Aiming to Become a Global Company That Can Compete on the World Stage

President Okuda Appointed

Sharp responded to changes in the competitive environment of the electronics industry by working to build a foundation on which to compete globally. Key initiatives included restructuring its LCD business and promoting local production for local consumption in both its solar cell and LCD businesses. However, in fiscal 2011, the economic climate grew even more severe, with a worsening financial crisis in Europe and an unprecedented appreciation in the value of the yen. In addition, rapid changes in the market environment for digital consumer electronics caused market conditions in Japan to deteriorate much faster than expected in the LCD TV and communication and information fields.

Against this backdrop, on April 1, 2012, the company appointed Executive Managing Officer Takashi Okuda as president. President Katayama was named chairman, and Chairman Machida was named corporate advisor. Under the new system, in which President Okuda took center stage, Sharp launched initiatives that prioritized rebuilding confidence in the company and revising financial results. In addition to initiating urgent measures by initiating a restructuring of Sharp’s solar cell and large LCD businesses, President Okuda initiated an aggressive strategy aimed at new growth for the future. This strategy will aim to restructure Sharp into a global company that can compete on the world stage by establishing one business model for success in the category of commoditized digital products and another business model for creating new one-of-a-kind products.

Launching a Framework to Compete in Global Markets

Building a Partnership with the Hon Hai Group

Up to now, Sharp has worked to expand its business by contributing to society through the creation of one-of-a-kind devices and products. Yet, in this age of increasingly commoditized digital products, the commercial success of a product is determined more by its production volume than by its uniqueness. In these types of business areas, rather than doing everything on its own—from R&D and design to production, sales, and service—Sharp needed a strong partner and a new framework that would generate mutually beneficial synergies.

Accordingly, on March 27, 2012, Sharp signed an agreement with the Hon Hai Group to form a strategic global partnership incorporating capital investment from that group and cooperation in the area of digital products such as LCDs. The Hon Hai Group, which comprises Hon Hai Precision Industry Co., Ltd., and other companies, is one of the world’s largest electronics manufacturing services (EMS). The aim of its partnership with Sharp was to deliver sought-after products to the market in a speedy and timely fashion. This would be achieved by creating strategic vertical integration on a global level, bringing together Sharp’s strengths in product development and the Hon Hai Group’s high level of competency in production technology and cost competitiveness.

Further Restructuring of the Sakai Plant

In May 2012, Sharp entered into an agreement with Toppa Printing Co., Ltd., and Dai Nippon Printing Co., Ltd., to merge the LCD color filter business at the Sakai Plant into SJP. The aim was to further improve operational efficiency for large-sized LCDs—for which color filters are a key element—and enhance the competitiveness of this business.

In addition, all SJP shares held by Sony Corporation were transferred to SJP, dissolving the joint venture of the two companies.

* Issuance of new shares through third-party allotment is a method of corporate financing through a private placement of shares. It raises capital by giving the rights to acquire new shares to a specific third party, regardless of whether that party is a shareholder, foreign investor, or tender offer. The company will dispose of the acquired shares to the party who applied to acquire the shares.
Swiftly Pursuing Business Restructuring

Implementing a Series of New Policy Measures in Overseas Markets

Sharp regards business expansion and overseas business restructuring as essential to the company’s sustainable growth and is further accelerating the implementation of these initiatives.

## Stepped-up Production in Indonesia and China

Indonesia, a country with an emerging economy that has undergone significant economic development, has seen a steady increase in domestic consumption. In fiscal 2011, sales at SEID, Sharp’s Indonesian sales and production subsidiary, grew by nearly 20% compared to the previous year, and further improvements in financial results are expected in the future.

Sharp has a major presence in Indonesia. In 2011, it took a leading 35.9% share of the refrigerator market and a 28.7% share for washing machines (according to research by GIK). For the sake of further expansion, Sharp decided in March 2012 to build a new plant for SEID in Karawang to boost production of refrigerators and washing machines. The new facility will have a production capacity of 220,000 refrigerators and 140,000 washing machines per month. Construction is underway, with operations slated to begin before the end of 2013.

## Plant No. 2 at SOCC began operations in April 2012

In April 2012, SOCC, Sharp’s office equipment manufacturing company in China, began operations at a second production facility to manufacture digital color MFPs and toner cartridges.

Although Sharp copiers and MFPs are produced at four locations worldwide—Japan, China (SOCC), France (SMF), and Thailand (SML)—SOCC alone among these serves as a supply base for the entire global market, and even before now has played a central role. With the newly constructed Plant No. 2, which began operations in November 2012, Sharp has developed a new production system to manufacture digital color MFPs and toner cartridges. Operation will be started in April 2012 and the monthly output will be 650,000 units a year. SOCC can now handle demand for color MFPs not only from the traditional markets of Europe and North America, but also from China—a reflection of that country’s burgeoning economic growth.

## Sharp Electronics (Europe) Limited (SEE) was established in the UK in May 2012.

SEE was tasked with assuming governance functions and ownership of subsidiaries in Europe, with its operations set to begin in the fall of 2012. The aim was to ensure that business was rooted in the European market, by promoting the delegation of authority and strengthening governance and management structures.

## Establishing a European Head Office

As part of the restructuring of European operations, Sharp Electronics (Europe) Limited (SEE) was established in the UK in May 2012. SEE was tasked with assuming governance functions and ownership of subsidiaries in Europe, with its operations set to begin in the fall of 2012. The aim was to ensure that business was rooted in the European market, by promoting the delegation of authority and strengthening governance and management structures.

## Intensifying Development of Marketing Strategies for Asia

The ASEAN region—namely, Indonesia, Philippines, Vietnam, and Thailand—represents a vast market of approximately 600 million people, yet there is still a low penetration rate in these countries for major product categories such as TVs, refrigerators, and washing machines. The potential demand is huge, with further economic development expected, along with a rise in the penetration rate for the aforementioned products.

Since setting up its ASEAN Group in 2011, Sharp has been working to expand the size of its business in the area, make the transition to a regionally self-sufficient production system, and establish Sharp as a leading brand. Further, Sharp has been deploying one-of-a-kind marketing, and introducing one-of-a-kind and high-value-added products specifically designed for the region.

On top of this, Sharp is deploying a pan-ASEAN brand strategy as one measure to strengthen its sales promotion activities. To improve brand awareness across the ASEAN region, advertising that was previously produced independently in each country has now been unified at the Brand Strategy Promotion Center under the umbrella of SEM, Sharp’s subsidiary in Malaysia.

## Strengthening Promotion for Large TVs in Japan and Overseas

Sharp is also pushing ahead to implement business innovations in the areas of solar cells and energy solutions. ESSE (Enel Green Power & Sharp Solar Energy S.r.l.)—an joint venture between solar power producer previously established as a joint venture with EGP (Enel Green Power)—began operations at the end of March 2012, operating solar power plants in Italy with a total installed capacity of 14.4 MW. With the inclusion of an existing solar power plant, six sites are now operating commercially and providing a capacity of 20 MW—making ESSE now a full-fledged IPP (independent power producer). In the future, ESSE plans to expand its solar power business in Europe, particularly in the Mediterranean area, by leveraging the strengths of thin-film solar cells manufactured by 3Sun, a joint venture in Italy.

## Strengthening Promotion for Large TVs in Japan and Overseas

In June 2012, Sharp introduced into the Japanese market an 80-inch LCD TV—the largest screen size in Japan—to enable viewers to enjoy ever-more impressive images. This model had previously been introduced in the US and China. With its large screen and high image quality, it offered a new level of TV enjoyment in the living room.