

FY2023 Financial Summary and Medium-term Management Direction

May 14, 2024
Sharp Corporation

- Hello everyone. I am Robert Wu, CEO of Sharp Corporation.
- Thank you for attending our announcement on our fiscal financial results and Medium-term Management Direction.
- Also, I would like to take this opportunity to express my appreciation for your support in our daily PR and IR activities.
- Let me start my explanation based on the material.

1. **FY2023 Financial Summary**
2. **FY2024 Initiatives**
3. **Medium-term Management Direction**

- First, I would like to explain our fiscal 2023 financial summary.

- Net sales ended below previous fiscal year level due to significant decrease in sales in Display Device and Electronic Device
- Operating loss and ordinary loss were recorded due to sluggish results in Display Device but the loss became smaller with improvement in profitability of Brand Business
- 149.9 billion yen bottom-line loss was recorded mainly due to impairment loss related to Display Device

- Net sales in fiscal 2023 ended below previous fiscal year level due to significant decrease in sales in Display Device and Electronic Device.
- Operating loss and ordinary loss were recorded due to sluggish results in Display Device but the loss became smaller with improvement in profitability of Brand Business.
- For bottom-line loss, 149.9 billion yen was recorded mainly due to impairment loss related to Display Device.

(Billions of Yen)	FY2022	FY2023	
	Fiscal Year	Fiscal Year	Y on Y
Net Sales	2,548.1	2,321.9	-8.9%
Operating Profit (margin)	-25.7 (-1.0%)	-20.3 (-0.9%)	-
Ordinary Profit (margin)	-30.4 (-1.2%)	-7.0 (-0.3%)	-
Extraordinary Income(Losses) [Impairment losses]	-208.5 [-220.5]	-130.4 [-122.3]	-
Bottom-line Profit (margin)	-260.8 (-10.2%)	-149.9 (-6.5%)	-
	End of Mar.	End of Mar.	
Equity Ratio	11.8%	9.0%	
Equity	208.4	142.4	

- Next is our business performance in fiscal 2023.
- Net sales decreased by 8.9% year on year to 2,321.9 billion yen.
- For profits,
operating loss was 20.3 billion yen,
ordinary loss was 7.0 billion yen,
and bottom-line loss was 144.9 billion yen.
- As a result, our equity ratio as of end of March is 9.0%.
- We regret to inform that dividends will not be paid due to the bottom line loss.

Operating profit in Brand Business significantly improved
Meanwhile, Device Business recorded large deficit due to deterioration in Display Device

(Billions of Yen)	Sales			Operating Profit		
	FY2022	FY2023	Y on Y	FY2022	FY2023	Y on Y
	Fiscal Year	Fiscal Year		Fiscal Year	Fiscal Year	
Smart Life & Energy	476.8	441.3	-7.4%	29.3 (6.2%)	27.3 (6.2%)	-6.8%
Smart Office	561.7	582.0	+3.6%	14.5 (2.6%)	29.6 (5.1%)	+104.3%
Universal Network	334.1	311.8	-6.7%	-7.8 (-2.3%)	8.8 (2.8%)	-
Brand Businesses	1,372.7	1,335.2	-2.7%	36.1 (2.6%)	65.9 (4.9%)	+82.6%
Display Device	759.9	614.9	-19.1%	-66.4 (-8.7%)	-83.2 (-13.5%)	-
Electronic Device	475.5	416.9	-12.3%	14.7 (3.1%)	13.5 (3.3%)	-8.2%
Device Businesses	1,235.5	1,031.9	-16.5%	-51.6 (-4.2%)	-69.7 (-6.8%)	-
Total(Incl. Adjustments)	2,548.1	2,321.9	-8.9%	-25.7 (-1.0%)	-20.3 (-0.9%)	-

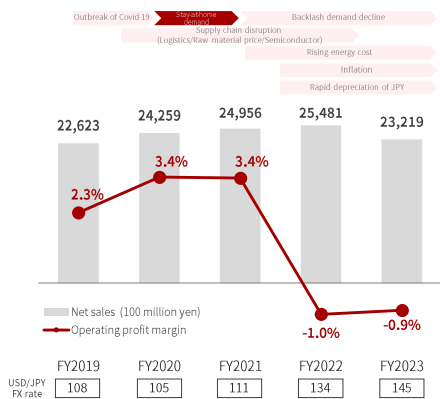
- Next is sales and operating profit per segment.
- As for Brand Business, even though we faced harsh business environments such as slowdown in demands and rapid depreciation of the yen, our operating profit significantly improved from last year.
- Meanwhile, in our Device Business, we recorded large deficit due to a sudden deterioration in small to medium size displays, along with struggling large-size displays.

1. FY2023 Financial Summary
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- Next, I will explain on our fiscal 2024 initiatives.

Breaking out of the negative cycle to establish a sustainable profit structure, while strengthening management control

Performance trend



Summary of the past two years

Achievement +

- Despite tough business environment, the brand business has **secured a steady profit**
- Progress has been made in each segment towards **new business development**

Reflection -

- **Operating loss in two consecutive terms**
- Mainly due to **delay in corresponding to change** in Display Device
 - ✓ SDP continued to record losses after consolidation
 - ✓ Small- and medium-size LCD business rapidly deteriorated recently

Structural issues

Device business ↓

- **Lack in investment in technology and factories**, that are source of competitive strength
- Thereby **not sufficient progress in developing growth areas** such as new categories/customers, resulting in weak performance.



Brand business →

- Despite limited investment, **solid performance** through unique tech-focused business development
- However, **investment for future growth** in expansion, branding, and new areas, falls short

- First is about our current situation.
- For the past two years since the start of our new management in 2022, recorded operating losses—for two consecutive terms due to the delay in corresponding to changes in Display Device.
- However, our Brand Business has been profitable, even affected by various negative factors.
- Considering our future growth, we need to tackle with long standing structural issues.
- Specifically, regarding device businesses, for which large scale investment is inevitable to stay competitive, we have not been able to make sufficient investment to our technology and plants for a long time. As a result, our competitiveness declined and we have not been able to make good progress in development of new categories and customers in growth fields, resulting in weak performance.
- Meanwhile, our Brand Businesses have been achieving solid results even under restricted investments. However, actions for future growth such as investment in business expansion, branding and new business development are insufficient, limiting our growth potential.
- As a result, our cash generating capability has not improved, and we entered a negative cycle. This is the real cause of our stagnation in growth, and in order for us to leap in the future, it is an immediate issue for us to break away from this cycle as early as possible, and establish a sustainable profit structure.

**Target operating profit of 10 billion yen /
bottom-line profit of 5 billion yen**

(Billions of Yen)	FY2023	FY2024	
	Fiscal Year	Fiscal Year Forecast	Y on Y
Net Sales	2,321.9	2,100.0	-9.6%
Operating Profit (margin)	-20.3 (-0.9%)	10.0 (0.5%)	-
Ordinary Profit (margin)	-7.0 (-0.3%)	10.0 (0.5%)	-
Bottom-line Profit (margin)	-149.9 (-6.5%)	5.0 (0.2%)	-
Avg. Exchange Rate			
USD/JPY	144.62	150.00	
Euro/JPY	156.79	160.00	

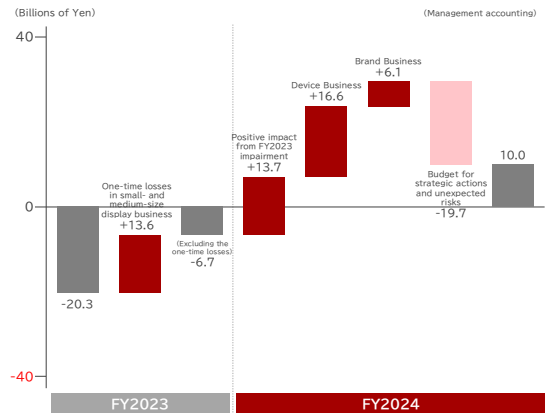
- Next is our forecast for this fiscal year.
- For fiscal 2024, we forecast net sales 2,100.0 billion yen, operating profit of 10.0 billion yen, ordinary profit of 10.0 billion yen, and bottom-line profit of 5.0 billion yen.

Improve profit structure in Display Device
Expand business and improve profitability in Brand business

Focused initiatives

Device Business	<ul style="list-style-type: none"> • Production stop of large display (SDP) [First half of FY2024] • Reduce fixed costs in small and medium display business (reduce production capacity, optimize personnel etc.)
Brand Business	<ul style="list-style-type: none"> • Creation of unique products/new category products • Strengthening overseas business (Especially ASEAN/Americas) • Improve low profitability business

Analysis on changes in operating profit



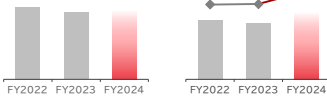
- Next is our focused initiatives for fiscal 2024.
- For this fiscal year, first, we will work to improve profit structure of our Display Device.
- For SDP, we have decided to stop productions of large size displays within the first half of fiscal 2024. This is because we made a judgement that it is extremely difficult to execute its original recovery plan, considering the change in market environment after its consolidation.
- Also, for our small and medium display business, we will work to minimize losses by reducing fixed costs, such as lowering production capacity based on sales volume and optimizing personnel.
- Meanwhile, for our Brand Business, we will create unique products and new category products, strengthen overseas business, and improve low profitability business etc. to further improve our profitability.
- With such measures, we would like to achieve net surplus in this fiscal year.

Performance outlook (Graph) Left: Sales Right: OP ratio

Major initiatives in FY2024



Sales and profit increase



White goods

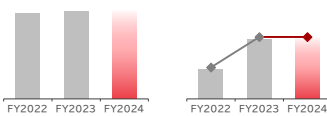
- Gain share in Japan market with featured products
- Reinforce Americas / ASEAN business

Energy solution

- Expand share in domestic residential market by collaborating with power companies etc.
- Sales expansion of V2H



Sales and profit increase



Business solution

- Maintain and expand customer base by strengthening solution service lineup / capability
- Explore new service areas through IT service dealers

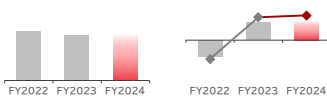
PC

- Expand sales of premium mobile models for B2B
- Expand LCM* service to PC customers

*Life Cycle Management



Sales and profit increase



TV system

- Enforce profitability in Japan market by expanding unique featured products
- Expand overseas business by collaborating with others

Mobile communication

- Focus on high-end / mid-end handsets in domestic mobile phone business
- Launch XR / payment terminal business

- Next is our initiatives by segment.
- For Brand Business, while facing extremely harsh conditions where depreciation of the yen continues, we aim to achieve sales and profit increase in all Smart Life & Energy, Smart Office and Universal Network segments.

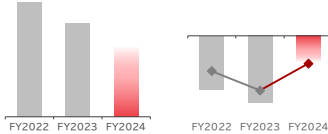
Performance outlook (Graph) Left: Sales Right: OP ratio

Major initiatives in FY2024



Display devices

Reduce losses



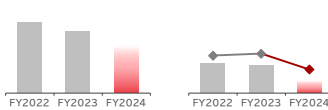
Small/medium display

- **Reduce fixed costs** (reduce production capacity, optimize personnel etc.)
Reduce Kameyama No.2 plant production capacity (2,000 ⇒ 1,500 sheets/day)
Reduce Mie No.3 plant production capacity (2,280 ⇒ 1,100 sheets/day)
Close Sakai OLED production line *Shift to development line in the future
- **Expand sales for in-vehicle and VR applications**



Electronic devices

Sales and profit decrease



Camera module

- **Improve profit structure of existing businesses**
- **Accelerate new category development with featured devices**

Other sensors/
Semi-conductor

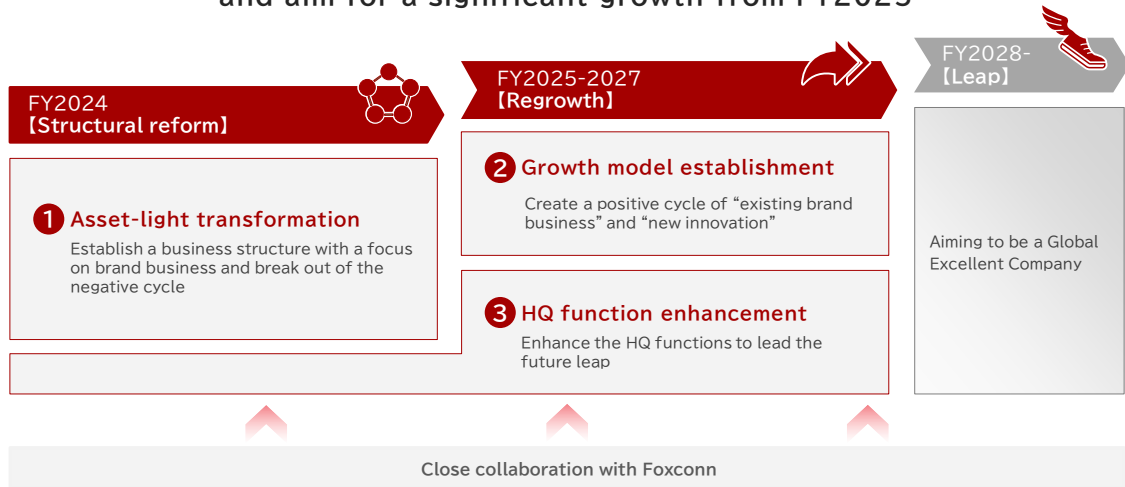
- **Expand factory automation device business**
- **Shift business categories to power device**

- For Display Device, we will reduce fixed costs while expanding sales for in-vehicle and VR applications to largely reduce our losses.
- For Electronic Device, we forecast decrease in sales and profit.

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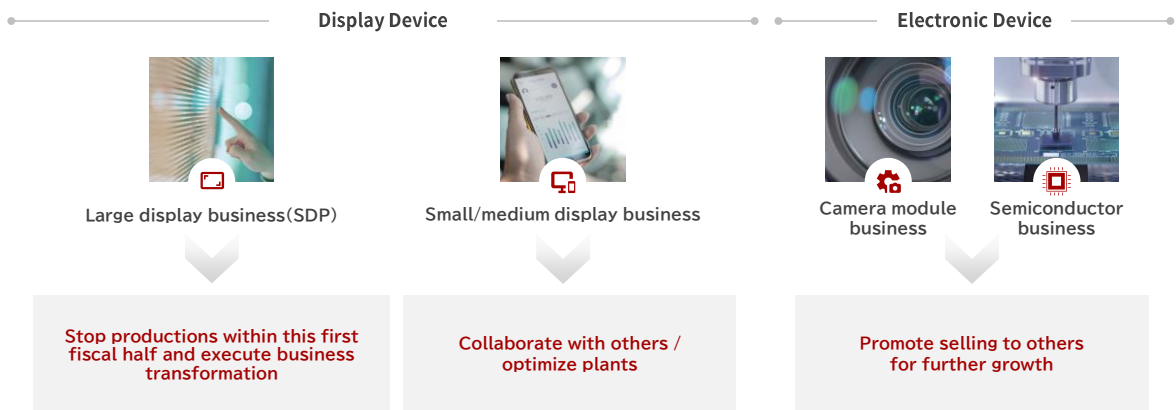
- Next, I would like to explain on our Medium-term Management Direction.

Establish a business structure with a focus on brand business and aim for a significant growth from FY2025



- This is our basic policy.
- We position the current fiscal 2024 as the year for structural reform, and the following 3 years from 2025 to 2027 as regrowth stage to transform ourselves in order to be able to leap in the future.
- Specifically, in fiscal 2024 we will work on our Asset-light strategy to establish a business structure with a focus on brand business and break out of the negative cycle.
- For the following three years after Asset-light strategy is completed, we will establish a new growth model creating a positive cycle of “existing Brand Business” and “Next Innovation”. We will enhance the HQ function to take a lead for the future leap and step forward to our regrowth.
- Also, by further strengthening collaboration with Foxconn, our important business partner, and utilizing their resource for both structural reform and regrowth, we would like to accelerate our initiatives furthermore.
- For the following slides, I will explain the details of 1, 2 and 3 described in this slide.

Business model of Device Business will be shifted to factory optimization and partnership as it requires a large amount of investment to stay competitive



- First is about Asset-light strategy.
- For our device business that holds large amount of assets for its business and requires large scale investment to keep competitive, we will optimize our plant capacity and transform business model to create partnership to utilize their strengths.
- For SDP, we will stop productions within the first half of this fiscal year, and promote plans such as technology support to leading companies in India, and transformation to AI data center related business etc.
- For small and medium size display business, we will promote collaboration with others and optimization of our plants to improve our profitability.
- For camera module and semiconductor business, we plan to sell them to partners who have synergies in their businesses, and can contribute to further growth of the business.

Create a “Positive cycle” for sustainable growth

New growth model



Next Innovation

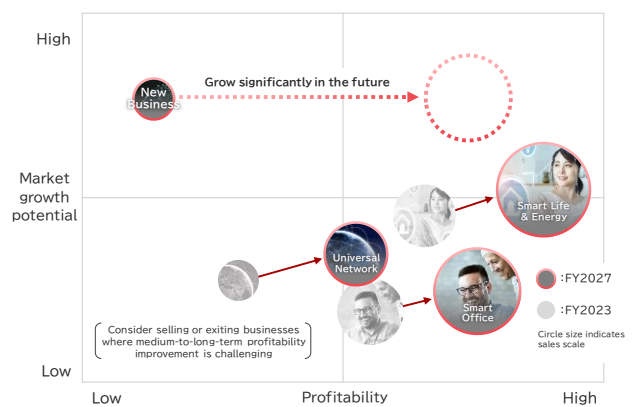
- Invest aggressively in advanced technologies to seize **business opportunities in growth areas**
- Business growth** and **enhancement of corporate value** (Enhancing brand strength and talent recruitment capabilities)



Existing Brand Business

- Expand investment** (Business expansion, branding, R&D etc.)
- Achieve **sales/profit growth** and **shift to growth areas**
- Generate **additional source of investment capital**

Target business portfolio for FY2027 (concept)



- Next is about the second part, the establishment of growth model.
- For the existing brand businesses, Smart Life & Energy, Smart Office, and Universal Network, we will re-expand our investment we have been restraining, and accelerate the shift to growth areas while realizing increase in sales and profits.
- Also, by aggressively promoting investment to latest technology, utilizing the cash generated from such activities, we will take on the challenge to earn business opportunities in Next Innovation fields for further business growth and corporate value enhancement.
- Through such activities, we will newly create a positive cycle of existing brand businesses and Next Innovation for our future sustainable growth.

Achieve steady profit growth and lay the groundwork for future leaps with aggressive investment

Strengthening existing business



- Increase sales of **high-value products** in environmental and health sectors using core technologies
- Develop a **well-defined area strategy**



- Maintain and expand the **MFP customer base**
- Strengthen **solution business** by leveraging customer base



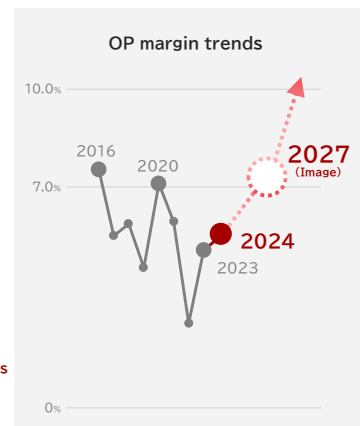
- **Create lean operations** in the TV system and smartphone businesses

Direction of transformation

- Create new customer experiences through **home appliances combined with AI**
- Launch new products targeting the demand for **carbon neutrality**

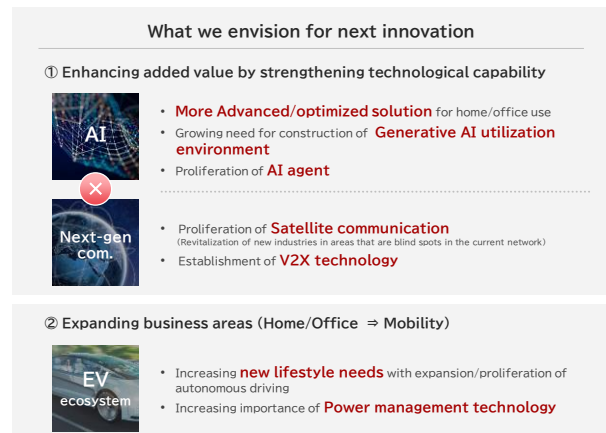
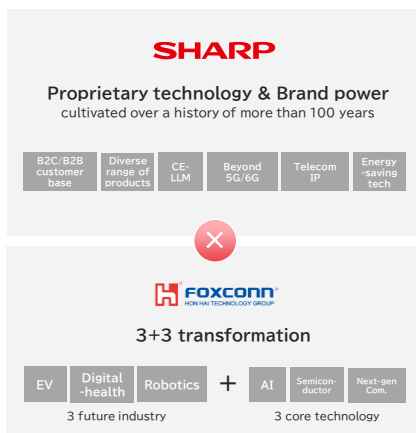
- Enhance the added value of hardware/service through **AI**
- Expand **robotics business**

- Shift resources to **XR, automotive, and satellite communications sectors**
- Create of new **AI-related devices**



- Next, I will explain our direction of each existing brand businesses.
- Each business group will promote their initiative to reinforce existing businesses to improve profitability, and will take on the challenge of business transformation for future leap such as utilizing new technology and launching new businesses in growth areas.
- With such initiatives, we aim to achieve operating profit margin of 7% in our existing brand businesses as our current target.

To search for the next innovation mainly in AI, Next-generation communication and EV by effectively leveraging Foxconn's assets



- For new businesses, we will accelerate seeking our Next Innovation from the two perspectives of improving added value by strengthening technology and expanding business areas.
- Specifically, we will accelerate development in utilizing AI with our strengths of having touch points with various customers, and next generation communication, where we have accumulated technology over many years and its importance will continue to grow.
- In addition, as one of our main business areas is people's living space, where we develop our business in homes and work places, we view mobility as another living space where we will aim to create new values that are unique to our company.
- Also, in order to promote such initiatives, we will work closely with Foxconn, and by utilizing their various resources, we aim to accelerate our initiatives one step further.

Reinforce HQ functions to support the future leap

Group management



- Execute top-down management for **medium-to-long term growth**
- Execute **portfolio management**



R&D



- Utilize new **"I-Pro"** project to launch all-company new business / technology development
- Speed-up by utilizing **alliance / external talents**

Talent management(HITO management)



- Expand investment in **people**
- Increase **employee engagement**



DX strategy



- Increase **management speed** with IT
- Business efficiency using **AI**

Brand management



- Reconstruct and vitalize **corporate brand strategy**

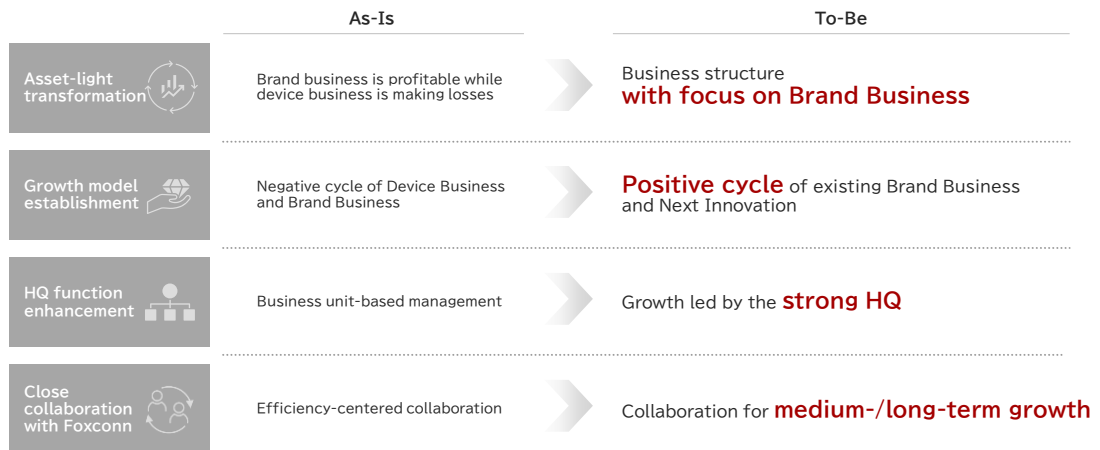
ESG management




- Re-establish and accelerate **ESG strategy**

- Third, I will explain our enhancement of our headquarter function.
- In order for us to return to a growing phase once again and make strong steps to the future, we need to reinforce headquarter functions. Especially, we will focus on the six points of Group management, Talent management, Brand management, Research and Development, DX strategy, and ESG management.

Establish the trusted Japanese brand “SHARP”



- This slide is a summary of our Medium-term Management Direction.
- By carrying out this Medium-term Management Direction, by fiscal 2027 we aim to establish a business structure focusing on Brand Business, a positive cycle of existing Brand Business and Next Innovation, and a strong headquarter leading and supporting growth.
- Also, by enhancing collaboration with Foxconn for a medium to long term growth, we will further accelerate such initiatives, and establish SHARP as a trustworthy Japanese brand.



We will work in full force to execute our Medium-term Management Direction to rebuild trust.

- This concludes my explanation.
- From here on, Sharp will securely execute its Medium-term Management Direction, and work in full force to rebuild the trust of our stakeholders.
- Thank you for your attention.

SHARP

Be Original.