

# Corporate Governance

## 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 sale of products and devices, which have a strong interrelation and require high expertise. This enables our directors, who are highly adept at our 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.

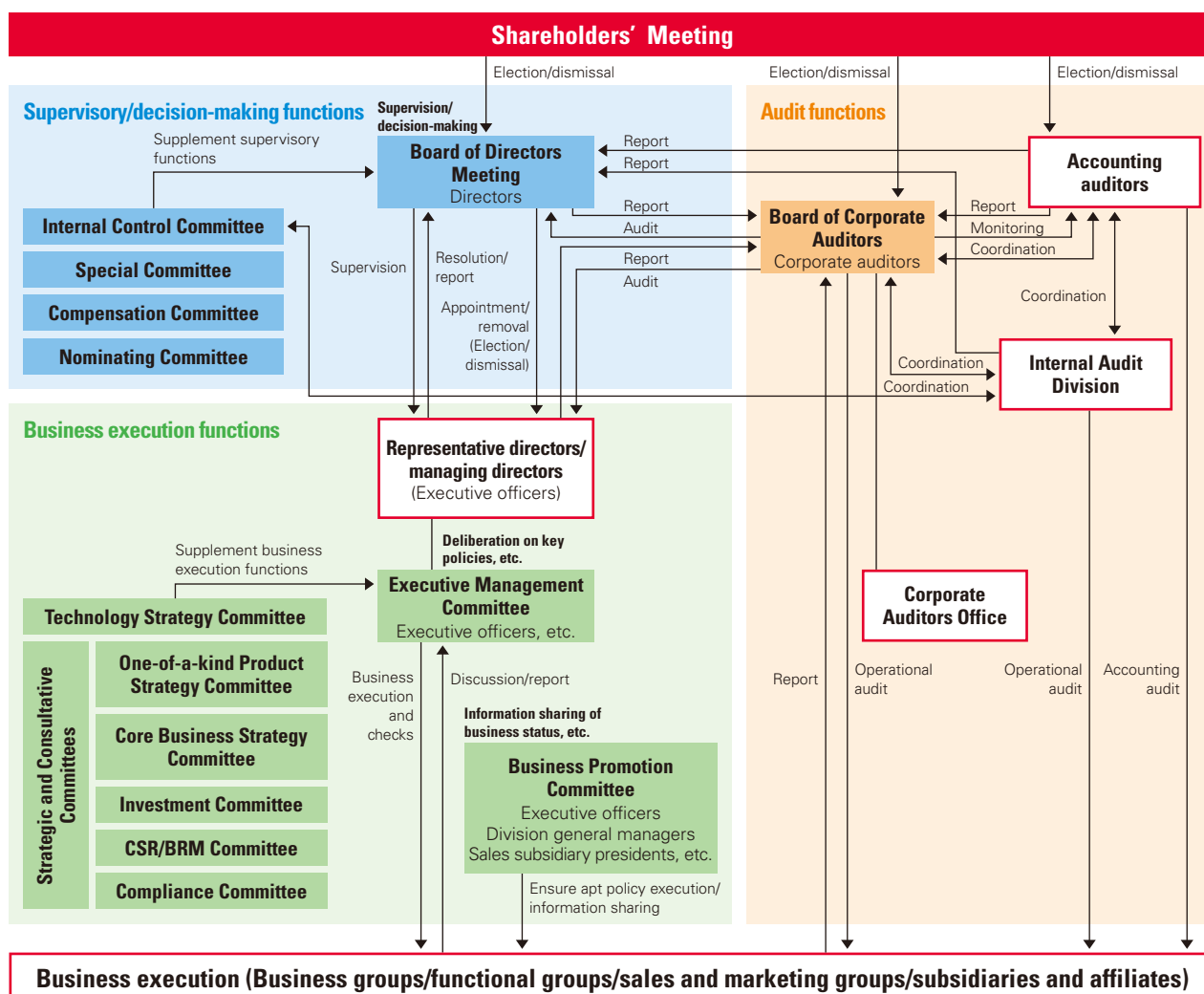
We are also striving to preserve transparency, objectivity and soundness in management together with realizing appropriate management. From the viewpoint of increasing our consideration of shareholders and corporate social

responsibility, we have appointed an outside director with an international and multi-faceted perspective, including regarding compliance, on wide-ranging issues such as the social and economic environment, and the future direction of Sharp. In doing so we have strengthened the decision-making functions within the Board of Directors and the functions for supervising directors' execution of duties.

We have also introduced the Executive Officer System, thereby creating a structure that steadily facilitates nimble, efficient business execution.

Sharp has taken these measures to further strengthen the current Director/Corporate Auditor System, which allows management and manufacturing divisions to work together very closely, enabling the business to expand. Sharp works to enhance its corporate governance through this system.

Corporate Governance System (As of June 23, 2010)



Corporate Governance

Sharp strives to achieve timely and accurate disclosure of information to all stakeholders such as shareholders and investors, and is increasing the transparency of management by widely publicizing information.

### Status of Corporate Governance System

The Board of Directors Meetings of Sharp Corporation are held on a monthly basis in principle to make decisions on matters stipulated by law and management-related matters of importance, and to supervise the state of business execution. To improve management agility and flexibility, and to clarify the responsibilities of the company management during each accounting period, the term of office for members of the Board of Directors is set at one year. As advisory bodies to the Board of Directors, the Company has established an Internal Control Committee, a Nominating Committee and a Compensation Committee.

To strengthen the decision-making functions within the Board of Directors and the functions for supervising directors' execution of duties, the Company appointed an outside director. The outside director serves as a member of the Nominating Committee and the Compensation Committee, as well as the Special Committee that forms part of the takeover defense plan. The Company also introduced the Executive Officer System to carry out swift and efficient business execution, and to maximize the functions of the Board of Directors by optimizing the number of members.

In addition to the Board of Directors, the Company has an Executive Management Committee, where matters of importance related to corporate management and business operation are discussed and reported twice a month in principle. This committee facilitates prompt executive decision-making.

The Board of Corporate Auditors is composed of four corporate auditors, three of whom are outside corporate auditors with a high degree of independence. Each corporate auditor meets regularly with the representative directors, the directors, the accounting auditors, the head of the Internal Audit Division and others to exchange opinions and work to ensure that business is executed legally and appropriately.

### Ongoing Development of the Internal Control System

In May 2006, the Board of Directors passed a resolution to adopt a basic policy related to the development of systems necessary to ensure the properness of business (Basic Policy for Internal Control), which was partially amended at the Board of Directors Meeting in August 2009. This amended policy forms the basis for Sharp's ongoing development and implementation of its internal control system. Sharp has set up the Internal Control Committee as an advisory body to the Board of Directors. The committee deliberates on basic policies regarding internal controls and internal audits, and the state of development and implementation of initiatives related to the internal control system, then reports on and discusses important matters with the Board of Directors. The Internal Control

Promotion Department within the CSR Promotion Group is responsible for internal control of all business execution departments company-wide. Meanwhile the Internal Audit Division makes concrete proposals on how to improve business operations and reinforces internal controls by checking the validity of business execution as well as the appropriateness and efficiency of management.

To enhance compliance throughout the group, 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, director, auditor and executive officer of Sharp. The Sharp Group Charter of Corporate Behavior and the Sharp Code of Conduct were revised in April 2010 in line with changes in the business environment. Sharp ensures that these guidelines are thoroughly observed by posting them on the Web and carrying out position-specific training programs. Sharp has also set up a Compliance Committee and is developing a company-wide compliance promotion system. Meanwhile, Sharp is implementing thorough measures to prevent compliance breaches by distributing a Sharp Group Compliance Guidebook to all employees and implementing training based on the guidebook.

In order to comprehensively and systematically deal with diverse business risk, Sharp formulated the Business Risk Management Guideline to achieve prevention of and swift responses to risk.

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

In order to protect and enhance the corporate value and common interests of shareholders of a manufacturing firm such as Sharp, a company must develop in-house and make good use of advanced technology and manufacturing technology from a medium- to long-term perspective. Furthermore, Sharp believes it is essential to build good cooperative relationships with stakeholders such as customers, business partners and employees.

The Board of Directors of Sharp believes that determining whether to accept purchases aimed at a takeover and conducted without obtaining the approval of the Board of Directors of Sharp should be ultimately entrusted to the shareholders. However, the Board of Directors of Sharp also believes that it is not appropriate for any party that conducts an inappropriate purchase, such as one that clearly harms the corporate value and common interests of shareholders and/or puts undue pressure on shareholders to sell their shares, to take control over Sharp's policy decisions on finance and business operations, and that it is necessary to take reasonable countermeasures if such an inappropriate purchase is actually conducted.

In order to prevent such purchasing activity, Sharp has adopted 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").

The Plan provides rules for enabling shareholders to reach a proper decision, by requiring large-scale purchasers of the Company's shares who intend to obtain 20% or more of the voting rights of the Company to provide sufficient information and give an adequate assessment period. If a large-scale purchaser does not follow the rules, or 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, Sharp may take countermeasures in order to protect its corporate value and the common interests of shareholders. The Board of Directors of Sharp will make the final decision concerning the implementation of countermeasures after fully taking into consideration the advice and recommendations of a Special Committee consisting of three or more persons who are independent of Sharp's management.

A majority of shareholders present at the 116th Ordinary General Meeting of Shareholders on June 23, 2010 approved the continuation of the Plan. The effective term of the Plan is up to the conclusion of the 117th Ordinary General Meeting of Shareholders, which will be held by June 30, 2011.

The decision whether or not to continue the Plan will be put to shareholders at the Ordinary General Meeting of Shareholders held in June every year.

\* For details of the Plan and profiles of the Special Committee members, please visit Sharp's website:  
<http://sharp-world.com/corporate/ir/topics/pdf/100427a.pdf>

## Message from the Outside Director



Outside Director  
**Kunio Ito**

The fundamental principle of corporate management is to maximize corporate value. This is a difficult thing to accomplish and brings numerous strategic options and challenges. Today management has become far more complex and sophisticated than in the past, involving manifold variables. Naturally, one important aspect is the executive capability needed to view each variable in light of the business environment and implement the best course of action. At the same time, an aspect that has become even more important is the management capability needed to carry out optimal overall management taking the balance of all of these variables.

In his recent book, "The Future of Management," influential management theorist Gary Hamel points out that while improving business operations is important, the real power to win out against one's competitors lies in the ability to also bring innovation to management.

A key point in management systems of the future will be how to achieve both the piece-wise strengthening of each business and the overall optimization of the entire company or group. I believe that a bold strategy to achieve both of these will further strengthen the appeal of the Sharp brand. By continuing and indeed escalating its pursuit of its "One-of-a-Kind" identity, Sharp will raise the value of its brand.

I hope that in my role as an outside director here at Sharp, I will be able to contribute to making this kind of management innovation a reality.

### Career overview

April 1992	Professor, Faculty of Commerce and Management, Hitotsubashi University
August 2002	Dean, Graduate School of Commerce and Management, Hitotsubashi University
December 2004	Vice President and Executive Staff of Hitotsubashi University
December 2006	Professor, Graduate School of Commerce and Management, Hitotsubashi University (current position)
June 2009	Director, Sharp Corporation (current position)