

*Sharp seeks to enhance the transparency, soundness and effectiveness of management through a corporate governance system that intimately unites management and manufacturing divisions.*

**Basic Concept Concerning Corporate Governance**

Sharp has always been a manufacturing and technology oriented company. In an effort to further strengthen manufacturing competency, Sharp is committed to improving the speed and quality of managerial decisions. Our business activities are limited to the development, production and sales of products and devices, which have a strong interrelation and require high expertise. This enables our directors, who are highly adept at business, to make swift and accurate management decisions through the mutual exchange of ideas. It also serves to clarify reciprocal managerial responsibilities and promote mutual supervisory functions. We have also introduced the Executive Officer System, creating a structure that steadily facilitates nimble, efficient business execution. Sharp seeks to further strengthen the current Director/Corporate Auditor System, which allows management and manufacturing divisions to work very closely, enabling the business to expand. Sharp works to enhance its corporate governance through this system.

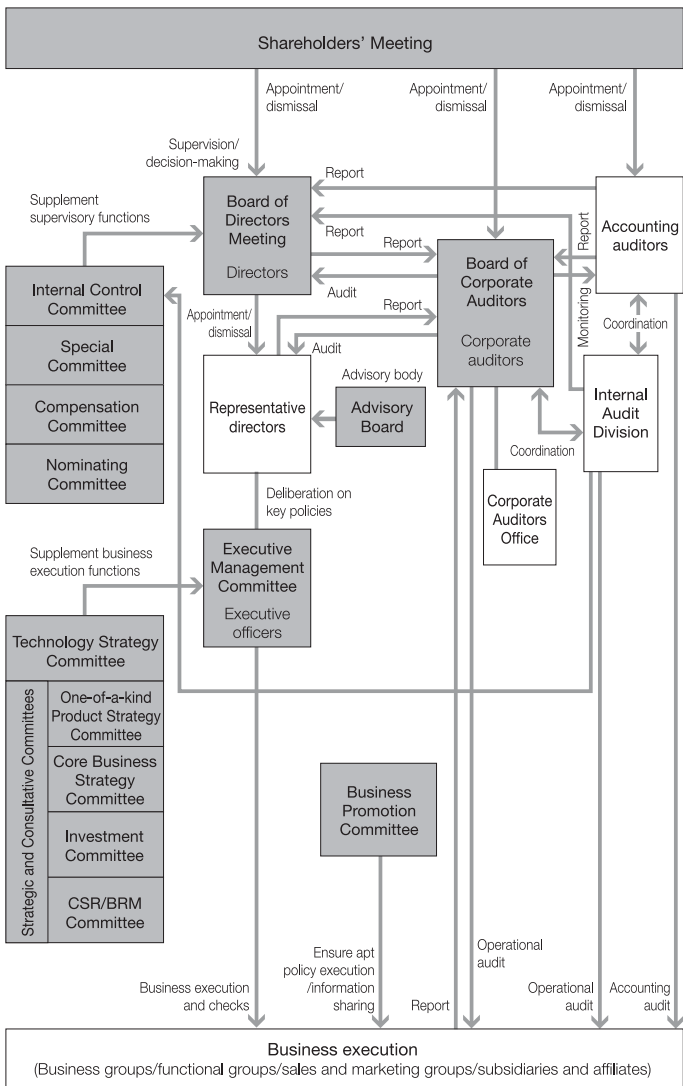
**Status of Corporate Governance System**

The Board of Directors meetings of Sharp Corporation are held on a monthly basis to make decisions on matters stipulated by law and management-related matters of importance, thereby exercising its oversight responsibility over its business affairs. To improve management agility and flexibility, and to clarify the responsibilities of company management during each accounting period, the term of office for members of the Board of Directors is set at one year.

In addition to the Board of Directors, the company has the Executive Management Committee, where matters of importance related to corporate management and business operation are discussed and reported twice a month. Through this committee, executive decisions are made promptly. To further strengthen our operational and business execution system, we instituted the Executive Officer System on June 24, 2008.

The Board of Corporate Auditors formulates audit policies, listens to reports from accounting auditors, and receives

■ Corporate Governance System (As of June 24, 2008)



reports on the execution of duties, in particular from the Board of Directors. Corporate auditors also exchange information and opinions on such matters as auditing (on-site auditing) results and the progress of deliberations of important meetings, which increases the validity of audits.

## Strengthening Internal Controls

Sharp has set up the Internal Audit Division as a means to reinforce internal controls. By checking the validity of business execution as well as the appropriateness and efficiency of management, the division makes concrete proposals on how to improve business operations. Furthermore, Sharp has the Internal Control Committee as an advisory body to the Board of Directors. Deliberating on the basic policies and the state of development and operations regarding internal controls and internal audits, the committee reports on and discusses important matters with the Board of Directors. The Internal Control Group within the CSR Promotion Department, which is responsible for internal control of all business execution departments company-wide, was reorganized into the Internal Control Promotion Department within the CSR Promotion Group in April 2008.

To enhance compliance throughout the group, in May 2005, Sharp introduced the Sharp Group Charter of Corporate Behavior, a set of principles to guide corporate behavior, and the Sharp Code of Conduct, which clarifies the conduct expected of every employee and director of Sharp.

In order to comprehensively and systematically deal with diverse business risk, Sharp formulated the Business Risk Management Guideline to help identify and anticipate potential risks, minimize possible effects and react appropriately. Sharp constantly works to strengthen its business risk management at the initiative of the CSR Promotion Group.

## Plan Regarding Large-Scale Purchases of Sharp Corporation Shares (Takeover Defense Plan)

Sharp Corporation is a publicly traded company that permits shareholders to freely sell and purchase its shares. Therefore,

the Board of Directors of Sharp Corporation will not reject all large-scale purchases of its shares aimed at takeover so long as the large-scale purchase contributes to corporate value and the common interests of shareholders. Whether to permit a large-scale purchase of Sharp Corporation shares should be ultimately entrusted to the shareholders. However, there may also be inappropriate large-scale purchases that could harm corporate value and the common interests of shareholders. In order to prevent such large-scale purchases, the Board of Directors of Sharp Corporation decided to adopt the prior warning type of defense measures called the Plan Regarding Large-Scale Purchases of Sharp Corporation Shares (Takeover Defense Plan) (hereinafter referred to as the "Plan") upon approval by a majority of shareholders present at the Ordinary General Meeting of Shareholders held in June 2007. The effective term of the Plan was set to end at the conclusion of the 114th Ordinary General Meeting of Shareholders. Sharp proposed to continue the Plan with a partial amendment and received approval of a majority of Shareholders present at the 114th Ordinary General Meeting of Shareholders in June 2008. The effective term of the amended Plan\* ends at the conclusion of the 115th Ordinary General Meeting of Shareholders scheduled for June 2009.

The Plan clarifies the rules (large-scale purchase rules) that must be adhered to by a group of shareholders with intent to obtain 20% or more of the voting rights of the company. The Board of Directors of Sharp Corporation shall receive advice and counsel from the Special Committee consisting of experienced outsiders and Sharp's outside corporate auditors before deciding to take countermeasures in the following cases: (1) if a large-scale purchaser does not follow the large-scale purchase rules; or, (2) although the large-scale purchaser complies with these rules, the large-scale purchase is deemed to be harmful to corporate value and common interests of shareholders.

A specific countermeasure is selected from what applicable laws and the articles of incorporation of the company deem appropriate as the authority of the Board of Directors at the time.

\*For details of the Plan, please visit the Sharp homepage:  
<http://sharp-world.com/corporate/ir/topics/pdf/080624.pdf>