

# Compensation Policy

## 1. LINE's Mission

The mission of LINE is “CLOSING THE DISTANCE.” By bringing people, information and 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) This Plan shall be designed so that if the Company's Director engages in material misconduct causing damage to LINE during its term, the Company shall, based on deliberations conducted at the Compensation Committee and subject to resolution by the Board of Directors, be able to limit the exercise of stock options or request the relevant Company's Director to return

compensation obtained as a result of exercising such option.

- 6) 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

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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.