

Medium-Term Management Plan for Fiscal 2013–2015

For Recovery and Growth



In the Medium-Term Management Plan, we position fiscal 2013 as the Restructuring Stage and fiscal 2014–2015 as the Re-growth Stage. Sharp aims to achieve “recovery and growth” by implementing the Medium-Term Management Plan based on the following three basic strategies.

- 1

Shift to “advantageous markets and fields”
- 2

Exit closed innovation and aggressively utilize alliances
- 3

Strengthen execution capabilities through governance system innovation

For Recovery and Growth

Sharp's business philosophy and business creed embody a spirit that is unchanged since its foundation, such as sincerity, harmony, politeness, creativity, courage, and not seeking merely to expand on business volume. In the course of broadening the scope of our operations, we lost sight of this spirit and became overwhelmed by the inefficient corporate culture peculiar to large companies, characterized by a declining spirit of challenge, loss of customer focus, and arrogance. We believe that these factors are behind our current business stagnation. As we implement our Medium-Term Management Plan, we will create a new Sharp with the mindset to change everything other than our business philosophy and business creed.

Targeted Goals and Five Strategic Measures

By implementing our five strategic measures, we will seek to achieve an operating income ratio of 5% in fiscal 2015.

Targeted goals

Under the Medium-Term Management Plan, our first goal is to achieve a net income surplus in fiscal 2013, the first year of the plan. In fiscal 2015, the final year of the plan, our targets are net sales of ¥3.0 trillion, operating income of ¥150.0 billion, net income of ¥80.0 billion, and an operating income ratio of 5%.

Numerical Targets of the Medium-Term Management Plan

(billions of yen)

	FY2012 2H Result	FY2013 Forecast	FY2014 Plan	FY2015 Plan
Net Sales (Year on Year)	1,374.4 (+20.4%)	2,700.0 (+8.9%)	2,820.0 (+4.4%)	3,000.0 (+6.4%)
Operating Income (Ratio)	22.6 (1.6%)	80.0 (3.0%)	110.0 (3.9%)	150.0 (5.0%)
Net Income (Ratio)	-157.7 (-11.5%)	5.0 (0.2%)	40.0 (1.4%)	80.0 (2.7%)

Five strategic measures

Guided by its three basic strategies, Sharp will implement the following five strategic measures to realize "recovery and growth."

- (1) Restructuring our business portfolio
- (2) Improving the profitability of our LCD business
- (3) Expanding overseas businesses focusing on the ASEAN market
- (4) Reducing fixed costs by reforming our cost structure
- (5) Improving our financial position

Five Strategic Measures to Realize Recovery and Growth

1

Restructuring our Business Portfolio

Sharp will expand its business in advantageous fields while controlling fluctuation risk in profitability.

(1) Shift to value markets

When considering medium- and long-term growth strategies, Sharp identified three markets from the perspective of “differences in competitive environment.”

Global Scale-Driven Market

Scale-driven competitiveness on a global basis is required

Global Value Market

Added value for each customer type can be pursued on a global scale

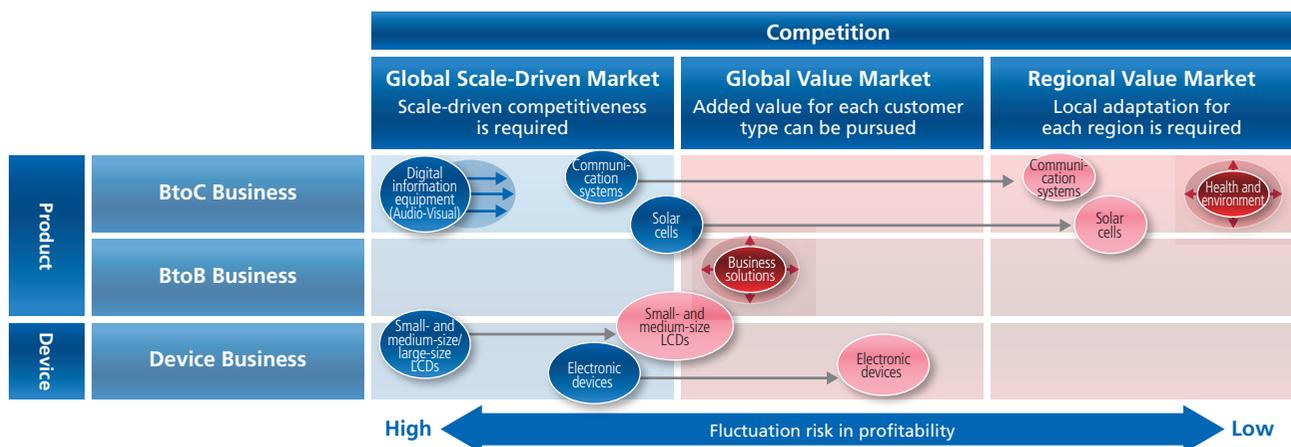
Regional Value Market

Local adaptation for each region is required

Digital consumer electronics, such as LCD TVs, and commodity-type devices is a business domain where dominant business scale in the global market is a key competitive determinant. Sharp will seek to rebuild its business portfolio by shifting from this “global scale-driven market” to “value markets” in which a variety of winning methods exist.

We will minimize fluctuation risk in sales and profits and increase operational stability by allocating core management resources mainly toward “advantageous business domains (technologies, fields, and regions)” in which we are strong, such as shifting to high value-added zones including IGZO and MEMS, and expanding our presence in the domestic solar cell market, where we have a robust business foundation.

Shift to Value Markets (Compete in Advantageous Fields)



(2) Directions of innovation on each business

Under the Medium-Term Management Plan, Sharp will undertake a widespread reassessment of its entire operations with the aim of concentrating management resources on fields and markets that it has identified as advantageous.

An urgent priority is to improve the profitability of our TV business in Europe, Blu-ray Disc recorder/player businesses, and solar cell businesses in Europe and the U.S. Here, we will formulate drastic measures going forward.

Five Strategic Measures to Realize Recovery and Growth

2

Improving the Profitability of our LCD Business

Sharp will step up initiatives in high added-value zones and increase sales by expanding transactions with major clients.

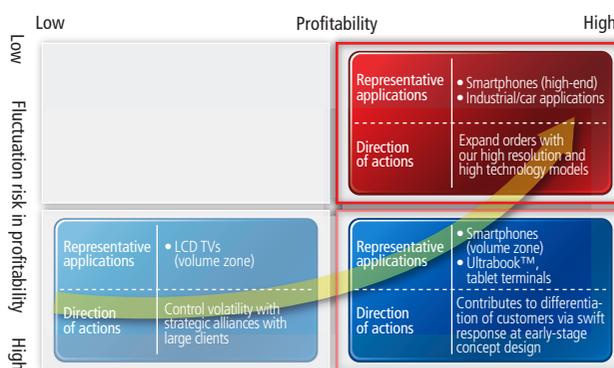
(1) Stepped-up initiatives in high added-value zones

The shift to high added-value zones (see diagram at right) illustrates how Sharp intends to improve the profitability of its LCD business. The vertical axis shows fluctuation risk in profitability and the horizontal axis shows profitability.

The bottom left quadrant, represented by LCD panels for TVs, is a low-profitability, highly volatile domain, impacted by falling prices stemming from commoditization, as well as LCD panel supply/demand balance issues.

We will work to improve profitability and reduce profit volatility risk by expanding the ratio of our sales in high added-value zones, which encompasses LCDs for high-end smartphones, industrial equipment, and car use, where we have a technological advantage. This domain offers the best match for our product lineup and technological prowess, including IGZO, so we will strive to cultivate new customers and applications in order to achieve business stability.

Shift to High Added-Value Zones



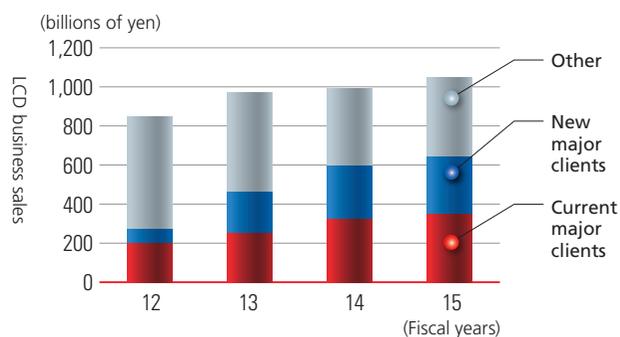
(2) Increase sales by expanding transactions with major clients

In the LCD business, Sharp will target steady sales growth and reduced fluctuation risk in profitability.

To this end, we aim to increase sales by continuously expanding transactions with existing major clients (red in the bar chart on the right) and developing new major accounts in fiscal 2013 and onwards through product development and marketing activities from customer's viewpoint.

Going forward, we plan to elevate the ratio of sales to major clients in total LCD sales to the level of 50% plus, with the aim of growing this business while ensuring the expansion of sales and the minimization of fluctuation risk in profitability.

Sales Growth by Expanding Transactions with Major Clients (Plan)



Five Strategic Measures to Realize Recovery and Growth

3 Expanding Overseas Businesses Focusing on the ASEAN Market

Sharp will strategically allocate core management resources to regions in which it can demonstrate its competitive strengths.

In our overseas business, we will strategically allocate core management resources to regions in which we can demonstrate our competitive strengths.

In the ASEAN region, where economic growth has been robust in recent years, we have sales operations in six nations and production facilities in four.

We will step up initiatives in the region with the aim of raising the ratio of Asian sales to total Products Business Group* sales from 21% in fiscal 2012 to 31% in fiscal 2015. This will propel Asia to the top regional spot in Sharp's overseas sales, surpassing the Americas.

In Indonesia, which accounts for around 40% of ASEAN's population and is expected to see strong economic growth in the future, Sharp holds the No. 1 market share for TVs, refrigerators and washing machines, and the No. 2 share for air con-

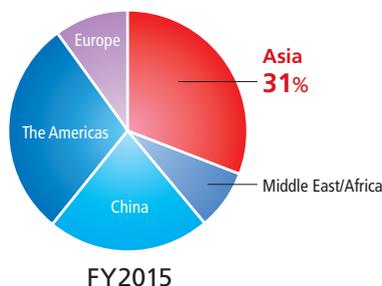
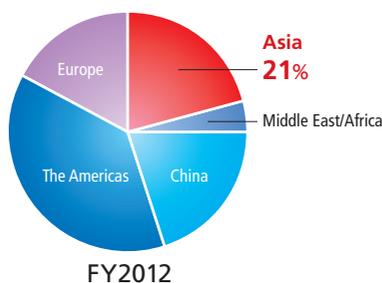
ditioners. The source of our competitive edges lies in our value chain, which is the strongest in Indonesia, including our locally driven product development, rock-solid relationships with retailers and the No. 1 service network in the industry.

To address flourishing demand, Sharp fast-tracked the opening of a new plant in Indonesia to manufacture washing machines and refrigerators. Originally scheduled for late fiscal 2013, the new plant opened in September 2013. In this way, we will accelerate the pace of business expansion and build a robust market foundation.

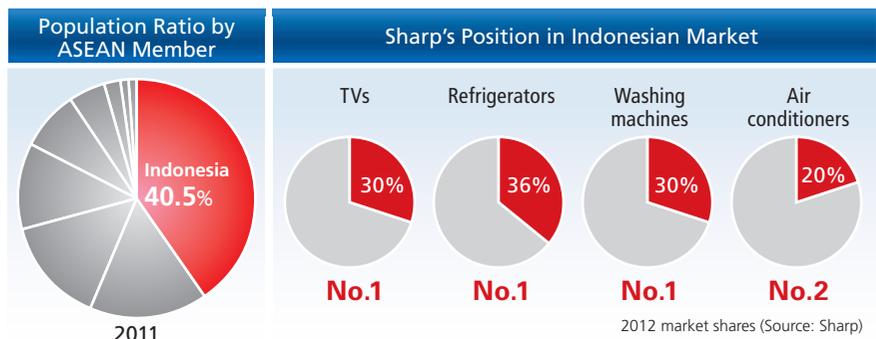
Going forward, Sharp will work to replicate its success in Indonesia across various ASEAN nations, including Thailand where it has a white goods plant, in order to expand its business region-wide and boost its market share.

* Businesses which do not include LCDs and Other Electronic Devices

Overseas Sales Composition by Region (Products Business Group)



Strengthen Initiatives at Indonesian Business



Five Strategic Measures to Realize Recovery and Growth

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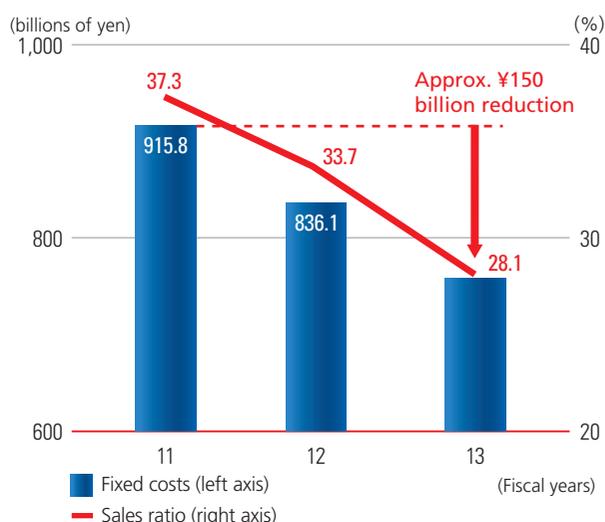
Reducing Fixed Costs by Reforming our Cost Structure

Sharp will pursue efforts to streamline headquarters, reduce labor costs, and restructure domestic and overseas bases.

In fiscal 2012, total fixed costs amounted to ¥836.1 billion, down around ¥80 billion from the previous year. This was due to various measures undertaken, such as implementation of a voluntary retirement program, reductions in salaries and bonuses, and sales of business bases.

In fiscal 2013, we will continue efforts to streamline headquarters, reduce labor costs, and restructure domestic and overseas bases, with the aim of cutting fixed costs by around ¥150 billion compared with the fiscal 2011 level.

Transition of Fixed Costs





Malaysia	Regional headquarters/ Product development: 1 company* Production: 2 companies Sales: 1 company
Indonesia	Production and sales: 1 company Production: 1 company
Thailand	Production: 2 companies Sales: 1 company
Philippines	Production and sales: 1 company
Singapore	Sales: 2 companies
Vietnam	Sales: 1 company
India	Production: 1 company Sales: 1 company
South Korea	Production: 1 company
Australia	Sales: 1 company
New Zealand	Sales: 1 company

* Activities include strategy, personnel, sales planning, AV product planning/development, design center, lifestyle marketing, branding, sales promotion, quality/service planning, parts supply, and materials purchasing.
(As of June 2013)

Asia-Pacific Structure

Five Strategic Measures to Realize Recovery and Growth

5

Improving our Financial Position

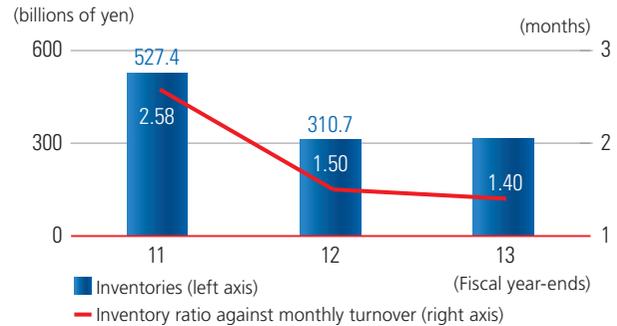
Sharp will seek to optimize inventory levels, reduce capital investment, and cut interest-bearing debt.

(1) Optimization of inventory level

At the end of fiscal 2011, inventories amounted to ¥527.4 billion, for an inventory ratio against monthly turnover of 2.58 months, which was a high level. Thanks for rigorous efforts to optimize inventory levels, however, inventories at fiscal 2012 year-end fell to ¥310.7 billion, for an inventory ratio against monthly turnover of 1.50 months.

In fiscal 2013 and beyond, we will continue working to optimize inventory level and thus enhance financial efficiency.

Optimization of Inventory Level

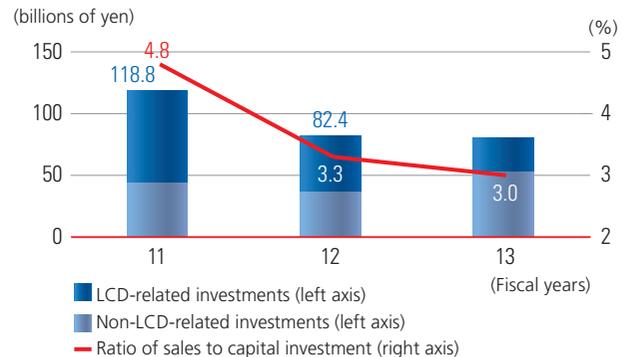


(2) Minimization of capital investment

We will dramatically reduce capital investment in LCDs where we made an enormous investment in the past, by utilizing not only our own plants but also other companies' facilities in a flexible manner.

In fiscal 2013 and thereafter, while limiting capital investment to essential outlays to production and sales such as mold and masks, we will pursue an efficient investment by primarily investing in new fields earmarked for future growth as well as the human resource, technology, and marketing fields.

Minimization of Capital Investment



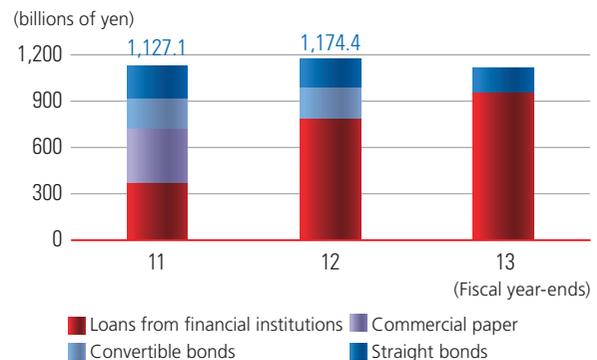
(3) Cutting down on interest-bearing debt

At the end of fiscal 2012, total interest-bearing debt stood at ¥1,174.4 billion, up ¥47.3 billion over the previous year.

Accompanying a shift from direct to indirect financing, the levels of bonds and commercial paper have declined while loans from financial institutions have increased.

In addition to minimizing capital investment, we will optimize inventories and noncurrent assets as a means of addressing bonds redemptions. As for loan from financial institutions, meanwhile, we will make proper repayments as we work to steadily cut interest-bearing debt.

Cutting Down on Interest-Bearing Debt



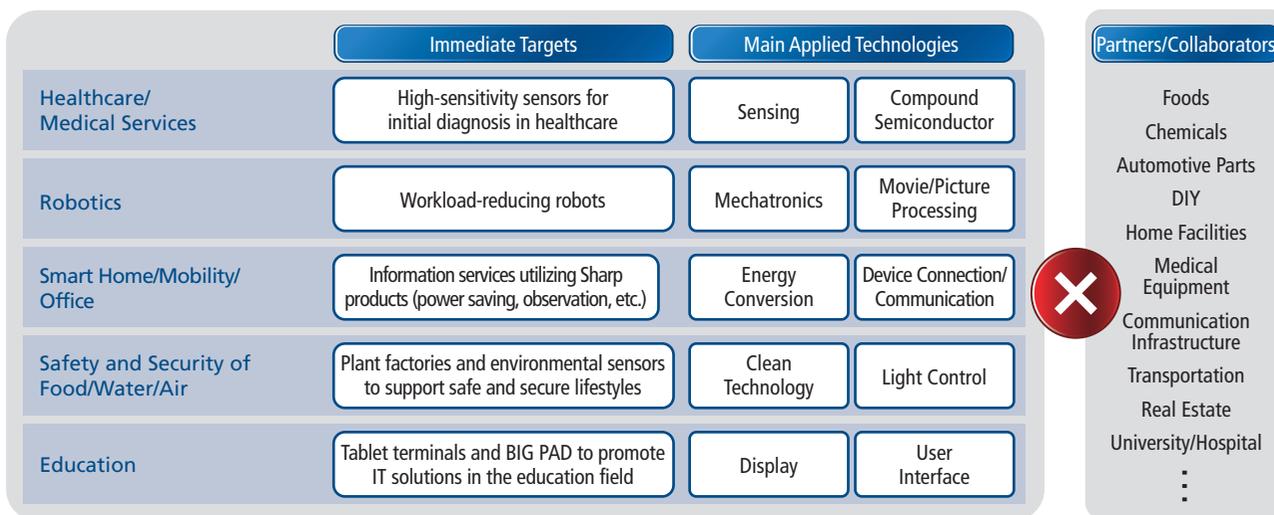
For Sustainable Growth

Sharp will work on new business creation and organization/governance Innovation.

Creating new businesses

Sharp possesses a large number of highly competitive technological assets, including IGZO, Plasmacluster Ion, and advanced sensing technologies. By unleashing synergies between these assets and our customer-oriented product planning and development capabilities amassed in the consumer electronics field—as well as with the sales channels and technologies of our alliance

partners—we will work to create new business areas. We have identified five areas of focus: healthcare/medical services, robotics, smart home/mobility/office, safety and security of food/water/air, and education. In these areas, we will establish new businesses and expand sales, and expedite efforts aimed at achieving sustainable growth over the long term.



Organization/governance innovation

On April 1st, 2013, Sharp implemented a group-wide organizational reform and launched a series of new initiatives. Specifically, in our business divisions we established two entities—the Product Business Group and the Device Business Group—to create a one-stop management structure that addresses customer needs, from product planning and development to sales and services. In this way, we will strive to expedite our responses to customer needs and improve operating efficiency.

At headquarters, meanwhile, we are working to realize a small and strong headquarters. To this end, we unified the five existing functional groups—covering such areas as management strategy, accounting, and personnel—under one entity, called the Corporate Management Group, to expedite decision-making and improve administrative efficiency. Under that umbrella, we also established the Structural Reform Group to promote group-wide structural reforms and strengthen business execution capabilities.

For Recovery and Growth Sharp's greatest strengths are its "rigorous customer-oriented approach" and its "advanced technological capabilities." Through our steadfast commitment to "refining technology with customers first," we will deliver new values and joy to our customers and clients. In implementing the Medium-Term Management Plan, all of us at Sharp will unite and direct all efforts towards implementing various reforms.

Continuing to Deliver New Values and Joy to People around the World

Refine Technology with Customers First Technology to Customers