

Fourth Quarter and FY2014 Earnings Results

January 29, 2015

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1. Earnings

1.1 Earnings Summary

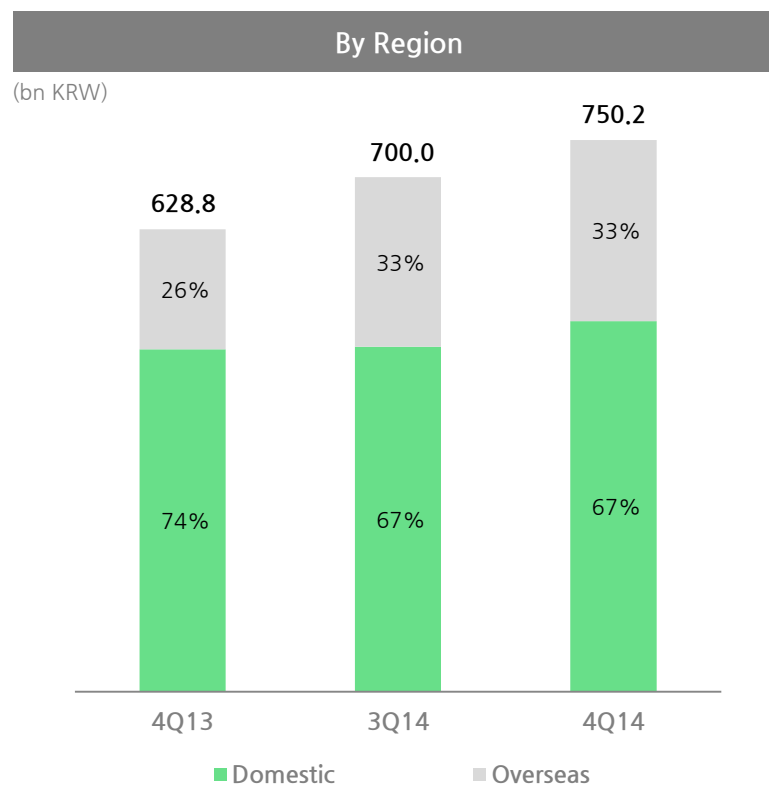
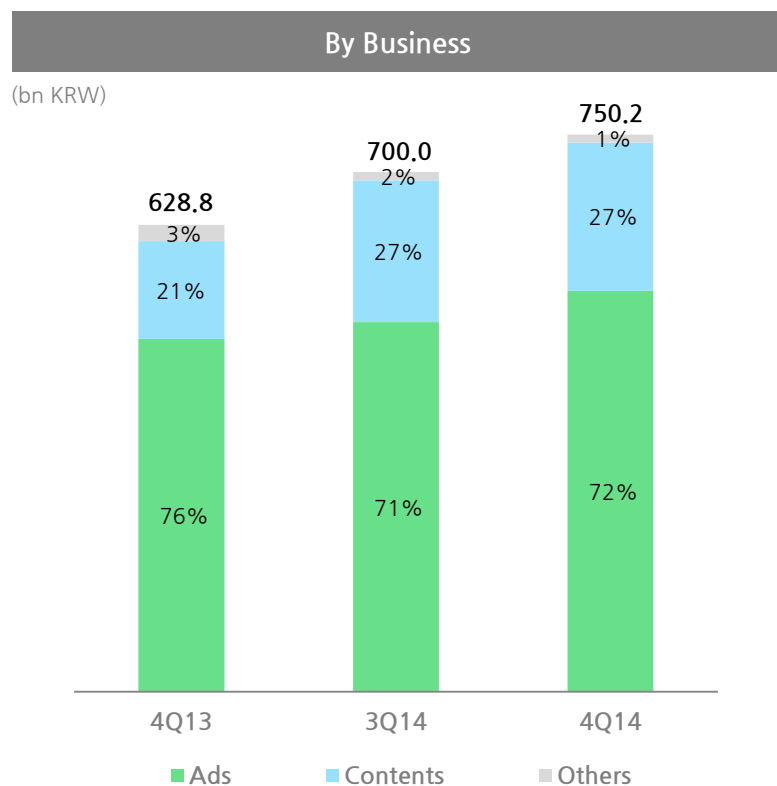
- **[Operating revenue]** Operating revenue was 750.2 bn KRW, up 19.3% Y/Y & 7.2% Q/Q , operating income recorded 196.1 bn KRW
- **[Income]** Pre-tax income was 200.4 bn KRW and net income from continuing operations was 135.2 bn KRW

(bn KRW)	4Q13	3Q14	4Q14	Growth		2014	Growth Y/Y
				Y/Y	Q/Q		
Operating revenue	628.8	700.0	750.2	19.3%	7.2%	2,761.9	22.3%
Ads	475.3	497.8	540.5	13.7%	8.6%	2,019.3	16.1%
Contents	131.7	191.2	199.1	51.2%	4.1%	690.0	61.7%
Others	21.8	11.1	10.7	-50.9%	-3.5%	52.5	-43.4%
Operating expenses	478.2	511.0	554.1	15.9%	8.4%	2,001.4	14.2%
Operating income	150.6	189.0	196.1	30.3%	3.8%	760.5	50.1%
<i>Margin(%)</i>	<i>23.9</i>	<i>27.0</i>	<i>26.1</i>	<i>2.2%p</i>	<i>-0.9%p</i>	<i>27.5</i>	<i>5.1%p</i>
Pre-tax income	42.4	207.5	200.4	373.0%	-3.4%	661.1	50.3%
Tax	-1.7	64.4	65.2	n/a	1.1%	234.6	88.4%
Net income from continuing operations	44.0	143.1	135.2	207.1%	-5.5%	426.5	35.3%
Discontinued operations income	10.1	10.7	-0.7	n/a	n/a	30.1	-98.1%
Net income	54.1	153.7	134.5	148.6%	-12.5%	456.6	-75.9%

※ About 45.0 bn KRW in LINE revenue was deferred regarding permanent items such as theme, creators' market stickers and game items

1.2 Revenue Proportion

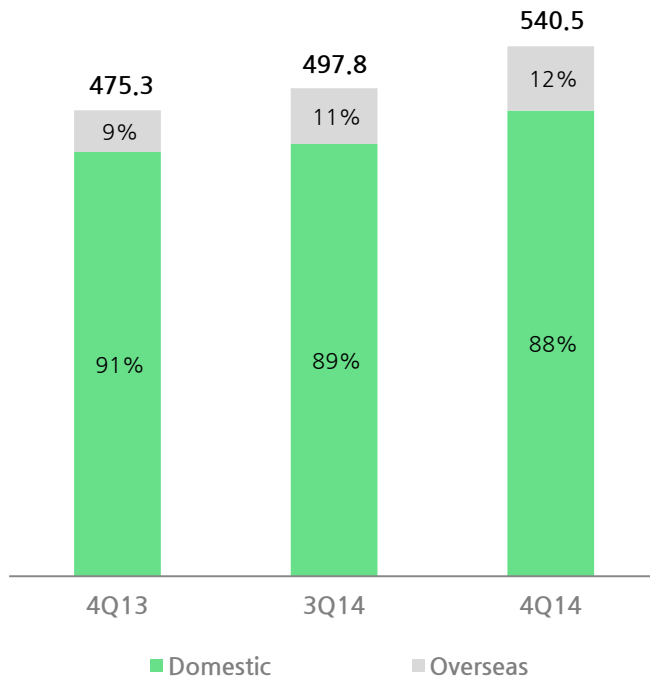
- **[By Business]** Ads was 540.5 bn KRW representing 72%, contents was 199.1 bn KRW representing 27%, and others was 10.7 bn KRW representing 1% of total operating revenue
- **[By Region]** Domestic revenue recorded 504.2 bn KRW representing 67%, while overseas revenue recorded 246.0 bn KRW representing 33% of total operating revenue



1.3 Revenue - Ads

- **[Revenue]** Ads revenue was up 13.7% Y/Y and 8.6% Q/Q with positive seasonality and stable mobile ads growth to record 540.5 bn KRW
- **[By Region]** 4Q14 domestic proportion was 88%, while overseas proportion was 12%

(bn KRW)



[Domestic Search Ad]

- PPC increased 7% Y/Y & clicks was up 3% Y/Y
- Mobile SA accounted for 28% of total SA revenue

[Domestic Display Ad]

- Domestic display ads was up 9% Y/Y
- Mobile DA accounted for 12% of total DA revenue

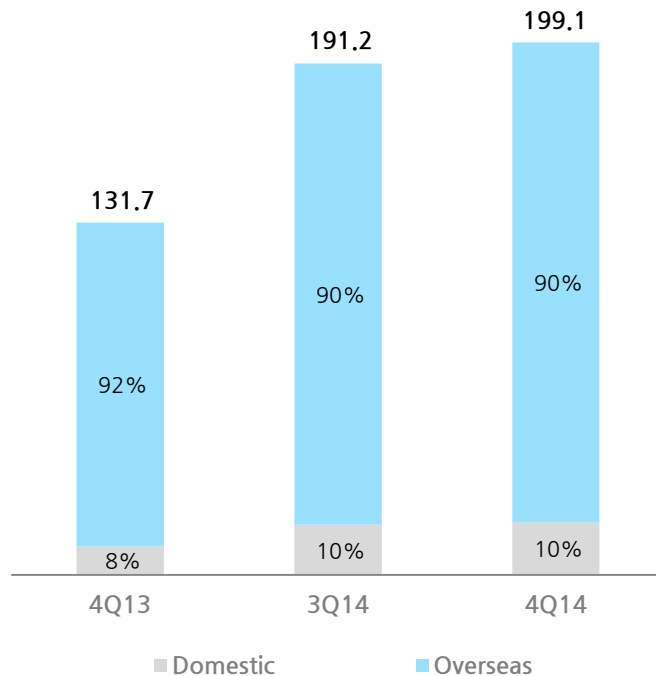
[Overseas Ad]

- # of official account in major countries : Approx. 210
- # of sponsored stickers in major countries : Approx. 110 (Japan, Taiwan, Thai, Indonesia)
- Solid growth from Matome and Livedoor in Japan

1.3 Revenue - Contents

- **[Revenue]** Contents revenue was up 51.2% Y/Y and 4.1% Q/Q to record 199.1 bn KRW
- **[By Region]** 4Q14 domestic proportion was 10%, while overseas proportion was 90%

(bn KRW)



[Overseas Contents]

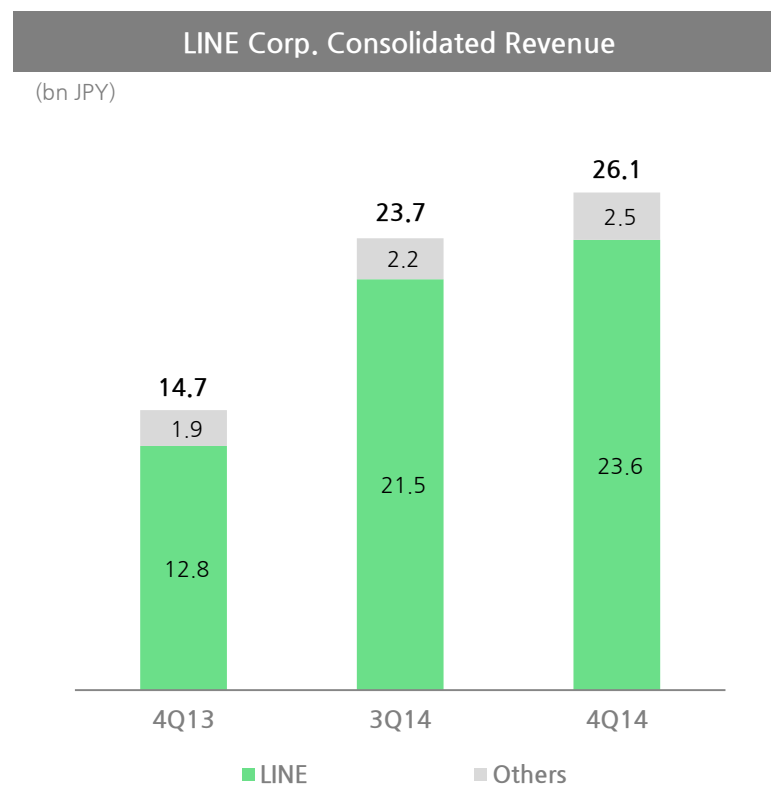
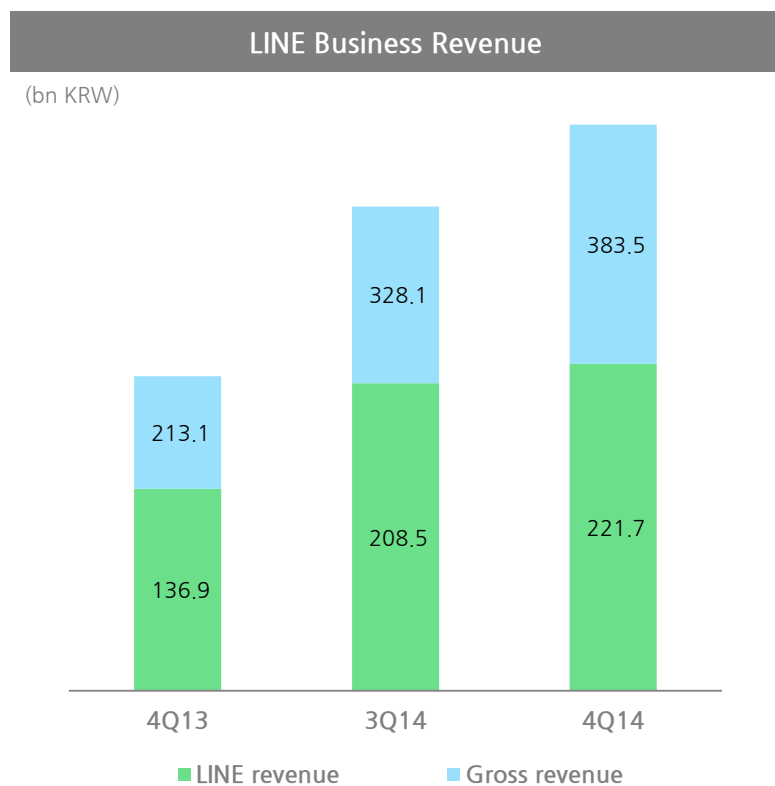
- Total # of LINE games : 44 games
(Multi lingual supported games : 24)
- Stickers : Over 40,000 sets
- Expanding contents & partnerships in LINE PLAY

[Domestic Contents]

- Expanding contents including Naver music, games, webtoon and more

1.3 Revenue - LINE

- **[Revenue]** LINE revenue rose 61.9% Y/Y & 6.4% Q/Q to 221.7 bn KRW
 - * Gross revenue was up 80.0% Y/Y & 16.9% Q/Q to 383.5 bn KRW
- **[LINE Corp.]** LINE Corp's consolidated revenue recorded 26.1 bn JPY due to solid growth from ads and contents



※ Based on IFRS, and consolidated subsidiaries are LINE Corp., LINE+, LINE Business Partners, and 9 others

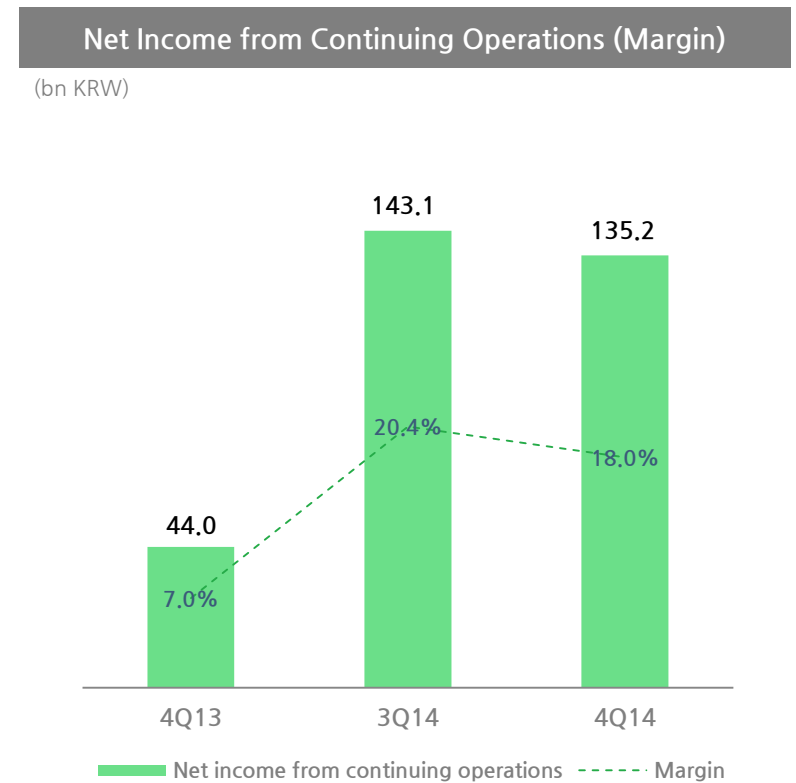
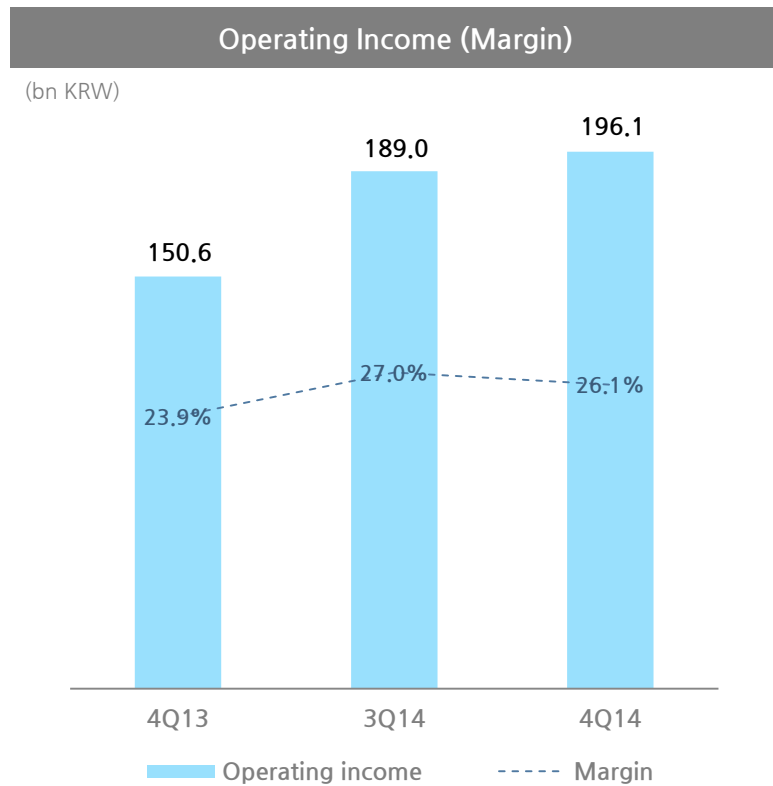
1.4 Operating Expense

- **[Labor Cost]** With new hires for LINE group, increased 9.3% Y/Y to record 140.6 bn KRW
- **[Commission]** Increased 24.5% Y/Y and 9.7% Q/Q due to increases in sales related commission to record 217.9 bn KRW
- **[Marketing]** Due to various marketing activities, fell 4.1% Y/Y but increased 21.0% Q/Q to record 78.0 bn KRW

(bn KRW)	4Q13	3Q14	4Q14	Growth		2014	Growth
				Y/Y	Q/Q		Y/Y
Operating expenses	478.2	511.0	554.1	15.9%	8.4%	2,001.4	14.2%
Labor cost	128.6	140.9	140.6	9.3%	-0.2%	555.0	18.1%
Commission	175.0	198.7	217.9	24.5%	9.7%	772.6	13.8%
Marketing	81.3	64.5	78.0	-4.1%	21.0%	245.8	0.4%
Depreciation	31.9	35.9	37.0	16.1%	3.0%	138.8	21.8%
Telecommunication	27.7	26.0	26.9	-2.9%	3.6%	101.7	-4.8%
Employee Benefit	12.9	17.2	17.8	37.7%	3.8%	66.3	24.1%
Others	20.8	28.0	35.9	72.8%	28.3%	121.3	43.7%

1.5 Incomes

- **[Operating income (margin)]** 4Q14 Operating Income recorded 196.1 bn KRW with margin of 26.1%
- **[Net income (margin)]** 4Q14 Net Income from Continuing Operations recorded 135.2 bn KRW with margin of 18.0%



2. Appendix

2. Appendix - Consolidated Financial Statements

Comprehensive Income Statement

(mn KRW)	4Q13	1Q14	2Q14	3Q14	4Q14
Operating revenue	628,782	625,750	685,884	700,004	750,231
Ads	475,327	476,848	504,252	497,756	540,494
Contents	131,696	131,466	168,308	191,178	199,061
Others	21,760	17,437	13,324	11,070	10,677
Operating expenses	478,230	439,451	496,819	511,021	554,091
Labor cost	128,645	129,778	143,653	140,903	140,626
Commission	174,982	171,159	184,854	198,661	217,887
Marketing	81,305	41,009	62,287	64,475	77,986
Depreciation	31,865	32,281	33,612	35,893	36,980
Telecommunication	27,707	24,584	24,311	25,951	26,896
Employee benefit	12,950	15,496	15,800	17,165	17,825
Others	20,776	25,144	32,302	27,973	35,890
Operating income	150,552	186,299	189,065	188,983	196,140
<i>Margin</i>	23.9%	29.8%	27.6%	27.0%	26.1%
Non operating income	-3,096	5,110	2,644	1,740	7,793
Finance income	22,609	9,491	10,503	25,869	32,068
Interest income	5,048	4,569	4,886	6,622	6,382
Others	17,560	4,923	5,617	19,247	25,686
Share of profit of associates	1,129	69	330	45	609
Non operating expense	123,926	5,607	13,503	7,442	25,980
Finance cost	3,805	9,096	121,610	1,609	9,039
Interest cost	1,791	1,694	1,386	1,291	1,355
Others	2,013	7,402	120,224	318	7,684
Share of loss of associates	1,094	499	-8	68	1,182
Income before income tax	42,369	185,767	67,436	207,519	200,409
Income Tax	-1,670	59,154	45,863	64,446	65,160
Net income from continuing operations	44,038	126,614	21,573	143,072	135,249
Net income from discontinued operations	10,078	2,335	17,806	10,665	-704
Net income	54,116	128,949	39,379	153,737	134,544
Other comprehensive income(loss)	-12,600	4,194	71,740	16,679	17,792
Comprehensive income	41,516	133,142	111,119	170,416	152,336

Statement of Financial Position

(mn KRW)	4Q13	1Q14	2Q14	3Q14	4Q14
Current assets	1,336,089	1,461,719	1,615,493	2,018,757	1,943,270
Cash & cash equivalents	730,627	750,251	917,875	1,188,113	1,126,260
Accounts receivable	324,456	379,238	389,397	509,019	426,502
Other	281,005	332,231	308,222	321,626	390,509
Non-current assets	1,361,658	1,413,353	1,445,290	1,343,167	1,458,849
Investment assets	251,885	261,423	244,760	176,022	254,210
Tangible assets	791,565	812,122	866,923	872,650	900,631
Intangible assets	134,030	134,244	127,602	127,120	120,754
Other	184,177	205,565	206,005	167,375	183,254
Total assets	2,697,747	2,875,072	3,060,783	3,361,925	3,402,119
Current liabilities	832,373	886,096	810,138	940,038	1,083,894
Accrued payable	155,760	205,417	272,188	269,263	314,942
Advance receipts	99,068	93,870	86,567	99,760	119,184
Accrued income taxes	122,453	114,833	144,616	108,000	152,565
Bonds	4,973	5,142	4,950	4,753	4,555
Other	450,119	466,834	301,818	458,262	492,648
Non-current liabilities	390,065	396,161	539,718	532,616	516,331
Bonds	110,097	107,868	107,575	104,897	104,693
Allowance for severance pay	159,793	168,031	173,484	181,539	180,609
Other	120,175	120,261	258,659	246,180	231,029
Total liabilities	1,222,438	1,282,256	1,349,856	1,472,654	1,600,225
Equity attributable to owners of the parent	1,471,316	1,589,317	1,707,873	1,886,847	1,800,478
Paid-in capital	16,481	16,481	16,481	16,481	16,481
Capital surplus	132,921	132,921	132,921	133,102	133,102
Capital adjustment	-3,114,846	-695,888	-689,211	-681,353	-921,065
Other comprehensive income	-119,418	-115,224	-43,484	-26,805	-16,477
Retained earnings	4,556,178	2,251,027	2,291,166	2,445,421	2,588,437
Non-controlling interests	3,993	3,499	3,054	2,423	1,416
Total equity	1,475,309	1,592,816	1,710,927	1,889,270	1,801,894