

# **Management Policy**

## **1. Basic Management Policy**

Sharp's business creed is based on the principles of "Sincerity and Creativity". Our aim is to inspire all our daily work with these principles so that we can earn the appreciation and satisfaction of people everywhere, and thereby make a valuable contribution to society. Our corporate philosophy expresses our desire to grow in mutual prosperity with all stakeholders in the business, including shareholders, business partners, and employees.

## **2. Mid- and Long-Term Business Strategy and Issues the Company Needs to Face**

Since its founding, Sharp has consistently worked to make productive contributions to society at large through the development of unique, one-of-a-kind products that are ahead of their time. In the midst of major changes in the economic environment, we have set a goal to be a "valued, one-of-a-kind enterprise," based on a policy of providing new lifestyle ideas and satisfaction to our customers by developing proprietary electronic devices and creating uniquely featured products that make full use of leading-edge electronics technologies. With a focus on this goal, we have committed ourselves to the following strategy:

### **(1) Expand Product Business and Improve Brand Value in Global Markets**

In the LCD color TV business, we will maximize the use of our unparalleled production capacity and related technological capabilities that the Kameyama Plant will provide. We will keep our "AQUOS" line evolving. Our technological advantage and innovative ideas will allow us to improve our competitiveness. We are also striving to expand mobile phone sales in global markets with the development of high-value-added handsets suitable for a society with ubiquitous communication. In home appliances, we will create unique products that are environmentally friendly and health conscious. Through expansion of such one-of-a-kind products, we are raising the value of the Sharp brand.

### **(2) Strengthen Development of Proprietary Electronic Devices to Create One-of-a-kind Products**

In the LCD business, demand for System LCDs (high-resolution display suitable for mobile devices) is continuing to grow. To encourage its further growth, we will expand the production capacity as well as promoting higher features. As for IC and Other Electronic Component business, we are committed to "refocus and consolidation", meaning that we will only emphasize uniquely featured electronic devices in growth areas.

### **(3) Implement Corporate Social Responsibility and Raise Corporate Value**

Over the years, Sharp has been contributing to society through the creation of unique products and services. We pride ourselves on having practiced environmentally friendly business and also having been engaged in various social activities. As we see the growing demands of the corporate role and responsibility in society, we have established the CSR Promotion Department to help us integrate our environmental and social activities throughout the company. We will continue to fulfill our responsibility to society and in this way our corporate value shall be raised.

#### **(4) Establish Human Resources Management to Motivate our Employees and Increase Corporate Competitiveness**

We are committed to nurture the leaders of tomorrow by expanding educational programs to enhance their current skills and to acquire new skills for future career. We will also thoroughly implement a results-oriented personnel evaluation system and systematically introduce innovations that reflect changes in work ethic.

By deploying such a business strategy, we are aiming to improve ROE (return on equity), and free cash flow as the main management indicators in terms of profitability, shareholder value, and efficiency of capital utilization. We also continue to focus on controlling our return on investment in all our business divisions based on “profit after capital cost” (PCC), which subtracts the cost of invested capital from NOPAT (net operating profit after income taxes). Through these efforts, we will continue to revamp our business structure.

### **3. Basic Policy on Distribution of Earnings**

Sharp considers distributing profits to shareholders to be one of the most important management issues we face. While maintaining consistently stable dividend pay-outs, and while carefully considering our business performance and financial situation in a comprehensive manner, we have implemented a set of policies to return profits to our investors, such as increasing the amount of periodic dividends or initiating stock splits. In addition, to improve shareholder value, we plan to buy back outstanding shares and to hold the shares as treasury stock. Internal reserve funds are being provided for investment in plant and equipment in areas of future growth, development of uniquely featured products and proprietary electronic devices. They are also being provided for overseas business expansion and environmental protection measures. We will continue to promote business practices that emphasize solid cash flows.

### **4. Basic Philosophy of Corporate Governance, and Policies for its Implementation**

#### **(1) Basic Philosophy of Corporate Governance**

Sharp has always been a manufacturing and technology oriented company. In today’s harsh competitive environment, making speedy decisions is indispensable for such a company. We strongly believe that the current Board of Directors/Statutory Auditors System meets this purpose, and we plan to further strengthen this system to expand our business and enhance corporate governance.

As a framework to enable corporate governance to function effectively, we adopted a “Sharp Charter of Conduct” as a concrete policy statement to act in conformance with our corporate code of ethics. We commit ourselves to further enhance awareness of all executives and employees for compliance with the laws and statutes of Japan and foreign countries in which we do business.

We are increasing management transparency by broadening the scope of the information disclosed so that all shareholders and investors are able to have access to corporate information promptly.

## **(2) Status of Policy Implementation Related to Corporate Governance**

- 1) Management organization related to decision-making, execution and supervision, and other corporate governance systems of the company
  - The company has appointed no outside corporate directors to our Board of Directors. However, we continue to work to improve and strengthen our Statutory Auditors System, and three of our four statutory auditors are outside auditors.
  - In addition to the regular monthly meetings of our Board of Directors, extraordinary meetings of the Board are convened as necessary. During these meetings, the Board makes decisions related to matters stipulated by law and to management-related matters of importance, thereby exercising its on-going oversight responsibility over the business and affairs of the corporation. In addition to our Board of Directors, the company established the Executive Management Committee, where matters of importance related to the company's management are discussed or reported. Through this system, executive decisions are made promptly.
  - The company receives timely advice in cases involving legal decisions from its corporate attorneys. In addition, Asahi & Co., our Accounting Auditor, conducts periodic accounting audits. While conducting audits, our Accounting Auditor offers proposals for continuous improvement in our administrative operations.
  
- 2) Summary of personal, capital, and business relationships, and other interests of outside corporate directors and outside auditors existing between the companies involved
  - No outside directors are appointed to our Board of Directors. There are no relevant matters relating to our outside auditors.
  
- 3) Implementation of measures intended to improve and enhance corporate governance of the company in the past year:
  - In fiscal 2002, the Board of Directors held meetings 19 times and 9 times in the interim for fiscal 2003. In addition to deciding matters stipulated by law and matters of importance related to management, the Board carried out its oversight responsibility over the business and affairs of the corporation.
  - In fiscal 2002, the Board of Corporate Auditors held meetings 19 times and 9 times in the interim for fiscal 2003. The Board formulated its annual audit policy and passed judgment on the validity of our Accounting Auditor's auditing operations and performance. The Board conducted hearings on the company's activities and performance from management. The Board also discussed important matters and audits that were made.
  - To improve management maneuverability and flexibility, and to clearly articulate the responsibilities of company management during each accounting period, we amended the Articles of Incorporation at the annual meeting of shareholders in June 2003 to shorten the term of office for members of the Board of Directors from two years to one.