



# Medium-Term Management Plan for Fiscal 2015 through 2017

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Establish the basis for stable profitability by  
execution of fundamental restructuring

May 14, 2015  
Sharp Corporation

## Agenda

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- 【1】 Summary of Financial Results for  
Fiscal 2014**
- 【2】 Reorganizing the Financial Basis**
- 【3】 Summary of Two-Years Status of the  
Current Medium-Term Management  
Plan**
- 【4】 Medium-Term Management Plan for  
Fiscal 2015 through 2017**

## 【1】 Summary of Financial Results for Fiscal 2014

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### Summary of Financial Results for Fiscal 2014 (consolidated)

- Net sales of fiscal 2014 dropped to 95.2% from previous year, recording an operating loss.
- Additional restructuring charges in 4Q resulted large net loss of 222.3 billion yen

(Billions of yen)

	Fiscal 2013	Fiscal 2014						
	Full Year	1H	2H			Difference from 1H	Full Year	Changes (Y on Y)
			3Q	4Q	2H			
Net Sales	2,927.1	1,327.6	762.7	695.8	1,458.5	+130.9	2,786.2	95.2%
Operating Income	108.5 (3.7%)	29.2 (2.2%)	22.0 (2.9%)	-99.3 (-14.3%)	-77.2 (-5.3%)	-106.5	-48.0 (-1.7%)	-
Net Income	11.5 (0.4%)	4.7 (0.4%)	-11.9 (-1.6%)	-215.1 (-30.9%)	-227.0 (-15.6%)	-231.8	-222.3 (-8.0%)	-

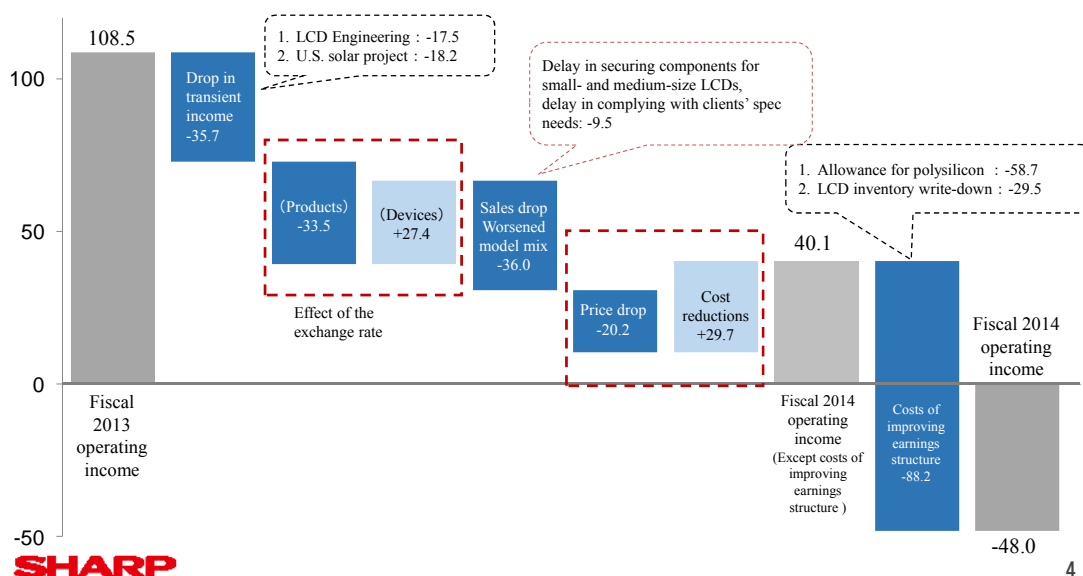
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## Breakdown of the Operating Income

• Although a cost reduction exceeded the amount of the price drop, the operating result worsened substantially due to decreased transient income, a decline in sales, a worsened model mix, and the costs of improving the earnings structure.

(Billions of yen)



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## Summary of Other Income (Expenses)/Income Taxes, etc.

In 4Q, additional 99.5 billion yen impairment loss was recorded on the manufacturing facilities of LCDs and electronic devices  
6.5 billion yen restructuring charges on overseas LCD TV business

(Billions of yen)

	Fiscal 2013 Full Year	Fiscal 2014				
		1H	3Q	4Q	2H	Full Year
Operating Income	108.5	29.2	22.0	-99.3	-77.2	-48.0
Other Income (Expenses)	-62.5	-15.5	-19.6	-105.5	-125.2	-140.7
Gain on sales of investment securities	+6.3	+5.9	+5.7	+11.2	+16.9	+22.9
Reversal of provision for loss on litigation	-	+19.2	-	-	-	+19.2
Interest expense	-20.7	-11.8	-5.6	-5.7	-11.3	-23.1
Impairment loss	-11.7	-2.4	-1.9	-99.5	-101.5	-104.0
Restructuring charges	-	-5.7	-8.9	-6.5	-15.4	-21.2
Settlement	-	-14.3	-	-	-	-14.3
Income Taxes, etc.	-34.4	-8.9	-14.2	-10.3	-24.5	-33.5
Net Income	11.5	4.7	-11.9	-215.1	-227.0	-222.3

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## Difference of Financial Result(consolidated) from the Estimate Announced in 3Q

Difference from the fiscal forecast announced on February 3, 2015 was minimized considering the improvement of earnings structure and restructuring cost

(Billions of yen)

	Estimate (as of Feb 3)	Result		(including) Improvement of earnings structure/ restructuring cost	Result (except cost of improving earnings structure and restructuring cost)	
			Difference from estimate			Differenc e from estimate
Net Sales	2,900.0	2,786.2	-113.7		2,786.2	-113.7
Operating Income (ratio)	50.0 (1.7%)	-48.0 (-1.7%)	-98.0	- Allowance for the price difference of long-term contract of polysilicon materials -58.7 - Write-down of LCD inventories -29.5	40.1 (1.4%)	-9.8
Net Income (ratio)	-30.0 (-1.0%)	-222.3 (-8.0%)	-192.3	- Restructuring of LCD TVs in overseas market -9.9 - Energy Solutions; impairment loss by Sakai Plant -9.2 - LCDs ; impairment loss by Mie and Kameyama Plants -77.7 - Electronic Devices ; impairment loss by Mihara and Fukuyama Plants -6.6	-30.5 (-1.1%)	-0.5

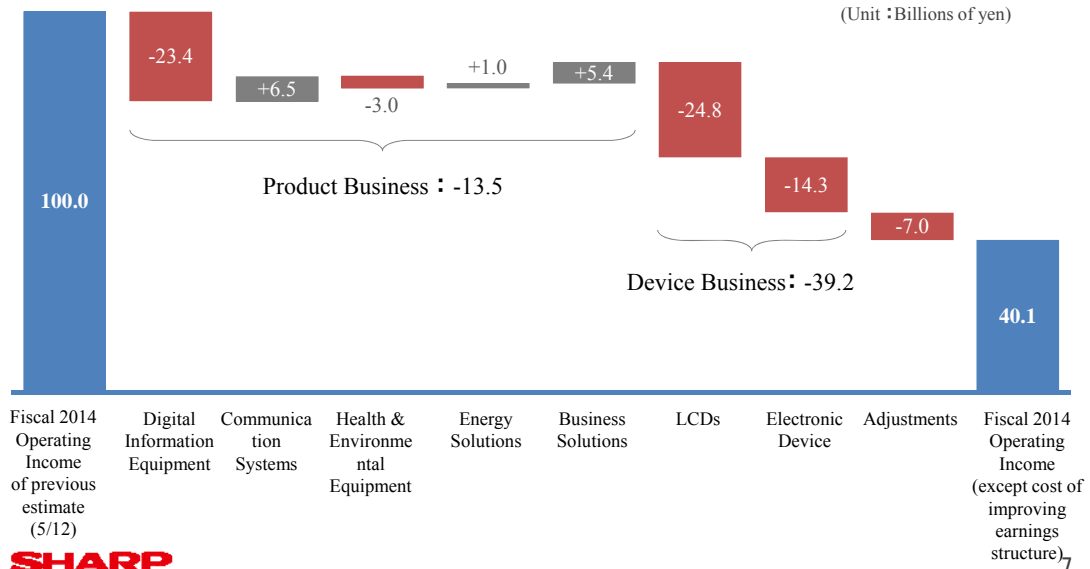
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## Difference of Operating Income from previous annual forecast (by Business Groups)

Large increase in operating loss of Digital Information Equipment / decreased operating income of LCDs from previous estimate (announced on May 12, 2014)

(Unit : Billions of yen)



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## Consolidated Balance Sheet

An increase in the inventories and a decrease in the interest-bearing liabilities by the redemption of corporate bond  
 Net assets decreased to 44.5 billion yen due to the large net loss by additional restructuring cost

(Billions of yen)

		FY2013	FY2014	Difference	
Assets	Cash and time deposits	379.5	258.4	-121.1	
	Notes and accounts receivable	568.8	605.6	+36.8	
	Inventories	295.1	338.3	+43.1	
	Others	938.1	759.4	-178.6	
	<b>Total assets</b>	<b>2,181.6</b>	<b>1,961.9</b>	<b>-219.7</b>	
Total liabilities and net assets	Liabilities	Notes and accounts payable	409.9	468.0	+58.1
		Interest-bearing debt	1,093.5	974.2	-119.2
		Others	471.0	475.0	+4.0
		<b>Total liabilities</b>	<b>1,974.5</b>	<b>1,917.3</b>	<b>-57.1</b>
Total liabilities and net assets	Net assets	Owners' Equity	339.0	116.4	-222.5
		Accumulated Other Comprehensive Income	-143.8	-86.3	+57.5
		Minority Interests	12.0	14.3	+2.3
		<b>Total net assets</b>	<b>207.1</b>	<b>44.5</b>	<b>-162.6</b>
<b>Total liabilities and net assets</b>		<b>2,181.6</b>	<b>1,961.9</b>	<b>-219.7</b>	

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Equity ratio

8.9%

1.5%

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## 【2】 Reorganizing the Financial Basis

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## Reinforcement of Capital by Issuance of Preferred Share

Issue total 225 billion yen preferred share to reinforce capital required by restructuring

	Investment from the financial institutions	Investment from The third party
Investors	Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Japan Industrial Solutions Fund I ※
Types of Investment	Investment by preferred share 200 billion yen (100 billion yen from each bank)	Investment by preferred share 25 billion yen
Use of Fund	the repayment of debt	the business growth strategy

※Japan Industrial Solutions Fund I

※The issue of preferred share will require the conditions including the consent at the 121st Ordinary General Meeting of Shareholders

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## Reserves for the Agile Capital Reinforcement (non-consolidated)

Prepare for future agile capital reinforcement, increase and decrease in capital, and clearing of deficit in retained earnings with consent of Shareholders' meeting to be held on June 23, 2015.

(Billions of yen)

	End of Mar 2014	Change in Fiscal 2014	End of Mar 2015	Consent by Ordinary General Meeting of Shareholders			After the capital reinforcement
				Capital Reinforcement	Difference in Capital	Adjustment	
Capital	121.8		121.8	112.5	-233.8	0.0	0.5
Capital Surplus	95.9		95.9	112.5	233.8	-219.7	222.5
Legal capital surplus	84.3		84.3	112.5	-196.7		0.1
Other Capital Surplus	11.5		11.5		430.6	-219.7	222.4
Retained Earnings	-16.5	-203.2	-219.7	0.0	0.0	219.7	0.0
Other Retained Earnings	-16.5	-203.2	-219.7			219.7	0.0
Reserve for special depreciation	0.1	-0.1	0.0				0.0
Reserve for advanced depreciation on non-current assets	4.1	0.1	4.2				4.2
Retained earnings carried forward	-20.8	-203.2	-224.0			219.7	-4.2
Less cost of treasury stock	-13.8	0.0	-13.8				-13.8
Total owners' equity	187.3	-203.2	-15.8	225.0	0.0	0.0	209.1

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### 【3】 Summary of Two-Years Status of the Current Medium-Term Management Plan

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### Achievement Status of the Financial Results (consolidated)

- Targets in all items were achieved in Fiscal 2013, stepping further business recovery
- Net loss in Fiscal 2014 was recorded due to the rapid change in the business environment

(Billions of yen)

	Current Medium-Term Management Plan		Result			
	Fiscal 2013	Fiscal 2014	Fiscal 2013	Fiscal 2014		
				1H	2H	Full Year
Net Sales	2,700.0	2,820.0	2,927.1	1,327.6	1,458.5	2,786.2
Operating Income (ratio)	80.0 (3.0%)	110.0 (3.9%)	108.5 (3.7%)	29.2 (2.2%)	-77.2 (-5.3%)	-48.0 (-1.7%)
Net Income (ratio)	5.0 (0.2%)	40.0 (1.4%)	11.5 (0.4%)	4.7 (0.4%)	-227.0 (-15.6%)	-222.3 (-8.0%)
Fixed cost ratio	28.1%	27.2%	25.6%	26.2%	25.9%	26.0%
Inventories ratio vs monthly sales	1.40 month	1.28 month	1.21 month	1.39 month	1.46 month	1.46 month
Net interest-bearing debt	800.0	700.0	713.9	696.6	715.7	715.7

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## Achievement Status of Operating Income by Business Groups

(Billions of yen)

	2 years in total			Difference by factors
	Current Medium-Term Management Plan	Result	Difference	
Digital Information Equipment	12.0	<del>4.5</del>	<del>-16.5</del>	<ul style="list-style-type: none"> <li>increased price competition in the large-size TV market especially in North America and China</li> </ul>
Communication Systems	13.0	20.4	+7.4	<ul style="list-style-type: none"> <li>Steady orders from industrial-use market</li> <li>High cost caused by the issues including polysilicon long-term contract</li> </ul>
Health & Environmental Equipment	40.0	36.9	-3.1	
Energy Solutions	7.0	<del>-30.2</del> (28.5%)	<del>-37.2</del> (+21.4*)	<ul style="list-style-type: none"> <li>Rapid change in the market environment by the escalation of competition between client companies</li> <li>Inadequacy in marketing, unable to keep up with the market changes</li> <li>Delay in adapting to the various applications</li> </ul>
Business Solutions	45.0	61.9	+16.9	
LCD	88.0	42.1 (71.6*)	<del>-45.9</del> (-16.4*)	<ul style="list-style-type: none"> <li>Prompt restructuring resulted to turn the business to profit from 2Q of Fiscal 2014</li> </ul>
Electronic Devices	27.0	3.9	<del>-23.1</del>	

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\* prior to the recording of the cost for the improvement of earnings structure

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## Summary (Achievements and Challenges)

	Items	Details
Achievement	Improvement in the restructuring of the current business portfolio	<ul style="list-style-type: none"> <li>Completion of structural reforms of the consumer electronics business in Europe</li> <li>Structural reform of the solar cells business in Europe</li> </ul>
	Implementation of capital reinforcement	<ul style="list-style-type: none"> <li>Capital increase through a public offering / capital increase by third-party allotment</li> </ul>
	Steady reduction of interest-bearing liabilities	<ul style="list-style-type: none"> <li>Disposal of the business (Sharp's subsidiary company; U.S.-based developer of solar projects)</li> <li>Disposal of assets including holding stocks and real estate</li> </ul>
Challenges	Weakness in adapting to the changes with speedy action	<ul style="list-style-type: none"> <li>Weakness in adapting to the challenges including the changes of demand and technology trend in U.S. TVs business and small- and medium-size LCDs</li> </ul>
	Delay of launching business in growth areas	<ul style="list-style-type: none"> <li>Weakness of new concept products in current business</li> <li>Delay in the incubation of new businesses</li> </ul>
	Weakened cost competitiveness	<ul style="list-style-type: none"> <li>Weakness of cost innovation to adapt to escalating market competition (mainly LCD TVs, small and medium-size LCDs)</li> </ul>
	Insufficient corporate governance and business management	<ul style="list-style-type: none"> <li>Weakness of foresight management by detecting management risks including changes in the inventories and sales decline</li> </ul>

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## 【4】 Medium-Term Management Plan of Fiscal 2015 through 2017

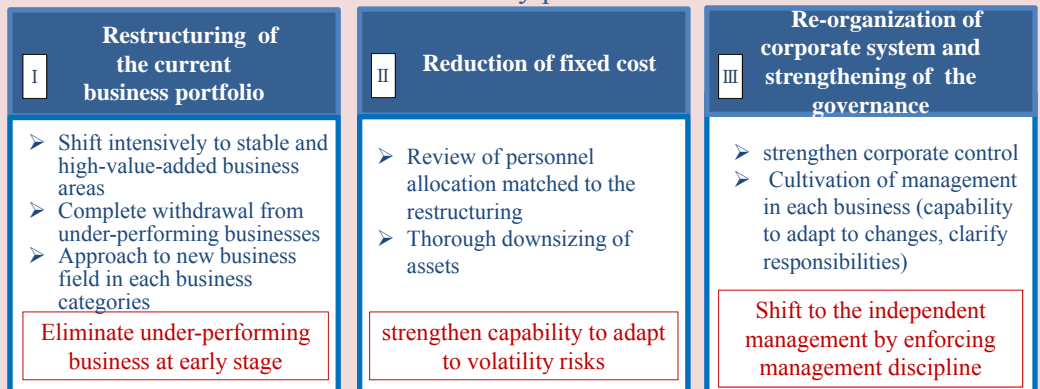
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### Basic Policy in Medium-Term Management Plan

Establish the bases for stable profitability  
by execution of fundamental restructuring

#### Three key policies



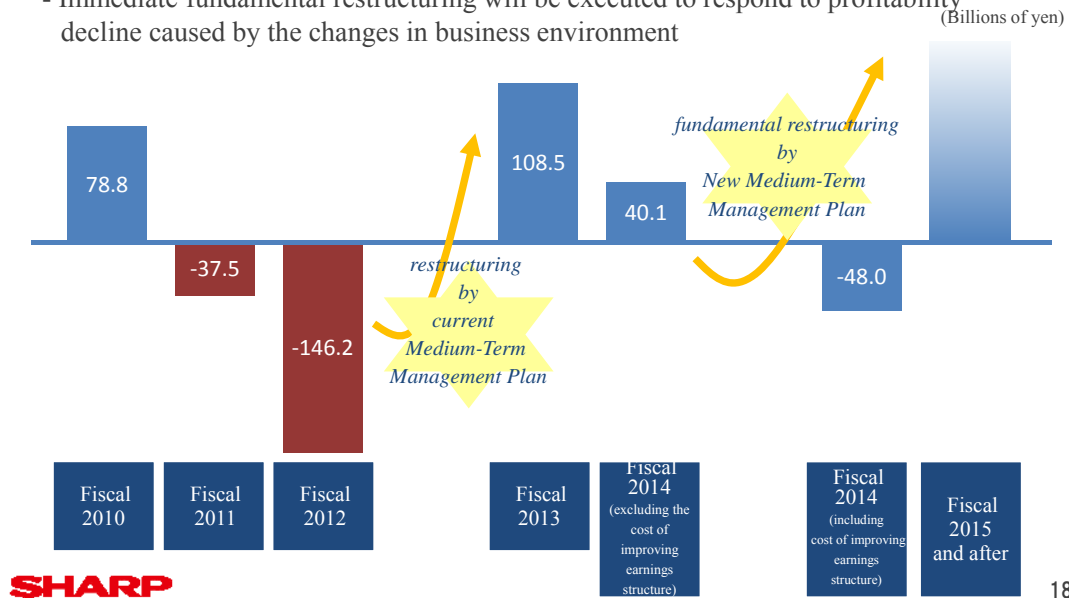
Reinforcement of funds / capital to support the implementation of Medium-Term Management Plan (preferred share 225 billion yen)

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## Purpose of Fundamental Restructuring Analyzed through the Transition of Operating Income

- Drastic improvement in Fiscal 2013 were made with restructuring by current Medium-Term Management Plan
- Immediate fundamental restructuring will be executed to respond to profitability decline caused by the changes in business environment



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## Roadmap for Medium-Term Management Plan (consolidated)

- Aim to achieve surplus in net income / surplus of the operating income in all business units in Fiscal 2016
- Aim to achieve 4.0% operating income ratio in Fiscal 2017

(Billions of yen)

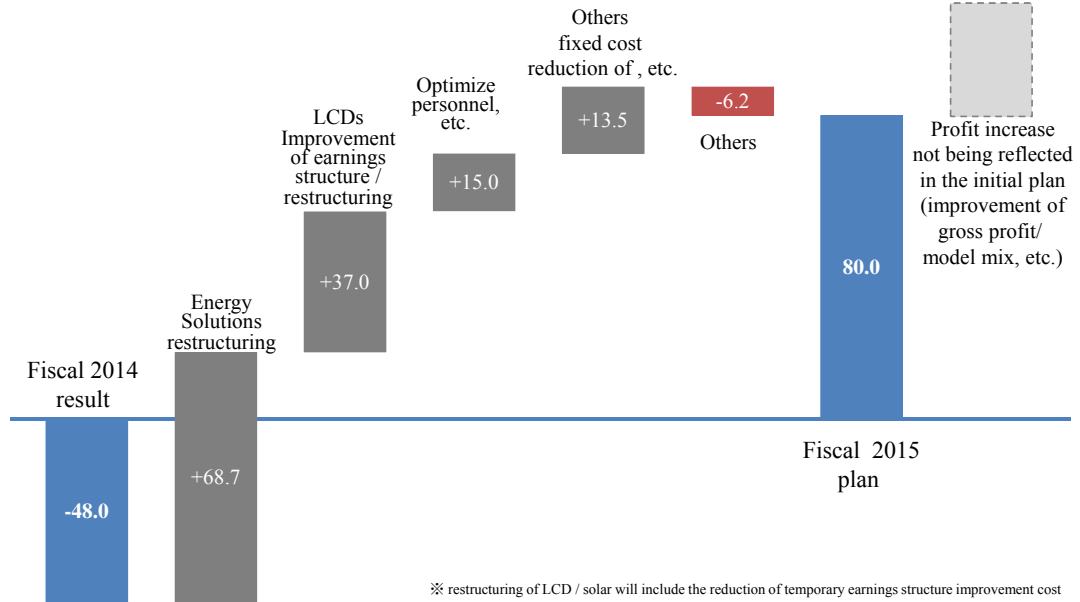
	Fiscal 2014 result	Fiscal 2015 forecast	Fiscal 2016 plan	Fiscal 2017 plan
Net Sales (Changes) (Y on Y)	2,786.2 (95.2%)	2,800.0 (100.5%)	2,900.0 (103.6%)	3,000.0 (103.4%)
Operating Income (ratio)	-48.0 (-1.7%)	80.0 (2.9%)	100.0 (3.4%)	120.0 (4.0%)
Net Income (ratio)	-222.3 (-8.0%)	Continue restructuring	Accomplish surplus	Expand surplus

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## Breakdown of Fiscal 2015 Operating Income : 80 Billion Yen

Highly probable plan with surefire surplus profit brought by restructuring (Billions of yen)



※ restructuring of LCD / solar will include the reduction of temporary earnings structure improvement cost

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## I . Re-organizing Business Portfolio

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## Basic Policy for Re-organizing Business Portfolio

With 5 companies adapting to clients and business criteria, we strive to restructure current business portfolio

Current Structure		Company	Concept of the Restructuring	Direction of the Business
Product BG	Digital Information Equipment	Consumer Electronics	Target the creation of new businesses and products integrating 3 businesses, and improve profitability by carve down the unprofitable areas and businesses	Innovation of the products and businesses by technology integration, focusing mainly on Japan and Asia
	Communication Systems			
	Health & Environmental Equipment			
Product BG	Energy System Solutions	Energy Solutions	Improve the profitability of the business by changing the business category to more value-added areas, and by realizing optimal fix cost structure	Change to the Solutions Business matching to the local demand
	Office Solutions	Business Solutions	Target further growth and maintain profitability by injection of resources with intention, to support stable and profitable business	Utilize the basis of current products and customers and global expansion of solutions businesses by aggressive investment
	Business Solutions			
Device BG	Electronic Devices	Electronic Component and Device	Target to maintain and expand the profitability by shifting to new business areas while utilizing proprietary technologies, focusing on the future risk of profit decline	Shift to added-value areas with sensing technologies as its core
	Display Device	Display Device	Focus to minimize the risk of business performance fluctuations, while having great potential to create added-value devices by technology innovation	Acquire stable customers by technology advantages and expand high added-value panels

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## Innovation of Business Portfolio by Company-System

(Billions of yen)

Company	FY 2014 Result		FY 2017 Plan		
	Net sales	Operating income ratio	Net sales	FY2014-2017 Average annual growth	Operating income ratio
Consumer Electronics	985.4	1.9%	1,020.0	1.2%	3.0%
Energy Solutions	270.8	-23.1%	190.0	-11.1%	4.2%
Business Solutions	340.3	9.2%	400.0	5.5%	9.0%
Electronic Component and Device	441.4	0.2%	500.0	4.2%	3.0%
Display Device	907.1	0.1%	1,050.0	5.0%	5.7%
<b>Total</b>	<b>2,786.2</b>	<b>-1.7%</b>	<b>3,000.0</b>	<b>2.5%</b>	<b>4.0%</b>

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※The above figure will include internal sales and transfer between Companies

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## Consumer Electronics Company

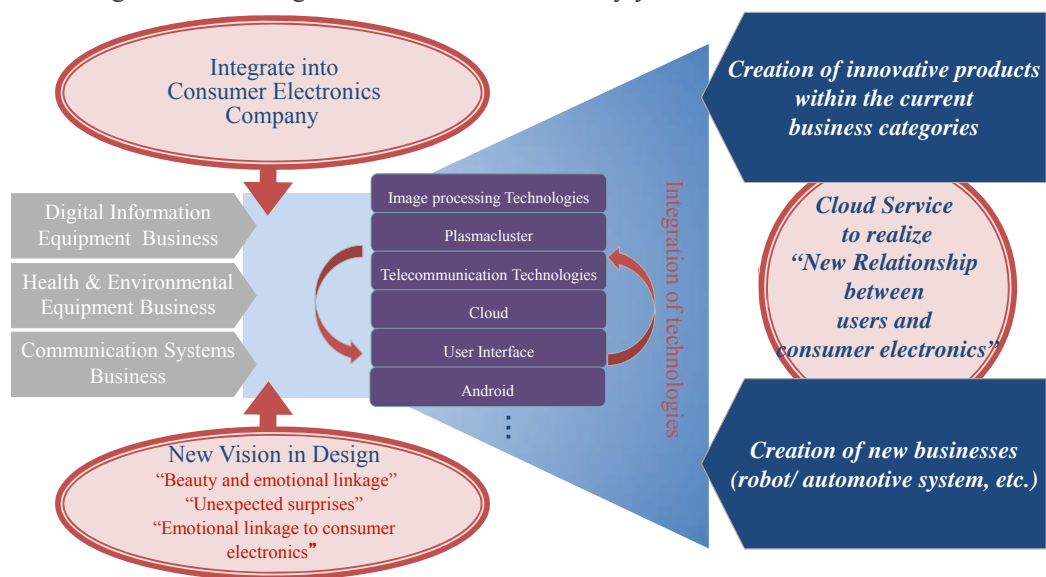
**Innovation of the products and businesses by technology integration, focusing mainly on Japan and Asia**

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## Aim for Integration of Businesses into Companies

Accelerate the process to create new products and businesses utilizing Sharp's proprietary technologies in wide-range areas cultivated over many years

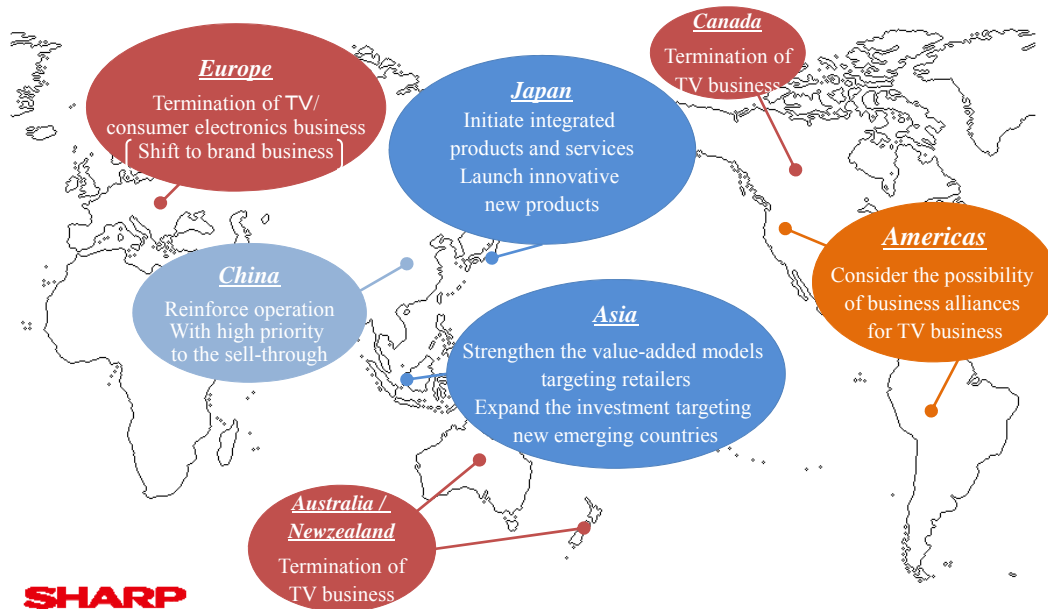


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## Resources Focused to Japan and Asia

Shift resources to Japan and Asia with strong brand and market basis, keys to expand BtoC business, while carving down unprofitable areas to shift to high-efficiency management



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## Energy Solutions Company

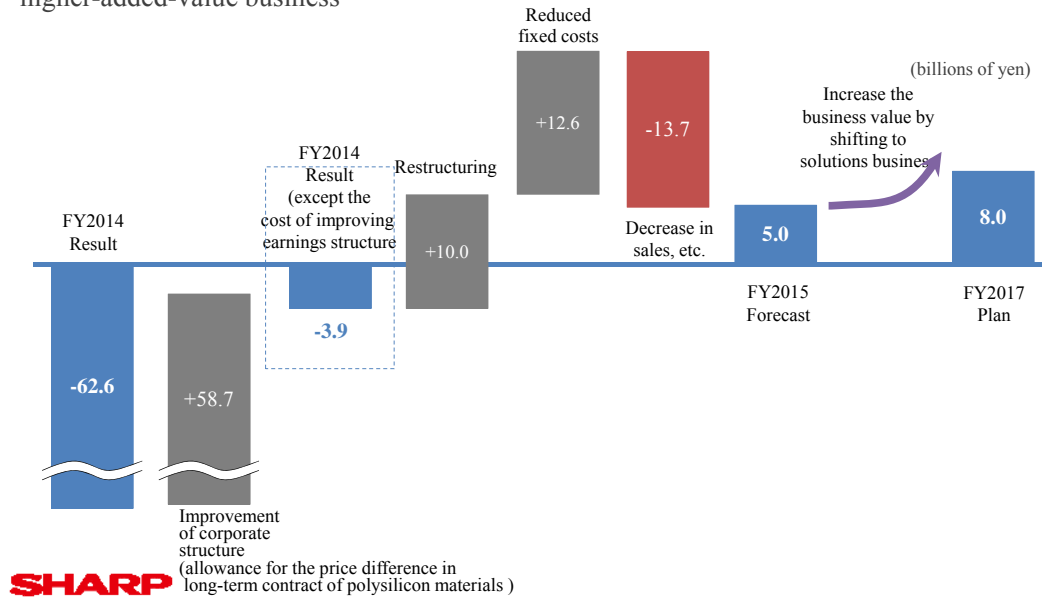
Change to the solutions business matching to the local demand

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## Breakdown of Operating Income Improvement

Improvement of earnings structure and streamlining business by structural reforms of Fiscal 2014, and expanding the proportion of solutions business within the total sales shifting to higher-added-value business

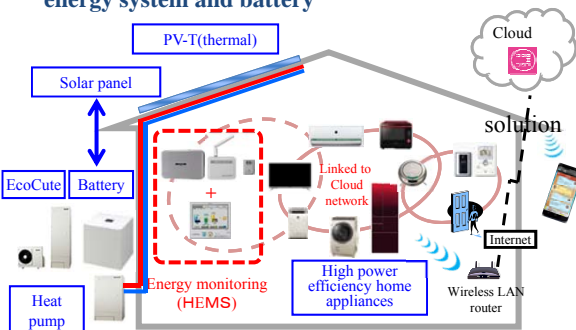


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## Speedy Shift to Solution Business

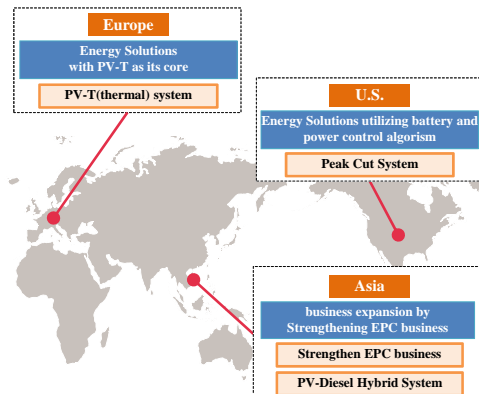
### Expansion of solution business in Japan

Propose solutions using HEMS, high power efficiency home appliances, and EcoCute etc. linked to cloud network, supported by solar energy system and battery



### Expansion of solution business overseas

Propose energy solutions matched to each countries and areas in global market



■ Proportion of overseas business (target) : Expand to approx. 30% in FY2017

■ Proportion of solutions business (target): Expand to approx. 50% in FY2017

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## Business Solutions Company

Global development of solution utilizing existing products / customer basis and aggressive investment

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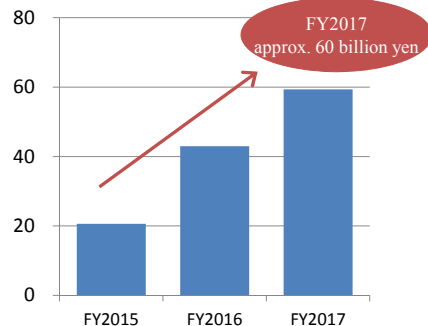
## Thorough Strengthening of Business Solutions

Expansion of sales routes/ services in MFP business

Strengthening clients basis in leading countries  
( Focus the resources to MFP sales routes)

Expand the profit by IT services sales to MFP customers

Sales by new sales routes/ services  
(billions of yen)



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Strengthening the business solutions in display business

Expand the value by changing the business category from display products sales to the solutions business

Establish the organization structure handling from project development, installation, to maintenance



Example of Sharp's multiple display installation  
(JR Tokyo station central concourse)

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## Electronic Component and Device Company

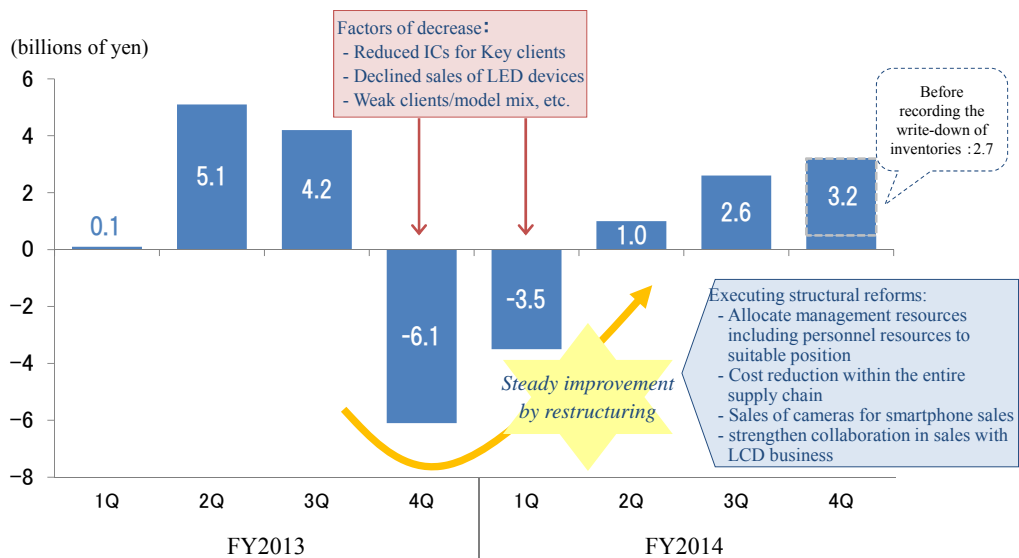
Shifting to added-value areas centered by sensing technology

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## Transition of Operating Income Improvement

Electronic Component business has returned to profit from 2Q Fiscal 2014 by conducting restructuring at an early stage to tackle the profit decline since 4Q Fiscal 2013



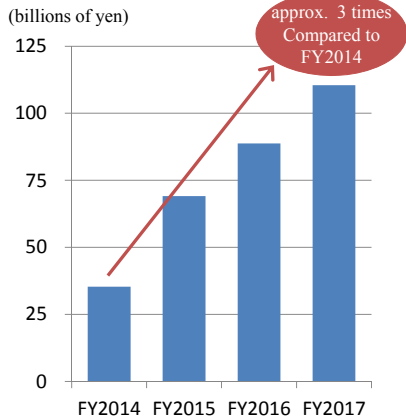
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## Shift to Added-Value Areas

### Cultivate new clients for smartphone camera

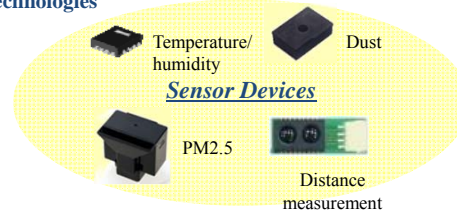
Sales expansion by cultivation of new clients for smartphone camera, where Sharp has advantage of leading market share  
camera sales to new clients



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### Expand new devices / value-added areas

Provide new devices using high-sensitivity sensor technologies



Sales expansion collaborated with LCD business



Touch-panel controller

Expansion of value-added areas (including automotive-use)



automotive-use camera module

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### Display Device Company

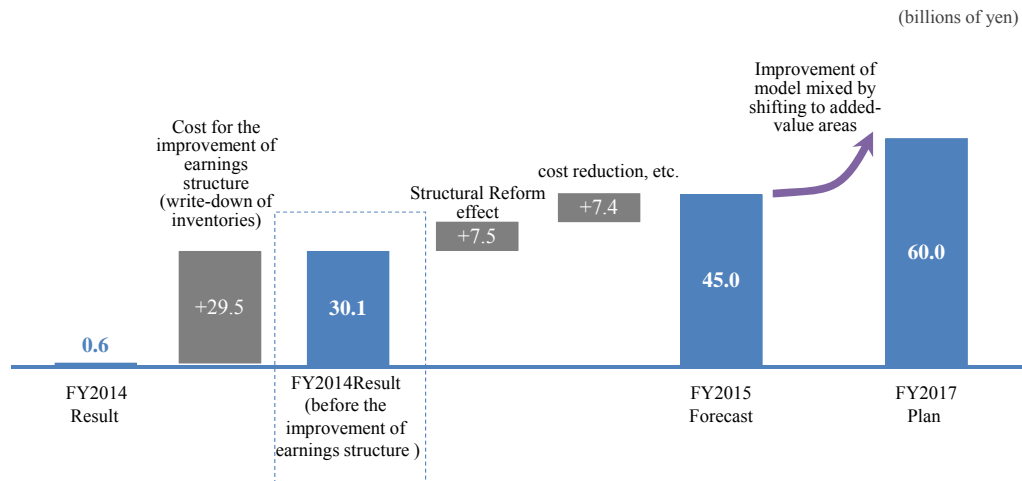
Acquiring stable-transaction customers utilizing technology superiority and expanding high-value-added panel areas

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## Breakdown of Operating Income Improvement

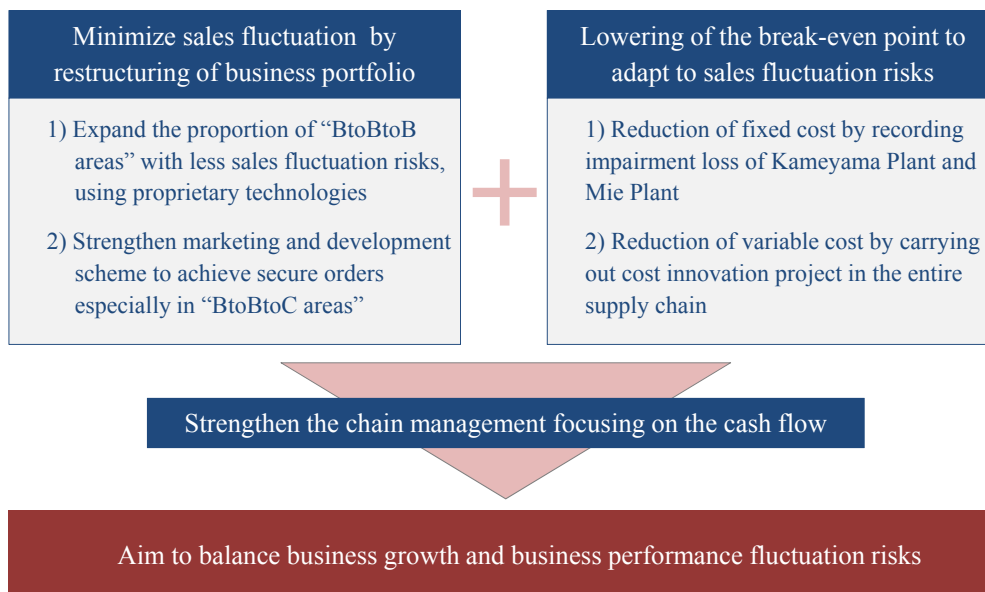
Aim to expand profit by the improvement of earnings structure in FY2014(write-down of inventories), restructuring by recording impairment loss of manufacturing facilities, etc., intensive cost reduction, and shift to the value-added models



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## Basic Policy



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## Minimize Sales Fluctuation by Restructuring of Business Portfolio

Minimize sales fluctuation by Expanding “BtoBtoB business” and stabilizing the orders in “BtoBtoC Business”

**Strengthen differentiated advantages by proprietary technologies**

**Strengthen low power consumption / narrow-bezel panels**  
 - Next-generation IGZO in Kameyama Plant No.2

**In-cell type touch screen panel**

- Sharp's unique panel which can be used in medium-size panels

**Creation of new technologies with differentiated advantage**

- Display with freedom of design (Free Form Display)
- High endurance (MEMS)
- Innovation in display user interface (Free Drawing Display)

**Strengthen marketing scheme**

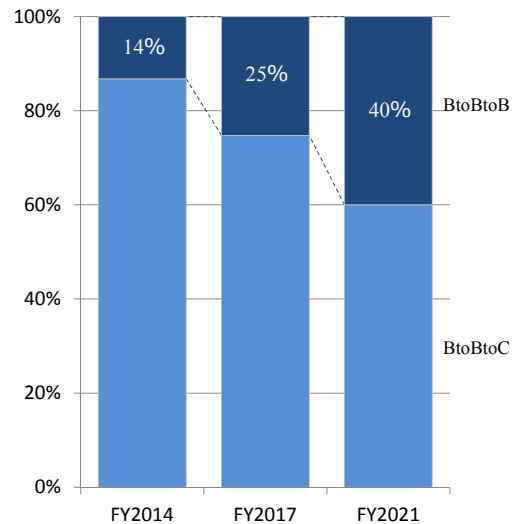
**Increase the number of clients for smartphones in China**

- 2014 2H: 15 companies → 2015 2H: 25 companies
- Establish sales company in South China area
- Strengthen design scheme

**Strengthen marketing scheme for the sales of automotive applications**

- Europe: Recruit head of marketing / managers
- China : Assign representative in Shanghai area
- Japan: Assign field engineers in Shibaura office

Transition of Business Portfolio

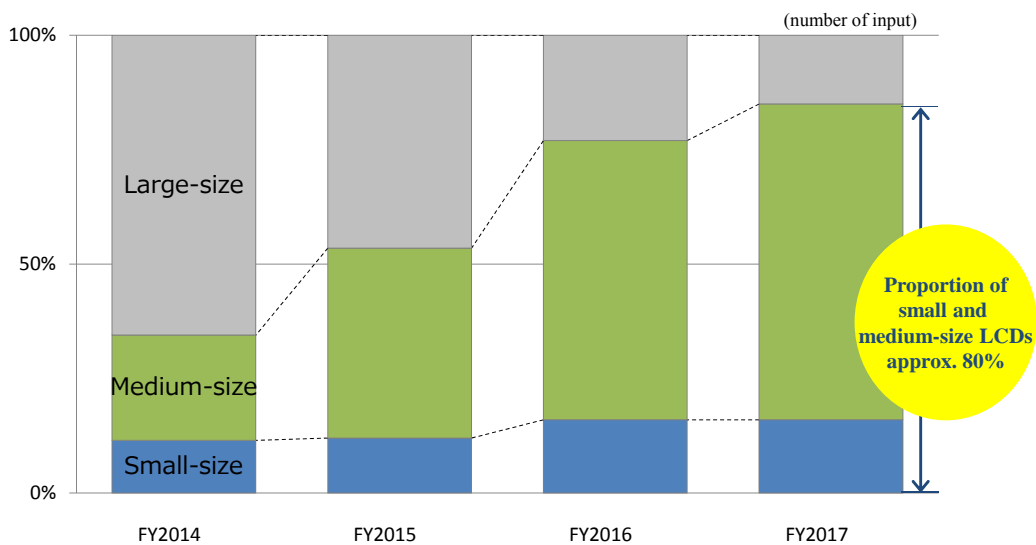


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## Expansion of the Proportion of Small- and Medium- Size LCDs in Kameyama Plant No.2

Transition of proportion of LCD-sizes in Kameyama Plant No.2



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## Lowering the Break-even Point to Adapt to Sales Fluctuation Risks

Lower the break-even point to adapt to sales fluctuation risks by reducing fixed costs with structural reforms in addition to promoting cost innovation projects

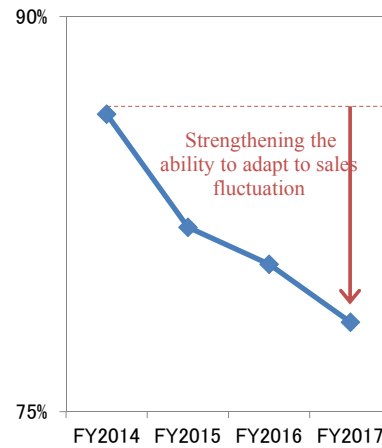
### Reduction of fixed cost

- Reducing burden of depreciation by recording impairment loss of Kameyama Plant and Mie Plant

### Reduction of variable cost

- Promote cost reduction projects for entire supply chain
- Promote development procurement / strategic procurement
  - Improvement of production efficiency
  - Automation of latter half production process
  - Reduction of distribution cost, etc.

Break-even point ratio

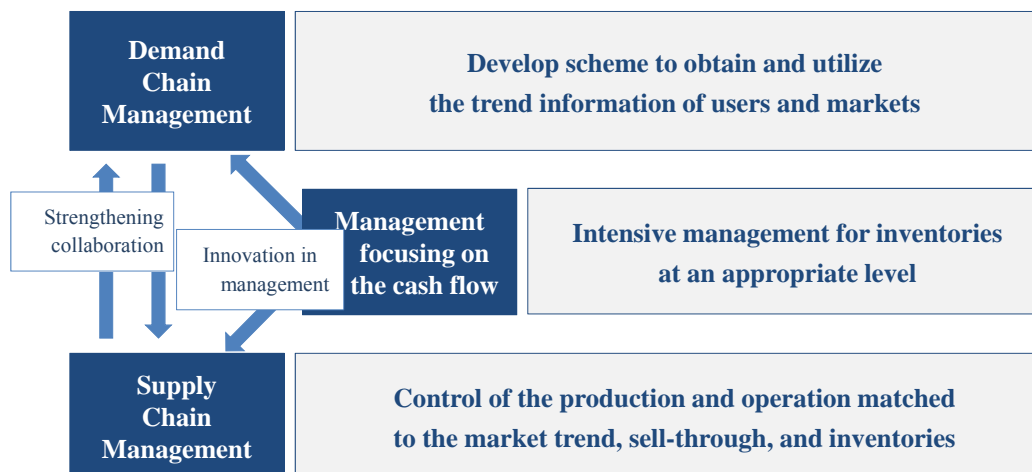


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## Strengthening the Chain Management

Strengthen chain management focusing on the cash flow to adapt to rapid changes in the market of “BtoBtoC business” including smartphones with short management cycle



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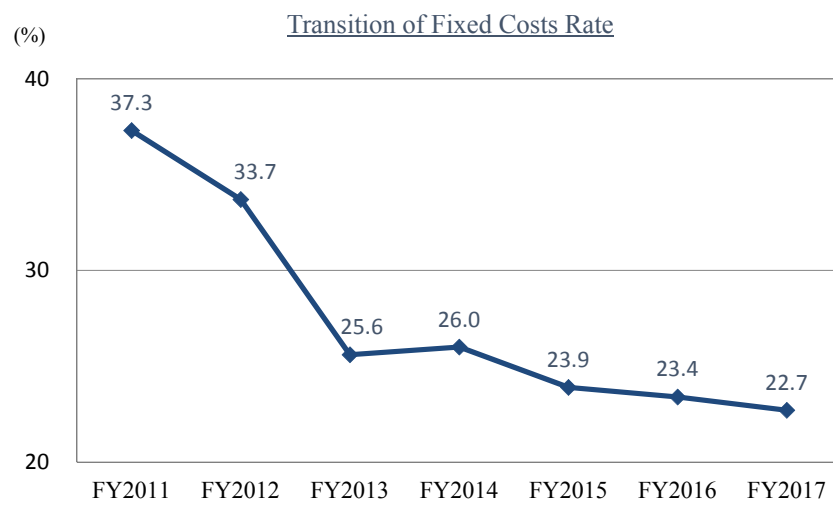
## II. Reduction of Fixed Costs

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### Target of Fixed Costs Reduction

We will strive to implement fundamental innovation for the excessive fixed costs which may disturb improvement of profitability in the future, and to regenerate fundamental strength to innovate the business



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## Measures to Reduce Fixed Costs

Voluntary retirement,  
reduction of personnel by downsizing of overseas bases  
(approx. 10% of global personnel, including voluntary retirement of  
approx. 3,500 personnel)

Streamlining headquarter, disposal of headquarter (building /  
real estate)

Innovation of business structure/ business bases

Measures to induce immediate personnel cost  
( reduction of salaries/ bonuses in Fiscal 2015)

+

Continue to reinforce robustness of the business

Effect of  
profitability  
improvement  
for FY2015

Approx.  
28.5 billion yen/  
year

36% of  
80 billion yen  
Operating Income (plan)  
of FY2015

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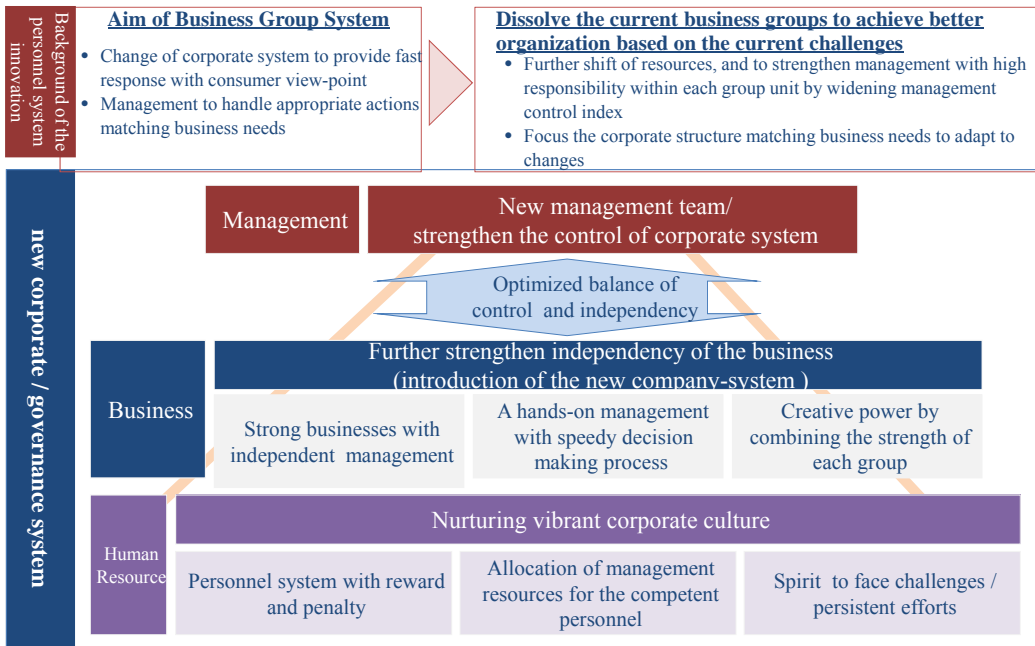
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## III. Reorganizing Corporate Structure and Strengthening Corporate Governance

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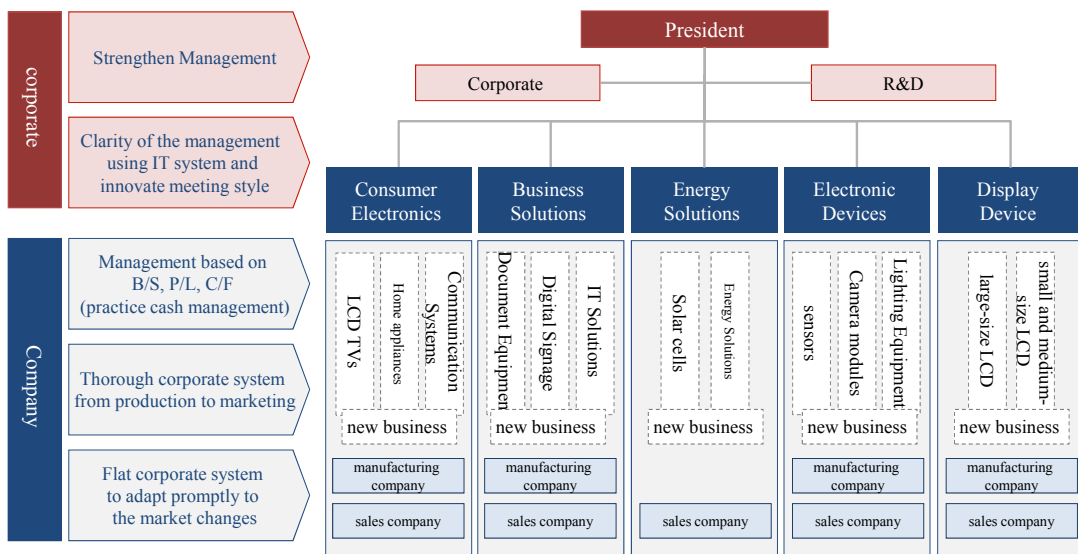
# Basic Concept of Corporate / Governance System Innovation



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# Aim of the Company-system

Balance the reinforcement of the control in corporate system and self sufficient companies to speedup the management process



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## Fundamental Innovation in the Personnel System

For the recovery of the company, we will strive to innovate personnel system to offer opportunities and best working conditions for the personnel performing important role in the company to compete in each business categories

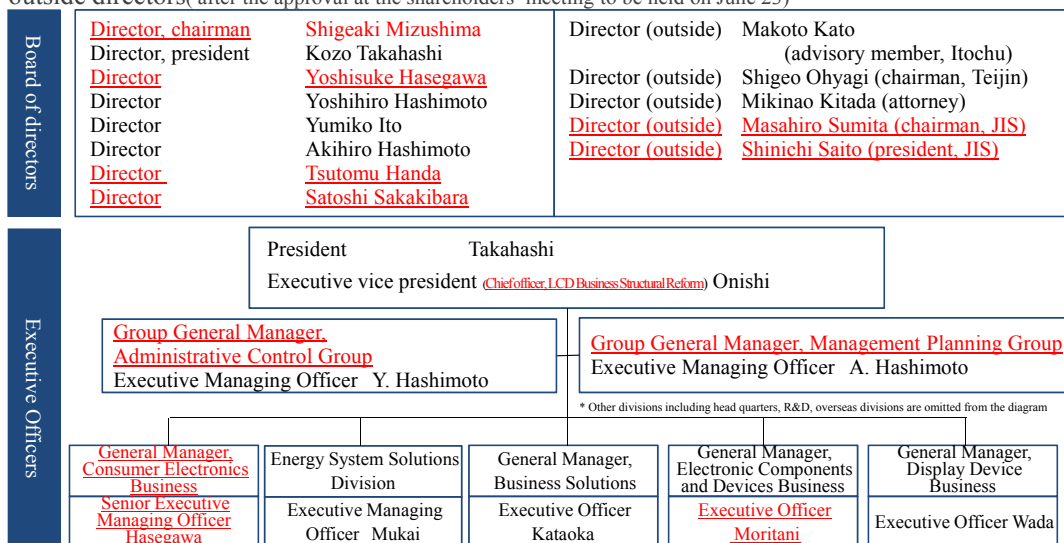
<b>Review of class and reward system</b>	Class and reward to be determined by the level of responsibilities and tasks
<b>Optimize working conditions</b>	Provide appropriate working condition based on the roles, job types, local standard, achievements, and contributions
<b>Thorough personnel system based on the ability</b>	Promotion of personnel with high abilities regardless of age, nationality, or gender
<b>Change to more flat and simple structure</b>	Flat corporate system, simplified process to eliminate unnecessary tasks to speed up the process, and clarification of the authority and responsibilities

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## Innovation of Management Scheme

Shift to 5 businesses prior to the introduction of company-system(to be appointed on June 1)and strengthen the governance by clarification of the management responsibility and extending outside directors( after the approval at the shareholders' meeting to be held on June 23)



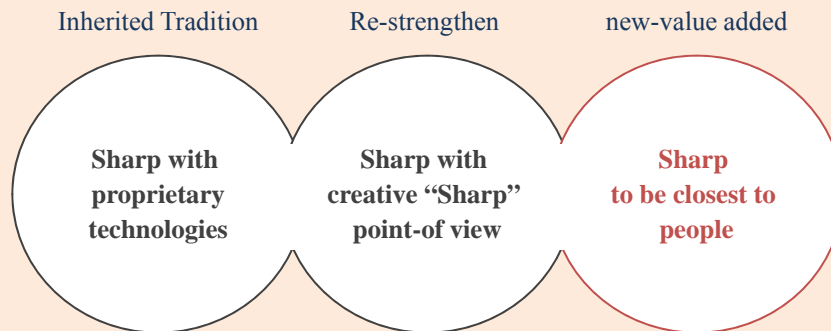
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red fonts: newly appointed / change in titles

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## Direction of Sharp's Future

**Company strives to provide new values matching the consumer needs**



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### Forward-Looking Statements

This presentation material contains certain statements describing the future plans, strategies and performance of Sharp Corporation and its consolidated subsidiaries (hereinafter "Sharp"). These statements are not based on historical or present fact, but rather assumptions and estimates based on information currently available. These future plans, strategies and performances are subject to known and unknown risks, uncertainties and other factors. Sharp's actual performance, business activities and financial position may differ materially from the assumptions and estimates provided on account of the risks, uncertainties and other factors. Sharp is under no obligation to update these forward-looking statements in light of new information, future events or any other factors. The risks, uncertainties and other factors that could affect actual results include, but are not limited to:

- (1) The economic situation in which Sharp operates
- (2) Sudden, rapid fluctuations in demand for Sharp's products and services, as well as intense price competition
- (3) Changes in exchange rates (particularly between the yen and the U.S. dollar, the euro and other currencies)
- (4) Regulations such as trade restrictions in other countries
- (5) The progress of collaborations and alliances with other companies
- (6) Litigation and other legal proceedings against Sharp
- (7) Rapid technological changes in products and services, etc.

\*Amounts less than 100 million yen shown in this presentation material have been rounded down.

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