

Interview with the President



Mikio Katayama
President

Fiscal 2010 Performance

Q Please summarize Sharp's performance in fiscal 2010.

A We achieved significant increases in both sales and profits. However, this was partly attributable to government economic stimulus measures, including the Eco-Point Program. I believe that we need to advance strategies, such as promoting local production for local consumption, as well as restructuring our LCD business.

Significant Sales and Profits Growth

In fiscal 2010, net sales increased 9.7% compared to the previous year, to ¥3,021.9 billion, and operating income surged 52.0% to ¥78.8 billion. Despite a challenging operating environment stemming from the appreciating yen, falling market prices, and other factors, we achieved significant growth in sales and profits thanks to the market launch of unique products. However, government economic stimulus measures, such as the Eco-Point Program, played a part in bolstering our performance. We recognize, therefore, the need to expedite business restructuring and reinforce our business foundations.

Business Restructuring Initiatives

Sharp is promoting a business model emphasizing local production for local consumption. Under this model, we build value chains by forming alliances with leading com-

panies in regions where products are consumed. In fiscal 2010, Sharp established a joint-venture company in Italy for the production of thin-film solar cells, as well as a joint-venture company to carry out a solar power generation business as an independent power producer. We also built a solar power generation plant in that country. In China, we have been providing technology support as part of our engineering business to a 6th generation LCD panel plant owned by Nanjing CEC-PANDA LCD Technology Co., Ltd. In late March 2011, that plant began input of glass substrates.

In addition to promoting local production for local consumption in these ways, Sharp is also restructuring production facilities to create optimal frameworks for each. For example, at the Kameyama No. 2 Plant, which has been making large-size LCDs, we have begun converting some lines so that they can also produce mobile LCDs.

Market Conditions

Q What is your view of current market conditions for Sharp? Also, what measures is Sharp taking in response to those conditions?

A Overseas, especially in emerging countries, markets are growing rapidly. Sharp must strengthen sales in these overseas markets and expand its business domain to achieve sustainable growth.

Unpredictable and Challenging Japanese Market; Ongoing Growth in Emerging Countries

In fiscal 2010, the Japanese economy showed some signs of recovery owing to the government's economic stimulus measures and rising demand from emerging countries. However, due to the impact of the Great East Japan Earthquake on supply chains in the manufacturing sector on top of an appreciating yen and a deflationary trend, as well as fears of increasing prices of materials, the future direction of the economy remains unclear.

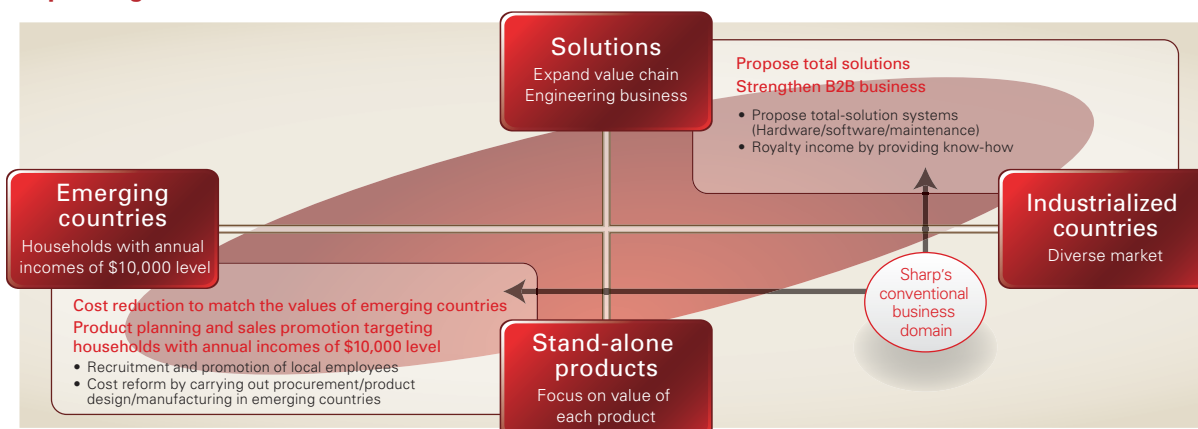
Overseas, however, China and other Asian economies continued to show strong growth, and markets in North America and Europe were generally healthy. Going forward, we can expect to see continued strong growth in emerging countries due largely to the fact that personal consumption increases as a result of rising incomes. Elsewhere, the outlook appears increasingly uncertain. Factors include the possibility of a downturn in the U.S. economy, financial unease in Europe, and concerns over crude oil price hikes stemming from political instability in the Middle East and North Africa.

Expanding Business Domain; Increasing Sales in Overseas Markets

No company in the electronics industry can hope to grow and remain profitable by relying on an existing business model. Survival demands that we succeed in powerful competition with foreign companies, adapting to rapid changes in business infrastructures, such as communications and networks, and responding to other challenges.

Therefore, Sharp will broaden its business domain. In our conventional business domain, we focused on industrialized countries and selling stand-alone products. We need to expand this into a wider domain that includes a solutions business and emerging countries. In industrialized countries, Sharp must extend beyond the business model centering on stand-alone products to include other fields. We must put emphasis on becoming a source of total solutions and strengthening B2B businesses. In emerging countries, the number of households with annual incomes of more than \$10,000 is climbing rapidly. We will recruit and promote employees within these countries, while establishing a new cost structure by stepping up local procurement, product design and manufacturing operations. These are necessary steps to achieve business expansion in overseas markets.

Expanding Business Domain



Restructuring the LCD Business

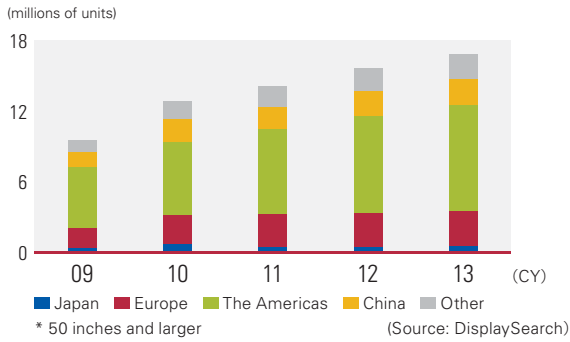
Q Sharp is in the process of restructuring its LCD business. What is your view on the current state of that business?

A The market for large-size LCDs, mainly for TVs, remains challenging. Meanwhile, in the mobile LCD market, there is a tight supply/demand balance for high value-added LCDs. In both fields, we need to shift to growth areas that make use of Sharp's strengths and carry out restructuring to optimize the production framework.

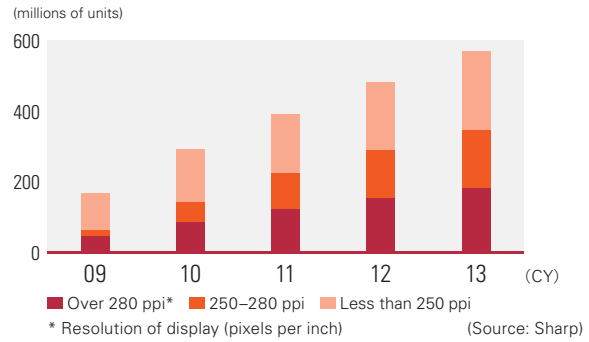


Multi-screen display systems at a shopping mall in Malaysia (9 large-size LCD monitors are used for each display system installed on both sides of a connecting corridor)

Market for large-size flat panel display TVs*



Market for smartphones



Large-size LCD Business

At the beginning of fiscal 2010, the supply/demand balance for large-size LCD panels was tight. Due to sluggish markets for LCD TVs in Europe and the U.S. and slow sales of local TV brands in China, however, supply began to outstrip demand, leading to falling panel prices and increasing market inventories. Sharp responded to this situation by adjusting production at its large-size LCD panel plants. Amidst this circumstance, demand dropped suddenly as a result of the Great East Japan Earthquake on March 11, causing inventories to grow further. This was compounded by difficulties we faced in procuring components. As a result, we suspended the input of glass substrates at our large-size LCD panel plants from early April through mid-May.

We expect the market to remain challenging for some time due to uncertainty regarding the supply of electricity caused by the shutdown of nuclear power plants from the earthquake, as well as a decline in demand for LCD TVs in Japan following the end of the Eco-Point Program. In response, Sharp will endeavor to strengthen the foundation of its large-size LCD business by shifting to areas with high growth potential. To this end, we will make LCDs for TVs 60 inches and larger and LCDs for digital signage and other non-TV applications, leveraging the Sakai Plant's competitive edge of being the only LCD panel plant in the world to employ 10th generation glass substrates.

Mobile (Small- and Medium-size) LCD Business

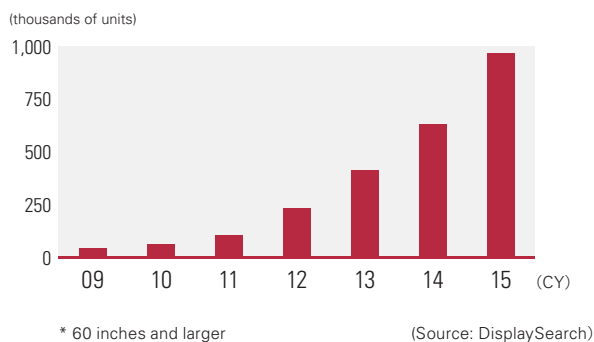
In fiscal 2010, the mobile LCD market picked up owing to surging demand for smartphones and tablet terminals. There are few manufacturers in the world capable of producing high value-added LCDs, such as high-resolution LCDs and 3D LCDs, which are Sharp's specialty. Consequently, supply became extremely tight, making it a top priority for major mobile device manufacturers to stably procure these core components. Sharp has continued operating its mobile LCD plants at full capacity and currently faces the pressing issue of raising production capacity.

Sharp has developed a thin-film transistor using an oxide semiconductor, InGaZnO (IGZO) *1, in collaboration with Semiconductor Energy Laboratory Co., Ltd., and is working for the commercialization of this device, which would mark a world's first. This technology makes it possible to produce mobile LCDs with ultra-low power consumption, a feature important for smartphones and tablet terminals. Also, high display quality can be achieved by employing proprietary UV²A technology*2. We plan to commence production of LCDs using IGZO in the second half of fiscal 2011, as we work to increase production capacity for mobile LCDs and further enhance competitiveness.

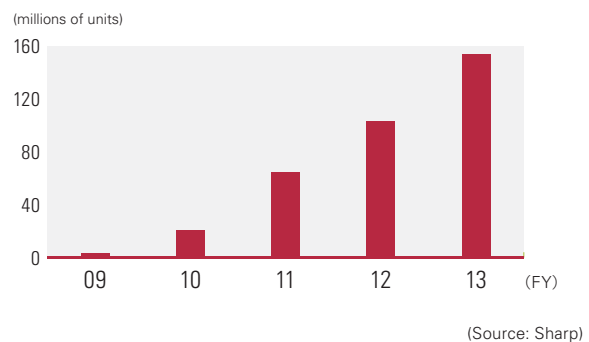
*1 Please refer to "Mobile LCDs using oxide semiconductor" in the R&D and Intellectual Property section on page 24 of this report.

*2 Photo-alignment technology that can precisely control the alignment of liquid crystal molecules in a simple LCD panel structure.

Market for digital signage*



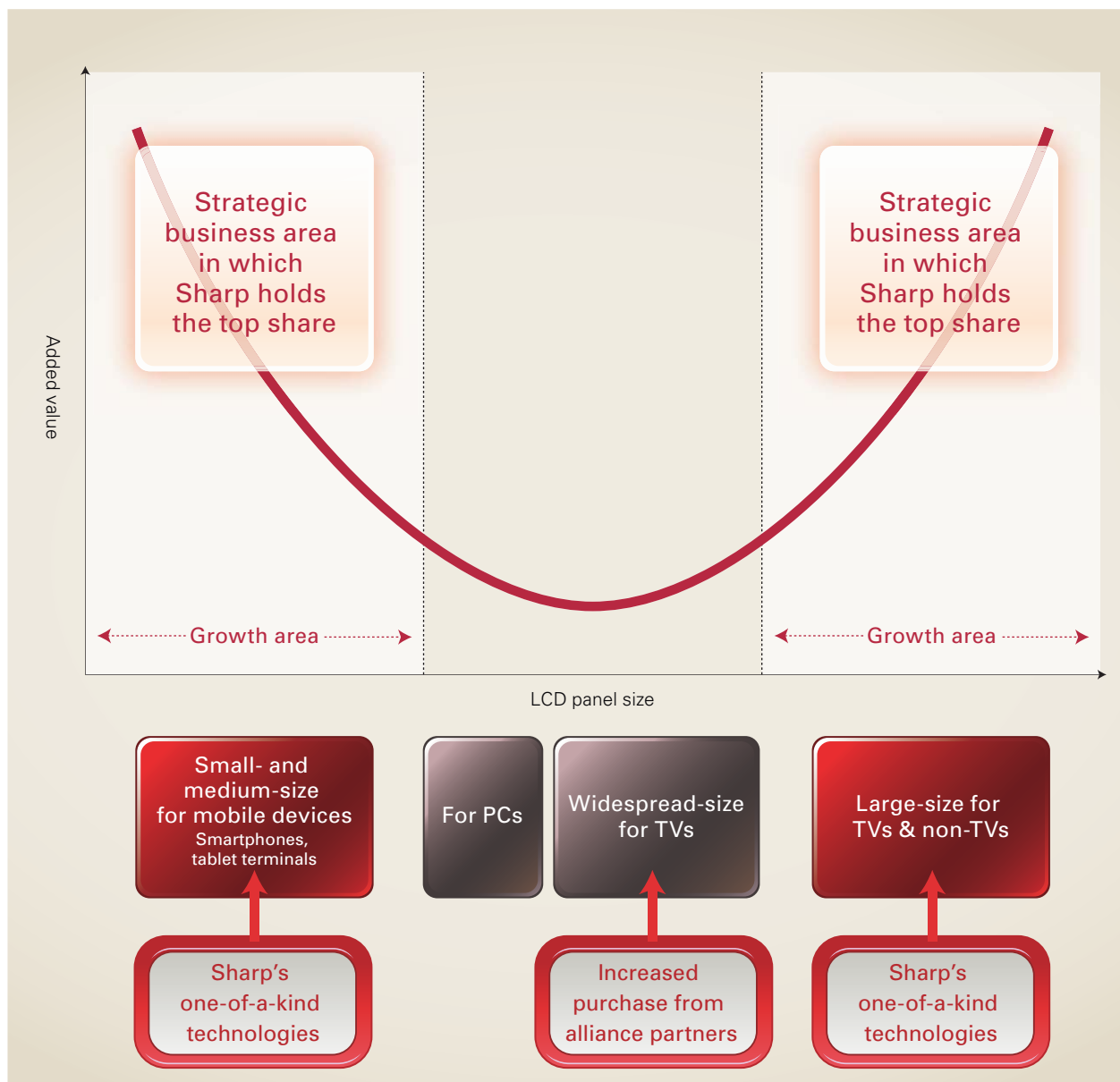
Market for tablet terminals



Q Please outline the concept behind the restructuring of the LCD business and some specific initiatives Sharp is introducing in this area.

A We are pursuing two courses of action in order to transition to high value-added, high-growth businesses. We are strengthening the mobile LCD business and shifting to growth areas for large-size LCDs.

Business Areas Targeted by Sharp





Shifting to High Value-Added and Growth Areas

The diagram “Business Areas Targeted by Sharp” on page 10 shows added value on the vertical axis and the LCD panel size on the horizontal axis (“For mobile devices,” “For PCs, for TVs,” and “For large-size TVs & non-TVs”). Due to growing commoditization in the LCD market for PCs as well as for widespread-size 32-to-40-inch TVs (in the center of the diagram), it is extremely difficult to secure healthy profits in these areas, with major LCD panel manufacturers across the board facing declines in profits.

By contrast, in the areas where cutting-edge elemental and production technologies are required, Sharp is able to leverage its one-of-a-kind technologies. These growth areas include mobile LCDs used in smartphones and tablet terminals, as well as large-size LCDs for TVs 60 inches and larger, and non-TV applications like digital signage. We will work hard to strengthen the LCD business and enhance profitability by concentrating management resources in growth areas where we have a technological edge and top market share.

As for widespread-size LCD panels for TVs, we will introduce rigorous cost reduction measures, including the purchase of these panels from alliance partners.

Initiatives for LCD Business Restructuring

Sharp is pursuing two courses of action in the restructuring of the LCD business, to respond swiftly and flexibly to changing business conditions, with the aim of achieving business expansion and improved profitability.

The first one calls for strengthening the mobile LCD business, specifically the optimization of LCD production framework, achieved through a shift from the production of LCDs for TVs to LCDs for mobile devices. The second one involves a shift to growth areas for large-size LCDs, which means targeting the creation of new markets for large-size LCD panels that are 60 inches and larger.

For the first course of action—strengthening the mobile LCD business—we are converting the Kameyama Plant, which previously specialized in large-size LCD production, so that it can also make mobile LCDs for smartphones and tablet terminals in addition to LCDs for TVs. Our aim is to meet the huge demand and establish a production framework that can respond flexibly to changes in the market.

Regarding the second course of action—the shift to growth areas for large-size LCDs—we will shift to business areas where we can maximize the competitive edge we have with the Sakai Plant, the world’s only 10th generation LCD panel plant. Here, we will target markets for the large-size TVs 60 inches and larger and non-TVs, including digital signage. At the same time, we will reduce costs by standardizing and sharing designs and materials, as well as procuring LCD panels from alliance partners. Through such efforts, we will strengthen the foundation of the large-size LCD business and improve profitability.

Kameyama Plant



Initiatives in Other Core Businesses

Q

What actions is Sharp taking with regard to expanding its overseas business and creating new markets in response to the anticipated contraction of the Japanese TV market?

A

We will strengthen our TV business overseas by tailoring our product lineup to meet local needs in emerging countries, and also by aggressively releasing models that are 60 inches and larger in North America and China. We will also actively advance our non-TV business, a market with exciting growth potential.



Multi-screen display system used in the venue for the APEC Japan 2010 Economic Leaders' Meeting (12 large-size LCD monitors used to reproduce a pond)

Sharp's large-size LCD TVs (at a U.S. electronics retail store)



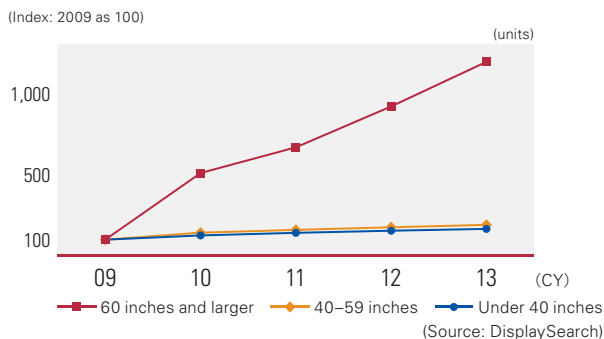
Overseas LCD TV Business

In fiscal 2010, the LCD TV market in general was strong, buoyed by solid growth in Japan as a result of the Eco-Point Program and steady expansion of markets in China and emerging countries. Sharp recorded significant sales growth, especially in Japan and China, owing to the release of the AQUOS Quattron models, which combine UV²A technology and four-primary-color technology*, and other models featuring its proprietary technologies. In fiscal 2011, however, the Japanese market is expected to slump considerably, due in part to the end of the Eco-Point Program, especially after the end of analog TV broadcasting in the second half of the year. By contrast, overseas markets are expected to maintain healthy growth, driven by China and emerging countries.

In response, Sharp will strengthen initiatives targeting overseas markets. In emerging countries, we will boost our product lineup of small- and medium-size TVs that match local needs. In countries like those in North America and China, where there is strong demand for large-size TVs, we will strive to create new markets by using the advantage we have with the Sakai Plant to aggressively launch models 60 inches and larger.

* A multi-primary color technology that renders video input signals of three colors—red, green and blue—on an LCD having four-color pixels, in which yellow is added.

Demand growth forecasts of LCD TVs by size



TV commercial for a 70-inch AQUOS Quattron model in the U.S.



Tapping the Non-TV Market

Demand for large-size digital signage is growing for use in such areas as public facilities. Sharp has developed and released a multi-screen display system with a system frame width of 6.5mm*. Since the seams where individual LCD monitors join are unobtrusive, a super-size image display can be realized by combining a number of monitors in one large screen display. An example of this is seen in the photo on page 12, which shows the system in use at the venue for the APEC Japan 2010 Economic Leaders' Meeting held in Yokohama in November 2010.

This system has also been used at a variety of events and facilities, both in Japan and overseas, where it has earned strong acclaim. In Japan, it has been used at the Huis Ten Bosch theme park, as well as in the JR Tokyo Station and Osaka Station complexes. Overseas, it has been used in the venues that hosted a handball competition sponsored by the European Handball Federation. We intend to expand its application scope by enhancing the brightness of the displays and lowering their power consumption. We also plan to offer total solutions, including equipment installation, content development and distribution, and the proposal of presentations that meet diverse needs.

In addition, we will actively develop new products with considerable growth potential, such as electronic blackboards, in order to expand new business areas.

* The width of the bezels between neighboring LCD monitors. Does not include the full gap between the monitors.

Electronic blackboard



Q

Please tell us about initiatives in the solar cell business.

A

We are working to expand our solar cell business with the aim of becoming a total solutions company in the solar cell market. We will achieve this by pursuing business in a broad value chain that encompasses system design, installation, sale, and maintenance of solar power generation systems for home use and large-scale solar power generation plants.

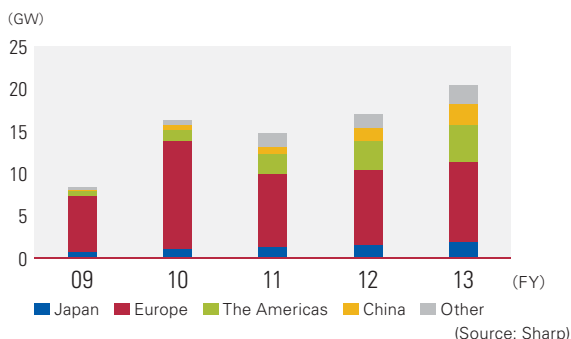


Conceptual drawing of completed plant

One of the world's largest solar power generation plants under construction in Thailand's Lop Buri Province (the plant is the size of 250 soccer fields, and generates electricity equivalent to the amount consumed annually by 70,000 households*. Scheduled to start operating at the end of 2011.)

* Calculation based on average power consumption (1,438.8kWh/year) by households in Thailand.

Market for solar cells



Review of Energy Policies

Demand for solar cells has grown steadily worldwide thanks to government incentive packages to assist with installation of solar power generation systems, and feed-in tariffs. The Great East Japan Earthquake has prompted countries all over the world to review their energy policies. Going forward, we can expect to see accelerated diversification and decentralization of energy supplies, including solar cells and other renewable energy forms.

Becoming a Total Solutions Company

In Japan, Sharp will promote the proliferation of residential solar power generation systems by strengthening its alliances with residential construction materials manufacturers and home building companies. We will work to develop roof-integrated solar cells and other products that combine construction materials and solar cells.

Overseas, together with Enel Green Power, we established a solar power generation joint venture, which will serve as an independent power producer. The joint venture will be engaged in processes ranging from construction to operation of the solar power generation plant, mainly in the Mediterranean region.

Also, a thin-film solar cell plant established jointly by Sharp, Enel Green Power, and STMicroelectronics in Italy is scheduled to begin production at the end of 2011. As a result, our efforts targeting local production for local consumption in Europe will be further enhanced.

In November 2010, Sharp acquired Recurrent Energy, LLC, a leading U.S. developer of distributed solar proj-

ects, making it a wholly owned subsidiary. Demand for solar cells is projected to expand in North America, due mainly to an increase in the number of projects for electricity companies. In this market, the know-how of a developer, engaging in activities ranging from development to the sale of solar power generation plants, will be very valuable. Today, Recurrent Energy holds a 2.4 GW project pipeline of large-scale power plants, mainly in the United States and Canada. The acquisition of Recurrent Energy will provide Sharp with the capabilities it requires to further expand its solar cell business.

In Asia, meanwhile, we have signed an agreement to establish one of the world's largest solar power generation plants (73MW) and to supply thin-film solar modules and surrounding systems in Thailand. The plant is currently under construction and is scheduled to start operating at the end of 2011.

These examples illustrate Sharp's efforts to expand its solar cell business with the aim of becoming a total solutions company in the solar cell market. Our aim is to pursue business in a broad value chain that encompasses system design, installation, sale, and maintenance of residential solar power generation systems, as well as large-scale solar power generation plants.

Thin-film solar cell plant in Italy (scheduled to start production at the end of 2011)



Q

Please tell us about initiatives in the mobile phone and health and environmental equipment businesses.

A

In the mobile phone business, we are developing distinctive smartphones that differentiate us from our rivals. In the health and environmental equipment business, we will expedite expansion of overseas operations and broaden the areas in which we work.

Mobile Phone Business

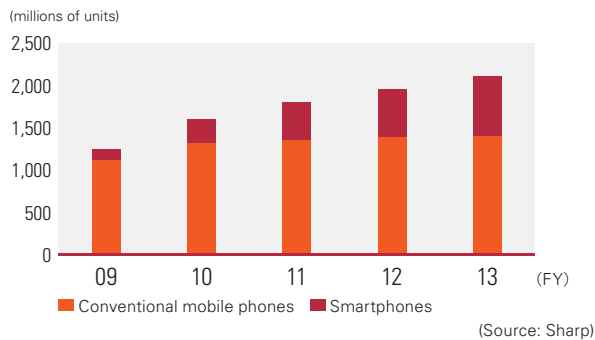
The mobile phone market is experiencing a rapid shift from conventional mobile phones to smartphones. In Japan, Sharp was the first in the industry to launch smartphones compatible with One-Segment digital TV broadcasting and other services that are unique to the Japanese market. We also released smartphones in China.

In May 2011, we launched a new brand of smartphone called the AQUOS PHONE in the Japanese market, introducing the first model. The phone, which has the ability to link with AQUOS LCD TVs and features a high-quality graphics engine, comes with functions that clearly differentiate it from other smartphones. In addition to creating such distinctive smartphones, Sharp will release models of conventional mobile phones designed to meet consumer needs. Through these

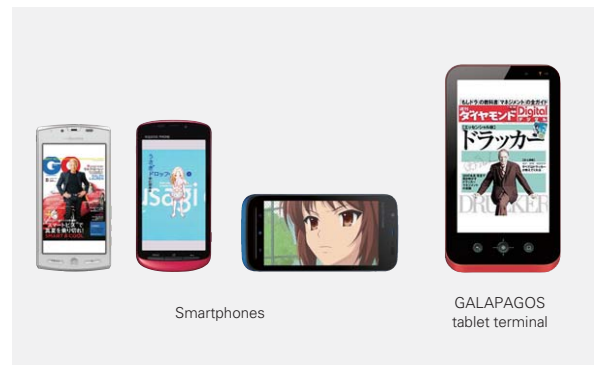
efforts, we will strive to retain our top position in mobile phone shipments in Japan for a seventh consecutive year. Overseas, we also launched the AQUOS PHONE in China. Going forward, we will work to expand our business, while looking to launch these models in other regions as well.

In the GALAPAGOS cloud-media business, in December 2010 we launched the e-bookstore service. In addition to expanding content, we have been working to attract more customers by providing applications that allow the use of the e-bookstore service on other smartphone brands in addition to Sharp's tablet terminals and smartphones. We will expand this business by enhancing the functionality of tablet terminals and further increasing content.

Markets for smartphones and conventional mobile phones

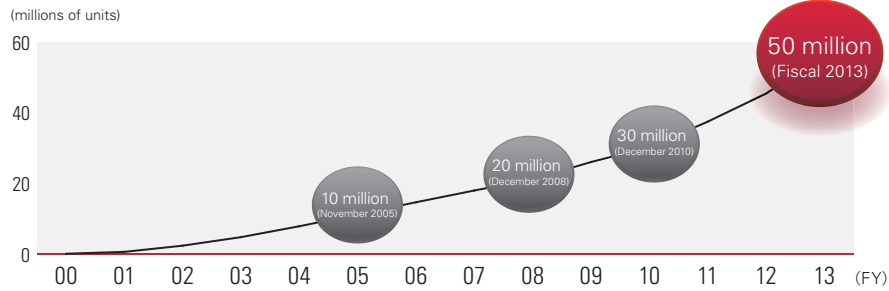


Smartphones and GALAPAGOS tablet terminal



- Smartphones: From left, for NTT DOCOMO, INC., SOFTBANK MOBILE Corp., KDDI CORPORATION
- Screens: Examples of content distributed by the e-bookstore service (in-laid synthetic screen)
From left, Condé Nast Japan "GQ JAPAN," ©Yumi Unita/SHODENSHA Inc. "Usagi Drop," ©Natsumi Iwasaki/DIAMOND, Inc./NHK, NEP, IG animation "Moshidora," DIAMOND, Inc. "Diamond Weekly" digital edition

Products with Plasmacluster Ion technology; Cumulative global sales



Health and Environmental Equipment Business

In the health and environmental equipment business, Sharp will expedite overseas expansion by creating products that match the needs of local markets while expanding the areas in which it operates. Our proprietary Plasmacluster Ion air purification technology has received much acclaim and has been adopted in a diverse array of products of companies in other industries. By December 2010, a decade or so after this technology was first adopted in air purifiers, cumulative sales of products incorporating Plasmacluster Ion technology made by Sharp and manufacturers in other industries totaled 30 million units. Today, products with Plasmacluster Ion technology are sold in around 100 countries worldwide. We are expanding our global Plasmacluster Ion business by developing products tailored to local needs and preferences in emerging

countries, particularly ASEAN countries. Through these initiatives, we are targeting cumulative worldwide sales of 50 million units by fiscal 2013.

In Japan, we signed an agreement with LIXIL Corporation in June 2011 to form a business alliance and establish a joint venture. The joint venture will plan and develop products and solutions along the themes of the environment, safety, and health, such as ones that integrate energy-creating and energy-saving products with construction materials. In addition, the new company will sell LED lights and other energy-saving products through the extensive sales channels of both partner companies. By leveraging the strengths of both Sharp and LIXIL in these ways, the new company will tap the markets for construction materials, furnishings and fixtures for use in homes and office buildings.

Corporate Value

Q

What is Sharp doing to increase its corporate value?

A

We believe that expanding the Sharp's business and contributing to the environment at the same time will lead to enhancement of our corporate value.

There are many facets to increasing corporate value. From the standpoint of raising shareholder value, I believe it is important to strengthen our financial position by improving investment efficiency and profitability. To achieve this, we need to expand our operations and reinforce our business foundations by steadily implementing the above-mentioned initiatives in Sharp's various businesses, restructuring the LCD business, and promoting rigorous company-wide cost reduction efforts.

Sharp has a corporate vision of becoming an Eco-Positive Company. This means making a contribution to the environment, such as reducing greenhouse gas emissions through products and services by a magnitude that exceeds any negative impact on the environment like

the said greenhouse gas emissions caused by Sharp's business activities (for further details, please refer to Environmental Activities in the Corporate Social Responsibility (CSR) section on page 27 of this report).

The recent Great East Japan Earthquake has heightened interest in clean and safe forms of energy, power conservation, and energy saving. This situation presents us with opportunities to create environmentally friendly products and services, such as LED lights and solar cells made using proprietary energy-saving and energy-creating technologies. I am convinced that fulfilling our corporate vision of becoming an Eco-Positive Company will make a direct contribution to further growth in our corporate value.