

# 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 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, exercising control through the Chairman's Office and the Business Strategy Planning Office, organizations within our headquarters.

## 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 directors' execution of duties, 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.

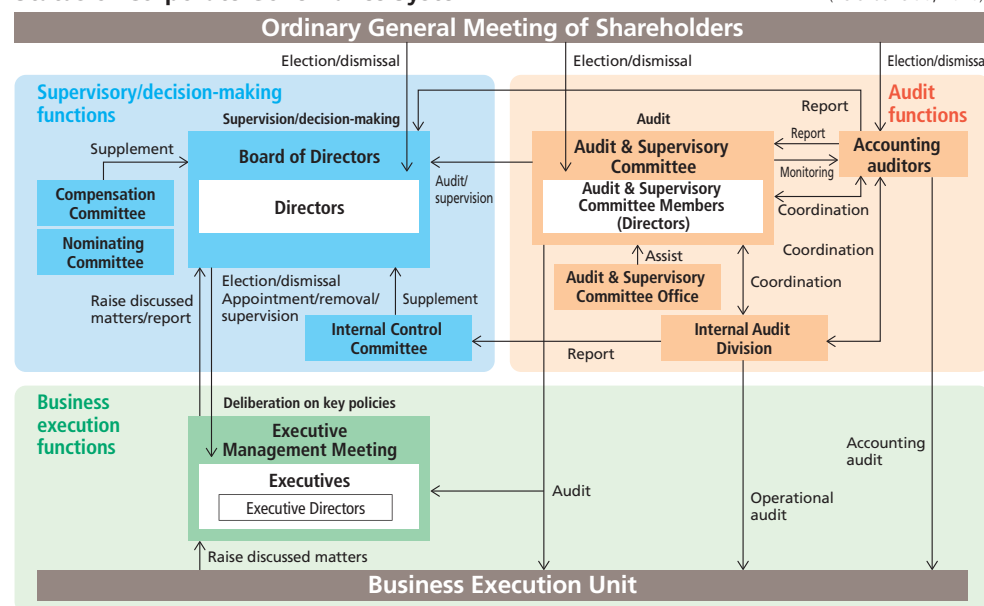
In addition to the Board of Directors, the Company has set up an Executive Management Meeting

whose members are executive officers. The Executive Management Meeting 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 one member is a full-time Audit & Supervisory Committee member. The Audit & Supervisory Committee members hold regular meetings with executive 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.

## Status of Corporate Governance System

(As of June 30, 2020)



## Organization Membership

(©: Committee chair) (As of June 30, 2020)

Title	Name	Board of Directors	Audit & Supervisory Committee	Executive Management Meeting	Nominating Committee	Compensation Committee	Internal Control Committee
Chairman & Chief Executive Officer	J.W. Tai	◎		○	○	○	◎
President & Chief Operating Officer	Katsuaki Nomura	○		◎	○	○	○
Member of the Board	Chung-Cheng Lin	○					
Member of the Board	Wei-Ming Chen	○					
Outside Director Member of the Board*	Hsu-Tung Lu	○	◎		○	○	○
Outside Director Member of the Board*	Yasuo Himejiwa	○	○		◎	◎	○
Outside Director Member of the Board*	Yutaka Nakagawa	○	○				○
Senior Executive Managing Officer	Fujikazu Nakayama			○			
Senior Executive Managing Officer	Masahiro Okitsu			○			
Senior Executive Managing Officer	Youichi Tsusue			○			
Senior Executive Managing Officer	Yoshihiro Hashimoto			○			○
Senior Executive Managing Officer	Ray-Shyang Lin			○			
Executive Managing Officer	Chien-Erh Wang			○			
Executive Managing Officer	Mototaka Taneya			○			
Executive Managing Officer	Po-Hsuan Wu			○			
Executive Officer	Satoshi Sakakibara			○			○
Executive Officer	Yoshiro Nakano			○			
Executive Officer	Yoshio Kosaka			○			

\*Member of Audit & Supervisory Committee

## Corporate Governance

### Outside Directors

(As of June 30, 2020)

Name	Member of Audit & Supervisory Committee	Independent Director	Additional Comments on Aspects of Suitability	Reason for Selection
Hsu-Tung Lu	○		Mr. Lu was 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 August 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.	Mr. Lu has worked for many years in accounting operations. Given his wealth of experience and knowledge based on his professional experience, we have determined that he is well suited to serve as an outside director at Sharp.
Yasuo Himeiya	○	○	Mr. Himeiya 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. We have determined, therefore, that this past experience does not present any issues related to independence.	Mr. Himeiya has worked for many years in the accounting business. Given his wealth of professional experience and knowledge, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Himeiya as an independent director based on Standards for Independence of Outside Directors.
Yutaka Nakagawa	○	○	—	Mr. Nakagawa has worked for many years in the audio visual equipment and semiconductor businesses, etc. Given his experience in corporate management as an executive officer and his wealth of professional experience and knowledge, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Nakagawa as an independent director based on Standards for Independence of Outside Directors.

### 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 29, 2020 Ordinary General Meeting of Shareholders, approval was granted

for the issuance of a up to 2 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 who are Audit Committee members) in fiscal 2019 totaled ¥325 million (five directors, including two directors who retired during fiscal 2019), remuneration paid to directors on the Audit & Supervisory Committee totaled ¥79 million (four directors, including one director who retired during fiscal 2019).

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 3,000 units (total cash value of up to ¥300 million) per fiscal year at the Ordinary General Meeting of Shareholders (OGM) held on June 25, 2019. 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 600 units (total cash value of up to ¥60 million) per fiscal year at the OGM held on June 25, 2019.

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.

# Corporate Governance

## 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 August 2020). 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 companywide 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 companywide 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.

On the subject of compliance-related whistleblowing systems, we have established the Crystal Hotline to handle various issues regarding compliance and the workplace, as well as the Competition Law Hotline to handle

competition laws. These hotlines have been established both internally and externally (making use of advisory law firm services) in keeping with the Whistleblower Protection Act and may be used by any employees, temporary staff, or equivalent of the Sharp Group in Japan. Our major overseas bases have also established similar whistleblowing and consultation facilities.

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.

Internal Control System (As of June 2020)

