

Management Policy

1. Basic Management Policy

Sharp Group'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" that provides 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) Enhance Our Spiral Strategy

Our "Spiral Strategy" is how we create highly distinctive products through the use of our original devices. Throughout the years, Sharp has achieved solid growth under this strategy. We will keep pursuing this vertical integration model to accelerate the development of "one-of-a-kind" products, such as high-quality large-size LCD color TVs, cutting-edge communications terminals, and innovative health- and eco-conscious home appliances.

(2) Strengthen Brand Value and Establish a Corporate Image as a "Valuable One-of-a-Kind Company"

Sharp is committed to bring out the full potential of LCDs, which remain one of our core competences. It is our unique, cutting-edge LCDs that enable us to create proprietary products, such as LCD color TVs and mobile equipment. Through these efforts, we will boost our market presence as the leading LCD manufacturer in the world. We also aim to be an "environmentally advanced company," through the development of environmentally-oriented technologies and products, notably energy-saving LCDs and energy-generating solar cells. We are confident such activities will enhance our brand value.

(3) Corporate Social Responsibility

Over the years, Sharp has been contributing to the well-being of society through the creation of unique products and services. We pride ourselves on having practiced environmentally friendly business activities and also on having been engaged in various social activities. In recent times, amid increasing awareness of social responsibility for corporate activities and higher expectations from the general public, Sharp is aiming to be a company that earns an even greater level of trust by its stakeholders across the globe, through a variety of CSR endeavors.

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

We always strive to further the development of our employees, training the potential leaders of tomorrow and encouraging them to raise their skill level and improve their versatility. We will also thoroughly implement a results-oriented personnel evaluation system. It is our belief that raising the competencies and drive of our employees will make our company even more competitive.

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 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 is calculated by subtracting the cost of invested capital from NOPAT (net operating profit after income taxes).

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 implement a set of policies to return profits to our investors, such as increasing the amount of periodic dividends. As an effort to improve shareholder value, we consider buying back outstanding shares when the situation allows and holding the shares as treasury stock. Internal reserve funds are being provided for investment in plant and equipment in areas of future growth, for the 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/Corporate 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 have adopted the “Sharp Charter of Conduct” as a concrete policy statement of action in conformity with our corporate code of ethics. We commit ourselves to further enhancing the awareness of all executives and employees regarding 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:

- To improve management maneuverability and flexibility, and to clearly articulate the responsibilities of company management during each accounting period, the term of office for members of the Board of Directors is set to one year.
- 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 has established the Executive Management Committee, where matters of importance related to corporate management and operational control are discussed and reported. Through this system, executive decisions are made promptly.
- The company has appointed no outside corporate directors to our Board of Directors. However, we continue to work to improve and strengthen our Corporate Auditors System, and three of our four statutory auditors are outside auditors.
- The company receives timely advice in cases involving legal decisions from its corporate attorneys. Through audits, we receive proposals for continuous improvement in our administrative operations from Azsa & Co., our Accounting Auditors, who conducts periodic accounting audits.

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:

- The Board of Directors held 6 meetings in the interim for fiscal 2004 (16 times in 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.
- The Board of Corporate Auditors held 8 meetings in the interim for fiscal 2004 (14 times in fiscal 2003). The Board formulated its annual audit policy and passed judgment on the validity of the Accounting Auditor's auditing operations and performance. The Board also conducted hearings on the company's activities and performance from management, and exchanged information and opinions on such matters as auditing (on-site auditing) results and the progress of deliberations of important meetings.