

# Medium-Term Management Plan for Fiscal 2015 through 2017

Establish stable earnings foundation through fundamental structural reform.

## Three key strategies

**1**

**Restructure business portfolio**

Establish stable, high-value-added  
business portfolio

**2**

**Reduce fixed costs**

Strengthen adaptability to  
business volatility

**3**

**Reorganize and strengthen  
corporate/governance systems**

Shift to autonomous management to  
strengthen managerial discipline

Reinforce funds/capital to support implementation of Medium-Term Management Plan (preferred share issuance totaling ¥225 billion)

## Medium-Term Management Plan for Fiscal 2015 through 2017

### Roadmap of Medium-Term Management Plan (consolidated)

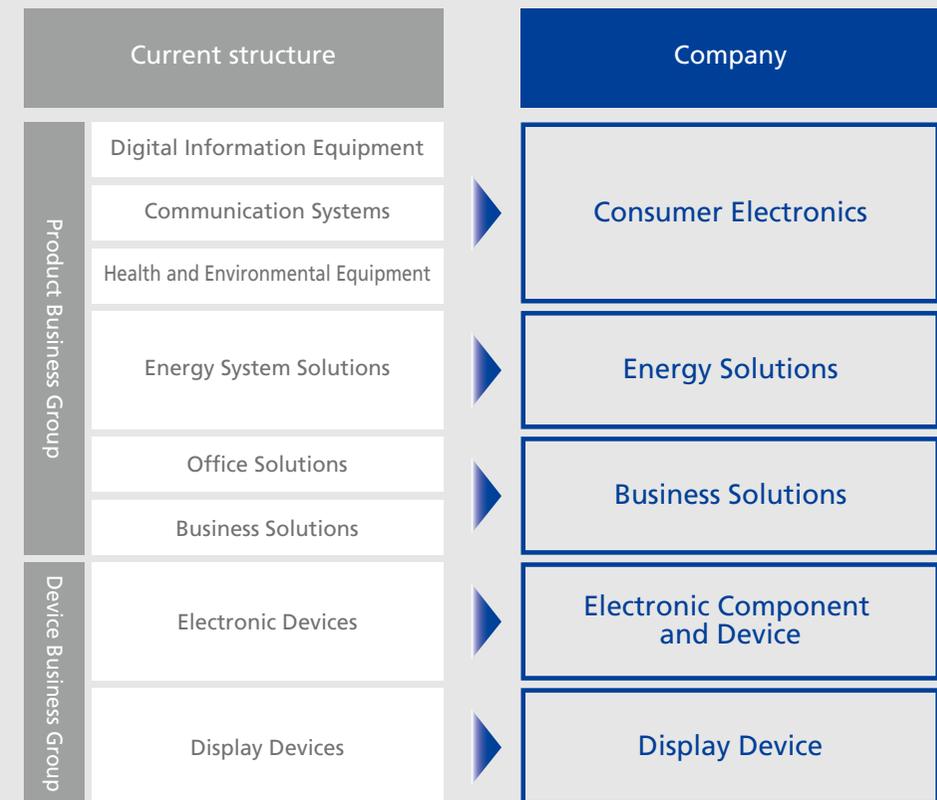
	Fiscal 2014 result	Fiscal 2015 forecast	Fiscal 2016 forecast	Fiscal 2017 forecast
(billions of yen)				
Net sales (Y o Y)	2,786.2 (-4.8%)	2,800.0 (+0.5%)	2,900.0 (+3.6%)	3,000.0 (+3.4%)
Operating income (margin)	-48.0 (-1.7%)	80.0 (2.9%)	100.0 (3.4%)	120.0 (4.0%)
Net income (margin)	-222.3 (-8.0%)	Continue structural reform	Accomplish surplus	Expand surplus

Under the Medium-Term Management Plan for Fiscal 2015 through 2017, Sharp will implement fundamental structural reform in fiscal 2015 and strive to achieve operating surpluses in all business units and company-wide net income surplus in fiscal 2016.

In fiscal 2017, the final year of the plan, we are targeting consolidated net sales of ¥3 trillion, operating income of ¥120 billion, an operating margin of 4.0%, and expansion of net surplus. To this end, we will establish a stable earnings foundation for future full-scale growth. Specifically, we will emphasize the following three key strategies.

1. Restructure business portfolio
2. Reduce fixed costs
3. Reorganize and strengthen corporate/governance systems

### 1. Restructure business portfolio



For our business portfolio, we will rearrange our existing structure, consisting of two business groups and eight businesses, into five companies according to customer and business attributes. We will expedite reconstruction of our portfolio

by shifting to high-value-added businesses, creating new growth businesses, and discontinuing unprofitable businesses.

## Medium-Term Management Plan for Fiscal 2015 through 2017

### 2. Reduce fixed costs

- 1 Reduce personnel through voluntary retirement program in Japan and downsizing operations overseas
- 2 Implement urgent labor cost measures
- 3 Reform business structure and bases
- 4 Streamline headquarters; sell headquarters (building and land)

With respect to fixed costs, in the first half of fiscal 2015 we will implement a voluntary retirement program in Japan targeting around 3,500 employees. By fiscal year-end, we hope to reduce our global workforce by 10%, thus creating a streamlined personnel system that matches our business structure.

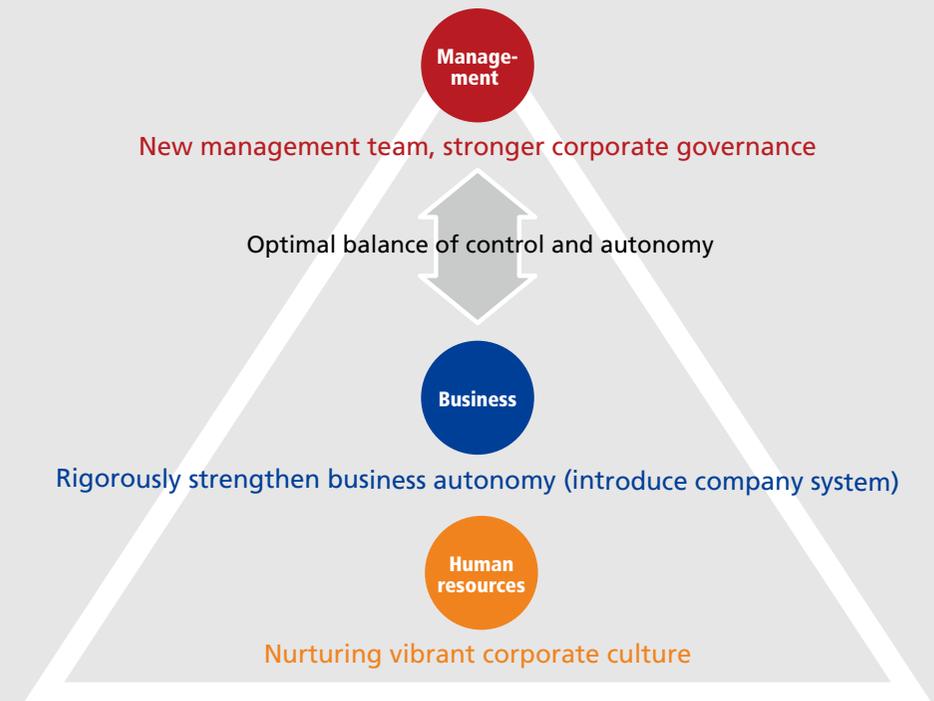
As an urgent labor cost measure designed to underpin profit improvements in fiscal 2015, we cut salaries and bonuses of directors (more than before) and employees.

In addition, we will promote reforms of our business structure and bases and sell our head-

quarters building and land.

Through these measures to reduce fixed costs, we expect to improve profits by ¥28.5 billion in fiscal 2015.

### 3. Reorganize and strengthen corporate/governance systems



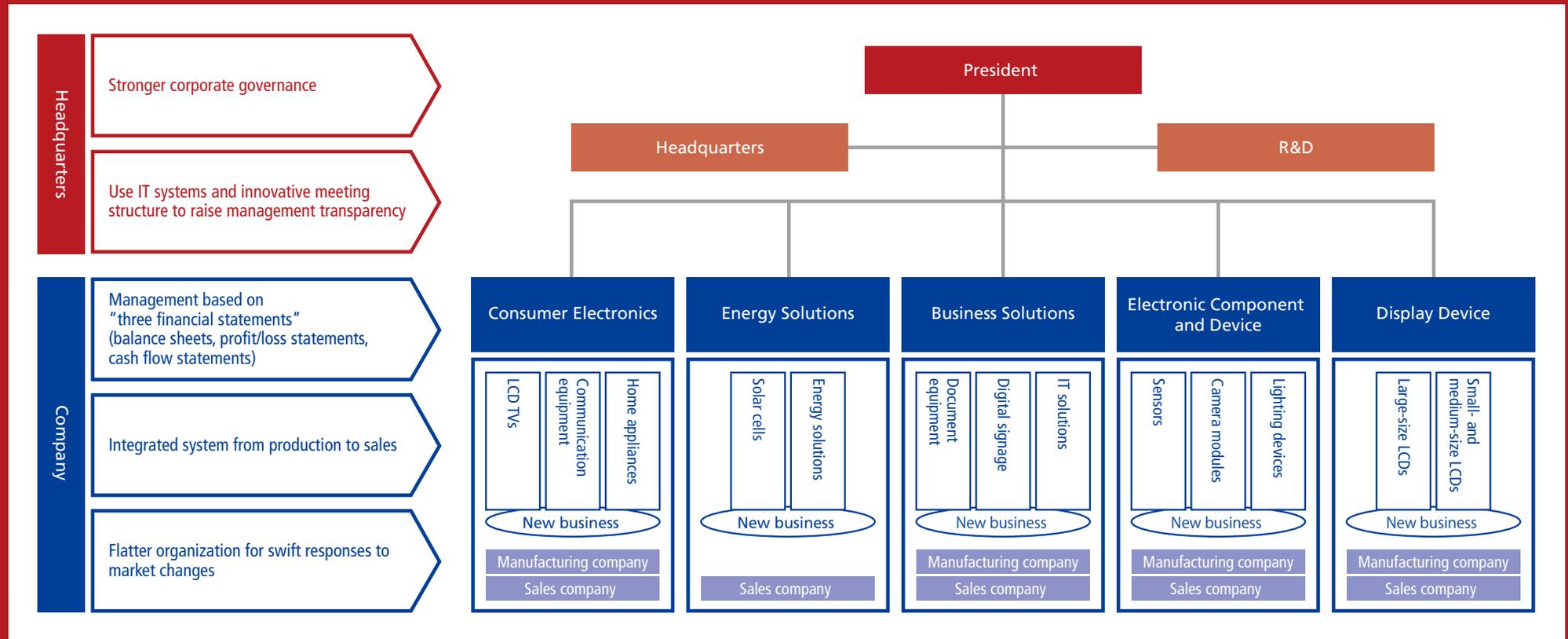
Under our existing business group structure, we made little progress in shifting human and other resources and authority to each group, and did not adequately entrench our management performance indicators. Accordingly, responsibility-based management was not functioning properly.

For this reason, we will introduce a new company system and reorganize our corporate/governance systems.

In addition, we will build frameworks to help nurture a vibrant corporate culture, in which individual employees and individual organizations can demonstrate a sense of responsibility and autonomy.

# Medium-Term Management Plan for Fiscal 2015 through 2017

## Aim of the Company System



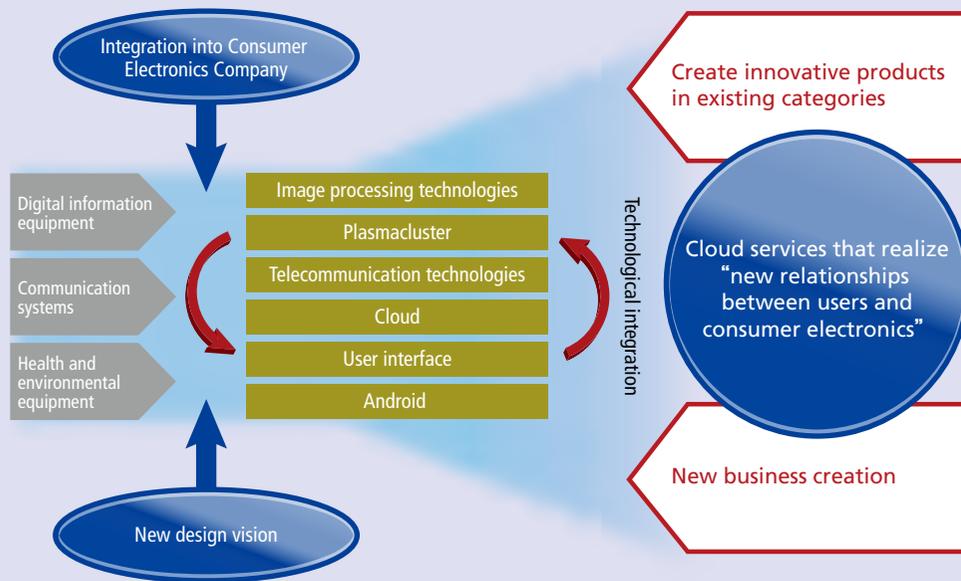
The important aim of the transition to the company system is to enable the presidents of each company to practice autonomous management based on the three financial statements (balance sheets, profit/loss statements, cash flow statements) under individual responsibility.

The figure above shows the company system scheduled for introduction on October 1, 2015. The existing structure, based on two business groups and eight businesses, will be reorganized into five companies. Our sales companies will be clearly incorporated under a company umbrella to create a streamlined system. At the same time, the headquarters side will firmly govern each company in order to achieve "management with discipline and speed."

## Medium-Term Management Plan for Fiscal 2015 through 2017

### Consumer Electronics Company

Innovation of products and business through technological integration, focusing mainly on Japan and Asia



The aim of the Consumer Electronics Company is to deploy Sharp's broad-ranging technologies to create new products and businesses.

We are entering an era in which more and more things are connected to the Internet. With technological expertise in TVs, communications, and home appliances, Sharp will seize this business opportunity to provide sets of cloud services, in addition to hardware, and thus propose "new relationships between

users and consumer electronics" with high levels of added value and convenience.

We will make extensive innovations on the design front as well. We are currently formulating a new design vision based on the concepts of "beauty and attachment," "unexpected surprises," and "emotional connection with consumer electronics."

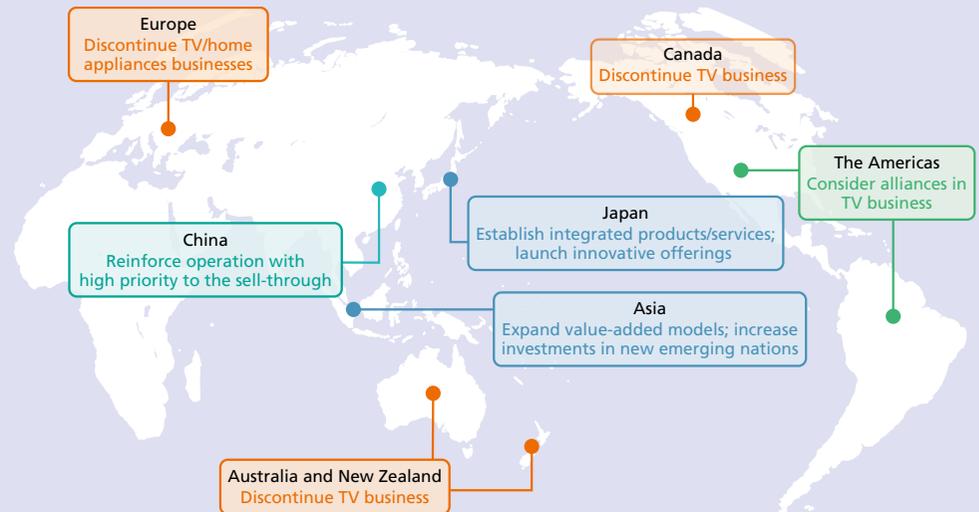
By region, we will concentrate resources on Japan and Asia, where Sharp has advantages in terms of

brand and sales channels.

In Japan, we will fast-track establishment of new products and businesses combined with cloud services. At the same time, we will successively create new products not available elsewhere, such as Ocha-Presso, a household tea machine.

In Asia, we will expand our lineup of value-added models and actively invest in new emerging nations, such as Myanmar and Cambodia, in order to broaden our businesses, centering on health and environmental business.

In the LCD TV business, we will step up initiatives in Japan, Asia, and China, while in the Americas we will target structural reforms, including alliances covering production and sales, as we have done in Europe.



## Medium-Term Management Plan for Fiscal 2015 through 2017

### Energy Solutions Company

#### Shift to solutions business matched to local needs

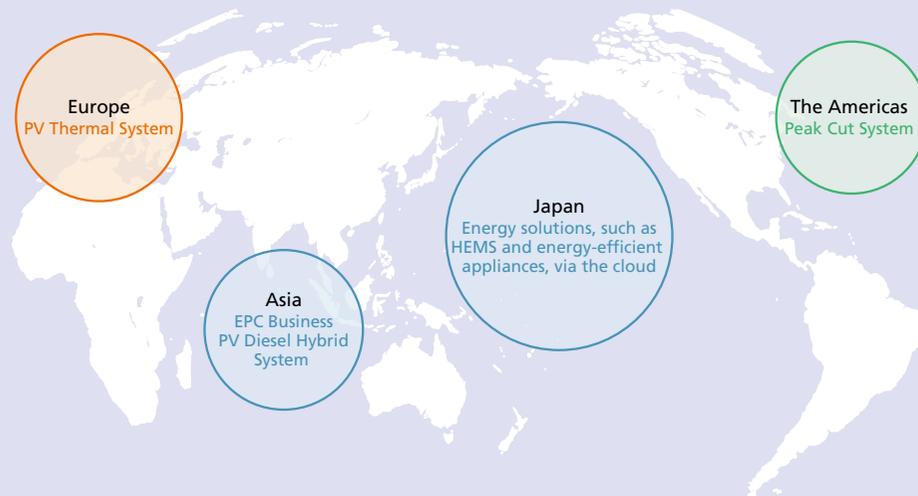
Although demand for industrial-use solar cells in Japan continues to languish, there is significant potential demand in energy-related markets.

Under these circumstances, in Japan we leverage our expertise in solar cells and storage batteries to propose solutions that link HEMS and energy-efficient appliances via the cloud.

Overseas as well, we will promote solutions matched to local needs making the most of our

\* Engineering, Procurement, Construction

solar cells. This entails stepping up advancement of various technologies, such as EPC\* business and PV Diesel Hybrid (combining with diesel power generation) in Asia, Peak Cut System (lowering electricity charges by cutting power consumption at peak times) in the Americas, and PV Thermal System (deploying solar heat) in Europe.



### Business Solutions Company

#### Global development of solutions utilizing existing product/customer bases and aggressive investment

##### Expand sales routes and services in MFP business

- Strengthen customer bases in developed nations (focus investments on MFP sales routes)
- Expand profit by selling IT services to MFP customers



Digital color MFP

##### Strengthen solution business in display business

- Shift business platform from selling display products to selling solutions
- Establish structure that can handle everything from project development to installation and maintenance



Digital signage display at Tokyo Station

In the MFP business, we will strive to increase sales by stepping up proposals for efficient office solutions combined with IT services, while actively expanding investments in sales routes.

In the display business, we will work to increase

profit by raising the ratio of solution-based sales through establishment of a system that can handle everything from project development to installation and maintenance.

## Medium-Term Management Plan for Fiscal 2015 through 2017

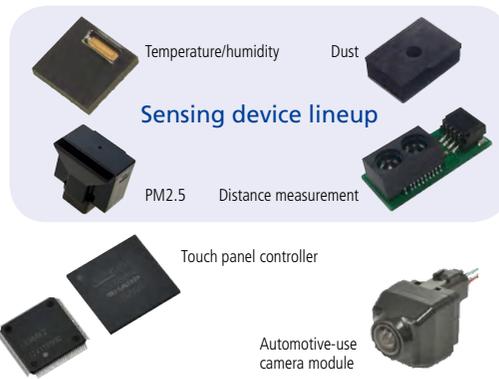
### Electronic Component and Device Company

Shift to value-added areas centered on sensing technology

Cultivate new customers for smartphone camera modules

- Cultivate new customers for smartphone camera modules, where Sharp has top market share

Expand businesses in new devices and high-value-added fields



The Electronic Component and Device Company will progressively shift to value-added domains by cultivating new customers for smartphone camera modules and expanding businesses in new devices and high-value-added fields.

Sharp has the leading market share for smartphone camera modules. Going forward, we will bolster business stability by actively expanding sales to new customers and increasing the number of customers.

In addition, we will broaden our presence in high-value-added fields. These include PM2.5 sensors, distance sensors, and other devices that utilize high-sensitivity sensing technologies, as well as automotive-use camera modules and touch panel controllers in coordination with our display device business.

### Display Device Company

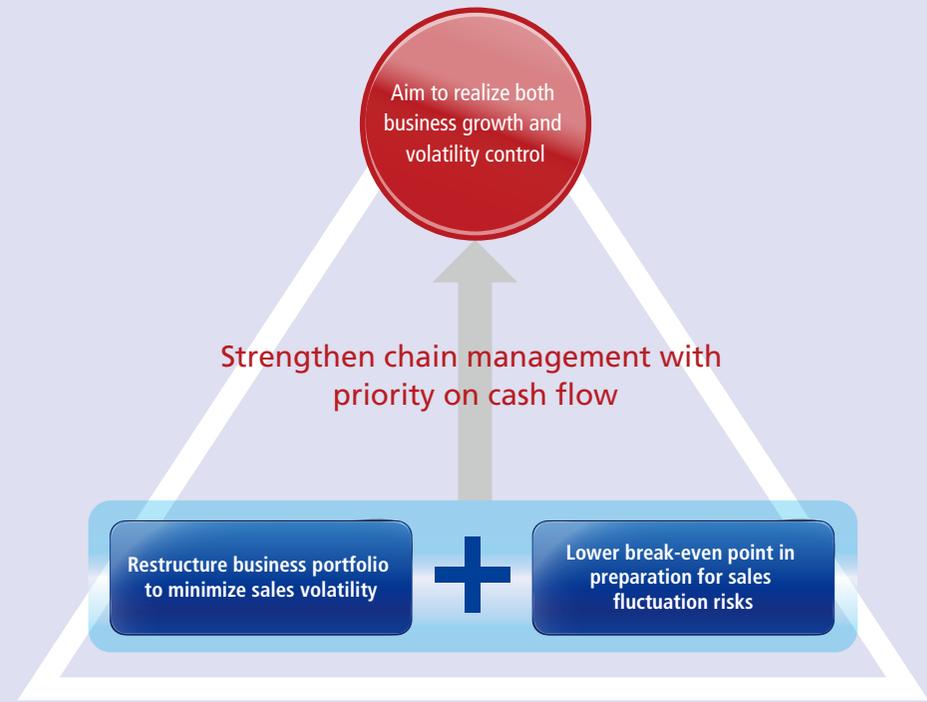
Utilize technological advantage to attract stable customers and expand business in high-value-added panels

We will rebuild our portfolio by raising the weighting of our BtoBtoB businesses (including in-vehicle equipment and IA\*), in order to control sales volatility. At the same time, we will lower the break-even point so we can minimize the impact on

profit even when sales fluctuate.

In addition, we will entrench chain management with priority on cash flow in order to deliver business growth and control business volatility.

\* Industrial Automation



## Medium-Term Management Plan for Fiscal 2015 through 2017

### Display Device Company

#### Restructure business portfolio to minimize sales volatility

BtoBtoB businesses (including in-vehicle equipment and IA) represent a highly stable domain with large barriers to entry. Leveraging its technological edge, Sharp will strengthen its sales and support capabilities with the aim of raising the ratio of BtoBtoB businesses sales in overall sales in this company from 14% in fiscal 2014 to 25% in fiscal 2017, and then to 40% by fiscal 2021.

BtoBtoC businesses, represented mainly by LCDs for smartphones, have an inherent risk of sudden price declines due to market changes. Nevertheless, we will work to stabilize orders by increasing the number of customers. To achieve this, we will step up marketing capability in China's Huanan County and reinforce our "design-in" organization.

#### Lower break-even point in preparation for sales fluctuation risks

We will lower the break-even point to strengthen our responsiveness to sales fluctuation. In fiscal 2014, we reported impairment losses on the Kameyama Plant and the Mie Plant, resulting in

reduced fixed costs. In addition, we will promote cost-reform projects covering the entire supply chain to reduce variable costs.

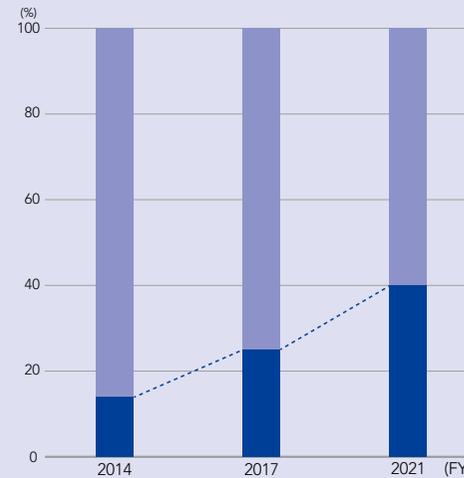
#### Strengthen chain management with priority on cash flow

The shortening lifecycles of smartphone have led to concerns about further increases in business volatility. In response, we will further strengthen chain management.

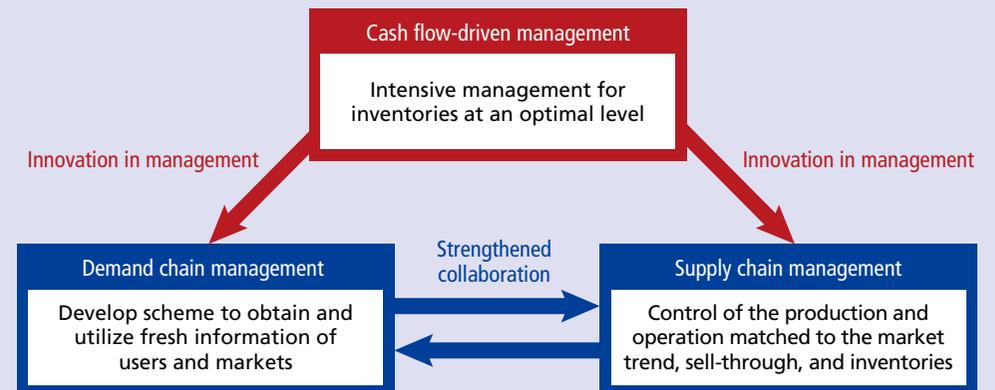
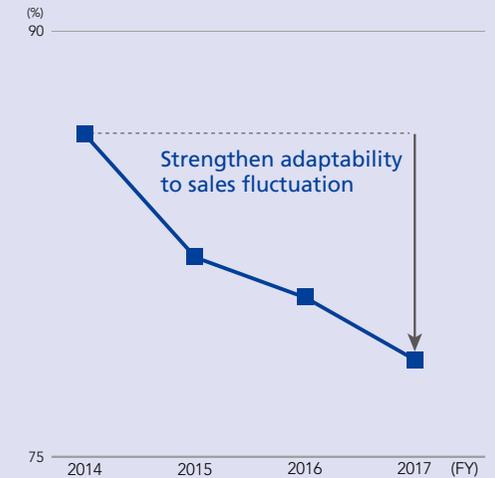
We will also increase our ability to accurately

grasp real demand and swiftly control production and operations, so we will always be able to maintain optimal inventory levels even amid sharp changes in demand.

BtoBtoB businesses Sales Ratio



Break-even Point Ratio



## Medium-Term Management Plan for Fiscal 2015 through 2017

# Company standing side-by-side with people to offer new values

### Inherited tradition

Sharp with  
proprietary  
technologies

### Re-strengthen

Sharp with  
creative “Sharp”  
point-of view

### Newly added

Sharp to  
be closest to  
people

Over the three-year period from fiscal 2015 through fiscal 2017, Sharp will work to build a robust business foundation for future full-scale growth. For many years, Sharp has amassed “proprietary technologies” and creative “Sharp” point-of view. In addition, we will strive to contribute society by pursuing “what is necessary for people to live better lives, observing from close by,” or in other words, aiming to become “a company standing side-by-side with people to offer new values.”