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If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of LINE Corporation in such jurisdiction.

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The Joint Lead Managers are acting exclusively for LINE Corporation and no one else in connection with the offer. The Joint Lead Managers will not regard any other person (whether or not a recipient of the document) as their client in relation to the offer and will not be responsible to anyone other than LINE Corporation for providing the protections afforded to their clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

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Neither this electronic transmission nor the attached document constitutes or contains any offer to sell or invitation to subscribe or make commitments for or in respect of any jurisdiction where such an offer or invitation would be unlawful.

OFFERING CIRCULAR

LINE

LINE Corporation

(incorporated with limited liability under the laws of Japan)

**¥36,580,000,000 Zero Coupon
Convertible Bonds due 2023**

**¥36,580,000,000 Zero Coupon
Convertible Bonds due 2025**

OFFER PRICE: 102.5 PER CENT.

OFFER PRICE: 102.5 PER CENT.

The ¥36,580,000,000 Zero Coupon Convertible Bonds due 2023 (the “2023 Bonds”) and the ¥36,580,000,000 Zero Coupon Convertible Bonds due 2025 (the “2025 Bonds”, and together with the 2023 Bonds, the “Bonds”, being bonds with stock acquisition rights (*tenkanshasaigata shinkabu yoyakuken-tsuki shasai*), and each, a “Series”; and which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated in the Bonds) of LINE Corporation (the “Company”) will be issued in registered form in the denomination of ¥10,000,000 each with a stock acquisition right (*shinkabu yoyakuken*) (the “Stock Acquisition Right”). The Stock Acquisition Rights will be exercisable from and including 4 October 2018 to and including 6 September 2023 in respect of the 2023 Bonds, and exercisable from and including 4 October 2018 to and including 5 September 2025 in respect of the 2025 Bonds (in each case, unless the relevant Bonds have been previously redeemed or purchased and cancelled), and entitling the Bondholder (as defined in each of the terms and conditions of the 2023 Bonds (the “Terms and Conditions of the 2023 Bonds”) and the terms and conditions of the 2025 Bonds (the “Terms and Conditions of the 2025 Bonds”, and together with the Terms and Conditions of the 2023 Bonds, the “Terms and Conditions”, as applicable)) to acquire fully paid and non-assessable shares of common stock of the Company (the “Shares”) at an initial conversion price, subject to adjustment in certain events as set out herein, of ¥7,467 per Share in respect of the 2023 Bonds and ¥7,518 per Share in respect of the 2025 Bonds. The closing price of the Shares on 4 September 2018, as reported by Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”), was ¥5,080 per Share.

Unless previously redeemed or purchased and cancelled, and unless the Stock Acquisition Rights incorporated therein have previously been exercised, the 2023 Bonds will be redeemed at 100 per cent. of their principal amount on 20 September 2023 and the 2025 Bonds will be redeemed at 100 per cent. of their principal amount on 19 September 2025. If at any time the outstanding principal amount of any Series of Bonds is less than 10 per cent. of the aggregate principal amount of such Series of Bonds as of the date of issue thereof, such Series of Bonds may be redeemed at 100 per cent. of their principal amount, at the option of the Company as set out in the Terms and Conditions of the relevant Series of Bonds. On or after 21 September 2021 (in respect of the 2023 Bonds) or 20 September 2023 (in respect of the 2025 Bonds), the Company may, but shall not be bound to redeem all, but not some only, of the relevant Series of Bonds then outstanding at 100 per cent. of their principal amount, if the closing price of the Shares for each of the 20 consecutive trading days, the last of which occurs not more than 30 days prior to the date upon which the notice to redeem is first given, is at least 130 per cent. of the conversion price in effect for the relevant Series of Bonds on each such trading day.

Payments of principal, premium (if any) and any other amount due in respect of the Bonds will be made without withholding or deduction for or on account of Japanese taxes to the extent set out herein (see “Taxation—Japanese Taxation” and Condition 9 of the Terms and Conditions of the relevant Series of Bonds). If Japanese withholding taxes are imposed on payments in respect of the 2023 Bonds or the 2025 Bonds, the Company may, at any time, redeem all the 2023 Bonds or the 2025 Bonds, as the case may be, at 100 per cent. of their principal amount (as set out herein).

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing and quotation of the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of the merits of the Company or its subsidiaries or associated companies (if any), the Group (as defined herein) or the Bonds.

Each Series of Bonds will initially be represented by a global certificate (each, a “Global Certificate”) evidencing the relevant Series of Bonds in registered form, deposited with and registered in the name of, or a nominee for, a common depository for each of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”) on or about 20 September 2018 (the “Closing Date”) for the accounts of their respective accountholders. The Joint Lead Managers (as described in “Subscription and Sale”) expect to deliver the Bonds to investors through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

Concurrent with the offering of the Bonds, the Company is conducting a third-party allotment of ¥36,580,000,000 in aggregate principal amount of zero coupon convertible bonds due 2023 (the “2023 Allotment Bonds”) and ¥36,580,000,000 in aggregate principal amount of zero coupon convertible bonds due 2025 (the “2025 Allotment Bonds”, and together with the 2023 Allotment Bonds, the “Allotment Bonds”) to NAVER Corporation (“NAVER”), on substantially the same terms and conditions as the 2023 Bonds and the 2025 Bonds, respectively. Each Series of Allotment Bonds will be subscribed by NAVER at an issue price of 102.5 per cent. of the principal amount of the Allotment Bonds and will have an initial conversion price of ¥7,467 per Share in respect of the 2023 Allotment Bonds and ¥7,518 per Share in respect of the 2025 Allotment Bonds. The issue of the Bonds and the Allotment Bonds are each conditional upon arrangements for the settlement and payment of the other being made, in the case of the Allotment Bonds, to the satisfaction of Morgan Stanley & Co. International plc, Nomura International plc and J.P. Morgan Securities plc (the “Representatives”).

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”). In addition, the Bonds have not been, and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”), and may not be offered or sold within Japan or to, or for the account of, residents of Japan, unless otherwise permitted under the FIEA. For a summary of certain restrictions on the sale and transfer of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights, see “Subscription and Sale”.

See “Investment Considerations” for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

Joint Bookrunners and Joint Lead Managers

**Morgan Stanley
Goldman Sachs International**

Nomura

**J.P. Morgan
Mizuho International plc**

The date of this Offering Circular is 4 September 2018.

The Company accepts responsibility for the information contained in this Offering Circular, which includes any information incorporated by reference herein. To the best of the knowledge and belief of the Company, the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Company, the Group, the Bonds and the Shares (including all information in relation to the applicable laws of Japan) which is material in the context of the issue and offering of the Bonds, the statements contained in it relating to the Company, the Group, the Bonds and the Shares are in every material particular true and accurate and not misleading, the opinions, intentions, beliefs or expectations expressed in this Offering Circular with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Group, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated by reference herein (see “Documents Incorporated by Reference”). This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company or the Joint Lead Managers to subscribe for, or purchase, any of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights. The distribution of this Offering Circular and the offering of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights and distribution of this Offering Circular, see “Subscription and Sale”.

No person has been authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by or on behalf of the Company, the Joint Lead Managers or the Trustee (as defined in the Terms and Conditions of the 2023 Bonds and the Terms and Conditions of the 2025 Bonds). Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained herein is correct as at any time subsequent to its date, nor does it imply that there has been no change in the affairs or the financial position of the Group since the date hereof.

To the fullest extent permitted by law, the Joint Lead Managers and the Trustee accept no responsibility whatsoever for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Company, the Group or the issue and offering of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights. Each Joint Lead Manager and the Trustee accordingly disclaim all and any liability whether arising in tort or contract or otherwise in respect of this Offering Circular or any such statement.

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights are only being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the FIEA and may not be offered or sold within Japan or to, or for the account of, residents of Japan, unless otherwise permitted by the FIEA.

No action is being taken to permit a public offering of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, the European Economic Area (including the United Kingdom), Singapore, Hong Kong and Switzerland and to persons connected therewith. See “Subscription and Sale”.

Under the Companies Act of Japan (Act No. 86 of 2005, as amended) (the “Companies Act”), the Company may issue new Shares to a Bondholder (as defined in the Terms and Conditions of the 2023 Bonds and the Terms and Conditions of the 2025 Bonds) and/or transfer Shares that it holds as treasury stock to a Bondholder, in each

case upon exercise of a Stock Acquisition Right. Accordingly, unless otherwise specified or the context requires, references in this Offering Circular to the issuance of Shares shall be read as including both the issuance of new Shares and the transfer of Shares held by the Company as treasury stock and the words “issue”, “issued” and “issuable” shall be construed accordingly. In addition, references to the word “acquire” used in conjunction with the Shares shall be read as including both the words “issue” and “transfer” and the words “acquired” and “acquisition” shall be construed accordingly and references to “delivery” used in respect of the Shares shall be read as including the transfer of Shares by way of the book entry transfer system of Japan Securities Depository Center, Inc. (“JASDEC”).

In this Offering Circular, unless otherwise specified or the context requires, references to the “Group” are to the Company and its consolidated subsidiaries and its subsidiaries and affiliates accounted for by equity method taken as a whole. References herein to “us”, “we” and “our” are references to the Company and to the Group, as the case may be.

Unless otherwise stated or the context requires, the description of the Company’s business and financial information relating to the Company contained herein are given on a consolidated basis.

Unless otherwise specified or the context requires, references to “U.S.\$”, “dollars” and “U.S. dollars” are to United States dollars and references to “yen” and “¥” are to Japanese yen.

The Company’s fiscal year end is 31 December. The Company’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

The Company’s audited consolidated statements of financial position as at 31 December 2016 and 2017 and audited consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the fiscal years ended 31 December 2015, 2016 and 2017, which together with the notes thereto are incorporated by reference in this Offering Circular, were audited by PricewaterhouseCoopers Aarata LLC (“PwC Aarata”), the independent auditor of the Company, in accordance with the standards of the Public Company Accounting Oversight Board (United States). The Company’s unaudited interim condensed consolidated financial statements as at 30 June 2018 and for the six months ended 30 June 2017 and 2018, which together with the notes thereto are incorporated by reference in this Offering Circular, were reviewed by PwC Aarata in accordance with the quarterly review standards generally accepted in Japan.

The consolidated financial statements in respect of the six months ended 30 June 2018 have not been audited by the Company’s independent auditors. In addition, such financial statements may reflect seasonal factors and/or may reflect temporary economic or market trends that cannot be extrapolated. Certain adjustments, accruals and deferrals which are made in the audited consolidated financial statements have been estimated in a simplified manner or are not made in respect of the consolidated half-year financial statements. Accordingly, the consolidated half-year financial statements incorporated by reference in this Offering Circular are not wholly comparable with the audited consolidated financial statements incorporated by reference in this Offering Circular and should not be so compared.

In this Offering Circular, unless otherwise specified or the context requires, where information is presented in millions of yen, amounts of less than one million and, in the case of percentages, fractions of less than 1 per cent., one-tenth of 1 per cent. or one-hundredth of 1 per cent. have been rounded up or down, as the case may be. In some cases, figures presented in tables in this Offering Circular may not total due to rounding or truncating.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET—Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

PRIIPs REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The Bonds are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area (“EEA”). For these purposes, a retail

investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notification under Section 309B(1)(c) of the SFA—In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Company has determined, and hereby notifies all relevant persons (as defined in the CMP Regulations 2018), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Disclosure of Demand and Allocation

Each prospective purchaser who places an order for the Bonds consents to the disclosure by the Joint Lead Managers to the Company of the prospective purchaser’s identity, the details of such order and the actual amount purchased, if any.

IN CONNECTION WITH THIS ISSUE OF THE BONDS, MORGAN STANLEY & CO. INTERNATIONAL PLC (THE “STABILISATION MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE 2023 BONDS OR THE 2025 BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

FORWARD-LOOKING STATEMENTS

Statements included in this Offering Circular may contain forward-looking statements and information identified by the use of terminology such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “project”, “will”, or similar phrases. Where included, the Company bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company’s current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company’s or the Group’s actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company’s expectations include those risks identified in “Investment Considerations” (including, for the avoidance of doubt, those risks identified therein as being incorporated by reference in this Offering Circular) as well as other matters not yet known to the Company or not currently considered material by the Company. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company’s behalf are qualified in their entirety by these cautionary statements.

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SUMMARY INFORMATION

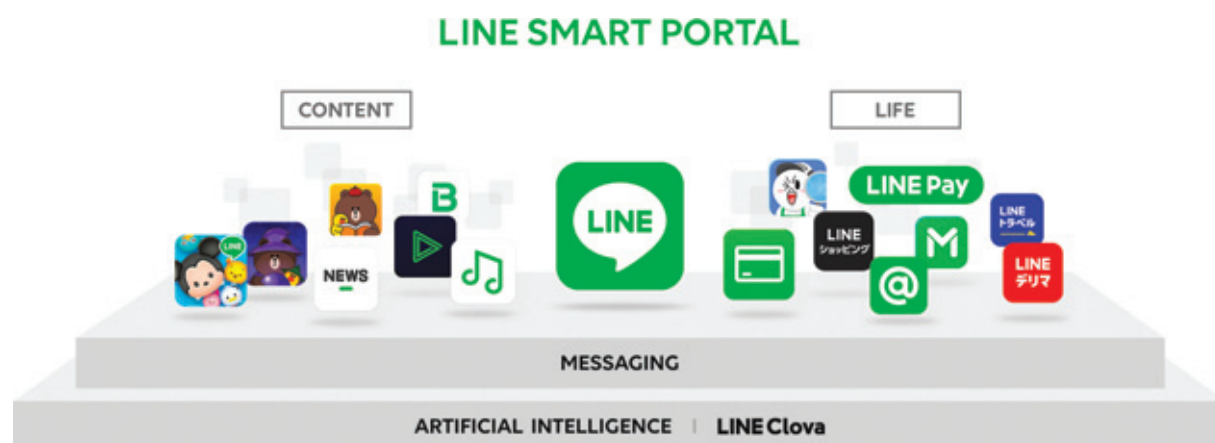
This summary must be read as an introduction to this Offering Circular and any decision to invest in the Bonds should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the “Terms and Conditions of the 2023 Bonds” and the “Terms and Conditions of the 2025 Bonds” below or elsewhere in this Offering Circular have the same meanings in this summary.

The Company

Our Mission and Vision

Our mission is “Closing the Distance” by bringing people closer to each other as well as to a wide variety of information and services.

Our vision is to become the “smart portal” through which users can access the people, information, services, companies and brands that they choose, from anywhere they are and anytime they need to.



Overview

We are a leading global platform for mobile messaging and communication services, content distribution and life and financial services. Our mobile messaging application, which is the foundation of our “messaging services” and operates on all major mobile operating systems, enables our users to communicate through free instant messaging, Stickers and voice and video calls and serves as a smart portal to our other applications and services. We provide users with access to a wide range of social and creative content and services that satisfy our users’ individual needs for access to information and entertainment such as mobile games and music through our “content services”, as well as connected solutions that aim to satisfy increasingly sophisticated day-to-day needs of LINE users and further enhance their life and financial welfare, including fintech services such as mobile payment and other financial services to be offered on the LINE platform, through our “life and financial services”. We believe that the integration on our LINE platform of content and services offers our users a convenient way to connect and have fun with their family and friends, explore and share their interests and satisfy their daily needs with greater ease, which we believe enriches the user experience and ultimately contributes to higher user loyalty, while creating value for advertisers by connecting them with their target audience using the LINE platform.

In recent years, we have focused on developing and strengthening our capabilities in artificial intelligence (“AI”), and we launched our AI platform called Clova in March 2017. Our next-generation AI platform enables voice interfaces to process a wide range of real-world inputs and deliver our products and services in a coherent and optimized manner. Through smart speakers launched in the fourth quarter of 2017, our users carry out a natural conversation with LINE Clova in engaging in a wide range of products and services offered by us and other third-party service providers. We launched our Clova Extensions Kit in July 2018 to pursue collaboration opportunities with third parties to develop additional content services as well as life services to be offered on the LINE Clova ecosystem that are designed to further enrich our users’ daily lives.

On 31 January 2018, our board of directors approved the establishment of two operating segments, consisting of our “core business” segment and our “strategic business” segment, in response to the expansion of our business and evolution of our business strategy. Our core business segment includes advertising products and services as well as communication and content products and services, which we have been able to monetize in our key countries and plan to operate with the primary focus on revenue growth. Our strategic business segment includes our commerce-related businesses (our Friends characters merchandise and other character-related businesses as well as e-commerce), fintech businesses (including LINE Pay and other financial services delivered through the LINE platform) and AI businesses, which we believe are our future growth engines that we plan to invest in and operate with the primary focus on enhancing user engagement. See “Investment Considerations—Considerations Relating to the Group and its Business”.

The Offering

Issuer	LINE Corporation.
Securities Offered	2023 Bonds: ¥36,580,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2023 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i>). 2025 Bonds: ¥36,580,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2025 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i>).
Issue Price	2023 Bonds: 100.0 per cent. 2025 Bonds: 100.0 per cent.
Offer Price	2023 Bonds: 102.5 per cent. 2025 Bonds: 102.5 per cent.
Closing Date	On or about 20 September 2018.
Delivery	It is expected that the Global Certificates will be deposited with, and registered in the name of, or of a nominee for, a common depository for each of Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	Each Series of Bonds will be issued in registered form and evidenced by a Global Certificate. Definitive Certificates will only be available in certain limited circumstances. See “Summary of Provisions relating to the Bonds while in Global Form”.
Listing	Approval in-principle has been received for the listing and quotation of the Bonds on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥200,000 with a minimum of 100 lots to be traded in a single transaction for so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.
Lock-up	In connection with the issue and offering of the Bonds, the Company has agreed, among others, not to, and not to direct any entities or any persons acting at the direction of the Company to, (i) issue, offer, pledge, lend, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Shares or any other capital stock of the Company, or (ii) enter into any derivative transaction or any other transaction that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, in each case, for a period beginning on the date of the Subscription Agreement (as defined in “Subscription and Sale”) and ending on the date 180 calendar days after the Closing Date without the prior written consent of the Joint Lead Managers, other than (a) the issue and sale by the Company of the Bonds (or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights), (b) the issue and sale by the Company of the Allotment Bonds (or the issue or transfer of Shares upon exercise

of the stock acquisition rights thereunder), (c) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares, (d) the issue of Shares by the Company as a result of any stock split, (e) the grant and issue of stock options or stock acquisition rights exercisable for Shares to the directors and employees of the Company and its subsidiaries pursuant to the Company's stock option plans, (f) the issue, sale or transfer of Shares upon exercise of stock options, stock acquisition rights or in connection with the employee stock ownership plans for the directors and employees of the Company and its subsidiaries, (g) the sale by the Company of Shares held by unidentified shareholders, and (h) any other issue or sale of Shares required by applicable Japanese laws and regulations. See "Subscription and Sale".

Shareholder Lock-up NAVER has also executed a shareholder lock-up undertaking on similar terms as the Issuer. See "Subscription and Sale".

Allotment Bonds Concurrent with the offering of the Bonds, the Company is conducting a third-party allotment of ¥36,580,000,000 in aggregate principal amount of the 2023 Allotment Bonds and ¥36,580,000,000 in aggregate principal amount of the 2025 Allotment Bonds to NAVER, on substantially the same terms and conditions as the 2023 Bonds and the 2025 Bonds, respectively. Each Series of Allotment Bonds will be subscribed for by NAVER at an issue price of 102.5 per cent. of the principal amount of the Allotment Bonds and will have an initial conversion price of ¥7,467 per share in respect of the 2023 Allotment Bonds and ¥7,518 per share in respect of the 2025 Allotment Bonds. The issue of the Bonds and the Allotment Bonds are each conditional upon arrangements for the settlement and payment of the other being made, in the case of the Allotment Bonds, to the satisfaction of the Representatives.

Use of Proceeds The net proceeds from the issuance of the Bonds and the Allotment Bonds are estimated to be approximately ¥148 billion and are expected to be used by December 2021 primarily as follows: (i) approximately two-thirds for investments in the Company's fintech businesses, including the following: (a) investments in the promotion of LINE Pay, the Company's mobile payment service application, to establish itself as a widely-accepted payment service through advertising and sales promotion expenditures to increase the number of locations and merchants that accept LINE Pay, the number of LINE Pay user accounts and the volumes of money transfers and other transactions through LINE Pay; and (b) investments for working capital, systems infrastructure, personnel expenses, and strategic investments in Japan and abroad to finance the launch and operation of finance related services that the Company aims to develop in the future, and (ii) approximately one-third for investments in the Company's artificial intelligence ("AI") businesses, including investments in research and development and personnel expenses, outsourcing expenses and advertising expenses to strengthen the Company's capabilities in AI, including Company-developed LINE Clova and other related services. See "Use of Proceeds".

Existence of Stock Borrow NAVER has agreed to provide a stock borrow facility in respect of the Bonds pursuant to a securities lending agreement between NAVER as lender and Morgan Stanley MUFG Securities Co., Ltd. as borrower.

Selling Restrictions The Bonds are being offered and sold outside the United States to non-U.S. persons in reliance upon Regulation S. For a description of these and certain further restrictions on the offer and sale of the Bonds, see “Subscription and Sale”.

Trustee and Custodian The Law Debenture Trust Corporation p.l.c.

Principal Agent and Registrar Mizuho Trust & Banking (Luxembourg) S.A.

Custodian’s Agent Mizuho Bank, Ltd.

Principal Terms and Conditions of the Bonds

Form and Denomination The Bonds are issued in registered form in the denomination of ¥10,000,000 each.

Initial Conversion Price ¥7,467 per Share in respect of the 2023 Bonds and ¥7,518 per Share in respect of the 2025 Bonds, subject to adjustment in certain circumstances. See Condition 5.2 of the Terms and Conditions of the relevant Series of Bonds.

Coupon Zero.

Exercise of Stock Acquisition

Rights Subject to and upon compliance with the provisions of Condition 5.1 of the Terms and Conditions of the relevant Series of Bonds, any holder of a Bond may exercise the Stock Acquisition Right at any time during the period (i) from and including 4 October 2018 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 6 September 2023 in respect of the 2023 Bonds and (ii) from and including 4 October 2018 to and including 5 September 2025 in respect of the 2025 Bonds, in each case to acquire fully-paid and non-assessable Shares.

Status The obligations of the Company in respect of the Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 2 of the Terms and Conditions of the relevant Series of Bonds) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 of the Terms and Conditions of the relevant Series of Bonds and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

Negative Pledge So long as any of the Bonds of any Series remains outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1 of the Terms and Conditions of the relevant Series of Bonds) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined in Condition 2 of the Terms and Conditions of the relevant Series of Bonds) unless the same security or such other security or guarantee as provided in Condition 2 of the Terms and Conditions of the relevant Series of Bonds is accorded to the relevant Series of Bonds.

Redemption at Maturity Unless previously redeemed or purchased and cancelled, and unless the Stock Acquisition Rights incorporated therein have previously been exercised, the Company will redeem the 2023 Bonds at 100 per cent. of their principal amount on 20 September 2023 and the Company will redeem the 2025 Bonds at 100 per cent. of their principal amount on 19 September 2025.

Early Redemption—Reduced

Outstanding Amounts The Company may, having given not less than 30 nor more than 60 days' prior notice of redemption to the relevant Bondholders and to the Trustee (which notice shall be irrevocable), redeem all, but not some only, of the relevant Series of Bonds then outstanding at 100 per

cent. of their principal amount if, at any time prior to the date of giving that notice, the outstanding principal amount of the relevant Series of Bonds is less than 10 per cent. of the aggregate principal amount of the relevant Series of Bonds at the date of issue thereof. See Condition 7.2 of the Terms and Conditions of the relevant Series of Bonds.

Early Redemption—Redemption at the Option of the Company upon Increased Share Prices

On or after 21 September 2021 (in respect of the 2023 Bonds) or 20 September 2023 (in respect of the 2025 Bonds), having given not less than 30 nor more than 60 days' prior notice to the Trustee and the Principal Agent in writing and to the relevant Bondholders (which notice shall be irrevocable), the Company may redeem all, but not some only, of the relevant Series of Bonds at 100 per cent. of their principal amount provided, however, that no such redemption may be made unless the Closing Price of the Shares for each of the 20 consecutive Trading Days, the last of which occurs not more than 30 days prior to the date upon that notice is first given, is at least 130 per cent. of the Conversion Price for the relevant Series of Bonds in effect on each such Trading Day (taking into account any adjustments made in accordance with Condition 5.3 of the Terms and Conditions of the relevant Series of Bonds). See Condition 7.3 of the Terms and Conditions of the relevant Series of Bonds.

Early Redemption—Redemption for Taxation Reasons

If the Company satisfies the Trustee, immediately prior to giving notice to the relevant Bondholders, that (i) as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 4 September 2018, the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 9 of the Terms and Conditions of the relevant Series of Bonds) and (ii) the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice to the relevant Bondholders and to the Trustee (which notice shall be irrevocable), redeem all, but not some only, of the relevant Series of Bonds then outstanding at 100 per cent. of their principal amount. If, however, the outstanding principal amount of the relevant Series of Bonds at the time of such notice of redemption is 10 per cent. or more of the aggregate principal amount of the relevant Series of Bonds as of the date of issue thereof, the relevant Bondholders will have the right to elect that their Bonds should not be redeemed and that, in respect of payments on such Bonds to be made after that date, payments will be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges. See Condition 7.4 of the Terms and Conditions of the relevant Series of Bonds.

Early Redemption—Corporate Events

In the case of a Corporate Event (as defined in Condition 6.1 of the Terms and Conditions of the relevant Series of Bonds), the Company shall give notice of such Corporate Event and the anticipated effective date of such transaction and the provisions set out in Condition 6 of

the Terms and Conditions of the relevant Series of Bonds shall apply. See Condition 6 of the Terms and Conditions of the relevant Series of Bonds.

However, upon or following the occurrence of a Corporate Event, the Company shall give not less than 14 Tokyo Business Days' (as defined in Condition 5.1.4 of the Terms and Conditions of the relevant Series of Bonds) prior notice to the relevant Bondholders and to the Trustee (which notice shall be irrevocable) to redeem all, but not some only, of the relevant Series of Bonds then outstanding at a redemption price (expressed in yen) determined by reference to the formula set out in Condition 7.8 of the Terms and Conditions of the relevant Series of Bonds and in accordance with the provisions of Condition 7.8 of the Terms and Conditions of the relevant Series of Bonds on the Corporate Event Redemption Date (as defined in Condition 7.5 of the Terms and Conditions of the relevant Series of Bonds) specified in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date (as defined in Condition 6.3 of the Terms and Conditions of the relevant Series of Bonds) or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

- (i) it is not legally possible under the then applicable law or regulation (taking into account the then official or judicial interpretation or application of such law or regulation) to effect a scheme provided for by Condition 6.4.1 of the Terms and Conditions of the relevant Series of Bonds; or
- (ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company cannot effect such a scheme in compliance with Condition 6.4.1 of the Terms and Conditions of the relevant Series of Bonds; or
- (iii) despite the Company using its best endeavours pursuant to Condition 6.4.2 of the Terms and Conditions of the relevant Series of Bonds, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing (as defined in Condition 6.4.2 of the Terms and Conditions of the relevant Series of Bonds) has been obtained for the shares of common stock of the New Obligor (as defined in Condition 6.1 of the Terms and Conditions of the relevant Series of Bonds), and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or
- (iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate.

See Condition 7.5 of the Terms and Conditions of the relevant Series of Bonds.

Early Redemption—Delisting of the

Shares In certain circumstances where a tender offer is made to holders of Shares of the Company by an Offeror (as defined in Condition 7.6.1 of the Terms and Conditions of the relevant Series of Bonds) where, *inter alia*, the Company expresses its opinion in support of such offer, the Company or the Offeror publicly announces or admits that the Shares may cease to be listed, quoted or dealt with on the Relevant Stock Exchange (as defined in Condition 3.1 of the Terms and Conditions of the relevant Series of Bonds) and the Offeror acquires any Shares pursuant to the offer, then the Company shall give notice to the relevant Bondholders and to the Trustee, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the relevant Series of Bonds then outstanding at the redemption price (expressed in yen) calculated in the same manner as referred to in Condition 7.8 of the Terms and Conditions of the relevant Series of Bonds. See Condition 7.6 of the Terms and Conditions of the relevant Series of Bonds.

Early Redemption—Squeezeout

Redemption Upon the occurrence of a Squeezeout Event (as defined in Condition 3.1 of the Terms and Conditions of the relevant Series of Bonds), the Company shall give notice to the relevant Bondholders and to the Trustee, as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the relevant Series of Bonds then outstanding at the redemption price (expressed in yen) calculated in the same manner as referred to in Condition 7.8 of the Terms and Conditions of the relevant Series of Bonds. See Condition 7.7 of the Terms and Conditions of the relevant Series of Bonds.

Cross-default The Bonds are subject to a cross-default in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Company or of any Principal Subsidiary in respect of amounts of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies). See Condition 10 of the Terms and Conditions of the relevant Series of Bonds.

Taxation All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 9 of the Terms and Conditions of the relevant Series of Bonds.

Governing Law English law.

Jurisdiction English courts.

Legal Entity Identifier 353800SE9WIPQJH4RB92.

International Securities Identification

Number (“ISIN”) 2023 Bonds: XS1876472660.
2025 Bonds: XS1876473049.

Common Code 2023 Bonds: 187647266.
2025 Bonds: 187647304.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with the following documents, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents:

- (i) Items 3.A (excluding the consolidated statement of financial position data as at 31 December 2013 and 2014 and the consolidated statement of profit or loss data for the years ended 31 December 2013 and 2014), 3.D, 4, 5, 6, 7, 8, 9.A, 10.B, 10.C, 10.D, 11, 14, 15.a, 15.b, 15.d, 16A and 16B, and pages F-2 to F-108 of the annual report of the Company, as set out in its Form 20-F filed with the U.S. Securities and Exchange Commission (the “SEC”) on 30 March 2018 (the “2017 Form 20-F”);
- (ii) The amendment to Item 6.E of the Form 20-F, as set out in Amendment No. 1 to the 2017 Form 20-F filed with the SEC on 18 April 2018; and
- (iii) Section A.IV. of the current report of the Company on Form 6-K furnished to the SEC on 8 August 2018 (the “1H2018 Financial Statements”).

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular are available at the Public Reference Room in Washington, D.C. or on the SEC’s web site at <http://www.sec.gov> and will be available free of charge at all reasonable times during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the office of the Trustee, set out at the end of this Offering Circular. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with other matters set out in this Offering Circular, the following factors. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

Considerations Relating to the Group and its Business

See Item 3.D. “Risk Factors” of the 2017 Form 20-F, which has been incorporated by reference in this Offering Circular.

Our recent business initiatives, particularly our investments in new fintech (including LINE Pay and other financial services delivered through the LINE platform) and other businesses in our strategic business segment, expose us to the types of risks described in the 2017 Form 20-F as well as additional risks. In particular:

- We are expanding our operational reach into a number of new services related to fintech. Some of our recent fintech-related activities include, among others, expansion of services available to our users through LINE Pay as well as pursuit of alliances with reputable players in the financial services industry to offer new services related to online securities brokerage, insurance sales, consumer loans and internet banking on the LINE platform, and the launch of BITBOX, our virtual currency exchange in Singapore. We are also developing and strengthening our capabilities in AI, for example, by releasing the Clova Extensions Kit to allow third-party developers to scale and enhance our LINE Clova AI technology. While we expect that these strategic initiatives will enhance our attractiveness to users and provide us with new sources of revenue in the future, such initiatives may not directly or immediately generate revenue and may hurt our profitability at least in the short-term. In addition, as each of our new businesses is still in the early stages of operation, there can be no assurance that any of them will gain market acceptance and be used widely by our existing and potential users. We expect to continue to expend significant time and resources in developing, launching and marketing these ventures, and there can be no assurance that we will fully realize the anticipated benefits of such initiatives.
- The operation of our new fintech businesses as well as our LINE Clova AI platform implicates complex technological and operational considerations, including technical or systematic issues that may arise in the ordinary course of business. In order to address such technological difficulties, we may need to make fundamental changes to the configurations or specifications of the underlying systems we use or expend a significant amount of time and resources to obtain the technical skills or expertise needed to adequately address such issues. Any such difficulties could have a material impact on our ability to deliver the products and services we intend to offer, reduce our reliability and harm our reputation, which could in turn negatively affect our business, financial condition and results of operations.
- We are currently subject to a variety of laws and regulations in Japan and elsewhere, including those governing money transmission, payment settlement, electronic fund transfers, anti-money laundering, identification, counter-terrorist financing and cryptocurrency. Depending on how our products and services evolve, we may be exposed to new risks, including new or additional laws and regulations that govern the services we offer, or plan to offer, including in our fintech businesses, as well as more stringent regulatory scrutiny, among others resulting from the need to obtain additional licenses and approvals to conduct our operations as envisioned. Compliance with such new or additional laws and regulations may require us to make certain fundamental and potentially detrimental changes to the products and services we offer and the way we conduct business. In addition, if third parties we work with, such as platform and other business partners, violate applicable laws or our policies, such violations may result in joint or secondary liability for us. In some jurisdictions, the application or interpretation of these laws and regulations is not clear.
- We enter into many of our new ventures through collaboration with third parties that possess certain industry, technological and other expertise that we may need, and the success of such initiatives will depend, in part, on our ability to identify and evaluate material risks involved in the relevant business. The realization of anticipated benefits from such alliances and investments may be impeded, delayed or reduced as a result of numerous factors, some of which are outside of our control, including changes in our partners’ own businesses and strategies, fraudulent or failed transactions, the impact on our

relationships with existing users, platform partners, employees or third parties, and leakage of customers' personal information and concerns over the use and security of collected information.

- From time to time, we experience cyber-attacks of varying degrees, including ones that involve hackers planting malicious codes into our servers that remain dormant until initiated at some point in the future, making it difficult to measure the potential damage that could result from such attack or to detect such breach altogether. In particular, the fintech businesses that we have recently begun to operate, or plan to operate, including online securities brokerage, insurance sales, consumer loans, internet banking and cryptocurrency exchange, as well as our LINE Clova AI services, among other initiatives, are likely to increase the amount and sensitivity of user information that we collect, which in turn would increase the risk of cyber-attacks. For example, in January 2018, a cryptocurrency exchange in Japan became the target of a cyber-attack, in which hackers stole billions of yen worth of cryptocurrencies via several unauthorized transactions. The occurrence of such an attack or a security breach affecting any of our businesses could expose us to liability and reputational harm, as well as result in a material adverse effect on our results of operations.

Considerations Relating to the Bonds and the Shares

Future changes to Japanese law relating to Stock Acquisition Rights and the Shares may have a mandatory effect under Japanese law.

Future changes to provisions relating to Stock Acquisition Rights and/or the Shares issuable upon the exercise of Stock Acquisition Rights may have a mandatory effect under Japanese law. Condition 15.2 of the Terms and Conditions of the relevant Series of Bonds provide for amendments to be made to the Terms and Conditions of the 2023 Bonds and the Terms and Conditions of the 2025 Bonds relating to the Stock Acquisition Rights where those amendments become necessary in order to comply with mandatory provisions of Japanese law even if those amendments are materially prejudicial to the interests of Bondholders.

There are limitations on anti-dilution protection for Bondholders.

The Conversion Price at which the Stock Acquisition Rights may be exercised will be adjusted in certain events having a dilutive impact on the Shares, to the extent described in the Terms and Conditions of the 2023 Bonds and the Terms and Conditions of the 2025 Bonds. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

The rights of shareholders under Japanese law may be different from those that apply to companies incorporated in other jurisdictions.

The corporate affairs of the Company are governed by, and in accordance with, the articles of incorporation, the Share Handling Regulations and the Regulations of the Board of Directors of the Company and other related regulations thereunder of the Company, as well as the Companies Act. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties (including actions that may legitimately be taken by them in respect of unsolicited takeover attempts) and liabilities, and shareholders' rights under Japanese law may be different from those that apply to companies incorporated in other jurisdictions. Bondholders who acquire Shares upon exercise of the Stock Acquisition Rights may have more difficulty in asserting their rights as a shareholder of the Company than they would as a shareholder of a corporation organised in other jurisdictions.

A trading market for the Bonds may not develop.

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing and quotation of the Bonds on the Official List of the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, there can be no assurance that the Bonds will not trade at prices lower than the initial Offer Price (as defined in "Summary Information—The Offering").

The trading price of the Bonds will be affected by fluctuations in the trading price of the Shares.

The trading price of the Bonds is expected to be affected by fluctuations in the trading price of the Shares and it is impossible to predict whether the trading price of the Shares will rise or fall. Any decline in the trading price of the Shares will have an adverse effect on the trading price of the Bonds. Trading prices of the Bonds and Shares will be influenced by, among other things, the financial position and results of operations of the Group, including the reporting of financial results.

There are limitations on the timing of exercise of Stock Acquisition Rights that will affect Bondholders' rights.

Under the current handling rules and practices of the JASDEC, it will take a minimum of three business days for Shares to be delivered to the Bondholders upon their exercise of the Stock Acquisition Rights. The Stock Acquisition Rights may not be exercised during any such period in which the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period. Bondholders should therefore note in particular that exercises of Stock Acquisition Rights are restricted during the period surrounding any record date in respect of Shares set by the Company (as at the date of this Offering Circular, 30 June and 31 December in each year).

No cash amounts will be payable in respect of non-unit shares.

The rights of holders of Shares not constituting one whole unit are limited under the articles of incorporation of the Company, and may not be tradable on the stock exchange on which they are listed. Currently, the articles of incorporation of the Company provide that one unit comprises 100 Shares. Since the introduction of the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended) (including the regulations promulgated thereunder, the "Book-Entry Act"), making it possible for listed shares of Japanese companies comprising less than one full unit to be delivered through the JASDEC book-entry transfer system, JASDEC's guidance requires that stock acquisition rights issued by Japanese companies should be structured such that shares that constitute less than one full unit are delivered to the account of the exercising holder, instead of being automatically sold back to the issuer of such stock acquisition rights and receiving cash amounts in respect of them. Bondholders exercising their Stock Acquisition Rights will therefore not receive cash amounts in respect of the Shares of less than one full unit.

Shares that constitute less than one full unit may not be traded on the stock exchange on which they are listed. Accordingly, a holder of Shares that constitute less than one full unit will need to request the Company to purchase such Shares in accordance with the Companies Act, the rules of the JASDEC book-entry transfer system, the articles of incorporation of the Company and the Company's Share Handling Regulations if they would like the Company to do so; alternatively, such holders may require the Company to sell sufficient number of Shares in order to make its holding a full unit in accordance with the Companies Act, the rules of the JASDEC book-entry transfer system, the articles of incorporation of the Company and the Company's Share Handling Regulations.

The Bonds are unsecured.

The Bonds do not benefit from any security and the Bondholders' claims will rank behind any secured creditors in the event of the Company's liquidation or bankruptcy.

We have broad discretion in the use of the net proceeds from our offering of the Bonds and may not use them effectively.

We cannot specify with any certainty the particular uses of the net proceeds that we will receive from our offering of the Bonds. The primary purposes of the offering of the Bonds are financing our business expansion, which may include investment, acquisition or strategic cooperation to expand our business, as well as marketing new products and services, each as described in more detail in "Use of Proceeds". Currently, however, other than as described elsewhere in this Offering Circular, we have no agreements or commitments for particular uses of the net proceeds from this offering of the Bonds, and our management may exercise discretion over the terms and timing of any future transaction in light of the changing needs of our business. The failure by our management to apply these funds effectively could harm our business and financial condition. We may invest the net proceeds from our offering of the Bonds in a manner that does not produce income or that loses value.

Forward-looking statements in this Offering Circular involve risks and uncertainties.

Statements in or incorporated by reference in this Offering Circular with respect to the Group's plans, strategies, projected financial figures and beliefs, as well as other statements that are not historical facts are forward-looking statements involving risks and uncertainties. The important factors that could cause actual results to differ materially from such statements include, but are not limited to, the impact of general economic and market conditions in the markets where the Group operates, demand for, and competitive pricing pressure on, its services; the Group's ability to develop and offer services that meet the needs and demands of the markets and its customers; the Group's ability to win acceptance for its services in highly competitive markets and the Group's ability to adapt itself to market, industry and general economic, political, regulatory and business conditions.

TERMS AND CONDITIONS OF THE 2023 BONDS

The following terms and conditions of the Bonds, subject to completion and amendment, and, save for the paragraphs in italics, will be endorsed on the Certificates (as defined herein) evidencing the Bonds:

The ¥36,580,000,000 Zero Coupon Convertible Bonds due 2023 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the “Bonds”, which term shall, unless the context requires otherwise, include Stock Acquisition Rights (as defined below) incorporated in the Bonds) in the denomination of ¥10,000,000 each issued by LINE Corporation (the “Company”) are constituted by a trust deed (the “Trust Deed”) dated 20 September 2018 made between the Company and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include its successors as trustee or trustees appointed under the Trust Deed, as trustee for the holders of the Bonds). Each Bond is issued in the denomination of ¥10,000,000 each and a stock acquisition right (*shinkabu yoyakuken*) (the “Stock Acquisition Right”), entitling the Bondholder (as defined in Condition 1.2) to acquire fully paid and non-assessable shares of common stock of the Company (the “Shares”) as described below, is incorporated in each Bond as an integral part thereof. Copies of the Trust Deed and the agency agreement (the “Agency Agreement”) dated 20 September 2018 relating to the Bonds between, *inter alios*, the Company, the Trustee, the principal agent (the “Principal Agent”), the registrar (the “Registrar”) and the other agents referred to therein are available for inspection by Bondholders by prior appointment during normal business hours at the specified office for the time being of the Trustee, being at the date of issue of the Bonds at Fifth Floor, 100 Wood Street, London, EC2V 7EX, United Kingdom, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the “Agents” shall, unless the context otherwise requires, include the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time. For the avoidance of doubt, the term Agent shall not include the Registrar, the Custodian or the Custodian’s Agent.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all those provisions of the Agency Agreement applicable to them. The statements in these terms and conditions (these “Conditions”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. Any terms defined in the Trust Deed and not in these Conditions shall have the same meanings when used herein except where otherwise indicated.

1 Form, Denomination, Issue Price, Title, Status, Transfers of Bonds and Relationship between Bonds and Stock Acquisition Rights

1.1 Form, Denomination and Issue Price

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) is 100.0 per cent. of the principal amount of the Bonds. The issue price of the Stock Acquisition Rights is zero.

A bond certificate (each, a “Certificate”) will be issued in respect of each Bond. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the “Register”) of holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1.

1.2 Title

Title to the Bonds will pass only by transfer and registration of title in the Register. The holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

In these Conditions, a “Bondholder” and (in relation to a Bond) “holder” mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

Upon issue, the Bonds will be evidenced by a global certificate (the “Global Certificate”) deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Trust Deed, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds.

1.3 Status

The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

1.4 Transfers of Bonds

1.4.1 *The Register:* The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds and exercises of Stock Acquisition Rights. Each Bondholder shall be entitled to receive one Certificate in respect of each Bond held by such holder.

1.4.2 *Transfers:* A Bond may be transferred upon the surrender (at the specified office(s) of the Principal Agent, the Registrar or any other Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and executed and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar, the Principal Agent and the Trustee. A copy of the current regulations will be made available during normal business hours by the Principal Agent or the Registrar to any Bondholder upon written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates:* Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within five Transfer Business Days of receipt of the duly completed and executed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery as agreed between such holder and the Registrar or relevant Agent and/or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Agent (as the case may be).

1.4.4 *Formalities Free of Charge:* Registration of a transfer of Bonds and issuance of new Certificates shall be effected without charge by or on behalf of the Company, the Registrar or the relevant Agent, but upon (i) payment by the Bondholder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such

indemnity as the Registrar or the relevant Agent may require); and (ii) the Company and the Registrar or the relevant Agent being reasonably satisfied that the regulations concerning transfer of Bonds having been satisfied.

- 1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the date for redemption pursuant to Condition 7.1, 7.5, 7.6 or 7.7, (ii) after a Conversion Notice (as defined in Condition 3.1) has been given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4, in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn) or (iii) after a notice of redemption has been given pursuant to Condition 7.2, 7.3 or 7.4 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.4).

1.5 Relationship between Bonds and Stock Acquisition Rights

The obligations of the Company in respect of the Bonds and the Stock Acquisition Rights incorporated therein shall arise and shall be extinguished or cease to be exercisable simultaneously subject as provided herein.

The Bonds and the Stock Acquisition Rights incorporated therein may not be transferred or dealt with separately from each other.

2 Negative Pledge

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time or prior thereto according or procuring to be accorded to the Bonds, (x) to the satisfaction of the Trustee or as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation or (y) such other security or guarantee as the Trustee may in its absolute discretion deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution. For the purposes of this Condition 2, "Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

- (a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and
- (b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.

3 Definitions and Construction of References

3.1 Definitions

In these Conditions (unless the context otherwise requires):

"Account Management Institution" means an account management institution (*koza-kanri-kikan*) which is an entity entitled under the Book-Entry Act to open and maintain an account for another person or entity;

"Additional Amounts" has the meaning provided in Condition 9;

"Additional Shares" has the meaning provided in Condition 5.3;

“Annual Fiscal Period” means a period commencing on 1 January and ending on the following 31 December; provided that, if the Company shall change its financial year so as to end on a date other than 31 December, “Annual Fiscal Period” shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

“Articles of Incorporation” means the articles of incorporation of the Company from time to time in effect;

“Asset Transfer Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the sale or transfer of all or substantially all of the assets of the Company to another entity (the “Asset Transferee”), pursuant to the terms of which the Company’s obligations under the Bonds are to be transferred to or assumed by the Asset Transferee;

“Asset Transferee” has the meaning provided in the definition of Asset Transfer Event;

“Auditors” means the independent auditors for the time being of the Company or, if there shall be joint independent auditors, any one or more of such independent auditors or, if they are unable or unwilling to carry out any action requested of them under these Conditions or the Trust Deed, such other auditors or firm of auditors as may be appointed by the Company and promptly notified in writing to the Trustee by the Company;

“Authorised Officer” means any one of the directors or officers of the Company or the New Obligor (as the case may be) or any other person whom the Company or the New Obligor (as the case may be) shall have identified to the Trustee by notice in writing as being duly authorised to sign any document or certificate on behalf of the Company or the New Obligor (as the case may be);

“Bankruptcy Act” means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

“Base Dividend” has the meaning provided in Condition 5.2.5;

“Bondholder” and “holder” have the meaning provided in Condition 1.2;

“Book-Entry Act” means the Act Concerning Book-Entry Transfer of Corporate Bonds, Shares, etc. of Japan (Act No. 75 of 2001, as amended);

“Business Day” has the meaning provided in Condition 8.3;

“Certificate” has the meaning provided in Condition 1.1;

“Civil Rehabilitation Act” means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

“Clean-up Redemption Notice” has the meaning provided in Condition 7.2;

“Closed Period” has the meaning provided in Condition 7.11;

“Closing Date” means 20 September 2018;

“Closing Price” means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), for any Trading Day, the last reported selling price (regular way) of the Shares or the shares of common stock of the New Obligor (as the case may be) on the Relevant Stock Exchange on such Trading Day or, if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, the average of the closing bid and offered prices of the Shares or the shares of common stock of the New Obligor (as the case may be) for such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company or the New Obligor (as the case may be) and approved in writing by the Trustee for such purpose;

“Companies Act” means the Companies Act of Japan (Act No. 86 of 2005, as amended);

“Company’s Territory” has the meaning provided in Condition 12.2;

“Consolidated Financial Statements” means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in

accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

“Consolidated Subsidiary” means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

“Controlling Shareholder” means a shareholder holding, directly or indirectly, 90 per cent (or such other percentage above 90 per cent as provided in the Articles of Incorporation) or more of the Company’s voting rights as calculated in accordance with the Companies Act;

“Conversion Notice” means the written notice required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in Schedule A to the Agency Agreement;

“Conversion Price” has the meaning provided in Condition 5.1.3;

“Corporate Event” has the meaning provided in Condition 6.1;

“Corporate Event Effective Date” has the meaning provided in Condition 6.3;

“Corporate Event Redemption Date” has the meaning provided in Condition 7.5;

“Corporate Reorganisation Act” means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

“Corporate Split Counterparty” has the meaning provided in the definition of Corporate Split Event;

“Corporate Split Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any corporate split (*shinsetsu bunkatsu* or *kyushu bunkatsu*) in which the Company’s obligations under the Bonds are to be transferred to or assumed by the corporation which is the counterparty to such corporate split (the “Corporate Split Counterparty”);

“Current Market Price per Share” has the meaning provided in Condition 5.2.10;

“Custodian” means The Law Debenture Trust Corporation p.l.c. at its specified office at Fifth Floor, 100 Wood Street, London, EC2V 7EX, United Kingdom or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

“Custodian’s Agent” means Mizuho Bank, Ltd. at its specified office at 5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8176, Japan or such other agent of the Custodian in Japan as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Custodian, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19;

“Delisting Event” has the meaning provided in Condition 7.6.1;

“Delisting Redemption Date” has the meaning provided in Condition 7.6.1;

“Deposit Date” has the meaning provided in Condition 5.9.4;

“Due Date” has the meaning provided in Condition 9;

“Event of Default” means any of the events listed in Condition 10 which, if so required by that Condition, has been certified in writing by the Trustee to the Company, in the opinion of the Trustee, to be materially prejudicial to the interests of the Bondholders upon the occurrence of which the Bonds may become due and repayable;

“Exercise Period” has the meaning provided in Condition 5.1.4;

“Extraordinary Dividend” has the meaning provided in Condition 5.2.5;

“Extraordinary Resolution” means a resolution passed (i) at a meeting of the Bondholders duly convened and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-quarters of the votes cast thereon or (ii) by a written resolution or electronic consent in accordance with the Trust Deed;

“FATCA withholding” has the meaning provided in Condition 9;

“Financial Instruments and Exchange Act” means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

“Fiscal Period” means, as the context may require, (i) a period commencing on 1 January and ending on the following 31 December; or (ii) three month periods each commencing on 1 January, 1 April, 1 July, and 1 October; provided that, if the Company shall change its financial year so as to end on a date other than 31 December, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

“Holding Company” has the meaning provided in the definition of Holding Company Event;

“Holding Company Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the Company to become a wholly-owned subsidiary of another corporation (the “Holding Company”) by way of share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*);

“Independent Financial Advisor” means an independent investment bank, securities company, accounting firm or consultancy firm of established repute appointed by the Company at its own expense and notified to the Trustee in writing or, if the Company fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Advisor, or otherwise in connection with such appointment, appointed by the Trustee and without liability for doing so, in accordance with Condition 18 and notified to the Company (such appointment will be deemed an appointment by the Company);

“Listing” has the meaning provided in Condition 6.4.2;

“Maturity Date” has the meaning provided in Condition 7.1;

“Merged Company” means the corporation formed by the relevant Merger Event or the corporation into which the Company shall have merged following a Merger Event;

“Merger Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any consolidation or amalgamation (*shinsetsu gappei*) of the Company with, or merger (*kyushu gappei*) of the Company into any other corporation (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation);

“New Obligor” has the meaning provided in Condition 6.1;

“New Obligor Current Market Price per Share” has the meaning provided in Condition 6.5.3;

“New Stock Acquisition Rights” has the meaning provided in Condition 12.2;

“New Territory” has the meaning provided in Condition 12.2;

“Non-unit Shares” has the meaning provided in Condition 5.1.2;

“Number of Deliverable Shares” has the meaning provided in Condition 6.5.3;

“Number of Held Shares” has the meaning provided in Condition 6.5.3;

“Offeror” has the meaning provided in Condition 7.6.1;

“Principal Subsidiary” means any Consolidated Subsidiary of the Company, (i) whose revenues as shown by the annual non-consolidated financial statements (or, where the

Consolidated Subsidiary in question itself prepares consolidated financial statements, those annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the revenues of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer of the Company that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 21.2;

"Record Date" means the date fixed by the Articles of Incorporation or otherwise specified by the Company for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares; provided, however, that if the Company has fixed no such record date and the context so requires, the "Record Date" shall be construed as a reference to the date of any event in question coming into effect;

"Register" has the meaning provided in Condition 1.1;

"Registered Account" has the meaning provided in Condition 8.1;

"Relevant Debt" has the meaning provided in Condition 2;

"Relevant Event" means any Corporate Event, Delisting Event or Squeezeout Event;

"Relevant Event Date" has the meaning provided in Condition 5.2.16;

"Relevant Event Redemption Price" has the meaning provided in Condition 7.8;

"Relevant GAAP" means the accounting principles which are adopted by the Company or the New Obligor (as the case may be) for the preparation of the Consolidated Financial Statements under the Financial Instruments and Exchange Act, being one of those generally accepted in Japan, the United States or International Financial Reporting Standards (as issued by the International Accounting Standards Board or, if applicable, as adopted or endorsed within Japan including those modified by the Accounting Standards Board of Japan (or any successor thereto));

"Relevant Number of Shares" has the meaning provided in Condition 5.2.5;

"Relevant Securities" has the meaning provided in Condition 5.2.9;

"Relevant Stock Exchange" means Tokyo Stock Exchange, Inc. or, if at the relevant time the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed on Tokyo Stock Exchange, Inc., the principal stock exchange or securities market in Japan on which the Shares or the shares of common stock of the New Obligor (as the case may be) are then listed or quoted or dealt in;

"Representative Director" means a director of the Company (or the New Obligor, as the case may be) who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company (or the New Obligor, as the case may be) within the meaning of the Companies Act;

"Retroactive Adjustment" has the meaning provided in Condition 5.3;

"Securities" includes, without limitation, Shares, other shares, options, warrants or other rights (including stock acquisition rights) to subscribe for or purchase or acquire Shares and securities convertible into or exchangeable for Shares;

"Shareholder Determination Date" has the meaning provided in Condition 5.1.4;

"Shareholder Determination Date Restriction Period" has the meaning provided in Condition 5.1.4;

"Squeezeout Effective Date" has the meaning provided in Condition 7.7;

“Squeezeout Event” means (i) the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) by way of an amendment to the Articles of Incorporation, for the purpose of, including but not limited to, making the Company a wholly-owned subsidiary of another corporation, (ii) the passing of a resolution by the Board of Directors of the Company approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder’s wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushiki uriwatashi seikyu*) under the Companies Act, or (iii) the passing of a resolution at a general meeting of shareholders of the Company approving a consolidation of Shares (*kabushiki heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing;

“Squeezeout Redemption Date” has the meaning provided in Condition 7.7;

“Stock Acquisition Date” has the meaning provided in Condition 5.9.4;

“Stock Split” means any kind of stock split in relation to the Shares, including a free share distribution to the holders of Shares, a stock dividend or a sub-division of Shares;

“Subsidiary” means a company, more than 50 per cent. of the outstanding shareholders’ voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, “voting rights” means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

“Tax Redemption Date” has the meaning provided in Condition 7.4;

“Tax Redemption Notice” has the meaning provided in Condition 7.4;

“Tokyo Business Day” has the meaning provided in Condition 5.1.4;

“Trading Day” means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price of the Shares or the shares of common stock of the New Obligor (as the case may be) is furnished as provided in the definition of Closing Price;

“Transfer Business Day” has the meaning provided in Condition 1.4.3; and

“yen” and “¥” mean Japanese yen, the lawful currency of Japan.

3.2 Construction of Certain References

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

Except where the context requires otherwise, references to the “issue” of Shares shall include the transfer and/or delivery of Shares by the Company, whether newly issued or previously issued and held by or on behalf of the Company (and the words “issue”, “issued” and “issuable” shall be construed accordingly), and references in these Conditions to the word “acquire” used in conjunction with the Shares shall be read as including both the words “issue” and “transfer”, and the words “acquired” and “acquisition” shall be construed accordingly and references to “delivery” used in respect of the Shares shall be read as including the transfer of Shares by way of Japan Securities Depository Center. Inc’s system. The words “substitution”

and “grant” used in relation to the exchange of the Company’s obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4 **Default Interest**

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum determined by the Principal Agent as being equal to the offered rate quoted by a leading bank in the Euro-yen market selected by the Principal Agent for deposits in yen for the period of three months, as at 11:00 a.m. (London time) on the date of such default. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5 **Exercise of Stock Acquisition Rights**

5.1 **Conversion Price, Exercise Period, Shares Issuable and Procedure**

5.1.1 *Contribution of the Bond:* Subject to and upon compliance with the provisions of this Condition 5, each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond held by it in accordance with and subject to these Conditions. The Bond, the Certificate in respect of which having been deposited with an Agent for exercise of the relevant Stock Acquisition Right pursuant to Condition 5.9.1, shall be deemed to be acquired by the Company as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond as of the Stock Acquisition Date.

5.1.2 *Number of Shares:* The number of Shares to be acquired by a Bondholder exercising its Stock Acquisition Rights will be determined by dividing the aggregate principal amount of the Bonds deposited by such Bondholder at the same time upon exercise of the Stock Acquisition Rights by the Conversion Price applicable on the Stock Acquisition Date. Fractions of a Share will not be issued upon exercise of any Stock Acquisition Right and no adjustment or cash payment will be made in respect thereof. However, if two or more Stock Acquisition Rights are exercised at any one time by the same Bondholder, the number of Shares which shall be acquired upon exercise of such Stock Acquisition Rights shall be calculated on the basis of the aggregate principal amount of the Bonds in which the Stock Acquisition Rights so exercised are incorporated.

For the avoidance of doubt, if a Bondholder would receive a number of Shares (“Non-unit Shares”) not constituting a unit (*tangen*) of Shares or integral multiples thereof upon exercise of the Stock Acquisition Right(s) or upon a Retroactive Adjustment, such Non-unit Shares shall be delivered to the relevant Bondholder in the same manner as the Shares constituting a whole unit of Shares, and no cash amounts shall be paid by the Company in respect of such Non-unit Shares.

As of the date of this Offering Circular, the Articles of Incorporation specify that one unit of Shares is comprised of 100 Shares.

5.1.3 *Conversion Price:* The price at which Shares shall be acquired upon exercise of the Stock Acquisition Rights (the “Conversion Price”) shall initially be ¥7,467 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period:* Each Stock Acquisition Right may be exercised at any time during the period from, and including, 4 October 2018 to, and including, the close of business

(at the place where the Stock Acquisition Right is to be exercised) on 6 September 2023, or:

- (i) if the relevant Bond shall have been called for redemption pursuant to Condition 7.2, Condition 7.3 or Condition 7.4, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed); or
- (ii) if the Bonds shall become due to be redeemed pursuant to Condition 7.5, Condition 7.6 or Condition 7.7, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof; or
- (iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary pursuant to Condition 7.9 and cancelled by the Company pursuant to Condition 7.10, then up to the time when such Bond is so cancelled; or
- (iv) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

- (a) in no event shall the Stock Acquisition Rights be exercised after 6 September 2023;
- (b) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not exceed 30 days, and which period shall end on a date not later than 14 days after the Corporate Event Effective Date if the Company reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.6 and 7.7); and
- (c) the Stock Acquisition Rights may not be exercised where the relevant Stock Acquisition Date (or the next following Tokyo Business Day if the Stock Acquisition Date would not be a Tokyo Business Day) would fall on a date within any Shareholder Determination Date Restriction Period (as defined below); provided that if there is a change to the mandatory provisions of Japanese law and regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4(c) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof (together with the reason for the change) shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing. If the Company sets a Shareholder Determination Date on a day other than such dates as are fixed by the Articles of Incorporation of the Company at the date hereof, the Company shall give the Trustee in writing and the Bondholders in accordance with Condition 19 a notice of each such Shareholder Determination Date and of each such period in which the Stock Acquisition Rights may not be exercised pursuant to the provisions in this paragraph, no later than the fifth Tokyo Business Day prior to such Shareholder Determination Date, as the case may be.

In these Conditions:

“Shareholder Determination Date” means (i) any Record Date, and (ii) any other date set for the purpose of determination of holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act;

“Shareholder Determination Date Restriction Period” means the period from and including the second Tokyo Business Day falling immediately prior to any Shareholder

Determination Date to and including such Shareholder Determination Date (provided that if such Shareholder Determination Date falls on a date that is not a Tokyo Business Day, then the Shareholder Determination Date Restriction Period means the period from and including the third Tokyo Business Day falling immediately prior to such Shareholder Determination Date to and including the Tokyo Business Day immediately following such Shareholder Determination Date); and

“Tokyo Business Day” means any day (other than a Saturday, Sunday or a day which shall be a legal holiday in Tokyo or a day on which banking institutions in Tokyo are obliged or authorised by law or executive order to close) on which banks are open for business in Tokyo.

The Company shall give the Trustee in writing and the Bondholders in accordance with Condition 19 a notice of the determination and period referred to in Condition 5.1.4(b) above (together with a description of the days included in such period) at least 30 days prior to the commencement of such period.

The Company shall give the Trustee in writing and the Bondholders in accordance with Condition 19 a notice of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least two Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect or a date which is six months from the end of the fiscal year of the Company.

As of the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31 December and 30 June. By way of example, in respect of the Record Date falling on 31 December 2018, it is currently anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 26 December 2018 to (and including) 4 January 2019.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is hereinafter referred to as the “Exercise Period” (for the avoidance of doubt, the Exercise Period in respect of any Stock Acquisition Right may stop and restart from time to time). Upon final expiration of the Exercise Period, the Stock Acquisition Rights incorporated in the relevant Bonds will lapse and cease to be exercisable or valid for any purpose.

Although each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond on or after 4 October 2018, a Bondholder exercising such right from 4 October 2018 to 14 October 2018 will be required in the Conversion Notice (the form of which is appended to the Agency Agreement) to certify that it will not deposit any Shares received upon such exercise with the depository (or its custodian) of the Company’s American Depositary Share program prior to 15 October 2018.

- 5.1.5 *Rights Attached to Shares Acquired upon Exercise of Stock Acquisition Rights:* Shares acquired upon exercise of the Stock Acquisition Rights shall have the same rights in all respects (including in relation to any distribution of dividends) as the Shares outstanding on the relevant Stock Acquisition Date (except for any right the Record Date for which precedes such Stock Acquisition Date and any other right excluded by mandatory provisions of applicable law or regulation).

5.2 Adjustments of the Conversion Price

Upon the happening of any of the events described below in this Condition 5.2, the Conversion Price shall be adjusted as follows:

- 5.2.1 *Stock Split and Consolidation of Shares:* if the Company shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or (c) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall

be appropriately adjusted so that the holder of any Bond, the Stock Acquisition Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 5.2.1, shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the coming into effect of any of the events described above had the Stock Acquisition Right in respect of such Bond been exercised immediately prior to the coming into effect of such event (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the coming into effect of such event (or such Record Date) or any time thereafter. An adjustment made pursuant to this Condition 5.2.1 shall become effective immediately on the relevant event becoming effective or, if a prior Record Date is fixed therefor, immediately after the Record Date; provided that, in the case of a relevant transaction which must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally effective, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

If the Company shall make a Stock Split and the Record Date therefor is also:

- (i) the Record Date for the allotment, grant, issue or offer of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3, or
- (ii) the last date (in the place of issue) of the period during which payment may be made for any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.9, or
- (iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.9, or
- (iv) the date of allotment, grant, issue, transfer or offer of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.8 or 5.2.9,

then (except where such Stock Split gives rise to a Retroactive Adjustment of the Conversion Price under this Condition 5.2.1) no adjustment of the Conversion Price in respect of such Stock Split shall be made under this Condition 5.2.1, but in lieu thereof an adjustment shall be made under Condition 5.2.2, 5.2.3, 5.2.6, 5.2.7, 5.2.8 or 5.2.9, as the case may be, by including in item “n” of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

5.2.2 *Issue to Shareholders of Rights or Warrants to Acquire Shares:* if the Company shall allot, grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares:

- (i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or
- (ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a

case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration, but excluding the number of Shares, if any, contained in the definition of “n” immediately below, but only to the extent that such Shares are then issued and outstanding.
- n = the number of Shares to be allotted, issued or acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.
- v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares, any such rights and/or warrants which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as places or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.3 *Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities:* if the Company shall allot, grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire any securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights):

- (i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or
- (ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration.
- n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.
- v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with a grant, allotment, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights), any such securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights) which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as places or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.4 *Distribution to Shareholders of Assets:* if the Company shall distribute to the holders of Shares (i) evidences of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being “distribution of surplus” within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act), then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{CMP - fmv}{CMP}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution.
- fmv = the fair market value ((a) as determined by the Company in consultation with an Independent Financial Advisor (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an

appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company signed by a Representative Director and delivered by the Company to the Trustee) of the portion of the evidences of indebtedness, shares, cash, assets, rights or warrants so distributed applicable to one Share.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution; provided, however, that (a) if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date and (b) if the fair market value of the evidences of indebtedness, shares, cash or assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such Record Date;

5.2.5 *Distribution to Shareholders of Extraordinary Dividends:* if the Company shall distribute any Extraordinary Dividend to the holders of Shares, then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{CMP - ED}{CMP}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution of Extraordinary Dividend.

ED = the amount of such Extraordinary Dividend divided by the Relevant Number of Shares used in the calculation thereof.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution of Extraordinary Dividend; provided, however, that if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

“Extraordinary Dividend” means, in relation to an Annual Fiscal Period ending on or after the last day of the Annual Fiscal Period in which the Closing Date falls, the part of any dividend (such dividend being the historical dividend without making any retroactive adjustment resulting from Stock Splits or otherwise) in respect of any number of Shares amounting to the Relevant Number of Shares, the Record Date for which falls within such Annual Fiscal Period which, when aggregated with the amount of all other dividends the Record Date for which falls within such Annual Fiscal Period in respect of such number of Shares amounting to the Relevant Number of Shares, is in excess of the sum of (i) the Base Dividend and (ii) the amount, if any, previously determined to be an Extraordinary Dividend in respect of that Annual Fiscal Period.

“Base Dividend” means ¥0.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥0.

“Relevant Number of Shares” means, such number of Shares (disregarding fractions of a Share) as Bondholders would be entitled to receive in respect of each Bond deposited (were it to be so deposited) for exercise of the Stock Acquisition Right incorporated therein at the Conversion Price in effect at the Record Date in respect of the relevant dividend;

5.2.6 *Issue to Non-shareholders of Convertible/Exchangeable Securities:* if the Company shall allot, grant or issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.9, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan on the last day of the period during which payment may be made in respect of such convertible or exchangeable securities.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of such convertible or exchangeable securities;

5.2.7 *Issue of Shares:* if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder’s holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), in proportion to their shareholding in such corporation immediately prior to such merger or such exchange or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation’s business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at

such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.9, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of “n” immediately below, but only to the extent that such Shares are then issued and outstanding.
- n = the number of Shares being issued or transferred as aforesaid.
- v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue or transfer) of the period during which payment may be made in respect of the issue or transfer of such Shares;

5.2.8 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/Exchangeable Securities:* if the Company shall allot, grant or issue any rights or warrants (including stock acquisition rights) entitling non-shareholders to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.6) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the date of the allotment, grant or issue of such rights or warrants shall, subject to Condition 5.2.9, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan on the date of the issue of such rights or warrants.
- n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.
- v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the allotment, grant or issue of such rights or warrants;

5.2.9 *Combined Adjustment*: if the Company shall grant, issue or transfer (as the case may be) securities of a type falling within Condition 5.2.6, 5.2.7 or 5.2.8 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of grant, issue or transfer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the “relevant date”) is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.6, 5.2.7 and/or 5.2.8 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as “Relevant Securities”), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

$$NCP = OCP \times \frac{N + v1 + v2 + v3}{N + n1 + n2 + n3}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of “n2” below to the extent that such Shares are then issued and outstanding.
- n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.
- n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.
- n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.
- v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 5.2.11) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).
- v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Condition 5.2.11) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.11) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue or transfer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of issue which is the relevant date;

5.2.10 *Current Market Price per Share*: for the purpose of these Conditions, “Current Market Price per Share” on any date shall be deemed to be the average of the daily Closing Prices of the Shares for the 30 consecutive Trading Days commencing 45 Trading Days before such date.

If, during the said 45 Trading Day period or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Advisor (whose advice the Company will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

5.2.11 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.6, 5.2.7, 5.2.8 and 5.2.9, the following provisions shall be applicable:

- (i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;
- (ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Company in consultation with an Independent Financial Advisor or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;
- (iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the allotment, grant, issue, transfer or offer of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming)

the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);

- (iv) in the case of the allotment grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and
- (v) if any consideration referred to in the foregoing provisions of this Condition 5.2.11 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.11 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.12 *Later Adjustments*: if, at the time of computing an adjustment (the “later adjustment”) of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.9 (both inclusive), the Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue or transfer of such Shares, or the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.6, 5.2.7, 5.2.8 and 5.2.9, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;

5.2.13 *Meaning of “Fixed”*: any reference in this Condition 5.2 to the date on which the consideration is “fixed” shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;

5.2.14 *Other Events*: if the Company determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Company shall, at its

own expense, request an Independent Financial Advisor to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination;

- 5.2.15 *Modification to Operation of Adjustment Provisions*: notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Advisor to be in its opinion appropriate to give the intended result; and
- 5.2.16 *Conversion Price Adjustment on Relevant Events*: On the occurrence of any Relevant Event (and, in the case of a Corporate Event, if any of the conditions set out in items (i), (ii), (iii) and (iv) of Condition 7.5 is satisfied), the Conversion Price in effect on the date in Japan on which the Relevant Event takes place (and, in the case of a Corporate Event, such condition is satisfied) (the “Relevant Event Date”), shall be adjusted in accordance with the following formula:

$$NCP = \frac{OCP}{(1 + (CP \times c/t))}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CP = 46.99 per cent., expressed as a fraction.

c = the number of days from and including the Relevant Event Date to but excluding the Maturity Date.

t = the number of days from and including the Closing Date to but excluding the Maturity Date.

Such adjustment shall become effective from the day immediately after the Relevant Event Date. No further adjustment under this Condition 5.2.16 will be made in respect of a Relevant Event if and once the Conversion Price has been adjusted as a result of such Relevant Event.

“CP” is the conversion premium (the percentage above the Closing Price of the Shares on the date of this Offering Circular) at which the Conversion Price is set.

5.3 Retroactive Adjustments

If the Stock Acquisition Date in relation to a Stock Acquisition Right shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions of Condition 5.2 and the relevant Stock Acquisition Date falls on a date before the relevant adjustment becomes effective under Condition 5.2 (such adjustment, a “Retroactive Adjustment”), the Company shall procure that the provisions of Condition 5.9.5 shall be applied, *mutatis mutandis*, to such number of Shares (“Additional Shares”) as is equal to the excess of the number of Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect as of the said Stock Acquisition Date over the number of Shares previously acquired pursuant to such exercise, and in such event and in respect of such Additional Shares, references in Condition 5.9.5 to the Stock Acquisition Date shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price.

5.4 Limitation on Reduction of Conversion Price

Notwithstanding the provisions of this Condition 5, the Conversion Price will not be reduced as a result of any adjustment made hereunder to such an extent that, under applicable

law or regulation then in effect, the Stock Acquisition Rights may not be permitted to be exercised at such lower Conversion Price into legally issued, fully paid and non-assessable Shares.

5.5 Employee Share Schemes

Notwithstanding the provisions of this Condition 5, no adjustment will be made to the Conversion Price where Shares or other Securities are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, corporate auditors or directors (including directors holding or formerly holding executive office or the personal service company of any such person) of the Company or any of its Subsidiaries or affiliates, their spouses or relatives, or any associated companies of any such person, or to any trustee or trustees for the benefit of any such person, in any such case, pursuant to any employees' or executives' share or option scheme.

5.6 Minimum Adjustments

No adjustment of the Conversion Price shall be required unless such adjustment would result in an increase or decrease in such Conversion Price of at least ¥1 provided that any adjustment which by reason of this Condition 5.6 is not required to be made shall be carried forward and taken into account (as if such adjustment were made at the time when it would be made but for the provisions of this Condition 5.6) in any subsequent adjustment.

5.7 Calculations

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall, unless otherwise expressly specified herein, be made to the nearest one-tenth of a yen with five one-hundredths or more of a yen to be considered a full tenth. All calculations relating to the adjustment of the Conversion Price shall be performed by the Company and neither the Trustee, the Principal Agent nor the other Agents shall be under any duty to determine, calculate or verify the adjusted Conversion Price or whether any adjustment is required to be made and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

5.8 Notification of Adjustments

Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly notify the Trustee, the Principal Agent, the other Agents, the Custodian and the Custodian's Agent in writing setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the effective date thereof, and shall promptly give notice to the Bondholders in accordance with Condition 19 and to the Trustee stating that the Conversion Price has been adjusted and setting forth the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

5.9 Procedure for Conversion

5.9.1 *Conversion Notice:* To exercise a Stock Acquisition Right, the exercising Bondholder shall complete, sign and deposit at the specified office of an Agent at its own expense during normal business hours of the Agent with which the deposit is being made a Conversion Notice, in the form obtainable from any Agent, together with the Certificate evidencing the relevant Bond. No Stock Acquisition Right may be exercised in part only.

5.9.2 *Custodian and Custodian's Agent:* The initial Custodian and its initial specified office are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any

changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Mizuho Bank, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent not do so.

The Custodian shall not be liable for monitoring or supervising the performance by the Custodian's Agent of such functions. The Contracts (Rights of Third Parties) Act 1999 applies to this Condition 5.9.2 for the benefit of the Custodian.

- 5.9.3 *Conditions Precedent:* As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the relevant Agent with details of the relevant tax authorities to which the Agent must pay moneys received. The Agent is under no obligation to determine whether a Bondholder is liable to pay stamp, issue, registration or similar taxes and duties or the amounts payable (if any).

For the avoidance of doubt, the exercising Bondholder shall bear any costs and expenses which relate to the account at the Account Management Institution into which it receives the Shares acquired upon the exercise of the Stock Acquisition Right pursuant to Condition 5.9.5(i). Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights and all charges of the Agents in connection therewith.

- 5.9.4 *Deposit Date and Stock Acquisition Date:* The date on which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Date" applicable to such Bond. The request for exercise of the Stock Acquisition Right shall be deemed to have been made, and accordingly the exercise of the Stock Acquisition Right and the delivery of the Certificate will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond). A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company. If delivery of the Conversion Notice is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

At any time when the relevant Bond(s) is/are evidenced by the Global Certificate, the exercising Bondholder must deposit the Conversion Notice in the manner aforesaid with any Agent, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. With effect from the relevant Stock Acquisition Date, Euroclear or Clearstream, Luxembourg, as the case may be, shall debit the Bondholder's account with the number of the Bond(s) the Stock Acquisition Right(s) incorporated in which has/have been exercised and the Register shall be amended accordingly.

5.9.5 *Delivery of Shares:* The Company shall procure that the relevant Agent shall, with effect as of the Stock Acquisition Date, endorse the Conversion Notice on behalf of the Custodian. With effect from the Stock Acquisition Date (or as soon as practicable thereafter under Japanese law, regulation and practice relating to the delivery of shares and the register of shareholders), the Company shall deem the Custodian or its nominee to have become the holder of record of the number of Shares to be acquired upon such exercise of the Stock Acquisition Right (disregarding any fraction of a Share resulting from such exercise, and also disregarding any Retroactive Adjustment of the Conversion Price prior to the time when such Retroactive Adjustment is first reflected in the Conversion Price).

Thereafter, subject to any applicable limitations then imposed by Japanese law or regulation or the Articles of Incorporation:

- (i) in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, as soon as practicable and in any event within 14 days after the Stock Acquisition Date, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution) and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution, in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purpose of such transfer); and
- (ii) the Company shall deliver to the Custodian's Agent, securities (other than Shares), property or cash required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the Custodian's Agent shall, according to the request made in the relevant Conversion Notice, either:
 - (a) as soon as practicable, and in any event within 14 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid) deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice at the specified office in Japan for the time being of the Custodian's Agent, any such securities (other than the Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; or
 - (b) as soon as practicable, and in any event within 21 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan (not being the specified office in Japan for the time being of the Custodian's Agent) and in the manner specified in the relevant Conversion Notice (the expense and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than the Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

provided, however, that if such securities (other than Shares) are subject to the book-entry transfer system established pursuant to the Book-Entry Act, such delivery or despatch will be implemented in accordance therewith.

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital:* With effect as of the Stock Acquisition Date, one-half of the "maximum capital and other increase amount", as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such

exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital.

6 Certain Corporate Events

6.1 Corporate Events

In the case of a proposal for:

- (i) any Merger Event; or
- (ii) any Asset Transfer Event; or
- (iii) any Corporate Split Event; or
- (iv) any Holding Company Event; or
- (v) the passing of a resolution at a general meeting of shareholders of the Company (or, where such a resolution is not required, at a meeting of the Board of Directors of the Company) for any other corporate reorganisation procedure then provided for under Japanese law (the passing of any such resolution and any Merger Event, any Asset Transfer Event, any Corporate Split Event and any Holding Company Event being together referred to in these Conditions as a “Corporate Event”) pursuant to which the obligations under the Bonds and/or the Stock Acquisition Rights are proposed to be transferred to or assumed by another entity (such other entity and any Merged Company, any Asset Transferee, any Corporate Split Counterparty and any Holding Company being together referred to as a “New Obligor”),

the following provisions of this Condition 6 shall apply.

6.2 Notice of Proposal

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of a proposed Corporate Event at the same time as it gives notice to the holders of Shares (or, if no such notice is required, promptly after the first public announcement of such proposed Corporate Event) and, as soon as practicable thereafter, of its proposals in relation to the Bonds (including the Stock Acquisition Rights). Such notice shall specify the anticipated Corporate Event Effective Date. If those proposals and/or that date have not been determined, the notice shall state that fact.

6.3 Notice of Passing of Resolution

Upon the occurrence of a Corporate Event, the Company shall forthwith give a further notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of that fact, the Company’s proposals in relation to the Bonds (including the Stock Acquisition Rights) and the anticipated effective date of the transaction, and, if such anticipated effective date or proposals are changed or fixed, a further notice to such effect shall be given in the same manner. The effective date of the transaction contemplated by the relevant Corporate Event is referred to herein as its “Corporate Event Effective Date”.

6.4 Transfer of Obligations Following a Corporate Event

6.4.1 *Transfer*: If a Corporate Event occurs and

- (i) it is legally possible under then applicable law or regulation (taking into account the then official or judicial interpretation or application of such law or regulation) to effect substitution of the New Obligor for the Company and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;
- (ii) a practical structure for such substitution and grant has been or can be established; and

(iii) such substitution and grant can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction, then the Company shall use its best endeavours to cause the New Obligor to be substituted as the principal obligor under the Bonds and the Trust Deed pursuant to Condition 12.2 and the Trust Deed and for the grant of the New Stock Acquisition Rights in relation to the Bonds in place of the Stock Acquisition Rights in the manner described in Condition 6.5. Such substitution and grant shall take effect on the relevant Corporate Event Effective Date, or, in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, as soon as practicable on or after, but in any event no later than 14 days after, the relevant Corporate Event Effective Date.

6.4.2 *Listing*: In connection with the substitution and grant described in Condition 6.4.1, the Company shall also use its best endeavours to ensure that the shares of common stock of the New Obligor will be listed on any stock exchange in Japan or be quoted or dealt in on any securities market in Japan (such listing, quotation and dealing being hereinafter collectively referred to as “Listing”) on the relevant Corporate Event Effective Date.

6.4.3 *Condition*: The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.5(iv).

6.5 New Stock Acquisition Rights

At the time of the substitution of (or assumption by) the New Obligor as principal obligor under Condition 12.2 and the Trust Deed, New Stock Acquisition Rights will be granted, in place of the Stock Acquisition Rights, to the Bondholders by the New Obligor, in accordance with the following terms:

6.5.1 *Number of the New Stock Acquisition Rights to be Granted*: The number of New Stock Acquisition Rights to be granted will be equal to the number of the Stock Acquisition Rights incorporated in the Bonds outstanding immediately prior to the relevant Corporate Event Effective Date;

6.5.2 *Class of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: Upon exercise of the New Stock Acquisition Rights, shares of common stock of the New Obligor shall be issued or transferred;

6.5.3 *Number of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: The number of shares of the New Obligor to be issued or transferred upon exercise of the New Stock Acquisition Rights shall be determined by reference to these Conditions taking into account the terms of the transaction contemplated under the relevant Corporate Event, and

(i) in the case of a Merger Event or a Holding Company Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right would upon its exercise immediately after the Corporate Event Effective Date receive the number of shares of common stock of the New Obligor (the “Number of Deliverable Shares”) receivable upon the relevant Corporate Event by a holder of the number of Shares (such number being the “Number of Held Shares”) which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately prior to the relevant Corporate Event Effective Date. If securities (other than shares of common stock of the New Obligor) or other property shall be delivered to such holder of the Number of Held Shares upon the taking effect of the Merger Event or the Holding Company Event (as the case may be), such number of shares of common stock of the New Obligor shall form part of the Number of Deliverable Shares as shall be calculated by dividing the fair market value of such securities or properties delivered to such

holder of the Number of Held Shares by the New Obligor Current Market Price per Share, such fair market value to be determined by the Company, provided that in determining such fair market value, the Company shall, at its own expense, consult with an Independent Financial Advisor and shall take fully into account the advice of the Independent Financial Advisor; or

- (ii) in the case of any other Corporate Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right shall upon its exercise immediately after the Corporate Event Effective Date receive an equivalent economic interest, to be determined by the Company, as that which a holder of the number of Shares which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately before the relevant Corporate Event Effective Date, provided that, in determining such equivalent economic interest, the Company shall, at its own expense, consult with an Independent Financial Advisor and shall take fully into account the advice of such Independent Financial Advisor.

For the purpose of this Condition 6, the “New Obligor Current Market Price per Share” means (i) the average of the daily Closing Prices of the shares of common stock of the New Obligor for the 30 consecutive Trading Days commencing 45 Trading Days immediately before the relevant Corporate Event Effective Date, or (ii) if such market price shall not be available, such price as is determined by the Company, provided that in determining such price, the Company shall, at its own expense, consult with an Independent Financial Advisor and shall take fully into account the advice of such Independent Financial Advisor.

The conversion price for the New Stock Acquisition Rights shall be subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided in Condition 5.2;

- 6.5.4 Description of the Asset to be Contributed upon Exercise of the New Stock Acquisition Rights and the Amount or the Calculation Method Thereof: Upon exercise of each New Stock Acquisition Right, the relevant Bond shall be deemed to be acquired by the New Obligor as a capital contribution in kind by the relevant Bondholder at the price equal to the principal amount of the Bond;
- 6.5.5 *Exercise Period of the New Stock Acquisition Rights:* The New Stock Acquisition Rights may be exercised at any time during the period from, and including, the later of the relevant Corporate Event Effective Date or the date of implementation of the scheme described in Condition 6.4.1 up to, and including, the last day of the Exercise Period of the Stock Acquisition Rights;
- 6.5.6 *Other Conditions for the Exercise of the New Stock Acquisition Rights:* No New Stock Acquisition Right may be exercised in part;
- 6.5.7 *Amount of Stated Capital and Additional Paid-in Capital:* As of the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the “maximum capital and other increase amount” as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and
- 6.5.8 *Others:* Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under then applicable law or regulation, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 No Statutory Put Rights

Each Bondholder by accepting or acquiring any Bond agrees that its remedies if a Corporate Event or a Squeezeout Event occurs shall not include any statutory rights provided by Japanese law to require the Company to repurchase such Bond at fair market value, such rights being waived to the fullest extent permitted by applicable law or regulation.

6.7 Subsequent Corporate Events

The above provisions of this Condition 6 shall apply in the same way to any subsequent Corporate Events.

7 Redemption, Purchase and Cancellation

7.1 Final Maturity

Unless the Bonds have previously been redeemed or purchased and cancelled, and unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Company will redeem the Bonds at 100 per cent. of their principal amount on 20 September 2023 (the “Maturity Date”). The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 Redemption at the Option of the Company upon Reduced Outstanding Amounts

The Company may, but shall not be bound to, having given not less than 30 nor more than 60 days’ prior notice (the “Clean-up Redemption Notice”) to the Bondholders in accordance with Condition 19 and to the Trustee (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for such redemption in the Clean-up Redemption Notice, if at any time prior to the date upon which the Clean-up Redemption Notice is first given, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof.

7.3 Redemption at the Option of the Company upon Increased Share Prices

On or after 21 September 2021, the Company may, but shall not be bound to redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount, provided, however, that no such redemption may be made unless the Closing Price of the Shares for each of the 20 consecutive Trading Days, the last of which occurs not more than 30 days prior to the date upon which the Optional Redemption Notice (as defined below) is first given, is at least 130 per cent. of the Conversion Price in effect on each such Trading Day (taking into account any Retroactive Adjustment not then reflected in the Conversion Price). To exercise such option to redeem, the Company shall give not less than 30 nor more than 60 days’ prior notice of such redemption (the “Optional Redemption Notice”) to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable); and upon giving such notice, all such Bonds shall be redeemed by the Company on the date fixed for such redemption in the Optional Redemption Notice.

7.4 Redemption for Taxation Reasons

The Company may, but shall not be bound to, at any time, having given not less than 30 nor more than 60 days’ prior notice (the “Tax Redemption Notice”) to the Bondholders in accordance with Condition 19 and to the Trustee (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount (without premium or penalty) on the date fixed for redemption (the “Tax Redemption Date”), if the Company satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice (i) that it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or

amendment becomes effective on or after 4 September 2018, and (ii) that such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Trustee a certificate signed by a Representative Director or an Authorised Officer stating that the obligation referred to in (i) above has arisen and cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be bound to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Trustee, and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent. of their principal amount (without premium or penalty) on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent. or more of the aggregate principal amount of the Bonds as of the date of issue thereof, each holder of the Bonds will have the right to elect, and the Tax Redemption Notice shall state that such Bondholder will have the right to elect, that its Bonds should not be redeemed and that the provisions set forth in Condition 9 shall not apply in respect of payment of any amount to be made in respect of the Bonds which will fall after the Tax Redemption Date and payment of all amounts due on such Bonds thereafter shall be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges referred to in Condition 9. Such right of the Bondholder shall be exercised by the Bondholder giving notice to the Company in the form (for the time being current) obtainable from any Agent no later than 20 days prior to the Tax Redemption Date.

7.5 Corporate Event Redemption

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.13) give not less than 14 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19 and to the Trustee to redeem all, but not some only, of the Bonds then outstanding at the Relevant Event Redemption Price per Bond (expressed in yen) determined in accordance with the provisions of Condition 7.8, together with all Additional Amounts due on the Bonds (if any), on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

- (i) it is not legally possible under then applicable law or regulation (taking into account the then official or judicial interpretation or application of such law or regulation) to effect a scheme provided for by Condition 6.4.1; or
- (ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company cannot effect such a scheme in compliance with Condition 6.4.1; or
- (iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or
- (iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an

Authorised Officer stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be bound to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.5(iv) and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate.

Any notice of redemption given under this Condition 7.5 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.5(iii) or 7.5(iv) above) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

7.6 Redemption on Delisting of the Shares

7.6.1 Offers and Redemption: If:

- (i) any offer is made by a party or parties (the “Offeror”) other than the Company in accordance with the Financial Instruments and Exchange Act to all holders of Shares (or all such holders other than the Offeror and/or any company controlled by the Offeror and/or persons associated or acting in concert with the Offeror) to acquire all or a portion of the Shares;
- (ii) the Company expresses its opinion to support such offer in accordance with the Financial Instruments and Exchange Act;
- (iii) the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces or admits, that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or may be disqualified from such listing, quotation or dealing, as a result of the acquisition of Shares pursuant to the offer (unless the Company or the Offeror publicly expresses its intention to use its best endeavours to continue such listing, quotation or dealing after such acquisition); and
- (iv) the Offeror acquires any Shares pursuant to the offer,

(the occurrence of items (i), (ii), (iii) and (iv) above together being a “Delisting Event”) then the Company shall give notice to the Bondholders in accordance with Condition 19 and to the Trustee, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the Relevant Event Redemption Price per Bond (expressed in yen) calculated in accordance with the provisions of Condition 7.8, together with all Additional Amounts due on the Bonds (if any), on the date (the “Delisting Redemption Date”) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice).

7.6.2 Offer Followed by Corporate Event or Squeezeout Event: Notwithstanding the above provisions of this Condition 7.6, if the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces, that it intends to effect a Corporate Event or Squeezeout Event after the date of acquisition of any Shares pursuant to the offer, then the Company’s obligation to redeem the Bonds under this Condition 7.6 shall not apply (but, for the avoidance of doubt, the provisions of Conditions 6 and 7.5 or Condition 7.7 shall be applicable to such Corporate Event or Squeezeout Event) unless such Corporate Event or Squeezeout Event does not occur within 60 days after the date of such acquisition, in which case the Company shall give notice to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the last day of such 60-day period, to redeem all, but not some only, of the Bonds then outstanding on the date (for the avoidance of doubt, the Delisting Redemption Date applicable to such redemption being such date) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business

Days, from the date of such notice) at the Relevant Event Redemption Price per Bond (expressed in yen) calculated in accordance with the provisions of Condition 7.8 (for the avoidance of doubt, “r” in the formula set out in Condition 7.8 being the number of days from and including such Delisting Redemption Date to but excluding the Maturity Date), together with all Additional Amounts due on the Bonds (if any).

7.6.3 *Irrevocable Notice:* Any notice of redemption given under this Condition 7.6 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice.

7.6.4 *Notice to Bondholders:* Upon the occurrence of:

- (a) any of the events set out in (i) through (iv) of Condition 7.6.1; or
- (b) any of the events set out in Condition 7.6.2 which results in the cancellation or revival of the Company’s obligation to redeem the Bonds,

the Company shall as soon as practicable give notice thereof to the Trustee in writing and to the Bondholders in accordance with Condition 19.

7.7 Squeezeout Redemption

Upon the occurrence of a Squeezeout Event, the Company shall (subject to Condition 7.13) give notice to the Bondholders in accordance with Condition 19 and to the Trustee, as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at a Relevant Event Redemption Price per Bond (expressed in yen) calculated in accordance with the provisions of Condition 7.8, together with all Additional Amounts due on the Bonds (if any), on the date (the “Squeezeout Redemption Date”) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date (the “Squeezeout Effective Date”) of the acquisition of the Shares with respect to the Squeezeout Event; provided, however, that if Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date).

7.8 Relevant Event Redemption Price

The Relevant Event Redemption Price per Bond for the purposes of Conditions 7.5, 7.6 and 7.7 shall be determined in accordance with the following formula:

$$\text{Relevant Event Redemption Price} = (OP - D) \times \frac{r}{t} + D$$

where:

D = ¥10,000,000.

OP = 102.5% x D

r = the number of days (i) in the case of a redemption following a Corporate Event, from and including the Corporate Event Redemption Date to but excluding the Maturity Date, (ii) in the case of a redemption following a Delisting Event, from and including the Delisting Redemption Date (or, if applicable, the Corporate Event Redemption Date which follows such Delisting Event) to but excluding the Maturity Date, and (iii) in the case of a redemption following a Squeezeout Event, from and including the Squeezeout Redemption Date to but excluding the Maturity Date.

t = the number of days from and including the Closing Date to but excluding the Maturity Date.

The amount calculated in accordance with the above formula shall be rounded to the nearest yen with five one-tenths or more of a yen to be considered a full yen.

“D” is the denomination of each Bond and “OP” is the Offer Price of each Bond.

7.9 Purchase of Bonds by the Company

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders or otherwise to exercise any voting rights and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for voting on an Extraordinary Resolution or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.10 Cancellation

All Bonds which are redeemed or with respect to which the Stock Acquisition Rights have been exercised shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 7.9 shall be forwarded to the Principal Agent for cancellation.

7.11 Notice of Redemption

All notices of redemption given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as of the date of the relevant notice, the Closing Price of the Shares as of the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption and the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as of the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.2, 7.3 or 7.4 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(b) or within 15 days following the last day of a Closed Period.

7.12 Calculations

The Trustee, the Principal Agent and the other Agents are not responsible or liable to determine or calculate any redemption amount or price under these Conditions (howsoever expressed or defined) or to make any other calculations required to be made under these Conditions other than in such cases as expressly stated herein (if any).

7.13 Priorities Among Redemption

If any notice of redemption is given by the Company pursuant to Condition 7.2, 7.3, 7.4, 7.5, 7.6 or 7.7, no other notice may be, or, as the case may be, is required to be, given pursuant to any other provisions of such Conditions, except in relation to Bonds in respect of which the relevant Bondholder has elected not to be redeemed pursuant to Condition 7.4.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.5 or 7.7, or (b) the events set out in (i) through (iv) of Condition 7.6 occur, then a notice pursuant to Condition 7.2, 7.3 or 7.4 may not subsequently be given.

If the Company becomes obliged to redeem the Bonds pursuant to both Condition 7.6 and either Condition 7.5 or 7.7, the procedures pursuant to Condition 7.5 or 7.7, as the case may be, shall apply.

8 Payments

8.1 Method of Payment

Payments in respect of principal, default interest (if any) and premium (if any) will be made against presentation and (if no further payments are due in respect of the Bonds evidenced

by the relevant Certificates) surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent. Such payments will be made by transfer to its Registered Account subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. If an amount which is due in respect of the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

“Registered Account” means a yen account maintained by the payee with a bank in Japan, details of which appear on the Register at the close of business on the sixth day before the due date of payment.

8.2 Agents

The initial Principal Agent and Registrar and their initial specified office is set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents, provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; and (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar or any other Agent will be given to the Bondholders in accordance with Condition 19 and to the Trustee.

8.3 Payments on Business Days

If the due date for payment of any amount in respect of any Bond is not a Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. “Business Day” means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried on both in Tokyo and in such place.

9 Taxation

All payments by the Company in respect of the Bonds, subject to Condition 7.4, will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

- (i) held by or on behalf of a Bondholder (a) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation, or (b) who fails to comply with Japanese tax law requirements in respect of the exemption from such withholding or deduction, or (c) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of its having some connection with Japan (whether present or former, including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond; or

- (ii) where the relevant Certificate is presented for payment more than 30 days after the Due Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as of the expiry of such 30-day period.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds, subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts in accordance with Condition 7.4.

As used herein, the “Due Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Bondholders in accordance with Condition 19 and to the Trustee.

Any reference in these Conditions and the Trust Deed to principal, premium (if any) or default interest in respect of the Bonds shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed.

No additional amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions or any agreement with the U.S. Internal Revenue Service (“FATCA withholding”). Further, the Company will have no obligation to otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

10 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give notice in writing to the Company that the Bonds are due and repayable at their principal amount together with accrued interest (if any) to the date of payment on the occurrence of any of the following events:

10.1 Non-payment

The Company defaults in the payment of the principal of any of the Bonds under Condition 7.4 as and when the same shall become due and payable, and such default is not remedied within 14 days; or

10.2 Breach of Obligations

The Company defaults in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Bonds and on its part to be performed or observed (other than the covenant to make payments in respect of any of the Bonds), which default is, in the opinion of the Trustee, incapable of remedy, or if, in the opinion of the Trustee, capable of remedy, is not remedied within the 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring such default to be remedied; or

10.3 Cross Default on Indebtedness

The obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least

¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is not paid when due or on demand (as the case may be) (or at the expiration of any applicable grace period as originally provided); or

10.4 Cross Default on Guarantee/Indemnity

The Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10); or

10.5 Initiation of Insolvency Proceedings

Proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law or regulation of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

10.6 Decree of Insolvency/Dissolution

A final decree or order is made or issued by a court of competent jurisdiction approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law or regulation of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or (in the opinion of the Trustee) any material part of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

10.7 Resolution for Dissolution

A resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except:

- 10.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:
- (a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or
 - (b) the Bonds will be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such winding-up, dissolution or liquidation; or
- 10.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by (including upon a merger, consolidation, amalgamation, reorganisation or reconstruction), the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or Holding Company (as the case may be) in the relevant Principal Subsidiary; or
- 10.7.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Bondholders; or

10.8 Institution of Insolvency Proceedings

The Company or any Principal Subsidiary institutes proceedings seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law or regulation of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or (in the opinion of the Trustee) any material part of its property, or makes a general assignment for the benefit of its creditors; or

10.9 Stop Payment

The Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law or regulation of any other jurisdiction); or

10.10 Cessation of Business

The Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on business, except:

10.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

- (a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or
- (b) the Bonds will be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such cessation of business; or

10.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by (including upon a merger, consolidation, amalgamation, reorganisation or reconstruction), the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.10.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Bondholders; or

10.11 Encumbrancer

Any encumbrancer takes possession of the whole or (in the opinion of the Trustee) any material part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or (in the opinion of the Trustee) any material part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days;

and, in the case of any of the events described in Conditions 10.2, 10.3, 10.4, 10.5 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.6, 10.7, 10.8, 10.9 and 10.10, the Trustee shall have certified in writing to the Company that the event is, in its opinion, materially prejudicial to the interests of the Bondholders.

For the purposes of Conditions 10.3 and 10.4, any indebtedness which is in a currency other than Japanese yen may be translated into Japanese yen at the spot rate for the sale of relevant currency against the purchase of Japanese yen quoted by any leading bank selected by the Company and notified to the Trustee.

Upon any such notice being given to the Company, the Bonds shall immediately become due and repayable at 100 per cent. of their principal amount (together with premium, if any, and default interest) as provided in the Trust Deed.

11 Undertakings

11.1 Undertakings with Respect to the Stock Acquisition Rights

While any Stock Acquisition Rights are, or are capable of being, exercisable, the Company will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- 11.1.1 *Shares*: issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be acquired upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;
- 11.1.2 *Transfers*: not take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise of the Stock Acquisition Rights, may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;
- 11.1.3 *Financial Year and Record Date*: give notice to the Bondholders in accordance with Condition 19 and to the Trustee as soon as practicable after it effects any change in its financial year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;
- 11.1.4 *Listing*: use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company may from time to time reasonably determine and give notice of the identity of such stock exchange or securities market to the Bondholders in accordance with Condition 19 and to the Trustee; provided that,
- (i) so long as the Company is not in breach of its obligations under Condition 6 in the case of any Corporate Event where the obligations under the Bonds and/or Stock Acquisition Rights are proposed to be transferred to or assumed by a New Obligor, then the Shares may be delisted with effect from the date falling no earlier than 30 days prior to the relevant Corporate Event Effective Date or such earlier date as may be determined by the Relevant Stock Exchange and (unless shares of common stock of the New Obligor are then listed or quoted or dealt in on any stock exchange or securities market) the Company shall use its best endeavours to cause the obtaining of a listing, quotation or dealing in of the shares of common stock of the New Obligor on any stock exchange or securities market in Japan; and
 - (ii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.5 or Condition 7.6 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from (x) delivering a certificate to the Trustee, as provided in Condition 7.5(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.6.1) or (z) proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling

Shareholder all of the shares of the Company held by them (*kabushiki uriwatashi seikyu*), proposing a consolidation of Shares (*kabushiki heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing after the acquisition or consolidation of Shares pursuant to a Squeezeout Event, as the case may be).

- 11.1.5 *Other Securities*: procure that no securities of the Company convertible into, or exchangeable for, by their terms, Shares are, without the prior written consent of the Trustee or as may be granted by an Extraordinary Resolution (and in compliance with the conditions attached to such consent, if any), converted into or exchanged for Shares and that no rights or warrants to subscribe for, purchase or otherwise acquire Shares are, without the prior written consent of the Trustee or as may be granted by an Extraordinary Resolution (and in compliance with the conditions attached to such consent, if any), exercised otherwise than, in each case, in accordance with the terms of issue thereof (for the avoidance of doubt, such terms may be amended as a result of any change in or bringing into force of Japanese law, including but not limited to certain tax qualification requirements relating to incentive stock options);
- 11.1.6 *Capital*: not create or issue any class of share capital other than Shares, without giving notice to the Bondholders in accordance with Condition 19 and to the Trustee, at least 14 days prior to the date of such creation or issue;
- 11.1.7 *Conversion Price Adjustments*: not take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would (but for the provisions of Condition 5.4) be decreased to such an extent that the Shares to be acquired on exercise of the Stock Acquisition Right could not, under any applicable law or regulation then in effect, be legally issued as fully-paid and non-assessable;
- 11.1.8 *Corporate Event*: if a Corporate Event occurs, use its best endeavours to obtain all consents which may be necessary or appropriate under Japanese law to enable the relevant company to give effect to the relevant arrangement, and to take all other action, as required by Condition 6 in a timely manner (unless, for the avoidance of doubt, the Bonds will be redeemed pursuant to Condition 7.5 or 7.6); and
- 11.1.9 *Consents*: obtain and maintain all consents, clearances, approvals, authorisations, orders, registrations or qualifications (if any) required to be obtained or maintained by the Company on exercise of the Stock Acquisition Rights.

The Trust Deed contains certain other undertakings in relation to the Bonds and the Stock Acquisition Rights.

11.2 Charges

Except as otherwise provided in Condition 5.9, the Company will pay all charges of the Trustee, the Principal Agent, the other Agents, the Custodian and the Custodian's Agent (including the cost of providing notices) and all issue, transfer and other similar taxes payable with respect to the deposit of Bonds pursuant to Condition 5.9.3, and the issue and delivery of Shares and the delivery of any other securities, property or cash pursuant to Condition 5.9.5 following such deposit.

12 Substitution

12.1 Substitution other than under a Corporate Event

The Trustee may, without the consent of the Bondholders, but shall not be obliged to, agree with the Company to the substitution in place of the Company (or any previous substitute under this Condition 12) as the principal obligor under the Bonds and the Trust Deed of any Subsidiary of the Company subject to (i) the Bonds continuing to be convertible into Shares as provided in these Conditions, with such amendments as the Trustee shall consider appropriate,

(ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution and (iii) satisfaction of such other conditions as are set out in the Trust Deed. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19. When determining, pursuant to this Condition, whether a circumstance is materially prejudicial to the interests of the Bondholders, the Trustee may obtain and rely, without liability to any person, on such directions from the Bondholders and/or expert advice as it considers appropriate and rely thereon without any responsibility for delay occasioned for so doing.

Further conditions to such substitution are set out in the Trust Deed.

12.2 Substitution under a Corporate Event

Prior to a Corporate Event Effective Date the Trustee may, if so requested by the Company, agree with the Company, without the consent of Bondholders, to the substitution in place of the Company of the New Obligor subject to a trust deed supplemental to the Trust Deed (which shall include the provisions described below), provided that the Company's obligations under the Bonds and the Trust Deed shall be assumed by the New Obligor by way of substitution (which, for the purposes of Japanese law, may be deemed to be a transfer or assumption of such obligations to or by the New Obligor), and that the New Obligor shall grant stock acquisition rights (the "New Stock Acquisition Rights") to all holders of the Bonds then outstanding, in place of the Stock Acquisition Rights incorporated in the Bonds held by them, being executed on or prior to the relevant Corporate Event Effective Date or (in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date) within 14 days after the relevant Corporate Event Effective Date. The Trustee may enter into such supplemental trust deed without consent of Bondholders only if:

- (i) under such supplemental trust deed, the New Obligor agrees, in form and manner satisfactory to the Trustee, to be bound by the Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) with effect (as specified in this Condition 12.2) as if the New Obligor had been named in the Trust Deed and the Bonds as the principal obligor in place of the Company and provided that the holders of the Bonds then outstanding shall be granted New Stock Acquisition Rights;
- (ii) except in the case of a Merger Event, pursuant to such supplemental trust deed the Company guarantees, in a form and manner satisfactory to the Trustee, the payment obligations of the New Obligor under the Trust Deed and the Bonds with effect as specified in this Condition 12.2, provided that no such guarantee will be required if the Company determines and has delivered to the Trustee no later than 10 calendar days prior to the relevant Corporate Event Effective Date a certificate of the Company signed by a Representative Director of the Company that, as of the Corporate Event Effective Date, any rating which would be assigned to the New Obligor's unsecured and unsubordinated debt is unlikely to be lower than the rating then currently assigned to the Company's long-term, unsecured and unsubordinated debt and the Trustee shall be entitled to rely upon such certificate without further investigation and enquiry and without liability to any person. In making this determination, the Company shall consult an Independent Financial Advisor and shall take fully into account the advice of such Independent Financial Advisor;
- (iii) if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the "Company's Territory"), the New Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or addition to, in relation to the New Obligor, references in Condition 9 to the Company's

Territory of references to the New Territory whereupon the Trust Deed and the Bonds will be read accordingly, and corresponding amendments shall be made to Condition 7.4 in relation to payment of Additional Amounts by the New Obligor (and/or the guarantor, if any);

- (iv) a Representative Director of the New Obligor certifies to the Trustee that it will be solvent immediately after such substitution and the Trustee need not have regard to the New Obligor's financial condition, profits or prospects or compare them with those of the Company;
- (v) the Company shall have certified (by a certificate of a Representative Director) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;
- (vi) the Company and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders;
- (vii) such substitution and grant of New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date); and
- (viii) such supplemental trust deed, the Trust Deed and the Conditions provide at least the same powers, protections, rights and benefits to the Trustee and the Bondholders following the implementation of such Corporate Event as they provided to the Trustee and the Bondholders prior to the implementation of the Corporate Event, *mutatis mutandis*.

12.3 Release of Obligations

An agreement by the Trustee pursuant to Condition 12.2 will (except in respect of any guarantee under Condition 12.2(ii)), if so expressed, release the Company (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

12.4 Deemed Amendment

On completion of the formalities set out in Condition 12.2, the New Obligor will be deemed to be named in the Trust Deed and the Bonds as the principal obligor in place of the Company (or of any previous substitute) and the Trust Deed and the Bonds will be deemed to be amended as necessary to give effect to the substitution. In particular and without limitation:

- (i) the terms "Stock Acquisition Rights" and "Shares" shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and
- (ii) references to the Company in Condition 10, in the definition of Principal Subsidiary and in the Trust Deed shall also include any guarantor pursuant to Condition 12.2(ii) except where the context requires otherwise.

13 Prescription

Claims in respect of the Bonds hereunder will become void unless made within the period of 10 years from the Due Date for the payment thereof.

14 Replacement of Bonds

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Principal Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15 Meetings of Bondholders; Modification and Waiver

15.1 Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent. in principal amount of the Bonds for the time being outstanding, or for any adjourned meeting two or more persons being or representing Bondholders (whatever the principal amount of Bonds held or represented) except that at any meeting the business of which includes the modification of certain provisions of the Bonds or of the Trust Deed (including, *inter alia*, modifying the date of maturity of the Bonds, reducing or cancelling the principal amount of, or any premium payable in respect of, the Bonds, modifying the method or basis of calculating the rate or amount of default interest in respect of the Bonds, altering the currency of payment of the Bonds or (to the extent permitted by applicable law or regulation) abrogating or modifying any Stock Acquisition Right), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 50 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in these Conditions and in the Trust Deed. Any resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders.

15.2 Modification and Waiver

The Trustee may, without the consent of the Bondholders, agree to any modification (except as aforesaid and as set out in the Trust Deed) of the Trust Deed or the Bonds (including these Conditions) or to any waiver or authorisation of any breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds or determine that any Event of Default shall not be treated as such which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of the Trust Deed or the Bonds (including these Conditions) which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error or is necessary in order to comply with mandatory provisions of Japanese law or pursuant to Condition 6 or 12. Any such modification, waiver, authorisation or determination shall be binding on the Bondholders and shall be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to it of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.5 and/or 7.7 or (ii) the Financial Instruments and Exchange Act which in the reasonable opinion of the Company (evidenced by (a) a certificate of a Representative Director or an Authorised Officer and (b) an opinion addressed to the Company and the Trustee in a form satisfactory to it of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Condition 7.6, the relevant Conditions shall be amended and/or supplemented to reflect that change by means of a trust deed supplemental to the Trust Deed. The Trustee (unless in its sole opinion such supplemental trust deed imposes obligations, responsibilities or liabilities on it which are greater than that it has as Trustee under the Trust Deed or decreases the protections it has as Trustee under the Trust

Deed) shall be obliged (subject to being indemnified and/or secured and/or prefunded by the Company to its satisfaction) to enter into such supplemental trust deed (in a form and substance satisfactory to it) to effect such change (even if, in the opinion of the Trustee, that change may be materially prejudicial to the interests of the Bondholders) without the consent of the Bondholders, but the Trustee shall have no responsibility or liability to any person for so doing and may rely on any opinion or any certificate of a Representative, Director or Authorised Officer. The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19 and the Trustee.

15.3 Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 Authority to the Trustee

To the fullest extent permitted by applicable law or regulation, by accepting the Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action, step or proceeding before a Japanese court on behalf of and in the name of the Bondholder which the Trustee considers to be necessary or desirable in the interests of the Bondholders. The Trustee shall not be bound to take any such action, step or proceeding unless (a) so directed by an Extraordinary Resolution or so requested in writing by holders of at least one-quarter in principal amount of Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction, and shall incur no liability in taking or refraining from taking such action, step or proceeding. The Trustee shall not take any action, step or proceeding on behalf of a Bondholder in respect of the statutory rights referred to in Condition 6.6, such rights having been irrevocably waived by the Bondholder to the fullest extent permitted by applicable law or regulation.

16 Enforcement

At any time after the Bonds shall have become due and repayable, the Trustee may, at its absolute discretion and without further notice, take such proceedings, actions or steps against the Company as it may think fit to enforce repayment of the Bonds, together with accrued default interest, if any, pursuant to Condition 4 and to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings, actions or steps unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Company unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time following such direction or request or provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure shall be continuing.

17 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings, actions or steps to enforce the provisions of the Trust Deed or the terms of the Bonds. The Trustee is entitled to enter into business transactions with the Company or any person or body corporate associated with the Company without accounting for any profit resulting therefrom. The Trustee may rely without liability to Bondholders on any certificate or report prepared by the Auditors or any Independent Financial Advisor or other expert pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Auditors or the Independent Financial Advisor (as the case may be) in respect thereof is limited by a monetary cap or otherwise and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under these

Conditions and/or the Trust Deed; any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18 Independent Financial Advisor

If any doubt shall arise as to the appropriate adjustment to the Conversion Price or in relation to any other matter which is reserved in these Conditions for a decision of an Independent Financial Advisor, a written opinion of such Independent Financial Advisor in respect of such adjustment to the Conversion Price or other matter shall be conclusive and binding on the Company, the Trustee and the Bondholders in the absence of manifest error.

If the Company shall fail to appoint an Independent Financial Advisor when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser, the Trustee shall have the power, but shall not be obligated, to make such appointment in its absolute discretion, without liability for doing so, following notification to the Company in which case such appointment will be deemed an appointment by the Company.

19 Notices

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the Financial Times). If publication in any of such newspapers is not practicable, notices will be given in such other newspaper or newspapers as the Company, with the written approval of the Trustee, shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

20 Contracts (Rights of Third Parties) Act 1999

Except as provided herein, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

21 Governing Law and Submission to Jurisdiction

21.1 Governing Law

The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

21.2 Jurisdiction

The courts of England are to have jurisdiction to hear and decide any suit, action or proceedings, and/or to settle any disputes which may arise out of or in connection with the Trust Deed and the Bonds (including any non-contractual obligations arising out of or in connection with them) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds ("Proceedings") may be brought in such courts. The Company has in the Trust Deed submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

21.3 Agent for Service of Process

The Company has irrevocably appointed Law Debenture Corporate Services Limited as its agent in England to receive service of process in any Proceedings in England. If for any reason Law Debenture Corporate Services Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

TERMS AND CONDITIONS OF THE 2025 BONDS

The following terms and conditions of the Bonds, subject to completion and amendment, and, save for the paragraphs in italics, will be endorsed on the Certificates (as defined herein) evidencing the Bonds:

The ¥36,580,000,000 Zero Coupon Convertible Bonds due 2025 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the “Bonds”, which term shall, unless the context requires otherwise, include Stock Acquisition Rights (as defined below) incorporated in the Bonds) in the denomination of ¥10,000,000 each issued by LINE Corporation (the “Company”) are constituted by a trust deed (the “Trust Deed”) dated 20 September 2018 made between the Company and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include its successors as trustee or trustees appointed under the Trust Deed, as trustee for the holders of the Bonds). Each Bond is issued in the denomination of ¥10,000,000 each and a stock acquisition right (*shinkabu yoyakuken*) (the “Stock Acquisition Right”), entitling the Bondholder (as defined in Condition 1.2) to acquire fully paid and non-assessable shares of common stock of the Company (the “Shares”) as described below, is incorporated in each Bond as an integral part thereof. Copies of the Trust Deed and the agency agreement (the “Agency Agreement”) dated 20 September 2018 relating to the Bonds between, *inter alios*, the Company, the Trustee, the principal agent (the “Principal Agent”), the registrar (the “Registrar”) and the other agents referred to therein are available for inspection by Bondholders by prior appointment during normal business hours at the specified office for the time being of the Trustee, being at the date of issue of the Bonds at Fifth Floor, 100 Wood Street, London, EC2V 7EX, United Kingdom, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the “Agents” shall, unless the context otherwise requires, include the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time. For the avoidance of doubt, the term Agent shall not include the Registrar, the Custodian or the Custodian’s Agent.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all those provisions of the Agency Agreement applicable to them. The statements in these terms and conditions (these “Conditions”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. Any terms defined in the Trust Deed and not in these Conditions shall have the same meanings when used herein except where otherwise indicated.

1 Form, Denomination, Issue Price, Title, Status, Transfers of Bonds and Relationship between Bonds and Stock Acquisition Rights

1.1 Form, Denomination and Issue Price

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) is 100.0 per cent. of the principal amount of the Bonds. The issue price of the Stock Acquisition Rights is zero.

A bond certificate (each, a “Certificate”) will be issued in respect of each Bond. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the “Register”) of holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1.

1.2 Title

Title to the Bonds will pass only by transfer and registration of title in the Register. The holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

In these Conditions, a “Bondholder” and (in relation to a Bond) “holder” mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

Upon issue, the Bonds will be evidenced by a global certificate (the “Global Certificate”) deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Trust Deed, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds.

1.3 Status

The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

1.4 Transfers of Bonds

1.4.1 *The Register:* The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds and exercises of Stock Acquisition Rights. Each Bondholder shall be entitled to receive one Certificate in respect of each Bond held by such holder.

1.4.2 *Transfers:* A Bond may be transferred upon the surrender (at the specified office(s) of the Principal Agent, the Registrar or any other Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and executed and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar, the Principal Agent and the Trustee. A copy of the current regulations will be made available during normal business hours by the Principal Agent or the Registrar to any Bondholder upon written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates:* Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within five Transfer Business Days of receipt of the duly completed and executed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery as agreed between such holder and the Registrar or relevant Agent and/or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Agent (as the case may be).

1.4.4 *Formalities Free of Charge:* Registration of a transfer of Bonds and issuance of new Certificates shall be effected without charge by or on behalf of the Company, the Registrar or the relevant Agent, but upon (i) payment by the Bondholder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such

indemnity as the Registrar or the relevant Agent may require); and (ii) the Company and the Registrar or the relevant Agent being reasonably satisfied that the regulations concerning transfer of Bonds having been satisfied.

- 1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the date for redemption pursuant to Condition 7.1, 7.5, 7.6 or 7.7, (ii) after a Conversion Notice (as defined in Condition 3.1) has been given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4, in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn) or (iii) after a notice of redemption has been given pursuant to Condition 7.2, 7.3 or 7.4 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.4).

1.5 Relationship between Bonds and Stock Acquisition Rights

The obligations of the Company in respect of the Bonds and the Stock Acquisition Rights incorporated therein shall arise and shall be extinguished or cease to be exercisable simultaneously subject as provided herein.

The Bonds and the Stock Acquisition Rights incorporated therein may not be transferred or dealt with separately from each other.

2 Negative Pledge

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time or prior thereto according or procuring to be accorded to the Bonds, (x) to the satisfaction of the Trustee or as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation or (y) such other security or guarantee as the Trustee may in its absolute discretion deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution. For the purposes of this Condition 2, "Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

- (a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and
- (b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.

3 Definitions and Construction of References

3.1 Definitions

In these Conditions (unless the context otherwise requires):

"Account Management Institution" means an account management institution (*koza-kanri-kikan*) which is an entity entitled under the Book-Entry Act to open and maintain an account for another person or entity;

"Additional Amounts" has the meaning provided in Condition 9;

"Additional Shares" has the meaning provided in Condition 5.3;

“Annual Fiscal Period” means a period commencing on 1 January and ending on the following 31 December; provided that, if the Company shall change its financial year so as to end on a date other than 31 December, “Annual Fiscal Period” shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

“Articles of Incorporation” means the articles of incorporation of the Company from time to time in effect;

“Asset Transfer Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the sale or transfer of all or substantially all of the assets of the Company to another entity (the “Asset Transferee”), pursuant to the terms of which the Company’s obligations under the Bonds are to be transferred to or assumed by the Asset Transferee;

“Asset Transferee” has the meaning provided in the definition of Asset Transfer Event;

“Auditors” means the independent auditors for the time being of the Company or, if there shall be joint independent auditors, any one or more of such independent auditors or, if they are unable or unwilling to carry out any action requested of them under these Conditions or the Trust Deed, such other auditors or firm of auditors as may be appointed by the Company and promptly notified in writing to the Trustee by the Company;

“Authorised Officer” means any one of the directors or officers of the Company or the New Obligor (as the case may be) or any other person whom the Company or the New Obligor (as the case may be) shall have identified to the Trustee by notice in writing as being duly authorised to sign any document or certificate on behalf of the Company or the New Obligor (as the case may be);

“Bankruptcy Act” means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

“Base Dividend” has the meaning provided in Condition 5.2.5;

“Bondholder” and “holder” have the meaning provided in Condition 1.2;

“Book-Entry Act” means the Act Concerning Book-Entry Transfer of Corporate Bonds, Shares, etc. of Japan (Act No. 75 of 2001, as amended);

“Business Day” has the meaning provided in Condition 8.3;

“Certificate” has the meaning provided in Condition 1.1;

“Civil Rehabilitation Act” means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

“Clean-up Redemption Notice” has the meaning provided in Condition 7.2;

“Closed Period” has the meaning provided in Condition 7.11;

“Closing Date” means 20 September 2018;

“Closing Price” means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), for any Trading Day, the last reported selling price (regular way) of the Shares or the shares of common stock of the New Obligor (as the case may be) on the Relevant Stock Exchange on such Trading Day or, if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, the average of the closing bid and offered prices of the Shares or the shares of common stock of the New Obligor (as the case may be) for such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company or the New Obligor (as the case may be) and approved in writing by the Trustee for such purpose;

“Companies Act” means the Companies Act of Japan (Act No. 86 of 2005, as amended);

“Company’s Territory” has the meaning provided in Condition 12.2;

“Consolidated Financial Statements” means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in

accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

“Consolidated Subsidiary” means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

“Controlling Shareholder” means a shareholder holding, directly or indirectly, 90 per cent (or such other percentage above 90 per cent as provided in the Articles of Incorporation) or more of the Company’s voting rights as calculated in accordance with the Companies Act;

“Conversion Notice” means the written notice required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in Schedule A to the Agency Agreement;

“Conversion Price” has the meaning provided in Condition 5.1.3;

“Corporate Event” has the meaning provided in Condition 6.1;

“Corporate Event Effective Date” has the meaning provided in Condition 6.3;

“Corporate Event Redemption Date” has the meaning provided in Condition 7.5;

“Corporate Reorganisation Act” means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

“Corporate Split Counterparty” has the meaning provided in the definition of Corporate Split Event;

“Corporate Split Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any corporate split (*shinsetsu bunkatsu* or *kyushu bunkatsu*) in which the Company’s obligations under the Bonds are to be transferred to or assumed by the corporation which is the counterparty to such corporate split (the “Corporate Split Counterparty”);

“Current Market Price per Share” has the meaning provided in Condition 5.2.10;

“Custodian” means The Law Debenture Trust Corporation p.l.c. at its specified office at Fifth Floor, 100 Wood Street, London, EC2V 7EX, United Kingdom or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

“Custodian’s Agent” means Mizuho Bank, Ltd. at its specified office at 5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8176, Japan or such other agent of the Custodian in Japan as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Custodian, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19;

“Delisting Event” has the meaning provided in Condition 7.6.1;

“Delisting Redemption Date” has the meaning provided in Condition 7.6.1;

“Deposit Date” has the meaning provided in Condition 5.9.4;

“Due Date” has the meaning provided in Condition 9;

“Event of Default” means any of the events listed in Condition 10 which, if so required by that Condition, has been certified in writing by the Trustee to the Company, in the opinion of the Trustee, to be materially prejudicial to the interests of the Bondholders upon the occurrence of which the Bonds may become due and repayable;

“Exercise Period” has the meaning provided in Condition 5.1.4;

“Extraordinary Dividend” has the meaning provided in Condition 5.2.5;

“Extraordinary Resolution” means a resolution passed (i) at a meeting of the Bondholders duly convened and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-quarters of the votes cast thereon or (ii) by a written resolution or electronic consent in accordance with the Trust Deed;

“FATCA withholding” has the meaning provided in Condition 9;

“Financial Instruments and Exchange Act” means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

“Fiscal Period” means, as the context may require, (i) a period commencing on 1 January and ending on the following 31 December; or (ii) three month periods each commencing on 1 January, 1 April, 1 July, and 1 October; provided that, if the Company shall change its financial year so as to end on a date other than 31 December, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

“Holding Company” has the meaning provided in the definition of Holding Company Event;

“Holding Company Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the Company to become a wholly-owned subsidiary of another corporation (the “Holding Company”) by way of share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*);

“Independent Financial Advisor” means an independent investment bank, securities company, accounting firm or consultancy firm of established repute appointed by the Company at its own expense and notified to the Trustee in writing or, if the Company fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Advisor, or otherwise in connection with such appointment, appointed by the Trustee and without liability for doing so, in accordance with Condition 18 and notified to the Company (such appointment will be deemed an appointment by the Company);

“Listing” has the meaning provided in Condition 6.4.2;

“Maturity Date” has the meaning provided in Condition 7.1;

“Merged Company” means the corporation formed by the relevant Merger Event or the corporation into which the Company shall have merged following a Merger Event;

“Merger Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any consolidation or amalgamation (*shinsetsu gappei*) of the Company with, or merger (*kyushu gappei*) of the Company into any other corporation (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation);

“New Obligor” has the meaning provided in Condition 6.1;

“New Obligor Current Market Price per Share” has the meaning provided in Condition 6.5.3;

“New Stock Acquisition Rights” has the meaning provided in Condition 12.2;

“New Territory” has the meaning provided in Condition 12.2;

“Non-unit Shares” has the meaning provided in Condition 5.1.2;

“Number of Deliverable Shares” has the meaning provided in Condition 6.5.3;

“Number of Held Shares” has the meaning provided in Condition 6.5.3;

“Offeror” has the meaning provided in Condition 7.6.1;

“Principal Subsidiary” means any Consolidated Subsidiary of the Company, (i) whose revenues as shown by the annual non-consolidated financial statements (or, where the

Consolidated Subsidiary in question itself prepares consolidated financial statements, those annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the revenues of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer of the Company that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 21.2;

"Record Date" means the date fixed by the Articles of Incorporation or otherwise specified by the Company for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares; provided, however, that if the Company has fixed no such record date and the context so requires, the "Record Date" shall be construed as a reference to the date of any event in question coming into effect;

"Register" has the meaning provided in Condition 1.1;

"Registered Account" has the meaning provided in Condition 8.1;

"Relevant Debt" has the meaning provided in Condition 2;

"Relevant Event" means any Corporate Event, Delisting Event or Squeezeout Event;

"Relevant Event Date" has the meaning provided in Condition 5.2.16;

"Relevant Event Redemption Price" has the meaning provided in Condition 7.8;

"Relevant GAAP" means the accounting principles which are adopted by the Company or the New Obligor (as the case may be) for the preparation of the Consolidated Financial Statements under the Financial Instruments and Exchange Act, being one of those generally accepted in Japan, the United States or International Financial Reporting Standards (as issued by the International Accounting Standards Board or, if applicable, as adopted or endorsed within Japan including those modified by the Accounting Standards Board of Japan (or any successor thereto));

"Relevant Number of Shares" has the meaning provided in Condition 5.2.5;

"Relevant Securities" has the meaning provided in Condition 5.2.9;

"Relevant Stock Exchange" means Tokyo Stock Exchange, Inc. or, if at the relevant time the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed on Tokyo Stock Exchange, Inc., the principal stock exchange or securities market in Japan on which the Shares or the shares of common stock of the New Obligor (as the case may be) are then listed or quoted or dealt in;

"Representative Director" means a director of the Company (or the New Obligor, as the case may be) who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company (or the New Obligor, as the case may be) within the meaning of the Companies Act;

"Retroactive Adjustment" has the meaning provided in Condition 5.3;

"Securities" includes, without limitation, Shares, other shares, options, warrants or other rights (including stock acquisition rights) to subscribe for or purchase or acquire Shares and securities convertible into or exchangeable for Shares;

"Shareholder Determination Date" has the meaning provided in Condition 5.1.4;

"Shareholder Determination Date Restriction Period" has the meaning provided in Condition 5.1.4;

"Squeezeout Effective Date" has the meaning provided in Condition 7.7;

“Squeezeout Event” means (i) the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) by way of an amendment to the Articles of Incorporation, for the purpose of, including but not limited to, making the Company a wholly-owned subsidiary of another corporation, (ii) the passing of a resolution by the Board of Directors of the Company approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder’s wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushiki uriwatashi seikyu*) under the Companies Act, or (iii) the passing of a resolution at a general meeting of shareholders of the Company approving a consolidation of Shares (*kabushiki heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing;

“Squeezeout Redemption Date” has the meaning provided in Condition 7.7;

“Stock Acquisition Date” has the meaning provided in Condition 5.9.4;

“Stock Split” means any kind of stock split in relation to the Shares, including a free share distribution to the holders of Shares, a stock dividend or a sub-division of Shares;

“Subsidiary” means a company, more than 50 per cent. of the outstanding shareholders’ voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, “voting rights” means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

“Tax Redemption Date” has the meaning provided in Condition 7.4;

“Tax Redemption Notice” has the meaning provided in Condition 7.4;

“Tokyo Business Day” has the meaning provided in Condition 5.1.4;

“Trading Day” means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price of the Shares or the shares of common stock of the New Obligor (as the case may be) is furnished as provided in the definition of Closing Price;

“Transfer Business Day” has the meaning provided in Condition 1.4.3; and

“yen” and “¥” mean Japanese yen, the lawful currency of Japan.

3.2 Construction of Certain References

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

Except where the context requires otherwise, references to the “issue” of Shares shall include the transfer and/or delivery of Shares by the Company, whether newly issued or previously issued and held by or on behalf of the Company (and the words “issue”, “issued” and “issuable” shall be construed accordingly), and references in these Conditions to the word “acquire” used in conjunction with the Shares shall be read as including both the words “issue” and “transfer”, and the words “acquired” and “acquisition” shall be construed accordingly and references to “delivery” used in respect of the Shares shall be read as including the transfer of Shares by way of Japan Securities Depository Center. Inc’s system. The words “substitution”

and “grant” used in relation to the exchange of the Company’s obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4 **Default Interest**

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum determined by the Principal Agent as being equal to the offered rate quoted by a leading bank in the Euro-yen market selected by the Principal Agent for deposits in yen for the period of three months, as at 11:00 a.m. (London time) on the date of such default. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5 **Exercise of Stock Acquisition Rights**

5.1 **Conversion Price, Exercise Period, Shares Issuable and Procedure**

5.1.1 *Contribution of the Bond:* Subject to and upon compliance with the provisions of this Condition 5, each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond held by it in accordance with and subject to these Conditions. The Bond, the Certificate in respect of which having been deposited with an Agent for exercise of the relevant Stock Acquisition Right pursuant to Condition 5.9.1, shall be deemed to be acquired by the Company as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond as of the Stock Acquisition Date.

5.1.2 *Number of Shares:* The number of Shares to be acquired by a Bondholder exercising its Stock Acquisition Rights will be determined by dividing the aggregate principal amount of the Bonds deposited by such Bondholder at the same time upon exercise of the Stock Acquisition Rights by the Conversion Price applicable on the Stock Acquisition Date. Fractions of a Share will not be issued upon exercise of any Stock Acquisition Right and no adjustment or cash payment will be made in respect thereof. However, if two or more Stock Acquisition Rights are exercised at any one time by the same Bondholder, the number of Shares which shall be acquired upon exercise of such Stock Acquisition Rights shall be calculated on the basis of the aggregate principal amount of the Bonds in which the Stock Acquisition Rights so exercised are incorporated.

For the avoidance of doubt, if a Bondholder would receive a number of Shares (“Non-unit Shares”) not constituting a unit (*tangen*) of Shares or integral multiples thereof upon exercise of the Stock Acquisition Right(s) or upon a Retroactive Adjustment, such Non-unit Shares shall be delivered to the relevant Bondholder in the same manner as the Shares constituting a whole unit of Shares, and no cash amounts shall be paid by the Company in respect of such Non-unit Shares.

As of the date of this Offering Circular, the Articles of Incorporation specify that one unit of Shares is comprised of 100 Shares.

5.1.3 *Conversion Price:* The price at which Shares shall be acquired upon exercise of the Stock Acquisition Rights (the “Conversion Price”) shall initially be ¥7,518 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period:* Each Stock Acquisition Right may be exercised at any time during the period from, and including, 4 October 2018 to, and including, the close of business

(at the place where the Stock Acquisition Right is to be exercised) on 5 September 2025, or:

- (i) if the relevant Bond shall have been called for redemption pursuant to Condition 7.2, Condition 7.3 or Condition 7.4, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed); or
- (ii) if the Bonds shall become due to be redeemed pursuant to Condition 7.5, Condition 7.6 or Condition 7.7, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof; or
- (iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary pursuant to Condition 7.9 and cancelled by the Company pursuant to Condition 7.10, then up to the time when such Bond is so cancelled; or
- (iv) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

- (a) in no event shall the Stock Acquisition Rights be exercised after 5 September 2025;
- (b) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not exceed 30 days, and which period shall end on a date not later than 14 days after the Corporate Event Effective Date if the Company reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.6 and 7.7); and
- (c) the Stock Acquisition Rights may not be exercised where the relevant Stock Acquisition Date (or the next following Tokyo Business Day if the Stock Acquisition Date would not be a Tokyo Business Day) would fall on a date within any Shareholder Determination Date Restriction Period (as defined below); provided that if there is a change to the mandatory provisions of Japanese law and regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4(c) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof (together with the reason for the change) shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing. If the Company sets a Shareholder Determination Date on a day other than such dates as are fixed by the Articles of Incorporation of the Company at the date hereof, the Company shall give the Trustee in writing and the Bondholders in accordance with Condition 19 a notice of each such Shareholder Determination Date and of each such period in which the Stock Acquisition Rights may not be exercised pursuant to the provisions in this paragraph, no later than the fifth Tokyo Business Day prior to such Shareholder Determination Date, as the case may be.

In these Conditions:

“Shareholder Determination Date” means (i) any Record Date, and (ii) any other date set for the purpose of determination of holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act;

“Shareholder Determination Date Restriction Period” means the period from and including the second Tokyo Business Day falling immediately prior to any Shareholder

Determination Date to and including such Shareholder Determination Date (provided that if such Shareholder Determination Date falls on a date that is not a Tokyo Business Day, then the Shareholder Determination Date Restriction Period means the period from and including the third Tokyo Business Day falling immediately prior to such Shareholder Determination Date to and including the Tokyo Business Day immediately following such Shareholder Determination Date); and

“Tokyo Business Day” means any day (other than a Saturday, Sunday or a day which shall be a legal holiday in Tokyo or a day on which banking institutions in Tokyo are obliged or authorised by law or executive order to close) on which banks are open for business in Tokyo.

The Company shall give the Trustee in writing and the Bondholders in accordance with Condition 19 a notice of the determination and period referred to in Condition 5.1.4(b) above (together with a description of the days included in such period) at least 30 days prior to the commencement of such period.

The Company shall give the Trustee in writing and the Bondholders in accordance with Condition 19 a notice of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least two Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect or a date which is six months from the end of the fiscal year of the Company.

As of the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31 December and 30 June. By way of example, in respect of the Record Date falling on 31 December 2018, it is currently anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 26 December 2018 to (and including) 4 January 2019.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is hereinafter referred to as the “Exercise Period” (for the avoidance of doubt, the Exercise Period in respect of any Stock Acquisition Right may stop and restart from time to time). Upon final expiration of the Exercise Period, the Stock Acquisition Rights incorporated in the relevant Bonds will lapse and cease to be exercisable or valid for any purpose.

Although each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond on or after 4 October 2018, a Bondholder exercising such right from 4 October 2018 to 14 October 2018 will be required in the Conversion Notice (the form of which is appended to the Agency Agreement) to certify that it will not deposit any Shares received upon such exercise with the depository (or its custodian) of the Company’s American Depositary Share program prior to 15 October 2018.

- 5.1.5 *Rights Attached to Shares Acquired upon Exercise of Stock Acquisition Rights:* Shares acquired upon exercise of the Stock Acquisition Rights shall have the same rights in all respects (including in relation to any distribution of dividends) as the Shares outstanding on the relevant Stock Acquisition Date (except for any right the Record Date for which precedes such Stock Acquisition Date and any other right excluded by mandatory provisions of applicable law or regulation).

5.2 Adjustments of the Conversion Price

Upon the happening of any of the events described below in this Condition 5.2, the Conversion Price shall be adjusted as follows:

- 5.2.1 *Stock Split and Consolidation of Shares:* if the Company shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or (c) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall

be appropriately adjusted so that the holder of any Bond, the Stock Acquisition Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 5.2.1, shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the coming into effect of any of the events described above had the Stock Acquisition Right in respect of such Bond been exercised immediately prior to the coming into effect of such event (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the coming into effect of such event (or such Record Date) or any time thereafter. An adjustment made pursuant to this Condition 5.2.1 shall become effective immediately on the relevant event becoming effective or, if a prior Record Date is fixed therefor, immediately after the Record Date; provided that, in the case of a relevant transaction which must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally effective, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

If the Company shall make a Stock Split and the Record Date therefor is also:

- (i) the Record Date for the allotment, grant, issue or offer of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3, or
- (ii) the last date (in the place of issue) of the period during which payment may be made for any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.9, or
- (iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.9, or
- (iv) the date of allotment, grant, issue, transfer or offer of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.8 or 5.2.9,

then (except where such Stock Split gives rise to a Retroactive Adjustment of the Conversion Price under this Condition 5.2.1) no adjustment of the Conversion Price in respect of such Stock Split shall be made under this Condition 5.2.1, but in lieu thereof an adjustment shall be made under Condition 5.2.2, 5.2.3, 5.2.6, 5.2.7, 5.2.8 or 5.2.9, as the case may be, by including in item “n” of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

5.2.2 *Issue to Shareholders of Rights or Warrants to Acquire Shares:* if the Company shall allot, grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares:

- (i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or
- (ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a

case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration, but excluding the number of Shares, if any, contained in the definition of “n” immediately below, but only to the extent that such Shares are then issued and outstanding.
- n = the number of Shares to be allotted, issued or acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.
- v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares, any such rights and/or warrants which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as places or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.3 *Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities:* if the Company shall allot, grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire any securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights):

- (i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or
- (ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with a grant, allotment, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights), any such securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights) which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as places or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.4 *Distribution to Shareholders of Assets:* if the Company shall distribute to the holders of Shares (i) evidences of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being “distribution of surplus” within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act), then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{CMP - fmv}{CMP}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution.

fmv = the fair market value ((a) as determined by the Company in consultation with an Independent Financial Advisor (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an

appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company signed by a Representative Director and delivered by the Company to the Trustee) of the portion of the evidences of indebtedness, shares, cash, assets, rights or warrants so distributed applicable to one Share.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution; provided, however, that (a) if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date and (b) if the fair market value of the evidences of indebtedness, shares, cash or assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such Record Date;

5.2.5 *Distribution to Shareholders of Extraordinary Dividends:* if the Company shall distribute any Extraordinary Dividend to the holders of Shares, then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{CMP - ED}{CMP}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution of Extraordinary Dividend.

ED = the amount of such Extraordinary Dividend divided by the Relevant Number of Shares used in the calculation thereof.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution of Extraordinary Dividend; provided, however, that if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

“Extraordinary Dividend” means, in relation to an Annual Fiscal Period ending on or after the last day of the Annual Fiscal Period in which the Closing Date falls, the part of any dividend (such dividend being the historical dividend without making any retroactive adjustment resulting from Stock Splits or otherwise) in respect of any number of Shares amounting to the Relevant Number of Shares, the Record Date for which falls within such Annual Fiscal Period which, when aggregated with the amount of all other dividends the Record Date for which falls within such Annual Fiscal Period in respect of such number of Shares amounting to the Relevant Number of Shares, is in excess of the sum of (i) the Base Dividend and (ii) the amount, if any, previously determined to be an Extraordinary Dividend in respect of that Annual Fiscal Period.

“Base Dividend” means ¥0.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥0.

“Relevant Number of Shares” means, such number of Shares (disregarding fractions of a Share) as Bondholders would be entitled to receive in respect of each Bond deposited (were it to be so deposited) for exercise of the Stock Acquisition Right incorporated therein at the Conversion Price in effect at the Record Date in respect of the relevant dividend;

5.2.6 *Issue to Non-shareholders of Convertible/Exchangeable Securities:* if the Company shall allot, grant or issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.9, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan on the last day of the period during which payment may be made in respect of such convertible or exchangeable securities.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of such convertible or exchangeable securities;

5.2.7 *Issue of Shares:* if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder’s holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), in proportion to their shareholding in such corporation immediately prior to such merger or such exchange or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation’s business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at

such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.9, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of “n” immediately below, but only to the extent that such Shares are then issued and outstanding.
- n = the number of Shares being issued or transferred as aforesaid.
- v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue or transfer) of the period during which payment may be made in respect of the issue or transfer of such Shares;

5.2.8 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/Exchangeable Securities:* if the Company shall allot, grant or issue any rights or warrants (including stock acquisition rights) entitling non-shareholders to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.6) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.11) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the date of the allotment, grant or issue of such rights or warrants shall, subject to Condition 5.2.9, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan on the date of the issue of such rights or warrants.
- n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.
- v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.11) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the allotment, grant or issue of such rights or warrants;

5.2.9 *Combined Adjustment*: if the Company shall grant, issue or transfer (as the case may be) securities of a type falling within Condition 5.2.6, 5.2.7 or 5.2.8 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of grant, issue or transfer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the “relevant date”) is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.6, 5.2.7 and/or 5.2.8 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as “Relevant Securities”), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

$$NCP = OCP \times \frac{N + v1 + v2 + v3}{N + n1 + n2 + n3}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.12) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of “n2” below to the extent that such Shares are then issued and outstanding.
- n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.
- n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.
- n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.
- v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 5.2.11) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).
- v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Condition 5.2.11) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).
- v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to

be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.11) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue or transfer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of issue which is the relevant date;

5.2.10 *Current Market Price per Share*: for the purpose of these Conditions, “Current Market Price per Share” on any date shall be deemed to be the average of the daily Closing Prices of the Shares for the 30 consecutive Trading Days commencing 45 Trading Days before such date.

If, during the said 45 Trading Day period or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Advisor (whose advice the Company will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

5.2.11 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.6, 5.2.7, 5.2.8 and 5.2.9, the following provisions shall be applicable:

- (i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;
- (ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Company in consultation with an Independent Financial Advisor or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;
- (iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the allotment, grant, issue, transfer or offer of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such

securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);

- (iv) in the case of the allotment grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and
- (v) if any consideration referred to in the foregoing provisions of this Condition 5.2.11 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.11 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.12 *Later Adjustments*: if, at the time of computing an adjustment (the “later adjustment”) of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.9 (both inclusive), the Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue or transfer of such Shares, or the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.6, 5.2.7, 5.2.8 and 5.2.9, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;

5.2.13 *Meaning of “Fixed”*: any reference in this Condition 5.2 to the date on which the consideration is “fixed” shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;

5.2.14 *Other Events*: if the Company determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Company shall, at its own expense, request an Independent Financial Advisor to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to

take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination;

- 5.2.15 *Modification to Operation of Adjustment Provisions:* notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Advisor to be in its opinion appropriate to give the intended result; and
- 5.2.16 *Conversion Price Adjustment on Relevant Events:* On the occurrence of any Relevant Event (and, in the case of a Corporate Event, if any of the conditions set out in items (i), (ii), (iii) and (iv) of Condition 7.5 is satisfied), the Conversion Price in effect on the date in Japan on which the Relevant Event takes place (and, in the case of a Corporate Event, such condition is satisfied) (the “Relevant Event Date”), shall be adjusted in accordance with the following formula:

$$NCP = \frac{OCP}{(1 + (CP \times ct))}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- CP = 47.99 per cent., expressed as a fraction.
- c = the number of days from and including the Relevant Event Date to but excluding the Maturity Date.
- t = the number of days from and including the Closing Date to but excluding the Maturity Date.

Such adjustment shall become effective from the day immediately after the Relevant Event Date. No further adjustment under this Condition 5.2.16 will be made in respect of a Relevant Event if and once the Conversion Price has been adjusted as a result of such Relevant Event.

“CP” is the conversion premium (the percentage above the Closing Price of the Shares on the date of this Offering Circular) at which the Conversion Price is set.

5.3 Retroactive Adjustments

If the Stock Acquisition Date in relation to a Stock Acquisition Right shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions of Condition 5.2 and the relevant Stock Acquisition Date falls on a date before the relevant adjustment becomes effective under Condition 5.2 (such adjustment, a “Retroactive Adjustment”), the Company shall procure that the provisions of Condition 5.9.5 shall be applied, *mutatis mutandis*, to such number of Shares (“Additional Shares”) as is equal to the excess of the number of Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect as of the said Stock Acquisition Date over the number of Shares previously acquired pursuant to such exercise, and in such event and in respect of such Additional Shares, references in Condition 5.9.5 to the Stock Acquisition Date shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price.

5.4 Limitation on Reduction of Conversion Price

Notwithstanding the provisions of this Condition 5, the Conversion Price will not be reduced as a result of any adjustment made hereunder to such an extent that, under applicable

law or regulation then in effect, the Stock Acquisition Rights may not be permitted to be exercised at such lower Conversion Price into legally issued, fully paid and non-assessable Shares.

5.5 Employee Share Schemes

Notwithstanding the provisions of this Condition 5, no adjustment will be made to the Conversion Price where Shares or other Securities are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, corporate auditors or directors (including directors holding or formerly holding executive office or the personal service company of any such person) of the Company or any of its Subsidiaries or affiliates, their spouses or relatives, or any associated companies of any such person, or to any trustee or trustees for the benefit of any such person, in any such case, pursuant to any employees' or executives' share or option scheme.

5.6 Minimum Adjustments

No adjustment of the Conversion Price shall be required unless such adjustment would result in an increase or decrease in such Conversion Price of at least ¥1 provided that any adjustment which by reason of this Condition 5.6 is not required to be made shall be carried forward and taken into account (as if such adjustment were made at the time when it would be made but for the provisions of this Condition 5.6) in any subsequent adjustment.

5.7 Calculations

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall, unless otherwise expressly specified herein, be made to the nearest one-tenth of a yen with five one-hundredths or more of a yen to be considered a full tenth. All calculations relating to the adjustment of the Conversion Price shall be performed by the Company and neither the Trustee, the Principal Agent nor the other Agents shall be under any duty to determine, calculate or verify the adjusted Conversion Price or whether any adjustment is required to be made and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

5.8 Notification of Adjustments

Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly notify the Trustee, the Principal Agent, the other Agents, the Custodian and the Custodian's Agent in writing setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the effective date thereof, and shall promptly give notice to the Bondholders in accordance with Condition 19 and to the Trustee stating that the Conversion Price has been adjusted and setting forth the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

5.9 Procedure for Conversion

5.9.1 *Conversion Notice:* To exercise a Stock Acquisition Right, the exercising Bondholder shall complete, sign and deposit at the specified office of an Agent at its own expense during normal business hours of the Agent with which the deposit is being made a Conversion Notice, in the form obtainable from any Agent, together with the Certificate evidencing the relevant Bond. No Stock Acquisition Right may be exercised in part only.

5.9.2 *Custodian and Custodian's Agent:* The initial Custodian and its initial specified office are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any

changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Mizuho Bank, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent not do so.

The Custodian shall not be liable for monitoring or supervising the performance by the Custodian's Agent of such functions. The Contracts (Rights of Third Parties) Act 1999 applies to this Condition 5.9.2 for the benefit of the Custodian.

- 5.9.3 *Conditions Precedent:* As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the relevant Agent with details of the relevant tax authorities to which the Agent must pay moneys received. The Agent is under no obligation to determine whether a Bondholder is liable to pay stamp, issue, registration or similar taxes and duties or the amounts payable (if any).

For the avoidance of doubt, the exercising Bondholder shall bear any costs and expenses which relate to the account at the Account Management Institution into which it receives the Shares acquired upon the exercise of the Stock Acquisition Right pursuant to Condition 5.9.5(i). Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights and all charges of the Agents in connection therewith.

- 5.9.4 *Deposit Date and Stock Acquisition Date:* The date on which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Date" applicable to such Bond. The request for exercise of the Stock Acquisition Right shall be deemed to have been made, and accordingly the exercise of the Stock Acquisition Right and the delivery of the Certificate will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond). A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company. If delivery of the Conversion Notice is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

At any time when the relevant Bond(s) is/are evidenced by the Global Certificate, the exercising Bondholder must deposit the Conversion Notice in the manner aforesaid with any Agent, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. With effect from the relevant Stock Acquisition Date, Euroclear or Clearstream, Luxembourg, as the case may be, shall debit the Bondholder's account with the number of the Bond(s) the Stock Acquisition Right(s) incorporated in which has/have been exercised and the Register shall be amended accordingly.

5.9.5 *Delivery of Shares:* The Company shall procure that the relevant Agent shall, with effect as of the Stock Acquisition Date, endorse the Conversion Notice on behalf of the Custodian. With effect from the Stock Acquisition Date (or as soon as practicable thereafter under Japanese law, regulation and practice relating to the delivery of shares and the register of shareholders), the Company shall deem the Custodian or its nominee to have become the holder of record of the number of Shares to be acquired upon such exercise of the Stock Acquisition Right (disregarding any fraction of a Share resulting from such exercise, and also disregarding any Retroactive Adjustment of the Conversion Price prior to the time when such Retroactive Adjustment is first reflected in the Conversion Price).

Thereafter, subject to any applicable limitations then imposed by Japanese law or regulation or the Articles of Incorporation:

- (i) in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, as soon as practicable and in any event within 14 days after the Stock Acquisition Date, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution) and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution, in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purpose of such transfer); and
- (ii) the Company shall deliver to the Custodian's Agent, securities (other than Shares), property or cash required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the Custodian's Agent shall, according to the request made in the relevant Conversion Notice, either:
 - (a) as soon as practicable, and in any event within 14 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid) deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice at the specified office in Japan for the time being of the Custodian's Agent, any such securities (other than the Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; or
 - (b) as soon as practicable, and in any event within 21 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan (not being the specified office in Japan for the time being of the Custodian's Agent) and in the manner specified in the relevant Conversion Notice (the expense and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than the Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

provided, however, that if such securities (other than Shares) are subject to the book-entry transfer system established pursuant to the Book-Entry Act, such delivery or despatch will be implemented in accordance therewith.

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital:* With effect as of the Stock Acquisition Date, one-half of the "maximum capital and other increase amount", as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such

exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital.

6 Certain Corporate Events

6.1 Corporate Events

In the case of a proposal for:

- (i) any Merger Event; or
- (ii) any Asset Transfer Event; or
- (iii) any Corporate Split Event; or
- (iv) any Holding Company Event; or
- (v) the passing of a resolution at a general meeting of shareholders of the Company (or, where such a resolution is not required, at a meeting of the Board of Directors of the Company) for any other corporate reorganisation procedure then provided for under Japanese law (the passing of any such resolution and any Merger Event, any Asset Transfer Event, any Corporate Split Event and any Holding Company Event being together referred to in these Conditions as a “Corporate Event”) pursuant to which the obligations under the Bonds and/or the Stock Acquisition Rights are proposed to be transferred to or assumed by another entity (such other entity and any Merged Company, any Asset Transferee, any Corporate Split Counterparty and any Holding Company being together referred to as a “New Obligor”),

the following provisions of this Condition 6 shall apply.

6.2 Notice of Proposal

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of a proposed Corporate Event at the same time as it gives notice to the holders of Shares (or, if no such notice is required, promptly after the first public announcement of such proposed Corporate Event) and, as soon as practicable thereafter, of its proposals in relation to the Bonds (including the Stock Acquisition Rights). Such notice shall specify the anticipated Corporate Event Effective Date. If those proposals and/or that date have not been determined, the notice shall state that fact.

6.3 Notice of Passing of Resolution

Upon the occurrence of a Corporate Event, the Company shall forthwith give a further notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of that fact, the Company’s proposals in relation to the Bonds (including the Stock Acquisition Rights) and the anticipated effective date of the transaction, and, if such anticipated effective date or proposals are changed or fixed, a further notice to such effect shall be given in the same manner. The effective date of the transaction contemplated by the relevant Corporate Event is referred to herein as its “Corporate Event Effective Date”.

6.4 Transfer of Obligations Following a Corporate Event

6.4.1 *Transfer*: If a Corporate Event occurs and

- (i) it is legally possible under then applicable law or regulation (taking into account the then official or judicial interpretation or application of such law or regulation) to effect substitution of the New Obligor for the Company and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;
- (ii) a practical structure for such substitution and grant has been or can be established; and

(iii) such substitution and grant can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction, then the Company shall use its best endeavours to cause the New Obligor to be substituted as the principal obligor under the Bonds and the Trust Deed pursuant to Condition 12.2 and the Trust Deed and for the grant of the New Stock Acquisition Rights in relation to the Bonds in place of the Stock Acquisition Rights in the manner described in Condition 6.5. Such substitution and grant shall take effect on the relevant Corporate Event Effective Date, or, in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, as soon as practicable on or after, but in any event no later than 14 days after, the relevant Corporate Event Effective Date.

6.4.2 *Listing:* In connection with the substitution and grant described in Condition 6.4.1, the Company shall also use its best endeavours to ensure that the shares of common stock of the New Obligor will be listed on any stock exchange in Japan or be quoted or dealt in on any securities market in Japan (such listing, quotation and dealing being hereinafter collectively referred to as “Listing”) on the relevant Corporate Event Effective Date.

6.4.3 *Condition:* The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.5(iv).

6.5 New Stock Acquisition Rights

At the time of the substitution of (or assumption by) the New Obligor as principal obligor under Condition 12.2 and the Trust Deed, New Stock Acquisition Rights will be granted, in place of the Stock Acquisition Rights, to the Bondholders by the New Obligor, in accordance with the following terms:

6.5.1 *Number of the New Stock Acquisition Rights to be Granted:* The number of New Stock Acquisition Rights to be granted will be equal to the number of the Stock Acquisition Rights incorporated in the Bonds outstanding immediately prior to the relevant Corporate Event Effective Date;

6.5.2 *Class of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights:* Upon exercise of the New Stock Acquisition Rights, shares of common stock of the New Obligor shall be issued or transferred;

6.5.3 *Number of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights:* The number of shares of the New Obligor to be issued or transferred upon exercise of the New Stock Acquisition Rights shall be determined by reference to these Conditions taking into account the terms of the transaction contemplated under the relevant Corporate Event, and

(i) in the case of a Merger Event or a Holding Company Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right would upon its exercise immediately after the Corporate Event Effective Date receive the number of shares of common stock of the New Obligor (the “Number of Deliverable Shares”) receivable upon the relevant Corporate Event by a holder of the number of Shares (such number being the “Number of Held Shares”) which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately prior to the relevant Corporate Event Effective Date. If securities (other than shares of common stock of the New Obligor) or other property shall be delivered to such holder of the Number of Held Shares upon the taking effect of the Merger Event or the Holding Company Event (as the case may be), such number of shares of common stock of the New Obligor shall form part of the Number of Deliverable Shares as shall be calculated by dividing the fair market value of such securities or properties delivered to such

holder of the Number of Held Shares by the New Obligor Current Market Price per Share, such fair market value to be determined by the Company, provided that in determining such fair market value, the Company shall, at its own expense, consult with an Independent Financial Advisor and shall take fully into account the advice of the Independent Financial Advisor; or

- (ii) in the case of any other Corporate Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right shall upon its exercise immediately after the Corporate Event Effective Date receive an equivalent economic interest, to be determined by the Company, as that which a holder of the number of Shares which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately before the relevant Corporate Event Effective Date, provided that, in determining such equivalent economic interest, the Company shall, at its own expense, consult with an Independent Financial Advisor and shall take fully into account the advice of such Independent Financial Advisor.

For the purpose of this Condition 6, the “New Obligor Current Market Price per Share” means (i) the average of the daily Closing Prices of the shares of common stock of the New Obligor for the 30 consecutive Trading Days commencing 45 Trading Days immediately before the relevant Corporate Event Effective Date, or (ii) if such market price shall not be available, such price as is determined by the Company, provided that in determining such price, the Company shall, at its own expense, consult with an Independent Financial Advisor and shall take fully into account the advice of such Independent Financial Advisor.

The conversion price for the New Stock Acquisition Rights shall be subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided in Condition 5.2;

- 6.5.4 Description of the Asset to be Contributed upon Exercise of the New Stock Acquisition Rights and the Amount or the Calculation Method Thereof: Upon exercise of each New Stock Acquisition Right, the relevant Bond shall be deemed to be acquired by the New Obligor as a capital contribution in kind by the relevant Bondholder at the price equal to the principal amount of the Bond;
- 6.5.5 *Exercise Period of the New Stock Acquisition Rights:* The New Stock Acquisition Rights may be exercised at any time during the period from, and including, the later of the relevant Corporate Event Effective Date or the date of implementation of the scheme described in Condition 6.4.1 up to, and including, the last day of the Exercise Period of the Stock Acquisition Rights;
- 6.5.6 *Other Conditions for the Exercise of the New Stock Acquisition Rights:* No New Stock Acquisition Right may be exercised in part;
- 6.5.7 *Amount of Stated Capital and Additional Paid-in Capital:* As of the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the “maximum capital and other increase amount” as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and
- 6.5.8 *Others:* Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under then applicable law or regulation, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 No Statutory Put Rights

Each Bondholder by accepting or acquiring any Bond agrees that its remedies if a Corporate Event or a Squeezeout Event occurs shall not include any statutory rights provided by Japanese law to require the Company to repurchase such Bond at fair market value, such rights being waived to the fullest extent permitted by applicable law or regulation.

6.7 Subsequent Corporate Events

The above provisions of this Condition 6 shall apply in the same way to any subsequent Corporate Events.

7 Redemption, Purchase and Cancellation

7.1 Final Maturity

Unless the Bonds have previously been redeemed or purchased and cancelled, and unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Company will redeem the Bonds at 100 per cent. of their principal amount on 19 September 2025 (the “Maturity Date”). The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 Redemption at the Option of the Company upon Reduced Outstanding Amounts

The Company may, but shall not be bound to, having given not less than 30 nor more than 60 days’ prior notice (the “Clean-up Redemption Notice”) to the Bondholders in accordance with Condition 19 and to the Trustee (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for such redemption in the Clean-up Redemption Notice, if at any time prior to the date upon which the Clean-up Redemption Notice is first given, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof.

7.3 Redemption at the Option of the Company upon Increased Share Prices

On or after 20 September 2023, the Company may, but shall not be bound to redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount, provided, however, that no such redemption may be made unless the Closing Price of the Shares for each of the 20 consecutive Trading Days, the last of which occurs not more than 30 days prior to the date upon which the Optional Redemption Notice (as defined below) is first given, is at least 130 per cent. of the Conversion Price in effect on each such Trading Day (taking into account any Retroactive Adjustment not then reflected in the Conversion Price). To exercise such option to redeem, the Company shall give not less than 30 nor more than 60 days’ prior notice of such redemption (the “Optional Redemption Notice”) to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable); and upon giving such notice, all such Bonds shall be redeemed by the Company on the date fixed for such redemption in the Optional Redemption Notice.

7.4 Redemption for Taxation Reasons

The Company may, but shall not be bound to, at any time, having given not less than 30 nor more than 60 days’ prior notice (the “Tax Redemption Notice”) to the Bondholders in accordance with Condition 19 and to the Trustee (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount (without premium or penalty) on the date fixed for redemption (the “Tax Redemption Date”), if the Company satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice (i) that it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or

after 4 September 2018, and (ii) that such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Trustee a certificate signed by a Representative Director or an Authorised Officer stating that the obligation referred to in (i) above has arisen and cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be bound to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Trustee, and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent. of their principal amount (without premium or penalty) on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent. or more of the aggregate principal amount of the Bonds as of the date of issue thereof, each holder of the Bonds will have the right to elect, and the Tax Redemption Notice shall state that such Bondholder will have the right to elect, that its Bonds should not be redeemed and that the provisions set forth in Condition 9 shall not apply in respect of payment of any amount to be made in respect of the Bonds which will fall after the Tax Redemption Date and payment of all amounts due on such Bonds thereafter shall be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges referred to in Condition 9. Such right of the Bondholder shall be exercised by the Bondholder giving notice to the Company in the form (for the time being current) obtainable from any Agent no later than 20 days prior to the Tax Redemption Date.

7.5 Corporate Event Redemption

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.13) give not less than 14 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19 and to the Trustee to redeem all, but not some only, of the Bonds then outstanding at the Relevant Event Redemption Price per Bond (expressed in yen) determined in accordance with the provisions of Condition 7.8, together with all Additional Amounts due on the Bonds (if any), on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

- (i) it is not legally possible under then applicable law or regulation (taking into account the then official or judicial interpretation or application of such law or regulation) to effect a scheme provided for by Condition 6.4.1; or
- (ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company cannot effect such a scheme in compliance with Condition 6.4.1; or
- (iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or
- (iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer stating that the Company does not currently anticipate that a Listing

will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be bound to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.5(iv) and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate.

Any notice of redemption given under this Condition 7.5 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.5(iii) or 7.5(iv) above) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

7.6 Redemption on Delisting of the Shares

7.6.1 Offers and Redemption: If:

- (i) any offer is made by a party or parties (the “Offeror”) other than the Company in accordance with the Financial Instruments and Exchange Act to all holders of Shares (or all such holders other than the Offeror and/or any company controlled by the Offeror and/or persons associated or acting in concert with the Offeror) to acquire all or a portion of the Shares;
- (ii) the Company expresses its opinion to support such offer in accordance with the Financial Instruments and Exchange Act;
- (iii) the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces or admits, that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or may be disqualified from such listing, quotation or dealing, as a result of the acquisition of Shares pursuant to the offer (unless the Company or the Offeror publicly expresses its intention to use its best endeavours to continue such listing, quotation or dealing after such acquisition); and
- (iv) the Offeror acquires any Shares pursuant to the offer,

(the occurrence of items (i), (ii), (iii) and (iv) above together being a “Delisting Event”) then the Company shall give notice to the Bondholders in accordance with Condition 19 and to the Trustee, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the Relevant Event Redemption Price per Bond (expressed in yen) calculated in accordance with the provisions of Condition 7.8, together with all Additional Amounts due on the Bonds (if any), on the date (the “Delisting Redemption Date”) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice).

7.6.2 Offer Followed by Corporate Event or Squeezeout Event: Notwithstanding the above provisions of this Condition 7.6, if the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces, that it intends to effect a Corporate Event or Squeezeout Event after the date of acquisition of any Shares pursuant to the offer, then the Company’s obligation to redeem the Bonds under this Condition 7.6 shall not apply (but, for the avoidance of doubt, the provisions of Conditions 6 and 7.5 or Condition 7.7 shall be applicable to such Corporate Event or Squeezeout Event) unless such Corporate Event or Squeezeout Event does not occur within 60 days after the date of such acquisition, in which case the Company shall give notice to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the last day of such 60-day period, to redeem all, but not some only, of the Bonds then outstanding on the date (for the avoidance of doubt, the Delisting Redemption Date applicable to such redemption being such date) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice) at the Relevant Event Redemption Price per Bond

(expressed in yen) calculated in accordance with the provisions of Condition 7.8 (for the avoidance of doubt, “r” in the formula set out in Condition 7.8 being the number of days from and including such Delisting Redemption Date to but excluding the Maturity Date), together with all Additional Amounts due on the Bonds (if any).

7.6.3 *Irrevocable Notice*: Any notice of redemption given under this Condition 7.6 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice.

7.6.4 *Notice to Bondholders*: Upon the occurrence of:

- (a) any of the events set out in (i) through (iv) of Condition 7.6.1; or
- (b) any of the events set out in Condition 7.6.2 which results in the cancellation or revival of the Company’s obligation to redeem the Bonds,

the Company shall as soon as practicable give notice thereof to the Trustee in writing and to the Bondholders in accordance with Condition 19.

7.7 Squeezeout Redemption

Upon the occurrence of a Squeezeout Event, the Company shall (subject to Condition 7.13) give notice to the Bondholders in accordance with Condition 19 and to the Trustee, as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at a Relevant Event Redemption Price per Bond (expressed in yen) calculated in accordance with the provisions of Condition 7.8, together with all Additional Amounts due on the Bonds (if any), on the date (the “Squeezeout Redemption Date”) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date (the “Squeezeout Effective Date”) of the acquisition of the Shares with respect to the Squeezeout Event; provided, however, that if Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date).

7.8 Relevant Event Redemption Price

The Relevant Event Redemption Price per Bond for the purposes of Conditions 7.5, 7.6 and 7.7 shall be determined in accordance with the following formula:

$$\text{Relevant Event Redemption Price} = (OP - D) \times \frac{r}{t} + D$$

where:

D = ¥10,000,000.

OP = 102.5% x D

r = the number of days (i) in the case of a redemption following a Corporate Event, from and including the Corporate Event Redemption Date to but excluding the Maturity Date, (ii) in the case of a redemption following a Delisting Event, from and including the Delisting Redemption Date (or, if applicable, the Corporate Event Redemption Date which follows such Delisting Event) to but excluding the Maturity Date, and (iii) in the case of a redemption following a Squeezeout Event, from and including the Squeezeout Redemption Date to but excluding the Maturity Date.

t = the number of days from and including the Closing Date to but excluding the Maturity Date.

The amount calculated in accordance with the above formula shall be rounded to the nearest yen with five one-tenths or more of a yen to be considered a full yen.

“D” is the denomination of each Bond and “OP” is the Offer Price of each Bond.

7.9 Purchase of Bonds by the Company

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders or otherwise to exercise any voting rights and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for voting on an Extraordinary Resolution or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.10 Cancellation

All Bonds which are redeemed or with respect to which the Stock Acquisition Rights have been exercised shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 7.9 shall be forwarded to the Principal Agent for cancellation.

7.11 Notice of Redemption

All notices of redemption given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as of the date of the relevant notice, the Closing Price of the Shares as of the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption and the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as of the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.2, 7.3 or 7.4 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(b) or within 15 days following the last day of a Closed Period.

7.12 Calculations

The Trustee, the Principal Agent and the other Agents are not responsible or liable to determine or calculate any redemption amount or price under these Conditions (howsoever expressed or defined) or to make any other calculations required to be made under these Conditions other than in such cases as expressly stated herein (if any).

7.13 Priorities Among Redemption

If any notice of redemption is given by the Company pursuant to Condition 7.2, 7.3, 7.4, 7.5, 7.6 or 7.7, no other notice may be, or, as the case may be, is required to be, given pursuant to any other provisions of such Conditions, except in relation to Bonds in respect of which the relevant Bondholder has elected not to be redeemed pursuant to Condition 7.4.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.5 or 7.7, or (b) the events set out in (i) through (iv) of Condition 7.6 occur, then a notice pursuant to Condition 7.2, 7.3 or 7.4 may not subsequently be given.

If the Company becomes obliged to redeem the Bonds pursuant to both Condition 7.6 and either Condition 7.5 or 7.7, the procedures pursuant to Condition 7.5 or 7.7, as the case may be, shall apply.

8 Payments

8.1 Method of Payment

Payments in respect of principal, default interest (if any) and premium (if any) will be made against presentation and (if no further payments are due in respect of the Bonds evidenced

by the relevant Certificates) surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent. Such payments will be made by transfer to its Registered Account subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. If an amount which is due in respect of the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

“Registered Account” means a yen account maintained by the payee with a bank in Japan, details of which appear on the Register at the close of business on the sixth day before the due date of payment.

8.2 Agents

The initial Principal Agent and Registrar and their initial specified office is set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents, provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; and (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar or any other Agent will be given to the Bondholders in accordance with Condition 19 and to the Trustee.

8.3 Payments on Business Days

If the due date for payment of any amount in respect of any Bond is not a Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. “Business Day” means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried on both in Tokyo and in such place.

9 Taxation

All payments by the Company in respect of the Bonds, subject to Condition 7.4, will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

- (i) held by or on behalf of a Bondholder (a) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation, or (b) who fails to comply with Japanese tax law requirements in respect of the exemption from such withholding or deduction, or (c) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of its having some connection with Japan (whether present or former, including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond; or

- (ii) where the relevant Certificate is presented for payment more than 30 days after the Due Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as of the expiry of such 30-day period.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds, subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts in accordance with Condition 7.4.

As used herein, the “Due Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Bondholders in accordance with Condition 19 and to the Trustee.

Any reference in these Conditions and the Trust Deed to principal, premium (if any) or default interest in respect of the Bonds shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed.

No additional amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions or any agreement with the U.S. Internal Revenue Service (“FATCA withholding”). Further, the Company will have no obligation to otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

10 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give notice in writing to the Company that the Bonds are due and repayable at their principal amount together with accrued interest (if any) to the date of payment on the occurrence of any of the following events:

10.1 Non-payment

The Company defaults in the payment of the principal of any of the Bonds under Condition 7.4 as and when the same shall become due and payable, and such default is not remedied within 14 days; or

10.2 Breach of Obligations

The Company defaults in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Bonds and on its part to be performed or observed (other than the covenant to make payments in respect of any of the Bonds), which default is, in the opinion of the Trustee, incapable of remedy, or if, in the opinion of the Trustee, capable of remedy, is not remedied within the 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring such default to be remedied; or

10.3 Cross Default on Indebtedness

The obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least

¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is not paid when due or on demand (as the case may be) (or at the expiration of any applicable grace period as originally provided); or

10.4 Cross Default on Guarantee/Indemnity

The Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10); or

10.5 Initiation of Insolvency Proceedings

Proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law or regulation of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

10.6 Decree of Insolvency/Dissolution

A final decree or order is made or issued by a court of competent jurisdiction approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law or regulation of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or (in the opinion of the Trustee) any material part of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

10.7 Resolution for Dissolution

A resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except:

10.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

- (a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or
- (b) the Bonds will be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such winding-up, dissolution or liquidation; or

10.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by (including upon a merger, consolidation, amalgamation, reorganisation or reconstruction), the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.7.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Bondholders; or

10.8 Institution of Insolvency Proceedings

The Company or any Principal Subsidiary institutes proceedings seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law or regulation of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or (in the opinion of the Trustee) any material part of its property, or makes a general assignment for the benefit of its creditors; or

10.9 Stop Payment

The Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law or regulation of any other jurisdiction); or

10.10 Cessation of Business

The Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on business, except:

10.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

- (a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or
- (b) the Bonds will be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such cessation of business; or

10.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by (including upon a merger, consolidation, amalgamation, reorganisation or reconstruction), the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.10.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Bondholders; or

10.11 Encumbrancer

Any encumbrancer takes possession of the whole or (in the opinion of the Trustee) any material part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or (in the opinion of the Trustee) any material part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days;

and, in the case of any of the events described in Conditions 10.2, 10.3, 10.4, 10.5 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.6, 10.7, 10.8, 10.9 and 10.10, the Trustee shall have certified in writing to the Company that the event is, in its opinion, materially prejudicial to the interests of the Bondholders.

For the purposes of Conditions 10.3 and 10.4, any indebtedness which is in a currency other than Japanese yen may be translated into Japanese yen at the spot rate for the sale of relevant currency against the purchase of Japanese yen quoted by any leading bank selected by the Company and notified to the Trustee.

Upon any such notice being given to the Company, the Bonds shall immediately become due and repayable at 100 per cent. of their principal amount (together with premium, if any, and default interest) as provided in the Trust Deed.

11 Undertakings

11.1 Undertakings with Respect to the Stock Acquisition Rights

While any Stock Acquisition Rights are, or are capable of being, exercisable, the Company will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- 11.1.1 *Shares*: issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be acquired upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;
- 11.1.2 *Transfers*: not take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise of the Stock Acquisition Rights, may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;
- 11.1.3 *Financial Year and Record Date*: give notice to the Bondholders in accordance with Condition 19 and to the Trustee as soon as practicable after it effects any change in its financial year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;
- 11.1.4 *Listing*: use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company may from time to time reasonably determine and give notice of the identity of such stock exchange or securities market to the Bondholders in accordance with Condition 19 and to the Trustee; provided that,
- (i) so long as the Company is not in breach of its obligations under Condition 6 in the case of any Corporate Event where the obligations under the Bonds and/or Stock Acquisition Rights are proposed to be transferred to or assumed by a New Obligor, then the Shares may be delisted with effect from the date falling no earlier than 30 days prior to the relevant Corporate Event Effective Date or such earlier date as may be determined by the Relevant Stock Exchange and (unless shares of common stock of the New Obligor are then listed or quoted or dealt in on any stock exchange or securities market) the Company shall use its best endeavours to cause the obtaining of a listing, quotation or dealing in of the shares of common stock of the New Obligor on any stock exchange or securities market in Japan; and
 - (ii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.5 or Condition 7.6 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from (x) delivering a certificate to the Trustee, as provided in Condition 7.5(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.6.1) or (z) proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling

Shareholder all of the shares of the Company held by them (*kabushiki uriwatashi seikyu*), proposing a consolidation of Shares (*kabushiki heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing after the acquisition or consolidation of Shares pursuant to a Squeezeout Event, as the case may be).

- 11.1.5 *Other Securities*: procure that no securities of the Company convertible into, or exchangeable for, by their terms, Shares are, without the prior written consent of the Trustee or as may be granted by an Extraordinary Resolution (and in compliance with the conditions attached to such consent, if any), converted into or exchanged for Shares and that no rights or warrants to subscribe for, purchase or otherwise acquire Shares are, without the prior written consent of the Trustee or as may be granted by an Extraordinary Resolution (and in compliance with the conditions attached to such consent, if any), exercised otherwise than, in each case, in accordance with the terms of issue thereof (for the avoidance of doubt, such terms may be amended as a result of any change in or bringing into force of Japanese law, including but not limited to certain tax qualification requirements relating to incentive stock options);
- 11.1.6 *Capital*: not create or issue any class of share capital other than Shares, without giving notice to the Bondholders in accordance with Condition 19 and to the Trustee, at least 14 days prior to the date of such creation or issue;
- 11.1.7 *Conversion Price Adjustments*: not take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would (but for the provisions of Condition 5.4) be decreased to such an extent that the Shares to be acquired on exercise of the Stock Acquisition Right could not, under any applicable law or regulation then in effect, be legally issued as fully-paid and non-assessable;
- 11.1.8 *Corporate Event*: if a Corporate Event occurs, use its best endeavours to obtain all consents which may be necessary or appropriate under Japanese law to enable the relevant company to give effect to the relevant arrangement, and to take all other action, as required by Condition 6 in a timely manner (unless, for the avoidance of doubt, the Bonds will be redeemed pursuant to Condition 7.5 or 7.6); and
- 11.1.9 *Consents*: obtain and maintain all consents, clearances, approvals, authorisations, orders, registrations or qualifications (if any) required to be obtained or maintained by the Company on exercise of the Stock Acquisition Rights.

The Trust Deed contains certain other undertakings in relation to the Bonds and the Stock Acquisition Rights.

11.2 Charges

Except as otherwise provided in Condition 5.9, the Company will pay all charges of the Trustee, the Principal Agent, the other Agents, the Custodian and the Custodian's Agent (including the cost of providing notices) and all issue, transfer and other similar taxes payable with respect to the deposit of Bonds pursuant to Condition 5.9.3, and the issue and delivery of Shares and the delivery of any other securities, property or cash pursuant to Condition 5.9.5 following such deposit.

12 Substitution

12.1 Substitution other than under a Corporate Event

The Trustee may, without the consent of the Bondholders, but shall not be obliged to, agree with the Company to the substitution in place of the Company (or any previous substitute under this Condition 12) as the principal obligor under the Bonds and the Trust Deed of any Subsidiary of the Company subject to (i) the Bonds continuing to be convertible into Shares as provided in these Conditions, with such amendments as the Trustee shall consider appropriate,

(ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution and (iii) satisfaction of such other conditions as are set out in the Trust Deed. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19. When determining, pursuant to this Condition, whether a circumstance is materially prejudicial to the interests of the Bondholders, the Trustee may obtain and rely, without liability to any person, on such directions from the Bondholders and/or expert advice as it considers appropriate and rely thereon without any responsibility for delay occasioned for so doing.

Further conditions to such substitution are set out in the Trust Deed.

12.2 Substitution under a Corporate Event

Prior to a Corporate Event Effective Date the Trustee may, if so requested by the Company, agree with the Company, without the consent of Bondholders, to the substitution in place of the Company of the New Obligor subject to a trust deed supplemental to the Trust Deed (which shall include the provisions described below), provided that the Company's obligations under the Bonds and the Trust Deed shall be assumed by the New Obligor by way of substitution (which, for the purposes of Japanese law, may be deemed to be a transfer or assumption of such obligations to or by the New Obligor), and that the New Obligor shall grant stock acquisition rights (the "New Stock Acquisition Rights") to all holders of the Bonds then outstanding, in place of the Stock Acquisition Rights incorporated in the Bonds held by them, being executed on or prior to the relevant Corporate Event Effective Date or (in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date) within 14 days after the relevant Corporate Event Effective Date. The Trustee may enter into such supplemental trust deed without consent of Bondholders only if:

- (i) under such supplemental trust deed, the New Obligor agrees, in form and manner satisfactory to the Trustee, to be bound by the Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) with effect (as specified in this Condition 12.2) as if the New Obligor had been named in the Trust Deed and the Bonds as the principal obligor in place of the Company and provided that the holders of the Bonds then outstanding shall be granted New Stock Acquisition Rights;
- (ii) except in the case of a Merger Event, pursuant to such supplemental trust deed the Company guarantees, in a form and manner satisfactory to the Trustee, the payment obligations of the New Obligor under the Trust Deed and the Bonds with effect as specified in this Condition 12.2, provided that no such guarantee will be required if the Company determines and has delivered to the Trustee no later than 10 calendar days prior to the relevant Corporate Event Effective Date a certificate of the Company signed by a Representative Director of the Company that, as of the Corporate Event Effective Date, any rating which would be assigned to the New Obligor's unsecured and unsubordinated debt is unlikely to be lower than the rating then currently assigned to the Company's long-term, unsecured and unsubordinated debt and the Trustee shall be entitled to rely upon such certificate without further investigation and enquiry and without liability to any person. In making this determination, the Company shall consult an Independent Financial Advisor and shall take fully into account the advice of such Independent Financial Advisor;
- (iii) if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the "Company's Territory"), the New Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or addition to, in relation to the New Obligor, references in Condition 9 to the Company's

Territory of references to the New Territory whereupon the Trust Deed and the Bonds will be read accordingly, and corresponding amendments shall be made to Condition 7.4 in relation to payment of Additional Amounts by the New Obligor (and/or the guarantor, if any);

- (iv) a Representative Director of the New Obligor certifies to the Trustee that it will be solvent immediately after such substitution and the Trustee need not have regard to the New Obligor's financial condition, profits or prospects or compare them with those of the Company;
- (v) the Company shall have certified (by a certificate of a Representative Director) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;
- (vi) the Company and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders;
- (vii) such substitution and grant of New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date); and
- (viii) such supplemental trust deed, the Trust Deed and the Conditions provide at least the same powers, protections, rights and benefits to the Trustee and the Bondholders following the implementation of such Corporate Event as they provided to the Trustee and the Bondholders prior to the implementation of the Corporate Event, *mutatis mutandis*.

12.3 Release of Obligations

An agreement by the Trustee pursuant to Condition 12.2 will (except in respect of any guarantee under Condition 12.2(ii)), if so expressed, release the Company (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

12.4 Deemed Amendment

On completion of the formalities set out in Condition 12.2, the New Obligor will be deemed to be named in the Trust Deed and the Bonds as the principal obligor in place of the Company (or of any previous substitute) and the Trust Deed and the Bonds will be deemed to be amended as necessary to give effect to the substitution. In particular and without limitation:

- (i) the terms "Stock Acquisition Rights" and "Shares" shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and
- (ii) references to the Company in Condition 10, in the definition of Principal Subsidiary and in the Trust Deed shall also include any guarantor pursuant to Condition 12.2(ii) except where the context requires otherwise.

13 Prescription

Claims in respect of the Bonds hereunder will become void unless made within the period of 10 years from the Due Date for the payment thereof.

14 Replacement of Bonds

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Principal Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15 Meetings of Bondholders; Modification and Waiver

15.1 Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent. in principal amount of the Bonds for the time being outstanding, or for any adjourned meeting two or more persons being or representing Bondholders (whatever the principal amount of Bonds held or represented) except that at any meeting the business of which includes the modification of certain provisions of the Bonds or of the Trust Deed (including, *inter alia*, modifying the date of maturity of the Bonds, reducing or cancelling the principal amount of, or any premium payable in respect of, the Bonds, modifying the method or basis of calculating the rate or amount of default interest in respect of the Bonds, altering the currency of payment of the Bonds or (to the extent permitted by applicable law or regulation) abrogating or modifying any Stock Acquisition Right), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 50 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in these Conditions and in the Trust Deed. Any resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders.

15.2 Modification and Waiver

The Trustee may, without the consent of the Bondholders, agree to any modification (except as aforesaid and as set out in the Trust Deed) of the Trust Deed or the Bonds (including these Conditions) or to any waiver or authorisation of any breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds or determine that any Event of Default shall not be treated as such which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of the Trust Deed or the Bonds (including these Conditions) which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error or is necessary in order to comply with mandatory provisions of Japanese law or pursuant to Condition 6 or 12. Any such modification, waiver, authorisation or determination shall be binding on the Bondholders and shall be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to it of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.5 and/or 7.7 or (ii) the Financial Instruments and Exchange Act which in the reasonable opinion of the Company (evidenced by (a) a certificate of a Representative Director or an Authorised Officer and (b) an opinion addressed to the Company and the Trustee in a form satisfactory to it of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Condition 7.6, the relevant Conditions shall be amended and/or supplemented to reflect that change by means of a trust deed supplemental to the Trust Deed. The Trustee (unless in its sole opinion such supplemental trust deed imposes obligations, responsibilities or liabilities on it which are greater than that it has as Trustee under the Trust Deed or decreases the protections it has as Trustee under the Trust

Deed) shall be obliged (subject to being indemnified and/or secured and/or prefunded by the Company to its satisfaction) to enter into such supplemental trust deed (in a form and substance satisfactory to it) to effect such change (even if, in the opinion of the Trustee, that change may be materially prejudicial to the interests of the Bondholders) without the consent of the Bondholders, but the Trustee shall have no responsibility or liability to any person for so doing and may rely on any opinion or any certificate of a Representative, Director or Authorised Officer. The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19 and the Trustee.

15.3 Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 Authority to the Trustee

To the fullest extent permitted by applicable law or regulation, by accepting the Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action, step or proceeding before a Japanese court on behalf of and in the name of the Bondholder which the Trustee considers to be necessary or desirable in the interests of the Bondholders. The Trustee shall not be bound to take any such action, step or proceeding unless (a) so directed by an Extraordinary Resolution or so requested in writing by holders of at least one-quarter in principal amount of Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction, and shall incur no liability in taking or refraining from taking such action, step or proceeding. The Trustee shall not take any action, step or proceeding on behalf of a Bondholder in respect of the statutory rights referred to in Condition 6.6, such rights having been irrevocably waived by the Bondholder to the fullest extent permitted by applicable law or regulation.

16 Enforcement

At any time after the Bonds shall have become due and repayable, the Trustee may, at its absolute discretion and without further notice, take such proceedings, actions or steps against the Company as it may think fit to enforce repayment of the Bonds, together with accrued default interest, if any, pursuant to Condition 4 and to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings, actions or steps unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Company unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time following such direction or request or provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure shall be continuing.

17 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings, actions or steps to enforce the provisions of the Trust Deed or the terms of the Bonds. The Trustee is entitled to enter into business transactions with the Company or any person or body corporate associated with the Company without accounting for any profit resulting therefrom. The Trustee may rely without liability to Bondholders on any certificate or report prepared by the Auditors or any Independent Financial Advisor or other expert pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Auditors or the Independent Financial Advisor (as the case may be) in respect thereof is limited by a monetary cap or otherwise and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under these

Conditions and/or the Trust Deed; any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18 Independent Financial Advisor

If any doubt shall arise as to the appropriate adjustment to the Conversion Price or in relation to any other matter which is reserved in these Conditions for a decision of an Independent Financial Advisor, a written opinion of such Independent Financial Advisor in respect of such adjustment to the Conversion Price or other matter shall be conclusive and binding on the Company, the Trustee and the Bondholders in the absence of manifest error.

If the Company shall fail to appoint an Independent Financial Advisor when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser, the Trustee shall have the power, but shall not be obligated, to make such appointment in its absolute discretion, without liability for doing so, following notification to the Company in which case such appointment will be deemed an appointment by the Company.

19 Notices

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the Financial Times). If publication in any of such newspapers is not practicable, notices will be given in such other newspaper or newspapers as the Company, with the written approval of the Trustee, shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

20 Contracts (Rights of Third Parties) Act 1999

Except as provided herein, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

21 Governing Law and Submission to Jurisdiction

21.1 Governing Law

The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

21.2 Jurisdiction

The courts of England are to have jurisdiction to hear and decide any suit, action or proceedings, and/or to settle any disputes which may arise out of or in connection with the Trust Deed and the Bonds (including any non-contractual obligations arising out of or in connection with them) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds ("Proceedings") may be brought in such courts. The Company has in the Trust Deed submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

21.3 Agent for Service of Process

The Company has irrevocably appointed Law Debenture Corporate Services Limited as its agent in England to receive service of process in any Proceedings in England. If for any reason Law Debenture Corporate Services Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Trust Deed and the Global Certificates contain provisions which apply to the Bonds in respect of which the Global Certificates are issued, some of which modify the effect of the Terms and Conditions of the 2023 Bonds and the Terms and Conditions of the 2025 Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the 2023 Bonds and the Terms and Conditions of the 2025 Bonds have the same meanings in the paragraphs below. The following is a summary of those provisions:

Notices

So long as any Series of Bonds are evidenced by a Global Certificate and such Global Certificate is registered in the name of a nominee on behalf of Euroclear and/or Clearstream, Luxembourg or any other clearing system as shall have been approved by the Trustee (the “Alternative Clearing System”), notices to Bondholders of such Series of Bonds shall be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System for communication by it to entitled accountholders in substitution for publication and mailing as required by the Terms and Conditions of the 2023 Bonds or the Terms and Conditions of the 2025 Bonds, as the case may be. Such notices shall be deemed to have been given in accordance with the Terms and Conditions of the 2023 Bonds or the Terms and Conditions of the 2025 Bonds, as the case may be, on the date of delivery to the relevant clearing system.

Meetings

The registered holder (as defined in the Terms and Conditions of the 2023 Bonds or the Terms and Conditions of the 2025 Bonds, as the case may be) of any Series of Bonds (or any proxy or representative appointed by it) in respect of which a Global Certificate is issued shall (unless such Global Certificate represents only one Bond) be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders of such Series of Bonds and, at any such meeting, as having one vote in respect of each such Bond in respect of which such Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to such Bonds in respect of which such Global Certificate has been issued to attend and speak (but not to vote) at a meeting of Bondholders of such Series of Bonds on appropriate proof of his identity.

Exercise of Stock Acquisition Rights

Subject to the requirements of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, the Stock Acquisition Right incorporated in any Bond in respect of which a Global Certificate is issued may be exercised by the presentation to, or to the order of, any Agent of one or more Conversion Notices duly completed by, or on behalf of, an accountholder in such system with an entitlement to such Bond. Deposit of such Global Certificate with an Agent together with the relevant Conversion Notice shall not be required. The exercise of the Stock Acquisition Right shall be notified by the Agent to the Registrar and the holder of such Global Certificate.

Payments

Payments of principal and premium (if any) and any other amounts, in respect of any Series of Bonds evidenced by a Global Certificate shall be made against presentation of, or, if no further payment falls to be made in respect of such Bonds, against presentation and surrender of, such Global Certificate to or to the order of the Principal Agent or such other Agent as shall have been notified to the relevant Bondholders of such Series of Bonds for such purpose.

Each payment will be made to, or to the order of, the person whose name is entered in the Register on the close of business on the Clearing System Business Day immediately prior to the date of payment, where “Clearing System Business Day” means Monday to Friday inclusive, except 25 December and 1 January.

So long as such Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, a “Business Day” for the purposes of Condition 8.3 of the Terms and Conditions of the relevant Series of Bonds shall be any day on which dealings in foreign currency may be carried on in Tokyo.

Transfers

Transfers of interests in any Series of Bonds with respect to which a Global Certificate is issued shall be effected through the records of Euroclear or Clearstream, Luxembourg (or an Alternative Clearing System) and their respective participants in accordance with the rules and procedures of the relevant clearing system and their respective direct and indirect participants.

Prescription

Claims in respect of any Series of Bonds evidenced by a Global Certificate shall become void unless made within a period of 10 years from the appropriate Due Date (as defined in the Terms and Conditions of the 2023 Bonds and the Terms and Conditions of the 2025 Bonds) in respect of such Series of Bonds.

Trustee's Powers

In considering the interests of Bondholders of any Series of Bonds evidenced by a Global Certificate while such Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers appropriate to do so in the circumstances, have regard to and rely upon any information made available to it by or on behalf of such clearing system or its operator as to the identity of its accountholders (either individually or by category) with entitlements to such Series of Bonds in respect of which such Global Certificate is issued and may consider such interests on the basis that such accountholders were the holders of such Series of Bonds in respect of which such Global Certificate is issued.

Cancellation

Cancellation of any Bond in respect of which a Global Certificate is issued pursuant to the Terms and Conditions of the 2023 Bonds or the Terms and Conditions of the 2025 Bonds, as the case may be, following its redemption, exercise of the relevant Stock Acquisition Rights or purchase by the Company or any Subsidiary will be effected by a reduction in the principal amount of such Bonds in the register of Bondholders of such Series of Bonds.

Early Redemption by the Company

The options and obligations of the Company to redeem any Series of Bonds prior to maturity provided for in Conditions 7.2, 7.3, 7.4, 7.5, 7.6 and 7.7 of the Terms and Conditions of the relevant Series of Bonds shall be exercised or performed by the Company giving notice to the Bondholders of such Series of Bonds within the time limits set out therein and containing the information required of the Company in accordance with the relevant Condition.

Election of Bondholders

The election option of the Bondholders of any Series of Bonds provided for in Condition 7.4 of the Terms and Conditions of the relevant Series of Bonds may be exercised by the holder of the Bonds of such Series evidenced by a Global Certificate by giving notice to the Principal Agent within the time limits relating thereto set out in the relevant Condition and otherwise in accordance with the procedures of the relevant clearing system in the form acceptable thereto from time to time.

Electronic Consent

While a Global Certificate is registered in the name of any nominee for, or a nominee for any common depositary for, a clearing system, then (a) approval of a resolution proposed by the Company or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of any Series of Bonds of not less than 90 per cent. in nominal amount of such Bonds then outstanding (an "Electronic Consent" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Bondholders of such Series of Bonds duly convened and held, and shall be binding on all Bondholders of such Series of Bonds whether or not they participated in such Electronic Consent; and (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, subject to certain requirements set out in the Trust Deed, the Company and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Company and/or the Trustee, as the case may be, by accountholders in the relevant clearing system with entitlements to such Bonds evidenced by such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries.

USE OF PROCEEDS

The net proceeds from the issuance of the Bonds and the Allotment Bonds are estimated to be approximately ¥148 billion and are expected to be used by December 2021 primarily as follows:

1. approximately two-thirds for investments in the Company's fintech businesses, including the following:
 - investments in the promotion of LINE Pay, the Company's mobile payment service application, to establish itself as a widely-accepted payment service through advertising and sales promotion expenditures to increase the number of locations and merchants that accept LINE Pay, the number of LINE Pay user accounts and the volumes of money transfers and other transactions through LINE Pay; and
 - investments for working capital, systems infrastructure, personnel expenses, and strategic investments in Japan and abroad to finance the launch and operation of finance-related services that the Company aims to develop in the future.
2. approximately one-third for investments in the Company's AI businesses, including the following:
 - investments in research and development and personnel expenses, outsourcing expenses and advertising expenses to strengthen the Company's capabilities in AI, including Company-developed LINE Clova and other related services.

RECENT DEVELOPMENTS

Our Operating Segments

Prior to and during our fiscal year ended 31 December 2017, we had a single reportable segment. On 31 January 2018, our board of directors approved the establishment of two operating segments, consisting of our “core business” segment and our “strategic business” segment, in response to the expansion of our business and evolution of our business strategy. Our core business segment includes products and services that we have been able to monetize in our key countries and plan to operate with the primary focus on revenue growth. Our strategic business segment includes products and services that we believe are our future growth engines that we plan to invest in and operate with the primary focus on enhancing user engagement.

Our operating segments currently consist of:

- Our “core business” segment that includes:
 - “Advertising” consisting of (i) “display advertising” products and services such as LINE Timeline Ads, LINE NEWS Ads and LINE TODAY Ads, (ii) “account advertising” products and services such as Official Accounts, Sponsored Stickers, LINE@, LINE Point Ads and Business Connect and (iii) “other advertising” products and services such as livedoor, Matome and LINE Part-time Job; and
 - “Communication, content and others” consisting of (i) “communication” products and services such as Stickers and Themes created by third parties and sold on LINE Creators Market as well as Stickers and Themes created by us, (ii) “content” products and services such as LINE Games, LINE PLAY, LINE Fortune, LINE Manga and LINE Music, and (iii) “others” consisting of miscellaneous products and services.
- Our “strategic business” segment that includes:
 - “Friends” products and services consisting of sales of LINE characters merchandise and other character-related businesses; and
 - “Others” primarily consisting of e-commerce, fintech businesses (including LINE Pay and other financial services delivered through the LINE platform) and LINE Clova AI businesses. This segment also included LINE Mobile until April 2018, when LINE Mobile Corporation, the provider of mobile virtual network operator (“MVNO”) services, became accounted for as an associate under the equity method rather than as a consolidated subsidiary.

Segment Strategy

Core Business Segment

In our core business segment, we plan to continue to promote user engagement on the LINE platform for mobile messaging and communications services in our four key countries of Japan, Taiwan, Thailand and Indonesia. Leveraging on such engagement, we have recorded revenue growth and positive operating margins in recent years by offering a wide range of advertising products and services as well as communication and content products and services on our LINE platform. We anticipate continued steady growth in the proportion of total advertising spending in our key markets that are directed to digital advertising. In order to take advantage of opportunities in such markets and attract more advertisers, we are investing in enhancing our advertising delivery system with data analytics capabilities to enable better targeting of our account ads and enhancing existing features of our display ads. Through such initiatives, we intend to improve our ability to deliver targeted and creative advertising products and services that are more tailored to our users’ evolving engagement on the LINE platform and enable advertisers to more effectively promote their brands and amplify their visibility and reach. In addition, we will continue to invest selectively in initiatives to enhance and broaden the range of communication and content products and services that we offer that we believe will contribute to our overall growth.

Strategic Business Segment

In our strategic business segment, we are investing in new ventures that we believe have the potential to contribute to our operating results over the medium- to long-term, particularly through our fintech businesses. We plan to make significant investments in the promotion of our LINE Pay mobile payment services by enhancing our payment infrastructure that provides settlement through QR and other barcodes, NFC and physical

payment cards. In addition, we aim to increase the number of locations and merchants that accept LINE Pay, the number of LINE Pay user accounts and the volumes of money transfers and other transactions through LINE Pay. We are also pursuing new business opportunities, typically through collaboration with financial industry partners, in areas such as online securities brokerage, insurance sales, consumer loans, internet banking and cryptocurrency. Our strategic business segment also includes our LINE Clova AI platform, whose adoption we plan to promote. We currently expect to evaluate the operations of our strategic business segment on the basis of key non-financial performance indicators, including expansion of user base, market penetration and market share and transaction volume.

Recent Developments in our Products and Services

Core Business Segment

Advertising

- **LINE Part-time Job.** In April 2018, AUBE Ltd. (“AUBE”), our joint venture with Persol Holdings Co., Ltd. (“Persol”) that provides part-time job posting service on the LINE platform, became our consolidated subsidiary following an increase in our ownership interest in AUBE from 49% to 60%, with Persol holding the remainder of the interest in AUBE. With the new ownership structure, we aim to more actively and effectively connect our users seeking part-time employment with companies looking for part-time employees.
- **LINE Career.** Building off the success of LINE Part-time Job, in April 2018, we entered into a joint venture agreement with en-japan inc. (“en-japan”), the operator of a major recruiting website in Japan, to establish LENSEA Ltd. (“LENSEA”), a joint venture company that would serve as the operator of LINE Career, a new content service that would offer a large database of job postings on the LINE platform. Pursuant to the terms of the joint venture agreement, we hold a 49% ownership interest in LENSEA, with en-japan holding the remainder of the interest in LENSEA.

Content

- **LINE Manga.** In July 2018, we entered into an alliance with NAVER WEBTOON Corporation (“NAVER WEBTOON”), Korea’s leading e-comics provider, to establish LINE Digital Frontier Corporation (“LINE Digital Frontier”), in which we hold a 70% interest, with NAVER WEBTOON holding the remainder of the interest in LINE Digital Frontier. Through the joint venture, we aim to leverage NAVER WEBTOON’s technical expertise in the development, publishing and distribution of e-comics on LINE Manga.

Strategic Business Segment

Fintech

- **LINE Pay.** As part of our efforts to diversify the payment options available to our users and thereby expand the LINE Pay user base and transaction volume, we have continued, and will continue, to make significant investments in promoting our LINE Pay mobile payment services by enhancing our payment infrastructure that provides settlement through QR and other barcodes, NFC and physical payment cards. In addition, we have been actively pursuing opportunities to expand our LINE Pay services in our major markets outside Japan, in particular Taiwan and Thailand.
- **LINE Securities and LINE Smart Invest.** In May 2018, we and LINE Financial Corporation (“LINE Financial”), our wholly-owned subsidiary, entered into a joint venture agreement with Nomura Holdings, Inc. (“Nomura Holdings”) in order to offer online securities brokerage and securities investment consultation services on the LINE platform. Pursuant to the terms of the agreement, LINE Financial established LINE Securities Preparatory Corporation (“LINE Securities”) in June 2018 by making a 100% initial investment in the amount of ¥200 million. Also pursuant to the terms of the agreement, upon satisfaction of certain conditions in the agreement, LINE Financial and Nomura Holdings will make capital contributions in LINE Securities via the issuance of new shares through a third-party allotment, following which LINE Financial will hold a 51% interest in LINE Securities, with Nomura Holdings holding the remainder of the interest in LINE Securities. LINE Securities will begin operations once it has obtained the necessary regulatory approval.

In addition, through our existing partnership with FOLIO Co, Ltd. (“FOLIO”), in which we hold a 40% ownership interest, we plan to offer themed investment opportunities on the LINE platform that would

enable our users to make diversified investments in companies selected by FOLIO based on specific user-picked themes, such as fashion, travel and technology. Pursuant to the partnership agreement, FOLIO will provide, starting in late 2018, investment management-related services on LINE Smart Invest, accessible through the LINE platform.

- **LINE Insurance.** In April 2018, LINE Financial and Sompo Japan Nipponkoa Insurance Inc. (“Sompo Japan”) entered into a business alliance to pursue opportunities in the non-life insurance sector in Japan. Sompo Japan was the first insurance provider in Japan to develop a smartphone-optimized insurance service that allows users to review and purchase a wide range of non-life insurance products and receive insurance-related consultation through the use of smartphones. By collaborating with Sompo Japan, we plan to launch LINE Insurance on the LINE platform in late 2018, which would offer a variety of non-life insurance products such as automobile and bicycle insurance products, as well as one-time activity-related insurance products, such as travel insurance. We currently do not plan to take on any insurance underwriting risk by limiting our role to that of an insurance broker.
- **LINE Credit.** As part of our efforts to become the provider of a more comprehensive set of financial services, we plan to offer an easily-accessible and reliable source of consumer loans to our users through the LINE platform. As a first step, we established LINE Credit Corporation in May 2018 in order to meet our users’ short-term needs for relatively small amounts of cash by eventually being able to offer short-term consumer loans and proprietorship loans. Some of the main products we plan to offer include pocket loans, shopping loans and education loans. LINE Credit has not yet begun to offer such consumer loans services.
- **Cryptocurrency.**

Bitbox. In July 2018, we launched BITBOX, a cryptocurrency exchange established in Singapore to facilitate the exchange of cryptocurrencies. BITBOX is operated by LINE Tech Plus Pte. LTD (“LINE Tech Plus”), a wholly-owned subsidiary of LVC Corporation, our wholly-owned subsidiary established in January 2018 for the purpose of operating and managing our cryptocurrency and blockchain-related businesses. BITBOX allows for the exchange of approximately 35 cryptocurrencies including Bitcoin, Ethereum, Bitcoincash and Litecoin, and supports approximately 15 different languages. BITBOX currently only allows for the exchange of cryptocurrencies and does not accept exchanges between fiat money and cryptocurrencies. For each trade that is executed on its exchange, BITBOX charges a portion of the transaction value as a commission. We have filed an application to operate a cryptocurrency exchange in Japan, which is currently being reviewed by the Financial Services Agency of Japan. We are also exploring opportunities to establish cryptocurrency exchanges in other countries.

LINK. In August 2018, LINE Tech Plus launched LINK, the base digital token for our blockchain ecosystem. Decentralized applications (“dApps”), offered through our blockchain ecosystem, will reward our users with LINK for participating in our blockchain ecosystem, and users will be able to use LINK to purchase a variety of contents and services offered through dApps. We plan to list LINK on BITBOX in September 2018, so that they can be exchanged for other cryptocurrencies traded on BITBOX. For residents in Japan, LINK Point will be used instead of LINK. LINK Point will not be traded or exchanged until we receive relevant official regulatory authorization in Japan, and currently can only be used for conversion into LINE Points.

Others. We plan to continue to devote additional resources to developing our blockchain-related technologies. For example, we established LINE Blockchain Lab in April 2018 to foster a dedicated team of engineers and researchers to develop blockchain-related technologies and services that implement such technologies.

e-commerce

- **LINE Travel.** In June 2018, we launched a travel metasearch service that enables users to search for, compare and book domestic and overseas trips, all via the LINE platform. In order to further enhance our services offered through LINE Travel, we entered into an alliance with Venture Republic Inc. (“Venture Republic”), the operator of a leading online travel metasearch and media outlet in Japan called “Travel.jp”, pursuant to which we acquired a 34% ownership interest in Venture Republic in August 2018. As a result of our collaboration with Venture Republic, our users will be able to search for domestic and overseas hotels, flights and package tours from more than 250 popular travel sites on the LINE platform.

Clova Artificial Intelligence

- **Clova Friends mini.** In June 2018, we launched Clova Friends minis, which are miniature yet enhanced versions of Clova Friends, our smart speakers that operate on LINE Clova, our next-generation AI platform designed to enrich our users' daily lives by integrating a wide array of advanced technologies based on human senses, such as voice recognition, artificial neural network and interactive engine systems.
- **Clova Extensions Kit.** In July 2018, we released the Clova Extensions Kit, a development kit that allows third-party developers to scale LINE Clova functionalities. Our goal in releasing such kit was to invite third-party developers to incorporate LINE Clova AI technology into their new products, which would also enhance existing functionalities of our LINE Clova speakers through collaboration with third-party developers. We believe that leveraging the expertise of third-party developers in such way not only strengthens our expertise in AI technology but also creates new sources of revenue for our AI business.

LINE Mobile

- **LINE Mobile.** Pursuant to a partnership agreement with SoftBank Corporation, our ownership interest in LINE Mobile Corporation, the provider of our MVNO services, decreased from 100% to 49% in April 2018, which resulted in LINE Mobile Corporation being accounted for as an associate under the equity method rather than as one of our consolidated subsidiaries.

Supplemental Information on our Financial Condition and Results of Operations

On 25 July 2018, we announced our earnings release for the six months ended 30 June 2018. Subsequently, on 8 August 2018, we furnished to the SEC the 1H2018 Financial Statements. The below sections provide supplementary information relating to our interim financial results, including an analysis of notable trends by segment.

Overview

Adoption of IFRS 15

The IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") for recognizing revenue. IFRS 15 establishes a five-step model that applies to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry with limited exceptions. We recognize revenue associated with communication and content sales and with advertising products and services by reference to the stage of completion. We have adopted IFRS 15 from 1 January 2018 and applied the modified retroactive method, which is to record the cumulative amount of the impact at the beginning balance of retained earnings upon adoption. Accordingly, the financial information related to periods prior to 1 January 2018 contained in the 1H2018 Financial Statements have not been restated for the adoption of IFRS 15 and continue to be presented under IAS 18 Revenue and other standards (collectively, the "IAS 18 and Other Standards").

The adjustments made to line items presented in the consolidated statements of comprehensive income for the six months ended 30 June 2018 due to the change from the IAS 18 and Other Standards applied previously to IFRS 15 are as follows:

	For the six months ended 30 June 2018		
	Under IAS 18 and Other Standards	Remeasurement (in millions of yen)	Under IFRS 15
Revenues and other operating income:			
Revenues	¥ 94,675	¥ 4,686	¥ 99,361
Other operating income	11,129	—	11,129
Total revenues and other operating income	105,804	4,686	110,490
Operating expenses:			
Payment processing and licensing expenses	(15,174)	31	(15,143)
Sales commission expenses	(2,589)	(4,361)	(6,950)
Employee compensation expenses	(27,378)	—	(27,378)
Marketing expenses	(8,587)	—	(8,587)
Infrastructure and communication expenses	(5,083)	—	(5,083)
Subcontract and other service expenses	(14,913)	—	(14,913)
Depreciation and amortization expenses	(4,949)	—	(4,949)
Other operating expenses	(16,998)	(168)	(17,166)
Total operating expenses	(95,671)	(4,498)	(100,169)
Profit from operating activities	10,133	188	10,321
Profit before tax from continuing operations	6,446	188	6,634
Income tax benefits (expenses)	(4,694)	(40)	(4,734)
Profit for the period from continuing operations	1,752	148	1,900
Profit for the period	¥ 1,759	¥ 148	¥ 1,907

For a discussion of the adoption of IFRS 15 and the adjustments made to line items presented in the consolidated interim financial statements due to the change from the IAS 18 and Other Standards applied previously to IFRS 15, including impact on the line items in the consolidated statements of financial position, see Note 3.1. of the notes to the 1H2018 Financial Statements.

Key Performance Indexes

User Growth

Monthly average users (“MAUs”) are a measure of the size of our active user base. We define MAUs in a given month as the number of user accounts that (i) accessed the LINE messaging application or any LINE Game through mobile devices; (ii) sent messages through the LINE messaging application from personal computers; or (iii) sent messages through any other LINE application from mobile devices, in each case at least once during that month. MAUs for the months indicated were as follows:

	For the month of					
	Mar. 2017	Jun. 2017	Sept. 2017	Dec. 2017	Mar. 2018	Jun. 2018
	(in millions)					
Japan	68	70	71	73	75	76
Taiwan, Thailand and Indonesia	103	99	97	94	90	88

Monetization

We review monthly paying users (“MPUs”), including MPUs of LINE Games, as a measure to evaluate trends in monetization. MPUs, including MPUs of LINE Games, may fluctuate depending on the level of success of our monetization efforts utilizing the line-up of our products and services. The following table sets forth the number of our MPUs and MPUs of LINE Games for the months indicated:

	For the month of					
	Mar. 2017	Jun. 2017	Sept. 2017	Dec. 2017	Mar. 2018	Jun. 2018
	(in millions)					
Total MPUs ⁽¹⁾	8.5	8.4	8.1	9.5	8.6	7.9
MPUs of LINE Games ⁽²⁾	1.4	1.3	1.2	1.1	1.1	1.0

(1) Represents the number of user accounts that made (i) a payment for Stickers, Themes or LINE Out on the LINE messaging application through mobile devices or personal computers or (ii) a payment relating to any LINE Game through mobile devices, in each case at least once during the month indicated.

(2) Represents the number of user accounts that made a payment relating to any LINE Game through mobile devices at least once during the month indicated.

User Engagement

We measure user engagement of communication products and services using various metrics, including daily average number of messages sent and received and daily average number of Stickers sent. While sending and receiving messages is free, when sending messages, our users often include in their messages purchased Stickers, which is our primary revenue source within our communication products offerings. In addition, these metrics affect the attractiveness of our LINE advertising products and services as a medium for advertisers, which in turn impacts our advertising revenue. Such metrics for the months indicated were as follows:

	For the month of					
	Mar. 2017	Jun. 2017	Sept. 2017	Dec. 2017	Mar. 2018	Jun. 2018
	(in millions)					
Daily average number of messages sent	4,602	4,609	4,500	4,157	4,214	4,220
Daily average number of messages received	22,894	24,597	24,588	23,464	23,163	23,899
Daily average number of Stickers sent	440	432	413	381	403	411

We measure user engagement of LINE Games primarily using MAUs of LINE Games. While downloading LINE Games is free, our active users often purchase in-game items to enhance their game experience, which is a key revenue source for us. MAUs of LINE Games may fluctuate depending on the level of popularity of our game titles at any given time. The MAUs of LINE Games for the months indicated were as follows:

	For the month of					
	Mar. 2017	Jun. 2017	Sept. 2017	Dec. 2017	Mar. 2018	Jun. 2018
	(in millions)					
MAUs of LINE Games ⁽¹⁾	26	23	22	20	19	16

(1) Represents the number of user accounts that accessed any LINE Game through mobile devices at least once during the month indicated.

We also review various performance indexes, including the number of Official Accounts for account advertising, impressions for display advertising and portal page views for other advertising, to evaluate trends in monetization through our advertising products and services. Impressions are displays of display ads to users while they access our products and services for which we typically generate revenues. Because our display ads are sold through either a bid-based cost per thousand impressions or cost per click pricing model in which the advertiser pays for qualifying impressions or click-through volume, the number of paid impressions displayed is an indicator of our ability to monetize our users’ viewing of advertisements on the LINE platform. The following table sets forth the number of total impressions on the LINE platform for the quarterly periods indicated:

	For the three months of					
	Jan. to Mar. 2017	Apr. to Jun. 2017	Jul. to Sept. 2017	Oct. to Dec. 2017	Jan. to Mar. 2018	Apr. to Jun. 2018
	(in millions)					
Total impressions	11,049	13,790	15,517	15,529	17,671	21,167

Operating Results of the Six-Month Periods Ended 30 June 2017 and 2018

The following table presents our selected statements of profit or loss data for the periods indicated:

	For the six months ended 30 June	
	2017	2018
	(in millions of yen)	
Revenues and other operating income:		
Revenues	¥ 78,696	¥ 99,361
Other operating income	11,024	11,129
Total revenues and other operating income	89,720	110,490
Operating expenses:		
Payment processing and licensing expenses	(15,024)	(15,143)
Sales commission expenses	(273)	(6,950)
Employee compensation expenses	(19,265)	(27,378)
Marketing expenses	(7,858)	(8,587)
Infrastructure and communication expenses	(4,385)	(5,083)
Subcontract and other service expenses	(10,436)	(14,913)
Depreciation and amortization expenses	(3,017)	(4,949)
Other operating expenses	(10,833)	(17,166)
Total operating expenses	(71,091)	(100,169)
Profit from operating activities	18,629	10,321
Finance income	67	195
Finance costs	(14)	(33)
Share of loss of associates and joint ventures	(2,443)	(4,219)
Loss on foreign currency transactions, net	(329)	(256)
Other non-operating income	1,094	643
Other non-operating expenses	(43)	(17)
Profit before tax from continuing operations	16,961	6,634
Income tax expenses	(6,405)	(4,734)
Profit for the period from continuing operations	10,556	1,900
(Loss) / profit from discontinued operations, net of tax	(7)	7
Profit for the period	¥ 10,549	¥ 1,907

Revenues

The following table presents a breakdown of our revenues by major services and changes therein for the periods indicated:

	For the six months ended 30 June		Changes	
	2017	2018	Amount	%
(in millions of yen, except percentages)				
Core business segment:				
Advertising:				
Display advertising ⁽¹⁾	¥10,506	¥18,305	¥ 7,799	74.2%
Account advertising ⁽²⁾	18,216	27,467	9,251	50.8
Other advertising ⁽³⁾	5,172	6,568	1,396	27.0
Sub-total	33,894	52,340	18,446	54.4
Communication, content and others:				
Communication ⁽⁴⁾	15,615	14,728	(887)	(5.7)
Content ⁽⁵⁾	20,521	18,573	(1,948)	(9.5)
Others	1,199	1,617	418	34.9
Sub-total	37,335	34,918	(2,417)	(6.5)
Total core business segment	71,229	87,258	16,029	22.5
Strategic business segment:				
Friends ⁽⁶⁾	5,138	7,482	2,344	45.6
Others ⁽⁷⁾	2,329	4,621	2,292	98.4
Total strategic business segment	7,467	12,103	4,636	62.1
Total	¥78,696	¥99,361	¥20,665	26.3%

(1) Primarily consists of revenues from LINE Timeline Ads, LINE NEWS Ads and LINE TODAY Ads.

(2) Primarily consists of revenues from Official Accounts, Sponsored Stickers, LINE@, LINE Point Ads and Business Connect.

(3) Primarily consists of revenues from livedoor, Matome and LINE Part-time Job.

(4) Primarily consists of sales of Stickers and Themes created by third parties and sold on LINE Creators Market as well as Stickers and Themes created by us.

(5) Primarily consists of sales of virtual items of LINE Games, LINE PLAY, LINE Fortune, LINE Manga and LINE Music.

(6) Primarily consists of revenues from sales of LINE characters merchandise at our retail stores and licensing of LINE characters' copyrights.

(7) Primarily consisting of e-commerce, fintech businesses (including LINE Pay and other financial services delivered through the LINE platform) and LINE Clova AI businesses. This segment also included LINE Mobile until April 2018, when LINE Mobile Corporation, the provider of MVNO services, became accounted for as an associate under the equity method rather than as a consolidated subsidiary.

Our revenues increased by 26.3%, or ¥20,665 million, from ¥78,696 million in the first half of 2017 to ¥99,361 million in the first half of 2018 primarily due to increases in revenues of the core business segment and, to a lesser extent, the strategic business segment. Our revenues were also positively impacted by our adoption of IFRS 15 starting on 1 January 2018 using the modified retrospective method. See “—Overview—Adoption of IFRS 15” and Note 3(1) of the notes to the 1H2018 Financial Statements. In the first half of 2018, our revenues were ¥99,361 million under IFRS 15, compared to ¥94,675 million under IAS 18 and Other Standards. Had we continued to apply the previous method of IAS 18 and Other Standards in the first half of 2018, our revenues would have increased only by 20.3%, or ¥ 15,979 million, from ¥78,696 million in the first half of 2017 to ¥94,675 million in the first half of 2018.

Core Business Segment

The following table presents a breakdown of our core business segment revenues by major services and changes therein for the periods indicated:

	For the six months ended 30 June		Changes	
	2017	2018	Amount	%
(in millions of yen, except percentages)				
Advertising:				
Display advertising	¥10,506	¥18,305	¥ 7,799	74.2%
Percentage of revenues	13.4%	18.4%		
Account advertising	¥18,216	¥27,467	¥ 9,251	50.8%
Percentage of revenues	23.1%	27.6%		
Other advertising	¥ 5,172	¥ 6,568	¥ 1,396	27.0%
Percentage of revenues	6.6%	6.6%		
Communication, content and others:				
Communication	¥15,615	¥14,728	¥ (887)	(5.7)%
Percentage of revenues	19.8%	14.8%		
Content	¥20,521	¥18,573	¥(1,948)	(9.5)%
Percentage of revenues	26.1%	18.7%		
Others	¥ 1,199	¥ 1,617	¥ 418	34.9%
Percentage of revenues	1.5%	1.6%		
Total core business segment	¥71,229	¥87,258	¥16,029	22.5%
Percentage of revenues	90.5%	87.8%		

Revenues of our core business segment increased by 22.5%, or ¥16,029 million, from ¥71,229 million in the first half of 2017 to ¥87,258 million in the first half of 2018 primarily due to increases in revenues from account advertising, display advertising and other advertising, which were offset in part by decreases in revenues from content and communication. Revenues from our advertising products and services in the first half of 2018 were positively impacted by our adoption of IFRS 15. For advertising services such as Official Accounts, advertising agencies may be involved in obtaining contracts from customers and provide, on our behalf, services to customers such as formatting of advertisements to comply with our specifications. IFRS 15 clarifies the evaluation of whether an entity is a principal or an agent based on the identification of performance obligations and transfer of control for the services. Upon adoption of IFRS 15, we determined that we control certain services provided by the advertising agencies to the customers of our account advertising products and services. Accordingly, we determined to change the revenue recognition method of certain advertising products and services based on the total consideration received from our customers, including for the services provided by our advertising agencies. This change in revenue recognition method increased the amount of revenues from advertising products and services recognized by us in the first half of 2018 by ¥4,686 million.

Account Advertising. Revenues from account advertising increased by 50.8%, or ¥9,251 million, from ¥18,216 million in the first half of 2017 to ¥27,467 million in the first half of 2018, primarily due to increases in revenues from Official Accounts, LINE@ and Business Connect, which were offset in part by a decrease in revenues from LINE Point Ads. For Official Accounts, the number of paid contracts increased from 549 on 31 December 2016 to 605 on 30 June 2017, 645 on 31 December 2017 and 672 on 30 June 2018. Revenues from LINE@ increased primarily due to an increase in new advertisers through sign-up incentives and marketing initiatives. Revenues from Business Connect increased primarily as a result of our successful retention of existing advertisers that subscribe to such service as well as an increase in new advertisers through sign-up incentives and marketing initiatives. On the other hand, revenues from LINE Point Ads decreased, reflecting a decrease in utilization of LINE Points by our advertisers. Revenues from our account advertising were also positively impacted by our adoption of IFRS 15 starting on 1 January 2018 using the modified retrospective method as described above.

Display Advertising. Revenues from display advertising increased by 74.2%, or ¥7,799 million, from ¥10,506 million in the first half of 2017 to ¥18,305 million in the first half of 2018 primarily due to increases in revenues from LINE NEWS Ads (including LINE TODAY Ads offered in select countries outside of Japan) and

LINE Timeline Ads. The increase in revenues from display advertising was attributable to a growth in demand for our advertising products as well as an increase in the level of participation in bidding processes by advertisers, which resulted in an increase in the unit price we were able to charge our advertisers. Such growth in demand was primarily due to growth in the user base of our LINE NEWS, LINE TODAY and Timeline services as well as enhancements to our advertising products that made them more attractive to advertisers. For example, the introduction of LINE NEWS in Japan and LINE TODAY in select countries outside of Japan as a dedicated tab in the LINE messaging application in 2017 contributed to an increase in popularity of such services in the first half of 2018, which in turn increased the revenues we generated from LINE NEWS Ads and LINE TODAY Ads. Revenues from display advertising were also positively impacted by our adoption of IFRS 15 starting on 1 January 2018 using the modified retrospective method as described above.

Other Advertising. Revenues from other advertising increased by 27.0%, or ¥1,396 million, from ¥5,172 million in the first half of 2017 to ¥6,568 million in the first half of 2018 primarily due to consolidation of revenues of LINE Part-time Job starting in April 2018 following an increase in our interest in the joint venture with AUBE, Ltd. from 49.0% to 60.0%. Revenues from other advertising were also positively impacted from our adoption of IFRS 15 starting on 1 January 2018 using the modified retrospective method as described above.

Content. Revenues from content decreased by 9.5%, or ¥1,948 million, from ¥20,521 million in the first half of 2017 to ¥18,573 million in the first half of 2018 primarily due to a decrease in the sales volume of in-game items for LINE Games, which was offset in part by increases in revenues from LINE Fortune, LINE Manga and LINE Music.

The decrease in the sales volume of in-game items was primarily driven by decreases in revenues from Disney TsumTsum and LINE Rangers, which was offset in part by consolidation of the operating results of NextFloor Corporation, a leading mobile game development company in Korea in which we acquired a 51.0% interest through our wholly-owned subsidiary, LINE Games Corporation, in July 2017. For internally-developed games, we recognize as revenues the gross amount of consideration paid by users which amplifies the impact of purchases of in-game items on our revenues compared to third-party developed games, for which we recognize as revenues the net proceeds after deducting amounts paid to third-party game developers and payment processing service providers. In addition, for a discussion of MAUs and MPUs of LINE Games, which decreased significantly in the first half of 2018 compared to the first half of 2017, see “—Overview—Key Performance Indexes”.

Partially offsetting the impact of decreases in revenues from LINE Games, we recorded increases in revenues from LINE Manga, LINE Fortune and LINE Music in the first half of 2018 compared to the first half of 2017, primarily reflecting increases in users and their engagement of such services.

Communication. Revenues from communication decreased by 5.7%, or ¥887 million, from ¥15,615 million in the first half of 2017 to ¥14,728 million in the first half of 2018 primarily due to a decrease in the volume of Stickers created and sold by us, which was offset in part by an increase in the volume of Stickers created by third parties and sold on LINE Creators Market.

Strategic Business Segment

The following table presents a breakdown of our strategic business segment revenues by major services and changes therein for the periods indicated:

	For the six months ended 30 June		Changes	
	2017	2018	Amount	%
	(in millions of yen, except percentages)			
Friends	¥5,138	¥ 7,482	¥2,344	45.6%
Percentage of revenues	6.5%	7.5%		
Others	¥2,329	¥ 4,621	¥2,292	98.4%
Percentage of revenues	3.0%	4.7%		
Total strategic business segment	¥7,467	¥12,103	¥4,636	62.1%
Percentage of revenues	9.5%	12.2%		

Revenues of our strategic business segment increased by 62.1%, or ¥4,636 million, from ¥7,467 million in the first half of 2017 to ¥12,103 million in the first half of 2018 due to increases in revenues from the Friends and Others categories.

Friends. Revenues from Friends increased by 45.6%, or ¥2,344 million, from ¥5,138 million in the first half of 2017 to ¥7,482 million in the first half of 2018 primarily due to increases in sales of official LINE merchandise at our retail stores and royalty revenues related to LINE characters' copyrights. We continue to increase the number of our Friends retail stores in Asia, particularly in Korea and China. The number of Friends retail stores increased from 26 stores on 31 December 2016 to 31 stores on 30 June 2017, 37 stores on 31 December 2017 and 43 stores on 30 June 2018.

Others. Revenues from the others category increased by 98.4%, or ¥2,292 million, from ¥2,329 million in the first half of 2017 to ¥4,621 million in the first half of 2018 primarily due to increases in e-commerce related services (particularly LINE SHOPPING) as well as an increase in revenues from LINE Mobile MVNO until April 2018, when LINE Mobile Corporation, the provider of such services, started to be accounted for as an associate under the equity method rather than as a consolidated subsidiary, and our sales of LINE CLOVA-integrated smart speakers, which were launched in October 2017.

Other Operating Income

Our other operating income increased by 1.0%, or ¥105 million, from ¥11,024 million in the first half of 2017 to ¥11,129 million in the first half of 2018. In the first half of 2017, our other operating income consisted primarily of the recognition of a ¥10,444 million gain on divestiture of business and subsidiaries relating to the transfer of our camera application business, including B612 and LINE Camera. In the first half of 2018, our other operating income consisted primarily of the recognition of a ¥9,494 million gain on loss of control over LINE Mobile Corporation. In April 2018, we issued new shares of LINE Mobile Corporation to SoftBank Corp. through a third party allotment, pursuant to which our interest decreased from 100.0% to 49.0%, resulting in LINE Mobile Corporation being accounted for as an associate under the equity method rather than as a consolidated entity.

Operating Expenses

The following table presents a breakdown of our operating expenses and changes therein for the periods indicated:

	For the six months ended 30 June		Changes	
	2017	2018	Amount	%
	(in millions of yen, except percentages)			
Payment processing and licensing expenses	¥15,024	¥ 15,143	¥ 119	0.8%
Sales commission expenses	273	6,950	6,677	2,445.8
Employee compensation expenses	19,265	27,378	8,113	42.1
Marketing expenses	7,858	8,587	729	9.3
Infrastructure and communication expenses	4,385	5,083	698	15.9
Subcontract and other service expenses	10,436	14,913	4,477	42.9
Depreciation and amortization expenses	3,017	4,949	1,932	64.0
Other operating expenses ⁽¹⁾	10,833	17,166	6,333	58.5
Total	¥71,091	¥100,169	¥29,078	40.9%

(1) Other operating expenses include rent, cost of goods sold relating to the sale of our products, supply expenses and other miscellaneous operating expenses.

The following table presents a breakdown of our operating expenses as percentages of total revenues for the periods indicated:

	For the six months ended 30 June	
	2017	2018
	(in percentages of total revenues)	
Payment processing and licensing expenses	19.1%	15.2%
Sales commission expenses	0.3	7.0
Employee compensation expenses	24.5	27.6
Marketing expenses	10.0	8.6
Infrastructure and communication expenses	5.6	5.1
Subcontract and other service expenses	13.3	15.0
Depreciation and amortization expenses	3.8	5.0
Other operating expenses	13.8	17.3
Total	<u>90.3%</u>	<u>100.8%</u>

Our operating expenses increased by 40.9%, or ¥29,078 million, from ¥71,091 million in the first half of 2017 to ¥100,169 million in the first half of 2018, primarily due to increases in employee compensation expenses, sales commission expenses and subcontract and other service expenses. Our operating expenses as a percentage of revenues increased from 90.3% in the first half of 2017 to 100.8% in the first half of 2018. Specifically:

Employee Compensation Expenses. Our employee compensation expenses increased by 42.1%, or ¥8,113 million, from ¥19,265 million in the first half of 2017 to ¥27,378 million in the first half of 2018 primarily due to increases in salary, bonus and welfare expenses reflecting an increase in the number of our employees. The number of our full-time employees increased from 3,109 as of 31 December 2016 to 3,611 as of 30 June 2017, 4,379 as of 31 December 2017 and 5,211 as of 30 June 2018.

Sales Commission Expenses. Sales commission expenses, which consist primarily of sales commissions payable to advertising agencies and fees payable to Persol in connection with the services we offer through LINE Part-time Job, increased significantly by ¥6,677 million, from ¥273 million in the first half of 2017 to ¥6,950 million in the first half of 2018 primarily due to our adoption of IFRS 15 and the recognition of expenses relating to LINE Part-time Job upon its conversion from an associate accounted for under the equity method to a consolidated subsidiary in April 2018. We recognized ¥4,361 million of sales commission to advertising agencies in the first half of 2018 related to our determination to change the revenue recognition method of certain advertising products and services pursuant to IFRS 15 based on the total consideration receive from our customers, including for services provided by our advertising agencies. See “—Revenues—Core Business Segment”.

Other Operating Expenses. Our other operating expenses increased by 58.5%, or ¥6,333 million, from ¥10,833 million in the first half of 2017 to ¥17,166 million in the first half of 2018, primarily due to increases in rent and supplies expenses in connection with our relocation to our new headquarters in Shinjuku in April 2017, as well as an increase in cost of goods sold. Our rent expenses increased by 40.9%, or ¥1,132 million, from ¥2,767 million in the first half of 2017 to ¥3,899 million in the first half of 2018, and our supplies expenses increased by 48.9%, or ¥554 million, from ¥1,133 million in the first half of 2017 to ¥1,687 million in the first half of 2018. Our cost of goods increased by 89.6%, or ¥1,518 million, from ¥1,695 million in the first half of 2017 to ¥3,213 million in the first half of 2018 primarily reflecting increases in sales of LINE Friends merchandise and Clova Wave and Clova Friends smart speakers.

Subcontract and Other Service Expenses. Our subcontract and other service expenses increased by 42.9%, or ¥4,477 million, from ¥10,436 million in the first half of 2017 to ¥14,913 million in the first half of 2018, primarily due to additional fees for accessing wireless communications networks of a third-party mobile telecommunications company related to an increase in the subscribers of our LINE Mobile MNVO service until April 2018, when LINE Mobile Corporation, the provider of such services, started to be accounted for as an associate under the equity method rather than as a consolidated subsidiary, increase in fees paid to third-party mobile advertising service providers related to delivery of advertising products offered on the LINE platform, as well as an increase in costs relating to system improvements and software upgrades to facilitate the operation of our servers supporting an increasingly wide range of services we offer.

Profit from Operating Activities

Primarily due to the factors described above, our profit from operating activities decreased by 44.6%, or ¥8,308 million, from ¥18,629 million in the first half of 2017 to ¥10,321 million in the first half of 2018. Our profit from operating activities as a percentage of our revenues and other operating income decreased from 20.8% in the first half of 2017 to 9.3% in the first half of 2018, as the increase in operating expenses outpaced the increase in revenues and other operating income.

The following table presents a breakdown of our profit from operating activities by segments and changes therein for the periods indicated:

	For the six months ended 30 June		Changes	
	2017	2018	Amount	%
	(in millions of yen, except percentages)			
Core business segment	¥15,119	¥ 15,275	¥ 156	1.0%
Strategic business segment	(6,496)	(14,048)	(7,552)	116.3
Corporate expenses and adjustments ⁽¹⁾	10,006	9,094	(912)	(9.1)
Total	¥18,629	¥ 10,321	¥(8,308)	(44.6)%

(1) Mainly includes differences arising from other operating income and share-based compensation expenses.

Finance Income and Finance Costs

Our finance income, which mainly consists of interest income, increased by 191.0%, or ¥128 million, from ¥67 million in the first half of 2017 to ¥195 million in the first half of 2018 due primarily to an increase in the amount of investments in interest-bearing debt instruments. Our finance costs, which mainly consist of interest expenses, increased by 135.7%, or ¥19 million, from ¥14 million in the first half of 2017 to ¥33 million in the first half of 2018 primarily due to an increase in the average monthly balance of our short-term borrowings.

Share of Loss of Associates and Joint Ventures

We recognized net loss on our share of associates and joint ventures of ¥2,443 million in the first half of 2017 and ¥4,219 million in the first half of 2018. Our net loss in the first half of 2017 primarily related to our interest in Snow Corporation, which continued to invest in acquiring additional users of camera applications, particularly in China, prior to monetizing its services. Our share of loss in Snow Corporation also increased due to an increase in our ownership interest following the transfer of our camera application business in May 2017 that had been operated by our wholly-owned subsidiary, LINE Plus Corporation, to Snow Corporation to pursue further synergies.

Our net loss on our share of associates and joint ventures in the first half of 2018 primarily related to our interests in Snow Corporation and LINE Mobile Corporation. In April 2018, we issued new shares of LINE Mobile Corporation to SoftBank Corp. through a third party allotment, pursuant to which our interest decreased from 100.0% to 49.0%, resulting in LINE Mobile Corporation being accounted for as an associate under the equity method rather than as a consolidated entity.

Loss on Foreign Currency Transactions, Net

Our net loss on foreign currency transactions decreased by 22.2%, or ¥73 million, from ¥329 million in the first half of 2017 to ¥256 million in the first half of 2018 resulting from fluctuations in exchange rates, particularly the fluctuation of the Japanese yen against the Korean won, U.S. dollar and the Taiwanese dollar during these periods.

Other Non-operating Income

In the first half of 2017, we recognized other non-operating income of ¥1,094 million primarily resulting from a gain on sale of financial assets related to our disposition of holdings in gumi Inc., a mobile games developer and publisher listed on the Tokyo Stock Exchange. In the first half of 2018, we recognized other non-operating income of ¥643 million primarily resulting from a gain on financial assets at fair value through profit or loss related to fair value measurement gain of conversion right of redeemable preferred stock in 4:33 Creative Lab, a Korean game development company we invested in through LINE C&I Corporation.

Other Non-operating Expenses

We recognized other non-operating expenses of ¥43 million in the first half of 2017 and ¥17 million in the first half of 2018.

Income Tax Expenses

Our income tax expenses decreased by 26.1%, or ¥1,671 million, from ¥6,405 million in the first half of 2017 to ¥4,734 million in the first half of 2018. Our effective income tax rate of 37.8% for continuing operations for the first half of 2017 differed from the Japanese statutory tax rate of 31.7% for such period, primarily due to pre-tax losses recorded by our subsidiaries on a standalone basis and the pre-tax losses recorded by associates and joint ventures for which no deferred tax assets were recognized as the related tax benefits could not be recognized. Our effective income tax rate of 71.4% for continuing operations for the first half of 2018 differed from the Japanese statutory tax rate of 31.7% for such period, primarily due to an increase in deductible temporary differences arising from increase in the share of loss of associates and joint ventures, which were not expected to be realized within a foreseeable period. The difference was also due to an increase in the amount of pre-tax losses recorded by certain subsidiaries as expenses, such as share-based compensation for employees and subcontract expenses, while the amount of deductible temporary differences that we could not recognize for tax benefits, increased in the first half of 2018. LINE Plus Corporation, our wholly-owned subsidiary in Korea, is currently undergoing a tax audit by the National Tax Service in Korea.

Loss from Discontinued Operations, Net of Tax

We recognized loss from discontinued operations, net of tax, of ¥7 million in the first half of 2017 compared to profit from discontinued operations, net of tax, of ¥7 million in the first half of 2018 related to the abandonment of our MixRadio business effective 21 March 2016 and its retrospective presentation as a discontinued operation for both periods.

Profit for the Period

As a result of the factors described above, our profit for the period decreased by 81.9%, or ¥8,642 million, from ¥10,549 million in the first half of 2017 to ¥1,907 million in the first half of 2018. Our profit for the period as a percentage of revenues and other operating income decreased from 11.8% in the first half of 2017 to 1.7% in the first half of 2018.

Liquidity and Capital Resources

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the six months ended 30 June	
	2017	2018
	(in millions of yen)	
Net cash provided by operating activities	¥ 181	¥ 3,349
Net cash used in investing activities	(8,810)	(24,703)
Net cash provided by (used in) financing activities	(623)	289
Cash and cash equivalents at the beginning of the year	134,698	123,606
Cash and cash equivalents at the end of the interim reporting period	125,512	101,742

Our principal sources of liquidity since 2015 to date have been proceeds from the completion of our initial public offering in July 2016, incurrences of debt and cash generated by our operations. We manage our liquidity risk to meet our working capital and operational requirements by continually managing projected cash flows. We also aim to mitigate liquidity risk by contracting with financial institutions with respect to bank overdrafts and banking facility agreements for efficient management of funds. In addition, we entered into credit guarantee contracts with banks for ¥12,500 million as of 31 December 2017 and for ¥15,500 million as of 30 June 2018. We believe that cash from our operations, the proceeds from the offering of the Bonds and the Allotment Bonds, current and future financing arrangements (including short-term and long-term borrowing facilities and issuances of corporate bonds) and existing cash and cash equivalents are likely to be sufficient to satisfy our operating cash requirements, capital expenditure needs and debt service requirements for the next twelve months. However, we may need additional cash resources in the future if we find and wish to pursue opportunities for investment,

acquisition or strategic cooperation, which may include investing in technology, technical infrastructure or acquisition of additional equity interests in subsidiaries or associates. If we determine that our cash requirements exceed our available cash holdings, we may seek to issue additional debt or equity securities or obtain additional credit facilities or other sources of funding.

Net Cash Provided by Operating Activities

Our net cash provided by operating activities increased from ¥181 million in the first half of 2017 to ¥3,349 million in the first half of 2018. Our gross cash flow from our sales activities increased as described above. In addition, our outstanding trade and other receivables decreased in the first half of 2018, which positively impacted our net cash provided by operating activities during such period, compared to the first half of 2017 during which we recorded net cash outflow related to outstanding trade and other receivables. Cash used for income tax payment also decreased from ¥6,788 million in the first half of 2017 to ¥2,779 million in the first half of 2018, which positively impacted our net cash provided by operating activities.

Net Cash Used in Investing Activities

Our net cash used in investing activities increased from ¥8,810 million in the first half of 2017 to ¥24,703 million in the first half of 2018 primarily due to an increase in investments in associates and joint ventures from ¥1,578 million in the first half of 2017 to ¥10,219 million in the first half of 2018, related primarily to our investments in FOLIO in the first half of 2018, an increase in investments in debt instruments from ¥1,389 million in the first half of 2017 to ¥5,196 million in the first half of 2018, a cash inflow of ¥3,325 million related to return of guarantee deposits pursuant to the Japanese Payment Services Act in the first half of 2017 compared to no such return in the first half of 2018, as well as an increase in acquisition of property and equipment and intangible assets from ¥5,793 million in the first half of 2017 to ¥8,527 million in the first half of 2018. These factors were offset in part by payments for acquisition of subsidiaries and businesses of ¥1,750 million in the first half of 2017 related to Gatebox Inc., compared to no such acquisition of subsidiaries and businesses in the first half of 2018.

Net Cash Provided by Financing Activities

We recorded net cash used in financing activities of ¥623 million in the first half of 2017 compared to net cash provided by financing activities of ¥289 million in the first half of 2018. Our repayment of short-term borrowings decreased from ¥2,037 million in the first half of 2017 to ¥83 million in the first half of 2018. Our proceeds from exercise of stock options decreased from ¥1,454 million in the first half of 2017 to ¥440 million in the first half of 2018. Our payment for acquisition of interest in a subsidiary from non-controlling interest increased from ¥29 million in the first half of 2017 to ¥586 million in the first half of 2018, related primarily to our acquisition of interest in a Vietnamese portal service provider that specializes in women's contents as part of our efforts to expand our user base in countries outside Japan. In the first half of 2018, we also recorded proceeds from disposal of treasury shares of ¥552 million resulting from the sale of treasury shares in connection with the vesting of our employees' rights to receive our common stock pursuant to our employee stock ownership plan, compared to no such proceeds in the first half of 2017.

Contractual Obligations and Commitments

The following table sets forth the amount of contractual obligations as of 30 June 2018, and the effect such obligations are expected to have on our liquidity and cash flow in future periods.

	Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	More than 5 Years
	(in millions of yen)				
Short-term borrowing obligations ⁽¹⁾	¥22,098	¥22,098	¥ —	¥ —	¥ —
Operating lease obligations ⁽²⁾	30,232	6,309	11,647	5,419	6,857
Purchase obligations ⁽³⁾	851	851	—	—	—
Deposits received ⁽⁴⁾	8,953	8,953	—	—	—
Office security deposits received under sublease agreement ⁽⁵⁾	16	0	16	—	—
Total	¥62,150	¥38,211	¥11,663	¥5,419	¥6,857

(1) As of 30 June 2018, the book value of our short-term borrowings was ¥22,098 million.

- (2) We enter into operating lease agreements for certain office space and stores.
- (3) Our purchase obligations include contracts for property and equipment and intangible assets.
- (4) The deposits received primarily relate to LINE Pay customer deposits.
- (5) The deposits received primarily relate to the sublease of our store spaces.
- (6) Represents, as of 30 June 2018, the expected amount of retirement benefits that we will be required to pay within ten years under applicable law to employees of our Korean subsidiaries, including LINE Plus Corporation, LINE PLAY Corporation, LINE Biz Plus Corporation and LINE Friends Corporation, when they reach their normal retirement age. The amounts were determined based on the employees' current salary rates and the number of service years that will have been accumulated upon their retirement. These amounts do not include amounts that may be paid to employees who cease to work at the relevant company before their normal retirement age.

CAPITALISATION AND INDEBTEDNESS

The following table shows the consolidated capitalisation and indebtedness of the Company as at 30 June 2018, which has been extracted from the Company's unaudited consolidated financial statements as at the same date, and as adjusted to give effect to (1) the issue of the Bonds and (2) the issue of the Allotment Bonds.

	<u>As at 30 June 2018</u>	
	<u>Actual</u>	<u>Adjusted</u>
	(unaudited)	
	(in ¥ millions)	
Current liabilities		
Short-term borrowings	22,098	22,098
Long-term liabilities		
Long-term borrowings	—	—
The 2023 Bonds now being issued	—	36,580
The 2025 Bonds now being issued	—	36,580
Issue of the 2023 Allotment Bonds	—	36,580
Issue of the 2025 Allotment Bonds	—	36,580
Total borrowings	22,098	168,418
Shareholders' Equity		
Share capital	95,453	95,453
Share premium	96,976	96,976
Treasury shares	(8,316)	(8,316)
Accumulated deficit	(1,202)	(1,202)
Accumulated other comprehensive income	2,937	2,937
Non-controlling interests	3,473	3,473
Total shareholders' equity	189,321	189,321
Total capitalisation and indebtedness⁽¹⁾	211,419	357,739

Note: (1) Total capitalisation and indebtedness is the sum of total borrowings and total shareholders' equity.

There has been no material adverse change in the capitalisation of the Company since 30 June 2018.

INFORMATION CONCERNING THE SHARES

Issued Share Capital

As at 30 June 2018, the Company had an authorised share capital of 690,000,000 Shares, of which 240,111,642 Shares were in issue.

Dividends

Under the articles of incorporation of the Company, a year-end dividend may be distributed to shareholders of record as at 31 December of each year, and an interim dividend may be distributed to shareholders of record as at 30 June of each year, in each case pursuant to a resolution of the Board of Directors. The Company may also make dividends other than those described above by a resolution of the Board of Directors, subject to certain restrictions. Any payment of dividends will also be subject to other factors, including legal restrictions with respect to the payment of dividends.

Since its inception, the Company has not declared or paid cash dividends on shares of its common stock.

It is the present intention of the Company to retain any future earnings and it does not expect to declare any dividends in the foreseeable future.

Japanese Stock Market and Price Range of the Shares

The Shares have been listed on the First Section of the Tokyo Stock Exchange since 15 July 2016. The American Depositary Shares of the Company, each representing one share of the Company's common stock and evidenced by American Depositary Receipts, are listed on the New York Stock Exchange. The following table shows the high and low market prices of the Shares on the Tokyo Stock Exchange, as well as the highs and lows of the closing Nikkei Stock Average and the closing level of the Tokyo Stock Price Index ("TOPIX"), for the calendar years and periods indicated:

Calendar period	Price per Share of common stock		Nikkei Stock Average		TOPIX	
	High	Low	High	Low	High	Low
	(Yen)		(Yen)		(Points)	
2016 (from 15 July 2016)	5,060	3,820	19,494.53	16,083.11	1,552.36	1,271.98
2017:						
1st quarter	4,275	3,515	19,633.75	18,787.99	1,577.40	1,506.33
2nd quarter	4,365	3,670	20,230.41	18,335.63	1,624.07	1,459.07
3rd quarter	4,095	3,810	20,397.58	19,274.82	1,676.17	1,590.71
4th quarter	5,010	4,045	22,939.18	20,400.78	1,831.93	1,673.62
2018:						
1st quarter	5,320	3,980	24,124.15	20,617.86	1,911.07	1,664.94
2nd quarter	4,750	3,895	23,002.37	21,292.29	1,815.25	1,703.80
3rd quarter (up to 4 September 2018)	5,180	4,480	22,869.50	21,546.99	1,775.76	1,676.20

On 4 September 2018, the last reported closing price of the Shares on the Tokyo Stock Exchange was ¥5,080 per Share and the Nikkei Stock Average and TOPIX closed at ¥22,696.90 and 1,718.24 points, respectively.

Principal Shareholders and Other Information

As at 30 June 2018, the Company had 21,739 shareholders holding more than one unit of Shares of record.

The 10 largest shareholders of record, the number of Shares held by them and their shareholding percentages as at 30 June 2018 were as follows:

<u>Shareholder</u>	<u>Number of Shares held</u> (Shares)	<u>Percentage of Shares held</u> (%)
NAVER	174,992,000	72.87
MOXLEY & CO LLC (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	8,391,757	3.49
Jungho Shin	4,760,500	1.98
Haejin Lee	4,594,000	1.91
MSIP CLIENT SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	4,014,167	1.67
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Japan Co., Ltd.)	2,994,120	1.24
Trust & Custody Services Bank, Ltd. (Trust E)	2,007,421	0.83
Japan Trustee Services Bank, Ltd. (Trust Account)	1,916,200	0.79
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: Merrill Lynch Japan Securities Co., Ltd.)	1,771,374	0.73
GOLDMAN SACHS & CO. REG (Standing proxy: Goldman Sachs Japan Co., Ltd.)	1,646,695	0.68
Total	<u>207,088,234</u>	<u>86.24</u>

Notes: (1) "Percentage of shares held (%)" has been rounded down to units of one hundredth of a percent.

(2) Trust & Custody Services Bank, Ltd. (Trust E) is the trustee of its trust assets of the Employee Stock Ownership Plan (J-ESOP). Such shares have been classified as treasury shares in the Interim Condensed Consolidated Financial Statements

Concurrent with the offering of the Bonds, the Company is conducting a third-party allotment of ¥36,580,000,000 in aggregate principal amount of the 2023 Allotment Bonds and ¥36,580,000,000 in aggregate principal amount of the 2025 Allotment Bonds to NAVER, on substantially the same terms and conditions as the 2023 Bonds and the 2025 Bonds, respectively.

The ownership distribution of the Shares by category of shareholders of record as at 31 December 2017 was as follows:

<u>Category</u>	<u>Number of Shares held</u> (Unit of Shares)	<u>Percentage of total Shares in issue</u> (%)
Japanese financial institutions	83,164	3.48
Japanese securities companies	7,313	0.30
Other Japanese corporations	1,526	0.06
Japanese individual investors and others	46,072	1.93
Foreign corporations and individual investors	2,246,757	94.20
Total	<u>2,384,832</u>	<u>100.00</u>

Notes: (1) 100 Shares constitute one full unit of Shares.

(2) As at 31 December 2017, the Company held 1,007,710 Shares in treasury.

(3) As at 31 December 2017, 59,242 Shares not constituting one unit of Shares were held in JASDEC. This includes 21 shares of the Company, which is held by the Trust for the Employee Stock Ownership Plan (J-ESOP), and 73 shares of treasury stock.

As at 30 June 2018, the Company's directors, corporate auditors and executive officers together held 10,830,296 Shares, representing 4.54 per cent. of total Shares in issue at that date.

TAXATION

Japanese Taxation

The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares, acquired upon the exercise of the Stock Acquisition Rights incorporated in the Bonds, who are non-resident individuals of Japan or non-Japanese corporations, in either case having no permanent establishment in Japan (“non-resident Holders”). The statements regarding Japanese tax laws set out below are based on the laws in force and interpreted by the Japanese taxation authorities as at the date hereof and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements or in the interpretation thereof after that date.

This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the Bonds and Shares acquired upon exercise of the Stock Acquisition Rights, including, specifically, the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

Bonds

Receipts of premium (if any) upon redemption of the Bonds are subject to Japanese income tax (including corporate income tax) but are not subject to any withholding tax. If the recipient is a resident or a corporation of a country with which Japan has an income tax treaty, Japanese tax treatment may be modified by any applicable provisions of such income tax treaty. Bondholders are advised to consult with their legal, accounting or other professional advisers as to the applicable tax treatment.

Gains derived from the sale of Bonds, whether within or outside Japan by a non-resident Holder thereof, are, in general, not subject to Japanese income tax. Exercise of the Stock Acquisition Rights is not a taxable event in general.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual, who has acquired Bonds as legatee, heir or donee even if the individual is not a Japanese resident.

Shares

Generally, a non-resident Holder of Shares is subject to Japanese withholding tax on dividends paid by the Company. Stock splits are not subject to Japanese income tax.

The rate of Japanese withholding tax applicable to dividends paid by the Company to a non-resident Holder of Shares is 20 per cent., subject to any applicable income tax treaty. However, with respect to dividends paid by the Company to any non-resident Holders of Shares, except for any individual shareholder who holds 3 per cent. or more of the total issued Shares, the said 20 per cent. withholding tax rate is reduced to 15 per cent. A special reconstruction surtax (2.1 per cent. of the original applicable tax rate) is added to the withholding tax rates until 31 December 2037, so that the original withholding tax rate of 20 per cent. and 15 per cent., as applicable, is effectively increased, respectively, to 20.42 per cent. and 15.315 per cent. during that period. The withholding tax under Japanese tax law mentioned above may be exempted or reduced under an applicable tax treaty between Japan and the country of tax residence of a non-resident Holder.

Gains derived from the sale of Shares, whether within or outside Japan, by a non-resident Holder thereof, are, in general, not subject to Japanese income tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Shares as legatee, heir or donee even if the individual is not a Japanese resident.

U.S. Foreign Account Tax Compliance Withholding (“FATCA”)

Pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010, the Company and other non-U.S. financial institutions through which payments on the Bonds are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2018 in respect of (i) any Bonds issued or materially modified on or after the date that is six

months after the date on which the final regulations applicable to “foreign passthru payments” are filed in the Federal Register and (ii) any Bonds which are treated as equity for U.S. federal tax purposes, whenever issued. Under existing guidance, this withholding tax may be triggered on payments on the Bonds if (i) the Company is a foreign financial institution (“FFI”) (as defined in FATCA) which (a) enters into and complies with an agreement with the U.S. Internal Revenue Service to provide certain information on its account holders (making the Company a “Participating FFI”) or (b) complies with the provisions of the intergovernmental agreement between the United States and Japan regarding the implementation of FATCA to be treated as a “Reporting Japanese Financial Institution”, (ii) the Company is required to withhold on “foreign passthru payments”, and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA, or (b) any FFI to or through which payment on such Bonds is made is not a Participating FFI or otherwise exempt from FATCA withholding.

Whilst the Bonds are in global form and held by Euroclear and Clearstream, Luxembourg, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Bonds by the Company, any paying agent and the common depository, given that each of the entities in the payment chain beginning between the Company and the participants in Euroclear and Clearstream, Luxembourg is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Bonds. It is possible that the Bonds may be exchanged into definitive form and therefore that they may be taken out of Euroclear and Clearstream, Luxembourg. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive Bonds will only be printed in remote circumstances.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated 4 September 2018 in respect of the Bonds (the “Subscription Agreement”) among the Company, Morgan Stanley & Co. International plc, Nomura International plc, J.P. Morgan Securities plc, Goldman Sachs International and Mizuho International plc (together, the “Joint Lead Managers”), the Joint Lead Managers have agreed with the Company, subject to the satisfaction of certain conditions, severally but not jointly, to purchase the aggregate principal amount of each Series of Bonds as indicated opposite its name in the table below at the issue price (the “Issue Price”) of 100.0 per cent. of the principal amount of such Series of Bonds and to offer the 2023 Bonds and the 2025 Bonds at their respective Offer Price as stated on the cover page of this Offering Circular (each, an “Offer Price”).

<u>Joint Lead Managers</u>	<u>Principal Amount of the 2023 Bonds</u>	<u>Principal Amount of the 2025 Bonds</u>
Morgan Stanley & Co. International plc	¥14,620,000,000	¥14,620,000,000
Nomura International plc	7,320,000,000	7,320,000,000
J.P. Morgan Securities plc	7,320,000,000	7,320,000,000
Goldman Sachs International	3,660,000,000	3,660,000,000
Mizuho International plc	3,660,000,000	3,660,000,000
Total	¥36,580,000,000	¥36,580,000,000

No selling concession or combined management and underwriting commission will be payable by the Company in respect to the offering of the Bonds. The difference between the Offer Price and the Issue Price will be distributed among the Joint Lead Managers in the manner agreed by them.

The Company has agreed to pay certain costs in connection with the issue and offering of the Bonds. The Joint Lead Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment to the Company as set out therein. The Company has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the issue and offering of the Bonds.

Concurrent with the offering of the Bonds, the Company is conducting a third-party allotment of ¥36,580,000,000 in aggregate principal amount of the 2023 Allotment Bonds and ¥36,580,000,000 in aggregate principal amount of the 2025 Allotment Bonds to NAVER, on substantially the same terms and conditions as the 2023 Bonds and the 2025 Bonds, respectively. The issue of the Bonds and the Allotment Bonds are each conditional upon arrangements for the settlement and payment of the other being made, in the case of the Allotment Bonds, to the satisfaction of the Representatives.

Lock-up

In connection with the issue and offering of the Bonds, the Company has agreed, among others, not to, and not to direct any entities or any persons acting at the direction of the Company to, (i) issue, offer, pledge, lend, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Shares or any other capital stock of the Company, or (ii) enter into any derivative transaction or any other transaction that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, in each case, for a period beginning on the date of the Subscription Agreement and ending on the date 180 calendar days after the Closing Date without the prior written consent of the Joint Lead Managers, other than (a) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights, (b) the issue and sale by the Company of the Allotment Bonds (or the issue or transfer of Shares upon exercise of the stock acquisition rights thereunder), (c) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder’s holding, when added to the Shares held by such holder, constitute one full unit of Shares, (d) the issue of Shares by the Company as a result of any stock split, (e) the grant and issue of stock options or stock acquisition rights exercisable for Shares to the directors and employees of the Company and its subsidiaries pursuant to the Company’s stock option plans (f) the issue, sale or transfer of Shares upon exercise of stock options, stock acquisition rights or in connection with the employee stock ownership plans for the directors and employees of the Company and its subsidiaries, (g) the sale by the Company of Shares held by unidentified shareholders, and (h) any other issue or sale of Shares required by applicable Japanese laws and regulations.

In connection with the issue and offering of the Bonds, NAVER has also executed a shareholder lock-up undertaking on similar terms as the Issuer, pursuant to which NAVER has undertaken that, for a period beginning on the date of the Subscription Agreement and ending on the date 180 calendar days after the Closing Date, it will not, and it will not direct any entities or any persons acting at its direction to, (i) offer, pledge, lend, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Shares or any other capital stock of the Company held by it, or (ii) enter into any derivative transaction or any other transaction that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, in each case without the prior written consent of the Joint Lead Managers.

Selling Restrictions

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Company, the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights in any jurisdiction where action for such purpose is required. Accordingly, neither the Bonds nor any Shares issuable upon exercise of the Stock Acquisition Rights may be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisement in connection with the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights may be distributed or published, in or from any country or jurisdiction, except in compliance with all applicable rules and regulations of any such country or jurisdiction.

Neither the Company nor the Joint Lead Managers represent that the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating such sales.

United States

Neither the Bonds nor the Shares issuable upon exercise of the Stock Acquisition Rights offered herein have been or will be registered under the Securities Act or may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Joint Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights (i) as part of their distribution, at any time or (ii) otherwise, until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and only in accordance with Rule 903 of Regulation S, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

European Economic Area

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering

contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (i) the expression “retail investor” means a person who is one (or more) of the following:
 - (a) a retail client as defined in point (11) of Article 4(1) of MiFID II;
 - (b) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (c) not a qualified investor as defined in the Prospectus Directive; and
- (ii) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of the Bonds or the Shares to be issued upon exercise of the Stock Acquisition Rights (the “Securities”) in circumstances in which Section 21(1) of FSMA does not apply to the Company; and
- (b) it has complied with and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Japan

The Bonds have not been and will not be registered under the FIEA. Accordingly, each Joint Lead Manager has represented and agreed that, in connection with the initial offering of the Bonds, it has not, directly or indirectly, offered or sold and shall not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell the Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act Chapter 289 of Singapore (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the MAS. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds and/or Shares may not be circulated or distributed, nor may any Bonds and/or Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notification under Section 309B(1)(c) of the SFA—*In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Company has determined, and hereby notifies all relevant persons (as defined in the CMP Regulations 2018), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the offering, nor the Company nor the Bonds have been or will be filed with or approved by any Swiss regulatory authority. The Bonds are not subject to the supervision by any Swiss regulatory authority, for example, the Swiss Financial Markets Supervisory Authority, and investors in the Bonds will not benefit from protection or supervision by such authority.

Other Relationships

In connection with the offering, each Joint Lead Manager may for its own account enter into asset swaps, credit derivatives or other derivatives relating to the Bonds and/or components of the Bonds and/or the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions including facilitating short sales of the Shares by investors who are allocated Bonds. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Bonds). As a result of such transactions, a Joint Lead Manager may hold long or short positions in the Bonds and/or the Shares and/or derivatives relating thereto. No disclosure will be made of any such positions.

Certain of the Joint Lead Managers and/or their affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution.

The Joint Lead Managers or their respective affiliates have in the past provided, are currently providing and may in the future provide investment and commercial banking, underwriting, advisory and other services to the Company and its subsidiaries and affiliates for which they have received, expect to receive or may receive (as the case may be) customary compensation. Interests may evolve out of these transactions that could potentially conflict with the interests of investors. In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of debt and equity securities (or related derivative securities) (including the Bonds) and financial instruments (including bank loans), and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GENERAL INFORMATION

- (1) The Company has obtained all necessary consents, approvals and authorisations in Japan in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Company dated 4 September 2018.
- (2) The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The ISIN is XS1876472660 and the Common Code is 187647266 in respect of the 2023 Bonds and the ISIN is XS1876473049 and the Common Code is 187647304 in respect of the 2025 Bonds.
- (3) The Legal Entity Identifier with respect to the Company is 353800SE9WIPQJH4RB92.
- (4) The Securities Identification Code for the Shares is 3938.
- (5) Approval in-principle has been received for the listing and quotation of the Bonds on the Official List of the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the relevant Global Certificate is exchanged for definitive Certificates, the Company will appoint and maintain a paying agent in Singapore, where the definitive Certificates may be presented or surrendered for payment or redemption. In addition, in the event that such Global Certificate is exchanged for definitive Certificates, an announcement of such exchange will be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥200,000 with a minimum of 100 lots to be traded in a single transaction for so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.
- (6) There has been no significant change in the financial or trading position of the Group and no material adverse change in the financial position or prospects of the Group since 30 June 2018.
- (7) Other than as may be disclosed in this Offering Circular, there are no, nor have there been any, governmental, legal, arbitral, administrative or other proceedings involving the Company or any other member of the Group that had or may have had, during the 12 months immediately preceding the date of this Offering Circular, a material effect on the financial position or the profitability of the Company or the Group and, so far as the Company is aware, there are no such proceedings pending or threatened.
- (8) Copies of the latest annual report in English (including the audited consolidated financial statements of the Company), and English summary translations of the latest unaudited consolidated interim financial results announcement of the Company (*kessan tanshin*) published subsequently to such annual report, may be obtained, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified offices of the Trustee during normal business hours, so long as any of the Bonds is outstanding.
- (9) Except to the extent provided in Condition 6 of the Terms and Conditions of the 2023 Bonds and the Terms and Conditions of the 2025 Bonds, the Conditions of the Terms and Conditions of the 2023 Bonds and the Terms and Conditions of the 2025 Bonds do not provide for participating rights in the event of a takeover of the Company.
- (10) The audited consolidated financial statements of financial position as of 31 December 2016 and 2017, the consolidated statements of profit or loss for the years ended 31 December 2015, 2016 and 2017 and the consolidated statements of cash flows for the years ended 31 December 2015, 2016 and 2017 of the Company, which have been incorporated by reference in this Offering Circular, have been audited by PwC Aarata, as stated in its report incorporated herein. The unaudited interim condensed consolidated financial statements of the Company as at 30 June 2018 and for the six months ended 30 June 2017 and 2018, which have been incorporated by reference in this Offering Circular, have been reviewed by PwC Aarata in accordance with the quarterly review standards generally accepted in Japan.
- (11) The Trustee is entitled under the Trust Deed to rely on certificates, reports or advice addressed and/or delivered to it by the independent auditors to the Company, or any other expert, whether or not the same are subject to any limitation on the liability of the independent auditor, or any other expert, to the Company and whether by reference to a monetary cap or otherwise.

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