

SHARP

Be Original.



111th ANNIVERSARY

Annual Report 2023

For the fiscal year ended March 31, 2023

Annual Report 2023

For the fiscal year ended March 31, 2023

Business Philosophy, Business Creed

Business Philosophy

We do not seek merely to expand our business volume. Rather, we are dedicated to the use of our unique, innovative technology to contribute to the culture, benefits and welfare of people throughout the world. It is the intention of our corporation to grow hand-in-hand with our employees, encouraging and aiding them to reach their full potential and improve their standard of living. Our future prosperity is directly linked to the prosperity of our customers, dealers and shareholders ...indeed, the entire Sharp family.

Business Creed

Sharp Corporation is dedicated to two principal ideals:

"Sincerity and Creativity"

By committing ourselves to these ideals, we can derive genuine satisfaction from our work, while making a meaningful contribution to society.

Sincerity is a virtue fundamental to humanity ... always be sincere.

Harmony brings strength ... trust each other and work together.

Politeness is a merit ... always be courteous and respectful.

Creativity promotes progress ... remain constantly aware of the need to innovate and improve.

Courage is the basis of a rewarding life ... accept every challenge with a positive attitude.

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Corporate Motto

Be Original.

From the beginning, Sharp has been driven by originality.

We originate technologies that enhance lifestyles,

Inspire innovations that support individual expression,

And create products that let you be you.

There is only one Sharp.

There is only one you.

Be Original.

SHARP

Forward-Looking Statements

This annual report contains certain statements describing the future plans, strategies and performance of Sharp Corporation and its consolidated subsidiaries (hereinafter "Sharp"). These statements are not based on historical or present fact, but rather assumptions and estimates based on information currently available. These future plans, strategies and performance are subject to known and unknown risks, uncertainties and other factors. Sharp's actual performance, business activities and financial position may differ materially from the assumptions and estimates provided on account of such risks, uncertainties and other factors. Sharp is under no obligation to update these forward-looking statements in light of new information, future events or any other factors. The risks, uncertainties and other factors that could affect actual results include, but are not limited to:

- (1) The economic situation in which Sharp operates;
- (2) Sudden, rapid fluctuations in demand for Sharp's products and services, as well as intense price competition;
- (3) Changes in exchange rates (particularly between the Japanese yen and the U.S. dollar, the euro and other currencies);
- (4) Regulations such as trade restrictions in other countries;
- (5) The progress of collaborations and alliances with other companies;
- (6) Litigation and other legal proceedings against Sharp;
- (7) Rapid technological changes in products and services.

Message to Our Shareholders

Contributing to the Achievement of a Sustainable Society through Business and Technology Innovation

We believe it is our social responsibility to contribute solutions to social issues through our business activities, including solutions addressing climate change and human rights.

Beginning in the previous fiscal year, we placed greater emphasis on ESG-focused management, focusing primarily on (1) Strengthening our technological capabilities; (2) Fostering a global mindset; and (3) Pursuing management that makes the most of our people (HITO). We intend to create new businesses even more rapidly, supported by these three initiatives.

To this end, we reorganized our business group structure into three brand businesses and two device businesses. Our brand businesses consist of Smart Life & Energy, Smart Office, and Universal Network, while our device businesses consist of Display Device and Electronic Device. In addition, we established organizations specializing in new business development under the umbrella of each of these businesses.

We also established a new Incubation Committee and Innovation Committee to strengthen our technological capabilities further.

The Sharp organization intends to work together as One SHARP, developing innovative technologies and devices that embody our ambition to be a game changer, creating uniquely Sharp innovations across multiple fields, including life and work styles. Our aim is to redefine SHARP as a powerful corporate brand representing a company closest to people and society, constantly proposing new value.

In May 2023, we established the Sustainability Committee, chaired by me. We are stepping up our efforts to create a sustainable society, and this committee will play a central role in delivering on medium-term environmental goals to ensure we achieve the *SHARP Eco Vision 2050*, which includes our commitment to achieve net zero CO₂ emissions from Sharp business activities.

At the same time, we are accelerating initiatives to solve global social issues effectively. In 2009, we signed the United Nations Global Compact. As a participant in this compact, we continue to support the 10 principles related to human rights, labor, the environment, and anti-corruption. We also share the vision and mission of the Responsible Business Alliance (RBA)*, which we joined in 2021, across the Sharp Group.

As we state in our Business Philosophy, our future prosperity is directly linked to the prosperity of our customers, dealers, shareholders...indeed the entire Sharp family. We strive for ESG-focused management in unison with our stakeholders, contributing to the achievement of the SDGs and the creation of a sustainable, better world that leaves no one behind.

* A non-profit organization that promotes social responsibility in the global supply chain.

October 2023



Robert Wu
President & Chief Executive Officer

Accelerating the Establishment of SHARP as a Powerful Corporate Brand



See the following for more information on Sharp's history.
<https://global.sharp/corporate/info/history/>

Business Philosophy and Business Creed

The founder of Sharp, Tokuji Hayakawa, once said, "Make products that others want to imitate." This message of Sharp's founder Tokuji Hayakawa encapsulates management's stance of aiming to become a trusted company by contributing to society as a manufacturer that is among the first to grasp the needs of the next era.

Sharp clearly stated this founding spirit in our business philosophy and business creed in 1973. Furthermore, in 2016, Sharp announced our corporate motto of "Be Original," which incorporates a strong commitment to continue operating as a company that inherited the spirit of sincerity and creativity of founder Hayakawa.

Our promise to customers around the world is that we will continue as a brand that creates new and unique value.

We are committed to help develop society going forward by continuing to embody our business philosophy and business creed.



Founder Tokuji Hayakawa

Future Direction of Sharp: Accelerating the Establishment of SHARP as a Powerful Corporate Brand

Sharp integrates the unique technologies and innovative devices that we have accumulated over the years to provide hardware, services, and solutions to society that are unique to our company. Through these efforts, we work to solve various social issues.

Sharp has two business segments: the brand businesses, which includes refrigerators, solar cells, digital multi-function printers (MFPs), PCs, TVs, and mobile phones; and the device businesses, which includes display modules, camera modules, and other devices.

In the brand businesses, we will continue to expand overseas business and create high-value-added products to strengthen the Sharp brand globally.

In the device businesses, we will strengthen competition by leveraging collaborations with other companies while creating unique devices that support the advantages of our brand business and expanding sales as One SHARP.

At the same time, we will accelerate the creation of new businesses by developing innovative technologies and devices that will enable us to be a game changer.

Through these efforts, we will build a business promotion system centered on brand businesses and accelerate the establishment of SHARP as a powerful corporate brand that is closest to people and society, constantly providing new value.

Establishing a New Business Promotion System to Accelerate Business Reform

Sharp reviewed the company business promotion system aiming to further accelerate business reform.

We reorganized the business group structure into three brand businesses (Smart Life & Energy, Smart Office, and Universal Network) and two device businesses (Display Device and Electronic Device) to clarify focus areas and maximize synergies among our businesses.

Sharp also newly established the Incubation Committee and the Innovation Committee to strengthen our technological capabilities, including cutting-edge technologies such as AI and robotics.

Furthermore, we established organizations under each business group that are dedicated to new businesses. These organizations will play a central role in the accelerated establishment of businesses that will serve as pillars for future growth.

Specifically, we will strengthen the following initiatives in the following businesses: food, water, environment, healthcare, B2B, and next-generation solar cell initiatives in Smart Life & Energy; MFP strategic products and AI-based solutions in Smart Office; and XR, local 5G/pre-6G, and other initiatives in Universal Network.

Business Philosophy

We do not seek merely to expand our business volume. Rather, we are dedicated to the use of our unique, innovative technology to contribute to the culture, benefits and welfare of people throughout the world.

It is the intention of our corporation to grow hand-in-hand with our employees, encouraging and aiding them to reach their full potential and improve their standard of living.

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Accelerating the Establishment of SHARP as a Powerful Corporate Brand

■ New Business Promotion System to Accelerate Business Reform

<p>Brand Businesses</p>	<p>Smart Life & Energy Business</p> <p>A Lifestyle True to Oneself Creating Clean Societies</p>	<p>Smart Office Business</p> <p>Pursue Creativity and Improved Work Efficiency</p>	<p>Universal Network Business</p> <p>Contribute to Prosperous, New Societies by Connecting People, Goods, and Information</p>
<p>Device Businesses</p>	<p>Display Device Business</p> <p>Drive DX with Advanced Display Technologies</p>	<p>Electronic Device Business</p> <p>Contribute to the Development of Smart Societies Through Unique Technologies</p>	
<p>R&D</p>	<p>Incubation Committee and Innovation Committee</p> <p>Support Company-Wide Innovation to Establish New Businesses</p>		

Accelerating the Establishment of SHARP as a Powerful Corporate Brand



See the following for the latest financial information.
<https://global.sharp/corporate/ir/library/financial/>

Initiatives in Fiscal 2023

Initiative Policies

We expect overall demand in fiscal 2023 to retain the overall sluggishness in fiscal 2022 due to a rebound resulting from the special needs during COVID-19, as well as global inflation, rising energy costs, and geopolitical issues.

However, we expect carbon neutrality and digital transformation-related fields to see solid demand. We expect the outlook to remain uncertain, despite the easing of impacts from supply chain disruptions, such as semiconductor shortages, soaring raw material prices, and rising logistics costs.

In such an environment, Sharp will make a united effort to reach annual profitability in fiscal 2023

by conducting a fundamental review of each business, developing high-value-added products and services, creating new products, and strengthening our overseas business.

We will also pursue efforts to build a business promotion system centered on our brand businesses by thoroughly implementing (開源節流), i.e., business expansion (開源) through the development of new products, new markets, and new businesses, as well as the establishment (節流) of a more muscular management structure.

Major Initiatives by Business

Brand Businesses			Device Businesses		
	Smart Life & Energy	Smart Office	Universal Network	Display Device	Electronic Device
Initiatives in Fiscal 2023	White Goods Create uniquely SHARP products and expand overseas business <ul style="list-style-type: none"> ● Gain market share with value-added products ● Create new PCI-related products and cultivate B2B business ● Expand Smart Kitchen in Japan and the U.S. ● Transition ASEAN businesses to high-value-added ● Expand sales promotion activities for models produced in our new Indonesian air conditioner plant 	Business Solutions Strengthen solutions business and improve B2B display devices business profitability <ul style="list-style-type: none"> ● Expand smart office business ● Expand MFP business lineup and strengthen product competitiveness ● Expand global sales of digital imaging solutions business 	TV System Improve profitability through more competitive products and supply chain reforms <ul style="list-style-type: none"> ● Expand global sales of XLEDs ● Expand high-value-added lineup ● Strengthen competitiveness of production plants and utilize ODM effectively 	Medium/Small Expand medium-size panel business, maximize/optimize factory utilization <ul style="list-style-type: none"> ● Expand sales for VR ● Expand sales of panels for automotive applications ● Improve profitability of general-purpose panels (for entry-level PCs, etc.) 	Camera Modules Develop new businesses/new customers <ul style="list-style-type: none"> ● Expand sales of devices for the XR market ● Improve profit structure of existing businesses
	Energy Solutions Capture firm demand for renewable energy installations <ul style="list-style-type: none"> ● Expand sales of residential PV/storage batteries ● Win large-scale power generating projects in Asia 	PCs Strengthen domestic B2B business and expand solutions business <ul style="list-style-type: none"> ● Launch new products for B2B business in Japan ● Expand PC management service ● Conduct focused expansion in North America/Asia/Oceania 	Mobile Communications Strengthen the brand power of our smartphone business and expand non-smartphone business <ul style="list-style-type: none"> ● Increase high-end/middle-range handset mix ● Expand sales of new wireless products (routers, etc.) 	Large Engage in business operations with top priority on improving profitability <ul style="list-style-type: none"> ● Manage production and sales activities reflecting panel prices ● Promote category shift 	Sensors/Semiconductors Accelerate developing new business fields <ul style="list-style-type: none"> ● Expand sales of vital sensing devices ● Develop applications of CMOS imagers
	● Smart Appliances & Solutions Business	● Smart Business Solutions Business	● TV System Business ● Mobile Communications Business		
Subsidiaries	● Sharp Energy Solutions Corporation ● Sharp Cocoro Life Inc.	● Dynabook Inc.		● Sharp Display Technology Corporation ● Sakai Display Products Corporation	● Sharp Sensing Technology Corporation ● Sharp Semiconductor Innovation Corporation ● Sharp Fukuyama Laser Co., LTD.

* For more information on major initiatives by business, please also refer to the Management Meeting presentation materials (June 27, 2023).
https://global.sharp/corporate/ir/event/shareholder_meeting/

R&D, Intellectual Property, and Standardization

(As of October 1, 2023)

Research and Development Efforts and Directions



Mototaka Taneya

Executive Managing Officer
Chief Technical Officer,
Head of R&D
Head of Corporate Research &
Development Group,
President of SBPJ

The Corporate Research & Development Group works towards the mission of contributing to achieving a sustainable society by creating and expanding new businesses through the creation of a new ecosystem based on the world's first and best unique technologies that impact society.

The group accelerates new business development in digital healthcare and strengthens efforts to contribute to carbon neutrality through collaboration and cooperation as One SHARP. In doing so, the group aims to implement ESG-focused management. Furthermore, the Corporate Research & Development Group pursues the creation of unique technologies by expanding industry digital transformation solutions through the application of AI technology, which is undergoing ongoing technological innovation.

The group focuses on creating innovative technologies that drive innovation throughout Sharp in addition to building platforms with our unique technologies. Through these efforts, the group aims to further strengthen our technological capabilities.

In addition, our open incubation activities include collaborating with companies that generate technological innovation and supporting startups in developing their businesses. Aiming to develop R&D results into

new business areas, the Corporate Research & Development Group established a specialized task force within the group to pursue collaboration with internal and external parties and we are actively engaged in cross-industry co-creation centered on industry digital transformation.

The group aims to help make society both people and environmentally friendly by tackling the challenge of new business creation and accelerating innovation achievement through the rapid deployment in society of the fruits of development.



Intellectual Property Strategy

Sharp positions its intellectual property strategy as one of the most important management strategies, pursuing it together with business and R&D strategies. We work to enhance our business advantage and strengthen our management foundation by actively obtaining patents. In 2016, we spun off the Intellectual Property Department and established ScienBiziP Japan Co., Ltd. (SBPJ) with the aim of making the department a profit center. SBPJ has thorough knowledge of Sharp products, technologies, and businesses. Utilizing this knowledge, SBPJ will provide advanced services as the company further enforces improvements in the quality and efficiency of professional services. In doing so, SBPJ will enhance the driving force of intellectual property management and generate strong patents and various economic values with the advanced technologies of Sharp.

In regard to patent acquisition, Sharp clarifies the core technological fields for each of our businesses and works closely with the field to make strategic patent applications. We also actively work to obtain useful patents generated through alliances with other companies or industry-academia collaborations.

Standardization Strategy

In recent years, standardization activities have become increasingly important as a tool for corporate management strategies, such as strategies to create markets and secure competitive advantages. At the same time, there is an urgent need in Japan to strengthen competitiveness by acquiring international standards.

In 2003, we established a research institute to acquire patents for wireless communication technology standards and participated in the standardization of LTE launched at the 3GPP*1 meeting in 2004. Since then, we have continued to participate up through the standardization of Beyond 5G. Our stock of more than 6,000 communication standard essential patents in more than 50 countries around the world serves as an important management resource to the company.

Furthermore, we actively engage in international collaborations with overseas companies and universities, focused on pursuing international standardization of next-generation communication and video coding technologies in particular. We also actively send young employees to international conferences to gain various experiences, aiming to develop highly skilled human resources.

Contributions

Contributed to formulating the 5G-Advanced standard specifications

Contributed to the development of the world's first physical layer standard specification for 5G-Advanced, which aims to expand the functionality and improve the performance of 5G (5G-Advanced is expected to be put into practical use in the late 2020s)

Awards

2022 Industrial Science and Technology Policy and Environment Bureau Director-General's Award*2, given to industry standardization projects

Recognized for our contributions to the development of the HEVC/VVC standard used in video transmission around the world as well as the extended standard that enables multi-view video and multi-bit high-precision video recording

*1 Abbreviation for 3rd Generation Partnership Project, an organization that develops international standard specifications for mobile communication systems

*2 The Ministry of Economy, Trade and Industry (METI) sponsors awards in recognition of achievements in activities to promote industrial standardization, such as standard formulation and conformity assessment activities

Financial and Non-Financial Highlights

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31

	Yen (millions)				
	2019	2020	2021	2022	2023
Net Sales	¥2,394,767	¥2,262,284	¥2,425,910	¥2,495,588	¥2,548,117
Domestic sales	719,395	778,976	863,154	817,794	800,315
Overseas sales	1,675,372	1,483,308	1,562,755	1,677,794	1,747,802
Operating Profit (Loss)	77,388	51,464	83,112	84,716	(25,719)
Profit (Loss) before Income Taxes	58,428	32,331	66,442	89,802	(239,043)
Profit (Loss) Attributable to Owners of Parent	64,012	13,726	53,263	73,991	(260,840)
Net Assets	357,331	270,959	364,139	469,269	222,362
Total Assets	1,848,551	1,811,907	1,927,226	1,956,288	1,772,961
Capital Investment	56,461	60,583	91,572	51,719	44,512
R&D Expenditures	108,545	100,591	86,793	86,290	78,712
Per Share Data					
Income (Loss) per share (yen)	100.08	22.47	87.20	121.14	(407.31)
Cash dividends per share (yen)	20.00	18.00	30.00	40.00	—
Net assets per share (yen)	377.53	419.54	573.59	743.70	321.05
Return on Equity (ROE)	17.8%	4.6%	17.6%	18.4%	(78.7%)
Number of Outstanding Shares (Common Shares) (thousands of shares)	531,311	531,307	610,801	610,821	649,273
Number of Employees	54,156	52,876	50,478	47,941	46,200
Ratio of Disabled Employees	2.45%	2.43%	2.46%	2.46%	2.45%
Greenhouse Gas Emissions (thousand tons CO ₂)	1,077	974	951	1,365	1,125

Notes 1: The amount of leased assets is included in capital investment.

2: Income (loss) per share is calculated by dividing profit (loss) attributable to owners of parent by the weighted average number of shares outstanding during the relevant period. For the fiscal years ended March 31, 2019 through 2021, the number of Class C shares, after considering the conversion rate to common shares, is included in the number of shares outstanding for the purposes of calculating the weighted average number of shares during the relevant period, since the dividend priority of the Class C shares is equal to that of the common shares.

3: Number of outstanding shares (common shares) is shown by deducting the treasury shares.

4: Of the 200,000 Class A shares issued, Sharp acquired and canceled 92,000 shares on January 30, 2019 and 108,000 shares on June 21, 2019. The effects of the said acquisition and cancellation of treasury stock are taken into consideration in the income per share for the fiscal years ended March 31, 2019 and 2020.

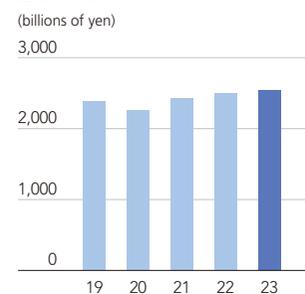
5: Sharp acquired and canceled all the 795,363 Class C shares outstanding in exchange for 79,536,300 common shares on February 26, 2021.

6: Sharp has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended March 31, 2022. The figures for the fiscal years ended March 31, 2022 and thereafter represent those after the application of the said accounting standard and other standards.

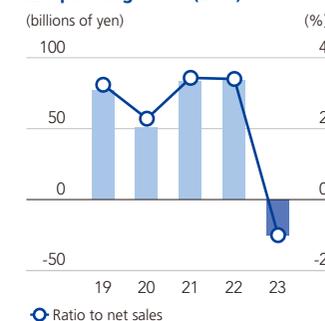
7: Ratio of Disabled Employees includes data for Sharp, special subsidiaries, and group companies as of June 1 for each fiscal year.

8: Sharp made Sakai Display Products Corporation a wholly-owned subsidiary in June 2022. To ensure comparability, greenhouse gas emissions for the fiscal year ended March 31, 2022, include emissions from the company.

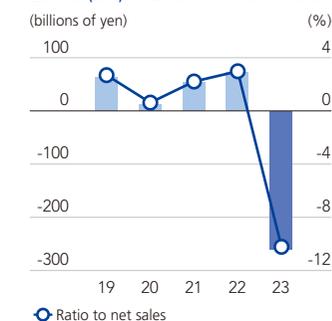
Net Sales



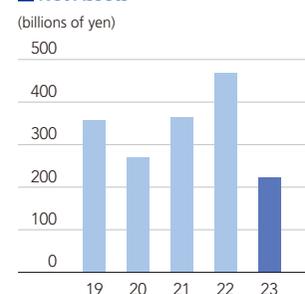
Operating Profit (Loss)



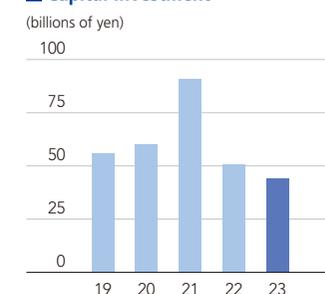
Profit (Loss) Attributable to Owners of Parent



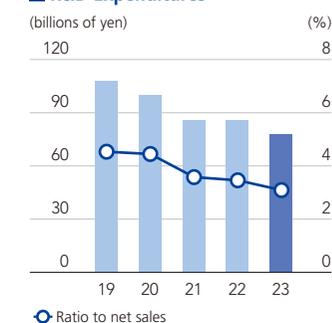
Net Assets



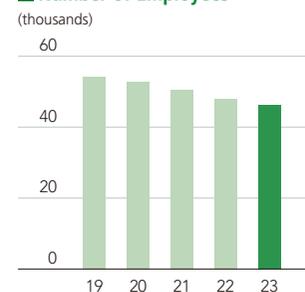
Capital Investment



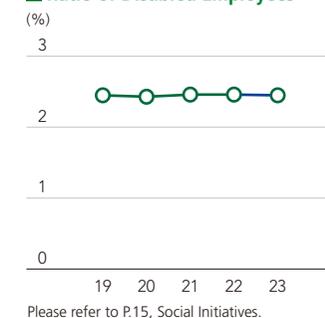
R&D Expenditures



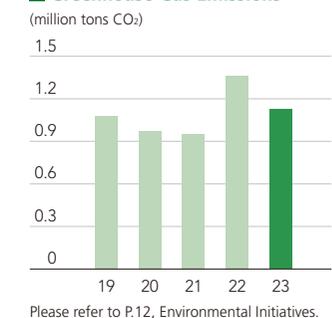
Number of Employees



Ratio of Disabled Employees



Greenhouse Gas Emissions



Please refer to P.15, Social Initiatives.

Please refer to P.12, Environmental Initiatives.

Fiscal 2022 Review

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Year Ended March 31

The global economy continued to recover moderately from the COVID-19 pandemic during the consolidated fiscal year. However, inflation rose due to soaring energy and raw materials prices linked to the situation in Ukraine and other factors. To control inflation, monetary tightening was initiated in various countries, and the spread of financial instability, including the collapse of banks in the United States, has led to an uncertain outlook.

In addition, the business environment for Sharp remained extremely challenging due to the weak yen and deteriorating conditions in the display market.

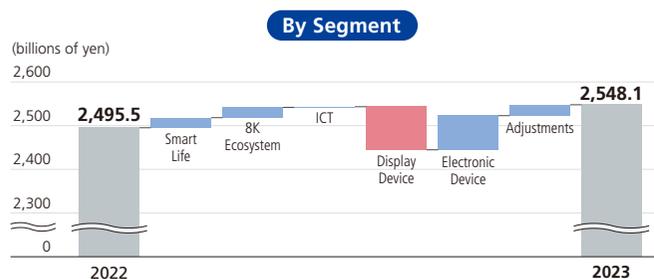
Amid these circumstances, Sharp pursued three initiatives: (1) Strengthen our overseas businesses; (2) Expand into new areas (new products/services, new markets, and new businesses); and (3) Strengthen ability to respond to risks.

Consolidated net sales for fiscal 2022 amounted to 2,548.1 billion yen, up 2.1% year on year, as sales in Smart Life, 8K Ecosystem, ICT, and Electronic Device grew, despite a decline in Display Device sales. Operating loss amounted to 25.7 billion yen, compared with operating profit of 84.7 billion yen in the previous fiscal year. This operating loss was due to a significant decrease in four segments under other, reflecting the impact of the weakening yen and deteriorating display market conditions, despite an increase in Electronic Device profit. Ordinary loss was 30.4 billion yen (ordinary profit of 114.9 billion yen in the previous fiscal year) due to the posting of an operating loss and non-operating losses of 4.7 billion yen, including share of loss of entities accounted for using equity method among other factors. Loss attributable to owners of parent amounted to 260.8 billion yen, compared with profit attributable to owners of parent of 73.9 billion yen in the previous fiscal year. This loss was mostly due to impairment loss of 220.5 billion yen, mainly in Display Device.

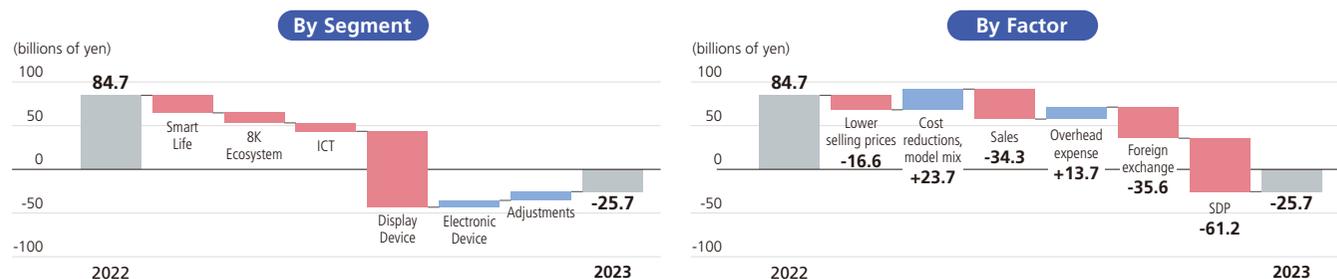
Sharp decided there would be no dividend payment for fiscal 2022, as the company posted a net loss for this period.

- The outlook remained uncertain despite a moderate recovery in the global economy
- The business environment was extremely challenging due to the weak yen and deteriorating conditions in the display market
- Sharp recorded an operating loss and ordinary loss for the first time since fiscal 2015 despite increased net sales from the previous year
- Sharp recorded significant net loss, mainly due to an impairment loss related to Display Device
- No dividend payment for fiscal 2022 due to net loss

Analysis of Changes in Net Sales

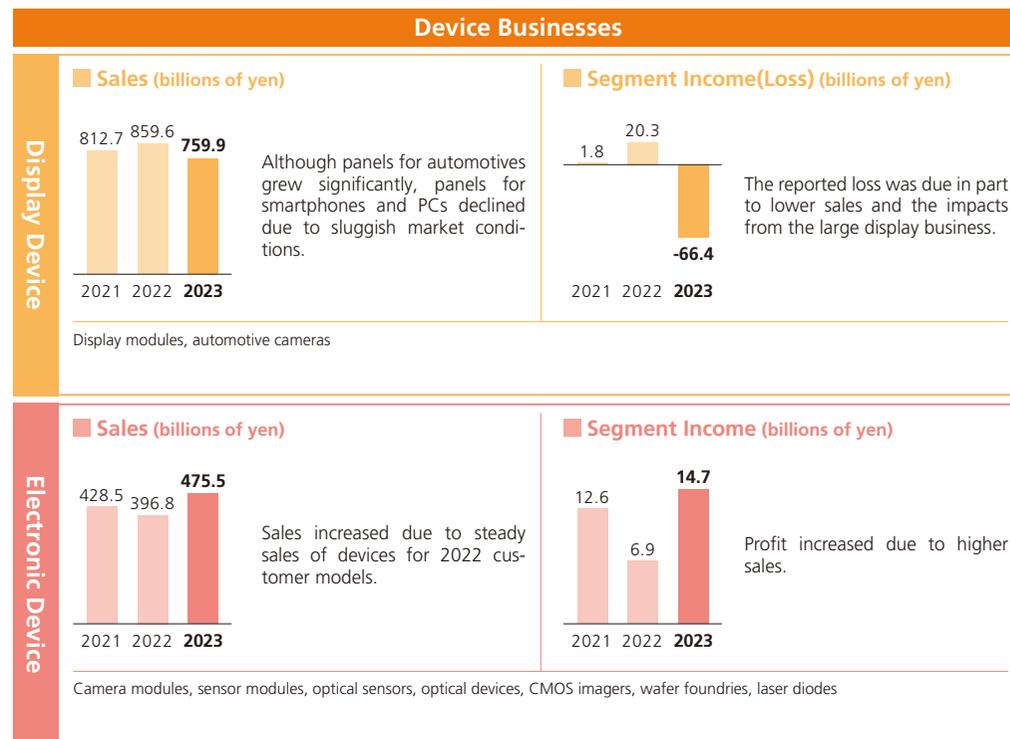
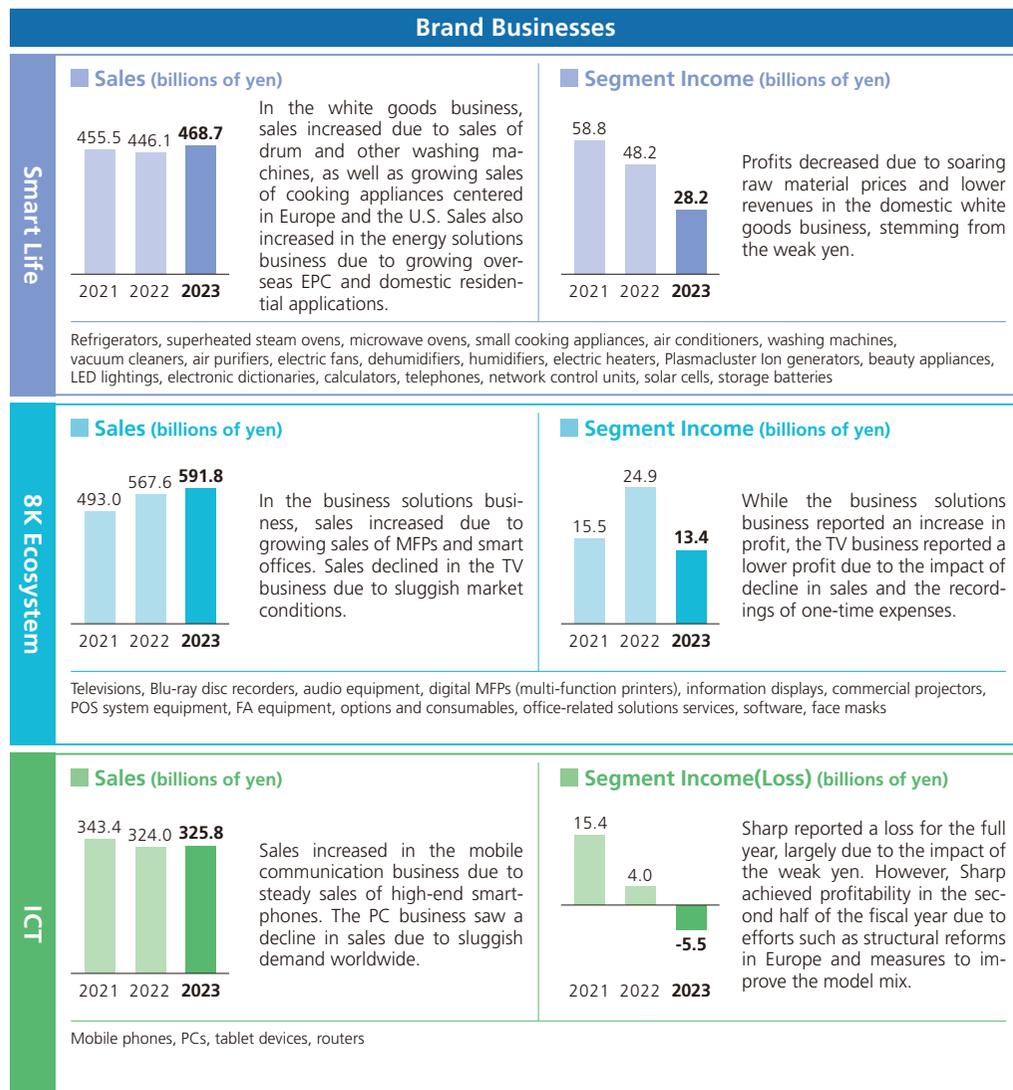


Analysis of Changes in Operating Profit

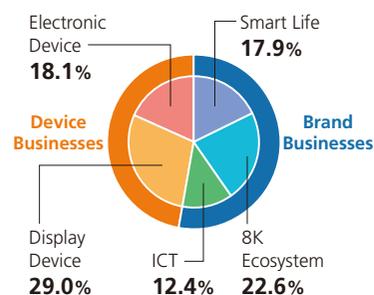


Fiscal 2022 Review

Sales, Segment Income(Loss) by Segment



Sales by Segment



- Sales figures include internal sales between segments. The percentage of sales in pie charts has been calculated accordingly.
- Segment income figures are the amounts before adjustments for intersegment trading.
- Beginning with the consolidated fiscal year ended March 31, 2022, Sharp classified three segments of Smart Life, 8K Ecosystem, and ICT into five segments, consisting of Smart Life, 8K Ecosystem, ICT, Display Device, and Electronic Device. Figures for the fiscal year ended March 31, 2021, have been adjusted to reflect the new classification.
- Beginning with the consolidated fiscal year ended March 31, 2024, Sharp has classified five segments, consisting of Smart Life & Energy, Smart Office, Universal Network, Display Device, and Electronic Device. (Please refer to P.2 to P.4.)

Sustainability



See the following for more information on sustainability.
<https://global.sharp/corporate/eco/management>

Basic Approach to Sustainability

As stated in our business philosophy, the founding spirit of Sharp aims to contribute to the culture, benefits, and welfare of people throughout the world and expects mutual prosperity with all who cooperate with Sharp. Based on this spirit, our basic approach to Sustainability is to answer the expectations of society and our stakeholders, aiming for the sustainable development of both Sharp and society.

To embody this business philosophy and business creed*¹, we established the Sharp Group Charter of Corporate Behavior as a code of conduct for group companies and the Sharp Code of Conduct*² for all directors, executives, and employees. We work to ensure each officer and employee is thoroughly informed of these policies.

*1 See below for more about our business philosophy and business creed.
<https://global.sharp/corporate/info/philosophy/>

*2 See below for more about the Sharp Group Charter of Corporate Behavior and Sharp Code of Conduct.
<https://global.sharp/corporate/info/charter/>

Sustainability Strategy and Promotion Structure

Sharp takes initiative to achieve the Sustainable Development Goals (SDGs). We set our medium- to long-term vision as contributing to the achievement of these goals based on our basic approach to sustainability. The SDGs were adopted by the United Nations in September 2015 and set high expectations for companies.

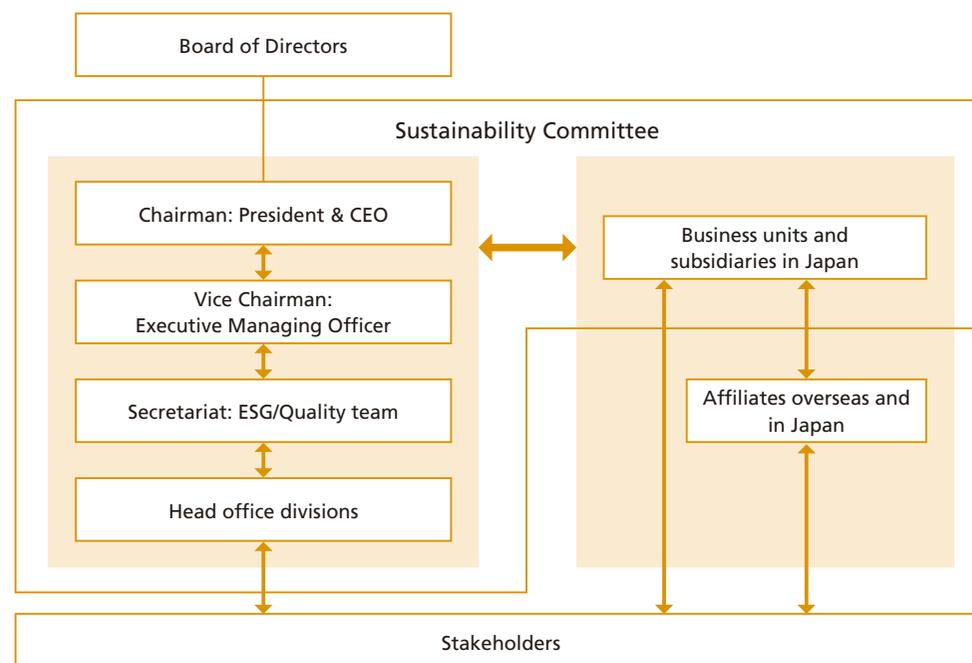
In fiscal 2018, we accelerated our efforts to realize this medium- to long-term vision by aiming to contribute to the achievement of the SDGs through both “solving social issues through business and technological innovation” and “reducing the burden on society and the environment through sustainable business activities” as our basic strategy for sustainable management.



To reduce these strategies to actionable measures managed via the PDCA cycle, Sharp launched the Sustainability Committee. The committee is chaired by the Representative President and CEO, and consists of senior executives, headquarters functional divisions (e.g., environment/HR/procurement), business units, and subsidiaries. This committee deliberates and pursues various measures, implements policies and vision, and conducts activities that include communicating the latest trends related to social issues. In addition, the committee reports important policies and decisions to the Board of directors.

Organization for Sustainability Management

(As of August, 2023)



Materialities

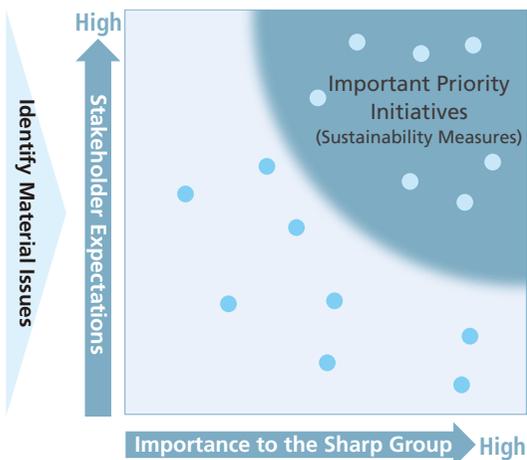
There are successive announcements of international medium- to long-term goals aimed at resolving global social issues, such as the SDGs and the Paris Agreement*. Amid growing concern about human rights issues, such as forced labor in global supply chains, expectations for corporate sustainability initiatives are further increasing.

Against this background, we identify and make efforts in materialities to promote sustainable management from both the perspectives of contributing to the resolution of global social issues and achieving medium- to long-term growth for the Sharp Group.

In identifying materiality, we take into account international guidelines and principles, such as the UN Global Compact, SDGs, and RBA vision and mission, in addition to our management policies and business strategies. We also consider opinions and expectations from various stakeholders, the impact of our business activities on stakeholders, and evaluation results from ESG rating and rating agencies.

Process for Identifying Material Issues

- Management Policy and Business Strategy**
 - Business Philosophy and Business Creed
 - Be Original. • ESG-focused management policies
 - Business vision • Medium-term management plan, etc.
- International Guidelines and Principles**
 - United Nations Global Compact • SDGs • ISO26000
 - United Nations Universal Declaration of Human Rights
 - United Nations Guidance Principles on Business and Human Rights
 - RBA Vision & Mission
 - Other industry codes of conduct, etc.
- Stakeholder Opinions and Expectations**
 - Feedback and opinions from stakeholders through dialogue
 - Assessing the impact of business activities on stakeholders
 - Survey results from various ESG institutions, etc.



Identified materialities are mapped based on the level of stakeholder expectations and level of importance to the Sharp Group. Topics that are prioritized at the company-wide level are then determined to be sustainability measures.

Each business unit and subsidiary sets targets, goals, KPIs, and action plans for each measure. We review the performance and status of these initiatives at the Sustainability Committee, which meets semiannually.

FY2023 Company-Wide Sustainability Measures

Sustainability measures	Related SDGs
Pursue energy-saving products	7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
Reduce the use of virgin plastic in products and packaging materials	8 DECENT WORK AND ECONOMIC GROWTH, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 14 LIFE BELOW WATER
Create sustainable products	7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
Reduce greenhouse gas emissions from business activities	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 13 CLIMATE ACTION
Reduce waste emissions from business activities	6 CLEAN WATER AND SANITATION, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Reduce ESG risks at company-owned factories in Japan and overseas	1 NO POVERTY, 3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY, 6 CLEAN WATER AND SANITATION, 7 AFFORDABLE AND CLEAN ENERGY
Reduce ESG risks in the supply chain	8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

* Multilateral international consensus agreement on climate change control adopted at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) in Paris in 2015. States that efforts will be pursued to keep the increase in global average temperature well below 2°C above pre-industrial revolution levels as well as to limit the increase to 1.5°C.

Environmental Initiatives



See the following for more information on Sharp's environmental activities.
<https://global.sharp/corporate/eco/environment/>

The SHARP Eco Vision 2050, Our Long-Term Environmental Vision

Global environmental issues such as climate change, resource depletion, and the problems presented by plastic waste are becoming more serious and are recognized as important issues among the international community. Under these circumstances, global movements aimed at resolving social issues are accelerating, such as those designed to respond to Sustainable Development Goals (SDGs) and carbon neutrality^{*1}, as well as initiatives to realize a circular economy^{*2}.

In 2019, Sharp established its long-term environmental vision *SHARP Eco Vision 2050* based on its principal environmental philosophy of "Creating an Environmentally Conscious Company with Sincerity and Creativity," which was established in 1992. Our aim is to realize a sustainable global environment by setting long-term goals for 2050 in the three areas of climate change, resource recycling, and safety and security.

Furthermore, in order to realize our long-term environmental vision, we are formulating "medium-term environmental goals" that set specific initiatives and quantitative goals for each area^{*3}. With respect

to climate change, we set a target of reducing CO₂ emissions by 40% by 2030 and 60% by 2035. Our aim is to achieve net zero CO₂ emissions arising from our own business activities by 2050^{*4}.

Sharp is engaged in initiatives to solve social issues and sustainably raise corporate value. We are doing so by working more closely with our stakeholders through corporate and environmental conservation activities.

*1 A state in which the total amount of greenhouse gas emissions minus the absorption volume is effectively zero.

*2 An economic system in which discarded products and raw materials are considered as new resources and in which resources are circulated without generating waste products.

*3 See below for more about our medium-term environment goals.
https://global.sharp/corporate/eco/environment/climate_change/#anc01

*4 Compared with fiscal 2021. Includes post-2021 emissions of Sakai Display Products Corporation (SDP), which became a wholly owned subsidiary in June 2022.

Long-Term Environmental Targets

Toward achieving the *SHARP Eco Vision 2050*, we have defined long term goals in the three following areas to generate clean energy in excess of energy consumed and minimize the environmental impact of corporate activities on the global environment.

Climate Change



Throughout our history, Sharp has endeavored to reduce the energy we use as an organization, while making more energy-efficiency products to help reduce the amount of energy consumed in the home and by society.

As our founder, Tokuji Hayakawa, said, "Everything we produce uses electricity. As we become a bigger company, we will be responsible for using more electricity, so I propose that we also begin making electricity." Following this course, Sharp began development of solar cell, striving to popularize photovoltaic power generation for more than 50 years.

As a company that makes products that use electricity, we must take responsibility for the environmental impact of this electricity usage.

Sharp supports the global goal of achieving carbon neutrality, and we have set ourselves the challenge of meeting the following two goals by 2050 in our own activities and throughout the supply chain as a whole, so that we can achieve a decarbonized society.

Goals

- Achieve net zero CO₂ emissions due to our own business activities
- Generate clean energy in excess of the energy consumed throughout our supply chain

Resource Recycling



Sharp has created new products that offer a variety of value to the world. At the same time, we have used many of the world's resources.

Our desire is to continue to offer a variety of value to our stakeholders amid the constraints of limited resources.

Sharp intends to reach new levels of effective resource use, maximizing value from minimal resources and constructing a circular economy. We have defined two goals to achieve by the year 2050 in efforts to create a recycling-oriented society.

Goals

- Eliminate the use of new mined resources* in products
- Eliminate final disposal of waste products generated through our business activities

*Excludes those items not suitable for recycling from an environmental standpoint

Safety and Security



Sharp factories use a variety of chemical substances in the product manufacturing process. Our products also contain a variety of chemical substances. Chemical substances include substances that have a negative impact on the human body, the environment, and ecosystems. Accordingly, these chemicals must be managed in a careful and detailed manner.

Sharp corporate activities must not do harm to human health, the global environment, or ecosystems.

Sharp follows current international standards, as well as our own standards oriented toward the future, for the strict management of these relevant chemical substances. We are striving to eliminate any chemicals that harm human health, the global environment, or ecosystems.

Goals

- Conduct proper management of chemical substances to protect human health, the global environment, and ecosystems

Environmental Initiatives

Information Disclosure based on TCFD

Addressing TCFD Recommendations

The Task Force on Climate-Related Financial Disclosures (TCFD) formed by the Financial Stability Board (international body that works toward financial systems stability) put forth recommendations that companies disclose information on the risks and opportunities presented by climate change in 2017. Sharp declared its support for the recommendations of the TCFD, and intends to expand disclosure of information regarding climate change in accordance with the TCFD framework.



1. Governance

The Representative President and CEO, who chairs the Sustainability Committee^{*1}, has the responsibility for monitoring and supervising climate-related issues. The Sustainability Committee consists of the committee chair, senior management, headquarters functional divisions, business units, and subsidiaries. The Committee is responsible for the thorough implementation of policies and vision on ESG, including those on climate change. They also deliberate and promote measures and share the latest trends in social issues.

Through monitoring and review by management at committee meetings, Sharp continuously strengthens climate change action to play a part in making society sustainable.

2. Strategy

Sharp considers climate change as one of our medium- to long-term risks and opportunities. We explore strategies and organizational resilience in light of related risks and opportunities. We conducted a scenario analysis referring to climate change scenarios (1.5°C scenario^{*2} and 4°C scenario^{*3}) by the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC) to consider long-term impacts up to the year 2050.

Details of each risk and opportunity, as well as the measures taken to address them, are summarized on the following page, P.13.

3. Risk Management

Based on the Business Risk Management Guidelines which defines the basic concept of business risk management, Sharp manages and assesses risks, including climate-related risks, in an integrated manner. We identify high-probability climate risks by analyzing projected future climate scenarios. We report the details of the analysis to senior management and the Internal Control Planning Division (secretariat of the Risk Management Office) as necessary. Measures for improvement are discussed among the related departments.

4. Metrics and Target

Sharp set a medium-term environmental target of reducing CO₂ emissions by 60%^{*4} by 2035 to achieve its long-term environmental vision *SHARP Eco Vision 2050*, which includes “net zero CO₂ emissions arising from our own business activities. This target is in compliance with the SBT 1.5°C target and aims to reduce CO₂ emissions by 4.2% or more per year.

Progress towards Reducing of Greenhouse Gas Emissions (Fiscal 2022)

Base year (Fiscal 2021 results ^{*4})	Fiscal 2035 targets (60% reduction over fiscal 2021)	Fiscal 2022 results	Vs. base year
1,365 thousand tons CO ₂	546 thousand tons CO ₂	1,125 thousand tons CO ₂	17.6% reduction

*1 Please refer to P.9.

*2 Referenced the IEA Net Zero Emission 2050 Scenario and the IPCC Sixth Assessment Report (AR6) SSP1-1.9 scenario, etc.

*3 Referenced the IPCC Fifth Assessment Report (AR5) RCP8.5 scenario

*4 Compared to fiscal 2021. To ensure comparability, Sharp retroactively included emissions from Sakai Display Products Corporation to the fiscal 2021 base year since the company became a subsidiary in June 2022.

Environmental Initiatives

Disclosures Based on the TCFD Recommendations

Business Risks and Opportunities; Sharp's Response

Scenario	Factors	Changes	Impact on Sharp	Risks and opportunities	Degree of influence	Time frame of impact*	Sharp's response	
1.5°C	Introduction of carbon pricing	Increase in procurement costs of raw materials	Pass on of purchase prices resulting from an introduction of a carbon tax on our purchased products	Risks	Large	Short term	<ul style="list-style-type: none"> ● Explore raw materials with low greenhouse gas (GHG) emissions ● Develop suppliers that strive to reduce their environmental impact ● Optimize purchase volume (further control inventories) 	
		Increase in cost of direct operations	Increase in expenditures resulting from an introduction of a carbon tax on our Scope 1 and 2 emissions	Risks	Large	Short term	<ul style="list-style-type: none"> ● Reduce GHG emissions by saving energy ● Pursue investment in low-carbon emission facilities through the introduction of internal carbon pricing 	
	Pressure to decarbonize and pursue environmental friendliness in the supply chain	Reduced competitiveness through inability to meet users' environmentally-friendly needs	Decrease in sales due to failure to meet users' expectations regarding environmental friendliness	Risks	Medium	Short term	<ul style="list-style-type: none"> ● Understand market needs through continuous communication with users ● Continue research and development on saving energy 	
		Increase in cost of switching to environmentally-friendly materials	Increase in costs accompanying the switch to low-carbon electric furnace materials, recycled plastics, biomass plastics, and other materials	Risks	Medium	Medium Term	<ul style="list-style-type: none"> ● Find sources of low-cost, environmentally friendly materials ● Maintain consumer price elasticity through external disclosure of company use of environmentally friendly materials 	
		Increase in energy procurement costs due to the switch to renewable energy	Increase in costs due to in-house power generation, Power Purchase Agreements (PPAs), the switch to renewable energy, and purchase of environmental value certificates	Risks	Small	Medium Term	<ul style="list-style-type: none"> ● Reduce GHG emissions by saving energy ● Explore partners to pursue low-cost PPAs and renewable energy 	
	Market expansion for renewable energy	Growing demand for solar power-related products and systems from renewable energy power generation providers and users	Increased potential for revenue growth through expanding Sharp products and systems	Opportunities	Medium	Short term	<ul style="list-style-type: none"> ● Continue to develop solar power-related products and systems in response to market demand 	
		Growing demand for net zero energy houses (ZEHs)	Increased potential for revenue growth through strengthening the provision of fixed-price solar power generation services and home energy management systems (HEMS) for residential use	Opportunities	Medium	Short term	<ul style="list-style-type: none"> ● Provide energy solutions (systems and services) that meet market demand 	
	Expansion of our environmental protection business	Expansion of circular economy business models	Increase in customer support through the establishment of a waste-free circular economy business model amid growing social efforts to decarbonize	Opportunities	Small	Medium Term	<ul style="list-style-type: none"> ● Encourage recycling of waste plastics through the use of self-circulating material recycling technologies and other methods ● Proactively create new business opportunities through ongoing information collection of solar cell recycling 	
	4°C	Intensifying weather disasters	Supply chain disruptions	Loss of sales opportunities from damaged suppliers and sites, as well as impacts to our supply chain due to intensifying weather disasters	Risks	Medium	Long Term	<ul style="list-style-type: none"> ● Make multiple purchases from multiple suppliers ● Survey the status of business continuity plans (BCPs) at major suppliers and strengthen their countermeasures ● Further improve BCPs at our own sites

* We expect manifestations to begin in the following time frames:

Short term: three years or less; medium term: by around 2030; long term: by around 2050

Social Initiatives

Promoting CSR across the Entire Supply Chain

The Sharp Group Charter of Corporate Behavior stipulates that Sharp does not sanction any form of forced labor, including child labor, and supports its effective abolition. Based on this policy, we have formulated and published the SHARP Supply-Chain CSR Deployment Guidebook in accordance with the RBA Code of Conduct, and, in our basic agreements for ongoing transactions, have established mandatory compliance with Guidebook-based CSR initiatives for our suppliers.

In order to identify, assess, and appropriately address CSR risks such as forced labor in the supply chain, we conduct CSR/green procurement surveys for each of our suppliers' plants on a regular basis in accordance with the RBA Self-Assessment Questionnaire. We also provide feedback on assessment results and ask suppliers with plants that scored low in any area to submit improvement plans. In this way, we work to enhance CSR initiatives. In fiscal 2022, we conducted CSR/green procurement surveys at 409 bases of 93 companies in Japan*.

We will continue to strengthen our CSR efforts throughout the supply chain, aiming to build a globally responsible supply chain.

* Information pertaining to the evaluation distribution status of CSR/green procurement surveys can be found on the following website.
<https://global.sharp/corporate/eco/social/procurement/#anc02>

Human Rights Due Diligence Initiatives for the Supply Chain

In recent years, expectations and demands related to supply chain due diligence initiatives have been increasing in light of the emergence of human rights and environmental risks in the global supply chain, as well as the strengthening of related laws, regulations, and import/export restrictions in various countries.

Sharp joined the RBA officially in December 2021. We are now strengthening related initiatives while utilizing RBA tools and mechanisms. One such initiative is our use of the RBA e-learning Academy. The academy has been providing employees with a deeper understanding of international CSR standards since February 2022.

We also assess the risk of human rights violations through the aforementioned CSR/green procurement surveys. As a result of these efforts, we have not identified any serious problems such as forced labor or child labor in our supply chain. However, in the unlikely event that a problem such as a human rights violation is identified, we will immediately take the necessary corrective and relief measures in consultation with our suppliers based on our agreement. If no improvement is expected, we will take strict measures including suspending transactions.

Sharp is also working to strengthen our grievance-handling mechanism. We established the Crystal Hotline, our whistleblowing contact desk, on our external website to receive reports from suppliers and other stakeholders. In October 2022, we joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) to establish a mechanism that enables a wide range of stakeholders in the global supply chain to file human rights grievances in both Japanese and English.



See the following for more information on CSR procurement.
<https://global.sharp/corporate/eco/social/procurement/>
 See the following for more information on quality.
https://global.sharp/corporate/eco/social/customer_satisfaction/

Initiatives for Responsible Mineral Procurement

In recent years, in addition to legal frameworks such as the U.S.'s Dodd-Frank Wall Street Reform and Consumer Protection Act and the EU's Conflict Minerals Convention, the scope of responsible mineral procurement has been expanding in terms of minerals, regions, and risks. Society demands that companies practice responsible mineral procurement from CSR perspectives against the backdrop of child labor and environmental destruction at mineral mining sites. Sharp's basic policy is to take appropriate measures to ensure that we are neither complicit in human rights abuses or environmental destruction nor interfering with sound and legitimate local business activities in our supply chain for procuring minerals mined in conflict-affected and high-risk areas.

Under this basic policy, we established an investigation system at each of our major business units and manufacturing subsidiaries. Through our membership in industry associations such as the Responsible Minerals Initiative (RMI) and Japan Electronics and Information Technology Industries Association (JEITA), we monitor the latest global trends and pursue relevant measures based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Furthermore, the Sustainability Committee*, chaired by the Representative President and CEO, designates responsible mineral procurement as a key theme for initiatives and monitors the progress of related measures.

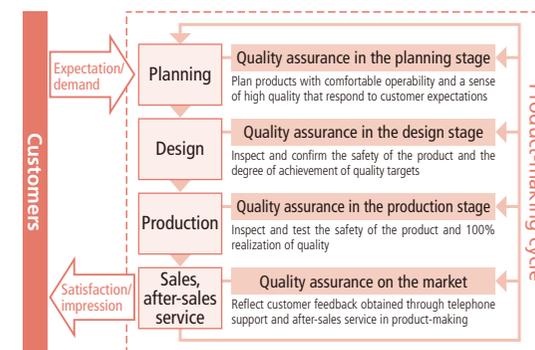
* Please refer to P.9.

Ensuring Quality and Safety

To gain customer trust and improve satisfaction, Sharp responds to customer needs and demands, offering high-quality products and services that are safe, reliable, and environmentally conscious.

Quality Assurance System

Sharp specifies the quality levels we promise to customers, thereby ensuring all employees in every department involved in product planning, design, production, sales, and after-sales service continue to strive for improved quality.



Social Initiatives

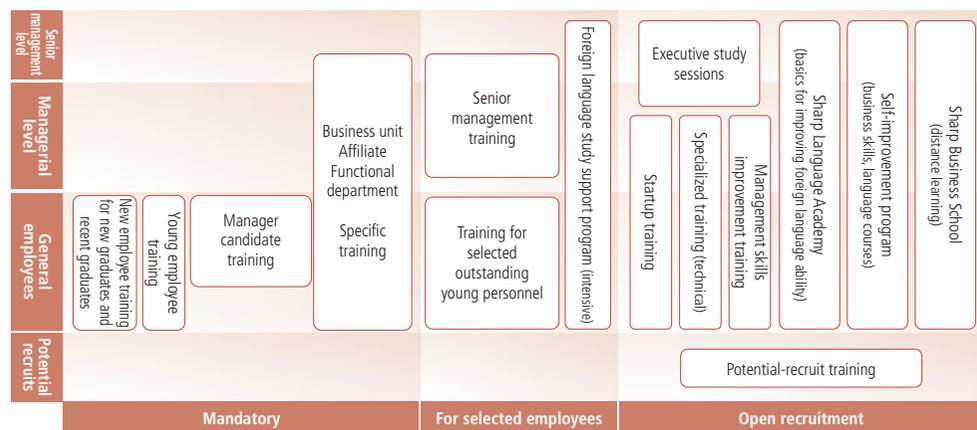


See the following for more on human resources development, diversity management, work-life balance, and other related information and indicators.
<https://global.sharp/corporate/eco/social/>

Human Resource Development

Sharp conducts a variety of human resources development programs aimed to improve quality and expand the breadth of the abilities of each employee. Through these programs, we nurture young employees, develop the next generation of leaders, raise the skill level of each employee, and implement other measures for improvement.

We provide various training programs for employees in accordance with their stage of growth, such as training by job level, to equip them with the knowledge, skills, and mindset necessary for each milestone. Other training includes management training to develop management personnel who will lead the future company. In fiscal 2022, Sharp began offering courses for young talented managers to develop our next-generation leaders. These courses hone in on the qualities necessary to become management executives. We also held new business proposal meetings to foster the mindset of creating new businesses.



We strive to cultivate an environment in which employees can pursue independent learning whenever and wherever they are, in order to build up the basic business knowledge and expertise that they need as professionals. For example, we offer various types of study content, such as management skills training for employees to acquire basic business knowledge and skills that all employees should know. Contents also include technology seminars to teach the basics of technology, mainly aimed at young engineers.

In addition to group training, Sharp provides an e-learning environment for management skills improvement training and study sessions to actively support employee self-development and growth.

Through these initiatives, Sharp aims to create a climate of mutual teaching and learning through sustained personnel, education, and training systems, transforming into a strong company.

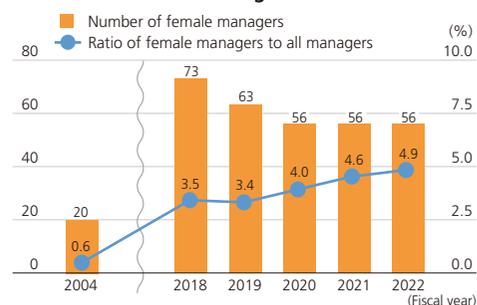
Diversity Management

Sharp's approach to diversity is clearly stated in its Business Philosophy: "It is the intention of our corporation to grow hand-in-hand with our employees, encouraging and aiding them to reach their full potential and improve their standard of living." Through mutual respect of individual employee personalities, we aim to create new value, leading to the proposal of services and development of new lifestyle products that we, alongside our customers, will use to build the stepping stones toward our future.

Diversity management is a human resources strategy for utilizing a diverse range of employees; it is also a business strategy.

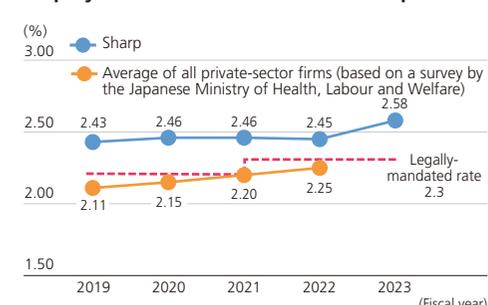
The Sharp Code of Conduct states, "In any corporate activities, including employment practices such as hiring, payment, promotion, opportunities for training and the like, we do not take any action that constitutes discrimination based on nationality, race, ethnic group, color, sex, physical health, pregnancy, sexual orientation, age, marital status, religion, creed, social status, birth, property, bodily feature, physical or mental disability, political opinion, and the like," and that, "We will actively take part in efforts to enhance the work environment where employees with diverse characteristics can fully demonstrate their abilities." This is what Sharp is actively working towards, giving individual consideration based on need.

Number of Female Managers



Data for Sharp Corporation as of March 31 in each fiscal year

Employment Rate of the Disabled in Japan



Data for Sharp, special subsidiaries, and group companies as of June 1 for each fiscal year

Work-Life Balance Initiatives

Creating a workplace that fosters job satisfaction is a foundation for promoting diversity. As such, we expand and encourage the use of systems that help employees balance work with childcare, nursing care, and medical treatment to provide them with a good work-life balance. We offer childcare support and encourage employees' continuous participation in childcare. Many Sharp employees, both male and female, use leave, vacation, and other systems for childcare.

Sharp also implements No Overtime Days and encourages employees to plan for and use annual paid leave to establish an efficient and balanced work style for all employees.

Corporate Governance

Basic Concepts

Sharp's business philosophy contains this statement: "Our future prosperity is directly linked to the prosperity of our customers, dealers and shareholders... indeed, the entire Sharp family." Under this philosophy, Sharp's basic concept concerning corporate governance is to maximize corporate value through swift and accurate management that preserves transparency, objectivity and soundness.

Based on this stance, Sharp appoints outside directors who have deep insight and a wealth of experience in the fields of social and economic trends, management, and so forth. In the institutional design of the company, we have chosen to become a company with an audit & supervisory committee. This format increases the agility

of our decision-making, while strengthening oversight of the execution of duties.

With regard to the execution of business, Sharp separates the supervisory and decision-making functions from the business execution functions through the introduction of the Executive Officers System. This system enables the prompt, efficient, and consistent conduct of business. Sharp has also organized its business structure by decentralizing management to clarify the profit responsibilities of each business unit. In this way we have been strengthening our individual businesses and operations, exercising control through the CEO's Office and the Business Strategy Planning Office, organizations within our headquarters.

Status of Corporate Governance System

Sharp's corporate governance system comprises the Board of Directors, which supervises directors' execution of duties, and the Audit & Supervisory Committee, which audits the directors' execution of duties, together with Executive Officers System which separates the supervisory and decisionmaking functions from the business execution functions.

Meetings of the Board of Directors of Sharp Corporation are as a rule held on a monthly basis to make decisions on matters stipulated by law and management-related matters of importance, as well as to supervise the state of business execution. The Company also has an Internal Control Committee, the Compensation Committee, and the Nominating Committee. These committees serve as advisory bodies to the Board of Directors. In addition, important transactions between the parent company group and Sharp Group are reviewed and approved by the Board of Directors, the majority of whom are independent outside directors, to determine the necessity, rationality, and appropriateness of the transaction in

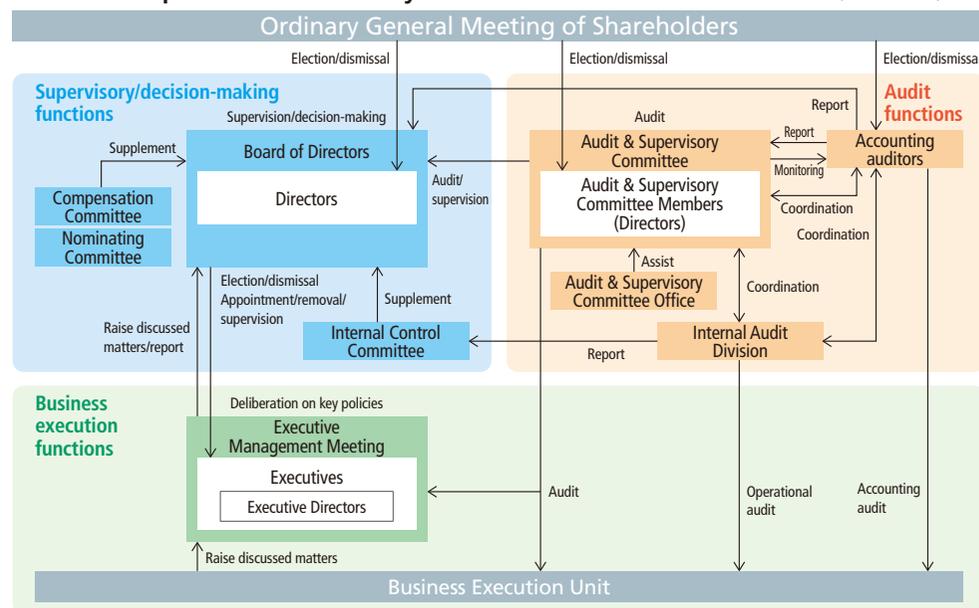
question before being submitted to the Executive Management Meeting for decision.

In addition to the Board of Directors, the Company has set up an Executive Management Committee whose members are executive officers (CEO, executive vice president, CFO). The Executive Management Meeting deliberates in an appropriate and timely manner on matters of importance related to corporate management and business operations. This committee facilitates prompt executive decision-making.

The Audit & Supervisory Committee is comprised of three directors, all of whom are outside directors having high levels of professional knowledge. Two of the Audit & Supervisory Committee members are independent directors and one member is a full-time Audit & Supervisory Committee member. The Audit & Supervisory Committee members hold regular meetings with executive directors, accounting auditors, the head of the Internal Audit Division and others to exchange opinions and endeavor to ensure that business is conducted legally, appropriately, and efficiently.

Status of Corporate Governance System

(As of June 28, 2023)



Organization Membership

(◎ : Committee chair) (As of October 1, 2023)

Title	Name	Bord of Directors	Audit & Supervisory Committee	Executive Management Meeting	Nominating Committee	Compensation Committee	Internal Control Committee
President & CEO, Member of the Board	Po-Hsuan Wu	◎		◎	○	○	◎
Executive Vice President, Member of the Board	Masahiro Okitsu	○		○			○
Member of the Board(Outside Director)	Limin Hu	○					
Member of the Board(Outside Director)	Steve Shyh Chen	○					
Member of the Board(Outside Director)*	Hsu-Tung Lu	○	◎				○
Member of the Board(Outside Director)*	Yasuo Himeiwa	○	○		○	○	○
Member of the Board(Outside Director)*	Yutaka Nakagawa	○	○		◎	◎	○
Executive Vice President & CFO	Hsin-Shu Chen			○			○
Executive Managing Officer	Taimi Oketani			○			
Executive Managing Officer	Yoshio Kosaka			○			○
Executive Managing Officer	Chien-Erh Wang			○			
Executive Managing Officer	Mototaka Taneya			○			
Executive Officer	Yasufumi Sugahara			○			
Executive Officer	Tetsuji Kawamura			○			
Executive Officer	Yoshiro Nakano			○			

* Member of Audit & Supervisory Committee

Appointment of Outside Directors

(As of June 28, 2023)

Name	Member of Audit & Supervisory Committee	Independent Director	Reason for selection	Attendance at Board/Committee in fiscal 2022 (Meetings attended/No. of meetings held)
Hsu-Tung Lu	○		Mr. Lu has worked for many years in accounting operations. Given his wealth of experience and knowledge based on his professional experience, we have determined that he is well suited to serve as an outside director at Sharp.	Board of Directors (13/13) Audit & Supervisory Committee (18/18)
Yasuo Himeiwa	○	○	Mr. Himeiwa has worked for many years in the accounting business. Given his wealth of professional experience and knowledge, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Himeiwa as an independent director based on the Standards for Independence of Outside Directors.	Board of Directors (13/13) Audit & Supervisory Committee (18/18) Nominating Committee (3/3) Compensation Committee (6/6)
Yutaka Nakagawa	○	○	Mr. Nakagawa has worked for many years in the audio visual equipment and semiconductor businesses, etc. Given his experience in corporate management as an executive officer and his wealth of professional experience and knowledge, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Nakagawa as an independent director based on the Standards for Independence of Outside Directors.	Board of Directors (13/13) Audit & Supervisory Committee (18/18) Nominating Committee (3/3) Compensation Committee (6/6)
Limin Hu		○	Mr. Hu has been involved in management as a co-founder of the FinTech company Ellie Mae Inc. Given his wealth of experience and knowledge, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Hu as an independent director based on the Standards for Independence of Outside Directors.	—
Steve Shyh Chen		○	Mr. Chen has been involved in the founding of many businesses, including YouTube Inc. Given his wealth of experience and knowledge as an entrepreneur, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Chen as an independent director based on the Standards for Independence of Outside Directors.	—

Director Remuneration

Disclosure Status of Remuneration for Each Director, and Policy for Deciding Remuneration Amount or Calculation Methods

Regarding remuneration for directors (excluding directors on the Audit & Supervisory Committee), the Ordinary General Meeting of Shareholders, held June 27, 2023, resolved to cap cash remuneration at ¥500 million per fiscal year (of which a maximum of ¥50 million may be paid to outside directors).

The Company grants restricted stock as nonmonetary remuneration or stock acquisition rights as stock options to directors, up to a limit of ¥300 million (150,000 shares or 1,500 units) per fiscal year, of which a maximum of ¥30 million (15,000 shares or 150 units) may be granted to outside directors. This allows us to better align values between Sharp directors and shareholders, as well as to strengthen the sense of responsibility and increase motivation related to corporate performance.

The Compensation Committee, delegated authority by the Board of Directors, determines monetary remuneration for individual directors (excluding members of the Audit & Supervisory Committee) within the scope approved by the Ordinary General Meeting of Shareholders. The Compensation Committee provides advice regarding nonmonetary remuneration, which is determined by a resolution of the Board of Directors in consideration of said advice.

Monetary remuneration is limited to ¥100 million per fiscal year for directors who are Audit & Supervisory Committee members per resolution of the Ordinary General Meeting of Shareholders, held June 29, 2021.

To better align values between Sharp directors who are members of the Audit & Supervisory Committee and shareholders, the Company grants restricted stock as nonmonetary remuneration separate from the framework for monetary remuneration to directors who are members of the Audit & Supervisory Committee, up to a limit of ¥60 million (30,000 shares) per fiscal year. This remuneration is designed to improve a greater awareness of the need for complete and comprehensive audits, to prevent loss of corporate value, and to maintain trust in the company.

The Ordinary Meeting of General Shareholders approves the scope of monetary and nonmonetary remuneration for individual directors who are members of the Audit & Supervisory Committee, the amounts of which are then determined according to discussions among directors who are members of the Audit & Supervisory Committee.

Remuneration, etc., for Sharp directors (excluding directors who are members of the Audit & Supervisory Committee) for the fiscal year ended March 31, 2023 was ¥183 million (six directors, including three directors who retired during the term). Remuneration, etc., for directors who are members of the Audit & Supervisory Committee was ¥67 million (three outside directors).

The company does not disclose remuneration for individual directors.

Ongoing Development of the Internal Control System

In May 2006, the Board of Directors passed a resolution to adopt the Basic Policy for Internal Control (final revision in August 2022). Sharp is currently engaged in the development and operation of internal control systems in accordance with this Basic Policy. The Internal Control Committee, which serves as an advisory body to the Board of Directors, deliberates on basic policies regarding internal controls, internal audits, and the status of internal controls-related policies and operations. The committee reports on or refers matters to the Board of Directors as necessary. Sharp has established departments to supervise and implement measures and initiatives related to internal controls on a company-wide

basis. Sharp has also established an independent internal audit division to evaluate the effectiveness of internal control and provide feedback on a continuing basis.

To enhance compliance throughout the Group, Sharp introduced the Sharp Group Charter of Corporate Behavior, a set of principles to guide corporate behavior, and the Sharp Code of Conduct, which clarifies the conduct expected of all directors, executives, and employees of Sharp. Disseminating these throughout the Company and conducting annual trainings fosters a mindset of preventing problems before they occur. In accordance with the basic rules of compliance, Sharp is also developing a companywide

compliance promotion system. Sharp is also formulating the Sharp Group Compliance Guidebook which points out specific standards for items to be observed, prohibited items, and actions to be taken by all directors, executives, and employees. This is being provided to the whole company in order to ensure thorough compliance.

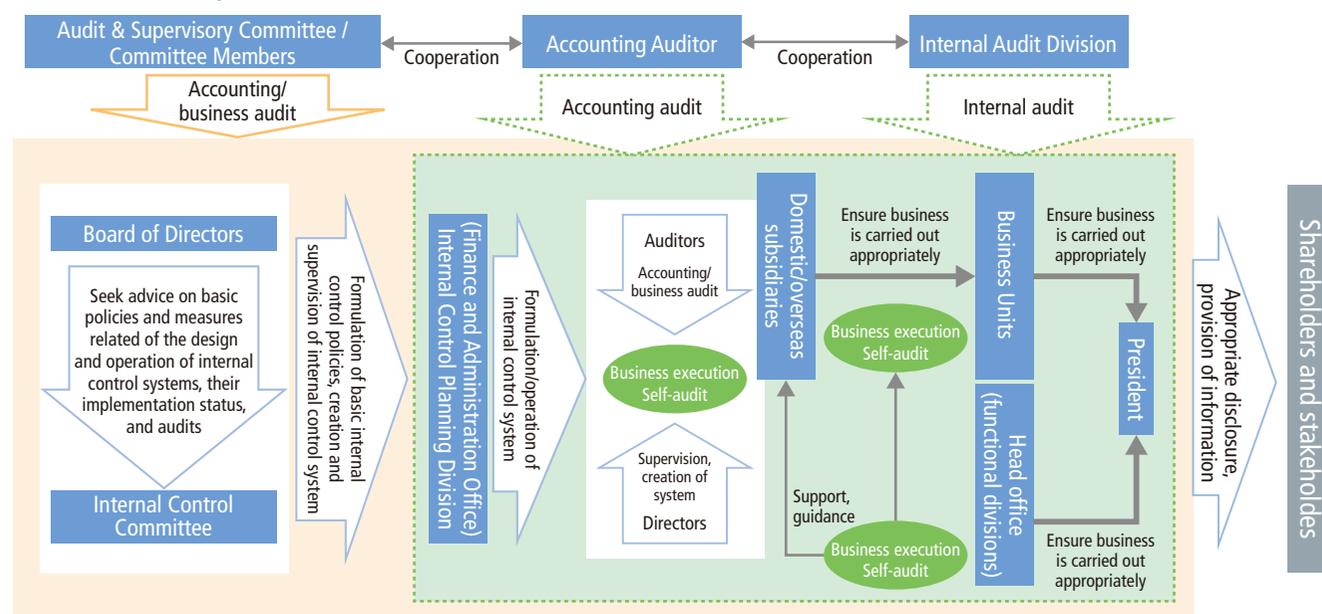
On the subject of compliance-related whistleblowing systems, we have established the Crystal Hotline to handle various issues regarding compliance, including organizational or individual violations of the law or ethics, and the workplace occurring at Sharp or domestic subsidiaries as well as the Competition Law Hotline to handle issues regarding competition laws.

These hotlines have been established both internally and externally (making use of advisory law firm services) in keeping with the Whistleblower Protection Act and may be used by any employees or temporary employees of the Sharp Group in Japan, or employees of its business partners, etc*. In addition, our major overseas bases have also established similar whistleblowing and consultation facilities.

To deal comprehensively and systematically with a wide range of business risks, Sharp formulated its Business Risk Management Guidelines for the prevention of risk and for the swift response to any emerging risks.

* Business partners may only use the Crystal Hotline.

Internal Control System (As of June 2023)



Risk Factors

Listed below are the principal business risks of Sharp that may have a significant influence on investors' decisions and countermeasures.

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

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

All references to possible future developments in the following text were made by Sharp as of March 31, 2023 (or June 28, 2023 as appropriate).

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

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

At present, the performance and financial position of Sharp may be adversely affected by the economic slowdown resulting from the prolonged situation in Ukraine, global inflation, and monetary tightening in various countries.

(Countermeasure)

Business units that control Sharp's overseas subsidiaries collect risk and other information that may impact Sharp's operations, including global market trends, in cooperation with their local

offices and make necessary operational decisions. Business results of the overseas subsidiaries and business units are reported to management regularly, and changes from those in the previous report are analyzed with prescribed necessary measures taken against risks.

(2) Exchange rate fluctuations (Risk)

The proportion of consolidated net sales accounted for by overseas sales was 67.2% in fiscal 2021 and 68.6% in fiscal 2022. Sharp sells products made overseas in the Japanese market, and also sells products in countries where it does not manufacture the products. Therefore, Sharp's business results may be impacted by exchange rate fluctuations.

(Countermeasure)

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

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

Sharp's device businesses account for nearly half of Sharp's sales. Accordingly, Sharp's earnings may be impacted negatively by factors including slowing customer demand for related products, falling product prices, or increasing competition due to the emergence of substitute or competitive

products, or the emergence of new competitors.

Sharp's device businesses have high dependence on a small number of specific clients for the sales of some of their products. Sharp's business results and financial position could be affected if sales to such important clients languish due not to only factors related to Sharp's products but reasons outside of Sharp's control. These include declining demand for the clients' products, changes in product specifications, and changes in the clients' sales strategies.

(Countermeasure)

Sharp aims to gain superior competitive advantages by accelerating a business model shift achieved by launching new high value-added service solutions; accelerating the global business expansion; and simultaneous entry to the B2C and B2B markets, in addition to maintaining and expanding the existing business segments by expanding the traditional hardware business.

(4) Strategic alliances and collaborations (Risk)

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

cases, Sharp's business results and financial position may be impacted.

(Countermeasure)

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

After executing them, Sharp monitors the progress of the alliances and collaborations under close cooperation with the relevant business units, and reports to management early if it is determined that the expected results cannot be achieved, to ensure that measures can be taken to minimize the impact they may have on Sharp's business results and financial position.

(5) Relations with parent company group (Risk)

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

A change in the parent company group's

Risk Factors

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

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

(Countermeasure)

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

The parent company group engages mainly in outsourced production of electronic equipment, and given that our manufactures and sells telecommunications equipment, electrical appliances, and general electronics application equipment and components under the Sharp and other our brands. We believe that there is no competition within the parent group that would impact group businesses in conflict. Therefore, Sharp believes that there is no competition in the parent company group that may impact Sharp's operations.

Sharp strives to grow, develop, and improve its

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

(6) Dealings with suppliers

(Risk)

Sharp procures materials and receives services from a large number of business partners. However, there is a risk that business partners may suffer deterioration in performance due to slumping demand or severe price erosion, unexpected M&A, or natural disasters or accidents. They may also be affected by the U.S.-China trade friction, the situation in Ukraine, rising raw materials prices and energy costs, legal regulations concerning human rights environmental issues such as the problem of conflict minerals in the supply chain, shortages in semiconductors due to strong demand, or limited suppliers with the capability of providing certain material provisions. Due to these and other factors, Sharp may be unable to access sufficient supplies of materials/parts from procurement sources.

In such an event, Sharp may be forced to do business with alternative suppliers subject to conditions less favorable than with its current suppliers, or Sharp may be unable to find an alternative supplier in a timely manner. Any of these factors could lead to increases in costs and/or delays in deliveries

to customers, which may adversely affect Sharp's business results and financial position.

(Countermeasure)

Sharp conducts business with suppliers after carrying out thorough credit checks. Additionally, Sharp has introduced a supply chain CSR management system to address risks in the supply chain, and regularly evaluates suppliers at domestic and overseas production sites, providing thorough education and guidance. Furthermore, in order to ensure a stable supply of parts and materials and to optimize costs of procurement, Sharp is strengthening partnerships with suppliers such as for long-term quotas, and is also promoting purchasing from multiple companies.

(7) Other factors affecting financial position

(Risk)

Sharp raises funds through borrowings from financial institutions such as banks. The debt to total assets ratio is 39.9% as of fiscal year ending March 31, 2023. Sharp might become subject to restrictions on how it uses its cash flows in order to repay debt, and also face the possibility of an increase in expenses due to rising interest rates. Sharp has the possibility of increases in fund raising costs as well as limitations on fund raising. This may be because necessary funds cannot be raised at the required time with adequate conditions, including for the refinancing of existing debt. These factors may affect Sharp's business results and financial position.

Sharp has borrowing agreements with multiple

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

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

(Countermeasure)

Sharp's major lending institutions are Mizuho Bank, Ltd. and MUFG Bank, Ltd. As necessary, Sharp consults with both banks about ways to improve its financial position and other matters. Sharp also shares information about its financial position with other financial institutions with which Sharp has borrowing agreements. Sharp has a system in place to discuss matters when necessary, keeps good relations with its correspondent financial institutions, and maintains and continues borrowings.

To procure stable funding, the Company syndicated loan agreement, which is the main borrowing

Risk Factors

agreement for the Group, is a long-term loan agreement through April 2026. We also entered into commitment line agreements with two main banks totaling 200,000 million yen in loans.

(Material events related to the going concern assumption)

In fiscal 2022 the Company recorded an impairment loss of 220,553 million yen mainly due to deteriorating market conditions for large LCD panels and other factors. As a result, net loss attributable to owners of the parent amounted to 260,840 million yen, and consolidated net assets decreased to 222,362 million yen, down 52.6% year on year. The insolvency of certain consolidated subsidiaries at the end of fiscal 2022 was a cause for which the lender financial institutions could claim for forfeiture of the benefit of time under the Company syndicated loan agreement. However, the lending institutions have agreed to not make this claim for forfeiture based on the occurrence of the said events, and we expect to continue our good business relationship with the lender as in the past.

On the business front, we aim to return to profitability from the fiscal year ending March 31, 2024. To do so, we will work towards achieving sustainable future growth and build a business structure centered on the brand business, accelerate the materialization of new businesses, and develop innovative technologies and devices that will enable us to “Be a Game Changer.”

We determined that there are no significant concerns about cash flow in working capital and investment funds for the time being, as the

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

(8) Technological innovation

(Risk)

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

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

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

(Countermeasure)

Group research and development is not limited to mere improvement of technological standards,

but also focuses on creating technologies that solve issues arising with rapid changes in society, particularly in growth areas such as digital healthcare, carbon neutrality, and industry digital transformation. We advance the creation of new services and solutions by effectively utilizing our business foundation built to date to promptly implement necessary technologies in society. We also work to strengthen our technological capabilities and accelerate development through active collaboration outside the company. Through these initiatives, Sharp reduces risks associated with social changes and technological innovations, and aims to become a brand company that continues to grow sustainably through technological advancement.

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

(9) Intellectual property rights

(Risk)

Sharp strives to protect its unique technologies by acquiring intellectual property rights in Japan and in other countries, and by concluding contracts with other companies. There may also be instances in which no rights are granted to the

group's patent applications, or where a third party launches litigation against Sharp, claiming infringement of intellectual property rights.

Resolution of cases may place a significant financial burden on Sharp. Furthermore, if a third party claim against Sharp is recognized, Sharp may be subject to damages, including by having to pay a large amount of compensation, or by having to cease using the technology in question.

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

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

(Countermeasure)

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

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

Risk Factors

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

(10) Product liability

(Risk)

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

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

(Countermeasure)

Sharp not only complies with public safety standards in each country to ensure the safety of its products but also improves safety by combining the risk assessment policy with its unique safety criteria. To ensure safety even if an unexpected problem arises, in particular criteria for inflammable structure, malfunction test, etc. were established, and they are revised when necessary to pursue a higher level of safety, and training is performed for internal stakeholders to ensure that

the safety criteria are understood and shared by the design and quality departments. Sharp has established a system to ensure safety to make sure that an emergency action can be taken quickly and appropriately when a problem arises. In order to fulfill its responsibility as a manufacturer in case product defects do arise, Sharp has taken out insurance to cover compensations based on product liability.

(11) Competition to secure skilled personnel

(Risk)

Failure to secure skilled personnel in the technology and management fields could affect Sharp's business results and financial position.

(Countermeasure)

Sharp implements the following measures to secure skilled personnel in the technology and management fields.

Sharp actively hires new graduates in order to acquire new talents according to its business policies. Sharp also actively hires experienced personnel in order to secure core personnel responsible for new businesses.

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

As a platform where diverse human resources can work with peace of mind, Sharp actively implements initiatives in consideration of the work-life balance of employees, such as creating various

programs to strike a balance between work and child upbringing/care/treatment.

(12) The impact of climate change

(Risk)

Group business results and financial position could be affected by stricter regulations on greenhouse gas emissions, increased energy costs associated with the introduction of a carbon tax, and tighter measures to reduce greenhouse gas emissions. In addition, disasters caused by increasingly larger typhoons and greater precipitation due to climate change may cause production sites to suspend operations or interrupt parts supply.

(Countermeasure)

Sharp ensures compliance with existing regulations and standards. In addition, we strive to remain abreast of legal and regulatory trends and participate in policy-making opportunities. We also endeavor to reduce or minimize our cost burden by improving production efficiency and energy conservation. Further, Sharp has formulated a business continuity plan in the event that production sites or employees suffer damage from natural disasters. We maintain and improve our organization's business continuity capabilities through regular reviews and drills.

In addition to the risks above, there are various potential risks, including a risk of dealing with a large number of clients, capital investment risk, regulatory risk, or large-scale natural disaster risk.

There are other potential risks that are not mentioned in this section which may adversely affect Sharp's business results and financial position.

(Risk management system)

Sharp sees the risk management as "one of the important activities to fulfill our social responsibilities by growing the business sustainably and meeting the expectations of our stakeholders." Specifically, Sharp has established the Business Risk Management Guidelines as basic rules for the risk management, created a company-wide risk management system in line with the guidelines, and selected risks that have significant impact on the business as "specific risks" and manages them.

To respond to changes in the business and market environments, Sharp considers adding or changing specific risks every fiscal year for all specific risks, and reviews, scores, and prioritizes the added or changed specific risks. The functional department that manages company-wide risks works together with business units in charge of managing their business segments to minimize and mitigate risks and take the necessary measures to prevent them. In addition, in case a specific risk arises, the department where the incident arises reports it to the internal control department that serves as risk management secretariat as well as management, works together with the relevant departments to respond to the relevant incident, and, when necessary, considers company-wide improvement measures to prevent recurrence.

Members of the Board and Executives

(As of October 1, 2023)

Members of the Board



Member of the Board
(Representative)
Po-Hsuan Wu



Member of the Board
(Representative)
Masahiro Okitsu



Member of the Board
Limin Hu
○■



Member of the Board
Steve Shyh Chen
○■



Member of the Board
(Member of Audit & Supervisory Committee)
Hsu-Tung Lu
○



Member of the Board
(Member of Audit & Supervisory Committee)
Yasuo Himeiwa
○■



Member of the Board
(Member of Audit & Supervisory Committee)
Yutaka Nakagawa
○■

○ Outside Directors
■ Independent Directors

Skills Matrix

Name	Corporate management and business strategy	International business and overseas expertise	Engineering and technology	Finance and accounting	Risk management and compliance
Po-Hsuan Wu	○	○			○
Masahiro Okitsu	○	○	○		○
Limin Hu	○	○	○		
Steve Shyh Chen	○	○	○		
Hsu-Tung Lu		○		○	○
Yasuo Himeiwa		○		○	○
Yutaka Nakagawa	○	○	○		○

Executives

President & Chief Executive Officer	Po-Hsuan Wu
Executive Vice President	Masahiro Okitsu
Executive Vice President & Chief Financial Officer	Hsin-Shu Chen
Executive Managing Officer	Taimi Oketani
Executive Managing Officer	Yoshio Kosaka
Executive Managing Officer	Chien-Erh Wang
Executive Managing Officer	Mototaka Taneya
Executive Officer	Yasufumi Sugahara
Executive Officer	Tetsuji Kawamura
Executive Officer	Yoshiro Nakano

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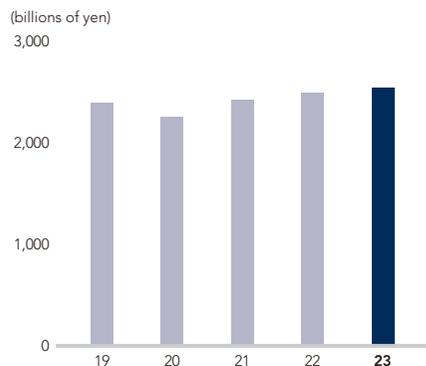
Financial Review

Sharp Corporation and Consolidated Subsidiaries

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2023 amounted to ¥2,548,117 million, up ¥52,529 million (2.1%) year on year.

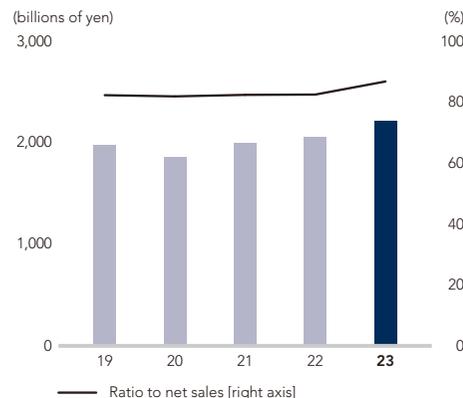
Net Sales



Financial Results

Cost of sales increased ¥153,420 million to ¥2,217,285 million, while our cost of sales ratio increased from 82.7% to 87.0% year on year.

Cost of Sales



Selling, general and administrative (SG&A) expenses increased ¥9,544 million to ¥356,550 million. The ratio of SG&A expenses against net sales increased from 13.9% to 14.0% year on year. SG&A expenses included salaries and allowances of ¥121,538 million, retirement benefit expenses of ¥3,188 million, transportation and storage costs of ¥44,606 million, and research and development expenses of ¥17,013 million.

As a result, operating loss amounted to ¥25,719 million, compared to operating profit of ¥84,716 million in the previous fiscal year.

Non-operating income decreased ¥9,355 million to ¥40,683 million due to a decrease in share of profit of entities accounted for using equity method and foreign exchange gains, while

non-operating expenses increased ¥25,661 million to ¥45,451 million due to the recording of share of loss of entities accounted for using equity method.

Extraordinary income increased ¥6,839 million to ¥19,833 million, mainly due to the recording of gain on step acquisitions, etc. Extraordinary losses increased ¥190,232 million to ¥228,389 million, mainly due to an increase in impairment losses.

As a result, loss before income taxes totaled ¥239,043 million, compared to profit before income taxes of ¥89,802 million in the previous fiscal year.

Loss attributable to owners of parent amounted ¥260,840 million compared to profit attributable to owners of parent of ¥73,991 million in the previous fiscal year.

Loss per share of common stock was ¥407.31.

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



Segment Information

<Brand Businesses>

[Smart Life]

Sales increased 5.1% year on year to ¥468,743 million. Sales in the white goods business increased, even though market conditions in Japan, ASEAN, and other regions around the world began to weaken in the second half. Sales of cooking appliances rose significantly in Europe and the Americas, and washing machines increased due to strong performance of drum washing machines, etc. In addition, sales in the energy solution business increased, driven by the overseas EPC business and household products in Japan. Segment income decreased 41.6% year on year to ¥28,209 million, mainly due to a soaring raw materials prices and a decline in profit from the domestic white goods business caused by weakening of the yen.

[8K Ecosystem]

Sales increased 4.3% year on year to ¥591,832 million. Sales in the business solutions business rose more than 10% year on year. The MFP business and smart office business grew significantly in Europe, the Americas, and Asia. In addition, information displays saw growth in Europe and the Americas, and other regions. Meanwhile, sales in the TV business declined due to deteriorating market conditions. Segment income decreased 46.2% year on year to ¥13,421 million. Business solutions business posted higher profit by shifting toward high-value-added offerings. Meanwhile, TV business recorded a lower profit due to the impact of a decrease in sales and the

Financial Review

recording of one-time expenses.

[ICT]

Sales increased 0.6% year on year to ¥325,873 million. Sales in the mobile communication business increased due to a sales expansion of high-end models as we expanded our lineup of smartphones. Meanwhile, sales in the PC businesses decreased due to weak global demand. Segment loss amounted to ¥5,530 million compared to segment profit of ¥4,038 million in the previous fiscal year. This was mainly due

to the weakening of the yen. However, ICT began profit improvement initiative ahead of other businesses, including structural reforms in Europe and improved product mix. These measures resulted in net operating profit for the mobile communication business and the PC business in the second half.

<Device Businesses>

[Display Device]

Sales decreased 11.6% year on year to ¥759,953 million. While panels sales grew for automotive,

sales of panels for smartphones and PCs declined due to challenging market condition. Segment loss amounted to ¥66,482 million compared to segment profit of ¥20,316 million in the previous fiscal year. This was mainly due to lower sales and the impact of large-size display business.

[Electronic Device]

Sales increased 19.8% year on year to ¥475,589 million, mainly due to the firm device sales for customer 2022 models. Segment income increased 111.8% year on year to ¥14,799 million, mostly as a result of higher sales.

By business segment, capital investment was ¥4,703 million for Smart Life, ¥9,710 million for 8K Ecosystem, ¥282 million for ICT, ¥14,262 million for Display Device, and ¥14,453 million for Electronic Device. Unallocated capital investment amounted to ¥1,102 million.

Depreciation and amortization increased by 24.3% to ¥94,547 million year on year.

Assets, Liabilities and Net Assets

Total assets at fiscal year-end amounted to ¥1,772,961 million, down ¥183,327 million from the previous fiscal year.

Sales by Segment

	Yen (millions)	
	2022	2023
Smart Life	¥ 446,192	¥ 468,743
8K Ecosystem	567,690	591,832
ICT	324,017	325,873
Display Device	859,674	759,953
Electronic Device	396,834	475,589
Subtotal	2,594,410	2,621,992
Adjustments	(98,822)	(73,875)
Total	2,495,588	2,548,117

Segment Income (Loss) by Segment

	Yen (millions)	
	2022	2023
Smart Life	¥ 48,291	¥ 28,209
8K Ecosystem	24,966	13,421
ICT	4,038	(5,530)
Display Device	20,316	(66,482)
Electronic Device	6,988	14,799
Subtotal	104,601	(15,582)
Adjustments	(19,884)	(10,137)
Total	84,716	(25,719)

Capital Investment and Depreciation

Capital investment totaled ¥44,512 million, down 13.9% year on year, mainly due to the introduction of camera module production equipment.

Capital Investment/ Depreciation and Amortization



Assets

Beginning with the consolidated fiscal year ended March 31, 2023, we included Sakai Display Products Corporation (“SDP”) in the scope of consolidation. Non-current assets and goodwill recorded in connection with this inclusion were subject to impairment, while Sharp Corporation’s receivables, etc. from SDP, included in total assets at the end of the previous consolidated fiscal year, were eliminated in consolidation. These factors led to a decrease in total assets.

Current assets amounted to ¥1,087,087 million, down ¥143,540 million from the end of the previous fiscal year. This result was mainly due to the changes in cash and deposits, notes and accounts receivable-trade and contract assets, and inventories decreased by ¥25,302 million, ¥49,102 million, and ¥10,975 million, respectively from the end of the previous fiscal year. Notes and accounts receivable-trade and contract assets amounted to ¥438,057

Financial Review

million. Inventories amounted to ¥299,307 million. Within total inventories, finished goods increased ¥6,209 million to ¥171,835 million, work in process decreased ¥15,605 million to ¥76,908 million, and raw materials and supplies decreased ¥1,579 million to ¥50,564 million.

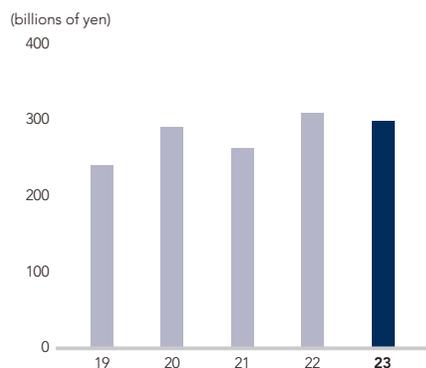
Property, plant and equipment decreased ¥29,003 million from the end of the previous fiscal year to ¥389,257 million.

Investments and other assets amounted to ¥260,770 million, down ¥4,343 million from the end of the previous fiscal year.

Liabilities

Current liabilities increased ¥74,364 million from the end of the previous fiscal year to ¥882,563 million. This result was mainly due to an increase of ¥109,596 in short-term borrowings from the end of the previous fiscal year, which was offset in part by a decrease of ¥50,494 million in notes and accounts payable-trade.

Inventories



Non-current liabilities decreased ¥10,785 million from the end of the previous year to ¥668,034 million. This result was mainly due to a decrease of ¥29,542 million in long-term borrowings.

Interest-bearing debt at fiscal year-end stood at ¥751,138 million, up ¥110,424 million from the end of the previous fiscal year.

Net Assets

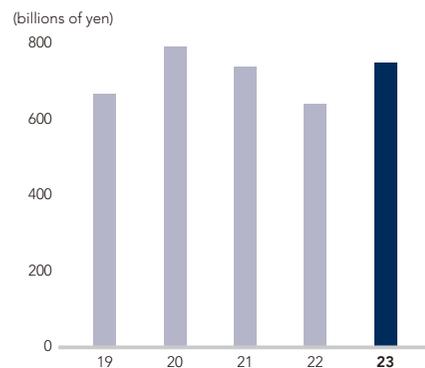
Net assets amounted to ¥222,362 million, down ¥246,906 million compared to the previous fiscal year-end balance of ¥469,269 million. This result was mainly due to a decrease in retained earnings by the recording of loss attributable to owners of parent.

Our equity ratio was 11.8%.

Cash Flows

Cash and cash equivalents were ¥206,612 million, down ¥32,746 million from the end of

Interest-Bearing Debt

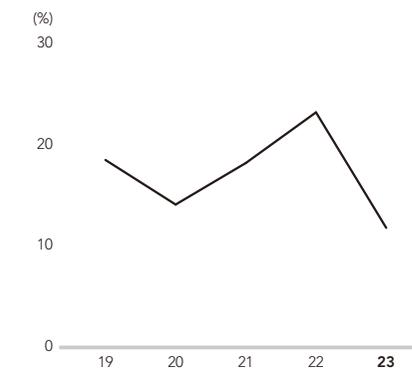


the previous fiscal year. The combined capital outflows from investing activities and financing activities exceeded the capital inflows from operating activities.

Cash provided by operating activities amounted to ¥14,746 million, down ¥60,411 million compared to cash provided of ¥75,157 million in the previous fiscal year. The reason for this decrease was mainly due to a decrease of ¥328,845 million in profit before income taxes, despite the changes in inventories increased by ¥66,820 million and trade receivables and contract assets increased by ¥48,452 million compared to the previous fiscal year.

Cash used in investing activities totaled ¥40,967 million, up ¥9,518 million compared to cash used of ¥31,448 million in the previous fiscal year. The result was mainly due to decreases of ¥2,249 million in proceeds from sale of investment securities and ¥3,647 million in proceeds from sale of businesses compared to

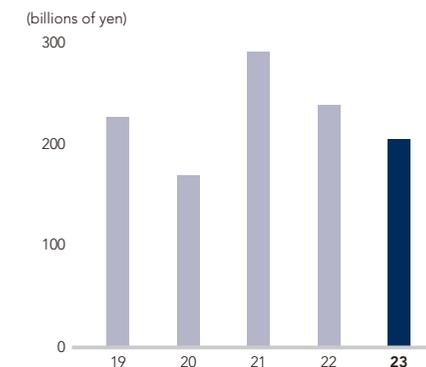
Equity Ratio



the previous fiscal year.

Cash used in financing activities was ¥18,483 million, down ¥105,807 million compared to cash used of ¥124,291 million in the previous fiscal year. This is mainly due to an increase of ¥128,347 million in net increase (decrease) in short-term borrowings, despite a decrease of ¥6,112 million in dividends paid compared to 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 (Smart Life, 8K Ecosystem, ICT, Display Device, Electronic Device). Segment income figures are amounts before adjustment for inter segment trading.
2. Effective from the consolidated fiscal year ending March 31 2024, Sharp has amended its segment classification. Please refer to "20. Significant Subsequent Events (a) Segment reclassification", P.68, for information on net sales, income or loss of each reclassified reportable segment for the fiscal year ended March 31, 2023 based on the new segmentation.
3. Capital investment figures shown in Capital Investment and Depreciation include the amount of leased assets.

Consolidated Balance Sheets

Sharp Corporation and Consolidated Subsidiaries as of March 31, 2022 and 2023

	Yen (millions)	
	2022	2023
ASSETS		
Current Assets		
Cash and deposits (Notes 2 (c) and 6)	¥ 287,361	¥ 262,058
Notes and accounts receivable - trade and contract assets (Notes 2 (c), 2 (f), and 8)	487,160	438,057
Inventories (Notes 2 (b) and (c))	310,283	299,307
Other (Notes 2 (c) and 7)	148,165	90,713
Allowance for doubtful accounts	(2,342)	(3,049)
Total current assets	1,230,628	1,087,087
Non-current Assets		
Property, plant and equipment		
Buildings and structures (Note 2 (c))	689,458	695,180
Machinery, equipment and vehicles (Note 2 (c))	1,191,042	1,181,932
Tools, furniture and fixtures (Note 2 (c))	177,359	170,801
Land (Note 2 (c))	83,711	76,467
Construction in progress (Note 2 (c))	18,395	24,982
Other	48,109	57,352
Accumulated depreciation	(1,789,815)	(1,817,459)
Total property, plant and equipment	418,260	389,257
Intangible assets		
Software	25,954	23,322
Goodwill	8,439	6,284
Other	7,890	6,237
Total intangible assets	42,285	35,845
Investments and other assets		
Investment securities (Notes 2 (a), 2 (c), 8 and 9)	171,392	216,207
Retirement benefit asset (Note 12)	10,293	6,214
Deferred tax assets (Note 14)	22,391	18,127
Other (Notes 2 (c) and 7)	63,595	22,667
Allowance for doubtful accounts	(2,559)	(2,445)
Total investments and other assets	265,114	260,770
Total non-current assets	725,660	685,873
Total assets	¥ 1,956,288	¥ 1,772,961

	Yen (millions)	
	2022	2023
LIABILITIES		
Current Liabilities		
Notes and accounts payable — trade	¥ 379,394	¥ 328,899
Electronically recorded obligations — operating	42,980	42,973
Short-term borrowings (Notes 2 (c) and 11)	54,300	163,896
Lease liabilities	2,283	18,966
Accrued expenses	106,398	114,638
Provision for bonuses	18,506	15,791
Provision for product warranties	19,750	12,165
Provision for loss on litigation	12,288	614
Provision for sales promotion expenses	9,586	4,120
Provision for restructuring	174	1,024
Other (Notes 2 (c), 2 (f) and 11)	162,534	179,472
Total current liabilities	808,198	882,563
Non-current Liabilities		
Long-term borrowings (Notes 2 (c), 8 and 11)	572,270	542,727
Retirement benefit liability (Note 12)	73,630	72,019
Other (Notes 11 and 14)	32,919	53,287
Total non-current liabilities	678,820	668,034
Total liabilities	1,487,018	1,550,598
NET ASSETS		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	108,623	148,929
Retained earnings	345,218	59,802
Treasury shares	(13,747)	(13,749)
Total shareholders' equity	445,094	199,982
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,169	26,469
Deferred gains or losses on hedges	1,835	475
Foreign currency translation adjustment	(9,085)	(2,266)
Remeasurements of defined benefit plans	(3,745)	(16,211)
Total accumulated other comprehensive income	9,173	8,467
Share acquisition rights (Note 5 (b))	304	293
Non-controlling interests	14,696	13,618
Total net assets	469,269	222,362
Total liabilities and net assets	¥ 1,956,288	¥ 1,772,961

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

Consolidated Statements of Operations

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2022 and 2023

	Yen (millions)	
	2022	2023
Net Sales (Notes 3 (a), 16 and 17)	¥ 2,495,588	¥ 2,548,117
Cost of Sales (Notes 3 (b) and (d))	2,063,864	2,217,285
Gross profit	431,723	330,831
Selling, General and Administrative Expenses (Notes 3 (c) and (d))	347,006	356,550
Operating profit (loss) (Note 17)	84,716	(25,719)
Non-operating Income		
Interest income	2,583	2,681
Dividend income	1,543	1,533
Rental income from non-current assets	3,465	4,396
Foreign exchange gains	18,947	17,223
Share of profit of entities accounted for using equity method	3,630	—
Investment income	9,263	6,907
Other	10,605	7,942
Total non-operating income	50,038	40,683
Non-operating Expenses		
Interest expenses	4,448	9,296
Share of loss of entities accounted for using equity method	—	20,401
Other	15,342	15,753
Total non-operating expenses	19,790	45,451
Ordinary profit (loss)	114,964	(30,487)
Extraordinary Income		
Gain on sale of non-current assets (Note 3 (e))	5,124	7,126
Gain on receipt of donated non-current assets (Note 3 (f))	1,329	—
Gain on sale of investment securities	631	17
Gain on step acquisitions (Note 3 (g))	—	12,422
Gain on change in equity	—	261
Gain on bargain purchase	182	—
Gain on sale of businesses (Note 3 (h))	5,725	—
Gain on reversal of share acquisition rights	—	4
Total extraordinary income	12,993	19,833
Extraordinary Losses		
Loss on sale and retirement of non-current assets (Note 3 (i))	588	1,269
Impairment losses (Note 3 (j))	22,703	220,553
Loss on valuation of investment securities	77	138
Loss on sale of investment securities	7	—
Loss on sale of shares of subsidiaries and associates	268	—
Business restructuring expenses (Note 3 (k))	—	4,451
Settlement payments (Note 3 (l))	2,763	—
Provision for loss on litigation (Note 3 (m))	11,747	1,976
Total extraordinary losses	38,156	228,389
Profit (loss) before income taxes	89,802	(239,043)
Income Taxes (Note 14)		
Current	17,230	15,660
Deferred	(1,184)	6,950
Total income taxes	16,045	22,610
Profit (Loss)	73,756	(261,654)
Loss attributable to non-controlling interests	(234)	(814)
Profit (loss) attributable to owners of parent	¥ 73,991	¥ (260,840)

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

Consolidated Statements of Comprehensive Income

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2022 and 2023

	Yen (millions)	
	2022	2023
Profit (Loss)	¥ 73,756	¥ (261,654)
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	3,546	6,301
Deferred gains or losses on hedges	675	(1,345)
Foreign currency translation adjustment	29,409	14,868
Remeasurements of defined benefit plans, net of tax	13,996	(12,657)
Share of other comprehensive income of entities accounted for using equity method	2,368	(7,882)
Total other comprehensive income (Note 4)	49,996	(714)
Comprehensive Income	¥ 123,752	¥ (262,369)
Comprehensive income attributable to:		
Owners of parent	¥ 122,440	¥ (261,546)
Non-controlling interests	1,312	(822)

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

Consolidated Statements of Changes in Equity

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2022 and 2023

	Yen (millions)												
	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings (Note 5 (c))	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 the year ended March 31, 2022	¥ 5,000	¥ 109,126	¥ 289,551	¥ (14,053)	¥ 389,624	¥ 16,617	¥ 1,086	¥ (39,362)	¥ (17,617)	¥ (39,275)	¥ 297	¥ 13,493	¥ 364,139
Changes during period													
Dividends of surplus			(18,324)		(18,324)								(18,324)
Profit attributable to owners of parent			73,991		73,991								73,991
Change in ownership interest of parent due to transactions with non-controlling interests		(216)			(216)								(216)
Purchase of treasury shares				(8)	(8)								(8)
Disposal of treasury shares		(286)		314	28								28
Net changes in items other than shareholders' equity						3,551	748	30,277	13,872	48,449	7	1,202	49,659
Total changes during period	—	(503)	55,667	306	55,470	3,551	748	30,277	13,872	48,449	7	1,202	105,129
Balance at end of the year ended March 31, 2022	¥ 5,000	¥ 108,623	¥ 345,218	¥ (13,747)	¥ 445,094	¥ 20,169	¥ 1,835	¥ (9,085)	¥ (3,745)	¥ 9,173	¥ 304	¥ 14,696	¥ 469,269

	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 the year ended March 31, 2023	¥ 5,000	¥ 108,623	¥ 345,218	¥ (13,747)	¥ 445,094	¥ 20,169	¥ 1,835	¥ (9,085)	¥ (3,745)	¥ 9,173	¥ 304	¥ 14,696	¥ 469,269
Cumulative effects of changes in accounting policies			(143)		(143)								(143)
Restated balance	5,000	108,623	345,075	(13,747)	444,951	20,169	1,835	(9,085)	(3,745)	9,173	304	14,696	469,126
Changes during period													
Dividends of surplus			(24,432)		(24,432)								(24,432)
Loss attributable to owners of parent			(260,840)		(260,840)								(260,840)
Increase by share exchanges		40,337			40,337								40,337
Change in ownership interest of parent due to transactions with non-controlling interests		(31)			(31)								(31)
Purchase of treasury shares				(2)	(2)								(2)
Net changes in items other than shareholders' equity						6,300	(1,359)	6,818	(12,466)	(706)	(11)	(1,077)	(1,795)
Total changes during period	—	40,306	(285,273)	(2)	(244,968)	6,300	(1,359)	6,818	(12,466)	(706)	(11)	(1,077)	(246,763)
Balance at end of the year ended March 31, 2023	¥ 5,000	¥ 148,929	¥ 59,802	¥ (13,749)	¥ 199,982	¥ 26,469	¥ 475	¥ (2,266)	¥ (16,211)	¥ 8,467	¥ 293	¥ 13,618	¥ 222,362

Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2022 and 2023

	Yen (millions)	
	2022	2023
Cash Flows from Operating Activities:		
Profit (loss) before income taxes	¥ 89,802	¥ (239,043)
Depreciation	72,397	89,799
Interest and dividend income	(4,126)	(4,214)
Interest expenses	4,448	9,296
Share of loss (profit) of entities accounted for using equity method	(3,630)	20,401
Investment expenses (income)	(9,263)	(6,907)
Loss (gain) on sale and retirement of non-current assets	(4,535)	(5,857)
Gain on receipt of donated non-current assets	(1,329)	—
Impairment losses	22,703	220,553
Loss (gain) on valuation of investment securities	77	138
Loss (gain) on sale of investment securities	(623)	(17)
Loss (gain) on step acquisitions	—	(12,422)
Loss (gain) on change in equity	—	(261)
Gain on reversal of share acquisition rights	—	(4)
Loss (gain) on sale of businesses	(5,725)	—
Business restructuring expenses	—	4,451
Settlement payments	2,763	—
Provision for loss on litigation	11,747	1,976
Decrease (increase) in trade receivables and contract assets	(6,873)	41,579
Decrease (increase) in accounts receivable — other	(5,362)	2,207
Decrease (increase) in inventories	(21,466)	45,354
Increase (decrease) in trade payables	6,100	(82,201)
Other, net	(45,324)	(44,484)
Subtotal	101,778	40,343
Interest and dividends received	8,001	8,078
Interest paid	(4,453)	(8,918)
Income taxes (paid) refund	(27,425)	(13,946)
Payments for business restructuring	—	(998)
Settlement paid	(2,742)	(9,813)
Net cash provided by (used in) operating activities	75,157	14,746

	Yen (millions)	
	2022	2023
Cash Flows from Investing Activities:		
Payments into time deposits	(133,685)	(98,943)
Proceeds from withdrawal of time deposits	135,143	91,739
Purchase of property, plant and equipment	(47,590)	(43,565)
Proceeds from sale of property, plant and equipment	9,216	9,828
Purchase of intangible assets	(15,483)	(13,449)
Purchase of investment securities	(10,003)	(2,472)
Proceeds from sale of investment securities	2,440	191
Proceeds from sale of businesses (Note 6 (b))	4,267	619
Other, net	24,246	15,083
Net cash provided by (used in) investing activities	(31,448)	(40,967)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term borrowings	(102,493)	25,854
Proceeds from long-term borrowings	15,648	1
Repayments of long-term borrowings	(14,513)	(10,908)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(216)	—
Dividends paid	(18,312)	(24,425)
Other, net	(4,403)	(9,006)
Net cash provided by (used in) financing activities	(124,291)	(18,483)
Effect of Exchange Rate Change on Cash and Cash Equivalents	27,148	9,859
Net Increase (Decrease) in Cash and Cash Equivalents	(53,433)	(34,845)
Cash and Cash Equivalents at Beginning of Period	292,792	239,359
Increase in Cash and Cash Equivalents Resulting from Share Exchanges (Note 6(c))	—	2,099
Cash and Cash Equivalents at End of Period (Note 6 (a))	¥ 239,359	¥ 206,612

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.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 118 companies 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 16 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 the fiscal year ended March 31, 2023 were as follows:

(Included in scope)

Sakai Display Products Corporation

And 1 other

(Excluded from scope)

Midshire Business Systems Ltd.

Change in the nonconsolidated subsidiaries and affiliates accounted for using equity method for the fiscal year ended March 31, 2023 was as follows:

(Excluded from scope)

Lacamas Life Sciences, Inc.

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 primarily by the periodic average method.

Regarding the investments in partnerships, the Company and its consolidated subsidiaries recognize their 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 buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method.

Notes to Consolidated Financial Statements

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 Company and its consolidated subsidiaries accrue possible credit losses regarding monetary claims and other receivables.

The estimated amounts of allowance for general receivables are primarily determined based on the historical bad debt ratio. The estimated amounts of allowance for particular receivables, including those from debtors at risk of bankruptcy are considered of recoverable amounts on a case-by-case basis.

(h) Provision for bonuses

The Company and its consolidated subsidiaries accrue 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

The Company and its consolidated subsidiaries accrue the estimated amounts of future warranty based on the past experiences, so as to prepare for possible expenses related to after-sales service within the warranty period in respect of sales recorded prior to the balance sheet date.

(j) Provision for loss from litigation

The Company and its consolidated subsidiaries accrue the estimated amount deemed to be necessary for possible future losses from lawsuits.

(k) Provision for sales promotion expenses

The Company and its consolidated subsidiaries accrue 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.

(l) Provision for restructuring

The Company and its consolidated subsidiaries accrue the estimated amounts of restructuring to prepare for future expenses related to structural reform.

(m) Defined benefit pension plan

The estimated amount of defined benefit pension plans to be paid at future retirement dates 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 service period of employees (9 years) commencing from the period following that in which the gain or loss was incurred.

(n) 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

Notes to Consolidated Financial Statements

(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, 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 is usually received within approximately one year from the time each performance obligation is satisfied. The Group applies exemption rule to these contracts, and no adjustments for financing components have been made.

(o) Hedge accounting

The Company and some of its consolidated subsidiaries use derivative financial instruments, including foreign exchange forward contracts in order to hedge the risk exposure arising from fluctuations in foreign currency exchange rates associated with assets and liabilities denominated in foreign currencies. Furthermore, the Company uses interest rate swaps in order to hedge the interest rate fluctuation risks associated with some borrowings from financial institutions.

All derivative financial instruments are stated at fair value and recorded on the balance sheets. The deferred method is used for recognizing gains and losses on hedging instruments and the hedged items. When foreign exchange forward contracts meet certain conditions, the hedged items are stated at the forward exchange contract rates.

For borrowings from financial institutions, interest rate swaps are used to hedge the risks of interest rate fluctuations.

Derivative financial instruments are used based on internal policies and procedures related to risk management. The risks of fluctuations in foreign currency exchange rates and variable interest rates have been assumed to be completely hedged over the period of hedging contracts as the major conditions of the hedging instruments and the hedged items are consistent. Accordingly, an evaluation of the effectiveness of the hedging contracts is not required.

(p) 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.

(q) 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.

(r) Major accounting estimates

(1) Valuation of inventories

i) Amount recorded in the consolidated financial statements as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Inventories	¥ 310,283	¥ 299,307

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.

Notes to Consolidated Financial Statements

(2) Impairment losses on non-current assets

i) Amount recorded in the consolidated financial statements as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Property, plant and equipment	¥ 418,260	¥ 389,257
Intangible assets	42,285	35,845
Investment securities	171,392	216,207

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 and 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, such as market prices and demand outlook provided by external information research companies. 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 ¥216,207 million recorded in the fiscal year ended March 31, 2023 include investments in equity-method affiliates of ¥88,772 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.

(s) Changes in accounting policies

US GAAP ASC 842 "Leases"

The Group's overseas consolidated subsidiaries adopting US GAAP have applied ASC 842 "Leases" from the fiscal year ended March 31, 2023.

In applying this accounting standard, right-of-use assets and lease liabilities are recognized for leases as lessee. However, no right-of-use asset or lease liability is recognized for short-term leases. As a permitted transitional measure at the adoption of this standard, the cumulative effect of the adoption is recognized at the date of initial application.

As the result, the Group recorded increases of ¥6,032 million in "Property, plant and equipment," ¥1,452 million in "Other" under "Current liabilities," and ¥6,231 million in "Other" under "Non-current liabilities" as of March 31, 2023.

The impact of this change on consolidated earnings for the fiscal year ended March 31, 2023 is minimal.

(t) Unapplied accounting standard

The accounting standards issued by March 31, 2023 but not yet applied as of March 31, 2023 were as follows.

The monetary impact amounts arising through the application of this standard are under evaluation.

The Company and its domestic subsidiaries

Name of the standards		Description of the standards	Planned adoption period
ASBJ Statement No. 27 (October 28, 2022)	Accounting Standard for Current Income Taxes	Revision of classification of tax expenses (taxation on other comprehensive income)	From the year ended March 31, 2025
ASBJ Statement No. 25 (October 28, 2022)	Accounting Standard for Presentation of Comprehensive Income	Revision of the tax effect on the sale of subsidiary shares, etc. (shares of subsidiaries or affiliates) when applying the group tax relief system	
ASBJ Guidance No. 28 (October 28, 2022)	Guidance on Accounting Standard for Tax Effect Accounting		

(u) Changes in presentation method

(Consolidated balance sheets)

(1) "Goodwill," which was included in "Other" under "Intangible assets" in the fiscal year ended March 31, 2022, has been separately presented in the fiscal year ended March 31, 2023 since its materiality has increased in the consolidated balance sheets. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified.

As a result, ¥16,330 million included in "Other" under "Intangible assets" in the consolidated balance sheets as of March 31 2022, has been reclassified as ¥8,439 million in "Goodwill" and ¥7,890 million in "Other."

(2) "Lease liabilities," which was included in "Other" under "Current liabilities" in the fiscal year ended March 31, 2022, has been separately presented in the fiscal year ended March 31, 2023 since its materiality has increased in the consolidated balance sheets. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified.

As a result, ¥164,817 million included in "Other" under "Current liabilities" in the consolidated balance sheets as of March 31 2022, has been reclassified as ¥2,283 million in "Lease liabilities" and ¥162,534 million in "Other."

Notes to Consolidated Financial Statements

(Consolidated statements of operations)

“Rental expenses on non-current assets”(¥3,471 million for the fiscal year ended March 31, 2023) and “Inactive assets expenses” (¥4,221 million for the fiscal year ended March 31, 2023), which were separately presented in the fiscal year ended March 31, 2022, are included in “Other” under “Non-operating expenses” since their amounts decreased to less than 10/100 of the total non-operating expenses. The consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified to reflect this change in presentation method.

As a result, in the consolidated statements of operations for the fiscal year ended March 31, 2022, “Other” under “Non-operating expenses” which was ¥7,818 million, now includes ¥2,323 million of “Rental expenses on non-current assets” and ¥5,199 million of “Inactive assets expenses,” totaling ¥15,342 million.

(Consolidated statements of cash flows)

(1) “Loss (gain) on sale of shares of subsidiaries and associates,” “Gain on bargain purchase,” and “Increase (decrease) in accrued expenses,” which were separately presented under “Cash flows from operating activities” in the fiscal year ended March 31, 2022, are included in “Other, net” since their materiality has diminished. The consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified to reflect this change in presentation method.

As a result, ¥268 million in “Loss (gain) on sale of shares of subsidiaries and associates,” ¥(182) million in “Gain on bargain purchase,” ¥(2,590) million in “Increase (decrease) in accrued expenses,” and ¥(42,819) million in “Other, net” have been reclassified as ¥(45,324) million in “Other, net.”

(2) “Proceeds from long-term borrowings” and “Repayments of long-term borrowings,” which were included in “Other, net” under “Cash flows from financing activities” in the fiscal year ended March 31, 2022, are separately presented since their materiality has increased. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified.

As a result, ¥(3,268) million in “Other, net,” which was presented under “Cash flows from financing activities” has been reclassified as ¥15,648 million in “Proceeds from long-term borrowings,” ¥(14,513) million in “Repayments of long-term borrowings,” and ¥(4,403) million in “Other, net.”

2. Notes to Consolidated Balance Sheets

(a) Investment in nonconsolidated subsidiaries and affiliates

Investment in nonconsolidated subsidiaries and affiliates as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Investment securities	¥ 55,135	¥ 89,855

(b) Inventories

Inventories as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Finished goods	¥ 165,625	¥ 171,835
Work in process	92,513	76,908
Raw materials and supplies	52,144	50,564
	¥ 310,283	¥ 299,307

(c) Collateral assets and liabilities secured by collateral

Collateral assets and liabilities secured by collateral as of March 31, 2022 and 2023 were as follows:

(1) Assets pledged as collateral

	Yen (millions)	
	2022	2023
Cash and deposits	¥ 43,830	¥ 50,023
Notes and accounts receivable - trade and contract assets	63,245	69,283
Inventories	75,732	81,591
Other (Current assets)	52,340	3,848
Buildings and structures	165,087	159,247
Machinery, equipment and vehicles	11,440	12,019
Tools, furniture and fixtures	1,620	1,237
Land	68,632	60,852
Construction in progress	26	—
Investment securities	36,810	39,616
Other (Investments and other assets)	35,859	639
	¥ 554,626	¥ 478,361

Notes to Consolidated Financial Statements

(2) Liabilities secured by collateral

	Yen (millions)	
	2022	2023
Short-term borrowings	¥ 928	¥ 46,430
Other (Current liabilities)	32,555	27,587
Long-term borrowings	426,722	426,693
	¥ 460,207	¥ 500,711

In addition, certain shares of consolidated subsidiaries, which were subject to elimination through inter-company transactions, were pledged as collateral of long-term borrowings as of March 31, 2022 and 2023.

(d) Contingent liabilities

(1) Guarantee liabilities

	Yen (millions)	
	2022	2023
Loans guaranteed for employees	¥ 3,866	¥ 3,073
Guarantee for accounts payable		
Sharp FIT Automotive Technology Co., Ltd.	14	—
Guarantee for borrowing of invested companies		
Sermasang Power Corporation Public Company Limited	182	198
	¥ 4,063	¥ 3,272

(2) Endorsed trade notes receivable

	Yen (millions)	
	2022	2023
Endorsed trade notes receivable	¥ 1,018	¥ 191

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

The Company entered into long-term contracts with several suppliers with respect to electricity and other inputs at the Sakai plant. The total amounts of future minimum payments under such contracts as of March 31, 2022 and 2023 were ¥8,615 million (longest remaining term was 7 years) and ¥4,891 million (longest remaining term was 6 years), respectively. No contract can be terminated before expiration.

(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 as of March 31, 2022 and 2023 were as follows.

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

	Yen (millions)	
	2022	2023
Total amount of investment commitment	¥ 121,410	¥ 132,540
Contribution made	105,983	115,755
Remaining committed contribution	¥ 15,426	¥ 16,784

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

	Yen (millions)	
	2022	2023
Receivables arising from contracts with customers	¥ 477,269	¥ 433,106
Notes receivable	6,599	5,123
Accounts receivable	470,670	427,983
Contract assets	¥ 9,890	¥ 4,951
Contract liabilities	76,682	86,838

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."

3. Notes to Consolidated Statements of Operations

(a) Revenue from contracts with customers

Regarding net sales, revenue from contracts with customers is not presented separately from other revenues. 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."

Notes to Consolidated Financial Statements

(b) Inventory valuation loss

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

Net inventory valuation losses (after offsetting the reversal amount) included in the cost of sales for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Cost of sales	¥ (19,401)	¥ 3,204

(c) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Salaries and allowances	¥ 117,715	¥ 121,538
Provision for bonuses	9,717	8,632
Retirement benefit expenses	8,223	3,188
Transportation and storage costs	44,545	44,606
Research and development expenses	21,708	17,013
Provision for bonuses	757	750

(Change in presentation method)

“Outsourcing expenses” has been excluded from major components since it decreased to less than 10/100 of selling, general and administrative expenses.

(d) Research and development expenses

Research and development expenses included in general and administrative expenses and cost of manufacturing were ¥86,290 million for the fiscal year ended March 31, 2022 and ¥78,712 million for the fiscal year ended March 31, 2023.

(e) Gain on sale of non-current assets

Major components of gain on sale of non-current assets for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Buildings and structures	¥ 364	¥ 45
Machinery, equipment and vehicles	570	805
Tools, furniture and fixtures	173	308
Land	4,013	5,934
Other	2	33
	¥ 5,124	¥ 7,126

(f) Gain on receipt of donated non-current assets

Fiscal year ended March 31, 2022

Of the gain on receipt of donated non-current assets, ¥1,245 million was the free of charge receipt of utility equipment at the Hakusan Plant.

(g) Gain on step acquisitions

Fiscal year ended March 31, 2023

Sakai Display Products Corporation, which was previously an equity-method affiliate, has been made a wholly owned subsidiary of the Group through a share exchange and included in the scope of consolidation. As a result, gain on step acquisitions was recorded.

(h) Gain on sale of businesses

Fiscal year ended March 31, 2022

Kantatsu Corporation, a consolidated subsidiary of the Company (hereinafter, “Kantatsu”), transferred all of its equity in its subsidiary Lianyungang Kantatsu Fine Technology Co., Ltd. and related assets of Kantatsu to Liaoning Zhonglan Electronic Technology Co., Ltd. As a result, gain on sale of businesses was recorded.

Notes to Consolidated Financial Statements

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

Major components of loss on sale and retirement of non-current assets for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Loss on sale:		
Buildings and structures	¥ 0	¥ 166
Machinery, equipment and vehicles	28	1
Tools, furniture and fixtures	1	2
Land	12	—
Other	1	—
	¥ 44	¥ 170
Loss on retirement:		
Buildings and structures	¥ 239	¥ 300
Machinery, equipment and vehicles	235	583
Tools, furniture and fixtures	27	28
Software	35	184
Other	5	1
	¥ 543	¥ 1,098
Total:		
Buildings and structures	¥ 239	¥ 467
Machinery, equipment and vehicles	264	585
Tools, furniture and fixtures	28	31
Land	12	—
Software	35	184
Other	7	1
	¥ 588	¥ 1,269

(j) Impairment losses

With regards to accounting for impairment of assets, the Company and its consolidated subsidiaries identify cash generating units through consideration of business characteristics and business operations. Idle assets are identified as separate cash generating units.

Fiscal year ended March 31, 2022

A business in Osaka, where cash generating unit is identified on a consolidated basis, recognized an impairment loss of ¥14,791 million for the fiscal year ended March 31, 2022, with the book value reduced to the recoverable value, for the OLED production facilities at the Sakai Plant owned by the Company

and Sharp Display Technology Corporation, a consolidated subsidiary of the Company. Earnings in this business operated by Sharp Display Technology Corporation have so far not been significantly below the initial plan formulated at the launch of the business but are expected to fall much below the initial plan in the next fiscal year and beyond as competition intensifies. Details were ¥3,193 million for buildings and structures and ¥11,598 million for machinery, equipment and vehicles. The estimated recoverable amount was measured by its value in use, and important assumptions included future selling prices, sales volume, unit variable cost, fixed cost, discount rate, etc. The discount rate was 7.8% (before tax).

Some consolidated subsidiaries in China recognized an impairment loss of ¥5,184 million for the Electronic Device unit, for the fiscal year ended March 31, 2022, with the book value reduced to the recoverable value, because the investment amount became unrecoverable due to decreasing profitability. Details were ¥2,671 million for machinery, equipment and vehicles, ¥2,030 million for tools, furniture and fixtures, and ¥482 million for other. The estimated recoverable amount was evaluated as the net realizable value.

Some consolidated subsidiaries in Japan recognized an impairment loss of ¥2,728 million for the fiscal year ended March 31, 2022, with the book value reduced to the recoverable value, because their idle assets are no longer expected to be used in the future. Details were ¥2,669 million for machinery, equipment and vehicles, and ¥58 million for other. The estimated recoverable amount was evaluated at zero as the net realizable value.

Fiscal year ended March 31, 2023

The Company and some of its consolidated subsidiaries in Japan and the U.S.A. recognized an impairment loss of ¥3,729 million for the 8K Ecosystem unit's business assets for the fiscal year ended March 31, 2023, with the book value reduced to the recoverable value, because the investment amount became unrecoverable due to decreasing profitability. Details were ¥421 million for buildings and structures, ¥156 million for tools, furniture and fixtures, ¥0 million for construction in progress, ¥206 million for software, ¥745 million for goodwill, and ¥2,198 million for other. The estimated recoverable amount was evaluated at a net realizable value of zero.

Some consolidated subsidiaries in Japan and Europe recognized an impairment loss of ¥456 million for the ICT unit's business assets for the fiscal year ended March 31, 2023, with the book value reduced to the recoverable value, because they were no longer expected to be used in the future due to the restructuring of the ICT business. Details were ¥5 million for buildings and structures, ¥2 million for tools, furniture and fixtures, ¥116 million for software, and ¥330 million for other. The estimated recoverable amount was

Notes to Consolidated Financial Statements

evaluated at a net realizable value of zero.

LCD-related business assets of the Display Device unit in Osaka, where the cash generating unit is identified on a consolidated basis, include an LCD panel production factory, machinery and goodwill resulted from the acquisition of Sakai Display Products Corporation (hereinafter, "SDP"), a consolidated subsidiary of the Company. In the fiscal year ended March 31, 2023, the Company made SDP a wholly owned subsidiary for the purpose of expanding the display business through stable procurement of large-size LCD panels and with a shift to medium and small-size panels. However, prices of not only large-size LCD panels, which SDP produces, but also medium and small-size panels have fallen significantly, and SDP's future cash flow was expected to fall far short of the original plan. For this reason, an impairment loss of ¥188,487 million was recognized under extraordinary losses for such non-current assets, with the book value reduced to the recoverable value. Details were ¥71,884 million for buildings and structures, ¥29,295 million for machinery, equipment and vehicles, ¥1,654 million for tools, furniture and fixtures, ¥6,748 million for land, ¥2,146 million for construction in progress, ¥51 million for software, ¥64,047 million for goodwill, and ¥12,658 million for other. The estimated recoverable amount for business assets other than goodwill was evaluated at ¥7,732 million based on the appraisal results, while goodwill was evaluated at zero as the net recoverable value.

OLED-related business assets of the Display Device unit in Osaka, where the cash generating unit is identified on a consolidated basis, are production facilities and others. Amid harsher-than-expected competition in the OLED business, the investment amount became unrecoverable due to decreasing profitability. For this reason, an impairment loss of ¥21,291 million was recognized under extraordinary losses for such non-current assets, with the book value reduced to the recoverable value. Details were ¥5,440 million for buildings and structures, ¥15,076 million for machinery, equipment and vehicles, ¥177 million for tools, furniture and fixtures, ¥329 million for construction in progress, and ¥266 million for software. The estimated recoverable amount was evaluated at a net realizable value of ¥1,228 million.

Some consolidated subsidiaries in Japan and China recognized an impairment loss of ¥612 million for the Electronic Device unit's business assets, for the fiscal year ended March 31, 2023, with the book value reduced to the recoverable value, because the investment amount became unrecoverable due to decreasing profitability. Details were ¥153 million for buildings and structures, ¥8 million for machinery, equipment and vehicles, ¥118 million for tools, furniture and fixtures, ¥0 million for land, ¥5 million for software, and ¥325 million for other. The estimated recoverable amount was evaluated as the net realizable value.

Some consolidated subsidiaries recognized an impairment loss of ¥5,976 million for the fiscal year

ended March 31, 2023, with the book value reduced to the recoverable value, because some idle assets in Japan, China and others are no longer expected to be used in the future. Details were ¥4,847 million for machinery, equipment and vehicles, ¥30 million for tools, furniture and fixtures, and ¥1,098 million for other. The estimated recoverable amount was evaluated at a net realizable value of zero.

(k) Business restructuring expenses

Fiscal year ended March 31, 2023

Business restructuring expenses include severance charges associated with the ICT business restructuring in Europe and the U.S.A.

(l) Settlement payments

Fiscal year ended March 31, 2022

A lawsuit was filed by Foxconn Interconnect Technology Singapore Pte. Ltd. (hereinafter, "FIT") against the Company, with respect to the Company's transfer of shares of Kantatsu Corporation, a consolidated subsidiary of the Company, to FIT. An agreement was reached and concluded that the Company should pay the settlement amount to FIT among other terms.

(m) Provision for loss on litigation

Fiscal year ended March 31, 2022

Provision for loss on litigation was recorded regarding the case that LG Display Co., Ltd. (hereinafter, "LGD") had sought arbitration from the Singapore International Arbitration Centre. The arbitration result was that the Company should pay damages and others to LGD.

Fiscal year ended March 31, 2023

The provision for loss on litigation that had been recorded in the fiscal year ended March 31, 2022 was revaluated in accordance with exchange rate fluctuations in the fiscal year ended March 31, 2023.

Notes to Consolidated Financial Statements

4. Notes to Consolidated Statements of Comprehensive Income

Summary of amounts of reclassification adjustments and their tax effects to other comprehensive income as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Valuation difference on available-for-sale securities		
Amount arising during the year	¥ 5,107	¥ 9,169
Reclassification adjustment	—	1
Before tax effect	5,107	9,170
Tax effect	(1,561)	(2,869)
Valuation difference on available-for-sale securities	¥ 3,546	¥ 6,301
Deferred gains or losses on hedges		
Amount arising during the year	¥ 1,730	¥ (2,270)
Reclassification adjustment	(1,079)	(527)
Before tax effect	650	(2,798)
Tax effect	25	1,452
Deferred gains or losses on hedges	¥ 675	¥ (1,345)
Foreign currency translation adjustment		
Amount arising during the year	¥ 29,378	¥ 14,868
Reclassification adjustment	30	—
Foreign currency translation adjustment	¥ 29,409	¥ 14,868
Remeasurements of defined benefit plans, net of tax		
Amount arising during the year	¥ 3,591	¥ (15,412)
Reclassification adjustment	12,409	870
Before tax effect	16,000	(14,541)
Tax effect	(2,004)	1,884
Remeasurements of defined benefit plans, net of tax	¥ 13,996	¥ (12,657)
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the year	¥ 2,616	¥ (4,394)
Reclassification adjustment	(248)	(3,488)
Share of other comprehensive income of entities accounted for using equity method	¥ 2,368	¥ (7,882)
Total other comprehensive income	¥ 49,996	¥ (714)

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 for the fiscal years ended March 31, 2022 and 2023 were as follows:

Fiscal year ended March 31, 2022

	(Thousands of shares)			
	Number of shares as of March 31, 2021	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2022
Issued shares				
Common shares	611,952	—	—	611,952
Total	611,952	—	—	611,952
Treasury shares				
Common shares	1,151	5	25	1,131
Total	1,151	5	25	1,131

- Notes:
1. The increase of 5 thousand shares of treasury shares consisted of an increase of 5 thousand shares due to the purchase of shares less than one trading unit.
 2. The decrease of 25 thousand shares of treasury shares consisted of a decrease of 0 thousand shares due to the sale of shares less than one trading unit and a decrease of 25 thousand shares due to the disposition of treasury shares as restricted stock compensation.

Fiscal year ended March 31, 2023

	(Thousands of shares)			
	Number of shares as of March 31, 2022	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2023
Issued shares				
Common shares	611,952	38,453	—	650,406
Total	611,952	38,453	—	650,406
Treasury shares				
Common shares	1,131	2	—	1,133
Total	1,131	2	—	1,133

- Notes:
1. The increase of 38,453 thousand shares of issued shares was due to the share exchange effective June 27, 2022, under which the Company became the wholly owning parent company and Sakai Display Products Corporation became the wholly owned subsidiary.
 2. The increase of 2 thousand shares of treasury shares was due to the purchase of shares less than one trading unit.

Notes to Consolidated Financial Statements

(b) Share acquisition rights and treasury share acquisition rights

Share acquisition rights and treasury share acquisition rights for the fiscal years ended March 31, 2022 and 2023 were as follows:

Fiscal year ended March 31, 2022

Classification	Description of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares underlying the share acquisition rights (Share)				Balance as of March 31, 2022 (Millions of yen)
			Number of shares as of March 31, 2021	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2022	
The Company	Share acquisition rights as a stock option	—	—	—	—	—	296
Consolidated subsidiaries	—	—	—	—	—	—	8
Total		—	—	—	—	—	304

Fiscal year ended March 31, 2023

Classification	Description of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares underlying the share acquisition rights (Share)				Balance as of March 31, 2023 (Millions of yen)
			Number of shares as of March 31, 2022	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2023	
The Company	Share acquisition rights as a stock option	—	—	—	—	—	293
Total		—	—	—	—	—	293

(c) Dividends

Fiscal year ended March 31, 2022

(1) Dividends paid

Resolutions	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 11, 2021	Common shares	18,324	30	March 31, 2021	June 7, 2021

(2) Dividends for which the record date belonged to the fiscal year ended March 31, 2022, with effective date falling in the fiscal year ended March 31, 2023 were as follows:

Resolutions	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 11, 2022	Common shares	Retained earnings	24,432	40	March 31, 2022	June 8, 2022

Fiscal year ended March 31, 2023

(1) Dividends paid

Resolutions	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 11, 2022	Common shares	24,432	40	March 31, 2022	June 8, 2022

(2) Dividends for which the record date belonged to the fiscal year ended March 31, 2023, but the effective date falling in the fiscal year ended March 31, 2024: 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)	
	2022	2023
Cash and deposits	¥ 287,361	¥ 262,058
Time deposits with maturity over 3 months and others	(48,002)	(55,445)
Cash and cash equivalents	¥ 239,359	¥ 206,612

(b) Major components of assets and liabilities related to business transfer with cash and cash equivalents as consideration

Fiscal year ended March 31, 2022

Kantatsu Corporation, a consolidated subsidiary of the Company (hereinafter, "Kantatsu"), transferred all of its equity in its subsidiary Lianyungang Kantatsu Fine Technology Co., Ltd. and related assets of Kantatsu to Liaoning Zhonglan Electronic Technology Co., Ltd. The relationship among major components of assets and liabilities of the business transferred, sale price of the business and the related proceeds were as follows:

	Yen (millions)
Current assets	¥ 437
Non-current assets	168
Current liabilities	(3,067)
Non-current liabilities	(103)
Foreign currency translation adjustment	431
Gain on sale of businesses	5,725
Business sale price	3,591
Proceeds from borrowing from the transferee of the subsidiary subject to business transfer	1,300
(Deduction) Accounts receivable - other	619
Cash and cash equivalents	4
Proceeds from sale of businesses	¥ 4,267

(c) Major components of assets and liabilities of newly consolidated subsidiaries acquired by share exchanges

Fiscal year ended March 31, 2023

The relationship among major components of assets and liabilities at initial consolidation of Sakai Display Products Corporation and its subsidiaries, the acquisition cost of shares and the increase in cash and cash equivalents related to this consolidation by share exchanges were as follows:

	Yen (millions)
Current assets	¥ 40,365
Non-current assets	207,701
Goodwill	69,240
Current liabilities	(163,079)
Non-current liabilities	(103,806)
Acquisition cost of shares	50,422
Cash and cash equivalents	2,099
(Deduction) Price of the Company's shares issued through the share exchange	40,337
Market value of shares held immediately before the business combination as of the date of the business combination	10,084
Increase in cash and cash equivalents resulting from the share exchange	¥ 2,099

(d) Significant non-cash transactions

	Yen (millions)	
	2022	2023
Increase in capital surplus resulting from the share exchange	¥ —	¥ 40,337

Notes to Consolidated Financial Statements

7. Leases

Finance leases

(a) As lessee

The information is omitted as it was immaterial.

(b) As lessor

Amount of lease receivables to be collected on and after March 31, 2022

(1) Current assets

	Yen (millions)					
	2022					
	Within 1 year	Over 1 year and no more than 2 years	Over 2 years and no more than 3 years	Over 3 years and no more than 4 years	Over 4 years and no more than 5 years	Over 5 years
Lease receivables	¥ 8,233	¥ —	¥ —	¥ —	¥ —	¥ —

(2) Investments and other assets

	Yen (millions)					
	2022					
	Within 1 year	Over 1 year and no more than 2 years	Over 2 years and no more than 3 years	Over 3 years and no more than 4 years	Over 4 years and no more than 5 years	Over 5 years
Lease receivables	¥ —	¥ 6,552	¥ 4,873	¥ 3,493	¥ 2,798	¥ 29,289

Note: Information on finance leases as a lessor for the fiscal year ended March, 31, 2023 is omitted as it was immaterial.

Operating leases

(a) As lessee

The balance of remaining lease payments for non-cancelable contracts as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Due within one year	¥ 1,464	¥ 6
Due after one year	4,231	73
Total	¥ 5,696	¥ 79

Note: The Group's overseas consolidated subsidiaries adopting US GAAP have applied ASC 842 "Leases" from the fiscal year ended March 31, 2023. Consequently, operating leases of these subsidiaries are included only in the amounts for the fiscal year ended March 31, 2022.

(b) As lessor

Future lease receipts for non-cancelable contracts as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Due within one year	¥ 1,558	¥ 1,383
Due after one year	2,045	1,795
Total	¥ 3,603	¥ 3,179

8. Financial Instruments

(a) Qualitative information on financial instruments

(1) Policies for financial instruments

The Company and its consolidated subsidiaries obtain necessary funds mainly through bank loans, according to its capital investment plan for its main business of manufacturing and distributing electronic communication equipment, electronic equipment, 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 14 years and 4 months from March 31, 2023.

Derivative transactions consist primarily of forward exchange contracts, which are used to hedge the foreign currency risk exposure, and interest rate swaps. For hedging instruments, hedged items, hedging policies and assessment methods of effectiveness of hedging instruments, see "(o) Hedge accounting" 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 procedure. 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 section 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 differences between the two as of March 31, 2022 and 2023 are included in the tables below.

	Yen (millions)		
	2022		
	Consolidated balance sheet amount	Fair Value	Difference
(1) Notes and accounts receivable — trade* ¹	¥ 477,269	¥ 475,631	¥ (1,638)
(2) Securities and investment securities* ²			
1) Shares of subsidiaries and affiliates	0	1,729	1,729
2) Other securities	38,017	38,017	—
Total assets	¥ 515,286	¥ 515,377	¥ 91
(1) Long-term borrowings	572,270	574,219	1,949
Total liabilities	¥ 572,270	¥ 574,219	¥ 1,949
Derivative transactions* ³			
1) Derivative transactions — hedge accounting not applied	¥ 3,591	¥ 3,591	¥ —
2) Derivative transactions — hedge accounting applied	3,711	1,334	(2,376)
Total derivative transactions	¥ 7,303	¥ 4,926	¥ (2,376)

*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:

Classification	Yen (millions)
	2022
Unlisted stocks	¥ 56,780
Investment in capital	76,594

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

	Yen (millions)		
	2023		
	Consolidated balance sheet amount	Fair Value	Difference
(1) Notes and accounts receivable — trade* ¹	¥ 433,106	¥ 431,799	¥ (1,307)
(2) Securities and investment securities* ²			
1) Shares of subsidiaries and affiliates	0	1,514	1,514
2) Other securities	40,899	40,899	—
Total assets	¥ 474,005	¥ 474,212	¥ 207
(1) Long-term borrowings	542,727	542,743	15
Total liabilities	¥ 542,727	¥ 542,743	¥ 15
Derivative transactions* ³			
1) Derivative transactions — hedge accounting not applied	¥ 2,535	¥ 2,535	¥ —
2) Derivative transactions — hedge accounting applied	524	80	(444)
Total derivative transactions	¥ 3,060	¥ 2,615	¥ (444)

*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:

Classification	Yen (millions)
	2023
Unlisted stocks	¥ 50,104
Investment in capital	125,203

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

Note 1: Aggregate maturity of cash and deposits, and receivables as of March 31, 2022 and 2023 were as follows:

	Yen (millions)		
	2022		
	Cash and deposits	Notes and accounts receivable - trade	Total
Due within one year	¥ 287,361	¥ 469,975	¥ 757,336
Due after one year, within five years	—	7,002	7,002
Due after five years, within ten years	—	291	291
Due after ten years	—	—	—

Notes to Consolidated Financial Statements

	Yen (millions)		
	2023		
	Cash and deposits	Notes and accounts receivable – trade	Total
Due within one year	¥ 262,058	¥ 428,336	¥ 690,394
Due after one year, within five years	—	4,650	4,650
Due after five years, within ten years	—	119	119
Due after ten years	—	—	—

Note 2: Repayment plan for loans after closing date

	Yen (millions)		
	2022		
	Short-term borrowings	Long-term borrowings	Total
Due within one year	¥ 54,300	¥ —	¥ 54,300
Due after one year, within two years	—	29,360	29,360
Due after two years, within three years	—	18,397	18,397
Due after three years, within four years	—	10,506	10,506
Due after four years, within five years	—	513,994	513,994
Due after five years	—	11	11

	Yen (millions)		
	2023		
	Short-term borrowings	Long-term borrowings	Total
Due within one year	¥ 163,896	¥ —	¥ 163,896
Due after one year, within two years	—	18,715	18,715
Due after two years, within three years	—	10,003	10,003
Due after three years, within four years	—	513,994	513,994
Due after four years, within five years	—	2	2
Due after five years	—	12	12

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

The fair values of financial instruments are 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

Classification	Yen (millions)			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities	¥ 38,017	¥ —	¥ —	¥ 38,017
Derivative transactions*				
Currency-related	—	7,356	—	7,356
Interest rate-related	—	(52)	—	(52)
Total assets	¥ 38,017	¥ 7,303	¥ —	¥ 45,320

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

Classification	Yen (millions)			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities	¥ 40,899	¥ —	¥ —	¥ 40,899
Derivative transactions*				
Currency-related	—	3,070	—	3,070
Interest rate-related	—	(10)	—	(10)
Total assets	¥ 40,899	¥ 3,060	¥ —	¥ 43,959

* 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

Classification	Yen (millions)			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable — trade	¥ —	¥ 475,631	¥ —	¥ 475,631
Securities and investment securities				
Shares of subsidiaries and affiliates	1,729	—	—	1,729
Derivative transactions*				
Currency-related	—	(2,376)	—	(2,376)
Total assets	¥ 1,729	¥ 473,254	¥ —	¥ 474,983
Long-term borrowings	—	574,219	—	574,219
Total liabilities	¥ —	¥ 574,219	¥ —	¥ 574,219

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

Classification	Yen (millions)			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable — trade	¥ —	¥ 431,799	¥ —	¥ 431,799
Securities and investment securities				
Shares of subsidiaries and affiliates	1,514	—	—	1,514
Derivative transactions*				
Currency-related	—	(444)	—	(444)
Total assets	¥ 1,514	¥ 431,354	¥ —	¥ 432,869
Long-term borrowings	—	542,743	—	542,743
Total liabilities	¥ —	¥ 542,743	¥ —	¥ 542,743

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

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 items subject to the allocation method for forward exchange contracts is calculated based on the forward exchange rate as of the last day of the fiscal year, and is classified as Level 2 fair value.

In addition, the fair value of interest-swap transactions is determined based on the prices quoted by counterparty financial institutions, and is classified as Level 2 fair value.

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 that take a long time to collect is calculated based on the present value discounted by the interest rate that takes into account the period to maturity and credit risks for each receivable classified by a certain period, 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 as of March 31, 2022 was as follows:

	Yen (millions)			
	2022			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,905	¥ 21,129	¥ (18)	¥ 38,017
	¥ 16,905	¥ 21,129	¥ (18)	¥ 38,017

Equity securities and others that do not have market prices (¥78, 239 million as of March 31, 2022) are not included in the above table.

The proceeds from sales of other securities were ¥714 million for the fiscal year ended March 31, 2022. The gross realized gains on those sales were ¥631 million for the fiscal year ended March 31, 2022. The gross realized losses on those sales were ¥7 million for the fiscal year ended March 31, 2022.

Impairment losses recorded for unlisted stocks of other securities were ¥77 million for the fiscal year ended March 31, 2022.

Information on other securities as of March 31, 2023 was as follows:

	Yen (millions)			
	2023			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,905	¥ 23,993	¥ (0)	¥ 40,899
	¥ 16,905	¥ 23,993	¥ (0)	¥ 40,899

Notes to Consolidated Financial Statements

Equity securities and others that do not have market prices (¥85,452 million as of March 31, 2023) are not included in the above table.

The proceeds from sales of other securities were ¥40 million for the fiscal year ended March 31, 2023. The gross realized gains on those sales were ¥17 million for the fiscal year ended March 31, 2023.

Impairment losses recorded for unlisted stocks of other securities were ¥138 million for the fiscal year ended March 31, 2023.

10. Derivative Transactions

(a) Derivative transactions — hedge accounting not applied

Currency-related transactions

		Yen (millions)			
		2022			
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	¥ 23,097	¥ —	¥ (690)	¥ (690)
	Euro	3,370	—	(101)	(101)
	Canadian dollar	241	—	(16)	(16)
	Russian rouble	218	—	61	61
	New Zealand dollar	63	—	(3)	(3)
	Australian dollar	55	—	(3)	(3)
	Chinese yuan	0	—	0	0
	Buy				
	U.S. dollar	79,024	—	4,012	4,012
	Euro	10,480	—	186	186
	Pound sterling	4,572	—	109	109
	Singapore dollar	875	—	36	36
	Chinese yuan	50	—	1	1
Total		¥ 122,051	¥ —	¥ 3,591	¥ 3,591

		Yen (millions)			
		2023			
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	¥ 35,985	¥ —	¥ (66)	¥ (66)
	Euro	2,541	—	(44)	(44)
	Canadian dollar	152	—	1	1
	Australian dollar	97	—	5	5
	Chinese yuan	6	—	(0)	(0)
	New Zealand dollar	5	—	0	0
	Buy				
	U.S. dollar	107,210	—	1,892	1,892
	Euro	13,462	—	416	416
	Pound sterling	5,586	—	330	330
	Chinese yuan	15	—	0	0
Total		¥ 165,062	¥ —	¥ 2,535	¥ 2,535

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)		
			Contract amount	Amount of contract due after one year	Fair value
			2022		
Principle-based accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		¥ 37,627	¥ —	¥ (1,407)
	Euro		16,111	—	(474)
	Pound sterling		1,344	—	12
	Canadian dollar		770	—	(63)
	Australian dollar		305	—	(34)
	Russian rouble		293	—	31
	Swedish krona		182	—	(1)
	Swiss franc		175	—	(1)
	New Zealand dollar		153	—	(15)
	Polish zloty		68	—	(0)
	Norwegian krone		50	—	(1)
	Czech koruna		47	—	(0)
	Danish krone		39	—	(0)
	Hungarian forint		25	—	(0)
	Chinese yuan		2	—	(0)
	Singapore dollar		2	—	(0)
	Buy	Accounts payable — trade			
	U.S. dollar		93,084	—	5,676
	Euro		6,665	—	44
	Japanese yen		2	—	(0)
	Pound sterling		1	—	(0)
	Singapore dollar		0	—	0
Allocation accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		94,239	—	(5,580)
	Euro		8,293	—	(380)
	Pound sterling		624	—	(19)
	Russian rouble		81	—	6
	Canadian dollar		0	—	(0)
	Buy	Accounts payable — trade			
	U.S. dollar		63,962	—	3,596
	Japanese yen		131	—	(2)
	Euro		104	—	2
	Singapore dollar		8	—	0
	Pound sterling		0	—	0
Total			¥ 324,398	¥ —	¥ 1,387

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions)		
			Contract amount	Amount of contract due after one year	Fair value
			2023		
Principle-based accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	Euro		¥ 9,179	¥ —	¥ (68)
	U.S. dollar		7,424	—	29
	Pound sterling		860	—	(7)
	Swiss franc		152	—	1
	Swedish krona		145	—	(0)
	Polish zloty		132	—	(1)
	Czech koruna		67	—	(0)
	Norwegian krone		54	—	0
	Danish krone		53	—	0
	New Zealand dollar		26	—	0
	Hungarian forint		18	—	(0)
	Canadian dollar		2	—	(0)
	Buy	Accounts payable — trade			
	U.S. dollar		73,676	—	443
	Euro		7,185	—	138
	Pound sterling		18	—	0
	Japanese yen		2	—	(0)
Allocation accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		99,298	—	(562)
	Euro		2,610	—	(80)
	Buy	Accounts payable — trade			
	U.S. dollar		66,924	—	142
	Euro		815	—	56
	Japanese yen		86	—	(0)
Total			¥ 268,736	¥ —	¥ 90

Notes to Consolidated Financial Statements

(2) Interest rate-related transactions

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions)		
			Contract amount	Amount of contract due after one year	Fair value
Principle-based accounting	Interest rate swaps Pay fixed/receive floating	Long-term borrowings	¥ 20,000	¥ 20,000	¥ (52)
Total			¥ 20,000	¥ 20,000	¥ (52)

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

11. Bonds Payable, Borrowings and Lease liabilities

(a) Bonds payable

Not applicable for the fiscal years ended March 31, 2022 and 2023

(b) Borrowings and lease liabilities

Borrowings and lease liabilities as of March 31, 2022 and 2023 consisted of the following:

	Yen (millions)	
	2022	2023
Short-term borrowings with the following interest rates		
0.5% as of March 31, 2022 and 1.1% as of March 31, 2023	¥ 47,095	¥ 86,387
Current portion of long-term borrowings with the following interest rates		
0.9% as of March 31, 2022 and 2.5% as of March 31, 2023	7,204	77,508
Current portion of lease liabilities with the following interest rates		
2.9% as of March 31, 2022 and 1.9% as of March 31, 2023	2,283	18,966
Long-term borrowings (except portion due within one year) with the following interest rates		
0.5% as of March 31, 2022 and 0.5% as of March 31, 2023	572,270	542,727
Lease liabilities (except portion due within one year) with the following interest rates		
1.7% as of March 31, 2022 and 2.2% as of March 31, 2023	4,907	10,083
Total	¥ 633,761	¥ 735,674

- Notes:
- Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2022 and 2023 respectively.
 - The aggregate annual maturities of long-term borrowings due within 5 years (except portion due within one year) as of March 31, 2023 were as follows:

Years ending March 31	Yen (millions)
2025	¥ 18,715
2026	10,003
2027	513,994
2028	2

The aggregate annual maturities of lease liabilities due within 5 years (except portion due within one year) as of March 31, 2023 were as follows:

Years ending March 31	Yen (millions)
2025	¥ 4,726
2026	3,709
2027	570
2028	180

- 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, 2023 was as follows:

Current portion of lease liabilities	¥4,286 million
Lease liabilities (excluding current portion)	¥11,178 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 Company and its consolidated subsidiaries as of March 31, 2022 and 2023 consisted of the following:

	Yen (millions)	
	2022	2023
Balance at beginning of year	¥ 347,069	¥ 338,057
Service cost	9,503	9,093
Interest cost	3,008	3,365
Actuarial loss (gain)	(2,959)	(12,850)
Benefits paid	(23,618)	(27,223)
Increase from newly consolidated subsidiaries	—	4,878
Other	459	(4,825)
Foreign currency exchange differences	4,594	2,689
Balance at end of year	¥ 338,057	¥ 313,185

(2) Reconciliations of the fair value of plan assets

Reconciliations of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2022 and 2023 consisted of the following:

	Yen (millions)	
	2022	2023
Balance at beginning of year	¥ 269,094	¥ 274,720
Expected return on plan assets	6,759	7,389
Actuarial gain (loss)	1,014	(28,826)
Employer contribution	16,128	14,603
Benefits paid	(22,612)	(25,783)
Increase from newly consolidated subsidiaries	—	7,079
Other	45	(4,717)
Foreign currency exchange differences	4,290	2,914
Balance at end of year	¥ 274,720	¥ 247,381

(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 as of March 31, 2022 and 2023 consisted of the following:

	Yen (millions)	
	2022	2023
Funded defined benefit obligations at end of year	¥ 331,487	¥ 304,051
Fair value of plan assets at end of year	(274,720)	(247,381)
Funded status at end of year	56,766	56,669
Unfunded defined benefit obligations at end of year	6,570	9,134
Total net retirement benefit liability	¥ 63,336	¥ 65,804
Retirement benefit liability	73,630	72,019
Retirement benefit asset	(10,293)	(6,214)
Total net retirement benefit liability	¥ 63,336	¥ 65,804

Notes to Consolidated Financial Statements

(4) Retirement benefit expenses

Retirement benefit expenses of the Company and its consolidated subsidiaries for the fiscal years ended March 31, 2022 and 2023 consisted of the following:

	Yen (millions)	
	2022	2023
Service cost	¥ 9,503	¥ 9,093
Interest cost	3,008	3,365
Expected return on plan assets	(6,759)	(7,389)
Amortization of net actuarial loss	12,819	1,187
Amortization of past service cost	73	67
Other	31	774
Total retirement benefit expenses	¥ 18,677	¥ 7,098

(5) Amounts recognized in remeasurements of defined benefit plans

Amounts recognized in remeasurements of defined benefit plans (other comprehensive income) for the fiscal years ended March 31, 2022 and 2023 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2022	2023
Past service cost	¥ 169	¥ (25)
Net actuarial gain (loss)	15,831	(14,515)
Total	¥ 16,000	¥ (14,541)

(6) Amounts recognized in remeasurements of defined benefit plans

Amounts recognized in remeasurements of defined benefit plans (accumulated other comprehensive income) as of March 31, 2022 and 2023 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2022	2023
Unrecognized past service cost	¥ 641	¥ 667
Unrecognized net actuarial loss	5,261	19,777
Total	¥ 5,903	¥ 20,444

(7) Classification of the fair value of plan assets

Classification of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2022 and 2023 consisted of the following:

	2022	2023
Bonds	29%	23%
Equity securities	20%	19%
Cash and cash equivalents	4%	4%
Life insurance company general accounts	13%	15%
Alternatives	27%	32%
Other	7%	7%
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

	2022	2023
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 ¥1,496 million for the fiscal year ended March 31, 2022 and ¥1,723 million for the fiscal year ended March 31, 2023.

Notes to Consolidated Financial Statements

13. Stock Options

(a) Expensed amount and account

The expensed amount and account for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Selling, general and administrative expenses	¥ 7	¥ 1

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

The amount recorded as profit due to expiration of unexercised rights for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Gain on reversal of share acquisition rights	¥ —	¥ 4

(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)	Third stock options (resolved on August 28, 2018)
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	5 directors of the Company 15 employees of the Company
Number of stock options by class of shares (Note 1)	81,100 common shares	45,300 common shares	104,500 common shares
Grant date	April 21, 2017	September 28, 2017	September 3, 2018
Vesting conditions	See Note 2	See Note 2	See Note 2
Service period	From April 21, 2017 to April 20, 2019	From September 28, 2017 to September 27, 2019	From September 3, 2018 to September 2, 2020
Exercise period	From April 21, 2019 to April 21, 2024	From September 28, 2019 to September 28, 2024	From September 3, 2020 to September 3, 2025

- Notes: 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.
2. Eligible persons shall be directors, executives, audit & supervisory board members or employees of the Company, or the Company's subsidiaries and 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.

(2) Size and changes of stock options

Stock options that existed for the fiscal year ended March 31, 2023 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)
	Unvested stock options (shares)		
Balance on March 31, 2022	—	—	12,000
Granted	—	—	—
Nullified	—	—	—
Vested	—	—	12,000
Balance on March 31, 2023	—	—	—
Vested stock options (shares)			
Balance on March 31, 2022	74,300	38,100	75,500
Vested	—	—	12,000
Exercised	—	—	—
Nullified	2,300	—	—
Balance on March 31, 2023	72,000	38,100	87,500

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)	Third stock options (resolved on August 28, 2018)
Exercise price	¥ 4,120	¥ 3,400	¥ 2,717
Weighted-average share price at exercise	—	—	—
	(74,400 shares) 1,970		(54,500 shares) 1,010
Fair value at the grant date	(7,000 shares) 2,110	1,570	(35,000 shares) 1,041 (15,000 shares) 1,139

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.

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(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 nullified in the future is difficult.

14. Income Taxes

The Company is subject to a number of different income taxes, which in the aggregate indicate a statutory tax rate in Japan of approximately 30.4% for the fiscal years ended March 31, 2022 and 2023.

The Company and its wholly owned domestic subsidiaries have adopted the Group Tax Relief System in Japan from the fiscal year ended March 31, 2023.

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

The significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the fiscal years ended March 31, 2022 and 2023 were as follows:

	2022	2023
Statutory tax rate	30.4%	—
Foreign withholding tax	3.0	—
Tax credit	(3.2)	—
Net Increase (Decrease) in valuation allowance and other	(10.4)	—
Differences in normal tax rates of overseas consolidated subsidiaries	(3.0)	—
Other	1.1	—
Effective tax rate	17.9%	—

Note: Information for the fiscal year ended March 31, 2023 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 as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Deferred tax assets:		
Inventories	¥ 11,868	¥ 18,433
Allowance for doubtful accounts	7,444	40,898
Accrued expenses	14,047	16,917
Provision for bonuses	4,643	3,971
Provision for sales promotion expenses	1,603	1,519
Retirement benefit liability	21,646	20,704
Buildings and structures	18,582	53,727
Machinery, equipment and vehicles	2,122	17,666
Software	3,534	3,770
Long-term prepaid expenses	5,635	5,263
Shares of subsidiaries and associates	110,593	136,129
Tax loss carried forward*2	143,364	163,229
Other	41,672	73,132
Gross deferred tax assets	386,759	555,365
Valuation allowance for tax loss carried forward*2	(143,272)	(163,137)
Valuation allowance for future deductible temporary difference and other	(217,171)	(369,860)
Total valuation allowance*1	(360,444)	(532,998)
Total deferred tax assets	¥ 26,314	¥ 22,367
Deferred tax liabilities:		
Retained earnings appropriated for tax allowable reserves	¥ (1,055)	¥ (997)
Valuation difference on available-for-sale securities	(8,907)	(11,776)
Other	(4,106)	(6,530)
Total deferred tax liabilities	¥ (14,069)	¥ (19,305)
Net deferred tax assets	¥ 12,245	¥ 3,062

*1 Valuation allowance increased by ¥172,553 million in the fiscal year ended March 31, 2023. This is primarily due to an increase in the future deductible temporary difference arising from posting an impairment loss of non-current assets and an increase in tax loss carried forward arising from the increase of newly consolidated subsidiaries.

*2 Tax loss carried forward and its deferred tax assets amount by carry forward period as of March 31, 2023 were as follows:

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	Yen (millions)		
	2023		
	Tax loss carried forward*	Valuation allowance	Deferred tax assets
Expire within one year	¥ 26,645	¥ (26,645)	¥ —
Expire after one year, within two years	42,759	(42,759)	—
Expire after two years, within three years	54,293	(54,262)	31
Expire after three years, within four years	7,313	(7,313)	—
Expire after four years, within five years	667	(667)	—
Expire after five years	31,550	(31,489)	61
Total	¥ 163,229	¥ (163,137)	¥ 92

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

(Change in presentation method)

“Allowance for doubtful accounts” and “Shares of subsidiaries and associates,” which were included in “Other” under “Deferred tax assets” in the fiscal year ended March 31, 2022, are separately presented since their materiality has increased. In order to reflect this change in presentation method, notes to the fiscal year ended March 31, 2022 have been reclassified.

As a result, ¥159,710 million in “Other” that was presented under “Deferred tax assets” has been reclassified as ¥7,444 million in “Allowance for doubtful accounts,” ¥110,593 million in “Shares of subsidiaries and associates,” and ¥41,672 million in “Other.”

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

From the fiscal year ended March 31, 2023, the Company and some of its domestic consolidated subsidiaries transitioned from the consolidated taxation system to the group tax relief system. Accounting treatment and disclosure of corporate tax, local corporate tax, 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, hereinafter “PITF No. 42”).

In addition, based on PITF No. 42, Paragraph 32-1, changes in accounting policy due to the application of the PITF No. 42 are treated as they have no impact.

15. Business Combinations

The main business combinations conducted during the fiscal year ended March 31, 2023 were as follows:

Business combination through acquisition

(Making Sakai Display Products Corporation a wholly owned subsidiary through a share exchange)

On March 3, 2022, the Company entered into a share purchase agreement with World Praise Limited (hereinafter, “WPL”), a shareholder of Sakai Display Products Corporation (hereinafter, “SDP”), that sets out the Company’s acquisition of SDP shares by way of a share exchange under which the Company became a wholly owing parent company and SDP became a wholly owned subsidiary company (hereinafter, the “Share Exchange”).

After that, the Company obtained all the approvals and licenses required by competition laws, etc. necessary for the execution of this transaction. Based on the Board of Directors resolution on the Share Exchange made on May 11, 2022, the Company signed a share exchange agreement with SDP on May 31, 2022. The procedures of the Share Exchange were completed, effective June 27, 2022.

Business combination through the Share Exchange is outlined below.

(a) Overview of the business combination

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

Name of the acquired company: Sakai Display Products Corporation (SDP)

Field of business: Development, manufacture, sales, import and export of liquid crystal displays and other display devices

(2) Main reasons for the business combination

From 2009, when SDP started its operations, the Company had procured large-size LCD panels for its main lineup of products in TV and commercial display business, from SDP. Based on the judgment that complete subsidiarization of SDP (rejoining the Group) would bring the following benefits to the Company’s business, the Share Exchange was executed with WPL, a shareholder of SDP.

- i) As the Company strives to expand its TV and commercial display business on a global scale, stable and advantageous procurement of high-definition panels, which accounts for a large proportion of the cost structure, is critical.

Notes to Consolidated Financial Statements

- ii) This business combination would help the Company's Display Device unit expand applications, improve production capacity, and strengthen competitiveness in the future when demand for displays is expected to increase further driven by the current New Normal, digital transformation, automotive, metaverse, and other new trends.
- iii) While China, which holds onto high share of the large-size LCD market, has been in the midst of the trade conflict with the U.S.A., SDP is expected to have an advantage in supplying panels to the markets in the Americas, as it is the only 10th generation (2,880 mm x 3,130 mm mother glass) or larger LCD panel plant outside China.

(3) Date of business combination

June 27, 2022 (Deemed acquisition date: June 30, 2022)

(4) Legal form of business combination

Share exchange

(5) Company name after business combination

The company's name is unchanged.

(6) Ratio of voting rights acquired

Voting rights held immediately before the business combination:	20%
Voting rights additionally acquired through the share exchange:	80%
Voting rights after the acquisition:	100%

(7) Main reason for identifying the acquired company

Due to the fact that the Company acquired 100% of SDP's voting rights through the share exchange and made it a wholly owned subsidiary.

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

From July 1, 2022 to March 31, 2023

In addition, the portion of SDP's performance attributable to the Company for the period from April 1, 2022 to June 30, 2022 was recorded as a share of losses of entities accounted for using the equity method since SDP was an equity-method affiliate of the Company.

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

	Yen (millions)
Market value of shares held immediately before the business combination as of the date of the business combination	¥ 10,084
Market value of common shares of the Company issued on the date of the business combination:	40,337
Total acquisition costs:	¥ 50,422

(d) Exchange ratio by class of shares and calculation method thereof, and number of shares issued

(1) Exchange ratio by class of shares

The Company allotted and issued 11.45 shares of its common shares for each SDP common share. However, 839,600 SDP shares, which the Company owned, was not allocated by the Share Exchange.

(2) Calculation method of share exchange ratio

The Company requested a third-party institution independent from both companies, to calculate the share exchange ratio. The exchange ratio was determined based on the submitted report and discussions between both parties.

(3) Number of shares delivered

38,453,680 shares

Notes to Consolidated Financial Statements

(e) Major component of acquisition-related expenses and the amount thereof

Advisory fee, etc. ¥74 million

(f) Difference between the acquisition cost of the acquired company and total amount of individual investment costs leading to the acquisition

Gain on step acquisitions ¥12,422 million

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

(1) Amount of goodwill recognized

¥69,240 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

The Company started to amortize the goodwill using the straight-line method with an amortization period of 10 years, but recorded an impairment loss at the end of the fiscal year ended March 31, 2023. For details, please refer to “(j) Impairment losses” under “3. Notes to Consolidated Statements of Operations.”

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

	Yen (millions)
Current assets	¥ 40,365
Non-current assets	207,701
Total assets	248,067
Current liabilities	163,079
Non-current liabilities	103,806
Total liabilities	¥ 266,885

(i) Estimated amounts of impact on the consolidated statements of operations for the fiscal year ended March 31, 2023 assuming the business combination was completed on the first day of the fiscal year and calculation method thereof

	Yen (millions)
Net sales	¥ 6,831
Operating loss	(23,626)
Ordinary loss	(27,492)
Loss before income taxes	(22,301)

(Calculation method of estimated amounts)

The estimated amounts of impact indicate the difference between net sales and profit/loss information with the assumption that the business combination had been completed on the first day of the fiscal year ended March 31, 2023 and with adjustments for the elimination of internal transactions, and net sales and profit/loss information reported in the consolidated statements of operations of the acquiring company. In addition, the goodwill recognized upon the business combination was assumed to be booked at the first day of the fiscal year ended March 31, 2023, and was included in the estimated amounts.

This note is not subject to audit.

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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. With the organizational changes made in the fiscal year ended March 31, 2023, the Digital Imaging Solutions business, which was included in Other under the 8K Ecosystem in the fiscal year ended March 31, 2022, is now included in the Smart Business Solutions business. The components for the fiscal year ended March 31, 2022 have been prepared based on the information that reflects the organizational changes, etc.

	Yen (millions)
	2022
Reportable Segment:	
Smart Life:	
Smart Appliances & Solutions business	¥ 356,682
Other	89,357
Sales to external customers	446,039
8K Ecosystem:	
Smart Business Solutions business	341,086
Smart Display Systems business	207,121
Other	9,737
Sales to external customers	557,945
ICT:	
Mobile Communication business	139,803
PC business	177,003
Sales to external customers	316,807
Display Device:	
Display Device business	817,082
Sales to external customers	817,082
Electronic Device:	
Electronic Device business	357,713
Sales to external customers	357,713
Total	¥ 2,495,588

	Yen (millions)
	2023
Reportable Segment:	
Smart Life:	
Smart Appliances & Solutions business	¥ 374,628
Other	93,923
Sales to external customers	468,552
8K Ecosystem:	
Smart Business Solutions business	392,668
Smart Display Systems business	186,215
Other	6,544
Sales to external customers	585,428
ICT:	
Mobile Communication business	147,639
PC business	163,712
Sales to external customers	311,351
Display Device:	
Display Device business	736,224
Sales to external customers	736,224
Electronic Device:	
Electronic Device business	446,560
Sales to external customers	446,560
Total	¥ 2,548,117

The Smart Life 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 8K Ecosystem segment consists of the Smart Business Solutions business, the Smart Display Systems business and other businesses. The Smart Business Solutions business includes digital multifunction printers. The Smart Display Systems business includes televisions.

The ICT segment consists of the Mobile Communication business and the PC business. The Mobile Communication business includes mobile phones.

The Display Device segment includes display modules.

The Electronic Device segment includes camera modules.

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 segment; digital multi-function printers, televisions, etc. in the 8K Ecosystem segment; and mobile phones, personal computers, etc. in the ICT 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 solution business (“Other” in the Smart Life 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 percentage-of-completion 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, revenue is measured based on sales etc. of the licensee while the timing of recognition is decided based on when sales, etc. are generated at 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 the current fiscal year

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

	Yen (millions)	
	2022	2023
Balance at beginning of year:		
Receivables arising from contracts with customers	¥ 457,649	¥ 477,269
Contract assets	12,210	9,890
Contract liabilities	74,843	76,682

	Yen (millions)	
	2022	2023
Balance at end of year:		
Receivables arising from contracts with customers	¥ 477,269	¥ 433,106
Contract assets	9,890	4,951
Contract liabilities	76,682	86,838

- Notes:
- 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.
 - Of the amount of revenue recognized in the fiscal year ended March 31, 2023, ¥26,504 million was transferred from the beginning balance of contract liabilities.
 - There were no significant changes in the balances of contract assets and liabilities for the fiscal year ended March 31, 2023.
 - The amount of revenue generated from performance obligations satisfied (or partially satisfied) in prior periods and recognized in the fiscal year ended March 31, 2023 (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 as of March 31, 2023 totals ¥48,085 million. These performance obligations are mainly related to construction contracts, but also include maintenance and warranty services and intellectual property license agreements, etc.

Approximately 48% of this transaction price is expected to be recognized as revenue within one year after March 31, 2023, approximately 40% within a timeframe of more than one year and less than five years, and the rest, approximately 12%, is expected to be recognized after five years.

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 is working to establish business structure centering brand businesses, while at the same time promoting ESG-focused management to achieve sustainable growth. Specifically, the Group is focusing on the four major goals of (1) Further strengthening healthcare-related business, (2) Contributing to carbon neutrality, (3) HITO (people)-based management and (4) Becoming a true global company. To achieve these goals, the Group defined three brand business domains: Smart Life, 8K Ecosystem, and ICT, as well as two device business domains: Display Device and Electronic Device, as reportable segments.

Notes to Consolidated Financial Statements

(b) Basis of measurement of reportable segment sales, income 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 income (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.

Additionally, as stated in "(s) Changes in accounting policies" under "1. Summary of Significant Accounting and Reporting Policies" beginning from the fiscal year ended March 31, 2023, the US GAAP ASC 842 "Leases" has been applied to the Group's overseas consolidated subsidiaries that have adopted the US GAAP.

As a result, segment assets as of March 31, 2023 increased by ¥5,636 million for 8K Ecosystem, ¥206 million for ICT, and ¥189 million for Display Device, respectively.

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

Segment information as of and for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Net sales:		
Smart Life:		
Customers	¥ 446,039	¥ 468,552
Intersegment	152	191
Total	446,192	468,743
8K Ecosystem:		
Customers	557,945	585,428
Intersegment	9,745	6,404
Total	567,690	591,832
ICT:		
Customers	316,807	311,351
Intersegment	7,210	14,521
Total	324,017	325,873
Display Device:		
Customers	817,082	736,224
Intersegment	42,592	23,729
Total	859,674	759,953
Electronic Device:		
Customers	357,713	446,560
Intersegment	39,120	29,028
Total	396,834	475,589
Adjustments	(98,822)	(73,875)
Consolidated net sales	¥ 2,495,588	¥ 2,548,117
Segment income (loss):		
Smart Life	¥ 48,291	¥ 28,209
8K Ecosystem	24,966	13,421
ICT	4,038	(5,530)
Display Device	20,316	(66,482)
Electronic Device	6,988	14,799
Adjustments	(19,884)	(10,137)
Consolidated operating profit (loss)	¥ 84,716	¥ (25,719)
Segment assets:		
Smart Life	¥ 168,996	¥ 147,982
8K Ecosystem	301,192	309,655
ICT	120,272	108,239
Display Device	480,925	355,103
Electronic Device	199,087	198,078
Adjustments	685,814	653,901
Consolidated assets	¥ 1,956,288	¥ 1,772,961

Notes to Consolidated Financial Statements

	Yen (millions)	
	2022	2023
Other material items		
Depreciation:		
Smart Life	¥ 3,546	¥ 3,678
8K Ecosystem	13,766	15,881
ICT	8,606	8,207
Display Device	18,182	27,508
Electronic Device	18,372	18,972
Adjustments	3,750	4,892
The amount presented in consolidated financial statements	¥ 66,225	¥ 79,141
Amortization of goodwill:		
Smart Life	¥ 35	¥ 39
8K Ecosystem	1,906	1,856
ICT	119	135
Display Device	—	5,193
Electronic Device	—	—
Adjustments	—	—
The amount presented in consolidated financial statements	¥ 2,062	¥ 7,224
Investments in nonconsolidated subsidiaries and affiliates accounted for using equity method:		
Smart Life	¥ 434	¥ 478
8K Ecosystem	2,964	3,133
ICT	—	—
Display Device	6,753	42,971
Electronic Device	—	—
Adjustments	40,139	42,189
The amount presented in consolidated financial statements	¥ 50,291	¥ 88,772
Increase in property, plant, equipment and intangible assets:		
Smart Life	¥ 2,322	¥ 5,236
8K Ecosystem	9,535	17,147
ICT	8,164	6,119
Display Device	18,243	14,753
Electronic Device	25,277	14,717
Adjustments	4,785	2,893
The amount presented in consolidated financial statements	¥ 68,328	¥ 60,867

Adjustments of segment income were ¥(19,884) million and ¥(10,137) million for the fiscal years ended March 31, 2022 and 2023, respectively, including elimination of intersegment transactions and corporate expenses not allocated to each reportable segment.

Elimination of intersegment transactions for segment income were ¥(4) million and ¥(0) million, respectively. Corporate expenses not allocated to each reportable segment were ¥(17,235) million and ¥(15,929) million for the fiscal years ended March 31, 2022 and 2023, 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 ¥685,814 million and ¥653,901 million as of March 31, 2022 and 2023, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment.

Elimination of intersegment transactions for segment assets were ¥(8,516) million and ¥(5,086) million, respectively. Corporate assets not allocated to each reportable segment were ¥694,330 million and ¥658,987 million as of March 31, 2022 and 2023, 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 ¥40,139 million and ¥42,189 million as of March 31, 2022 and 2023, respectively, and mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥4,785 million and ¥2,893 million for the fiscal years ended March 31, 2022 and 2023, 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.

Notes to Consolidated Financial Statements

(d) Related information

(1) Net sales by product/service

Net sales by product/service for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Net sales to outside customers:		
Display modules	¥ 817,082	¥ 736,224
Sensing devices	315,919	415,717
Other	1,362,586	1,396,174
Total	¥ 2,495,588	¥ 2,548,117

Note: From the fiscal year ended March 31, 2023, the product/service name of "LCD display modules" has been changed to "Display modules." This change of name does not affect the information of each product/service. As was done with the information for the fiscal year ended March 31, 2023, "LCD display modules" have been renamed "Display modules" for the fiscal year ended March 31, 2022.

(2) Net sales by region/country

Net sales by region/country for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Net sales:		
Japan	¥ 817,794	¥ 800,315
China	1,001,698	988,194
Asia	240,445	258,004
Other	435,649	501,601
Total	¥ 2,495,588	¥ 2,548,117

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

(Change in presentation method)

From the fiscal year ended March 31, 2023, "Asia" has been separately presented since its materiality as a region has increased. As a result, ¥676,095 million, which was presented as "Other" in the fiscal year ended March 31, 2022, has been reclassified as ¥240,445 million for "Asia" and ¥435,649 million for "Other."

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

Property, plant and equipment by region/country as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Property, plant and equipment, at cost less accumulated depreciation:		
Japan	¥ 301,956	¥ 275,737
Asia	71,093	70,121
Other	45,211	43,397
Total	¥ 418,260	¥ 389,257

(4) Major customers and related sales amount

Major customers and related sales amount for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Net sales:		
APPLE INC.	¥ 427,824	¥ 509,959
Related segments:		
Display Device and Electronic Device for the years ended March 31, 2022 and 2023		
Net sales:		
General Interface Solution Limited	¥ 345,123	¥ 315,668
Related segment:		
Display Device for the years ended March 31, 2022 and 2023		

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

Impairment losses on non-current assets by reportable segment for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Impairment losses:		
Smart Life	¥ —	¥ —
8K Ecosystem	—	3,729
ICT	—	456
Display Device	14,791	213,384
Electronic Device	7,912	2,983
Corporate Assets and Elimination	—	—
Total	¥ 22,703	¥ 220,553

Notes to Consolidated Financial Statements

(f) Goodwill amortization and unamortized balance by reportable segment

Goodwill amortization and the unamortized balance by reportable segment as of and for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	2023
Amortization of goodwill:		
Smart Life	¥ 35	¥ 39
8K Ecosystem	1,906	1,856
ICT	119	135
Display Device	—	5,193
Electronic Device	—	—
Corporate Assets and Elimination	—	—
Total	¥ 2,062	¥ 7,224
Balance at end of year:		
Smart Life	¥ 56	¥ 19
8K Ecosystem	8,191	6,199
ICT	191	66
Display Device	—	—
Electronic Device	—	—
Corporate Assets and Elimination	—	—
Total	¥ 8,439	¥ 6,284

Note: An impairment loss was recorded for ¥745 million of goodwill attributable to the 8K Ecosystem segment and ¥64,047 million of goodwill attributable to the Display Device segment.

(g) Gain on bargain purchase by reportable segment

Fiscal year ended March 31, 2022

The information is omitted as it was immaterial.

Fiscal year ended March 31, 2023

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 the fiscal years ended March 31, 2022 and 2023 are omitted as they were immaterial.

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

Principal transactions with related parties for the fiscal year ended March 31, 2022 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)
Affiliate	Sakai Display Products Corporation	Sakai City, Osaka	32,485 million yen	Development, manufacture, distribution, export and import of LCD and other displays	20.0% holding directly	Manufacture of the Company's products and lease of real estate, etc.	Payment of costs and expenses on behalf of the affiliate	42,418	Accounts receivable - other	40,844
							Collection of lease receivables	2,240	Other (Current assets) Other (Investments and other assets)	2,463 39,200

Note: Transaction prices and other transaction terms are determined appropriately upon negotiation.

Principal transactions with related parties for the fiscal year ended March 31, 2023 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 the fiscal years ended March 31, 2022 and 2023 are omitted as they were immaterial.

Notes to Consolidated Financial Statements

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

Principal transactions with related parties for the fiscal years ended March 31, 2022 and 2023 are omitted as they were immaterial.

(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 the fiscal year ended March 31, 2022 are omitted as they were immaterial.

Principal transactions with related parties for the fiscal year ended March 31, 2023 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 manufacturing service	(Held) 22.3% Directly 11.8% Indirectly [23.2%]	Contract manufacturing, sale of products,	Contract manufacturing, sale of products	12,029	Accounts receivable	21,048
						purchase of raw materials and products	Purchase of raw materials and products	25,600	Accounts payable	20,523

- Notes:
1. Transaction prices and other transaction terms are determined appropriately through negotiation.
 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 relationship.
 3. The transaction amount of contract manufacturing is the net of product price less the amount of raw materials supplied.

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

Principal transactions with related parties for the fiscal years ended March 31, 2022 and 2023 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 the fiscal years ended March 31, 2022 and 2023 are omitted as they were immaterial.

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

Principal transactions with related parties for the fiscal years ended March 31, 2022 and 2023 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 the fiscal year ended March 31, 2022, the significant affiliated company was Sakai Display Products Corporation.

Summary of its financial statements was as follows:

	Yen (millions)
	2022
Current assets	¥ 250,385
Non-current assets	839,793
Current liabilities	270,524
Non-current liabilities	591,146
Net assets	228,507
Net sales	308,541
Profit before income taxes	11,891
Profit attributable to owners of parent	4,444

Notes to Consolidated Financial Statements

For the fiscal year ended March 31, 2023, the significant affiliated company was SDP Global (China) Co., Ltd.

Summary of its financial statements was as follows:

	Yen (millions)
	2023
Current assets	¥ 155,107
Non-current assets	765,944
Current liabilities	187,975
Non-current liabilities	510,337
Net assets	222,738
Net sales	110,901
Loss before income taxes	(65,939)
Loss	(65,939)

19. Per Share Data

Per share data as of March 31, 2022 and 2023 were as follows:

	Yen	
	2022	2023
Net assets per share	¥ 743.70	¥ 321.05
Income (loss) per share	121.14	(407.31)
Fully diluted income per share	—	—
	“Fully diluted income per share” is not stated because potentially dilutive shares existed but they had no dilutive effects.	“Fully diluted income per share” is not stated because potentially dilutive shares existed but a loss per share was recorded.

Income (loss) per share and fully diluted income per share as of March 31, 2022 and 2023 were calculated on the following basis:

	2022	2023
Income (loss) per share		
Profit (loss) attributable to owners of parent (millions of yen)	¥ 73,991	¥ (260,840)
Amounts not allocated to common shares (millions of yen)	—	—
Profit (loss) attributable to owners of parent allocated to common shares (millions of yen)	73,991	(260,840)
Average number of common shares outstanding during each year (thousands of shares)	610,799	640,400
Details of potentially dilutive shares that were not included in the calculation of fully diluted income per share because they have no dilutive effects	743 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)	720 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)
	381 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights)	381 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights)
	875 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights)	875 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights)
	A brief summary is in Note 13. Stock Options.	A brief summary is in Note 13. Stock Options.

Notes to Consolidated Financial Statements

20. Significant Subsequent Events

(a) Segment reclassification

In the fiscal year ended March 31, 2023, the Group operated in five reportable business segments: Smart Life, 8K Ecosystem, ICT, Display Device, and Electronic Device. Starting from the fiscal year ending March 31, 2024, the reportable business segments have been changed to the following five: Smart Life & Energy, Smart Office, Universal Network, Display Device, and Electronic Device.

This change is intended to reorganize the group structure of the brand businesses to clarify areas of focus and maximize synergies among businesses. The Company will speed up business transformation for renewed growth toward early materialization of new businesses.

With this segment reclassification, the Smart Appliances & Solutions business and Energy Solution business (formerly under Smart life) are now included in the Smart Life & Energy business segment. The Smart Business Solutions business (formerly under 8K Ecosystem) and the PC business (formerly under ICT) are included in the Smart Office business segment. The Smart Display Systems business (formerly under 8K Ecosystem) and the Mobile Communication business (formerly under ICT) are included in the Universal Network business segment. Additionally, the Smart Display Systems business is renamed as TV Systems business along with this segment reclassification.

Information on net sales, income (loss) of each reclassified reportable segment for the fiscal year ended March 31, 2023 was as follows.

	Yen (millions)
	2023
Net sales:	
Smart Life & Energy:	
Customers	¥ 475,096
Intersegment	1,736
Total	476,832
Smart Office:	
Customers	556,380
Intersegment	5,388
Total	561,768
Universal Network:	
Customers	333,855
Intersegment	261
Total	334,116
Display Device:	
Customers	736,224
Intersegment	23,729
Total	759,953
Electronic Device:	
Customers	446,560
Intersegment	29,028
Total	475,589
Adjustments	(60,144)
Consolidated net sales	¥ 2,548,117
Segment income (loss):	
Smart Life & Energy	¥ 29,381
Smart Office	14,526
Universal Network	(7,807)
Display Device	(66,482)
Electronic Device	14,799
Adjustments	(10,137)
Consolidated operating loss	¥ (25,719)

Adjustments of segment income (loss) of ¥(10,137) million included elimination of intersegment transactions of ¥(0) million and corporate expenses not allocated to each reportable segment of ¥(15,929) million. Corporate expenses were mainly attributable to basic R&D expenses and expenses related to the administrative groups of the Company's headquarters.

Notes to Consolidated Financial Statements

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

The Company adopted a resolution at the Board of Directors meeting held on May 11, 2023, to submit a proposal at the Ordinary General Meeting of Shareholders held on June 27, 2023, that the Company be authorized to allot share acquisition rights as stock options to directors, executive officers and employees (hereinafter collectively called "Officers and Employees") of the Company and its subsidiaries and to delegate to its Board of Directors the determination of the subscription requirements of such share acquisition rights.

The proposal was approved at the same Ordinary General Meeting of Shareholders.

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

The class of shares to be issued upon the exercise of share acquisition rights shall be common stock of the Company, and the maximum number of shares to be issued shall be 9,750,000.

If the Company splits or consolidates its common stock, the number of shares to be issued upon the exercise of share acquisition rights shall be adjusted.

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

The maximum number of share acquisition rights to be allotted shall be 97,500.

100 shares shall be issued per unit of share acquisition rights; provided that, in the event of any adjustment of the number of shares stipulated in (2) above, the number of shares to be issued per unit of share acquisition rights shall be adjusted accordingly. The date of allotment of share acquisition rights shall be determined by the Board of Directors, and the Board of Directors may make multiple allotments within the allotments up to the aforementioned maximum number of share acquisition rights.

(4) Cash payment for share acquisition rights

No cash payment is required for share acquisition rights.

(5) 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 the closing price on the Tokyo Stock Exchange on the day immediately prior to the date of the resolution by the Board of Directors of the Company determining the subscription requirements of the share acquisition rights or the closing price on the date of the allotment, whichever is higher. If the Company splits or consolidates its common stock after the issuance of share acquisition rights, the Exercise Value shall be adjusted.

(6) Exercise period of share acquisition rights

The exercise period shall be from the second anniversary to the tenth anniversary of the allotment date. 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.

(7) 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

(As of March 31, 2023)

Domestic

Sharp Marketing Japan Corporation
Sharp Energy Solutions Corporation
Sharp Yonago Corporation
Sharp Display Manufacturing Corporation
Sakai Display Products Corporation
Sharp Support & Service Corporation
ScienBiziP Japan Co., Ltd.
Dynabook Inc.

Kantatsu Co., Ltd.
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. <Delaware, 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 Business Systems UK Plc. <Wakefield, U.K.>
Sharp International Finance (U.K.) Plc. <Middlesex, U.K.>
Sharp Electronics (Europe) GmbH <Hamburg, Germany>
Sharp Devices Europe GmbH <Munich, Germany>
Sharp NEC Display Solutions Europe GmbH <Munich, Germany>
Sharp Business Systems Deutschland GmbH <Cologne, Germany>
Dynabook Europe GmbH <Neuss, Germany>
Sharp Business Systems Sverige AB <Bromma, Sweden>
Sharp Electronics (Schweiz) AG <Rüschlikon, Switzerland>
Sharp Business Systems France S.A.S. <Toulouse, France>
Sharp Manufacturing France S.A. <Soulz, France>
Sharp Electronics Benelux B.V. <Utrecht, the Netherlands>
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 NEC Display Solutions (China), 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>
Pinghu Kantatsu Fine Technology Co., Ltd. <Pinghu, 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>
Cocorolife Co., Ltd. <New Taipei, 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>
Sharp Solar Solution Asia Co., Ltd. <Bangkok, Thailand>
P.T. Sharp Electronics Indonesia <West Jawa, Indonesia>
P.T. Sharp Semiconductor Indonesia <West Jawa, Indonesia>
SAIGON STEC Co.,LTD. <Thu Dau Mot, Vietnam>
Sharp Manufacturing Vietnam CO., LTD. <Tan Uyen, Vietnam>
Sharp Business Systems (India) Private Ltd. <New Delhi, India>
Sharp Corporation of Australia Pty. Ltd. <New South Wales, Australia>

* There are 53 other consolidated subsidiaries in addition to the companies listed above.

Corporate Information

(As of March 31, 2023)

Corporate Overview

Corporate Name	Sharp Corporation
Incorporation	May 1935 (Founding: September 1912)
Head Office	1 Takumi-cho, Sakai-ku, Sakai City, Osaka 590-8522, Japan
Capital Stock	5 billion yen
Employees	Consolidated: 46,200 Japan: 18,099 / Overseas: 28,101

Stock Information

Number of Shares Authorized	1,000,000,000
Number of Shares Issued	650,406,538
Number of Shareholders	180,212
Stock Exchange Listings	Tokyo

Principal Shareholders

	Number of shares held	Percentage of total shares (%)
HON HAI PRECISION INDUSTRY CO., LTD.	144,900,000	22.32
SIO INTERNATIONAL HOLDINGS LIMITED	85,884,845	13.23
FOXCONN (FAR EAST) LIMITED	76,655,069	11.81
FOXCONN TECHNOLOGY PTE. LTD.	64,640,000	9.96
CLEARSTREAM BANKING S. A.	38,864,993	5.99
The Master Trust Bank of Japan, Ltd. (Trust Account)	34,253,100	5.28
LGT BANK LTD	15,626,514	2.41
Custody Bank of Japan, Ltd. (Trust Account)	8,794,100	1.35
Nippon Life Insurance Company	4,731,738	0.73
Meiji Yasuda Life Insurance Company	4,578,100	0.71

Note: Percentage of total shares is calculated by the number of shares issued excluding 1,133,210 treasury shares.

Share Distribution (Proportion of total issued shares)



External recognitions

As of August 2023, Sharp has been included in the following indexes and recognitions.



• MSCI ESG Leaders Indexes



• MSCI Japan ESG Select Leaders Index

**2023 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX**

THE INCLUSION OF Sharp Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Sharp Corporation BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

• EcoVadis Sustainability Rating

EcoVadis evaluates the sustainability performance of supplier companies. Its aim is to improve those companies' environmental and social practices by taking into account the impact that global supply chains have on the environment and society. Sharp has received a Silver rating from EcoVadis.



Investor Relations

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[English https://global.sharp/corporate/ir/index.html](https://global.sharp/corporate/ir/index.html)