

- **Revision of Financial Results Forecast**
- **Sharp Business Strategy**

**Sharp Corporation**

**April 8, 2009**

# **I. Revision of Financial Results Forecast for Fiscal 2008**

## **II. Actions**

- (1) Business Environment and our Challenges**
- (2) Recovery Plan**
- (3) New Business Model**
- (4) Action Plan for Key Business**
  - Mobile Phone**
  - Health- and Environment-related Business**
  - Solar Cells**
  - LCDs (New LCD Plant start operations in Oct 2009)**

# **I. Revision of Financial Results Forecast for Fiscal 2008**

# Revision of Financial Results Forecast for Fiscal 2008 (Consolidated)

(billions of yen)

	Previous Forecast		Current Forecast		
	(09/2/6)	Y on Y		Y on Y	Difference from last forecast
Net Sales	2,900	-15.1%	2,850	-16.6%	-50
Operating Income	-30	-	-60	-	-30
Net Income	-100	-	-130	-	-30

# Main Variance Factors From Previous Forecasts

- Expenses for optimizing the inventory level of LCD TVs and LCD panels
  - Approx. 30 billion yen
- <Sharp LCD TV retailers' inventory (comparison to monthly sales)>  
(Source: Sharp)
  - US: 3.3months (September. 2008) → 0.7months (Feb.2009)
  - Japan: 2.1months (September. 2008) → 0.8months (Mar.2009)
- Additional posting of Business Restructuring Charges and Loss on Sales and Retirement of Noncurrent Assets
  - Additional 9 billion yen (approx.) posted for business restructuring mainly related to LCD business
  - Disposal of old facilities for electronic components and devices business:  
Additional 4 billion yen (approx.) posted for loss on sales and retirement of noncurrent assets
- Increase of Loss on Impairment of Investments in Securities
  - Approx. 6.4 billion yen additional loss due to drop in stock market

**Actions to  
recover  
revenue in  
Fiscal 2009**

# Forecast of Extraordinary Items in Other Expenses for Fiscal 2008

(billions of yen)

	Previous Forecast (09/2/6)	Current Forecast	Difference
Loss on impairment of investments in securities	43.3	49.7	+6.4
Loss on Valuation of Inventory	7.6	7.6	0
Restructuring Charges	50	59	+9
Loss on violation of the antitrust law	12	12	0
Others	5.8	15.4	+9.6

## **II. Actions**

# **(1) Business Environment and our Challenges**

## **<Business Environment>**

- Decrease in demand due to rapid drop of economy
- Aggravated trade conditions due to stronger yen etc.
- Price decline in digital products
- Division of world economy into blocks
- Deteriorated solar market in Europe due to financial crisis

## **<Our Challenges>**

- Slowdown of investment-driven business models, such as LCD
- Reduced competitiveness at old LCD production lines
- Price decline and sluggish growth in vertically integrated products such as LCD TV and mobile phone
- Aggravated cash flow

## (2) Recovery Plans

Building Structure to Secure Profit  
even under the circumstances of LH of FY 2008

### Reorganizing LCD Plants

Conventional

Kameyama

Mie

Tenri

Large size LCD  
(for TV, IA etc.)

Mid-small size LCD  
(for mobile phones etc.)

Future

Large size LCD (for TV, IA etc.)

Mid-small size LCD  
(for mobile phones etc.)

Sakai

(Under construction)

Kameyama

Mie

Line Partially closed

Tenri

Line Partially closed



# Personnel Reallocation

## **“Strengthen Sales Activities to Expand Sharp’s Scope of Business”**

### **Japan : Strengthen key business areas / sales divisions**

- Reallocate approx. 1,700 personnel to key business areas / sales divisions
- Expand B to B solution business
- Reduce approx. 1,500 contract employees in Japan  
(due to expiration of the contract)

### **Global : Strengthen sales force in emerging economies**

- China
  - Strengthen mobile phone business
  - Establish marketing research office

# Reduction of remuneration to directors and salary of managers

## - Reduction of Remuneration to Directors

<Remuneration per month> (Mar. to Sep. 2009)

- Directors and Executive Officers: 30-5% reduction
- Corporate Auditors: 5% voluntary reduction

<Bonuses>

- No payment of bonuses in June 2009

50-30%  
reduction in  
actual annual  
remuneration

- Managerial staff: 20-10% reduction in annual salary

# Total Cost Reduction

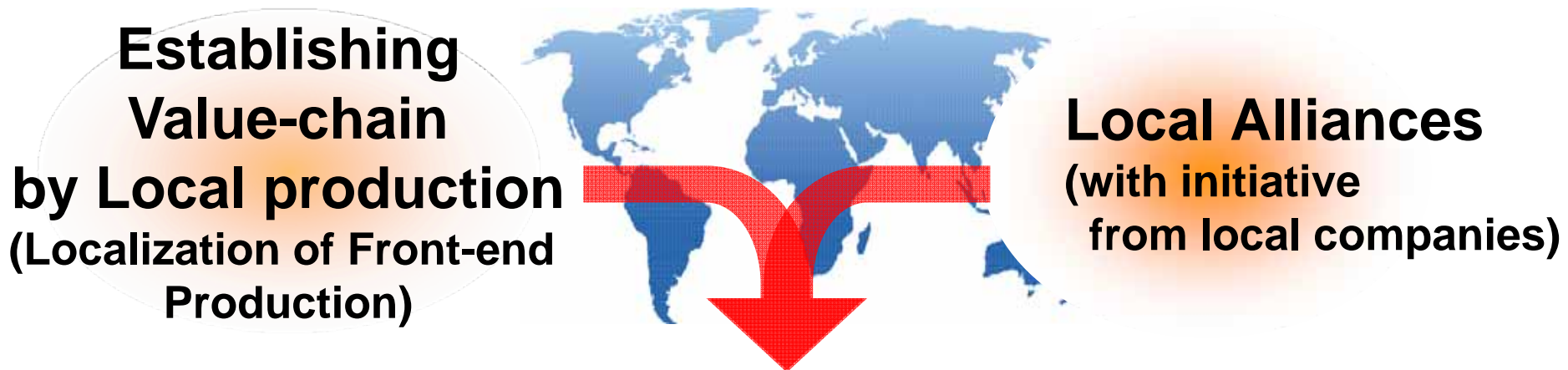
## Reduce Total Cost by 200 Billion Yen compared to FY2008 cost \*

- Reduce fixed cost by 100 billion yen
  - Labor Cost : reduce approx. 45 billion yen
  - Depreciation : reduce approx. 35 billion yen
- Reduce variable cost by 100 billion yen
  - Advertisement expenses
  - Utilities
  - Transportation expenses
  - Other outsourcing costs / patent costs / entertainment cost etc.

\*the cost for start of LCD panel plant operation in Sakai city is not included

### **(3) New Business Model**

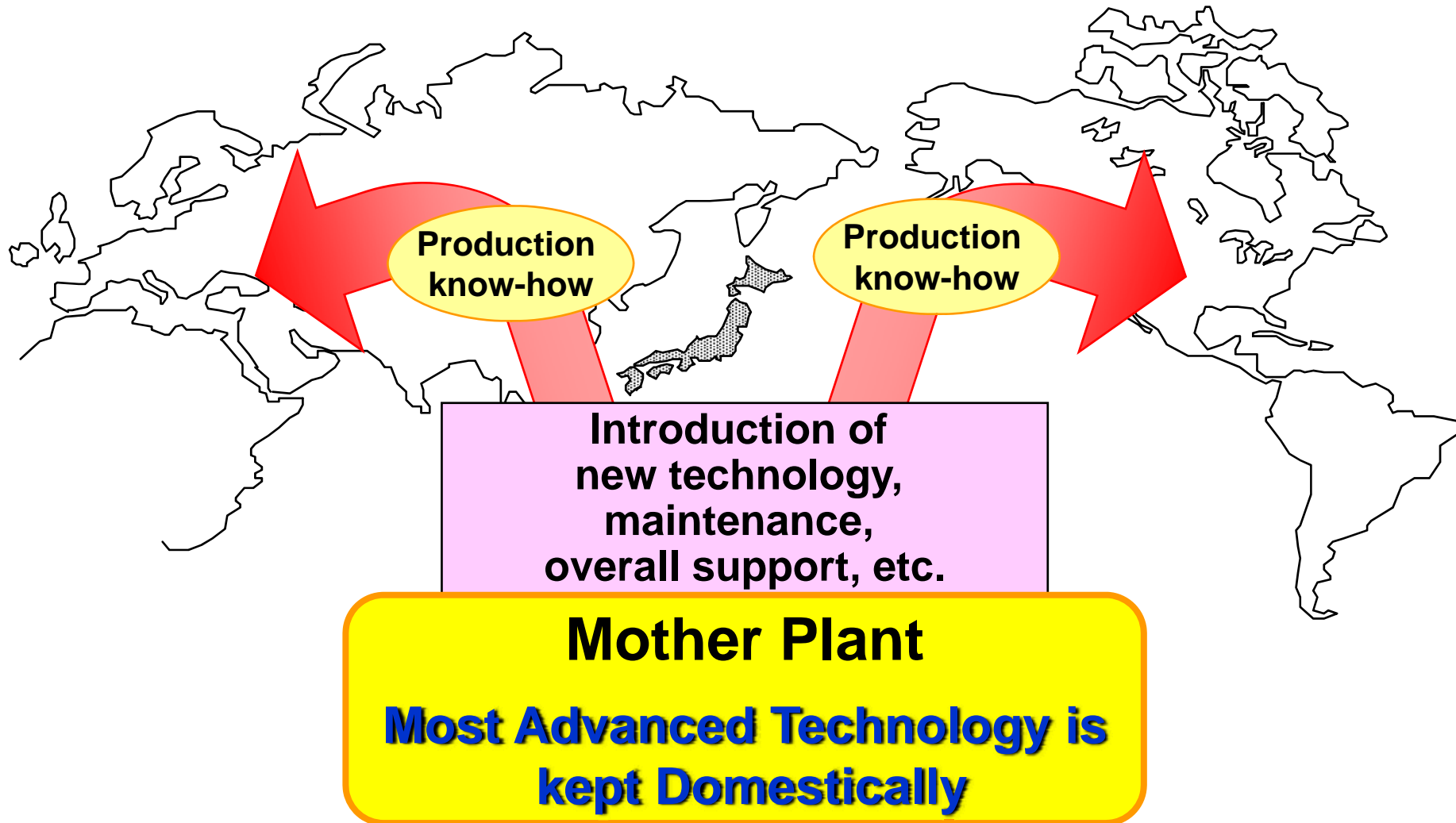
#### **Concept of New Business Model**



**Minimize Investment to Maximize Efficiency**

**Improve Cash Flow**

# Basic Plan for Engineering Business



# (4) Action Plan for Key Business : Mobile Phone

## Global Market Business

Expansion of market-share in Japan

Use of Local Design Company and EMS

Taking advantage of Sharp Brand Image



**Japan**

**Europe,  
U.S.**



### Core Technology

- Display (Panel): Optical Sensor panel, etc.
- Design
- User Interface
- Component: Camera, Tuner, Solar, etc.

Smart  
Phone

Technology achieved  
from R&D of PDA

Mobile  
Phone



**China**

**Emerging  
Economies**

Alliance with Major Software Vendor  
Use of EMS/ODM  
Use of Global Design Company

Use of EMS/ODM  
Local Fit

# Action Plan for Key Business: Health- and Environment-related Business

**Plasmacluster Ion  
Business**

**Vertically Integrated  
Business Model**

**Solar related  
Business**

**LED Lighting  
Business**

# Plasmacluster Ion Business

## Value added air-conditioning business with Plasmacluster Ion Technology

### Sharp Products



Air-purifier



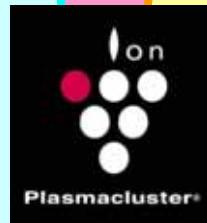
Air-conditioner



Washer/ Dryer



LED Light



Plasmacluster®



PCI Generator Unit

### B to B Products



Provided to  
24 companies

Strengthen  
Product line-up

Expand B to B business

# LED Lighting Business

## LED Lighting Business



**Indoor Lighting  
System**



**Manufacturing  
Complex / Plants**

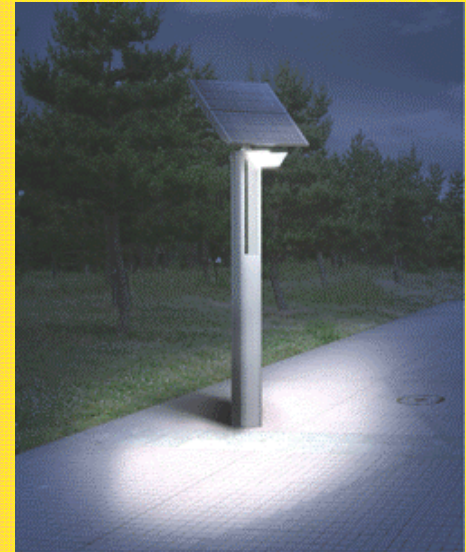


**Station / Offices**



**Retail Store**

## LED light with solar module



**Outdoor Lighting**

# Sharp to enter into LED Lighting Business

# Action Plan for Key Business: Solar Cells

## Market Trend of Solar System



### Europe

#### <Market Trend>

- Review Feed In Tariff
- Mediterranean Solar Plan (construction of solar generating facilities with capacity of 20GW by 2020)

#### <Market Estimate in FY2009>

Slight stagnation but continuous growth in the medium and long terms

### Japan

#### <Market Trend>

- Residential Use : subsidy policy restarted
- Industrial Use: support 1/2-1/3 installation cost
- Adoption of FIT in Japan is in discussion

#### <Market Estimate in FY2009>

Expand to Approx. 1.7 times from previous year

### The Americas

#### <Market Trend>

- Green New Deal Policy
- Extend Energy Policy Act (tax exemption for 30% of system cost)

#### <Market Estimate in FY2009>

Expand to Approx. 3 times from previous year

# Expansion of Mega-scale Solar Power Plant

**Increasing demand of Mega-scale Solar Power Plant in global basis**

**Solar Power Generation used as electricity Infrastructure**



**Sakai No.7-3 District Solar Power Generation Plant**  
(tentative name)

**Output: 10MW**

**Starting operation from FY2011 (plan)**

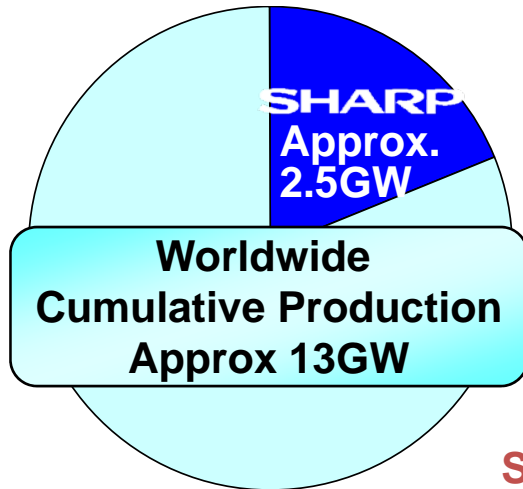
## Requirement for Solar manufacturers

**Technology**

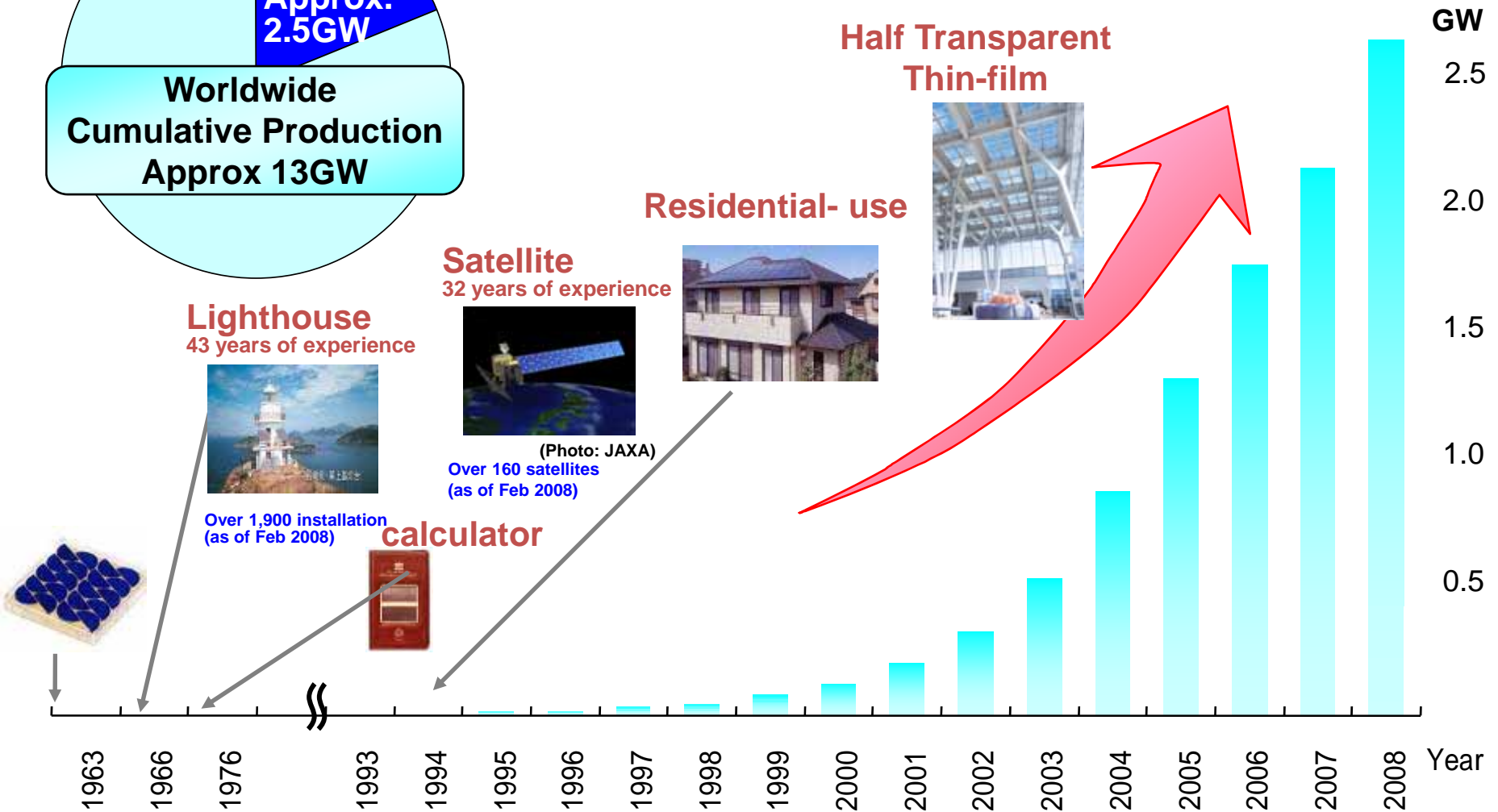
**Cost Performance  
(Grid Parity)**

**Long-term  
Reliability  
(Stable Supply)**

# History of Sharp's Solar Business



**Cumulative Production Volume**  
**2.5GW**



# Exploit Two Major Technologies

## Crystalline / Thin-Film

**Expand Crystalline Cell Business supported by strategic procurement of silicon material and innovative production process**



**Crystalline**

**Target Cost : 23yen/kWh  
achieved by higher  
conversion efficiency (20%)**

**Expand Thin-Film Business by further technology advancement**



**Thin-Film**

**Target Cost: 23yen/kWh  
Achieved by higher conversion  
efficiency (10%)  
and economy of scale**

**Aim to Achieve Grid Parity**

# Conversion Efficiency Improvement of Thin-Film type

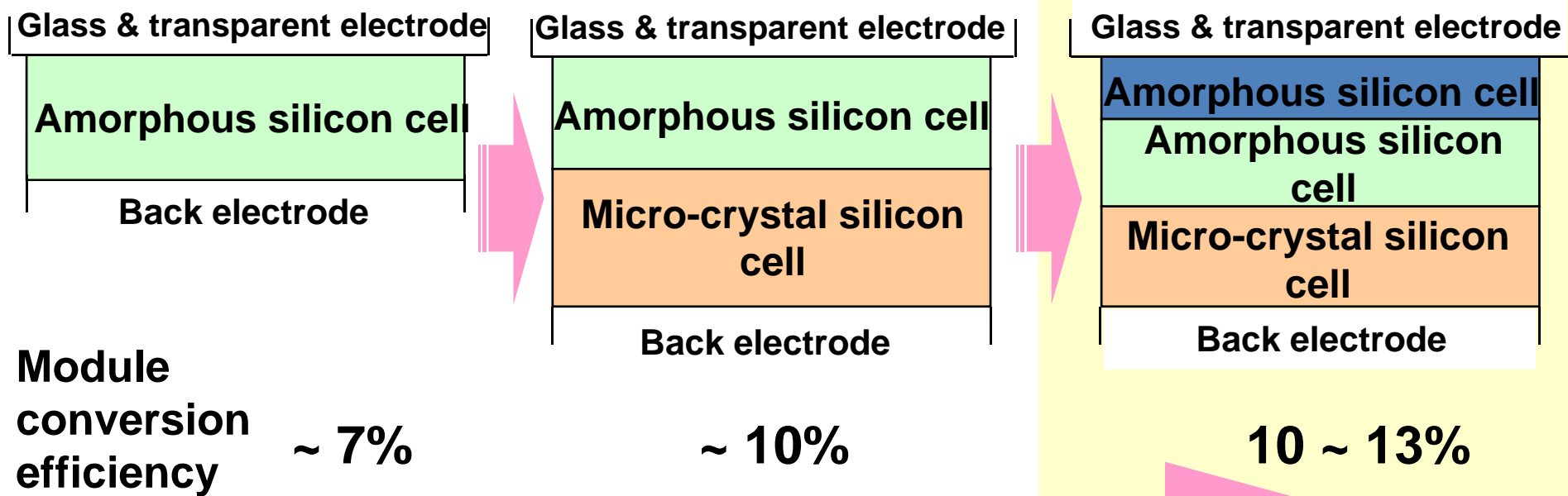
**Sharp's one-of-a-kind technology**



**Triple-junction  
(Sakai)**

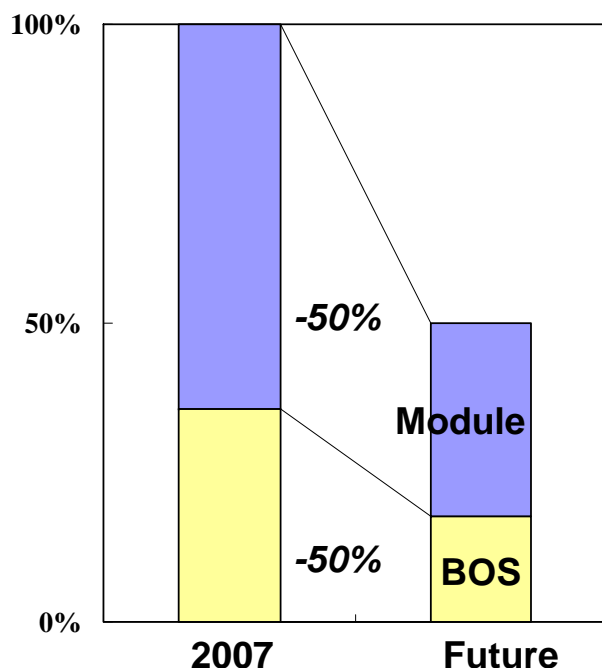
**Amorphous**

**Tandem**

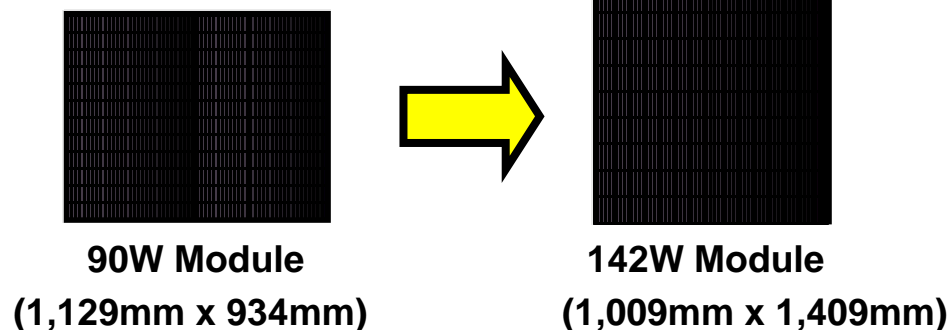


**More efficiency by absorbing wide-range wavelength**

# Cost Reduction of Thin-Film PV Systems



BOS: Balance of System



## Cost Reduction

- Higher output by larger modules	Module	- 50%
- Design Improvement	BOS	- 50%
		<hr/>
Total		- 50%

**Achieve Target by  
Economy of Scale of  
Solar Plant in Sakai  
starting from FY2010, and  
high conversion efficiency  
(10%)**

**Targeting Power Generation Cost of 23yen/kWh  
in Thin-Film Type**

# **Action Plan for Key Business: LCDs**

## **Start Operations of LCD panel plant (Sakai) in October 2009**



- Start Operations of LCD panel Plant in October 2009
- World's First 10<sup>th</sup> Generation mother glass substrate
- Integrate Know-How of companies ranging from infrastructure facilities to components manufacturers

### **<Forward-Looking Statements>**

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- (3) Changes in exchange rates (particularly between the yen and the U.S. dollar, the euro and other currencies)**
- (4) Sharp’s ability to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products and services**
- (5) Regulations such as trade restrictions in other countries**
- (6) Litigation and other legal proceedings against Sharp**

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