

[Translation based on material released on Tokyo Stock Exchange – Official version in Japanese only]

May 11, 2022

Company Name: Sharp Corporation
Representative Director: J.W. Tai
(Code No. 6753)

Notice Regarding Reduction of Capital Reserve to Be Increased by Share Exchange and Transfer to Other Retained Earnings

Sharp Corporation (hereinafter “Sharp”) made a resolution at its board meeting today to reduce capital reserve amount and transfer to other retained earnings. There will be no impact to its business results.

1. Reason for Reduction of Capital Reserve Amount

As announced on March 4, 2022 in our release “Notice Regarding Share Acquisition Agreement by Share Exchange (Simple Stock Swap) for Consolidation of Sakai Display Products Corporation by Sharp Corporation”, Sharp Corporation (hereinafter “Sharp”) resolved at its board meeting to make Sharp the wholly-owning parent company and Sakai Display Products (hereinafter “SDP”) the wholly-owned subsidiary by acquisition of SDP shares (hereinafter “Share Exchange”) and exchange shares based on Share Exchange (hereinafter “Share Exchange Agreement”), and made an agreement with World Praise Limited (hereinafter “WPL”), the major shareholder of SDP, and decided the effective date of this Share Exchange as June 30, 2022 etc. After consolidation, in order to enable an agile capital policy, Sharp will reduce all capital reserve increased by this Share Exchange and transfer to other retained earnings.

2. Outline of Reduction of Capital Reserve Amount

Under the stop condition of its capital reserve amount to increase with Share Exchange, Sharp will reduce its capital reserve amount as the following.

(1) Reduced capital reserve amount

Increased capital reserve amount by Share Exchange

(Note) In Share Exchange Agreement related to this Share Exchange, it is stated the increase amount of capital reserve is to be set appropriately by Sharp based on article 39 of Corporate Calculation Rules. Actual increase amount of capital reserve will be calculated based on the market value of Sharp’s shares to be issued as compensation of this Share Exchange (38,453,680 shares (plan)). Sharp’s capital will not increase with this Share Exchange.

(Note) The reduction of capital reserve amount will be made at the same time as Share Exchange to reduce capital reserve increased by this Share Exchange. Therefore, Sharp’s capital reserve after effect will be equivalent to its capital reserve amount immediately before Share Exchange is in effect.

(2) Handling of reduced capital reserve amount

The whole amount of reduced capital reserve will not be transferred to capital but will be transferred to other retained earnings.

(3) Method of reduction of capital reserve amount

Capital reserve amount will be reduced by resolution of board meeting based on Company Law article 448 section 3.

3. Schedule of Reduction of Capital Reserve Amount

(1) Resolution of Board Meeting: May 11, 2022

(2) Creditor Objection Period: May 19, 2022 to June 20, 2022

(3) Effective Date (plan): June 30, 2022 (same as Share Exchange effective date)

4. Future Outlook

This reduction of capital reserve amount is due to transfer to other retained earnings, and there will be no change in Sharp's net asset amount, thus no impact on our business results.

The actual amount to be reduced from capital reserve will be announced once determined.

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