

# Corporate Governance

## Basic Concept Concerning Corporate Governance

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 international, multi-faceted and compliance perspectives on wide-ranging issues, such as the social and economic environment, and the future direction of Sharp. 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. We also have the Executive Officer System, thereby dividing the supervisory and decision-making functions from the business execution functions, and creating a structure that steadily facilitates nimble, efficient business execution. In October 2015, Sharp will introduce a company-system. With this in mind, from June 2015 we transitioned to a system of five business entities. By strengthening headquarters-based governance and establishing autonomy for each entity, our aim is to achieve management with discipline and speed.

With respect to audit & supervisory board members ("corporate auditors") and the Audit & Supervisory Board, Sharp appoints outside independent corporate auditors in order to reinforce the monitoring and checking functions on the management and otherwise strengthen the corporate governance system.

## Status of Corporate Governance System

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

By also appointing outside directors and setting up various committees to supplement the supervisory functions of the Board of Directors, Sharp believes that its corporate governance system is adequate in terms of transparency, objectivity and soundness.

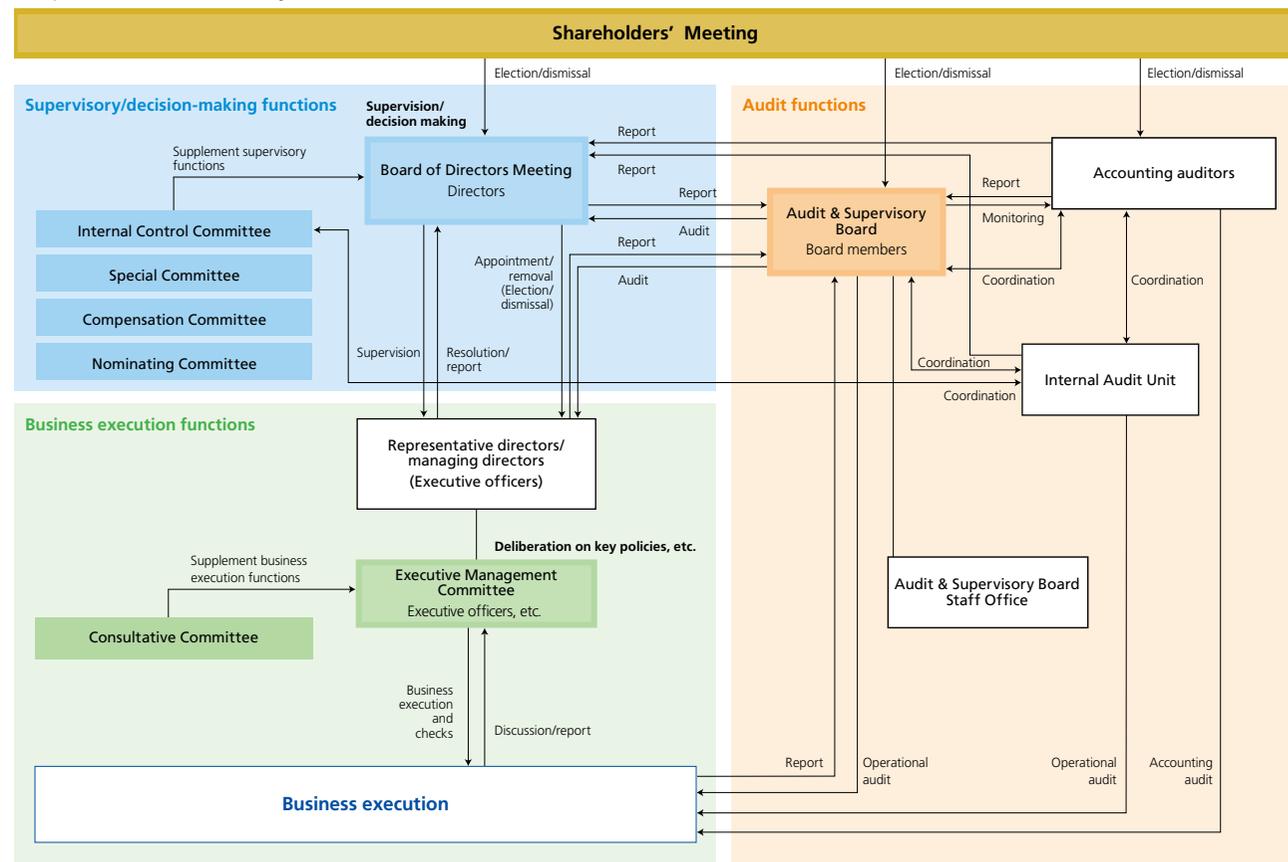
The Board of Directors Meetings of Sharp Corporation are held on a monthly basis in principle to make decisions on matters stipulated by law and management-related matters of importance, and to supervise

the state of business execution. To improve management agility and flexibility, and to clarify the responsibilities of the company management during each accounting period, the term of office for members of the Board of Directors is set at one year. As advisory bodies to the Board of Directors, the Company has the Internal Control Committee, the Special Committee, the Compensation Committee, and the Nominating Committee.

In addition to the Board of Directors, the Company has the Executive Management Committee, where matters of importance related to corporate management and business operation are discussed and reported once a month in principle. This committee facilitates prompt executive decision making.

The Audit & Supervisory Board is composed of five corporate auditors, three of whom are outside independent corporate auditors. Each corporate auditor

Corporate Governance System (As of June 25, 2015)



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meets regularly with the representative directors, the directors, the executive officers, the accounting auditors, the head of the Internal Audit Unit and others to exchange opinions and work to ensure that business is executed legally, appropriately and efficiently.

### 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 April 2015. 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 department promoting internal controls on a company-wide basis oversees the internal controls of the business execution departments. Meanwhile the Internal Audit Unit 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, corporate auditors, executive officers 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 distributing a Sharp Group Compliance Guidebook 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.

### Plan Regarding Large-Scale Purchases of Sharp Corporation Shares (Takeover Defense Plan)

Sharp believes that determining whether to accept large-scale share purchases aimed at a takeover should be ultimately entrusted to the shareholders. However, Sharp also believes that it is not appropriate for any party that conducts an inappropriate purchase, such as one that clearly harms the corporate value and common interests of shareholders and/or puts undue pressure on shareholders to sell shares, to take control over Sharp, and that it is necessary to take reasonable countermeasures against such purchases.

In order to prevent purchasing activity that could potentially cause significant harm to corporate value and common interests of shareholders—including in the medium and long terms—the Company has adopted the prior warning type of defense measures called the Plan Regarding Large-Scale Purchases of Sharp Corporation Shares (Takeover Defense Plan\*) ("the Plan").

The Plan provides rules for enabling shareholders to reach a proper decision, by requiring large-scale purchasers of the Company's shares who intend to obtain 20% or more of the voting rights of the Company to provide sufficient information and give an adequate assessment period.

If a large-scale purchaser does not follow the rules, or although the large-scale purchaser complies with these rules, the large-scale purchase is deemed to be harmful to corporate value and common interests of shareholders, the Board of Directors of Sharp will make a decision concerning the implementation of countermeasures after fully taking into consideration the advice and recommendations of the Special Committee consisting of three or more persons who remain independent of Sharp's management. In case the

Special Committee has placed a reserve that confirmation of the shareholders' intent with respect to a consideration of taking countermeasures shall be obtained, or in case the Board of Directors of Sharp considers it is necessary to take countermeasures, Sharp shall convene the Shareholders' Intent Confirmation Meeting to seek whether countermeasures shall be taken or not.

The effective term of the Plan is until the conclusion of the 123rd Ordinary General Meeting of Shareholders, which will be held by June 2017.

\* For more details of the Plan, please visit the website below:  
<http://sharp-world.com/corporate/ir/topics/pdf/150514-1.pdf>