

Governance



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Governance: Corporate Governance

Corporate Governance

Fiscal 2022 Objectives	Fiscal 2022 Achievements	Self-Evaluation	Priority Objectives for Fiscal 2023
<ul style="list-style-type: none"> Revise approval authority to improve decision-making speed Construct a new business promotion system aimed at the early realization of ESG-focused management 	<ul style="list-style-type: none"> Expanded decision-making authority of business unit heads Established the Global Business Group, the Digital Healthcare Business Promotion Division, and the ESG Promotion Division 	★★	<ul style="list-style-type: none"> Pursue structural development aimed at further improving the functioning of the Board of Directors Pursue effective and efficient operation of the Executive Management Meeting

Self-evaluation: ★★★ Achieved more than targeted / ★★ Achieved as targeted / ★ Achieved to some extent

Basic Policy

Sharp's basic policy on corporate governance is to maximize corporate value through timely and appropriate management while ensuring transparency, objectivity, and soundness supported by the concept, "Our future prosperity is directly linked to the prosperity of our customers, dealers and shareholders..." as stated in the company's Business Philosophy.

Based on this policy, Sharp is strengthening the supervisory function over the Board of Directors and enhancing the flexibility of decision-making by appointing outside director and operating an Audit and Supervisory Committee. Sharp has also introduced an executive officer system that clearly separates supervisory and decision-making functions from business execution functions, thereby creating a structure that steadily facilitates nimble and efficient business execution. Further, Sharp is implementing deep-rooted enhancements to individual fields of business and operations by establishing a divisionalized management system in which each business unit assumes responsibility for their earnings, to be regulated by the CEO Office and the Corporate Strategic Planning and Control Group at the head office.

In addition, Sharp has formulated the Sharp Group Charter of Corporate Behavior as action guidelines for all directors, executives, and employees to raise their awareness of compliance, and it is working for its permeation across the entire Sharp Group.

Corporate Governance System: Supervisory and Decision-Making Functions

Sharp Corporation Board of Directors meetings are held on a monthly basis in principle to make decisions on matters stipulated by law and on management-related matters of importance, and to supervise the state of business execution. The Board of Directors comprises internal directors who are experts in the fields of business of the Sharp Group and outside directors appointed from talent with high specialism and abundant experience in fields such as social and economic trends and management.

Sharp has established a voluntary Nominating Committee and Compensation Committee as advisory committees to the Board of Directors. The Nominating Committee recommends candidates for directorships to the Board of Directors and the Compensation Committee determines the value of remuneration and bonus packages for directors undertaking a role on the Board of Directors. The majority of members of both committees are independent outside directors and independent outside directors serve as the committee chairs. Additionally, important matters pertaining to dealings between the parent company group and the Sharp Group that are within the purview of the Executive Management Meeting shall, before any decision is made, be subject to study and approval by the Board of Directors (the majority of who are independent outside directors) with regard to the necessity, reasonableness, and appropriateness of the dealings in question.

In addition, Sharp has established an Internal Control Committee to serve as an advisory committee to the Board of Directors. The Internal Control Committee discusses basic policy, maintenance and operation of internal control and internal audits, reports to the Board of Directors, and, when necessary, refers matters for discussion to the Board of Directors.

Composition of Supervisory and Decision-Making Organs

	All Members (Persons)	Internal Directors (Persons)	Outside Directors (Persons)	Non-directors (Persons)	Chairperson / Committee Chair
Board of Directors	7	2	5	0	Chairperson: President & CEO
Nominating Committee	3	1	2	0	Committee chair: Independent outside director
Compensation Committee	3	1	2	0	Committee chair: Independent outside director
Internal Control Committee	7	2	3	2	Committee chair: President & CEO

Directors (except Audit and Supervisory Committee members)/ Directors Who Are Audit and Supervisory Committee Members

	All Members (Persons)	Internal Directors (Persons)	Outside Directors (Persons)	Independent Directors (Persons)	Term
Directors (except Audit and Supervisory Committee members)	4	2	2	2	1 year
Directors who are Audit and Supervisory Committee members	3	0	3	2	2 years

Governance: Corporate Governance

Corporate Governance

Business Execution Functions

The Board of Directors' rules stipulate matters on which the Board must decide upon. These matters include Sharp's basic management policy, management plans, other important matters of management, and matters prescribed by laws, regulations, and articles of incorporation.

As for decisions on other matters of management and business operations, these are stipulated in in-house rules such as the Internal Authorization Rules, and the most relevant rules are used to make decisions. For matters that are key to company-wide management and business operations, these are deliberated on at an Executive Management Meeting that comprises Sharp executives (the CEO, executive vice president, and CFO). The meeting convenes in a timely manner, which allows rapid management decision-making.

Audit Functions

The Audit and Supervisory Committee is composed of three directors, all of whom are outside directors with a high level of expertise. Two of them have specialisms to an appropriate extent in finance or accounting. Further, two members are independent directors and one is a full-time member of the Audit and Supervisory Committee. On the Sharp website can be found the "Standards for Independence of Outside Directors," which stipulates standards for judging the independence of outside directors.

The Audit and Supervisory Committee exchanges opinions periodically with executive directors, the internal audit division, and accounting auditor, and seeks to attain legality, propriety, and efficiency in business execution. Sharp has also established an Audit and Supervisory Committee Office composed of employees with specialisms in specific fields such as accounting and law, which supports the Audit and Supervisory Committee. Sharp undergoes audits by its accounting auditor, PricewaterhouseCoopers Arata LLC, in order to ensure the reliability of financial documents and other finance-related information. Through audits, Sharp receives proposals on how to make operational improvements.

To preserve the independence of the internal audit division from the business execution divisions, an Internal Audit Division has been established directly under the jurisdiction of the President. It audits the propriety of business execution and the appropriateness and efficiency of management. It also makes defined proposals on operational and business improvements as a means of increasing management efficiency and supporting the internal control system.

Related Information: > [Corporate Governance](#)

Management of Related Party Transactions and Others*

Sharp has established the Regulations on Related Party Transactions. Sharp manages these transactions so that they will not adversely affect the company's finances or business performance.

Sharp has also created a list of related parties. When entering into business with the counterparty, Sharp determines whether or not the transaction should be considered a related party transaction. Such transactions undergo all of the internal procedures that are followed for conventional transactions. In doing so, Sharp assesses the necessity, reasonability, and appropriateness of the transaction terms and conditions. This allows Sharp to exercise prudence when deciding on business deals.

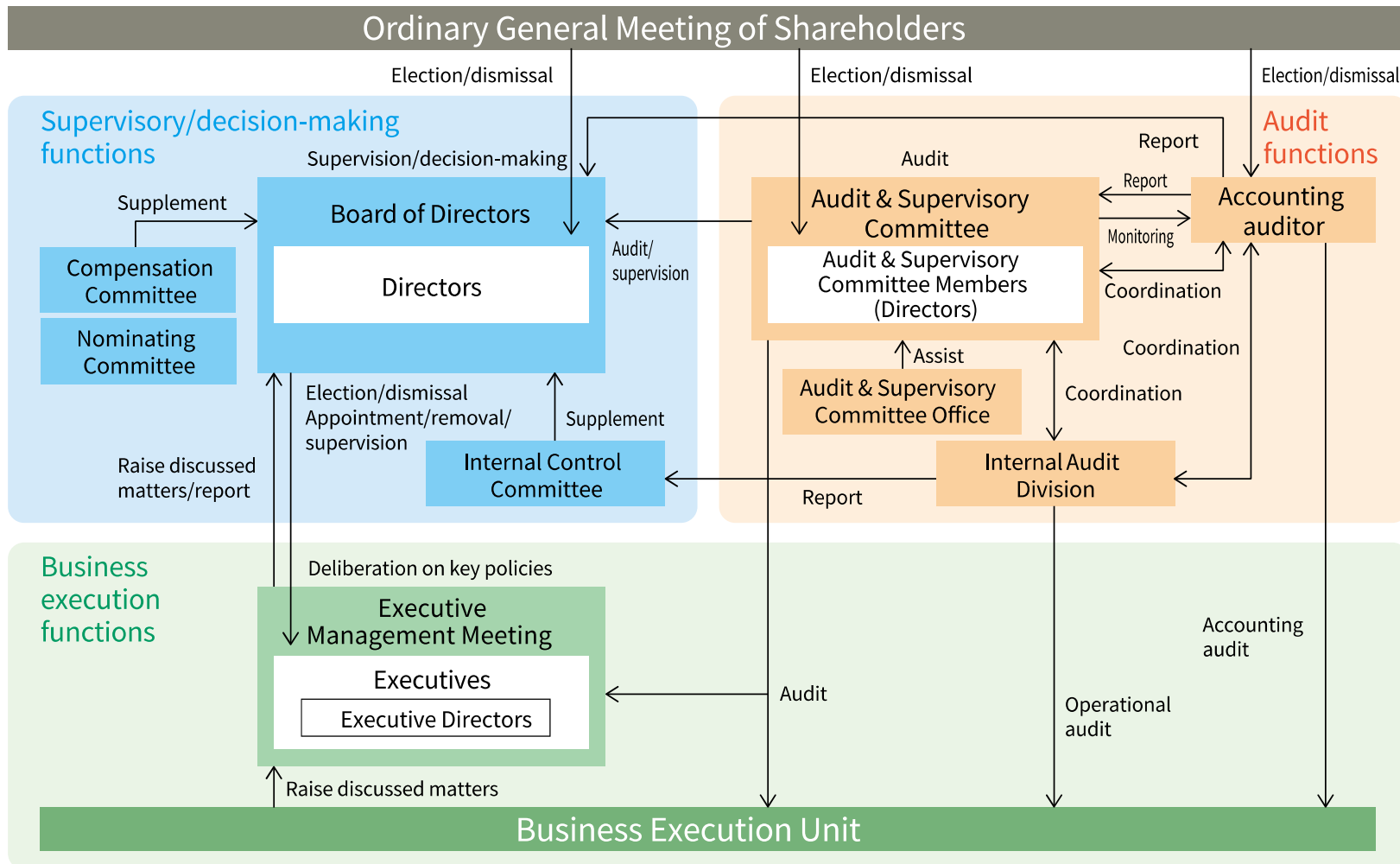
Once a year Sharp verifies the content of transactions specified by outside directors, and the results are reported to the Board of Directors.

* Related party transactions and management-involved transactions:
Related party transactions are transactions with a company or person having a certain level of connection with Sharp, including Sharp's officers, subsidiaries, and major shareholders.
Management-involved transactions are transactions that Sharp's management personnel have introduced or planned.

Governance: Corporate Governance

Corporate Governance

■ Corporate Governance System of Sharp Corporation (as of June 28, 2023)



Governance: Internal Control

Internal Control

Fiscal 2022 Objectives	Fiscal 2022 Achievements	Self-Evaluation	Priority Objectives for Fiscal 2023
<ul style="list-style-type: none"> Implement comprehensive design and operation of internal controls based on Basic Policy for Internal Control Establish internal control systems for new consolidated subsidiaries (e.g., Sakai Display Products) and make a concentrated effort to resolve material issues (problems) 	<ul style="list-style-type: none"> Implemented 55 measures based on the Basic Policy for Internal Control Designed internal controls, evaluated their operation, and confirmed their improvement to handle material issues (problems) discovered at new consolidated subsidiaries (e.g., Sakai Display Products) 	<p>★★</p>	<ul style="list-style-type: none"> Implement comprehensive design and operation of internal controls based on the Basic Policy for Internal Control Assess the design and operation of internal controls focused on material issues (problems) discovered in each control domain

Self-evaluation: ★★★ Achieved more than targeted / ★★ Achieved as targeted / ★ Achieved to some extent

As a means of facilitating the effective functioning of corporate governance, Sharp has designed and operates an internal control system for ensuring the propriety of business activities across the entire Sharp Group based on the provisions of Japan’s Companies Act and of the Internal Control Report System, which falls under the Financial Instruments and Exchange Act.

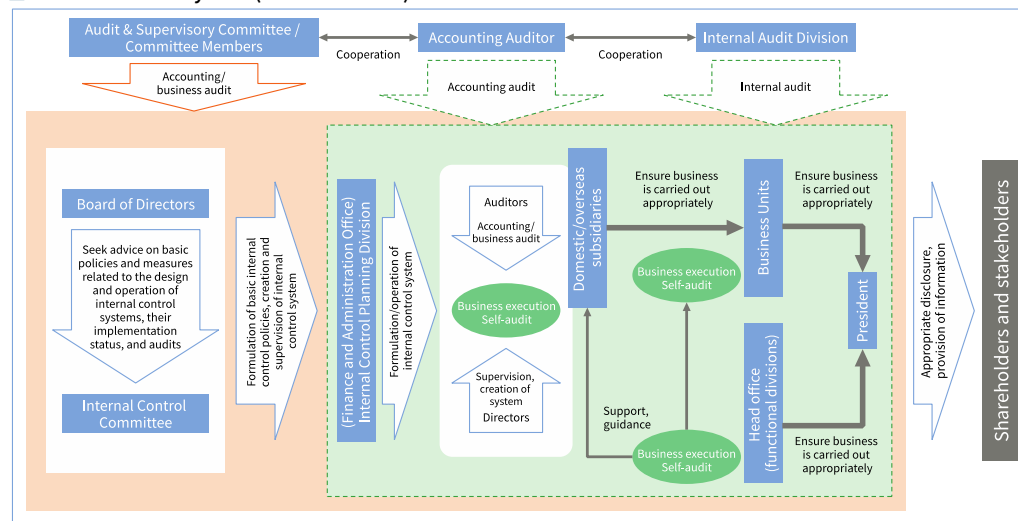
Specifically, in order to establish Sharp’s basic approach to internal control, the Basic Policy for Internal Control was adopted by the Board of Directors. In accordance with this policy, Sharp also established the Internal Control Committee to serve as an advisory panel to the Board of Directors. The Internal Control Committee discusses various internal control system-related policy measures, while also affirming their design and operation, and, when necessary, carries out other duties, such as proposing revisions to the Basic Policy. Sharp also develops and maintains systems and structures, such as specialized departments, in accordance with the Basic Policy, establishing and implementing measures to facilitate them and comprehensively checking and evaluating their status of operation, as well as working to entrench and improve them. In particular, Sharp endeavors to, among other things, improve its financial reporting-related systems, strengthen compliance, and reduce business risks all for the sake of increasing the effectiveness of its internal control system.

In fiscal 2022, Sharp designed internal controls for the newly

consolidated subsidiary Sakai Display Products (SDP), and conducted an exhaustive confirmation and evaluation of their operations, part of efforts to redesign and improve operations of internal controls for SDP and the rest of the Sharp Group. These efforts helped to ensure the effective functioning of the Group internal control system in each of the control domains in fiscal 2022, as detailed in an Internal Control Report, which was submitted in June 2023.

Based on “On the Revision of the Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control over Financial Reporting (Council Opinions)”, announced on April 7, in fiscal 2023 we will continue to strengthen the control functions of each control domain, and more efficiently evaluate them. We will also conduct concentrated efforts to resolve the material issues (problems) discovered during evaluation as we strive for the most efficient and effective internal control.

Internal Control System (As of June 2023)



Governance: Risk Management

Risk Management

Fiscal 2022 Objectives	Fiscal 2022 Achievements	Self-Evaluation	Priority Objectives for Fiscal 2023
<ul style="list-style-type: none"> At new consolidated subsidiaries (e.g., Sakai Display Products), build a management system based on risk management-related rules, and firmly establish response rules for the occurrence of a major risk incident Review operation of business continuity management 	<ul style="list-style-type: none"> At Sakai Display Products, built a management system based on risk management-related rules, and firmly established response rules for the occurrence of a major risk incident Surveyed the state of business continuity plans (BCPs) and strengthened ongoing efforts 	<p>★★</p>	<ul style="list-style-type: none"> Revise the rules for reporting to executives and relevant departments in the occurrence of a major risk incident, and ensure that business units and affiliated companies thoroughly understand these revisions

Self-evaluation: ★★★ Achieved more than targeted / ★★ Achieved as targeted / ★ Achieved to some extent

Basic Approach to Risk Management

Sharp positions risk management as one its most important efforts in fulfilling corporate social responsibility, which entails meeting the expectations of stakeholders through the sustainable development of business.

Sharp has formulated the Rules of Business Risk Management as a basic approach to risk management. In the Rules, risk items that could have a major impact on management are identified and managed as “specific risks” through the creation of a risk management system. For each specific risk, a functional department responsible for risk management across the entire company and business units and affiliated companies responsible for risk management in their respective business domains collaborate to minimize risks and to prevent risks from actually occurring. To be able to respond to changes in the business environment and market, Sharp is constantly defining and revising specific risks, evaluating and grading them, working to prevent them from occurring, and considering and formulating responses should they occur. The results are reviewed by the general manager of the Corporate Strategic Planning and Control Group and reported to the Internal Control Committee, which is chaired by the president & CEO. Reports to the Internal Control Committee include overviews of and countermeasures to the below-mentioned major risk incidents, and their numbers. The content of reports to the Internal Control Committee is also relayed to the Board of Directors.

Response to Occurrence of Major Risks

The Rules of Business Risk Management prescribe rules for response if a major risk incident does come to pass. Taking prompt and appropriate action when an emergency situation occurs works to minimize loss and to prevent the damage from spreading not only across the company, but also to society at large. These emergency rules also specify action items to be implemented to ensure prompt and appropriate information disclosure to stakeholders. When a major risk incident occurs, depending on its severity and priority level, a report is made to the president & CEO, executive vice presidents, head of the CEO Office, head of the Corporate Strategic Planning and Control Group, full-time audit and supervisory committee members, and heads of relevant departments.

In fiscal 2022, 84 major risk incidents were reported. Improvements were made to the Sharp Group’s management system based on rules related to risk management. At the same time, rules on responses in the event of major risk incidents were reinforced.

Promoting Business Continuity Management

Sharp has formulated BCPs (business continuity plans) to expedite the continuation or early recovery of business in a large-scale disaster, such as an earthquake or an outbreak of an infectious disease. Basic policies for BCPs shared across the Sharp Group are “First priority to human life,” “Proactive program and program for recovery from disasters,” and “Support for local community and business connections.” Besides periodically reviewing these basic policies, Sharp seeks to maintain and improve the business continuity performance of its organization through reviews to account for organizational and business changes and through drills. If, in the event of a major disaster, a significant impact on its business activities is anticipated, Sharp will establish an emergency headquarters at the head office to support and work with Sharp sites in affected areas and to implement an initial response focused on ensuring the safety of employees and their families and a business continuity and recovery response.

In fiscal 2022, we surveyed the periodic review of our BCPs and the status of training and strengthened ongoing efforts. In response to the Covid-19 pandemic, the company put in place infection-prevention measures for employees. These measures are based on considerations such as the workplace physical environment, the number of employees in a given team, the job category, and job duties. When an employee returns a positive Covid-19 test, we take steps to ensure business continuity. We report the case promptly to the head office and take the necessary measures at the department in question.

Going forward, Sharp will continue to work towards business continuity management as responses to all forms of disasters and pandemics.

Governance: Compliance

Compliance

Fiscal 2022 Objectives	Fiscal 2022 Achievements	Self-Evaluation	Priority Objectives for Fiscal 2023
<ul style="list-style-type: none"> Continue global compliance enhancement 	<ul style="list-style-type: none"> At affiliated companies in Southeast Asia, Oceania, and the Middle East, introduced bribery and corruption risk management processes and updated rules for preventing bribery and corruption Responded to (by conducting fact-finding surveys, signing agreements, revising documents, etc.) the formulation of and revisions to personal information protection laws in Japan, Europe, and China 	<p>★★</p>	<ul style="list-style-type: none"> Continue compliance enhancement in Japan and other countries Continue to respond to China’s Personal Information Protection Law, and establish a personal information management system and in-house rules

Self-evaluation: ★★★ Achieved more than targeted / ★★ Achieved as targeted / ★ Achieved to some extent

System to Promote Compliance

Sharp defines compliance as “observing laws, regulations, and company rules, and acting in line with corporate ethics.” Accordingly, Sharp is pursuing management practices that give priority to compliance.

The person most responsible for leading compliance at Sharp is the head of the Corporate Strategic Planning and Control Group. This person’s job is to take a global outlook in formulating basic policies for compliance and making sure these policies are firmly established within the company. Meanwhile, the person responsible for leading compliance for the entire Sharp Group is the head of the CEO Office. This person is in charge of devising concrete measures for compliance and thoroughly implementing them. As well as affirming the implementation status of compliance measures, they draw up corrective measures where necessary and makes sure they are thoroughly executed.

Under these two heads, the presidents of the business units are responsible for compliance within their respective organizations. The business unit presidents are also responsible for guiding and supervising compliance measures at subsidiaries and affiliated companies (hereafter, “affiliates”) under their business units. Promoting compliance at each affiliate in and outside Japan is the responsibility of the affiliate president.

Among the laws and regulations that pertain to business execution, some are considered to be critically important and capable of affecting the entire Sharp Group. For each of these material categories of laws and regulations, the company sets up a dedicated legal department. The aim is to achieve thorough compliance with these laws and regulations. Each legal department fully understands the content of the critically important law and studies the effects it could have on the business of the entire Sharp Group and on operations shared by different departments. It then reviews—as needed—business operations and processes, revises company regulations, formulates or revises routine operation standards, communicates these changes, and provides guidance and supervision to executives and employees.

If a compliance-related risk occurs, Sharp will respond appropriately in accordance with the Basic Rules for Compliance and the Rules for Business Risk Management, and take comprehensive corrective measures and prevent recurrence.

Compliance Training

As a means of promoting compliance, the Sharp Group has formulated the Sharp Group Compliance Guidebook, which states defined standards for matters to be observed, matters which are prohibited, and actions to be taken for all executives and employees, and publishes and disseminates this throughout the company.

Sharp also periodically carries out compliance training (including e-learning) on the Sharp Code of Conduct and material categories of laws and regulations (such as competition laws, anticorruption, and personal information protection). In fiscal 2022, the approximately 18,000* who took part in this training included members of Sharp Corporation, affiliated companies in Japan, and the labor union. The Sharp Code of Conduct was communicated* to employees at all Sharp overseas bases.

* See page 008.

Governance: Compliance

Hotline for Compliance Issues

In line with revisions to Japan's Whistleblower Protection Act in June 2022, Sharp Corporation and its affiliated companies in Japan have established the Crystal Hotline, a hotline to report problems in the workplace, such as work-related violations of laws, and words and actions that are counter to the Sharp Group Charter of Corporate Behavior, the Sharp Code of Conduct, in-house rules, social norms, and ethics. The company has also set up a competition law hotline, which serves as a contact point specifically for issues related to competition laws. These hotlines have been set up both inside the company and externally (via an outside law firm providing legal counsel). They are available via email, phone, and other means for employees and temporary staff, as well as business partners*, to make reports. The Crystal Hotline also accepts anonymous reports. Sharp also has a consultation service dedicated to addressing workplace harassment (which includes sexual harassment, pregnancy discrimination, and abuse of authority).

The hotlines and consultation service receive reports and conduct fact-finding investigations in line with strict operating rules. Those who have submitted a report or requested a consultation are informed of the details of the response. If the investigation reveals any violation of laws, regulations, or company rules, or any other compliance issues (actions counter to social norms or ethics), Sharp will put into effect measures for remediation and recurrence prevention.

The hotlines are operated in line with the clear stipulation of both the Sharp Code of Conduct and the rules governing hotline service operation that information identifying the individual contacting the hotlines and details of the individual's report will be strictly protected and that those persons will suffer no unfavorable treatment or penalties. Such rules are thoroughly communicated to all executives and employees through training and other means.

Six months after any corrective action is taken, we check that the whistleblower contacting the Crystal Hotline has not been disadvantaged. After a further period, we also check whether the corrective actions and recurrence prevention measures are working effectively.

In fiscal 2022, the Crystal Hotline received 43 reports and the harassment consultation service received one report. For each of these, Sharp investigated the facts of the matter and issued orders for any necessary corrective measures. Meanwhile, the competition law hotline received zero reports in fiscal 2022.

Hotlines have been set up at Sharp's major overseas bases, with consideration for the legal system and other matters in each country. Action is taken to swiftly address any problems. In fiscal 2022, there were 88 reports.

The number of cases in and outside Japan and their summaries are reported to the Internal Control Committee, which is chaired by the president & CEO, and to the Board of Directors.

* Only the Crystal Hotline is available for use by employees of business partners.

Compliance with Competition Laws

In order to comply with Japan's Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, as well as with equivalent overseas laws and treaties enacted to protect the interests of consumers by maintaining and promoting free and fair markets (hereafter, "competition laws"), Sharp has put in place rules across the entire Sharp Group on observing competition laws. It has also created an Antimonopoly Act Compliance Manual (Action Guidelines). These guidelines stipulate basic compliance matters that employees must adhere to in their duties with regard to cartels.

To raise awareness amongst employees, Sharp has prepared a guidebook summarizing the key points of competition laws for each field of business, and it carries out periodic internal training via e-learning. Sharp also raises awareness internally of case studies relating to competition laws from within Japan and internationally as well as information on major revisions to the laws.

When considering raising product prices in response to rising costs in society, to ensure that Sharp does not violate competition laws by, for example, taking part in cartels, circulars are sent periodically to every part of the company. Sharp prevents actualization of competition law-related risks in transactions by reviewing all contracts and consulting with its legal department when approving new contracts.

To enable Sharp to more effectively prevent the occurrence of competition law risks (such as cartel activities or bid-rigging), business departments periodically confirm their dealings and interactions with competing companies. Depending on the risk, it may be reported to the legal department, which monitors the status of Sharp's compliance with competition laws. Such efforts maintain the effectiveness of Sharp's compliance program.

In fiscal 2022, a cease and desist order was issued to Sharp subsidiary Dynabook Inc. by the Japan Fair Trade Commission because of its partial involvement in bid rigging. In response, besides Dynabook holding training to prevent such a reoccurrence, e-learning was held at Sharp and all its affiliates in Japan in order to prevent such a thing from happening in the Sharp Group and ensuring thorough compliance.

Governance: Compliance

Preventing Corruption in All Forms and Dealing Properly with Donations

General Policy

The Sharp Group Charter of Corporate Behavior and the Sharp Code of Conduct contain provisions that strictly prohibit any form of corrupt behavior, such as extortion or direct or indirect bribes of money, goods, or services. The Group Charter and Code of Conduct also stipulate that donations must be handled in a proper manner.

The Compliance Guidebook follows the Sharp Group Charter of Corporate Behavior and the Sharp Code of Conduct in stipulating policies, for example, on providing gifts and entertainment, and on prohibiting bribery.

We also have the Rules for Prohibition of Bribery (hereinafter “the Rules”), which detail the actions that both executives and employees should and should not take in order to prevent corruption such as bribes, and which describe Sharp’s system for preventing bribery (see below). Under the Rules, Sharp is working to clarify and strengthen an internal checking system and prevent any act of bribery.

Systems and Rules for Preventing Bribery

Sharp has established a clear and effective system for preventing bribery that clarifies the points that should be confirmed by relevant departments when using third parties such as agents and consultants, providing or exchanging gifts or entertainment to government employees, and participating in associations. It has also set up a consulting department for providing internal approval for each issue above.

The Rules define “facilitation payments” as “small payments to government officials and others for the sole purpose of speeding up routine administrative procedures.” The Rules clearly state that these payments are considered a form of bribery and are prohibited in principle.

Working with Business Partners

We only deal with business partners who agree to abide by our Basic Purchasing Principles, which were created to prevent things like bribes and unfair actions.

We also ensure that our business partners abide by the Sharp Supply-Chain CSR Deployment Guidebook, aimed at preventing inappropriate profits.

Working with Overseas Affiliates

Sharp’s overseas affiliates also follow the Sharp Group Compliance Guidebook and the Sharp Code of Conduct, which stipulate rules that employees must abide by, such as avoiding bribery and other corrupt actions.

In order to ascertain the risk of bribery and corruption among overseas affiliates and institute a more effective checking system, Sharp has investigated and analyzed risks at overseas affiliates. Based on the results, Sharp has proceeded to update its overseas affiliates’ internal rules of anti-bribery and introduce to overseas affiliates the bribery risk management processes utilized at Sharp in Japan, depending on the level and type of risk at each overseas affiliate.

Raising Awareness within the Sharp Group

To raise awareness among employees in Japan and overseas, Sharp has created and published an in-house guidebook and training materials, which give information on bribery laws and describe real world examples. Sharp also conducts annual in-house training related to preventing bribery. Sharp’s intranet for affiliates in Japan and its global intranet for overseas affiliates periodically feature articles on bribery in Japanese, English, and Chinese. These articles present bribery-related cases and analyze and explain related issues. The aim is to deepen understanding and raise awareness of bribery among employees of affiliates in Japan and overseas.

As a result of these efforts, there were no violations of any bribery-related rules in fiscal 2022.

Governance: Compliance

Preventing Corruption in All Forms and Dealing Properly with Donations

Dealing Properly with Donations

In Japan, Sharp prevents illegal payoffs and improper expenditures through a system of reviews that check legality, reasonableness, and transparency. In place since December 2008, this system serves to assess the propriety of monetary disbursements such as donations and contributions made by Sharp Corporation and its affiliated companies. In fiscal 2022, 12 cases of contributions were reviewed.

The Sharp Code of Conduct states, “Regarding political donations, we will observe all applicable laws and regulations and we will ensure transparency and proceed in strict conformance with internal company rules when making such donations in line with the company policy to build a healthy and responsible relationship with politics and government.” Based on this policy, any political donations abide by relevant laws and follow the necessary internal procedures.

Exclusion of Antisocial Forces

Basic Policy

As a matter of basic policy, Sharp prevents or excludes any association with antisocial forces without exception, and deals with them in a resolute manner. It has established specific guidelines in the Sharp Group Charter of Corporate Behavior under the section entitled “Practice of Fair and Open Management,” as well as clearly stipulated in the Sharp Code of Conduct that Sharp shall seek to exclude antisocial forces by being “cooperative in the maintenance of social order, and will not engage in antisocial activity.”

Activities Aimed at Excluding Antisocial Forces

Sharp Corporation has established Rules for Excluding Antisocial Forces, which serve as the basis for Sharp’s effort to prevent antisocial transactions, as well as Sharp’s preparation and updating, as needed, of such resources as manuals for dealing with antisocial forces.

In order to facilitate its handling of antisocial forces, Sharp maintains a system of prompt communication and cooperation with the police, legal advisors, and other external experts, from whom it regularly obtains information, which is then thoroughly disseminated and managed amongst the Sharp Group. Sharp also works to raise employee awareness by conducting once-a-year compliance training, which includes how to deal with antisocial forces.

In addition, Sharp Corporation and its affiliated companies in Japan take other steps to exclude antisocial forces, such as including a stipulation of antisocial forces exclusion in all basic agreements for ongoing transactions and concluding memorandums containing the equivalent stipulation with existing suppliers.

Governance: Compliance

Management of Personal Information

Domestic Response

To ensure that personal information is appropriately managed and to prevent incidents of data leakage, Sharp provides regular compliance training (including e-learning). In addition, individual training sessions are held for employees who handle personal information as part of their job duties.

To ensure the effectiveness of Sharp's efforts to protect personal information, processes that require approval from the department specialized in personal information protection are incorporated into Sharp's internal approval system regarding the handling of personal information. This contributes to consistently appropriate management of personal information obtainment, sub-processing, and provision to third parties by relevant departments. Also, following approval, the handling status—e.g., obtainment, storage, management, usage, deletion—of each customer's personal information is to be recorded in Sharp's own management database and updated as needed so that it can be checked and reviewed on an ongoing basis.

Appropriate handling of personal information is further ensured through the management of database audits of all departments that obtain customers' personal information, checking the handling status against what is recorded in the management database. Moreover, on-site audits are also performed for specific departments that must follow even more stringent handling requirements.

Global Response

Data protection has become an increasingly important issue around the world. Ever since the General Data Protection Regulation (GDPR) in the EU was enacted to protect personal data, countries around the world have been introducing data protection regulations, and there have already been many examples of these regulations being enforced.

Sharp has been sharing information with its overseas subsidiaries as part of periodic group-wide fact-finding surveys and risk analysis on the various areas related to the acquisition and processing of personal information in the EU and other overseas regions. Based on findings, the company has been taking measures that include providing appropriate privacy notices*, signing agreements, and putting in place internal rules required for proper handling of personal data. Sharp is also raising awareness among employees by periodically issuing information about the enactment of—and amendments to—laws and regulations on global protection of personal information. Along with that, Sharp shares examples of financial penalties for breaches of these laws and regulations. This information is posted on the company intranet for all employees to see.

Sharp is continuously gathering and analyzing information on data protection regulations around the world, such as the California Privacy Rights Act (CPRA) and China's Personal Information Protection Law (PIPL). It also signs agreements based on fact-finding surveys and the requirements of data protection regulations as part of global efforts to implement measures to comply with laws on the handling of personal information.

* Privacy notice: A notice that tells website visitors how the personal information that they provide will be used by the website operator. The purpose is to ensure website visitors that their personal information will be handled appropriately based on personal data protection regulations such as the GDPR.

Governance: Compliance

Appropriate Advertising and Promotion, Representation-Related Law Compliance

Under its business creed of “Sincerity and Creativity,” Sharp strives to reliably fulfill its corporate social responsibilities to customers and all stakeholders in the provision of correct information useful for selecting products and services. To this end, Sharp prioritizes appropriate advertising and promotion activities. It also complies with product and service representation-related laws, such as the Act against Unjustifiable Premiums and Misleading Representations, Pharmaceutical and Medical Device Act^{*1}, and Fair Competition Code. Sharp positions compliance with these laws as a control item within its Rules of Business Risk Management^{*2}, and implements various measures to promote compliance.

Systems and Rules for Preventing Legal Violations

With regard to product and service representation within Japan, Sharp follows internal rules (listed below), which stipulate the basic approach to representation and a system for checking appropriate representations.

1. A dedicated supervisor is appointed to work with departments involved in the production of representations and to perform a final check prior to the publication of brochures and mass advertising
2. A senior committee is established to make decisions about any questionable representations (Representation Review Committee, Sharp Fair Representation Council)
3. Operations are carried out in line with the Fair Competition Code^{*3}, formulated by the Home Electric Appliances Fair Trade Conference, with regard to product representations and premiums
4. Public external organizations^{*4} are consulted for objective guidance and advice

Also, overseas, Sharp follows local laws along with the Fair Expression Guidelines, which have been developed based on the same thinking utilized in Japan, in order to facilitate appropriate decision-making.

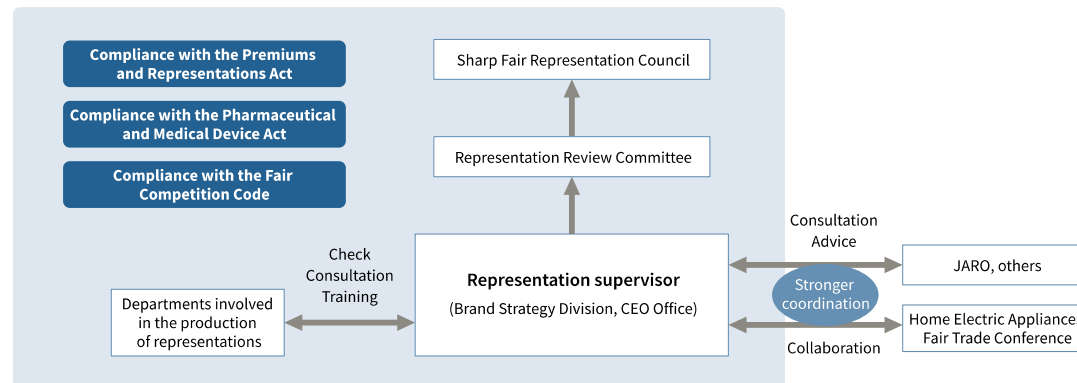
Awareness Activities Boost Knowledge for Relevant Personnel

Awareness activities are held for employees in departments involved in the production of representations.

1. Training on the Premiums and Representations Act, Pharmaceutical and Medical Device Act, and Fair Competition Code
2. Participation by Sharp employees in outside seminars led by public institutions, and dissemination of what is learned (the latest trends) to the rest of Sharp
3. Information on the Premiums and Representations Portal Site on the intranet
 - Laws, public guidelines, in-house rules, etc.
 - Revisions to laws and regulations

In fiscal 2022, there were no violations of the Premiums and Representations Act or the Pharmaceutical and Medical Device Act by the Sharp Group.

Representation Review Framework



Strengthening Ties with Stakeholders

In fiscal 2022, many employees in Sharp departments involved in the production of representations and employees on the front lines of sales took part in Fair Competition Code e-learning. The curriculum of this new course, started by the Home Electric Appliances Fair Trade Conference for its member companies, covers subjects like representations and premiums. We are strengthening ties with industry groups and other stakeholders and pursuing appropriate sales promotion activities that will help us bounce back from the effects of the pandemic.

^{*1} Act on Securing Quality, Efficacy, and Safety of Products Including Pharmaceuticals and Medical Devices.
^{*2} See page 123.
^{*3} Voluntary industry standards formulated by the Home Electric Appliances Fair Trade Conference and recognized by the Consumer Affairs Agency and Japan Fair Trade Commission.
^{*4} Home Electric Appliances Fair Trade Conference, Japan Advertising Review Organization (JARO), others.

Governance: Compliance

Tax Management Initiatives

Tax Policy

Sharp demonstrates sincerity and creativity in its pursuit of sound business activities, in the process fulfilling its responsibilities as a member of society. A basic policy of the Sharp Group Charter of Corporate Behavior and Sharp Code of Conduct is the “Practice of fair and open management” in all corporate activities and operations, conforming to the laws and regulations of each country and region, international rules and company rules, as well as social norms and corporate ethics. Based on this basic policy, Sharp works to maintain and improve its compliance with tax laws and other tax-related regulations through proper payment of taxes and employee education.

Tax Governance System

The general manager of the Finance and Administration Office oversees tax obligations for the Sharp Group as a whole. In line with Sharp’s global tax policy, group companies have a responsibility to understand and comply with the relevant tax laws and regulations that apply to their operations. The Accounting Department in the Finance and Administration Office supports group companies and handles overall tax-related duties for the Sharp Group to reduce tax-related risk.

When faced with a tax-related issue, Sharp works together with relevant affiliated companies in Japan and overseas and, when necessary, seeks advice from tax professionals in order to address the issue. When the issue is deemed to be one of significant importance, it is reported to top management who then decide on a course of action.

Proper Payment of Taxes

Legal and regulatory compliance is Sharp’s top priority, endeavoring to fulfill all fair and appropriate tax obligations. When filing tax returns, we do not seek to evade the legislative intent of the tax system nor engage in tax avoidance in violation of international tax rules. Sharp endeavors to appropriately meet its tax obligations while making use of preferential tax measures available to it as part of normal business operations.

In fiscal 2021, Sharp recorded 17.0 billion yen* (Japan: 64%, overseas: 36%*) in corporate income tax.

* Based on Country-by-Country Report submitted to the tax authority.

Compliance with Transfer Pricing Rules

Regarding transactions with parties related to the Sharp Group, appropriate pricing is established based on the arm’s-length principle, in line with OECD (Organisation for Economic Co-operation and Development) transfer pricing guidelines and in accordance with each company’s functions and risks. Sharp also draws up transfer pricing documentation based on the laws and regulations of each country. Also, for important transactions, Sharp takes steps, such as actively working with tax authorities to make use of APAs (Advance Pricing Arrangements), to reduce tax-related uncertainty, and to prevent double taxation.

Relationship with Tax Authorities

In order to maintain good relations with tax authorities, Sharp endeavors to be diligent and responsive to the requests of tax authorities in each country, such as by providing them with information in an appropriate and timely manner. Whenever tax authorities raise questions about Sharp’s filing and payment of taxes, Sharp examines the validity of their claims and, if it has an objection, may opt to formally file a petition against the tax authority with regard to the matter. However, if any corrective action is required, such action will be promptly implemented.

Governance: Innovation Management

Corporate R&D Initiatives

Initiatives of the Corporate Research and Development Group

The Corporate Research and Development Group is pursuing a mission to develop pioneering, groundbreaking, proprietary technology that creates new ecosystems and new and expanded businesses contributing to the realization of a sustainable society.

To put into practice ESG-focused management, we are using “One Sharp” partnership and collaboration to accelerate development of new businesses in the digital healthcare field and step up our contributions to carbon neutrality. In addition, we are applying the technological innovations of AI to create proprietary technologies in area such as DX solutions for industry.

With social problems becoming increasingly complex and diverse, we are implementing sustainable management through R&D aimed at creating innovative services and solutions so that we can contribute to Sharp’s sustainable growth.

Notable Initiatives

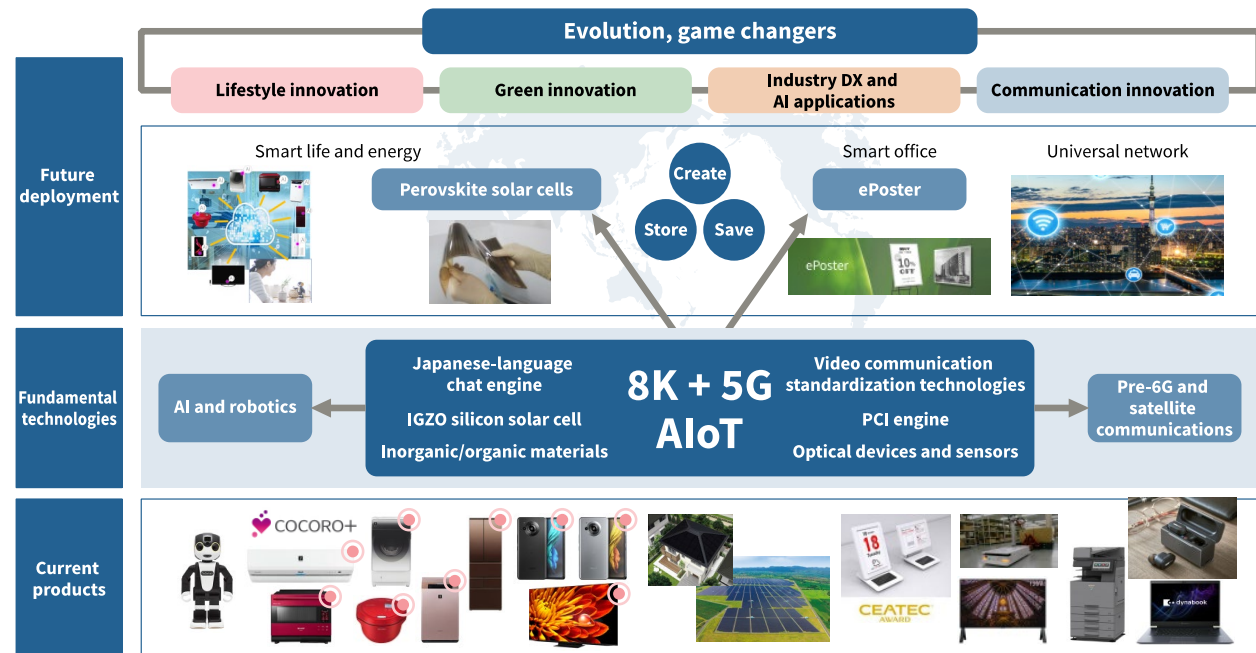
Sharp aims to change the game by creating technologies that will serve as the core engine of future company growth. With a focus on achieving lifestyle innovation, green innovation, communication innovation, and industry DX and AI applications, we are working towards the early realization of new businesses that drive sustainable growth into the future.

Turning to communications technology, Sharp holds more than

6,000 patents of critical importance for communications standards in more than 50 countries worldwide, and it grants licenses to numerous leading companies. Sharp has dived headfirst into activities to create standards in the field of video communications and is contributing to creating the social infrastructure that will realize a variety of innovations and DX.

In addition, as part of our open incubation activities, we are collaborating with other companies, including in efforts to support startups, to give birth to technological innovations. To utilize the fruits of our R&D in new business domains, we have created a dedicated team in the Corporate Research and Development Group to oversee partnerships inside and outside the company as we aggressively strive for co-creation with different industries, chiefly in DX businesses.

R&D Aimed at ESG Management



Governance: Innovation Management

Intellectual Property Protection

Intellectual Property Strategy and Management System

Sharp regards its intellectual property strategy as one of its critically important management strategies, and it is promoting it together with its business strategy and R&D strategy. By aggressively obtaining patents, Sharp is boosting the superiority of its product and device businesses and strengthening its business foundation. The company's intellectual property department was spun off into ScienBizIP Japan Co., Ltd. (SBPJ) in 2016, with a view to making it a profit center of Sharp. Because SBPJ is well versed in Sharp's products, technologies, and businesses, it can offer a high level of specialized service and improved efficiency. SBPJ gives Sharp more driving force in its intellectual property management, generating strong patents and economic value from Sharp's state-of-the-art technologies.

Regarding patent applications, Sharp defines core technology areas with respect to each business and strategically files patent applications that are tightly coupled with its business development. Sharp is also acquiring useful patents invented in cooperation with other companies or derived from the activities of alliances, such as industry-university cooperation.

In addition, Sharp is filing applications and registering rights for designs and trademarks globally under its brand strategy.

Protecting Intellectual Property

Sharp maximizes the use of its intellectual property by linking it to its business strategy and R&D strategy. It is also firmly committed to protecting its own intellectual property rights, while also respecting the intellectual property rights of others. While Sharp takes an amicable approach to resolving issues of infringement, it is the company's policy to seek the judgment of a third party, such as the courts, when its intellectual property rights are not respected.

Sharp is also working to bolster protection for trade secrets and to prevent unauthorized disclosure of production technologies and manufacturing know-how, particularly those that are unique or critically important to Sharp. Further, counterfeit Sharp-brand products have had a growing impact in overseas markets in recent years, and Sharp is taking measures to counter these imitations through cooperation with industry groups and with regulatory authorities taking enforcement actions.

Governance: Information Security

Information Security

Fiscal 2022 Objectives	Fiscal 2022 Achievements	Self-Evaluation	Priority Objectives for Fiscal 2023
<ul style="list-style-type: none"> ■ Pass the certification renewal screening for ISO 27001 ■ To raise employee awareness of information security, reinforce education for employees who inadvertently opened malicious emails sent as part of a previous training exercise. Also expand the number of overseas bases holding training on targeted email attacks 	<ul style="list-style-type: none"> ■ Maintained ISO 27001 certification (renewed June 30, 2022) ■ Improved the practicality of content of training for employees who did not take proper measures in response to targeted email attacks. Also expanded training to more overseas affiliates (12 companies) 	<p>★★</p>	<ul style="list-style-type: none"> ■ Pass the certification renewal screening for ISO 27001 ■ Step up educational measures for employees as a way to deal with targeted email attacks, and expand education to more overseas affiliates

Self-evaluation: ★★★ Achieved more than targeted / ★★ Achieved as targeted / ★ Achieved to some extent

Sharp is working to ensure information security by setting forth a Global Basic Policy on Information Security for the safe and appropriate management and use of information and information systems.

As part of its efforts to enhance information security, Sharp also acquired ISO 27001 certification in 2015 and has secured an appropriate information security management system.

■ Summary of ISO 27001 Certification Activities

Organization	Sharp Corporation
Scope of Certification	<ul style="list-style-type: none"> • The planning, management and operation of call center service, taking care of users' complaints. • The administration and operation of an affiliated web site. • The implementation of in-company information management.
Certification Number	IS 635826
Certification Body	BSI Group Japan K.K.
Initial Certification Date	June 30, 2015

Related Information: > [Global Basic Policy on Information Security](#)

Information Security Measures

Sharp strives to raise security awareness with thorough dissemination of in-house information security rules; for example, through compliance-related training based on the Sharp Code of Conduct. In addition, we have affiliates in Japan conduct periodic information security self-checks in order to confirm that measures are being properly taken and thus ensure that the entire Sharp Group continues to maintain and improve its security.

To focus on targeted email attacks, a security risk that employees deal directly with, we are stepping up drills in which employees receive malicious mock emails.

In fiscal 2022, we tested our response capabilities by having all employees at Sharp and affiliates in Japan receive several types of malicious emails that mimicked real-life ones. Employees who did not deal with the email appropriately were given further guidance on the dangers of email attacks to raise their security awareness. We will continue to provide such training that mimics the latest email attack methods, as well as step up measures by expanding training to more overseas affiliates to strengthen our global security.

We will continue to maintain and strengthen our security by stepping up activities. For example, to prevent information leaks to outside of Sharp, we check the vulnerability of publicly accessible Sharp-related websites, and we put in place measures to prevent hacking and the access of illicit websites.

Governance: Export and Import Control

Export and Import Control

Security Export Control

The security environment worldwide is characterized by instability and growing uncertainty in the international order, including in the form of moves to strengthen military capabilities by some states, for example through the development of nuclear weapons, missiles, and other weapons of mass destruction; the pursuit of military action against other countries; territorial disputes among states; and the threat of international terrorism. Looking to implement export controls to ensure security, Japan has adopted the Foreign Exchange and Foreign Trade Act (“FEFTA”) and put in place stringent procedures to prevent the proliferation of weapons of mass destruction as well as ordinary weapons. Against this backdrop, Sharp has long engaged in security-related export controls, including by becoming one of the first companies in Japan to incorporate provisions adopted by the Coordinating Committee for Multilateral Export Controls (so-called COCOM regulations) into its own internal rules during the Cold War.

As technology advances and the line between civilian and military technologies blurs, the number of items of concern, for example dual-use products that potentially allow civilian technologies to be harnessed for military purposes, is growing. Adherence to security-related export controls is becoming more complex as countries impose sanctions in response to a variety of geopolitical tensions and strengthen associated export control laws.

To accommodate this state of affairs, Sharp Corporation and affiliates in Japan have incorporated thorough compliance with security-related export controls as a model for behavior into the Sharp Code of Conduct. The company has also formulated the Sharp Compliance Program on Export Control based on FEFTA to govern export controls.

When exporting products overseas, Sharp conducts an internal investigation to determine whether controls apply to goods and technologies; to confirm destinations, counterparties, and end-users; and to assess whether there are any concerns about applications and uses. Sharp strives for legal compliance by reviewing internal rules in a timely manner whenever export control laws are revised. Sharp also strictly complies with the Export Administration Regulations of the U.S.

To maintain export control structures like these, Sharp regularly offers various export control-related education programs, including with e-learning components, for all employees. Sharp will maintain and further improve these systems to secure comprehensive export control.

*1 An exporter or importer recognized by the Japan Customs as having put in place a system for security control of goods and compliance.

Trade Control

The Customs Act and other laws of Japan require proper export and import controls (trade controls). In particular, there is a strong need for appropriate logistics control regarding the security of imported and exported goods, for example to stop the flow of supplies to domestic and international terrorist groups and to address the problem of illegal cross-border movements of goods like illegal drugs and products violating intellectual property rights, a major social issue. Sharp strives to ensure its import and export operations are conducted in an appropriate manner by maintaining licensing as an AEO (authorized economic operator) exporter*¹ and importer*¹ and by strictly observing laws and regulations across every import/export process, including management of security, distribution, and customs clearance procedures as well as payment of import consumption tax and duties. This approach provides benefits such as simplification of customs procedures while helping ensure the safety of the global supply chain. When it comes to a diverse range of export/import items other than those described above—for example, international courier/mail or hand luggage carried by business trip travelers and visitors—Sharp has put in place compliance structures to ensure appropriate trade controls and strengthened internal management, including reviewing and updating operational rules, making a database of export/import records, and conducting thorough training. Sharp will continue to conduct appropriate trade controls.

Example

SATL, a Sharp production base in Thailand, is in the process of building an in-house management system for security export control. A number of SATL employees who earned ICP*² instructor certification from Thailand’s Department of Foreign Trade (DFT) led training (completed in March 2023) for employees who work in export control. The company also underwent an audit in May 2023 in order to be certified with ICP status from the DFT. Through these efforts, SATL is ensuring thorough abidance with export-procedure laws and even greater reliability of the Sharp brand.

*2 Internal Compliance Program: An internal control measure for monitoring compliance with export control regulation.



ICP instructor certificate