



February 26, 2019

Company: LINE Corporation

Representative: Takeshi Idezawa, CEO

Stock Code: 3938 (First section of the Tokyo Stock Exchange)

**Notice Regarding the Issuance of Stock Options (Warrants)  
and the Establishment of the Compensation Policy**

LINE Corporation (hereinafter “the Company”) announces that it passed a resolution during its board meeting held on February 26, 2019 to discuss as an agenda item the proposal detailed below relating to the introduction of issuance of stock options as compensation to directors (excluding outside directors) and outside directors at the 19th Ordinary General Meeting of Shareholders (“this ordinary general meeting of shareholders”) scheduled for March 28, 2019. Prior to the proposal of the agenda, the Company has also established LINE Group’s compensation policy as stated in the APPENDIX.

I . Issuance of stock options (warrants) to be paid as compensation, etc. to directors (excluding outside directors)

1. Reason for issuance of stock options (warrants)

A resolution was passed at the 15th Ordinary General Meeting of Shareholders held on March 31, 2015, to limit the annual total compensation of the Company’s Directors (including outside Directors) to 1 billion yen. The Company has decided to introduce a new share-based compensation system for the Directors of the Company for the purpose of providing the Directors with an incentive to contribute to continuing enhancement of corporate value and shareholder value over the medium- to long-term. Based on the share-based compensation system, the Company requests that shareholders approve the allotment of warrants in the 20th term (from January 1, 2019 to December 31, 2019) as described below that is separate from the above-mentioned compensation limit to Directors of the Company (excluding outside Directors and part-time Directors; the same exclusion applies throughout this proposal) in the form of stock options and to set a maximum limit on the amount of compensation, etc. relating to the warrants at 8.0 billion yen.

In lieu of the Directors paying for the warrants in the form of stock options (“stock options (warrants)”) allotted to them at an amount determined on the basis of fair value, such payment is planned to be made by means of offsetting the Directors’ claim to compensation that is based on compensation, etc. relating to the stock options (warrants) proposed in this proposal.

In the introduction of the share-based compensation system, the Company has established the Compensation Committee, the majority of whose members consists of outside Directors, in order to ensure the adequacy of the Directors’ compensation system and the levels of compensation, as well as the independence, objectivity and transparency of decision-making process. This proposal is based on the suggestions put forth by the Committee.

If the candidates for director are elected as originally proposed at this ordinary general meeting of shareholders, the number of Directors of the Company subject to this proposal will be four, excluding outside Directors and part-time Directors.

2. Specific details of stock option (warrant) issuance

(1) Total number of warrants and class and number of shares subject thereto

(a) Total number of warrants

A total of 30,240 units shall be the limit on the number of warrants of the Company to be allocated during the 20th term.

(b) Class and number of shares to be issued upon exercise of warrants

The class of shares to be issued upon exercise of warrants shall be shares of common stock of the Company and the number of shares to be issued upon exercise of a single warrant unit (hereinafter referred to as “Number of Allotted Shares”) shall be 100 shares. However, if it is appropriate to adjust the Number of Allotted Shares because of a share split (including gratuitous allotment of the common shares of the Company, which is deemed to be part of the description of a share split throughout this document) or share consolidation, etc. of the common shares of the Company after the date of the resolution of this proposal, the Company shall adjust the Number of Allotted Shares as necessary to a reasonable extent.

(2) Amount of payments for warrants

The amount of payment for one warrant unit (issue price) shall be the amount determined by the Board of Directors on the basis of fair value of the warrants, which is computed by a fair value calculation method including the Black-Scholes model, upon the allotment of the warrants.

(3) Value of assets to be contributed upon exercise of warrants

The value of assets to be contributed when warrants are exercised shall be the Number of Allotted Shares multiplied by the amount paid per share that can be delivered by exercise of warrants (hereinafter “Exercise Price”).

The Exercise Price shall be obtained by multiplying 1.05 by the average closing price in ordinary trading of the Company’s common shares on the Tokyo Stock Exchange for each day (excluding any day on which no trade is executed) of the month preceding the month in which the day that the warrants were allotted (hereinafter “Allotment Date”), and fraction less than 1 yen arising from such calculation will be rounded up; provided, however, that when the amount of the Exercise Price calculated this way is less than the closing price (or closing price of the immediately preceding trading day when there is no closing price) of the Company’s common shares on the Allotment Date, the Exercise Price shall be the closing price on the Allotment Date of the warrants. If it is appropriate to adjust the Exercise Price because of a merger, an issuance of shares for subscription, a share split or share consolidation, etc., the Company shall adjust the Exercise Price as necessary to a reasonable extent.

(4) Exercise period for warrants

Warrant holders may exercise the warrants during the periods listed in the following items (including the first day and the last day of each period; the same applies to this paragraph and

paragraph 5 below) up to the number of units in the relevant item (including the units for which the warrants have already been exercised). In such case, any fraction of exercisable warrants arising from the calculation pursuant to the relevant item shall be rounded down, and only the warrants without such fraction may be exercised.

- i. The exercise period for warrants shall be from the day exactly three years after the Allotment Date until the day exactly ten years after the Allotment Date.  
20% of the total number of allotted warrants
- ii. The exercise period for warrants shall be from the day exactly four years after the Allotment Date until the day exactly ten years after the Allotment Date.  
50% of the total number of allotted warrants
- iii. The exercise period for warrants shall be from the day exactly five years after the Allotment Date until the day exactly ten years after the Allotment Date.  
100% of the total number of allotted warrants

(5) Conditions for exercise of warrants

- (a) Warrant holders must be in a position of Director of the Company or a subsidiary or associate of the Company at the time that the warrants are exercised; provided, however, that this does not apply in cases when a warrant holder has retired from the position of Director of the Company or a subsidiary or associate of the Company due to the expiry of his/her term of office, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
- (b) Warrant holders may exercise the warrants up to the number of units listed in the following items only if the stock price of the common shares of the Company satisfies the conditions in the relevant item. In such case, any fraction of exercisable warrants arising from the calculation pursuant to the relevant item shall be rounded down, and only the warrants without such fraction may be exercised. If it is appropriate to adjust the Standard Stock Price (as defined in item 1) because of a merger, an issuance of shares for subscription, a share split or share consolidation, etc., the Company shall adjust the Standard Stock Price as necessary to a reasonable extent. Warrant holders may exercise the warrants for the period set forth in paragraph 4 up to the maximum number of units for the exercise if the stock price of the common shares of the Company satisfies the conditions listed in the following items.
  - i. If, on any day from the day exactly three years after the Allotment Date until the day exactly six years after the Allotment Date, the average closing price in ordinary trading of the Company's common shares on the Tokyo Stock Exchange during the ten-business-day period immediately preceding that day (including the day itself, but excluding the day on which no ordinary trading of the Company's common shares is executed; the same applies to the items in this paragraph) exceeds 7,518 yen (hereinafter "Standard Stock Price"):  
20% of the total number of allotted warrants
  - ii. If, on any day from the day exactly four years after the Allotment Date until the day exactly seven years after the Allotment Date, the average closing price in ordinary trading of the Company's common shares on the Tokyo Stock Exchange during the ten-business-

day period immediately preceding that day (including the day itself) exceeds the Standard Stock Price:

30% of the total number of allotted warrants

- iii. If, on any day from the day exactly five years after the Allotment Date until the day exactly eight years after the Allotment Date, the average closing price in ordinary trading of the Company's common shares on the Tokyo Stock Exchange during the ten-business-day period immediately preceding that day (including the day itself) exceeds the Standard Stock Price:

50% of the total number of allotted warrants

- (c) Other conditions for exercise of warrants shall be determined at the meeting of the Company's Board of Directors determining the subscription requirements of the warrants.

- (6) Restriction on acquisition of warrants by transfer

Acquisition of warrants by transfer shall be subject to approval by resolution of the Company's Board of Directors.

- (7) Other matters concerning warrants

Other matters concerning warrants shall be determined at the meeting of the Company's Board of Directors determining the subscription requirements of the warrants.

## II. Issuance of stock options (warrants) to be paid as compensation, etc. to outside Directors

1. Reason for issuance of stock options (warrants)

As stated above ("1. Reason for issuance of stock options (warrants)" of ". Issuance of stock options (warrants) to be paid as compensation, etc. to directors (excluding outside directors)"), a resolution was passed at the 15th Ordinary General Meeting of Shareholders held on March 31, 2015, to limit the annual total compensation of the Company's Directors (including outside Directors) to 1 billion yen. The Company has decided to introduce a new share-based compensation system for the Directors of the Company for the purpose of providing the Directors with an incentive to contribute to continuing enhancement of corporate value and shareholder value over the medium- to long-term. Based on the share-based compensation system, the Company requests that shareholders approve the allotment of warrants in the 20th term (from January 1, 2019 to December 31, 2019) as described below that is separate from the above-mentioned compensation limit to outside Directors of the Company in the form of stock options and to set a maximum limit on the amount of compensation, etc. relating to the warrants at 63 million yen.

In lieu of the Directors paying for the warrants in the form of stock options ("stock options (warrants)") allotted to them at an amount determined on the basis of fair value, such payment is planned to be made by means of offsetting the Directors' claim to compensation that is based on compensation, etc. relating to the stock options (warrants) proposed in this proposal. For the stock options proposed in this proposal, no conditions based on stock prices are set for the exercise.

In the introduction of the share-based compensation system, the Company has established the Compensation Committee, the majority of whose members consists of outside Directors, in order to ensure the adequacy of the Directors' compensation system and the levels of compensation, as well as

the independence, objectivity and transparency of decision-making process. This proposal is based on the suggestions put forth by the Committee.

If the candidates for director are elected as originally proposed at this ordinary general meeting of shareholders, the number of outside Directors of the Company subject to this proposal will be three.

## 2. Specific details of stock option (warrant) issuance

### (1) Total number of warrants and class and number of shares subject thereto

#### (a) Total number of warrants

A total of 240 units shall be the limit on the number of warrants of the Company to be allocated during the 20th term.

#### (b) Class and number of shares to be issued upon exercise of warrants

The class of shares to be issued upon exercise of warrants shall be shares of common stock of the Company and the number of shares to be issued upon exercise of a single warrant unit (hereinafter referred to as “Number of Allotted Shares”) shall be 100 shares. However, if it is appropriate to adjust the Number of Allotted Shares because of a share split (including gratuitous allotment of the common shares of the Company, which is deemed to be part of the description of a share split throughout this document) or share consolidation, etc. of the common shares of the Company after the date of the resolution of this proposal, the Company shall adjust the Number of Allotted Shares as necessary to a reasonable extent.

### (2) Amount of payments for warrants

The amount of payment for one warrant unit (issue price) shall be the amount determined by the Board of Directors on the basis of fair value of the warrants, which is computed by a fair value calculation method including the Black-Scholes model, upon the allotment of the warrants.

### (3) Value of assets to be contributed upon exercise of warrants

The value of assets to be contributed when warrants are exercised shall be the Number of Allotted Shares multiplied by the amount paid per share that can be delivered by exercise of warrants (hereinafter “Exercise Price”).

The Exercise Price shall be obtained by multiplying 1.05 by the average closing price in ordinary trading of the Company’s common shares on the Tokyo Stock Exchange for each day (excluding any day on which no trade is executed) of the month preceding the month in which the day that the warrants were allotted (hereinafter “Allotment Date”), and fraction less than 1 yen arising from such calculation will be rounded up; provided, however, that when the amount of the Exercise Price calculated this way is less than the closing price (or closing price of the immediately preceding trading day when there is no closing price) of the Company’s common shares on the Allotment Date, the Exercise Price shall be the closing price on the Allotment Date of the warrants. If it is appropriate to adjust the Exercise Price because of a merger, an issuance of shares for subscription, a share split or share consolidation, etc., the Company shall adjust the Exercise Price as necessary to a reasonable extent.

(4) Exercise period for warrants

Warrant holders may exercise the warrants during the periods listed in the following items (including the first day and the last day of each period) up to the number of units in the relevant item (including the units for which the warrants have already been exercised). In such case, any fraction of exercisable warrants arising from the calculation pursuant to the relevant item shall be rounded down, and only the warrants without such fraction may be exercised.

- i. The exercise period for warrants shall be from the day exactly three years after the Allotment Date until the day exactly ten years after the Allotment Date.  
20% of the total number of allotted warrants
- ii. The exercise period for warrants shall be from the day exactly four years after the Allotment Date until the day exactly ten years after the Allotment Date.  
50% of the total number of allotted warrants
- iii. The exercise period for warrants shall be from the day exactly five years after the Allotment Date until the day exactly ten years after the Allotment Date.  
100% of the total number of allotted warrants

(5) Conditions for exercise of warrants

Warrant holders must be in a position of Director of the Company or a subsidiary or associate of the Company at the time that the warrants are exercised; provided, however, that this does not apply in cases when a warrant holder has retired from the position of Director of the Company or a subsidiary or associate of the Company due to the expiry of his/her term of office, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.

Other conditions for exercise of warrants shall be determined at the meeting of the Company's Board of Directors determining the subscription requirements of the warrants.

(6) Restriction on acquisition of warrants by transfer

Acquisition of warrants by transfer shall be subject to approval by resolution of the Company's Board of Directors.

(7) Other matters concerning warrants

Other matters concerning warrants shall be determined at the meeting of the Company's Board of Directors determining the subscription requirements of the warrants.

Note: This proposal is subject to approval and adoption of the proposal, "Determination of Amounts and Details of Stock Options (Warrants) to Be Paid as Compensation, etc. to Directors (Excluding Outside Directors)" and "Determination of Amounts and Details of Stock Options (Warrants) to Be Paid as Compensation, etc. to Outside Directors" at this ordinary general meeting of shareholders.

## **Compensation Policy**

### **1. LINE's Mission**

The mission of LINE is “CLOSING THE DISTANCE.” By bringing people closer to each other, to information, and to services closer together, we strive to realize a world in which LINE acts as a gateway to enable users to complete everything in their lives.

The standard for our value to achieve this mission is described in the word “WOW.” WOW means an unprecedented sensation and an experience that is so amazing that you just have to share it with friends. WOW exists in every top service that leads the market and breaks out the global paradigm. The meaning of our existence is to pursue WOWs at all times, to keep taking on challenges to become No. 1 through which we enrich the world, and to continue providing values widely to stakeholders including the users, clients, suppliers, employees and shareholders through the creation of such social values.

### **2. LINE's Strategy**

Conceived in June 2011, communication application LINE is an embodiment of WOW and a service that changes the paradigm of communication and achieves CLOSING THE DISTANCE. Since launching LINE, we have continued to introduce various services through perpetual pursuit of WOWs and taking on challenges to become No. 1 as we build upon the development of LINE as a platform. Without stopping its pace, LINE will push to further pursue WOWs and to achieve CLOSING THE DISTANCE.

As technological innovation continues to accelerate unprecedentedly, the needs and values of users are becoming diversified. We consider these changes in the world as a chance to create new values and a great opportunity for LINE as we keep taking on challenges. Amid intense competition against global internet entities possessing high reputations, capital and technological capabilities (Facebook, Amazon, Netflix, Google and Apple to name a few) and with startups aggressively venturing to create new values, LINE focus its efforts on futuristic areas such as Fintech, AI and Blockchain.

The most important element in pursuing WOWs at all times and achieving and continuously CLOSING THE DISTANCE is the “LINER”, the people working at LINE. Rather than being an incoherent group of people, we, a group of top-class talents who meet global standards, are to share the same vision, hold powerful motivation and determination, and continue taking on challenges without fear of failure. This is, has always been, and will continue to be the source of LINE's competitive edge.

For LINE to maintain and further enhance our competitiveness and continuously, on a mid to long-term basis, maximize our corporate value and shareholders value, we must maximize the value of our employees. In

an environment where global talent acquisition is becoming more intense, we cannot achieve this with the traditional Japanese corporate compensation standards.

The compensation must be sufficiently attractive for top-class talents meeting global standards. It must serve as a powerful incentive for those talents to continue pursuing WOWs and taking on challenges to become No. 1 at all times. The opportunity must not be provided to a selected few, but should be offered equally to all LINERs and distributed clearly based on performance. Moreover, the compensation scheme must be designed to align the interests of all stakeholders with a strong link to the continuous maximization of corporate value and shareholders value over the mid to long-term.

Based on such understanding, the Company will introduce a new share-based compensation plan (the “Plan”). This Plan will form the basis for LINE to continue creating social values over the mid to long-term and provide values widely to all stakeholders.

### **3. Compensation Policy**

The three fiscal years starting from the fiscal year ending December 2019 have been marked as LINE’s “Second Founding Period” during which we aim to make the next leap, leveraging the steady growth of LINE amidst technological innovations such as Fintech, AI and Blockchain. In such critically important period, we developed the following policy on the Plan that will enable us to recruit top-class talents meeting global standards and to drive LINE in its pursuit of WOWs, challenges to become No. 1 and efforts to achieve CLOSING THE DISTANCE.

(1) Incentives that contribute to increasing corporate value and shareholders value continuously over the mid to long-term

- the Plan should not be influenced by the short-term earnings, but should serve as incentives to achieve the Key Goal Indicators (KGIs) set forth as challenging towards the essential value (WOW) and maximizing corporate value and shareholders value continuously over the mid to long-term; and
- in the Plan, the opportunity must not be provided to a selected few, but should be offered equally to all officers and employees and distributed clearly based on performance.

(2) Sharing common interest with shareholders

- the Plan should be designed to align the interests of shareholders and the interests of officers and employees with an aim to increase shareholders value continuously over the mid to long-term;
- the Plan should contribute to provide values widely to stakeholders including the users, clients, business partners, employees and shareholders, through the creation of social values in pursuit of WOWs, challenges to become No. 1 and efforts to achieve CLOSING THE DISTANCE, while sharing common interest with shareholders; and
- the Plan should deter extreme risk-taking behavior against mere a short-term rise in share prices, and should reflect multilateral evaluations from the perspectives such as compliance and information security as well as financial indices.



(3) Compensation governance

- the Company will establish a Compensation Committee that ensures a similar level of independence equivalent to those of European and U.S. companies, to introduce a bold share-based compensation plan beyond the traditional standards adopted by Japanese corporates. The Compensation Committee shall be comprised of a majority of outside Directors and chaired by an outside Director to ensure the adequacy of the Plan and compensation standards for the Company's Directors, as well as the independence, objectivity and transparency of its decision process. The Compensation Committee shall deliberate on matters such as: compensation policy, total compensation amount, compensation composition, evaluation standards and evaluations conducted in accordance with such standards, individual compensation amount, for the Company's Directors, and provide advice and recommendations to the Board of Directors;
- the Compensation Committee shall be scheduled to meet at least four times a year to conduct multiple discussions, from a composite perspective, on compensation rationality to ensure accountability to shareholders, investors and other stakeholders, such as the effectiveness of the Plan in relation to objectives including LINE's strategies, acquisition of talents and boosting of motivation, and comparison with benchmark corporations in determining the total amount of compensation of the Company's Directors, taking into consideration the advice from compensation consultants and other specialists in various fields that the Compensation Committee engages independently;
- the Company will make proactive disclosure of information and engagements with stakeholders including shareholders and investors; and
- in evaluating the compensation of the Company's Directors, Compensation Committee shall discuss qualitative evaluation such as compliance and ESG in addition to evaluating the improvement of the corporate value and shareholders value, and shall review and discuss individual compensation of the Company's Directors and have the authority to provide advice and recommendation to the Board of Directors, and the Board of Directors shall respect such advice and recommendation to maximum extent in making their decisions.

**4. Overview of the Share-based Compensation Plan**

The Company will introduce a new share-based compensation plan that will form the basis for LINE to continue creating social values over the mid to long-term and providing values widely to all stakeholders. The overview is as explained below. The Plan has been approved by the Board of Directors, after consultation to the Compensation Committee and receiving advice and recommendation from the Compensation Committee. Through the introduction of the Plan, we anticipate that the Company's Directors' compensation will see a major increase in the proportion of mid to long-term share-based compensation ("Long-term Incentive (LTI)") as opposed to short-term monetary compensation ("Short-term Incentive (STI))."

- 1) For the three fiscal years starting from the fiscal year ending December 2019 accordingly to the contribution from officers and employees of LINE, the Company will issue and grant to its officers and employees of LINE, each fiscal year, stock options or other share-based compensation equivalent to

approximately 3.6% of the total number of shares issued of the Company. Such compensation may be exercised after three years from the date of allotment; provided, however, that the beneficiaries maintain their status as the officer or employee of LINE.

- 2) The exercise price of stock options shall be the Company's share price at the time of issuance, plus a premium of approximately 5%.
- 3) For the three fiscal years starting from the fiscal year ending December 2019, the Company will issue and grant to the Company's Directors (excluding outside Directors), each fiscal year, a stock option of approximately 1.26% of the approximately 3.6% of the total number of shares issued of the Company as set forth above in item 1). The stock options to be granted to the Company's Directors (excluding outside Directors) shall have a share price condition as a condition to exercise such options, which shall be designed to minimize the loss to shareholders value due to dilution of equity value unless shareholders values are increased.
- 4) In consideration of the Company's Director Jungho Shin's achievements in conception and growth of communication application LINE, and of his crucially important role he plays as Chief WOW Officer (CWO) to provide innovative services and promote innovation in LINE, the Company will issue and grant to the Company's Director Jungho Shin for the three fiscal years starting from the fiscal year ending December 2019, each fiscal year, a stock option of approximately 0.9% of the approximately 3.6% of the total number of shares issued of the Company as set forth above in item 1).
- 5) Outside Directors are expected to contribute to the continuous improvement of shareholders value over the mid to long-term by supporting the promotion of sharing interests with shareholders and the decision-making in the business execution with speed and decided manner, as well as to deter extreme risk-taking in the business execution from a completely independent standpoint. On such basis, the Company will issue and grant to its outside Directors, a non-performance-based stock option or other share-based compensation without a share price condition as an exercise condition within an appropriate scope.

- \* The Plan is subject to approval at a General Meeting of Shareholders of the Company on necessary matters.

Established February 26<sup>th</sup> 2019

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.