LINE Q1 2020

Earnings Results

LINE Corporation

April 28, 2020

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 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.

The information contained in this material are preliminary results as of April 28, 2020, and LINE does not guarantee its accuracy or completeness.
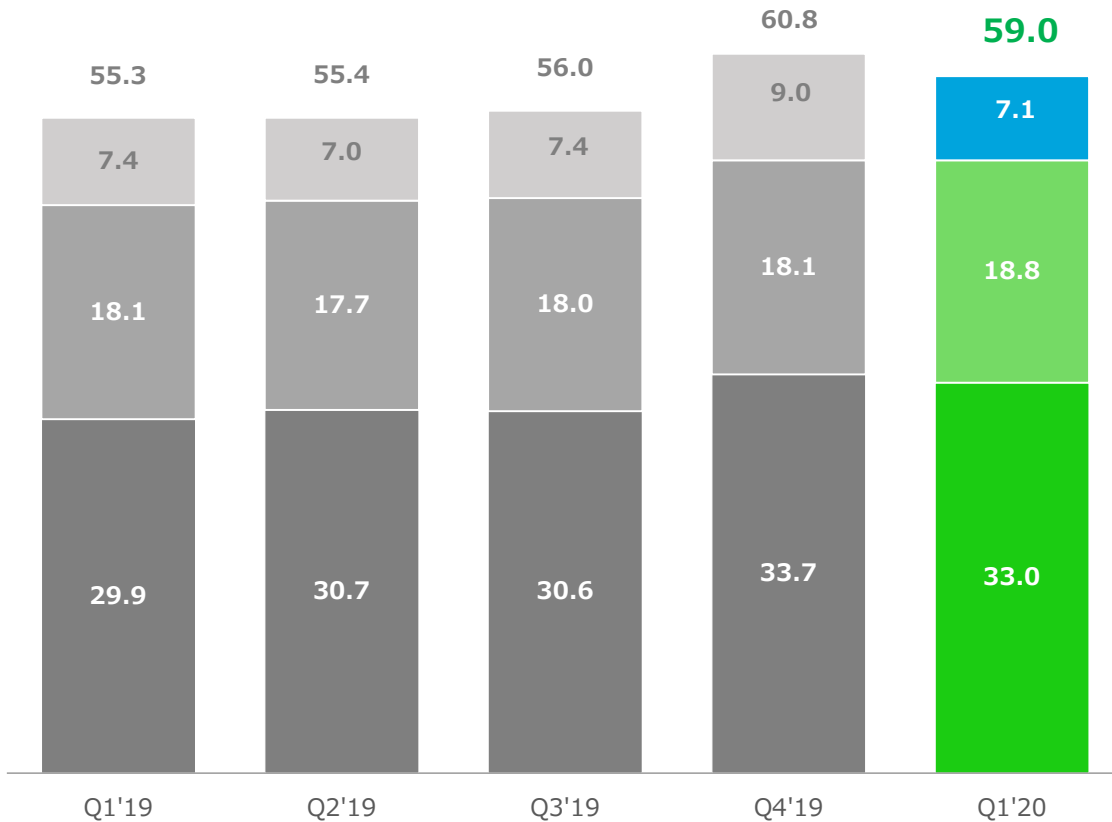
Revenues

Revenues
(bn yen)

- ■ Strategic Business
- ■ Core Business (Communication/Content/Others)
- ■ Core Business (Ads)

**YoY
+ 6.6%**

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Total	55.3	55.4	56.0	60.8	59.0
Strategic Business					7.1
Core Business (Comm/Content/Others)	7.4	7.0	7.4	9.0	18.8
	18.1	17.7	18.0	18.1	
Core Business (Ads)	29.9	30.7	30.6	33.7	33.0

Monthly Active Users | Four Key Markets
(mm users)

- ■ Japan
- ■ Taiwan
- ■ Thailand
- ■ Indonesia

DAU/MAU%	79%	78%
Total	164	165
Indonesia	19	14
Thailand	44	46
Taiwan	21	21
Japan	80	84
	Q1'19	Q1'20
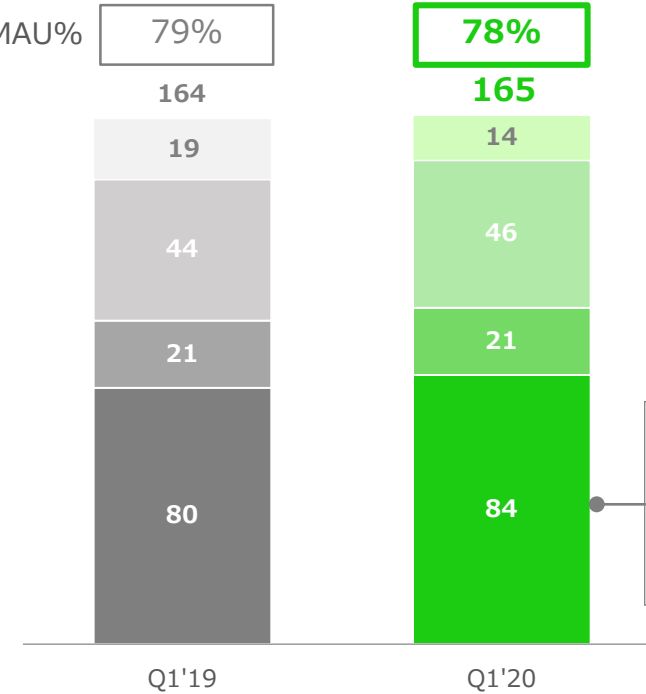
**Japan MAU :
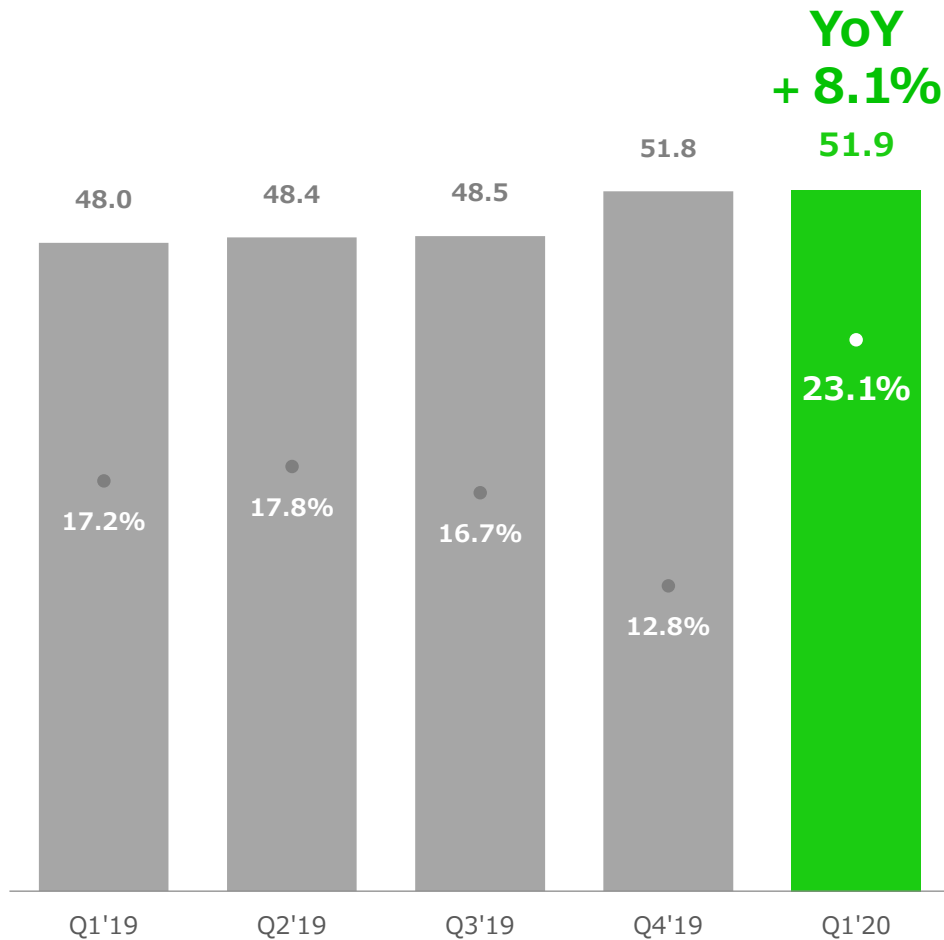+ 4mm (YoY)
DAU/MAU% :
86%**

Geographical Revenue Breakdown
(For Q1 2020)

Japan : 73% / Overseas : 27%
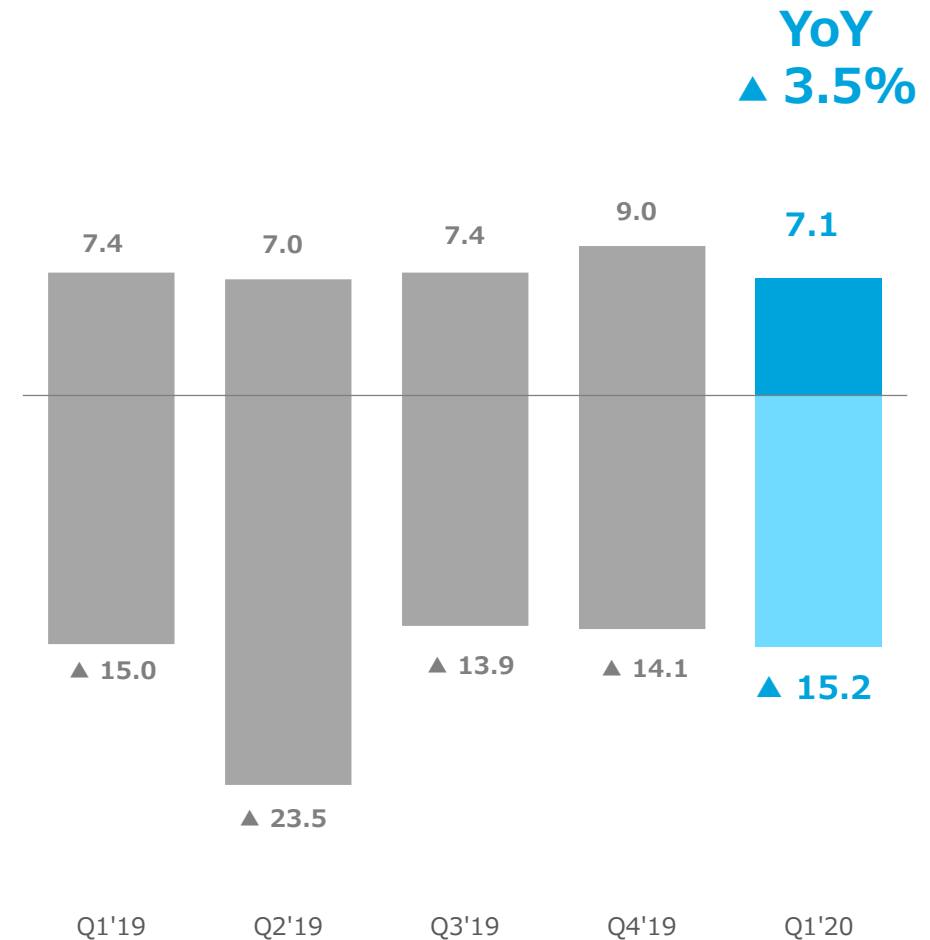
Segment Revenues and Operating Margin

Core | Revenues / Operating Margin
(bn yen)

YoY
+ 8.1%

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Revenues	48.0	48.4	48.5	51.8	51.9
Operating Margin	17.2%	17.8%	16.7%	12.8%	23.1%

Strategic | Revenues / Operating Income
(bn yen)

YoY
▲ 3.5%

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Revenues	7.4	7.0	7.4	9.0	7.1
Operating Income	▲ 15.0	▲ 23.5	▲ 13.9	▲ 14.1	▲ 15.2

Core Business

Core | Ads

Revenues
(bn yen)

- ◻ Other Ads
- ◻ Account Ads
- ◻ Display Ads

**YoY
+ 10.7%**

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Total	29.9	30.7	30.6	33.7	33.0
Other Ads	3.6	3.6	3.0	2.3	2.0
Account Ads	15.6	15.6	15.1	16.4	15.7
Display Ads	10.6	11.5	12.6	15.0	15.4

**YoY
+ 0.5%**

**YoY
+ 44.5%**

Note: Other Ads include ad revenues mainly from Livedoor, NAVER Matome and LINE Part Time Jobs
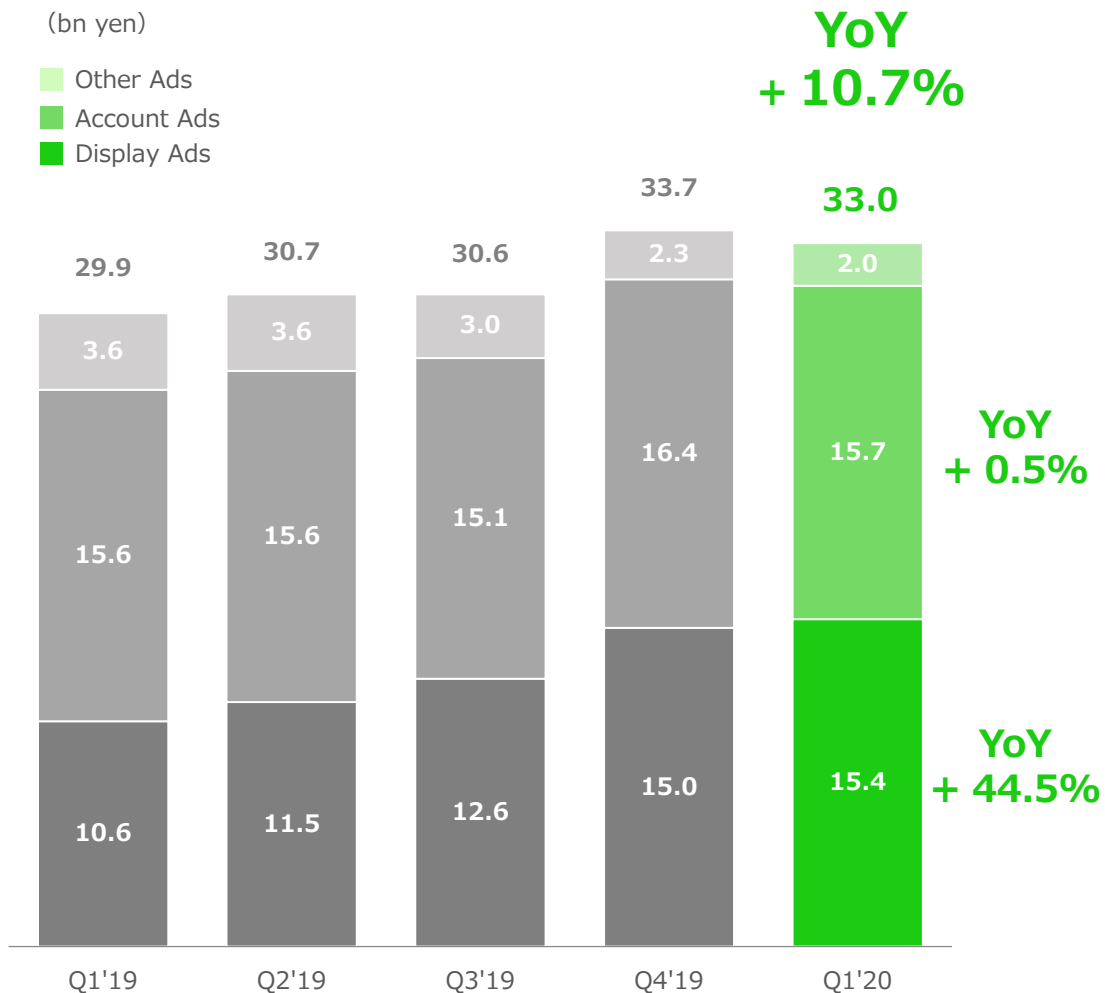
Key KPI

of Official Accounts

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
# of original Official Accounts	925	1,183	-	-	-
# of original LINE@ Accounts (accounts in thousands)	9,747	9,859	-	-	-
# of new Official Accounts (accounts in thousands)	9,748*	9,860*	11,005	11,460	**11,889**

*The number of accounts are the sum of original Official Accounts and LINE@ Accounts

of LAP Impressions
(impressions in millions)

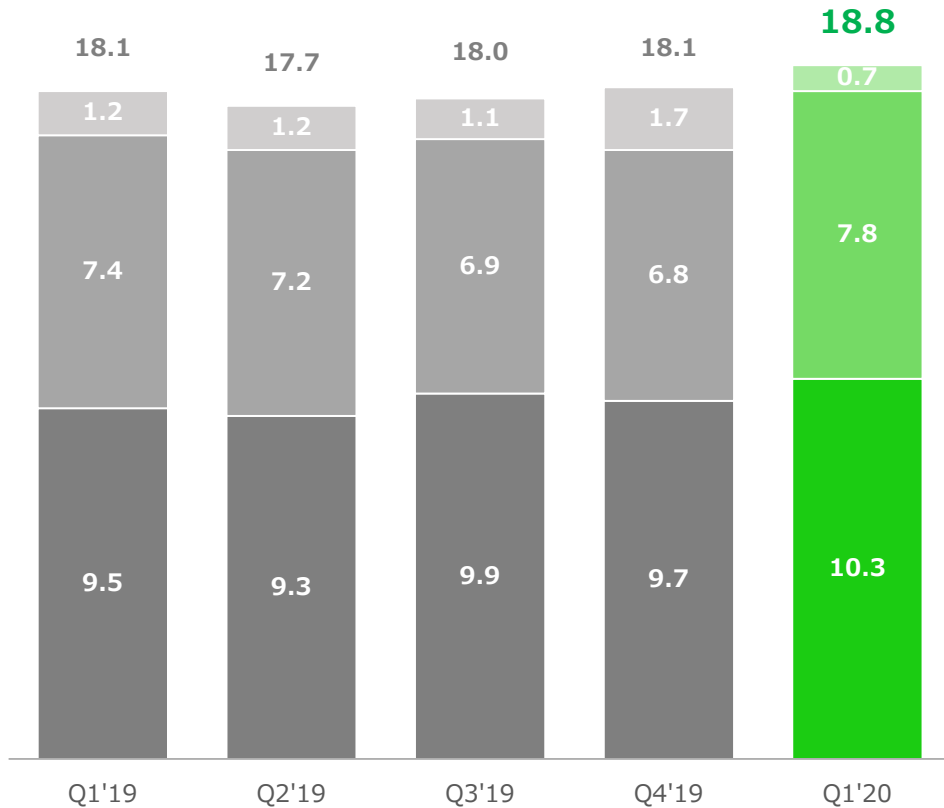| Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
26,291	37,653	44,208	54,583	**63,136**

*LAP: LINE Ads Platform

LINE

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Core | Communication / Content / Others

Revenues
（bn yen）

■ Others
■ Communication
■ Content

YoY +4.0%

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Total	18.1	17.7	18.0	18.1	18.8
Others	1.2	1.2	1.1	1.7	0.7
Communication	7.4	7.2	6.9	6.8	7.8
Content	9.5	9.3	9.9	9.7	10.3

LINE Manga Transaction Volume
（bn yen）

YoY +12.5%

Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
6.0	6.3	6.2	6.4	6.8
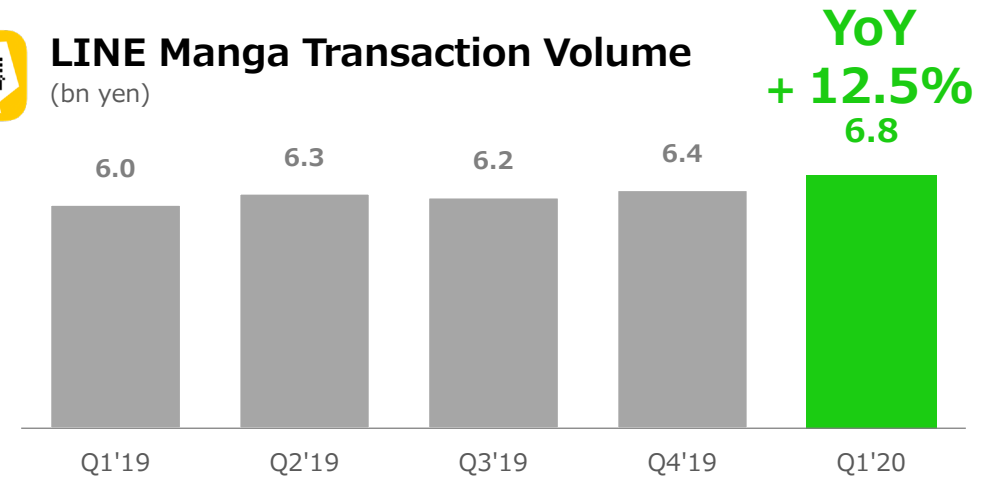
LINE MUSIC Transaction Volume
（bn yen）

YoY +40.5%

Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
2.5	2.6	2.9	3.2	3.5
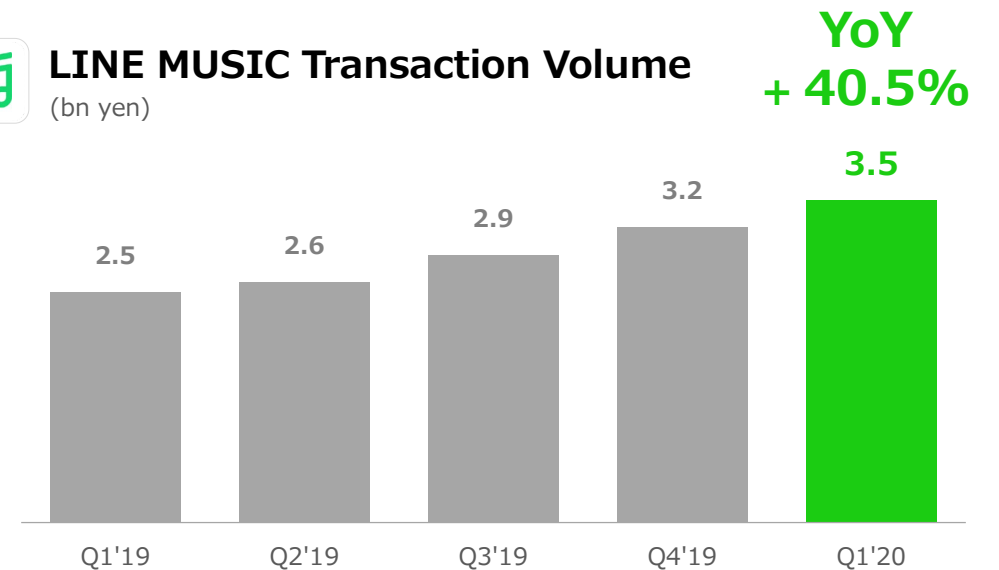
Strategic Business

Strategic | LINE Pay

LINE Pay Global Transaction Volume
（bn yen）

LINE Pay

YoY
+ 28.8%

- Q1'19: 252
- Q2'19: 286
- Q3'19: 287
- Q4'19: 355
- Q1'20: 325
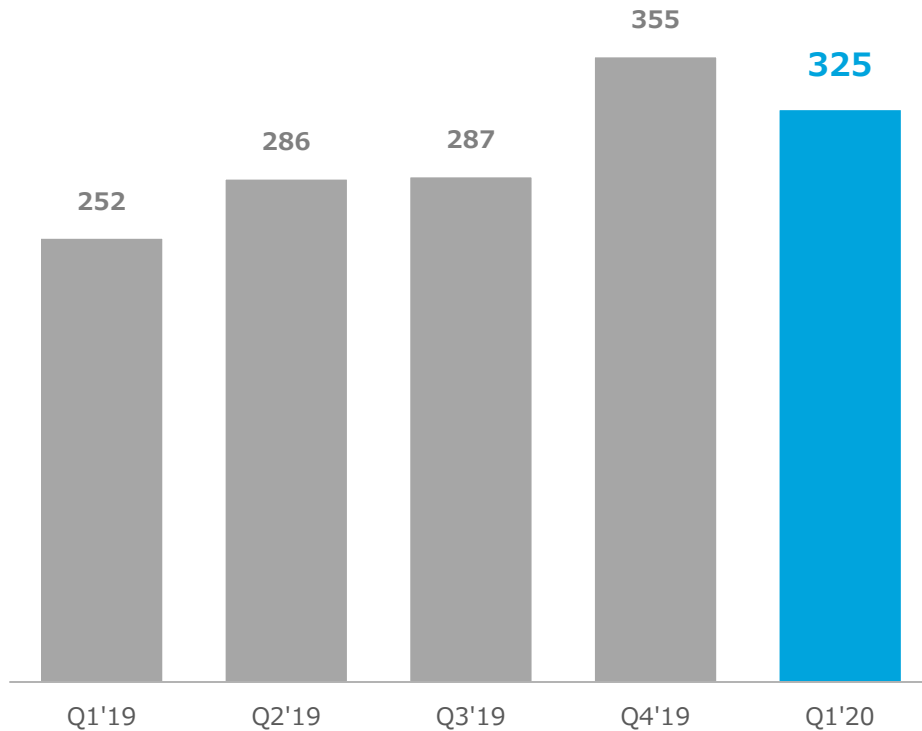
LINE Pay Global MAU
（10k users）

LINE Pay

■ Japan MAU

YoY
+ 17.2%

Quarter	Total	Japan MAU
Q1'19	430	170
Q2'19	741	490
Q3'19	554	286
Q4'19	652	370
Q1'20	504	229

LINE 9
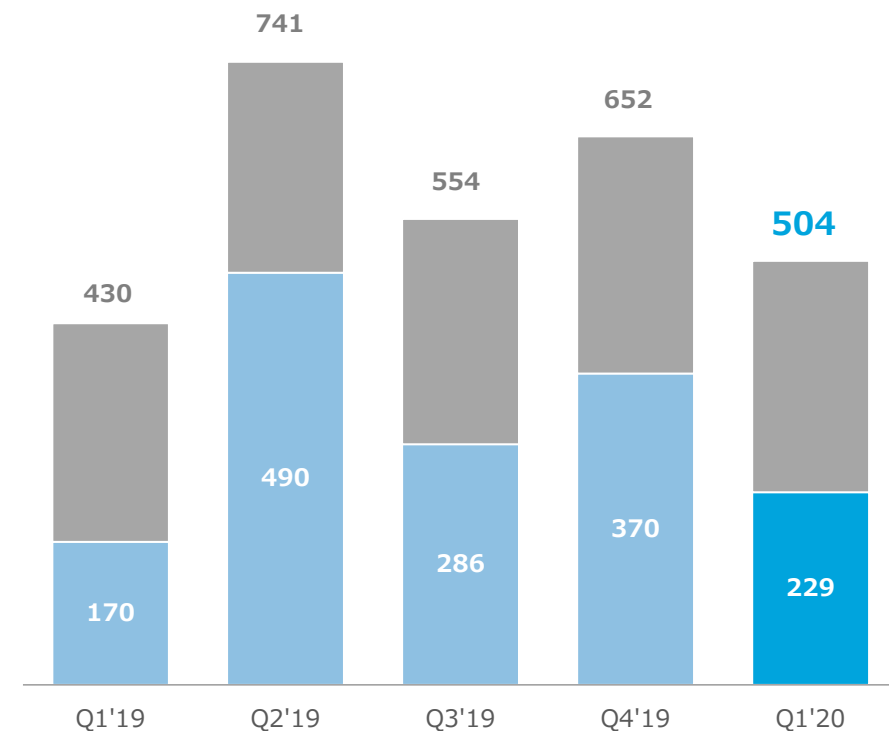
Strategic | O2O/commerce

Shopping-related Transaction Volume

YoY
+ 50.5%

Q1'19   Q2'19   Q3'19   Q4'19   Q1'20
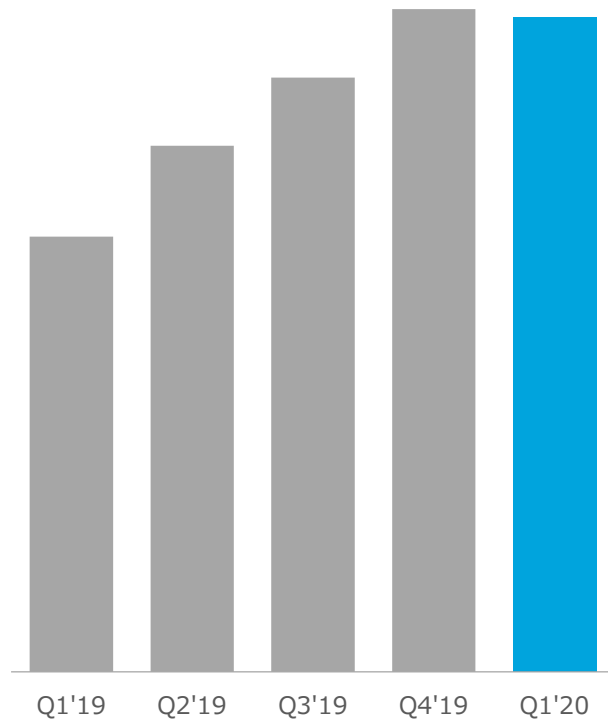
Gourmet-related Transaction Volume

YoY
+ 28.3%

Q1'19   Q2'19   Q3'19   Q4'19   Q1'20
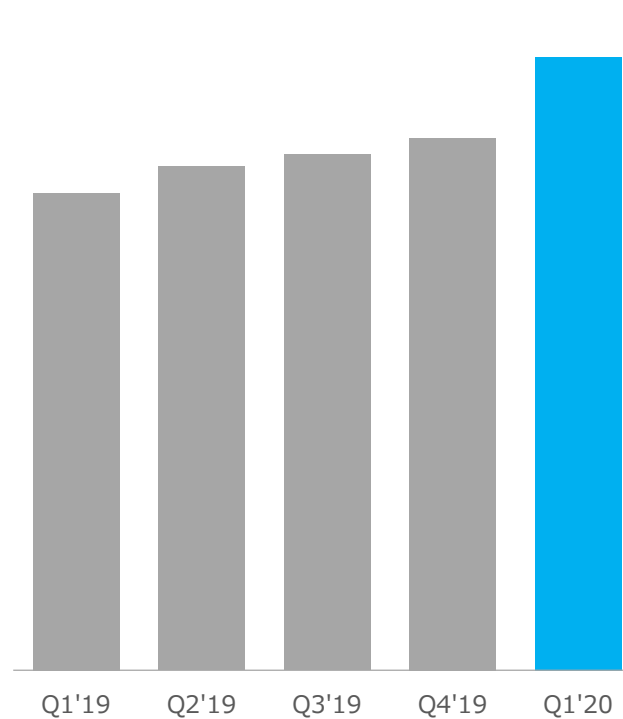
Travel-related Transaction Volume

YoY
+ 40.3%

Q1'19   Q2'19   Q3'19   Q4'19   Q1'20
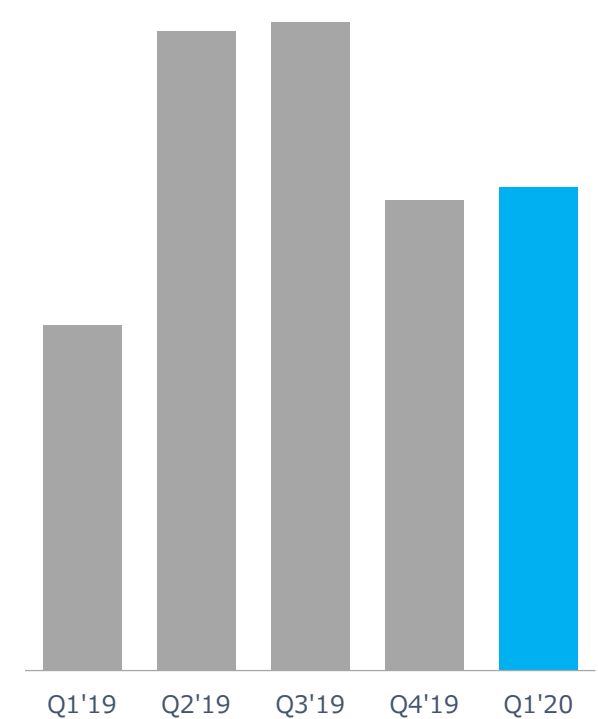
Note: The shopping-related transaction volume includes LINE Shopping and SHOPPING GO
The gourmet-related transaction volume includes LINE Delima and LINE Pockeo
The travel-related transaction volume is the sum of past reservations and estimates based on past reservations

Finance Section

Earnings Summary (Q1 2020)

(mm yen)	Q1'19	Q4'19	Q1'20	Growth rate	
				Y/Y	Q/Q
Revenues and other operating income	55,475	61,097	**59,220**	6.8%	-3.1%
Revenues	55,323	60,783	**58,968**	6.6%	-3.0%
Operating income	-7,892	-11,476	**-4,356**	N/M	N/M
Margin(%)	-14.2%	-18.8%	**-7.4%**	6.9%p	11.4%p
**Core	Revenue**	47,948	51,830	**51,854**	8.1%	0.0%
**Core	Operating income**	8,266	6,625	**11,970**	44.8%	80.7%
Margin(%)	17.2%	12.8%	**23.1%**	5.8%p	10.3%p
**Strategic	Revenue**	7,375	8,953	**7,114**	-3.5%	-20.5%
**Strategic	Operating income**	-14,987	-14,145	**-15,192**	N/M	N/M
**Common	Revenue**	152	314	**252**	65.8%	-19.7%
**Common	Operating expense**	1,323	4,270	**1,386**	4.8%	-67.5%

Note: Common revenue includes other revenues. Common operating expense is mainly share-based compensations
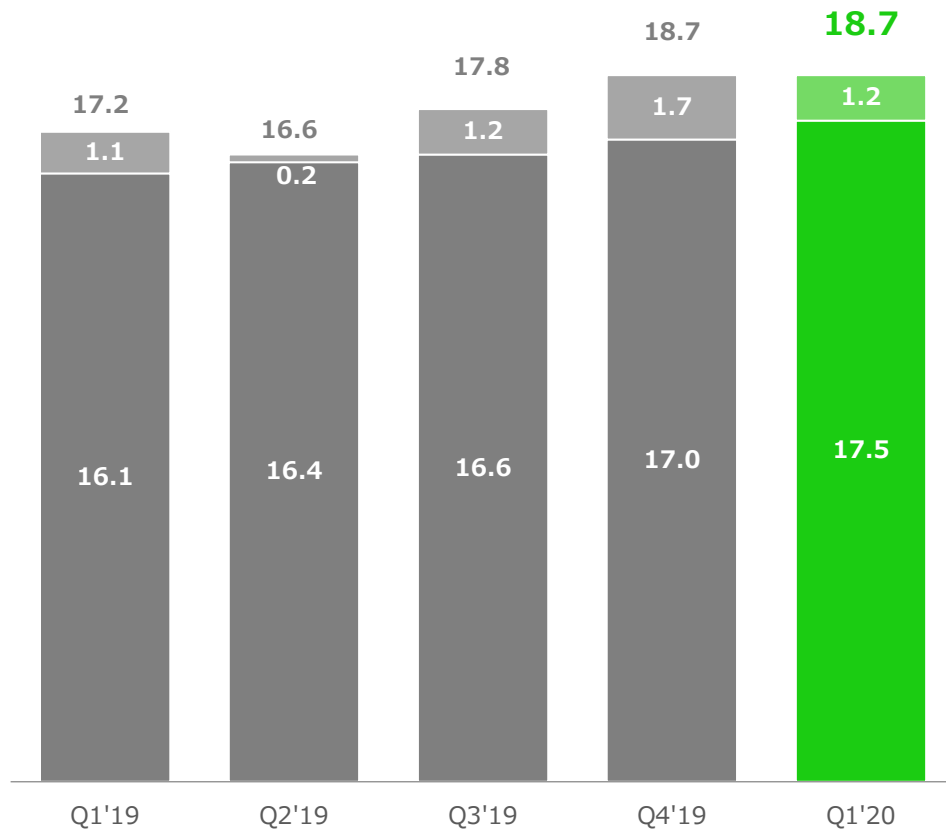
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Operating Expenses

(mm yen)	Q1'19	Q4'19	Q1'20	Growth rate	
				Y/Y	Q/Q
Revenues and other operating income	55,475	61,097	**59,220**	6.8%	-3.1%
Operating expenses	63,367	72,573	**63,576**	0.3%	-12.4%
Payment processing and licensing	8,803	9,468	**10,137**	15.2%	7.1%
Sales commission	4,254	3,798	**2,785**	-34.5%	-26.7%
Employee compensation	17,190	18,693	**18,705**	8.8%	0.1%
Marketing	7,499	7,456	**4,789**	-36.1%	-35.8%
Infrastructure and communication	2,708	2,758	**2,699**	-0.3%	-2.1%
Outsourcing expense	9,101	11,273	**11,304**	24.2%	0.3%
Depreciation and amortization	5,184	6,413	**6,487**	25.1%	1.2%
Other operating expenses	8,628	12,714	**6,670**	-22.7%	-47.5%
Operating income	-7,892	-11,476	**-4,356**	N/M	N/M
Margin(%)	-14.2%	-18.8%	**-7.4%**	6.9%p	11.4%p
Pre-tax income	-11,270	-15,392	**-10,082**	N/M	N/M
Corporate tax	547	225	**-492**	N/M	N/M
Net income from continuing operations	-10,723	-15,167	**-10,574**	N/M	N/M
Net income	-10,718	-14,582	**-10,574**	N/M	N/M

Employee Compensation & Marketing
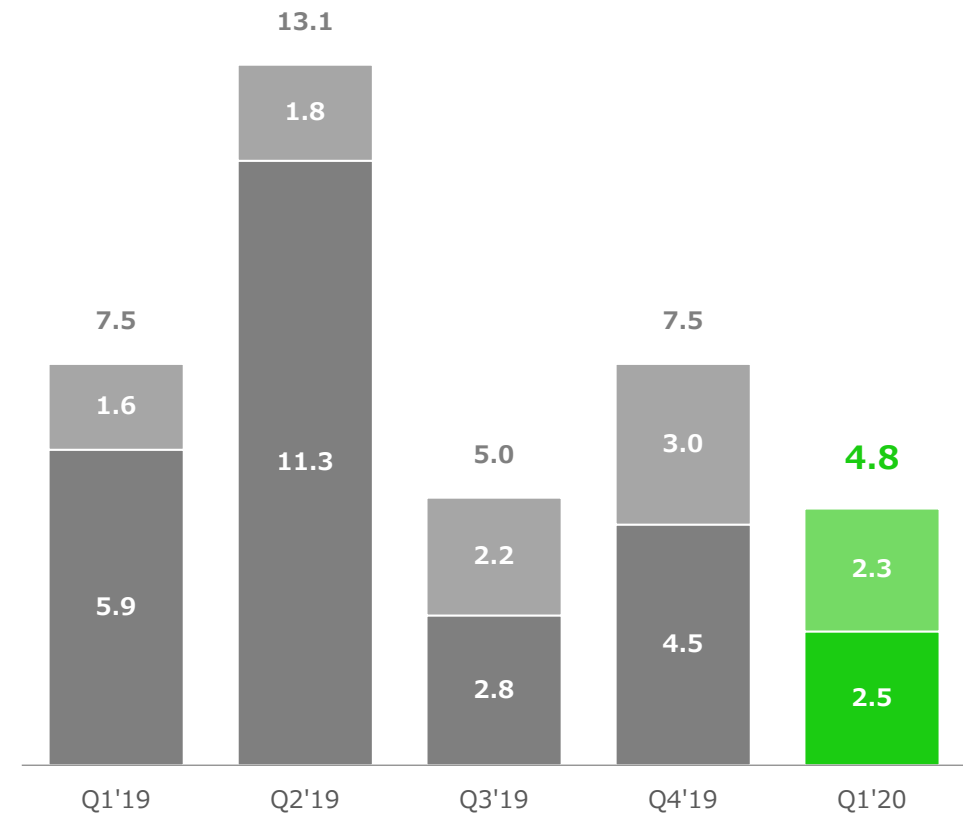
Employee Compensation
（bn yen）

- 🟩 SBC
- 🟩 Salary・Others

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Total	17.2	16.6	17.8	18.7	18.7
SBC	1.1	0.2	1.2	1.7	1.2
Salary・Others	16.1	16.4	16.6	17.0	17.5

Marketing
（bn yen）

- 🟩 Overseas
- 🟩 Japan

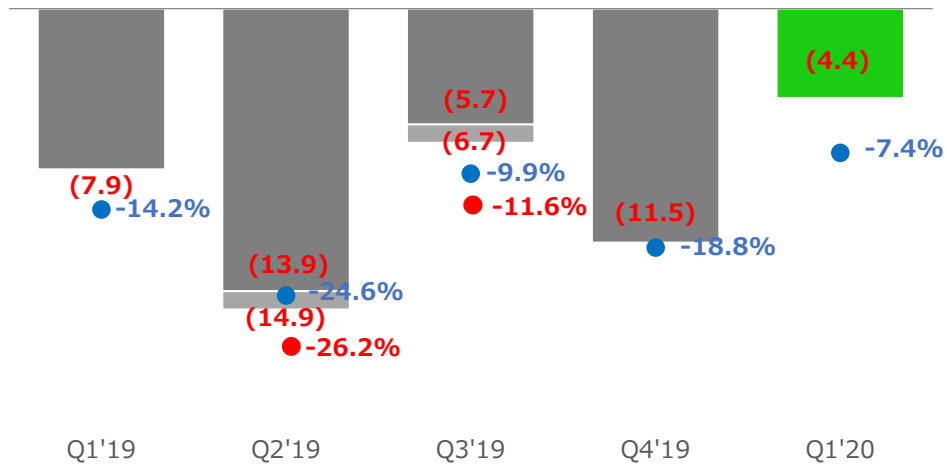|	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Total	7.5	13.1	5.0	7.5	4.8
Overseas	1.6	1.8	2.2	3.0	2.3
Japan	5.9	11.3	2.8	4.5	2.5

Operating & Net Income
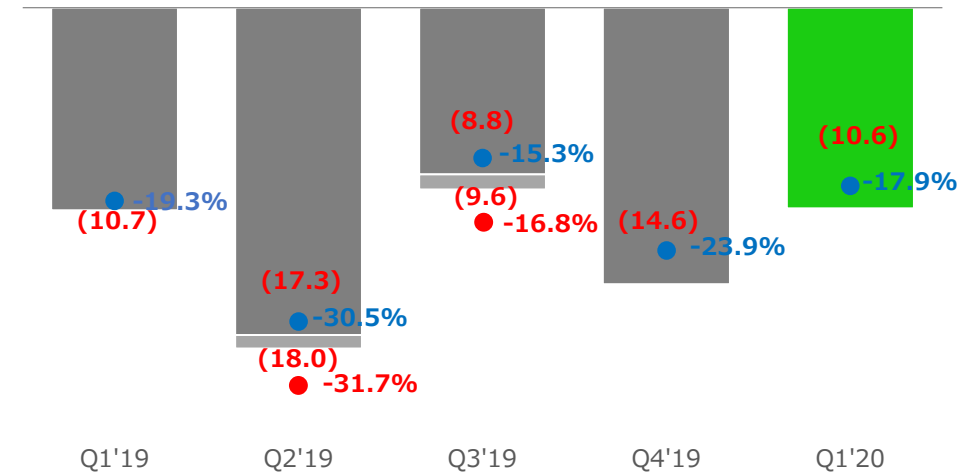
Operating Income (Margin)
(bn yen)

- 🟩 Operating income
- 🔵 OP margin (%)
- 🟩 Operating income (excl. one-time)
- 🔴 Operating margin (excl. one-time) (%)

Net Income（Margin）
(bn yen)

- 🟩 Net income
- 🔵 Net margin (%)
- 🟩 Net income (excl. one-time income)
- 🔴 Net margin (excl. one-time income) (%)

Appendix

Revenues and Other Operating Income (past 5 quarters)

(mm yen)	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Revenues and other operating income	**55,475**	**56,689**	**57,435**	**61,097**	**59,220**
Revenues	**55,323**	**55,437**	**55,942**	**60,783**	**58,968**
Core Business	**47,948**	**48,407**	**48,526**	**51,830**	**51,854**
Ads	29,853	30,676	30,572	33,741	33,044
Account Ads	15,590	15,620	15,051	16,393	15,665
Display Ads	10,624	11,456	12,560	15,015	15,356
Others	3,639	3,600	2,961	2,333	2,023
Communication	7,427	7,174	6,948	6,770	7,763
Content	9,492	9,337	9,865	9,650	10,340
Others	1,176	1,220	1,141	1,669	707
Strategic Business	**7,375**	**7,030**	**7,416**	**8,953**	**7,114**
LINE FRIENDS	4,463	4,674	4,911	5,141	2,909
Fintech/AI/Commerce	2,912	2,356	2,505	3,812	4,205
Other operating income	152	1,252	1,493	314	252

Operating Expenses (past 5 quarters)

(mm yen)	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Operating expenses by segment	**63,367**	**70,613**	**63,140**	**72,573**	**63,576**
Core business	39,682	39,812	40,428	45,205	39,884
Strategic business	22,362	30,526	21,345	23,098	22,306
Common	1,323	275	1,367	4,270	1,386
Operating expenses by account	**63,367**	**70,613**	**63,140**	**72,573**	**63,576**
Payment processing and licensing	8,803	8,367	9,236	9,468	10,137
Sales commission	4,254	4,370	3,573	3,798	2,785
Employee compensation	17,190	16,585	17,797	18,693	18,705
Marketing	7,499	13,109	4,958	7,456	4,789
Infrastructure and communication	2,708	2,590	2,765	2,758	2,699
Outsourcing expense	9,101	11,017	10,501	11,273	11,304
Depreciation and amortization	5,184	5,386	5,754	6,413	6,487
Other operating expenses	8,628	9,189	8,556	12,714	6,670

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