

Operating Results and Financial Position

1. Fiscal 2003 in Review

During fiscal 2003, the Japanese economy continued to pick up, supported by an improvement in stock market performance as well as increases in corporate investment and exports. Overseas, the US economy has been recovering strongly. Economies in Asia continued a steady expansion.

Fiscal 2003 became another good year for Sharp. We took assertive initiatives through the introduction of one-of-a-kind products and through the development of proprietary devices that are applied to these one-of-a-kind products. We consistently focused on making highly distinctive products and devices and thus realized higher profitability. The following are examples of our efforts made during this fiscal year.

In the product business, we started operation of the Kameyama plant, where we integrated the production process from fabrication of LCD panels to final assembly of LCD TVs. This allowed us to have unmatched production capacity for high-quality large-size LCD color TVs. We also continued to create unique products, such as mobile phones equipped with System LCDs and high-resolution CCD camera modules. In the device business, we stepped up efforts in our proprietary devices. These efforts include the start of operation at the Mie No.3 Plant for System LCDs, in response to brisk demand. Other examples of our efforts include expanded production capacity for CCD and CMOS imagers and increased production lines for solar cells. In addition, we formed partnerships and collaborated with leading, global companies, allowing us to improve our competitiveness.

As a result, the current fiscal year recorded domestic net sales of 1,143.5 billion yen, up 8.1 % from the previous year, and overseas net sales of 1,113.7 billion yen, up 17.8 %, for a total of 2,257.2 billion yen, up 12.7 %. Operating income was 121.6 billion yen, up 22.3 % from the previous year. Net income was 60.7 billion yen, up 86.3 %.

Regarding cash flow, net cash provided by operating activities was 249.6 billion yen, while net cash used in investing activities was 169.4 billion yen. Net cash used in financing activities was 68.9 billion yen. As a result, cash and cash equivalents at the end of the period were 277.6 billion yen, increases of 5.9 billion yen from the previous year end.

We plan to declare an annual dividend for fiscal 2003 of 18 yen per share, an increase of 3 yen per share over the previous year. Since an interim dividend of 8 yen per share has already been paid, we plan to propose a year-end dividend of 10 yen at the 110th Ordinary General Meeting of Shareholders.

Operating results by product group are as follows:

Audio-Visual and Communication Equipment

Sales of LCD color TVs and camera-equipped mobile phones increased, resulting in net sales of 837.3 billion yen, up 12.2 % over the previous year.

Home Appliances

Although we enhanced our uniquely featured products, due to the declining market prices and unseasonable weather, net sales resulted in 208.4 billion yen, dropping 6.9 % from the previous year.

Information Equipment

While sales of PCs declined, sales of LCD color monitors and digital color copier/printer increased, resulting in net sales of 392.8 billion yen, up 4.4 %.

ICs

Sales of CCD and CMOS imagers and flash memory increased steadily, resulting in net sales of 169.7 billion yen, up 36.1 %.

LCDs

We worked to enhance our line of one-of-a-kind LCDs. Sales of high-value-added LCDs applied to such products as mobile phones increased, resulting in net sales of 421.7 billion yen, up 21.7 % over the previous year.

Other Electronic Components

Sales of photovoltaic power systems, the business pillar of the group, increased, resulting in net sales of 227.0 billion yen, up 22.5 %.

2. Forecast for Fiscal 2004

Looking ahead, while some uncertainties in the foreign currency exchange and employment situations are being observed in Japan, we see the self-sustained recovery continuing and thus expect the economy to maintain its positive trend. Overseas, the economy will continue a generally steady recovery in the United States, Europe and Asia.

In an effort to achieve further growth, Sharp is strengthening its one-of-a-kind strategy, as we work to improve profitability and get the maximum value out of the company.

In the product business, we plan to intensify our sales activities in the global market. This is to be accomplished through strengthening our LCD TV business and mobile phone business. We will expand our line of advanced LCD color TVs best suited to high-definition digital broad casting. Our mobile phones will be upgraded to optimize 3G's unique features. In the device business, we will engage in enhancing our line of original devices through the following measures. To further expand our LCD business, we aim to raise sales of System LCDs, which will enable the evolution of mobile terminals. Other measures include an introduction of a 2nd production line at the Kameyama plant to secure stable production, helping us meet burgeoning demand for LCD TV panels. We also plan to expand production of CCD and CMOS imagers and solar cells.

In addition to these efforts, we will continuously seek innovation in production technologies and promote value engineering in order to achieve further growth. Lastly, we will continue to take initiatives proactively to fulfill our commitment to society, which include conducting business in an environmentally responsible manner, complying with laws and statues and ensuring product's safety and quality.

The following are the forecasts for fiscal 2004:

Net sales	2,530.0 billion yen	+ 12.1 % over the previous fiscal year
Operating income	150.0 billion yen	+ 23.3 % over the previous fiscal year
Net income	75.0 billion yen	+ 23.5 % over the previous fiscal year

The above figures are based on an exchange rate of ¥105 =US\$1.00 for fiscal 2004.

The company also plans to declare an annual dividend for fiscal 2004 of 20 yen per share (interim and year-end dividend of 10 yen each), an increase of 2 yen per share.

Note:

*The above estimates of operating results are based on certain assumptions that Sharp Corporation deemed reasonable at the time they were prepared, and actual operating results may differ significantly from these estimates. The following factors may influence the figures for final reported business results.

- Significant changes in the political and economic situation in major markets (Europe, North America, Asia and Japan)
- Sudden, rapid fluctuations in product supply or demand in major markets
- Large swings in foreign exchange markets (particularly in the dollar/euro markets)
- Significant fluctuations in valuation in capital markets
- Sudden, rapid changes in technology, etc.

**The accompanying consolidated financial statements are a translation of the consolidated financial statements of Sharp, which were prepared in accordance with accounting principles and practices generally accepted in Japan. In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically, in order to present them in a form which is more familiar to readers outside Japan.