

To whom it may concern

September 20, 2007  
Sharp Corporation  
(Securities Number 6753)

## **Notification Regarding Disposal of Treasury Shares Through Third Party Allotment**

Sharp Corporation announces that the Board of Directors have resolved at the Board of Directors Meeting on September 20, 2007 that the company is to dispose its treasury stocks through a third party allotment as follows.

### **1. Purpose of Disposal of Treasury Stocks through Third Party Allotment**

Sharp Corporation (hereinafter “Sharp”) and Pioneer Corporation (hereinafter “Pioneer”) have entered into a business and capital alliance agreement in order for both companies to create new business by actively cooperating and utilizing each other’s resources in various fields, such as next generation DVD, network-related fields, and car electronics and imaging fields, and also to heighten both companies’ corporate value by expanding business transactions between the two companies by actively adopting each other’s devices and component products.

(Please refer to the press release jointly announced by Sharp and Pioneer: “Notification Regarding Business and Capital Alliance Between Sharp Corporation and Pioneer Corporation” for the details of the business and capital alliance)

In line with the above Agreement, Sharp has decided to dispose its treasury stocks to Pioneer through a third party allotment.

### **2. Amount of Funds Raised via Disposal of Treasury Stocks and Use of Proceeds**

#### **(1) Amount of Funds Raised**

19,750,000,000 Yen

(2) Usage of Proceeds

The proceeds raised by the above disposal of treasury stocks shall be used to subscribe the common stocks issued by Pioneer to Sharp through a third party allotment.

(3) Expected Date of Payment of Proceeds

December 20, 2007

(4) Rationale for the Usage of the Above Proceeds

Sharp's corporate value is expected to increase by the business and capital alliance with Pioneer through the above mutual stock-holdings enabling both companies to closely and firmly enhance business cooperation.

3. Corporate Results and Equity Finance in the Last Three (3) Fiscal Years

(1) Corporate Results in the Last Three (3) Fiscal Years (Consolidated Basis)

(Unit: Millions of Yen)

	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007
Net Sales	2,539,859	2,797,109	3,127,771
Operating Profit	151,020	163,710	186,531
Recurring Profit	140,511	150,852	170,584
Net Income	76,845	88,671	101,717
Net Income per Share (Yen)	70.04	80.85	93.25
Dividend per Share (Yen)	20.00	22.00	26.00
Net Assets per Share (Yen)	920.09	1,006.91	1,084.76

(2) Number of Issued Shares and Residual Shares

(As of August 31, 2007)

Type	Number of Shares	Ratio to Issued Shares
Total Number of Shares Issued	1,110,699,887 shares	100%
Total Number of Residual Shares	79,019,755 shares	7.11%

Note: “Residual Shares” means the potential shares of the Convertible Bond Issue with Attached Warrants without a floor or ceiling conversion price.

### (3) Recent Share Price

#### ① Status of the Last Three (3) Fiscal Years (Unit: Yen)

	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007
Opening price	1,860	1,605	2,090
High price	2,100	2,185	2,335
Low price	1,437	1,561	1,571
Closing price	1,622	2,085	2,270

#### ② Status of the Last Six (6) Months (Unit: Yen)

	March	April	May	June	July	August
Opening price	2,250	2,270	2,215	2,335	2,355	2,055
High price	2,320	2,445	2,345	2,415	2,370	2,180
Low price	2,080	2,205	2,110	2,290	2,020	1,888
Closing price	2,270	2,210	2,330	2,340	2,065	2,015

#### ③ Share Price at Business Date Immediately Prior to the Date of Resolution of Disposal of Treasury Stocks (Unit: Yen)

	September 19, 2007
Opening price	1,973
High price	1,994
Low price	1,960
Closing price	1,994

#### (4) Status of Treasury Shares to be Disposed of at This Time

Date of Disposal	December 20, 2007
Class of Shares to be Disposed	Sharp Common Stock
Total Number of Shares to be Disposed	10,000,000 shares
Price to be Disposed	1,975 yen per share (“the amount to be paid-in in

	exchange for one share” as provided for in the Companies Act)
Total Amount of Disposed Shares	19,750,000,000 yen
Number of Issued Shares at the Time of Disposal	1,110,699,887 shares
Treasury Stocks Remaining after Disposal	10,120,151 shares This number does not include Treasury Stocks acquired or disposed of after September 01, 2007 based on requests for purchases and sales of fractional unit shares, and disposed of after the same date by the execution of stock acquisition rights in the Convertible Bond Issue with Attached Warrants.
Recipient	Pioneer Corporation

(5) Status of Equity Finance in the Last Three (3) Fiscal Years

\*The 20<sup>th</sup> Unsecured Convertible Bond Issue with Attached Warrants

Date of Issue	October 17, 2006
Amount of Funds Raised	200,000,000,000 yen (Net amount: approximately 199,774,000,000 yen)
Number of Shares Issued on the Bond Subscription Date	1,110,699,887 shares
Number of Residual Shares on the Bond Subscription Date	Residual shares at initial conversion price (2,531 yen): 79,020,150 shares
Status of Conversion at Present	Number of Shares Converted: 395 shares (Balance 199,999,000,000 yen, Conversion price 2,531 yen)
Initial Plan for Use of Funds	Appropriation for Equipment Funds
Estimated Time for Use of Funds	Appropriate time after October 2006
Status for Appropriation at Present	Appropriation for capital investment for LCD-related business

#### 4. Principal Shareholders and Shareholding Ratio

Before disposal	(As of March 31, 2007)	After disposal	
Nippon Life Insurance Company	4.95%	Nippon Life Insurance Company	4.95%
Meiji Yasuda Life Insurance Company		Meiji Yasuda Life Insurance Company	
	4.26%		4.26%
Mizuho Corporate Bank, Ltd.	3.77%	Mizuho Corporate Bank, Ltd.	3.77%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.75%	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.75%
Japan Trustee Services Bank, Ltd. (Trust Account)		Japan Trustee Services Bank, Ltd. (Trust Account)	
	3.43%		3.43%
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.42%	The Master Trust Bank of Japan, Ltd. (Trust Account)	3.42%
The Dai-ichi Mutual Life Insurance Company		The Dai-ichi Mutual Life Insurance Company	
	2.76%		2.76%
Mitsui Sumitomo Insurance Company, Limited		Mitsui Sumitomo Insurance Company, Limited	
	2.76%		2.76%
State Street Bank and Trust Company	2.45%	State Street Bank and Trust Company	2.45%
Sompo Japan Insurance Inc.	2.42%	Sompo Japan Insurance Inc.	2.42%

Note:

1. No changes of principal shareholders and shareholding ratio after disposal
2. Based on shareholder register as of March 31, 2007

#### 5. Predicted Effect on Business Forecast

The effect of the disposal of treasury stocks at this time on both the consolidated and non-consolidated business forecast for Sharp's fiscal year ending March 31, 2008 is expected to be immaterial, and there was no amendment to the business forecast announced on April 25, 2007.

#### 6. Rationale of Terms for Disposal

##### (1) Basis for Calculation of Disposal Price

Disposal price ("the amount to be paid-in in exchange for one share" as provided for

in the Companies Act) is the average “Regular Way” closing price of 1,975 Yen for Sharp common stock (disregarding fractional Yen) on the Tokyo Stock Exchange over the one (1) month period beginning August 20, 2007 and ending September 19, 2007 (the business date immediately prior to the date of the resolution of the Board of Directors).

(2) Basis for Deeming the Quantity of Disposed Shares and Size of Share Dilution Reasonable

Share dilution and the impact on the trading market are expected to be immaterial because the ratio of treasury stocks to be disposed to issued shares is 0.90%

7. Reasons for Selection of Recipient

(1) Outline of Recipient

(As of March 31, 2007)

① Trade Name	Pioneer Corporation	
② Principal Business	Manufacture and sales of car electronics products and home electronics products	
③ Date of Incorporation	May 8, 1947	
④ Address of Headquarters	4-1, Meguro 1-chome, Meguro-ku, Tokyo	
⑤ Representative	Tamihiko Sudo, President and Representative Director	
⑥ Capital Stock	49,048 million yen	
⑦ Number of Issued Shares	180,063,836 shares	
⑧ Net Assets	268,116 million yen (consolidated)	
⑨ Total Assets	635,474 million yen (consolidated)	
⑩ Fiscal Year End	March 31	
⑪ Number of Employees	37,622 employees (consolidated)	
⑫ Principal Customers	car articles shop, general merchandising store for household appliances	
⑬ Principal Shareholders and Shareholding Ratio	The Master Trust Bank of Japan, Ltd. (Trust Account)	6.58%
	Japan Trustee Services Bank, Ltd. (Trust Account)	5.10%
	Deutsche Bank AG London-PB Irish Residents 619	3.63%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.60%
	BNY for GCM Client Accounts (E)ISG	2.32%

	Mizuho Bank, Ltd.	2.22%	
	Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Trust Account Re-entrusted by Mizuho Trust & Banking Co., Ltd.	2.19%	
	Deutsche Bank AG London-PB Non-Treaty Clients 613	1.57%	
	Societe Generale Paris SGOP/DAI Paris 6Z	1.52%	
	Sumitomo Mitsui Banking Corporation	1.43%	
⑭ Principal Banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.		
⑮ Relationship between Sharp and Recipient	Capital relationship	N.A. (Sharp is to be issued 30,000,000 new shares of Common Stock from the Recipient through a third party allotment on December 20, 2007, pursuant to the resolution of its Board of Directors on September 20, 2007.)	
	Trading relationship	There are sales transactions of electronics equipment and electronic components.	
	Personnel Relationship	N.A.	
	Related party or not	N.A.	
⑯ Corporate Results in the Last Three (3) Fiscal Years (Consolidated / unit: Millions of Yen)			
	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007
Operating Revenue	711,042	754,964	797,102
Operating Income (△Loss)	691	△16,409	12,487
Income (△ Loss) from Continuing Operations before Income Taxes	△2,067	△71,165	△7,717
Net Income (△Loss)	△8,789	△84,986	△6,761
Net Income per Share (△ Loss) (Yen)	△50.11	△487.23	△38.76
Dividend per Share (Yen)	25.00	10.00	10.00
Net Assets per Share (Yen)	1,904.73	1,566.60	1,537.22

Note:

1 In addition to the Principal Shareholders described above, Pioneer holds 3.14% Treasury Stocks.

2 “Income ( $\Delta$ Loss) before Income Taxes” is indicated rather than Pretax Recurring Profit, as Pioneer has prepared its consolidated financial statements in accordance with Generally Accepted Accounting Principles in the United States (US GAAP). “Net assets per Share” is calculated based on the total shareholders’ equity in accordance with US GAAP.

## (2) Reasons for Selection of the Recipient

Sharp decided on the capital alliance in order to establish a close and firm business alliance with Pioneer, who is seen as the appropriate alliance partner for Sharp to increase corporate value, taking into consideration their size of business, technology and sales power, as well as their possible enhancement from a supplementary relationship with each other.

## (3) Holding Policy of the Recipient

Sharp was informed by the Recipient that it shall hold Sharp’s stocks on a middle- and long- term basis in line with both companies’ intentions in the business alliance.

In this regard, Sharp is prepared to request the Recipient to issue a letter of confirmation stating that the Recipient will immediately report in writing to Sharp the name of any transferee(s) and the quantity of transferred stocks in the event all or part of the disposed stocks are transferred during the first two (2) years from the date of payment (expected to be on December 20, 2007) and that Sharp shall issue a written report to the Stock Exchange and that this written report shall be publicly issued.



(Appendix) Terms of Disposal of Treasury Stocks

- 1) Number of Treasury Stocks to be disposed of: 10,000,000 shares
- 2) Disposal price: 1,975 Yen per share  
("The amount to be paid-in in exchange for one share" as provided for in the Companies Act)
- 3) Total amount of disposal price: 19,750,000,000 yen
- 4) Method of disposal: Allotment to Pioneer
- 5) Treasury Stocks remaining after disposal 10,120,151 shares  
(This number does not include Treasury stocks acquired or disposed of after September 01, 2007 based on requests for purchases and sales of fractional unit shares, and disposed of after the same date by the execution of attached warrants in the Convertible Bonds Issue with Attached Warrants.)
- 6) Date of (electronic) announcement of the resolution adopted at the Board of Directors Meeting regarding the disposal of Treasury Stocks: Wednesday, December 5, 2007
- 7) Date of payment: Thursday, December 20, 2007

\* In accordance with competition laws of Japan and overseas, Sharp and Pioneer will submit a prior report to, and if necessarily consult with, the relevant authorities. As a result, if we are required to amend all or part of the above capital alliance, we will make certain amendments including the change of investment ratio and/or other terms and conditions subject to mutual consent.