

# LINE Q3 2017 Earnings Results

October 25, 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 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.

# LINE Q3 2017 Highlights

## Ads

- Performance Ads grew significantly due to the introduction of new ad products and improved targeting
  - Average ad unit price for Timeline/LINE NEWS in Japan exceeded 500 yen in September
- Messenger Ads showed steady growth in account services (Official Accounts, LINE@, etc.)

## Communication & Content

- Communication services continues to secure stable revenue
- Released new titles and enhancing development capabilities by reorganizing and managing studio individually

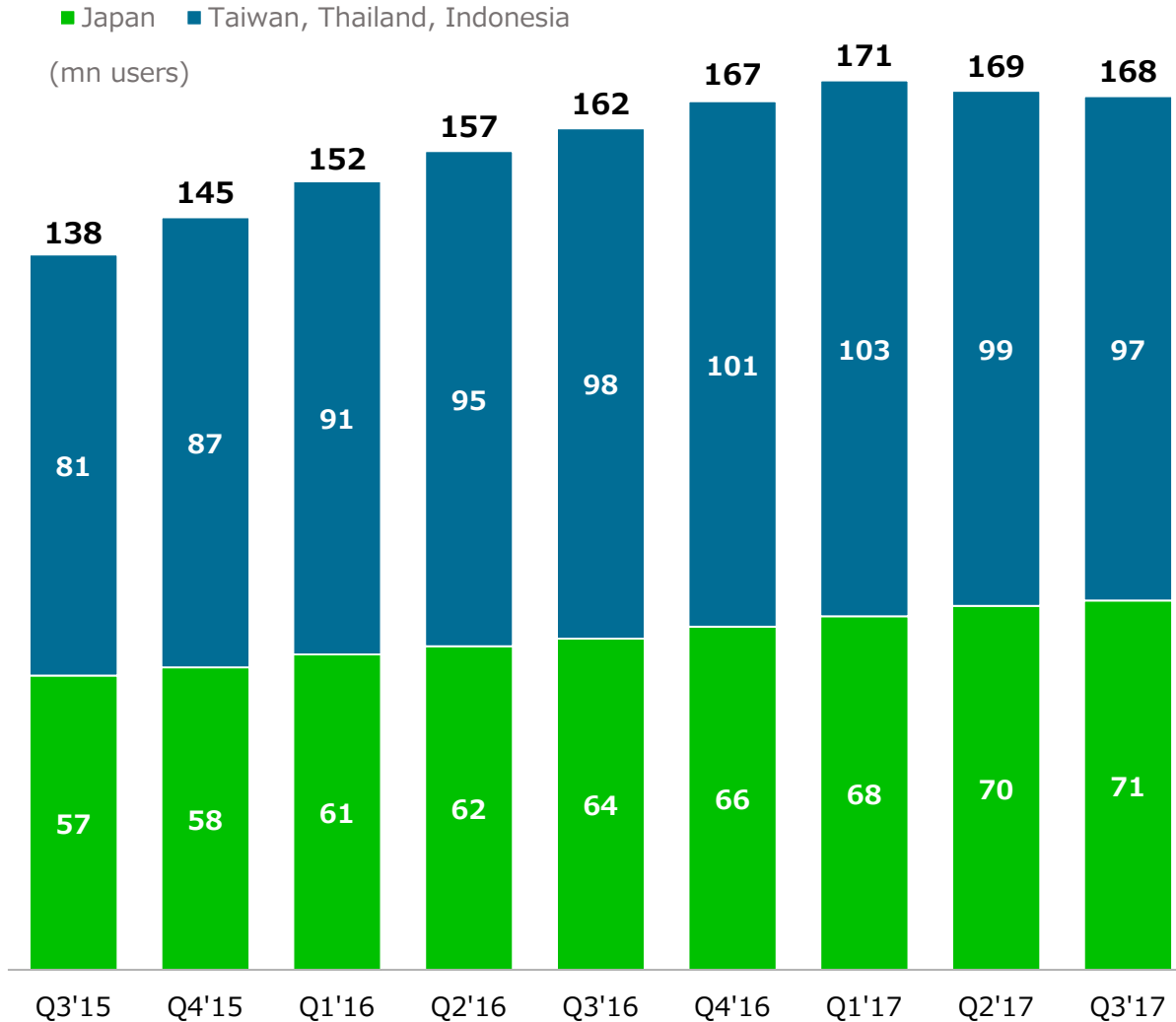
## Smart Portal

- Transaction volume for LINE Pay continues to grow globally
- LINE Shopping and Delima, fully launched during Q3, performing well
- Content services, such as LINE NEWS and LINE LIVE, continues to perform strongly
  - Content Portal tab introduced

## AI

- Official launch of "Clova WAVE" smart speaker

# Monthly Active Users (MAU)| Four Key Countries



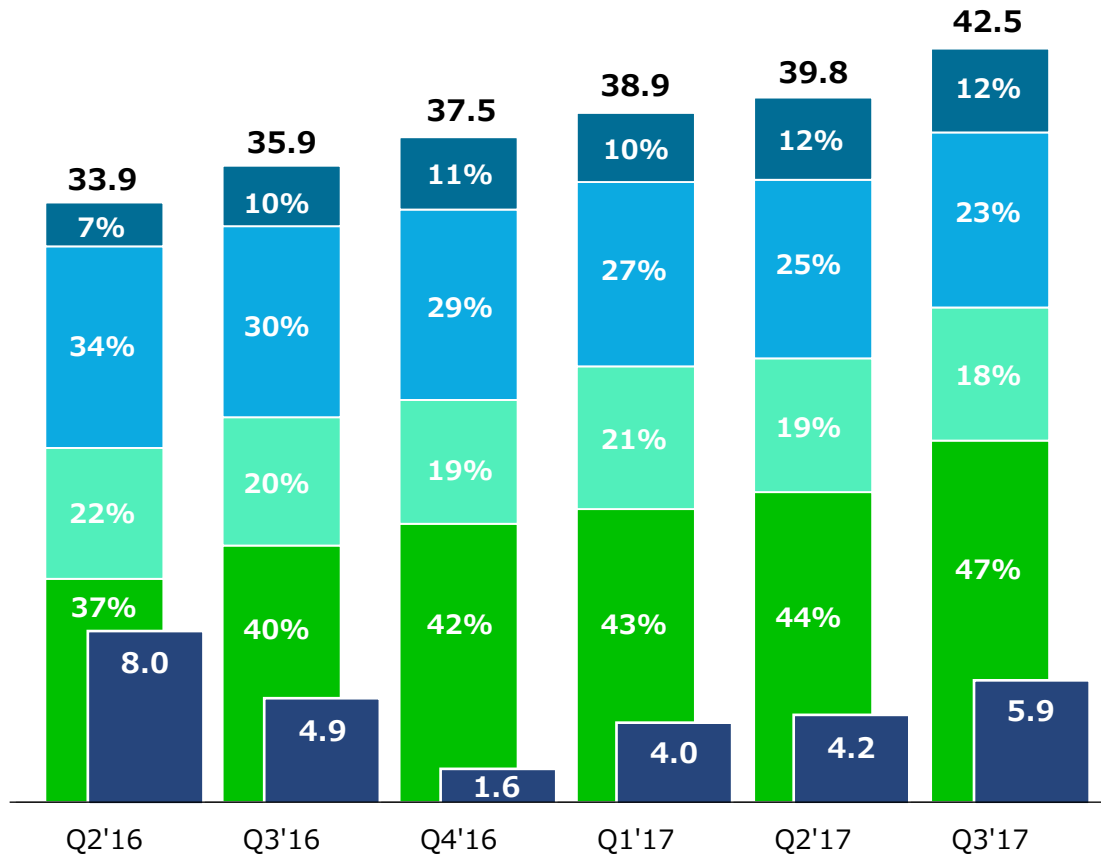
YoY 4.1% ↑  
DAU/MAU%: 74%

# Revenue & Operating Income

## Revenue by Business/OP Income \*

■ Ads 
 ■ Communication 
 ■ Content 
 ■ Other 
 ■ OP Income

(bn yen)



\*Operating Income (excl. one-time other OP Income)

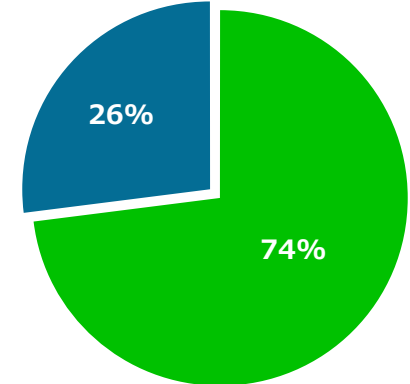
**Revenue** YoY 18.4% ↑

**OP Income\*** YoY 18.8% ↑

**Margin** 13.6%

## By Geography

■ Japan 
 ■ Rest of World

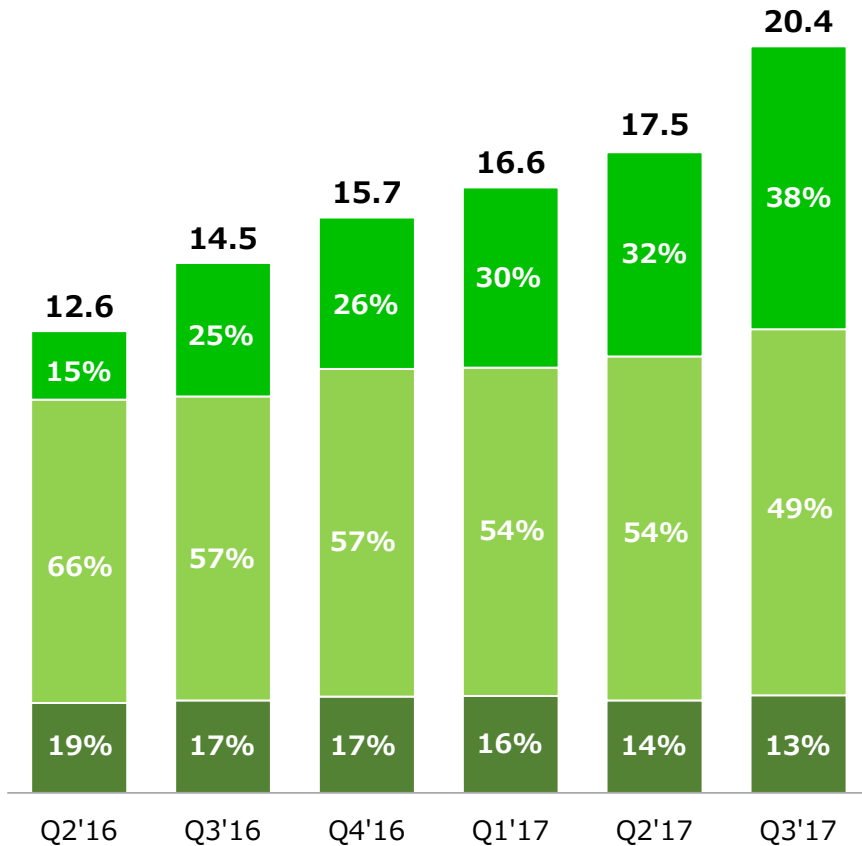


\*As of Q3 2017

# Ads

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

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



**Ads Revenue**

YoY 40.9% ↑

**Performance Ads Revenue**

YoY 112.0% ↑

## # of Official Accounts

(accounts)

Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
480	521	549	567	605	631

\* Global Paid Official Accounts

## # of LINE@ Accounts

(thousand accounts)

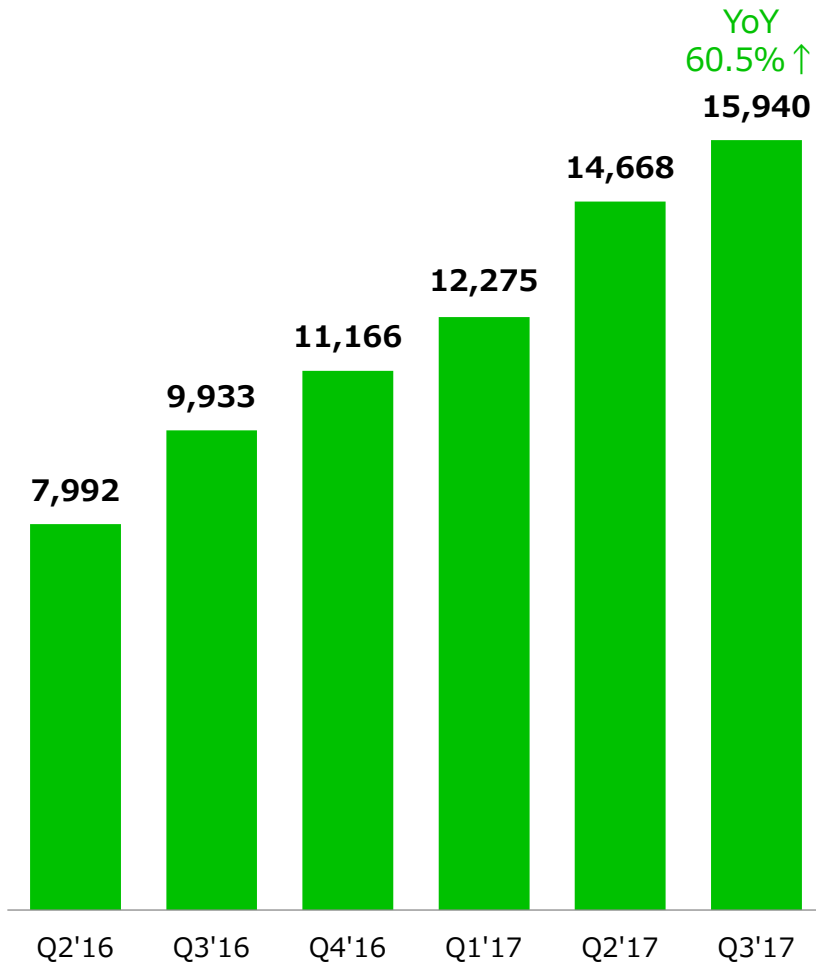
Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
2,952	3,411	4,037	4,725	5,413	6,085

\* Global Active Accounts

# Ads | Performance Ads Progress

## LAP\* Impressions

(mn impressions)



\* LAP: LINE Ads Platform

## Future Initiatives

### Ad Placement

- Extending ads to LINE family services
  - Japan: LINE Manga, LINE Blog
  - Overseas: LINE Today

### Products

- Vertical format on Timeline
- Look a like, ReEngagement
- Introducing LINE NEWS video ads (scheduled for Q4)

### Sales

- Acquisition of branding and video advertisers
- Opening sales office in Osaka / strengthening Western Japan sales
- Expanding customer base overseas

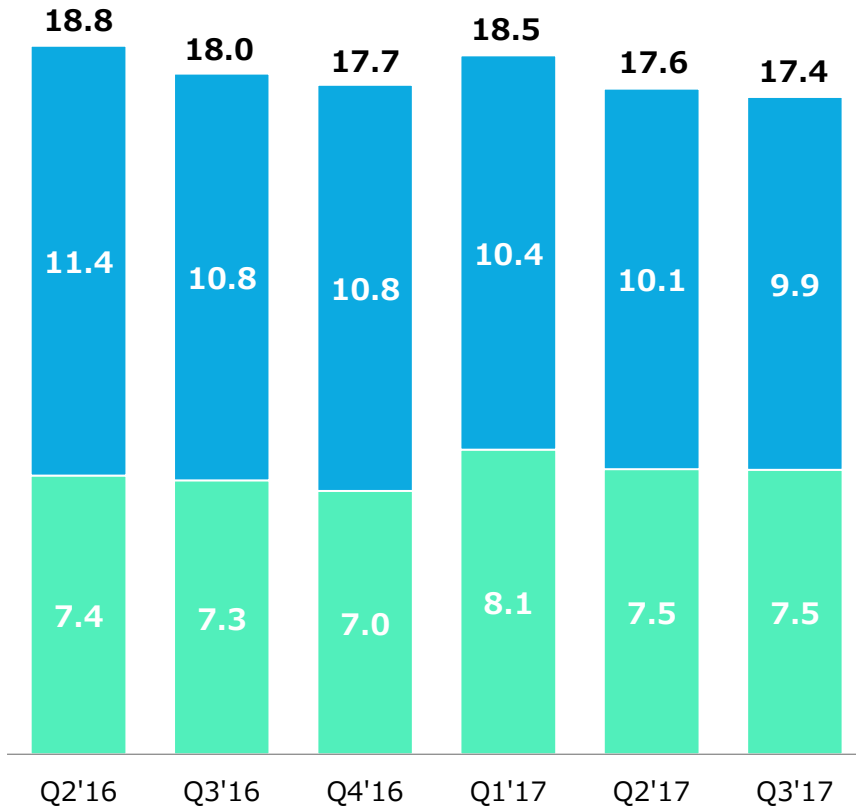
# Communication/Content

**Communication Revenue** YoY 3.7% ↑

**Content Revenue** YoY 8.3% ↓

■ Communication ■ Content

(bn yen)



## KPIs

	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
Avg. number of stickers sent per day (mn times)	397	384	407	441	433	413
Game MAU (mn users)	28.9	27.5	26.5	26.3	23.0	21.8
Game PU ratio	4.9%	5.1%	5.0%	5.2%	5.5%	5.7%

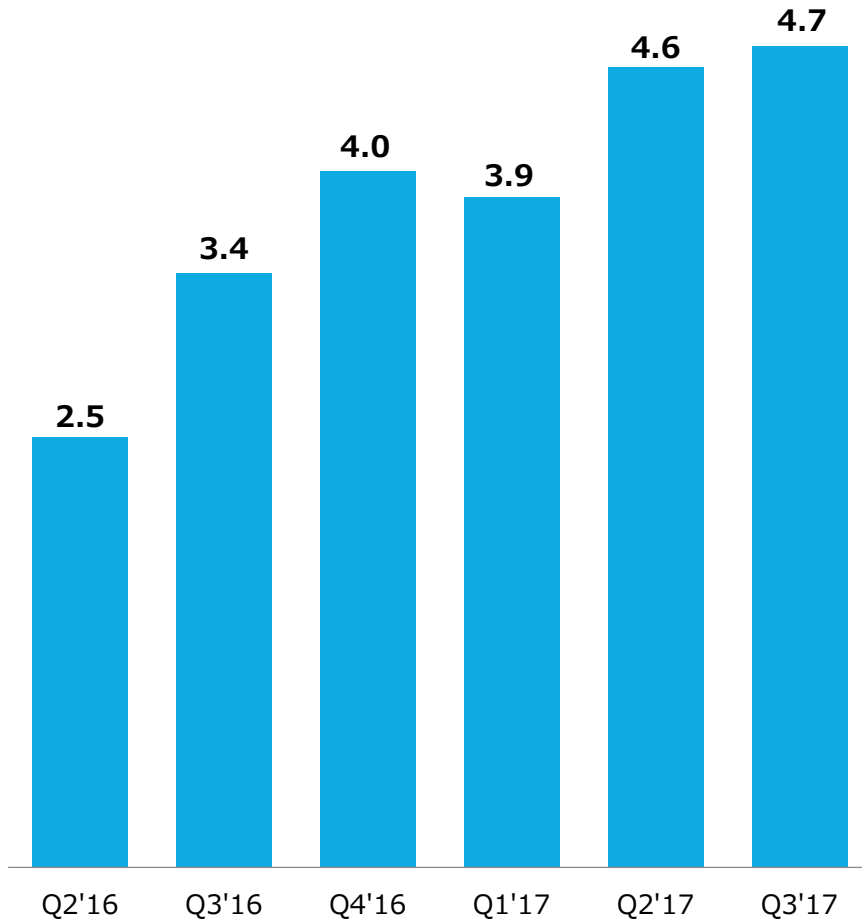


# Others

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

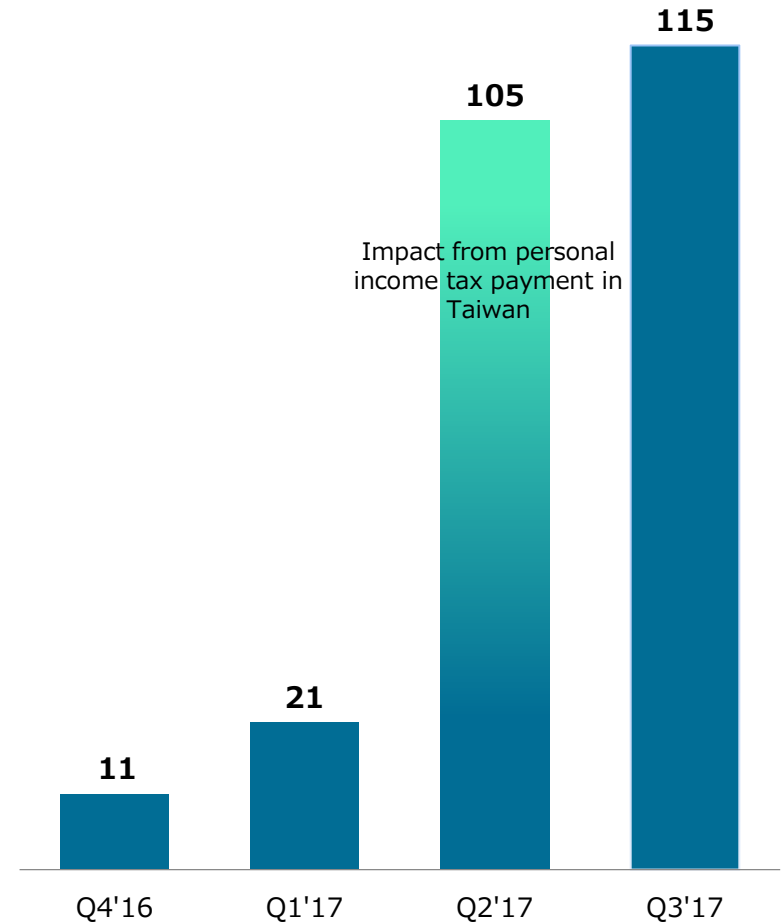
## Others Revenue YoY 38.2% ↑

(bn yen)



## LINE Pay Transaction Volume

(bn yen)

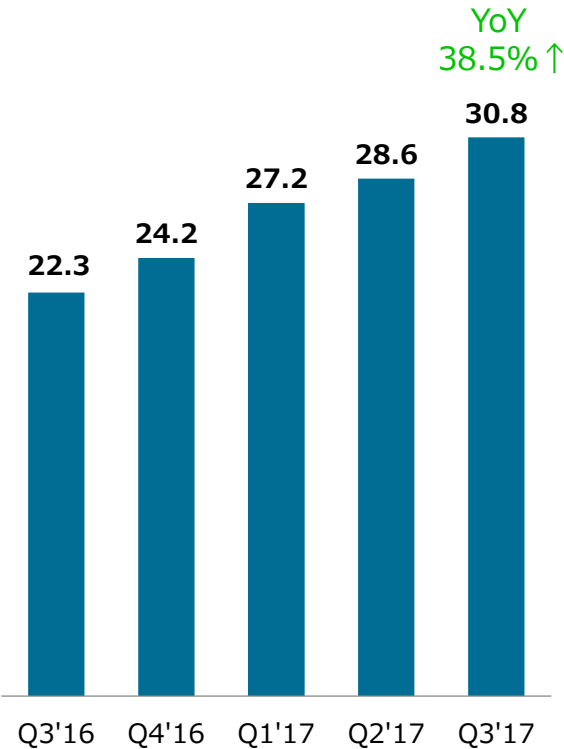


# Smart Portal Progress

## LINE Manga Transaction Volume



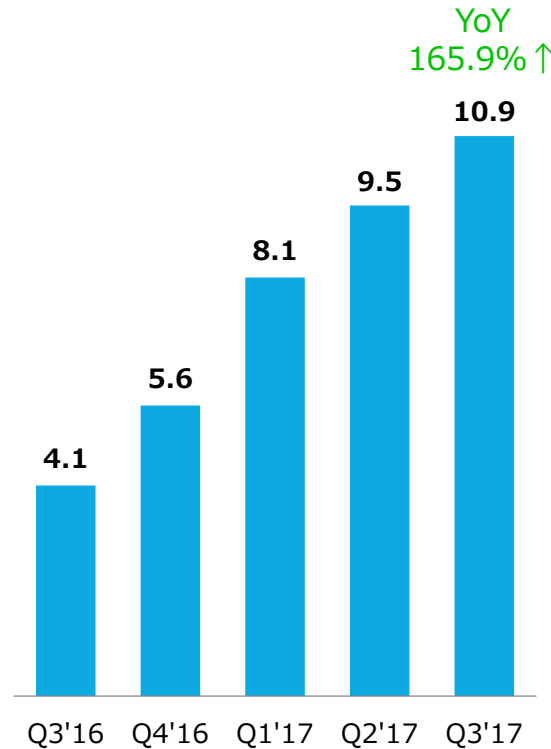
(100 mn yen)



## LINE Music Transaction Volume



(100 mn yen)



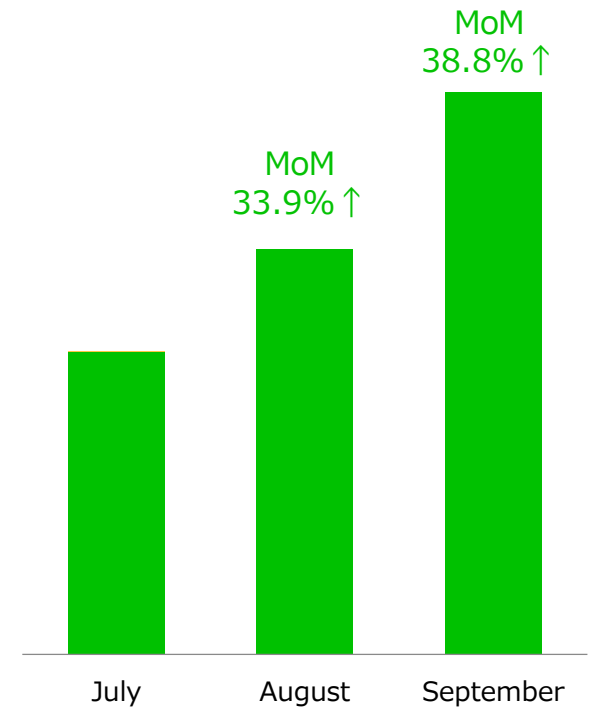
## LINE Shopping/Delima Transaction Volume



Registered users exceeded 10 million in 110 days from service launch (June 15)



Registered users exceeded 1.5 million in 50 days from service launch (July 26)

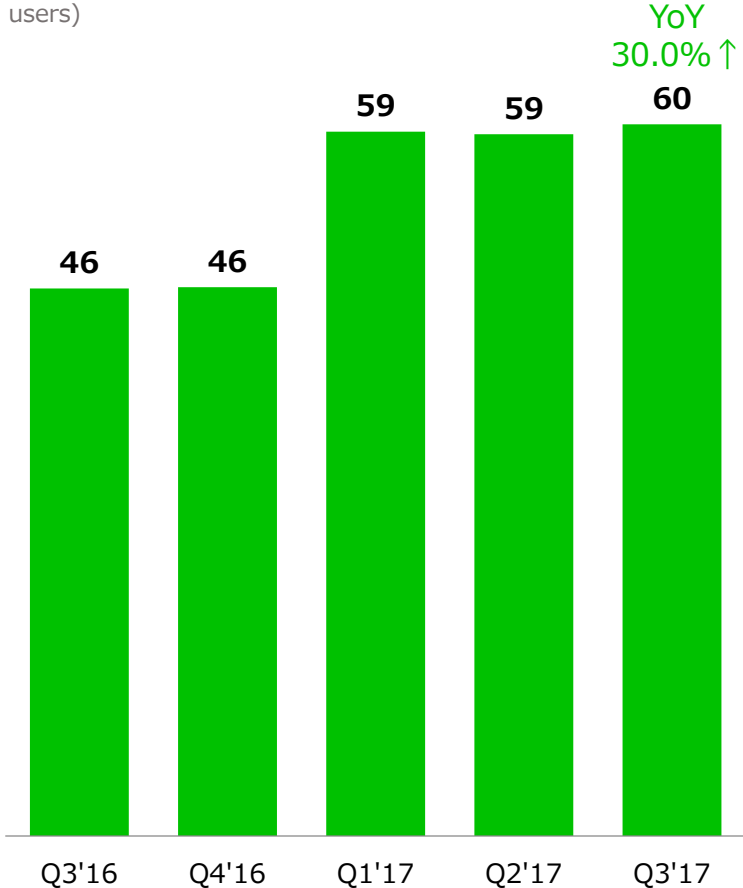


# Smart Portal Progress

## LINE NEWS MAU



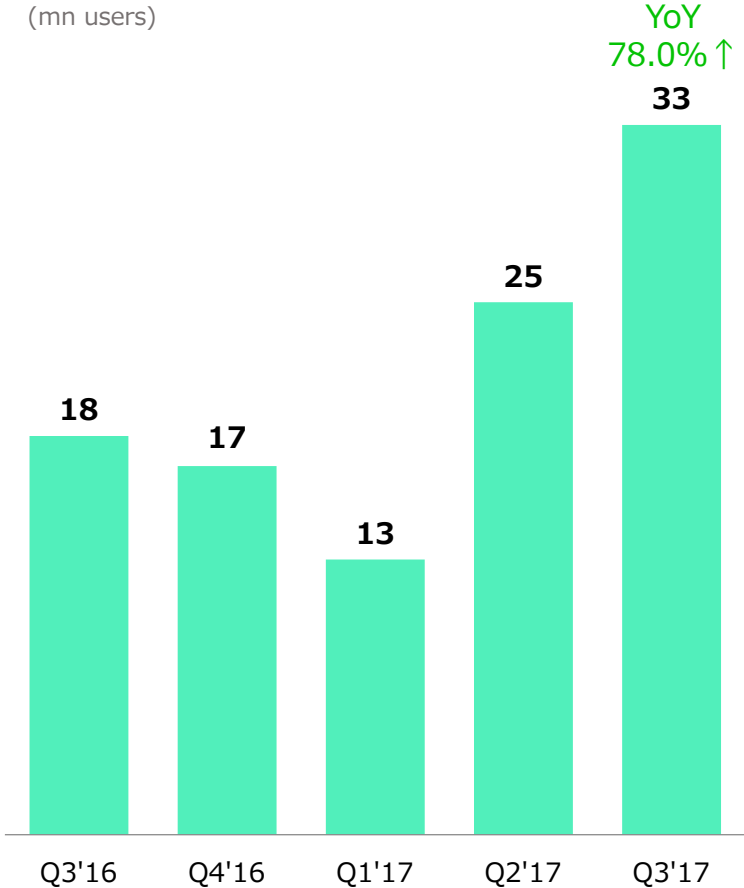
(mn users)



## LINE LIVE MAU



(mn users)



# Clova Cloud AI Platform



**"Clova WAVE"**  
Officially on sale from  
October 5, 2017



**"Clova Champ"**  
Launching 2017 Winter

# Earnings Summary (Q3 2017)

(mn yen)	Q3'16	Q2'17	Q3'17	Growth Rate	
				Y/Y	Q/Q
<b>Revenues and other operating income</b>	<b>36,099</b>	<b>50,474</b>	<b>43,028</b>	<b>19.2%</b>	<b>-14.8%</b>
<b>Revenues</b>	<b>35,929</b>	<b>39,780</b>	<b>42,537</b>	<b>18.4%</b>	<b>6.9%</b>
Ads	14,484	17,507	20,411	40.9%	16.6%
Communication	7,254	7,548	7,526	3.7%	-0.3%
Content	10,773	10,080	9,879	-8.3%	-2.0%
Other	3,418	4,645	4,721	38.2%	1.6%
<b>Other operating income</b>	<b>170</b>	<b>10,694</b>	<b>491</b>	<b>189.9%</b>	<b>-95.4%</b>
<b>Operating expenses</b>	<b>31,172</b>	<b>35,870</b>	<b>37,178</b>	<b>19.3%</b>	<b>3.6%</b>
<b>Operating income</b>	<b>4,927</b>	<b>14,604</b>	<b>5,850</b>	<b>18.8%</b>	<b>-59.9%</b>
<i>Margin(%)</i>	13.6%	28.9%	13.6%	-0.1pt	-15.3pt
<b>Pre-tax income</b>	<b>4,578</b>	<b>13,395</b>	<b>4,237</b>	<b>-7.5%</b>	<b>-68.4%</b>
Corporate tax	1,664	4,474	2,598	56.1%	-41.9%
<b>Net income from continuing operations</b>	<b>2,914</b>	<b>8,921</b>	<b>1,639</b>	<b>-43.8%</b>	<b>-81.6%</b>
Discontinued operations income	-96	-4	-4	-95.7%	1.3%
<b>Net income</b>	<b>2,818</b>	<b>8,917</b>	<b>1,635</b>	<b>-42.0%</b>	<b>-81.7%</b>

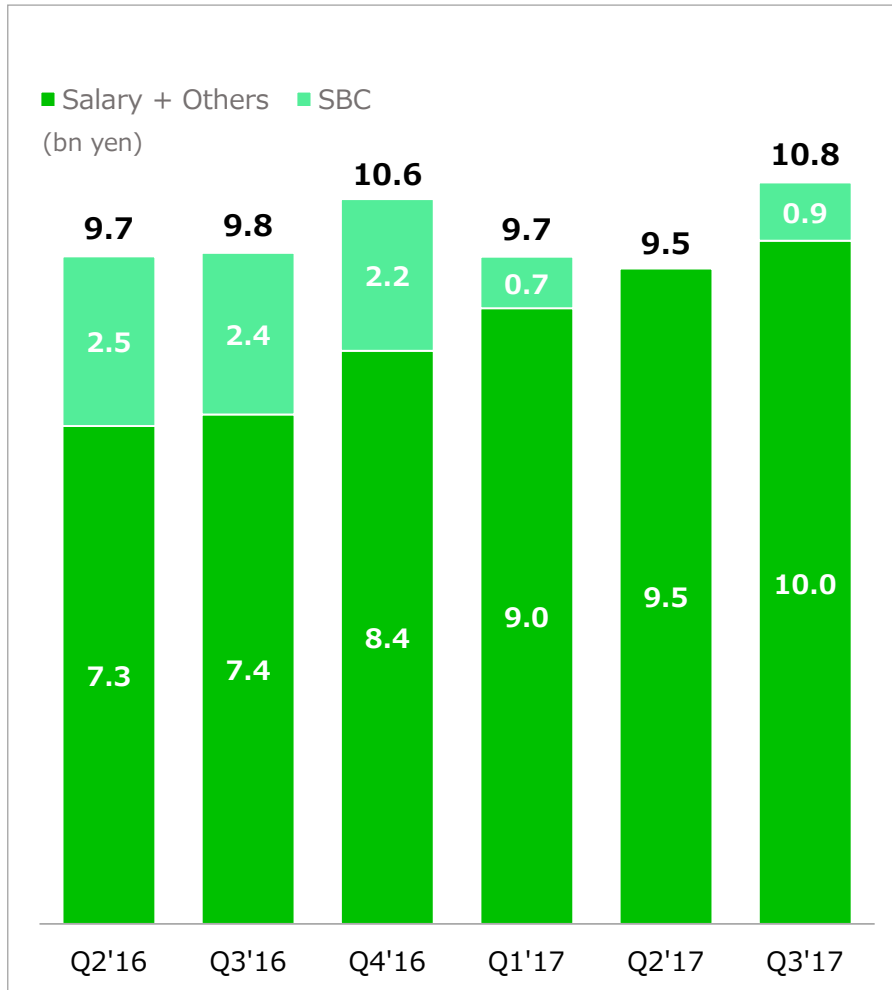
# Operating Expenses

(mn yen)	Q3'16	Q2'17	Q3'17	Growth Rate	
				Y/Y	Q/Q
<b>Operating expenses</b>	<b>31,172</b>	<b>35,870</b>	<b>37,178</b>	<b>19.3%</b>	<b>3.6%</b>
Payment processing and licensing	7,308	7,340	7,296	-0.2%	-0.6%
Employee compensation	9,775	9,547	10,799	10.5%	13.1%
Marketing	2,798	3,832	2,538	-9.3%	-33.8%
Infrastructure and communication	1,881	2,243	2,225	18.3%	-0.8%
Authentication and other services	3,584	5,756	6,512	81.7%	13.1%
Depreciation and amortization	1,425	1,541	1,870	31.2%	21.4
Other operating expenses	4,401	5,611	5,938	34.9%	5.8%

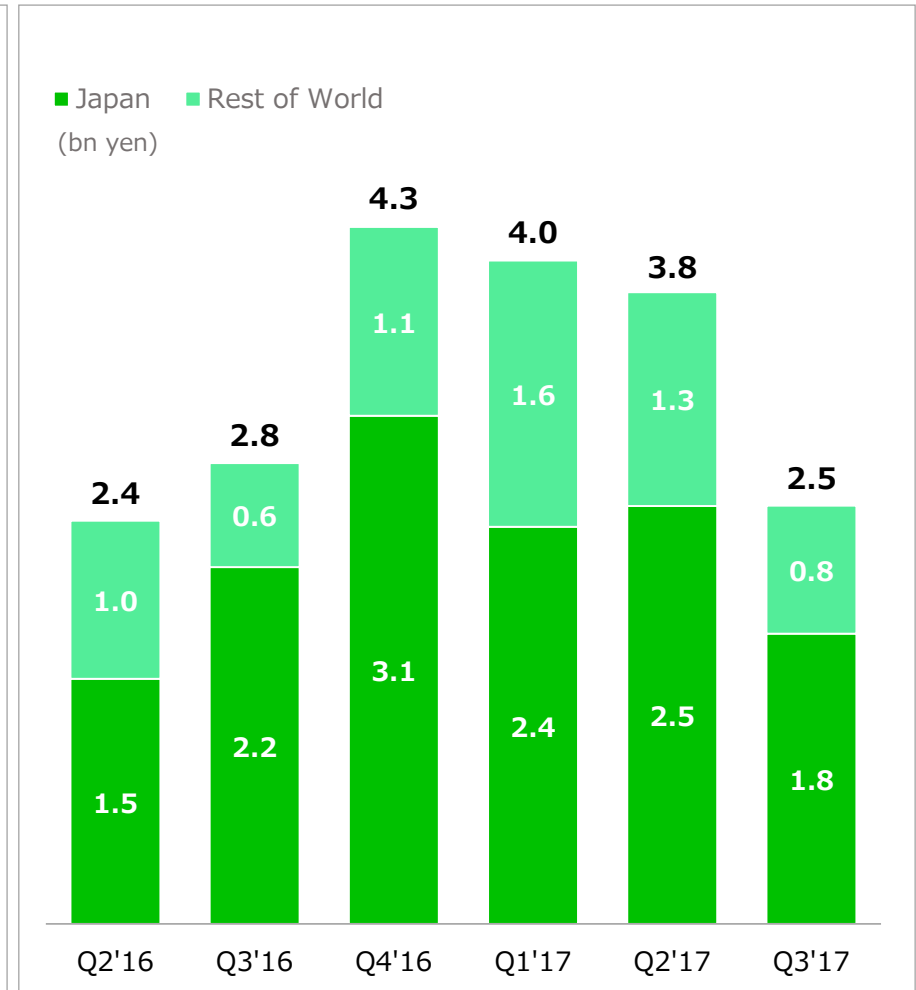
\* "Other operating expenses" includes LINE Friends COGS and office related expenses

# Employee Compensation & Marketing

## Employee Compensation

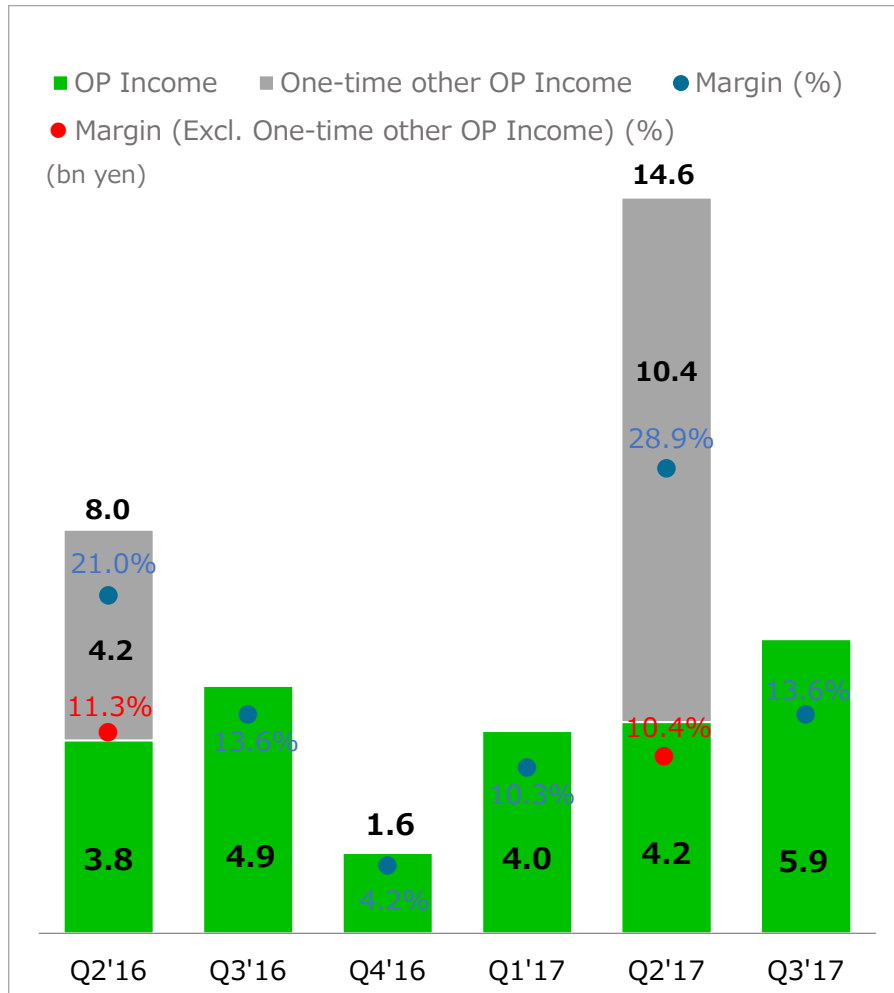


## Marketing

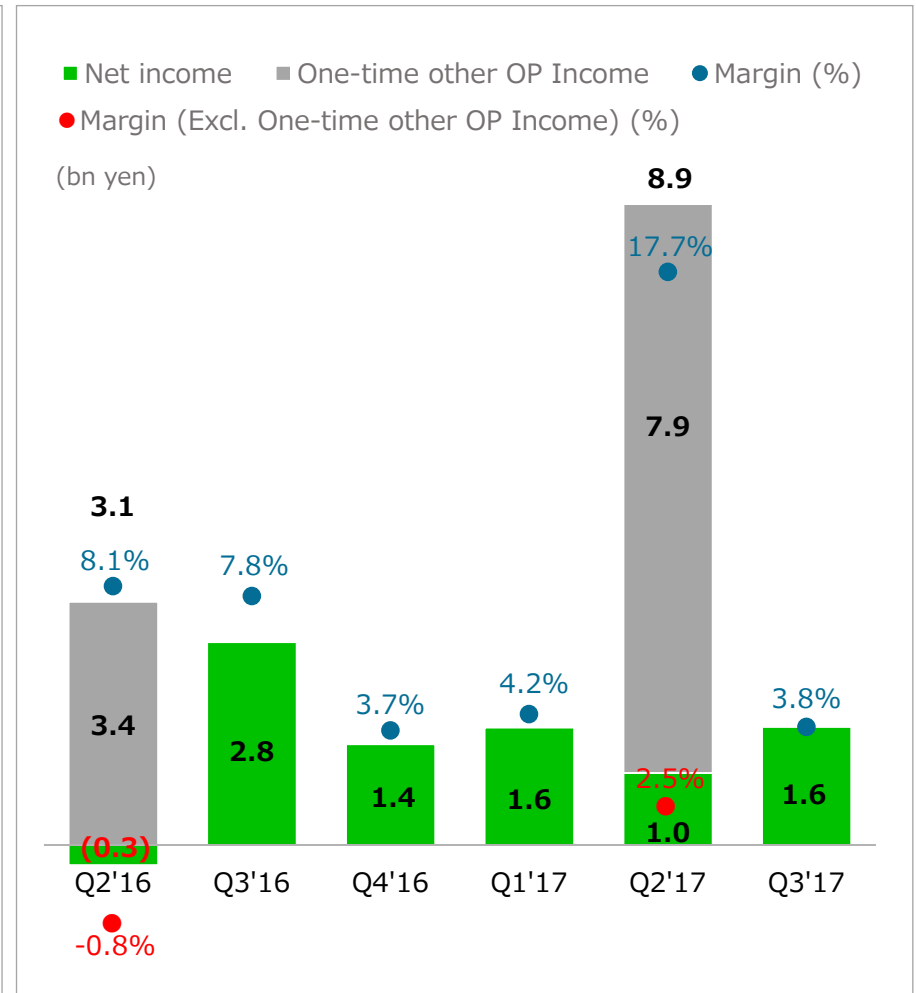


# Operating & Net Income

## OP Income (Margin)



## Net Income (Margin)





**LINE**