

Operating Results and Financial Position

1. Review of the Six Months Ended September 30, 2002

The past interim period has seen little hope for immediate economic recovery in Japan, with progressive deflation, a stagnant stock market, and a stubbornly tough employment and income situation. Overseas, such factors as a slowing US economy and worldwide decreasing stock prices mean that business recovery is still far off.

Against this background, Sharp introduced one-of-a-kind, demand-creating products and strengthened its ability to develop the proprietary devices that go into these products. We introduced more unique products: LCD color TVs, mobile phones with built-in highly sensitive CCD cameras, and health-conscious appliances using Plasmacluster Ion technology. In devices, we introduced even more advanced one-of-a-kind LCDs, such as ASV LCDs with a wide viewing angle and high response rate, and reflective-type LCDs with ultra-low power consumption. At our Shinjo Plant in Nara, we started operation of a new solar cell line that gives us the world's highest manufacturing capacity. In response to increasing demand for optical discs, we started operation of a new plant in Mihara, Hiroshima that produces laser diodes and other compound semiconductors, as we step up aggressive company-wide efforts to boost Sharp business activities.

As a result of these efforts, the interim term saw domestic net sales of ¥ 526.9 billion, up 1.6% from the same period last year, and overseas net sales of ¥ 444.8 billion, up 16.3%, for a total of ¥ 971.7 billion, up 7.8%. Operating income was ¥ 48.8 billion, up 9.6% from the same period last year, and interim net income was ¥ 22.8 billion, up 40.5%. The latter was derived by combining the extraordinary profits from the approval of relinquishment of the entrusted portion of the employee pension fund with the extraordinary losses generated from the selling and revaluating of the investment in securities.

Regarding interim cash flow, net cash provided by operating activities increased ¥ 108.6 billion, while net cash used in investing activities decreased ¥ 60.6 billion. Net cash used in financing activities decreased ¥ 25.1 billion. As a result, cash and cash equivalents at the end of the period were ¥ 250.0 billion, increases of ¥ 18.5 billion since March 2002.

Based on decisions made at the general shareholders' meeting on June 27, 2002, Sharp acquired 12,032,000 of its own shares on the market between July and September.

An interim dividend of 7 yen per share has been decided.

Operating results by product group are as follows:

Audio-Visual and Communications Equipment

Net sales were up 7.0% to ¥ 367.0 billion, thanks to large sales increases in our expanded line-up of LCD TVs and in mobile phones with built-in CCD cameras.

Home Appliances

Sharp introduced such unique products as air conditioners, refrigerators and air purifiers incorporating our proprietary Plasmacluster Ion technology which inactivates airborne viruses. However, an unseasonably cool summer in Japan resulted in slow air conditioner and refrigerator sales, with net sales dropping 2.1% to ¥ 116.6 billion.

Information Equipment

Although sales of PC-sector products declined, LCD color monitors and digital copier/printers enjoyed increased sales, resulting in net sales of ¥ 172.5 billion, up 0.9%.

ICs

While LSIs for LCD, CCD and CMOS imagers continued their strong showings, flash memory, a business pillar, failed to recover, with the result being net sales of ¥ 55.7 billion, down 14.8%.

LCDs

Sharp continued its aggressive one-of-a-kind LCD offensive. ASV and other large TFT LCDs enjoyed big sales increases, resulting in net sales of ¥ 173.0 billion, up 29.2%.

Other Electronic Components

In addition to large sales increases of solar batteries, thanks to greater public awareness about the environment, laser diodes continued their strong showing. The result was net sales of ¥ 86.6 billion, up 26.3%.

2. Forecast for Fiscal 2002

Looking ahead, there is no room for optimism in Japan, as stock prices remain low and the employment situation shows no signs of immediate improvement. Overseas, the overall situation is equally unclear, as the US economic slowdown threatens to negatively affect other parts of the world.

Despite the less-than-promising outlook, Sharp is strengthening its one-of-a-kind strategy, as we work to boost profitability and get the maximum value out of the company.

In our product business, we are aiming to boost worldwide sales of LCD TVs with the introduction of 37-inch models and a new line which features the ability to capture video images onto a PC memory card. We are introducing new, high-value-added models of mobile phones in efforts to increase sales in Japan, the US, and Europe. We are also aiming for more business in unique white goods that employ our proprietary Plasmacluster Ion virus-inactivation technology. In the area of devices, we are aggressively developing one-of-a-kind LCDs that will boost our competitiveness in the LCD field. An example is our System LCD, which went into mass-production at the Tenri Plant and on which Sharp is focusing efforts as a pillar of the company's next-generation LCD business. Sharp is boosting manufacturing efficiency and solidifying its position as an LCD manufacturer with the most advanced technology and the most cost-effective manufacturing. We are doing this by improving productivity of large LCD panels at the Mie No. 2 Plant and by expanding manufacture of small and medium LCD panels at the Mie No. 1 Plant. With regard to solar cells, for which we expect a further demand increase, Sharp has enhanced manufacturing capacity at the Shinjo Plant in Nara to meet demand on a global scale.

Sharp is aggressively implementing a variety of measures to expand business. These include working to slash costs company-wide, introducing new technologies and production innovations to support making products, practicing "green" management (environmental management) and improving product quality and safety, and introducing a new human resources management intended to motivate and empower our employees.

The following are the forecasts for the fiscal 2002 operating results.

• Consolidated results (forecast)

Net sales	2,000 billion yen	+ 10.9% over the previous fiscal year
Operating income	90 billion yen	+ 22.3% over the previous fiscal year
Net income	37 billion yen	+227.1% over the previous fiscal year

The above figures are based on an exchange rate of ¥120 =US\$1.00 for the second half of fiscal 2002.

The company also plans to declare an annual dividend for fiscal 2002 of 14 yen per share (interim and year-end dividends of 7 yen), the same as the previous fiscal year.

Note:

*The above estimates of operating results are based on certain assumptions that Sharp Corporation deemed reasonable at the time they were prepared, and actual operating results may differ significantly from these estimates. The following factors may influence the figures for final reported business results.

- Significant changes in the political and economic situation in major markets (Europe, North America, Asia and Japan).
- Sudden, rapid fluctuations in product supply or demand in major markets.
- Large swings in foreign exchange markets (particularly in the dollar/euro markets)
- Significant fluctuations in valuation in capital markets
- Sudden, rapid changes in technology, etc.

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The accompanying consolidated financial statements are a translation of the consolidated financial statements of Sharp, which were prepared in accordance with accounting principles and practices generally accepted in Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically, in order to present them in a form which is more familiar to readers outside Japan.