

June 22, 2018

[Translation]

Company Name: Sharp Corporation
Representative: J.W. Tai
Chairman, President & Chief
Executive Officer
(Code No. 6753)

Notice Regarding Issuance of New Shares and Secondary Offering of Shares, Cancellation of Treasury Shares (Class A Shares), and Partial Acquisition of Treasury Shares (Class C Shares) by Exercise of Call Options with Common Shares as Consideration and Cancellation of Treasury Shares (Class C Shares)

Sharp Corporation (the “Company”) has announced that, at a meeting of its board of directors held on June 22, 2018, it has determined to issue new shares and make a secondary offering of shares as described in I. below, cancel its treasury shares (Class A Shares) in accordance with Article 178 of the Companies Act as described in II. below, and partially acquire its treasury shares (Class C Shares) by exercising call options with common shares as consideration and cancel its treasury shares (Class C Shares) as described in III. below.

In addition, the Company has also clarified the status of its relationship with Hon Hai Precision Industry Co., Ltd. and its group companies (the “Hon Hai Group”) after the issuance of new shares as described in I. below and the partial acquisition of Class C Shares as described in III. below.

[Background and Purpose of the Financing by means of Issuance of New Shares]

The Sharp group (the “Group”) is conducting its restructuring under a strategic alliance with the Hon Hai Group that began in 2016 and is working on three fundamental transformations, Reinvent the Sharp Business Model, Expand Business Globally, and Strengthen the Sharp Business Infrastructure, to achieve the goals of its “FY2017 to FY2019 Medium-Term Management Plan” announced on May 26, 2017 (the “Medium-Term Management Plan”), based on the key concepts of “People-Oriented IoT” and “8K Ecosystem”.

As a result, sales of all segments increased for the Group’s consolidated business results in the previous fiscal year, the Company declared a dividend for the first time in six years, and the Group’s business has turned towards a path of growth.

The Company continues to push ahead with its fundamental transformations under the Medium-Term Management Plan, and pursue the goal, “Changing the World with 8K and AIoT” by bringing major innovations in various areas through creating the “People-Oriented IoT” devices and services and establishing an “8K Ecosystem”.

To achieve this business vision, the Company determined to strengthen its financial foundation by increasing its quality of capital through the acquisition of all Class A Shares from the viewpoints of flexible growth investment and dividend continuity with respect to common shares, and resolved and announced its “capital restructuring plan” (the “Plan”) on June 5, 2018 (for more detail, see the press release dated on June 5, 2018 entitled “Notice Regarding Establishment of a “Capital Restructuring Plan”, Determination of Matters Concerning the Acquisition of Treasury Shares (Class A Shares) (Acquisition of Treasury Shares Under the Provisions of the Articles of Incorporation Pursuant to Article 459, Paragraph 1 of the Companies Act) and Shelf Registration for Issuance of New Shares under the Capital Restructuring Plan; and Notice

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Regarding Policy for the Acquisition of Class C Shares by Exercise of Call Options with Common Shares as Consideration”).

The Company believes that the implementation of the Plan will enable the Company to equip itself to make disciplined growth investments by strengthening its financial foundation, establish a foundation to implement flexible shareholder returns, and lead to medium- to long-term growth of the Group’s profit and eventually improve the value of its common shares.

Therefore, the Company determined to conduct the issuance of new shares by way of public offering, the accompanying secondary offering of the Company’s shares (secondary offering by way of over-allotment), and the issuance of new shares by way of third-party allotment.

The proceeds from the offerings are planned to be appropriated as funds for the acquisition of the Class A Shares under the Plan, and funds for research and development towards the establishment of the 8K Ecosystem and expansion of the AIoT Business in line with the business model of the “8K Ecosystem” and “People-Oriented IoT”, and if there are any remaining funds, such remaining funds are planned to be appropriated as the funds for the redemption of unsecured bonds, for which the redemption is scheduled to be March 19, 2019 and September 13, 2019. For more detail on the use of proceeds, see “<Reference> 3. Use of Proceeds (1) Use of Proceeds from Current Fund Raising” below.

* “AIoT” is a term that combines AI (artificial intelligence) and IoT (internet of things) and is a registered trademark of the Company.

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I. Issuance of New Shares and Secondary Offering of Shares

1. Issuance of New Shares by way of Public Offering

- (1) Class and Number of Shares to be Offered 78,375,000 shares of common stock of the Company, being the aggregate of (i) through (iii) described below:
- (i) 52,500,000 shares of common stock of the Company, issued for purchase by the Japanese Joint Lead Managers in the Japanese Public Offering, described in (4)(i) below;
 - (ii) 22,500,000 shares of common stock of the Company, issued for purchase by the International Managers in the International Offering, described in (4)(ii) below; and
 - (iii) A maximum of 3,375,000 shares of common stock of the Company, additionally issued for purchase by the International Managers in the International Offering upon exercise of the option, described in (4)(ii) below.
- (2) Method of Determination of Amount to be Paid In The amount to be paid in will be determined on a day in the period from July 9, 2018 (Mon.) to July 11, 2018 (Wed.) (such date, the “Pricing Date”) in accordance with the method set forth in Article 25 of the Regulations Concerning Underwriting of Securities, etc. promulgated by the Japan Securities Dealers Association.
- (3) Amount of Capital and Capital Reserve to be Increased The amount of capital to be increased is half of the maximum increase amount of capital, as calculated in accordance with the provisions of Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations, with any fraction less than one yen resulting from the calculation being rounded up to the nearest one yen. The amount of capital reserve to be increased is the amount obtained by subtracting the amount of capital to be increased from the maximum amount of increase of capital.
- (4) Method of Offering The Japanese offering and the international offering will be made simultaneously.
- (i) Japanese Public Offering:
The offering to be made in Japan (the “Japanese Public Offering”) will be a public offering, and the Japanese Joint Lead Managers shall underwrite and purchase all of the shares offered in the Japanese Public Offering.
 - (ii) International Offering:
The offering to be made outside of Japan will be an offering in overseas market mainly in the United States, Europe and Asia (with the offering in the United States restricted to sales to “qualified institutional buyers” as defined under Rule 144A of the United States Securities Act of 1933) (the “International Offering”), and the aggregate number of shares shall be severally and not jointly purchased by certain international managers (the “International Managers”), acting as the international joint lead managers. The Company shall also

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grant the International Managers the option to purchase additional issued shares of common stock of the Company, as described in (1)(iii) above.

With regard to the number of shares to be offered in (i) and (ii) above, the number of shares to be offered is planned to be 52,500,000 shares in the Japanese Public Offering and 25,875,000 shares in the International Offering (the International Managers will purchase 22,500,000 shares initially and 3,375,000 additional shares upon exercise of the option described in (1)(iii) above granted to the International Managers). However, the final breakdown will be determined on the Pricing Date by taking into account market demand and other conditions.

The issue price (the offer price) with regard to each of (i) and (ii) above will be determined on the Pricing Date in accordance with the method set forth in Article 25 of the Regulations Concerning Underwriting of Securities, etc., of the Japan Securities Dealers Association, based on the preliminary pricing terms calculated by multiplying the closing price in regular trading of the shares of common stock of the Company on the Tokyo Stock Exchange on the Pricing Date (or, if no closing price is quoted, the closing price of the immediately preceding date) by a number between 0.90 and 1.00 (with any fraction less than one yen being rounded down), taking into account market demand and other conditions.

The joint global coordinators for the Japanese Public Offering, the International Offering as well as the secondary offering by way of over-allotment mentioned below in “2. Secondary Offering of the Company’s Shares (Secondary Offering by way of Over-Allotment)” (the “Secondary Offering by way of Over-Allotment”) will be the same entities as the Japanese Joint Lead Managers.

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| (5) Underwriting Commissions | The Company shall not pay any underwriting commissions to the underwriters in each offering mentioned above, although the aggregate amount of the difference between (a) the issue price (the offer price) in the Japanese Public Offering and the International Offering and (b) the amount to be paid to the Company by the underwriters shall constitute the proceeds to the underwriters. |
| (6) Subscription Period (in Japan) | The subscription period is from the business day immediately following the Pricing Date to the second business day following the Pricing Date. |
| (7) Payment Date | The payment date is expected to be a day in the period from July 17, 2018 (Tue.) to July 19, 2018 (Thu.), provided, however, that such day is the fifth business day following the Pricing Date. |
| (8) Subscription Unit | 100 shares |
| (9) The amount to be paid in, the amount of capital and capital reserve to be increased, the issue price (the offer price), and any other matters necessary for this issuance of new shares by way of public offering will be determined at the discretion of the Representative Director and Executive Vice President, Katsuaki Nomura. | |
| (10) If the International Offering is cancelled, the Japanese Public Offering will also be cancelled. If the Japanese Public Offering is cancelled, the International Offering will also be cancelled. | |

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2. Secondary Offering of the Company’s Shares (Secondary Offering by way of Over-Allotment) (See “<Reference> 1.” below)
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| (1) Class and Number of Shares to be Sold | 7,875,000 shares of common stock of the Company.
The number of shares mentioned above is the maximum number of shares to be sold. The above number may decrease, or this Secondary Offering by way of Over-Allotment itself may be cancelled, depending on market demand and other conditions in the Japanese Public Offering. Furthermore, the number of shares to be sold will be determined on the Pricing Date, taking into account market demand and other conditions in the Japanese Public Offering. |
| (2) Seller | The bookrunner for the Japanese Public Offering. |
| (3) Selling Price | To be determined (The selling price will be determined on the Pricing Date; however, such selling price will be the same as the issue price (the offer price) in the issuance of new shares by way of public offering.) |
| (4) Method of Secondary Offering | Taking into account market demand and other conditions for the Japanese Public Offering, the bookrunner for the Japanese Public Offering will make a secondary offering of common shares in Japan up to a maximum of the 7,875,000 shares that it borrows from certain shareholder(s) of the Company. |
| (5) Subscription Period | The subscription period is the same as the subscription period in the Japanese Public Offering. |
| (6) Delivery Date | The delivery date is the business day immediately following the payment date in the Japanese Public Offering. |
| (7) Subscription Unit | 100 shares |
| (8) The selling price and any other matters necessary for this Secondary Offering by way of Over-Allotment will be determined at the discretion of the Representative Director and Executive Vice President, Katsuaki Nomura. | |
| (9) If the Japanese Public Offering is cancelled, this Secondary Offering by way of Over-Allotment will also be cancelled. | |
3. Issuance of New Shares by way of Third-Party Allotment (See “<Reference> 1.” below)
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| (1) Class and Number of Shares to be Offered | 7,875,000 shares of common stock of the Company. |
| (2) Method of Determination of the Amount to be Paid In | The amount to be paid in will be determined on the Pricing Date; however, such amount to be paid in will be the same as the amount to be paid in with respect to the issuance of new shares by way of public offering. |

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| (3) Amount of Capital and Capital Reserve to be Increased | The amount of capital to be increased is half of the maximum increase amount of capital, as calculated in accordance with the provisions of Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations, with any fraction less than one yen resulting from the calculation being rounded up to the nearest one yen. The amount of capital reserve to be increased is the amount obtainable by subtracting the amount of capital to be increased from the maximum amount of increase of capital. |
| (4) Allottee | The bookrunner for the Japanese Public Offering. |
| (5) Subscription Period (Subscription Date) | August 13, 2018 (Mon.) |
| (6) Payment Date | August 14, 2018 (Tue.) |
| (7) Subscription Unit | 100 shares |
- (8) Shares not subscribed for within the subscription period (subscription date) described in (5) above will not be issued.
- (9) The amount to be paid in, the amount of capital and capital reserve to be increased, and any other matters necessary for issuance of new shares by way of the third-party allotment will be determined at the discretion of the Representative Director and Executive Vice President, Katsuaki Nomura.
- (10) Issuance of new shares by way of the third-party allotment is subject to the registration taking effect under the Financial Instruments and Exchange Act.
- (11) If the Japanese Public Offering is cancelled, this issuance of new shares by way of the third-party allotment will also be cancelled.

II. Cancellation of Treasury Shares (Class A Shares)

The Company has adopted, at a meeting of its board of directors held on June 5, 2018, a resolution for matters concerning the acquisition of treasury shares (Class A Shares) (acquisition of treasury shares under the provisions of the articles of incorporation pursuant to Article 459, Paragraph 1 of the Companies Act) under the Plan (for details, see the press release dated on June 5, 2018 entitled “Notice Regarding Establishment of a “Capital Restructuring Plan”, Determination of Matters Concerning the Acquisition of Treasury Shares (Class A Shares) (Acquisition of Treasury Shares Under the Provisions of the Articles of Incorporation Pursuant to Article 459, Paragraph 1 of the Companies Act) and Shelf Registration for Issuance of New Shares under the Capital Restructuring Plan; and Notice Regarding Policy for the Acquisition of Class C Shares by Exercise of Call Options with Common Shares as Consideration”), and the Company adopted a resolution for the cancellation of treasury shares (Class A Shares) that it acquires under the aforementioned resolution, as follows.

1. Class of Treasury Shares to Be Cancelled
Class A Shares
2. Number of Treasury Shares to Be Cancelled
200,000 Class A Shares
3. Scheduled Cancellation Date
July 27, 2018 (Fri.)

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(Note) The aforementioned cancellation shall be subject to the acquisition of 200,000 Class A Shares by the Company.

III. Partial Acquisition of Treasury Shares (Class C Shares) (Acquisition by Exercising the Call Option with Common Shares as Consideration) and Cancellation of Treasury Shares (Class C Shares)

All of the issued Class C Shares are held by ES Platform LP (“ES”), a limited partnership the beneficiaries of which are executives and employees of the Hon Hai Group.

ES had requested that the Company exercise a call option, the consideration for which is common shares, for approximately 30% of the Class C Shares currently held by ES, and deliver common shares in exchange for such Class C Shares (the “Acquisition”) (see the press release dated on June 5, 2018 entitled “Notice Regarding Establishment of a “Capital Restructuring Plan”, Determination of Matters Concerning the Acquisition of Treasury Shares (Class A Shares) (Acquisition of Treasury Shares Under the Provisions of the Articles of Incorporation Pursuant to Article 459, Paragraph 1 of the Companies Act) and Shelf Registration for Issuance of New Shares under the Capital Restructuring Plan; and Notice Regarding Policy for the Acquisition of Class C Shares by Exercise of Call Options with Common Shares as Consideration”).

Given such request, the Company adopted a resolution for the partial Acquisition of the Class C Shares, and a resolution for the cancellation of the acquired Class C Shares, as follows.

With respect to the Company’s common shares to be delivered accompanying such partial acquisition of Class C Shares, a lock-up is agreed upon between ES and the joint global coordinators as described in “<Reference> 4. Others (1) Lock-up” below; however, in the case where any grounds for exception of lock-up applies, or in the case where the ES Lockup Period has elapsed, there is no guarantee that ES will continue to hold such common shares.

1. Partial Acquisition of Class C Shares by Exercise of Call Options with Common Shares as Consideration

(1) Class and Number of Shares to Be Acquired

341,000 Class C Shares (shares subject to call options with non-voting shares and common shares as consideration as well as non-listed shares) (among 1,136,363 issued Class C Shares)

(2) Class and Number of Shares to Be Delivered

34,100,000 common shares (100 common shares per Class C Share)

(3) Date of Acquisition by Exercise of Call Options and Date of Issuance of Common Shares

July 23, 2018 (Mon.)

2. Cancellation of Treasury Shares (Class C Shares)

(1) Class of Treasury Shares to Be Cancelled

Class C Shares

(2) Number of Treasury Shares to Be Cancelled

341,000 Class C Shares (among 1,136,363 issued Class C Shares)

(3) Scheduled Cancellation Date

July 23, 2018 (Mon.)

IV. Relationship with the Hon Hai Group Following the Capital Increase by way of Public Offering and Capital Increase Through Third-Party Allotment as well as Partial Acquisition of Class C Shares

In the case where the Company implements the Japanese Public Offering and the International

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Offering (collectively, the “Capital Increase by way of Public Offering”) and the capital increase by way of third-party allotment as described in “I. 3. Issuance of New Shares by way of Third-Party Allotment” above (the “Capital Increase Through Third-Party Allotment”), and, as described in “III. 1. Partial Acquisition of Class C Shares by Exercise of Call Options with Common Shares as Consideration” above, exercises the call option for a portion of the Class C Shares and delivers the Company’s common shares to ES in exchange for the acquisition of Class C Shares, although the Hon Hai Group’s equity is expected to decrease due to dilution, the holding ratio aggregating the voting rights held by the Hon Hai Group is expected to remain a majority. Furthermore, the Company recognizes that such decrease of the Hon Hai Group’s equity will not have a significant impact on the strong business relationship between the Group and the Hon Hai Group which started in 2016. The Group is considering possibilities regarding business collaboration with the Hon Hai Group, which include establishing joint venture companies in various business fields such as automobile and sensor modules. Thus, the Group will continue pursuing business synergies by leveraging the Hon Hai Group’s technological capabilities, productivity, and cost competitiveness, growing and developing by maintaining close cooperation, and attempting to enhance its results.

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<Reference>

1. Secondary Offering by way of Over-Allotment

The Secondary Offering by way of Over-Allotment described in “I. 2. Secondary Offering of the Company’s Shares (Secondary Offering by way of Over-Allotment)” above is a secondary offering of shares of common stock of the Company in Japan to be made in conjunction with the Japanese Public Offering described in “1. Issuance of New Shares by way of Public Offering” above in an amount not to exceed 7,875,000 shares, which will be borrowed by the bookrunner for the Japanese Public Offering, from certain shareholder(s) of the Company, taking into account market demand for the offerings and other conditions. The number of shares to be sold in the Secondary Offering by way of Over-Allotment is expected to be 7,875,000 shares, which indicates the maximum number of shares to be sold, and depending on market demand and other conditions of the Japanese Public Offering, such number may decrease, or the Secondary Offering by way of Over-Allotment itself may be cancelled.

In connection with the Secondary Offering by way of Over-Allotment, the Board of Directors of the Company has resolved, at the meeting held on June 22, 2018 (Fri.), that the Company will issue 7,875,000 shares of common stock of the Company to the bookrunner for the Japanese Public Offering by way of third-party allotment (Capital Increase Through Third-Party Allotment), with the payment date set to be August 14, 2018 (Tue.), in order for the bookrunner for the Japanese Public Offering to obtain the number of shares necessary to return the shares borrowed by the bookrunner for the Japanese Public Offering from the certain shareholder(s) of the Company (the “Borrowed Shares”).

Furthermore, the bookrunner for the Japanese Public Offering may also purchase shares of common stock of the Company on the Tokyo Stock Exchange, Inc., up to the number of shares to be sold in the Secondary Offering by way of Over-Allotment (the “Syndicate Cover Transactions”), for the purpose of returning the Borrowed Shares. Such Syndicate Cover Transactions would be made during the period beginning on the date immediately following the last day of the subscription period for the Japanese Public Offering and the Secondary Offering by way of Over-Allotment and ending on August 10, 2018 (Fri.) (the “Syndicate Cover Transaction Period”). All of the shares of common stock of the Company purchased by the bookrunner for the Japanese Public Offering through the Syndicate Cover Transactions will be used to return the Borrowed Shares. During the Syndicate Cover Transaction Period, the bookrunner for the Japanese Public Offering may elect not to conduct any Syndicate Cover Transactions or may terminate Syndicate Cover Transactions before the number of shares purchased through such transactions reaches the number of shares sold in the Secondary Offering by way of Over-Allotment.

The bookrunner for the Japanese Public Offering may conduct stabilizing transactions as it conducts the Japanese Public Offering and the Secondary Offering by way of Over-Allotment. The shares of common stock of the Company acquired through such stabilizing transactions may be used, in whole or in part, to return the Borrowed Shares.

The bookrunner for the Japanese Public Offering plans to accept the allotment under the Capital Increase Through Third-Party Allotment of an equivalent number of shares of common stock of the Company calculated by deducting (a) the number of shares purchased through stabilization transactions and Syndicate Cover Transactions that are to be used to return the Borrowed Shares from (b) the number of shares to be sold in the Secondary Offering by way of Over-Allotment (the “Planned Number of Shares”). Accordingly, all or a part of the shares to be issued under the Capital Increase Through Third-Party Allotment may not be subscribed for, which may result in a decrease in the maximum number of shares planned to be issued under the Capital Increase Through Third-Party Allotment, or in the cancellation of the entire issuance due to forfeiture of the right to subscribe.

In the event that the bookrunner for the Japanese Public Offering accepts the allotment under the Capital Increase Through Third-Party Allotment, it will use the funds obtained through the Secondary Offering by way of Over-Allotment as payment to acquire the Planned Number of Shares.

With respect to the transactions mentioned above, the bookrunner for the Japanese Public Offering will conduct these transactions in consultation with the other Japanese Joint Lead Managers.

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2. Change in the Total Number of Issued Shares as a Result of the Capital Increase by way of Public Offering and the Capital Increase Through Third-Party Allotment, Acquisition and Cancellation of Treasury Shares (Class A Shares), and Acquisition and Cancellation of Treasury Shares (Class C Shares)

Total Number of Issued Shares at Present:	Common Shares	498,316,558 shares	(As of May 31, 2018)
	Class A Shares	200,000 shares	
	Class C Shares	1,136,363 shares	
Increase in Number of Shares as a Result of the Capital Increase by way of Public Offering:	Common Shares	78,375,000 shares	(Note 1)
Total Number of Issued Shares After the Capital Increase by way of Public Offering:	Common Shares	610,791,558 shares	(Note 1, 3 and 4)
	Class A Shares	0 shares	(Note 2)
	Class C Shares	795,363 shares	(Note 3)
Increase in Number of Shares as a Result of the Capital Increase Through Third-Party Allotment:	Common Shares	7,875,000 shares	(Note 5)
Total Number of Issued Shares After the Capital Increase Through Third-Party Allotment:	Common Shares	617,666,558 shares	(Note 3, 4 and 5)
	Class A Shares	0 shares	(Note 2)
	Class C Shares	795,363 shares	(Note 3)

(Note 1) These figures are based on the assumption that the International Managers exercise the option in full set forth in (1)(iii) of “I. 1. Issuance of New Shares by way of Public Offering” above.

(Note 2) In the case where the payment for the Capital Increase by way of Public Offering has completed, the Company plans to acquire all Class A Shares by way of acquisition of Treasury Shares pursuant to the Companies Act on the day that is two business days after the payment date of the Capital Increase by way of Public Offering (or the date which is agreed upon in writing between the Company and Mizuho Bank, Ltd. and MUFG Bank, Ltd. who hold the Class A Shares (collectively, the “Class A Shareholders”), and to cancel such Class A Shares on July 27, 2018, as described in “II. Cancellation of Treasury Shares (Class A Shares)” above.

(Note 3) The Company plans, as described in “III. Partial Acquisition of Treasury Shares (Class C Shares) (Acquisition by Exercising the Call Option with Common Shares as Consideration) and Cancellation of Treasury Shares (Class C Shares)” above, to acquire 341,000 Class C Shares from among all Class C Shares by exercise of call options with common shares as consideration, and deliver 34,100,000 common shares, on July 23, 2018. The Company plans to cancel the Class C Shares so acquired on the same date.

(Note 4) These figures include 34,100,000 common shares based on the assumption that all of 34,100,000 common shares to be delivered on July 23, 2018 as the consideration for the Acquisition are newly issued.

(Note 5) These figures are based on the assumption that the number of shares to be offered set forth in (1) of “I. 3. Issuance of New Shares by way of Third-Party Allotment” are all subscribed for by the bookrunner for the Japanese Public Offering and issued.

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3. Use of Proceeds

(1) Use of Proceeds from Current Fund Raising

With respect to the proceeds from the Capital Increase by way of Public Offering and the Capital Increase Through Third-Party Allotment estimated to be an amount up to 216,249,512,500 yen, 185,016,700,000 yen is planned to be appropriated as the funds for the acquisition of the Class A Shares two business days from the payment date of the Capital Increase by way of Public Offering, 30,000,000,000 yen is planned to be appropriated as funds for research and development towards the establishment of the 8K Ecosystem and expansion of the AIoT Business (Note), by the end of March 2020, and if there are any remaining funds, such remaining funds are planned to be appropriated as the funds for the redemption of the 23rd series of unsecured bonds, for which the redemption is scheduled to be March 19, 2019 (total issue amount: 10 billion yen) and the 26th series of unsecured bonds, for which the redemption is scheduled to be September 13, 2019 (total issue amount: 30 billion yen). Any shortfall in funds will be appropriated from the funds on hand.

With respect to the details of the acquisition and cancellation of the Class A Shares, see “II. Cancellation of Treasury Shares (Class A Shares)” above.

(Note) The “establishment of the 8K Ecosystem” intends to utilize ultrahigh-definition 8K video in various fields. Furthermore, the “expansion of the AIoT Business” intends to deliver “People-Oriented IoT” through AIoT devices (devices related to AI (artificial intelligence) and the IoT (internet of things)) which are new partners that sense changes in people and the environment, think, connect with various services via the Internet, and suggest the optimum solution. In order to realize such “establishment of the 8K Ecosystem” and the “expansion of the AIoT Business”, through four segments, “Smart Homes”, “Smart Business Solutions”, “IoT Electronics Devices”, and “Advance Display Systems”, cross functioning, and by establishing an “8K Ecosystem Business Strategy Office” and an “AIoT Business Strategy Office”, the Company has established a business growth system, “One SHARP”.

(2) Impact on the Company’s Performance

The Company believes that the implementation of the Plan, including the issuance of the Company’s common shares will enable the Company to strengthen its financial foundation, establish a system whereby disciplined growth investment is possible, establish a foundation to implement flexible shareholder returns, and lead to medium- to long-term earnings growth of the Group, and eventually improve the share value of the Company’s common shares.

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4. Others

(1) Lock-up

In relation to the Capital Increase by way of Public Offering, the Company has agreed that, during the period commencing on the date of the subscription agreement entered into in relation to the Capital Increase by way of Public Offering (i.e. the Pricing Date) and ending on the 180th day calculated from the delivery dates of the Capital Increase by way of Public Offering (the “Lockup Period”), it will not issue the Company’s shares (including other class of the Company’s shares, the same shall apply hereinafter), securities which may be converted to or exchanged to the Company’s shares, securities which represent rights to acquire or receive the Company’s shares or sell the Company’s treasury shares or engage in other similar transactions (including issuance of the Company’s common shares by exercise of call options for the Company’s Class C Shares with common shares as consideration) (except the issuance of the Company’s common shares accompanying the Japanese Public Offering, International Offering, Capital Increase Through Third-Party Allotment and share split, the issuance of the Company’s common shares upon exercise of outstanding share options as stock options that have been granted to officers and employees of the Group, the issuance of the Company’s common shares by exercise of call options with common shares as consideration for 341,000 Company’s Class C Shares as resolved at a meeting of its board of directors held on June 22, 2018, and other certain cases) without the prior written consent of the joint global coordinators.

In addition, in relation to the Capital Increase by way of Public Offering, each of Hon Hai Precision Industry Co., Ltd., Foxconn (Far East) Limited, Foxconn Technology Pte. Ltd., and SIO International Holdings Limited, which are the shareholders of the Company, has agreed that, during the Lockup Period, it will not, in general, sell the Company’s shares or engage in other similar transactions without the prior written consent of the joint global coordinators.

In any case of the above, the joint global coordinators have the power to release these shareholders from their obligations under the agreement, at their discretion, in whole or in part even during the Lockup Period or to shorten the Lockup Period.

Further, in relation to the Capital Increase by way of Public Offering, ES, the shareholder of the Company’s Class C Shares, has agreed that, during the period commencing on the date of the subscription agreement entered into in relation to the Capital Increase by way of Public Offering (i.e. the Pricing Date) and ending on the 90th day calculated from the delivery dates of the Capital Increase by way of Public Offering (the “ES Lockup Period”), it will not sell the Company’s shares or engage in other similar transactions (except the transfer to the Company of 341,000 Company’s Class C Shares by exercise of call options for the Company’s Class C Shares with common shares as consideration as resolved at a meeting of its board of directors held on June 22, 2018, and sales of the Company’s common shares, up to 13,640,000 shares in total, after the lapse of the Syndicate Cover Transaction Period) without the prior written consent of the joint global coordinators.

In the case of the above, the joint global coordinators have the power to release ES from its obligations under the agreement, at their discretion, in whole or in part even during the ES Lockup Period or to shorten the ES Lockup Period.

End

This press release does not constitute an offer or sale of securities in the United States. The securities referred to above have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”). The securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The securities referred to above will not be publicly offered or sold in the United States.