Allotment of Stock Options (Share Options) (Update of the Previous Disclosure)

Sharp decided, by the resolution at the 122nd Annual General Shareholders’ Meeting (held on June 23, 2016; hereinafter the “Shareholders’ Meeting”) (the “Resolution at the Shareholders’ Meeting”), to implement a stock option plan and issue stock options (share options) as one of the types of remuneration for officers and employees of Sharp group in order to assist Sharp in retaining and recruiting the employees required for Sharp’s revitalization and growth and serve as an incentive to increase their motivation to participate in the Sharp group’s business management and contribute to higher performance as well as the increased corporate value of Sharp. Sharp announces today that it has decided by the resolution of the Board of Directors the details including the specific number of share options to be issued and the date of allotment.

1. Name
   First Share Options

2. Persons to whom Share Options will be allotted and total number of share options to be issued
   811 to Sharp’s directors and employees (48 persons)

3. Date of allotment
   April 21, 2017

4. Details of share options
   As indicated in Appendix “Terms and Conditions for the Issuance”

5. Cash payment for share options
   No cash payment is required for the First Share Options.
Appendix Terms and Conditions for the Issuance

1. Name of share options
   The name of share options shall be the “First Share Options.”

2. Details of share options
   (1) Class and number of shares to be issued upon the exercise of the share options
   The class of shares to be issued upon the exercise of the share options shall be the common stock of Sharp, and the number of shares to be issued for each share option shall be 1,000 shares.

   If Sharp 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 the 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.

   \[
   \text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of split or consolidation}
   \]

   If Sharp 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.

   (2) Value of assets to be contributed upon the exercise of the 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 the share options.

   The Exercise Value shall be 390 yen or the closing price on the date of 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 Sharp splits its common stock or consolidates its common stock after the issuance of the 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.

   \[
   \text{Exercise Value after adjustment} = \frac{\text{Exercise Value before adjustment} \times \left[\frac{1}{\text{Ratio of stock split or stock consolidation}}\right]}{1}
   \]

   If the 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 Sharp), 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.
Exercise Value after adjustment = Exercise Value before adjustment

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\frac{\text{Number of shares already issued} + \text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Stock price before new issuance}} \times \frac{\text{Number of shares already issued}}{\text{Number of shares newly 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 Sharp less the number of treasury shares held by Sharp. If Sharp 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 Sharp 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.

(3) 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 Sharp, the final day shall be the working day immediately preceding the final day.

(4) Conditions, etc. for exercise of share options

(i) The holders of share options shall remain Directors, Executive Officers, Company Auditors or employees of Sharp 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 Sharp 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) Share options may not be exercised if any of the following is applicable:

i) in the case where the holder of share options has been sentenced to imprisonment or a more severe penalty;

ii) in the case where the holder of share options has been dismissed or subject to any sanction of disciplinary dismissal under the rules of employment of Sharp;

iii) in the case where the holder of share options has resigned or retired (excluding the cases where the holder of share options assumes an office of the Director, Company Auditor or employee of Sharp or subsidiaries of Sharp immediately after the holder of share options resigned or retired); provided, however, that exceptional treatment may be allowed in this regard when Sharp’s Board of Directors has approved the exercise of share options in consideration of the circumstances;

iv) in the case where the holder of share options assumes an office of an officer or employee of a company that competes with Sharp (excluding the cases where the consent of Sharp in writing has been obtained in advance);

v) in the case where Sharp’s Board of Directors has determined that the exercise of the share options is inappropriate including the case where the holder of share options has committed any act in violation of laws and regulations, Sharp’s internal rules, or the stock option agreement to be entered into between Sharp and the holder of share options; or

vi) in the case where the holder of share options offers to waive all or part of the share options in writing in the form specified by Sharp.

(5) 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 the 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 the 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.

(6) Restriction on the acquisition of the share options by transfer

Any acquisition of the share options by transfer shall require an approval of the Board of Directors of Sharp by its resolution.

(7) Reasons and conditions for the acquisition of the share options

Sharp may acquire the share options on the date otherwise determined by the Board of Directors of Sharp without any compensation therefor in the following cases:

(i) In the case where a proposal of any merger agreement under which Sharp is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which Sharp will be a splitting company, or any share exchange agreement or share transfer plan in which Sharp will be a wholly owned subsidiary of another company is approved at a General Shareholders’ Meeting of
Sharp (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 2. (4) above before exercising share options; or

(iii) In the case where a holder of share options requests a waiver of share options.

(8) Treatment of the share options in the case of organizational restructuring of Sharp

In the event Sharp merges (limited to cases where Sharp 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 (a) through (e) of the Companies Act of Japan (hereinafter the “Restructured Company”) shall be delivered under the following conditions to holders of share options remaining unexercised (hereinafter the “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 the 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. (1) 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 2. (2) 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 the share options as stipulated in 2. (3) above, or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of the share options as stipulated in 2. (3) 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 the share options

To be determined in accordance with 2. (5) above.
(vii) Restriction on acquisition of the share options by transfer

Acquisition of the 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 the share options

To be determined in accordance with 2. (4) and 2. (7) above.

(9) Rules pertaining to fractions of less than one share arising from the exercise of the share options

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

(10) Non-issuance of share option certificates

Share options certificates pertaining to the share options shall not be issued.

End