

(PLEASE Note: This Convocation Notice is an English summary of some of the Japanese Convocation Notice. The Japanese original is official, and this summary is for your reference only. Sharp does not guarantee the accuracy of this summary.)

Securities Code: 6753

May 29, 2018

## SHARP CORPORATION

### Convocation Notice of the 124<sup>th</sup> Ordinary General Meeting of Shareholders

To Our Shareholders:

We hereby notify you of the convocation of the 124<sup>th</sup> Ordinary General Meeting of Shareholders as per the description below.

#### DESCRIPTION

1. Date and Time: Wednesday, June 20, 2018, at 10:00 a.m.
2. Place: 1 Takumi-cho, Sakai-ku, Sakai-shi, Osaka  
Sharp Corporation (Multi-Purpose Hall)
3. Purpose of the Meeting:  
Reporting: The Business Report, Accounts and Consolidated Accounts, Audit of the Consolidated Accounts by the Accounting Auditors and the Audit & Supervisory Board for the 124<sup>th</sup> Term (from April 1, 2017 to March 31, 2018)

#### Matters to be Resolved:

- Proposal No.1: Election of Six (6) Directors (except the members of Audit & Supervisory Committee)
- Proposal No.2: Election of One (1) Director as the member of Audit & Supervisory Committee
- Proposal No.3: Establishment of the Remuneration for Directors (except the members of Audit & Supervisory Committee)
- Proposal No.4: Establishment of the Remuneration for Directors as the members of Audit & Supervisory Committee
- Proposal No.5: Issuance of Stock Acquisition Rights as Stock Options

**Reference Information Regarding Proposals****Proposal No. 1: Election of Six (6) Directors (except the members of Audit & Supervisory Committee)**

The terms of office of all the six (6) current Directors will expire at the conclusion of this Annual General Meetings of Shareholders. Sharp recommends the following six (6) candidates of Directors (except the members of Audit & Supervisory Committee) with whom Sharp enters into a subscription agreement.

Regarding this proposal, consideration was made by Audit & Supervisory Committee, and there was no particular comments to be pointed out.

The candidates for the Directors (except the members of Audit & Supervisory Committee) are as follows and the asterisk (\*) denotes a new candidate:

| No. | Name of Candidate<br>(Date of Birth)     | Current Position   | Ownership of<br>Sharp's Shares |
|-----|--|--|--------------------------------|
| 1   | Tai Jeng-Wu<br>(September 3, 1951)       | Representative Director,<br>President & Chief Executive Officer  | 0 shares                       |
| 2   | Katsuaki Nomura<br>(February 7, 1957)    | Representative Director, Executive Vice President,<br>Head of Corporate Strategic Planning and Control Group   | 1,679 shares                   |
| 3   | Toshiaki Takayama<br>(December 24, 1975) | Representative Director, Executive Officer,<br>Senior Executive Vice President - Display Device Company,<br>Chief Executive Officer - Greater China Business | 0 shares                       |
| 4   | Young Liu<br>(March 2, 1956)             | Director,<br>Head of IoT ElectroDevice Group   | 0 shares                       |
| 5   | Chien-Erh Wang<br>(April 12, 1971)       | Director, Executive Officer,<br>Head of Advance Display Systems Group  | 0 shares                       |
| 6   | * Yoshihisa Ishida<br>(November 5, 1959) | Executive Vice Presidents,<br>Head of AIoT Business Strategy Office,<br>Chief Executive Officer - Europe Business  | 0 shares                       |

(Notes)

Mr. Tai Jeng-Wu was the Corporate Representative Director of Hon Hai Precision Ind. Co. Ltd. which is Sharp's parent company, and he resigned this position in April 2017.

Mr. Young Liu is the General Manager of its B sub-group and S sub-group.

**Proposal No. 2: Election of One (1) Director as the member of Audit & Supervisory Committee**

Mr Nobuaki Kurumatani, Director as the member of Audit & Supervisory Committee, will resign at the conclusion of this Annual General Meetings of Shareholders. Therefore, for his substitute, Sharp recommends the following one (1) candidate of Director as the member of Audit & Supervisory Committee with whom Sharp enters into a subscription agreement.

Under the provisions of the Articles of Incorporation of Sharp, the term of office of a director who is appointed as a substitute of the member of Audit & Supervisory Committee will be until the expiration of the term of office of the director who will retire the member of Audit & Supervisory Committee.

Regarding this proposal, we have obtained the consent from Audit & Supervisory Committee.

The candidate for the Director as the members of Audit & Supervisory Committee is as follows and the asterisk (\*) denotes a new candidate:

| Name of Candidate<br>(Date of Birth) | Current Position<br>(Significant Concurrent Position at Other Company)                                  | Ownership of<br>Sharp's Shares |
|--------------------------------------|---|--------------------------------|
| * Goro Aoki<br>(March 28, 1957)      | Executive Director of [Public Interest Foundation Corporation]<br>Japan Road Traffic Information Center | 0 shares                       |

1. Mr. Goro Aoki is a candidate for Outside Director, as provided in Article 2, Paragraph 3, Item 7 of the Enforcement Regulations of the Company Act.

Remarks for this candidate of Outside Director:

Mr. Goro Aoki:

Mr. Goro Aoki has been appointed major positions in police relations, and has abundant experiences in international and foreign affairs matters through his work at the Cabinet Secretariat and the Ministry of Foreign Affairs, together with the engagement in his cooperation on international investigations, negotiations on conclusion of treaties, and so on. Based on his broad view from such experiences, he is able to give his good advice and supervision from his objective perspective, and able to completely fulfill the expected roles of an Outside Director as the member of Audit & Supervisory Committee. For this reason, it is proposed that Mr. Goro Aoki be elected.

2. There is no special interest between Mr. Goro Aoki and Sharp.
3. Sharp plans to enter into liability limitation agreements with Mr. Goro Aoki, which will limit their liability for damage to the extent the law allows.

**Proposal No. 3: Establishment of the Remuneration for Directors (except the members of Audit & Supervisory Committee)**

At the last 123<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 20, 2017, the amount of remuneration for Directors (except the members of Audit & Supervisory Committee) was approved 300 million yen or less per business year, and Sharp would like to set the amount of remuneration for Directors shall be 500 million yen or less per business year, taking the economic situations and others into consideration, provided that such amount of remuneration for Directors does not include the amount of employee salaries for Directors who concurrently serve as employees.

Also, at the last 123<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 20, 2017, separately from the above cash remuneration, the share options for Directors (except the members of Audit & Supervisory Committee) of the Company was approved 1,500 units or less, and those total value to be 300 million yen at maximum. Sharp would like to maintain these share options. The value of Share Options shall be calculated by multiplying the fair value of one unit of Share Options calculated on the day they are allotted by the total number of Share Options allotted to Directors of the Company. The fair value of one unit of Share Options shall be based on conditions such as the fair unit price valuation calculated using variables including share price on the day when the Share Options are allotted and the terms of Share Options, etc. using an equity option pricing model such as the Black-Scholes model. Contents of stock acquisition rights of share options are as described at Proposal No.5.

Regarding this proposal, consideration was made by Audit & Supervisory Committee, and there was no particular comments to be pointed out.

Current number of Directors (except the members of Audit & Supervisory Committee) is six (6). Even in the case that the Proposal No.1 is approved as originally proposed, the total number of Directors (except the members of Audit & Supervisory Committee) will remain unchanged from six (6).

**Proposal No. 4: Establishment of the Remuneration for Directors as the members of Audit & Supervisory Committee**

At the last 123<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 20, 2017, the amount of remuneration for Directors as the members of Audit & Supervisory Committee was approved 60 million yen or less per business year, and Sharp would like to set that amount of remuneration shall be 100 million yen or less per business year, taking the economic situations and others into consideration

Also, at the last 123<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 20, 2017, separately from the above cash remuneration, the share options for Directors as the members of Audit & Supervisory Committee of the Company was approved 300 units or less, and those total value to be 60 million yen at maximum. Sharp would like to maintain these share options. The value of Share Options shall be calculated, as the same as the above Proposal No.3. Contents of stock acquisition rights as share options is the same as the description of Proposal No.5.

Even in case that the Proposal No.2 is approved as originally proposed, the total number of Directors as the members of Audit & Supervisory Committee will remain unchanged from three (3).

## **Proposal No. 5: Issuance of Stock Acquisition Rights as Stock Options**

Sharp (the “Company”) requests the authorization to allot Share Options as stock options to Directors, Auditors, Executives and Employees of the Company and its subsidiaries and affiliates in Japan (the “Company Group”), pursuant to Articles 236, 238 and 239 of the Companies Act of Japan, and Sharp would like to delegate the decision of the offering matters of stock acquisition rights to the Board of Directors.

1. The Reason why the Issuance under Particularly Favorable Conditions is Required:

The Company has decided to implement a stock option plan and will issue Share Options as stock options as one of the types of remuneration for Directors, Auditors, Executives and Employees of the Company Group. This will help the Company retain and recruit human resources required for the Company’s revitalization and growth, and will serve as an incentive to increase their motivation to participate in the Company Group’s business management and contribute to higher performance, as well as the increased corporate value of the Company.

2. Outline of Issuance of Share Options:

(1) Persons to whom Share Options will be allotted:

Directors, Auditors, Executives and Employees of the Company and its subsidiaries and affiliates in Japan.

(2) Class and number of shares to be issued upon exercise of Share Options:

The class of shares to be issued upon the exercise of Share Options shall be common stock of the Company, and the number of shares to be issued shall not exceed 1,000,000.

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon the exercise of Share Options shall be adjusted in accordance with the following formula; provided that such adjustment shall be made to those that remain unexercised at the time of such adjustment, and any fraction less than one share arising as a result of such adjustment shall be rounded down.

$$\begin{array}{rcccl} \text{Number of shares} & & & & \\ \text{after adjustment} & = & \text{Number of shares} & \times & \text{Ratio of split or} \\ & & \text{before adjustment} & & \text{consolidation} \end{array}$$

If the Company conducts a merger, company split, share exchange, share transfer or the like that makes it necessary to adjust the number of shares, the number of shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer or the like.

(3) Total number of Share Options to be issued:

Not more than 10,000 units of Share Options shall be issued.

One hundred shares shall be issued per unit of Share Options; provided that, in the event of any adjustment of the number of shares stipulated in (2) above, the number of shares to be issued per unit of Share Options shall be adjusted accordingly.

The date of allotment of Share Options shall be determined by the Board of Directors, and the Board of Directors may allot the Share Options at a plurality of times within the scope of the aforementioned limit.

(4) Cash payment for Share Options:

No cash payment is required for Share Options.

## (5) Value of assets to be contributed upon the exercise of Share Options:

The value of assets to be contributed upon the exercise of each Share Option shall be the value per share to be issued by the exercise of each Share Option (the “Exercise Value”) multiplied by the number of shares to be issued upon the exercise of one unit of Share Options.

The Exercise Value shall be the closing price on the Tokyo Stock Exchange on the day immediately prior to the date of the resolution by the Board of Directors of the Company determining the Subscription Requirements of the Share Options or the closing price on the date of the allotment (if no closing price is available on such day, then the closing price on the trading day immediately preceding such day), whichever is higher.

If the Company splits its common stock or consolidates its common stock after the issuance of Share Options, the Exercise Value shall be adjusted in accordance with the following formula, and any fraction less than one yen arising as a result of such adjustment shall be rounded up.

$$\text{Exercise Value after adjustment} = \text{Exercise Value before adjustment} \times \frac{1}{\text{Ratio of stock split or stock consolidation}}$$

If shares to be offered are issued at a below-market price (including issuance of shares by allotment of shares without contribution and delivery of treasury shares, but excluding exercise of Share Options (including bonds with Share Options) and conversion of securities convertible into common stock of the Company), the Exercise Value shall be adjusted in accordance with the following formula, and any fraction less than one yen arising as a result of such adjustment shall be rounded up. The “Number of shares already issued” in the above formula shall be the total number of issued shares of the Company less the number of treasury shares held by the Company. If the Company disposes of treasury shares, the “Number of shares newly issued” and the “Stock price before new issuance” shall be respectively replaced to read as the “Number of treasury shares disposed of” and the “Stock price before disposal.”

$$\text{Exercise Value after adjustment} = \text{Exercise Value before adjustment} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Stock price before new issuance}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

If the Company conducts a merger, company split, share exchange, share transfer or the like that makes it necessary to adjust the Exercise Value, the Exercise Value shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer or the like.

## (6) Exercise period of Share Options:

The exercise period shall be from the date on which two (2) years have passed from the date of allotment of the Share Options to the date on which seven (7) years have passed from the date of allotment. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

## (7) Conditions etc. for exercise of Share Options

- (i) The holders of Share Options shall remain Directors, Executive Officers or employees of the Company or its subsidiaries or affiliates at the time of exercising Share Options; provided, however, that

- exceptional treatment may be allowed in this regard in writing by the Board of Directors of the Company in consideration of the circumstances.
- (ii) If an allotment of Share Options consists of more than 50 units, Share Options may be exercised by the holder of Share Options, in whole or in part, according to the following categories.
    - i) The entire allotment of Share Options shall not be exercised prior to the date on which two (2) years have passed from the date of allotment.
    - ii) 50% of the allotment of Share Options or 50 units of Share Options, whichever is larger, may be exercised from the date on which two (2) years have passed from the date of allotment to the date prior to the date on which three (3) years have passed from the date of allotment (if a fraction less than one unit arises in the number of exercisable Share Options, such fraction shall be rounded down).
    - iii) 80% of the allotment of Share Options or 50 units of Share Options, whichever is larger, may be exercised from the date on which three (3) years have passed from the date of allotment to the date prior to the date on which four (4) years have passed from the date of allotment (if a fraction less than one unit arises in the number of exercisable Share Options, such fraction shall be rounded down).
    - iv) The entire allotment of Share Options may be exercised from the date on which four (4) years have passed from the date of allotment to the date on which seven (7) years have passed from the date of allotment.
  - (iii) Share Options shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard in writing by the Board of Directors in consideration of the circumstances.
  - (iv) Share Options shall not be offered for pledge or disposed of in any other way.
  - (v) Other details and conditions shall be determined by the Board of Directors of the Company.
- (8) Matters concerning increase in capital and capital reserve by issuing of shares upon exercise of Share Options:
- (i) Amount of increase in capital by issuing shares upon exercise of Share Options shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
  - (ii) Amount of increase in capital reserve by issuing shares upon exercise of Share Options shall be the upper limit of capital increase as described in (i) above less the amount of increase in capital set out therein.
- (9) Reasons and conditions for the acquisition of Share Options:
- The Company may acquire Share Options on the date otherwise determined by the Board of Directors of the Company without any compensation therefor in the following cases:
- (i) In the case where a proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (*kyushu-bunkatsu*) agreement or incorporation-type company split (*shinsetsu-bunkatsu*) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company (or by the Board of Directors for a company split that does not require the approval of the General Shareholders' Meeting);



- (ii) In the case where a holder of Share Options ceases to accommodate the conditions of (7) above before exercising Share Options; or
  - (iii) In the case where a holder of Share Options requests a waiver of Share Options.
- (10) Restriction on the acquisition of Share Options by transfer:  
Any acquisition of Share Options by transfer shall require an approval of the Board of Directors of the Company by its resolution.
- (11) Treatment of Share Options in case of organizational restructuring of the Company:  
In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively “Organizational Restructuring”), Share Options of a corporation described in Article 236, Paragraph 1, Items 8.1 (イ) through 8.5 (ホ) of the Companies Act of Japan (hereinafter “Restructured Company”) shall be delivered under the following conditions to holders of Share Options remaining unexercised (hereinafter “Remaining Share Options”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Share Options will lapse and the Restructured Company will issue new Share Options. However, the foregoing shall apply only to cases in which the delivery of Share Options of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.
- (i) Number of Share Options of the Restructured Company to be delivered:  
The Restructured Company shall deliver Share Options, the number of which shall equal the number of Remaining Share Options held by the holder of the Remaining Share Options.
  - (ii) Class of shares of the Restructured Company to be issued upon the exercise of Share Options:  
Shares of common stock of the Restructured Company
  - (iii) Number of shares of the Restructured Company to be issued upon the exercise of Share Options:  
To be decided according to (2) and (3) above after taking into consideration the conditions, etc. of the Organizational Restructuring.
  - (iv) Value of the assets to be contributed upon the exercise of Share Options:  
The value of the assets to be contributed upon the exercise of each Share Options shall be decided according to (5) above after taking into consideration the conditions, etc. of the Organizational Restructuring.
  - (v) Exercise period of Share Options:  
Starting from the later of either the first date of the exercise period of Share Options as stipulated in (6) above, or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Share Options as stipulated in (6) above.
  - (vi) Matters concerning increase in capital and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Share Options:  
To be determined in accordance with (8) above.
  - (vii) Restriction on acquisition of Share Options by transfer:  
Acquisition of Share Options by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with

Board of Directors).

(viii) Conditions and reasons for the acquisition of Share Options:

To be determined in accordance with (7) and (9) above.

(12) Rules pertaining to fractions of less than one share arising from the exercise of Share Options:

Fractions of less than one share in the number of shares to be delivered to holders of Share Options who exercised Share Options shall be rounded down.

(13) Other details of Share Options:

Other details of Share Options shall be determined by the meeting of the Board of Directors to determine the Subscription Requirements of Share Options.

**CONSOLIDATED BALANCE SHEET**

(As of March 31, 2018)

(Millions of Yen)

| <b>ASSETS</b>                       |                  | <b>LIABILITIES</b>                                      |                  |
|-------------------------------------|------------------|---|------------------|
| <b>Current Assets</b>               | <b>1,223,738</b> | <b>Current Liabilities</b>                              | <b>833,938</b>   |
| Cash and deposits                   | 422,302          | Notes and accounts payable                              | 384,966          |
| Notes and accounts receivable       | 471,575          | Electronically recorded obligations                     | 44,511           |
| Inventories                         | 219,714          | Short-term borrowings                                   | 81,256           |
| Other current assets                | 118,263          | Bonds scheduled to be redeemed<br>within one year       | 10,000           |
| Allowance for doubtful receivables  | -8,118           | Accrued expenses  | 132,373          |
|                                     |                  | Accrued employees' bonuses                              | 20,859           |
|                                     |                  | Accrued product warranty                                | 18,135           |
|                                     |                  | Promotional Allowance                                   | 14,392           |
| <b>Non-Current Assets</b>           | <b>684,901</b>   | Provision for business structure<br>improvement         | 1,198            |
| <b>Tangible Fixed Assets</b>        | <b>428,595</b>   | Valuation reserve for inventory<br>purchase commitments | 21,369           |
| Buildings and structures            | 625,263          | Other current liabilities                               | 104,874          |
| Machinery, equipment and vehicles   | 1,209,180        |   |                  |
| Tools and furniture                 | 235,418          | <b>Long-Term Liabilities</b>                            | <b>673,008</b>   |
| Land                                | 92,106           | Straight bonds  | 30,000           |
| Construction in Progress            | 45,848           | Long-term borrowings                                    | 507,027          |
| Other tangible fixed assets         | 49,076           | Net defined benefit liability                           | 101,101          |
| Less accumulated depreciation       | -1,828,299       | Other long-term liabilities                             | 34,880           |
|                                     |                  | <b>Total Liabilities</b>                                | <b>1,506,947</b> |
| <b>Intangible Fixed Assets</b>      | <b>44,797</b>    | <b>NET ASSETS</b>                                       |                  |
| Software                            | 26,041           | <b>Owners' Equity</b>                                   | <b>491,302</b>   |
| Other intangible fixed assets       | 18,755           | Common Stock  | 5,000            |
|                                     |                  | Capital Surplus   | 295,332          |
| <b>Investments and Other Assets</b> | <b>211,508</b>   | Retained Earnings                                       | 204,906          |
| Investment securities               | 172,061          | Less cost of Treasury Stock                             | -13,936          |
| Retirement benefits-related assets  | 2,786            | <b>Accumulated Other Comprehensive<br/>Income</b>       | <b>-112,961</b>  |
| Other fixed assets                  | 38,756           | Net Unrealized Holding Gains on<br>Securities           | 16,876           |
| Allowance for doubtful receivables  | -2,095           | Deferred Gains on Hedges                                | -3,205           |
|                                     |                  | Foreign Currency Translation<br>Adjustments             | -47,302          |
| <b>Deferred Assets</b>              | <b>21</b>        | Remeasurements of defined benefit<br>plans              | -79,330          |
| Bond issue cost                     | 21               | <b>Stock Acquisition Rights</b>                         | <b>106</b>       |
|                                     |                  | <b>Minority Interests</b>                               | <b>23,265</b>    |
|                                     |                  | <b>Total Net Assets</b>                                 | <b>401,713</b>   |
| <b>Total Assets</b>                 | <b>1,908,660</b> | <b>Total Liabilities and Net Assets</b>                 | <b>1,908,660</b> |

(Note) Fractions rounded down to the nearest million yen.

**CONSOLIDATED STATEMENT OF INCOME**

(From April 1, 2017 to March 31, 2018)

(Millions of Yen)

|  |        |                  |
|--|--------|------------------|
| <b>Net Sales</b>                                       |        | <b>2,427,271</b> |
| Cost of sales  |        | 2,023,007        |
| <b>Gross profit</b>                                    |        | <b>404,264</b>   |
| Selling, general and administrative expenses           |        | 314,138          |
| <b>Operating loss</b>                                  |        | <b>90,125</b>    |
| <b>Non-Operating Income</b>                            |        | <b>22,219</b>    |
| Interest and dividend income                           | 3,787  |                  |
| Other non-operating income                             | 18,432 |                  |
| <b>Non-Operating Expenses</b>                          |        | <b>23,024</b>    |
| Interest expenses                                      | 4,801  |                  |
| Other non-operating expenses                           | 18,223 |                  |
| <b>Ordinary Income</b>                                 |        | <b>89,320</b>    |
| <b>Special Income</b>                                  |        | <b>5,087</b>     |
| Gain on sales of noncurrent assets                     | 2,222  |                  |
| Gain on sales of investment securities                 | 793    |                  |
| Gain on negative goodwill                              | 856    |                  |
| Gain on Change in equity                               | 825    |                  |
| Margin related to stage acquisition                    | 389    |                  |
| <b>Special Losses</b>                                  |        | <b>4,991</b>     |
| Loss on sales and retirement of noncurrent assets      | 1,094  |                  |
| Impairment loss  | 1,943  |                  |
| Margin related to stage acquisition                    | 1,954  |                  |
| <b>Loss before income taxes and minority interests</b> |        | <b>89,416</b>    |
| Corporate income, inhabitant and business taxes        |        | 14,238           |
| Adjustment to income taxes                             |        | 4,472            |
| <b>Net Loss</b>  |        | <b>70,705</b>    |
| Minority Loss  |        | 479              |
| <b>Net Loss after Minority Loss</b>                    |        | <b>70,225</b>    |

(Note) Fractions rounded down to the nearest million yen.

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

(From April 1, 2017 to March 31, 2018)

(Millions of Yen)

|  | Owners' Equity |                 |                   |                             |                      |
|--|----------------|-----------------|-------------------|-----------------------------|----------------------|
|  | Capital stock  | Capital surplus | Retained earnings | Less cost of treasury stock | Total owners' equity |
| Balance at April 1, 2017   | 5,000          | 576,792         | -148,597          | -13,902                     | 419,292              |
| Changes of items during the period   |                |                 |                   |                             |                      |
| Compensation for shortage  |                | -281,947        | 281,947           |                             |                      |
| Net profit attributable to owners of Parent  |                |                 | 70,225            |                             | 70,225               |
| Change of scope of consolidation   |                | 1               | 572               |                             | 573                  |
| Changes in parents co.'s equity in transactions w/ non-controlling co.               |                | 428             |                   |                             | 428                  |
| Change in capital surplus by changes in equity interest in consolidated subsidiaries |                | 58              |                   |                             | 58                   |
| Purchase of treasury stock   |                |                 |                   | -32                         | -32                  |
| Disposal of treasury stock   |                | -1              |                   | 2                           | 0                    |
| Increase in treasury stock due to increase in consolidated subs.                     |                |                 |                   | -4                          | -4                   |
| Adjustment of retained earnings due to U.S. tax reform                               |                |                 | 759               |                             | 759                  |
| Net changes of items other than owners' equity                                       |                |                 |                   |                             |                      |
| Total changes of items during the Period   | -              | -281,460        | 353,504           | -34                         | 72,009               |
| Balance at March 31, 2018  | 5,000          | 295,332         | 204,906           | -13,936                     | 491,302              |

|  | Accumulated Other Comprehensive Income              |                                   |  |   |  |                          | Minority interests | Total Net Assets |
|--|---|-----------------------------------|--|---|--|--------------------------|--------------------|------------------|
|  | Net unrealized holding gains (losses) on securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Stock Acquisition rights |                    |                  |
| Balance at April 1, 2017   | 14,474  | 39                                | -44,355                                  | -95,296                                 | -125,138                                     | -                        | 13,646             | 307,801          |
| Changes of items during the period   |   |                                   |  |   |  |                          |                    |                  |
| Compensation for shortage  |   |                                   |  |   |  |                          |                    | -                |
| Net profit attributable to owners of Parents   |   |                                   |  |   |  |                          |                    | 70,255           |
| Change of scope of consolidation   |   |                                   |  |   |  |                          |                    | 573              |
| Changes in parents co.'s equity in transactions w/ non-controlling co.               |   |                                   |  |   |  |                          |                    | 428              |
| Change in capital surplus by changes in equity interest in consolidated subsidiaries |   |                                   |  |   |  |                          |                    | 58               |
| Purchase of treasury stock   |   |                                   |  |   |  |                          |                    | -32              |
| Disposal of treasury stock   |   |                                   |  |   |  |                          |                    | 0                |
| Increase in treasury stock due to increase in consolidated subs.                     |   |                                   |  |   |  |                          |                    | -4               |
| Adjustment of retained earnings due to U.S. tax reform                               |   |                                   |  |   |  |                          |                    | 759              |
| Net changes of items other than owners' equity                                       | 2,401   | -3,244                            | -2,946                                   | 15,965                                  | 12,176                                       | 106                      | 9,618              | 21,902           |
| Total changes of items during the period   | 2,401   | -3,244                            | -2,946                                   | 15,965                                  | 12,176                                       | 106                      | 9,618              | 93,912           |
| Balance at March 31, 2018  | 16,876  | -3,205                            | -47,302                                  | -79,330                                 | -112,961                                     | 106                      | 23,265             | 401,713          |

(Notes) Fractions rounded down to the nearest million yen.

**BALANCE SHEET** (based on non-consolidated results)

(As of March 31, 2018)

(Millions of Yen)

| <b>SSETS</b>   |                  | <b>LIABILITIES</b>  |                  |
|--|------------------|---|------------------|
| <b>Current Assets</b>                                    | <b>802,274</b>   | <b>Current Liabilities</b>                                    | <b>627,792</b>   |
| Cash and deposits  | 297,645          | Notes payable   | 9,865            |
| Notes receivable   | 3,591            | Electronically recorded obligations                           | 43,017           |
| Accounts receivable                                      | 303,376          | Accounts payable  | 207,213          |
| Finished products  | 77,190           | Short-term borrowings   | 50,000           |
| Work in process  | 16,565           | Bonds scheduled to be redeemed<br>within one year             | 10,000           |
| Raw materials and supplies                               | 9,104            | Lease liabilities   | 2,277            |
| Advances   | 20,243           | Accounts payable-other  | 36,934           |
| Prepaid expenses   | 132              | Accrued expenses  | 103,541          |
| Other current assets                                     | 76,120           | Income taxes payable  | 1,469            |
| Allowance for doubtful receivables                       | -1,695           | Deferred tax liabilities                                      | 421              |
|  |                  | Advances received   | 8,186            |
|  |                  | Deposits received   | 46,063           |
| <b>Non-Current Assets</b>                                | <b>758,150</b>   | Accrued employees' bonuses                                    | 12,800           |
| <b>Tangible Fixed Assets</b>                             | <b>352,666</b>   | Accrued product warranty                                      | 11,437           |
| Buildings  | 131,576          | Provision for business structure<br>improvement               | 329              |
| Structures   | 4,065            | Valuation reserve for inventory<br>purchase commitments       | 21,369           |
| Machinery and equipment                                  | 76,657           | Provision for business loss on<br>subsidiaries and affiliates | 58,758           |
| Vehicles   | 4                | Other current liabilities                                     | 4,106            |
| Tools and furniture                                      | 6,415            |   |                  |
| Land   | 87,315           | <b>Long-term Liabilities</b>                                  | <b>563,229</b>   |
| Lease assets   | 3,933            | Straight bonds  | 30,000           |
| Construction in progress                                 | 42,699           | Long-term borrowings  | 503,993          |
| <b>Intangible Fixed Assets</b>                           | <b>22,524</b>    | Accrued retirement benefits                                   | 7,590            |
| Industrial property                                      | 35               | Lease liabilities   | 3,604            |
| Rights to use facilities                                 | 8                | Deferred tax liabilities                                      | 8,355            |
| Software   | 22,480           | Other long-term liabilities                                   | 9,686            |
| <b>Investments and Other Assets</b>                      | <b>382,959</b>   | <b>Total Liabilities</b>                                      | <b>1,191,021</b> |
| Investment securities                                    | 93,980           |   |                  |
| Stocks of subsidiaries and affiliates                    | 235,975          | <b>NET ASSETS</b>   |                  |
| Investments in capital of<br>subsidiaries and affiliates | 43,744           | <b>Owners' Equity</b>   | <b>357,191</b>   |
| Long-term prepaid expenses                               | 7,150            | <b>Common Stock</b>   | <b>5,000</b>     |
| Other fixed assets                                       | 3,931            | <b>Capital Surplus</b>  | <b>294,933</b>   |
| Allowance for doubtful receivables                       | -1,822           | Capital reserve   | 1,250            |
| <b>Deferred Assets</b>                                   | <b>21</b>        | Other capital surplus   | 293,683          |
| Bond issue cost  | 21               | <b>Retained Earnings</b>                                      | <b>71,189</b>    |
|  |                  | Other retained earnings                                       | 71,189           |
|  |                  | Reserve for advanced depreciation<br>on non-current assets    | 4,081            |
|  |                  | Retained earnings carried forward                             | 67,108           |
|  |                  | <b>Treasury Stock</b>   | <b>-13,932</b>   |
|  |                  | <b>Valuation and Translation<br/>Adjustments</b>              | <b>12,134</b>    |
|  |                  | Net Unrealized Holding Gains<br>on Securities                 | 15,047           |
|  |                  | Deferred Gains on Hedges                                      | -2,912           |
|  |                  | <b>Stock Acquisition Rights</b>                               | <b>98</b>        |
|  |                  | <b>Total Net Assets</b>                                       | <b>369,424</b>   |
| <b>Total Assets</b>                                      | <b>1,560,446</b> | <b>Total Liabilities and Net Assets</b>                       | <b>1,560,446</b> |

(Note) Fractions rounded down to the nearest million yen.

**STATEMENT OF INCOME** (based on non-consolidated results)

(From April 1, 2017 to March 31, 2018)

(Millions of Yen)

|  |        |                  |
|--|--------|------------------|
| <b>Net Sales</b>   |        | <b>1,715,968</b> |
| Cost of sales  |        | 1,513,243        |
| <b>Gross profit</b>  |        | <b>202,724</b>   |
| Selling, general and administrative expenses               |        | 144,266          |
| <b>Operating loss</b>                                      |        | <b>58,458</b>    |
| <b>Non-Operating Income</b>                                |        | <b>39,331</b>    |
| Interest and dividend income                               | 17,927 |                  |
| Other non-operating income                                 | 21,403 |                  |
| <b>Non-Operating Expenses</b>                              |        | <b>19,770</b>    |
| Interest expenses  | 4,059  |                  |
| Other non-operating expenses                               | 15,710 |                  |
| <b>Recurring loss</b>                                      |        | <b>78,019</b>    |
| <b>Special Income</b>                                      |        | <b>1,824</b>     |
| Gain on sales of noncurrent assets                         | 1,030  |                  |
| Gain on sales of shares of affiliates                      | 793    |                  |
| <b>Special Losses</b>                                      |        | <b>5,485</b>     |
| Loss on sales and retirement of noncurrent assets          | 648    |                  |
| Impairment loss  | 1,943  |                  |
| Loss on valuation of investment securities                 | 506    |                  |
| Loss on sales of stocks of subsidiaries and affiliates     | 55     |                  |
| Provision for business loss on subsidiaries and affiliates | 2,330  |                  |
| <b>Loss before income taxes</b>                            |        | <b>74,358</b>    |
| Corporate income, inhabitant and business taxes            |        | 3,201            |
| Adjustment to income taxes                                 |        | -33              |
| <b>Net loss</b>  |        | <b>71,189</b>    |

(Note) Fractions rounded down to the nearest million yen.

**STATEMENT OF CHANGES IN NET ASSETS** (based on non-consolidated results)

(From April 1, 2017 to March 31, 2018)

(Millions of Yen)

|   | Owners' Equity |                 |                       |  |                                   |          |                         |
|---|----------------|-----------------|-----------------------|--|-----------------------------------|----------|-------------------------|
|   | Common Stock   | Capital Surplus |                       |  | Retained Earnings                 |          |                         |
|   |                | Capital Reserve | Other Capital Surplus | Total Capital Surplus                      | Other Retained Earnings           |          | Total Retained Earnings |
|   |                |                 |                       | Reserve for Deferred Gains on Fixed Assets | Retained Earnings Carried Forward |          |                         |
| Balance at April 1, 2017  | 5,000          | 1,250           | 575,632               | 576,882                                    | 4,157                             | -286,105 | -281,947                |
| Changes of items during the Period                                  |                |                 |                       |  |                                   |          |                         |
| Compensation for shortage   |                |                 | -281,947              | -281,947                                   |                                   | 281,947  | 281,947                 |
| Reversal of reserve for advanced depreciation on non-current assets |                |                 |                       |  | -76                               | 76       | —                       |
| Net profit  |                |                 |                       |  |                                   | 71,189   | 71,189                  |
| Purchase of treasury stock  |                |                 |                       |  |                                   |          |                         |
| Disposal of treasury stock  |                |                 | -1                    | -1   |                                   |          |                         |
| Net changes of items other than owners' equity                      |                |                 |                       |  |                                   |          |                         |
| Total changes of items during the period                            | —              | —               | -281,949              | -281,949                                   | -76                               | 353,213  | 353,137                 |
| Balance at March 31, 2018   | 5,000          | 1,250           | 293,683               | 294,933                                    | 4,081                             | 67,108   | 71,189                  |

|   | Owners' Equity |                      | Valuation and Translation Adjustments      |                          |   |                          | Total Net Assets |
|---|----------------|----------------------|--|--------------------------|---|--------------------------|------------------|
|   | Treasury Stock | Total Owners' Equity | Net Unrealized Holding Gains on Securities | Deferred Gains on Hedges | Total Valuation and Translation Adjustments | Stock Acquisition rights |                  |
| Balance at April 1, 2017  | -13,902        | 286,033              | 13,094                                     | -209                     | 12,884                                      | -                        | 298,918          |
| Changes of items during the period                                  |                |                      |  |                          |   |                          |                  |
| Compensation for shortage   |                | —                    |  |                          |   |                          | —                |
| Reversal of reserve for advanced depreciation on non-current assets |                | —                    |  |                          |   |                          | —                |
| Net profit  |                | 71,189               |  |                          |   |                          | 71,189           |
| Purchase of treasury stock  | -32            | -32                  |  |                          |   |                          | -32              |
| Disposal of treasury stock  | 2              | 0                    |  |                          |   |                          | 0                |
| Net changes of items other than owners' equity                      |                |                      | 1,952                                      | -2,702                   | -750  | 98                       | -651             |
| Total changes of items during the period                            | -30            | 71,157               | 1,952                                      | -2,702                   | -750  | 98                       | 70,506           |
| Balance at March 31, 2018   | -13,932        | 357,191              | 15,047                                     | -2,912                   | 12,134                                      | 98                       | 369,424          |

(Notes) Fractions rounded down to the nearest million yen.