

Through a corporate governance system that intimately unites management and manufacturing divisions, Sharp seeks to accelerate decision-making and enhance supervisory functions.

**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. As a manufacturing company, our business activities are limited to the development, production and sales of products and devices, while at the same time there is a strong interrelation between these activities. Accordingly, Sharp believes it is important for all business group directors with operational responsibility to make their management decisions after consulting with one another. It serves to clarify their reciprocal managerial responsibilities, and it also facilitates nimble, responsive business execution, and mutual supervisory functions. For these reasons, 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 further. Sharp enhances its corporate governance through this system. In June 2007, the number of corporate auditors was increased by one to five (including three outside auditors).

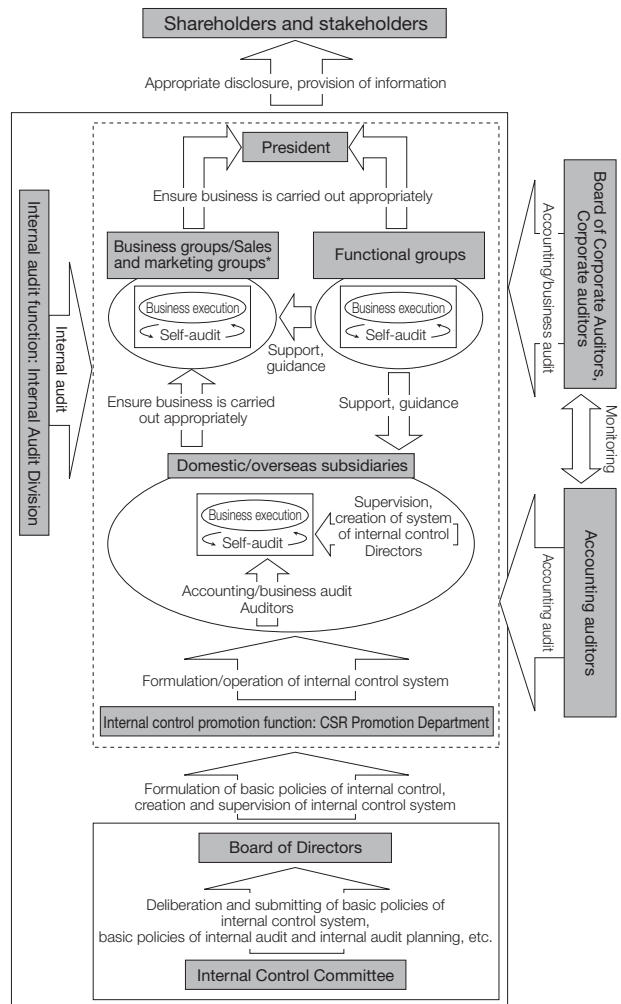
**STATUS OF CORPORATE GOVERNANCE SYSTEM**

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.

The Board of Corporate Auditors formulates audit policies, and conducts hearings on the company’s activities and performance from accounting auditors and corporate directors. The Board also exchanges 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.

**DIAGRAM OF CORPORATE GOVERNANCE/ INTERNAL CONTROL SYSTEM**



\* also responsible for directing and administrating the assigned subsidiaries

Sharp Corporation also has the Advisory Board comprised of eminent persons who play active roles in various sectors of society to assist in management decisions through exchanging ideas and making proposals from diverse perspectives.

### **STRENGTHENING INTERNAL CONTROLS**

Sharp has the Internal Audit Division, responsible for auditing the company, as well as its domestic and overseas group companies 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 and establishes relevant internal controls. 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 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 is responsible for promoting development and operation of internal control systems for Sharp.

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 Department.

### **PLAN REGARDING LARGE-SCALE PURCHASES OF SHARP CORPORATION SHARES (TAKEOVER DEFENSE PLAN)**

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 should ultimately be entrusted to the shareholders. However, there may also be inappropriate large-scale purchases that could harm cor-

porate value and the common interests of shareholders. To prevent the occurrence of such large-scale purchases, Sharp Corporation introduced a plan regarding Large-Scale Purchases of its share certificates or other securities on April 26, 2006, pursuant to a resolution by the Board of Directors. Sharp Corporation decided to continue with this original plan at the Board of Directors meeting held on June 22, 2006, which consisted of the directors appointed at the Ordinary General Meeting of Shareholders held on the same day. Afterwards, to protect and enhance corporate value and the common interests of shareholders, the Board of Directors of Sharp Corporation continued to examine the original plan in accordance with the enforcement of the Corporate Law and the revision of the Securities and Exchange Law in Japan. As a result, Sharp Corporation decided, at the Board of Directors meeting held on April 25, 2007, to abolish the original plan at the conclusion of the Ordinary General Meeting of Shareholders held on June 22, 2007, and adopt the new plan regarding Large-Scale Purchases of its shares upon seeking the opinion of shareholders. The new plan was approved of by a majority of shareholders present at the Ordinary General Meeting of Shareholders held on June 22, 2007, and duly introduced.

The outline of the new plan is as follows. The Board of Directors of Sharp Corporation requires a group of shareholders with an intent to obtain 20% or more of the voting rights of the company to provide necessary and sufficient information concerning the contents of the purchase and to set an assessment period for the evaluation of the proposed purchase. The Board of Directors shall receive advice and counsel from the special committee consisting of experienced outsiders and all of Sharp's outside corporate auditors before deciding whether to accept the large-scale purchase or to take countermeasures. The Board of Directors may take countermeasures permitted by applicable laws or the articles of incorporation of the company in effect at the time.

Whether to continue with the Takeover Defense Plan shall be discussed at the Ordinary General Meeting of Shareholders every year.

For details of the new plan, visit the Sharp homepage:  
<http://sharp-world.com/corporate/ir/topics/pdf/070425a.pdf>