



LINE Corporation Reports Third Quarter 2020 Results

October 28th 2020

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

Third Quarter 2020 Operational and Financial Highlights

User/Engagement Metrics

- 4 Key Countries MAU were 167 million
 - Japan MAU was 86 million in the third 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 80%
 - Japan DAU/MAU continues to be at 85% which illustrates the strong engagement on LINE platform

Business Highlights and Financial Metrics

Overall

- Revenue was 62.9bn yen (YoY 12.4% ↑ / QoQ 7.7% ↑)
- Revenue and other operating income was 90.9bn yen
 - Under other operating income, we recorded 9.5bn yen from re-evaluation of fair value of shares of Webtoon Entertainment Inc., which we acquired as a consideration resulting from the share transfer of LINE Digital Frontier Corporation (“LDF”)
 - Additionally, we recorded 18.1bn yen from re-evaluation of fair value of the remaining interest in LINE Man Corporation as a result of a third-party allotment of new shares
- Operating income was 21.1bn yen. Excluding the other operating income, operating loss was 6.4bn yen
- Oversea revenue represented 27% of total

Core - Overall

- Revenue for the Core Business was 53.4bn yen (YoY 10.1% ↑ / QoQ 5.7% ↑)
- Operating margin for the Core Business was 23.4%. Increasing in Ad Businesses revenue impacted margin to be 3.3 points higher than the previous quarter and 6.7 points higher compared to the same period of the previous year

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

Core - Ads

- Ad Businesses revenue was 35.6bn yen (YoY 16.3% ↑ / QoQ 11.6% ↑)
- Display ad revenue was 19.2bn yen (YoY 52.9% ↑ / QoQ 17.3% ↑)
 - The strong results were driven by impression growth particularly from Smart Channel and ad pricing improvement
 - Demands for 「Talk Head View」 (video ad format on the Smart Channel) were especially strong from diverse client base
 - Ad impressions were 76.8bn impressions for the third quarter, which is 73.7% increase from the same period of the previous year
- Account ad revenue was 14.5bn yen (YoY 3.8% ↓ / QoQ 6.4% ↑)
 - The number of Official Accounts were 13.4 million accounts for the third quarter, which is 21.6% increase from the same period of the previous year and 5.6% increase compared to previous quarter
 - Additionally, we saw a steadily growth of the accounts adopting features such as LINE Call, enabling users to call and contact within the Official Accounts
 - These indicate that LINE Official Accounts having an important role as a new communication tool between users and clients
- Other ad revenue was 1.9bn yen (YoY 37.3% ↓ / QoQ 1.4% ↓)

Core – Content/Communication/Others

- Core businesses revenue excluding ad business was 17.9bn yen (YoY 0.5% ↓ / QoQ 4.3% ↓)
- Content revenue was 9.8bn yen (YoY 0.5% ↓ / QoQ 6.8% ↓)
 - While overall content revenue decreased due to LDF, operator of LINE Manga service, becoming an equity-method affiliate, content services continue to grow steadily
- Communication revenue was 7.5bn yen (YoY 8.4% ↑ / QoQ 1.3% ↑)
- Other Core businesses revenue was 0.5bn yen (YoY 54.3% ↓ / QoQ 25.7% ↓)

Strategic

- Revenue for the Strategic Business was 9.5bn yen (YoY 27.8% ↑ / QoQ 20.7% ↑)
- Operating loss was 15.4bn yen
- LINE Pay global GMV was 459bn yen and global MAU was 5.64mm. Japan LINE Pay MAU was 2.63mm
 - Global GMV achieved 60% growth YoY as a result of growing demands for cashless payment due to COVID-19 as well as payment amount per user increased due to initiatives to increase payment frequency such as coupons



- Visa LINE Pay credit card users and GMV continue to grow steadily
- Delivery and takeout services showed a stable growth. GMV increased 35% compared to previous year
- LINE BK, LINE's banking service in Thailand, officially launched in October

Supplementary Financial Information

- Payment processing and licensing expense was 10.2bn yen (YoY 10.9% ↑ / QoQ 0.7% ↓)
- Employee compensation was 20.3bn yen (YoY 14.1% ↑ / QoQ 5.2% ↑)
 - The increase in expense was due to the tender offer in relation to ESOP
- Marketing expense was 7.1bn yen (YoY 43.8% ↑ / QoQ 12.4% ↑)
 - Marketing expenses increased for services such as LINE Pay and LINE Securities
- Sales commissions was 2.2bn yen (YoY 38.5% ↓ / QoQ 8.7% ↑)
- Outsourcing expense was 11.0bn yen (YoY 4.5% ↑ / QoQ 6.0% ↓)
- Depreciation expense was 6.7bn yen (YoY 16.0% ↑ / QoQ 0.8% ↑)
- Other operating expense was 9.3bn yen (YoY 8.4% ↑ / QoQ 10.1% ↓)
 - We recorded impairment loss of intangible assets and other current assets in the amount of 2.5bn yen
- Under other non-operating expenses, we recorded 16.3bn yen impairment loss of investments in Associates

Update on status regarding Business Integration with Z Holdings Corporation

https://d.line-scdn.net/stf/linecorp/en/ir/all/LINE_20200803_4_EN.pdf

- Please refer to the press release titled “Announcement Regarding Schedule for Implementation of the Business Integration” disclosed on August 3, 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 September 30, 2020. For media inquiry, please contact your PR representative.