

March 30, 2016

[Translation]

Company Name: Sharp Corporation  
Representative: Kozo Takahashi  
President & Chief Executive Officer  
(Code No. 6753)

**(Update of and Partial Amendment to the Previous Disclosure) Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders**

Sharp Corporation (“Sharp”) announced on February 25 that Sharp had adopted a resolution for an item below, at its meeting of the Board of Directors held on February 25, 2016 (the “Board Meeting on February 25, 2016”), as follows:

Sharp shall issue new shares (common shares and Class C Shares) through third-party allotment (the “Capital Increase Through Third-Party Allotment), in which the allottees are Hon Hai Precision Industry Co., Ltd. (“Hon Hai Precision Industry”), Foxconn (Far East) Limited, a wholly-owned subsidiary of Hon Hai Precision Industry (“Foxconn FE”), Foxconn Technology Pte. Ltd. (“Foxconn Technology”), and SIO International Holdings Limited (“SIO”; together with Hon Hai Precision Industry, Foxconn FE, and Foxconn Technology, collectively the “Planned Allottees”).

However, Sharp has adopted a resolution amending the content of the Board Meeting on February 25, 2016, at its meeting of the Board of Directors held today (the “Board Meeting on March 30, 2016”), under which Sharp will allot the Planned Allottees Sharp’s shares of approximately 388.8 billion yen in total, namely, common shares of approximately 288.8 billion yen and Class C Shares of approximately 100 billion yen, as described below. Furthermore, following thereto, regarding the use of funds to be acquired by the Capital Increase Through Third-Party Allotment, Sharp has reduced the investment amount, shortened the investment period, and the like. We hereby announce these changes as an update of the previous disclosure.

Sharp has already received from the Planned Allottees a notice that a resolution necessary for an agreement regarding the above has been completed, and will sign a share subscription agreement with the Planned Allottees regarding the above on April 2, 2016.

I. Background of the amendment resolution

Sharp has adopted a resolution regarding the Capital Increase Through Third-Party Allotment whose Allottee is the Planned Allottees, at the Board Meeting on February 25, 2016; however, immediately before the resolution at such meeting of the Board of Directors, it was requested by the Planned Allottees that further confirmation is necessary regarding the evaluation of Sharp’s corporate value. In accordance with this request, Sharp has had many discussions with the Planned Allottees for a month to conclude the definitive agreement early, such by holding discussions on the business conditions, including the evaluation of Sharp’s potential risks and by verifying the

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synergistic effect of the alliance between Sharp and the Planned Allottees.

On the other hand, Sharp has undergone many examinations on the future outlook of the earnings for the fourth quarter of the fiscal year ending March 2016 and of the earnings for the full fiscal year. The business environment surrounding Sharp is increasingly challenging, and as announced in the press release “Notice regarding the revision of the consolidated financial results forecast for the fiscal year ending March 2016” separately disclosed as of March 30 today, regarding the consolidated financial results forecast for the fiscal year ending March 2016, the sales and operating income have been further revised downward, taking into account the following factors.

1) Deterioration of earnings of the display devices business

Depressed sales and price falls of LCD panels, reporting of write-down of stock as a consequence thereof, occurrence of operating losses due to a fall in the plant operation rate, and write-down of inventory assets due to the pileup of stock as a consequence thereof.

2) Deterioration in the Chinese market

Fall in sales of LCD TVs, white goods, and digital multi-functional printers in the Chinese market, which became evident from and including the fourth quarter, and expected increase of sales promotion cost of LCD TVs for the reduction of LCD TVs’ distribution inventory.

3) Deterioration in the domestic market

The domestic market has been depressed sales of white goods, and falling sale price and sales of household- and industrial-use products within the solar cell business following market deterioration.

As a result of discussing these business realities with the Planned Allottees, a proposal (the “New Contribution Proposal”) was presented by the Planned Allottees for a subscription of Sharp’s shares of 388.8 billion yen in total, namely, common shares of 288.8 billion yen and Class C Shares of 100 billion yen, as it was necessary to reconsider the contribution terms.

As a result of careful discussions by our Board of Directors over the New Contribution Proposal from the Planned Allottees, considering the situation of our discussion with the Planned Allottees and our business condition, we have decided to accept the New Contribution Proposal.

This is because we believe that the New Contribution Proposal is still the most appropriate for all our stakeholders at present, for reasons such as those described in (i) through (iii) of II. “2. Purpose of and reason for the offering” below, as follows:

- (i) contribution to the improvement of Sharp’s financial standing, including expected improvement in its equity ratio;
- (ii) synergical effect in terms of business, including expected further enhancement of the competitiveness of Sharp’s business through the collaboration in the LCD business and expected further improvement in Sharp’s productivity and cost competitiveness in other business activities;
- (iii) the New Contribution Proposal still maintains a sufficient understanding of the value of Sharp’s brand, existing employees, and comprehensive product lines, and of the merits of preserving the ecosystem surrounding Sharp’s business and keeps its commitments to, among others, maintaining and respecting the independence of Sharp’s management and operation, and maintaining the unified operation of Sharp’s and its subsidiaries’ business activities after the implementation of the Capital Increase Through Third-Party Allotment; and the total contribution amount and contractual coverage of the New Contribution Proposal

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will contribute to the benefit of all stakeholders, including employees, shareholders, and clients.

Therefore, we have resolved to accept the New Contribution Proposal and partially revise the contents of the resolution of the Board Meeting on February 25, 2016.

The issuance of new shares by third-party allotments and the change of the parent company, the largest shareholder who is a major shareholder, and the major shareholders after the revision of the resolution are as follows. We have underlined the portions changed from “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016. Regarding the use of funds to be acquired by the Capital Increase Through Third-Party Allotment, Sharp will reduce the investment amount, shorten the investment period, and the like from those resolved on February 25; however, there will be no amendments to Sharp’s investment plan itself.

## II. Issuance of new shares by third-party allotment

### 1. Overview of offering

#### (1) Common shares

(i) Payment period	From June 28, 2016 (Tue.) to <u>October 5, 2016 (Wed.)</u>
(ii) Number of new shares to be issued	3,281,950,697 shares
(iii) Issued price	<u>88</u> yen per share
(iv) Amount of procurement fund	<u>288,811,661,336</u> yen
(v) Offering or allotment method (planned allottees)	Allotted by means of third-party allotment: To Hon Hai Precision Industry 1,300,000,000 shares To Foxconn FE 915,550,697 shares To Foxconn Technology 646,400,000 shares To SIO 420,000,000 shares
(vi) Other	The payments are subject to the effectiveness of the securities registration statement pursuant to the Financial Instruments and Exchange Act, acquisition of permits, licenses, or the like from relevant authorities of the relevant countries, including permission of notification or the like regarding business combination from competition authorities of the relevant countries, required in order to execute the Capital Increase Through Third-Party Allotment, and an approval (special resolution) of the item on the agenda regarding the issuance of common shares of Sharp at the 122nd ordinary general meeting of shareholders of Sharp to be held on June 23, 2016 (Thu.) (the “Ordinary General Meeting of Shareholders”) and the general meeting of class shareholders by holders of the common shares, the general meeting of class shareholders by holders of the Class A Shares, and the general meeting of class shareholders by holders of the Class B Shares (the “General Meeting of Class Shareholders”) to be also held on June 23, 2016 (Thu.).

(Note) In order to increase the certainty of the execution of the Capital Increase Through Third-Party Allotment, the Planned Allottees plan to agree in the share subscription agreement to conclude that the Planned Allottees shall provide a deposit of 100 billion yen, and if the Planned Allottees fail to perform their

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obligation to pay the subscription amount, or in other similar cases, Sharp may confiscate the deposit as liquidated damages. However, if the deposit is not confiscated as liquidated damages, then the deposit may be appropriated to the capital increase payment for the Capital Increase Through Third-Party Allotment.

(2) Class C Shares

(i) Payment period	From June 28, 2016 (Tue.) to <u>October 5, 2016 (Wed.)</u>
(ii) Number of new shares to be issued	<u>11,363,636</u> shares
(iii) Issued price	<u>8,800</u> yen per share
(iv) Amount of procurement fund	<u>99,999,996,800</u> yen
(v) Offering or allotment method (planned allottees)	Allotted by means of third-party allotment: To Hon Hai Precision Industry <u>11,363,636</u> shares
(vi) Other	<p>For more information, please refer to the Appendix “Terms and conditions of Class C Share issuance.”</p> <p>It is prescribed that the payment priority of dividends from surplus and distribution of residual assets for Class C Shares is the same as that for the common shares, and that the amounts of payment of the dividends and distribution are the amounts multiplied by prescribed acquisition ratios. Class C Shares have no voting right. Assignments of Class C Shares are restricted.</p> <p>Class C Shares are subject to call in consideration for common shares.</p> <p>The payments are subject to the effectiveness of the securities registration statement pursuant to the Financial Instruments and Exchange Act, acquisition of permits, licenses, or the like from relevant authorities of the relevant countries, including notifications, permits, or the like regarding business combination from competition authorities of the relevant countries, required in order to execute the Capital Increase Through Third-Party Allotment, and an approval (special resolution) of the items on the agenda regarding the issuance of Class C Shares and the revision of the articles of incorporation to be required due to the issuance of the Class C Shares at the Ordinary General Meeting of Shareholders and the General Meetings of Class Shareholders. The revision will be disclosed after the proposed revision is fixed.</p>

(Note) In order to increase the certainty of the execution of the Capital Increase Through Third-Party Allotment, the Planned Allottees plan to agree in the share subscription agreement to conclude that the Planned Allottees shall provide a deposit of 100 billion yen, and if the Planned Allottees fail to perform their obligation to pay the subscription amount, or in other similar cases, Sharp may confiscate the deposit as liquidated damages. However, if the deposit is not confiscated as liquidated damages, then the deposit may be appropriated to the capital increase payment for the Capital Increase Through Third-Party Allotment.

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## 2. Purpose of and reason for the offering

In May 2013, Sharp set and announced its “Medium-Term Management Plan for Fiscal 2013 through 2015” in order to improve a weakened management structure, and to realize “Recovery and Growth.” In this plan, we set three basic strategies as the core: (1) Shift management resources to “advantageous markets and fields,” (2) Exit closed innovation, and aggressively utilize alliances, and (3) Enforce executions by innovating governance systems. In addition, we also set and carried out, by the entire company, five main plans to achieve “Recovery and Growth”: (1) Restructuring of the current business portfolio, (2) Improving the profitability of the LCD business, (3) Expanding overseas businesses focusing on the ASEAN market, (4) Reducing fixed costs by introducing all-Sharp cost restructuring innovations, and (5) Improving financial position. With these efforts, we returned to profit in the year ended March 2014, clearing the target set for the sales and operating income.

However, Sharp recorded large deficits for the year ended March 2015, due to a lack of measures, such as rapid business changes, against the intensified competition in the LCD TV business in America, and the deterioration in the business environment for the energy solution business, including stagnant demand for solar power, as well as a lack of foresight in responding to market changes, including the fact that the shift to high-definition products did not take off, inadequacy in dealing with price declines, and inadequacy in marketing for the small- and medium-size LCD market, as well as recording of the allowance for the price difference in long term contracts for polysilicon materials used in solar panels, whose prices are higher than the market price, and incorporating the difference from the market price of small- and medium-size LCDs as a write-down of the inventories to improve earnings structure.

Accordingly, Sharp announced the “Medium-Term Management Plan for Fiscal 2015 through 2017” on May 14, 2015, and expressed three key strategies, “Restructuring Business Portfolio,” “Executing Reduction of Fixed Cost,” and “Reorganizing Corporate System and Strengthening Corporate Governance” in order to construct a stable business foundation unshakeable by environmental changes in the future, and it steadily implemented them. However, regarding the consolidated results of the display device business for the year ending March, 2016, that was the first fiscal year of such medium-term management plan, the performance forecast for the net sales and operating income for the fiscal year was revised down on October 26, 2015 due to reasons, such as a decrease in the sales of liquid crystals for smartphones for the Chinese market, and the effect of decreased unit price as a result of intensified price competitions, far lower than those anticipated at the beginning of the year. Further, in the results for the third quarter of the fiscal year ending March, 2016, the accumulated amount of losses for the period from the first quarter to the third quarter in the quarter net profits that belong to the parent company shareholders of 108.3 billion yen was recorded. Consequently, as of the end of the third quarter of the fiscal year ending March 2016, the equity ratio, which shows financial soundness, declined to 8.6% from 12.3%, that is the equity ratio as of the end of June, 2015. In order to improve our equity ratio and restore our financial condition, not the bond issuance nor the fund borrowing, which means owing liabilities, but rather procuring funds of a capital nature by issuing shares or the like, is indispensable. In order to procure funds of a capital nature certainly and promptly, fund procurement not by the issuance of share options or the like, which would take some time until the exercise thereof, but by a new share issuance, and not by capital increase through public offering nor allotment to shareholders, in which uncertainties remain, but by third-party allotment, is appropriate. Accordingly, in addition to the consideration of structural reform, including spin-off of the display device business, Sharp recognized the improvement of the company-wide financial standing as its urgent business challenge, and it proceeded with consideration in order to realize structural reform, including alliances, toward its management reconstruction.

In that situation, since the last autumn, Sharp had discussions with several companies toward its management reconstruction. Of the companies, Sharp decided that proposals from Innovation Network Corporation of Japan (“INCJ”) and those from a Taiwanese company, Hon Hai Precision Industry, one of the world’s largest companies providing electronic device contracted manufacturing services, can be considered as contributive to the resolution of the management issues stated above. Thus, Sharp has discussed with the only two selected companies since the

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beginning of this year.

Sharp received a proposal from INCJ to the effect that, after the company split of our display business, they would inject capital of 300 billion yen into Sharp, and would integrate the display business into Japan Display Inc. On the other hand, from Hon Hai Precision Industry, Sharp received a proposal that they would invest in and provide funds to Sharp's business, which includes the display business, for the business expansion, and that their group companies would like to subscribe for Sharp's common shares for the purposes, such as to provide funds to contribute to strengthen Sharp's financial foundation.

Sharp sincerely considered both of the proposals, from the viewpoint of (i) whether they sufficiently grasped Sharp's "advantages," including the variety of product lines based on our "gene of creativity," which means creating new products that do not exist in the world, and the wide range of our technologies, and (ii) whether the necessary and sufficient financial and capital support and business alliance effect can be obtained, in order to realize Sharp's business policy, that is, to provide new products and services which realize the "new connections between people and house appliances" in developing fields, such as robotics and the Internet of Things (the "IoT") by integrating these technologies. Further, Sharp carefully conducted consideration so that Sharp could make the best decision for Sharp, as well as Sharp's stakeholders, by comprehensively evaluating both proposals, considering the viewpoints of what kind of effect the two proposals would have on Sharp's shareholders, employees, financial institutions, and clients if the proposals were implemented, and whether both proposals could be considered to contribute to the benefit of our various type of stakeholders.

As a result of our consideration from the viewpoints stated above, we decided at the Board Meeting on March 30, 2016, that it would be best for all of Sharp's stakeholders to perform the Capital Increase Through Third-Party Allotment to the Planned Allottees, for the following reasons:

- (i) The total amount of contribution by the Planned Allottees will be 388.8 billion yen. We decided that, as stated in "3.(2) Intended use of funds procured" below, the contribution will strengthen the competitiveness of our display device business, and will enable us to provide sufficient funding and capital that can cover the necessary investments for our growth, so that Sharp's business activities can develop integrally, and will also significantly contribute to the improvement of Sharp's financial standings, including increasing its working capital;
- (ii) We considered that the Planned Allottees have a mutually-complementary relationship with Sharp in the LCD business. The competitiveness of Sharp's business is expected to be stronger through the collaboration in that business. Further, also in other business activities, the productivity and cost competitiveness of Sharp are expected to be improved by utilizing their manufacturing technique as the world's top-class EMS. In this way, the synergy effect in terms of the business is considered to be large;
- (iii) The Planned Allottees presented their sufficient understanding of the value of Sharp's brand, existing employees, and comprehensive product lines, and of the merits of preserving the ecosystem surrounding Sharp's business. Among other things, strong commitments, including the following, were obtained regarding the management of Sharp after the implementation of the Capital Increase Through Third-Party Allotment:
  - (i) Operational independence  
maintaining and respecting the independence of Sharp's and its subsidiaries' management and operation;
  - (ii) Maintenance of unity  
maintaining the unified operation of Sharp's and its subsidiaries' business activities;
  - (iii) Maintenance of employment  
committing themselves to the principle of retaining existing employees, and respecting Sharp's autonomous decisions regarding the optimization of the structure;

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(iv) Importance of Sharp brand

continuously using the “Sharp” brand in such a manner as maintains and improves the value of the “Sharp” brand based on their mutual understanding regarding the efforts to improve the brand value, including liabilities for customer services and supplied products; and

(v) Maintenance of Sharp technology

maintaining Sharp’s research and development and manufacturing functions in Japan, and mutually cooperating to prevent leakage of Sharp’s core technology.

(iv) Sharp already had had business deals with the Planned Allottees through the ODM of such products as liquid crystal TV, mobile phone, and smart phones, for a long time. In addition, Sharp and Hon Hai Precision Industry have jointly operated Sakai Display Products Corporation, a large-size liquid crystal panel manufacturer, since August, 2012. Sakai Display Products Corporation achieved a surplus for three successive years from the term ending December, 2013 by such means as realizing a stable supply of liquid crystal panels manufactured by Sakai Display Products Corporation to the company’s clients, which are liquid crystal TV-set manufacturers. In this way, a relationship of trust has been built between Sharp and Hon Hai Precision Industry as joint operation partners.

(v) In order to increase the certainty of the execution of the Capital Increase Through Third-Party Allotment, the Planned Allottees plan to agree in the share subscription agreement to conclude that the Planned Allottees shall provide a deposit of 100 billion yen, and if the Planned Allottees fail to perform their obligation to pay the subscription amount, or in other similar cases, Sharp may confiscate the deposit as liquidated damages.

Regarding (iii) above, the following obligations of the Planned Allottees are planned to be provided in the share subscription agreement to be concluded:

- to respect and maintain, to the fullest extent permissible under the applicable laws and regulations and stock exchange regulations, Sharp’s operational independence (including the handling of its brand, technologies, customers, suppliers, employees, and other matters relating to the operation of Sharp’s and its subsidiaries’ business) in accordance with the provisions of the share subscription agreement (the outlines thereof are listed below);
- for the above purpose, to continue the good faith discussion with Sharp with respect to the concrete governing structure, procedures, and policies employed by Sharp and its subsidiaries;
- during the two-year period following the conclusion of the share subscription agreement, not to transfer any of Sharp’s shares to any third party without prior written consent from Sharp (when transferring the Class C Shares to any subsidiary or affiliate of the Planned Allottee or the Planned Allottee’s or its affiliates’ employees, Sharp shall not unreasonably reject or withhold its approval on such transfer);
- not to additionally acquire Sharp’s shares, which may lead to the delisting of Sharp’s shares or to the movement of Sharp’s shares from the 1st section of the Tokyo Stock Exchange, and not to cause the Planned Allottees’ group companies and joint holders to additionally acquire Sharp’s shares;
- to maintain the unity of Sharp’s and its subsidiaries’ business (however, excluding the structural reform of Energy Solution business conforming to Sharp’s past practice; and/or restructuring or disposal of business unity conforming to Sharp shareholders’ best interest; Sharp will use its best efforts to improve the profitability of its Energy Solution business, including but not limited to seeking strategic partnerships or joint ventures with appropriate third parties);
- in the case where Sharp desires a business or capital alliance with third parties, to provide Sharp with

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necessary and adequate supports;

- except for the regular retirements and regular rotations and pay raises, to commit to the principle of retaining existing employees, and maintaining employment conditions of Sharp and its subsidiaries and to implement plans to retain existing employees by way of, including, giving Sharp's management team full autonomy to optimize Sharp's employment needs and organizational structure;
- to fully recognize the importance of the "Sharp" brand as a management resource, in order for Sharp to succeed in its future business, as well as Sharp's long-term efforts that have been made to maintain and enhance such brand (including the customer service and steady product assurance) and based on such recognition, to maintain and utilize the "Sharp" brand in the manner that maintains or further enhances the value of the "Sharp" brand; and
- to cooperate with Sharp in maintaining Sharp's high technology (including the functions of Sharp's R&D facilities and factories for production of high tech products in Japan) within Japan, and shall procure a method which effectively prevents the leakage of such technology to outside of Japan.

Sharp considers that the Capital Increase Through Third-Party Allotment would lead to the improvement of its financial condition, such that its equity ratio is expected to improve. This will enable Sharp to allot the funds to the growth investment, which had to be suppressed due to the present financial condition, and to prepare to surely implement the structural reform that is under consideration, and thus, a sure management foundation for achieving the performance goal for the last fiscal year of the Medium-Term Management Plan for Fiscal 2015 through 2017 will be developed. For more information regarding the usage of the funds, please refer to "3.(2) Intended use of funds procured" below.

Sharp plans to agree in the share subscription agreement to be concluded that, in the event where the share subscription agreement is terminated due to a cause attributable to Sharp, or the Capital Increase Through Third-Party Allotment is not implemented by October 5, 2016, not due to a cause attributable to the Planned Allottees, then, for three months after the occurrence of such event, (x) Sharp will grant to Hon Hai Precision Industry or its designated third party, an option right to purchase Sharp's whole display business at its fair market value by way of a demerger, business transfer, or otherwise, and (y) if Hon Hai Precision Industry or its designated third party exercises the option right, Sharp will cooperate with Hon Hai Precision Industry or such designated third party to implement the acquisition of the display business, including obtaining approval of the general meeting of shareholders and consent from any third party.

Of the Planned Allottees, Foxconn FE is a wholly-owned company of Hon Hai Precision Industry, Foxconn Technology is a wholly-owned company of Q-Run Holdings Limited in which Hon Hai Precision Industry indirectly holds 29.59% of the equity interests, and SIO is a company substantially controlled by Mr. Terry Gou, the Chairman of Hon Hai Precision Industry. However, Foxconn Technology and SIO are not subsidiaries or the like of Hon Hai Precision Industry, and Hon Hai Precision Industry does not fall under the definition of a Special Subscriber.

Regarding Sharp's directors, Sharp plans to agree, in the share subscription agreement planned to be concluded, in the case where the directors have been nominated by the Planned Allottees, in writing, by April 15, 2016, or the date separately agreed by the parties, to use its best efforts to obtain approval and a resolution of the general meeting of shareholders and of the general meetings of class shareholders necessary for electing, pursuant to said nomination by the Planned Allottees, 6 directors or less out of 9 directors, or directors of two-thirds or less of the total number of directors, so that such nomination becomes effective immediately after the Capital Increase Through Third-Party Allotment.

The number of shares to be allotted to the Planned Allottees by the Capital Increase Through Third-Party Allotment is 3,293,314,333 shares (breakdown: common shares: 3,281,950,697 shares; Class C Shares: 11,363,636 shares). The number of voting rights to be allotted to the Planned Allottees by the Capital Increase Through Third-

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Party Allotment is 3,281,950. The ratio, as against the total number of issued shares of Sharp as of September 30, 2015, that is 1,701,439,887 shares, will be 193.56% (the ratio against the total number of the voting rights, that is 1,685,204, will be 194.75%).

The Class C Shares contain a call option the consideration for which is common shares which may be exercised on or after July 1, 2017, and when such call option has been exercised, notwithstanding the stock price as of the time of acquisition, 1,136,363,600 common shares will be delivered, and their number of voting rights will be 1,136,363 voting rights. On the assumption that such call option was exercised as of now, the number of common shares calculated by adding up the number of common shares delivered by such call option and the number of common shares issued by the Capital Increase Through Third-Party Allotment will be 4,418,314,297 shares; the number of voting rights will be 4,418,314 voting rights; the ratio, as against the total number of Sharp's issued shares as of September 30, 2015, that is 1,701,439,887 shares, will be 259.68% (the ratio against the total number of voting rights, that is 1,685,204 voting rights, will be 262.18%); and by the Capital Increase Through Third-Party Allotment, a large dilution will occur.

In addition to the point that, for the improvement of our equity ratio and in order to restore our financial condition, not the bond issuance nor the fund borrowing, which means owing liabilities, but procuring funds of a capital nature by issuing shares or the like, is indispensable, and in order to procure funds of a capital nature certainly and promptly, fund procurement by means of new share issuance and not by means of the issuance of share options or the like, which would take some time until the exercise thereof, and by means of third-party allotment and not capital increase through public offering nor allotment to shareholders, in which uncertainties remain, is appropriate, also in view of the special characteristics of this matter, that is a management reconstruction accompanied by a business restructuring, we consider that a Capital Increase Through Third-Party Allotment is the very method that conforms to such special characteristics. We also believe that the Capital Increase Through Third-Party Allotment can contribute to the improvement of Sharp's future profitability, because, by allotting the funds procured through the Capital Increase Through Third-Party Allotment to the usages stated in "3.(2) Intended use of funds procured" below, favorable outcomes are expected to occur, such that the profit rate will improve through such means as expanding future sales and strengthening cost competitiveness, and that our financial and business foundation will be enhanced, which can endure rapid economic changes and other similar structural changes. Furthermore, as mentioned above, by establishing a strong business tie with the Hon Hai Precision Industry group, one of the Planned Allottees, and by making our business foundation more stable, we consider that the Capital Increase Through Third-Party Allotment can eventually contribute to the enhancement of Sharp's corporate value and shareholder value. Therefore, the Capital Increase Through Third-Party Allotment can also bring sufficient profits to the existing shareholders. Thus, we decided to procure funds by the Capital Increase Through Third-Party Allotment.

3. Amounts, use, and timing of use as intended of funds procured

(1) Amounts of funds procured

	Common shares	Class C Shares
(i) Total amount to be paid in	<u>288,811,661,336</u> yen	<u>99,999,996,800</u> yen
(ii) Estimated issuance expenses	<u>4,284,315,495</u> yen	-
(iii) Estimated retained balance	<u>284,527,345,841</u> yen	<u>99,999,996,800</u> yen

(Note) 1 "Estimated issuance expenses" do not include consumption tax and the like.

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- 2 The breakdown of “Estimated issuance expenses” is registration costs (about 1,362 million yen), lawyers’ and financial advisers’ fees (about 2,651 million yen), and others (about 271 million yen). The estimated issuance expenses are a total of various expenses regarding common shares and Class C Shares.

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(2) Intended use of funds procured

The intended use of the above estimated retained balance of 384,527,342,641 yen (breakdown: 284,527,345,841 yen for common shares and 99,999,996,800 yen for Class C Shares) is planned as follows. Regarding the use of funds to be acquired by the Capital Increase Through Third-Party Allotment, Sharp will reduce the investment amount, shorten the investment period, and the like from those resolved on February 25; however, there will be no amendments to Sharp's investment plan itself.

Until the funds are applied to the following use, they are planned to be kept as a bank deposit and the like.

Intended Use of Proceeds	Amount (JPY million)	Timing of use as intended
(i) Upgrading technology and commencement of mass production for the commercialization of OLED business	200,000	July 2016 through June 2019
(ii) Investment in regard to Display Devices Company for higher definition, improvement of yield rate, R&D of next-era technology, increase in production volume, and rationalization targeted mainly at medium-sized products	<u>60,000</u>	July 2016 through <u>September 2018</u>
(iii) Investment in regard to Consumer Electronics Company for R&D, dies, and molds to realize a transformation of business model for IoT business expansion, for R&D, dies, and molds to expand the business in emerging countries, for increase in production volume and rationalization	<u>40,000</u>	July 2016 through <u>September 2018</u>
(iv) Investment in regard to Energy Solutions Company for R&D and expansion of sales distribution to realize a transformation from existing business to solution business	<u>8,000</u>	July 2016 through <u>September 2018</u>
(v) Investment in regard to Electronic Components and Devices Company used for R&D, expansion of sales distribution, increase in production volume, and rationalization targeted for growing businesses including automotive, industrials, and IoT	<u>10,000</u>	July 2016 through <u>September 2018</u>
(vi) Investment in regard to Business Solutions Company used for expansion of sales distribution of existing MFP business, R&D for growing business such as robotics or solution business, increase in production volume, and rationalization	<u>40,000</u>	July 2016 through <u>September 2018</u>
(vii) Advertising investment and other related expenses for brand value enhancement for targeted areas such as Japan, Asia, and China, and investment and other related expenses for element technology development	<u>26,527</u>	July 2016 through <u>June 2019</u>

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Intended Use of Proceeds	Amount (JPY million)	Timing of use as intended
and fundamental R&D for new business		

As written in “2. Purpose of and reason for the offering” above, we were compelled to reduce the growth investment. Through this third-party allotment, we intend to use the proceeds for capital expenditure to grow each business segment and operating expenses for brand value enhancement and new business development.

The items listed from (i) to (vi) above are capital expenditures to grow each business segment for 358,000 million yen. The item listed in (vii) above is operating expense for brand value enhancement and new business development for 26,527 million yen. Compared to the contents disclosed on “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016, we have made changes to decrease the amount and period for use of the proceeds for the investment targets of (ii) to (vii) above and to delete the return of corporate bonds as the proceeds will not be used therefor.

Details of use of proceeds are stated as follows.

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A. Capital expenditure to grow each of Sharp's business segments

a. Display Devices Company (Display Devices business)

With OLED (Organic Light-Emitting Diode), it is possible to make displays that are thinner, brighter, and offer better color performances compared to backlit liquid crystal displays (LCD); therefore, following LCDs, expansion of OLED display demand is expected for end-markets such as smartphones, automotive displays, and advanced displays for flat-screen TVs. Our competitors have already initiated a mass production of OLED display products for mobile phones, and the market share of OLED display within display products is expected to expand through substituting LCD products. In particular, OLED display market size is expected to become \$43.9 billion<sup>1</sup> by 2020 (CAGR from 2014 is 16%).

<sup>1</sup> MarketsANDMarkets report "OLED Market by Display Application (Type - AMOLED & PMOLED, Panel-Size - Small, Medium & Large, Product - Smartphones & Others, Geography), Lighting Application (Type - Traditional & Flexible, End-User, Geography), & Geography - Global Forecast to 2020" (April 2015)

In the meanwhile, major smartphone manufacturers have a plan to introduce products using OLED displays, instead of LCDs, which are currently mainly used, by 2018, and we expect that the trend will transform existing display markets. We have developed the original technology called "IGZO," which is already utilized in LCD products, and LTPS (Low Temperature Poly Silicon) technology, which is useful for high-definition displays. In the small-sized display market for mobile phones, we plan to utilize both IGZO technology and LTPS technology to overcome difficulties that existing OLED display products are facing, which are to produce products with low power consumption with low cost. In the medium/large-sized display market, we expect that the OLED display market will expand further, because OLED displays with IGZO technology consume less power and perform better compared with LCDs with amorphous silicon. Through fully utilizing the LCD technology which we have cultivated for a long time, we aim to become one of the major global OLED display suppliers.

The OLED display market is expected to have rapid expansion, and it will coexist for a long time going forward with LCD products, where we have a competitive advantage. In the future, we expect flexible OLED display products with rounding and folding capability (as if it were paper) will be popular for high-end smartphones and tablets, while LCDs are going to be continuously used in low- to middle-end mobile phone markets.

Through utilizing the investments for "Upgrading technology and commencement of mass production for the commercialization of OLED business," as mentioned in (i) above, we will conduct R&D and obtain mass production facilities required for the launch of trial production lines of organic EL displays before mid-2017. In doing so, we aim to establish mass production capabilities and plan to initiate mass production at the beginning of 2018. Although the investment amounts and production capabilities will depend on the plans to be made, they are expected to be as follows, in detail.

We plan to establish R&D lines, pilot lines, and mass production lines in the Kameyama plant to realize the mass production of OLED display products. In these lines, we aim to produce not only existing OLED display products, which are already under mass production by our competitors, but also flexible OLED display products. The investment amount for each type of line is 28 billion yen, 48 billion yen, and 124 billion yen, respectively. We plan to invest 5 billion yen in 2016, 75 billion yen in 2017, 100 billion yen in 2018, and 20 billion yen in 2019. Through utilizing the investments mentioned above, we plan to target monthly production equivalent to approximately 10 million units of 5.5" inch panels (68.5 millimeters x 121.5 millimeters) by 2019. As a result, we intend to annually produce OLED displays for smartphones in volume equivalent to approximately 90 million units of 5.5" inch panels and target 260 billion yen of annual production from OLED display products.

The R&D lines will be established in the aim of examining and improving the production methods and equipment of products which are still in their development phase. By providing feedback as necessary while R&D for

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production methods is still conducted, we plan to develop better products and appropriate production methods. In the R&D lines, by utilizing the 4.5th generation glass substrate (730 millimeters x 920 millimeters) produced by FMM (Fine Metal Mask: Metal mask which aligns organic thin film into a single pattern as thin film through evaporation) and FHM (Fine Hybrid Mask: Mask made from the blended material of metal and plastic film which aligns organic thin film into a single pattern as thin film through evaporation) vapor deposition technology, we plan to target monthly production equivalent to approximately 0.65 million units of 5.5” inch panels. In particular, we are going to spend 20 billion yen on production equipment such as polyimide substrate production equipment, mask vapor deposition equipment, organic thin film vapor deposition equipment, and capsulation equipment, as well as inspection and cleaning equipment for each process, and 8 billion yen on the introduction of clean rooms where production equipment is placed, targeting to establish the R&D lines by the first half of 2017, and to initiate actual production by the second half of 2017.

The pilot lines will be established in the aim of accumulation of production know-how for full-scale mass production and development of production technology such as yield ratio improvement. The pilot lines will also conduct small-scale production and actual shipments to our customer. In the pilot lines, by utilizing the sixth-generation glass substrate (1,500 millimeters x 1,850 millimeters, half size used) produced with FMM and FHM vapor deposition technology, we plan to target monthly production equivalent to approximately 2.3 million units of 5.5” inch panels. In particular, we are going to spend 36 billion yen on production equipment such as polyimide substrate production equipment, mask vapor deposition equipment, organic thin film vapor deposition equipment, and capsulation equipment, as well as inspection and cleaning equipment for each process, and 12 billion yen on the introduction of clean rooms where production equipment is placed, targeting to establish the pilot lines by the second half of 2017, and to initiate full-fledged production by the first half of 2018.

The mass production lines will be established in the aim of mass production for upcoming full-scale demand surge, together with the pilot lines. In particular, we will establish three lines which are identical to the pilot lines. By applying accumulated production know-how and technology of yield ratio improvements developed in the pilot lines, we target to realize high production efficiency from the initiation phase of production. In the mass production lines, similar to the pilot lines, by utilizing the sixth-generation glass substrate (half size used) produced with FMM and FHM vapor deposition technology, we plan to target monthly production equivalent to approximately 6.9 million units of 5.5” inch panels. In particular, we are going to spend 106 billion yen on production equipment such as polyimide substrate production equipment, mask vapor deposition equipment, organic thin film vapor deposition equipment, and capsulation equipment, as well as inspection and cleaning equipment for each process, and 18 billion yen on the introduction of clean rooms where production equipment is placed, targeting to establish the mass production lines by the second half of 2018, and to initiate actual mass production by the first half of 2019.

In addition, in the LCD business, in the face of worsening demand supply balance and a sales price drop in the smartphone liquid crystal panel market, we are currently shifting our production to medium-sized liquid crystal products for categories such as PCs and tablets, and we plan to stabilize earnings from the LCD business and enhance cost competitiveness.

With regard to (ii) above “Investment in regard to Display Devices Company for higher definition, improvement of yield rate, R&D of next generation technology, increase in production volume, and rationalization targeted mainly at medium-sized products,” investments in R&D and CAPEX for the development and increase in production volume of high-definition products and investments in R&D and CAPEX to improve yield rate (decrease in the rate of defected goods) will be the main focus of these medium-sized liquid crystal products.

Specifically, we plan to invest in enhancing color filter process equipment and remodeling other process equipment for increasing the production capacity of medium-sized high-definition liquid crystal products at the Kameyama plant, remodeling sputtering equipment for the introduction of the new process at the Mie plant, and

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enhancing the efficiency of post-process at the plant in China, for which the allotment of 30 billion yen in total is planned. We also have a plan to aggressively invest in the technology development for creating the high value-added application such as FFD (Free Formed Display) which realizes flexible designing in accordance with display area, the introduction of implementation equipment at the late process stage for the mass production, and photo masks mainly for high-definition models for 30 billion yen in total, including other investments in rationalization and renewal.

The abovementioned growth investments needed to be curbed due to our current financial situation; we expect to make these investments without delay upon implementation of the Capital Increase Through Third-Party Allotment. Through these investments, we intend to strengthen product quality and cost competitiveness, and realize a shift to a business portfolio with higher earnings.

b. Consumer Electronics Company (Consumer Electronics business)

With regard to Consumer Electronics Company, we plan to integrate Digital Information business, which mainly consists of LCD TVs, Communication business, which mainly consists of mobile phones including smartphones, and Health and Environmental business, which mainly consists of products with our own Plasmacluster Ion technology, in order to develop new products and business by utilizing the wide range of our technology. In particular, as a genuine IoT (Internet of Things) era is approaching, the market of IoT products is expected to grow, as it is anticipated that many things will be connected to the Internet and used, offering increased convenience. We target providing, not only hardware, but also cloud services, together, in order to realize “new connections between people and home appliances” with higher added value and convenience.

With regards to (iii) above, we plan to use “Investment in regard to Consumer Electronics Company for R&D, dies, and molds to realize a transformation of business model for IoT business expansion, for R&D, dies, and molds to expand the business in emerging countries, for increase in production volume and rationalization” for investment in the development and making of dies and molds, required for the R&D and production of these IoT products, and investment to enlarge the product line-up for the expansion of the business mainly in emerging countries.

Specifically, in order to change the business to be profitable and stable as a core business of Sharp in the long run, we plan to invest in R&D and dies and molds for new products of communication robots with “AIoT” function, which integrates Artificial Intelligence (AI) and Internet of Things (IoT), liquid crystal TVs, kitchen appliances, and others for 10 billion yen, dies, and molds for the expansion of the localized product line-up of white goods and other products in emerging countries for 10 billion yen, and rationalizing and renewing existing equipment in factories in Japan, China, and other Asian countries to ensure a stable and profitable structure for 20 billion yen.

The abovementioned growth and rationalization investments needed to be curbed due to our current financial situation; we expect to make these investments without delay upon implementation of the Capital Increase Through Third-Party Allotment.

c. Energy Solutions Company (Energy Solutions business)

With regard to Energy Solutions Company, we are currently accelerating efforts for “a shift to a business model that focuses on solutions that match local demand.” In Japan, as we are facing a change in the environment, where industrial solar power generation is in a downturn, we are currently undertaking the transformation from solar power panel business to solution business, in order to solve problems surrounding energy usage, by using our technologies. Specifically, in Japan, we plan to propose solutions based on solar energy and storage battery technology, by using products such as HEMS (Home Energy Management System, which is a system enhancing efficiency in power production and consumption at home) and energy-saving home appliances and EcoCute, etc. linked to a cloud network, and plan to aggressively develop EPC (Engineering Procurement and Construction, which is the business receiving orders for design, procurement, and construction of solar power plants altogether),

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and IPP (Independent Power Producer) projects targeted mainly in Fukushima restoration areas. In global markets, we propose energy solutions matched to each country and area. In Asia, we are strengthening the “PV-Diesel Hybrid system,” which reduces diesel fuel consumption by integrating a diesel power generator and a solar power system. In the U.S., we are proposing a “Peak Cut System” to utilize battery and power control algorithms, and in Europe, we are strengthening the expansion of a “PV-Thermal system,” which enhances the power generation efficiency by utilizing accumulated thermal energy in the back of a solar module with the solar power system.

With regard to (iv) above, we plan to use “Investment in regard to Energy Solutions Company for R&D and expansion of sales distribution to realize a transformation from existing business to solution business” to invest in R&D and marketing activities to strengthen solution business, as previously stated.

Specifically, we plan to invest in IPP projects in Fukushima restoration areas and the like for 4 billion yen, and software for HEMS development to strengthen energy solution business for houses, for 4 billion yen. Through these investments, we will make a change from the existing business focused on PV module sales, to a new business model with energy solution business at the core.

The abovementioned growth investments needed to be curbed due to our current financial situation; we expect to make these investments without delay upon implementation of the Capital Increase Through Third-Party Allotment.

d. Electronic Components and Devices Company (Electronic Components and Devices business)

Electronic Components and Devices Company is currently transitioning from its former business model of manufacturing device modules to one which provides solutions based on the production technological knowledge gained from the former business model. For example, having at core our customizing capability, and our original sensing technology cultivated through our experiences in the smartphone camera device business, we are targeting expanding our solutions business, which utilizes our products and technologies to solve challenges in high value-added and growing markets, such as automotive, industrials, and IoT markets.

“Investment in regard to Electronic Components and Devices Company used for R&D, expansion of sales distribution, increase in production volume, and rationalization targeted for growing businesses including automotive, industrials, and IoT,” mentioned in (v) above, will be used as R&D investments, investments to increase sales distribution, and investments to rationalize production facility in order to strengthen this solution business.

Specifically, we plan to invest 6 billion yen towards R&D and dies and molds in order to develop new products in new business fields, such as camera modules for smartphone and automotive use, 2.5 billion yen towards investment in development and dies and molds and expenditure for the introduction of mass production facilities for a group of device products with original specific features such as night-vision color cameras (infrared monitoring cameras that can film in color in dark environments), and 1.5 billion yen towards investment in rationalizing and renewing existing facilities to improve productivity at the Fukuyama and Indonesia plants.

The abovementioned growth and rationalization investments needed to be curbed due to our current financial situation; we expect to make these investments without delay upon implementation of the Capital Increase Through Third-Party Allotment.

e. Business Solutions Company (Business Solutions business)

With regard to Business Solutions Company, we are currently strengthening the solution business with MFP (digital multi-functional printer) products and display products as a core for global expansion of the solution business through utilizing our existing products and customer base, as well as effective expansion in investment. Also, as the MFP business is expected to face a maturing market due to a change in business environment, with a shift to paper-less, we are facing a challenge in developing new business where markets are expected to expand,

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such as robotic business, etc.

With regard to (vi) “Investment in regard to Business Solutions Company used for expansion of sales distribution of existing MFP business, R&D for growing business such as robotics or solution business, increase in production volume, and rationalization” above, we plan to invest in R&D and capital expenditure rationalizing manufacturing equipment, in order to solve business challenges which we are facing, as previously stated.

Specifically, 20 billion yen is planned to be spent on investments in expanding MFP sales distribution, in order to expand and stabilize the revenue base in North America and Europe, 8 billion yen is planned to be spent on investments in software and dies and molds to develop new products for the solution business which focuses on robotics and digital signage displays, and 12 billion yen is planned to be spent on investments in rationalizing and renewing facilities for the automation of and reduction in labor force at production lines, to improve productivity in existing plants in both Japan and China.

The abovementioned growth investments needed to be curbed due to our current financial situation; we expect to make these investments without delay upon implementation of the Capital Increase Through Third-Party Allotment.

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B. Advertising investment and other related expenses for brand value enhancement for targeted areas such as Japan, Asia, and China, and investment and other related expenses for element technology development and fundamental R&D for new business

As stated in the Medium-Term Management Plan announced in May 2015, we target to make our company “necessary for society” over the next 10 years and even 100 years, and have proposed our future direction to be “a company that consistently offers new value while standing side-by-side with people,” endeavoring to produce creative products and services.

Going forward, we plan the brand value enhancement of Sharp in target areas such as Japan, Asia, and China, through the appeal of new products created by the above initiatives and advertising efforts. In achieving this goal, it is critical to not only remain focused on our existing business, but also focus on fundamental R&D, in order to continuously develop new products and services.

(vii) above will be used as advertisement expenses and R&D expenses in advancing (i) to (vi) above.

Specifically, 18 billion yen is planned to be spent on advertising expenses, to further enhance brand value both domestically and globally, through the use of various media outlets, and 8 billion yen is planned to be spent on research material expenses at facilities functioning as the central research institution to create new business in the future, and on business outsourcing expenses to outsource research and examination to obtain more professional perspectives. (vii) above accompanies (i) to (vi) above, and these investments will be made by June 2019 depending on the advancements of (i) to (vi) above.

#### 4. Practical approach to the reasonableness of spending funds

Please see “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

#### 5. Reasonableness of issuing condition, etc.

##### (1) Calculation ground for amount to be paid in, and its specific contents

##### (i) Common shares

Hon Hai Precision Industry, among the Planned Allottees, finally proposed an amount to be paid in of 88 yen per share to Sharp, while Sharp carried out numerous discussions, at the Board Meeting on March 30, 2016, on the implementation of the Capital Increase Through Third-Party Allotment at the said amount to be paid in. After the comprehensive consideration of factors, including: (i) the investigation of comparative advantages with capital proposals from other candidates, (ii) the need to assuredly and rapidly secure sufficient growth capital for significant future business development, and (iii) the point that implementing the Capital Increase Through Third-Party Allotment with the Planned Allottees would, from a medium- to long-term perspective, be expected to contribute to an increase in corporate and shareholder value; and furthermore, having determined that, even though Sharp fully understands that there is a high possibility that the interests of existing shareholders would be damaged by conducting a favorable issuance in which the issued prices are discounted from the market stock prices at a certain rate, the realization of increase in its corporate value by establishing a business foundation by the proceeds through the Capital Increase Through Third-Party Allotment and by improving its cash flow would lead to the furthering of the interests of existing shareholders, as well as from the point that a certain obligation of the Planned Allottees is provided for, as stated in “2. Purpose of and reason for the offering” above, Sharp determined that there is reasonableness in

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the implementation of the Capital Increase Through Third-Party Allotment at the amount to be paid in stated above and determined the amount to be paid in to be 88 yen per share.

The said amount to be paid in of 88 yen represents a 32.3% discount against the closing price of the shares of Sharp on March 29, 2016 (130 yen), the business day immediately preceding the day of the Board Meeting on March 30, 2016, where the resolution was adopted with respect to the Capital Increase Through Third-Party Allotment; a 37.9% discount against the average closing price (141.80 yen) during the one-month period prior to the immediately preceding business day; a 37.4% discount against the average closing price (140.52 yen) for the three-month period prior to the immediately preceding business day; and a 35.1% discount against the average closing price (135.60 yen) for the six-month period prior to the immediately preceding business day.

Furthermore, because the said amount to be paid in is deemed to be an issuance at a particularly favorable price provided for in the Japan Securities Dealers Association's "Guidelines Concerning the Handling of Capital Increase by Third Party Allotment", Sharp decided the allotment of the common shares in relation to the Capital Increase Through Third-Party Allotment at an amount to be paid in of 88 yen per share, on condition that approval by a special resolution at the Ordinary General Meeting of Shareholders be obtained from each shareholder.

(ii) Class C Shares

Sharp, after considering certain assumptions that affect the value of the Class C Shares, and comprehensively taking into account Sharp's business environment, financial condition, and the like, and as a result of numerous best-efforts negotiations with the Planned Allottees for the purpose of funds procurement, decided the amount to be paid in to be 8,800 yen per share. Regarding the said amount to be paid in, by comprehensively considering the point that the funds necessary for increasing its capital and stabilizing its financial standing are expected to be secured by the Capital Increase Through Third-Party Allotment through issuance of Class C Shares, Sharp's business environment and financial condition, Sharp's stock price level, the size of funds needed, the status of discussions with the Planned Allottees on the economic conditions pertaining to the features of Class C Shares, and the like, Sharp considers that the said amount of Class C Shares to be paid in is reasonable.

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The calculation of the fair prices for the Class Shares with no objective market prices is very difficult and complex, and there are various ways of thinking with regard to the value evaluation of Class Shares. Upon the Board Meeting on February 25, 2016, Sharp requested that PLUTUS CONSULTING Co., Ltd. (address: 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo; representative: Noguchi Mahito, President and CEO) (“PLUTUS”), which is a third party evaluation organ independent of Sharp, analyze the value of the Class C Shares, and obtained a calculation report for the Class C Shares (the “Calculation Report”) from PLUTUS. Under certain assumptions (the dilution of the stock value after the issuance of the common shares and Class C Shares, or the like), PLUTUS executed a value analysis of the Class C Shares. The value of the Class C Shares in the Calculation Report is calculated as 12,272 yen to 13,423 yen per share, and the above amount to be paid in is a 10% or more discount against this calculated amount. Even taking into account that the price calculated by PLUTUS is based on the information as of February 24, 2016, and that this is not a price based on the downward revision of Sharp’s business results made today, it may be considered to be a price favorable to those subscribing for the shares in particular, under the Companies Act.

(Reference information) Outline of the Class C Shares

<Conversion rate of Class C Shares>

- One Class C Share for 100 common shares

<Dividends>

- Dividend amount...Amount obtained by multiplying the year-end dividend per common share by the conversion rate of Class C Shares
- Priority...Equal to shareholders holding common shares (common shareholders)
- Accumulation clause...Non-accumulation
- Participation clause...Nonparticipation
- Interim dividends...Amount obtained by multiplying the interim dividend per common share by the conversion rate of Class C Shares

<Distribution of residual assets>

- Distribution amount...Amount obtained by multiplying the residual assets per common share by the conversion rate of Class C Shares
- Priority...Equal to common shareholders
- Participation clause...Nonparticipation

Furthermore, as stated above, regarding the Class C Shares, even though the distribution of their dividends and residual assets are to increase in accordance with the conversion rate, from the view that they are types which are non-cumulative and nonparticipating, it could be said that the value of one Class C Share and the value of 100 common shares are of a similar level. However, because the amount of the Class C Shares to be paid in (8,800 yen per share) represents a 32.3% discount against the amount calculated by multiplying the closing price of the common shares of Sharp on March 29, 2016 (130 yen), the business day immediately preceding the day of the Board Meeting on March 30, 2016, where the resolution was adopted with respect to the Capital Increase Through Third-Party Allotment, by 100; a 37.9% discount against the amount calculated by multiplying the average closing price (141.80 yen) of Sharp’s common shares during the one-month period prior to the immediately preceding business day by 100; a 37.4% discount against the amount calculated by multiplying the average closing price (140.52 yen) of Sharp’s common shares for the three-month period prior to the immediately preceding business day by 100; and a 35.1% discount against the

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amount calculated by multiplying the average closing price (135.60 yen) of Sharp's common shares for the six-month period prior to the immediately preceding business day by 100, it may still be considered to be a price favorable to those subscribing the shares in particular, under the Companies Act.

From the above, also regarding the Class C Shares, Sharp decided to issue the Class C Shares in relation to the Capital Increase Through Third-Party Allotment at an amount to be paid in of 8,800 yen per share, on condition that approval by a special resolution at the Ordinary General Meeting of Shareholders be obtained from each shareholder based on Article 199, Paragraph 2 of the Companies Act.

- (2) Grounds on which Sharp determined that the volume of shares to be issued and the size of dilution of shares are reasonable

The number of shares which will be allotted to the Planned Allottees through the Capital Increase Through Third-Party Allotment is 3,293,314,333 shares (breakdown: 3,281,950,697 common shares; 11,363,636 Class C Shares), and the number of voting rights which will be allotted to the Planned Allottees through the Capital Increase Through Third-Party Allotment is 3,281,950 voting rights, and the ratio, as against the total number of Sharp's issued shares as of September 30, 2015, that is 1,701,439,887 shares, will be 193.56% (the ratio against the total number of voting rights, that is 1,685,204 voting rights, will be 194.75%). The Class C Shares contain a call option the consideration for which is common shares which may be exercised on or after July 1, 2017, and when such call option has been exercised, notwithstanding the stock price as of the time of acquisition, 1,136,363,600 common shares will be delivered, and their number of voting rights will be 1,136,363 voting rights. On the assumption that such call option was exercised as of now, the number of common shares calculated by adding up the number of common shares to be delivered by such call option and the number of common shares issued by the Capital Increase Through Third-Party Allotment will be 4,418,314,297 shares; the number of voting rights will be 4,418,314 voting rights; the ratio, as against the total number of Sharp's issued shares as of September 30, 2015, that is 1,701,439,887 shares, will be 259.68% (the ratio against the total number of voting rights, that is 1,685,204 voting rights, will be 262.18%); and by the Capital Increase Through Third-Party Allotment, a large dilution will occur.

However, by allotting the funds procured to the usages stated in "3.(2) Intended use of funds procured" and "4. Practical approach to the reasonableness of spending funds" above, the Capital Increase Through Third-Party Allotment can contribute to the increase in profitability and competitiveness of the Sharp group companies in the medium- and long-term. Furthermore, such proceeds are also expected to contribute to the enhancement of Sharp group companies' corporate value and shareholders profit in the medium- to long-term, and thus, Sharp considers that the Capital Increase Through Third-Party Allotment can contribute to the improvement of Sharp's future profitability. Moreover, as stated above, Sharp considers that, by establishing a strong business tie with the Hon Hai Precision Industry group, one of the Planned Allottees, and making our business foundation more stable, the Capital Increase Through Third-Party Allotment can eventually contribute to the enhancement of Sharp's corporate value and shareholder value. Thus, Sharp concluded that the volume of shares to be issued, and the size of dilution of shares by the Capital Increase Through Third-Party Allotment, are reasonable.

6. Reasons for selecting the planned allottees, etc.

- (1) Outline of the planned allottees

Please refer to "Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders," dated February 25, 2016.

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(2) Reasons for selecting the planned allottees

With respect to the reasons for selecting the planned allottees, please refer to the above “I. Background of the amendment resolution” and “II. Issuance of new shares by third-party allotment 2. Purpose of and reason for the offering.”

(3) Planned allottees’ policy for holding shares

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

(4) Contents confirmed with regard to funds required for the payment by the planned allottee

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

7. Major shareholders and their shareholding ratios after the offering

(1) Common shares

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

(2) Class A Shares

Before the offering (as of September 30, 2015)		After the offering
Mizuho Bank, Ltd.	50.00%	The same as the left.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	50.00%	

(3) Class B Shares

Before the offering (as of September 30, 2015)		After the offering
Japan Industrial Solutions Fund I	100.00%	The same as the left.

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(4) Class C Shares

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

8. Future outlook

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

9. Matters regarding the procedures of ethical actions of a corporate

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

10. Business results for and status of equity finance executed in previous three fiscal years

(1) Business results for previous three years (consolidated)

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

(2) Current number of issued shares and number of dilutive shares (as of September 30, 2015)

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

(3) Recent stock prices

(i) Stock prices for recent three years

	Ended March, 2013	Ended March, 2014	Ended March, 2015
Opening	606 yen	271 yen	314 yen
High	607 yen	633 yen	341 yen
Low	142 yen	234 yen	219 yen
Closing	272 yen	314 yen	235 yen

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(ii) Stock prices for recent six months

	October 2015	November	December	January 2016	February	March
Opening	136 yen	130 yen	129 yen	126 yen	141 yen	<u>128 yen</u>
High	154 yen	180 yen	140 yen	151 yen	186 yen	<u>167 yen</u>
Low	132 yen	119 yen	108 yen	108 yen	<u>125 yen</u>	<u>123 yen</u>
Closing	133 yen	126 yen	125 yen	139 yen	<u>129 yen</u>	<u>130 yen</u>

(Note) The stock prices in March 2016 indicated above are the stock prices as of March 29, 2016.

(iii) Stock price on the business day immediately preceding the date of resolution authorizing the revision

	<u>March 29</u> , 2016
Opening	<u>131 yen</u>
High	<u>132 yen</u>
Low	<u>123 yen</u>
Closing	<u>130 yen</u>

(4) Equity finance for the most recent three years

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

11. Terms and conditions of issuance

(1) Common shares

- (i) Number of new shares to be issued                      Common shares      3,281,950,697 shares
- (ii) Issuing price                                      88 yen per share
- (iii) Total amount of issuing price              288,811,661,336 yen
- (iv) Amount of capital to be increased              144,405,830,668 yen
- (v) Amount of capital reserve to be increased              144,405,830,668 yen

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(vi)	Method of offering and allotment (planned allottees and number of shares planned to be allotted)	Allotted by means of third-party allotment: To Hon Hai Precision Industry 1,300,000,000 shares To Foxconn FE 915,550,697 shares To Foxconn Technology 646,400,000 shares To SIO 420,000,000 shares
(vii)	Terms of payment	June 28, 2016 (Tue.) through <u>October 5, 2016 (Wed.)</u>
(viii)	Others	*As stated in the above “1.(1)(vi) Others”, payment shall be made on condition that the securities registration statement filed under the Financial Instruments and Exchange Act comes into effect; that the notification to and permission from the competition authorities of relevant foreign countries with respect to business combination and the permission and authorization from authorities of relevant countries necessary for execution of the Capital Increase Through Third-Party Allotment are granted; and that the proposal concerning the issuance of common shares of Sharp is approved (special resolution) at the Ordinary General Meeting of Shareholders and the General Meeting of Class Shareholders.

(2) Class C Shares

Please see Appendix “Terms and conditions of Class C Share issuance.”

III. Change in the parent company, the largest shareholder who is a major shareholder, and the major shareholders

1. Background of change

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

2. Outline of changing shareholders

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

3. Number of voting rights held by such shareholder, and the ratio to the number of voting rights of all

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shareholders before and after the change

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

4. Change scheduled date

Any day from June 28, 2016 (Tue.) to October 5, 2016 (Wed.)

5. Future outlook

Please refer to “Notice regarding the issuance of new shares through third-party allotments, and change of parent company, the largest shareholder who is a major shareholder, and major shareholders,” dated February 25, 2016.

End

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Appendix Terms and conditions of Class C Share issuance

1. Name of shares

Sharp Corporation Class C Shares (the "Class C Shares")

2. Number of shares offered for subscription

11,363,636 shares

3. Amount to be paid in for shares offered for subscription

8,800 yen per share

4. Capital and capital reserve to be increased

Capital 49,999,998,400 yen (4,400 yen per share)

Capital reserve 49,999,998,400 yen (4,400 yen per share)

5. Total amount to be paid in

99,999,996,800 yen

6. Payment date

June 28, 2016 through October 5, 2016

7. Method of issuance

Allotted by a third-party allotment method as follows:

Hon Hai Precision Industry Co., Ltd. 11,363,636 shares

8. Dividends from surplus

If Sharp is to pay a dividend from surplus using the record date belonging to a business year, it shall pay the dividend to shareholders who hold Class C Shares (the "Class C Shareholders") and registered pledgees of the Class C Shares (together with the Class C Shareholders, "Class C Shareholders, Etc.") entered or recorded in the final shareholders register as at the record date (the "Record Date for Dividends") by the monetary amount of dividend from surplus calculated by multiplying the amount of dividend per common share by the conversion ratio provided for in Item 11(2) below per the Class C Share (the amount paid by such dividend per share of Class C Shares is referred to as the "Class C Dividend") ranking pari-passu with the shareholders who hold common shares (the "Common Shareholders") and registered pledgees of the common shares (together with the Common Shareholders, "Common Shareholders, Etc.") entered or recorded in the final shareholders

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resister as at the Record Date for Dividends. A fraction of less than one yen that arises in the amount calculated by multiplying the Class C Dividend by the number of the Class C Shares owned by each Class C Shareholders, Etc. is to be rounded down.

9. Distribution of residual assets

If Sharp is to distribute residual assets, it shall distribute residual assets to the Class C Shareholders, Etc. by the monetary amount of distribution of residual assets calculated by multiplying the amount of residual assets to be distributed per common share by the conversion ratio provided for in Item 11(2) below per the Class C Share (the amount paid by such distribution per share of Class C Shares is referred to as the "Class C Residual Assets Distribution Amount") ranking pari-passu with the Common Share Holders, Etc. A fraction of less than one yen that arises in the amount calculated by multiplying the Class C Residual Assets Distribution Amount by the number of the Class C Shares owned by each Class C Shareholders, Etc. is to be rounded down.

10. Voting rights

Class C Shareholders do not have voting rights at general meetings of shareholders and general meetings of class shareholders constituted by Class C Shareholders unless otherwise provided for in laws.

11. Call option the consideration for which is common shares

- (1) On and after July 1, 2017, Sharp may acquire all or some of the Class C Shares in exchange for delivery of the number of common shares calculated by multiplying the number of Class C Share by the conversion ratio provided for in Item (2) below per the Class C Share to the extent permissible under law and regulations on the coming of the day to be separately determined by the Board of Directors meeting. If Sharp acquire some of the Class C Shares, it may decide the Class C Shares to acquire on a pro rata basis or by other reasonable method to be separately determined by the Board of Directors meeting.
- (2) The conversion ratio of Class C Shares should be 100.

12. Consolidation of shares or share split; allotment of shares without contribution, etc.

- (1) When consolidating or splitting shares, Sharp shall consolidate or split the Class C Shares at the same time and the same rate as the common shares.
- (2) When allotting the shares without contribution or the share options without contribution (including

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those attached to bonds with a share option, the same shall apply hereinafter), Sharp shall allot the Class C Shares without contribution or the share options without contribution for which the Class C Shares are the underlying shares to the Class C Shareholders at the same time and same rate as Sharp allots the common shares without contribution or the share options without contribution for which the common shares are the underlying shares to the Common Shareholders (including to practically conform with the number of shares underlying the share options).

- (3) When issuing the shares for subscription by granting an entitlement to an allotment of shares to the shareholders (including the disposition of treasury shares, the same shall apply hereinafter) or issuing the share options by granting an entitlement to an allotment of share options to the shareholders (including the disposition of their own share options, the same shall apply hereinafter), Sharp shall grant an entitlement to the allotment of the Class C Shares or share options for which the Class C Shares are the underlying shares to the Class C Shareholders at the same time and the same rate as Sharp grants entitlements to the allotment of common shares or share options for which the common shares are the underlying shares to the Common Shareholders (including to practically conform with the number of shares underlying the share options) under fair conditions in terms of the amount to be paid for the shares or share options for subscription, or the value of the property to be contributed when such share options are exercised.
- (4) Except for the cases listed in the preceding items, Sharp will not implement share split or consolidation of shares, or an allotment of shares without contribution or share options without contribution in relation to Class C Shares, and will not grant an entitlement to the allotment of shares for subscription or share options for subscription to Class C Shareholders.

### 13. Restrictions on assignment

Any acquisition of Class C Shares by assignment requires the approval of Sharp's Board of Directors.

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