Important Matters on Presenting Interim Consolidated Financial Statements

Matters Related to Accounting Procedure Standards

1) Valuation Standards and Methods for Securities
Other Securities
- Securities with available fair market values:
Primarily, stated at fair market value based on average of market price during the last month of the interim period (valuation differences are disposed using the direct net assets adjustment method and the cost of securities sold is calculated using the average cost method).
- Securities with no available fair market value:
Primarily, stated at average cost.

2) Valuation Standards and Methods for Inventories
- Finished products:
For Sharp Corporation and domestic consolidated subsidiaries, primarily, stated at the lower of moving average cost or market.
For overseas consolidated subsidiaries, primarily, stated at the lower of first-in, first-out cost or market.
- Work in Process and raw materials:
Primarily, stated at the current production and purchase costs.

3) Depreciation Methods Used for Tangible Fixed Assets
For Sharp Corporation and domestic consolidated subsidiaries, depreciation is based primarily on the declining-balance method. (Except for machinery and equipment in the Mie and Kameyama Plants, which are depreciated on the straight line method.)
Note that overseas consolidated subsidiaries primarily use the straight line method.

4) Method for Appropriation for Accrued Bonuses
The reserve for payment of employee bonuses is set aside based on estimated amounts to be paid in the subsequent period.

5) Method for Appropriation for Severance and Pension Benefits
To provide for employees' severance and pension benefits, reserves are set aside based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the end of the current consolidated fiscal year.
Further, net transition obligation is being amortized in equal amounts over 7 years.
Prior service costs are amortized over the average of the estimated remaining service lives (16 years).
Actuarial losses are recognized primarily in expenses over the average of estimated remaining services lives (16 years) commencing with the following period.

6) Accounting for Consumption Taxes, etc.
The tax exclusion method is applied.

7) Adaptation of Consolidated Tax Return System
The consolidated tax return system is adapted.

Changes in Accounting Methods

Previously, a royalty and technical assistance fee were included in "Other income," and the cost of the royalty and technical assistance fee was calculated in "Other expenses." Starting from this period, however, these are included in "Net sales" and "Cost of sales," respectively. This change was made to provide a more rational indication of the income classifications, since the income arises from main business activities carried out by Sharp.

With this change, for the six months ended September 30, 2006, net sales are up 8,245 million yen, cost of sales is up 2,251 million yen, and operating income is up 5,994 million yen, comparing to the previous classification. However, these have no impact on income before income taxes and minority interests. For the impact that these changes had on segment information, please refer to "Segment Information."

Subsequent Events

Sharp Corporation resolved the 20th unsecured convertible bond issue with attached warrants that was decided at the Board of Directors meeting held on September 26th, 2006. The payment date (warrant distribution date) was October 17th, 2006.

Principal data on the issuance are as follows.

1. Total issue amount	200.0 billion yen
2. Issue value of bond	100 yen for each 100 yen of face value
3. Issue price of bond	102.5 yen for each 100 yen of face value
4. Coupon rate of bond	0%
5. Maturity date of bond	September 30, 2013
6. Issue value of attached warrants	0 yen
7. Total amount due upon exercise of attached warrants	The same amount as issue value of bond
8. Conversion price	2,531 yen per share
9. Number of attached warrants issued	200,000
10. Exercise period of attached warrants	November 1, 2006 to September 27, 2013
11. Payment date (warrant distribution date)	October 17, 2006
12. Application of funds	Funds for plant and equipment