

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. 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 Product Business and Improve Brand Value with an Eye toward Global Markets

We are boosting our worldwide LCD color TV business by newly constructing a cutting-edge plant, where we will unify production of LCD panels and LCD color TV sets at a single site. We are stepping up our product business by improving our ability to develop high-value-added mobile phones with advanced functions and by introducing high-value-added appliances using our proprietary Plasmacluster Ion technology. We are raising the value of the Sharp brand by creating products appropriate to this new era.

(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 development 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 solar cells, which are poised for significant growth as more and more people become aware of the global environment.

(3) Implement "Green" Business, and Improve Product Quality and Safety

We intend to take more concerted action aimed at protecting the environment by implementing "green" business (environmental business), 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 Human Resources Management to Motivate our Employees and Increase Corporate Competitiveness

We are committed to enhancing the capabilities and increasing the dynamism of our employees by nurturing 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 changes in work ethic.

By deploying such a business strategy, we are aiming to improve ROA (return on assets), ROE (return on equity), and free cash flow as the main management indicators in terms of profitability, shareholder value, and efficiency of capital utilization. We are assessing our business divisions based on “profit after capital cost” (PCC), which subtracts the cost of invested capital from after-tax operating income, as we continue to revamp our business structure. We are also stressing compliance with laws and regulations and further raising the corporate value as we seek the trust of society.

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 while carefully considering our business performance and financial situation in a comprehensive manner, 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 intend to purchase outstanding shares, to hold them as treasury stocks. Moreover, internal reserve funds are being 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.