

Management Policy

1. Basic Management Policy

The 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 of people everywhere, and 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

(1) Securing Competitive Advantage in the Global Market

Sharp is aiming to become a "valued one-of-a-kind company" with a dominant presence in the world. By further strengthening the development of original cutting-edge devices and accelerating creation of unique products which meet the needs of a new era, we will secure competitive advantage in the global market. Especially for LCDs, our core competence, we will globally introduce LCD applications, including high-quality large-size LCD TVs, by intensifying R&D, expanding production capacity and improving cost competitiveness. Through these efforts, we are committed to achieving stable growth into the future and further enhance our corporate value globally.

(2) Efforts to Protect the Environment

Sharp sees the issue of environmental protection as a medium-term business challenge. With our energy-creating and energy-saving technologies, we aim to achieve our corporate vision of being a company that has "zero global warming impact" by fiscal 2010. We will contribute to the realization of a sustainable society by pursuing coexistence of business expansion and environmental protection. Specifically, we will work to reduce the environmental burden at all production stages, along with enhancing the business of photovoltaic power generation systems and introducing environmentally friendly products.

(3) Strengthening Our Business Foundation to Support Production

Sharp will strengthen the fundamentals of its manufacturing activities, which we see as a driving force for future growth. These include establishing an efficient value-chain which enables production within a short timeframe at low cost and promoting global procurement activities. We will also enhance intellectual property strategies, with all business groups working closely together.

(4) Evolving into an Organization that Enhances Corporate Competitiveness

In an effort to achieve further corporate competitiveness, Sharp will take measures to improve organizational and individual capabilities. Specifically, we will establish an organization capable of rapid decision-making with strategic perspective. We will also nurture our core personnel from a global standpoint and create an environment for productive work that brings vitality to the workplace.

By deploying those business strategies, we are aiming to improve ROE (return on equity) and free cash flow as the main management indicators, as well as working to further increase corporate value. We are also continuing to focus on enhancing 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. While maintaining consistently stable dividend pay-outs, and while carefully considering our consolidated business performance and financial situation in a comprehensive manner, we will implement a set of policies to return profits to our investors, such as increasing the amount of periodic dividends. For fiscal 2005, we intend to distribute a year-end dividend of 12 yen per share. Since we have already distributed an interim dividend of 10 yen per share, the total annual dividend will be 22 yen per share, an increase of 2 yen over the previous year. With this dividend increase, our dividends will have been raised for 6 consecutive years from fiscal 2000 through 2005. In 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 development of uniquely featured products and proprietary electronic devices. They are also being provided for overseas business expansion and environmental protection measures.

4. Concept and Policy Regarding Reducing the Share Trading Unit Size

Sharp recognizes that increasing the number of individual shareholders is a critical issue from the standpoint of its capital management. For this reason, in addition to increasing the level of profits returned to shareholders, we have taken measures to create reports that are easy for individual shareholders to understand, and to expand information resources that are accessible by the Internet. We consider reducing the share trading unit size to be a measure that would be useful in reinvigorating the stock market as a whole. We will deal with this issue through careful consideration regarding such factors as the price of Sharp Corporation stock and shareholder composition.

5. Items Related to the Parent Company

Sharp has no parent company.