

Management Policy

1. Basic Management Policy

Sharp's business creed is based on the principles of "Sincerity and Creativity". Our aim is to inspire all our daily work with these principles so that we can earn the appreciation and satisfaction of people everywhere, and thereby make a valuable contribution to society. Our corporate philosophy expresses our desire to grow in mutual prosperity with all stakeholders in the business, including shareholders, business partners, and employees.

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 in Global Markets

We are boosting our worldwide LCD color TV business with the unparalleled production capacity that the Kameyama Plant will bring about. At the same moment, we are improving our unique products that fit the new era, by the creation of innovative mobile products for the coming ubiquitous wireless environment and the development of newly categorized appliances that are environmentally friendly and health conscious. We are raising the value of the Sharp brand by creating one-of-a-kind products.

(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 by improving one-of-a-kind LCD technologies such as "System LCDs". We will introduce proprietary production technologies and strengthen patent strategies. As for IC and Other Electronic Component business, we are committed to "refocus and consolidation", meaning that we will only emphasize uniquely featured electronic devices in growth areas.

(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 conserve energy and resources, as well as create energy. 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 nurture the leaders of tomorrow by expanding educational programs to enhance their current skills and to acquire new skills for future career. 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. Through these efforts, we are fulfilling our social responsibilities as a corporate citizen 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 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 improve shareholder value, we intend to purchase outstanding shares, to hold them as treasury stocks. 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. They are also being provided for 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. Basic Philosophy of Corporate Governance, and Policies for its Implementation

(1) Basic Philosophy of Corporate Governance

Sharp has always been a manufacturing and technology oriented company. In today’s harsh competition, making speedy decisions is indispensable for such a company. We strongly believe that the current Board of Directors/Statutory Auditors System meets this purpose and we plan to further strengthen this system to expand our business and enhance corporate governance. We are increasing management transparency by broadening the scope of the information disclosed so that all shareholders and investors are able to have access to corporate information promptly.

(2) Status of Policy Implementation Related to Corporate Governance

- 1) Management organization related to decision-making, execution and supervision, and other corporate governance systems of the company
 - Because our policy is to enable hands-on decisions to be made by competent personnel who understand Sharp business philosophy, and who have the skills to implement them, no outside corporate directors have been appointed to our Board of Directors. However, we continue to work to improve and strengthen our Statutory Auditors System, and three of our four statutory auditors are outside auditors.
 - In addition to regular monthly meetings of our Board of Directors, extraordinary meetings of the Board are convened as necessary, wherein the Board makes decisions related to matters stipulated by law and to management-related matters of importance, and exercises its on-going oversight responsibility over the business and affairs of the corporation.
 - The company receives timely advice in cases involving legal decisions from its corporate attorneys. In addition, Asahi & Co., our Accounting Auditor, conducts periodic accounting audits, and based on the results, offers proposals for continuous improvement in our administrative operations.

- 2) Summary of personal, capital, and business relationships, and other interests of outside corporate directors and outside auditors existing between the companies involved
 - No outside directors are appointed to our Board of Directors. There are no relevant matters relating to our outside auditors.

- 3) Implementation of measures intended to improve and enhance corporate governance of the company in the past year:
 - In fiscal 2002, the Board of Directors held meetings 19 times (compared to 15 times in fiscal 2001), and in addition to deciding matters stipulated by law and matters of importance related to management, the Board carried out its oversight responsibility over the business and affairs of the corporation.
 - As a constructive measure to further enhance awareness of all executives and employees for compliance with the laws and statutes of Japan and foreign countries in which we do business, the company adopted a “Sharp Charter of Conduct” as a concrete policy statement to act in conformance with our corporate code of ethics. Through these efforts, we developed a framework to enable corporate governance to function effectively.

(3) Future measures intended to improve and enhance corporate governance

To improve management maneuverability and flexibility, and to clearly articulate the responsibilities of company management during each accounting period, we plan to submit a motion at the annual meeting of shareholders in June 2003, to amend the Articles of Incorporation to shorten the term of office for members of the Board of Directors from two years to one.