

Management



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Management: Corporate Governance

Corporate Governance

* Self evaluation: ★★★ Achieved more than targeted / ★★ Achieved as targeted / ★ Achieved to some extent

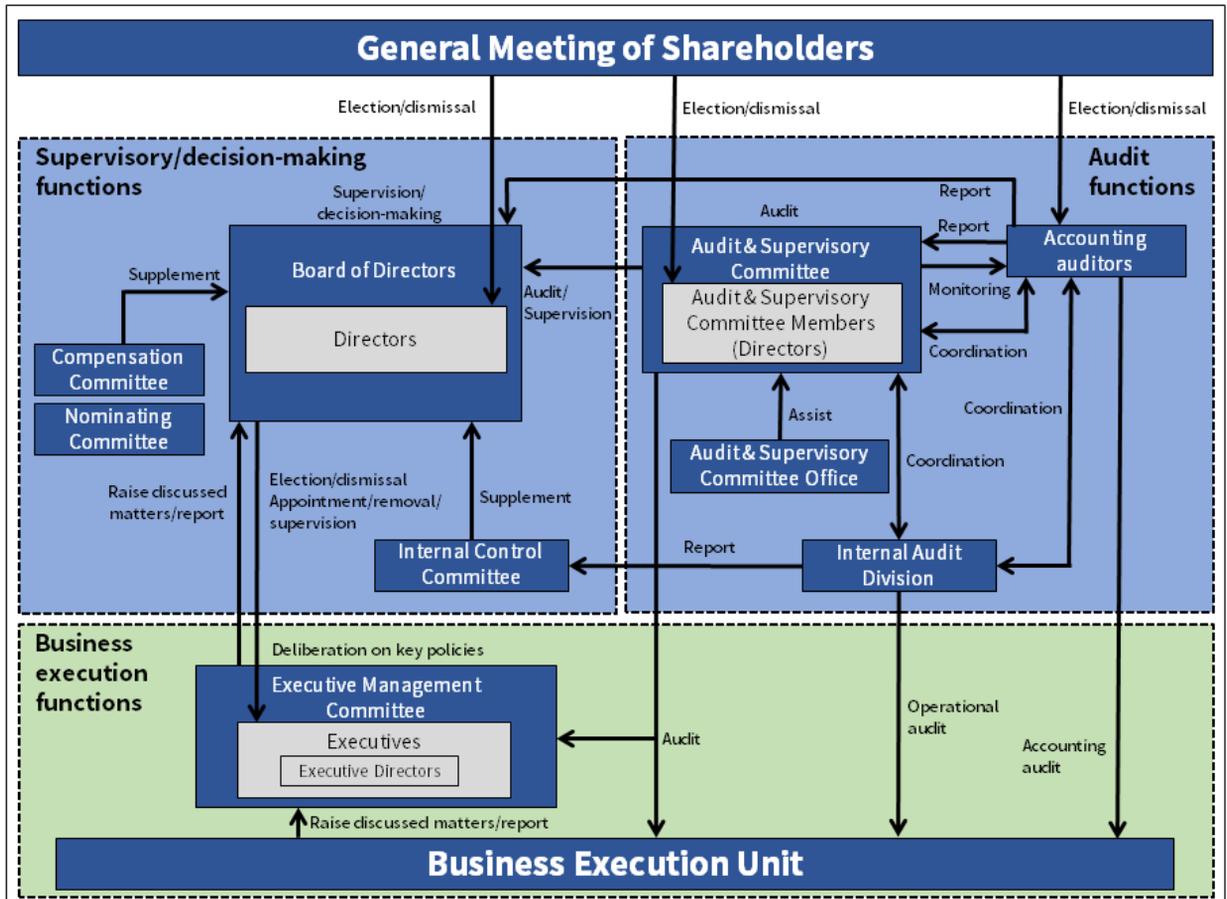
Fiscal 2016 Objectives	Fiscal 2016 Achievements	Self evaluation*
<ul style="list-style-type: none"> Reorganize each in-house company into business units (BUs) broken down by line of business; conduct detailed business operations that match the market and business environment of each BU 	<ul style="list-style-type: none"> Revamped business organization in August 2016 and promoted divisionalized management, where each BU assumes responsibility for their earnings 	★★
<p>Priority Objectives for Fiscal 2017</p>	<ul style="list-style-type: none"> Shift to a company with audit and supervisory committee and restore executive officer system in order to strengthen supervisory functions and flexibility of business execution 	

Sharp’s basic policy on corporate governance is to maximize corporate value through timely and appropriate management while ensuring transparency, objectivity, and soundness supported by the concept, “Our future prosperity is directly linked to the prosperity of our customers, dealers and shareholders...” as stated in the company’s Business Philosophy.

Corporate Governance System

As of June 20, 2017, Sharp Corporation shifted to a company with audit and supervisory committee, so that it can strengthen supervisory functions over the Board of Directors and enhance flexibility in decision-making.

Corporate Governance System of Sharp Corporation



* As of June 20, 2017

Management: Internal Control

Internal Control

* Self evaluation: ★★★ Achieved more than targeted / ★★ Achieved as targeted / ★ Achieved to some extent

Fiscal 2016 Objectives	Fiscal 2016 Achievements	Self evaluation*
<ul style="list-style-type: none"> ■ Thoroughly develop and maintain various measures related to internal control, based on Basic Policy for Internal Control; complete those measures as initially scheduled ■ Continue intensive efforts to resolve important items (problem items) in each internal control area, and submit Internal Control Report in June 2017 	<ul style="list-style-type: none"> ■ Thoroughly affirmed operational status of measures related to internal control and completed those measures as initially scheduled ■ Reviewed measures and conducted intensive efforts to resolve important items (problem items), and submitted Internal Control Report in June 2017 	★★
<p style="text-align: center;">Priority Objectives for Fiscal 2017</p>	<ul style="list-style-type: none"> ■ Thoroughly develop and maintain various measures related to internal control, based on Basic Policy for Internal Control; complete those measures as initially scheduled ■ Continue intensive efforts to resolve important items (problem items) in each internal control area, and submit Internal Control Report in June 2018 	

As one way to ensure that its corporate governance is functioning effectively, Sharp is developing and maintaining its internal control system to ensure that the entire Sharp Group engages in fair and appropriate business practices based on the provisions of Japan's Companies Act and of the Internal Control Reporting System falling under the Financial Instruments and Exchange Act.

In response to the enactment of the Companies Act in 2006, the Board of Directors passed a resolution to adopt a basic policy related to the development and maintenance of systems necessary to ensure the propriety of business practices (Internal Control System) and the company is working to properly maintain and operate those systems. In accordance with this policy, Sharp also established the Internal Control Committee to serve as an advisory panel to the Board of Directors. The Internal Control Committee discusses various policy measures related to the internal control system, while also affirming their operational status.

In June 2017, Sharp revised its Basic Policy for Internal Control. It thoroughly affirmed the development and operational status of various measures in line with this Basic Policy, and made sure the measures were established across the company. And in response to the Financial Instruments and Exchange Act, the Sharp Group has been evaluating the effectiveness of its internal control system with respect to financial reporting. It has also taken steps to reduce various business risks through the sound operation of its internal control system.

In fiscal 2016, Sharp implemented various measures to boost the control functions of each internal control area as well as the efficiency with which internal control system effectiveness is evaluated. Sharp also mounted intensive efforts to resolve critically important items and submitted an Internal Control Report in June 2017.

For fiscal 2017, Sharp will identify and focus on the important processes for each business unit to boost the effectiveness of the internal control system.

Management: Risk Management

Risk Management

* Self evaluation: ★★★ Achieved more than targeted / ★★ Achieved as targeted / ★ Achieved to some extent

Fiscal 2016 Objectives	Fiscal 2016 Achievements	Self evaluation*
<ul style="list-style-type: none"> Review PDCA cycle for risk management and policy for identifying risks <ul style="list-style-type: none"> Put into writing risk identification method and risk management operational rules 	<ul style="list-style-type: none"> Reviewed PDCA cycle for risk management and policy for identifying risks <ul style="list-style-type: none"> Put into writing risk identification method and risk management operational rules (reflected into risk management-related rules) 	★★
Priority Objectives for Fiscal 2017	<ul style="list-style-type: none"> Practice efficient risk management by having risk management-related rules firmly established 	

Management Based on the Rules of Business Risk Management

Sharp believes risk management is essential to fulfilling its corporate social responsibility, which entails meeting the expectations of stakeholders through the sustainable development of business. To this end, Sharp has formulated the Rules of Business Risk Management as a basic policy for risk management. In the Rules, risk items that could have a major impact on management are identified as “specific risks.” For each specific risk, a functional department responsible for risk management across the entire company and a company/business unit responsible for risk management in their respective business domains collaborate to continuously minimize risks and to prevent risks from actually occurring.

In addition, the Rules of Business Risk Management prescribe rules for emergency response, detailing responses if a major risk incident does come to pass. Taking prompt and appropriate action when an emergency situation occurs works to minimize loss and to prevent the damage from spreading not only across the company, but also to society at large. These emergency rules also specify action items to be implemented to ensure prompt and appropriate information disclosure to stakeholders.

Periodic Review of Specific Risks

According to the Rules of Business Risk Management, specific risks must be periodically reviewed (adding new risks, changing risk items), given scores, and ranked in order of priority by the department in charge.

In fiscal 2017, Sharp will practice efficient risk management by having these risk management-related rules firmly established.

Promoting Business Continuity Management

Sharp’s major business sites and group companies have formulated BCPs (business continuity plans) that assume the occurrence of emergency situations, such as a large-scale disaster or an outbreak of an infectious disease. This effort is intended to expedite the continuation or early recovery of business when such emergencies occur. By regularly reviewing BCPs and holding training sessions, Sharp works to maintain and improve the business continuity capacity of the organization.

For fiscal 2016, each business site and group company did a self-check on whether they have been continuously reviewing and revising their BCPs in response to organizational changes and changes in the business description. They also enhanced awareness for such ongoing reviews to be prepared for emergency situations.

Management: Compliance

Compliance

* Self evaluation: ★★★ Achieved more than targeted / ★★ Achieved as targeted / ★ Achieved to some extent

Fiscal 2016 Objectives	Fiscal 2016 Achievements	Self evaluation*
<ul style="list-style-type: none"> ■ Conduct compliance training 	<ul style="list-style-type: none"> ■ Held training (e-learning) on antitrust laws, bribery, and personal information protection for all employees ■ Held training (e-learning) on antitrust laws, the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, the Act against Unjustifiable Premiums and Misleading Representations, and practical contract signing for newly appointed managers 	★★
<p>Priority Objectives for Fiscal 2017</p>	<ul style="list-style-type: none"> ■ Strengthen compliance-promotion system ■ Hold compliance training and audits, and put in place rules 	

System to Promote Compliance

Sharp defines compliance as “observing social codes of conduct and company regulations, including laws and corporate ethics.” Accordingly, Sharp is pursuing management practices that give priority to compliance.

The person most responsible for leading compliance at Sharp is the general manager of the Corporate Strategic Planning and Control Group. This person is in charge of formulating basic policies for compliance and making sure these policies are firmly established within the company. Meanwhile, the person responsible for leading compliance for the entire Sharp Group is the general manager of the President’s Office. This person is in charge of devising concrete measures for compliance and thoroughly implementing them. As well as affirming the implementation status of compliance measures, he or she draws up corrective measures where necessary and makes sure they are thoroughly executed. Under these two general managers, the general managers of the business units are responsible for compliance within their respective organizations. The business unit general managers are also responsible for guiding and supervising compliance measures at subsidiaries and affiliated companies (hereinafter referred to as “affiliates”) under their business units. Promoting compliance at each affiliate is the responsibility of the affiliate president.

Among the laws and regulations that pertain to business execution, some are considered to be critically important and capable of affecting the entire Sharp Group. For each of these critical categories of laws and regulations, the company sets up a dedicated department to achieve compliance with these laws and regulations. Each dedicated department fully understands the content of the critically important law and studies the effects it could have on the business of the entire Sharp Group and on operations shared by different departments. It then reviews—as needed—business operations and processes, revises company regulations, formulates or revises routine operation standards, and communicates these changes to executives and employees.

In fiscal 2017, Sharp will continue to work to improve and strengthen its system for dealing with compliance.

Consultation Hotline for Compliance Issues

Sharp Corporation and its affiliated companies in Japan have set up a hotline to provide counseling services for problems in the workplace, such as compliance issues. The company has also set up an antitrust law hotline, which serves as a contact point specifically for issues related to antitrust laws. These hotlines are accessible inside the company and externally (via an outside law firm providing legal counsel) to enable employees and temporary staff—as well as employees of business partners*—to ask questions or request a consultation in line with the spirit of Japan’s Whistleblower Protection Act. Sharp also has a consultation service dedicated to addressing workplace harassment (which includes sexual harassment, pregnancy discrimination, and abuse of authority).

In fiscal 2016, the compliance hotline received about 60 reports and requests for consultation. As a result, a violation by an employee was revealed, and the person received disciplinary action after being deliberated by the disciplinary committee.

The Sharp Code of Conduct clearly stipulates that the privacy of individuals who report compliance violations or seek consultation will be strictly protected and that those persons will suffer no unfavorable treatment or penalties.

Similar reporting and consultation services have been set up at Sharp’s major overseas bases, and early actions are being taken to resolve problems.

* Only the compliance hotline is available for use by employees of business partners.

Management: Compliance, Intellectual Property Protection

Preventing Corruption in All Forms and Dealing Properly with Donations

The Sharp Group Charter of Corporate Behavior and the Sharp Code of Conduct contain provisions that strictly prohibit any form of corrupt behavior, such as extortion or direct or indirect bribes of money, goods, or services. The Group Charter and Code of Conduct also stipulate that donations must be handled in a proper manner.

In March 2015, Sharp instituted Rules for Prohibition of Bribery governing both executives and employees, with a view to preventing corrupt practices such as bribery. By setting up a clear system of checks, the company is working to prevent acts of bribery. In addition, the company produces guidebooks and training materials and also conducts training sessions.

In Japan, Sharp prevents illegal payoffs and improper expenditures through a system of compulsory reviews that check legality, reasonableness, and transparency. In place since December 2008, this system serves to assess the propriety of monetary disbursements such as donations and contributions made by Sharp Corporation and its affiliated companies.

In March 2014, Sharp further tightened the assessment criteria to ensure fairer reviews. In fiscal 2016, there were 19 cases of such reviews.

Intellectual Property Protection

Intellectual Property Strategy and Management System

Sharp regards its intellectual property strategy as one of its critically important management strategies, and it is promoting it together with its business strategy and R&D strategy. By aggressively obtaining patents, Sharp is boosting the superiority of its product and device businesses and strengthening its business foundation. The company's intellectual property department was spun off into ScienBiziP Japan Co., Ltd. (SBPJ) in 2016, with a view to making it a profit center of Sharp. Because SBPJ is well versed in Sharp's products, technologies, and businesses, it can offer a high level of specialized service and improved efficiency. SBPJ gives Sharp more driving force in its intellectual property management, generating strong patents and economic value from Sharp's state-of-the-art technologies.

Regarding patent applications, Sharp defines core technology areas with respect to each business and strategically files patent applications that are tightly coupled with its business development. Sharp is also acquiring useful patents invented in cooperation with other companies or derived from the activities of alliances, such as industry-university cooperation. In addition, Sharp is filing applications and registering rights for designs and trademarks globally under its brand strategy.

Protecting Intellectual Property

Sharp maximizes the use of its intellectual property by linking it to its business strategy and R&D strategy. It is also firmly committed to protecting its own intellectual property rights, while also respecting the intellectual property rights of others. While Sharp takes an amicable approach to resolving issues of infringement, it is the company's policy to seek the judgment of a third party, such as the courts, when its intellectual property rights are not respected.

Sharp is also working to bolster protection for trade secrets and to prevent unauthorized disclosure of production technologies and manufacturing know-how, particularly those that are unique or critically important to Sharp. Further, counterfeit Sharp-brand products have had a growing impact in overseas markets in recent years, and Sharp is taking measures to counter these imitations through cooperation with industry groups and with regulatory authorities taking enforcement actions.

Management: Information Security Strategies

Information Security Strategies

* Self evaluation: ★★★ Achieved more than targeted / ★★ Achieved as targeted / ★ Achieved to some extent

Fiscal 2016 Objectives	Fiscal 2016 Achievements	Self evaluation*
<ul style="list-style-type: none"> ■ Have departments that handle personal information maintain certification for ISO 27001, an international standard for information security management systems ■ Promote security measures to prevent information leakage from MFPS at overseas bases 	<ul style="list-style-type: none"> ■ Passed review for maintaining ISO 27001 certification ■ Conducted company-wide self-checks as in previous years to affirm the status of security measures, and surveyed the management systems 	★★
Priority Objectives for Fiscal 2017	<ul style="list-style-type: none"> ■ Be reviewed for maintaining ISO 27001 certification ■ Develop system to prevent sending e-mail to wrong destination; use it to reduce such occurrences 	

Strengthening Information Management Systems

A department promoting information management from a company-wide perspective was created under the President's Office. This department promotes various measures based on the Global Basic Policy on Information Security to appropriately manage and handle confidential and personal information. It also works for the streamlined and effective operation of information management as an office for ISO 27001 certification.

Information Security Measures

In Japan, online sessions on information security are provided annually to all employees. In fiscal 2016, employees learned about targeted e-mail attacks using actual incidents that occurred outside the company as case studies. This helped raise employees' awareness of and preparedness for such threats in their daily work. In addition, information security self-checks are conducted to affirm company-wide status of information security measures. For fiscal 2016, Sharp affirmed the actual status of information security at each base in an effort to boost and maintain security levels company-wide.

Sharp is also continuing with strengthening measures, such as a vulnerability assessment of publicly accessible websites. It is also addressing the issue of information leaks caused by targeted e-mail attacks as well as the accessing of illicit websites. The company is putting in place hacking countermeasures and using log analysis for early detection of fraudulent actions. These measures ensure a safe business environment for Sharp.

Management of Personal Information

In Japan, the revised Act on the Protection of Personal Information came into full force on May 30, 2017. The strict management of personal information is demanded now more than ever. In response, Sharp has strengthened its measures for preventing leakage of personal information by introducing new management rules in line with the amended law to all departments that handle personal information. In addition, Sharp holds e-learning sessions on personal information protection once a year for all employees in Japan. It also conducts self-checks and on-site audits of departments handling personal information to affirm their management status.

Management: Export and Import Control

Export and Import Control

Security Export Control

Missiles and nuclear threats, terrorist attacks in various regions by groups, and other such issues have made global security unpredictable. This has necessitated the implementation of even stricter export controls. Sharp was one of the first companies in Japan to consistently engage in export control. This dates back to the Cold War, when COCOM regulations were in effect.

In the past, it was obvious which cutting-edge technologies could be applied for military purposes. But today, with the advance of technology, there is an increasing number of cases of consumer-use technologies and products being diverted for use in a military or weaponry context. Manufacturers are required to pay the utmost attention when exporting products and components and transferring technologies.

In line with the Japanese Foreign Exchange and Foreign Trade Act (Foreign Exchange Act), each Sharp Group company, including domestic and overseas subsidiaries, has a system in place for secure export control based on the Sharp Code of Conduct and Sharp Compliance Program on Export Control. Through this system, Sharp strictly monitors goods and technologies that fall under local export control regulations, while rigorously screening the destination and the end use of Sharp products and technologies. In addition to observing the Foreign Exchange Act, Sharp also complies with the Export Administration Regulations of the United States on re-exporting US-origin products. These regulations are also applicable in countries outside of the US.

The key to Sharp's stringent export control is education. Sharp has various education programs that foster awareness of export control for all employees.

Sharp will maintain and further improve this policy and system for secure export control.

Trade Control

Exporting and importing require proper control in compliance with the Customs Act and the Customs Tariff Act of Japan. In particular, there is a strong need for appropriate logistics control regarding the safety of goods for export and import. This is to prevent illegal cross-border trade in weapons by international terrorist groups and to ensure border control of illegal drugs, a major social issue.

Regarding export, Sharp has been certified as an AEO (authorized economic operator) exporter*. It strives for appropriate export standards by strictly observing laws and regulations in the control of distribution, security, protocols, and other procedures in the export of goods. When it comes to export/import items other than AEO exports—for example, international courier/mail or hand luggage carried by business trip travelers and visitors—Sharp has in place a system to ensure compliance with relevant export/import laws and regulations. As well as strengthening its internal control organization, Sharp reviews and updates current internal operational rules, makes a database of export/import records, and conducts thorough training.

Sharp will continue to conduct appropriate export/import control.

* An exporter recognized by the Japan Customs as having a system for security control and compliance in place.