

## I Risk Factors

Listed below are the principal business risks of the Company and its consolidated subsidiaries (“the Group”) that may have a significant influence on investors’ decisions and countermeasures.

Note that in addition to these, there exist certain other risks that are difficult to foresee.

Each of these risks has the potential to impact the operations, business results, and financial position of the Group.

All references to possible future developments in the following text were made by the Group at the end of FY2024 (or as of June 26, 2025 as appropriate).

### (1) Global market trends and overseas businesses

#### (Risk)

The Group conducts our business not only in Japan but also in different regions around the world. Business results and financial position are thus subject to economic trends (especially private consumption and corporate capital investment trends), competition with other companies, product demand, raw material supply, and price fluctuations in each region around the world, including Japan.

In addition, various factors may have negative impacts on the Group performance and financial position. Such factors include intensifying trade frictions caused by U.S. tariff policies and countermeasures by other countries, as well as increasing uncertainty in the global economy.

#### (Countermeasure)

Business units that control the Company’s overseas subsidiaries collect risk and other information that may impact the Group’s operations, including global market trends, in cooperation with their local offices

and make necessary operational decisions. Business results of the overseas subsidiaries and business units are reported to management regularly, determining the necessary risk responses on a case-by-case basis by analyzing the latest circumstances.

### (2) Exchange rate fluctuations (Risk)

The proportion of consolidated net sales accounted for by overseas sales was 66.7% in FY2023 and 59.4% in FY2024. The Group sells products made overseas in the Japanese market, and also sells products in countries where it does not manufacture the products. Therefore, the Group’s business results may be impacted by exchange rate fluctuations.

#### (Countermeasure)

The Group hedges the risk of exchange rate fluctuations by employing forward exchange contracts and expanding and strengthening optimally located production.

### (3) Dependence on certain businesses, products, and clients

#### (Risk)

The Device Business tends to depend on clients to a certain degree due to the characteristics of a business model in which Sharp supplies clients with products tailored to their specifications. As a result, Group business results and financial position could be affected if Group sales languish due to declining demand for major clients’ products, changes in major client product specifications, and changes in the major clients’ sales strategies, among other factors.

#### (Countermeasure)

Sharp aims to reduce reliance on specific major clients in the Device Business by strengthening our technological capabilities and expanding our customer

base. In addition, we pursue further business growth in the Brand Business, where dependence on specific customers is relatively low. Our efforts include strengthening existing businesses by increasing the sales ratio of high-value-added products and expanding our customer base, while accelerating the use of new technologies and launching new businesses in growth areas.

### (4) Strategic alliances and collaborations (Risk)

The Group has forged strategic alliances and collaborations with other companies in order to enhance corporate competitiveness, improve profitability, and bolster the development of new technologies and products in various business fields. If, however, any strategic issues with such strategic partners or other business issues arise, or goals change, it may become difficult to maintain such alliances and collaborative ties with these companies, or to generate adequate results. In such cases, the Group’s business results and financial position may be impacted.

#### (Countermeasure)

The Group believes that importance of strategic alliances and collaborations will grow in the future. To lead them to success, the Company thoroughly verifies the strategic necessity of the business, profitability, and financial appropriateness at the stage of feasibility study of strategic alliances and collaborations, and makes decisions after deliberation at the Executive Management Meeting and the Board of Directors.

After executing them, the Company monitors the progress of the alliances and collaborations under close cooperation with the relevant business units, and reports to management early if it is determined that the expected results cannot be achieved, to ensure that

measures can be taken to minimize the impact they may have on the Group’s business results and financial position.

### (5) Relations with parent company group (Risk)

The equity investments from our parent company group (including Hon Hai Precision Industry Co., Ltd., subsidiaries, and affiliates) allowed the Group to invest in growth, and to pursue operational synergies using the technological, productivity, and cost capabilities of the parent company group. However, we cannot guarantee that operational synergies between the Group and the parent company group will occur as envisioned.

A change in the parent company group’s business strategies or competitive relationship with the parent company group arising in the future may adversely affect the Group’s operations, business results, and financial position.

Decision making of important matters, such as management policy and business development may be biased by the parent company group and maintaining our independence and autonomy may not be possible.

#### (Countermeasure)

The Group conducts business operations by maximizing operational synergies with the parent company group while fully respecting independence and autonomy between both entities and in close cooperation with the parent company group. The Group identifies areas where the Group can create synergy effects with the parent company group, such as its operational efficiency improvement and expansion of its sales and profits, and the Group appropriately verifies the expected synergies in those areas in cooperation with the parent company group in an

effort to implement them.

Our parent company group engages mainly in outsourced production of electronic equipment. The Group handles the manufacturing and sales of telecommunications equipment, electrical appliances, and general electronics application equipment and components under the Sharp and other brands. Therefore, the Group believes that there is no competition in the parent company group that may impact the Group's operations.

The Company strives to grow, develop, and improve its performance in close cooperation with the parent company group, while fully respecting independence and autonomy between both entities. The Company recognizes that working together with the parent company group to increase the Company's operational efficiency and expand its sales and profits will benefit the interests of non-controlling shareholders.

**(6) Dealings with suppliers**  
**(Risk)**

The Group procures materials and receives services from a large number of business partners.

There is a possibility that the Group may be unable to secure a sufficient supply of certain materials for which suppliers are limited, due to (1) concerns over supply chain disruptions arising from heightened geopolitical risks and (2) deterioration in the performance of business partners caused by rising labor costs, raw material prices, and energy prices. In addition, the Group must pay close attention to human rights, environmental issues, and regulatory requirements with the rise of sustainability.

We may be unable to secure optimal procurement sources, even with our multi-sourcing strategy to address such concerns, and we may also be

forced to do business with alternative suppliers under less favorable terms than current conditions.

Any of these factors could lead to increases in costs and/or delays in deliveries to customers, which may adversely affect the Group's business results and financial position.

**(Countermeasure)**

Before initiating business with new suppliers, Sharp first conducts thorough credit checks. The Group also conducts assessments on business partner management to monitor their business condition. To address risks in the supply chain, the Group introduced a supply chain CSR management system, and regularly evaluates suppliers at domestic and overseas production sites. Furthermore, to ensure a stable supply of parts, materials, and other components, and to optimize procurement costs, the Group strengthens partnerships with suppliers through multi-sourcing, long-term quotas, and other means.

**(7) Other factors affecting financial position**  
**(Risk)**

The Group raises funds through borrowings from financial institutions such as banks. The debt to total assets ratio is 35.6% at the end of FY2024. The Group might become subject to restrictions on how it uses its cash flows in order to repay debt, and also face the possibility of an increase in expenses due to rising interest rates. The Group has the possibility of increases in fund raising costs as well as limitations on fund raising. This may be because necessary funds cannot be raised at the required time with adequate conditions, including for the refinancing of existing debt. These factors may affect the Group's business results and financial position.

The Group has borrowing agreements with

multiple financial institutions, and some of the agreements entail financial covenants. The Group may forfeit the benefit of time with respect to such borrowings at the request of the lenders due to any of the following reasons: (1) If consolidated net assets fall below the levels specified under such financial covenants, (2) if the Company fails to undertake faithful consultations in the event that its consolidated operating profit and profit attributable to owners of parent fall below specified levels, (3) if its consolidated ordinary profit cannot be kept at certain levels, or (4) if the Company or any of our consolidated subsidiaries becomes excess liabilities.

The Group's dependence on borrowings, credit ratings reduction caused by it, or deterioration of the Group's financial position may work to its disadvantage with respect to competition with other companies with robust financial positions, and contract-related issues could also arise between the Group and its lenders or business partners.

**(Countermeasure)**

Sharp's major lending institutions are Mizuho Bank, Ltd. and MUFG Bank, Ltd. Sharp shares information with both banks on our management and financial position and, as necessary, consults with both banks about ways to improve these areas and other matters. Sharp also shares information about its financial position with other financial institutions with which Sharp has borrowing agreements. Sharp strives to ensure stable fundings by keeping good relations with our correspondent financial institutions and maintaining and renewing loan agreements, including the syndicated loan agreement, which is the main borrowing agreement for the Group, and commitment line agreements.

**(Material events related to the going concern assumption)**

In FY2024, the Group halted production in the large-size display business (Sakai Display Products Corporation) and completed the sale of land, buildings, and other assets related to the LCD panel plant to SoftBank Corp. Furthermore, we executed transfer agreements for the camera module business, and laser and semiconductor businesses with subsidiaries of the parent company, Hon Hai Precision Industry Co., Ltd., and thereby steadily implemented the Asset Light Initiatives of the Device Business set forth in the Medium-Term Management Direction in May 2024. Under our policy of business transformation to focus on the Brand Business, the operating loss of the Display Device Business narrowed significantly, mainly driven by initiatives to optimize factories in the small- and medium-size display business. At the same time, profits steadily increased in the Brand Business, resulting in an operating profit of 27,338 million yen, net profit attributable to owners of the parent amounted of 36,095 million yen, and net assets recovered to 167,709 million yen, an increase of 6.5% year on year.

Although our financial position is improving in this way, the Company and certain consolidated subsidiaries possessed excess liabilities at the end of FY2024, violating the financial covenants outlined in the loan agreement. However, the lending institutions have agreed not to claim this right of forfeiture, and we continue to maintain good business relationships with the lenders as in the past as a result of their positive evaluations of our aforementioned efforts among other reasons. Furthermore, we determined that there is no significant concern regarding financing, as we have also concluded commitment line agreements totaling 200,000 million yen.

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Although events and circumstances exist that may raise significant doubts about our premise of a going concern, no significant uncertainties have been identified. As such, Notes Related to the Going Concern Assumption is not applicable.

**(8) Technological innovation**  
**(Risk)**

Rapid technological advancement and proper response to changes in the business areas where the Group operates improves the competitiveness of the Group's products and services, whereas insufficient response to the following items may adversely affect the growth and business results.

- Prediction and response to the technological advancement and rise and fall, and their social significance
- Selection and concentration in R&D, and proper resource allocation
- Technological enhancement for new areas
- Acceleration of R&D in collaboration with external partners

In addition, there are moves to strengthen export control of advanced technologies from the perspective of international security. Export restrictions on products containing more than a certain amount of added value from the targeted technologies could have an indirect impact on our business.

**(Countermeasure)**

Group research and development is not limited to mere improvement of technological standards, but also focuses on creating technologies that solve issues arising with rapid changes in society. We focus in particular on growth areas such as AI applications using our proprietary CE-LLM\* technology, which combines edge and cloud AI, as well as next-generation communication technologies, Green Energy,

and EVs. In addition, to promptly implement necessary technologies in society, we advance the creation of new services and solutions by effectively utilizing our business foundation built to date. We also work to strengthen our technological capabilities and accelerate development through active collaboration outside the Company.

Through these initiatives, we reduce risks associated with social changes and technological innovations, and aims to become a brand company that continues to grow sustainably through technological advancement.

In addition to complying with export and import control laws and regulations in the operational activities, we execute control for export and import in conformance with laws and regulations as well as regulatory situation in each country and region in R&D to deal with the tightening of control of emerging technologies involving social platforms for global infrastructure, defense, security, and so on.

\* CE-LLM (Communication Edge-LLM) is a registered trademark of Sharp Corporation. CE-LLM is a proprietary technology of Sharp that, depending on the application, switches between edge AI, which delivers fast responses and strong security, and cloud AI, which offers deep reasoning and broad versatility.

**(9) Intellectual property rights**  
**(Risk)**

The Group strives to protect its unique technologies by acquiring intellectual property rights in Japan and in other countries, and by concluding contracts with other companies.

There may also be instances in which no rights are granted to the Group's patent applications, or where a third party launches litigation against the Group, claiming infringement of intellectual property rights.

Resolution of cases may place a significant financial burden on the Group. Furthermore, if a third party claim against the Group is recognized, the

Group may be subject to damages, including by having to pay a large amount of compensation, or by having to cease using the technology in question.

In addition, intellectual property that the Group holds may not result in a superior competitive advantage, or the Group may not be able to make effective use of such intellectual property, such as when a third party infringes on the intellectual property rights of Sharp.

If any of the above problems related to intellectual property rights were to occur, it could impact the Group's business results and financial position.

**(Countermeasure)**

Under recognition that the intellectual property rights are important assets for a company, the Group strives to actively create intellectual properties, and tries to acquire strong rights by mainly using the Company's subsidiary, Sharp IP Infinity Co., Ltd., its intellectual property rights application and acquisition division.

Before releasing its products, the Group checks the clearance of intellectual property rights by thoroughly checking the intellectual property rights of third parties, and at the same time, the Group improves clearance accuracy by standardizing the clearance process. Thus, the Group implements measures against the risk of infringing on the intellectual property rights of third parties.

Further, the Group maximizes the use of intellectual property rights in conjunction with the business and R&D strategies, and at the same time, protects its intellectual property rights and fully respects the intellectual property rights of third parties. In principle, the Group resolves a dispute concerning an infringement of rights through dialogue, but if its intellectual property rights are not respected by third parties, the Group does not hesitate to seek a judgment

by third parties, such as a court.

**(10) Product liability**  
**(Risk)**

Many of the Group's products are for consumer use, and also incorporate innovative technologies. If defects arise in any of these products, the Group may incur responsibility as a manufacturer and other obligations.

There is a risk of a large-scale product recall or litigation caused by unforeseen events, which may adversely affect the Group's brand image or influence our business results and financial position.

**(Countermeasure)**

The Group not only complies with public safety standards in each country to ensure the safety of its products but also improves safety by combining the risk assessment policy with its unique safety criteria. To ensure safety even if an unexpected problem arises, in particular criteria for inflammable structure, malfunction test, etc. were established, and they are revised when necessary to pursue a higher level of safety, and training is performed for internal stakeholders to ensure that the safety criteria are understood and shared by the design and quality departments. The Group has established a system to ensure safety to make sure that an emergency action can be taken quickly and appropriately when a problem arises. In order to fulfill its responsibility as a manufacturer in case product defects do arise, the Group takes out out insurance to cover compensations based on product liability.

**(11) Competition to secure skilled personnel**  
**(Risk)**

Failure to secure skilled personnel in the technology

and management fields could affect the Group's business results and financial position.

(Countermeasure)

The Company implements the following measures to secure skilled personnel in the technology and management fields. The Company actively hires new graduates in order to acquire new talents according to its business policies. The Company also actively hires experienced personnel in order to secure core personnel responsible for new businesses.

The Company created education and training programs that allow all employees to acquire basic and professional knowledge by self-driven learning to develop professional personnel who can fulfill their professional duties.

As a platform where diverse human resources can work with peace of mind, the Company actively implements initiatives in consideration of the work-life balance of employees, such as creating various programs to strike a balance between work and child-care/nursing care/medical treatment.

(12) The impact of climate change

(Risk)

Group business results and financial position could be affected by stricter regulations on greenhouse gas emissions, increased energy costs associated with the introduction of a carbon tax, and tighter measures to reduce greenhouse gas emissions.

In addition, disasters caused by increasingly larger typhoons and greater precipitation due to climate change may cause production sites to suspend operations or interrupt parts supply.

(Countermeasure)

The Company ensures compliance with existing regulations and standards. In addition, we strive to remain abreast of legal and regulatory trends and

participate in policy-making opportunities. We also endeavor to reduce or minimize our cost burden by improving production efficiency and energy conservation. Further, the Company has formulated a business continuity plan in the event that production sites or employees suffer damage from natural disasters. We maintain and improve our organization's business continuity capabilities through regular reviews and drills.

In addition to the risks above, there are various potential risks, including a risk of dealing with a large number of clients, capital investment risk, regulatory risk, or large-scale natural disaster risk. There are other potential risks that are not mentioned in this section which may adversely affect the Group's business results and financial position.

(Risk management system)

The Group sees the risk management as one of the important activities to fulfill our social responsibilities by growing the business sustainably and meeting the expectations of our stakeholders.

Specifically, We have established the Business Risk Management Guidelines as basic rules for the risk management, created a company-wide risk management system in line with the guidelines, and selected risks that have significant impact on the business as "specific risks" and manages them.

To respond to changes in the business and market environments, We consider adding or changing specific risks every fiscal year for all specific risks, and evaluating and reviewing the added or changed specific risks. The functional department that manages company-wide risks works together with business units in charge of managing their business segments to minimize and mitigate risks and take the

necessary measures to prevent them. In addition, in the event that a material risk arises, the department where the incident arises reports it to the Internal control Planning Division that serves as risk management secretariat as well as management, works together with the relevant departments to respond to the relevant incident, and, when necessary, considers company-wide improvement measures to prevent recurrence.