



LINE Corporation Reports Second Quarter 2020 Results

July 29th 2020

LINE Corporation (Ticker TSE: 3938, NYSE: LN) today reported financial results for the quarter ended June 30, 2020.

Second Quarter 2020 Operational and Financial Highlights

User/Engagement Metrics

- 4 Key Countries MAU were 166 million
 - Japan MAU was 84 million in the second quarter. This is an increase of 3 million compared to the same period of the previous year
- DAU/MAU ratio for the 4 Key Countries was 79%
 - Japan DAU/MAU continues to be at 85% which illustrates the strong engagement on LINE platform

Business Highlights and Financial Metrics

Overall

- Revenue was 58.4bn yen (YoY 5.3% ↑ / QoQ 1.0% ↓)
- Operating loss was 9.6bn yen
- Oversea revenue represented 28% of total

Core - Overall

- Revenue for the Core Business was 50.5bn yen (YoY 4.4% ↑ / QoQ 2.6% ↓)
- Operating margin for the Core Business was 20.0%. Increasing in marketing expenses for the LINE Manga impacted margin to be 3.1 points lower than the previous quarter but 2.3 points higher compared to the same period of the previous year

Core - Ads

- Ad Businesses revenue was 31.9bn yen (YoY 3.9% ↑ / QoQ 3.6% ↓)
- Display ad revenue was 16.4bn yen (YoY 42.9% ↑ / QoQ 6.6% ↑)
 - The strong results were driven by impression growth particularly from LINE NEWS and Smart Channel
 - Ad impressions were 80.6bn impressions for the second quarter, which is 114.0% increase from the same period of the previous year and 27.7% increase compared to

Note: This is an English translation of the original Japanese-language document. Should there be any inconsistency between the translation and the original Japanese text, the later shall prevail

previous quarter

- The number of active accounts temporarily decreased due to the outbreak of COVID-19 but are gradually recovering
- Account ad revenue was 13.6bn yen (YoY 12.9% ↓ / QoQ 13.1% ↓)
 - Demand for Official Accounts increased as a communication tool between users and clients since the state of the emergency was announced in April, and saw significant growth in online application
 - Additionally, we launched 「LINE Call」 in July, which enabled users to call and contact the Official Account. Early results have been favorable and responses from the clients have been well
- Other ad revenue was 1.9bn yen (YoY 47.7% ↓ / QoQ 6.9% ↓)

Core – Content/Communication/Others

- Core businesses revenue excluding ad business was 18.7bn yen (YoY 5.3% ↑ / QoQ 0.8% ↓)
- Content revenue was 10.5bn yen (YoY 12.7% ↑ / QoQ 1.8% ↑)
 - LINE Manga GMV continues to grow steadily at 20% increase compared to previous year due to the impact of users staying indoors as well as increase in marketing expenses
- Communication revenue was 7.4bn yen (YoY 3.6% ↑ / QoQ 4.2% ↓)
- Other Core businesses revenue was 0.7bn yen (YoY 42.4% ↓ / QoQ 0.6% ↓)

Strategic

- Revenue for the Strategic Business was 7.9bn yen (YoY 11.7% ↑ / QoQ 10.4% ↑)
- Of which LINE FRIENDS revenue was 2.5bn yen (YoY 46.7% ↓ / QoQ 14.4% ↓) due to the voluntary shutdown of retail stores worldwide
- Operating loss was 19.5bn yen
- LINE Pay global GMV was 364bn yen and global MAU was 5.59mm
- Japan LINE Pay MAU 2.69mm
 - 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. GMV and users are steadily growing
- Delivery and takeout services were particularly strong this quarter due to COVID-19 impact. GMV increased 67% compared to previous year

Supplementary Financial Information

- Payment processing and licensing expense was 10.3bn yen (YoY 23.3% ↑ / QoQ 1.7% ↑)
 - The variable cost increased due to the increase of sales of LINE Manga and LINE LIVE
- Employee compensation was 19.3bn yen (YoY 16.4% ↑ / QoQ 3.2% ↑)
- Marketing expense was 6.3bn yen (YoY 51.6% ↓ / QoQ 32.4% ↑)
 - Marketing expenses increased for services such as LINE Manga and LINE Pay
- Sales commissions was 2.0bn yen (YoY 53.7% ↓ / QoQ 27.4% ↓)
- Outsourcing expense was 11.7bn yen (YoY 5.9% ↑ / QoQ 3.2% ↑)
- Depreciation expense was 6.6bn yen (YoY 22.9% ↑ / QoQ 2.1% ↑)
- Other operating expense was 10.3bn yen (YoY 12.3% ↑ / QoQ 54.7% ↑)
 - 4.45bn yen of cost was accounted due to the impairment loss mainly related to LINE Friends retail stores in strategic business segment

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.

https://d.line-scdn.net/stf/linecorp/en/ir/all/LINE_20200630_EN.pdf

- Please also refer to the press release titled “Announcement Regarding Progress Toward Implementation of the Business Integration” disclosed on June 30, 2020
- 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 June 30, 2020. For media inquiry, please contact your PR representative.