

# 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 CEO'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, transactions between the parent company group and SHARP Group are reviewed and approved by the Special Committee to determine the necessity, rationality, and appropriateness of the transaction in question before being submitted to

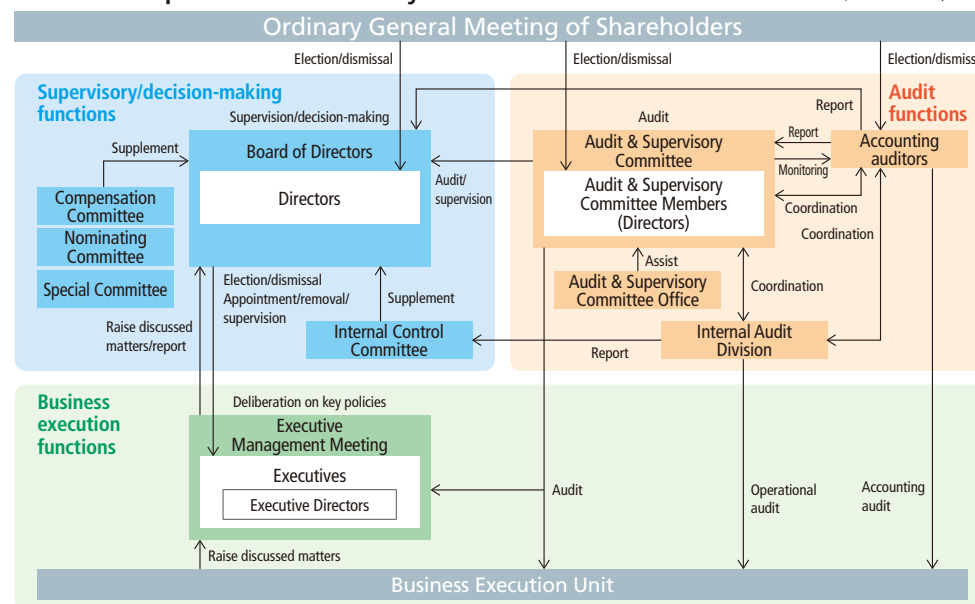
the Executive Management Meeting for decision.

In addition to the Board of Directors, the Company has set up an Executive Management Committee whose members are executive officers (CEO, vice president, CFO). 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 24, 2022)



## Organization Membership

(©: Committee chair) (As of October 1, 2022)

Title	Name	Bord of Directors	Audit & Supervisory Committee	Executive Management Meeting	Nominating Committee	Compensation Committee	Special Committee	Internal Control Committee
President & Chief Executive Officer	Po-Hsuan Wu	◎		◎	○	○		◎
Executive Vice President, Member of the Board	Masahiro Okitsu	○		○	○	○		○
Member of the Board (Outside Director)	Ting-Chen Hsu	○						
Member of the Board (Outside Director)	Zhen-Wei Wang	○			○		○	
Member of the Board (Outside Director)*	Hsu-Tung Lu	○	◎					○
Member of the Board (Outside Director)*	Yasuo Himeiwa	○	○		○	○	○	○
Member of the Board (Outside Director)*	Yutaka Nakagawa	○	○		◎	◎	◎	○
Senior Executive Managing Officer	Hsin-Shu Chen			○				
Executive Managing Officer	Yoshio Kosaka							○

\* Member of Audit & Supervisory Committee

## Outside Directors

(As of June 24, 2022)

Name	Member of Audit & Supervisory Committee	Independent Director	Reason for Selection	Attendance at Board/Committee in Fiscal 2021 (Meetings attended/ No. of meetings held*)
Hsu-Tung Lu	○		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.	Board of Directors (14/14) Audit & Supervisory Committee (16/16) Nomination Committee (1/1) Compensation Committee (2/2)
Yasuo Himeiwa	○	○	Mr. Himeiwa 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. Himeiwa as an independent director based on Standards for Independence of Outside Directors.	Board of Directors (14/14) Audit & Supervisory Committee (16/16) Nominating Committee (3/3) Compensation Committee (6/6)
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.	Board of Directors (14/14) Audit & Supervisory Committee (16/16) Nominating Committee (2/2) Compensation Committee (4/4)
Ting-Chen Hsu			Mr. Hsu has worked for many years in semiconductor, display, and other manufacturing businesses, including management positions. Given his wealth of experience and knowledge based on this professional experience, we have determined that he is well suited to serve as an outside director at Sharp.	Board of Directors (10/11) Nominating Committee (2/2) Compensation Committee (4/4)
Zhen-Wei Wang		○	Mr. Wang has worked for many years in business and management related to computer and other product manufacturing companies. Given his wealth of experience in and wide range of knowledge, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Wang as an independent director based on Standards for Independence of Outside Directors.	—

\*The number of meetings varies depending on the term of office of each member.

## Director Remuneration

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

Regarding remuneration for directors (excluding directors on the Audit & Supervisory Committee), the Ordinary General Meeting of Shareholders, held June 29, 2021, resolved to cap cash remuneration at ¥500 million per fiscal year (of which a maximum of ¥20 million may be paid to outside directors).

To better align values between Sharp directors and shareholders, as well as to strengthen the sense of responsibility and increase motivation related to corporate performance, the Company grants restricted stock as nonmonetary remuneration to directors, up to a limit of ¥300 million (150,000 shares) per fiscal year, of which a maximum of ¥12 million (6,000 shares) may be granted to outside directors.

The Compensation Committee, delegated authority by the Board of Directors, determines monetary remuneration for individual directors (excluding members of the Audit & Supervisory Committee) within the scope approved by the Ordinary General Meeting of Shareholders. The Compensation Committee provides advice regarding nonmonetary remuneration, which is determined by a resolution of the Board of Directors in consideration of said advice.

Monetary remuneration is limited to ¥100 million per fiscal year for directors who are Audit & Supervisory Committee members per resolution of the Ordinary General Meeting of Shareholders, held June 29, 2021.

To better align values between Sharp directors who are members of the Audit & Supervisory Committee and shareholders, the Company grants restricted stock as nonmonetary remuneration separate from the framework for monetary remuneration to directors who are members of the Audit & Supervisory Committee, up to a limit of ¥60 million (30,000 shares) per fiscal year. This remuneration is designed to improve foster a greater awareness of the need for complete and comprehensive audits, to prevent loss of corporate value, and to maintain trust in the company.

The Ordinary Meeting of General Shareholders approves the scope of monetary and nonmonetary remuneration for individual directors who are members of the Audit & Supervisory Committee, the amounts of which are then determined according to discussions among directors who are members of the Audit & Supervisory Committee.

Remuneration, etc., for Sharp directors (excluding directors who are members of the Audit & Supervisory Committee) for the fiscal year ended March 31, 2022 was ¥251 million (four directors, including one outside director). Remuneration, etc., for directors who are members of the Audit & Supervisory Committee was ¥71 million (three outside directors).

The Company does not disclose remuneration for individual directors.

## 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 (final revision in August 2022). 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, internal audits, and the status of internal controls-related policies and operations. The committee reports on or refers matters to the Board of Directors as necessary. Sharp has established departments to supervise and implement measures and initiatives related to internal controls on a company-wide basis. Sharp

has also established an independent internal audit division to evaluate the effectiveness of internal control and provide feedback on a continuing basis.

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. Disseminating these throughout the Company and conducting annual trainings fosters a mindset of preventing problems before they occur. In accordance with the basic rules of compliance, Sharp is also developing a companywide compli-

ance promotion system. Sharp is also formulating the Sharp Group Compliance Guidebook which points out specific standards for items to be observed, prohibited items, and actions to be taken by all directors, executives, and employees. This is being provided to the whole company in order to ensure thorough compliance.

On the subject of compliance-related whistleblowing systems, we have established the Crystal Hotline to handle various issues regarding compliance, including organizational or individual violations of the law or ethics, and the workplace occurring at Sharp or domestic subsidiaries as well as the Competition Law Hotline to handle

issues regarding 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 or temporary employees of the Sharp Group in Japan, or employees of its business partners, etc\*. In addition, 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 risk and for the swift response to any emerging risks.

\* Business partners may only use the Crystal Hotline.

**Internal Control System** (As of June 2022)

