



LINE Corporation Reports First Quarter 2020 Results

April 28th 2020

LINE Corporation (Ticker TSE: 3938, NYSE: LN) today reported financial results for the quarter ended March 31, 2020.

First Quarter 2020 Operational and Financial Highlights

User/Engagement Metrics

- 4 Key Countries MAU were 165 million
 - Japan MAU was 84 million in the first quarter. This is an increase of 4 million compared to the same period of the previous year
- DAU/MAU ratio for the 4 Key Countries was 78%
 - Japan DAU/MAU continues to be at 86% which illustrates the strong engagement on LINE platform

Business Highlights and Financial Metrics

Overall

- Revenue was 59.0bn yen (YoY 6.6% ↑ / QoQ 3.0% ↓)
- Operating loss was 4.4bn yen
- Oversea revenue represented 27% of total

Core - Overall

- Revenue for the Core Business was 51.9bn yen (YoY 8.1% ↑ / QoQ 0.0% ↑)
- Operating margin for the Core Business was 23.1%. This is higher than expected margin resulting from lower than planned spending. This is 10.3 points improvement than the previous quarter and 5.8 points higher compared to the same period of the previous year

Core - Ads

- Ad Businesses revenue was 33.0bn yen (YoY 10.7% ↑ / QoQ 2.1% ↓)
- Display ad revenue was 15.4bn yen (YoY 44.5% ↑ / QoQ 2.3% ↑)
 - The strong results were driven by impression growth particularly from LINE NEWS and Smart Channel
 - Ad impressions were 63.1bn impressions for the fourth quarter, which is 140.1% increase from the same period of the previous year and 15.7% increase compared to

previous quarter

- Demands for 「Talk Head View」 (video ad format on the Smart Channel) were particularly strong during March from diverse client base including: games, beverages, education, automobile, finance and others
- Account ad revenue was 15.7bn yen (YoY 0.5% ↑ / QoQ 4.4% ↓)
 - As previously communicated, the migration to the new pricing plan is expected to be completed as planned
 - Going forward we will continue to strengthen the functionality of the Official account as well as improving features that will impact the overall effectiveness of the ad platform
 - For example, we started provided cross-targeting/cross-product features such as using the Official Account distribution data for targeting on display ads as well as adding Official Account friend feature on the Smart Channel. Early results have been favorable and responses from the advertisers have been well
- Other ad revenue was 2.0bn yen (YoY 44.4% ↓ / QoQ 13.3% ↓)
 - The decline in revenue (and sales commissions expenses) are due to the change in contract regarding LINE Baito from December 2019

Core – Content/Communication/Others

- Core businesses revenue excluding ad business was 18.8bn yen (YoY 4.0% ↑ / QoQ 4.0% ↑)
- Content revenue was 10.3bn yen (YoY 8.9% ↑ / QoQ 7.2% ↑)
 - LINE MUSIC and LINE Manga GMV continue to increase steadily
- Communication revenue was 7.8bn yen (YoY 4.5% ↑ / QoQ 14.7% ↑)
 - In addition to the strong New Year stickers sales, revenue increase due to increased traffic from the design changes to the Home Tab as well as improvement to the sticker recommendation
- Other Core businesses revenue was 0.7bn yen (YoY 39.9% ↓ / QoQ 57.6% ↓)
 - Revenue declined due to the termination of the LINE point exchange service

Strategic

- Revenue for the Strategic Business was 7.1bn yen (YoY 3.5% ↓ / QoQ 20.5% ↓)
- Of which LINE FRIENDS revenue was 2.9bn yen (YoY 34.8% ↓ / QoQ 43.4% ↓) due to the voluntary shutdown of retail stores worldwide
- Operating loss was 15.2bn yen
- LINE Pay global GMV was 325bn yen due to seasonality from Taiwan, and global MAU was

5.04mm

- Japan LINE Pay MAU 2.29mm
 - LINE Pay in Japan continues to grow GMV Q-o-Q through disciplined investment such as coupons where users frequently make settlements/transactions, and not relying on large-scale marketing
 - Since April, Visa LINE Pay credit card application has officially started, providing 3% reward through LINE Points
 - Additionally, in effort to expand the LINE Point ecosystem and to maximize user benefits, we will start a new membership program (LINE Point Club) from May
- Delivery and takeout services were particularly strong this quarter due to COVID-19 impact
 - On March 27, we announced the additional acquisition of shares in Demae-can Co. Ltd., the largest food delivery service in Japan covering the most number of registered stores, subscribing approx. 15bn yen of the total 30bn yen offering. The transaction closed on April 24 and resulted in LINE increasing its stake from approx. 22% to 34%. Mirai Fund LLP subscribed to the remaining 15bn yen resulting in the two companies owning approx. 58% of Demae-can

https://d.line-scdn.net/stf/linecorp/en/ir/all/LINE_20200326_EN.pdf

Supplementary Financial Information

- Payment processing and licensing expense was 10.1bn yen (YoY 15.2% ↑ / QoQ 7.1% ↑)
- Employee compensation was 18.7bn yen (YoY 8.8% ↑ / QoQ 0.1% ↑)
- Marketing expense was 4.8bn yen (YoY 36.1% ↓ / QoQ 35.8% ↓)
 - Marketing expenses decreased for services such as games and LINE Pay due to seasonality
- Sales commissions was 2.8bn yen (YoY 34.5% ↓ / QoQ 26.7% ↓)
 - Sales commissions declined due to the change in contract of LINE Baito mentioned above
- Outsourcing expense was 11.3bn yen (YoY 24.2% ↑ / QoQ 0.3% ↑)
 - Outsourcing expense increased due to the development of the core banking systems
- Depreciation expense was 6.5bn yen (YoY 25.1% ↑ / QoQ 1.2% ↑)
- Other operating expense was 6.7bn yen (YoY 22.7% ↓ / QoQ 47.5% ↓)
 - LINE point exchange charges as well as COGS relating to LINE Friends declined

Update on status regarding Business Integration with Z Holdings Corporation

(Capitalized words below are defined as set forth in the December 23rd, 2019 press release titled



“Announcement Regarding Definitive Agreement on Business Integration”)

https://scdn.line-apps.com/stf/linecorp/en/ir/all/LINE_20191223_EN.pdf

- There has not been any change to the terms of the Definitive Integration Agreement signed on December 23, 2019
- As disclosed previously, the Business Integration is conditioned on all permits, licenses, and approvals, etc. required under all applicable laws and regulations of the relevant countries, including applicable competition laws and foreign exchange laws, being obtained, and the conditions precedent stipulated in the Definitive Integration Agreement being satisfied.
 - At this time, we do not have any updates on the transaction beyond what has been previously disclosed, including with respect to obtaining regulatory approvals. If any material changes impact our previous disclosure, we will update our disclosure at such time.

Please contact LINE Investor Relations (ir@linecorp.com) for any additional inquiry regarding the financial results for the quarter ended March 31, 2030. For media inquiry, please contact your PR representative.