

Management Policy

1. Basic Management Policy

Sincerity and creativity. The two concepts that form Sharp's management creed, and the beliefs that underpin everything this Company does. In all our activities, we work to touch the hearts of customers and contribute to the communities they live in, doing as much as we possibly can to provide complete customer satisfaction while serving society in our role as a responsible corporate citizen. At the core of this business philosophy is our wide-ranging commitment to sharing our success with our many stakeholders — the shareholders, business partners, employees, and so many others who support us.

2. Mid- and Long-Term Business Strategy and Issues the Company Needs to Face

Since its founding, Sharp has consistently worked to make productive contributions to society at large through the development of unique, one-of-a-kind products that are ahead of their time. As we enter the 21st century, we find ourselves in the midst of major changes in the economic environment, such as a slowdown in the global economy and a slump in demand for IT-related products. At this time of great change, Sharp has set a goal to be a "valued, one-of-a-kind enterprise," based on a policy of providing new lifestyle ideas and satisfaction to our customers by developing proprietary electronic devices and creating uniquely featured products that make full use of leading-edge electronics technologies, and has committed itself to the following business strategy.

(1) Expand our product business and improve brand value with an eye toward global markets

We will construct a new state-of-the-art plant in Kameyama, Mie Prefecture, which will carry out integrated production of large-size LCD color TVs. We also plan to introduce these products much more widely in markets around the world. In addition to expanding and enhancing mobile phones and 1-bit digital audio products, we will also undertake development of new high-value-added home appliance products built around proprietary Sharp "green" devices, for example, our plasma cluster-ion group of products. By creating unique, one-of-a-kind products appropriate to this new era, we will work to further enhance the value of the Sharp brand name.

(2) Strengthen development of proprietary electronic devices to create one-of-a-kind products

We will work to further strengthen the competitiveness of our LCD business in all areas, including the establishment of one-of-a-kind LCD technologies unmatched by our competitors such as "system LCDs", the development of proprietary production technologies, and strengthening of patent strategies. In addition, we are committed to accelerating the process of "refocusing and consolidating" our IC and electronic component business areas, emphasizing development of uniquely featured electronic devices in growth areas. We will also work aggressively to expand sales of devices that have the top market share, such as residential photovoltaic power systems, which are poised for significant growth as more and more people become aware of the global environment.

(3) Implement "green" business practices, and improve product quality and safety

We intend to take more concerted action aimed at protecting the environment by implementing "green" business practices, such as developing products and devices that create energy as well as conserve energy and resources. In addition, we are committed to ensuring the

quality and safety of our products, and have set a goal of further improving customer satisfaction.

(4) Establish a personnel system to energize our employees and increase corporate competitiveness

We are committed to enhancing the capabilities and increasing the dynamism of our employees by nurturing those employees who are destined to be the leaders of tomorrow, and by expanding educational programs to enhance existing skills and teach new ones. We will also thoroughly implement a results-oriented personnel evaluation system and systematically introduce innovations that reflect as much as possible shifts in labor markets.

By deploying such a business strategy, we are aiming to improve ROA (return on assets), ROE (return on equity), and free cash flow as our priority business index so as to work toward increasing corporate value in terms of profitability, shareholder value, and efficiency of capital utilization. In addition, we will be moving forward with business restructuring by conducting an evaluation of each business group in terms of both profits and capitalization, based on the introduction of “profit after capital costs” (PCC), which subtracts the cost of invested capital from after-tax operating income.

3. Basic Policy on Distribution of Earnings

Sharp considers passing along profits to shareholders to be one of the most important management issues we face. While basing our actions on maintaining consistently stable dividend pay-outs, and in a comprehensive manner, carefully considering our business performance and financial situation, we have implemented a set of policies to return profits to our investors, such as increasing the amount of periodic dividends or initiating stock splits. In addition, to increase the operational efficiency of shareholders’ equity and further improve shareholder value, we have purchased and retired treasury stocks using capital reserves, and we are further planning to purchase outstanding shares to hold them as treasury stock. In addition, internal reserve funds are provided for investment in plant and equipment in areas of future growth, development of uniquely featured products and proprietary electronic devices, overseas business expansion, and environmental protection measures. We will respond to the expectations of our shareholders by promoting business practices that emphasize solid cash flows.

4. Philosophy and Policy Regarding Reducing the Unit of Investment

Sharp recognizes that increasing the number of individual shareholders is a critical issue from the standpoint of our capital utilization policy. For this reason, we have taken measures to increase the level of profits returned to equity holders, to create business reports that are easy for individual shareholders to understand, and to expand information resources that are accessible by the Internet. We consider reducing the unit of investment to be a measure that would be useful in reinvigorating the stock market as a whole, but on the other hand, we envision that considerable expense would be incurred in making this change. Sharp will deal with this issue carefully by giving careful consideration to the demands of the market, closely monitoring shifts in the price of Sharp Corporation stock, and taking other responsible actions.