

May 12, 2016

[Translation]

Company Name: Sharp Corporation  
Representative: Kozo Takahashi  
President & Chief Executive Officer  
(Code No. 6753)

### **Allotment of Stock Options (Share Options)**

Sharp Corporation (the “Company”) announces that it passed a resolution at the Board of Directors meeting held today to submit a proposal (the “Proposal for Share Options”), at the 122nd Annual General Shareholders’ Meeting to be held on June 23, 2016 (the “Shareholders’ Meeting”), that the Company be authorized to allot Share Options as stock options to Directors (excluding outside directors), Executive Officers and employees (“Officers 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 to delegate to its Board of Directors the determination of the subscription requirements of such Share Options (the “ Subscription Requirements”). As the granting of Share Options to Directors of the Company constitutes Remuneration as defined in Article 361 of the Companies Act of Japan, the Company will also request the approval of the Shareholders’ Meeting of the amount of remuneration related to, and the specific conditions of, the Share Options as stock options for its Directors.

The Subscription Requirements related to the allotment of the Share Options to Officers and Employees of the Company Group will be determined at a Board of Directors meeting to be held in the future.

1. Purpose of adopting a stock option plan, and the reason that the issuance under particularly favorable conditions is required

As announced in the “Notice Regarding the Intention to Buy Back the Class B Shares and Incentive Program for Officers and Employees” dated April 29, 2016, the Company has resolved to adopt an incentive program using its shares. 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 Officers 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. Amount of remuneration for Directors of the Company

It was approved at the 114th Annual General Shareholders’ Meeting held on June 23, 2008, that the amount of remuneration for Directors of the Company (excluding the amount of employee salaries for Directors who concurrently serve as employees) shall be 60 million yen or less per month (720 million yen or less on an annualized basis). The Company has now decided to change its remuneration policy to one which is centered on stock options supplemented by the payment of cash remuneration, and will provide Remuneration as defined in Article 361 of the Companies Act of Japan to its Directors within the limits of remuneration by stock options and cash remuneration; provided that such amount of remuneration for Directors does not include the amount of employee salaries for Directors who concurrently serve as employees.

### Limit of remuneration by stock options

The Share Options to be allotted within a year after the Shareholders' Meeting's approval of the Proposal for Share Options as remuneration for Directors (excluding outside directors) of the Company shall be 2,000 units or less, and the total value of Share Options shall be 500 million yen at maximum. 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.

The details of the Share Options as stock options are as set forth in 3. below.

### Limit of cash remuneration

The Company has decided to provide cash remuneration separately from stock options to Directors who concurrently serve as Executive Officers. The total amount of cash remuneration for Directors who concurrently serve as Executive Officers and outside directors shall be 200 million yen at maximum per year (including 40 million at maximum per year for outside directors) . Cash remuneration to be paid separately from stock options to Directors who concurrently serve as Executive Officers shall be determined by the same criteria as those for Executive Officers.

## 3. Outline of issuance of Share Options

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

Directors (excluding outside directors), Executive Officers 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 192,000,000.

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

No more than 192,000 units of Share Options shall be issued.

One thousand 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.

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

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.”

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, Company Auditors 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.

- (Note) Regarding the above matter, it is on the proviso that the proposal of "Issuance of Share Options as Stock Options", shall be approved at our 122th Annual General Shareholders' Meeting scheduled to be held on June 23, 2016.

End.