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Basic Policy for Corporate Governance

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Chapter 1: Basic Concept on Corporate Governance

(Basic Concept)

Article 1 The Company'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, The Company's basic concept concerning corporate governance is to maximize corporate value through swift and accurate management that preserves transparency, objectivity and soundness.

Chapter 2: Basic Policy of Corporate Governance

(Basic Policy)

Article 2 The Company strives to continuously enhance and strengthen Corporate Governance, based on the basic concept of the preceding article:

1. The Company shall take appropriate measures to fully secure the rights of all shareholders, including minority shareholders and foreign shareholders.
2. The Company has established the following "Business Philosophy" and "Business Creed," and works in an appropriately cooperative manner with various stakeholders to promote sound business activities, and also by establishing "the Sharp Group Charter of Corporate Behavior," as the principle of corporate action for the Company Group, together with "the Sharp Code of Conduct," as a standard of action for all of the officers and employees.

Business Philosophy:

We do not seek merely to expand our business volume. Rather, we are dedicated to the use of our unique, innovative technology to contribute to the culture, benefits and welfare of people throughout the world.

It is the intention of our corporation to grow hand-in-hand with our employees, encouraging and aiding them to reach their full potential and improve their standard of living.

Our future prosperity is directly linked to the prosperity of our customers, dealers and shareholders... indeed, the entire Sharp family.

Business Creed:

Sharp Corporation is dedicated to two principal ideals:

"Sincerity and Creativity"

By committing ourselves to these ideals, we can derive genuine satisfaction from our work, while making a meaningful contribution to society.

Sincerity is a virtue fundamental to humanity... always be sincere.

Harmony brings strength... trust each other and work together.

Politeness is a merit... always be courteous and respectful.

Creativity promotes progress... remain constantly aware of the need to innovate and improve.

Courage is the basis of a rewarding life... accept every challenge with a positive attitude.

3. In addition to making information disclosure in compliance with relevant laws and regulations, the Company pro-actively shall provide useful and easy-to-understand information, including non-financial items, to the stakeholders, including shareholders, in order to enhance transparency and fairness in decision-making and ensure effective corporate governance.
 4. The Company shall seek enhancement of earnings power and capital efficiency, sustainable corporate growth, and increase of corporate value over the mid-to long-term, by relying on a management strategy and management plan made by the Board of Directors, swift and efficient execution by executive directors, and supervision over execution of business from an independent and objective viewpoint by the Board of Directors.
 5. The Company shall pro-actively promote constructive dialogue with stakeholders, including shareholders, not only at the General Meeting of Shareholders but also at various occasions, in order to contribute to sustainable growth and increase of corporate value over the mid- to long-term.
- (2) Based on the respective principles of the Corporate Governance Code, defined by Tokyo Stock Exchange, Inc. (hereinafter referred to as “Tokyo Stock Exchange”), together with the preceding articles and paragraphs, the Company defines our policy in the following articles.

Chapter 3: Securing the Rights and Equal Treatment of Shareholders

(Securing the Rights of Shareholders)

Article 3 The Company shall take appropriate measures to fully secure the rights of the shareholders, including voting rights at the General Meeting of Shareholders.

(Exercise of Shareholder Rights at General Meeting of Shareholders)

Article 4 The Company shall take appropriate measures to ensure the rights of shareholders at the General Meeting of Shareholders by emphasizing the dialogue with them, and providing them with appropriate information, together with a friendly environment in which to exercise their voting rights.

(Capital Policy)

Article 5 The Company makes best efforts to enhance capital, by realizing the Medium-term Management Plan, enhancing the earnings of each business category, and ensuring the net income.

- (2) The Board of Directors shall deliberate on the necessity and rationale for a capital policy that will cause change and significant dilution of the controlling interest. Also, the Company shall provide sufficient explanation to shareholders and investors by disclosing appropriate information.

(Cross-Shareholdings)

Article 6 The Company may politically hold shares of listed companies, in case the holding of the shares is deemed to contribute to the improvement of the mid- to long-term corporate value of the Company Group when the management strategy, business alliances, maintaining and strengthening the business relationships with business partners and others are comprehensively considered. The Board of Directors shall examine the mid-to long-term economic rationale and future outlook of major cross-shareholdings on an annual basis, taking into consideration of all returns and risks, and so forth.

- (2) The Company shall exercise its voting rights on cross-shareholdings based on what is appropriate for improving the mid- to long- term corporate value of both the Company and the share issuing company.

(Related Party Transactions)

Article 7 Conflict-of-interest transactions, including direct transactions stipulated in the Companies Act, shall be subject to presentation and explanation of the transactions to the Board of Directors and its approval. Directors who are engaged in those transactions shall be requested to report the status to the Board of Directors.

- (2) The Company shall provide the “Special Committee”, which examine the necessity, rationality and validity of transactions between such related parties as determined by the Board of Directors prior to making such decisions.

- (3) In addition to the preceding paragraph, the Company shall monitor transactions between such related parties every year, and establish appropriate procedures to disclose them in accordance with laws and regulations.

Chapter 4: Appropriate Cooperation with Stakeholders Other Than Shareholders

(Code of Conduct)

Article 8 The Company shall implement “the Sharp Group Charter of Corporate Behavior” and “the Sharp Code of Conduct,” stipulated in the Article 2 – 1 & 2, by disseminating them to the Company Group’s officers and employees.

“The Sharp Group Charter of Corporate Behavior” and “the Sharp Code of Conduct” shall be regularly reviewed to determine whether they are being well implemented or not, from the perspective of the Company’s Social Responsibility.

※ “The Sharp Group Charter of Corporate Behavior” and “the Sharp Code of Conduct”:

<http://www.sharp-world.com/corporate/info/charter/index.html>

(Sustainability)

Article 9 The Company shall establish the Committee to deliberate, make decisions, and realize in the Company Group, the priority measures of sustainability-related matters, including social/environment issues and so forth.

(Ensuring Diversity)

Article 10 The Company shall make efforts to further human diversity by promoting the active participation of women and employment of people with disabilities, re-employing of elderly people, and promoting foreign employees (in domestic work), based on the statement, “It is the intention of our corporation to grow hand-in-hand with our employees, encouraging and aiding them to reach their full potential and improve their standard of living” prescribed in the “Business Philosophy.”

(Whistleblowing)

Article 11 The Company shall define and establish an appropriate framework for whistleblowing in “the Sharp Code of Conduct” and the “Basic Policy for Internal Control.” Based on them, internal rules for proper implementation shall be established to secure the confidentiality of the information provider and prohibition of any disadvantageous treatment, and shall be operated properly by disseminating to all of the officers and employees.

- (2) The operation of the whistleblowing system shall be monitored by the “Internal Control Committee” chaired by the Chairman of the Board of Directors, as an advisory body to the Board of Directors. In case important matters are included, the chair of the “Internal Control Committee” shall make reports to the Board of Directors.

(Providing Function as Corporate Pension Fund Asset Owner)

Article 12 The Sharp Corporate Pension Fund formulates asset composition ratios policy in consideration of risk and manages assets in an appropriately diversified manner for the purpose of securing stable investment returns over the long term and preparing for pension and other benefits.

- (2) In order to enhance the expertise in pension asset management and the to enable the Corporate Pension Fund to function as an asset owner, the Corporate Pension Fund assigns personnel with appropriate ability to be in charge of investment management, and also employs pension asset management consultants as experts.
- (3) The Board of Directors and the Board of Representatives function as decision-making bodies, and the Pension Asset Management Committee, which serves as a deliberation and review body for basic matters related to asset management, has in-house experts in finance and accounting as members.

Chapter 5: Ensuring Appropriate Information Disclosure and Transparency

(Information Disclosure)

Article 13 The Company shall disclose information properly, in accordance with the requirements of the Companies Act, Financial Instruments and Exchange Act and other applicable laws and regulations, together with the rules of Tokyo Stock Exchange. The Company shall as well pro-actively provide information including, non-financial items, through our various reports and website.

(External Auditors)

Article 14 The Company shall recognize the responsibility of the accounting auditors, and in order to secure the proper execution of audits, the accounting department shall take appropriate action and the Company shall ensure adequate coordination between the accounting auditors and the Audit & Supervisory Committee, accounting and its relevant departments, and secure an adequate time schedule and audit systems.

Chapter 6: Responsibilities of the Board of Directors

(Roles and Responsibilities of the Board of Directors)

Article 15 The “Business Philosophy” and the “Business Creed,” listed in Article 2-1-2, shall be the basis of decisions on the execution of business, including determination of the management strategy, annual and mid-term management plan, and others.

- (2) The Board of Directors shall thoroughly and multi-laterally examine and determine the execution of important businesses in an independent and objective manner based on the evaluation of risks and countermeasures and other matters to be conducted by the “Executive Management Committee,” as the deliberative body of executives.
- (3) The Board of Directors shall properly develop an internal control and risk management system based on the study made by the “Internal Control Committee,” as the advisory body.

(Roles and Responsibilities of members of Audit & Supervisory Committee and the Audit & Supervisory Committee)

Article 16 Members of Audit & Supervisory Committee and the Audit & Supervisory Committee shall aim to establish sound and sustainable growth and a satisfactory corporate governance system, and independently and objectively audit the performance of directors’ duties, by bearing their fiduciary responsibility to shareholders and by fulfilling their responsibility to society.

- (2) Members of Audit & Supervisory Committee shall attend the Board of Directors Meetings and be qualified to attend the “Executive Management Committee” and other important meetings, and pro-actively provide advice and recommendations to, and take other necessary measures for the directors and employees, by verifying the detailed reports submitted from directors, employees, accounting auditors or other personnel and investigating the Company’s business, and so forth.

(Fiduciary Responsibilities of Directors and Corporate Auditors)

Article 17 Directors shall be aware that the Company shall, based on its fiduciary responsibility toward the shareholders, be responsible for improving the corporate value of the Company. The Company shall properly fulfill its accountability toward shareholders as well as stakeholders.

(Business Execution and Oversight of the Management)

Article 18 In order to ensure transparency and objectivity in the decision-making process at the Board of Directors, the Company shall appoint persons of deep insight and various experiences in the fields of social and economic trends, management, and so forth as its independent outside directors (hereinafter referred to as “independent outside director”) in accordance with the “Standards for Independence of Outside Directors.”

※ “Standards for Independence of Outside Directors”:

<https://global.sharp/corporate/ir/governance/policy/>

(Roles and Responsibilities of Independent Outside Directors)

Article 19 The Company shall recognize the important roles and responsibilities expected of an independent outside director, and appoint a plural number of independent outside directors.

- (2) As stipulated in Article 8 and the following Article, the Company shall provide the “Special Committee”, the “Nominating Committee” and the “Compensation Committee” which are chaired by independent outside directors and having a majority of independent outside directors. By enacting this, the Company shall ensure the effective use of independent outside directors, and move to strengthen the supervisory function of the decision-making at the Board of Directors, as well as the execution of directors’ duties.

(Use of Optional Approach)

Article 20 The Company shall provide the “Nominating Committee” and the “Compensation Committee,” which are optional ones chaired by independent outside directors and having a majority of independent outside directors. This is to ensure transparency and objectivity regarding recommendation of candidates for directors, and determination of compensation for them.

(Effectiveness of the Board of Directors and the Audit & Supervisory Committee)

Article 21 The Board of Directors is to be composed of executive directors and so forth who are familiar with the Company’s business, together with outside directors who have deep insight and various experiences in the fields of social and economic trends, management, and so forth. The number of directors shall be a maximum of 20.

- (2) The Company shall carry out measures to contribute to the company’s improvement to make the Board of Directors effective.
- (3) The Company shall appoint a plural number of independent outside corporate members of the Audit & Supervisory Committee to make the Audit & Supervisory Committee effective. At least one member shall have the appropriate expertise in finance and accounting.

(Active Board of Directors Deliberations)

Article 22 Based on their respective experiences, each director , including the outside director, shall be free to express his/her opinions and questions for the reporting, and make efforts to hold constructive discussion and exchange of opinions. Each of them shall actively consider measures contributing to the activation of the deliberation.

(Information Gathering and Support Structure)

Article 23 In order to fulfill their roles and responsibilities, directors shall pro-actively collect information, and as necessary, request the Company to provide them with additional information.

- (2) Through participation at the “Executive Management Committee” and other important meetings, executive directors shall obtain information about important matters related to their business execution, and shall check management problems, measures, and so forth.
- (3) The Company shall develop a system that can respond to their request for the collection of the necessary information and so forth in a timely manner, and also provide the department in charge of the Board of Directors, and support it.
- (4) The Company shall provide a department that is composed of employees on a full-time basis to assist corporate members of the Audit & Supervisory Committee for their collection of necessary information, and so forth.

(Directors Training)

Article 24 The Company shall provide and arrange training opportunities suitable to each director and corporate auditor to ensure fulfillment of their expected role and responsibility as necessary and to acquire necessary knowledge, along with financial support for expenses.

- (2) For the outside directors, the Company shall provide lectures on the business fields, its management status, organizations and so forth at the time of inauguration. After they assume their posts, the Company shall provide ongoing learning opportunities, including tours of the offices and factories on an as needed basis.

Chapter 7: Dialogue with Shareholders

(Constructive Dialogue with Shareholders)

Article 25 The Company shall develop systems to promote constructive dialogue with stakeholders, including shareholders.

(Establishing and Disclosing Business Strategy and Business Plan)

Article 26 The Company shall conduct a briefing on the management policy, and publicize the information on the Company's website.

- (2) For the publication of the management plans, the Company defines the target, by deeply taking into consideration the economic conditions, the Company's performance and other factors, and makes a detailed explanation about the measures for its achievement.

※ "Management Strategy Information Meeting":

<https://global.sharp/corporate/ir/policy/message/>