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Medium-Term Management Plan for Fiscal 2015 through 2017

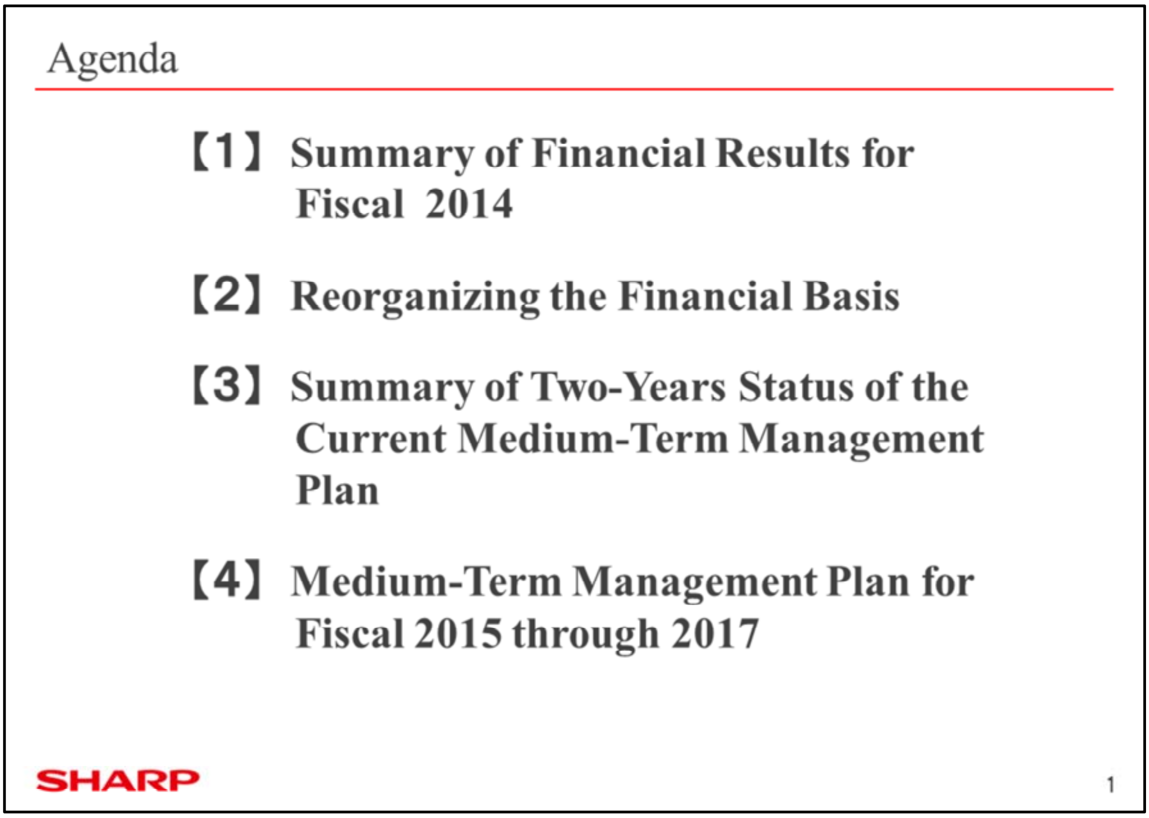
Establish the basis for stable profitability by execution of fundamental restructuring

May 14, 2015
Sharp Corporation

- Thank you all for attending our press meeting regarding our Medium-Term Management Plan.

- As you are all aware, Sharp is currently facing extremely harsh management circumstances from the second half of fiscal 2014. I sincerely apologize for causing concerns on our situation.

- With this Medium-Term Management Plan, we aim to “establish the basis for stable profitability by execution of fundamental restructuring,” and with today’s announcement we would like to restart our steps toward recovery.



- Details will be explained based on the slides.

【1】Summary of Financial Results for Fiscal 2014

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- First, the summary of financial results for Fiscal 2014 will be explained.

- Since we have limited time, I will make my explanation brief. Details are explained in the financial material announced today.

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	3Q	4Q	2H	Difference from 1H	Full Year	Changes (Y on Y)
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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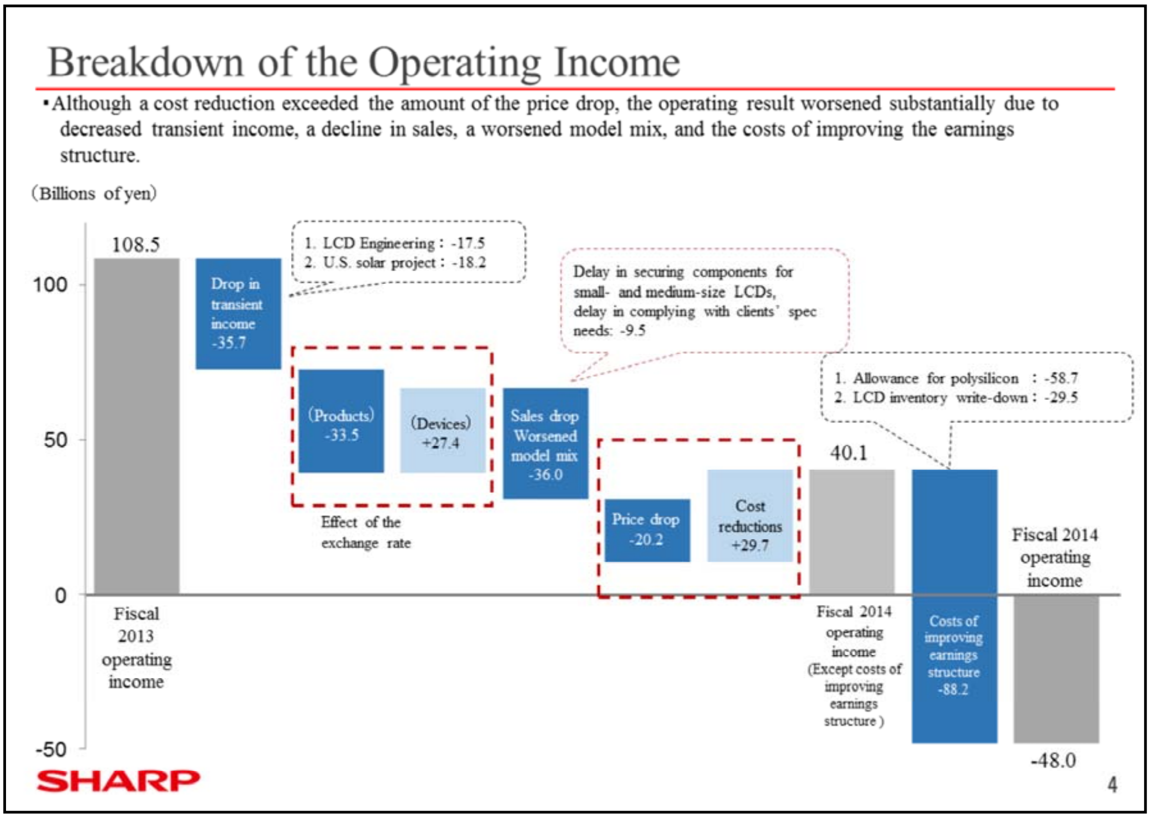
- As a summary of our FY2014 consolidated financial results,
  Net sales were 2,786.2 billion yen, 95.2% to last fiscal year,
  Operating loss was 48 billion yen,
  and net loss was 222.3 billion yen, recording under-performing results for the second time since Fiscal 2012.



- This is an analysis chart comparing the difference of operating income (loss) in Fiscal 2014 from Fiscal 2013.

- Although cost reduction exceeded the impact of price decline, temporary income from LCD engineering business etc. diminished, and deterioration in profitability due to decrease in sales and inadequate model mix etc. impacted considerably to drop profitability to 40.1 billion yen in Fiscal 2014, approximately 40% of the last fiscal.

- In addition, by including “allowance for the price difference in long-term contract of polysilicon materials” and “write-down of small and medium-size LCD inventories” as earnings improvement costs, 48 billion yen operating loss was reported.

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	Fiscal 2014				
	Full Year	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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- Extraordinary Items in Other Expenses, Income Taxes, etc.

- 99.5 billion yen impairment loss at Kameyama and Mie LCD plants, Solar Plant at Sakai, and Fukuyama / Mihara electronic device plants were reported, and 6.5 billion yen extraordinary expenses for restructuring charges etc. in overseas LCD TV business were reported in 4Q.

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	Difference from estimate	(including) Improvement of earnings structure/ restructuring cost	Result (except cost of improving earnings structure and restructuring cost)	Difference 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 polytsilicon 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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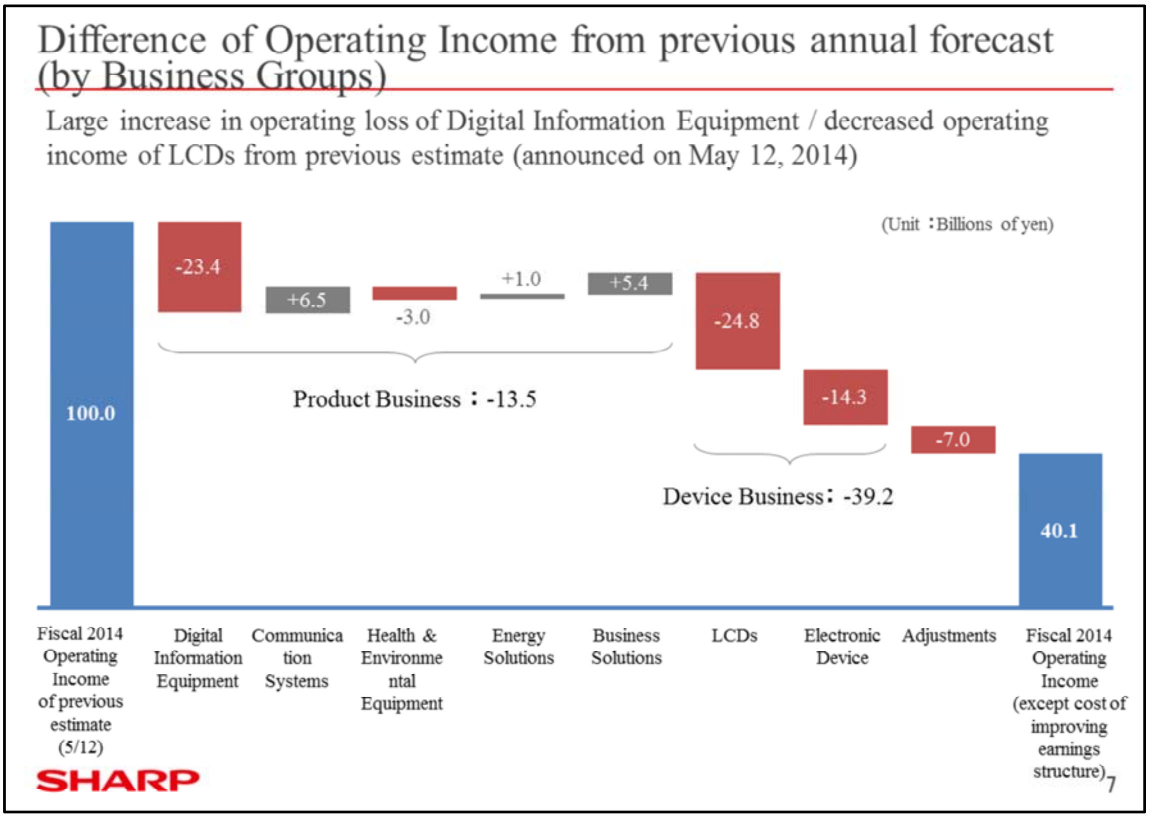
- Difference from fiscal forecast announced at Third Quarter Ended December 31, 2014.

- Besides the earnings improvement costs and restructuring charges that were not included at the third quarter, operating income ended 40.1 billion yen to the forecasted 50.0 billion yen, and net loss 30.5 billion yen was reported against the forecasted net loss of 30.0 billion yen.



- Difference from previous annual forecast of operating income announced in May 2014 by Business Group.

- LCDs and Digital Information Equipment both ended over 20.0 billion yen short, becoming the main factors of the rapid deterioration in business results.

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
		Total assets	2,181.6	1,961.9	-219.7
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
		Total liabilities	1,974.5	1,917.3	-57.1
	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
		Total net assets	207.1	44.5	-162.6
	Total liabilities and net assets		2,181.6	1,961.9	-219.7
		Equity ratio	8.9%	1.5%	

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- Balance sheet as of end of March 2015.

- Interest-bearing liabilities are steadily cut down, while inventory has largely increased, impacting cash flow.

- By executing further structural reorganization, net assets are damaged from the previous year-end 207.1 billion yen to 44.5 billion yen, decreasing equity ratio down to 1.5%.

- We sincerely acknowledge Sharp is under an extremely severe situation both capital and asset wise.

【2】Reorganizing the Financial Basis

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- Based on the explained situation, Sharp will work on reorganizing the basis of finance in order to “recover reliability” and “create a solid foundation for recovery.”

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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- Total 225.0 billion yen preferred share will be issued with the consent of the shareholders meeting.

- Mizuho Bank, Ltd. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sharp's main financial institutions, will invest preferred share of 200.0 billion yen, which will be used for repayment of debt.

- In addition, Japan Industrial Solutions Fund I, a new external third party, will invest preferred share of 25.0 billion yen. This fund will be applied for future business growth investment in LCDs, Health and Environment, and Business Solutions areas.

- The preferred shares are designed to be payable in cash as well, aiming to avoid dilution of shares as much as possible.

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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- With the issuing of preferred share, the Balance Sheet will be reorganized to prepare for agile capital reinforcement, and our capital will be reduced to 500 million yen.

- However, this decrease is simply an accounting conduct compensating capital, capital surplus and retained earnings, and it will not directly reduce net asset amount per share or damage corporate value.

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

- Next is a summary of the past two-years status of the current Medium-Term Management Plan announced in May 2013.

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	Fiscal 2014 2H	Fiscal 2014 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 main consolidated business targets are described.

- In Fiscal 2013, the announced plans were achieved across all items, and surplus was maintained into the first half of fiscal 2014, but a rapid deterioration in business records can be seen from the second half.

Achievement Status of Operating Income by Business Groups

(Billions of yen)

	2 years in total			
	Current Medium-Term Management Plan	Result	Difference	Difference by factors
Digital Information Equipment	12.0	-4.5	-16.5	• increased price competition in the large-size TV market especially in North America and China
Communication Systems	13.0	20.4	+7.4	
Health & Environmental Equipment	40.0	36.9	-3.1	
Energy Solutions	7.0	-30.2 (28.5*)	-37.2 (+21.4*)	• Steady orders from industrial-use market • High cost caused by the issues including polysilicon long-term contract
Business Solutions	45.0	61.9	+16.9	
LCD	88.0	42.1 (71.6*)	-45.9 (-16.4*)	• Rapid change in the market environment by the escalation of competition between client companies • Inadequacy in marketing, unable to keep up with the market changes • Delay in adapting to the various applications
Electronic Devices	27.0	3.9	-23.1	• Prompt restructuring resulted to turn the business to profit from 2Q of Fiscal 2014

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

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- Achievement Status of operating income (loss) by Product Group.

- Digital Information Equipment reported losses after suffering harsh competition of LCD TVs business mainly in North America and China. Result against plans was 16.5 billion yen short.

- Energy solutions achieved plans excluding earnings improvement costs, but long-term contract of polysilicon materials burdens overall material costs, causing chronic losses.

- LCDs maintain steady surplus, but 45.9 billion yen discrepancy occurred against plans. The largely variable current business structure is an issue.

- For Electronic Devices, although there are discrepancies, restructuring measures have been made with effects appearing. Details will be explained separately.

Summary (Achievements and Challenges)

	Items	Details
Achievement	Improvement in the restructuring of the current business portfolio	• Completion of structural reforms of the consumer electronics business in Europe • Structural reform of the solar cells business in Europe
Achievement	Implementation of capital reinforcement	• Capital increase through a public offering / capital increase by third-party allotment
Achievement	Steady reduction of interest-bearing liabilities	• Disposal of the business (Sharp's subsidiary company; U.S.-based developer of solar projects) • Disposal of assets including holding stocks and real estate
Challenges	Weakness in adapting to the changes with speedy action	• 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
Challenges	Delay of launching business in growth areas	• Weakness of new concept products in current business • Delay in the incubation of new businesses
Challenges	Weakened cost competitiveness	• Weakness of cost innovation to adapt to escalating market competition (mainly LCD TVs , small and medium-size LCDs)
Challenges	Insufficient corporate governance and business management	• Weakness of foresight management by detecting management risks including changes in the inventories and sales decline

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- Summary of achievements and issues from the current Medium-Term Management Plan is shown.

- Various achievements were accomplished, including progress in restructuring business portfolio centering end of under-performing businesses including TV business in Europe, enhancing equity finance through public offering etc., and steady reduction of interest-bearing liabilities by business and assets disposal.

- Meanwhile, we understand the rapid deterioration in business records for the second half of fiscal 2014 as explained has been caused by essential issues of our weakness in adapting to the changes with speedy action, delay of launching business in growing areas, weakened cost competitiveness, and insufficient corporate governance and business management.

- Therefore, in the new Medium-Term Management Plan, we recognize it is crucial to resolve these four issues.

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

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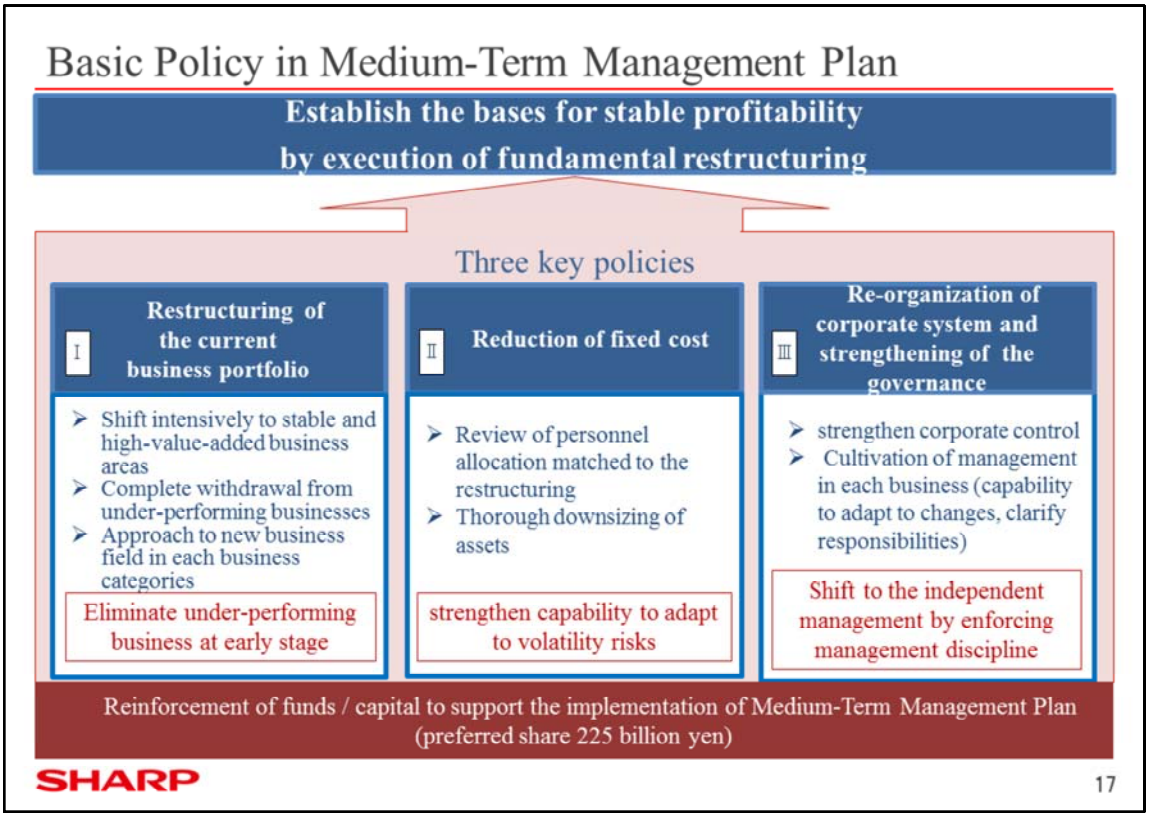
- Medium-Term Management Plan for Fiscal 2015 through 2017 will be explained from here.



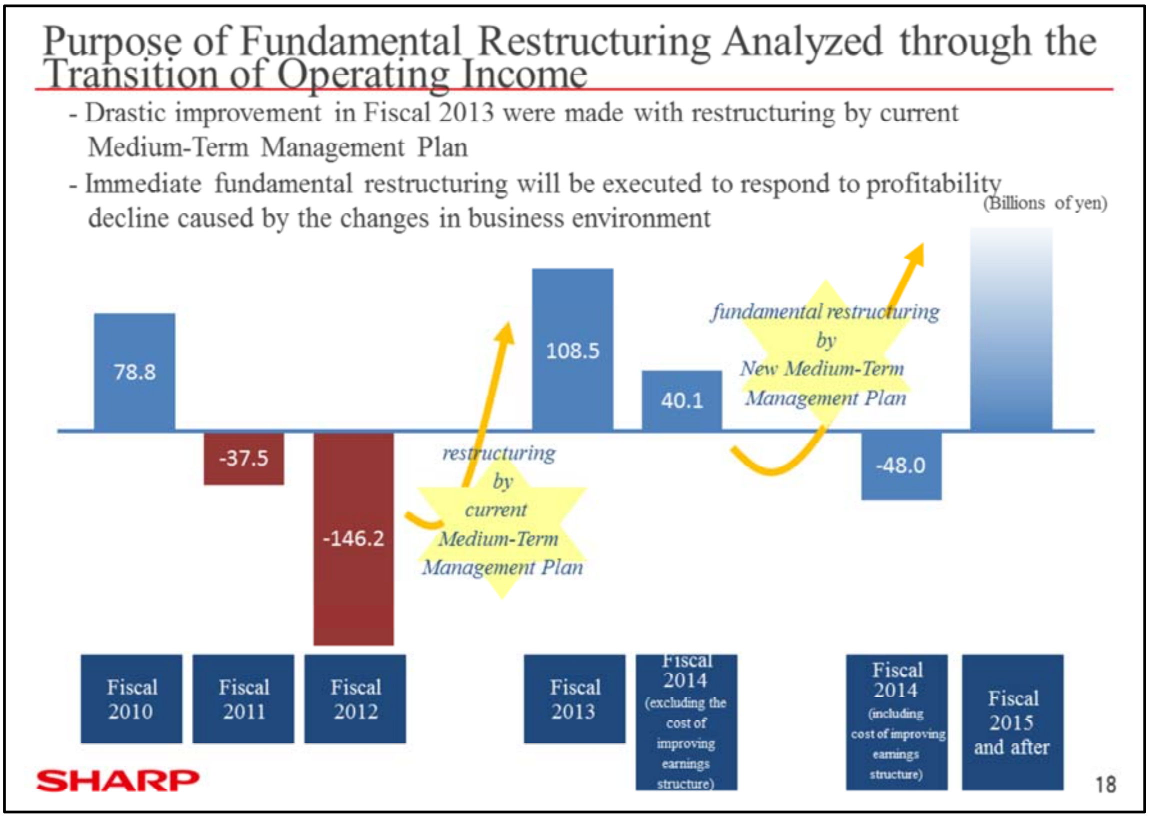
- Basic policy in Medium-Term Management Plan is shown.

- First is restructuring of business portfolio.
  With complete withdrawal from under-performing businesses, shifting resources to growing areas, and approach to new business fields in each business categories, a more stable and high-value-added business structure will be formed.

- Second, by executing fundamental fixed cost reduction, correspondence to various risks such as sudden drop in demands and harsh competition will be strengthened.

- Third, by strengthening corporate structure and governance, self-disciplined management in each business will be realized.

- Strengthening our financial basis as explained will become the foundation to support these policies, and by executing these basic policies, Sharp aims to "establish the basis for stable profitability by execution of fundamental restructuring."



- The purpose of reviewing our Medium-Term Management Plan at this timing is explained by analyzing the transition of operating income (loss).

- By executing the current Medium-Term Management Plan, rapid recovery was achieved in Fiscal 2013, but in Fiscal 2014, with competition increasingly growing harsh, despite surplus was achieved in real, profitability is diminishing.

- Therefore, in order to structure a stable business basis that does not vary depending on changes in business environment, we decided to execute fundamental structural reforms immediately.

- By accomplishing this structural reform, we believe a more certain path toward recovery will open.

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

Fundamental restructuring → Surplus in all business unit → Establish bases for full-scale growth

(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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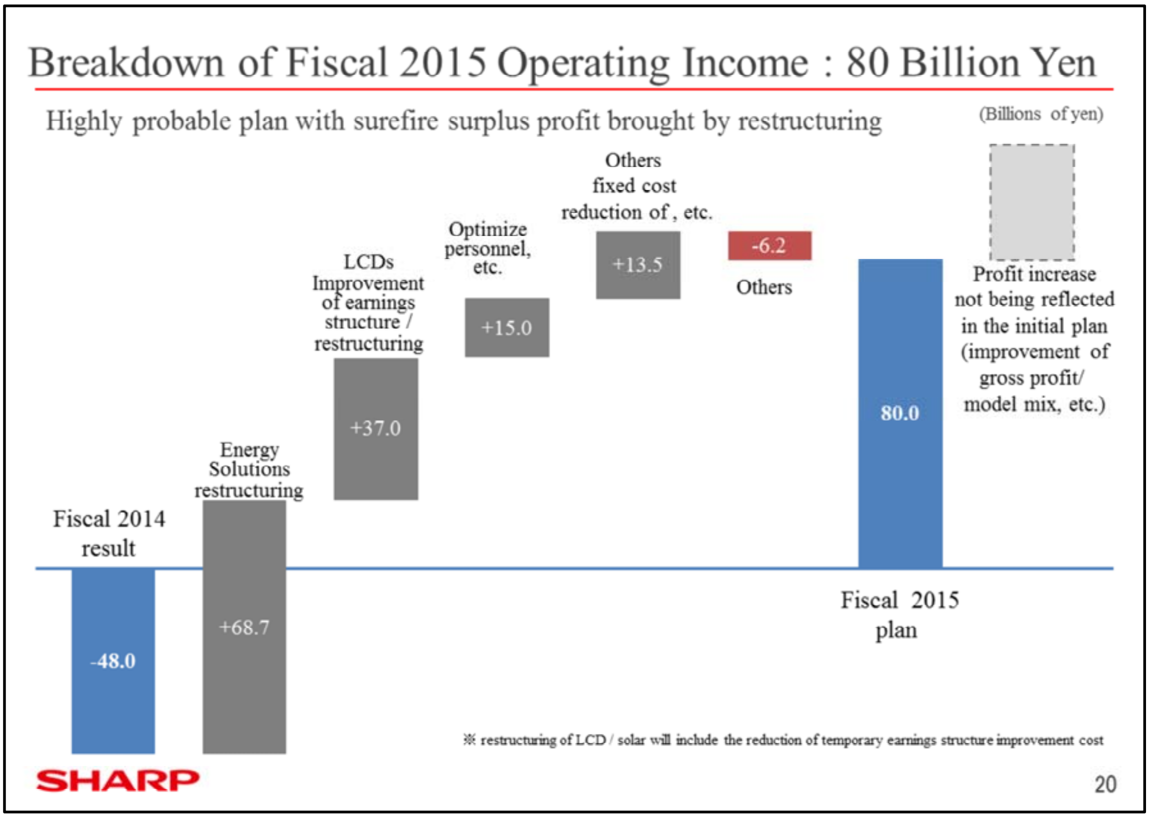
- This slide explains our roadmap for the upcoming three years.

- We are forecasting 80 billion yen operating income in Fiscal 2015. Meanwhile, for net income, we will announce separately as soon as alliances and structural reform plans are specified.

- We will realize operating income 100 billion yen and surplus in net income for Fiscal 2016, and operating income 120 billion yen and 4% operating income rate for Fiscal 2017, and establish the basis for full scale growth in Fiscal 2018 and on.



- This slide shows the breakdown of operating income for Fiscal 2015 which will become the test to accomplish the Medium-Term Management Plan.

- Just with the effects from reduction of temporary earnings improvement cost in Fiscal 2014, restructuring costs for Energy Solutions and LCD, and optimization of personnel etc., 80 billion yen operating income is expected to be accomplished in Fiscal 2015.

- Since model mix of each business profitability improvement plans are not included here, it is made a highly probable plan to achieve.

Ⅰ. Re-organizing Business Portfolio

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- The three basic policies will be explained.

- First is Re-organizing Business Portfolio.

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 Communication Systems Health & Environmental 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
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
Product BG	Office Solutions Business 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
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
Device BG	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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- The current corporate structure including 2 business groups and 8 business units will be re-built into 5 companies to restructure business portfolio.

- The concept of re-organization will be explained here, and the direction of each company and structure design will be mentioned later.

- For Consumer Electronics, new business / products will start up utilizing the merging effect of Digital Information Equipment / Communication Systems/ Health & Environmental Equipment businesses, while cutting in to unprofitable businesses.

- For Energy Solutions, turnover of business model will be progressed aggressively, while reducing excess fixed cost at the same time, and recover profitability.

- For Business Solutions, by focusing resources aggressively, profitability will be maintained and net sales will be expanded.

- For Electronic Component and Device, featured proprietary technologies will be applied to shift to higher-added-value business areas.

- For Display Device, pursuing added-value with innovative technology and reducing business volatility risk will be worked on with top priority.

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%
Total	2,786.2	-1.7%	3,000.0	2.5%	4.0%

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

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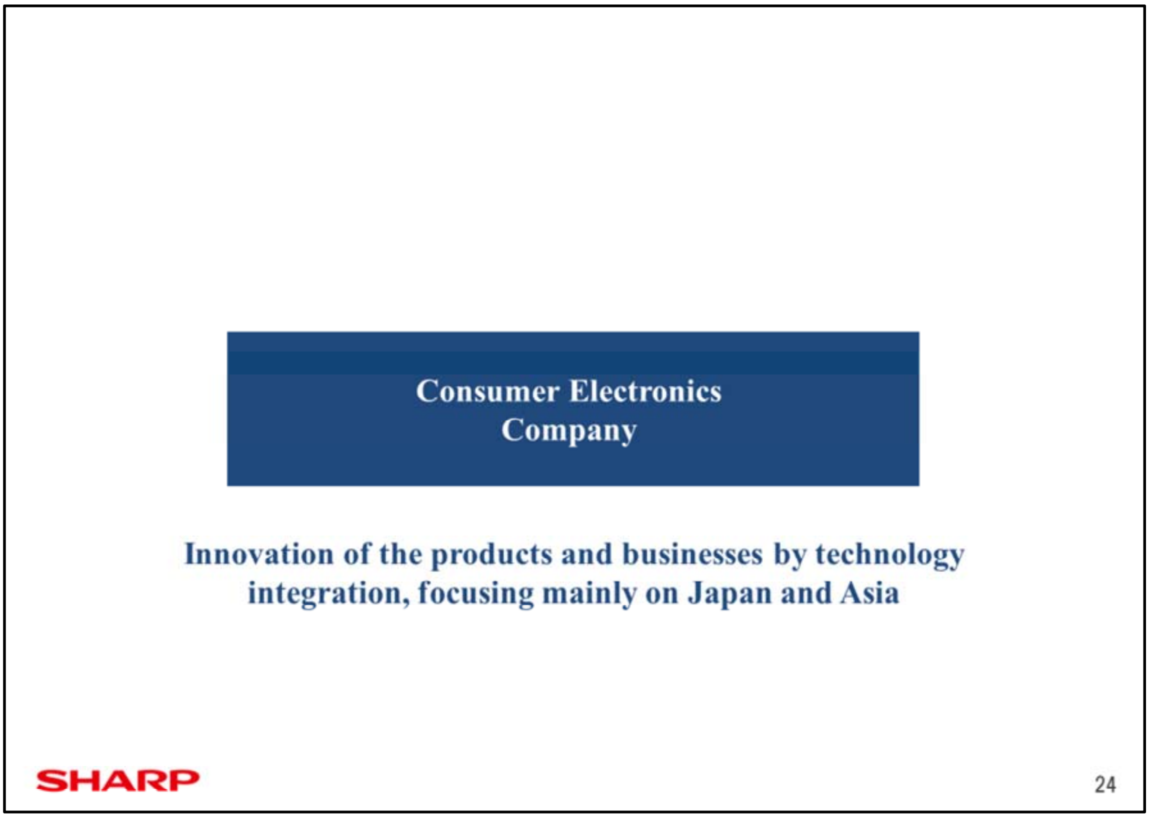
- Plans for Fiscal 2017 by Company are shown.

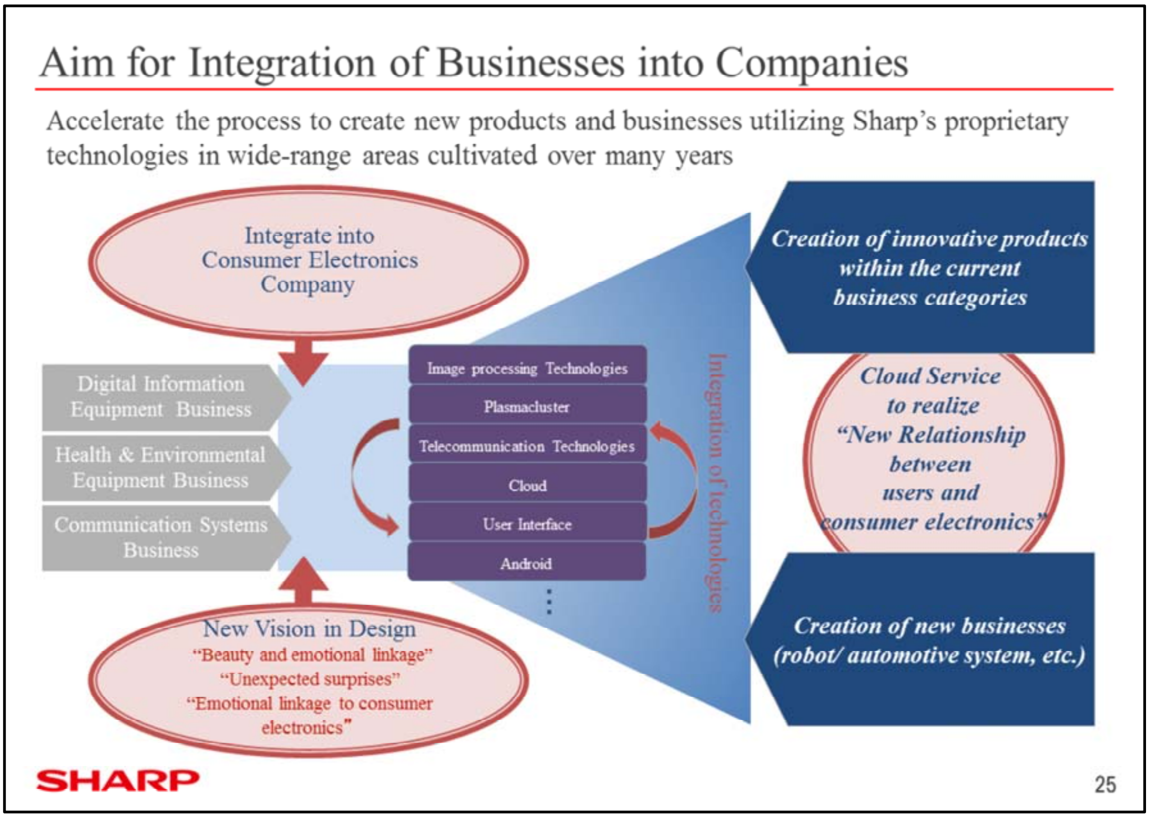
- Average 5% per year growth in Display Device Company and Business Solution Company is planned, followed by above 4% average annual growth by the Electronic Component and Device Company.

- Consumer Electronics Company and Energy Solutions Company will target secure profitable business structure than merely pursuing higher net sales.



- From hereon, the action plans of each company will be explained.

- First, the Consumer Electronics Company targets “Innovation of the products and businesses by technology integration, focusing mainly on Japan and Asia.”

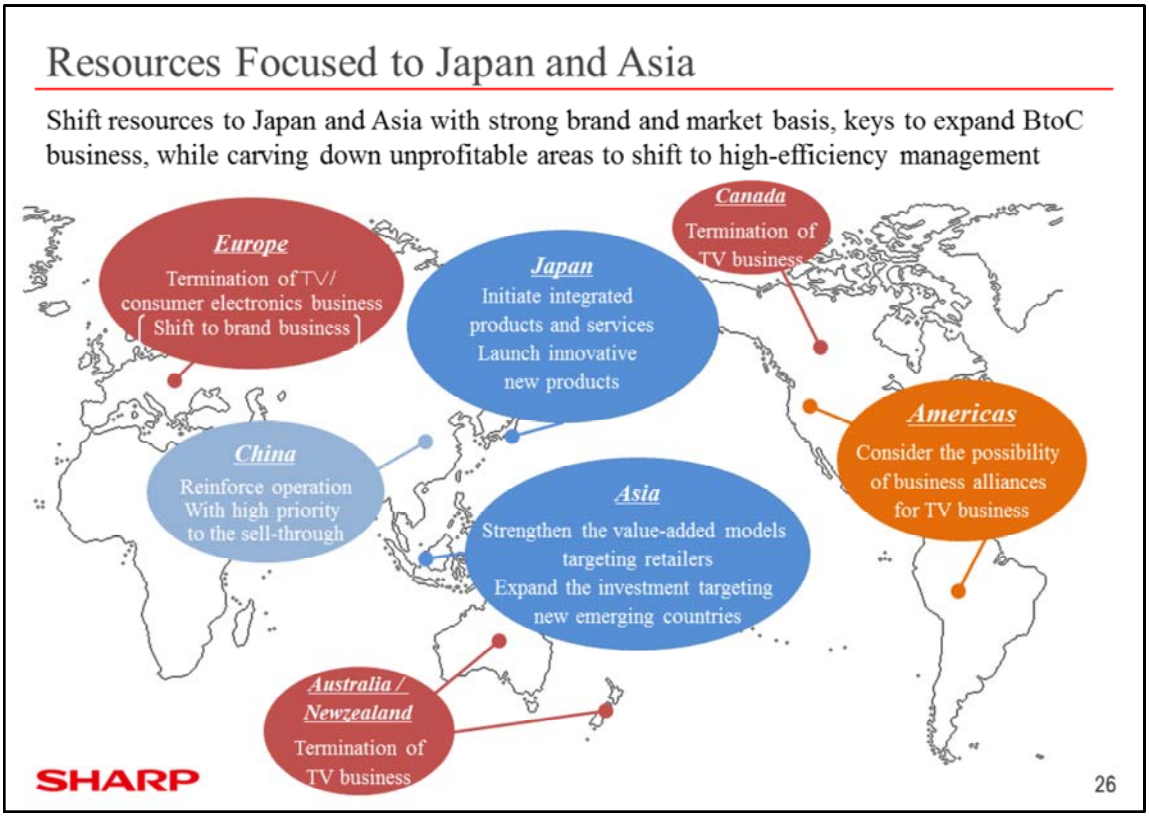


- The aim of establishing this company is to utilize our wide-range of technologies to create new products and businesses, rather than merely continuing the current businesses.

- As we are entering a full-scale era of IoT, various items in the consumer electronics area will be designed to be connected to the internet.
  As Sharp has technology of TVs, home appliances, and telecommunications, we view this as a business opportunity to provide cloud service together with hardware and propose "a new connection between people and home appliances" with high added-value convenience.

- We are confident such actions will lead to innovating existing category products and creating new businesses.

- Product design will be fully renewed as well. We are working on a new vision based on the concepts of "beauty and attachment" "unexpected surprise" "emotional connection with consumer electronics." Details will be announced on a separate occasion.

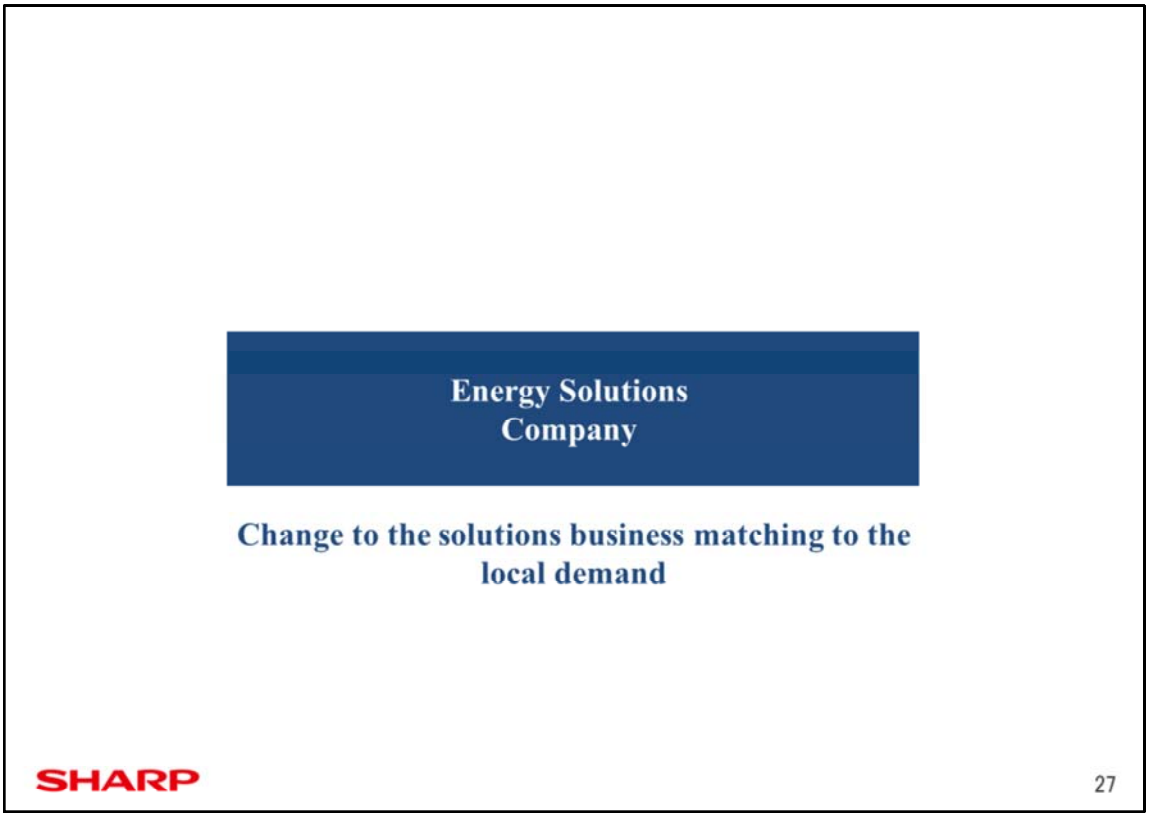


- This slide explains activities in each area. Resources for branding and sales route development will be concentrated in Japan and Asia where we can express our superiority.

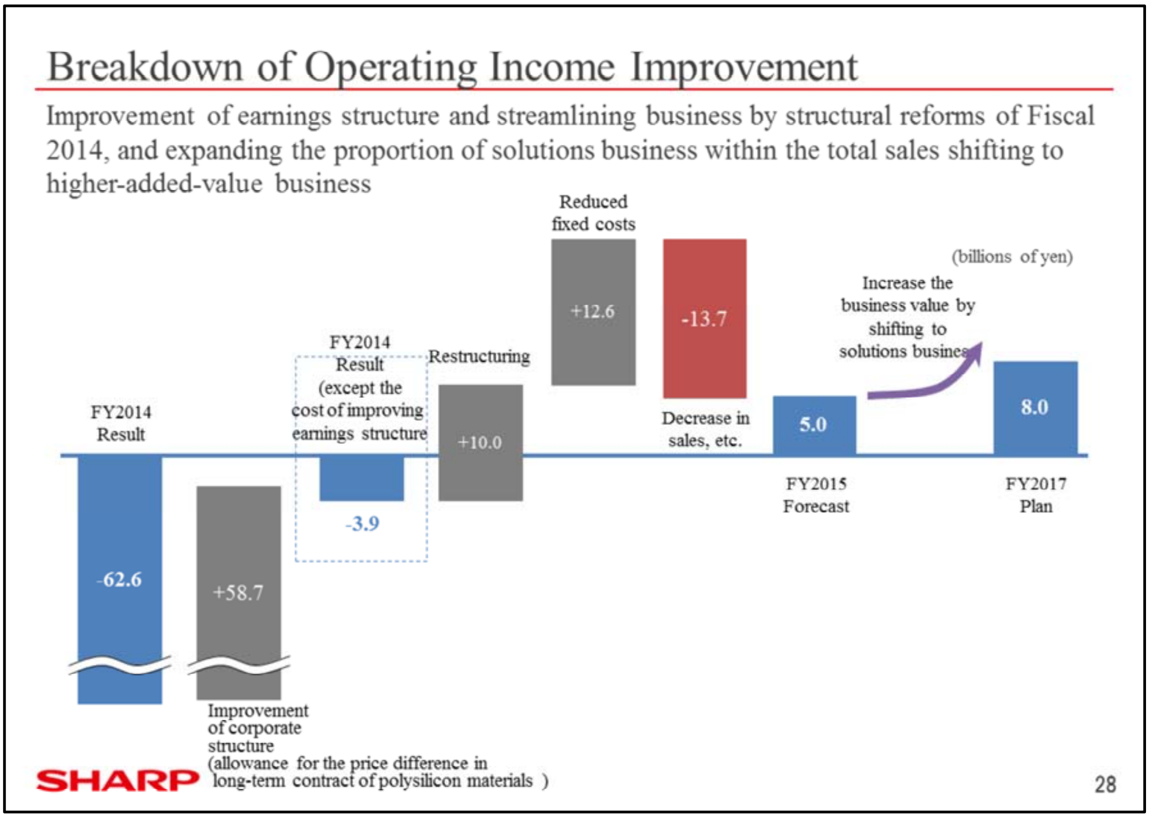
- In Japan, we will start up new products and businesses integrating with cloud services, and introduce new products like the tea maker which is well accepted by our customers that are not yet available in the world.

- In Asia, we will reinforce mainly the Health and Environment business by expanding lineup of high-added-value models to cover retailer sales, and invest aggressively in new emerging countries such as Myanmar and Cambodia.

- Meanwhile, regarding the LCD TV business, business in Canada, Australia and New Zealand will be terminated, following Europe, and structural reform on manufacturing and sales in America will also be worked on, including alliances, in order to achieve operating income surplus by 2nd Half of Fiscal 2015.

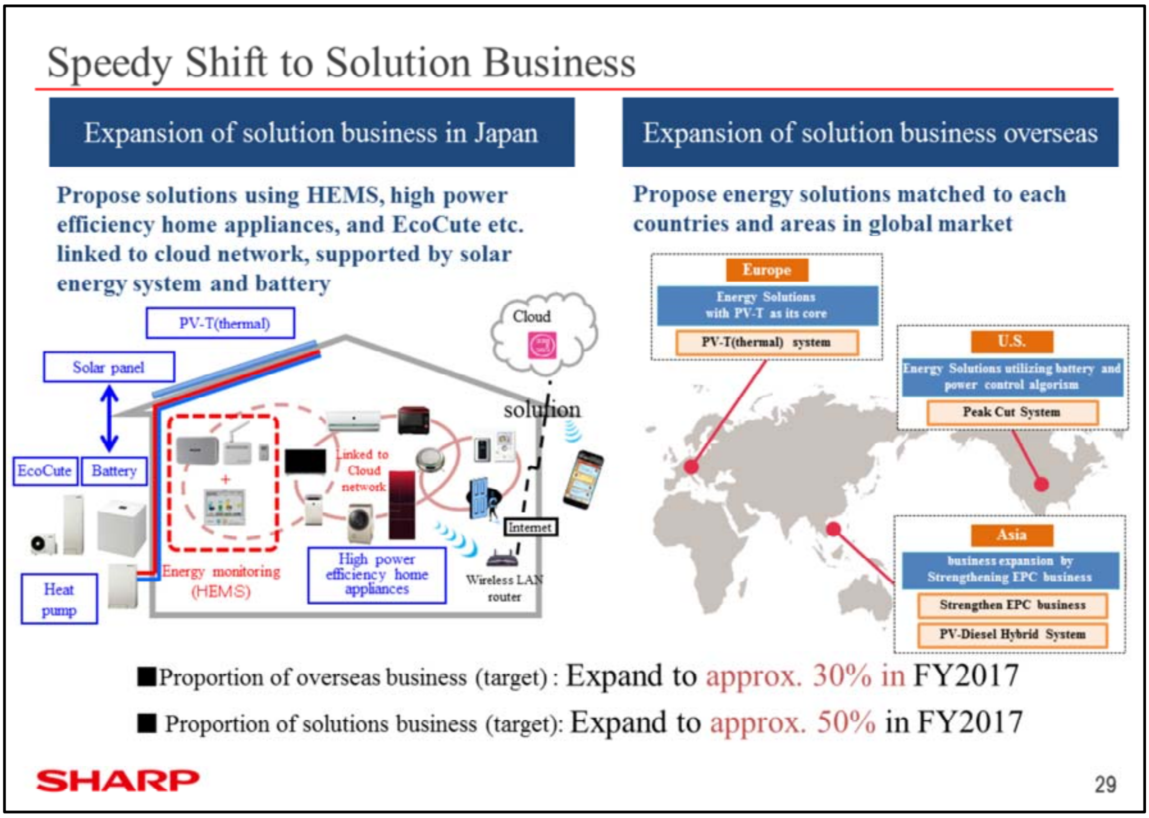


- Next, the Energy Solutions Company targets “Change to the Solutions Business matching to the local demand.”



- 3.9 billion yen operating loss was reported excluding earnings improvement costs in Fiscal 2014. With structural reform and reduction of fixed costs, 5.0 billion yen surplus is forecasted in Fiscal 2015, covering the decrease in gross revenue.

- In addition, by accelerating turnover to solutions business, we target 8.0 billion yen surplus in operating income.



- While stagnation in industrial solar power demands in Japan will continue, there is a large potential in the overall energy related market. By proceeding structural reform of existing panel business, expansion of solutions business and overseas business will be worked on.

- For the Japanese market, we will propose solutions based on solar power and storage battery system connecting HEMS, power saving home appliances, and EcoCute systems.

- Meanwhile, solutions based on each area's needs will be developed. Development of "PV diesel hybrid business" combining EPC business and diesel power generators for Asia, "peak-cut system" reducing electricity costs by cutting power consumption at peak times for U.S., and "PV thermal system" utilizing solar heat in Europe will each be reinforced.

- With these actions, overseas business ratio of 30% and solutions business ratio of 50% will be targeted.

Business Solutions Company

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

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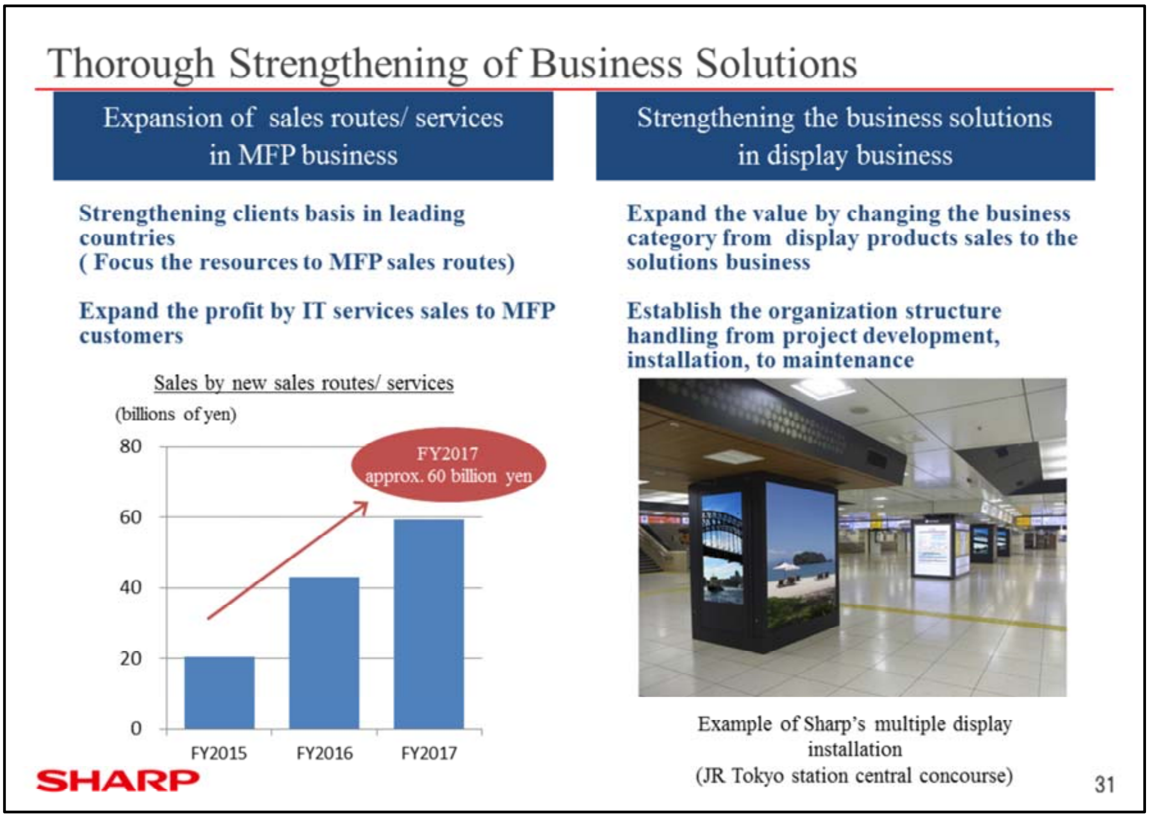
- Next, the Business Solutions Company targets “global development of solution utilizing existing products / customer basis and aggressive investment.”



▪ For MFP business, by expanding investment aggressively to sales routes, proposals for higher office operation efficiency combining MFP and IT services will be reinforced to expand net sales.

▪ For Display business, hardware sales were the main sales force, but in the future, an overall contract system to correspond from development to installment and services will be structured to increase solution sales ratio, and expand profitability.

Electronic Component and Device Company

Shifting to added-value areas centered by sensing technology

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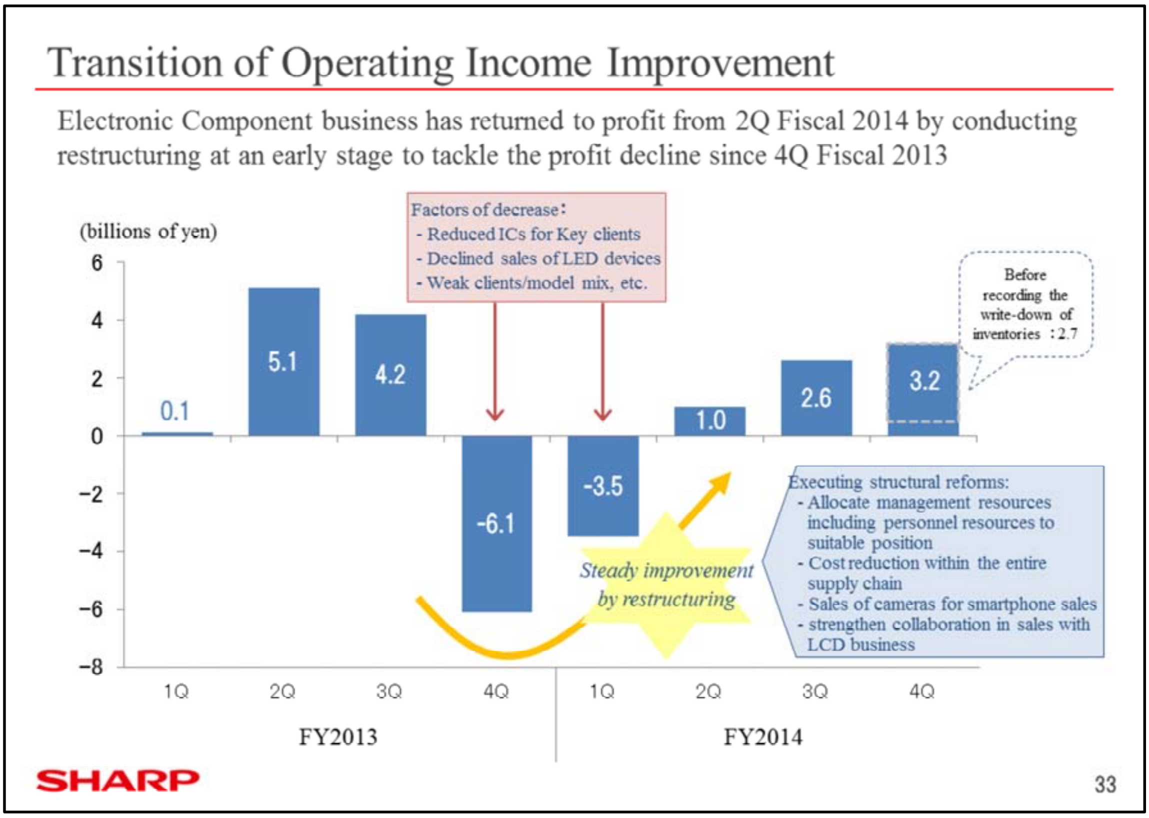
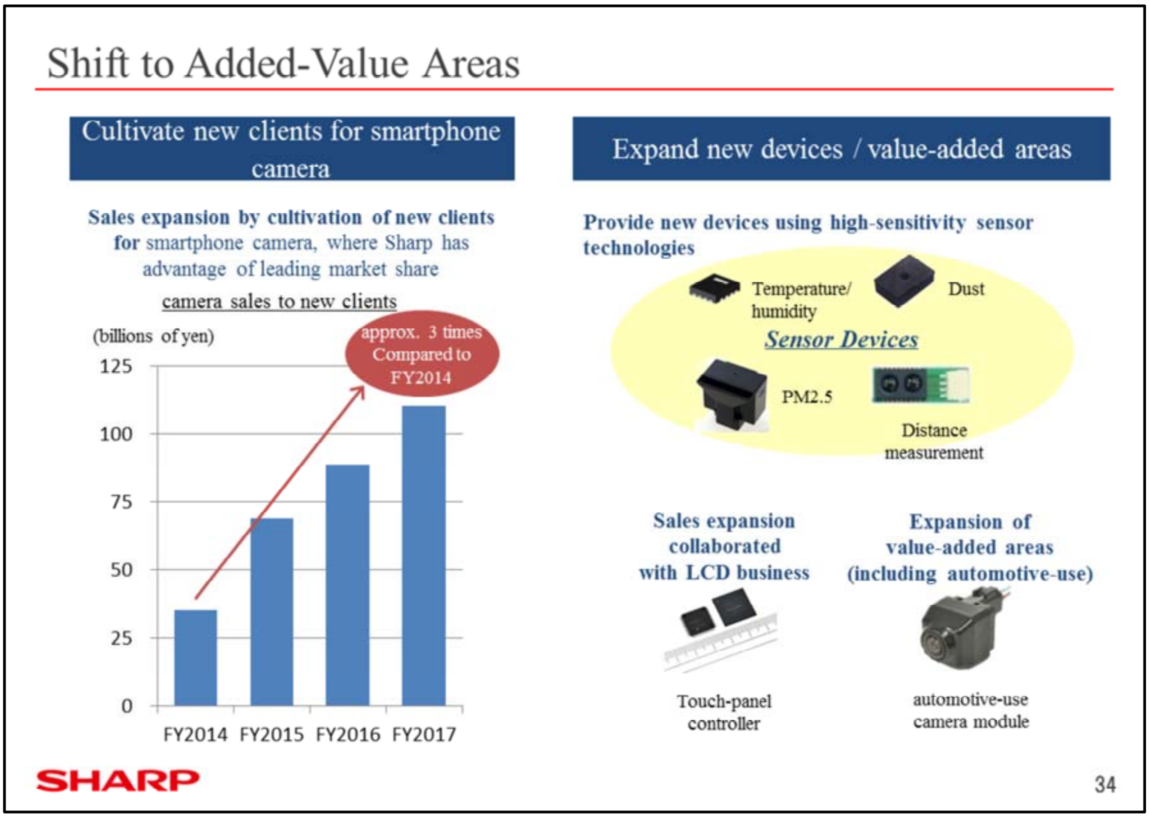
- Next, the Electronic Component and Device Company targets “shifting to added-value areas centered by sensing technology.”



- It was already explained in the section on operating income records by Product Group that structural reform effects are already appearing for Electronic Devices. This chart describes the quarterly transaction.

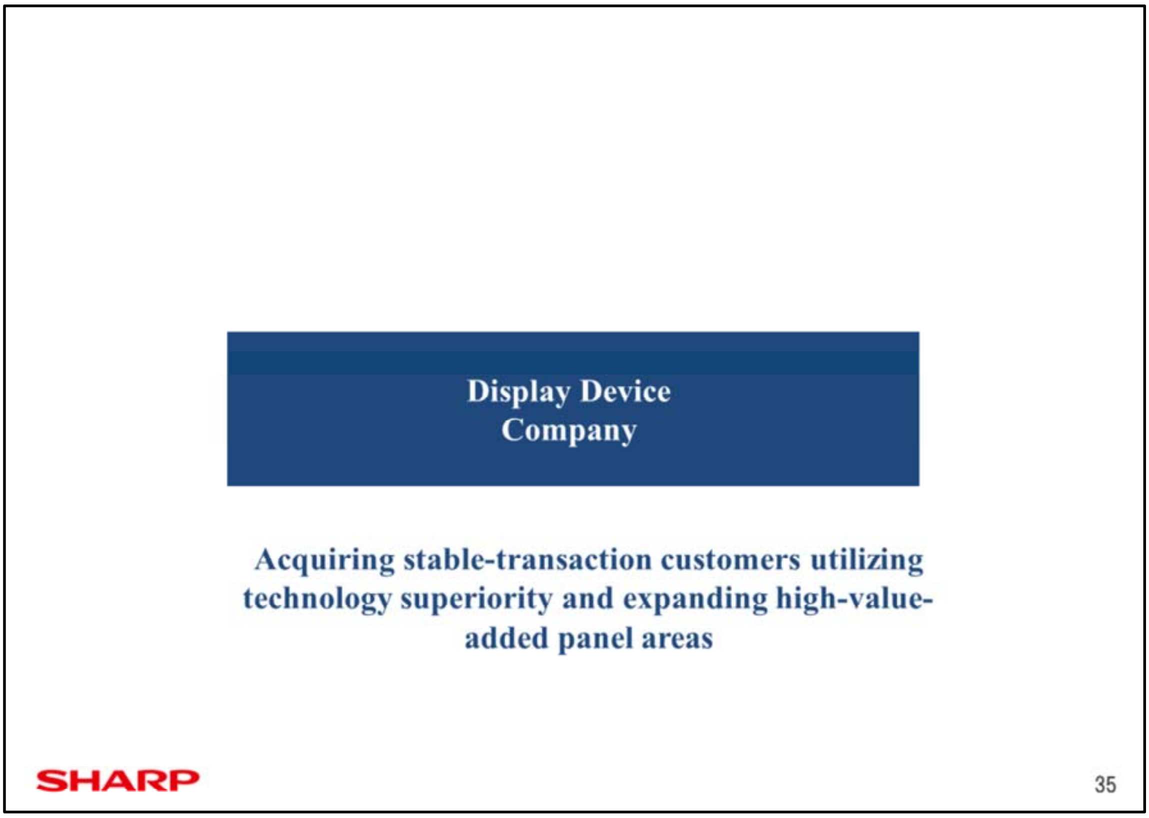
- Due to downfall of sales to customers with high profitability, operating loss was recorded in 4Q Fiscal 2013, but with immediate structural reforms, we recovered back to surplus by 2Q Fiscal 2014.



- From hereon, in order to further shift to added-value areas, “cultivating new customers for camera devices” and “expanding new device / high-added-value business areas” will be worked on.

- Sharp has the leading share in the industry for smartphone camera devices, but since specific customers weigh a large proportion of our business, we will aggressively work to expand our sales to new customers, and target 3 times the net sales of Fiscal 2014 by Fiscal 2017.

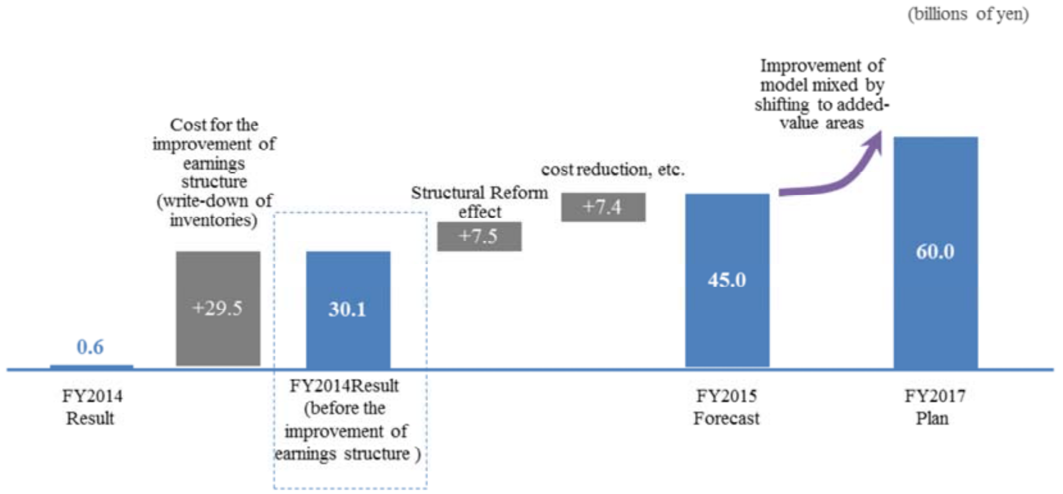
- Also, expansion of value-added areas including “PM2.5 sensors” and “distance measuring sensors” utilizing high sensitivity sensing technology and touch panel controllers and automotive cameras etc. with collaboration with LCD business.



- Last, the Display Device Company targets “acquiring stable-transaction customers utilizing technology superiority and expanding high-value-added panel areas.”

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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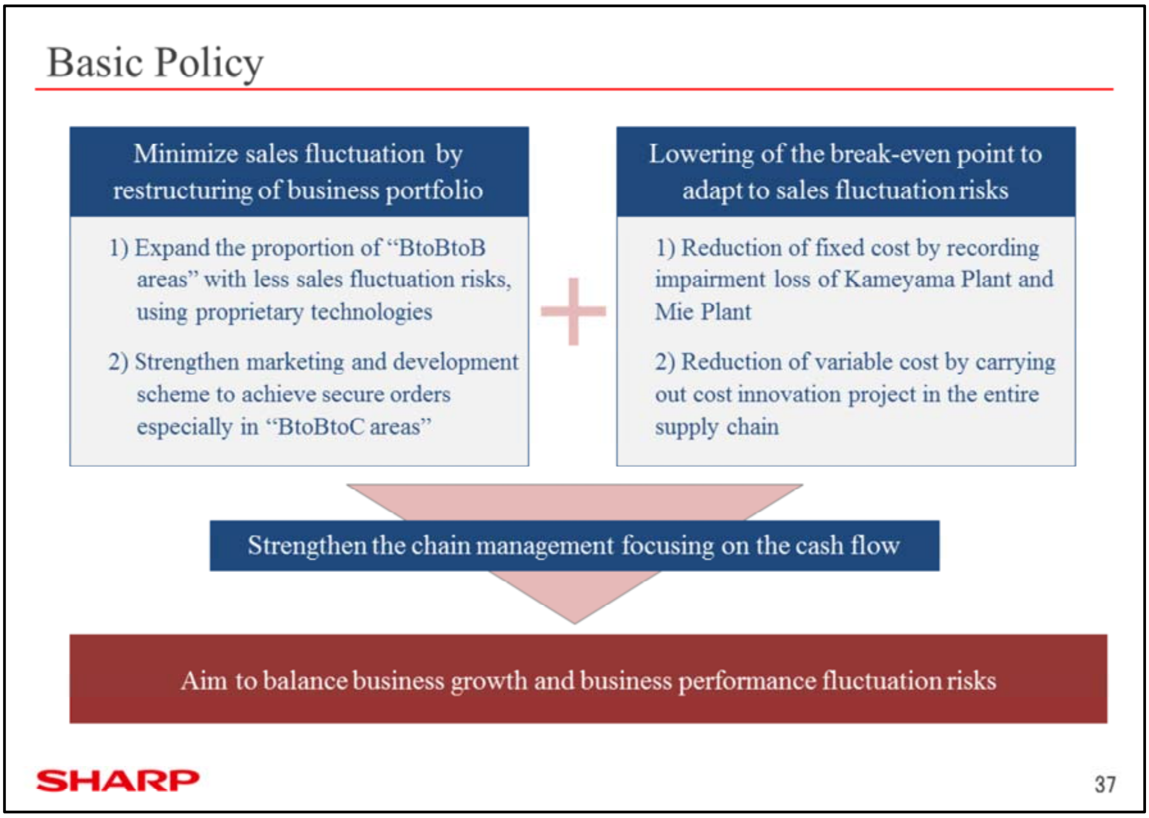
- Operating income in Fiscal 2014 before including earnings improvement costs was 30.1 billion yen. By implementing structural reform effects and cost reductions, we consider achievement of the forecasted 45.0 billion yen operating income for Fiscal 2015 can be secured.

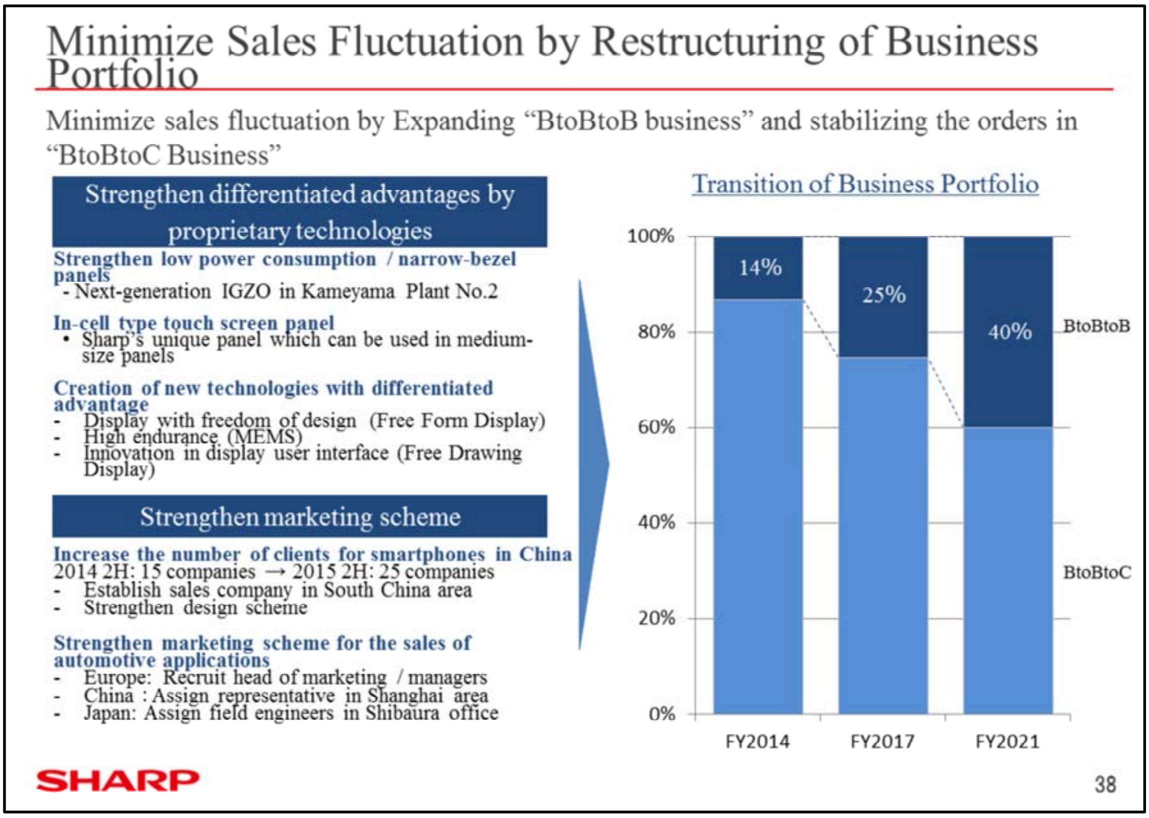
- In addition, by proceeding improvement of model mix shifting to high-added-value areas, we plan 60.0 billion yen operating income for Fiscal 2017.



- This slide describes the basic policy for Display Device Company.

- First, by restructuring our business portfolio, we will reduce net sales fluctuation, and lower the break-even point to minimize its impact to profit even if net sales are affected.

- In addition, by enforcing chain management emphasizing on cash flow, we will achieve business growth and business fluctuation control together.

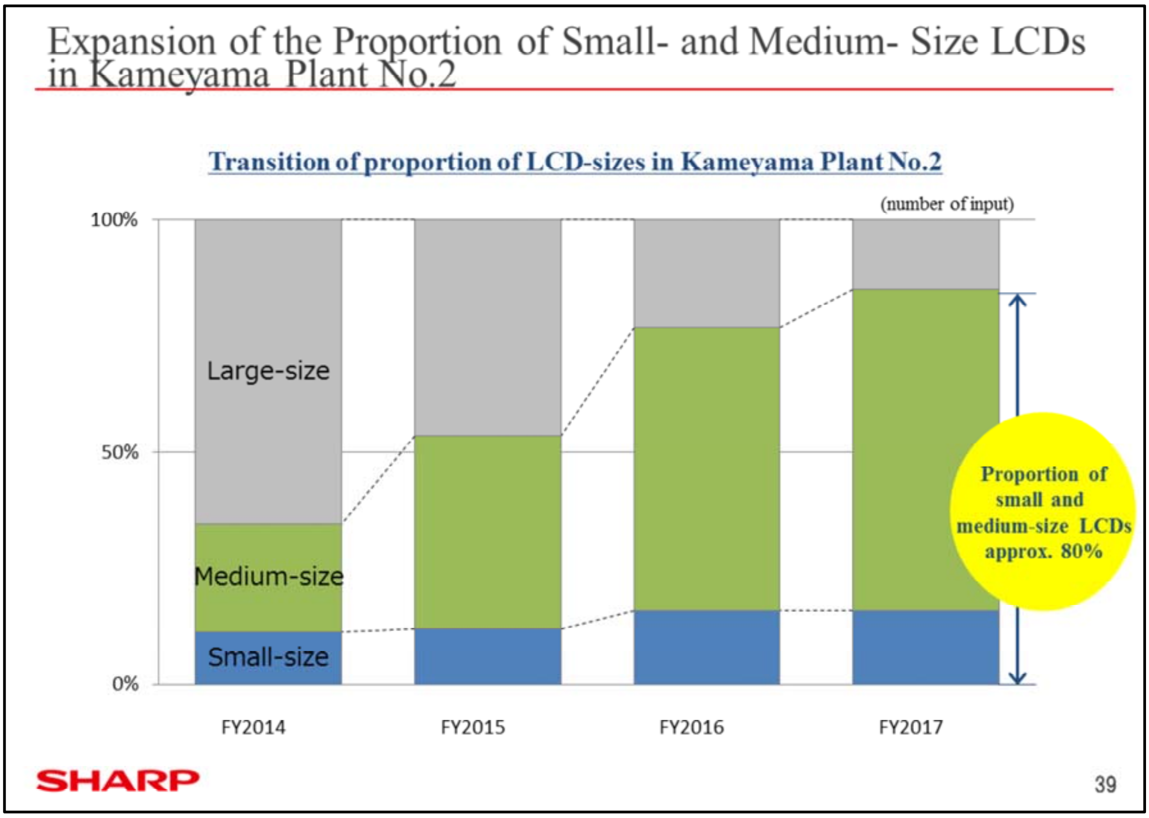


- First is about controlling fluctuation of net sales by re-establishing business portfolio.

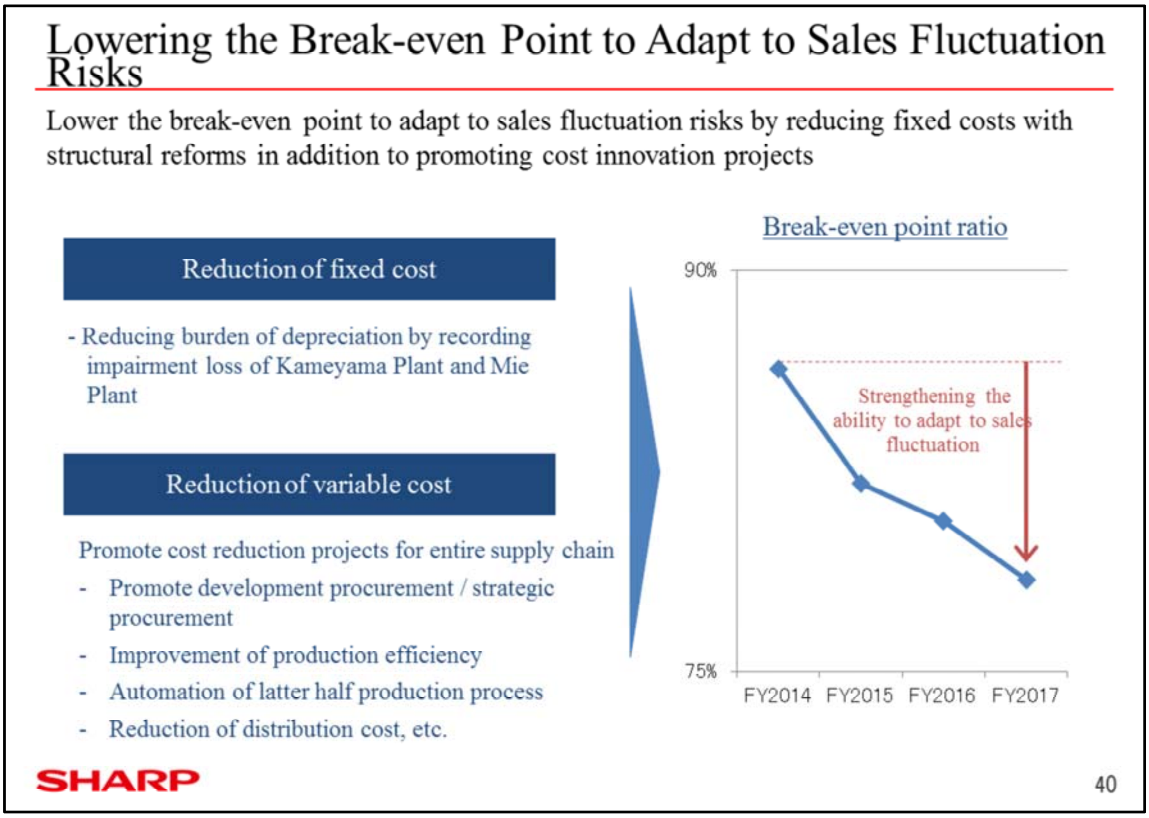
- “BtoBtoB business” such as in-vehicle and IA require high customization, and skills in quality / engineering / support areas are required, making entry barriers high and business stable. Sharp will utilize one-of-a-kind technology to create differentiated features and strengthen sales forces, aiming to raise net sales configuration from 14% in Fiscal 2014 to 25% in Fiscal 2017, and 40% to Fiscal 2021.

- Next, “BtoBtoC business” represented by smartphone business emphasized on lower pricing and product life cycle is shorter, making this an area with constant risk of sudden drop in sales price. Sharp will strengthen sales in South China and design-in system, targeting to increase clients from 15 companies in second half of Fiscal 2014 to 25 companies in the second half of Fiscal 2015, and stabilize orders received.

- With the above, by expanding “BtoBtoB business” and stabilizing orders for “BtoBtoC business,” fluctuation in net sales will be controlled.

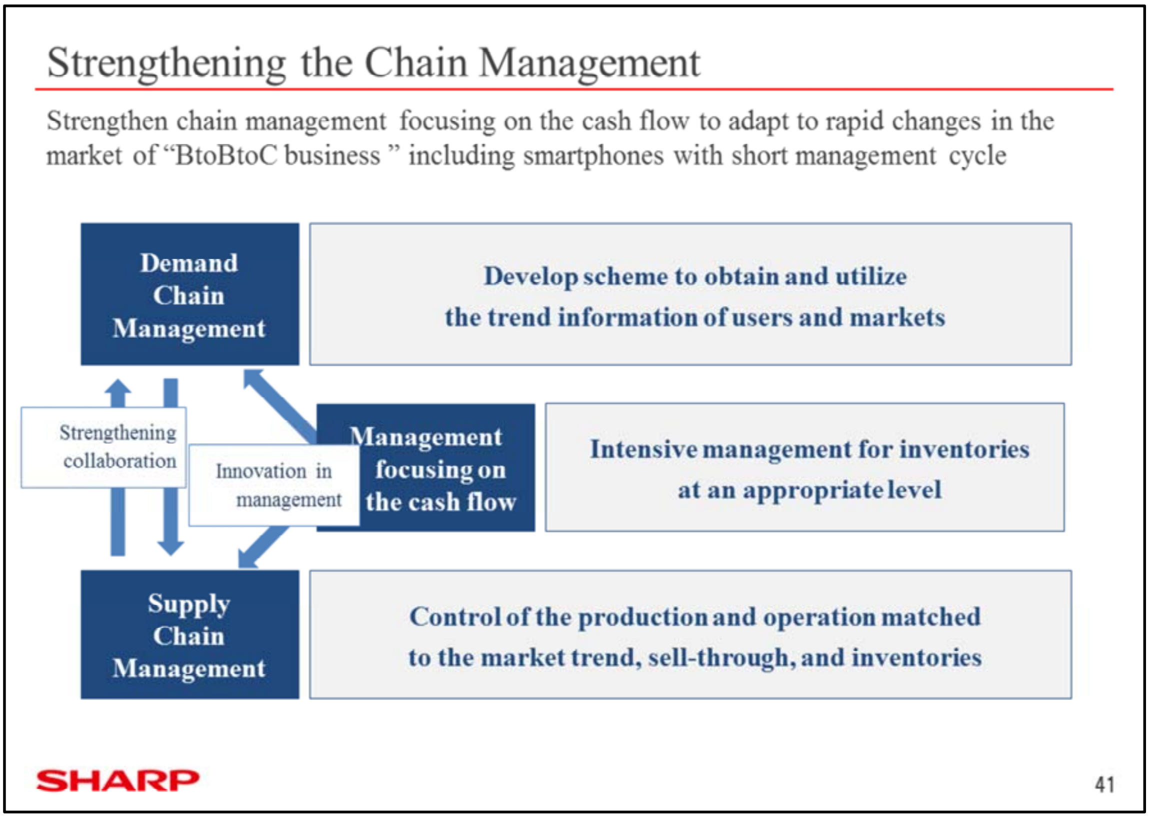


- With the previously explained actions, small-and medium-size LCD proportion will increase to cover approximately 80% of all productions at the Kameyama No.2 Plant.



- With these measures, the break-even point ratio will be lowered and correspondence to net sales fluctuation risk will be strengthened.

- Measures to reduce fixed costs will be made by reducing depreciation cost by reporting impairment loss of Kameyama Plant and Mie Plant, and reducing variable costs by promoting a cost renovation project throughout the supply chain.



- With the short-terming of smartphone product cycle, and business volatility risk expanding, further strengthening of chain management will be worked on.

- Specifically, precise comprehension of actual demands and swift production / operation control will be strengthened, and forming a system maintaining adequate inventory level even with sudden demand volatility will be aimed.

Ⅱ. Reduction of Fixed Costs

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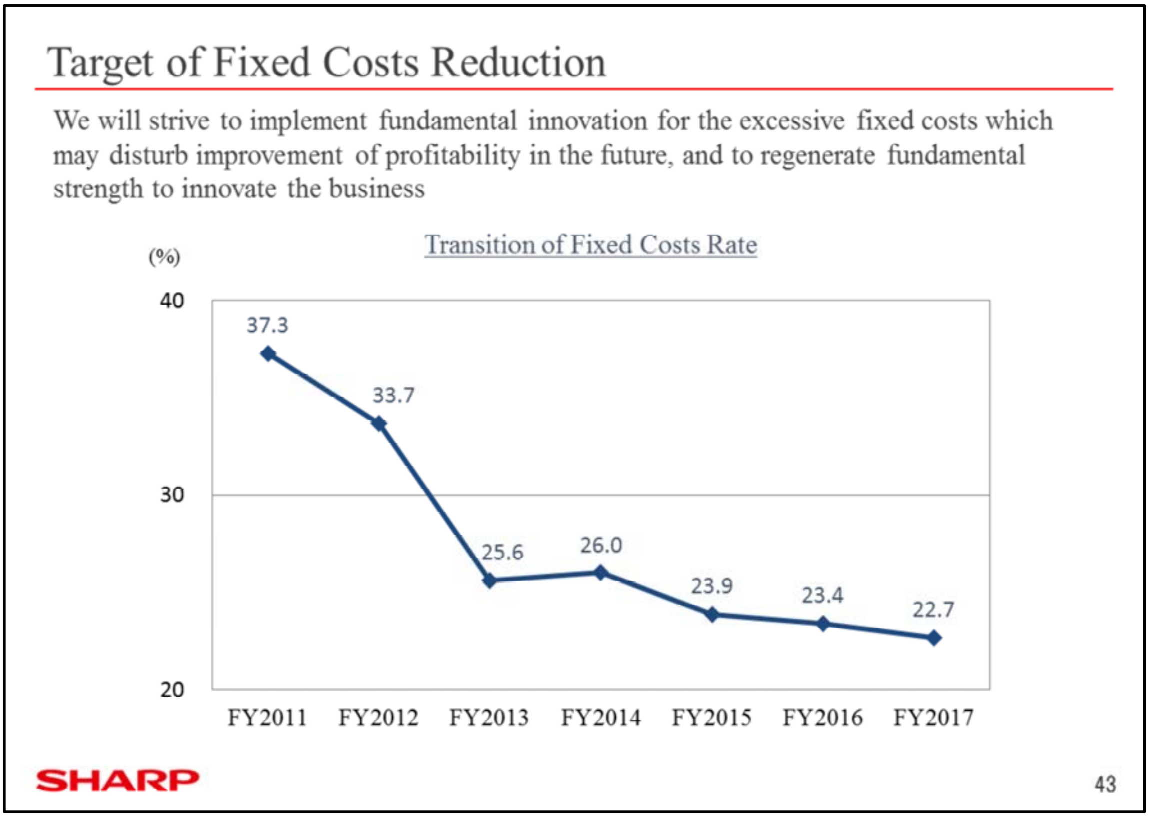
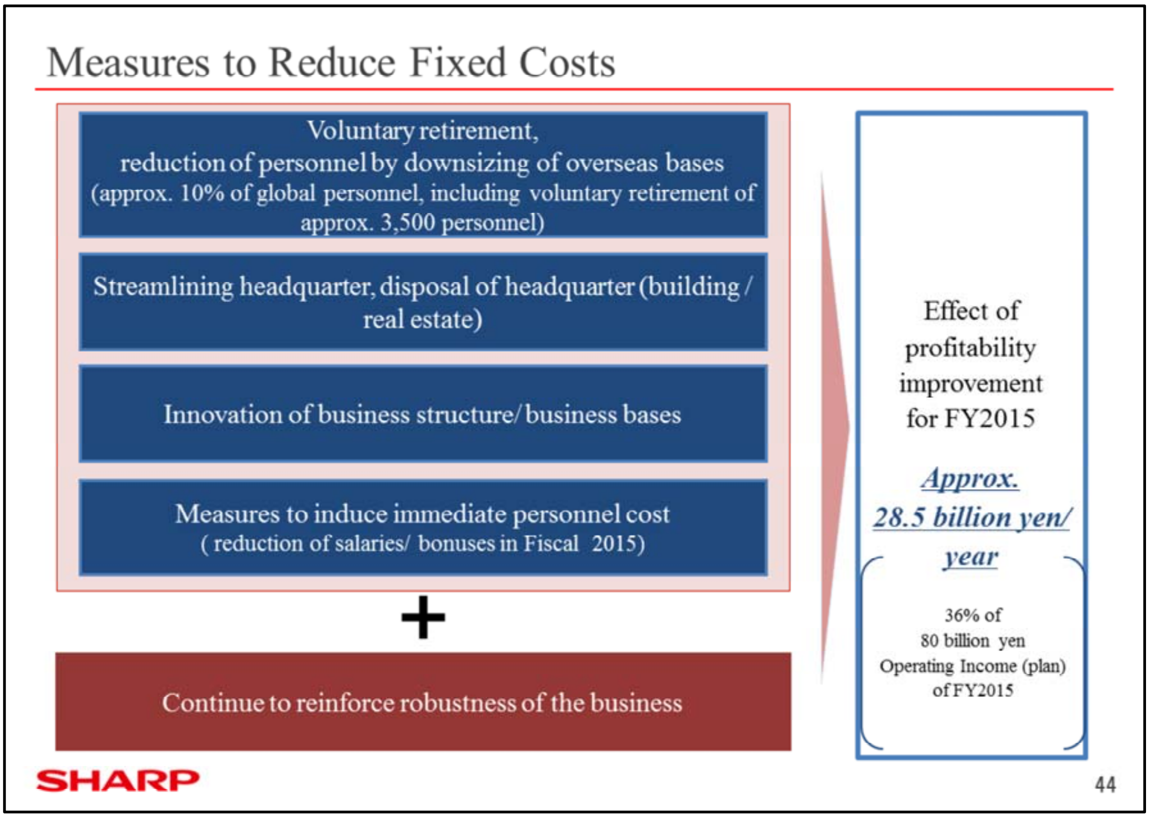
- Second basic policy is executing reduction of fixed costs.



- Continuous reduction of fixed costs has been made since Fiscal 2011, however, with the drop of net sales, a slight back-stepping of fixed cost ratio to 26.0% occurred in Fiscal 2014.

- Once again we will work on thorough fundamental reduction of fixed costs, and aim to lower the fixed costs ratio to 22.7%.



- Detailed actions are shown.

- First, target of approximately 10% of global personnel will be reduced, including voluntary retirement of 3,500 employees in Japan, and a streamlined personnel structure meeting the new business structure will be realized.

- Next, innovation of business structure / bases will be pushed forward with disposal of headquarter building and real estate.

- Also, as an immediate measure to support improvement of profitability, salary and bonuses cut will be applied to employees in addition to executives.

- With these actions, we forecast 28.5 billion yen improvement of profitability, 36% of the annual operating income forecasted for Fiscal 2015.

Ⅲ. Reorganizing Corporate Structure and Strengthening Corporate Governance

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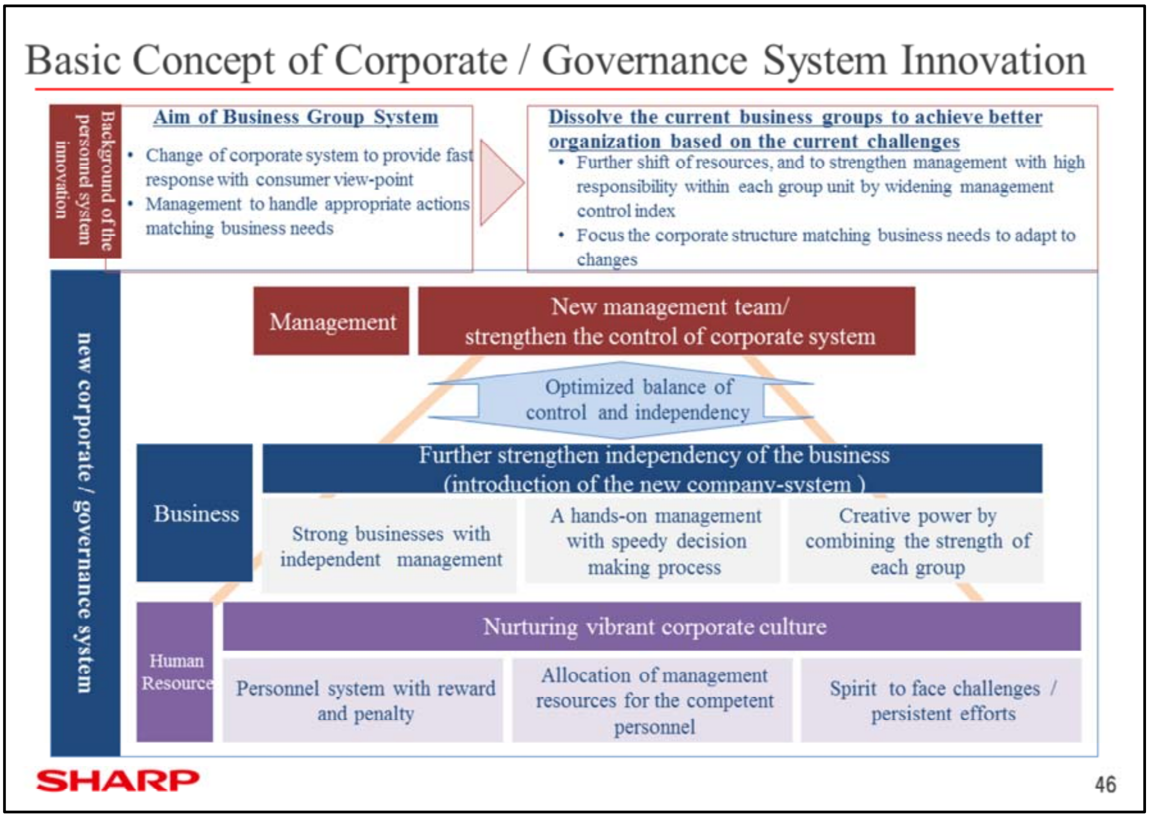
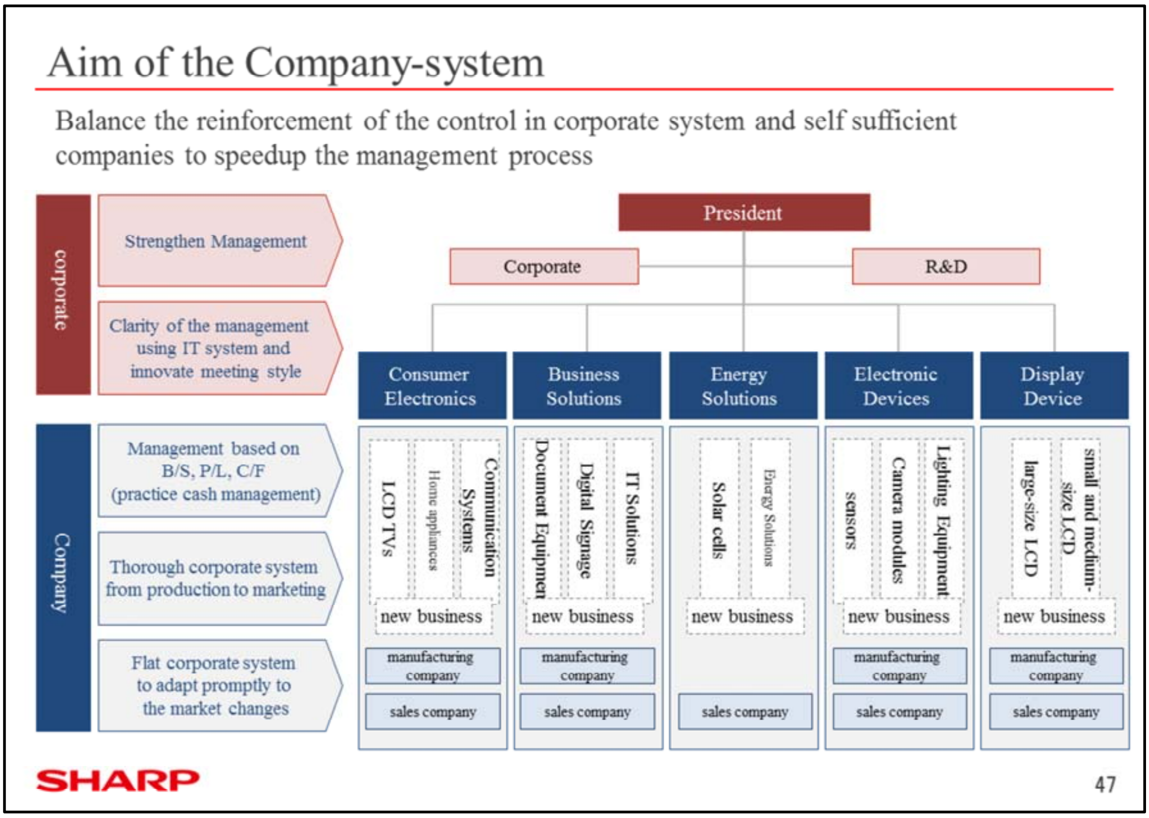
- The last basic policy is reorganizing corporate structure and strengthening corporate governance.



- The basic concept of reforming corporate structure and corporate governance is shown.

- The Business Group system introduced from April 2013 was insufficient to shift authority and resource including personnel to each group, and management control index were not applied fully. As a result, business management by each Group did not function as planned. Therefore, these Groups will be resolved and reinforced to newly introduce a company-system.

- In addition, new methods will be implemented to promote responsibilities and cultivate independence of each and every employee and all individual organizations, nurturing a vibrant corporate culture.



- This is the aim of the company-system.

- As explained, our business will be divided into 5 companies, and sales companies in matrix with business groups will also be incorporated under each company to create a thorough corporate system.

- The most important aim to introduce the company-system is to enable the President of each company conduct independent management focusing on B/S, P/L and C/F.

- Of course, corporate side will control each companies to achieve “management with discipline and speed”.

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

Review of class and reward system	Class and reward to be determined by the level of responsibilities and tasks
Optimize working conditions	Provide appropriate working condition based on the roles, job types, local standard, achievements, and contributions
Thorough personnel system based on the ability	Promotion of personnel with high abilities regardless of age, nationality, or gender
Change to more flat and simple structure	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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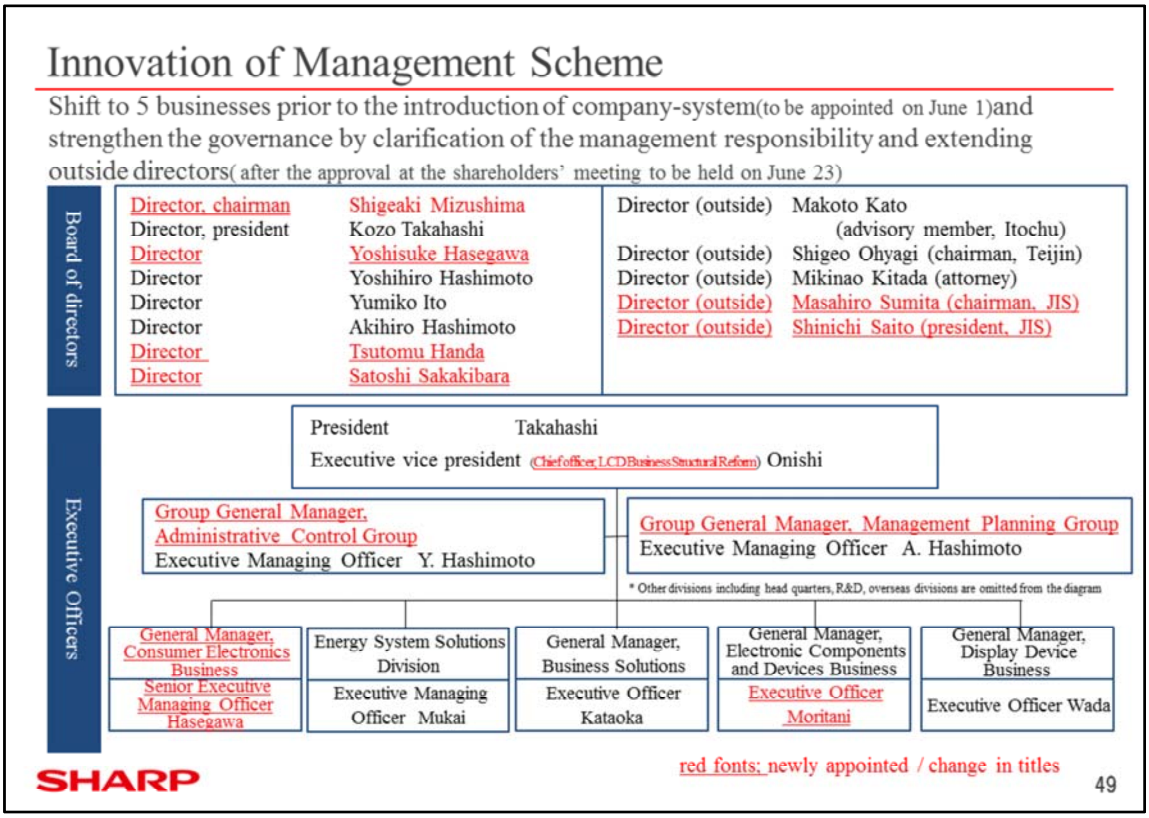
- It comes down to personnel as the key to recovery.

- We will offer worthwhile treatment and support growth opportunities for personnel playing important roles in order to form a strong structure to win out harsh competition.

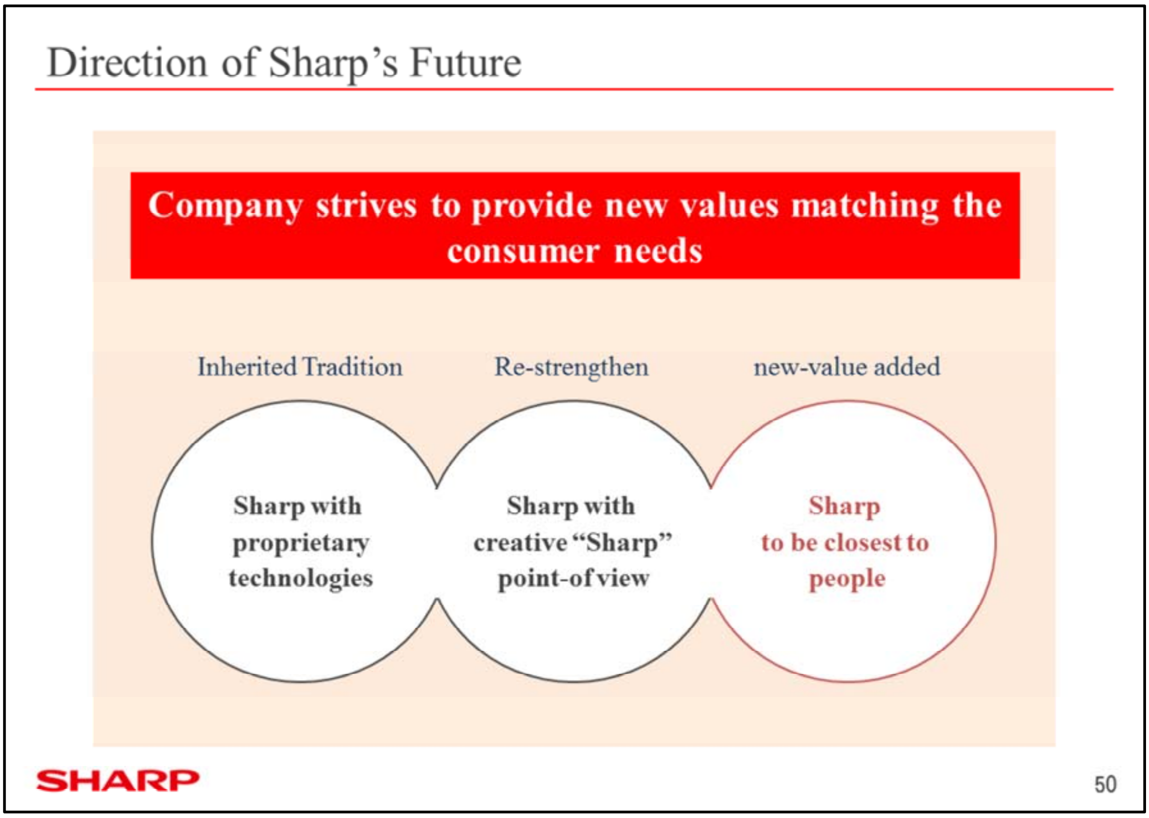
- Specifically, fundamental innovation of human resources will be conducted to realize the 4 points of “Review of class and reward system” “optimize working condition” ”thorough personnel system based on ability” ”change to more flat and simple structure.”



- The management scheme will be renewed to ensure the execution of Medium-term Management Plan, and clarifying the management responsibility at the same time.

- We have made the changes of some directors within Sharp, while appointing Mr. Sumita and Mr. Saito of Japan Industrial Solutions which made an investment to Sharp, to become an outside director, in order to strengthen the governance.

- Prior to the introduction of company system on October 1, we will shift to 5-business scheme as of June 1. This will accelerate the process of achieving the result in consumer electronics company as well as the improvement of the environment to introduce company system.



- This ends my explanation of our Medium-Term Management Plan for 2015-2017. I recognize it is most important to establish solid business basis in the next 3 years for future full-scale growth.

- Meanwhile, I am confident that the best way to reciprocate the support from everyone to Sharp up to today is to make our company "necessary for the society" over the next 10 years and even 100 years.

- Sharp has accumulated "proprietary technologies" and "creative "Sharp" point of view" over the past many years. In addition, we would like to continue contributing to the society by pursuing "what is necessary for people to live better lives, observing from close by," or in other words, we would like to aim to become "a company standing side-by-side with people to offer new values."

- Finally, I will lead the way with unwavering determination to accomplish the goals of our Medium-Term Management Plan together with all employees. We hope to have your continuous support.

- Thank you very much for your attention.

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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