

Management Policy

1. Basic Management Policy

Sincerity and creativity. The two concepts that form Sharp's management creed, and the beliefs that underpin everything this Company does. In all our activities, we work to touch the hearts of customers and contribute to the communities they live in, doing as much as we possibly can to provide complete customer satisfaction while serving society in our role as a responsible corporate citizen. At the core of this business philosophy is our wide-ranging commitment to sharing our success with our many stakeholders — the shareholders, business partners, employees, and so many others who support us.

2. Basic Policy on Distribution of Earnings

Sharp is committed to returning consistent earnings to shareholders. Our policy regarding shareholder issues, such as increases in dividends and share distribution, is focused on maintaining a stable dividend while taking a comprehensive view of our operating results and financial condition. To raise shareholder value through more effective investment of shareholder capital, Sharp is deploying capital reserves to carry out the acquisition and retirement of treasury stocks. The Company is also committing internal reserves to capital investment, targeting areas with high prospects for growth and for development of unique products and devices. Amid these ongoing efforts, we are pursuing overseas expansion, solutions to environmental issues, and effective management of cash flow. We are confident that these measures will satisfy the high expectations shareholders hold for the Company.

3. Medium- and Long-term Management Strategy and Priority Issues

Since its foundation, Sharp has contributed to the betterment of society through development of innovative, unique products. As recovery fails to emerge in the United States, the world economy is facing a simultaneous global recession at the dawn of the 21st century. Nonetheless, Sharp remains as convinced as ever of its mission to deliver customer satisfaction and exciting new modes of living, by marshaling leading-edge electronics technology to create original devices and products. Aiming to be a unique and valuable company that creates 21st-century modes of living, the Company is initiating the following operating strategy:

(1) Expanding our line of products and enhancing brand value with world markets in mind

We continue to bolster our product lineup. Sharp is launching a line of wide-view, fast-responding ASV-LCD televisions, as well as large 30-inch and 22-inch units for home use. The shift toward 21st-century products is also under way, such as in the launch of 1-bit digital audio equipment and the strategic expansion of mobile phone operations with an eye on 3G services. In white goods as well, one-of-a-kind products are vigorously being developed, such as air-conditioners and refrigerators incorporating the Plasma Cluster feature, high-power cyclone vacuum cleaners, and the world's first fully automatic washing machines with a vacuum ultrasound cleaning function. The development of these and many other original products underscores Sharp's consistent commitment to building up the Sharp brand value.

(2) Strengthening development of exclusive devices that make the creation of one-of-a-kind products possible

Sharp's low-temperature CG silicon LCDs assert the Company's stronger-than-ever commitment to unique, next-generation system-LCDs. Also, the introduction of original new production methods and an aggressive patent strategy are part of our efforts toward raising our competitive position to an even higher level. In the IC/Electronic components business, Sharp is accelerating its process of selection and focusing, as it devotes itself to the development of world-leading devices that will contribute to the creation of new products.

(3) Promoting high-efficiency global production activities by transforming R&D and production systems

Sharp has established a new Corporate Advanced Technology Strategic Planning Group, which is responsible for gathering information on leading-edge technologies, with a view to opening up the next generation of new business areas. At the same time, by upgrading its production systems, the Company is working to effect design and production structures that boost cost-competitiveness and productivity. The Company is also charged with coordinating a joint venture with Sanyo Electric Co., Ltd in the field of white goods, as part of the forging of a highly efficient global production network.

(4) Improving quality, safety, and environmental performance

Sharp is committed to preserving the earth's environment through prudent environmental management. In every aspect of our operations, we constantly endeavor to develop resource-saving, energy-saving and energy-generating products and devices, while reducing environmental impact, raising resource efficiency, and recycling and reusing industrial waste. These efforts complement our dedication to enhanced customer satisfaction through ensuring product safety and quality.

(5) Revitalizing personnel and organizations

New personnel systems include the Sharp Leadership Program, designed to systematically train the next generation of Sharp senior management, and the Challenge Course, a performance-based personnel system for medium-level managers. Sharp also stresses skill training programs which enable employees to upgrade or add to their existing skills. By bringing out the best in its people and organization, Sharp is revitalizing its corporate constitution.

By pressing forward with all of these strategic activities, Sharp is building corporate value in terms of profitability, shareholder value and effective investment. In addition to improving key indices such as return on assets (ROA), return on equity (ROE), and free cash flow, Sharp is introducing the use of newer measures such as profit after capital cost (PCC), a figure obtained by subtracting the cost of invested capital from after-tax operating profit, with a view to restructuring the Company by assessing each division in terms of both earnings and capital. The Company is targeting an ROE of 10% on a consolidated basis.