Financial Section

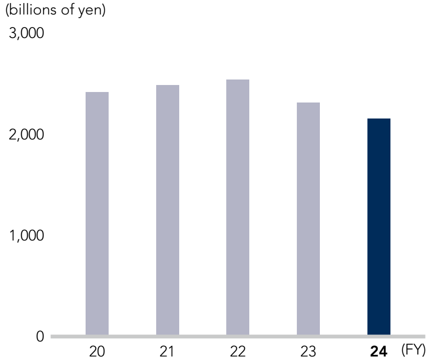
Financial Review

Sharp Corporation and Consolidated Subsidiaries

Net Sales

Consolidated net sales for FY2024 amounted to ¥2,160,146 million, down ¥161,774 million (7.0%) year on year.

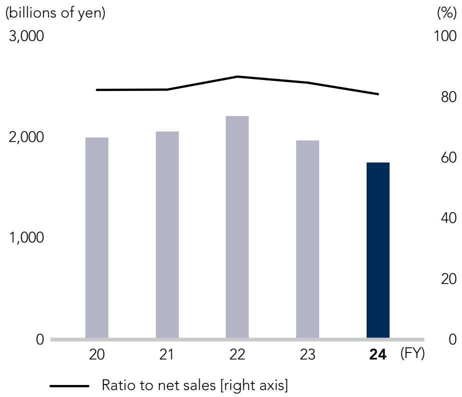
Net Sales



Financial Results

Cost of sales decreased ¥219,594 million to ¥1,754,437 million, while the cost of sales ratio decreased from 85.0% to 81.2% year on year.

Cost of Sales



Selling, general and administrative (SG&A) expenses increased ¥10,138 million to ¥378,370 million year on year, and the ratio of SG&A expenses against net sales increased from 15.9% to 17.5% accordingly. SG&A expenses include salaries and allowances of ¥131,732 million, retirement benefit expenses of ¥5,479 million, transportation and storage costs of ¥46,490 million, and research and development expenses of ¥24,995 million.

As a result, operating profit amounted to ¥27,338 million, compared to operating loss of ¥20,343 million in the previous fiscal year.

Non-operating income decreased ¥12,342 million to ¥27,741 million mainly due to a decrease in foreign exchange gains while non-operating expenses increased ¥10,600 million to ¥37,426 million mainly due to an increase in foreign exchange losses despite a decrease in interest expenses.

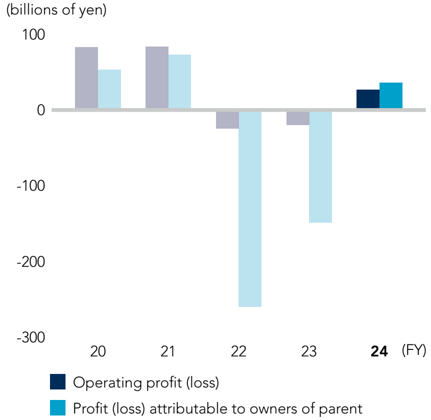
Extraordinary income increased ¥108,180 million to ¥123,115 million mainly due to an increase in gain on sales of non-current assets as well as the investment securities, while extraordinary losses decreased ¥58,281 million to ¥87,131 million mainly due to a decrease in impairment losses despite an increase in business restructuring expenses.

As a result, profit before income taxes totaled ¥53,637 million, compared to loss before income taxes of ¥137,563 million in the previous fiscal year.

Profit attributable to owners of parent amounted ¥36,095 million, compared to loss attributable to owners of parent of ¥149,980 million in the previous fiscal year.

Basic earnings per share amounted to ¥55.59.

Operating Profit (Loss)/ Profit (Loss) Attributable to Owners of Parent



Segment Information

<Brand Business>

[Smart Life & Energy]

Sales increased 2.0% year on year to ¥461,351 million. In the white goods business, sales increased due to growth in sales of refrigerators and washing machines in ASEAN, supported by progress in high value-added products, as well as good performance in cooking appliances in Europe and the United States. Sales in the energy solutions business decreased, mainly due to the impact of business termination in Europe. Segment profit decreased 26.8% year on year to ¥20,343 million due to the profit decline in white goods business and the energy solutions business. This result was mainly due to the negative impact of the weakening yen on both businesses, as well as expenses related to the termination of operations in Europe in the energy solutions business, despite efforts to advance high value-added product development and reduce costs.

[Smart Office]

Sales increased 16.9% year on year to ¥680,606 million. Amid replacement demand associated with the end of Windows 10 support, sales in the PC business increased significantly due to strong sales growth for enterprise customers in Japan, driven by strong performance in premium mobile models for enterprise customers. Segment profit increased 43.6% year on year to ¥42,627 million. In the PC business, higher sales and progress in high value-added products contributed to the significantly increased profit, despite the negative impact of the weakening yen. In the business solutions business, profit increased due to the steady profit in the MFP business and the effects of structural reforms in the information display business.

[Universal Network]

Sales increased 8.5% year on year to ¥338,516 million. Sales in the mobile communication business increased significantly, mainly due to strong sales of new product models. Sales in the TV business also increased, supported by higher overseas sales in the Americas, Europe, and Asia, as well as steady sales of XLED and OLED models in Japan. Segment profit amounted to ¥18,682 million, 2.1 times higher than the previous fiscal year. Profit increased significantly due to higher sales, transition towards high value-added models and stronger cost competitiveness in the TV business, and one-time income in the mobile communication business.

Financial Review

<Device Business>

[Display Device]

Sales decreased 17.5% year on year to ¥507,139 million. Sales of XR panels increased, and sales of automotive panels were almost the same level as the previous fiscal year. However, sales declined for large-sized displays, for which production was ceased at Sakai Display Products Corporation, as well as for panels for smartphones and for PCs and tablets. Segment loss amounted to ¥40,513 million, compared to a segment loss of ¥83,290 million in the previous fiscal year. Although sales decreased, the effects of structural reforms led to a significant reduction in losses in both the large-sized display and small- and medium-sized display businesses.

[Electronic Device]

Sales decreased 49.6% year on year to ¥202,255 million. This result was mainly due to fluctuations in customer demand for sensor modules, despite significant sales growth in semiconductor lasers for automotive and processing applications. Segment profit decreased 56.3% year on year to ¥5,754 million, mainly due to lower sales despite efforts to reduce expenses.

Sales by Segment

	Yen (millions)	
	FY2023	**FY2024**
Smart Life & Energy	¥ 452,522	**¥ 461,351**
Smart Office	582,003	**680,606**
Universal Network	311,891	**338,516**
Display Device	614,950	**507,139**
Electronic Device	401,225	**202,255**
Subtotal	2,362,593	**2,189,870**
Adjustments	(40,671)	**(29,724)**
Total	2,321,921	**2,160,146**

Segment Profit (Loss) by Segment

	Yen (millions)	
	FY2023	**FY2024**
Smart Life & Energy	¥ 27,775	**¥ 20,343**
Smart Office	29,674	**42,627**
Universal Network	8,880	**18,682**
Display Device	(83,290)	**(40,513)**
Electronic Device	13,181	**5,754**
Subtotal	(3,778)	**46,893**
Adjustments	(16,564)	**(19,555)**
Total	(20,343)	**27,338**

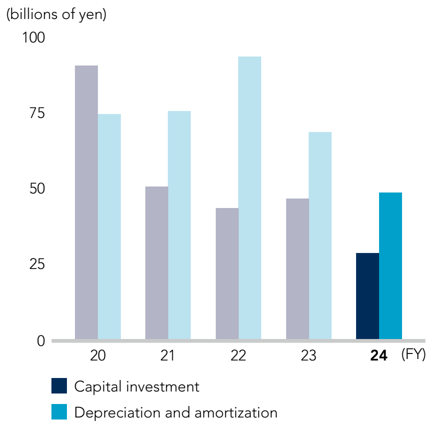
Capital Investment and Depreciation

Capital investment totaled ¥29,976 million, down 37.1% year on year. We made investments in production equipment for display devices, as well as for white goods and MFPs at overseas bases. Capital investment in Display Device and Electronic Device decreased due to progress in Asset Light Initiatives in the Device Business.

By business segment, capital investment was ¥4,327 million for Smart Life & Energy, ¥8,632 million for Smart Office, ¥716 million for Universal Network, ¥10,028 million for Display Device, and ¥2,097 million for Electronic Device. Investment of ¥4,173 million was made in the research and development division and head office.

Depreciation and amortization decreased 29.0% to ¥49,115 million year on year.

Capital Investment/ Depreciation and Amortization



Assets, Liabilities and Net Assets

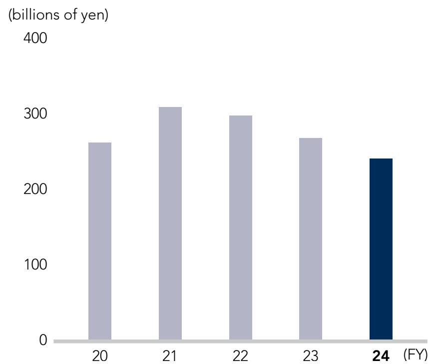
Total assets at fiscal year-end amounted to ¥1,453,730 million, down ¥136,301 million from the end of the previous fiscal year.

Assets

Current assets amounted to ¥979,817 million, down ¥10,411 million from the end of the previous fiscal year. This was mainly due to decreases in notes and accounts receivable - trade, and contract assets by ¥27,751 million and inventories by ¥27,503 million from the end of the previous fiscal year, despite an increase in cash and deposits by ¥52,177 million. Notes and accounts receivable - trade, and contract assets amounted to ¥379,787 million. Inventories amounted to ¥242,081 million. Within total inventories, finished goods increased ¥276 million to ¥153,906 million, work in process decreased ¥17,735 million to ¥44,181 million, and raw materials and supplies decreased ¥10,043 million to ¥43,993 million from the end of the previous fiscal year.

Property, plant and equipment decreased ¥78,224

Inventories



Financial Review

million from the end of the previous fiscal year to ¥201,899 million.

Investments and other assets amounted to ¥235,433 million, down ¥53,166 million from the end of the previous fiscal year.

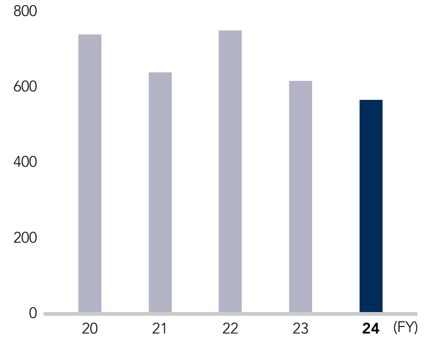
Liabilities

Current liabilities decreased ¥99,433 million from the end of the previous fiscal year to ¥756,923 million. This was mainly due to decreases in notes and accounts payable-trade, electronically recorded obligations, and lease liabilities by ¥39,290 million, ¥26,212 million, ¥12,573 million, respectively, from the end of the previous fiscal year.

Non-current liabilities decreased ¥47,152 million from the end of the previous fiscal year to ¥529,097 million. This was mainly due to a decrease in long-term borrowings by ¥51,222 million.

Interest-bearing debt totaled ¥567,653 million, down ¥49,938 million from the end of the previous fiscal year.

Interest-Bearing Debt

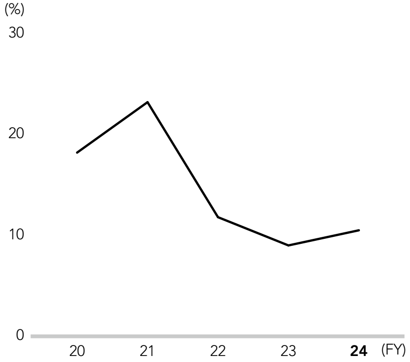


Net Assets

Net assets amounted to ¥167,709 million, up ¥10,284 million compared to the previous fiscal year-end balance of ¥157,424 million. This was mainly due to an increase in retained earnings by recording the profit attributable to owners of parent despite a decrease in valuation difference on available-for-sale securities and foreign currency translation adjustment.

The equity ratio improved from 9.0% at the end of the previous fiscal year to 10.5%.

Equity Ratio



Cash Flows

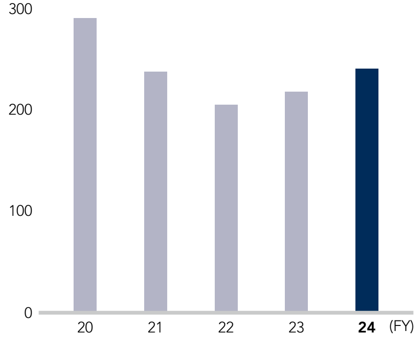
Cash and cash equivalents were ¥242,703 million, up ¥23,574 million from the end of the previous fiscal year.

Cash used in operating activities amounted to ¥1,590 million compared to cash provided of ¥124,495 million in the previous fiscal year. This decrease was mainly due to decreases in cash flow of ¥31,700 million from changes in accounts receivable - trade, and contract assets and ¥21,062 million from changes in trade payables compared to the previous fiscal year, as well as a one-time cash outflow of ¥34,771 million related to the repayment of accounts payable following the cease of production in the large-sized display business.

Cash provided by investing activities totaled ¥103,743 million, up ¥92,867 million compared to ¥10,875 million in the previous fiscal year. This increase was mainly due to an increase of ¥101,730 million in proceeds from sale of property, plant and equipment, under Asset Light Initiatives, and an increase of ¥44,233 million in proceeds from sale of investment securities, compared to the previous fiscal year.

Cash used in financing activities was ¥74,768 million, down ¥74,900 million compared to ¥149,668 million in the previous fiscal year. This result was mainly due to a decrease in repayments of long-term borrowings, which totaled ¥60,567 million in the current fiscal year compared with ¥157,207 million in the previous fiscal year.

Cash and Cash Equivalents



Notes:
1. Sales figures by segment shown in Segment Information include internal sales and transfers among segments. Segment income figures are amounts before adjustment for inter segment trading.
2. Effective from the second quarter of FY2024, Sharp Semiconductor Innovation Corporation, which was previously under the Electronic Device segment, has been included in the Smart Life & Energy segment in accordance with an organizational change. Figures for FY2023, have been adjusted to reflect the new classification.
3. Capital investment figures shown in Capital Investment and Depreciation include the amount of leased assets.

Consolidated Balance Sheets

	Yen (millions)	
	FY2023	**FY2024**
ASSETS		
Current Assets		
Cash and deposits (Notes 2 (c) and 6)	¥ 227,130	**¥ 279,307**
Notes and accounts receivable - trade, and contract assets (Notes 2 (c), 2 (f), and 8)	407,538	**379,787**
Inventories (Notes 2 (b) and (c))	269,584	**242,081**
Other (Notes 2 (c) and 7)	90,998	**84,495**
Allowance for doubtful accounts	(5,024)	**(5,854)**
Total current assets	990,228	**979,817**
Non-current Assets		
Property, plant and equipment		
Buildings and structures (Note 2 (c))	623,523	**590,183**
Machinery, equipment and vehicles (Note 2 (c))	1,164,709	**1,002,312**
Tools, furniture and fixtures (Note 2 (c))	144,944	**136,473**
Land (Note 2 (c))	69,641	**57,760**
Construction in progress	7,126	**3,463**
Other	68,580	**50,110**
Accumulated depreciation	(1,798,401)	**(1,638,404)**
Total property, plant and equipment	280,123	**201,899**
Intangible assets		
Software	20,988	**17,801**
Goodwill	5,422	**7,264**
Other	4,669	**11,514**
Total intangible assets	31,080	**36,580**
Investments and other assets		
Investment securities (Notes 2 (a), 2 (c), 8 and 9)	238,581	**185,710**
Retirement benefit asset (Note 12)	5,363	**4,729**
Deferred tax assets (Note 14)	21,872	**18,496**
Other (Notes 2 (c) and 7)	24,268	**28,398**
Allowance for doubtful accounts	(1,485)	**(1,902)**
Total investments and other assets	288,599	**235,433**
Total non-current assets	599,803	**473,913**
Total assets	¥ 1,590,032	**¥ 1,453,730**

The accompanying notes to consolidated financial statements are an integral part of these statements.

	Yen (millions)	
	FY2023	**FY2024**
LIABILITIES		
Current Liabilities		
Notes and accounts payable - trade	¥ 318,159	**¥ 278,869**
Electronically recorded obligations - operating	37,094	**10,881**
Short-term borrowings (Notes 2 (c), 2(g) and 11)	115,969	**111,257**
Lease liabilities	16,264	**3,691**
Accrued expenses	124,653	**117,624**
Provision for bonuses	17,423	**19,481**
Provision for product warranties	16,685	**13,096**
Provision for sales promotion expenses	2,830	**2,560**
Provision for restructuring	4,903	**14,802**
Other provisions	7,702	**8,631**
Other (Notes 2 (c), 2 (f) and 11)	194,669	**176,026**
Total current liabilities	856,357	**756,923**
Non-current Liabilities		
Long-term borrowings (Notes 2 (c), 2(g), 8 and 11)	457,623	**406,400**
Deferred tax liabilities (Note 14)	20,345	**13,813**
Provision for product warranties	5,756	**5,261**
Provision for restructuring	6,286	**3,758**
Other provisions	2,991	**2,689**
Retirement benefit liability (Note 12)	52,911	**45,604**
Other (Notes 11)	30,336	**51,570**
Total non-current liabilities	576,250	**529,097**
Total liabilities	1,432,607	**1,286,021**
NET ASSETS		
Shareholders' equity		
Share capital	5,000	**5,000**
Capital surplus	148,594	**148,983**
Retained earnings	(90,178)	**(54,082)**
Treasury shares	(13,387)	**(13,389)**
Total shareholders' equity	50,028	**86,511**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,396	**20,818**
Deferred gains or losses on hedges	508	**(1,437)**
Foreign currency translation adjustment	52,870	**46,571**
Remeasurements of defined benefit plans	(1,381)	**902**
Total accumulated other comprehensive income	92,393	**66,855**
Share acquisition rights (Note 5(b))	756	**1,279**
Non-controlling interests	14,246	**13,062**
Total net assets	157,424	**167,709**
Total liabilities and net assets	¥ 1,590,032	**¥ 1,453,730**

Consolidated Statements of Operations

	Yen (millions) FY2023	FY2024
Net Sales (Notes 3 (a), 16 and 17)	¥ 2,321,921	**¥ 2,160,146**
Cost of Sales (Notes 3 (b) and (d))	1,974,032	**1,754,437**
Gross profit	347,888	**405,708**
Selling, General and Administrative Expenses (Notes 3 (c) and (d))	368,232	**378,370**
Operating profit (loss) (Note 17)	(20,343)	**27,338**
Non-operating Income		
Interest income	4,556	**5,090**
Dividend income	1,865	**1,387**
Rental income from non-current assets	4,580	**3,196**
Foreign exchange gains	13,365	**—**
Share of profit of entities accounted for using equity method	8,359	**7,910**
Investment income	1,130	**2,099**
Other	6,225	**8,057**
Total non-operating income	40,084	**27,741**
Non-operating Expenses		
Interest expenses	10,801	**10,296**
Foreign exchange losses	—	**12,612**
Inactive asset expenses	3,725	**4,435**
Other	12,297	**10,082**
Total non-operating expenses	26,825	**37,426**
Ordinary profit (loss)	(7,084)	**17,653**
Extraordinary Income		
Gain on sale of non-current assets (Note 3 (e))	3,622	**78,095**
Gain on sale of investment securities (Note 3 (f))	113	**28,254**
Gain on sale of shares of subsidiaries and associates	818	**—**
Gain on liquidation of subsidiaries and associates	—	**103**
Gain on step acquisitions (Note 3 (g))	1,312	**717**
Gain on change in equity (Note 3 (h))	4,203	**4,529**
Gain on reversal of liabilities (Note 3 (h))	4,863	**4,474**
Compensation income	—	**6,723**
Gain on reversal of share acquisition rights	1	**216**
Total extraordinary income	14,934	**123,115**
Extraordinary Losses		
Loss on sale and retirement of non-current assets (Note 3 (j))	1,370	**1,652**
Impairment losses (Note 3 (k))	122,332	**54,381**
Loss on valuation of investment securities	2,885	**1,411**
Loss from cancellation of made-to-order production (Notes 3 (b) and (i))	4,718	**—**
Loss on sale of businesses (Note 3 (l))	2,327	**—**
Business restructuring expenses (Note 3 (m))	11,777	**29,686**
Total extraordinary losses	145,413	**87,131**
Profit (loss) before income taxes	(137,563)	**53,637**
Income Taxes (Note 14)		
Current	14,552	**15,376**
Deferred	(2,030)	**2,493**
Total income taxes	12,522	**17,870**
Profit (Loss)	(150,085)	**35,766**
Loss attributable to non-controlling interests	(104)	**(328)**
Profit (loss) attributable to owners of parent	¥ (149,980)	**¥ 36,095**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

	Yen (millions) FY2023	FY2024
Profit (Loss)	¥ (150,085)	**¥ 35,766**
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	13,911	**(19,587)**
Deferred gains or losses on hedges	35	**(1,946)**
Foreign currency translation adjustment	51,492	**(5,085)**
Remeasurements of defined benefit plans, net of tax	14,763	**2,281**
Share of other comprehensive income of entities accounted for using equity method	5,464	**(1,378)**
Total other comprehensive income (Note 4)	85,667	**(25,715)**
Comprehensive Income	(64,418)	**10,050**
Comprehensive income attributable to:		
Owners of parent	(66,054)	**10,556**
Non-controlling interests	1,636	**(506)**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Equity

Yen (millions)

	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights (Note 5 (b))	Non-controlling interests	Total net assets
Balance at beginning of FY2023	¥ 5,000	¥ 148,929	¥ 59,802	¥ (13,749)	¥ 199,982	¥ 26,469	¥ 475	¥ (2,266)	¥ (16,211)	¥ 8,467	¥ 293	¥ 13,618	¥ 222,362
Changes during period													
Loss attributable to owners of parent			(149,980)		(149,980)								(149,980)
Change in ownership interest of parent due to transactions with non-controlling interests		(2)			(2)								(2)
Purchase of treasury shares				(1)	(1)								(1)
Disposal of treasury shares		(333)		363	29								29
Net changes in items other than shareholders' equity						13,926	33	55,136	14,829	83,926	463	627	85,017
Total changes during period		(335)	(149,980)	361	(149,954)	13,926	33	55,136	14,829	83,926	463	627	(64,937)
Balance at end of FY2023	¥ 5,000	¥ 148,594	¥ (90,178)	¥ (13,387)	¥ 50,028	¥ 40,396	¥ 508	¥ 52,870	¥ (1,381)	¥ 92,393	¥ 756	¥ 14,246	¥ 157,424

Yen (millions)

	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights (Note 5 (b))	Non-controlling interests	Total net assets
Balance at beginning of FY2024	¥ 5,000	¥ 148,594	¥ (90,178)	¥ (13,387)	¥ 50,028	¥ 40,396	¥ 508	¥ 52,870	¥ (1,381)	¥ 92,393	¥ 756	¥ 14,246	¥ 157,424
Changes during period													
Profit attributable to owners of parent			**36,095**		**36,095**								**36,095**
Change in ownership interest of parent due to transactions with non-controlling interests		**390**			**390**								**390**
Purchase of treasury shares				**(1)**	**(1)**								**(1)**
Disposal of treasury shares		**(0)**		**0**	**0**								**0**
Net changes in items other than shareholders' equity						**(19,577)**	**(1,946)**	**(6,298)**	**2,284**	**(25,538)**	**523**	**(1,184)**	**(26,199)**
Total changes during period		**389**	**36,095**	**(1)**	**36,483**	**(19,577)**	**(1,946)**	**(6,298)**	**2,284**	**(25,538)**	**523**	**(1,184)**	**10,284**
Balance at end of FY2024	**¥ 5,000**	**¥ 148,983**	**¥ (54,082)**	**¥ (13,389)**	**¥ 86,511**	**¥ 20,818**	**¥ (1,437)**	**¥ 46,571**	**¥ 902**	**¥ 66,855**	**¥ 1,279**	**¥ 13,062**	**¥ 167,709**

Consolidated Statements of Cash Flows

	Yen (millions)	
	FY2023	**FY2024**
Cash Flows from Operating Activities:		
Profit (loss) before income taxes	¥ (137,563)	**¥ 53,637**
Depreciation	66,215	**48,459**
Interest and dividend income	(6,422)	**(6,477)**
Interest expenses	10,801	**10,296**
Share of loss (profit) of entities accounted for using equity method	(8,359)	**(7,910)**
Investment expenses (income)	(1,130)	**(2,099)**
Loss (gain) on sale and retirement of non-current assets	(2,251)	**(76,442)**
Impairment losses	122,332	**54,381**
Loss (gain) on valuation of investment securities	2,885	**1,411**
Loss (gain) on sale of investment securities	(113)	**(28,254)**
Loss (gain) on sale of shares of subsidiaries and associates	(818)	**—**
Loss (gain) on liquidation of subsidiaries and associates	—	**(103)**
Loss (gain) on step acquisitions	(1,312)	**(717)**
Loss (gain) on change in equity	(4,203)	**(4,529)**
Gain on reversal of liabilities	(4,863)	**(4,474)**
Loss from cancellation of made-to-order production	4,718	**—**
Loss on sale of businesses	2,327	**—**
Compensation income	—	**(6,723)**
Gain on reversal of share acquisition rights	(1)	**(216)**
Business restructuring expenses	11,777	**29,686**
Decrease (increase) in accounts receivable - trade, and contract assets	56,822	**25,122**
Decrease (increase) in accounts receivable - other	(2,982)	**252**
Decrease (increase) in inventories	48,012	**25,834**
Increase (decrease) in trade payables	(40,572)	**(61,634)**
Other, net	24,802	**(28,118)**
Subtotal	140,102	**21,379**
Interest and dividends received	10,906	**9,357**
Interest paid	(8,661)	**(8,746)**
Income taxes refund (paid)	(10,052)	**(19,288)**
Payments for business restructuring	(4,210)	**(12,201)**
Settlement paid	(3,588)	**—**
Proceeds from insurance income	—	**1,426**
Proceeds from compensation	—	**6,483**
Net cash provided by (used in) operating activities	124,495	**(1,590)**

	Yen (millions)	
	FY2023	**FY2024**
Cash Flows from Investing Activities:		
Payments into time deposits	(12,004)	**(77,099)**
Proceeds from withdrawal of time deposits	61,231	**48,322**
Purchase of property, plant and equipment	(40,874)	**(26,798)**
Proceeds from sale of property, plant and equipment	5,149	**106,879**
Purchase of intangible assets	(11,699)	**(12,220)**
Purchase of investment securities	(1,871)	**(292)**
Proceeds from sale of investment securities	113	**44,346**
Proceeds from refund of investment partnerships	9,090	**21,516**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6 (b))	(166)	**(4,806)**
Other, net (Note 6(c))	1,908	**3,895**
Net cash provided by (used in) investing activities	10,875	**103,743**
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term borrowings	7,439	**4,871**
Proceeds from long-term borrowings	11,203	**—**
Repayments of long-term borrowings	(157,207)	**(60,567)**
Repayments of finance lease liabilities	(10,065)	**(18,574)**
Other, net	(1,038)	**(498)**
Net cash provided by (used in) financing activities	(149,668)	**(74,768)**
Effect of Exchange Rate Change on Cash and Cash Equivalents	26,812	**(3,809)**
Net Increase (Decrease) in Cash and Cash Equivalents	12,515	**23,574**
Cash and Cash Equivalents at Beginning of Period	206,612	**219,128**
Cash and Cash Equivalents at End of Period (Note 6 (a))	¥ 219,128	**¥ 242,703**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

Sharp Corporation and Consolidated Subsidiaries

1. Summary of Significant Accounting and Reporting Policies

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Sharp Corporation ("the Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

The financial statements of the Company's overseas consolidated subsidiaries for consolidation purposes have been prepared in conformity with IFRS or generally accepted accounting principles in the United States of America ("US GAAP"), with adjustments for the specified five items where applicable according to Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements".

The accompanying consolidated financial statements have been translated into English (with no reclassifications) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Act.

In preparing the accompanying consolidated financial statements and notes, Japanese yen figures less than one million yen have been rounded down to the nearest million yen. Therefore, total or subtotal amounts shown in the accompanying consolidated financial statements and notes thereto are not necessarily equal to the sum of individually presented amounts.

Fiscal year 2023 (hereinafter, "FY2023") began on April 1, 2023 and ended on March 31, 2024.

Fiscal year 2024 (hereinafter, "FY2024") began on April 1, 2024 and ended on March 31, 2025.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 118 companies (hereinafter, "the Group") over which the Company has power of control through the holding of majority voting rights or with the existence of other certain conditions. Investments in 1 nonconsolidated subsidiary and 12 affiliates on which the Company has significant influence regarding their operating and financial policies are accounted for using equity method.

Changes in the consolidated subsidiaries for FY2024 were as follows:

(Included in scope)

APSIA SAS

And 5 others

(Excluded from scope)

Cocorolife Co., Ltd.

And 3 others

Sharp India Ltd. is the main nonconsolidated subsidiary.

Sharp Tokusen Industry Co., Ltd. is the main nonconsolidated subsidiary not accounted for using equity method.

(c) Investment securities

Other securities

Securities other than shares with no available market prices

Valued at fair market value (All valuation differences are directly charged or credited to net assets, with the cost of sales calculated primarily using the periodic average method.)

Shares with no available market prices

Valued at cost primary by the periodic average method.

Regarding the investments in partnerships, the Group recognizes its share in the profits or losses resulting from the operations of the partnerships as non-operating income or expenses, and reflect such income or expenses to the balance of investment securities.

(d) Derivative financial instruments

Derivative financial instruments are stated at fair value.

(e) Inventories

Inventories held by the Company and its domestic consolidated subsidiaries are primarily measured at moving average cost. Inventories are written down when their profitability decreases. Inventories held by overseas consolidated subsidiaries are measured at the lower of moving average cost and net realizable value.

(f) Depreciation and amortization

For the Company and its domestic consolidated subsidiaries, depreciation of property, plant and equipment other than leased assets and right-of-use assets is computed by the declining-balance method.

Meanwhile, machinery and equipment at the LCD plants in Mie and Kameyama and a part of the Sakai Plant are depreciated by the straight-line method.

Buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to

Notes to Consolidated Financial Statements

buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method.

Property, plant and equipment at overseas consolidated subsidiaries are depreciated by the straight-line method.

Amortization of intangible assets (excluding leased assets) is computed by the straight-line method.

Software used in-house is amortized by the straight-line method over the estimated useful life of principally 5 years, and software embedded in products is amortized over the forecasted sales quantity.

Depreciation of leased assets related to finance lease transactions that transfer ownership is computed by the same method as applied to non-current assets owned by the Company.

Depreciation of leased assets related to finance lease transactions that do not transfer ownership is computed by the straight-line method with the lease period as the useful life and the residual value as zero.

Right-of-use assets are depreciated by the straight-line method over the shorter of the useful life of the asset or the term of the lease.

(g) Allowance for doubtful accounts

The Group accrues possible credit losses regarding monetary claims and other receivables.

The allowance for general receivables is primarily determined based on the historical bad debt ratio. The allowance for particular receivables, including those from debtors at risk of bankruptcy, is estimated for uncollectable amounts, which are determined by examining individual levels of recoverability on a case-by-case basis.

(h) Provision for bonuses

The Group accrues estimated amounts of employees' bonuses based on the estimated amounts to be paid in the subsequent period which relate to their performance in the current period.

(i) Provision for product warranties

In order to prepare for expenses related to product quality assurance, the Group accrues estimated future warranty amounts based on past performance for after-sales service costs within the warranty period. Additionally, the expected costs for individual cases are also accrued.

(j) Provision for sales promotion expenses

The Group accrues sales promotion expenses based on estimated amounts to be paid to agencies and dealers in the subsequent period in respect of revenue recorded by the balance sheet date.

(k) Provision for restructuring

The Group accrues the estimated amounts of restructuring to prepare for future expenses related to structural reform.

(l) Defined benefit pension plan

The estimated amount of defined benefit pension plans to be paid at future post retirement period is allocated to each service year based on the plan's benefit formula.

Past service costs are amortized primarily by the straight-line method over the average remaining service period of employees (9 years) commencing from the current period. Actuarial gains and losses are primarily amortized by the straight-line method over the average remaining service period of employees (9 years) commencing from the period following that in which the gain or loss was incurred.

(m) Major recognition criteria for revenues and expenses

The Group recognizes revenue based on the following five-step approach.

Step 1: Identify a contract with customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the Group satisfies a performance obligation

Details of the main performance obligations related to revenue from contracts with customers in the Group's key businesses and the point of time when such performance obligations are typically satisfied (the point of time when revenues are usually recognized) are as follows.

The Group manufactures and sells telecommunications equipment, electrical equipment and electronic application equipment, and electronic components. In principle, revenue from these transactions is recognized at the point in time when the customer obtains control of products delivered by the Group as the performance obligation is deemed to have been satisfied by then. At that point in time, the legal title to the products, physical possession, and significant risks and rewards of ownership of the products are transferred to the customer, and the Group is entitled to receive payment for the transaction. For some domestic sales, revenue is recognized upon shipment if the period of time from the shipment to the completion of the transfer of control of the products to the customer is considered to be normal.

The Group is also engaged in contracted construction in addition to maintenance and warranty services that are mainly related to products. In these transactions, the Group transfers goods or services to customers over time to satisfy performance obligations. Thus, in principle, revenue is recognized according to the degree of progress towards complete satisfaction or over time for the service period.

Revenue is measured in the amount of consideration that the Group expects to be entitled in return for the transfer of products or services to the customers (hereinafter, "transaction price"). In determining a transaction price, if the consideration promised with the customer includes a variable component (hereinafter, "variable consideration"), the transaction price is estimated by subtracting any variable considerations. The amount of a variable consideration is included in the transaction price only to the extent that it is highly probable that the subsequent resolution of uncertainty concerning the amount of the variable consideration will not result in a significant reversal in the cumulative revenue recognized until then.

When multiple performance obligations, such as product and warranty services, are identifiable in a contract,

Notes to Consolidated Financial Statements

a transaction price is allocated to each performance obligation primarily based on the ratio of observable stand-alone selling prices.

If a product warranty provides a customer with a service beyond the assurance that the product complies with agreed-upon specifications, it is treated as a separate performance obligation. A portion of the transaction price is allocated to that performance obligation and revenue is recognized over the extended warranty period.

The Group determines whether it acts as a principal or an agent in a transaction based on whether the Group controls the promised product or service before transferring to the customer. When the Group is deemed to be involved as an agent, the Group recognizes revenue at the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for goods or services to be provided by that party.

Considerations for transactions related to the sale of products, etc., contracted construction, and the provision of warranty or other services are usually received within approximately one year from the time each performance obligation is satisfied. The Group applies an exemption rule to these contracts, and no adjustments for financing components have been made.

(n) Significant hedge accounting methods

(1) Deferred and other hedge accounting methods

Deferred hedge accounting is used for foreign exchange forward contracts of certain consolidated subsidiaries as well as interest rate swaps of the Company. The allocation method is used for foreign exchange forward contracts that meet the requirements for the allocation method, and special accounting is used for interest rate swaps that meet the requirements for special accounting.

(2) Hedging instruments and hedged items

a. Hedging instrument: Foreign exchange forward contracts

Hedged items: Assets and liabilities denominated in foreign currencies (mainly receivables and payables related to export and import transactions)

b. Hedging instrument: interest rate swaps

Hedged items: Borrowings with variable interest rates

(3) Hedging policy

Foreign exchange forward contracts are used to hedge the exchange rate fluctuation risks associated with assets and liabilities in accordance with the Company's internal rules or the basic rules established under the Company's guidance. Furthermore, the Company uses interest rate swaps in order to hedge the interest rate fluctuation risks associated with borrowings from financial institutions.

(4) Method for evaluating hedge effectiveness

An evaluation of hedge effectiveness is omitted because the major conditions of the hedging instruments and the hedged items are consistent and the market fluctuations or cash flow fluctuations are assumed to be completely offset at the time of commencement of the hedge and thereafter on an ongoing basis.

(o) Method and period for amortization of goodwill

Goodwill is amortized by the straight-line method over the expected life. Goodwill recorded in the consolidated subsidiaries in the U.S.A. is amortized by the straight-line method over 10 years. However, if the amount of goodwill is insignificant, the entire amount is amortized during the fiscal year in which the goodwill arises.

(p) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, demand deposits in banks, and highly liquid short-term investments with original maturities of three months or less for which the risks of fluctuations in value are not considered to be significant.

(q) Major accounting estimates

(1) Valuation of inventories

i) Amount recorded in the consolidated financial statements at the end of FY2023 and FY2024 were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Inventories	¥ 269,584	**¥ 242,081**

ii) Information related to the contents of major accounting estimates for identified items

The Group reduces the book value of inventories when the net realizable value falls below the book value. In addition, some inventories deemed slow-moving for more than a certain period of time are devalued regularly over time, assuming that it becomes less possible for those inventories to be sold. Moreover, the book value of some inventories is also devalued individually when they are deemed difficult to sell.

However, it may become necessary to record further devaluation in the consolidated financial statements in the next fiscal year or onward if the Group faces disadvantageous situations such as price declines resulting from unpredictable environment changes in the future.

(2) Impairment losses on non-current assets

i) Amount recorded in the consolidated financial statements at the end of FY2023 and FY2024 were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Property, plant and equipment	¥ 280,123	**¥ 201,899**
Intangible assets	31,080	**36,580**
Investment securities	238,581	**185,710**

Notes to Consolidated Financial Statements

ii) Information related to the contents of major accounting estimates for identified items

The Group conducts an impairment test of an asset or asset group, when there is an indication of impairment such as continued operating loss or negative cash flow from operating activities, and if the book value exceeds the higher of its value in use or its net realizable value, the Company recognizes impairment loss for the excess. The future business plan, which forms the basis for calculating the value in use, is established in consideration of information available at the time of financial closing. Additionally, the net realizable value is determined by reasonable approaches such as asset valuation by a third party.

However, the Group may record additional impairment losses in the consolidated financial statements in the next fiscal year or thereafter, when the assumptions in the business plan, such as the market environments, change in the future.

Additionally, investment securities of ¥185,710 million recorded in FY2024 include investments in equity-method affiliates of ¥113,954 million. If the equity-method affiliates recognize impairment losses in the next fiscal year or thereafter, the Group may recognize the share of loss of entities accounted for using equity method in the consolidated financial statements.

(r) Unapplied accounting standard

The accounting standards issued by March 31, 2025 but not yet applied as of March 31, 2025 were as follows.

The Company and its domestic subsidiaries

Name of the standards		Description of the standards	Planned adoption period
ASBJ Statement No. 34 (September 13, 2024)	Accounting Standard for Leases	A single lessee accounting model, which recognizes the depreciation expense for right-of-use assets as well as the interest expense for lease liabilities, is going to be applied to all leases. (Note 1)	From the year ending March 31, 2028
ASBJ Guidance No. 33 (September 13, 2024)	Implementation Guidance on Accounting Standard for Leases		
ASBJ Transferred Guidance No. 9 (March 11, 2025)	Practical Guidelines on Accounting for Financial Instruments	The new Practical Guidelines allow companies to measure their investments in funds or partnerships at fair value when certain conditions are met. If such an option is taken, all stocks with no available market prices (excluding shares of subsidiaries and affiliates) incorporated in the investment portfolio shall be measured at fair value. (Note 2)	From the year ending March 31, 2027

Note 1: The monetary impact arising from application of the standard is under evaluation.
Note 2: Whether to apply the Practical Guidelines is under examination. The monetary impact arising in case of application is under evaluation.

(s) Changes in presentation method

(Consolidated statements of operations)

"Rental expenses on non-current assets" (¥1,400 million for FY2024), which was separately presented in FY2023, has been included in "Other" under "Non-operating expenses" as its amount decreased to less than 10/100 of the total non-operating expenses. In order to reflect this change in presentation methods, the consolidated financial statements for FY2023 have been reclassified.

As a result, ¥9,081 million presented as "Other" under "Non-operating expenses" in the consolidated statements of operations for FY2023, has been reclassified as ¥12,297 million in "Other," including ¥3,215 million of "Rental expenses on non-current assets."

(Consolidated statements of cash flows)

(1) "Proceeds from sale of investment securities" and "Proceeds from refund of investment partnerships," which were included in "Other" under "Cash flows from investment activities" in FY2023, are presented separately, as their materiality has increased. Also, "Payments for sale of shares of subsidiaries resulting in change in scope of consolidation," which was separately presented under "Cash flows from investment activities" in FY2023, has been included in "Other," as its materiality has diminished. In order to reflect these changes in presentation methods, the consolidated financial statements for FY2023 have been reclassified.

As a result, in the Consolidated Statements for Cash Flows in FY2023, ¥(364) million in "Payments for sale of shares of subsidiaries resulting in change in scope of consolidation" and ¥11,476 million in "Other," which were presented under "Cash flows from investment activities," have been reclassified as ¥113 million in "Proceeds from sale of investment securities," ¥9,090 million in "Proceeds from refund of investment partnerships," and ¥1,908 million in "Other."

(2) "Repayments of finance lease liabilities," which was included in "Other" under "Cash flows from financing activities" in FY2023, is presented separately, as its materiality has increased. Also, "Dividends paid," which was separately presented under "Cash flows from financing activities" in FY2023, has been included in "Other," as its materiality has diminished. In order to reflect these changes in presentation methods, the consolidated financial statements for FY2023 have been reclassified.

As a result, in the Consolidated Statements for Cash Flows in FY2023, ¥(25) million in "Dividends paid" and ¥(11,077) million in "Other," which were presented under "Cash flows from financing activities," have been reclassified as ¥(10,065) million in "Repayments of finance lease liabilities" and ¥(1,038) million in "Other."

Notes to Consolidated Financial Statements

2. Notes to Consolidated Balance Sheets

(a) Investments in nonconsolidated subsidiaries and affiliates

Investments in nonconsolidated subsidiaries and affiliates at the end of FY2023 and FY2024 were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Investment securities	¥ 104,283	**¥ 114,748**

(b) Inventories

Inventories at the end of FY2023 and FY2024 were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Finished goods	¥ 153,630	**¥ 153,906**
Work in process	61,916	**44,181**
Raw materials and supplies	54,037	**43,993**
	¥ 269,584	**¥ 242,081**

(c) Collateral assets and liabilities secured by collateral

Collateral assets and liabilities secured by collateral at the end of FY2023 and FY2024 were as follows:

(1) Assets pledged as collateral

	Yen (millions)	
	FY2023	**FY2024**
Cash and deposits	¥ 2,903	**¥ 28,387**
Notes and accounts receivable - trade, and contract assets	66,913	**56,629**
Inventories	64,966	**62,922**
Other (Current assets)	6,423	**3,308**
Buildings and structures	76,326	**48,796**
Machinery, equipment and vehicles	1,961	**1,470**
Tools, furniture and fixtures	636	**839**
Land	53,601	**41,566**
Investment securities	52,104	**12,019**
Other (Investments and other assets)	707	**690**
	¥ 326,545	**¥ 256,630**

(2) Liabilities secured by collateral

	Yen (millions)	
	FY2023	**FY2024**
Short-term borrowings	¥ 73	**¥ 86**
Other (Current liabilities)	24,341	**32,350**
Long-term borrowings	373,899	**332,631**
Other (Non-current liabilities)	—	**14,825**
	¥ 398,315	**¥ 379,893**

In addition, certain shares of consolidated subsidiaries, which were subject to elimination through inter-company transactions, were pledged as collateral of long-term borrowings at the end of FY2023 and FY2024.

(d) Contingent liabilities

(1) Guarantee liabilities

	Yen (millions)	
	FY2023	**FY2024**
Guarantee for employee mortgages	¥ 2,409	**¥ 1,814**
Guarantee for borrowings of invested companies		
Sermsang Power Corporation Public Company Limited	184	**146**
	¥ 2,593	**¥ 1,961**

(2) Endorsed trade notes receivable

	Yen (millions)	
	FY2023	**FY2024**
Endorsed trade notes receivable	¥ 91	**¥ 25**

(3) Matters related to long-term electricity and other supply contracts

FY2023

The Company entered into long-term contracts with several suppliers with respect to electricity and other inputs at the Sakai plant.

Sakai Display Products Corporation has decided to cease LCD panel production, but use of electricity is expected to continue as the Company plans to continue to utilize the Sakai Plant. The total amount of future minimum payments under these contracts at the end of FY2023 was ¥38,458 million (the remaining term was 6 years).

The total amount of future minimum payments under long-term contracts with respect to electricity and other input for businesses other than the above at the end of FY2023 was ¥1,237 million (the longest remaining term was 5 years).

None of these long-term contracts can be terminated before expiration.

FY2024

No contingent liabilities exist concerning long-term contracts with respect to electricity and other inputs at the Sakai Plant.

Some of the long-term contracts for the supply of electricity and other forms of input for the LCD panel business of Sakai Display Products Corporation are to be terminated due to the cessation of production, while other such contracts are to be succeeded to SoftBank Corp., the acquirer of the LCD panel plant. A provision has been provided to cover the expenses expected to be incurred as a result of such termination or succession of the contracts. Details are provided in "(m) Business restructuring expenses" under "3. Notes to Consolidated Statements of Operations."

Notes to Consolidated Financial Statements

(e) Investment commitment

The Company entered into contract to participate in the SoftBank Vision Fund, a private fund established by SoftBank Group Corp., in May 2017. Total amount of investment commitment is USD 1 billion. The balance of remaining committed contribution at the end of FY2023 and FY2024 were as follows.

Conversion to yen is calculated based on market exchange rate as of closing dates.

	Yen (millions)	
	FY2023	**FY2024**
Total amount of investment commitment	¥ 151,400	**¥ 149,530**
Contribution made	132,226	**130,581**
Remaining committed contribution	¥ 19,173	**¥ 18,948**

(f) Receivables arising from contracts with customers, contract assets and contract liabilities

	Yen (millions)	
	FY2023	**FY2024**
Receivables arising from contracts with customers	¥ 401,308	**¥ 375,868**
Notes receivable	4,864	**4,888**
Accounts receivable	396,443	**370,979**
Contract assets	¥ 6,230	**¥ 3,919**
Contract liabilities	112,145	**53,122**

On the consolidated balance sheets, receivables arising from contracts with customers and contract assets are included in "Notes and accounts receivable - trade, and contract assets," and contract liabilities are included in "Other" under "Current liabilities."

Details regarding the decrease in contract liabilities for FY2024 are provided in "(c) (1) Balance of contract assets and contract liabilities, etc." under "16. Revenue Recognition."

(g) Financial covenants

The Company's principal loan agreements, syndicated loan agreements and commitment line agreements, are subject to financial covenants. If the Group's consolidated net assets and consolidated ordinary income fall below certain levels, or if the Company or any of its consolidated subsidiaries becomes insolvent, the benefit of time of such loans may be forfeited upon demand by the lending financial institutions.

Although some violations of the above financial covenants occurred at the end of FY2023 and FY2024, the Company has obtained the consent of the financial institutions that they will not demand forfeiture of the benefit of time.

The outstanding borrowings under the above main agreements subject to financial covenants were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Short-term borrowings	¥ 35,000	**¥ 30,000**
Long-term borrowings	373,899	**332,631**

3. Notes to Consolidated Statements of Operations

(a) Revenue from contracts with customers

Regarding net sales, revenue from contracts with customers and other revenues are not presented separately. The amount of revenue arising from contracts with customers is presented in "(a) Information on disaggregated revenue from contracts with customers" under "16. Revenue Recognition."

(b) Inventory valuation loss

Ending balances of inventories are presented in amounts after deducting valuation losses resulting from a decline in profitability.

Net inventory valuation losses (after offsetting the reversal amount) included in the cost of sales and extraordinary losses (loss from cancellation of made-to-order production and business restructuring expenses) were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Cost of sales	¥ 527	**¥ (17,808)**
Loss from cancellation of made-to-order production	2,059	**—**
Business restructuring expenses	—	**520**

(c) Selling, general and administrative expenses

Major components of selling, general and administrative expenses were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Salaries and allowances	¥ 126,025	**¥ 131,732**
Retirement benefit expenses	4,720	**5,479**
Transportation and storage costs	44,364	**46,490**
Research and development expenses	19,688	**24,995**

(d) Research and development expenses

Research and development expenses included in general and administrative expenses and cost of manufacturing were ¥73,015 million for FY2023 and ¥76,341 million for FY2024.

Notes to Consolidated Financial Statements

(e) Gain on sale of non-current assets

Major components of gain on sale of non-current assets were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Buildings and structures	¥ 3	**¥ 62,949**
Machinery, equipment and vehicles	731	**887**
Tools, furniture and fixtures	215	**1,727**
Land	2,655	**12,495**
Software	1	**—**
Other	13	**36**
	¥ 3,622	**¥ 78,095**

Gain on sale of buildings and structures, and land for FY2024 was mainly associated with the transfer of assets in relation to LCD panel plant held by the Company and Sakai Display Products Corporation, a consolidated subsidiary of the Company.

(f) Gain on sale of investment securities

FY2024

The Company sold certain investment securities in order to improve its asset efficiency and financial structure.

(g) Gain on step acquisitions

FY2023

FIT ELECTRONICS DEVICE PTE. LTD., which was previously an equity-method affiliate, has been made a wholly owned subsidiary of the Group through the acquisition of all of its shares and included in the scope of consolidation.

The company was renamed SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. effective July 27, 2023.

(h) Gain on change in equity and Gain on reversal of liabilities

FY2023

Gain on change in equity was recorded as share of equity in SDP Global (China) Co., Ltd. (hereinafter, "SDP Global"), which is an equity-method affiliate of Sakai Display Products Corporation (hereinafter, "SDP"), which in turn is a consolidated subsidiary of the Company, decreased from 40.9% to 36.1%.

This change in equity is contingent on the new shareholder of SDP Global, assuming part of SDP's liabilities, and gain on reversal of liabilities is recorded for the amount of liabilities thus assumed.

FY2024

Gain on change in equity was recorded as share of equity in SDP Global (China) Co., Ltd. (hereinafter, "SDP Global"), which is an equity-method affiliate of Sakai Display Products Corporation (hereinafter, "SDP"), which in turn is a consolidated subsidiary of the Company, decreased from 36.1% to 29.2%.

This change in equity is contingent on new shareholders of SDP Global, assuming part of SDP's liabilities, and gain on reversal of liabilities is recorded for the amount of liabilities thus assumed.

(i) Loss from cancellation of made-to-order production and compensation income

FY2023

(Loss from cancellation of made-to-order production)

This loss was incurred due to customer cancellation of a new product development project, for which the Company's consolidated subsidiary had received an order to produce custom-made parts.

Details of the loss were ¥2,059 million in inventory write-down, ¥619 million in impairment loss of machinery and equipment (Note), and ¥2,040 million in estimated future losses on ordered parts, machinery, equipment, etc.

(Note) The details of the impairment loss are as follows.

Use	Type	Location
Business assets (Display Device production facilities, etc.)	Machinery, equipment, and vehicles, construction in progress, software	Vietnam

The Group identifies cash generating units through consideration of business characteristics and business operations. Idle assets are identified as separate cash generating units.

The book value of business assets in Vietnam owned by a consolidated subsidiary in Japan was reduced to a recoverable value because the assets were no longer expected to be used in the future due to the cancellation of a new product development project by a customer, resulting in ¥619 million extraordinary losses. Details were ¥565 million for machinery, equipment, and vehicles, ¥14 million for construction in progress, and ¥40 million for software. The estimated recoverable amount was evaluated at zero as the net realizable value.

FY2024

(Compensation income)

In relation to "Loss from cancellation of made-to-order production" recorded in FY2023, a portion of compensation claimed by the Company that had been confirmed by the customer by March 31, 2025, is recorded as compensation income.

Notes to Consolidated Financial Statements

(j) Loss on sale and retirement of non-current assets

Major components of loss on sale and retirement of non-current assets were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Loss on sale:		
Buildings and structures	¥ 373	**¥ 2**
Machinery, equipment and vehicles	8	**760**
Tools, furniture and fixtures	109	**10**
Other	7	**0**
	¥ 498	**¥ 773**
Loss on retirement:		
Buildings and structures	¥ 196	**¥ 151**
Machinery, equipment and vehicles	607	**665**
Tools, furniture and fixtures	51	**45**
Software	11	**9**
Other	5	**7**
	¥ 872	**¥ 879**
Total:		
Buildings and structures	¥ 569	**¥ 153**
Machinery, equipment and vehicles	615	**1,426**
Tools, furniture and fixtures	161	**55**
Software	11	**10**
Other	12	**7**
	¥ 1,370	**¥ 1,652**

(k) Impairment losses

FY2023

Use	Type	Location
Business assets (Display Device medium-and small-sized LCD panel business-related production facilities, etc.)	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, construction in progress, software, etc.	Mie, Japan Ishikawa, Japan
Business assets (Display Device large-sized LCD panel business-related production facilities, etc.)	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, construction in progress, software	Osaka, Japan
Other(Display Device business-related)	Goodwill	—
Idle assets (Display Device business-related)	Machinery, equipment and vehicles, tools, furniture and fixtures, construction in progress, software, etc.	China

With regards to accounting for impairment of assets, the Group identifies cash generating units through consideration of business characteristics and business operations. Idle assets are identified as separate cash generating units.

Assets for the Display Device unit related to medium and small-sized LCD businesses in Mie and Ishikawa prefectures are factories, equipment, etc. owned by the Company and its consolidated subsidiaries, including Sharp Display Technology Corporation. These assets were grouped by factories, and the common assets were then identified in a larger group that includes jointly used assets. The business environment for medium and small-sized LCD panels became more difficult than expected due to the slow recovery of demand for computer and tablet applications, and the investment amount became unrecoverable due to decreasing profitability. Therefore, the companies reduced the assets' book value to a recoverable value and recognized an impairment loss of ¥109,109 million under extraordinary losses. Details were ¥72,375 million for buildings and structures, ¥11,639 million for machinery, equipment, and vehicles, ¥1,485 million for tools, furniture and fixtures, ¥6,475 million for land, ¥14,896 million for construction in progress, ¥144 million for software, and ¥2,095 million for other. The estimated recoverable amount was evaluated at a net realizable value of ¥34,186 million, based on the appraisal results.

Large-sized LCD panel-related business assets of the Display Device unit in Osaka, where the cash generating unit is identified on a consolidated basis, are part of LCD panel production equipment and other assets owned by a consolidated subsidiary. As the investment amount became unrecoverable due to decreasing profitability, their book value was reduced to a recoverable value, recognizing an impairment loss of ¥4,785 million under extraordinary losses. Details were ¥19 million for buildings and structures, ¥503 million for machinery, equipment, and vehicles, ¥214 million for tools, furniture, and fixtures, ¥4,043 million for construction in progress, and ¥5 million for software. The estimated recoverable amount was a net realizable value.

Goodwill related to the Display Device unit was generated when SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. and its two subsidiaries became the Company's consolidated subsidiaries. The goodwill and the business assets of the subsidiaries are grouped on a consolidated basis. As the investment amount became unrecoverable due to decreasing profitability, the book value was reduced to a recoverable value, recognizing an impairment loss of ¥2,896 million under extraordinary losses. The estimated recoverable amount for goodwill was zero and that for business assets other than goodwill was a net realizable value.

The book value of idle assets of some consolidated subsidiaries in China was reduced to a recoverable value because they were no longer expected to be used in the future. The decrease (¥5,541 million) was recognized as an impairment loss under extraordinary losses. Details were ¥398 million for machinery, equipment, and vehicles, ¥14 million for tools, furniture, and fixtures, ¥4,993 million for construction in progress, ¥20 million for software, and ¥113 million for other. The estimated recoverable amount was evaluated at zero as the net realizable value.

Notes to Consolidated Financial Statements

FY2024

Use	Type	Location
Business assets (Display Device medium-and small-sized LCD panel business-related production facilities, etc.)	Buildings and structures, machinery, equipment and vehicles, land, construction in progress, etc.	Mie, Japan Ishikawa, Japan Vietnam, etc.
Business assets (Display Device large-sized LCD panel business-related production facilities, etc.)	Buildings and structures, machinery, equipment and vehicles, construction in progress, etc.	Osaka, Japan, etc.
Assets to be transferred (Electronic Device camera module business-related assets)	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, etc.	Vietnam
Assets to be transferred (Electronic Device laser and semiconductor businesses-related assets)	Buildings and structures, machinery, equipment and vehicles, land, construction in progress	Hiroshima, Japan
Business assets (Universal Network TV system business-related production facilities, etc.)	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures	Malaysia
Other	Buildings and structures, land, etc.	Osaka, Japan Mie, Japan

The Group identifies cash generating units through consideration of business characteristics and business operations. Assets to be transferred and idle assets are identified as separate cash generating units.

Assets for the Display Device unit related to medium and small-sized LCD businesses in Ishikawa and Mie prefectures as well as Vietnam, etc. are factories, equipment, etc. owned by the Company and its consolidated subsidiaries, including Sharp Display Technology Corporation. These assets were grouped by factories, and common assets were then identified in a larger group that includes jointly used assets. Due to a decline in order forecasts at some factories manufacturing medium and small-sized LCDs, future cash flow was expected to fall far short of the original plan. Therefore, the companies reduced the assets' book value to a recoverable value and recognized an impairment loss of ¥23,400 million under extraordinary losses. Details were ¥7,996 million for buildings and structures, ¥4,831 million for machinery, equipment and vehicles, ¥598 million for land, ¥7,294 million for construction in progress, and ¥2,679 million for other. The estimated recoverable amount was primarily evaluated at a net realizable value, based on the appraisal results. As a result, the book value of medium and small-sized LCD panel business-related non-current assets at the end of FY2024 was written down to ¥15,160 million.

Large-sized LCD panel-related business assets for the Display Device unit in Osaka, etc., where the cash generating unit is identified on a consolidated basis, are part of LCD panel production equipment and other assets owned by Sakai Display Products Corporation, etc. As the investment amount became unrecoverable mainly due to ceased production at the Sakai Plant during FY2024, their book value was reduced to a recoverable value, recognizing an impairment loss of ¥5,161 million under extraordinary losses. Details were ¥2,439 million for buildings and structures; ¥1,620 million for machinery, equipment and vehicles; ¥1,061 million for construction in progress; and ¥40 million for other. The estimated recoverable amount was a net realizable value.

Camera module business-related assets in Vietnam are part of production facilities and other assets owned by the Company's consolidated subsidiaries, including Sharp Sensing Technology Corporation. Customer demand for camera modules substantially declined, which resulted in a harsher-than-expected situation and decreased profitability. To establish a business structure centered on the brand business under the policy of Asset Light Initiatives, the Company entered into an agreement to transfer camera module business assets. In consideration of these circumstances, the assets' book value was reduced to a recoverable value, recognizing an impairment loss of ¥14,925 million under extraordinary losses. Details were ¥1,725 million for buildings and structures; ¥12,498 million for machinery, equipment, and vehicles; ¥453 million for tools, furniture, and fixtures; and ¥248 million for other. The estimated recoverable amount was a net realizable value.

Laser and semiconductor businesses-related assets in Hiroshima prefecture are mainly real estate owned by the Company and Sharp Fukuyama Laser Co., Ltd. (hereinafter, "SFL"), a consolidated subsidiary of the Company. To establish a business structure centered on the brand business under the policy of Asset Light Initiatives, the Company resolved at the Board of Directors meeting to transfer shares of SFL. As a result, their book value was reduced to a recoverable value, recognizing an impairment loss of ¥6,417 million under extraordinary losses. Details were ¥3,909 million for buildings and structures; ¥1,162 million for machinery, equipment, and vehicles; ¥1,069 million for land; and ¥275 million for construction in progress. The estimated recoverable amount was a net realizable value.

The investment amount of TV system business-related assets in Malaysia became unrecoverable due to decreasing profitability. Their book value was therefore reduced to a recoverable value, recognizing an impairment loss of ¥985 million under extraordinary losses. Details were ¥410 million for buildings and structures; ¥536 million for machinery, equipment, and vehicles; and ¥38 million for tools, furniture, and fixtures. The estimated recoverable amount was a net realizable value.

With respect to other assets owned by the Company in Osaka and Mie prefectures, the investment amount became unrecoverable due to diminished expectation of future use and decreasing profitability. Therefore, their book values were reduced to recoverable values, recognizing an impairment loss of ¥3,491 million under extraordinary losses. Details were ¥3,368 million for buildings and structures, ¥117 million for land, and ¥5 million for other. The estimated recoverable amount was a net realizable value.

(l) Loss on sale of businesses

FY2023

The loss resulted from the transfer of shares of Kantatsu Co., Ltd., which had been a consolidated subsidiary of the Company, and receivables from the subsidiary to Eiki Shoji Co., Ltd.

Notes to Consolidated Financial Statements

(m) Business restructuring expenses

FY2023

Details of business restructuring expenses were as follows:

(1) Provision for long-term contracts for pure water, gas, etc. due to the cease of production at the Sakai Plant (¥8,705 million)

Provision was recorded for the estimated remaining obligations for the Company's long-term contracts for supply of pure water, gas, and others at the Sakai Plant, without expectation for further usage due to the decision by Sakai Display Products Corporation to cease production at the Sakai Plant.

(2) Expenses for termination of the OLED business in the Display Device unit (¥1,154 million)

Expenses to terminate the OLED business of the Sharp Display Technology Corporation

(3) Severance charges (¥1,917 million) associated with restructuring of the Universal Network unit

Severance charges associated with restructuring of the Universal Network unit (TV system business) in Asia

FY2024

Details of business restructuring expenses were as follows:

(1) Expenses incurred following ceased production and partial sale of the Sakai Plant, owned by Sakai Display Products Corporation (hereinafter, "SDP"), a consolidated subsidiary of the Company (¥17,335 million)

(Breakdown)		Yen (millions)
Expenses associated with long-term electricity contracts	(Note 1)	**¥ 7,096**
Expenses associated with other long-term contracts		**3,153**
SDP employee redundancy cost	(Note 2)	**3,010**
Other		**4,075**
Total		**¥ 17,335**

Note 1: Long-term electricity contracts, which were disclosed as contingent liabilities in FY2023, are scheduled to be either terminated or succeeded to SoftBank Corp., the acquirer of the LCD panel plant. The figure includes expenses expected to be incurred as a result of such termination or succession of the contracts.

Note 2: The figure consists of special additional retirement allowance, outplacement expenses, etc.

(2) Business restructuring expenses for the Universal Network unit (¥7,517 million)

Severance charges, etc. associated with restructuring of the Universal Network unit (TV system business) in Asia

(3) Business restructuring expenses for other subsidiaries (¥4,833 million)

4. Notes to Consolidated Statements of Comprehensive Income

Reclassification adjustments, income taxes, and tax effects relating to other comprehensive income were as follows:

	Yen (millions) FY2023	**FY2024**
Valuation difference on available-for-sale securities		
Amount arising during the year	¥ 23,024	**¥ 557**
Reclassification adjustment	(3,156)	**(28,254)**
Before income taxes and tax effects	19,867	**(27,696)**
Income taxes and tax effects	(5,955)	**8,109**
Valuation difference on available-for-sale securities	¥ 13,911	**¥ (19,587)**
Deferred gains or losses on hedges		
Amount arising during the year	¥ 546	**¥ (2,078)**
Reclassification adjustment	(400)	**(51)**
Before income taxes and tax effects	145	**(2,129)**
Income taxes and tax effects	(110)	**183**
Deferred gains or losses on hedges	¥ 35	**¥ (1,946)**
Foreign currency translation adjustment		
Amount arising during the year	¥ 50,973	**¥ (5,073)**
Reclassification adjustment	518	**(12)**
Foreign currency translation adjustment	¥ 51,492	**¥ (5,085)**
Remeasurements of defined benefit plans, net of tax		
Amount arising during the year	¥ 11,004	**¥ (2,778)**
Reclassification adjustment	3,706	**5,101**
Before income taxes and tax effects	14,710	**2,323**
Income taxes and tax effects	53	**(41)**
Remeasurements of defined benefit plans, net of tax	¥ 14,763	**¥ 2,281**
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the year	¥ 5,998	**¥ (1,199)**
Reclassification adjustment	(533)	**(178)**
Share of other comprehensive income of entities accounted for using equity method	¥ 5,464	**¥ (1,378)**
Total other comprehensive income	¥ 85,667	**¥ (25,715)**

Notes to Consolidated Financial Statements

5. Notes to Consolidated Statements of Changes in Equity

(a) Class and total number of issued shares and treasury shares

Class and total number of issued shares and treasury shares were as follows:

FY2023

	(Thousands of shares)			
	Number of shares as of March 31, 2023	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2024
Issued shares				
Common shares	650,406	—	—	650,406
Total	650,406	—	—	650,406
Treasury shares				
Common shares	1,133	2	30	1,105
Total	1,133	2	30	1,105

Note 1: The increase of 2 thousand shares of treasury shares was due to the purchase of shares less than one trading unit.
Note 2: The decrease of 30 thousand treasury shares was due to the disposition of treasury shares as restricted stock compensation.

FY2024

	(Thousands of shares)			
	Number of shares as of March 31, 2024	Increase in number of shares	Decrease in number of shares	**Number of shares as of March 31, 2025**
Issued shares				
Common shares	650,406	—	—	**650,406**
Total	650,406	—	—	**650,406**
Treasury shares				
Common shares	1,105	1	0	**1,106**
Total	1,105	1	0	**1,106**

Note 1: The increase of 1 thousand shares of treasury shares was due to the purchase of shares less than one trading unit. The decrease of 0 thousand treasury shares was due to the sale of shares less than one trading unit.

(b) Share acquisition rights and treasury share acquisition rights

Share acquisition rights and treasury share acquisition rights were as follows:

FY2023

		Number of shares underlying the share acquisition rights (Share)					
Classification	Description of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares as of March 31, 2023	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2024	Balance as of March 31, 2024 (Millions of yen)
The Company	Share acquisition rights as a stock option	—	—	—	—	—	756
	Total	—	—	—	—	—	756

FY2024

		Number of shares underlying the share acquisition rights (Share)					
Classification	Description of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares as of March 31, 2024	Increase in number of shares	Decrease in number of shares	**Number of shares as of March 31, 2025**	**Balance as of March 31, 2025 (Millions of yen)**
The Company	Share acquisition rights as a stock option	—	—	—	—	**—**	**1,279**
	Total	—	—	—	—	**—**	**1,279**

(c) Dividends

FY2023

(1) Dividends paid: Not applicable

(2) Dividends for which the record date belonged to FY2023, but the effective date falling in FY2024: Not applicable

FY2024

(1) Dividends paid: Not applicable

(2) Dividends for which the record date belonged to FY2024, but the effective date falling in FY2025: Not applicable

Notes to Consolidated Financial Statements

6. Notes to Consolidated Statements of Cash Flows

(a) Reconciliation of the balance of cash and cash equivalents at the end of period and accounting items on the consolidated balance sheets

	Yen (millions) FY2023	FY2024
Cash and deposits	¥ 227,130	**¥ 279,307**
Time deposits with maturity over 3 months and others	(8,001)	**(36,604)**
Cash and cash equivalents	¥ 219,128	**¥ 242,703**

(b) Major components of assets and liabilities of newly consolidated subsidiaries acquired by share acquisitions

FY2023

In the consolidation of FIT ELECTRONICS DEVICE PTE. LTD., previously an equity-method affiliate, and its two subsidiaries by additional share acquisitions, assets and liabilities at initial consolidation and the relationship between the share acquisition cost and (net) payments for acquisition were as follows.

The company was renamed SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. effective July 27, 2023.

	Yen (millions)
Current assets	**¥ 2,943**
Non-current assets	**1,247**
Goodwill	**3,872**
Current liabilities	**(3,119)**
Non-current liabilities	**(844)**
Foreign currency translation adjustment	**(403)**
Acquisition cost of shares	**3,695**
Accounts payable – other	**(1,586)**
Cash and cash equivalents	**(476)**
Market value of shares held immediately before the business combination as of the date of the business combination	**(1,810)**
Foreign exchange difference	**266**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**¥ 88**

The amounts of assets and liabilities of other companies newly consolidated as a result of share acquisitions are omitted as they were immaterial.

FY2024

In the consolidation of APSIA SAS and its three subsidiaries by share acquisitions, assets and liabilities at initial consolidation and the relationship between the share acquisition cost and (net) payments for acquisition were as follows:

	Yen (millions)
Current assets	**¥ 1,376**
Non-current assets	**2,008**
Goodwill	**3,249**
Current liabilities	**(1,022)**
Non-current liabilities	**(853)**
Acquisition cost of shares	**4,759**
Contingent consideration included in acquisition cost	**(450)**
Cash and cash equivalents	**(536)**
Foreign exchange difference	**(25)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**¥ 3,746**

Purchase of shares of subsidiaries resulting in change in scope of consolidation includes other components, such as payments of accounts payable – other for the acquisition of shares of SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD.

Notes to Consolidated Financial Statements

(c) Major components of assets and liabilities of subsidiaries excluded from the scope of consolidation due to sale of shares

FY2023

The Company transferred its shares of Kantatsu Co., Ltd., a consolidated subsidiary of the Company, and receivables from Kantatsu Co., Ltd. to Eiki Shoji Co., Ltd. As a result, Kantatsu Co., Ltd. and its subsidiary Pinghu Kantatsu Fine Technology Co., Ltd. were excluded from the scope of consolidation. Assets and liabilities related to the sale and the relationship between the sale price of the business and the payments for sale were as follows:

	Yen (millions)
Current assets	¥ **1,450**
Non-current assets	**687**
Current liabilities	**(1,048)**
Non-current liabilities	**(175)**
Foreign currency translation adjustment	**1,401**
Other	**12**
Loss on sale of businesses	**(2,327)**
Business sale price	**0**
Cash and cash equivalents	**124**
Loan advances to the target company that took place between the date of deconsolidation and the date of business divestiture	**240**
Payments for sale of shares of subsidiaries resulting in change in the scope of consolidation	¥ **364**

FY2024

Not applicable

7. Leases

Finance leases

(a) As lessee

(1) Finance lease transactions that transfer ownership

The information is omitted as it was immaterial.

(2) Finance lease transactions that do not transfer ownership, and right-of-use assets at subsidiaries applying IFRS 16

i) Description of leased assets

Property, plant, and equipment

Mainly offices (buildings)

ii) Depreciation of leased assets

In accordance with "(f) Depreciation and amortization" under "1. Summary of Significant Accounting and Reporting Policies"

(b) As lessor

The information is omitted as it was immaterial.

Operating leases

(a) As lessee

The balances of remaining lease payments for non-cancelable contracts at the end of FY2023 and FY2024 were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Due within one year	¥ 6	¥ **6**
Due after one year	67	**61**
Total	¥ 73	¥ **67**

(b) As lessor

Future lease receipts for non-cancelable contracts at the end of FY2023 and FY2024 were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Due within one year	¥ 2,282	¥ **1,663**
Due after one year	2,692	**2,565**
Total	¥ 4,975	¥ **4,229**

Notes to Consolidated Financial Statements

8. Financial Instruments

(a) Qualitative information on financial instruments

(1) Policies for financial instruments

The group obtains necessary funds mainly through bank loans, according to its capital investment plan for its main business of manufacturing and distributing telecommunications equipment, electrical equipment and electronic application equipment, and electronic components. Short-term operating funds are obtained through bank loans. Transactions involving such financial instruments are conducted with creditworthy financial institutions.

The Company utilizes derivative transactions for minimizing risks and does not intend to use them for speculative or dealing purposes.

(2) Description and risks of financial instruments

Notes and accounts receivable are exposed to customer credit risks. Some notes and accounts receivable are denominated in foreign currencies because the Company conducts business globally and, therefore, are exposed to foreign currency risks. Notes and accounts payable - trade and electronically recorded obligations - operating are due within one year. Some notes and accounts payable arising from the import of raw materials, etc. are denominated in foreign currencies and, therefore, are exposed to foreign currency risks. The Company makes use of forward exchange contracts to hedge the foreign currency risk exposure on the net position of foreign currency denominated notes and accounts receivable and notes and accounts payable.

Other securities are held for long term to develop better business alliances and relationships with the Company's customers and suppliers, and are exposed to market price fluctuation risks. The main purpose of long-term borrowings is to procure funds necessary for capital investments. The longest repayment term is 3 years and 8 months from March 31, 2025.

Derivative transactions consist primarily of forward exchange contracts, which are used to hedge foreign currency risk exposure, and interest rate swaps to hedge against the risk of fluctuations in interest rates on borrowings. For hedging instruments, hedged items, hedging policies and assessment methods of effectiveness of hedging instruments, see "(n) Significant hedge accounting methods" in "1. Summary of Significant Accounting and Reporting Policies."

(3) Risk management of financial instruments

i) Management of credit risks

For notes and accounts receivable, the Finance Division and Accounting Division of Finance and Administration Office of the Company periodically reviews the status of its key customers, monitoring their respective payment deadlines and remaining outstanding. The Company strives to recognize and reduce the risks of irrecoverability as a result of deteriorating financial conditions or other factors at an early stage. The Company's consolidated subsidiaries also follow the same monitoring and administration process.

ii) Management of market risks

The Company decides basic policies for derivative transactions at the Foreign Exchange Administration Committee meeting and the Finance Administration Committee meeting which are required to be held monthly by the Company's internal policy. The Finance Division of Finance and Administration Office executes transactions and reports the results of such transactions to the Accounting Division of Finance and Administration Office on a daily basis. The Accounting Division has set up a specialized section for monitoring transaction results and position management and reports the results of transactions to the head of Finance and Administration Office on a daily basis.

In addition, the Finance Division reports the results of transactions to the Foreign Exchange Administration Committee and the Finance Administration Committee on a monthly basis.

The consolidated subsidiaries also manage forward foreign exchange transactions in accordance with the rules established by the Company and report the content of such transactions to the Company on a monthly basis.

For other securities and investments in capital, the Company monitors their fair values and the issuers' financial positions, and continually reviews the need to increase or decrease the holdings of such financial instruments based on the factors mentioned above as well as the relationship with the issuers.

iii) Management of liquidity risks in financing activities

The Finance Division manages liquidity risks by preparing and updating cash management plans based on reports from each department and by maintaining liquidity on hand.

(4) Supplementary explanation of fair value, etc. of financial instruments

Since variable factors are incorporated into the estimation of the fair value of financial instruments, the value may fluctuate when different assumptions are adopted. The contract amounts regarding the derivative transactions are shown in "10. Derivative Transactions," however, the amount themselves do not indicate the magnitude of the market risks associated with derivative transactions.

Notes to Consolidated Financial Statements

(b) Fair value of financial instruments

The consolidated balance sheet amounts, fair values and their differences at the end of FY2023 and FY2024 are included in the tables below.

	Yen (millions)		
	FY2023		
	Consolidated balance sheet amount	Fair value	Difference
(1) Notes and accounts receivable — trade*1	¥ 401,308	¥ 397,103	¥ (4,204)
(2) Securities and investment securities*2			
1) Shares of subsidiaries and affiliates	0	2,602	2,602
2) Other securities	54,131	54,131	—
Total assets	¥ 455,439	¥ 453,837	¥ (1,601)
(1) Long-term borrowings	457,623	457,469	(153)
Total liabilities	¥ 457,623	¥ 457,469	¥ (153)
Derivative transactions*3			
1) Derivative transactions — hedge accounting not applied	¥ 3,945	¥ 3,945	¥ —
2) Derivative transactions — hedge accounting applied	634	634	—
Total derivative transactions	¥ 4,579	¥ 4,579	¥ —

*1 Cash and deposits, notes and accounts payable – trade, electronically recorded obligations – operating, and short-term borrowings, lease liabilities (current liabilities) are omitted because their fair values approximate their book values as they are cash-based and settled in a short period of time.
*2 Stocks and others that do not have available market prices are not included in "(2) Securities and investment securities." The amounts recognized on the consolidated balance sheets for these financial instruments were as follows:

	Yen (millions)
Classification	FY2023
Unlisted stocks	¥ 49,630
Investment in capital	134,819

*3 Net receivables and payables arising from derivative transactions. Net payables are indicated by "( )."

	Yen (millions)		
	FY2024		
	Consolidated balance sheet amount	Fair value	Difference
(1) Notes and accounts receivable — trade*1	**¥ 375,868**	**¥ 370,776**	**¥ (5,091)**
(2) Securities and investment securities*2			
1) Shares of subsidiaries and affiliates	**0**	**2,014**	**2,014**
2) Other securities	**14,432**	**14,432**	**—**
Total assets	**¥ 390,300**	**¥ 387,223**	**¥ (3,077)**
(1) Long-term borrowings	**406,400**	**405,872**	**(527)**
Total liabilities	**¥ 406,400**	**¥ 405,872**	**¥ (527)**
Derivative transactions*3			
1) Derivative transactions — hedge accounting not applied	**¥ (483)**	**¥ (483)**	**¥ —**
2) Derivative transactions — hedge accounting applied	**(1,591)**	**(1,591)**	**—**
Total derivative transactions	**¥ (2,074)**	**¥ (2,074)**	**¥ —**

*1 Cash and deposits, notes and accounts payable – trade, electronically recorded obligations – operating, and short-term borrowings, lease liabilities (current liabilities) are omitted because their fair values approximate their book values as they are cash-based and settled in a short period of time.
*2 Stocks and others that do not have available market prices are not included in "(2) Securities and investment securities." The amounts recognized on the consolidated balance sheets for these financial instruments were as follows:

	Yen (millions)
Classification	**FY2024**
Unlisted stocks	**¥ 50,445**
Investment in capital	**120,832**

*3 Net receivables and payables arising from derivative transactions. Net payables are indicated by "( )."

Note 1: Aggregate maturity of cash and deposits, and receivables at the end of FY2023 and FY2024 were as follows:

	Yen (millions)		
	FY2023		
	Cash and deposits	Notes and accounts receivable - trade	Total
Due within one year	¥ 227,130	¥ 390,110	¥ 617,240
Due after one year, within five years	—	9,017	9,017
Due after five years, within ten years	—	287	287
Due after ten years	—	1,892	1,892

Notes to Consolidated Financial Statements

	Yen (millions)		
	FY2024		
	Cash and deposits	Notes and accounts receivable - trade	Total
Due within one year	**¥ 279,307**	**¥ 359,880**	**¥ 639,188**
Due after one year, within five years	**—**	**14,118**	**14,118**
Due after five years, within ten years	**—**	**1,869**	**1,869**
Due after ten years	**—**	**—**	**—**

Note 2: Repayment schedule for loans after closing date

	Yen (millions)		
	FY2023		
	Short-term borrowings	Long-term borrowings	Total
Due within one year	¥ 115,969	¥ —	¥ 115,969
Due after one year, within two years	—	10,002	10,002
Due after two years, within three years	—	447,605	447,605
Due after three years, within four years	—	1	1
Due after four years, within five years	—	1	1
Due after five years	—	12	12

	Yen (millions)		
	FY2024		
	Short-term borrowings	Long-term borrowings	Total
Due within one year	**¥ 111,257**	**¥ —**	**¥ 111,257**
Due after one year, within two years	**—**	**406,261**	**406,261**
Due after two years, within three years	**—**	**67**	**67**
Due after three years, within four years	**—**	**71**	**71**
Due after four years, within five years	**—**	**—**	**—**
Due after five years	**—**	**—**	**—**

(c) Matters regarding financial statements' categorization by levels of fair value hierarchy

The fair value of financial instruments is categorized into the following three levels depending on the observability and significance of inputs used in the fair value measurement.

Level 1 fair value: Of the observable inputs in the fair value measurement, the fair value is measured based on the quoted price in an active market for the subject asset or liability.

Level 2 fair value: Of the observable inputs in the fair value measurement, the fair value is measured using inputs other than those used for Level 1.

Level 3 fair value: The fair value is measured using inputs that cannot be observed.

When there are multiple inputs that are significant to the measurement of the fair value, and those inputs are at different levels of the fair value hierarchy, the fair value measurement is categorized in the same level of fair value hierarchy as the lowest level input.

(1) Financial instruments reported on the consolidated balance sheets at fair value

	Yen (millions)			
	FY2023			
	Fair value			
Classification	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities	¥ 54,131	¥ —	¥ —	¥ 54,131
Derivative transactions *				
Currency-related	—	4,579	—	4,579
Total assets	¥ 54,131	¥ 4,579	¥ —	¥ 58,710

* Net receivables and payables arising from derivative transactions. Net payables are indicated by "( )."

	Yen (millions)			
	FY2024			
	Fair value			
Classification	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities	**¥ 14,432**	**¥ —**	**¥ —**	**¥ 14,432**
Derivative transactions *				
Currency-related	**—**	**(2,074)**	**—**	**(2,074)**
Total assets	**¥ 14,432**	**¥ (2,074)**	**¥ —**	**¥ 12,358**

* Net receivables and payables arising from derivative transactions. Net payables are indicated by "( )."

Notes to Consolidated Financial Statements

(2) Financial instruments other than those reported on the consolidated balance sheets at fair value

	Yen (millions)			
	FY2023			
	Fair value			
Classification	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade	¥ —	¥ 397,103	¥ —	¥ 397,103
Securities and investment securities				
Shares of subsidiaries and affiliates	2,602	—	—	2,602
Total assets	¥ 2,602	¥ 397,103	¥ —	¥ 399,706
Long-term borrowings	—	457,469	—	457,469
Total liabilities	¥ —	¥ 457,469	¥ —	¥ 457,469

	Yen (millions)			
	FY2024			
	Fair value			
Classification	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade	**¥ —**	**¥ 370,776**	**¥ —**	**¥ 370,776**
Securities and investment securities				
Shares of subsidiaries and affiliates	**2,014**	**—**	**—**	**2,014**
Total assets	**¥ 2,014**	**¥ 370,776**	**¥ —**	**¥ 372,790**
Long-term borrowings	**—**	**405,872**	**—**	**405,872**
Total liabilities	**¥ —**	**¥ 405,872**	**¥ —**	**¥ 405,872**

Note: Explanation of valuation techniques and inputs used in fair value measurements

Securities and investment securities

Listed stocks are valued using the quoted price. Because they are traded in active markets, their fair value is classified as Level 1 fair value.

Derivative transactions

The fair value of forward exchange contracts is calculated based on observable inputs such as exchange rates and is classified as Level 2 fair value. In the allocation methods for forward exchange contracts used at some subsidiaries, they are treated as an integral part of receivables and payables that are hedged, and their fair value is therefore included in the fair value of relevant receivables and payables.

In special accounting for interest rate swaps, they are treated as an integral part of long-term borrowings that are hedged, and therefore, their fair value is included in the fair value of the relevant long-term borrowings.

Notes and accounts receivable — trade

For those settled in a short period of time among notes and accounts receivable — trade, their fair value approximates their book value, and, therefore, the fair value is determined based on the book value.

The fair value of accounts receivable — trade that take a long time to collect is determined based on the present value, which is calculated by dividing receivables into certain periods and discounting the amount by different interest rates considering period to maturity and credit risks of each receivable, and is classified as Level 2 fair value.

Long-term borrowings

For long-term borrowings, the fair value is based on the present value calculated by discounting the total amount of principal and interest at an interest rate that would be charged for similar new loans, and is classified as Level 2 fair value.

9. Investment Securities

Information on other securities at the end of FY2023 was as follows:

	Yen (millions)			
	FY2023			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,905	¥ 37,226	¥ (0)	¥ 54,131
	¥ 16,905	¥ 37,226	¥ (0)	¥ 54,131

Equity securities and others that do not have market prices (¥80,166 million on consolidated balance sheet) are not included in the above table.

The proceeds from sales of other securities were ¥113 million for FY2023. The gross realized gains on those sales were ¥113 million for FY2023.

Impairment losses recorded for unlisted stocks of other securities were ¥2,885 million for FY2023.

Impairment losses are recorded for the amount deemed necessary in the event that the real value of unlisted stocks of other securities has declined by 50% or more compared to the acquisition cost at the end of the fiscal year and is not expected to recover.

Information on other securities at the end of FY2024 was as follows:

	Yen (millions)			
	FY2024			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	**¥ 4,097**	**¥ 10,336**	**¥ (1)**	**¥ 14,432**
	¥ 4,097	**¥ 10,336**	**¥ (1)**	**¥ 14,432**

Equity securities and others that do not have market prices (¥56,529 million on consolidated balance sheet) are not included in the above table.

The proceeds from sales of other securities were ¥41,267 million for FY2024. The gross realized gains on those sales were ¥28,254 million for FY2024.

Impairment losses recorded for unlisted stocks of other securities were ¥1,411 million for FY2024.

Impairment losses are recorded for the amount deemed necessary in the event that the real value of unlisted stocks of other securities has declined by 50% or more compared to the acquisition cost at the end of the fiscal year and is not expected to recover.

Notes to Consolidated Financial Statements

10. Derivative Transactions

(a) Derivative transactions — hedge accounting not applied

Currency-related transactions

		Yen (millions)			
		FY2023			
Classification	Type of derivatives	Contract amount	Amount of contract due after one year	Fair value	Profit (loss) from valuation
Off-market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	¥ 172,475	¥ —	¥ (1,849)	¥ (1,849)
	Euro	12,487	—	(9)	(9)
	New Zealand dollar	2,748	—	30	30
	Danish krone	264	—	(0)	(0)
	Norwegian krone	197	—	0	0
	Canadian dollar	155	—	(0)	(0)
	Swedish krona	115	—	0	0
	Australian dollar	93	—	(0)	(0)
	Buy				
	U.S. dollar	247,808	—	5,784	5,784
	Euro	8,539	—	(44)	(44)
	Pound sterling	6,440	—	20	20
	Canadian dollar	1,111	—	12	12
Total		¥ 452,439	¥ —	¥ 3,945	¥ 3,945

		Yen (millions)			
		FY2024			
Classification	Type of derivatives	Contract amount	Amount of contract due after one year	Fair value	Profit (loss) from valuation
Off-market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	**¥ 91,026**	**¥ —**	**¥ (5)**	**¥ (5)**
	Euro	**20,013**	**—**	**161**	**161**
	New Zealand dollar	**2,578**	**—**	**16**	**16**
	Thai Baht	**1,099**	**—**	**(2)**	**(2)**
	Danish krone	**259**	**—**	**(0)**	**(0)**
	Canadian dollar	**258**	**—**	**0**	**0**
	Norwegian krone	**146**	**—**	**(3)**	**(3)**
	Australian dollar	**75**	**—**	**0**	**0**
	Swedish krona	**73**	**—**	**(1)**	**(1)**
	Buy				
	U.S. dollar	**192,784**	**—**	**(637)**	**(637)**
	Euro	**3,215**	**—**	**10**	**10**
	Canadian dollar	**1,071**	**—**	**(22)**	**(22)**
Total		**¥ 312,603**	**¥ —**	**¥ (483)**	**¥ (483)**

Notes to Consolidated Financial Statements

(b) Derivative transactions — hedge accounting applied

(1) Currency-related transactions

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions) FY2023 Contract amount	Amount of contract due after one year	Fair value
Principle-based accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		¥ 10,840	¥ —	¥ (236)
	Pound sterling		1,081	—	(4)
	Swiss franc		164	—	2
	Swedish krona		133	—	2
	Polish zloty		103	—	0
	Czech koruna		66	—	0
	Danish krone		63	—	0
	Norwegian krone		47	—	0
	Hungarian forint		14	—	(0)
	Buy	Accounts payable — trade			
	U.S. dollar		33,147	—	868
	Japanese yen		1	—	0
Allocation accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		6,734	—	
	Euro		4,052	—	
	South African rand		40	—	(Note)
	Buy	Accounts payable — trade			
	U.S. dollar		14,925	—	
	Japanese yen		127	—	
	Euro		25	—	
Total			¥ 71,570	¥ —	¥ 634

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions) **FY2024** Contract amount	Amount of contract due after one year	Fair value
Principle-based accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		**¥ 4,725**	**¥ —**	**¥ 31**
	Pound sterling		**1,170**	**—**	**(13)**
	Swedish krona		**201**	**—**	**(4)**
	Swiss franc		**193**	**—**	**(2)**
	Polish zloty		**133**	**—**	**(0)**
	Czech koruna		**66**	**—**	**(0)**
	Danish krone		**62**	**—**	**0**
	Norwegian krone		**44**	**—**	**(0)**
	Hungarian forint		**28**	**—**	**0**
	Buy	Accounts payable — trade			
	U.S. dollar		**72,554**	**—**	**(1,600)**
	Japanese yen		**1**	**—**	**(0)**
Allocation accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		**7,802**	**—**	
	Pound sterling		**2,510**	**—**	
	South African rand		**25**	**—**	**(Note)**
	Buy	Accounts payable — trade			
	U.S. dollar		**34,600**	**—**	
	Japanese yen		**310**	**—**	
	Euro		**13**	**—**	
Total			**¥ 124,446**	**¥ —**	**¥ (1,591)**

Note: In the allocation accounting for forward exchange contracts, they are treated as an integral part of receivables and payables that are hedged, and their fair value is therefore included in the fair value of relevant receivables and payables.

Notes to Consolidated Financial Statements

(2) Interest rate-related transactions

			Yen (millions)		
			FY2023		
Hedge accounting method	Type of derivatives	Main hedged item	Contract amount	Amount of contract due after one year	Fair value
Special accounting for interest rate swaps	Interest rate swaps Pay fixed/receive floating	Long-term borrowings	¥ 20,000	¥ 20,000	(Note)

			Yen (millions)		
			FY2024		
Hedge accounting method	Type of derivatives	Main hedged item	Contract amount	Amount of contract due after one year	Fair value
Special accounting for interest rate swaps	Interest rate swaps Pay fixed/receive floating	Long-term borrowings	**¥ 20,000**	**¥ 10,000**	**(Note)**

Note: In the special accounting for interest rate swaps, they are treated as an integral part of the long-term borrowings that are hedged, and their fair value is therefore included in the fair value of the relevant long-term borrowings.

11. Bonds Payable, Borrowings and Lease Liabilities

(a) Bonds payable

Not applicable for FY2023 and FY2024

(b) Borrowings and lease liabilities

Borrowings and lease liabilities at the end of FY2023 and FY2024 consisted of the following:

	Yen (millions)	
	FY2023	**FY2024**
Short-term borrowings with the following interest rates 2.2% as of March 31, 2024 and 2.2% as of March 31, 2025	¥ 96,684	**¥ 101,257**
Current portion of long-term borrowings with the following interest rates 1.8% as of March 31, 2024 and 0.4% as of March 31, 2025	19,284	**10,000**
Current portion of lease liabilities with the following interest rates 1.6% as of March 31, 2024 and 4.1% as of March 31, 2025	16,264	**3,691**
Long-term borrowings (except portion due within one year) with the following interest rates 0.3% as of March 31, 2024 and 0.7% as of March 31, 2025	457,623	**406,400**
Lease liabilities (except portion due within one year) with the following interest rates 2.8% as of March 31, 2024 and 4.2% as of March 31, 2025	7,853	**10,863**
Other interest-bearing liabilities Long-term accounts payable – other (excluding current portion) 3.6% as of March 31, 2025	—	**14,825**
	¥ 597,710	**¥ 547,037**

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2024 and 2025 respectively.

2. The aggregate annual maturities of long-term borrowings due within 5 years (except portion due within one year) as of March 31, 2025 were as follows:

	Yen (millions)
Due after one year, within two years	¥ 406,261
Due after two years, within three years	67
Due after three years, within four years	71
Due after four years, within five years	—

The aggregate annual maturities of lease liabilities due within 5 years (except portion due within one year) as of March 31, 2025 were as follows:

	Yen (millions)
Due after one year, within two years	¥ 2,783
Due after two years, within three years	1,988
Due after three years, within four years	1,410
Due after four years, within five years	829

The aggregate annual maturities of long-term accounts payable– other and other interest-bearing liabilities due within 5 years (except portion due within one year) as of March 31, 2025 were as follows:

	Yen (millions)
Due after one year, within two years	¥ 14,825
Due after two years, within three years	—
Due after three years, within four years	—
Due after four years, within five years	—

3. Current portion of lease liabilities and lease liabilities (excluding current portion) do not include those recorded on the consolidated balance sheets by the application of IFRS 16 "Leases" and US GAAP ASC 842 "Leases." The balance of those lease liabilities as of March 31, 2025 was as follows:

Current portion of lease liabilities	¥7,592 million
Lease liabilities (excluding current portion)	¥13,024 million

Notes to Consolidated Financial Statements

12. Pension Plans

(a) Overview of the applied pension plans

The Company and its domestic consolidated subsidiaries have primarily a trustee non-contributory defined benefit pension plan for their employees to supplement a governmental welfare pension plan. Certain overseas consolidated subsidiaries primarily have defined contribution pension plans and lump-sum retirement benefit plans.

(b) Defined benefit pension plans

(1) Reconciliations of the defined benefit obligations

Reconciliations of the defined benefit obligations of the Group at the end of FY2023 and FY2024 consisted of the following:

	Yen (millions)	
	FY2023	**FY2024**
Balance at beginning of year	¥ 313,185	**¥ 299,709**
Service cost	8,870	**8,431**
Interest cost	3,629	**3,444**
Actuarial loss (gain)	(1,865)	**(910)**
Benefits paid	(26,926)	**(28,429)**
Increase from newly consolidated subsidiaries	184	**—**
Other	(4,447)	**(4,294)**
Foreign currency exchange differences	7,078	**266**
Balance at end of year	¥ 299,709	**¥ 278,216**

Note: “Other” for FY2024 included a ¥(2,347) million decrease attributable to the mass layoff at a consolidated subsidiary in Japan.

(2) Reconciliations of the fair value of plan assets

Reconciliations of the fair value of plan assets of the Group at the end of FY2023 and FY2024 consisted of the following:

	Yen (millions)	
	FY2023	**FY2024**
Balance at beginning of year	¥ 247,381	**¥ 252,161**
Expected return on plan assets	7,169	**7,167**
Actuarial gain (loss)	8,622	**(4,032)**
Employer contribution	12,641	**12,647**
Benefits paid	(25,736)	**(27,139)**
Increase from newly consolidated subsidiaries	206	**—**
Other	(4,301)	**(3,775)**
Foreign currency exchange differences	6,179	**312**
Balance at end of year	¥ 252,161	**¥ 237,341**

Note: “Other” for FY2024 included a ¥(1,881) million decrease attributable to the mass layoff at a consolidated subsidiary in Japan.

(3) Reconciliations of the defined benefit obligations and the fair value of the plan assets and the amount recognized in the consolidated balance sheets

Reconciliations of the defined benefit obligations and the fair value of the plan assets and the amount recognized in the consolidated balance sheets at the end of FY2023 and FY2024 consisted of the following:

	Yen (millions)	
	FY2023	**FY2024**
Funded defined benefit obligations at end of year	¥ 289,675	**¥ 268,848**
Fair value of plan assets at end of year	(252,161)	**(237,341)**
Funded status at end of year	37,513	**31,507**
Unfunded defined benefit obligations at end of year	10,034	**9,367**
Total net retirement benefit liability	¥ 47,547	**¥ 40,875**
Retirement benefit liability	52,911	**45,604**
Retirement benefit asset	(5,363)	**(4,729)**
Total net retirement benefit liability	¥ 47,547	**¥ 40,875**

Notes to Consolidated Financial Statements

(4) Retirement benefit expenses

Retirement benefit expenses of the Group consisted of the following:

	Yen (millions)	
	FY2023	**FY2024**
Service cost	¥ 8,870	**¥ 8,431**
Interest cost	3,629	**3,444**
Expected return on plan assets	(7,169)	**(7,167)**
Amortization of net actuarial loss	4,022	**4,973**
Amortization of past service cost	102	**93**
Other	1,297	**1,028**
Total retirement benefit expenses	¥ 10,753	**¥ 10,803**

Note: Aside from the retirement benefit expenses for defined benefit plans described above, an employee redundancy cost of ¥3,010 million for Sakai Display Products Corporation, a consolidated subsidiary of the Company, is recorded as "business restructuring expenses" under extraordinary losses. Details are described in "(m) Business restructuring expenses" under "3. Notes to Consolidated Statements of Operations."

(5) Amounts recognized in remeasurements of defined benefit plans

Amounts recognized in remeasurements of defined benefit plans (other comprehensive income) before income taxes and the effect of income taxes consist of the following:

	Yen (millions)	
	FY2023	**FY2024**
Past service cost	¥ 98	**¥ 99**
Net actuarial gain (loss)	14,611	**2,223**
Total	¥14,710	**¥ 2,323**

(6) Amounts recognized in remeasurements of defined benefit plans

Amounts recognized in remeasurements of defined benefit plans (accumulated other comprehensive income) at the end of FY2023 and FY2024 before income taxes and the effect of income taxes consist of the following:

	Yen (millions)	
	FY2023	**FY2024**
Unrecognized past service cost	¥ 568	**¥ 468**
Unrecognized net actuarial loss	5,165	**2,942**
Total	¥ 5,734	**¥ 3,410**

(7) Classification of the fair value of plan assets

Composition ratio of major classifications of plan assets at the end of FY2023 and FY2024 was as follows:

	FY2023	**FY2024**
Bonds	20%	**22%**
Equity securities	23%	**22%**
Cash and deposits	5%	**4%**
Life insurance company general accounts	14%	**16%**
Alternatives	31%	**30%**
Other	7%	**6%**
Total	100%	**100%**

Note: Alternatives mainly consisted of investments in hedge funds.

(8) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

Major actuarial assumptions

	FY2023	**FY2024**
Discount rate	mainly 0.5%	**mainly 0.5%**
Expected long-term rate of return	mainly 2.4%	**mainly 2.4%**

(c) Defined contribution pension plans

The required contribution of certain consolidated subsidiaries for the defined contribution pension plans was ¥1,667 million for FY2023 and ¥1,557 million for FY2024.

Notes to Consolidated Financial Statements

13. Stock Options

(a) Expensed amount and account

The expensed amount and account were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Selling, general and administrative expenses	¥ 464	**¥ 740**

(b) Amount recorded as profit due to expiration of unexercised rights

The amount recorded as profit due to expiration of unexercised rights were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Gain on reversal of share acquisition rights	¥ 1	**¥ 216**

(c) Description, size and changes of stock options

(1) Description of stock option

	First stock options (resolved on April 19, 2017)	Second stock options (resolved on September 26, 2017)
Grantee categories and numbers of grantees	5 directors of the Company 43 employees of the Company	7 directors of the Company 22 employees of the Company
Number of stock options by class of shares (Note 1)	81,100 common shares	45,300 common shares
Grant date	April 21, 2017	September 28, 2017
Vesting conditions	See Note 2	See Note 2
Service period (Note 4)	From April 21, 2017 to April 20, 2020	From September 28, 2017 to September 27, 2019
Exercise period	From April 21, 2019 to April 19, 2024	From September 28, 2019 to September 27, 2024

	Third stock options (resolved on August 28, 2018)	Fourth stock options (resolved on August 4, 2023)
Grantee categories and numbers of grantees	5 directors of the Company 15 employees of the Company	2 directors of the Company 831 employees of the Company 7 directors of the Company's subsidiaries 50 employees of the Company's subsidiaries
Number of stock options by class of shares (Note 1)	104,500 common shares	5,500,000 common shares
Grant date	September 3, 2018	August 31, 2023
Vesting conditions	See Note 2	See Note 3
Service period (Note 4)	From September 3, 2018 to September 2, 2022	From August 31, 2023 to August 30, 2027
Exercise period	From September 3, 2020 to September 3, 2025	From August 31, 2025 to August 4, 2033

Note 1: Equivalent number of shares has been described instead of the number of stock options.
The Company performed a share consolidation at a ratio of 10 shares to 1 share on October 1, 2017. With regard to first and second stock options, figures shown above are the number of shares after the conversion.

Note 2: Eligible persons shall be directors, executives, audit & supervisory board members or employees of the Company, the Company's subsidiaries or affiliates at the time of the exercise. However, the grantees can exercise their stock options without satisfying the above conditions in special cases when the Board of Directors permits in writing.

Note 3: Eligible persons shall be directors, audit & supervisory board members, executives or employees of the Company or the Company's subsidiaries at the time of the exercise. However, the grantees can exercise their stock options without satisfying the above conditions in special cases when the Board of Directors permits in writing.

Note 4: Stock options may be exercised from the second anniversary of the grant date; the number of stock options exercisable, however, varies over the exercise period depending on the number of stock options granted. Therefore, the service period shown above is the period in which all the allotted stock options become exercisable.

Notes to Consolidated Financial Statements

(2) Size and changes of stock options

Stock options that existed for FY2024 were as follows:

i) Number of stock options

Equivalent number of shares has been described instead of the number of stock options.

	First stock options (resolved on April 19, 2017)	Second stock options (resolved on September 26, 2017)	Third stock options (resolved on August 28, 2018)	Fourth stock options (resolved on August 4, 2023)
Unvested stock options (shares)				
Balance on March 31, 2024	—	—	—	5,454,000
Granted	—	—	—	—
Nullified	—	—	—	243,500
Vested	—	—	—	—
Balance on March 31, 2025	—	—	—	5,210,500
Vested stock options (shares)				
Balance on March 31, 2024	71,200	38,100	87,500	—
Vested	—	—	—	—
Exercised	—	—	—	—
Nullified	71,200	38,100	15,000	—
Balance on March 31, 2025	—	—	72,500	—

Note: The Company performed a share consolidation at a ratio of 10 shares to 1 share on October 1, 2017.
With regard to first and second stock options, figures shown above are the number of shares after the conversion.

ii) Unit price

	Yen			
	First stock options (resolved on April 19, 2017)		Second stock options (resolved on September 26, 2017)	
Exercise price		¥ 4,120		¥ 3,400
Weighted-average share price at exercise		—		—
Fair value at the grant date	(74,100 shares)	1,970		1,570
	(7,000 shares)	2,110		

	Yen			
	Third stock options (resolved on August 28, 2018)		Fourth stock options (resolved on August 4, 2023)	
Exercise price		¥ 2,717		¥ 896.9
Weighted-average share price at exercise		—		—
Fair value at the grant date	(54,500 shares)	1,010	(2,746,100 shares)	356.9
	(35,000 shares)	1,041	(1,356,800 shares)	378.1
	(15,000 shares)	1,139	(1,397,100 shares)	406.8

Note: The Company performed a share consolidation at a ratio of 10 shares to 1 share on October 1, 2017.
With regard to first and second stock options, figures shown above are the number of shares after the conversion.

(d) Estimation method of the number of vested stock options

The method used is to deduct only the number of actual nullified stock options as the estimation method of the number of vested stock options since a reasonable estimation of the number of stock options to be nullified in the future is difficult.

Notes to Consolidated Financial Statements

14. Income Taxes

(a) Significant differences between the statutory tax rate and the effective tax rate for financial statement purposes

	FY2023	FY2024
Statutory tax rate	—	**30.4%**
Foreign withholding tax	—	**7.2**
Net increase (decrease) in valuation allowance and other	—	**11.0**
Differences in tax rates of overseas consolidated subsidiaries	—	**(5.2)**
Share of profit of entities accounted for using equity method	—	**(4.5)**
Gain on change in equity	—	**(2.6)**
Other	—	**(3.1)**
Effective tax rate	—	**33.3%**

Note: Information for FY2023 is omitted since the Group recorded a loss before income taxes.

(b) Significant components of deferred tax assets and deferred tax liabilities

The significant components of deferred tax assets and deferred tax liabilities at the end of FY2023 and FY2024 were as follows:

	Yen (millions)	
	FY2023	FY2024
Deferred tax assets:		
Inventories	¥ 21,458	**¥ 15,752**
Allowance for doubtful accounts	92,351	**113,845**
Accrued expenses	18,143	**12,557**
Provision for bonuses	4,483	**5,451**
Provision for sales promotion expenses	1,767	**1,741**
Retirement benefit liability	15,664	**15,114**
Buildings and structures	73,521	**48,171**
Machinery, equipment and vehicles	18,061	**23,638**
Software	3,621	**3,313**
Long-term prepaid expenses	5,349	**5,195**
Shares of subsidiaries and associates	137,803	**145,655**
Tax loss carried forward *	146,726	**159,402**
Other	77,565	**93,980**
Gross deferred tax assets	616,517	**643,819**
Valuation allowance for tax loss carried forward *	(145,936)	**(158,001)**
Valuation allowance for future deductible temporary difference and other	(440,531)	**(460,343)**
Total valuation allowance	(586,468)	**(618,345)**
Total deferred tax assets	¥ 30,048	**¥ 25,474**
Deferred tax liabilities:		
Retained earnings appropriated for tax allowable reserves	¥ (968)	**¥ (970)**
Valuation difference on available-for-sale securities	(17,734)	**(9,622)**
Other	(9,819)	**(10,197)**
Total deferred tax liabilities	¥ (28,522)	**¥ (20,790)**
Net deferred tax assets	¥ 1,526	**¥ 4,683**

* Tax loss carried forward and its deferred tax assets amount by carry forward period at the end of FY2024 were as follows:

Notes to Consolidated Financial Statements

	Yen (millions)		
	FY2024		
	Tax loss carried forward*	Valuation allowance	Deferred tax assets
Expire within one year	¥ **54,495**	¥ **(53,918)**	¥ **577**
Expire after one year, within two years	**3,093**	**(2,883)**	**209**
Expire after two years, within three years	**6,275**	**(6,202)**	**73**
Expire after three years, within four years	**728**	**(728)**	**—**
Expire after four years, within five years	**8,111**	**(8,111)**	**—**
Expire after five years	**86,697**	**(86,156)**	**540**
Total	¥ **159,402**	¥ **(158,001)**	¥ **1,400**

*Tax loss carried forward shown is the amount which is multiplied by effective statutory tax rate.

(c) Revisions of deferred tax assets and deferred tax liabilities due to changes in income tax rate

The "Act for Partial Revision of the Income Tax Act and Other Acts" (Act No. 13, 2025) was passed by the National Diet on March 31, 2025, and a special defense corporate tax will be imposed for the fiscal years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences and others that are expected to be eliminated after the fiscal years beginning on April 1, 2026 are calculated at a statutory effective tax rate of 31.4%, instead of the previous 30.4%.

The impact of this change in the tax rate is immaterial.

(d) Accounting treatment for corporate tax and local corporate tax, and tax effect accounting treatment thereof

The Company and some of its domestic consolidated subsidiaries adopt a group tax relief system. Accounting treatment and disclosure of corporate taxes, local corporate taxes, and tax effect accounting are in accordance with the "Practical Solution to Accounting and Disclosures Under the Group Tax Relief System" (Practical Issues Task Force No. 42, August 12, 2021).

15. Business Combinations

The main business combinations conducted during FY2024 were as follows:

Business combination through acquisition

(Making APSIA SAS a consolidated subsidiary through share acquisition)

(a) Overview of the business combination

(1) Name and field of business of the acquired company

Name of the acquired company: APSIA SAS and its three subsidiaries

Field of business: IT services business

(2) Main reasons for the business combination

In our B2B operations in Europe, we aim to expand the IT services business, a growing sector, by utilizing our customer base in the existing multi-function printers (MFP) business.

(3) Date of business combination

December 2, 2024 (Deemed acquisition date: December 31, 2024)

(4) Legal form of business combination

Acquisition of shares with cash as consideration

(5) Company name after business combination

APSIA SAS

(6) Ratio of voting rights acquired

100%

(7) Main reason for identifying the acquired company

Due to the fact that Sharp Electronics (Europe) GmbH, a consolidated subsidiary of the Company acquired the shares with cash as consideration.

Notes to Consolidated Financial Statements

(b) Period of financial results of the acquired company included in the consolidated financial statements

From January 1, 2025 to March 31, 2025

(c) Cost of acquisition of the acquired company and breakdown thereof by type of consideration

		Yen (millions)
Consideration of acquisition	Cash	¥ 4,308
	Contingent consideration	450
Total acquisition costs:		¥ 4,759

(d) Major components of acquisition-related expenses and the amount thereof

Remuneration and fees for advisors	¥ 60 million

(e) Amount of goodwill recognized, reason for recognition, amortization method and amortization period

(1) Amount of goodwill recognized

¥3,249 million

(2) Reason for recognition

Goodwill was recognized in relation to the excess earning power anticipated at the time of the business combination.

(3) Amortization method and amortization period

Amortized by the straight-line method over 8 years

(f) Details of contingent consideration specified in the business combination agreement and policy for accounting treatment from FY2024 onward

The Company entered into a conditional contract (earn-out clause), whereby it shall pay up to a total of 3 million Euro based on the acquired company's achievement of operational milestones in a predetermined period.

Pursuant to IFRS, the contingent consideration at fair value (discounted present value) as of the acquisition date is recognized as a portion of the consideration. Any changes in fair value thereafter will also be recognized based on IFRS.

(g) Amount of assets accepted and liabilities assumed on the date of business combination and major breakdown thereof

	Yen (millions)
Current assets	¥ 1,376
Non-current assets	2,008
Total assets	3,384
Current liabilities	1,022
Non-current liabilities	853
Total liabilities	¥ 1,875

(h) Estimated amounts of impact on the consolidated statment of operations for FY2024 assuming the business combination was completed on the first day of the fiscal year and calculation method thereof

The information is omitted as it was immaterial.

Notes to Consolidated Financial Statements

16. Revenue Recognition

(a) Information on disaggregated revenue from contracts with customers

The Group's net sales mainly consist of revenue recognized from contracts with customers. The components of the Group's reportable segments disaggregated by type of goods or services were as follows.

Starting from FY2024, the classification of reportable segments has been changed. For comparison with the previous fiscal year below, figures for FY2023 were reclassified based on the reportable segments after the change. Details regarding the change in reportable segments are described in "17. Segment Information."

	Yen (millions) FY2023
Reportable Segment:	
Smart Life & Energy:	
Smart Appliances & Solutions business	¥ 366,606
Other	83,658
Sales to external customers	450,264
Smart Office:	
Smart Business Solutions business	412,831
PC business	167,216
Sales to external customers	580,047
Universal Network:	
TV Systems business	180,299
Mobile Communication business	131,185
Sales to external customers	311,485
Display Device:	
Display Device business	595,293
Sales to external customers	595,293
Electronic Device:	
Electronic Device business	384,829
Sales to external customers	384,829
Total	¥ 2,321,921

	Yen (millions) FY2024
Reportable Segment:	
Smart Life & Energy:	
Smart Appliances & Solutions business	¥ 386,360
Other	73,606
Sales to external customers	459,966
Smart Office:	
Smart Business Solutions business	426,459
PC business	253,277
Sales to external customers	679,736
Universal Network:	
TV Systems business	182,652
Mobile Communication business	155,642
Sales to external customers	338,295
Display Device:	
Display Device business	495,273
Sales to external customers	495,273
Electronic Device:	
Electronic Device business	186,875
Sales to external customers	186,875
Total	¥ 2,160,146

The Smart Life & Energy segment consists of the Smart Appliances & Solutions business and the other business. The Smart Appliances & Solutions business includes white goods such as refrigerators, washing machines and air conditioners.

The Smart Office segment consists of the Smart Business Solutions business and the PC business. The Smart Business Solutions business includes digital multifunction printers. The PC business includes personal computers.

The Universal Network segment consists of the TV Systems business and the Mobile Communication business. The TV Systems business includes televisions. The Mobile Communication business includes mobile phones.

The Display Device segment includes display modules, etc.

The Electronic Device segment includes camera modules, etc.

Notes to Consolidated Financial Statements

(b) Basic information for understanding revenue from contracts with customers

(1) Product sales

The Group manufactures and sells telecommunications equipment, electrical equipment, and electronic application equipment as "brand business" (white goods such as refrigerators, washing machines, and air conditioners in the Smart Life & Energy segment; digital multi-function printers, personal computers, etc. in the Smart Office segment; and mobile phones, televisions, etc. in the Universal Network segment). The Group also manufactures and sells electronic components as "device business" (display modules, etc. in the Display Device segment; and camera modules, etc. in the Electronic Device segment).

In principle, revenue from these transactions is recognized at the point when the customer obtains control of products delivered by the Group as the performance obligation is deemed to have been satisfied then. At that point in time, the legal title to the products, physical possession, and significant risks and rewards of the ownership of the products are transferred to the customer, and the Group is entitled to receive payment for the transaction. For some domestic sales, revenue is recognized upon shipment if the period of time from the shipment to the transfer of control of the products to the customer is considered to be normal.

Revenue is measured at the amount of consideration that the Group expects to be entitled (hereinafter, "transaction price") in return for transfer of products or services to customers. The Group deducts sales rebates paid primarily to retailers from revenue. In this way, in determining a transaction price, if the consideration promised to the customer includes a variable component (hereinafter, "variable consideration"), the transaction price is estimated by subtracting any variable considerations. The amount of a variable consideration is included in the transaction price only to the extent that it is highly probable that the subsequent resolution of uncertainty concerning the amount of the variable consideration will not result in a significant reversal in revenue.

In addition, the Group has product warranty obligations under product sales agreements to repair or replace defective products free of charge within a certain period of time. Such warranty obligations provide assurance to the customer that the product will perform as intended in accordance with the specifications set forth in the agreement with the customer, and are therefore recognized as a provision for product warranties.

(2) Construction contracts

In the Energy Solutions business ("Other" in the Smart Life & Energy segment), the Group enters into construction contracts that include design and construction of solar power plants. In such contracts, the performance obligation is deemed to be satisfied over time as the construction progresses, and revenue is recognized according to the degree of progress made in satisfying that performance obligation. The degree of progress is measured by the Input method, which uses the ratio of the cost incurred to the estimated total cost of each contract.

However, for construction contracts that have a very short period of time from the contract commencement date to the date when the performance obligation is expected to be fully satisfied, the Group does not recognize revenue over time, but upon a completion of an acceptance inspection because the performance obligation is deemed to have been satisfied at that point in time.

(3) Services

The Group offers maintenance contracts and product warranty services associated with (1) Product sales contracts and (2) Construction contracts. For maintenance contracts, the Group provides maintenance services over the contract period and recognizes revenue according to the contract period. In some cases, an extended warranty contract is concluded as product warranty services, separately from the normal product warranties provided in accordance with agreed-upon specifications. In such cases, the Group recognizes revenue over the extended warranty period because the performance obligation of the product warranty services is satisfied over time.

(4) Licensing

The Group receives consideration for patent licensing by entering into an agreement that permits a customer to manufacture or sell the Group's products or use its technologies.

Revenue from licensing is recognized over time if the nature of the Group's promise in granting the license to the customer is the right to access the intellectual property over the term of the license. If it is the right to use the intellectual property at the point of time when the license is granted, revenue is recognized at that point.

In addition, for sales-based or usage-based royalties, amount and timing to recognize revenue is based on the sales amounts, etc. and timing recognized on the licensee side.

Notes to Consolidated Financial Statements

(c) Information on the relationship between satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in the next fiscal year and beyond from the contracts with customers outstanding at the end of FY2023 and FY2024

(1) Balance of contract assets and contract liabilities, etc.

	Yen (millions)	
	FY2023	**FY2024**
Balance at beginning of year:		
Receivables arising from contracts with customers	¥ 433,106	**¥ 401,308**
Contract assets	4,951	**6,230**
Contract liabilities	86,838	**112,145**

	Yen (millions)	
	FY2023	**FY2024**
Balance at end of year:		
Receivables arising from contracts with customers	¥ 401,308	**¥ 375,868**
Contract assets	6,230	**3,919**
Contract liabilities	112,145	**53,122**

Note 1: Contract assets are, mainly generated from construction contracts, those related to the rights of the Company and its consolidated subsidiaries regarding the consideration for promised goods or services where performance obligations have been satisfied or partially satisfied as of the end of the fiscal year but have not yet been invoiced. Contract assets are transferred to receivables arising from contracts with customers once the right to consideration becomes unconditional. Contract liabilities mainly consist of advances received from customers for products and consideration received for performance obligation of promised services that will be satisfied on a continuous basis.

Note 2: Of the amount of revenue recognized in FY2023, ¥18,614 million was transferred from the beginning balance of contract liabilities. Of the amount of revenue recognized in FY2024, ¥13,645 million was transferred from the beginning balance of contract liabilities.

Note 3: There were no significant changes in the balances of contract assets and contract liabilities for FY2023.
There were no significant changes in the balance of contract assets for FY2024, while the balance of contract liabilities substantially declined. The main reason for the decline is a ¥68,331 million decrease caused by the transfer of advance payments for products that the Group had received from customers to other liabilities, following the ceased production at Sakai Display Products Corporation, a consolidated subsidiary, as well as the decline in net sales in the Electronic Device business and Display Device business. Other liabilities amounted to ¥47,176 million at the end of FY2024, after partial repayment to a customer and revaluation based on fiscal year-end foreign exchange rates.

Note 4: The amount of revenue generated from performance obligations satisfied (or partially satisfied) in prior periods and recognized in FY2023 and FY2024 (e.g., change in transaction price) was immaterial.

(2) Transaction price allocated to remaining performance obligations

Applying practical expedients to notes to the transaction price allocated to the remaining performance obligations, contracts with an initially expected contract period of one year or less and sales-based or usage-based royalties from intellectual property license agreements of the Company and its consolidated subsidiaries are not stated. Transaction price allocated to the remaining performance obligations at the end of FY2024 totals ¥54,648 million. These performance obligations are related to construction contracts, maintenance and warranty services, intellectual property license agreements, etc.

Approximately 33% of this transaction price is expected to be recognized as revenue within one year after March 31, 2025, approximately 57% within a timeframe of more than one year and less than five years, and the rest, approximately 10%, is expected to be recognized after five years.

Notes to Consolidated Financial Statements

17. Segment Information

(a) General information about reportable segments

The Group's reportable segments are components of the Group for which discrete financial information is available and whose operating results are reviewed regularly by the Board of Directors. The Board uses this information to make decisions about resources to be allocated among the segments and to assess segment performance.

The Group makes company-wide efforts to expand business through the development of new products, new markets, and new businesses, and to build a stronger management structure. Moreover, we work toward building a business promotion system centered on brand businesses by accelerating the creation of new businesses and developing innovative technologies and devices to "Be a Game Changer." To achieve these goals, we concentrate on three brand businesses: Smart Life & Energy, Smart Office, and Universal Network, as well as on the two device businesses, Display Device and Electronic Device, as reportable segments.

Effective from the second quarter of FY2024, Sharp Semiconductor Innovation Corporation, which was previously under the Electronic Device segment, is included in the Smart Life & Energy segment in accordance with the organizational change.

The segment information for FY2023 is restated in the segment classification after the change.

(b) Basis of measurement of reportable segment sales, profit or loss, segment assets and other material items

The accounting policies for the reportable segments are consistent with the Group's accounting policies used in the preparation of its consolidated financial statements. Intersegment sales and profit(loss) are recognized based on properly negotiated prices.

Depreciable assets of the administration groups of the Company's headquarters are not allocated to reportable segments. However, depreciation and amortization of these assets are properly allocated to reportable segments.

(c) Information on reportable segment sales, profit or loss, segment assets and other material items

Segment information for and at the end of FY2023 and FY2024 were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Net sales:		
Smart Life & Energy:		
Customers	¥ 450,264	**¥ 459,966**
Intersegment	2,257	**1,385**
Total	452,522	**461,351**
Smart Office:		
Customers	580,047	**679,736**
Intersegment	1,955	**870**
Total	582,003	**680,606**
Universal Network:		
Customers	311,485	**338,295**
Intersegment	406	**221**
Total	311,891	**338,516**
Display Device:		
Customers	595,293	**495,273**
Intersegment	19,656	**11,866**
Total	614,950	**507,139**
Electronic Device:		
Customers	384,829	**186,875**
Intersegment	16,396	**15,380**
Total	401,225	**202,255**
Adjustments	(40,671)	**(29,724)**
Consolidated net sales	¥ 2,321,921	**¥ 2,160,146**
Segment profit (loss):		
Smart Life & Energy	¥ 27,775	**¥ 20,343**
Smart Office	29,674	**42,627**
Universal Network	8,880	**18,682**
Display Device	(83,290)	**(40,513)**
Electronic Device	13,181	**5,754**
Adjustments	(16,564)	**(19,555)**
Consolidated operating profit (loss)	¥ (20,343)	**¥ 27,338**
Segment assets:		
Smart Life & Energy	¥ 183,679	**¥ 185,447**
Smart Office	269,408	**308,249**
Universal Network	135,037	**141,732**
Display Device	257,799	**261,471**
Electronic Device	133,497	**79,010**
Adjustments	610,608	**477,819**
Consolidated assets	¥ 1,590,032	**¥ 1,453,730**

Notes to Consolidated Financial Statements

Other material items

	Yen (millions)	
	FY2023	**FY2024**
Depreciation:		
Smart Life & Energy	¥ 5,447	**¥ 6,555**
Smart Office	11,846	**11,685**
Universal Network	9,612	**8,145**
Display Device	11,862	**6,343**
Electronic Device	14,689	**10,388**
Adjustments	5,077	**2,305**
The amount presented in consolidated financial statements	¥ 58,536	**¥ 45,423**
Amortization of goodwill:		
Smart Life & Energy	¥ 44	**¥ 21**
Smart Office	1,447	**1,489**
Universal Network	194	**87**
Display Device	965	**—**
Electronic Device	—	**—**
Adjustments	—	**—**
The amount presented in consolidated financial statements	¥ 2,651	**¥ 1,598**
Investments in nonconsolidated subsidiaries and affiliates accounted for using equity method:		
Smart Life & Energy	¥ 523	**¥ 512**
Smart Office	—	**—**
Universal Network	—	**—**
Display Device	58,063	**66,635**
Electronic Device	—	**—**
Adjustments	44,569	**46,806**
The amount presented in consolidated financial statements	¥ 103,157	**¥ 113,954**
Increase in property, plant, equipment and intangible assets:		
Smart Life & Energy	¥ 5,052	**¥ 7,444**
Smart Office	14,339	**18,178**
Universal Network	6,396	**5,669**
Display Device	22,148	**10,336**
Electronic Device	11,624	**2,135**
Adjustments	2,503	**8,956**
The amount presented in consolidated financial statements	¥ 62,065	**¥ 52,720**

Adjustments of segment profit(loss) were ¥(16,564) million and ¥(19,555) million for FY2023 and FY2024, respectively, including elimination of intersegment transactions and corporate expenses not allocated to each reportable segment. Elimination of intersegment transactions for segment profit was ¥(0) million for FY2023. Corporate expenses not allocated to each reportable segment were ¥(17,163) million and ¥(18,463) million for FY2023 and FY2024, respectively. Corporate expenses were mainly attributable to basic R&D expenses and expenses related to the administrative groups of the Company's headquarters.

Adjustments of segment assets were ¥610,608 million and ¥477,819 million at the end of FY2023 and FY2024, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment. Elimination of intersegment transactions for segment assets were ¥(6,741) million and ¥(5,678) million, respectively. Corporate assets not allocated to each reportable segment were ¥617,350 million and ¥483,497 million at the end of FY2023 and FY2024, respectively. Corporate assets not allocated to each reportable segment were attributable mainly to cash and deposits, the Company's investment securities, and depreciable assets related to the Company's R&D groups as well as the administrative groups of the Company's headquarters.

Adjustments of investments in nonconsolidated subsidiaries and affiliates accounted for using equity method were ¥44,569 million and ¥46,806 million at the end of FY2023 and FY2024, respectively, which mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥2,503 million and ¥8,956 million for FY2023 and FY2024, respectively, and mainly comprised increases in the Company's R&D groups and the administrative groups of the Company's headquarters.

Depreciation includes the amortization of long-term prepaid expenses.

Increase in property, plant, equipment and intangible assets includes the increase in long-term prepaid expenses.

(d) Related information

(1) Net sales by product/service

Net sales by product/service were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Net sales to outside customers:		
Display modules	¥ 595,293	**¥ 495,273**
Office solutions	258,798	**262,407**
Personal computers	166,668	**252,626**
Other	1,301,160	**1,149,838**
Total	¥ 2,321,921	**¥ 2,160,146**

(Change in presentation method)

"Personal computers," which was included in "Other" in FY2023, has been presented separately as its net sales to outside customers have exceeded 10% of the net sales in the consolidated statements of operations.

"Sensing devices," which was presented separately in FY2023, has been included in "Other" as its materiality has diminished.

As a result, ¥365,431 million and ¥1,102,396 million, which were presented as "Sensing devices" and "Other,"

Notes to Consolidated Financial Statements

respectively, in FY2023, have been reclassified as ¥166,668 million for "Personal computers" and ¥1,301,160 million for "Other."

(2) Net sales by region/country

Net sales by region/country were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Net sales:		
Japan	¥ 772,968	**¥ 877,174**
Americas	258,857	**259,000**
China	809,805	**507,066**
Asia	251,727	**265,596**
Other	228,562	**251,308**
Total	¥ 2,321,921	**¥ 2,160,146**

Note: Net sales are classified according to regions or countries where customers are located.

(3) Property, plant and equipment by region/country

Property, plant and equipment by region/country at the end of FY2023 and FY2024 were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Property, plant and equipment, at cost less accumulated depreciation:		
Japan	¥ 164,856	**¥ 117,774**
Asia	72,591	**44,385**
Other	42,676	**39,739**
Total	¥ 280,123	**¥ 201,899**

(4) Major customers and related sales amount

Major customers and related sales amount for FY2023 were as follows:

	Yen (millions)
	FY2023
Net sales:	
APPLE INC.	¥ 430,294
Related segments:	
Display Device and Electronic Device for FY2023	

Description of this item for FY2024 is omitted because there is no external customer accounting for 10% or more of the net sales in the consolidated statements of operations.

(e) Impairment losses on non-current assets by reportable segment

Impairment losses on non-current assets by reportable segment were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Impairment losses:		
Smart Life & Energy	¥ —	**¥ —**
Smart Office	—	**—**
Universal Network	—	**985**
Display Device	122,952	**28,561**
Electronic Device	—	**21,342**
Corporate Assets and Elimination	—	**3,491**
Total	¥ 122,952	**¥ 54,381**

Note 1: For FY2023, ¥619 million of the ¥122,952 million in impairment losses was included in "Loss from cancellation of made-to-order production" under extraordinary losses.

Note 2: For details regarding "Corporate Assets and Elimination" for FY2024, please refer to "(k) Impairment losses" under "3. Notes to Consolidated Statements of Operations."

Notes to Consolidated Financial Statements

(f) Goodwill amortization and unamortized balance by reportable segment

Goodwill amortization and the unamortized balance by reportable segment for and at the end of FY2023 and FY2024 were as follows:

	Yen (millions)	
	FY2023	**FY2024**
Amortization of goodwill:		
Smart Life & Energy	¥ 44	**¥ 21**
Smart Office	1,447	**1,489**
Universal Network	194	**87**
Display Device	965	**—**
Electronic Device	—	**—**
Corporate Assets and Elimination	—	**—**
Total	¥ 2,651	**¥ 1,598**
Balance at end of year:		
Smart Life & Energy	¥ 17	**¥ 188**
Smart Office	5,321	**7,076**
Universal Network	82	**—**
Display Device	—	**—**
Electronic Device	—	**—**
Corporate Assets and Elimination	—	**—**
Total	¥ 5,422	**¥7,264**

Note: For FY2023, an impairment loss was recorded for ¥2,896 million of goodwill attributable to the Display Device segment.

(g) Gain on bargain purchase by reportable segment

FY2023

Not applicable

FY2024

Not applicable

18. Transactions with Related Parties

(a) Transactions with related parties

(1) Transactions between the Company and related parties

i) Parent company and major corporate shareholders, etc. of the Company

Principal transactions with related parties for FY2023 and FY2024 are omitted as they were immaterial.

ii) Nonconsolidated subsidiaries and affiliates, etc. of the Company

Principal transactions with related parties for FY2023 and FY2024 are omitted as they were immaterial.

iii) Subsidiaries owned by the same parent company as the Company and subsidiaries of other related companies of the Company, etc.

Principal transactions with related parties for FY2023 and FY2024 are omitted as they were immaterial.

iv) Directors and major individual shareholders, etc. of the Company

Principal transactions with related parties for FY2023 and FY2024 are omitted as they were immaterial.

Notes to Consolidated Financial Statements

(2) Transactions between the consolidated subsidiaries of the Company and related parties

i) Parent company and major corporate shareholders, etc. of the Company

Principal transactions with related parties for FY2023 were as follows:

Category	Company name	Location	Share Capital	Details of business	Holding or held ratio	Relationship with the related party	Detail of transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Parent	Hon Hai Precision Industry Co., Ltd.	New Taipei City, Taiwan	NT$138,629 million	Electronic equipment contract manu-facturing service	(Held) 22.3% Directly 11.8% Indirectly [23.2%]	Sale of products	Receipt of advances	35,824	Contract liabilities (advances)	45,033

Note 1: Transaction prices and other transaction terms are determined appropriately through negotiation.
Note 2: The holding or held ratio in brackets is not included in the figures above it and indicates the ratio held by the entities which are regarded to exercise their voting rights in the same manner as Hon Hai Precision Industry Co., Ltd. due to their close relationships.
Note 3: Sakai Display Products Corporation, a consolidated subsidiary, decided on May 14, 2024 to cease production at the Sakai Plant. The contract liabilities are advance payments for products received by SDP.

Principal transactions with related parties for FY2024 were as follows:

Category	Company name	Location	Share Capital	Details of business	Holding or held ratio	Relationship with the related party	Detail of transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Parent	Hon Hai Precision Industry Co., Ltd.	New Taipei City, Taiwan	NT$138,917 million	Electronic equipment contract manu-facturing service	(Held) 22.3% Directly 11.8% Indirectly [23.2%]	Sale of products	Contract manufactur-ing, sale of products	14,130	Accounts receivable	20,346
							Purchase of raw materials and products	55,058	Accounts payable	25,286
							Payment of accounts payable – other	34,771	Long-term accounts payable – other	14,825
							Payment of interest	764	—	—

Note 1: Transaction prices and other transaction terms are determined appropriately through negotiation.
Note 2: The holding or held ratio in brackets is not included in the figures above it and indicates the ratio held by the entities which are regarded to exercise their voting rights in the same manner as Hon Hai Precision Industry Co., Ltd. due to their close relationships.
Note 3: The transaction amount of contract manufacturing is the net of product sales price less the amount of raw materials supplied.
Note 4: Contract liabilities (advances) that were recorded in FY2023 were transferred to accounts payable – other and long-term accounts payable – other in FY2024. Of these, accounts payable – other were fully paid out by March 31, 2025.

ii) Nonconsolidated subsidiaries and affiliates, etc. of the Company

Principal transactions with related parties for FY2023 and FY2024 are omitted as they were immaterial.

iii) Subsidiaries owned by the same parent company as the Company and subsidiaries of other related companies of the Company, etc.

Principal transactions with related parties for FY2023 and FY2024 are omitted as they were immaterial.

iv) Directors and major individual shareholders, etc. of the Company

Principal transactions with related parties for FY2023 and FY2024 are omitted as they were immaterial.

(b) Information on the parent company and significant affiliates

(1) Information on the parent company

Hon Hai Precision Industry Co., Ltd. (Listed on the Taiwan Stock Exchange)

(2) Summary of financial statements of significant affiliated company

For FY2023 and FY2024, the significant affiliated company was SDP Global (China) Co., Ltd.

Summary of its financial statements was as follows:

	Yen (millions)	
	FY2023	**FY2024**
Current assets	¥ 151,812	**¥ 184,777**
Non-current assets	806,485	**749,723**
Current liabilities	218,035	**257,890**
Non-current liabilities	487,006	**414,991**
Net assets	253,256	**261,618**
Net sales	211,276	**230,268**
Income before income taxes	10,128	**11,683**
Net income	10,128	**11,683**

Notes to Consolidated Financial Statements

19. Per Share Information

Per share data at the end of FY2023 and FY2024 were as follows:

	Yen	
	FY2023	**FY2024**
Net assets per share	¥ 219.35	**¥ 236.20**
Basic earnings (loss) per share	(230.99)	**55.59**
Diluted earnings per share	—	**—**
	Diluted earnings per share is not stated because it is a net loss per share, although there are potentially dilutive shares.	**Diluted earnings per share is not stated because potentially dilutive shares exist without dilutive effect at the moment.**

Basic earnings (loss) per share and diluted earnings per share at the end of FY2023 and FY2024 were calculated on the following basis:

	FY2023	**FY2024**
Basic earnings (loss) per share		
Profit (loss) attributable to owners of parent (millions of yen)	¥ (149,980)	**¥ 36,095**
Amounts not allocated to common shares (millions of yen)	—	**—**
Profit (loss) attributable to owners of parent (millions of yen)	(149,980)	**36,095**
Average number of common shares outstanding during each year (thousands of shares)	649,281	**649,300**
Residual securities which do not dilute earnings per share	712 share options resolved by the board of directors on April 19, 2017 (First Share Options) 381 share options resolved by the board of directors on September 26, 2017 (Second Share Options) 875 share options resolved by the board of directors on August 28, 2018 (Third Share Options) 54,540 share options resolved by the board of directors on August 4, 2023 (Fourth Share Options) A brief summary is in Note 13. Stock Options.	**725 share options resolved by the board of directors on August 28, 2018 (Third Share Options)** **52,105 share options resolved by the board of directors on August 4, 2023 (Fourth Share Options)** **A brief summary is in Note 13. Stock Options.**

20. Significant Subsequent Events

(a) Transfer of important assets

The Company transferred a part of fixed assets at Sakai Plant owned by the Company and Sakai Display Products Corporation (hereinafter "SDP"), a consolidated subsidiary of the Company, to KDDI CORPORATION as of April 4, 2025.

(1) Reason for the transfer
Under the policy of Asset Light Initiatives, we aim to improve the Group's financial foundation and establish a business structure centered on Brand Business through this asset transfer.

(2) Name of the counterparty to the transfer
KDDI CORPORATION

(3) Details of the assets transferred

Type of assets	Location	Transfer price
Land (the Company's assets) Buildings and structures (SDP's assets) (A former color filter manufacturing plant)	Sakai-ku, Sakai-city	¥10,000 million

(4) Date of transfer
April 4, 2025

(b) Transfer of shares in significant subsidiaries, etc.

On April 23, 2025, the Company entered into an agreement to transfer entire shares of Sharp Fukuyama Laser Co., Ltd. (hereinafter "SFL"), a consolidated subsidiary of the Company, to Hon Yuan International Investment Co., Ltd., a subsidiary of Hon Hai Precision Industry Co., Ltd., which is the Company's parent company (hereinafter "Share Transfer"). Prior to the Share Transfer, the Company transferred the rights and obligations related to certain laser business and semiconductor business that SFL had been operating to SFL through a company split (absorption-type split, hereinafter "the Company Split").

After this Share Transfer, SFL and P.T. Sharp Semiconductor Indonesia, a subsidiary of SFL, were excluded from the scope of consolidation.

Notes to Consolidated Financial Statements

(1) Reason for the Share Transfer

The Company decided on the Company Split and the Share Transfer to establish a business structure centered on Brand Business under a policy of Asset Light Initiatives.

(2) Overview of SFL transferred

i)	Name	Sharp Fukuyama Laser Co., Ltd.
ii)	Main business activities	Planning, development, production and distribution of semiconductor lasers; development, manufacturing and distribution of semiconductors and semiconductor application devices; and foundry service
iii)	Business relationship	The Company had transactions related to semiconductor lasers, semiconductors, and semiconductor application devices with the relevant company.

(3) Name of counterparty to the transfer

Hon Yuan International Investment Co., Ltd.

(4) Share Transfer schedule

i)	Contract signing date	April 23, 2025
ii)	Share Transfer date	September 29, 2025

(5) Share Transfer Summary

i)	Share of equity before the transfer	100%
ii)	Number of shares transferred	1,200 shares
iii)	Transfer price	¥15,500 million
iv)	Share of equity after the transfer	0%

(6) Outlook

The gain or loss on the Share Transfer in the next fiscal year is estimated to be immaterial.

(c) Change in segment classification

In FY2024, we categorized the Group's reportable segments into five reportable segments: Smart Life & Energy, Smart Office, Universal Network, Display Device, and Electronic Device. Effective from FY2025, we categorized reportable segments into three segments: Smart Life, Smart Workplace and Display Device.

This reorganization divides our strategic brand business into two groups: the Smart Life Business Group, which focuses on lifestyles, and the Smart Workplace Business Group, which focuses on workstyles. Our goal is to focus and shift our business to accelerate new value creation in each area and enhance profitability and growth potential. Meanwhile, Display Device will continue to concentrate on high-value-added products for automotive, mobile, and industrial applications, where we can maintain a competitive advantage.

Following the change in segments, the TV system business (formerly under Universal Network) is now classified under Smart Life, along with the previous Smart Life & Energy. Similarly, the mobile communication business (formerly under Universal Network) is now included in Smart Workplace, along with the previous Smart Office. In addition, we group Electronic Device, which is scheduled for transfer, and Sakai Display Products Corporation, which has ceased panel production, under Other and exclude them from reportable segments.

Information on net sales, profit (loss) of each reclassified reportable segment for FY2024 is as follows.

Notes to Consolidated Financial Statements

	Yen (millions)
	FY2024
Net sales:	
Reportable Segment:	
Smart Life:	
Customers	**¥ 642,618**
Intersegment	**961**
Total	**643,580**
Smart Workplace:	
Customers	**835,379**
Intersegment	**978**
Total	**836,357**
Display Device:	
Customers	**444,114**
Intersegment	**8,117**
Total	**452,231**
Other (Note 1):	
Customers	**238,033**
Intersegment	**19,129**
Total	**257,162**
Adjustments	**(29,186)**
Consolidated net sales	**¥ 2,160,146**
Segment profit (loss):	
Smart Life	**¥ 21,973**
Smart Workplace	**59,679**
Display Device	**(26,932)**
Other	**(7,826)**
Adjustments (Note 2)	**(19,555)**
Consolidated operating profit (Note 3)	**¥ 27,338**

Note 1: Business segments excluded from reportable segments are classified as Other, consisting of the Electronic Device business and Sakai Display Products Corporation. Of these, sales of ¥54,907 million ¥ (51,158 million from external customers, ¥3,749 million from transactions with other segments), and segment loss of ¥ (13,581) million were related to Sakai Display Products Corporation.

Note 2: Adjustments for segment profits or losses of ¥ (19,555) million include ¥ (18,463) million in company-wide expenses that have not been allocated to each reportable segment. Company-wide expenses are mainly related to basic R&D expenses and expenses related to the Company's head office.

Note 3: Segment profits or losses are adjusted for operating profit in consolidated financial statements.

(d) Allotment of stock options (share acquisition rights)

The Company decided at the Board of Directors meeting held on May 12, 2025 to allot share acquisition rights as stock options to directors, executive officers, and employees (hereinafter collectively called "Officers and Employees") of the Group and determined the subscription requirements of said share acquisition rights based on the authority delegated by the Ordinary General Meeting of Shareholders held on June 27, 2024. The Board of Directors also resolved to solicit applicants for the subscription of said share acquisition rights. In addition, on June 10, 2025, the Company determined the number of grantees, the total number of the allotment, and the value of assets to be contributed upon the exercise of the share acquisition rights.

(1) Purpose of adopting the stock option plan

The Company implemented the stock option plan that would help the Company retain and recruit human resources required for the Company's revitalization and growth, and would serve as an incentive to increase their motivation to participate in the Group's business management and contribute to higher performance, as well as the increased corporate value of the Company. The Company will issue share acquisition rights as stock options as one of the types of remuneration for Officers and Employees of the Group.

(2) Date of allotment of share acquisition rights

June 10, 2025

(3) Number of individuals eligible for solicitation and the number of share acquisition rights to be allotted

668 Officers and Employees of the Group; 42,740

(4) Class and number of shares to be issued upon exercise of share acquisition rights

4,274,000 shares of common stock of the Company

(5) Total number of share acquisition rights to be allotted

42,740 (100 shares per unit of share acquisition rights)

(6) Cash payment for share acquisition rights

No cash payment is required for share acquisition rights.

Notes to Consolidated Financial Statements

(7) Value of assets to be contributed upon the exercise of share acquisition rights

The value of assets to be contributed upon the exercise of each share acquisition right shall be the value per share to be issued by the exercise of each share acquisition right (hereinafter, "Exercise Value") multiplied by the number of shares to be issued upon the exercise of one unit of share acquisition rights.

The Exercise Value shall be ¥877.9. If the Company splits or consolidates its common stock after the issuance of share acquisition rights, the Exercise Value shall be adjusted.

(8) Exercise period of share acquisition rights

The exercise period shall be from June 10, 2027 to May 12, 2035. If the last day of the exercise period falls on a Company holiday, the final day shall be the working day immediately preceding the last day.

(9) Increase in capital due to the issuance of shares arising from the exercise of share acquisition rights

Amount of increase in capital as a result of issuing shares upon exercise of share acquisition rights shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.

Consolidated Subsidiaries

(At the end of FY2024)

Domestic

Sharp Marketing Japan Corporation
Sharp Energy Solutions Corporation
Sharp Display Manufacturing Corporation
Sakai Display Products Corporation
Sharp IP Infinity Co., Ltd.
Dynabook Inc.
Sharp Semiconductor Innovation Corporation
Sharp Fukuyama Laser Co., Ltd.
Sharp Cocoro Life Inc.
Sharp Display Technology Corporation
Sharp NEC Display Solutions, Ltd.
Sharp Sensing Technology Corporation

Overseas

<Countries and Areas>

Sharp Electronics Corporation <New Jersey, U.S.A.>
Sharp Laboratories of America, Inc. <Washington, U.S.A.>
Dynabook Americas, Inc. <California, U.S.A.>
Sharp NEC Display Solutions of America, Inc. <Illinois, U.S.A.>
Sharp Electronics of Canada Ltd. <Ontario, Canada>
Sharp Corporation Mexico, S.A. de C.V. <Mexico City, Mexico>
Sharp Electronics (Europe) Limited <Middlesex, U.K.>
Sharp International Finance (U.K.) Plc. <Middlesex, U.K.>
Sharp Electronics (Europe) GmbH <Hamburg, Germany>
Sharp NEC Display Solutions Europe GmbH <Munich, Germany>
Sharp Manufacturing France S.A. <Soultz, France>
Sharp Consumer Electronics Poland Sp. z o.o. <Toruń, Poland>
Sharp Middle East Free Zone Establishment <Dubai, U.A.E.>
Sharp Universal Technology (Shenzhen) Co., Ltd. <Shenzhen, China>
Sharp Universal Technology (Shanghai) Co., Ltd. <Shanghai, China>
Shanghai Sharp Electronics Co., Ltd. <Shanghai, China>
Sharp Electronics Sales (China) Co., Ltd. <Shanghai, China>
Nanjing Sharp Electronics Co., Ltd. <Nanjing, China>
Sharp Office Equipments (Changshu) Co., Ltd. <Changshu, China>
Wuxi Sharp Electronic Components Co., Ltd. <Wuxi, China>
Wuxi Sharp Display Technology Co., Ltd. <Wuxi, China>
Dynabook Technology (Hangzhou) Inc. <Hangzhou, China>
Yantai Xia Ye Electrons Co., Ltd. <Yantai, China>
Sharp Hong Kong Limited <Hong Kong>
Sharp (Taiwan) Electronics Corporation <New Taipei, Taiwan>
Dynabook Technology (Taiwan) Co., Ltd. <Taoyuan, Taiwan>
Sharp Electronics (Malaysia) Sdn. Bhd. <Selangor, Malaysia>
Sharp Manufacturing Corporation (M) Sdn. Bhd. <Johor, Malaysia>
Sharp North Malaysia Sdn. Bhd. <Kedah, Malaysia>
Sharp Singapore Electronics Corporation Pte. Ltd. <Singapore>
Sharp Appliances (Thailand) Ltd. <Chachoengsao, Thailand>
Sharp Manufacturing (Thailand) Co., Ltd. <Nakornpathom, Thailand>
P.T. Sharp Electronics Indonesia <West Jawa, Indonesia>
Saigon STEC Co., LTD. <Thu Dau Mot, Vietnam>
Sharp Manufacturing Vietnam CO., LTD. <Tan Uyen, Vietnam>
Sharp (Phils.) Corporation <Manila, Philippines >
Sharp Business Systems (India) Private Ltd. <New Delhi, India>
Sharp Corporation of Australia Pty. Ltd. <New South Wales, Australia>

* There are 68 other consolidated subsidiaries in addition to the companies listed above.