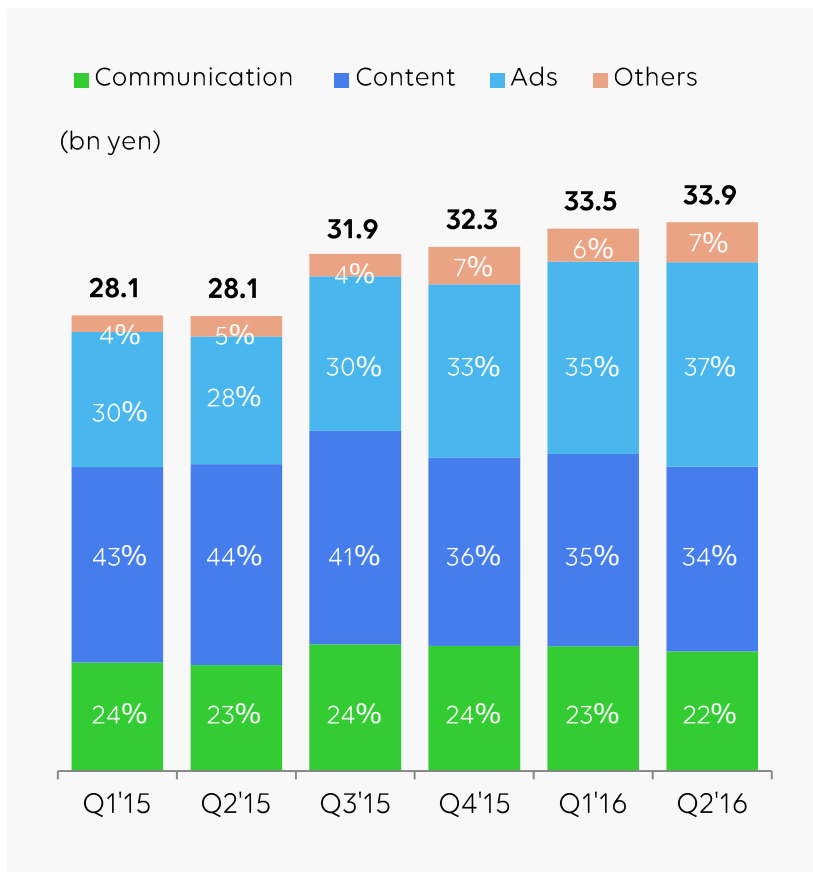


- 4 countries MAUs: 157mn, YoY 21% ↑
- 4 countries DAU/MAUs ratio: 73%
- Total MAUs: 220mn

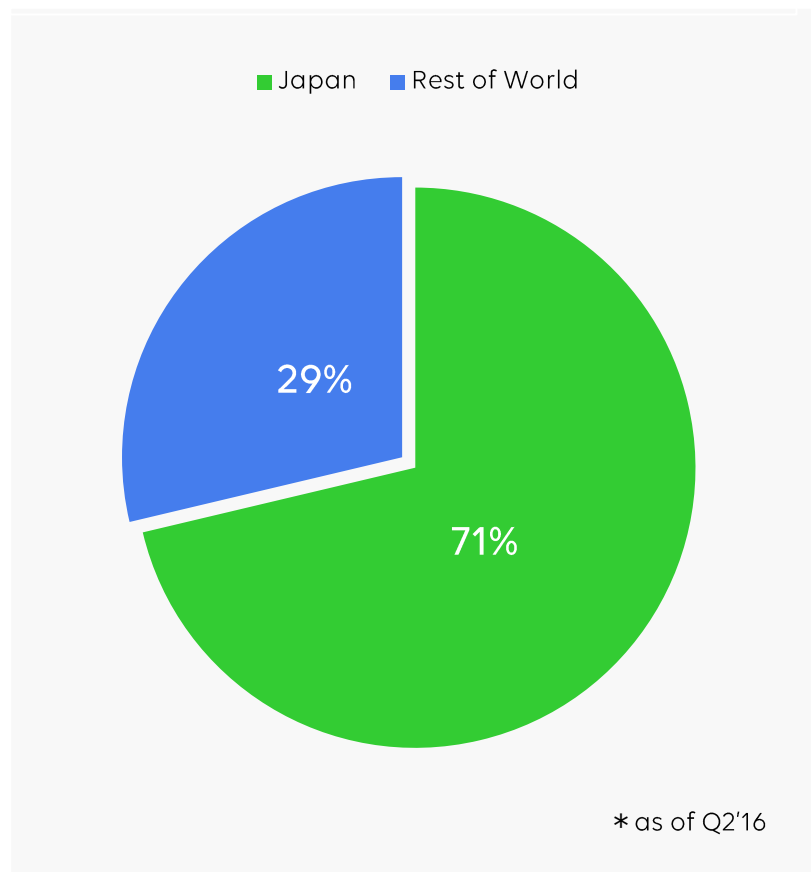
*as of June, 2016

Revenues

By Business

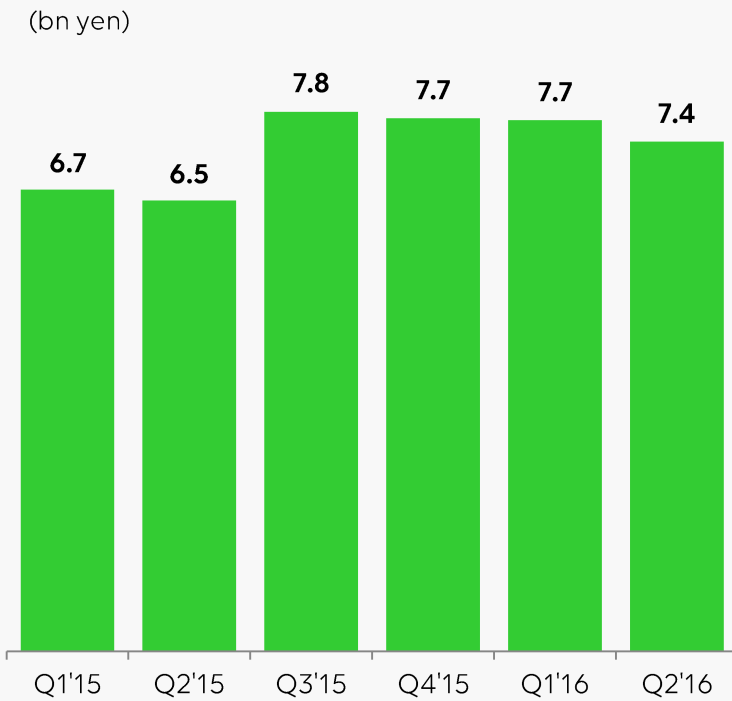


By Geography



Communication

Stickers, Theme, LINE Out(Call), etc



Communication revenue

YoY 13.1% ↑ / QoQ 4.0% ↓

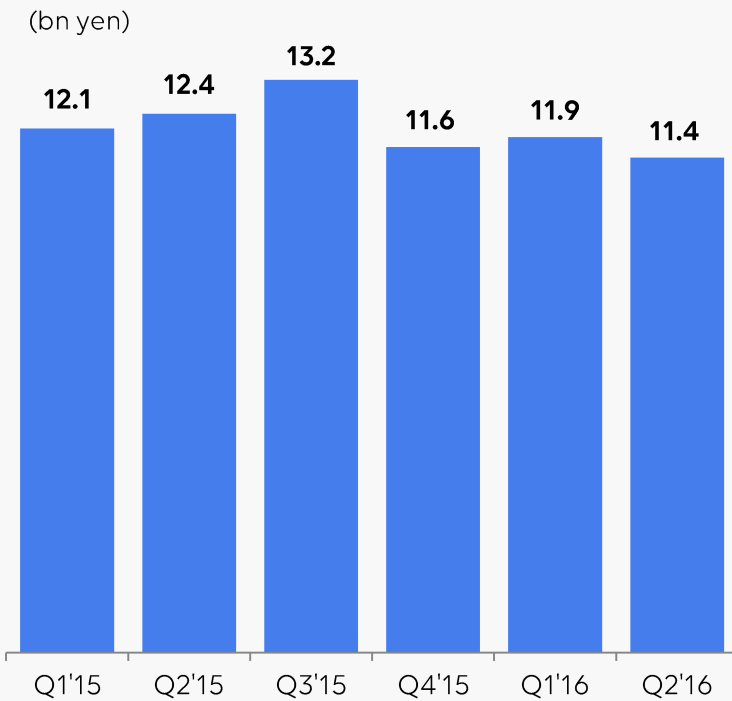
New product release

- Creators Theme (4/26)
- Pop-up Sticker (6/2)
- Creators Animation Sticker (6/21)



Content

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



Content revenue

YoY 8.2% ↓ / QoQ 4.0% ↓

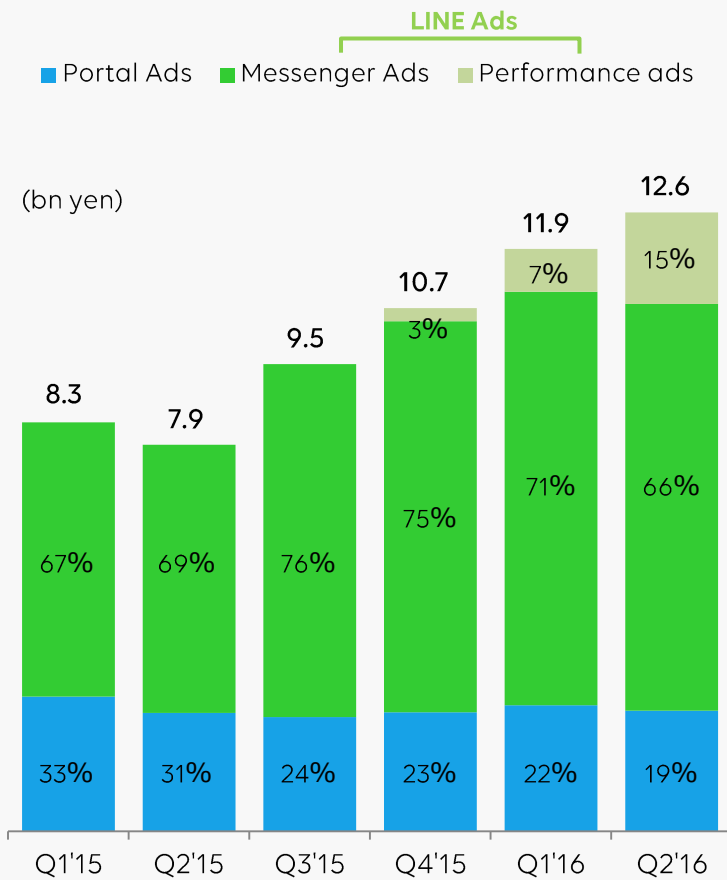
LINE GAME

- Delay of new title release in 2Q
- Early positive sign from release of Brown Farm in Taiwan and Thailand (6/24)

Game KPI	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
MAUs(mn)	37.5	35.7	32.0	31.9	30.8	28.9
PU Ratio	4.0%	4.0%	4.4%	5.2%	5.2%	4.9%

Ads

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



Ads revenue

YoY 60.1% ↑ / QoQ 6.3% ↑

LINE Ads revenue

YoY 85.9% ↑ / QoQ 9.2% ↑

Performance Ads

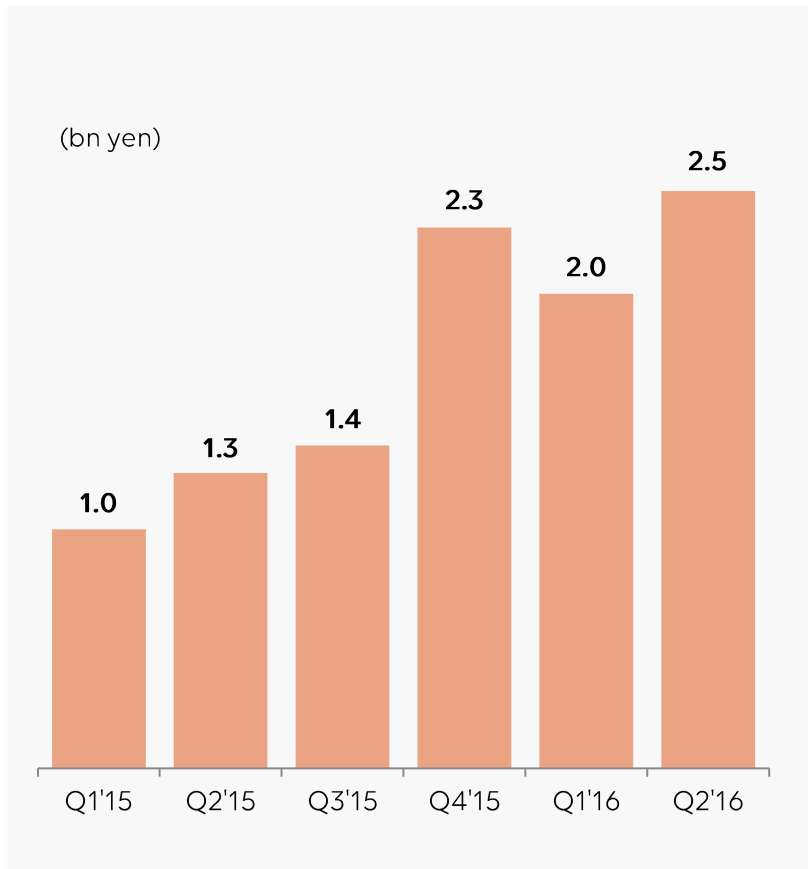
- Performance Ads fully launched starting June
- Placement of Ads in LINE NEWS

of Global Paid Official Account

Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
358	373	390	419	456	480

Others

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



Others revenue

YoY 95.5% ↑ / QoQ 21.6% ↑

LINE FRIENDS revenue

YoY 132.4% ↑ / QoQ 26.2% ↑

LINE Part-time Job revenue *LINE share only

YoY 514.2% ↑ / QoQ 44.8% ↑

**# of LINE FRIENDS STORE:
5 countries / 19 stores**



*as of June, 2016

Smart Portal Update



LINE NEWS

MAUs 41mn, YoY 281% ↑



LINE LIVE, LINE TV

MAUs 26mn
66% ↑ (vs Dec. 2015)



LINE MUSIC

MAUs 562% ↑ (vs Dec. 2015)



LINE Manga

MAUs YoY 190% ↑



B612(selfie)

MAUs 65mn, YoY 169% ↑

CONTENT PLATFORM



MESSAGING PLATFORM



LINE Pay

Global Transaction vol.
YoY 540% ↑



RABBIT-LINE PAY (JV with
BTS Group) established in
Thailand



LINE BOT API

Over 15K BOT developers
registered



LINE Part-time Job

of applicants YoY 140% ↑



LINE Man

on-demand assistant app
released(4/21) in Thailand

LIFE PLATFORM

*as of June, 2016

Earnings Summary

(mn yen)	Q2'15	Q1'16	Q2'16	Growth	
				Y/Y	Q/Q
Revenues and other operating income	28,174	34,116	38,235	35.7%	12.1%
Revenues	28,070	33,456	33,854	20.6%	1.2%
Communication	6,524	7,686	7,377	13.1%	-4.0%
Content	12,401	11,865	11,387	-8.2%	-4.0%
LINE Ads	5,466	9,302	10,160	85.9%	9.2%
Portal Ads	2,415	2,571	2,459	1.8%	-4.4%
Others	1,264	2,032	2,471	95.5%	21.6%
Other operating income	104	660	4,381	4,107.1%	563.5%
Operating expenses	30,532	28,778	30,206	-1.1%	5.0%
Operating income	-2,358	5,338	8,029	n/a	50.4%
Margin(%)	-8.4%	15.6%	21.0%	29.4%	5.4%
Pre-tax income	-2,229	4,143	6,544	n/a	58.0%
Tax	1,230	-2,737	-3,418	n/a	n/a
Net income from continuing operations	-998	1,406	3,126	-413.2%	122.3%
Discontinued operations income	-2,449	-1,640	-26	n/a	n/a
Net income	-3,447	-234	3,100	n/a	n/a

Earnings Summary | Supplemental Information

Other operating income

- **Sale of land in Fukuoka**
 - Sale of land in Fukuoka to Kyushu Railway Company for 5.05bn yen
 - Gain on sale : 2.46bn yen
- **Re-measurement to fair value of LINE Biz Plus Ltd. in Thailand ("BIZTH")**
 - 2.38bn yen increase in investment in joint ventures because BIZTH was deconsolidated as a result of the issuance of shares to BSS Holdings Co., Ltd. and is now accounted for as a joint venture (post-transaction shareholding of 50%)
 - Recorded gain of 1.73bn yen for the re-measurement to fair value of our 50% ownership interest

Effective Tax rate

- **Japan statutory tax rate of 33.1% differed from the effective consolidated tax rate of 52.2% for the 3-month period ended June 30, 2016, because of:**
 - Certain amount of stock-based compensation expenses are not deductible for tax purposes
 - Pre-tax loss by certain subsidiaries for which no deferred tax assets were recognized

Operating Expenses

(mn yen)	Q2'15	Q1'16	Q2'16	Growth	
				Y/Y	Q/Q
Operating expenses	30,532	28,778	30,206	-1.1%	5.0%
Payment processing and licensing	6,935	7,750	7,377	6.4%	-4.8%
Employee compensation	8,921	9,393	9,721	9.0%	3.5%
Marketing	5,233	2,307	2,448	-53.2%	6.1%
Infrastructure and communication	1,854	1,782	1,994	7.5%	11.9%
Authentication and other service	3,446	2,897	3,240	-6.0%	11.8%
Depreciation and amortization	935	968	1,266	35.3%	30.8%
Other operating expenses	3,208	3,681	4,160	29.7%	13.0%

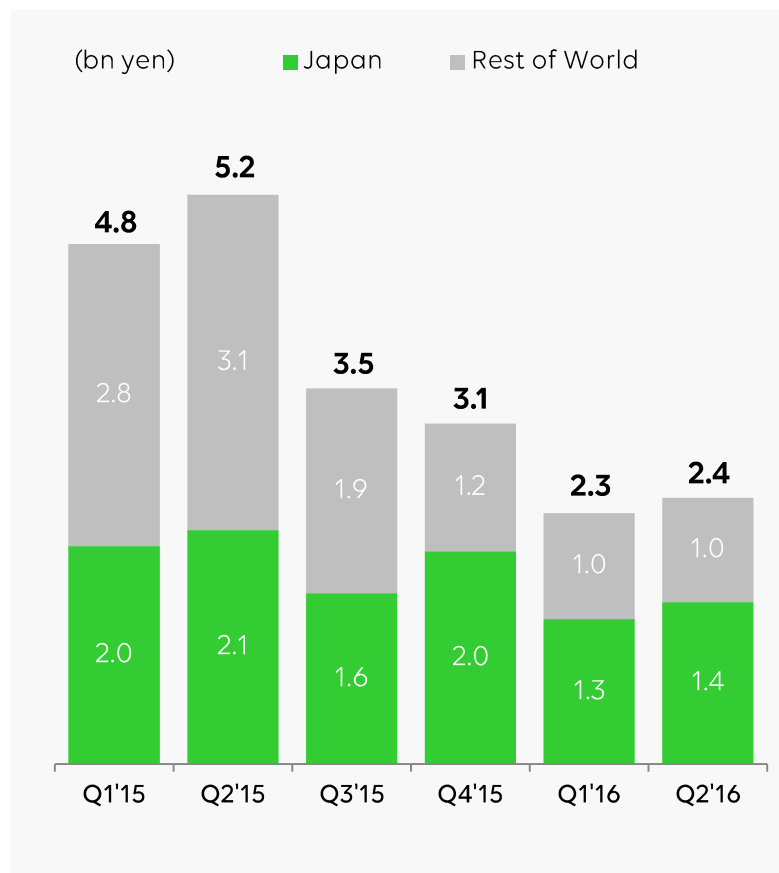
*Other operating expenses include LINE Friends COGS, office related expense and IPO related expenses

Employee compensation and Marketing

Employee compensation

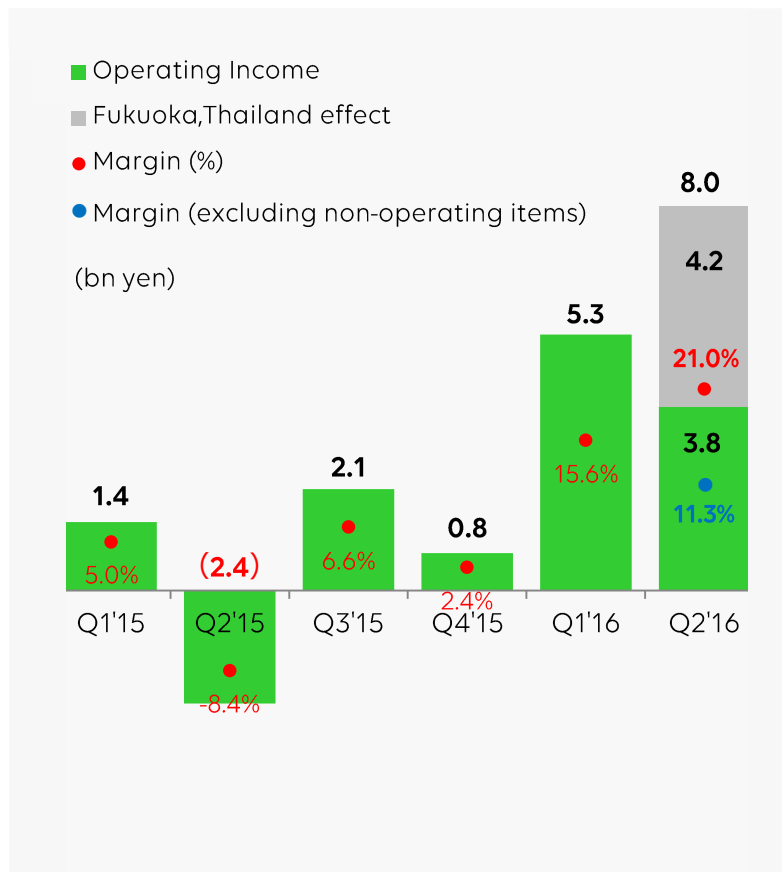


Marketing

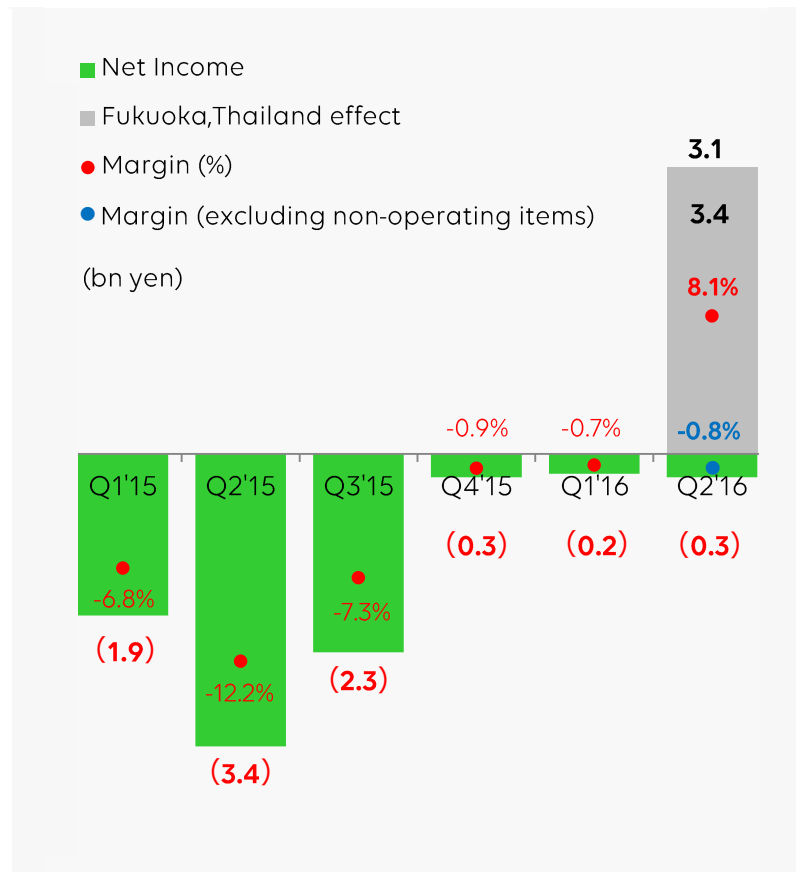


Operating & Net Income

Operating Income (Margin)



Net Income (Margin)



Q&A

LINE