

LINE Q4 2016 Earnings Results

January 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 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 (Q4 2016)

Ads

- Steady growth in the number of official accounts for Messenger Ads
- Performance Ads continues to add Ad inventory and clients

Communication & Content

- Sharp increase in sticker engagement. Year-end campaigns contributing to Paying User (PU) growth
- Solid revenue from existing game titles

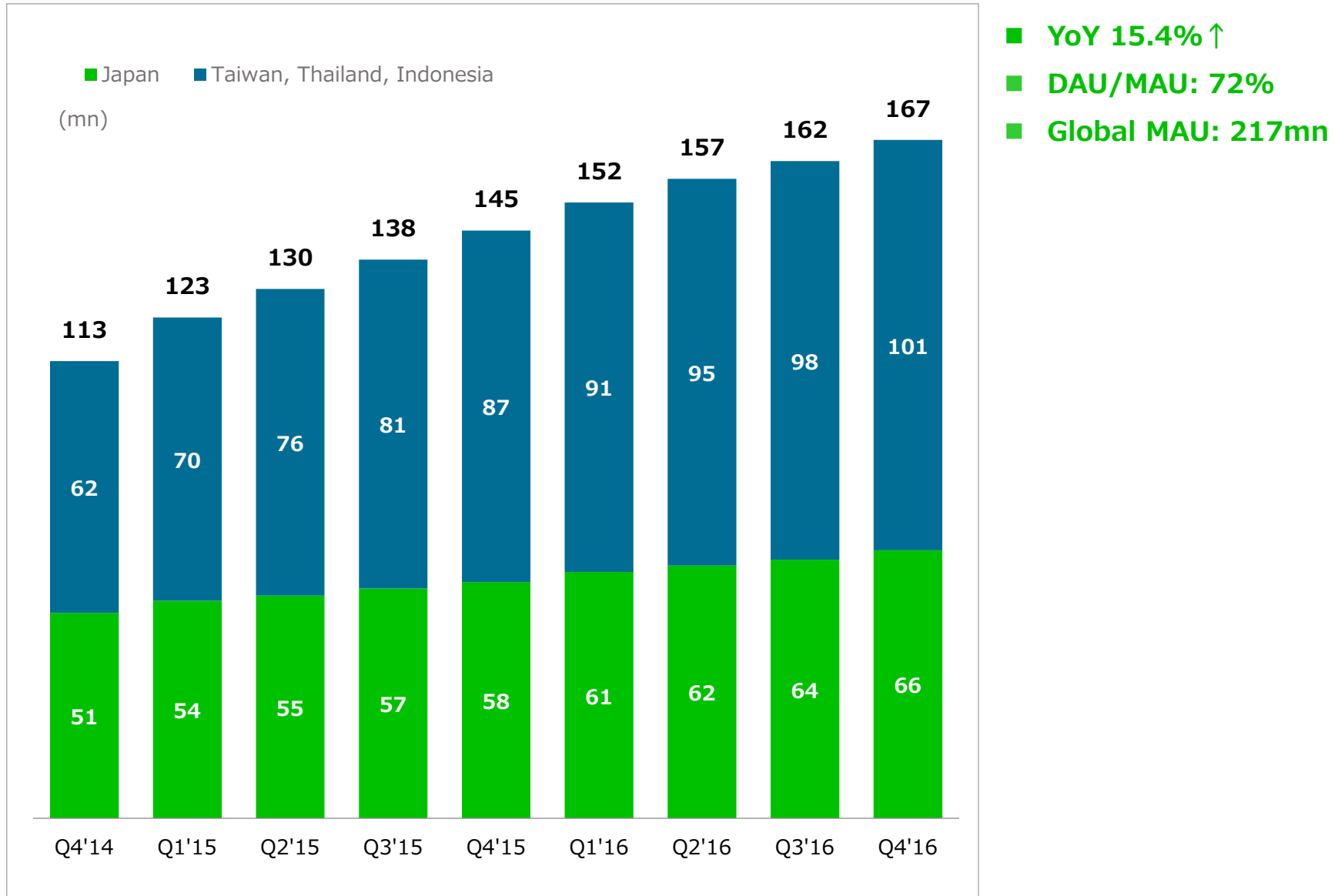
Smart Portal

- LINE NEWS MAU continue to grow globally
- Number of LINE Pay registered accounts and GMV steadily rising

Financial

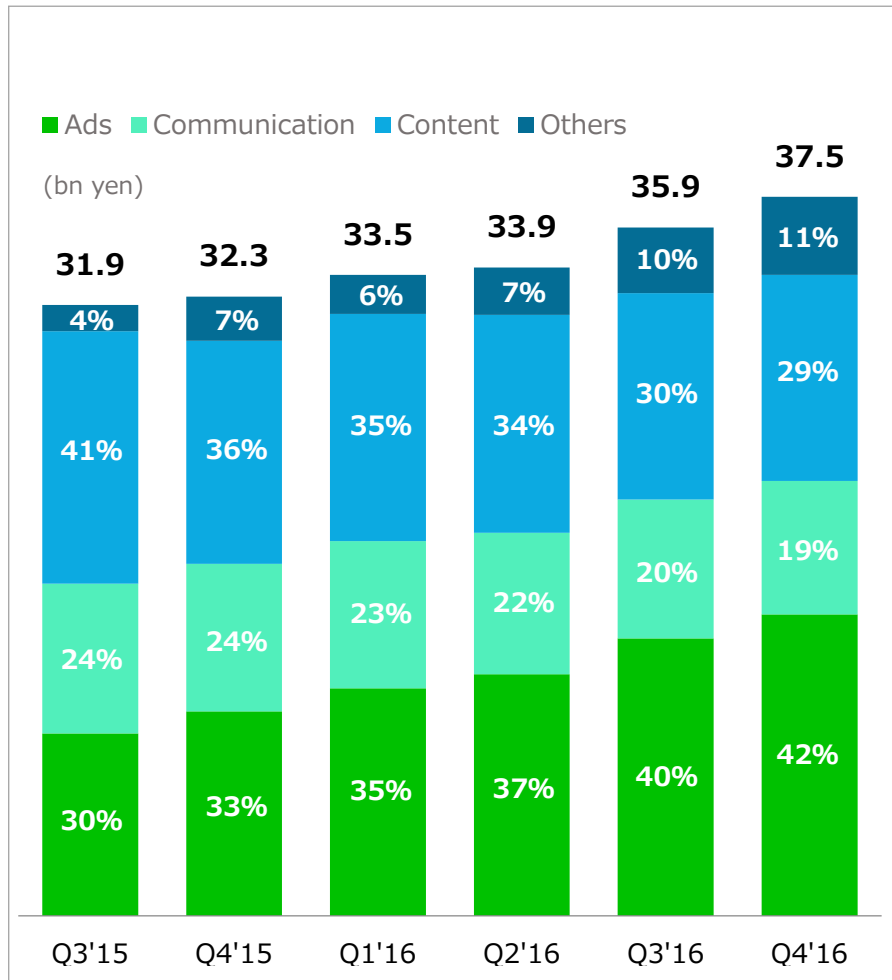
- Negative impact of 678mn yen in revenues and 1.08bn yen in operating income due to adjustments to reconcile the differences in settlement amounts from the in-app payment processing platform providers

Monthly Active Users | Four Key Countries

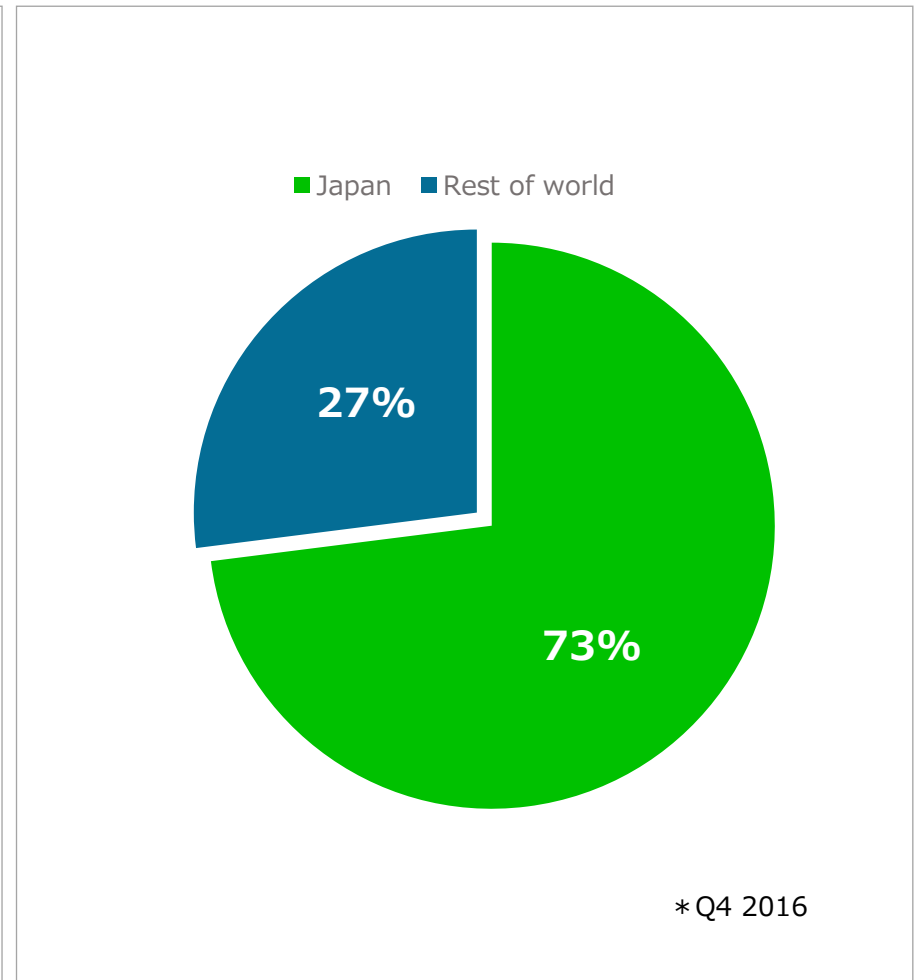


Revenues

By Business

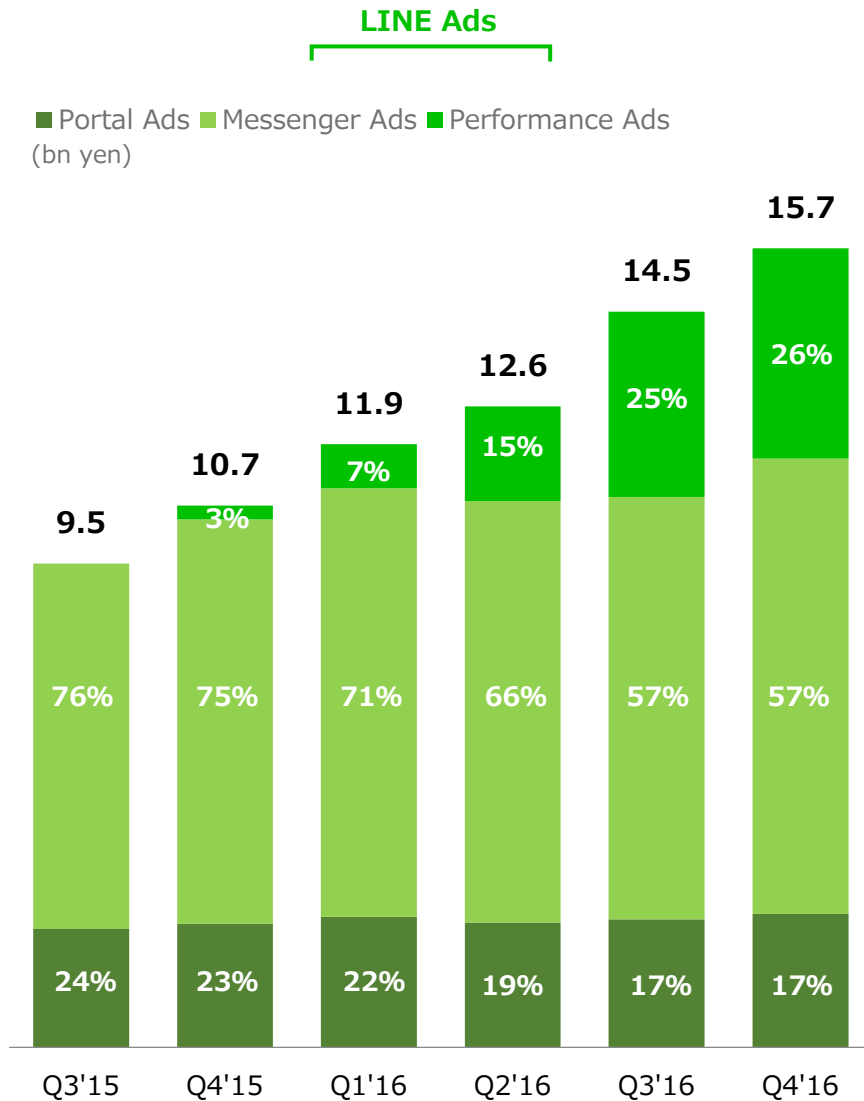


By Geography



Ads

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



Ads revenue

YoY 47.5% ↑ / QoQ 8.6% ↑

LINE Ads revenue

YoY 59.1% ↑ / QoQ 9.5% ↑

of Global Paid Official Accounts

Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
390	419	456	480	521	549

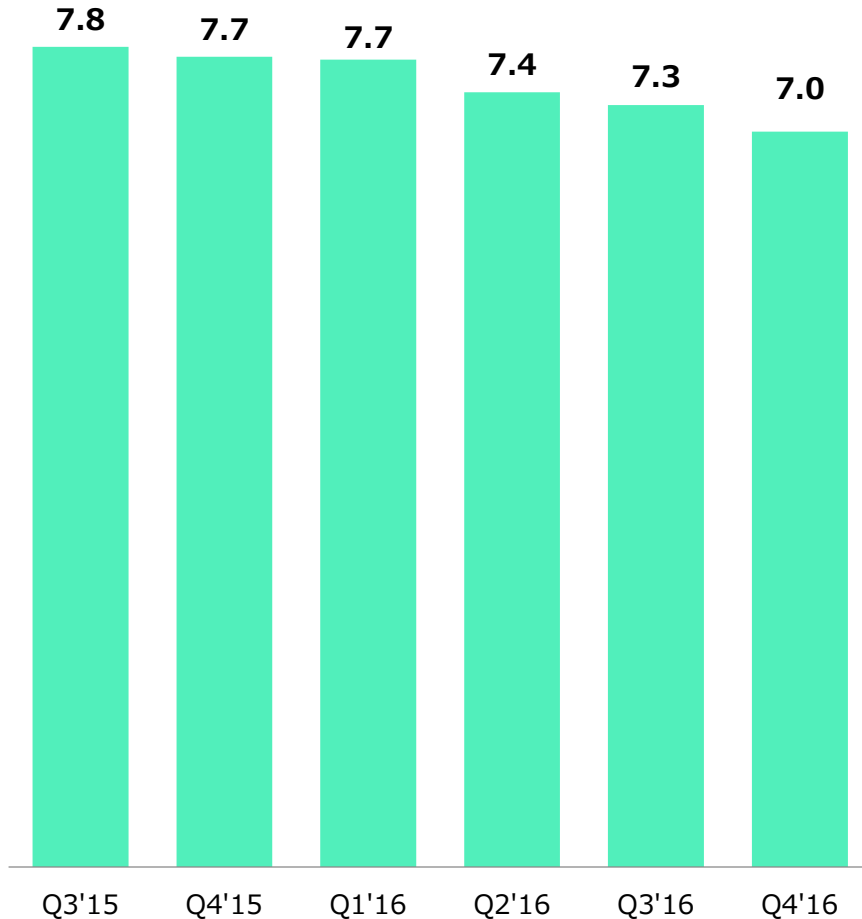
LINE Ads Platform Impressions (mn)

Q1'16	Q2'16	Q3'16	Q4'16
6,751	7,992	9,933	11,166

Communication

Stickers, Theme, LINE Out(Call), etc

(bn yen)



Communication revenue

YoY 9.6% ↓ / QoQ 3.9% ↓

- Sticker settlement amount recovered but revenue declined due to 469mn yen adjustment

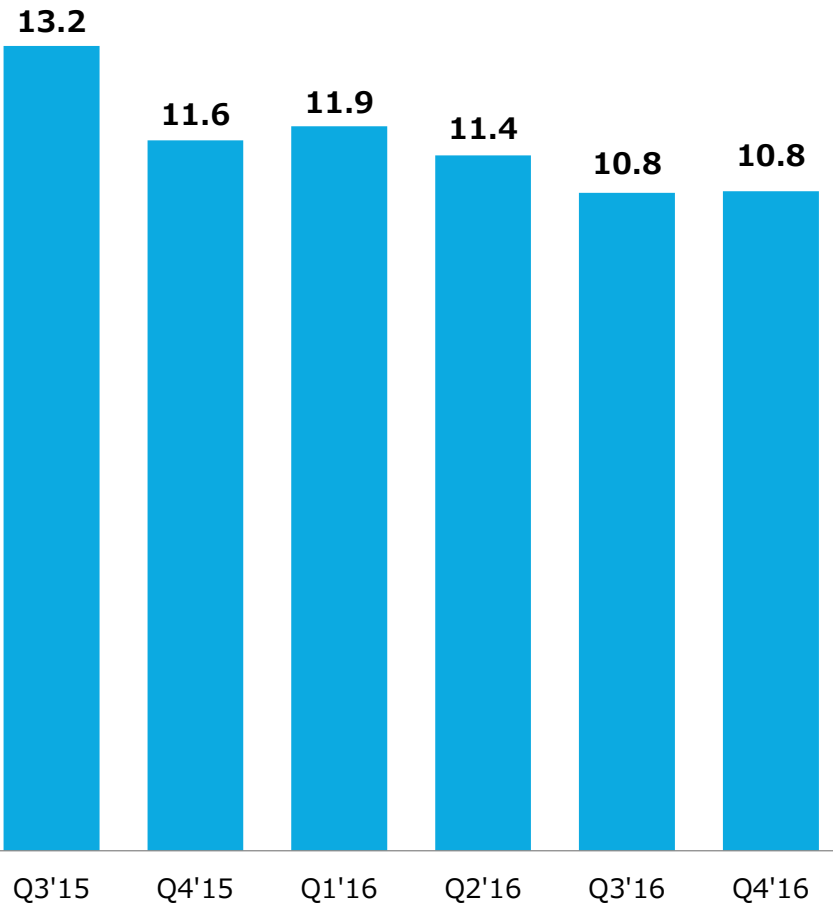
Daily average number of stickers sent (mn)

Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
379	388	389	397	384	407

Content

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

(bn yen)



Content revenue

YoY 7.5% ↓ / QoQ 0.1% ↓

- Solid revenue from existing casual game but revenue was flat due to 209mn yen adjustment

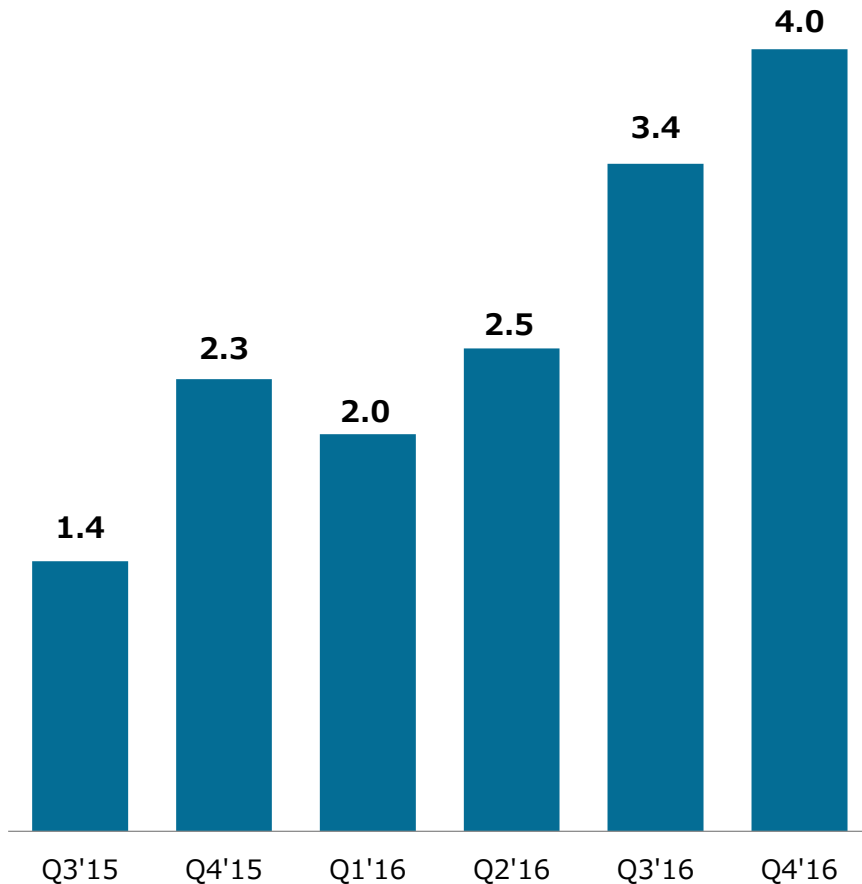
LINE GAME KPI

	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
MAU(mn)	32.0	31.9	30.8	28.9	27.5	26.5
PU ratio	4.4%	5.2%	5.2%	4.9%	5.1%	5.0%

Others

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

(bn yen)



Others revenue

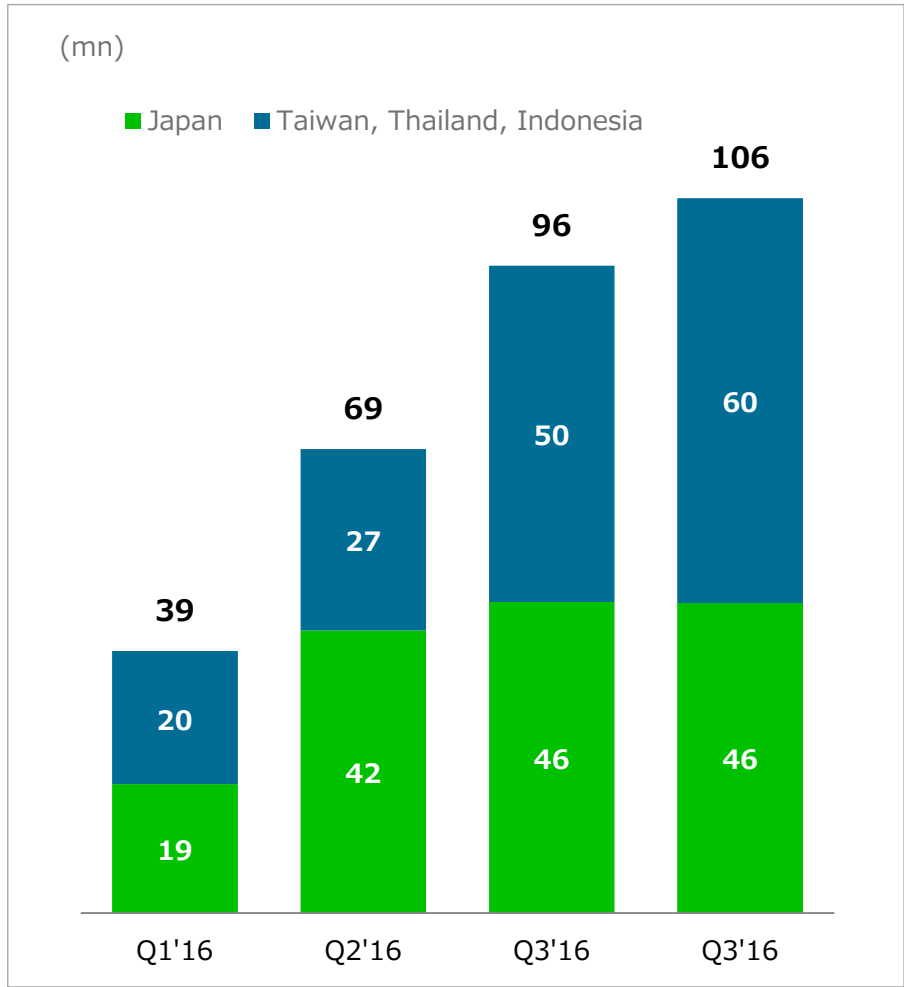
YoY 72.9% ↑ / QoQ 17.1% ↑

of LINE Friends stores in 5 countries

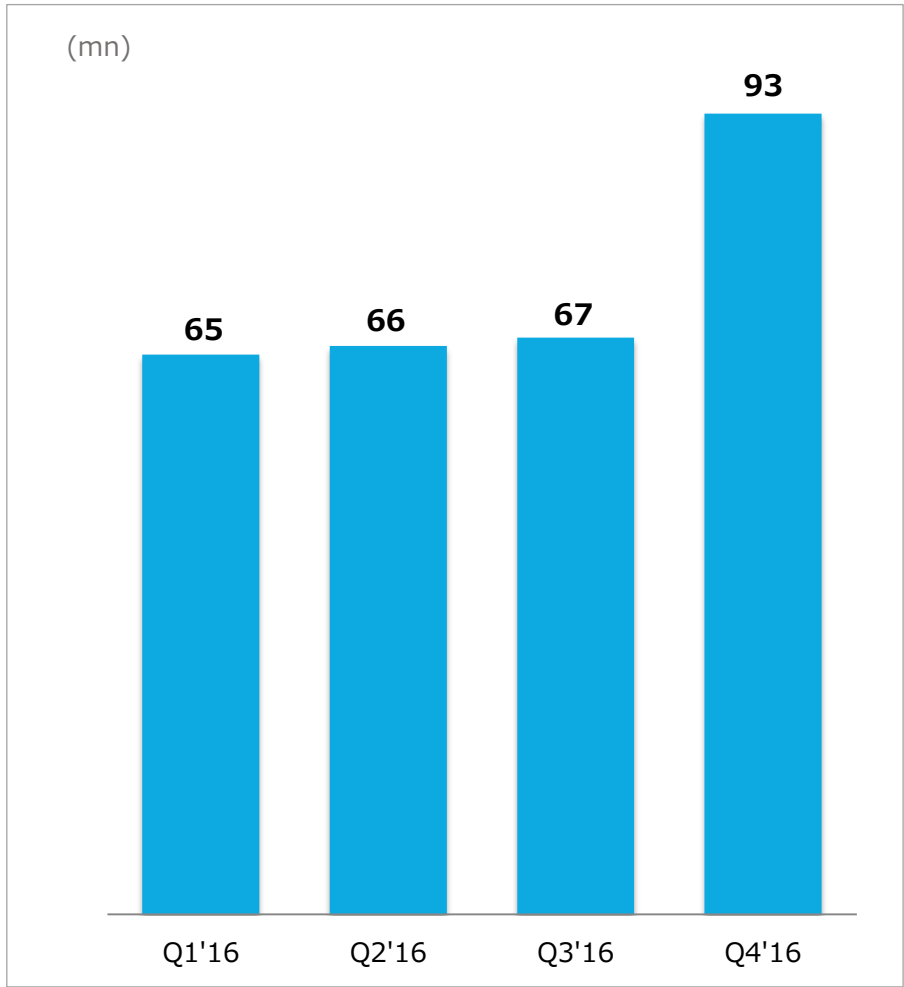
Q1'16	Q2'16	Q3'16	Q4'16
22	19	25	26

Smart Portal Update | Contents Platform

LINE NEWS & LINE Today MAU

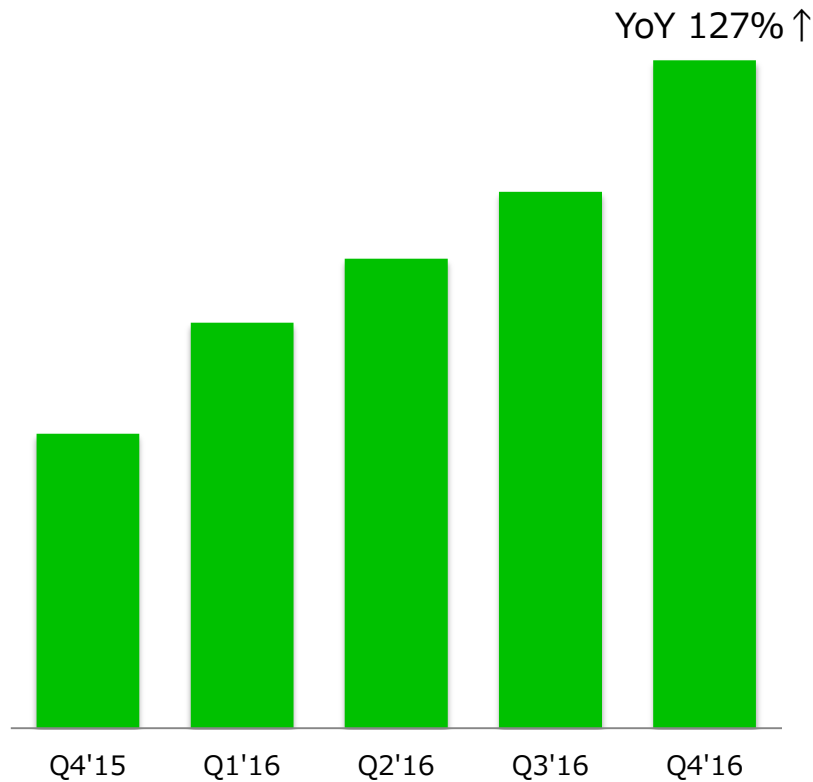


B612 MAU (Global)



Smart Portal Update | Life Platform

LINE Pay Registered Accounts (global)



Domestic

- New user registration increased due to New Year's "Otoshidama" campaign

Taiwan

- Started issuance of CTBC LINE Pay card, partnering with CTBC Bank

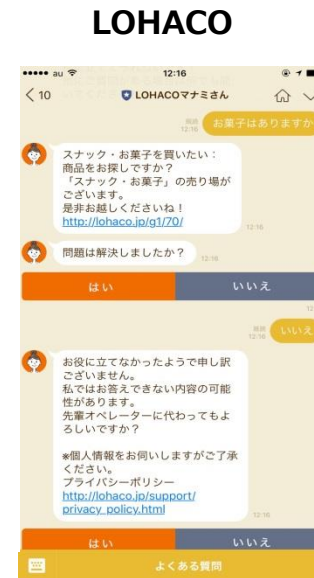
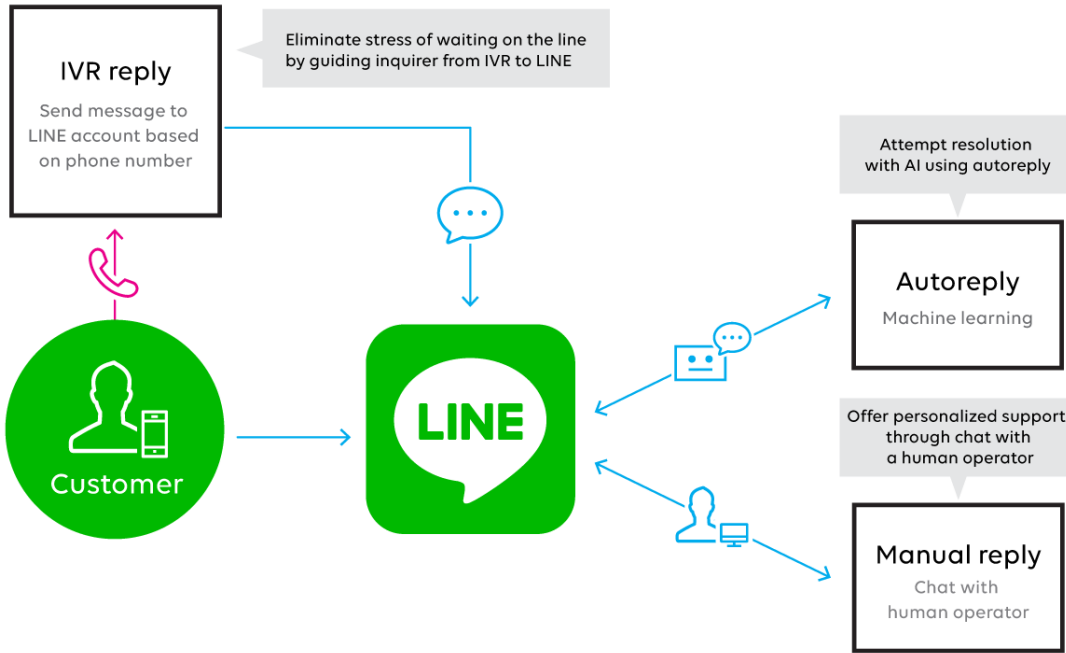
Indonesia

- Partnered with largest local Mandiri Bank and started LINE Pay e-cash

Smart Portal Update | Life Platform

- Customer support service using both AI engine and operator
- Automatically reply to customer inquiries using natural language processing and deep learning technology

Service Image



- Respond to inquiries via chatbot
- Switch to operator if necessary

- Board flight using QR code sent to LINE chat
- Chatbot for inquiries

* IVR: Interactive Voice Response

Earnings Summary (Q4 2016)

(mn yen)	Q4'15	Q3'16	Q4'16	Growth	
				Y/Y	Q/Q
Revenues and other operating income	32,440	36,099	38,145	17.6%	5.7%
Revenues	32,332	35,930	37,465	15.9%	4.3%
LINE Ads	8,235	11,960	13,098	59.1%	9.5%
Portal Ads	2,431	2,524	2,633	8.3%	4.3%
Communication	7,714	7,255	6,973	-9.6%	-3.9%
Content	11,637	10,774	10,760	-7.5%	-0.1%
Others	2,315	3,417	4,002	72.9%	17.1%
Other operating income	108	170	680	530.3%	301.1%
Operating expenses	31,659	31,173	36,542	15.4%	17.2%
Operating income	781	4,927	1,603	105.3%	-67.5%
<i>Margin(%)</i>	<i>2.4%</i>	<i>13.6%</i>	<i>4.2%</i>	<i>+1.8pt</i>	<i>-9.4pt</i>
Pre-tax income	-1,860	4,578	2,724	n/a	-40.5%
Tax	-4,433	1,664	288	n/a	-82.7%
Net income from continuing operations	2,574	2,915	2,436	-5.3%	-16.4%
Discontinued operations income	-2,852	-96	-219	n/a	n/a
Net income	-279	2,818	2,217	n/a	-21.3%

Supplemental Information to Q4 Results

Adjustments to the earnings to reconcile the differences in settlement amounts from the in-app payment processing platform providers

- Sales records existed, but no payment from in-app payment processing platform providers

Impact on financial statements

(mn yen)	Amount
Revenues	-678
Communication	-469
Content	-209
Operating expenses	400
Operating income	-1,078

- Payments made from in-app payment processing platform providers, but no match to the sales records

Impact on financial statements

- Recorded as a liability of 1.27bn yen as of end of December 2016
- Will be recorded as earnings once obligation of liability is finished

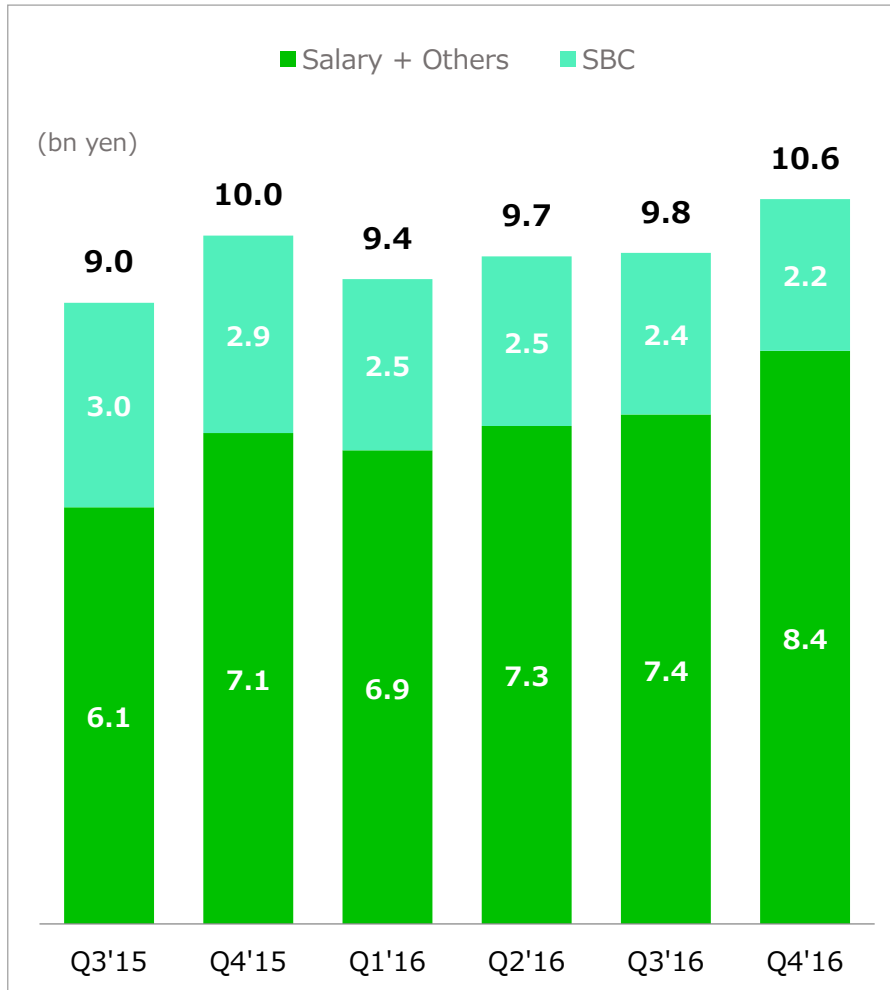
Operating Expenses

(mn yen)	Q4'15	Q3'16	Q4'16	Growth	
				Y/Y	Q/Q
Operating expenses	31,659	31,173	36,542	15.4%	17.2%
Payment processing and licensing	7,859	7,308	7,346	-6.5%	0.5%
Employee compensation	10,028	9,775	10,555	5.3%	8.0%
Marketing	3,130	2,798	4,280	36.7%	53.0%
Infrastructure and communication	2,137	1,881	2,113	-1.1%	12.3%
Authentication and other service	2,995	3,584	4,673	56.0%	30.4%
Depreciation and amortization	1,104	1,425	1,441	30.6%	1.1%
Other operating expenses	4,406	4,401	6,134	39.2%	39.4%

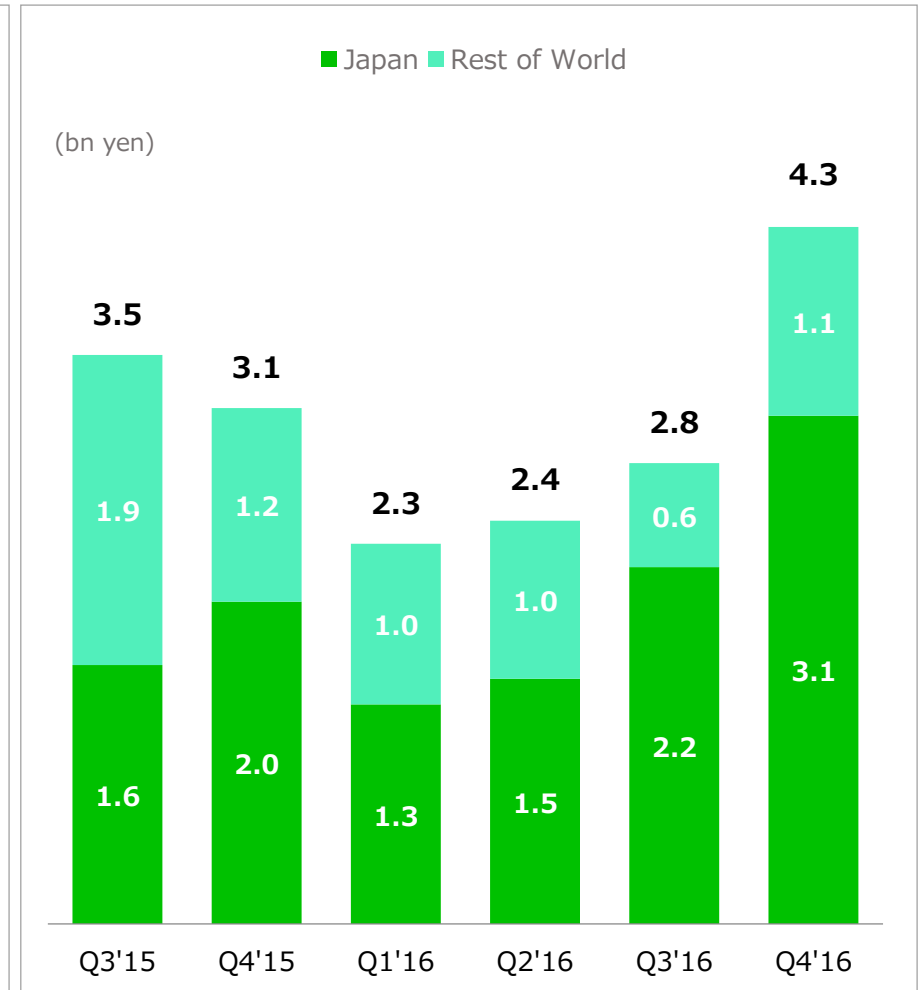
*Other operating expenses include LINE Friends COGS, office related expense and IPO related expenses

Employee Compensation and Marketing

Employee Compensation

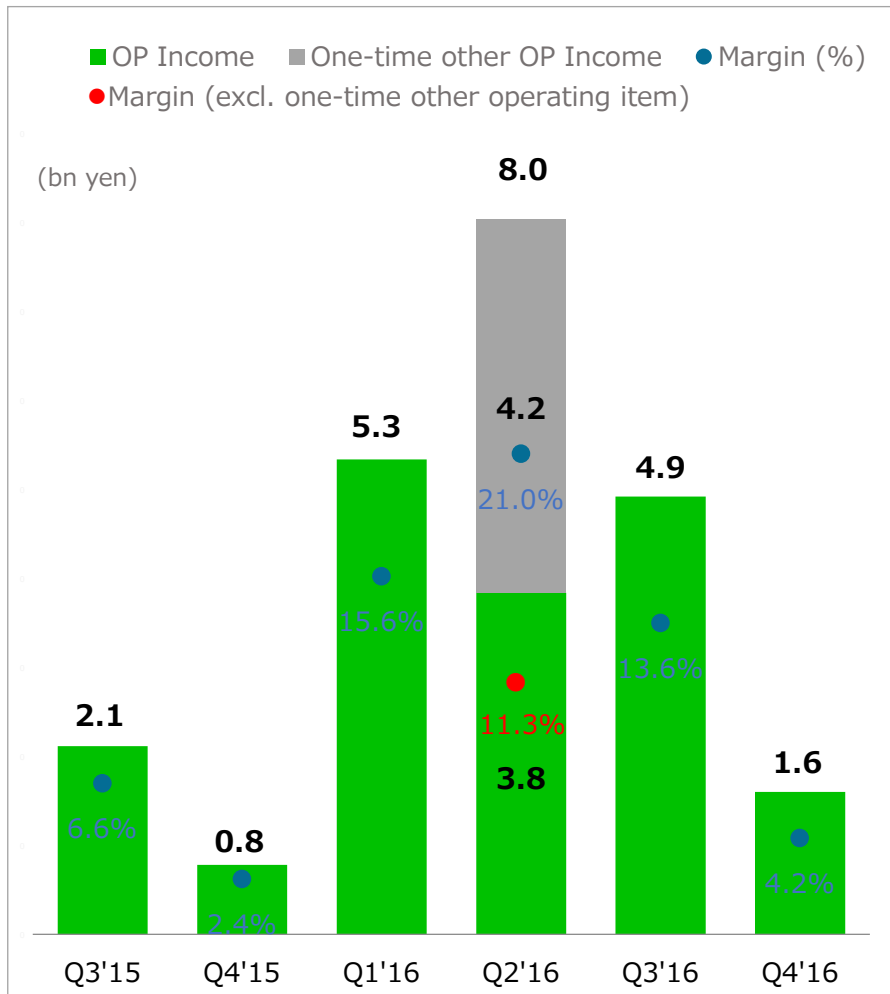


Marketing

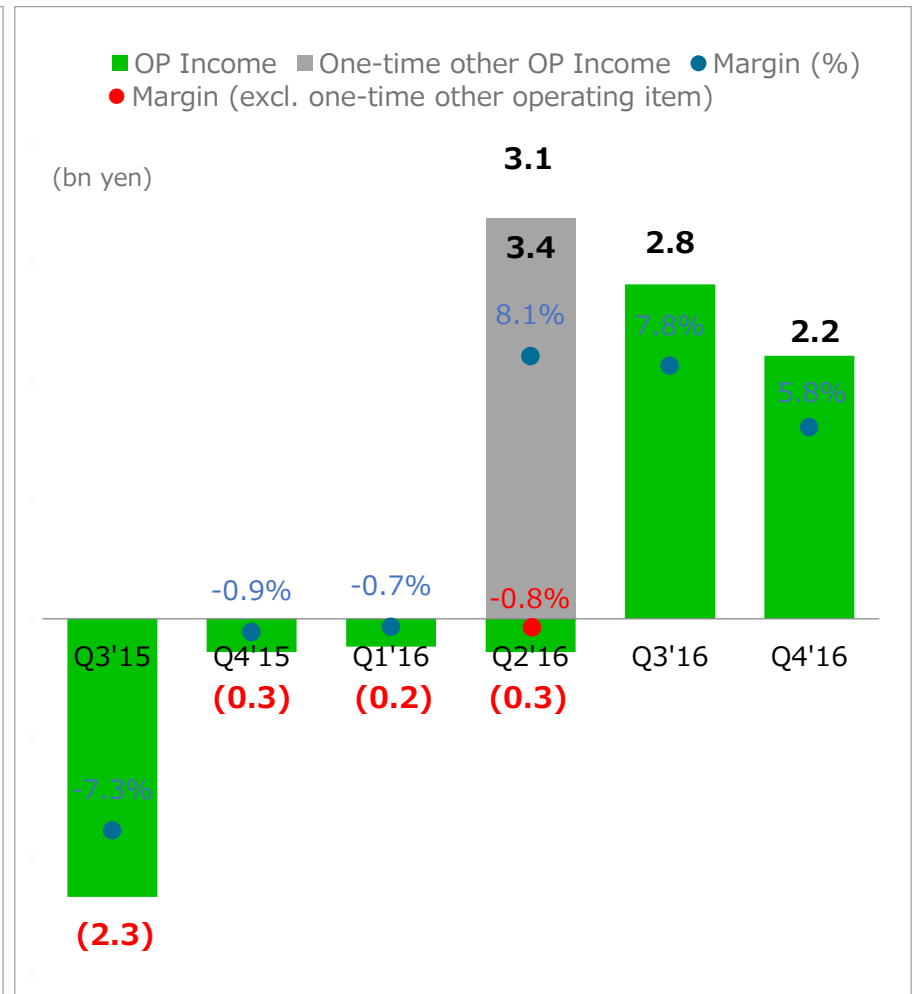


Operating & Net Income

Operating Income (Margin)



Net Income (Margin)



LINE