

Corporate Governance

Basic Concept

Sharp's business philosophy contains a statement of "Our future prosperity is directly linked to the prosperity of our customers, dealers and shareholders...indeed, the entire Sharp family." Under this philosophy, Sharp's basic concept concerning corporate governance is to maximize corporate value through swift and accurate management that preserves transparency, objectivity and soundness.

Based on this stance, Sharp appoints outside directors who have deep insight and various experiences in the fields of social and economic trends, management, and so forth. In doing so, we strive to strengthen the decision-making functions within the Board of Directors and the functions for supervising directors' execution of duties.

Sharp has changed to the company with audit & supervisory committee, effective from June

20, 2017, in order to strengthen the supervisory function, and improve the agility of the decision-making, further, regarding the Board of Directors.

With regard to the business execution, Sharp separates the supervisory and decision-making functions from the business execution functions through the introduction of Executive Officers System which enables prompt and efficient business execution in a consistent manner. Also, Sharp has organized the business structure by taking "decentralize management" to clarify the profit responsibility of each business unit, by which we have been strengthening the individual business and operations. And, Sharp has been well controlling those by President's Office and Corporate Strategic Planning and Control Group, which belong to the headquarters organization.

Status of Corporate Governance System

Sharp's corporate governance system comprises the Board of Directors, which supervises directors' execution of duties, and the Audit & Supervisory Committee, which audits the business executions of directors, together with Executive Officers System which separates the supervisory and decision-making functions from the business execution functions.

The Board of Directors Meetings of Sharp Corporation are held on a monthly basis in principle to make decisions on matters stipulated by law and management-related matters of importance, and to supervise the state of

business execution. Also, the Company has the Internal Control Committee, the Compensation Committee, and the Nominating Committee, as advisory bodies to the Board of Directors.

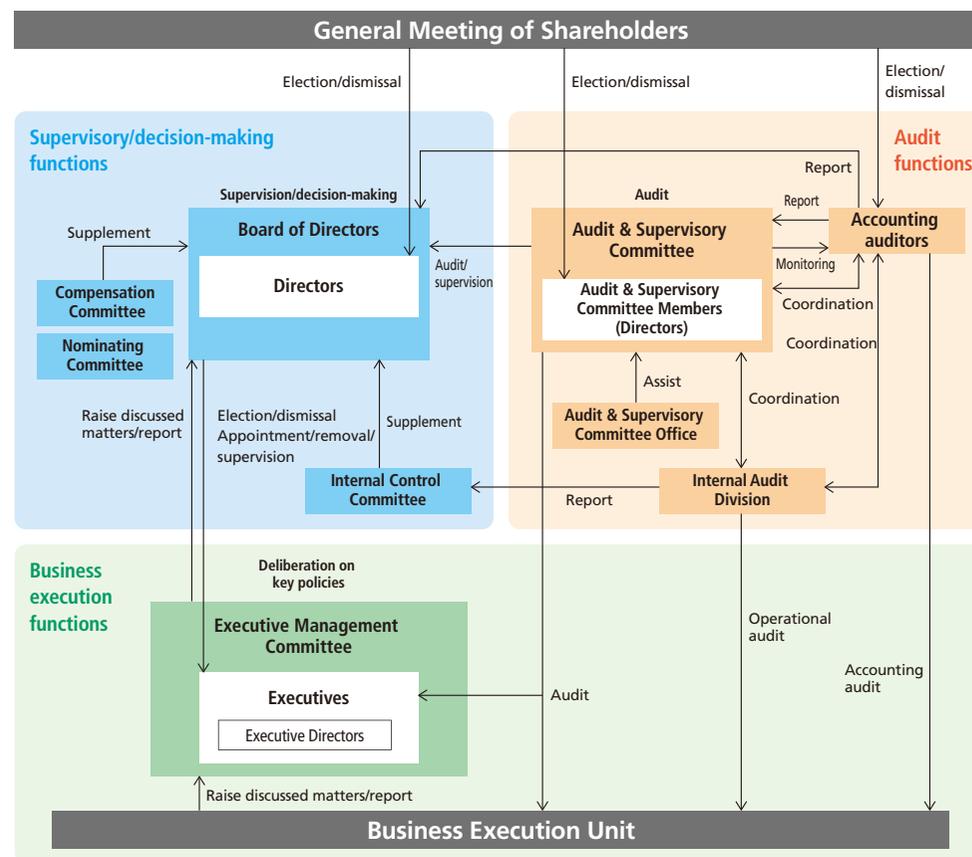
In addition to the Board of Directors, the Company has established the Executive Management Committee, whose members are executive officers, where matters of importance related to corporate management and business operation are discussed and reported in an appropriate and timely manner. This committee facilitates prompt executive decision-making.

The Audit & Supervisory Committee is

composed of three directors as the members of Audit & Supervisory Committee, and all of them are independent outside directors with high level's professional knowledge. The Audit & Supervisory Committee members meet regularly with the representative directors, the directors,

the accounting auditors, the head of the Internal Audit Division and others to exchange opinions and work to ensure that business is executed legally, appropriately and efficiently.

Corporate Governance System of Sharp Corporation (As of June 20, 2017)



Outside Directors

(As of June 20, 2017)

Name	Member of Audit & Supervisory Committee	Independent Director	Additional Comments on Suitability Aspects	Reasons for Selection
Mr. Hsu-Tung Lu	○	○	Mr. Lu worked as an employee at Hon Hai Precision Industry Co., Ltd., Sharp's parent company, till 2010. It is our judgment that Hon Hai Precision Industry Co., Ltd. qualifies as the parent company of Sharp based on facts Sharp recognizes in light of Japanese laws and accounting standards, and this is not the judgment based on laws and accountings standards applied outside of Japan.	Mr. Lu has worked for many years in accounting and he has worked as an internal auditor at Sakai Display Products Corporation. On this basis, we determined he is well suited to be an independent outside director at Sharp. Mr. Lu previously worked as Hon Hai Precision Industry Co., Ltd. as an employee but more than six years have passed since he exited that relationship. Mr. Lu is CFO of Foxconn Technology Co., Ltd., an affiliate of Hon Hai Precision Industry Co., Ltd. But Foxconn Technology Co., Ltd. is listed on the Taiwan Stock Exchange, and the transaction value between Foxconn Technology Co., Ltd. and Sharp is insignificant. Therefore, it is our judgment these past ties do not affect his independence as an outside director.
Mr. Nobuaki Kurumatani	○	○	Mr. Kurumatani was an executive officer at Sumitomo Mitsui Banking Corporation, a lender to Sharp, till April 2017.	Mr. Kurumatani has worked in management at Sumitomo Mitsui Banking Corporation for many years in departments such as corporate finance and audit. On this basis, we determined he is well suited to be an independent outside director at Sharp. Sharp has loans from Sumitomo Mitsui Banking Corporation. But it is not our main bank, and Mr. Kurumatani has already retired from his position at said bank. Therefore, it is our judgment these past ties do not affect his independence as an outside director.
Mr. Yasuo Himeiwa	○	○	Mr. Himeiwa belonged to KPMG AZSA LLC, which served as Sharp's external auditor till June 2016.	Mr. Himeiwa has worked as a certified public accountant for many years. Based on his wealth of experience and knowledge from his work experiences, we determined he is well suited to be an independent outside director at Sharp. Mr. Himeiwa worked at KPMG AZSA LLC, which served as our external auditor till June 2016, but he was not involved in work for Sharp over that span and he has retired from KPMG AZSA LLC. In addition, the auditing fees we paid to KPMG AZSA LLC equated to less than 1% of KPMG AZSA LLC's revenues, and KPMG AZSA LLC no longer works as external auditor. Therefore, it is our judgment these past ties do not affect his independence as an outside director.

Incentives

Introduction of Stock Option Plan

Sharp has introduced a stock option plan with the aim of improving the alignment between responsibility and incentives for persons in the categories listed below with our earnings performance. At the June 20, 2017 Ordinary General Meeting of Shareholders, approval was granted

for the issuance of a up to 60,000,000 shares in total upon the exercise of share options that can be allocated to persons in the following categories: directors, employees, directors of subsidiaries, and corporate auditors of subsidiaries, and employees of subsidiaries, etc.

Director Remuneration

Disclosure Status of Remuneration for Each Director, and Policy for Deciding Remuneration Amount or Calculation Methods

Sharp does not disclose the remuneration of individual directors. Remuneration paid to directors in fiscal 2016 totaled ¥202 million (21 directors; includes the 12 directors who retired during fiscal 2016), remuneration paid to Audit & Supervisory Board members totaled ¥64 million (five members; includes the one member who retired during fiscal 2016).

Regarding remuneration for directors (excluding directors on the Audit & Supervisory Committee), the Company proposed a cap on cash remuneration set at ¥300 million per fiscal year and a cap on share options set at 1,500 units (total cash value of up to ¥300 million) per fiscal year at the ordinary general meeting (OGM) held on June 20, 2017. Shareholders at the OGM approves the total sum of cash

remuneration awarded to directors (excluding directors on the Audit & Supervisory Committee) and delegate such matters to the Compensation Committee, an advisory body to the Board of Directors, to determine a total sum equal to or below the cap.

Regarding remuneration for directors who are also members of the Audit & Supervisory Committee, the Company proposed a cap on cash remuneration set at ¥60 million per fiscal year and a cap on share options set at 300 units (total cash value of up to ¥60 million) per fiscal year at the OGM held on June 20, 2017. Shareholders at the OGM approves the total sum of cash remuneration awarded to directors who are also members of the Audit & Supervisory Committee, with decisions on this matter to be finalized based on discussion at the Audit & Supervisory Committee.

Ongoing Development of the Internal Control System

In May 2006, the Board of Directors passed a resolution to adopt a basic policy related to the development of systems necessary to ensure the properness of business (Basic Policy for Internal Control), which was partially amended in June 2017. This amended policy forms the basis for Sharp's ongoing development and implementation of its internal control system. The Internal Control Committee, which is an advisory body to the Board of Directors, deliberates on basic policies regarding internal controls and internal audits, as well as the development and implementation status of various measures related to the internal control system, then make a decision about what to report on or discuss with the Board of Directors. The unit promoting internal controls on a company-wide basis oversees the internal controls of the business execution units. Meanwhile the Internal Audit Division makes concrete proposals on how to improve business operations and reinforces internal controls by checking the validity of business execution as well as the appropriateness

and efficiency of management.

To enhance compliance throughout the Group, Sharp introduced the Sharp Group Charter of Corporate Behavior, a set of principles to guide corporate behavior, and the Sharp Code of Conduct, which clarifies the conduct expected of all directors, executives and employees of Sharp. Sharp ensures that these guidelines are thoroughly observed by posting them on the Web and carrying out position-specific training programs. Based on the basic rules of compliance, Sharp is also developing a company-wide compliance promotion system. Meanwhile, Sharp is implementing thorough measures to prevent compliance breaches by informing a Sharp Group Compliance Guidebook on website to all employees and implementing training based on the guidebook.

In order to comprehensively and systematically deal with diverse business risk, Sharp formulated the Business Risk Management Guideline to achieve prevention of and swift responses to risk.