

Corporate Governance

Basic Concepts

Sharp's business philosophy contains this statement: "Our future prosperity is directly linked to the prosperity of our customers, dealers and shareholders...indeed, the entire Sharp family." Under this philosophy, Sharp's basic concept concerning corporate governance is to maximize corporate value through swift and accurate management that preserves transparency, objectivity and soundness.

Based on this stance, Sharp appoints outside directors who have deep insight and a wealth of experience in the fields of social and economic trends, management, and so forth. In the institutional design of the company, we have chosen to become a company with an audit & supervisory

committee. This format increases the agility of our decision-making, while strengthening oversight of the execution of duties.

With regard to the execution of business, Sharp separates the supervisory and decision-making functions from the business execution unit functions through the introduction of the Executive Officers System. This system enables the prompt, efficient, and consistent conduct of business. Sharp has also organized its business structure by decentralizing management to clarify the profit responsibilities of each business unit. In this way we have been strengthening our individual businesses and operations.

Status of Corporate Governance System

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

Meetings of the Board of Directors of Sharp Corporation are as a rule held on a monthly basis to make decisions on matters stipulated by law and management-related matters of importance, as well as to supervise the state of business execution. The Company also has an Internal Control Committee, the Compensation

Committee, and the Nominating Committee. These committees serve as advisory bodies to the Board of Directors.

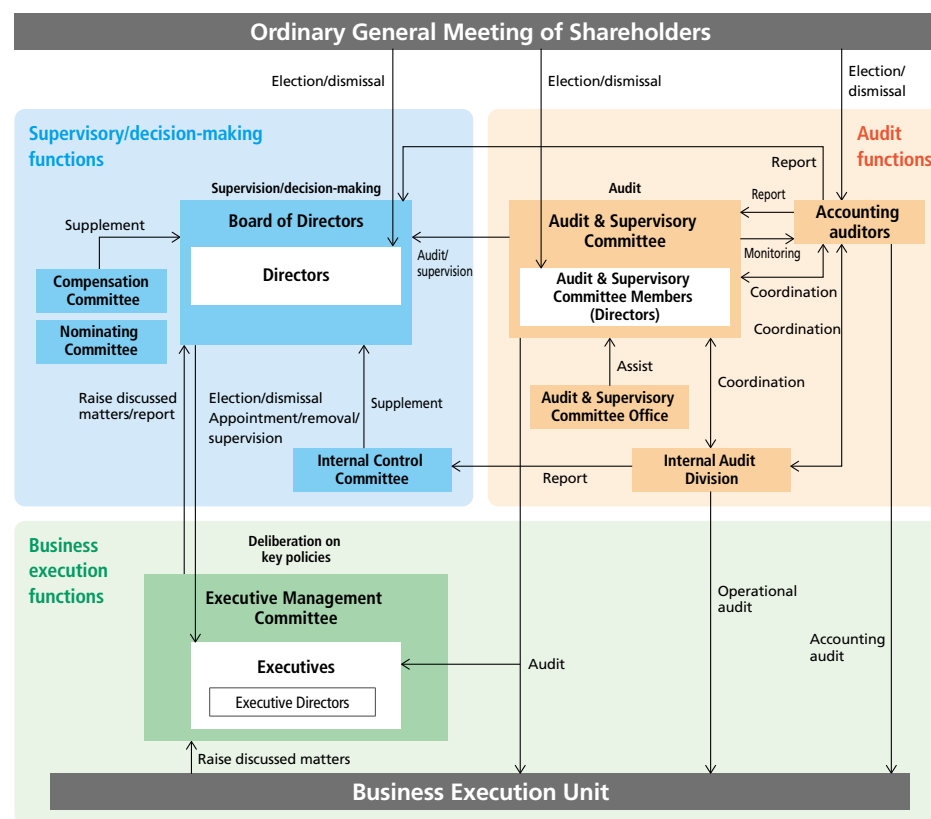
In addition to the Board of Directors, the Company has set up an Executive Management Committee whose members are executive officers. The Executive Management Committee deliberates in an appropriate and timely manner on matters of importance related to corporate management and business operations. This committee facilitates prompt executive decision-making.

The Audit & Supervisory Committee is comprised of three directors, all of whom are outside directors having high levels of professional knowledge. Two of the Audit & Supervisory

Committee members are independent directors and two members are full-time Audit & Supervisory Committee members. The Audit & Supervisory Committee members hold regular meetings with representative directors, directors,

accounting auditors, the head of the Internal Audit Division and others to exchange opinions and endeavor to ensure that business is conducted legally, appropriately, and efficiently.

Corporate Governance System of Sharp Corporation (As of June 20, 2018)



Outside Directors

(As of June 20, 2018)

Name	Member of Audit & Supervisory Committee	Independent Director	Additional Comments on Aspects of Suitability	Reason for Selection
Hsu-Tung Lu	○		<p>Mr. Lu worked as an employee at Hon Hai Precision Industry Co., Ltd. (Sharp parent company) until 2010. He served as a director at Foxconn Japan Co., Ltd., a subsidiary of Hon Hai, until January 2014, and served there as an auditor until June 2017. From December 2010 until July 2017, Mr. Lu was employed by Foxconn Technology Co., Ltd. as chief financial officer. This company is the parent company of Foxconn Technology Pte. Ltd., which is a major shareholder in Sharp and an affiliated company of Hon Hai, parent company to Sharp.</p> <p>It is our judgment that Hon Hai Precision Industry Co., Ltd. qualifies as the parent company of Sharp based on facts Sharp recognizes considering Japanese laws and accounting standards. This judgment related to parent company status is not based on laws and accountings standards applied outside of Japan.</p>	<p>Mr. Lu has worked for many years in accounting, including service as an internal auditor at Sakai Display Products Corporation. On this basis, we have determined that he is well suited to be an outside director at Sharp.</p>

Name	Member of Audit & Supervisory Committee	Independent Director	Additional Comments on Aspects of Suitability	Reason for Selection
Yasuo Himeiwa	○	○	<p>Mr. Himeiwa was affiliated with KPMG AZSA LLC, which served as Sharp's external auditor until June 2016.</p>	<p>For many years, Mr. Himeiwa has worked as a certified public accountant. Given his wealth of experience and knowledge based on his professional experience, we have determined that he is well suited to serve as an independent outside director at Sharp.</p> <p>Mr. Himeiwa worked at KPMG AZSA LLC, which served as our external auditor until June 2016, but he was not involved in work for Sharp over that span and he has retired from KPMG AZSA LLC. Additionally, the auditing fees we paid to KPMG AZSA LLC equated to less than 1% of KPMG AZSA LLC's revenues, and KPMG AZSA LLC no longer works as external auditor. It is therefore our judgment that these past ties do not affect his independence as an outside director.</p>
Goro Aoki	○	○	—	<p>Mr. Aoki served many years in the Cabinet Secretariat and the Ministry of Foreign Affairs. He has also fulfilled responsibilities in important posts related to the police. He has a wealth of international and negotiating experience through his work at the National Police Agency, where he cooperated in international investigations and in negotiations for international treaties. The Company has decided to appoint Mr. Aoki as an outside director (member of the Audit & Supervisory Committee) to draw on his extensive experience and knowledge and to obtain his objective advice and supervision. Although Mr. Aoki most recently served as executive director for the Japan Road Traffic Information Center, he has retired from that position in June 2018. Accordingly, we do not believe this most recent post will affect his independence.</p>

Incentives

Introduction of Stock Option Plan

Sharp has introduced a stock option plan with the aim of improving the alignment between responsibility and incentives for persons in the categories listed below with our earnings performance. At the June 20, 2018 Ordinary General Meeting of Shareholders, approval was

granted for the issuance of a up to 1 million shares in total upon the exercise of share options that can be allocated to persons in the following categories: directors, employees, directors of subsidiaries, executive officers of subsidiaries, and corporate auditors of subsidiaries, and employees of subsidiaries, etc.

Director Remuneration

Disclosure Status of Remuneration for Each Director, and Policy for Deciding Remuneration Amount or Calculation Methods

Sharp does not disclose the remuneration of individual directors. Remuneration paid to directors (excluding directors on the Audit & Supervisory Committee) in fiscal 2017 totaled ¥238 million (nine directors, including five directors who retired during fiscal 2017), remuneration paid to directors on the Audit & Supervisory Committee totaled ¥45 million (three directors), remuneration paid to Audit & Supervisory Board members totaled ¥15 million (four members who retired during fiscal 2017).

Regarding remuneration for directors (excluding directors on the Audit & Supervisory Committee), the Company proposed a cap on cash remuneration set at ¥500 million per fiscal year and a cap on share options set at 1,500 units (total cash value of up to ¥300 million) per fiscal year at the Ordinary General Meeting of shareholders

(OGM) held on June 20, 2018. Shareholders at the OGM approve the total sum of cash remuneration awarded to directors (excluding directors on the Audit & Supervisory Committee) and delegate such matters to the Compensation Committee, an advisory body to the Board of Directors, to determine a total sum equal to or below the cap.

Regarding remuneration for directors who are also members of the Audit & Supervisory Committee, the Company proposed a cap on cash remuneration set at ¥100 million per fiscal year and a cap on share options set at 300 units (total cash value of up to ¥60 million) per fiscal year at the OGM held on June 20, 2018.

Shareholders at the OGM approve the total sum of cash remuneration awarded to directors who are also members of the Audit & Supervisory Committee, with decisions on this matter to be finalized based on discussion at the Audit & Supervisory Committee.

Ongoing Development of the Internal Control System

In May 2006, the Board of Directors passed a resolution to adopt the Basic Policy for Internal Control (partially amended in June 2017). Sharp is currently engaged in the development and operation of internal control systems in accordance with this Basic Policy. The Internal Control Committee, which serves as an advisory body to the Board of Directors, deliberates on basic policies regarding internal controls and internal audits. The committee also reviews the status of development and implementation of various measures relating to internal control systems, and makes decisions about what to report on or discuss with the Board of Directors. The unit promoting internal controls on a company-wide basis oversees the internal controls of the business execution units. Meanwhile the Internal Audit Division makes specific proposals on how to improve business operations and reinforces internal controls by checking the validity of business execution as well as the appropriateness and efficiency of management.

To enhance compliance throughout the Group, Sharp introduced the Sharp Group Charter of Corporate Behavior, a set of principles to guide corporate behavior, and the Sharp Code of Conduct, which clarifies the conduct expected of all directors, executives, and employees of Sharp. Sharp ensures that these guidelines are thoroughly observed by posting them on the Web and carrying out position-specific training programs. In accordance with the basic rules of compliance, Sharp is also developing a company-wide compliance promotion system. Sharp is also implementing thorough measures to prevent compliance infractions by providing the Sharp Group Compliance Guidebook online to all employees and implementing training based on the guidebook.

To deal comprehensively and systematically with a wide range of business risks, Sharp formulated its Business Risk Management Guidelines for the prevention of and swift response to risk.