

December 25, 2020

Company Name: Sharp Corporation
Representative Director: J.W. Tai
Chairman & Chief Executive Officer
(Code No. 6753)

**Notice of Improper Accounting Treatment at Sharp's Consolidated Subsidiary
and Establishment of Investigation Committee**

Sharp Corporation (hereinafter "Sharp") discovered that a possible improper accounting treatment occurred at its consolidated subsidiary, Kantatsu Co. Ltd. (hereinafter "Kantatsu"). Sharp announces its decision at the Board of Directors meeting held today to establish an investigation committee and investigate Kantatsu as follows.

Sharp expresses its sincere apologies to all shareholders, investors, and stakeholders for any inconvenience or concern that this matter may cause.

1. Summary of Improper Accounting Treatment

In November 2020, an internal audit of Kantatsu by Sharp's internal audit department revealed that Kantatsu had recorded sales for which there were no purchase orders or product shipments involved (including recording the corresponding costs and accounts receivable. The same applies below). In addition, through further investigation, Sharp recognized that several improper accounting treatments existed, such as the recording of sales without product shipments with respect to long-overdue accounts receivable from the previous fiscal year (ended March 31, 2020).

Expected impact to consolidated net sales at this point ranges less than 10 billion yen.

2. Investigation by Investigation Committee

After further internal investigation, Sharp concluded that a thorough and comprehensive investigation of the facts and the improper accounting treatment is necessary. Therefore, at its meeting of the Board of Directors, Sharp decided to establish an investigation committee today that includes lawyers and accountants and to conduct an investigation of Kantatsu.

Members of Investigation Committee:

- Chairman of Committee: Toru Muranaka, Lawyer, Daiichi Legal Professional Corporation
- Member of Committee: Masanori Kato, Certified Public Accountant, Kato Certified Public Accountant Office
- Member of Committee: Yasuo Himeiwa, Independent Outside Director and member of Audit & Supervisory Committee, Sharp, Certified Public Accountant, Himeiwa Certified Public Accountant Office
- Member of Committee: Satoshi Sakakibara, Head of Finance and Administration Office, Corporate Strategic Planning and Control Group, Sharp

Investigation Items

- Investigation of the facts and accounting treatment (including similar issues, if any)

- Determination of the amount of financial impact on consolidated financial statements
- Analysis of reasons for the improper accounting treatment and plan for preventive measures for recurrence
- Other issues that are determined as necessary by the Investigation Committee

3. Future Actions

Immediately following the completion of the investigation, Sharp will announce the results of the investigation, the impact on business results, and other issues that should be disclosed.

(Reference) Outline of Subject Company

1.	Name	Kantatsu Co., Ltd.		
2.	Location	3-6-21, Minamishinagawa, Shinagawa-ku, Tokyo, Japan		
3.	Job title and name of representative	Philip Chang, President & CEO		
4.	Business description	Design and manufacturing of micro-lens units		
5.	Capitalization	4,706 million yen		
6.	Date established	June 19, 1979		
7.	Major shareholder and shareholding ratio	Sharp Corporation (53.25%) Others (46.75%)		
8.	Relationship between the listed company and the company in question			
	Capital relationship	Sharp holds 53.25% of the common shares of Kantatsu and 12,300 of its class shares.		
	Personnel relationship	11 personnel are seconded from Sharp to Kantatsu (as of end of March 2020).		
	Business relationship	Sharp purchases lens units from Kantatsu.		
	Applicability of related parties	Kantatsu and its subsidiaries are related parties of Sharp.		
9.	Consolidated operating results and consolidated financial condition of the company during the last three years* (million yen)			
	Fiscal year	Ended March 2018	Ended March 2019	Ended March 2020
	Consolidated net assets	15,199	12,399	11,022
	Consolidated total assets	29,465	32,787	28,726
	Consolidated net sales	17,943	18,344	19,241
	Consolidated operating profit	265	(427)	1,535
	Consolidated ordinary profit	702	(1,971)	77
	Net profit attributable to owners of the parent	519	(2,103)	(246)

* “9. Consolidated operating results and consolidated financial condition of the company during the last three years” may be revised after investigations.

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