

| Message from the President

We formulated Our Mission as *With sincerity, we observe people's daily lives. With creativity, we shape new experiences* to deeply instill the founding spirit throughout Sharp. This statement reflects our intention to revive Sharp's identity.

Throughout our history, we have continuously introduced products distinct from those of other companies and proposed new experiences to people's daily lives. The ability to create such difference is the source of our competitiveness and represents Sharp's identity. However, due to financial difficulties and changes in management, I am deeply concerned that this strength has been gradually fading in recent years. I therefore consider restoring Sharp's identity to be my most important mission. Since assuming the position of President, I have continuously called on all employees to return to *Sincerity and Creativity*, the business creed of our founder, Tokuji Hayakawa. As a result, I feel that changes in employees' awareness are slowly but surely beginning to emerge.

In this context, we have declared our new corporate slogan, *In step with your future.*, as a phrase that expresses the *Sharp-like value* we deliver through our corporate stance and business activities. This phrase embodies our desire to align ourselves with people's daily lives and, by staying slightly ahead of people's hopes that emerge from their daily challenges, deliver new experiences that bring surprise and joy. Under this slogan, we aim to become a company that not only continuously creates unique products and services related to people's Living and Working, but also creates products, services as well as new culture.

Making a shift to regrowth to restore Sharp's identity

Masahiro Okitsu

President Chief Executive Officer
Sharp Corporation



FY2024 Review

The Board of Directors, organized in FY2024, included seven outside directors among its nine members, significantly strengthening the Board's supervisory structure. We appointed executive officers mainly from among members who have long worked at Sharp and are highly experienced in our businesses. In addition, Mr. Liu, Chairman of Hon Hai Precision Industry Co., Ltd. ("Hon Hai"), assumed the position of Chairman of Sharp, further strengthening support from Hon Hai toward our medium- to long-term growth.

Under this new structure, we positioned FY2024 as a year of structural reform and advanced Asset Light Initiatives, returning to profitability.

Our Asset Light Initiatives include the following measures. First, we halted production of large-size displays at Sakai Display Products (SDP) and sold assets. In small- and medium-size displays, we optimized production capacity at each plant and announced plans to transfer the Kameyama No.2 plant, which faces high volatility in business performance, to Hon Hai by August 2026. For the camera module and semiconductor businesses, we concluded transfer agreements with Hon Hai's subsidiaries. In addition, even in the Brand Business, which has been steadily recording profits, we implemented structural reforms for low-profit businesses, including restructuring of the TV and audio factories in Malaysia, and established a foundation toward future growth.

By making significant progress in establishing a business structure centered on the Brand Business, we returned to a positive cash generation cycle in which funds earned through the business can be reinvested into growth areas, and employee motivation has been improving.

Medium-Term Management Plan

Amid these circumstances, we announced the FY2025–2027 Medium-Term Management Plan and made a shift toward regrowth. We will allocate resources intensively to the Brand Business, which serves as the source of profit, and expand investment in people and technology. Specifically, we will implement the following three priority initiatives.

(1) Accelerate Global Expansion and Business Transformation of the Brand Business

To focus and shift our businesses and enhance profitability and growth potential, we reorganized the Brand Business from FY2025 into two business groups, the Smart Life Business Group and the Smart Workplace Business Group, and will expand both products and services.

Over the three-year period of the Medium-Term Management Plan, we will allocate more than double the growth capital to the Brand Business compared with the past, where investment had been limited. We will strengthen competitiveness in existing businesses by measures such as expanding production capacity at factories in ASEAN and the Americas, while accelerating business transformation by proactively pursuing M&A opportunities in growth areas, including the AI and IT solution business, robotics, AIoT services, and beauty and healthcare businesses.

In the Smart Life Business Group, we will work in the Living domain to shift toward a business model utilizing multifaceted data centered on a diverse range of AIoT products, while developing distinctive products and services that deliver new experiences, and expand the SHARP brand globally.

In Japan, we plan to expand generative AI-compatible products to all AIoT home appliances, beginning

with the Healsio water oven. This Healsio product utilizes generative AI technology to provide menu suggestions and cooking guidance through natural conversation. In May, we launched a rental service for the ice slurry refrigerator, which has attracted significant attention as a countermeasure against extreme heat, and we have received numerous inquiries from the construction industry and other sectors. Meanwhile, we aim to capture further business opportunities in ASEAN, a region we consider to be one of the most important in our overseas business. In Indonesia, where we maintain a strong presence, we will enhance high value-added business operations, strengthen branding targeting younger generations, and expand production capacity at local factories, among other initiatives. In the United States, our drawer-type built-in microwave ovens have strong recognition and high reputation. We are leveraging this foundation to expand business from the East Coast to the West, while entering major kitchen appliance categories such as high-speed ovens and strengthening product competitiveness.

In the Smart Workplace Business Group, we aim, in the Working domain, to shift toward a solution-oriented business model by integrating AI, IT, and telecommunication technologies to create new products and services. Furthermore, we will focus intensively on launching new businesses and shift our business portfolio toward areas with higher growth potential.

In the MFP business, we will leverage our No.1 share position in multi-copy machines at convenience stores in Japan to expand public printing and content printing services, while also expanding the MPS business in Europe and the United States, which manages overall office printing operations. We will also continue to enhance the functions and performance of the meeting minutes support solution eAssistant Minutes, which utilizes our proprietary edge AI technology, CE-LLM. Furthermore, we have launched the service for the conversational AI character Poketomo (a pocket-sized friend), developed by the RoBoHoN Mobile Robotic Phone development team. The service has been attracting strong interest since its announcement in August. Please look forward to its release.

(2) Establish a Foundation for Sustainable Business Growth

We will accelerate the development of our core technologies, explore future technologies and expand investment in people, aiming to achieve the Medium-Term Management Plan and drive further growth in the future.

• Accelerating the development of our core technologies

In the past, there was a company-wide initiative under the direct supervision of the President called Sharp Taskforce, which led to the creation of LCD ViewCam video camera, Zaurus PDA, and other distinctive products. Building on this concept, we launched the new Innovation Accelerate Project (I-Pro) in FY2024, with multiple projects underway, including those related to EVs and AI. By flexibly combining company-wide resources and advancing distinctive Sharp technologies, including edge AI (CE-LLM), we will take on the



challenge of creating *Sharp-like* innovation not only in the business domains of Living and Working, but also in Mobility, Space, and other areas.

• Expanding investment in people

Our human resource strategy focuses on developing and acquiring talent in AI, digital, and global fields, while also enhancing training programs for all employees. We will also work to improve workstyles, workplace environments, and welfare programs to create an environment where diverse human resources can fully demonstrate their potential, and enhance employee engagement.

Leaders at every level hold the key to organizational transformation. Every employee has their own unique strengths and capabilities, and I believe that the leaders who can draw out employee potential and encourage them are essential. We do not need leaders who only take a defensive stance, nor do leaders have to be perfect. We need leaders who take a proactive stance and take on challenges together with their team members. As such leaders increase, business performance will naturally improve, and I believe more products will be created that truly embody the spirit of *In step with your future*.

(3) Enhance the Capability of Group Management

In line with the recent business reorganization, we clarified the respective roles and responsibilities between the Corporate and Business Groups and strengthened our management team. In the Corporate Group, which I lead as CEO, we have appointed a CFO and CTO, along with a CBDO responsible for developing new global sales channels and a CDO in charge of driving DX initiatives. This strong management team will lead company-wide strategies going forward. Meanwhile, the Co-COOs oversee operations of the Business Group, enabling flexible and appropriate execution of initiatives in each business area.

I have assembled this management team with members who I expect can express their own views with confidence because we believe that both management and the organization can grow through different perspectives and constructive discussions. We cannot restore Sharp's identity with a company made up only of yes-men. As I mentioned earlier, the key to build an effective organization lies in leadership. For this reason, we have first strengthened the management team. Going forward, we will also transform the mindset of leaders at every level, and build a strong organization.

Profit Targets Centered on the Brand Business

By steadily implementing the measures set out in the Medium-Term Management Plan, we aim to achieve a company-wide operating profit of 80.0 billion yen in FY2027, the final year of the plan.

For the Brand Business, we will take on the challenge of achieving an operating profit margin of 7.0% or higher. The Smart Life Business Group aims for an operating profit margin of 6.0% (with a stretch target of 7.0% or higher), while the Smart Workplace Business Group aims for 7.2%.

The Display Device Business will focus on fields where we have competitive strength such as automotive, XR, industrial and other applications. In addition, we will significantly reduce fixed costs by transferring the Kameyama No. 2 plant, which faces high volatility in business performance, to Hon Hai by August 2026. Then, after transferring the plant, we will procure panels from Hon Hai and supply them to key customers. With orders for automotive applications and other fields already secured for FY2026 and improvements in management accuracy, I expect that we will achieve breakeven in FY2026 by addressing the key production

site challenge of improving yield rates. Through these initiatives, we will rebuild a foundation that allows Sharp to consistently record profits.

The goals we have set forth are by no means easy to achieve, but I believe they are fully attainable if every employee remains committed and gives their utmost effort. Even amid an uncertain business environment, we will continue to take bold steps while responding accordingly to ensure we achieve our company-wide operating profit target. On the other hand, due to the impairment losses recorded in the display business in the past, our balance sheet has been significantly damaged. As a result, indicators that show our capital cost and capital efficiency are not functioning effectively at this time. We will improve our balance sheet through the steady implementation of the Medium-Term Management Plan. When our indicators begin to function effectively, we plan to set and disclose appropriate numerical targets that reflect our business portfolio.

Our Future Aspirations

Although we achieved our committed turnaround to profitability in FY2024, I believe that regaining the trust of our stakeholders will only come after we fully complete the Medium-Term Management Plan. Over the next three years, we will steadily accumulate profits and work to strengthen our financial foundation, including improving our equity ratio. At the same time, we aim to become a company that demonstrates long-term growth potential, as all employees boldly take on the challenge of creating new businesses while the headquarters invests in new business seeds for future growth.

This year marks my 45th year with Sharp. I have spent 42 years in the field, and I take pride in knowing frontline better than anyone at headquarters. Even now, while serving at headquarters, I actively visit sites and continue direct dialogue. I want the headquarters to remain strong by first understanding actual on-site conditions, rather than imposing the headquarters' views on our frontlines, which are often busy with day-to-day operations. As for myself, I will continue to demonstrate leadership guided by the mottos I declared upon becoming President and CEO—*make efforts every day and never give up, and Quality First*—and dedicate all my efforts to restoring the identity of Sharp, and returning it to a company that sustains a cycle of growth.

I sincerely ask all our stakeholders for your continued understanding and support in our business activities.

