

(PLEASE Note: This Notice of Convocation is an English summary of the Japanese notice. The Japanese original is official, and this summary is for your reference only. Sharp does not guarantee the accuracy of this summary.)

Securities Code: 6753

May 31, 2016

SHARP CORPORATION

NOTICE OF CONVOCAION OF THE 122nd ORDINARY GENERAL MEETING **OF SHAREHOLDERS**

To Our Shareholders:

We hereby notify you of the convocation of the 122nd Ordinary General Meeting of Shareholders of Sharp Corporation (hereinafter referred to as “Sharp”) as per the description below.

DESCRIPTION

1. Date and Time: Thursday, June 23, 2016, at 09:30 a.m.

2. Place: 1-14-15 Shinmachi, Nishi-ku, Osaka

ORIX THEATER

3. Purpose of the Meeting:

- Report:
1. The Business Report, Consolidated Accounts and Audit of the Consolidated Accounts by the Accounting Auditors and the Audit & Supervisory Board for the 122nd Term (from April 1, 2015 to March 31, 2016)
 2. Accounts for the 122nd Term (from April 1, 2015 to March 31, 2016)

Resolution:

- Proposal No.1: Partial Amendment to Articles of Incorporation
- Proposal No.2: The Issuance of Shares Offered for Subscription Through Third-Party Allotment (Common Shares and Class C Shares)
- Proposal No.3: Election of Ten (10) Directors
- Proposal No.4: Election of External Auditors
- Proposal No.5: Revision of the Amount of Remuneration for Directors of the Company and Determination of those Contents
- Proposal No.6: Issuance of Stock Acquisition Rights as Stock Options

REFERENCE INFORMATION REGARDING PROPOSALS

Proposal No. 1: Partial Amendment of Articles of Incorporation

1. Reasons for the Amendment:

- (1) The Company has resolved, at the Board of Directors meeting held on September 28, 2015, to transfer the land and buildings of the current head office building (in the City of Osaka), and has entered into a transfer agreement on the same day. Consequently, the Company had been considering a new location for its head office, and since the Company has decided to relocate the head office to its office in the City of Sakai, the location of the head office set forth in the articles of incorporation will be amended from the City of Osaka to the City of Sakai (proposed amendments to Article 2).

The Amendments to the Articles of Incorporation shall become effective as of the date of relocation of the head office, which is to be determined at the Board of Directors meeting to be held by June 30, 2016 (proposed amendments to the supplementary provision).

- (2) In order to allow the Class C Shares, which is a new class of shares, to be issued, an addition of new provisions or the like in relation to Class C Shares will be made to the articles of incorporation (proposed amendments to Article 6, Article 6-4, and Article 8).

With respect to the reasons for issuing the Class C Shares, please refer to Proposal No.2.

The Amendments to the Articles of Incorporation shall become effective on condition that the proposal for the amendments to the Articles of Incorporation is approved as proposed at the Ordinary General Meeting of Shareholders, and that the proposal for the Amendments to the Articles of Incorporation is approved as proposed at each General Meeting of Class Shareholders respectively.

- (3) The Amendments to the Articles of Incorporation will increase the total number of authorized shares and the total number of authorized shares in a class of common shares in preparation for the issuance of common shares by exercising the put options of the Class A Shares and Class B Shares and for the issuance of common shares by exercising the call options of the Class C Shares (proposed amendments to Article 6).

The Amendments to the Articles of Incorporation shall become effective on condition that all the common shares and Class C Shares relating to the capital increase through third-party allotment, which is to be proposed at the Ordinary General Meeting of Shareholders, are issued.

- (4) The Company has decided to allot share options to the directors (excluding the outside directors), corporate officers, and employees of the Company, the Company's domestic subsidiaries, and the Company's domestic affiliated companies, as stock options. And in order to conduct the allotment of share options in an agile and flexible manner, in addition to the Board of Directors, the President & Chief Executive Officer will be added to the body by which an approval will be granted under Article 244, Paragraph 3 of the Companies Act regarding the subscription agreement for the total number of share options to be entered between the Company and a person who intends to subscribe for the share options (proposed amendments to Article 6-5).

- (5) The amendment serves to organize the provisions on the record date of the general meeting of class shareholders (proposed amendments to Article 17-2).

2. Details of Amendments:

Details of the proposed amendments are as described below.

Contents of Amendment	(Amendments are underlined.)														
Current Articles of Incorporation	Proposed Amendment														
(Location of Head Office) Article 2 The Company shall have its head office in <u>the City of Osaka</u>. (Total Number of Authorized Shares) Article 6 The total number of shares to be issued by the Company shall be <u>5</u> billion shares, and the total number of shares of each class to be issued by the Company shall be as follows. <table border="0"> <tr> <td>common shares</td><td><u>5</u> billion shares</td></tr> <tr> <td>Class A shares</td><td>200,000 shares</td></tr> <tr> <td>Class B shares</td><td>25,000 shares</td></tr> </table> (New)	common shares	<u>5</u> billion shares	Class A shares	200,000 shares	Class B shares	25,000 shares	(Location of Head Office) Article 2 The Company shall have its head office in <u>the City of Sakai</u>. (Total Number of Authorized Shares) Article 6 The total number of shares to be issued by the Company shall be <u>10</u> billion shares, and the total number of shares of each class to be issued by the Company shall be as follows. <table border="0"> <tr> <td>common shares</td><td><u>10</u> billion shares</td></tr> <tr> <td>Class A shares</td><td>200,000 shares</td></tr> <tr> <td>Class B shares</td><td>25,000 shares</td></tr> <tr> <td><u>Class C shares</u></td><td><u>11,363,636 shares</u></td></tr> </table> <u>(Class C shares)</u> <u>Article 6-4</u> <u>The details of the Class C Shares issued by the Company shall be prescribed from the next paragraph to paragraph 8.</u> <u>(2) Dividends from surplus</u> <u>If the Company is to pay a dividend from surplus using the record date belonging to a business year, it shall pay the dividend to shareholders who hold Class C Shares (the “Class C Shareholders”) and registered pledgees of the Class C Shares (together with the Class C Shareholders, “Class C Shareholders, Etc.”) entered or recorded in the final shareholders resister as at the record date (the “Record Date for Dividends” in this Article) by the monetary amount of dividend from surplus calculated by multiplying the amount of dividend per common share by the conversion ratio provided for in Paragraph 5, Item 2 per the Class C Share (the amount paid by such dividend per share of Class C Shares is referred to as the “Class C Dividend”) ranking pari-passu with the Common Shareholders, etc. entered or recorded in the final shareholders resister as at the Record Date for Dividends. A fraction of less than one yen that arises in the amount calculated by multiplying the Class C Dividend by the number of the Class C Shares owned by each Class C Shareholders, Etc. is to be rounded down.</u> <u>(3) Distribution of residual assets</u> <u>If the Company is to distribute residual assets, it shall distribute residual assets to the Class C Shareholders, etc.</u>	common shares	<u>10</u> billion shares	Class A shares	200,000 shares	Class B shares	25,000 shares	<u>Class C shares</u>	<u>11,363,636 shares</u>
common shares	<u>5</u> billion shares														
Class A shares	200,000 shares														
Class B shares	25,000 shares														
common shares	<u>10</u> billion shares														
Class A shares	200,000 shares														
Class B shares	25,000 shares														
<u>Class C shares</u>	<u>11,363,636 shares</u>														

Current Articles of Incorporation	Proposed Amendment
	<u>by the monetary amount of distribution of residual assets calculated by multiplying the amount of residual assets to be distributed per common share by the conversion ratio provided for in Paragraph 5, Item 2 per the Class C Share (the amount paid by such distribution per share of Class C Shares is referred to as the “Class C Residual Assets Distribution Amount”) ranking pari-passu with the Common Shareholders, etc. A fraction of less than one yen that arises in the amount calculated by multiplying the Class C Residual Assets Distribution Amount by the number of the Class C Shares owned by each Class C Shareholders, Etc. is to be rounded down.</u> <u>(4) Voting rights</u> <u>Class C Shareholders do not have voting rights at general meetings of shareholders and general meetings of class shareholders constituted by Class C Shareholders unless otherwise provided for in laws.</u> <u>(5) Call option the consideration for which is common shares</u> <u>1. On and after July 1, 2017, the Company may acquire all or some of the Class C Shares in exchange for delivery of the number of common shares calculated by multiplying the number of Class C Share by the conversion ratio provided for in Item 2 per the Class C Share to the extent permissible under law and regulations on the coming of the day to be separately determined by the Board of Directors meeting. If the Company acquires some of the Class C Shares, it may decide the Class C Shares to acquire on a pro rata basis or by other reasonable method to be separately determined by the Board of Directors meeting.</u> <u>2. The conversion ratio of Class C Shares should be 100.</u> <u>(6) Restrictions on assignment</u> <u>Any acquisition of Class C Shares by assignment requires the approval of the Company’s Board of Directors.</u> <u>(7) Consolidation of shares or share split; allotment of shares without contribution, etc.</u> <u>1. When consolidating or splitting shares, the Company shall consolidate or split the Class C Shares at the same time and the same rate as the common shares.</u> <u>2. When allotting the shares without contribution or the share options without contribution (including those attached to bonds with a share option, the same shall apply hereinafter in this Article), the Company shall allot the Class C Shares without contribution or the</u>

Current Articles of Incorporation	Proposed Amendment
(New)	<u>share options without contribution for which the Class C Shares are the underlying shares to the Class C Shareholders at the same time and same rate as the Company allots the common shares without contribution or the share options without contribution for which the common shares are the underlying shares to the shareholders who hold common shares (including to practically conform with the number of shares underlying the share options).</u> 3. <u>When issuing the shares for subscription by granting an entitlement to an allotment of shares to the shareholders (including the disposition of treasury shares) or issuing the share options by granting an entitlement to an allotment of share options to the shareholders (including the disposition of their own share options), the Company shall grant an entitlement to the allotment of the Class C Shares or share options for which the Class C Shares are the underlying shares to the Class C Shareholders at the same time and the same rate as the Company grants entitlements to the allotment of common shares or share options for which the common shares are the underlying shares to the shareholders who hold common shares (including to practically conform with the number of shares underlying the share options) under fair conditions in terms of the amount to be paid for the shares or share options for subscription, or the value of the property to be contributed when such share options are exercised.</u> 4. <u>Except for the cases listed in the preceding items, the Company will not implement share split or consolidation of shares, or an allotment of shares without contribution or share options without contribution in relation to Class C Shares, and will not grant an entitlement to the allotment of shares for subscription or share options for subscription to Class C Shareholders.</u> <u>(8) Exclusion of shareholder's right to be added as a seller for acquisition of treasury stock</u> <u>If the Company decides to acquire all or a part of the Class C Shares which are owned by the Class C Shareholders by agreement with the Class C Shareholders by a resolution of a general meeting of shareholders, the provisions in Article 160, Paragraphs 2 and 3 of the Companies Act will not apply.</u> <u>(Approval for Subscription Agreement for the Total Number of Share Options)</u> <u>Article 6-5</u> <u>The approval under Article 244, Paragraph 3 of the Companies Act regarding the subscription agreement for the total number of share options shall be obtained by a resolution of the Board of Directors or by a</u>

Current Articles of Incorporation	Proposed Amendment
(Number of Shares in a Unit (<i>Tangen</i>) of Shares of Article 8) The number of shares comprising one unit (<i>tangen</i>) of shares shall be 1,000 for common shares, 1 for Class A shares, <u>and</u> 1 for Class B shares. (General Meeting of Class Shareholders) Article 17-2 (New) The provisions of Article 14, 15, and 17 hereof shall apply <i>mutatis mutandis</i> to the General Meeting of Class Shareholders. (2) The provision of Article 16, Paragraphs 1 and 2 hereof shall apply <i>mutatis mutandis</i> to resolutions of the General Meeting of Class Shareholders to be made pursuant to the provisions of Article 324, Paragraphs 1 and 2 of the Companies Act respectively. (New)	<u>decision of the President & Chief Executive Officer.</u> (Number of Shares in a Unit (<i>Tangen</i>) of Shares of Article 8) The number of shares comprising one unit (<i>tangen</i>) of shares shall be 1,000 for common shares, 1 for Class A shares, 1 for Class B shares, <u>and 1 for Class C shares</u> (General Meeting of Class Shareholders) Article 17-2 <u>The provisions of Article 13 hereof shall apply <i>mutatis mutandis</i> to the General Meeting of Class Shareholders to be held on the same day as the Ordinary General Meeting of Shareholders.</u> (2) (No amendment) (3) (No amendment) <u>Supplementary Provisions</u> <u>Article 2</u> <u>The amendment to the (Location of head office) shall become effective as of the date of relocation of the head office which is to be determined at the Board of Directors meeting of the Company to be held by June 30, 2016. This supplementary provision shall be deleted with the lapse of this effective date.</u>

Proposal No. 2 : The Issuance of Shares Offered for Subscription Through Third-Party Allotment
(Common Shares and Class C Shares)

Sharp would like to issue shares offered for subscription through third-party allotment (common shares and Class C shares (collectively, the “Common Shares, etc.”)), for the reasons described in 1. below, based on the provisions of Article 199 of the Companies Act, and with the details described in 2. below.

The issuance of the Common Shares, etc. is subject to the partial amendments to the articles of incorporation regarding Proposal No. 1 taking effect (however, excluding the effect of the amendments to the articles of incorporation regarding the increase in the total number of authorized shares and the total number of authorized shares in a class of common shares) through Proposal No. 1 being approved and passed as originally proposed and the partial amendments to the articles of incorporation being approved and passed as originally proposed at all of the General Meeting of Class Shareholders by common shareholders, the General Meeting of Class Shareholders by Class A shareholders, and the General Meeting of Class Shareholders by Class B shareholders.

1. Reasons for issuing shares offered for subscription through third-party allotment:

(1) Reasons for issuing shares offered for subscription through third-party allotment to the planned allottees:

As Sharp posted a significant loss in the year ending March 2015, Sharp announced on May 14, 2015, and steadily implemented, the “Medium-Term Management Plan for Fiscal 2015 through 2017” in order to construct a stable business foundation that will not be shaken by changes in the environment in the future. However, regarding the consolidated results of the year ending March 2016, Sharp posted a loss for two consecutive years due to a decrease in the sales of liquid crystals for smartphones for the Chinese market and the effect of decreased unit price as a result of intensified price competition in the display device business, far lower than those anticipated at the beginning of the year, as well as due to the harsh business environment of other business areas surrounding Sharp persisting. Under such circumstances, Sharp is continuously forced to curb new investment in plants, equipment, and the like, and there are concerns that its financial situation could deteriorate further as it would not be able to secure sales expansion or cost competitiveness.

To resolve this, Sharp had been considering issuing shares through third-party allotment (the “Capital Increase Through Third-Party Allotment”). As a result, Sharp has determined that it is best to procure funds by issuing the Common Shares, etc. to Hon Hai Precision Industry Co., Ltd. (“Hon Hai Precision Industry”) and three other companies (collectively, the “Planned Allottees”) as described in 2. below. This is because Sharp believes, among other things, that there will be an investment amount enabling Sharp to make sufficient investment toward its growth, which will contribute greatly to the improvement of Sharp’s financial standing. The Planned Allottees have a mutually-complementary relationship with Sharp in the LCD business, and the competitiveness of Sharp’s business is expected to be stronger through the collaboration in that business. Also, in other business activities, the productivity and cost competitiveness of Sharp are expected to be improved by utilizing their manufacturing technique as world-leading EMSs; and in this way, the effect of this synergy in terms of the business is considered to be large.

As described in (4)(b) below, as the Capital Increase Through Third-Party Allotment will be issued at a particularly favorable price to subscribers, and there could be a substantial dilution, it will put a burden on shareholders. However, we believe that to improve our equity ratio and in order to restore our financial condition, it should not be

done through bond issuances nor the borrowing of funds, which means owing liabilities, but instead, procuring funds recognizable as capital by issuing shares or the like, is indispensable, and in order to procure funds recognizable as capital in a reliable and prompt manner, the issuance of shares through third-party allotment is appropriate. In addition, we believe that our business foundations will be more stable, thereby contributing to the enhancement of Sharp's corporate value and shareholder value, by using the amount to be paid in for investment in OLEDs and the like and establishing a strong business tie with the Hon Hai Precision Industry group, one of the Planned Allottees. Therefore, we have determined that the Capital Increase Through Third-Party Allotment can bring sufficient profits to the existing shareholders, and have decided to procure funds through the Capital Increase Through Third-Party Allotment.

(2) Covenants by Sharp:

Sharp and the Planned Allottees have entered into a share subscription agreement regarding the matters related to the contribution to Sharp, including the contents below.

- (a) If Directors have been nominated by the Planned Allottees in writing, Sharp will use its best efforts to obtain approval and a resolution of the General Meeting of Shareholders and of the General Meetings of Class Shareholders necessary for electing, pursuant to said nomination by the Planned Allottees, 6 Directors or less out of 9 Directors, or Directors of two-thirds or less of the total number of Directors, so that such nomination becomes effective immediately after the Capital Increase Through Third-Party Allotment.
- (b) Sharp will agree that, in the event where the share subscription agreement is terminated due to a cause attributable to Sharp, or the Capital Increase Through Third-Party Allotment is not implemented by October 5, 2016, not due to a cause attributable to the Planned Allottees, then, for three months after the occurrence of such event, (x) Sharp will grant to Hon Hai Precision Industry or its designated third party, an option right to purchase Sharp's display business at its fair market value by way of a demerger, business transfer, or otherwise, and (y) if Hon Hai Precision Industry or its designated third party exercises the option right, Sharp will cooperate with Hon Hai Precision Industry or such designated third party to implement the acquisition of the display business, including obtaining approval of the General Meeting of Shareholders and consent from any third party.

(3) Conditions precedent to the Planned Allottees' pay-in obligations:

The conditions precedent to the implementation by the Planned Allottees of the main pay-in obligations regarding the Common Shares, etc. are as follows.

- (a) Proposal No. 1 "Partial Amendments to Articles of Incorporation" and Proposal No. 2 "The Issuance of Shares Offered for Subscription Through Third-Party Allotment (Common Shares and Class C Shares)" are approved and passed as originally proposed at this Ordinary General Meeting of Shareholders, and the proposal of the partial amendments to the articles of incorporation is approved and passed as originally proposed at all of the General Meeting of Class Shareholders by common shareholders, the General Meeting of Class Shareholders by Class A shareholders, and the General Meeting of Class Shareholders by Class B shareholders.
- (b) The securities registration statement regarding the Capital Increase Through Third-Party Allotment comes into effect.

- (c) Permits, licenses, or the like from relevant authorities of relevant countries, including notifications, permits, or the like regarding business combination from competition authorities of relevant countries, required for the Capital Increase Through Third-Party Allotment, are acquired.

(4) Reasons for determining that the amount to be paid in is reasonable and reasons for submitting it to this Ordinary General Meeting of Shareholders:

- (a) Reasons for determining that the amount to be paid in is reasonable:

The amount to be paid in per share of the common shares to be issued by the Capital Increase Through Third-Party Allotment is 88 yen, and the amount to be paid in per share of the Class C Shares is 8,800 yen. Following the proposal of this amount by the Planned Allottees, Sharp held negotiations with them to the extent possible. Then, at the Board of Directors meeting held on March 30, 2016, Sharp discussed the implementation of the Capital Increase Through Third-Party Allotment at such amount to be paid in. As a result, we considered the need to reliably and rapidly secure sufficient growth capital for significant future business development and that implementing the Capital Increase Through Third-Party Allotment with the Planned Allottees would, from a medium- to long-term perspective, be expected to contribute to an increase in corporate and shareholder value, which would lead to benefits to existing shareholders. Therefore, we have determined that there is reasonableness in the implementation of the Capital Increase Through Third-Party Allotment at the amount to be paid in stated above and resolved on such amount as stated above.

- (b) Reasons for submission to this Ordinary General Meeting of Shareholders:

The amount to be paid in of 88 yen per share for common shares represents a 32.3% discount against the closing price of Sharp's common shares on March 29, 2016 (130 yen), the business day immediately preceding the resolution day of the above board meeting; a 37.9% discount against the average closing price (141.80 yen) during the one-month period prior to the immediately preceding business day; a 37.4% discount against the average closing price (140.52 yen) for the three-month period prior to the immediately preceding business day; and a 35.1% discount against the average closing price (135.60 yen) for the six-month period prior to the immediately preceding business day. Therefore, because the said amount to be paid in is deemed to be a particularly favorable price to subscribers under the Companies Act, Sharp has decided that it will issue the common shares in relation to the Capital Increase Through Third-Party Allotment at an amount to be paid in of 88 yen per share, on the condition that approval by a special resolution at this Ordinary General Meeting of Shareholders be obtained from each shareholder.

The amount to be paid in of 8,800 yen per share for Class C Shares is over 10% below 12,272 yen to 13,423 yen per share, which are prices evaluated by a third-party evaluation agency based on the information as of February 24, 2016. Furthermore, as stated in Article 6-4 of the proposed amendments to the articles of incorporation of Proposal No. 1, regarding the Class C Shares, even though the distribution of their dividends and residual assets are to increase in accordance with the conversion rate, from the view that they are non-cumulative and non-participating, it could be said that the value of one Class C Share and the value of 100 common shares are at a similar level. However, because the amount to be paid in of 8,800 yen per share for the Class C Shares represents a 32.3% discount against the amount calculated by multiplying the closing price of Sharp's common shares on

March 29, 2016 (130 yen), the business day immediately preceding the resolution day of the above board meeting, by 100; a 37.9% discount against the amount calculated by multiplying the average closing price (141.80 yen) of Sharp's common shares during the one-month period prior to the immediately preceding business day, by 100; a 37.4% discount against the amount calculated by multiplying the average closing price (140.52 yen) of Sharp's common shares for the three-month period prior to the immediately preceding business day, by 100; and a 35.1% discount against the amount calculated by multiplying the average closing price (135.60 yen) of Sharp's common shares for the six-month period prior to the immediately preceding business day, by 100, it may still be considered to be a particularly favorable price to subscribers under the Companies Act, the same as the common shares. Therefore, Sharp has determined that it will issue the Class C Shares in relation to the Capital Increase Through Third-Party Allotment at an amount to be paid in of 8,800 yen per share, on the condition that approval by a special resolution at this Ordinary General Meeting of Shareholders be obtained from each shareholder.

(5) Grounds on which Sharp determined that the volume of shares to be issued and the size of dilution of shares are Reasonable:

Sharp will procure about 388.8 billion yen through issuing 3,281,950,697 common shares and 11,363,636 Class C Shares. Sharp has determined that such volume of shares to be issued is reasonable in light of the above reasons for issuing shares offered for subscription through third-party allotment to the Planned Allottees.

Although the Class C Shares do not contain voting rights at General Meetings of Shareholders, there could be a dilution of the existing shareholders through the exercise of the call option the consideration for which is common shares. On the assumption that such call option was exercised for all Class C Shares, common shares of 1,136,363 voting rights would be issued, and combining this with the common shares to be issued by the Capital Increase Through Third-Party Allotment of 3,281,950 voting rights, the Planned Allottees would hold common shares of 4,418,314 voting rights. The ratio against 1,685,106 voting rights, the total number of voting rights for the total number of Sharp's issued shares as of March 31, 2016 (dilution rate) would be 262.20%.

Sharp believes that the Capital Increase Through Third-Party Allotment will be able to contribute to improving Sharp's future profitability. This is because to improve our equity ratio and in order to restore our financial condition, it should not be done through bond issuances nor the borrowing of funds, which means owing liabilities, but instead, procuring funds recognizable as capital by issuing shares or the like, is indispensable. In addition, by using the amount to be paid in for investment in OLEDs and the like, it is expected, among other things, that the profitability will improve through future sales expansion and strengthening cost competitiveness, and the financial and business foundations will be strengthened to the extent that it will not be shaken by structural changes, such as sharp economic fluctuations. Further, we believe that establishing a strong business tie with the Hon Hai Precision Industry group, one of the Planned Allottees, will further stabilize our business foundations, which will contribute to improving Sharp's corporate and shareholder value. Therefore, we have determined that the size of the dilution is reasonable.

2. Details of shares offered for subscription:

a. Type of shares offered for subscription	Common shares	Class C Shares Please refer to Proposal No. 1 for the details of Class C Shares
b. Number of shares offered for subscription	3,281,950,697 shares	11,363,636 shares
c. Amount to be paid in	88 yen per share	8,800 yen per share
d. Total amount to be paid in	288,811,661,336 yen	99,999,996,800 yen
e. Capital and capital reserve to be increased	Capital: 144,405,830,668 yen (44 yen per share) Capital Reserve: 144,405,830,668 yen (44 yen per share)	Capital: 49,999,998,400 yen (4,400 yen per share) Capital Reserve: 49,999,998,400 yen (4,400 yen per share)
f. Issuance method	Each allotted by a third-party allotment method as below: Hon Hai Precision Industry Co., Ltd.: 1,300,000,000 shares Foxconn (Far East) Limited: 915,550,697 shares Foxconn Technology Pte. Ltd.: 646,400,000 shares SIO International Holdings Limited: 420,000,000 shares	Allotted by a third-party allotment method as below: Hon Hai Precision Industry Co., Ltd.: 11,363,636 shares
g. Payment date	June 28, 2016 through October 5, 2016	June 28, 2016 through October 5, 2016

Proposal No. 3: Election of Ten (10) Directors

The term of office of all Directors [thirteen (13) Directors] will expire at the conclusion of this Ordinary General Meeting of Shareholders. Messrs. Shigeaki Mizushima, Yoshihiro Hashimoto, Yumiko Ito, Akihiro Hashimoto, Makoto Kato, Shigeo Ohyagi, Mikinao Kitada, Tsutomu Handa, Satoshi Sakakibara, Masahito Sumita and Shinichi Saito will retire from office.

In order to realize more agile decision-making process and to build smooth and cooperative relationship with the allottees, the number of Directors is to be decreased; six (6) Directors (Messrs. Kozo Takahashi, Yoshisuke Hasegawa, Katsuaki Nomura, Masashiro Okitsu, Kazuya Nakaya and Yoshihisa Ishida) until the completion of the payment against common shares and class C shares which is related to the Proposal No.2. and four (4) Directors (Messrs. Tai Jeng-wu, Young Liu, Takeo Nakagawa and Toshiaki Takayama) are to be added after that payment. The total will be nine (9) directors, excluding Mr Taskahashi who will resign soon after that payment.

Sharp recommends the following ten (10) candidates with whom Sharp enters into a subscription agreement regarding Proposal No. 2 to be elected.

Candidates whom the allottees nominate are six (6) in total of Messrs. Tai Jeng-wu, Young Liu, Takeo Nakagawa, Toshiaki Takayama, Kazuya Nakaya and Yoshihisa Ishida, and the election of Messrs. Tai Jeng-wu, Young Liu, Takeo Nakagawa and Toshiaki Takayama are subject to the payment against the common share and class C shares, related to proposal No.2.

The candidates for the Directors are as follows and the asterisk (*) denotes a new candidate:

No.	Name of Candidate (Date of Birth)	Current Position (Significant Concurrent Position at Other Company)	Ownership of Sharp's Shares
1	Kozo Takahashi (August 20, 1954)	Representative Director and President	34,792 shares
2	Yoshisuke Hasegawa (April 19, 1955)	Representative Director and Senior Executive Managing Officer, Company President, Consumer Electronics Company	53,834 shares
3	* Katsuaki Nomura (February 7, 1957)	Executive Vice President; Head of Accounting and Finance Group	16,795 shares
4	* Masahiro Okitsu (August 3, 1957)	Executive Officer; Company EVP, Consumer Electronics Company Head of Health & Environment Systems Group	27,226 shares
5	* Kazuya Nakaya (September 14, 1956)	Konica Minolta Inc. Executive Advisor, Business Development Headquarter	2,000 shares
6	* Yoshihisa Ishida (November 5, 1959)	Consultant, Rakuten Corporation Adviser, SILK LABS	0 shares
7	* Tai Jeng-wu (September 3, 1951)	Executive V.P. of Hon Hai Precision Ind. Co. Ltd	0 shares
8	* Young Liu (March 2, 1956)	Chairman of Scole Technology Corp.	0 shares
9	* Takeo Nakagawa (October 12, 1938)	Chairman, Fine Tech Co.	0 shares
10	* Toshiaki Takayama (December 24, 1975)	Representative Director, Foxconn Japan Co. Ltd.	0 shares

(Notes)

1. Mr. Katsuaki Nomura is the Chairman of Sakai Display Products Corporation, and Mr. Toshiaki Takayama is its Representative Director and Executive Vice President; however, they plan to resign. Sharp holds 39.88% of the shares of Sakai Display Products Corporation and buys liquid crystal displays from it.

Mr. Tai Jeng Wu is the Corporate Director Representative of Hon Hai Precision Industry Co., Ltd., and Mr. Young Liu is the General Manager of its B sub-group. If the common shares regarding Proposal No. 2 are issued, Hon Hai Precision Industry Co., Ltd. will fall under a Parent Company, etc. of Sharp.

Socle Technology Corp., Fu Tai Kang Electronics Development (YanTai) Ltd., and Big Innovation Company Ltd., for which Mr. Young Liu is the Chairman, fall under a Subsidiary Company, etc. of Hon Hai Precision Industry Co.

The shares of Fine Tech Co., for which Mr. Takeo Nakagawa is the Chairman, are partly held by Foxconn (Far East) Limited, a subsidiary of Hon Hai Precision Industry Co.

Foxconn Japan Co., Ltd., for which Mr. Toshiaki Takayama is the Representative Director, falls under a Subsidiary Company, etc. of Hon Hai Precision Industry Co. The shares of PKM Corporation, for which he is the Representative Director, are partly indirectly held by Hon Hai Precision Industry Co.

No conflict of interest exists between other candidates and Sharp.

2. The number of “Ownership of Sharp’s Shares” includes a number of shares held by candidates through Sharp Stockholding Association.
3. Mr. Kazuya Nakaya and Mr. Yoshihisa Ishida are candidates for Outside Directors as provided in Article 2, Paragraph 3, Item 7 of the Enforcement Regulations of the Companies Act.

The reasons for selecting the above candidates as candidates for Outside Directors are as follows:

Mr. Kazuya Nakaya

Mr. Kazuya Nakaya has engaged in system development and others as an engineer over many years, and he has extensive experience from his past roles in the management of group companies of a general electric appliance manufacturer. Based on his broad view from such experience, he is able to completely fulfill the expected role of an independent Outside Director, through decision-making by the Board of Directors of Sharp, and supervising the execution of duties by the Directors. For this reason, it is proposed that Mr. Kazuya Nakaya be elected as an Outside Director.

Mr. Yoshihisa Ishida

Mr. Yoshihisa Ishida has extensive experience from his past roles in the management of a general electric appliance manufacturer over many years. Based on his broad view from such

experience, he is able to completely fulfill the expected role of an independent Outside Director, through decision-making by the Board of Directors of Sharp, and supervising the execution of duties by the Directors. For this reason, it is proposed that Mr. Yoshihisa Ishida be elected as an Outside Director.

4. Mr. Kazuya Nakaya and Mr. Yoshihisa Ishida satisfy the “Standards for Independence of Outside Executives,” set forth by Sharp (posted online on Sharp’s website (<http://www.sharp-world.com/corporate/ir/governance/policy/pdf/independence.pdf>)), and are sufficiently independent.

Sharp plans to designate Mr. Kazuya Nakaya and Mr. Yoshihisa Ishida as independent directors, as set out in the rules of the Tokyo Stock Exchange, where it is listed, and file notification of independent directors with the Tokyo Stock Exchange.

5. Sharp plans to enter into liability limitation agreements with Mr. Kazuya Nakaya and Mr. Yoshihisa Ishida, which will limit their liabilities for damage, to the extent the law allows. Subject to Mr. Young Liu and Mr. Takeo Nakagawa becoming Non-Executive Directors, Sharp plans to enter into liability limitation agreements with them, which will limit their liabilities for damage, to the extent the law allows.

Proposal No. 4: Election of External Auditor

The term of service for the current external auditor, KPMG AZSA LLC, will expire as of the conclusion of the next Sharp Corporation General Meeting of Shareholders. Accordingly, Sharp Corporation has elected to appoint PricewaterhouseCoopers Aarata as its new external auditor. This proposal No.4 is based on the agreement of Audit & supervisory Board Member.

Sharp Corporation has determined that PricewaterhouseCoopers Aarata is an appropriate candidate for new external auditor. This judgement is a reflection of the independence, expertise, and appropriateness of PricewaterhouseCoopers Aarata audit activities, as well the firm's competency as an audit corporation. Further, given that Sharp Corporation is scheduled to become a member of the Hon Hai/Foxconn Technology Group via third-party allocation of shares and the fact that PricewaterhouseCoopers Taiwan conducts audits for the Group, Sharp Corporation believes that the selection of PricewaterhouseCoopers Aarata can be expected to lead to greater audit efficiencies through the leverage of the PricewaterhouseCoopers Group network.

Overview of new certified public accountant:

Name:	PricewaterhouseCooper Aarata	
Location:	Sumitomo Fudosan Shiodome Hamarikyu Bldg. 8-21-1 Ginza, Chuo-ku, Tokyo 104-0061	
Firm History:	June 2006	Establishment of PricewaterhouseCoopers Aarata as a member firm in Japan of PricewaterhouseCoopers (PwC)
	July 2006	Commencement of operations
	July 2015	Changed our corporate name in Japanese from "Aarata Kansa-houjin" to "PwC Aarata Kansa-houjin".
		Renamed PwC Aarata institution.
Capital (as of April 1, 2016):	1,000,000,000 yen	
Staffing (as of March 31, 2016):		
	Partners	121
	CPAs	801
	Assistant CPAs	434
	and CPA holders	
	Other Professionals	700
	<u>Clerks</u>	<u>383</u>
	Total	2,439

Proposal No. 5: Revision of the Amount of Remuneration for Directors of the Company and Determination of those Contents

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, by which Sharp has determined to revise as follows; 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.

< 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.

The contents of Share Options, as stock options, are describe in the Proposal No.6.

Current number of Directors are thirteen (13), including five (5) Outside Directors. In case the Proposal No.3 is approved as originally proposed, then the total number of Directors will be six (6), including two (2) Outside Directors, until the completion of the payment, related to the Proposal No.2, after the conclusion of this ordinary shareholders meeting. Additional four (4) Directors will be added, after the completion of the payment, while the other one (1) will resign, so that the total number of Directors will be nine (9), including two (2) Outside Directors.

Proposal No. 6: Issuance of Stock Acquisition Rights as Stock Options

Sharp Corporation (the “Company”) requests the authorization 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,

1. The reason why the issuance under particularly favorable conditions is required:

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. 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.

$$\begin{array}{ccccc} \text{Number of shares} & & & & \\ \text{after adjustment} & = & \text{Number of shares} & \times & \text{Ratio of split or} \\ & & \text{before adjustment} & & \text{consolidation} \end{array}$$

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.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2016)

(Millions of Yen)

ASSETS		LIABILITIES	
Current Assets	965,959	Current Liabilities	1,374,862
Cash and deposits	275,399	Notes and accounts payable	212,556
Notes and accounts receivable	287,271	Electronically recorded obligations	66,131
Inventories	184,313	Short-term borrowings	612,593
Non-trade accounts receivable	148,111	Short-term bonds of redemption	20,000
Other current assets	76,214	Accrued expenses	138,470
Allowance for doubtful receivables	-5,349	Deposit received	110,890
		Accrued employees' bonuses	12,614
		Accrued product warranty	18,718
		Promotional Allowance	26,120
		Provision for business structure improvement	7,786
Non-Current Assets	604,655	Valuation reserve for inventory purchase commitments	57,124
Tangible Fixed Assets	351,205	Other current liabilities	91,860
Buildings and structures	643,926		
Machinery, equipment and vehicles	1,244,065	Long-Term Liabilities	227,021
Tools and furniture	275,678	Straight bonds	40,000
Land	85,352	Long-term borrowings	40,251
Other tangible fixed assets	62,302	Net defined benefit liability	117,341
Less accumulated depreciation	-1,960,118	Other long-term liabilities	29,429
		Total Liabilities	1,601,883
Intangible Fixed Assets	41,640	NET ASSETS	
Industrial Property	450	Owners' Equity	85,414
Software	34,282	Common Stock	500
Other intangible fixed assets	6,908	Capital Surplus	222,457
		Retained Earnings	-123,644
		Less cost of Treasury Stock	-13,899
Investments and Other Assets	211,810	Accumulated Other Comprehensive Income	-128,464
Investment securities	166,427	Net Unrealized Holding Gains on Securities	11,634
Retirement benefits-related assets	2,221	Deferred Gains on Hedges	843
Deferred tax assets	16,066	Foreign Currency Translation Adjustments	-38,456
Other fixed assets	29,355	Remeasurements of defined benefit plans	-100,799
Allowance for doubtful receivables	-2,259		
Deferred Assets	58	Minority Interests	11,839
Bond issue cost	58	Total Net Assets	-31,211
Total Assets	1,570,672	Total Liabilities and Net Assets	1,570,672

(Note) Fractions rounded to the nearest million yen.

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2015 to March 31, 2016)

(Millions of Yen)

Net Sales	2,461,589
Cost of sales	2,228,277
Gross profit	233,312
Selling, general and administrative expenses	395,279
Operating loss	161,967
Non-Operating Income	21,186
Interest and dividend income	1,877
Other non-operating income	19,309
Non-Operating Expenses	51,679
Interest expenses	18,721
Other non-operating expenses	32,958
Recurring loss	192,460
Special Income	28,429
Gain on sales of noncurrent assets	15,954
Gain on sales of investment securities	1,939
Reversal of provision for loss on litigation	2,046
Receipt of settlement	8,490
Special Losses	67,091
Loss on sales and retirement of noncurrent assets	1,990
Impairment loss	24,748
Loss on valuation of investment securities	125
Restructuring charges	38,165
Provision for loss on litigation	2,038
Affiliates liquidation loss	25
Loss before income taxes and minority interests	231,122
Corporate income, inhabitant and business taxes	18,401
Adjustment to income taxes	3,663
Net Loss	253,186
Minority Loss	2,786
Net Loss after Minority Loss	255,972

(Note) Fractions rounded to the nearest million yen.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Owners' Equity				
	Common stock	Capital surplus	Retained earnings	Less cost of treasury stock	Total Owners' equity
Balance at April 1, 2015	121,885	95,945	-87,448	-13,893	116,489
Changes of items during the period					
Issue of new stocks	112,500	112,500			225,000
Transfer from capital to surplus	-233,885	233,885			-
Reduction of deficit		-219,781	219,781		-
Net loss attributable to parent company shareholders			-255,972		-255,972
Change in scope of equity method			-5		-5
Change in equity for acquisition of consolidated subsidiaries		-90			-90
Purchase of treasury stock				-9	-9
Disposal of treasury stock		-2		3	1
Net changes of items other than owners' equity					
Total changes of items during the period	-121,385	126,512	-36,196	-6	-31,075
Balance at March 31, 2016	500	222,457	-123,644	-13,899	85,414

	Accumulated Other Comprehensive Income					Minority interests	Total net assets
	Net unrealized holding gains on securities	Deferred gains on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2015	10,569	780	-18,106	-79,566	-86,323	14,349	44,515
Changes of items during the period							
Issue of new stocks							225,000
Transfer from capital to surplus							-
Reduction of deficit							-
Net loss attributable to parent company shareholders							-255,972
Change in scope of equity method							-5
Change in equity for acquisition of consolidated subsidiaries							-90
Purchase of treasury stock							-9
Disposal of treasury stock							1
Net changes of items other than owners' equity	1,065	-1,623	-20,350	-21,233	-42,141	-2,510	-44,651
Total changes of items during the period	1,065	-1,623	-20,350	-21,233	-42,141	-2,510	-75,726
Balance at March 31, 2016	11,634	-843	-38,456	-100,799	-128,464	11,839	-31,211

(Notes) Fractions rounded to the nearest million yen.

Consolidated Explanatory Notes

(Notes concerning Important Matters Presented in Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of Consolidated Subsidiaries and Names of Major Consolidated Subsidiaries

Number of consolidated subsidiaries: eighty-five (78)

Names of major consolidated subsidiaries: omitted

NEPA Business Solutions Czech Republic s.r.o and one (1) other company, which Sharp acquired in this consolidated fiscal year, are included in the scope of consolidation. On the other hand, Sharp Electronica Mexico S.A.de C.V and Sharp Niigata Electronics Corporation, which were consolidated subsidiaries in the previous consolidated fiscal year, are excluded from the scope of consolidation because Sharp transferred all of their stocks or equity interests Sharp held in this consolidated fiscal year. Also, Sharp Technical Components (WUXI) Co., Ltd., and other four (4) companies are also excluded from the scope of consolidation because those companies are liquidated in this consolidated fiscal year.

In addition, Gruppo Digit Esse Elle Elle, which was a consolidated subsidiary in the previous consolidated fiscal year, is excluded from the scope of consolidation because it was taken over by Sharp Electronics Italia S.p.A., which is a consolidated subsidiary in this consolidated fiscal year.

(2) Names of Major Non-consolidated Companies and Others

Names of major non-consolidated companies: Sharp India Ltd.

Reason why this company is not included in consolidation:

From the viewpoint of total assets, sales, net income (loss) for the current term, retained earnings and other items, this company is minor and, as a whole, does not have a material effect on the items of the consolidated financial statements.

2. Matters concerning Application of Equity Method

(1) Number and Names of Major Non-consolidated Companies and Affiliates to Which Equity Method is Applied:

Number of non-consolidated companies to which equity method is applied: one (1)

Number of affiliates to which equity method is applied: Nineteen (19)

Names of major companies: Sharp Finance Corporation and Sakai Display Products Corporation

Changes in Scope of Application of the Equity Method:

Recomot Inc., which was the affiliate to which the equity method is applied in the previous consolidated fiscal year, is excluded from the affiliates to which the equity method is applied because Sharp transferred some of their shares or equity interests Sharp held in this consolidated fiscal year.

(2) Names of Major Non-consolidated Companies and Affiliates to Which Equity Method is Not Applied and Others:

Names of major non-consolidated companies and affiliates to which equity method is not applied:

Sharp Telecommunications of Europe, Limited

Reason for not applying equity method:

The effect on consolidated net income and consolidated retained earnings and other items is minor and, as a whole, is not material.

3. Matters concerning Business Year, etc. of Consolidated Subsidiaries:

The business years of Sharp Office Equipments (Changshu) Co., Ltd. and fourteen (14) other companies end on December 31. For presenting consolidated financial statements, Sharp provisionally settles the accounts of these companies at the end of the consolidated fiscal year end for consolidation.

4. Matters Related to Accounting Procedure Standards:

(1) Valuation Standards and Methods for Important Assets

1) Valuation Standards and Methods for Securities

Other Securities

•Securities with available fair market values:

Primarily, stated at fair market value based on average of market price during the last month of the fiscal year (valuation differences are disposed using the direct net asset adjustment method and the cost of securities sold is calculated using the average cost method).

•Securities with no available fair market value:

Primarily, stated at average cost.

2) Valuation Standards and Methods for Inventories

Inventories held by Sharp and its domestic consolidated subsidiaries are primarily stated at moving average cost (for the book value of inventories on the balance sheets, by writing inventories down based on their decrease in profitability of assets).

For overseas consolidated subsidiaries, inventories are stated at the lower of moving average cost or market.

(2) Depreciation Methods Used for Important Depreciable Assets:

1) Method of Depreciation for Property, Plant and Equipment (Except for Lease Assets)

For Sharp and its domestic consolidated subsidiaries, depreciation is based primarily on the declining-balance method, except for machinery and equipment, in Mie and Kameyama, and buildings (excluding attached structures) acquired on and after April 1, 1998, which are depreciated on the straight-line method.

Overseas consolidated subsidiaries primarily use the straight-line method.

2) Method of Amortization for Intangible Fixed Assets (Except for Lease Assets)

Amortization is based on the straight-line method.

Software used by Sharp is amortized by the straight-line method over an estimated useful life of principally five (5) years, however, software embedded in products is amortized over the forecasted sales quantity.

3) Method of Depreciation for Lease Assets

Finance leases that do not transfer ownership

Depreciation is based on the straight-line method that takes the lease period as the depreciable life and the residual value as zero (0).

Regarding finance leases of Sharp and its domestic consolidated subsidiaries that do not transfer ownership, for which the starting date for the lease transaction is prior to March 31, 2008, lease payments are recognized as expenses.

(3) Accounting Standard for Important Allowances and Reserves:

1) Allowance for Doubtful Receivables

The estimated amounts of allowance for general receivables are primarily determined based on the past loss experience. For particular receivables, including those from debtors at risk of bankruptcy, the allowance is provided for individually estimated unrecoverable amounts. This procedure is made against possible credit loss.

2) Accrued Employees' Bonuses

The reserve for payment of employees' bonuses is set aside based on estimated amounts to be paid in the subsequent period.

3) Accrued Product Warranty

Estimated amounts of warranty are accrued based on the past experience. This procedure is made against expense for after-sales service within the warranty period.

4) Provision for Sales Promotion Expense

As preparation for future payments of sales promotion expenses according to the sales of year ended March 31, 2016, we have recorded a future estimated payments as a provision for sales promotion expense according to the sales to the agency and dealers of year ended March 31, 2016.

Provision for sales promotion expense is recorded from end of year ended March 31, 2016, as there is a high possibility that the payment of sales promotion expenses with trading partners would be required. This is due to the change in transaction policies etc. moving forward as a result of a significant decline in sales during the fourth quarter in the Company's China sales subsidiary.

5) Provision for Loss on Litigation

Out of possible future loss on litigation, the amount to be considered necessary is estimated.

6) Restructuring Charges

The estimated amounts of allowance for restructuring charges are set aside. This procedure is made against expense for possible future loss due to structural reform.

7) Valuation reserve for inventory purchase commitments

Regarding long-term contracts for purchasing raw materials over a long time frame, the amounts of difference between contracted price and current market price are set aside as allowance for contract loss. This procedure is made against future possible loss in case the market price of materials declines significantly from the contracted price and fulfillment of the contract causes a loss in production and sale business.

(4) Other Important Matters Presenting Consolidated Financial Statements:

1) Method for Amortization for Deferred Assets

Bond Issue Cost:

Bond issue cost is amortized under the straight-line method over the redemption period.

2) Accounting Policy for Retirement Benefits

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated to each service year based mainly on a benefit formula basis.

Past service costs are amortized primarily over the average of the estimated remaining service lives [fourteen (14) years]

Actuarial losses are recognized primarily in expenses over the average of estimated remaining services lives [fourteen (14) years] commencing with the following consolidated fiscal year.

3) Method and Period for Amortization of Goodwill

Goodwill for which the effective term is possible to be estimated is amortized evenly over the estimated terms, while the other is amortized evenly over five (5) years. However, if the amount is minor, the entire amount is amortized during the period of occurrence.

4) Accounting for Consumption Taxes, etc.

The tax exclusion method is applied.

5) Adoption of Consolidated Tax Return System

The consolidated tax return system is adopted.

(Notes concerning Changes in Accounting Policies)

(Changes in accounting policies)

Effective from fiscal 2015, the Company adopted the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21 on September 13, 2013, hereinafter “Business Combinations Accounting Standard”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 on September 13, 2013, hereinafter “Consolidation Accounting Standard”), and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7 on September 13, 2013, hereinafter “Business Divestitures Accounting Standard”). The Company changed its accounting method to recording the difference arising from changes in equities in its controlled subsidiaries as capital surplus, and to recording expenses relating to acquisition as an expense in consolidated fiscal year in which they are incurred. Also, the Company changed its accounting method to reflecting adjustments to the amount allocated to acquisition cost under provisional accounting treatment in the consolidated fiscal year in which the business combinations become effective. This is applied to the business combinations occurring on or after the beginning of fiscal 2015. In addition, net income was restated and minority interests were restated to non-controlling interests. Consolidated financial statements for the year ended March 31, 2015, were restated to reflect this change.

The Business Combination Accounting Standard and other standards were applied in accordance with the transitional treatment set forth in paragraph 58-2 (4) of the Business Combinations Accounting Standard, paragraph 44-5 (4) of the Consolidation Accounting Standard and paragraph 57-4 (4) of the Business Divestitures Accounting Standard. The Company applied this accounting standard prospectively from the beginning of fiscal 2015.

This change had an immaterial impact on consolidated financial statements for fiscal 2015.

(Change in accounting estimate)

Historically, Sharp Corporation writes down the book value of inventory on its balance sheet when a certain period of time has passed after the acquisition of the inventory. As a rule, this write-down is performed on a regular basis using a uniform rate. However, considering rapidly declining prices, the slow movement of inventory, and other factors, the company has decided to change the length of time and uniform rate used to write down the book value of inventory. This change will more properly reflect the decline in inventory profitability in the company's financial condition and operating results.

As a result, cost of sales for the consolidated fiscal year ended March 31, 2016, has increased by 47,068 million yen, while operating loss and loss before income taxes have increased by the same amount.

(Notes concerning Changes in Presentation Method)

Concerning Consolidated Balance Sheet

- (1) “Construction in progress” of 7,916 million yen in “Tangible Fixed Assets ” is included in and described as “Other Tangible Fixed Assets” of “Tangible Fixed Assets” due to a decrease in its importance in this consolidated fiscal year, although it was individually described in “Construction in progress” in the previous consolidated fiscal year.
- (2) “Deferred Tax Assets” is individually described in “Investment and Other Assets” due to its growing importance in this consolidated fiscal year, although 18,961 million yen was included in and described as “Investment and Other Assets” of “Assets” in the previous consolidated fiscal year.
- (3) “Deposit Received” is individually described in “Current Liability” due to its growing importance in this consolidated fiscal year, although 12,491 million yen was included in and described as “Other Current Liability” of “Current Liability” in the previous consolidated fiscal year.
- (4) “Reserve on Litigation Loss” of 200 million yen in “Current Liability” is included in and described as “Other Current Liability” of “Current Liability” due to a decrease in its importance in this consolidated fiscal year, although it was individually described in “Reserve on Litigation Loss” in the previous consolidated fiscal year.

(Notes to Consolidated Balance Sheet)

1. Inventories

Finished products	125,710 million yen
Work in process	22,862 million yen
Raw materials and supplies	35,741million yen
Total	<u>184,313 million yen</u>

2. Collateral Assets and Liabilities of the Collateral

(1) Collateral Assets

Cash and deposits	25,958 million yen
Notes and accounts receivable	49,491 million yen
Inventories	87,217 million yen
Non-trade accounts receivable	9,943 million yen
Buildings and structures	156,500 million yen
Machinery, equipment and vehicles	9,936 million yen
Tools and furniture	2,502 million yen
Land	81,908 million yen
Investment securities	30,409 million yen
Total	<u>453,864 million yen</u>

(2) Liabilities of the Collateral

Short-term borrowings	433,998 million yen
-----------------------	---------------------

Cash and deposits of 23,913 million yen are pledged as collateral for opening a standby letter of credit as of the end of this consolidated fiscal year. In addition, a part of the shares of the

consolidated subsidiary, which is subject to elimination of intra-company transactions, is pledged as collateral of short-term borrowings.

3. Contingent liabilities

(1) Guarantee Liability

Guarantee for employee housing borrowing 11,866 million yen

(2) Matters related to inventory purchase commitments on raw materials (polysilicon) of solar cells

Valuation reserve for inventory purchase commitments is set aside with respect to purchase contracts of raw materials (polysilicon) of solar cells. Some of purchase contracts of raw materials (polysilicon) at year-end prohibit resale of them. Therefore, potential future losses may occur in case raw materials (polysilicon) are no longer likely to be used in the future. The aggregated amount of purchase contracts prohibiting resale of raw materials after deducting valuation reserve for inventory purchase commitments is 19,437 million yen.

(3) Matters related to long-term electricity and others supply contracts at production basis

Sharp entered into long-term contracts with several suppliers with respect to electricity and others necessary to produce solar cells at Sakai Factory. Total amount of future minimum payments of such contracts at the end of this consolidated fiscal year is 38,064 million yen (remaining term is from 1.5 years to 12.75 years). Each contract shall not be terminated before expiration.

Although such long-term electricity and others supply contracts give Sharp 480 mega-watt production capacity of solar cells per year, actual production quantity currently sits at around 160 mega-watt per year. Such long-term contracts cause more expensive production cost in Energy Solution Business. However, it is difficult to estimate an amount of loss related to such contracts because prevailing market price of electricity and others at Sakai Factory, procurement costs of electricity and others not depending on such contracts, and appropriate production costs based on such market price and procurement costs cannot be determined.

(4) Others

In relation to TFT-LCD business, Sharp and some of its subsidiaries are currently subject to the investigations being conducted by the Directorate General for Competition of the European Commission etc., and civil lawsuits seeking monetary damages resulting from the alleged anticompetitive behavior have been filed against Sharp and some of its subsidiaries in North America, etc.

(Notes to Consolidated Statement of Income)

1. Details of Impairment Loss:

Category	Item	Department and Location
Assets for business use (Production equipment of Consumer Electronics (Digital Information Appliances, etc.))	Molds Long-term prepaid expenses, etc.	Consumer Electronics Company Yaita, Tochigi prefecture
Assets for business use (Production equipment of Energy Solutions, etc.)	Buildings and structures, Software, etc.	Energy Solution Company Katsuragi, Nara prefecture Sakai, Osaka prefecture
Assets for business use (Production equipment of Electronic Devices, etc.)	Buildings and structures, etc.	Electronic Device Company Mihara, Hiroshima prefecture, etc
Assets for business use (Production equipment of Display device, etc.)	Buildings and structures, Machinery, equipment and vehicles, Photo mask, etc.	Display Device Company Kameyama, Mie prefecture, Taki, Mie prefecture, etc

unemployed capital	Buildings and structures, etc	Tenri, Nara prefecture Yamatokoriyama, Nara prefecture
Assets for business use (Production equipment of Consumer Electronics, etc.)	Buildings and structures, etc	U.S.A., Mexico
unemployed capital	Machinery, equipment and vehicles,	China, Indonesia, Malaysia

Sharp group categorizes assets for business use in view of business facility, type of business and others in a comprehensive manner. Idle assets are categorized by each asset.

Sharp group reduced the book value of Assets for business use locating at Consumer Electronics (Digital Information Appliance) to an estimated recoverable amount due to the decreasing profitability and the unlikelihood of recouping investment, and recognized the decreased amount 563 million yen as an impairment loss in special loss in this consolidated fiscal year. Details are as follows: 68 million yen for molds; 424 million yen for long-term prepaid expenses; 71 million yen for others. The estimated recoverable amount for buildings and land are determined by the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets is evaluated at zero (0).

Sharp group reduced the book value of Assets for business use locating at Energy Solutions to an estimated recoverable amount due to the decreasing profitability and the unlikelihood of recouping investment, and recognized the decreased amount 2,761 million yen as an impairment loss in special loss this consolidated fiscal year. Details are as follows: 668 million yen for buildings and structures; 397 million yen for machinery, equipment and vehicles; 1,102 million yen for software; 594 million yen for others. The estimated recoverable amount for buildings and land are determined by the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets is evaluated at zero (0).

Sharp group reduced the book value of a part of Assets for business use locating at Electronic Devices Business to an estimated recoverable amount due to scheduled review and concentration of production system, and recognized the decreased amount 3 million yen as an impairment loss in special loss in this consolidated fiscal year. Details are as follows: 2 million yen for buildings and structures; 1 million yen for others. The estimated recoverable amount for buildings and land are determined by the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets is evaluated at zero (0).

Sharp group reduced the book value of Assets for business use locating at Display Device Business to an estimated recoverable amount due to the decreasing profitability and the unlikelihood of recouping investment, and recognized the decreased amount 12,320 million yen as an impairment loss in special loss this consolidated fiscal year. Details are as follows: 4,078 million yen for buildings and structures; 4,401 million yen for machinery, equipment and vehicles; 2,342 million yen for photo masks; 1,499 million yen for others. The estimated recoverable amount for buildings, machinery and equipment, and land are determined by the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets is evaluated at zero (0).

Sharp group reduced the book value of some Shared Assets to an estimated recoverable amount due to the no usage in the future and recognized the decreased amount 1,169 million yen as an impairment loss in special loss this consolidated fiscal year. Details are 1,168 million yen for buildings and structures and 1 million yen for others. The net realizable value is evaluated at zero (0).

Sharp group reduced the book value of Assets for business use locating at a part of consolidated subsidiaries in U.S.A and Mexico to an estimated recoverable amount due to the planned sales (sold), and recognized the decreased amount 2,552 million yen as an impairment loss in special loss this consolidated fiscal year. Details are 2,037 million yen for buildings and structures and 515 million yen for others. The estimated recoverable amount is determined by the net realizable value based on the estate appraisal valuation and others.

Sharp group reduced the book value of Unemployed Assets locating at a part of consolidated subsidiaries in China, Indonesia and Malaysia to an estimated recoverable amount due to no usage in the future, and recognized the decreased amount 5,380 million yen as an impairment loss in special loss this consolidated fiscal year. Details are 5,216 million yen for machinery, equipment and vehicles and 164 million yen for others. The estimated recoverable amount is determined at zero (0), as cash flow cannot be expected.

2. Restructuring charges:

Details of restructuring charges are as follows:

- (1) Cost of voluntary retirement of employees, locating at the Company and its major consolidated subsidiaries in Japan (24,080 million yen)
- (2) Employee termination payments and assets disposal loss due to restructuring reform of LCD TVs business for U.S.A. (6,820 million yen)
- (3) Loss of inventory valuation due to restructuring reform of Electronic Device and Components (6,121 million yen)
- (4) Cost for business termination, locating at the subsidiaries in South America (1,144 million yen)

(Notes to Consolidated Statement of Changes in Net Assets)

1. Type and Number of Issued Shares as at the End of This Consolidated Fiscal Year

Common Stock	1,701,214,887 shares
Class A stock	200,000 shares
Class B stock	25,000 shares

2. Matters concerning Dividends

(1) Amount of Dividends Paid

It is not applicable.

(2) Dividends with record date included in this consolidated fiscal year, which become effective in the following consolidated fiscal year.

It is not applicable.

(Note to Financial Instruments)

1. Matters Related to the Status of Financial Instruments:

Sharp Group procures necessary funds mainly through bank loans and issuing bonds in light of its capital investment plan for its main business of manufacturing and distributing products, including but not limited to, telecommunication equipment, electric equipment, electronics applied equipment, and electronic components. Short-term operating funds are procured through bank loans. Long-term borrowings and straight bonds are used to procure funds principally necessary for capital investment. Derivative transactions are transactions of exchange contracts in order to hedge exposure to risks of exchange rate fluctuations on accounts receivable and payable and so on in foreign currencies.

Transactions involving such financial instruments are made with creditworthy financial institutions.

For accounts receivables of Sharp, Sharp periodically monitors the status of its key customers, administers their respective deadlines and remaining balances, and makes efforts to recognize at an early stage and reduce irrecoverable risks due to deteriorating financial conditions or any other reasons. Consolidated subsidiaries are also involved in the same monitoring and administration as we are.

2. Matters Related to Fair Value and Others of Financial Investments:

The consolidated balance sheet amount, the fair value and difference between the two as of March 31, 2016 are as follows:

(Millions of Yen)

	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and deposits	275,399	275,399	—
(2) Notes and accounts receivable	287,271	286,757	-514
(3) Non-trade accounts receivable	148,111	148,111	—
(4) Securities and investments in securities			
1) Shares of subsidiaries and affiliates	212	1,632	1,420
2) Other securities	32,525	32,525	—
Total of Assets	743,518	744,424	906
(5) Notes and accounts payable	212,556	212,556	—
(6) Electronically recorded obligations	66,131	66,131	—
(7) Short-term borrowings	612,593	612,593	—
(8) Deposit received	110,890	110,890	—
(9) Straight bonds	60,000	55,243	-4,757
(10) Long-term borrowings	40,251	41,641	1,390
Total of Liabilities	1,102,421	1,099,054	-3,367
(10) Derivative transactions*	756	2,261	1,505

*Net receivables and payables arising from derivative transactions are indicated, and net payables are indicated by “—.”

(Note 1) Methods of Calculating the Fair Value of Financial Instruments and Matters Related to Securities and Derivative Transactions

(1) Cash and Deposits

As the fair value of deposits approximates their book value due to their short maturity, they are stated at book value.

(2) Notes and Accounts Receivable

As the fair value of notes and accounts receivable with a short maturity approximates their book value, they are stated at book value. For the fair value of accounts receivable with a long maturity, the amount

of each accounts receivable classified based on certain terms is discounted using a rate which reflects both the period until maturity and credit risk.

(3) Non-trade accounts receivable

As the fair value of non-trade accounts receivable approximates their book value due to their short maturity, they are stated at book value.

(4) Securities and Investments in Securities

The fair value of securities and investments in securities is based on average prices on the relevant exchanges during the last month of the fiscal year.

(5) Notes and Accounts Payable

As the fair value of notes and accounts payable approximates their book value due to their short maturity, they are stated at book value.

(6) Electronically recorded obligations

As the fair value of electronically recorded obligations approximates their book value due to their short maturity, they are stated at book value.

(7) Short-term Borrowings

As the fair value of short-term borrowings approximates their book value due to their short maturity, they are stated at book value.

(8) Deposit received

As the fair value of deposit approximates their book value due to the short-term settlement, they are stated at book value.

(9) Straight Bonds

Straight bonds are stated at the price on the relevant exchange.

(10) Long-term Borrowings

For the fair value of long-term borrowings, the total amount of the principal and interest is discounted using the rate which would apply if similar borrowings were newly made.

(11) Derivative Transactions

The fair value of such transactions, including exchange contracts as the appropriation processing is adopted for, is computed by using the forward exchange rate at fiscal year-end.

(Note 2) As unlisted stocks (consolidated balance sheet amount of 108,923 million yen) and equity (consolidated balance sheet amount of 24,764 million yen) have no market price and as it is impossible to estimate future cash flows, it is extremely difficult to determine their fair value. Therefore, they are not included in “(4) Securities and Investments in Securities”.

(Note to Leased Properties)

Conditions and market value of leased properties are omitted, as there is no significant importance.

(Note to Per Share Information)

1. Net assets per share	-161.79 yen
2. Net loss per share	154.64 yen

(Note to Significant Subsequent Events)

1. Issuance of new shares through third-party allotments

Sharp Corporation has adopted a resolution and an amending resolution regarding the issuance of new shares (common shares and Class C Shares) through third-party allotment at the Board of Directors meeting held on February 25 and March 30, 2016. Accordingly, the Company has signed a share subscription agreement with the planned allottees regarding the above on April 2, 2016. The overview of the new share issuance are as bellow.

(1) Common shares

(i) Number of new shares to be issued	3,281,950,697 shares
(ii) Issued price	88 yen per share
(iii) Amount of procurement fund	288,811,661,336 yen
(iv) Stated capital	44 yen per share
(v) Offering or allotment method (planned allottees)	Allotted by means of third-party allotment: To Hon Hai Precision Industry Co., Ltd. 1,300,000,000 shares To Foxconn (Far East) Limited 915,550,697 shares To Foxconn Technology Pte. Ltd. 646,400,000 shares To SIO International Holdings Limited 420,000,000 shares
(vi) Schedule of issuance	Ordinary General Meeting of Shareholders : June 23, 2016 Payment period : From June 28, 2016 to October 5, 2016
(vii) Other	The payments are subject to the effectiveness of the securities registration statement pursuant to the Financial Instruments and Exchange Act, acquisition of permits, licenses, or the like from relevant authorities of the relevant countries, including permission of notification or the like regarding business combination from competition authorities of the relevant countries, required in order to execute the Capital Increase Through Third-Party Allotment, and an approval (special resolution) of the item on the agenda regarding the issuance of common shares of Sharp at the 122nd ordinary general meeting of shareholders of Sharp to be held on June 23, 2016 (the "Ordinary General Meeting of Shareholders") and the general meeting of class shareholders by holders of the common shares, the general meeting of class shareholders by holders of the Class A Shares, and the general meeting of class shareholders by holders of the Class B Shares (the "General Meeting of Class Shareholders") to be also held on June 23, 2016.

(2) Class C Shares

(i) Number of new shares to be issued	11,363,636 shares
(ii) Issued price	8,800 yen per share
(iii) Amount of procurement fund	99,999,996,800 yen
(iv) Stated capital	4,400 yen per share
(v) Offering or allotment method (planned allottees)	Allotted by means of third-party allotment: To Hon Hai Precision Industry Co., Ltd. 11,363,636 shares
(vi) Schedule of issuance	Ordinary General Meeting of Shareholders : June 23, 2016 Payment period : From June 28, 2016 to October 5, 2016
(vii) Other	It is prescribed that the payment priority of dividends from surplus and distribution of residual assets for Class C Shares is the same as that for the common shares, and that the amounts of payment of the dividends and distribution are the amounts multiplied by prescribed acquisition ratios. Class C Shares have no voting right. Assignments of Class C Shares are restricted. Class C Shares are subject to call in consideration for common shares. The payments are subject to the effectiveness of the securities registration statement pursuant to the Financial Instruments and Exchange Act, acquisition of permits, licenses, or the like from relevant authorities of the relevant countries, including notifications, permits, or the like regarding business combination from competition authorities of the relevant countries, required in order to execute the Capital Increase Through Third-Party Allotment, and an approval (special resolution) of the items on the agenda regarding the issuance of Class C Shares and the revision of the articles of incorporation to be required due to the issuance of the Class C Shares at the Ordinary General Meeting of Shareholders and the General Meetings of Class Shareholders.

(3) Intended use of funds procured

Intended Use of Proceeds	Amount (millions of yen)	Timing of use as intended
(i) Upgrading technology and commencement of mass production for the commercialization of OLED business	200,000	July 2016 through June 2019
(ii) Investment in regard to Display Devices Company for higher definition, improvement of yield rate, R&D of next-era technology, increase in production volume, and rationalization targeted mainly at medium-sized products	60,000	July 2016 through September 2018
(iii) Investment in regard to Consumer Electronics Company for R&D, dies, and molds to realize a transformation of business model for IoT business expansion, for R&D, dies, and molds to expand the business in emerging countries, for increase in production volume and rationalization	40,000	July 2016 through September 2018
(iv) Investment in regard to Energy Solutions Company for R&D and expansion of sales distribution to realize a transformation from existing business to solution business	8,000	July 2016 through September 2018
(v) Investment in regard to Electronic Components and Devices Company used for R&D, expansion of sales distribution, increase in production volume, and rationalization targeted for growing businesses including automotive, industrials, and IoT	10,000	July 2016 through September 2018
(vi) Investment in regard to Business Solutions Company used for expansion of sales distribution of existing MFP business, R&D for growing business such as robotics or solution business, increase in production volume, and rationalization	40,000	July 2016 through September 2018
(vii) Advertising investment and other related expenses for brand value enhancement for targeted areas such as Japan, Asia, and China, and investment and other related expenses for element technology development and fundamental R&D for new business	26,527	July 2016 through June 2019

2. Novation of the Current Syndicated Loan Agreements

Sharp Corporation has agreed on April 26, 2016, with each lender bank of the syndicated loans to novate as follows the contract terms of the current syndicated loan (contract renewed or concluded on June 25, 2013 and extended the terms on March 30, 2016).

(1) Arranger and agent

Mizuho Bank, Ltd.

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

(2) Effective Date of novation

April 28, 2016

(3) Details of novation

Excluding some of the contracts, the interest rates will decrease than the existing contract, and the term is 10 years from the implementation date of the contract novation.

(4) Purpose of Loan

Working capital

(5) Effects from the novation

7.2 billion yen reduction of borrowing costs is forecasted in the fiscal ending March 31, 2017.

3. Decreases in Capital and Capital Reserve

Sharp Corporation resolve at a Board of Directors meeting held on May 12, 2016, on the decreases in the amounts of capital and capital reserve (the Decrease in Capital) and the transfer of the decreased amount to other capital surplus.

Decrease in capital amounts etc. are as follows.

(1) Objective

As announced in “1. Issuance of new shares through third-party allotment”, after the issuance of new shares through third-party allotments, the Company’s capital and capital reserve will each increase by 194,405,829,068 yen.

However, as indicated in “4. Buyback of Class B Shares” below, for the purpose of buying back Class B Shares and reducing the burden of the class shares’ preferred dividends and the buyback premium to be paid by the Company when the Company exercises the call option, to improve the financial structure at an early stage, the Company has decided to conduct the Decreases in Capital, etc. and transfer the decreased amount to other capital surplus, which constitutes the distributable amount.

(2) Amount of capital to be decreased

189,905,829,068 yen

(3) Amount of capital reserve to be decreased

193,280,829,068 yen

(4) Method of the Decreases in Capital, etc.

After the Decreases in Capital, etc. are conducted as above based on the provisions of Article 447, paragraphs 1 and 3 and Article 448, paragraphs 1 and 3 of the Companies Act, the total amount of each will be transferred to other capital surplus.

(5) Schedule of the Decreases in Capital, etc.

May 12, 2016	Resolution at the Board of Directors meeting regarding the Decreases in Capital, etc.
--------------	---

May 27, 2016	Public notice regarding statements of objection by creditors (planned)
--------------	--

June 27, 2016	Final due date for statements of objection by creditors (planned)
October 5, 2016	Effective date of the Decreases in Capital, etc. (planned). However, if the effective date of the Capital Increase Through Third-Party Allotment is on or before October 4, 2016, the Company will adopt a resolution at a Board of Directors meeting that the date when the Decreases in Capital, etc. come into effect will be the same as the effective date of the Capital Increase Through Third-Party Allotment.

4. Buyback of Class B Shares

Sharp Corporation adopted the resolution regarding the buyback of all Class B shares in exchange for cash consideration at the Board of Directors meeting held on May 12, 2016.

The details of the Class B shares buyback are as follows.

(1) Reason and method for the buyback

For the purpose of reducing the burden of the class shares' preferred dividends and the buyback premium to be paid by the Company when the Company exercises the call option, based on Article 6-3, paragraph 6, of the Company's articles of incorporation, the Company will buy back all Class B Shares held by Japan Industrial Solutions Fund I (JIS). The subscription agreement about Class B Shares will be terminated as of June 23, 2016 upon agreement with JIS.

(2) Total number of shares to be bought back
25,000 shares

(3) Buyback date

August 8, 2016, or the effective date of the Capital Increase Through Third-Party Allotment, whichever comes later.

(4) Consideration of the buyback of the shares

The amount obtained by multiplying the total amount of 112% of the amount equal to the amount to be paid in per Class B Share (1,000,000 yen), and the amount equal to accumulated unpaid dividends and daily prorated unpaid preferred dividend amount for the Class B Shares specified in the Company's articles of incorporation, by the total number of Class B Shares to be bought back.

The buyback consideration will be 29,954,602,500 yen (1,198,184.1 yen per share) if the shares are bought back on August 8, 2016.

(5) Others

To obtain the distributable amount necessary for the buyback, it is necessary that the Capital Increase Through Third-Party Allotment comes into effect, and the Decreases in Capital, etc., indicated in "3. Decreases in Capital and Capital Reserve" above, come into effect.

5. Allotment of Stock Options (Share Options)

Sharp Corporation passed a resolution at the Board of Directors meeting held on May 12, 2016, to submit a proposal at the 122nd Annual General Shareholders' Meeting to be held on June 23, 2016, 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"), to delegate to its Board of Directors the determination of the subscription requirements of such Share Options.

The details of the allotment of stock options (share options) are as follows.

(1) Purpose of adopting a stock option plan

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) 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 or consolidates its common stock, the number of shares to be issued upon the exercise of Share Options shall be adjusted.

(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, 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.

(6) Exercise period of Share Options

The exercise period shall be from the date on which two years have passed from the date of allotment of the Share Options to the date on which seven 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.

BALANCE SHEET (based on non-consolidated results)

(As of March 31, 2016)

(Millions of Yen)

ASSETS		LIABILITIES	
Current Assets	645,605	Current Liabilities	1,234,768
Cash and deposits	225,272	Notes payable	1,641
Notes receivable	77	Electronically recorded obligations	63,981
Accounts receivable	266,478	Accounts payable	156,939
Finished products	39,309	Short-term borrowings	564,802
Work in process	17,703	Short-term bonds of redemption	20,000
Raw materials and supplies	10,790	Lease liabilities	4,066
Advances	23,522	Accounts payable-other	34,260
Prepaid expenses	437	Accrued expenses	95,797
Other current assets	64,964	Income taxes payable	524
Allowance for doubtful receivables	-2,952	Deferred tax liabilities	258
		Advances received	22,079
		Deposits received	147,523
		Accrued employees' bonuses	6,300
Non-Current Assets	643,419	Accrued product warranty	11,690
Tangible Fixed Assets	277,643	Provision for loss on litigation	200
Buildings	154,128	Provision for business structure improvement	3,326
Structures	4,541	Valuation reserve for inventory purchase commitments	57,123
Machinery and equipment	19,220	Provision for business loss on subsidiaries and affiliates	42,344
Vehicles	10	Other current liabilities	1,908
Tools and furniture	8,104		
Land	80,785	Long-term Liabilities	99,466
Lease assets	7,421	Straight bonds	40,000
Construction in progress	3,430	Long-term borrowings	40,000
			2,164
Intangible Fixed Assets	30,277	Lease liabilities	8,583
Industrial property	78	Deferred tax liabilities	6,396
Rights to use facilities	151	Other long-term liabilities	2,321
Software	30,048		
Other intangible fixed assets		Total Liabilities	1,334,235
		NET ASSETS	
Investments and Other Assets	335,498	Owners' Equity	-54,519
Investment securities	57,536	Common Stock	500
Stocks of subsidiaries and affiliates	226,357	Capital Surplus	222,546
Investments in capital of subsidiaries and affiliates	38,238	Capital reserve	125
Long-term prepaid expenses	9,575	Other capital surplus	222,421
Other fixed assets	5,687	Retained Earnings	-263,667
Allowance for doubtful receivables	-1,897	Other retained earnings	-263,667
		Reserve for special depreciation	2
Deferred Assets	57	Reserve for advanced depreciation on non-current assets	4,252
Bond issue cost	57	Retained earnings carried forward	-267,921
		Treasury Stock	-13,899
		Valuation and Translation Adjustments	9,367
		Net Unrealized Holding Gains on Securities	10,396
		Deferred Gains on Hedges	-1,029
		Total Net Assets	-45,152
Total Assets	1,289,082	Total Liabilities and Net Assets	1,289,082

(Note) Fractions rounded down to the nearest million yen.

STATEMENT OF INCOME (based on non-consolidated results)

(From April 1, 2015 to March 31, 2016)

(Millions of Yen)

Net Sales	1,925,431
Cost of sales	1,918,237
Gross profit	7,194
Selling, general and administrative expenses	170,737
Operating loss	163,543
Non-Operating Income	41,435
Interest and dividend income	22,475
Other non-operating income	18,960
Non-Operating Expenses	49,033
Interest expenses	18,315
Other non-operating expenses	30,718
Recurring loss	171,141
Special Income	23,068
Gain on sales of noncurrent assets	15,257
Gain on sales of investment securities	224
Gain on sales of subsidiaries and affiliates' stocks	365
Gain on sales of subsidiaries and affiliates' capitals	2,162
Reversal of provision for loss on litigation	2,046
Receipt of settlement	3,011
Special Losses	108,248
Loss on sales and retirement of noncurrent assets	1,085
Impairment loss	16,815
Loss on valuation of investment securities	98
Loss on valuation of stocks of subsidiaries and affiliates	822
Loss on valuation of investments in capital of subsidiaries and affiliates	15,825
Provision for business loss on subsidiaries and affiliates	42,344
Loss on liquidation of subsidiaries and affiliates	732
Restructuring charges	28,485
Provision for loss on litigation	2,037
Loss before income taxes	256,321
Corporate income, inhabitant and business taxes	8,868
Adjustment to income taxes	-1,522
Net loss	263,667

(Note) Fractions rounded down to the nearest million yen.

STATEMENT OF CHANGES IN NET ASSETS (based on non-consolidated results)

(From April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Owners' Equity							
	Common Stock	Capital Surplus			Retained Earnings			
		Capital Reserve	Other Capital Surplus	Total Capital Surplus	Other Retained Earnings			Total Retained Earnings
					Reserve for Special Depreciation	Reserve for Deferred Gains on Fixed Assets	Retained Earnings Carried Forward	
Balance at April 1, 2015	121,884	84,384	11,560	95,945	4	4,253	-224,037	-219,780
Changes of items during the period								
Issue of new stocks	112,500	112,500		112,500				
Transfer from capital to surplus	-233,884		233,884	233,884				
Transfer from reserve to surplus		-196,759	196,759	—				
Reduction of deficit			-219,780	-219,780			219,780	219,780
Reversal of reserve for special depreciation					-2		2	—
Reversal of reserve for advanced depreciation on non-current assets						-102	102	—
Changes of Reserve for advanced depreciation of noncurrent assets with the change of the tax rate						101	-101	—
Net loss							-263,667	-263,667
Purchase of treasury stock								
Disposal of treasury stock			-2	-2				
Net changes of items other than owners' equity								
Total changes of items during the period	-121,384	-84,259	210,861	126,601	-2	-1	-43,883	-43,886
Balance at March 31, 2016	500	125	222,421	222,546	2	4,252	-267,921	-263,667

	Owners' Equity		Valuation and Translation Adjustments			Total Net Assets
	Treasury Stock	Total Owners' Equity	Net Unrealized Holding Gains on Securities	Deferred Gains on Hedges	Total Valuation and Translation Adjustments	
Balance at April 1, 2015	-13,892	-15,843	9,291	571	9,862	-5,980
Changes of items during the period						
Issue of new stocks		225,000				225,000
Transfer from capital to surplus		—				—
Transfer from reserve to surplus		—				—
Reduction of deficit		—				—
Reversal of reserve for special depreciation		—				—
Reversal of reserve for advanced depreciation on non-current assets		—				—
Changes of Reserve for advanced depreciation of noncurrent assets with the change of the tax rate		—				—
Net loss		-263,667				-263,667
Purchase of treasury stock	-9	-9				-9
Disposal of treasury stock	2	0				0
Net changes of items other than owners' equity			1,105	-1,600	-495	-495
Total changes of items during the period	-6	-38,676	1,105	-1,600	-495	-39,171
Balance at March 31, 2016	-13,899	-54,519	10,396	-1,029	9,367	-45,152

(Notes) Fractions rounded down to the nearest million yen.

Individual Explanatory Notes

(Notes concerning Matters relating to Material Accounting Policies)

1. Valuation Standards and Methods for Assets

(1) Valuation Standards and Methods for Securities

Shares of Subsidiaries and Affiliates:

Stated at average cost.

Other securities

- Securities with available fair market values:

Stated at fair market value based on average of market price during the last month of the fiscal year (valuation differences are disposed using the direct net asset adjustment method and the cost of securities sold is calculated using the average cost method).

- Securities with no available fair market value:

Stated at average cost.

(2) Valuation Standards and Methods for Inventories

Finished products, raw materials and work in process:

Stated at moving average cost (for the book value of inventories on the balance sheets, by writing inventories down based on their decrease in profitability of assets).

Supplies:

Stated at the current production and purchase costs.

2. Depreciation Methods Used for Non-current Assets

Tangible Fixed Assets:

(1) Method of Depreciation for Property, Plant and Equipment (Except for Lease Assets)

Depreciation of plant and equipment is based on the declining balance method, except for machinery and equipment in the Mie and Kameyama Plants, which are depreciated on the straight-line method.

However, buildings (excluding annexed structures) obtained on or after April 1, 1998 are depreciated on the straight-line method.

(2) Method of Amortization for Intangible Fixed Assets (Except for Lease Assets)

Amortization is based on the straight-line method.

Software used by Sharp is amortized by the straight-line method over an estimated useful life of principally five (5) years, however, software embedded in products is amortized over the forecasted sales quantity.

(3) Method of Depreciation for Lease Assets

Finance leases that do not transfer ownership

Depreciation is based on the straight-line method that takes the lease period as the depreciable life and the residual value as zero (0).

Regarding finance leases of Sharp that do not transfer ownership, for which the starting date for the lease transaction is prior to March 31, 2008, lease payments are recognized as expenses.

3. Accounting Standard for Allowances and Reserves

(1) Allowance for Doubtful Receivables

The estimated amounts of allowance for general receivables are primarily determined based on the past loss experience. For particular receivables, including those from debtors at risk of bankruptcy, the allowance is provided for individually estimated unrecoverable amounts. This procedure is made against possible credit loss.

(2) Accrued Employees' Bonuses

The reserve for payment of employees' bonuses is set aside based on estimated amounts to be paid in the subsequent period.

(3) Accrued Product Warranty

Estimated amounts of warranty are accrued based on the past experience. This procedure is made against expense for after-sales service within the warranty period.

(4) Provision for Loss on Litigation

Out of possible future loss on litigation, the amount to be considered necessary is estimated.

(5) Restructuring Charges

The estimated amounts of allowance for restructuring charges are set aside. This procedure is made against expense for possible future loss due to structural reform.

(6) Valuation reserve for inventory purchase commitments

Regarding long-term contracts for purchasing raw materials over a long time frame, the amounts of difference between contracted price and current market price are set aside as allowance for contract loss. This procedure is made against future possible loss in case the market price of materials declines significantly from the contracted price and fulfillment of the contract causes a loss in production and sale business.

(7) Provision for business loss at affiliated companies

The estimated amounts of business loss at affiliated companies are set aside, taking into consideration the financial situation of those companies.

(8) Allowance for Severance and Pension Benefits

To provide for employees' severance and pension benefits, reserves are set aside based on the estimated amounts of projected benefit obligation.

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated to each service year based on point criterion.

Prior service costs are amortized over the average of the estimated remaining service lives [fourteen (14) years].

Actuarial losses are recognized primarily in expenses over the average of estimated remaining service lives [fourteen (14) years] commencing with the following period.

4. Other Important Matters Presented in Financial Statements

(1) Method for Amortization for Deferred Assets

Bond Issue Cost:

Bond issue cost is amortized under the straight-line method over the redemption period

(2) Accounting for Employee Retirement Benefit

Accounting method for unrecognized actuarial gains and losses relating to retirement benefits and unrecognized past service cost is different from those described in the consolidated financial statements.

(3) Accounting for Consumption Taxes, etc.

The tax exclusion method is applied.

(4) Adoption of Consolidated Tax Return System

The consolidated tax return system is adopted.

(Notes concerning Changes in Accounting Policies)

(Changes in accounting policies)

Effective from fiscal 2015, the Company adopted the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21 on September 13, 2013, hereinafter “Business Combinations Accounting Standard”), and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7 on September 13, 2013, hereinafter “Business Divestitures Accounting Standard”). The Company changed its accounting method to recording expenses relating to acquisition as an expense in the fiscal year in which they are incurred.

Also, the Company changed its accounting method to reflecting adjustments to the amount allocated to acquisition cost under provisional accounting treatment in the fiscal year in which the business combinations become effective. This is applied to the business combinations occurring on or after the beginning of fiscal 2015.

The Business Combination Accounting Standard and other standards were applied in accordance with the transitional treatment set forth in paragraph 58-2 (4) of the Business Combinations Accounting Standard, and paragraph 57-4 (4) of the Business Divestitures Accounting Standard. The Company applied this accounting standard prospectively from the beginning of fiscal 2015.

This change had an immaterial impact on our financial statements for fiscal 2015.

(Change in accounting estimate)

Historically, Sharp Corporation writes down the book value of inventory on its balance sheet when a certain period of time has passed after the acquisition of the inventory. As a rule, this write-down is performed on a regular basis using a uniform rate. However, considering rapidly declining prices, the slow movement of inventory, and other factors, the company has decided to change the length of time and uniform rate used to write down the book value of inventory. This change will more properly reflect the decline in inventory profitability in the company's financial condition and operating results.

As a result, cost of sales for the fiscal year ended March 31, 2016, has increased by 47,068 million yen, while operating loss and loss before income taxes have increased by the same amount.

(Notes to Balance Sheet)

1. Collateral Assets and Liabilities of the Collateral

(1) Collateral Assets

Cash and deposits	23,912	million yen
Notes receivable	41	million yen
Accounts receivable	65,028	million yen
Finished products	36,101	million yen
Work in process	17,703	million yen
Raw materials and supplies	7,835	million yen

Other current assets	12,683	million yen
Buildings	151,445	million yen
Structures	4,390	million yen
Machinery and equipment	9,802	million yen
Vehicles	4	million yen
Tools and furniture	2,489	million yen
Land	80,785	million yen
Investment securities	29,334	million yen
Stocks of subsidiaries and affiliates	20,755	million yen
Investments in capital of subsidiaries and affiliates	569	million yen
Total	462,884	million yen

(2) Liabilities of the Collateral

Short-term borrowings	426,693	million yen
-----------------------	---------	-------------

Cash and deposits of 23,912 million yen are pledged as collateral for opening a standby letter of credit as of the end of this fiscal year.

2. Accumulated depreciation of tangible fixed assets	1,793,606	million yen
--	-----------	-------------

3. Contingent Liabilities

(1) Guarantee Liability

Guarantee for employee housing borrowing	11,865	million yen
Guarantee for lease obligations		
Sharp Electronics (Europe) Ltd	199	Million yen
Sharp Business Systems (France) SAS	163	million yen
Sharp Business Systems (UK) PLC	36	million yen
Sharp Electronics (Italia) S.p.A.	29	million yen
Sharp Electronics Benelux B.V.	1	million yen
Total	12,295	million yen

(2) Matters related to inventory purchase commitments on raw materials (polysilicon) of solar cells

Valuation reserve for inventory purchase commitments is set aside with respect to purchase contracts of raw materials (polysilicon) of solar cells. Some of purchase contracts of raw materials (polysilicon) at year-end prohibit resale of them. Therefore, potential future losses may occur in case raw materials (polysilicon) are no longer likely to be used in the future. The aggregated amount of purchase contracts prohibiting resale of raw materials after deducting valuation reserve for inventory purchase commitments is 19,436 million yen.

(3) Matters related to long-term electricity and others supply contracts at production basis

Sharp entered into long-term contracts with several supplier with respect to electricity and others necessary to produce solar cells at Sakai Factory. Total amount of future minimum payments of such contracts at the end of this consolidated fiscal year is 38,063 million yen (remaining term is from 1.5 years to 12.75 years). Each contract shall not be terminated before expiration.

Although such long-term electricity and others supply contracts give Sharp 480 mega-watt production capacity of solar cells per year, actual production quantity currently sits at around 160 mega-watt per year. Such long-term contracts cause more expensive production cost in Energy Solution Business. However, it is difficult to estimate an amount of loss related to such contracts because prevailing market price of electricity

and others at Sakai Factory, procurement costs of electricity and others not depending on such contracts, and appropriate production costs based on such market price and procurement costs cannot be determined.

(4) Others

In relation to TFT-LCD business, Sharp and some of its subsidiaries are currently subject to the investigations being conducted by the Directorate General for Competition of the European Commission etc., and civil lawsuits seeking monetary damages resulting from the alleged anticompetitive behavior have been filed against Sharp and some of its subsidiaries in North America, etc.

4. Short-term monetary claims to subsidiaries and affiliates	203,817	million yen
Long-term monetary claims to subsidiaries and affiliates	135	million yen
Short-term monetary liabilities to subsidiaries and affiliates	183,058	million yen
Long-term monetary liabilities to subsidiaries and affiliates	5,139	million yen

(Notes to Statement of Income)

1. Amount of sales to affiliates	1,472,614	million yen
Amount of goods purchased from affiliates	924,538	million yen
Amount of transactions with affiliates other than business transactions	49,326	million yen

2. Details of Impairment Loss

Category	Item	Department and Location
Assets for business use (Production equipment of Consumer Electronics (Digital Information Appliances, etc.))	Molds Long-term prepaid expenses, etc.	Consumer Electronics Company Yaita, Tochigi prefecture
Assets for business use (Production equipment of Energy Solutions, etc.)	Buildings and structures, Machinery and equipment, Software, etc.	Energy Solution Company Katsuragi, Nara prefecture Sakai, Osaka prefecture
Assets for business use (Production equipment of Electronics Device, etc.)	Buildings and structures, etc.	Electronics Device Company Mihara, Hiroshima prefecture, etc
Assets for business use (Production equipment of Display Devices, etc.)	Buildings, Machinery and equipment, Photo mask, etc.	Display Device Company Kameyama, Mie prefecture, Taki, Mie prefecture, etc
unemployed capital	Buildings and structures, etc	Tenri, Nara prefecture Yamatokoriyama, Nara prefecture

Sharp categorizes for business use in view of business facility, type of business and others in a comprehensive manner. Idle assets are categorized by each asset.

Sharp group reduced the book value of Assets for business use locating at Consumer Electronics Business (Digital Information Appliance) to an estimated recoverable amount due to the decreasing profitability and the unlikelihood of recouping investment, and recognized the decreased amount 562 million yen as an impairment loss in special loss this consolidated fiscal year. Details are as follows: 68 million yen for molds; 424 million yen for long-term prepaid expenses; 70 million yen for others. The estimated recoverable amount is evaluated at zero (0) due to the unlikelihood of cash flow in the future, although this amount is normally evaluated in accordance with use value.

Sharp group reduced the book value of Assets for business use locating at Energy Solutions Business to an estimated recoverable amount due to the decreasing profitability and the unlikelihood of recouping investment, and recognized the decreased amount 2,761 million yen as an impairment loss in special loss this consolidated fiscal year. Details are as follows: 647 million yen for buildings, 397 million yen for machinery and equipment; 1,102 million yen for software; 615 million yen for others. The estimated recoverable amount for buildings and land are determined by the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets is evaluated at zero (0).

Sharp group reduced the book value of Assets for business use locating at Electronics Device Business to an estimated recoverable amount due to the review of production systems and production plants, and recognized the decreased amount 2 million yen as an impairment loss in special loss this consolidated fiscal year. Details are 1 million yen for buildings; 0 million yen for others.

The estimated recoverable amount for buildings, machinery and equipment, and land are determined by the net realizable value based on the estate appraisal valuation and others. The net realizable value for the other assets is evaluated at zero (0).

Sharp group reduced the book value of Assets for business use locating at Display Device Business to an estimated recoverable amount due to the decreasing profitability and the unlikelihood of recouping investment, and recognized the decreased amount 12,319 million yen as an impairment loss in special loss this consolidated fiscal year. Details are as follows: 4,078 million yen for buildings; 4,401 million yen for machinery and equipment; 2,342 million yen for photo mask; 1,498 million yen for others.

The estimated recoverable amount for buildings, machinery and equipment, and land are determined by the net realizable value based on the estate appraisal valuation and others. The net realizable value for the other assets is evaluated at zero (0).

Sharp group reduced the book value of some Shared Assets to an estimated recoverable amount due to the no usage in the future and recognized the decreased amount 1,169 million yen as an impairment loss in special loss this consolidated fiscal year. Details are 1,102 million yen for buildings and structures and 67 million yen for others. The net realizable value is evaluated at zero (0).

3. Restructuring charges

Details of restructuring charges are as follows:

- (1) Cost of voluntary retirement of employees (19,779 million yen)
- (2) Assets disposal loss due to restructuring reform of LCD TVs business for U.S.A. (2,611 million yen)
- (3) Loss of inventory valuation due to restructuring reform of Electronic Device and Components (6,094 million yen)

(Notes to Statement of Changes in Net Assets)

Type and number of treasury stock as at the end of this fiscal year

Common Stock	10,536,390 shares
--------------	-------------------

(Notes to Deferred Tax Accounting)

The major cause of deferred tax assets are inventory assets, non-current assets, loss carried forward and others. Valuation reserve is deducted from deferred tax assets.

The major cause of deferred tax liabilities are prepaid pension expenses, unrealized gains on securities, net of taxes and others.

(Notes to Fixed Assets Used by Lease)

Regarding finance leases that do not transfer ownership for which the starting date for the lease transaction is prior to March 31, 2008, lease payments are recognized as expenses.

1. Acquisition cost as of the end of this fiscal year	1,153 million yen
2. Accumulated depreciation amount as of the end of this fiscal year	1,133 million yen
3. Prepaid lease payments as of the end of this fiscal year	19 million yen

(Notes to Transaction with Related Parties)

1. Subsidiaries and Affiliates

(Millions of Yen)

Category	Corporate Name	Holding or Held Ratio	Relation of Related Party	Detail of Transaction	Transaction Amount	Account	Balance at the end of the term
Subsidiary	Sharp Electronics Marketing Corporation	Direct holding: 100.0%	Sales of Sharp's products	Sales (Note1)	220,534	Accounts receivable	28,287 (Note11)
				Granting of security (Note3) (Note4) (Note5) (Note6) (Note7)	426,693 (Note 8)	-	-
Subsidiary	Sharp Manufacturing Systems Corporation	Direct holding: 100.0%	Manufacture and sales of mold and manufacturing equipment of Sharp	Granting of security (Note6) (Note7)	426,693 (Note 8)	-	-
Subsidiary	Sharp Energy Solution Corporation	Direct holding: 100.0%	Sales and installation of Sharp's products	Granting of security (Note3) (Note5) (Note6) (Note7)	426,693 (Note 8)	-	-
				Custody of Funds (Note7)	8,230 (Note10)	Deposit	13,830
				Payment of Interests (Note9)	116		
Subsidiary	Sharp Business Solutions Corporation	Direct holding: 100.0%	Development and Sales of Software, and Sales and after-sale service of Sharp's products	Granting of security (Note3) (Note4) (Note5) (Note7)	426,693 (Note 8)	-	-
Subsidiary	Sharp Trading Corporation	Direct holding: 100.0%	Import of Sharp's products and devices	Purchases (Note2)	314,797	Accounts payable	17,211 (Note11)
Subsidiary	iDeep Solutions Corporation	Direct holding: 100.0%	Sales and lease of teleconference system utilizing Sharp's products	Granting of security (Note4) (Note7)	426,693 (Note 8)	-	-
Subsidiary	Sharp International Finance (UK) Plc	Direct holding: 100.0%	Loan to Sharp corp. and its affiliates	Borrowing of funds	479 (Note10)	Short-Term Loan	15,628
				Payment of interests	363	-	-

- Notes
1. Price and other trade conditions are determined in view of the market price and others.
 2. Price and other trade conditions are determined in view of the market price, costs and others.
 3. Notes and accounts receivable of above-mentioned subsidiaries are pledged as collaterals of Sharp's borrowings to financial institutions.
 4. Investments in securities of above-mentioned subsidiaries are pledged as collaterals of Sharp's borrowings to financial institutions.
 5. Inventories of above-mentioned subsidiaries are pledged as collaterals of Sharp's borrowings to financial institutions.
 6. Properties such as land of above-mentioned subsidiaries are pledged as collaterals of Sharp's borrowings to financial institutions.
 7. There is no payment of commissions to collaterals
 8. The transaction amounts show the balance of secured debt as of the end of this fiscal year. Those relate to the outstanding borrowings of 426,693 million yen by Sharp under loan contract on September 27, 2012 and June 25, 2013.
 9. Deposit and borrowing of funds are related to our group finance, and the interest rate is reasonably determined, based on the market interest rates.
 10. Transaction amount is determined in this fiscal term
 11. Consumption tax, etc. are included in the balance at the end of fiscal year.

2. Officers and major individual shareholders, etc.

Classification	Company name	Voting right ratio	Relationship	Detail of Transaction	Transaction Amount	Accounting title	Balance at fiscal-end
Companies such as directors and their close relatives own the majority of the voting rights	Japan Industrial Solutions Co. Ltd	-	Outside director of our company concurrently serve as representative director	Third-party allotments	25,000 million yen	-	-

Note 1) Mr Shinichi Saito, our outside director is concurrently serves as the representative director of Japan Industrial Solutions Co. Ltd.

Note 2) Japan Industrial Solutions Fund I enters into underwriting agreement of Class B shares to 1,000,000 yen per share with the Company. This agreement was concluded before Mr Shinichi Saito was appointed to our outside director, and after that, the payment was made after it was approved at the General Meeting of Shareholders, related to the issuance of the Class B shares by special resolution. So, no conflict of interest existed between Mr Shinichi Saito and the Company at the point when this contract was entered into. This transaction amount is determined on the approval by special resolution at the shareholders' meeting, based on the value-analysis of this Class Share which is evaluated by the "II Tree Model" of ordinary value-calculation-model of Deloitte Tohmatsu Financial Advisory which is independent evaluation organization from the Company.

(Note to per Share Information)

- | | |
|-------------------------|-------------|
| 1. Net assets per share | -163.03 yen |
| 2. Net loss per share | 159.19 yen |

(Note to Significant Subsequent Events)

Written in "Note to Significant Subsequent Events" of Consolidated Explanatory Notes.