

SHARP

Be Original.

Annual Report 2017

For the year ended March 31, 2017



TRANSITIONING TO GROWTH

Profile

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.

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

"Make products that others want to imitate." These words of Tokuji Hayakawa, the founder of Sharp, embody the spirit that has remained unchanged since our founding—a commitment to becoming a company that uses its manufacturing capabilities to benefit and earn the trust of society.

In 1973, we clarified this spirit in the form of our business philosophy and business creed. All directors, executives and employees continue working relentlessly based on their belief in the need to demonstrate our business creed of "Sincerity and Creativity" and realize our business philosophy.

In November 2016, Sharp announced its "Be Original." corporate motto, which incorporates a strong commitment to continue operating as a company that emphasizes the aforementioned qualities. Our promise to customers around the world is that we will continue offering a brand that creates Sharp-like unique value.

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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 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

Financial Highlights

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31

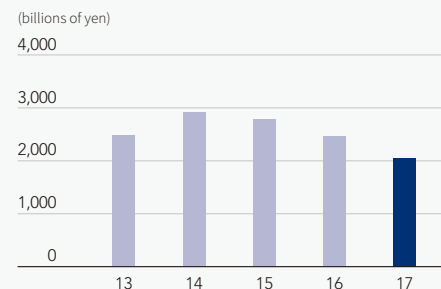
	Yen (millions)				
	2013	2014	2015	2016	2017
Net Sales	¥ 2,478,586	¥ 2,927,186	¥ 2,786,256	¥ 2,461,589	¥ 2,050,639
Domestic sales	1,007,264	1,150,091	968,449	750,499	654,012
Overseas sales	1,471,322	1,777,095	1,817,807	1,711,090	1,396,627
Operating Profit (Loss)	(146,266)	108,560	(48,065)	(161,967)	62,454
Profit (Loss) before Income Taxes	(466,187)	45,970	(188,834)	(231,122)	(587)
Profit (Loss) Attributable to Owners of Parent	(545,347)	11,559	(222,347)	(255,972)	(24,877)
Net Assets	134,837	207,173	44,515	(31,211)	307,801
Total Assets	2,087,763	2,181,680	1,961,909	1,570,672	1,773,682
Capital Investment	82,458	49,434	62,653	45,240	77,733
R&D Expenditures	137,936	132,124	141,042	130,120	106,107
Per Share of Common Stock (yen)					
Net income (loss)	(489.83)	8.09	(131.51)	(154.64)	(6.86)
Cash dividends	0.00	0.00	0.00	0.00	0.00
Net assets	106.90	115.43	17.84	(161.79)	15.41
Return on Equity (ROE)	(145.3%)	7.2%	(197.4%)	—	(19.8%)
Number of Shares Outstanding (Common Stock) (thousands of shares)	1,166,224	1,690,765	1,690,733	1,690,678	4,972,609
Number of Employees	50,647	50,253	49,096	43,511	41,898

(Notes) 1. The amount of leased properties is included in capital investment.

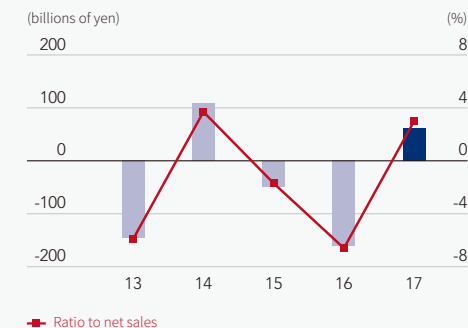
2. The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during each fiscal year.

3. The number of shares outstanding is after deduction of treasury shares.

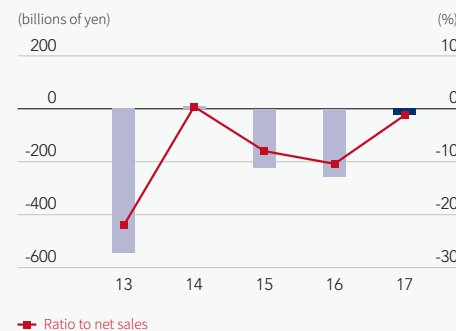
Net Sales



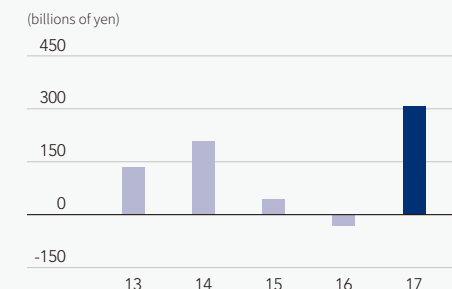
Operating Profit (Loss)



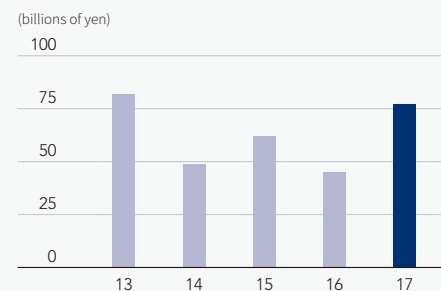
Profit (Loss) Attributable to Owners of Parent



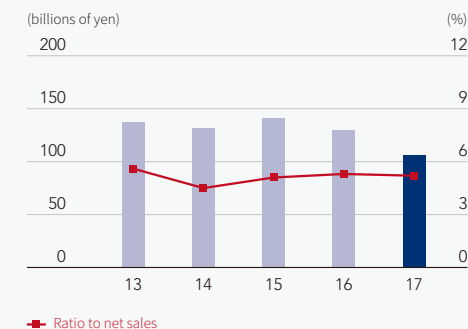
Net Assets



Capital Investment

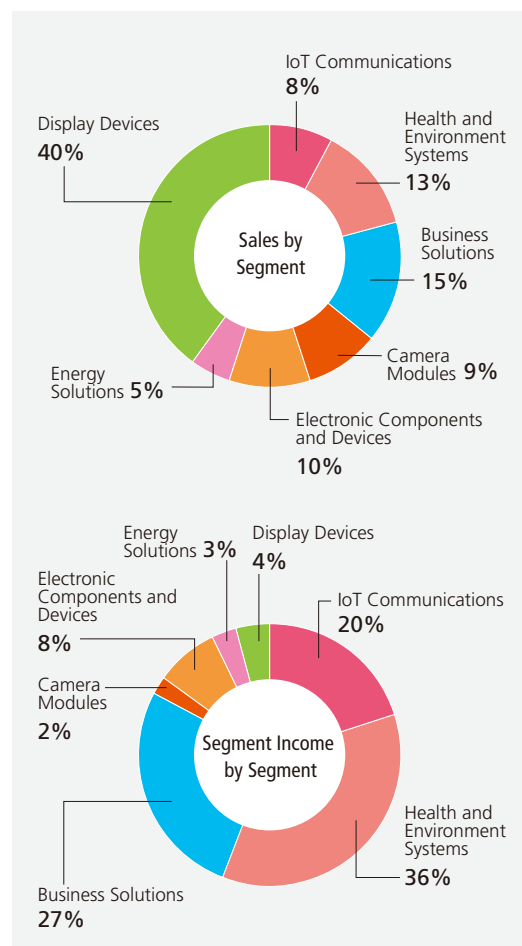


R&D Expenditures



Fiscal 2016 Review by Segment

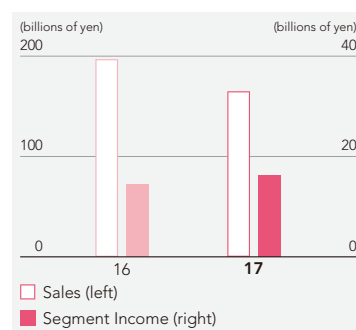
Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31



- Sales figures include internal sales between segments. The percentage of sales in pie charts has been calculated accordingly.
- Segment income (loss) figures are the amounts before adjustments for intersegment trading. The percentage of segment income in pie charts has been calculated accordingly.
- Effective for the year ended March 31, 2017, the Company has changed its segment classification. Figures for the previous year have been adjusted to reflect the new classification.

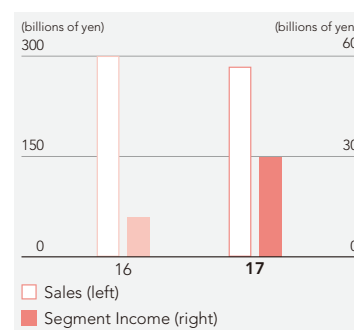
IoT Communications

Mobile phones, tablets, electronic dictionaries, calculators, facsimiles, telephones, network control units



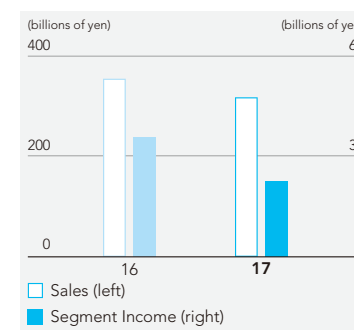
Health and Environment Systems

Refrigerators, superheated steam ovens, microwave ovens, small cooking appliances, air conditioners, washing machines, vacuum cleaners, air purifiers, electric fans, dehumidifiers, humidifiers, electric heaters, Plasmacluster ion generators, beauty appliances



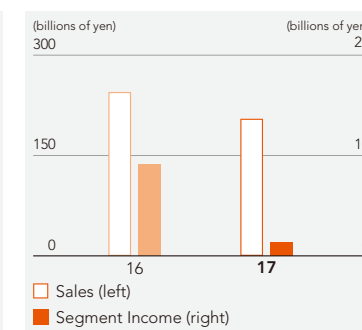
Business Solutions

POS systems, electronic cash registers, commercial projectors, information displays, digital MFPs (multi-function printers), options and consumables, software, FA equipment, ultrasonic cleaners



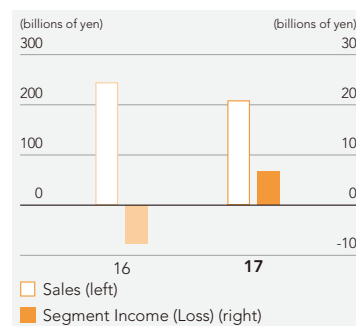
Camera Modules

Camera modules, camera module production facilities



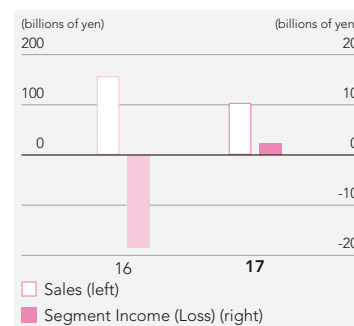
Electronic Components and Devices

Sensor modules, proximity sensors, dust sensors, CCD/CMOS sensors, laser diodes, automotive cameras



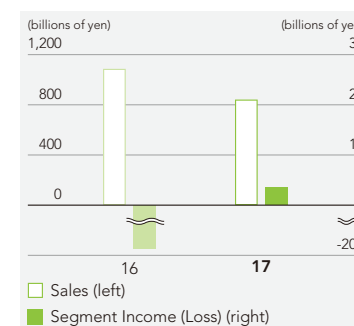
Energy Solutions

Solar cells, storage battery



Display Devices

LCD color televisions, Blu-ray Disc recorders, IGZO LCD modules, CG-Silicon LCD modules, amorphous silicon LCD modules



Message to our Shareholders

Since my appointment as president in August 2016, I have devoted my full efforts to the Sharp's management. In fiscal 2016, we undertook structural reforms necessary for our survival, and successfully turned a net profit in the second half of the year. Going forward, we will reassess all aspects of Sharp, including business, arena of competition, and operation, as we shift our focus from structural reform to business expansion, as stated in our Medium-Term Management Plan (FY2017 to FY2019), announced in May 2017.

Changing the World with 8K and AIoT

Sharp's new business vision under the Medium-Term Management Plan, "Changing the World with 8K and AIoT," will serve as the flagship of its business expansion.

With the adoption of AIoT—a combination of AI (artificial intelligence) and IoT (internet of things)—Sharp will transform personal devices into people's new partners, and enrich their lives. In other words, we will deliver "People-Oriented IoT." At the same time, we will build "8K Ecosystem" which sparks innovation. To be specific, we will deploy 8K ultrahigh-definition video technologies to create the seeds for new industries not only in the broadcasting field but also in other fields, such as medical and security.

Through these efforts, Sharp hopes to deliver better lives to people around the world.

Fair and Open Management

Under the new Medium-Term Management Plan, we will pivot from defense to offense over the three-year period from fiscal 2017. I believe it will be an extremely important period during which the true value of the newborn Sharp will be spotlighted. I will continue practicing fair and open management and devoting my entire body and spirit to meeting the expectations of shareholders and all other stakeholders. We look forward to your ongoing support.

August 2017



J.W. Tai
President & CEO



Special Feature: Medium-Term Management Plan

from defense to offense

Transformation

People-Oriented IoT
8K Ecosystem

Next
100
Years

Sustained
Growth

Survival Structural Reform

- ① Stronger business management
- ② Stronger cost competitiveness
- ③ Prepare for growth



FY2016

FY2017

FY2018

FY2019

FY2020 -

I. Current Status

Promote higher added value by creating new businesses and expanding operations globally

Sharp's current status

Strengths

- Wide range of businesses
- Unique technologies
- Inventive products
- Innovative devices

Weaknesses

- Product lineup
- Generational upgrades of device equipment
- Employees/resources to support global expansion

Strengths becoming stronger

Stronger management

Synergies with Hon Hai Group

Sharp has multiple strengths that include wide range of businesses, unique technologies, inventive products, and innovative devices. However, we are weak in some areas, such as product lineup, generational upgrades of device equipment, and employees/resources to support global expansion.

Going forward, we will further reinforce our strengths while strengthening management capabilities and generating synergies with the Hon Hai Group. We will capture significant business opportunities and promote higher added value by deploying AloT* and 8K technologies to create new businesses, as well as by expanding our operations in the global market.

*AloT is a registered trademark of Sharp Corporation.



New technologies

AI & IoT

Create new services through AI-based advanced data analysis and IoT-based device-cloud connectivity.



8K Ecosystem

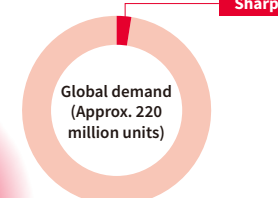
Dramatically expand applicable fields for displays and related devices through advances in high resolution, leading to birth of various new businesses.

Higher added value to businesses

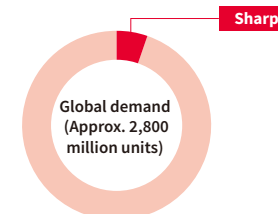
Global market

Business expansion using technology and cost competitiveness

FY2016
TV market (unit sales)



FY2016
Small and medium-size display market (unit sales)



II. Overview of Medium-Term Management Plan

Realize “People-Oriented IoT” and “8K Ecosystem” to build foundation for next 100 years

Smart Homes

Provide convenience and comfort through solutions that connect devices and services

**AIoT Business
Strategy Office**

Smart Business Solutions

Provide solutions that raise productivity in offices, factories, etc.

IoT Electronics Devices

Create sensors and other feature-rich devices that support smart society

**8K Ecosystem
Business Strategy
Office**

Advance Display Systems

Create advanced displays that enhance communications between devices and people

One SHARP

People-Oriented IoT

AIoT (AI and IoT) devices will sense change, think and suggest best solutions as your partner. Sharp calls it “People-Oriented IoT.” By expanding this concept to smart homes, smart offices, smart factories, smart cities, and the like, we will realize a smart society in which people play the leading role.

8K Ecosystem

With 16 times the resolution of full high-definition, 8K ultrahigh-definition video delivers overwhelming reality with phenomenal presence and stereoscopic effect, and promise to bring new discoveries by clearly projecting fine details that had not been possible in the past.

Through a value chain ranging from image creation and editing to distribute and display, Sharp is building 8K Ecosystem that will spark major successive innovations in various fields in addition to broadcasting, including medical, security, inspection systems, and infrastructure maintenance.

1) Reorganization

We have rearranged our organization to realize our People-Oriented IoT and 8K Ecosystem. After considering the characteristics of operations, we have established four business domains: Smart Homes, Smart Business Solutions, IoT Electronics Devices, and Advance Display Systems. We also newly established two business strategy offices: the AIoT Business Strategy Office and the 8K Ecosystem Business Strategy Office, to enhance communication and cooperation between business domains.

We target business expansion as One SHARP by strengthening the operations of individual businesses as well as by maximizing inter-business synergies and effectively utilizing management resources.

2) Basic strategy

Under the Medium-Term Management Plan, we will work to re-invent our business model, expand our business globally, and strengthen our business infrastructure in three fields: business, arena of competition, and operation.

To ensure steady progress with these initiatives, we will comprehensively strengthen our unique technologies and reinforce our human resources.

By transforming ourselves into a company that delivers People-Oriented IoT and 8K Ecosystem, we will expand our business and lay a foundation for the next 100 years.

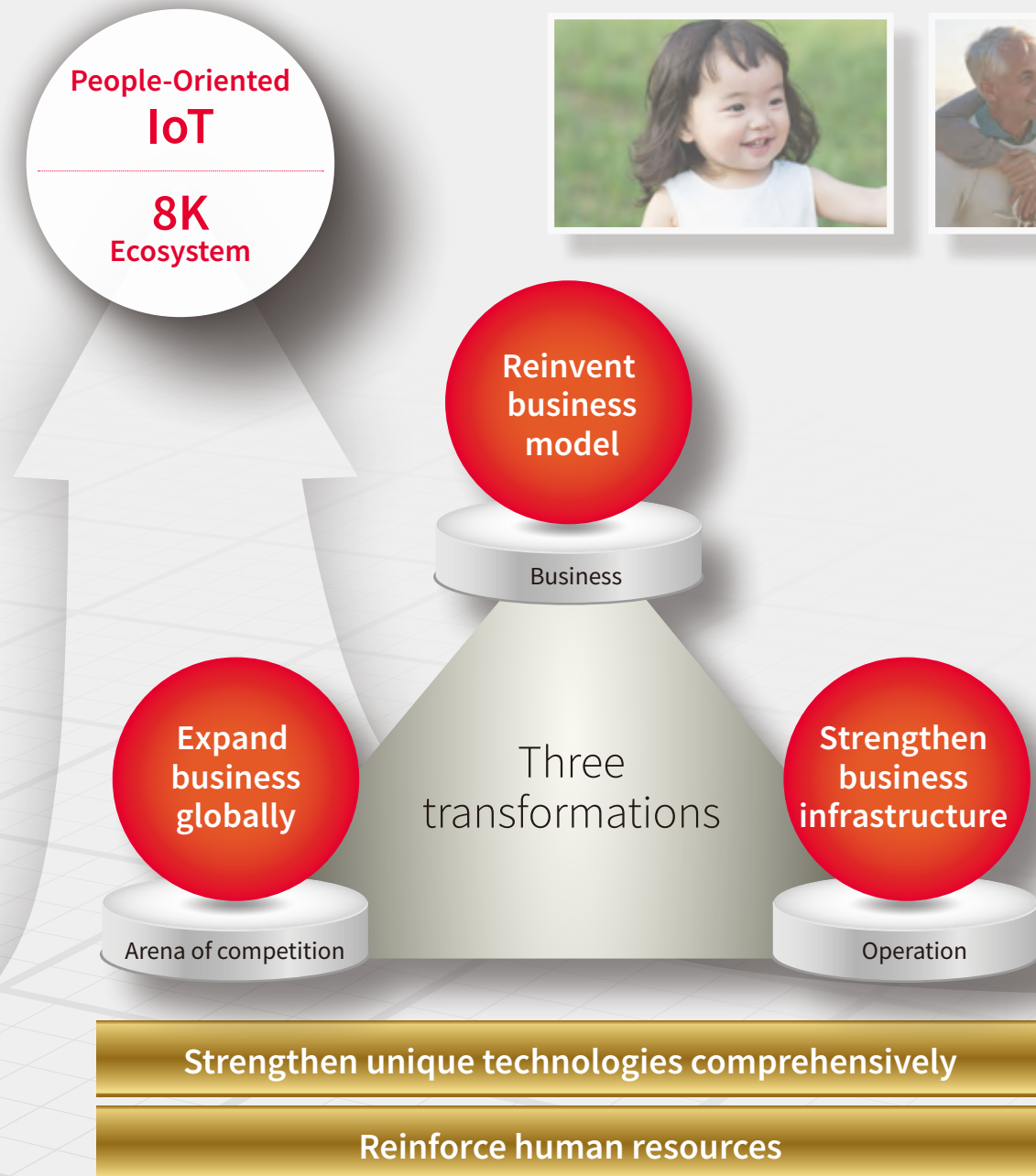
Foster managerial resources and challenge-driven corporate culture

In order to effectively implement the Medium-Term Management Plan and become a company that maintains continuous growth into the future, we believe that attracting and nurturing human resources that is the pillar of our businesses is more important than anything else. In addition to further strengthening our performance-based personnel system, we will actively recruit exceptional human resources, upgrade our training systems, and otherwise promote human resource development.

3) Governance system

In addition to transitioning to a company with Audit & Supervisory Committee system, Sharp has reinstated its executive officer system, strengthened the supervisory function, and enhanced the flexibility of business execution.

We will promote business activities based on a structure of nine members of the Board (including three Audit & Supervisory Committee members) and 12 executives (including five members of the Board).



III. Business Domains

Business expansion strategy for four business domains

Smart Homes

Enrich people's lives from smart homes to smart towns

We propose the concept of “new living supported by various services in which people and devices communicate through voice.”

Sharp offers a wide variety of devices, such as smartphones,

white goods, and solar power systems, and has already commercialized some AIoT-compatible products.

In addition to strengthening the functions and lineup of these AIoT devices, we will upgrade our services. Our devices and services will understand people's tastes, behavior and living environment, and propose healthy and comfortable living scenarios. Our aim is to provide them as people's partner and realize smart living, smart kitchens, smart eco, smart security, smart mobile, and the like.

Furthermore, we will advance our AIoT technology platform and broaden the world of smart homes. Eventually, we will realize smart towns where we will be in partnership with local communities, public institutions and real-life services, such as medical, nursing, and security.



Smart Business Solutions

Make full use of AIoT and data analysis to spark innovation at the business frontlines

Sharp has wide range of products, not only MFPs but also high-definition displays, various sensing devices, and AIoT technologies etc. We will deploy the strength to deliver a range of solutions that increase productivity at the business frontlines.

We will provide smart office to enhance information-sharing and increase productivity, smart signage to design visual spaces and change urban landscapes, smart retail to increase store productivity and provide omni-channel communication, and smart factory to improve all-round efficiency, from production, inspection, and logistics to equipment.

AIoT

Data collection/
analysis

Device
management

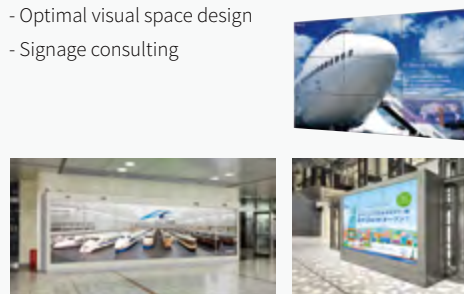
Smart Office

- Share information anywhere anytime
- Improve productivity
- Promote innovation



Smart Signage

- Visualized communications
- Optimal visual space design
- Signage consulting



Smart Retail

- In-store digital signage service
- Improve back-office productivity
- Attract more customers via data analysis



Smart Factory

- Automated transport using robots
- Innovative logistics solutions
- Automated outdoor security robots



Devices and ICT service platform

Display and sensing devices

IoT Electronics Devices

Realize People-Oriented IoT and 8K Ecosystem rallying around the One SHARP concept
Create new application leveraging our unique devices

Leveraging unique technologies that we have cultivated over many years, IoT Electronics Devices domain will promote development of devices and modules that support growth in the 8K,

IoT, and automotive fields as a cornerstone of One SHARP.

In the 8K field, we will deploy our technologies acquired in the development of high-sensitivity, high-image-quality, low-noise CMOS image sensors to create devices indispensable to realizing the 8K Ecosystem, including high-performance, low-power-consumption, high-resolution image-processing back-end SoCs for televisions.

In the IoT field, we will combine optical, analog technologies and RF technologies, and create low-power-consumption, high-sensitivity, highly noise-resistant, ultrasmall sensing devices

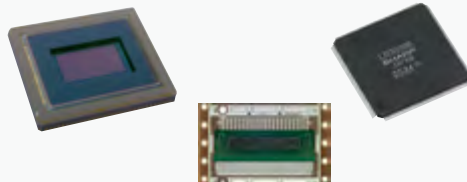
and modules.

We will also contribute to dramatic advances in the automotive field by utilizing our full lineup of R/G/B/IR (infrared) lasers in addition to our viewing cameras, which are highly regarded for their reliability.



8K Ecosystem

Uniquely developed devices for creating 8K Ecosystem



- 8K CMOS image sensor and codec
- 8K video processor and timing controller
- 8K storage

IoT

IoT devices to support safe, secure, healthy, and comfortable lives



- Sensor (environment, human, distance, etc.)
- Microprocessing
- Image processing

Automotive

Highly reliable devices that contribute to dramatic automotive evolution



- ADAS (LiDAR, ToF, automotive camera, electric mirror)
- R/G/B/IR laser

Optoelectronics technologies: Laser, CIS/CCD, optical sensor

Process technologies: Low on-resistance, low cost (mask reduction) process, low defect, low power consumption, low noise color filter, micro lens, global shutter

Advance Display Systems

Connect people and devices with advanced displays to enrich people's lives

In addition to creating advanced display technologies, we will enrich people's lives by strengthening communication between

devices and people.

Sharp has numerous display technologies—including 8K displays that deliver the ultimate video experience and free-form displays (FFD) with design-free technology—as well as a variety of AIoT technologies.

Deploying these strengths to maximum effect, we will create stylish mobile devices and advanced 8K televisions. We will also propose advanced displays unseen before in other fields, such

as automobiles and avionics, medical, education, and public infrastructure.

In addition, we will use our amassed expertise in display technologies to create innovative devices in non-display fields, including thin, lightweight satellite antennas and extremely low-radiation X-ray sensors.



Innovation through
ultrahigh-resolution imaging

8K

In harmony with
individuality and the environment

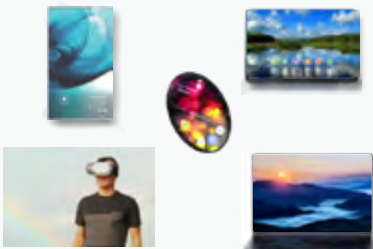
Design

People-Oriented

AIoT

Personal

- Highly appealing display designs
- Highly mobile, low power consumption



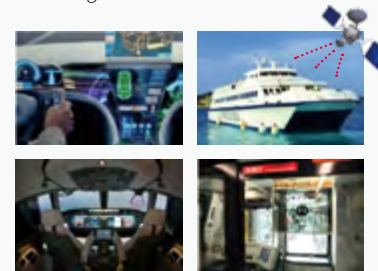
Home

- Realistic experiences via 8K resolution
- Expand AQUOS family of devices to advance home display offerings



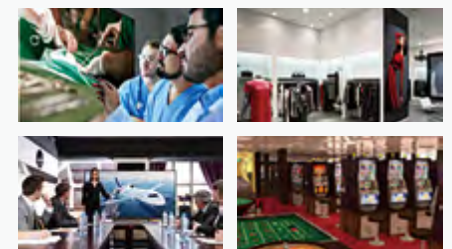
Automotive and Avionics

- Contribute to evolving connected car features
- Advanced design with IGZO features



Medical and Infrastructure

- Apply to medical field through display technologies
- Adoption of IoT, smart technologies in advertising, education, and entertainment



High-resolution technologies
(8K/HMD)

Design-free technologies
(FFD, see-through, curved)

Low-power-consumption technologies

Applied display technologies
(Liquid crystal antennas, X-ray sensors, μ fluid devices)

Backplane technologies (IGZO, etc.)

IV. Business Targets

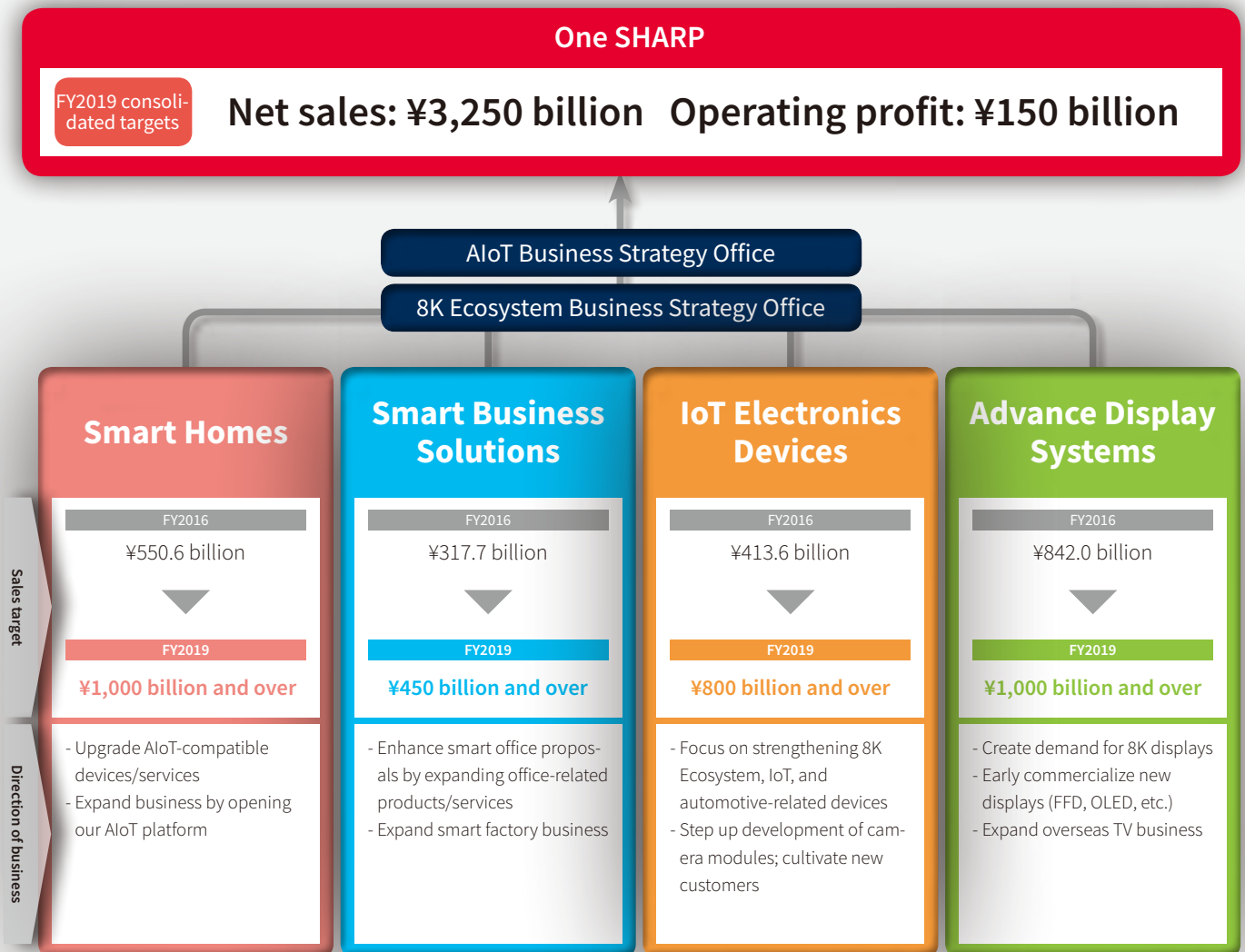
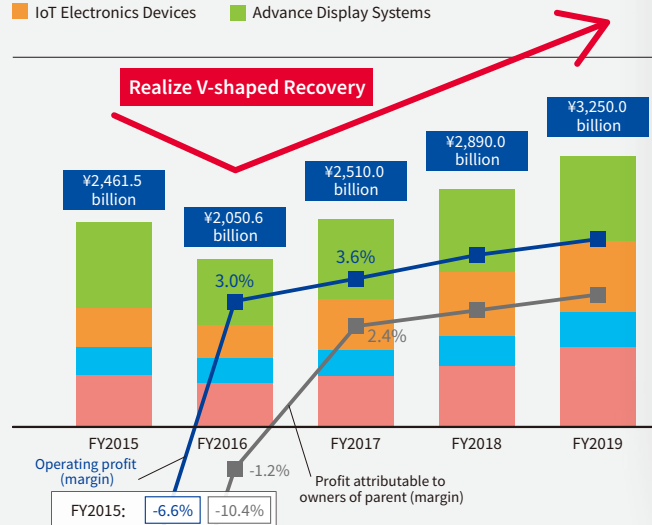
We are targeting net sales of ¥3,250 billion and operating profit of ¥150 billion in fiscal 2019

The four business domains and two business strategy offices will operate as One SHARP.

We will also pursue a V-shaped recovery in net sales, which fell to ¥2,050.6 billion in fiscal 2016, with targets of ¥2,510 billion in fiscal 2017, ¥2,890 billion in fiscal 2018, and ¥3,250 billion in fiscal 2019. In addition, we have an operating profit target of ¥150 billion in fiscal 2019.

Targets by Fiscal Year

Smart Homes Smart Business Solutions
IoT Electronics Devices Advance Display Systems



Corporate Social Responsibility (CSR)

Sharp draws on its business philosophy and business creed to fulfill its social responsibilities

"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. In 1973, Sharp codified the unchanging spirit of its founder in

the Company's business philosophy and business creed. The business philosophy and business creed are clearly embodied in Sharp's present-day CSR aimed at achieving co-existence and mutual prosperity with society and stakeholders.

For more details on the Sharp Group Business Philosophy and Business Creed, please visit the website below:
<http://www.sharp-world.com/corporate/info/philosophy/>

Sharp Group Charter of Corporate Behavior and Sharp Code of Conduct

With sincerity and creativity, we promote sound business activities, and we strive to fulfill our responsibility as a member of society. To contribute to the realization of a society where sustainable growth is possible, Sharp instituted the Sharp Group Charter of Corporate Behavior as principles of corporate action for Group companies,

and it established the Sharp Code of Conduct as a standard of action for all directors, executives, and employees.

For more details on the Sharp Group Charter of Corporate Behavior and the Sharp Code of Conduct, please visit the website below:
<http://www.sharp-world.com/corporate/info/charter/index.html>

Fulfilling our social and environmental responsibilities more effectively

Under our new Basic Management Policy, in December 2016 we established the SHARP Global SER Committee (SGSC), chaired by an environment affairs representative, and formulated our SER Policies.

Seeking to fulfill our social and environmental responsibilities as a company, we have tasked the SHARP Global SER Committee to effectively promote initiatives that emphasize responsibility for safety, health, and environmental protection.

SER (Social and Environmental Responsibility) Policies

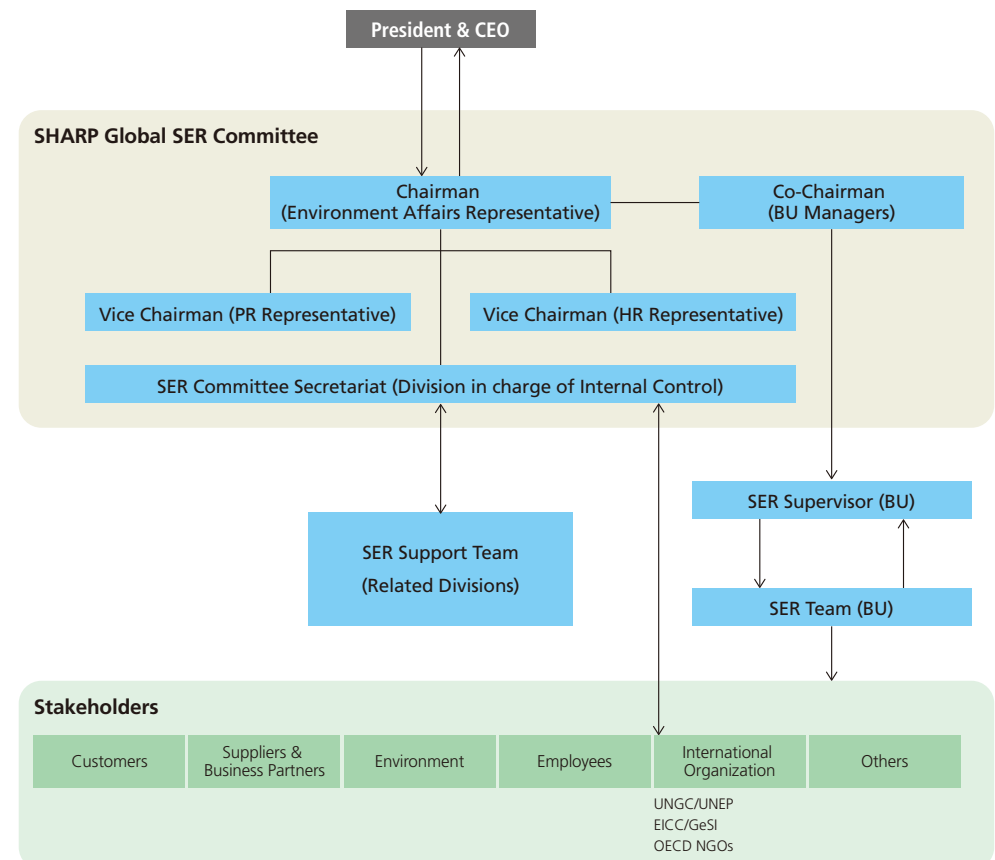
- (1) Emphasize the rights of employees and ensure their health and safety.
- (2) Fulfill our environmental responsibility in business activities and manufacturing processes.
- (3) Establish and operate a SER management system based on international standards, regulations, and customers' requests.

SHARP Global SER Committee

The SHARP Global SER Committee is the decision-making body for promoting SER activities across the Sharp Group. Its tasks include formulating guidelines of SER measures, making proposals to business units, disclosing information outside

the Group, and communicating with stakeholders. It also holds regular SER Meetings, attended by co-chairmen (business unit managers), to discuss and decide important SER-related matters and to share the decisions across the Group.

SHARP Global SER Committee Organization



Corporate Social Responsibility (CSR)

Promoting SER Measures

We have grasped the impact of Sharp's business activities on society, compiled information on the opinions and expectations of stakeholders, and pinpointed relevant issues. From that basis, we are identifying priority (material) items and formulating SER measures in cooperation with business

units and the SER Committee Secretariat.

Each business unit is establishing concrete measures objectives, evaluation indicators (KPIs), target scopes, implementation plans, and the like, for incorporation into the management cycle.

Major SER Measures for Fiscal 2017

Discourage long working hours that lead to health problems

Eliminate harassment

Reduce and recycle waste

Suppress greenhouse gas emissions associated with business activities (improve energy usage efficiency)

Eliminate use of newly restricted substances specified by the European Union's Restriction of Hazardous Substances (RoHS) Directive

Restructure the supplier SER management system

Supporting International Initiatives

Sharp has been a participant in the United Nations Global Compact since June 2009. Based on the 10 principles of agreement, we have set targets for specific activities in such areas as

human rights, labor standards, the environment, and anti-corruption, and we are promoting Groupwide CSR activities towards those targets.

Socially Responsible Investment (SRI) Status

As of June 2017, Sharp was selected by major SRI evaluating bodies for inclusion in the following SRI indices.

•FTSE4Good Global Index



FTSE4Good

•FTSE Blossom Japan Index



FTSE Blossom
Japan

•Morningstar Socially Responsible Investment Index



Corporate Governance

Basic Concept

Sharp's business philosophy contains a statement of "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 various experiences in the fields of social and economic trends, management, and so forth. In doing so, we strive to strengthen the decision-making functions within the Board of Directors and the functions for supervising directors' execution of duties.

Sharp has changed to the company with audit & supervisory committee, effective from June

20, 2017, in order to strengthen the supervisory function, and improve the agility of the decision-making, further, regarding the Board of Directors.

With regard to the business execution, Sharp separates the supervisory and decision-making functions from the business execution functions through the introduction of Executive Officers System which enables prompt and efficient business execution in a consistent manner. Also, Sharp has organized the business structure by taking "decentralize management" to clarify the profit responsibility of each business unit, by which we have been strengthening the individual business and operations. And, Sharp has been well controlling those by President's Office and Corporate Strategic Planning and Control Group, which belong to the headquarters organization.

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 business executions of directors, together with Executive Officers System which separates the supervisory and decision-making functions from the business execution functions.

The Board of Directors Meetings of Sharp Corporation are held on a monthly basis in principle to make decisions on matters stipulated by law and management-related matters of importance, and to supervise the state of

business execution. Also, the Company has the Internal Control Committee, the Compensation Committee, and the Nominating Committee, as advisory bodies to the Board of Directors.

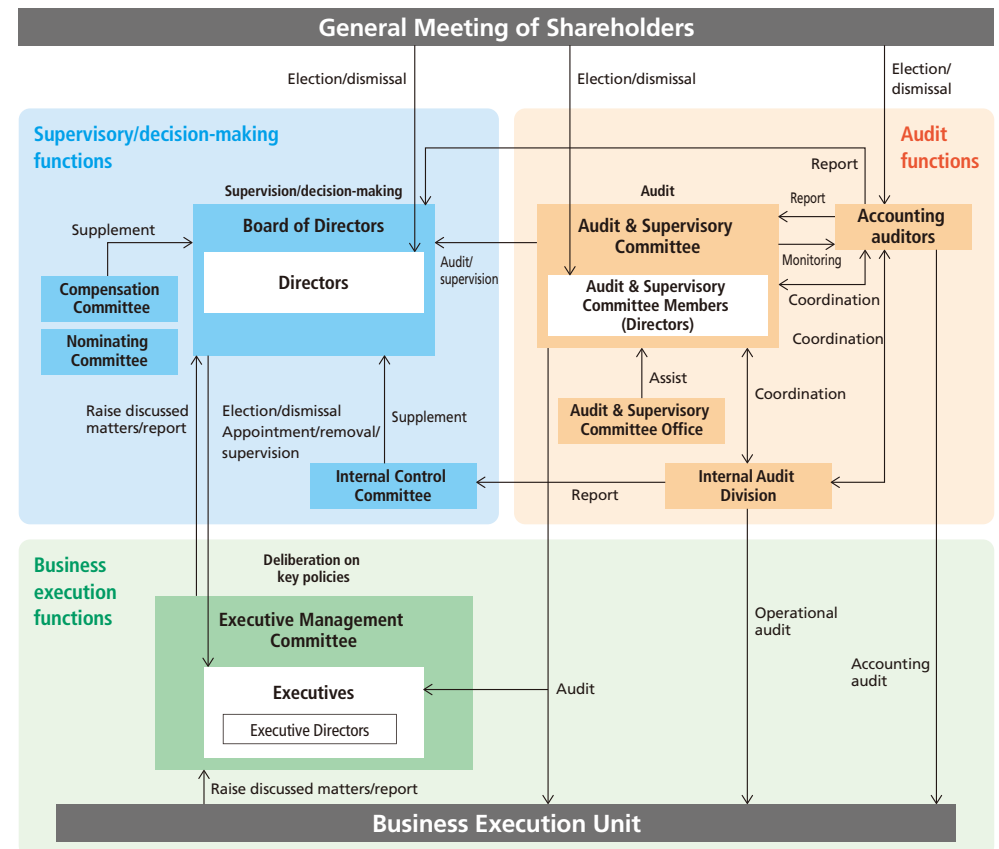
In addition to the Board of Directors, the Company has established the Executive Management Committee, whose members are executive officers, where matters of importance related to corporate management and business operation are discussed and reported in an appropriate and timely manner. This committee facilitates prompt executive decision-making.

The Audit & Supervisory Committee is

composed of three directors as the members of Audit & Supervisory Committee, and all of them are independent outside directors with high level's professional knowledge. The Audit & Supervisory Committee members meet regularly with the representative directors, the directors,

the accounting auditors, the head of the Internal Audit Division and others to exchange opinions and work to ensure that business is executed legally, appropriately and efficiently.

Corporate Governance System of Sharp Corporation (As of June 20, 2017)



Corporate Governance

Outside Directors

(As of June 20, 2017)

Name	Member of Audit & Supervisory Committee	Independent Director	Additional Comments on Suitability Aspects	Reasons for Selection
Mr. Hsu-Tung Lu	○	○	Mr. Lu worked as an employee at Hon Hai Precision Industry Co., Ltd., Sharp's parent company, till 2010. It is our judgment that Hon Hai Precision Industry Co., Ltd. qualifies as the parent company of Sharp based on facts Sharp recognizes in light of Japanese laws and accounting standards, and this is not the judgment based on laws and accountings standards applied outside of Japan.	Mr. Lu has worked for many years in accounting and he has worked as an internal auditor at Sakai Display Products Corporation. On this basis, we determined he is well suited to be an independent outside director at Sharp. Mr. Lu previously worked as Hon Hai Precision Industry Co., Ltd. as an employee but more than six years have passed since he exited that relationship. Mr. Lu is CFO of Foxconn Technology Co., Ltd., an affiliate of Hon Hai Precision Industry Co., Ltd. But Foxconn Technology Co., Ltd. is listed on the Taiwan Stock Exchange, and the transaction value between Foxconn Technology Co., Ltd. and Sharp is insignificant. Therefore, it is our judgment these past ties do not affect his independence as an outside director.
Mr. Nobuaki Kurumatani	○	○	Mr. Kurumatani was an executive officer at Sumitomo Mitsui Banking Corporation, a lender to Sharp, till April 2017.	Mr. Kurumatani has worked in management at Sumitomo Mitsui Banking Corporation for many years in departments such as corporate finance and audit. On this basis, we determined he is well suited to be an independent outside director at Sharp. Sharp has loans from Sumitomo Mitsui Banking Corporation. But it is not our main bank, and Mr. Kurumatani has already retired from his position at said bank. Therefore, it is our judgment these past ties do not affect his independence as an outside director.
Mr. Yasuo Himeiwa	○	○	Mr. Himeiwa belonged to KPMG AZSA LLC, which served as Sharp's external auditor till June 2016.	Mr. Himeiwa has worked as a certified public accountant for many years. Based on his wealth of experience and knowledge from his work experiences, we determined he is well suited to be an independent outside director at Sharp. Mr. Himeiwa worked at KPMG AZSA LLC, which served as our external auditor till June 2016, but he was not involved in work for Sharp over that span and he has retired from KPMG AZSA LLC. In addition, the auditing fees we paid to KPMG AZSA LLC equated to less than 1% of KPMG AZSA LLC's revenues, and KPMG AZSA LLC no longer works as external auditor. Therefore, it is our judgment these past ties do not affect his independence as an outside director.

Incentives

Introduction of Stock Option Plan

Sharp has introduced a stock option plan with the aim of improving the alignment between responsibility and incentives for persons in the categories listed below with our earnings performance. At the June 20, 2017 Ordinary General Meeting of Shareholders, approval was granted

for the issuance of a up to 60,000,000 shares in total upon the exercise of share options that can be allocated to persons in the following categories: directors, employees, directors of subsidiaries, and corporate auditors of subsidiaries, and employees of subsidiaries, etc.

Director Remuneration

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

Sharp does not disclose the remuneration of individual directors. Remuneration paid to directors in fiscal 2016 totaled ¥202 million (21 directors; includes the 12 directors who retired during fiscal 2016), remuneration paid to Audit & Supervisory Board members totaled ¥64 million (five members; includes the one member who retired during fiscal 2016).

Regarding remuneration for directors (excluding directors on the Audit & Supervisory Committee), the Company proposed a cap on cash remuneration set at ¥300 million per fiscal year and a cap on share options set at 1,500 units (total cash value of up to ¥300 million) per fiscal year at the ordinary general meeting (OGM) held on June 20, 2017. Shareholders at the OGM approves the total sum of cash

remuneration awarded to directors (excluding directors on the Audit & Supervisory Committee) and delegate such matters to the Compensation Committee, an advisory body to the Board of Directors, to determine a total sum equal to or below the cap.

Regarding remuneration for directors who are also members of the Audit & Supervisory Committee, the Company proposed a cap on cash remuneration set at ¥60 million per fiscal year and a cap on share options set at 300 units (total cash value of up to ¥60 million) per fiscal year at the OGM held on June 20, 2017. Shareholders at the OGM approves the total sum of cash remuneration awarded to directors who are also members of the Audit & Supervisory Committee, with decisions on this matter to be finalized based on discussion at the Audit & Supervisory Committee.

Corporate Governance

Ongoing Development of the Internal Control System

In May 2006, the Board of Directors passed a resolution to adopt a basic policy related to the development of systems necessary to ensure the properness of business (Basic Policy for Internal Control), which was partially amended in June 2017. This amended policy forms the basis for Sharp's ongoing development and implementation of its internal control system. The Internal Control Committee, which is an advisory body to the Board of Directors, deliberates on basic policies regarding internal controls and internal audits, as well as the development and implementation status of various measures related to the internal control system, then make a decision about what to report on or discuss with the Board of Directors. The unit promoting internal controls on a company-wide basis oversees the internal controls of the business execution units. Meanwhile the Internal Audit Division makes concrete proposals on how to improve business operations and reinforces internal controls by checking the validity of business execution as well as the appropriateness

and efficiency of management.

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. Sharp ensures that these guidelines are thoroughly observed by posting them on the Web and carrying out position-specific training programs. Based on the basic rules of compliance, Sharp is also developing a company-wide compliance promotion system. Meanwhile, Sharp is implementing thorough measures to prevent compliance breaches by informing a Sharp Group Compliance Guidebook on website to all employees and implementing training based on the guidebook.

In order to comprehensively and systematically deal with diverse business risk, Sharp formulated the Business Risk Management Guideline to achieve prevention of and swift responses to risk.

Risk Factors

Listed below are the principal business risks of Sharp that may have a significant influence on investors' decisions. 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, 2017 (or June 21, 2017 as appropriate).

(1) Global Market Trends and Overseas Businesses

Sharp conducts its business not only in Japan but also in different regions around the world, mainly in countries of the U.S., Europe, and Asia. Business results and financial position are thus subject to economic and consumer trends (especially trends in private consumption and corporate capital investment), competition with other companies, product demand, raw material supply, and price fluctuations in each region, including Japan. The political and economic situation in respective areas may also exert an influence on business results and financial position. Moreover, difficulty in monitoring and adjusting its operations in various regions; the growing impact of world economic recession; risks related to regulations and taxation in foreign countries; various standards and customs related to doing business; trade restrictions; political instability and business uncertainty; changes in political and economic relations with Japan; social turmoil; rising personnel costs; and labor issues, etc. may affect Sharp's business results and financial position.

(2) Exchange Rate Fluctuations

The proportion of consolidated net sales accounted for by overseas sales was 65.2% in fiscal 2014, 69.5% in fiscal 2015, and 68.1% in fiscal 2016. In addition, Sharp sells products made overseas in the Japanese market, and also sells products in countries where it does not manufacture the products. Although Sharp hedges the risk of exchange rate fluctuations by employing forward exchange contracts and expanding and strengthening optimally located production, such fluctuations may affect its business results.

(3) Dependence on Certain Products and Clients

Sharp has high dependence on a small number of specific clients for the sales of some of its 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.

(4) Strategic Alliances and Collaborations

On April 2, 2016, Sharp entered into a share subscription agreement with four companies of the Hon Hai Precision Industry Group, centered on Hon Hai Precision Industry Co., Ltd. Under the agreement, Sharp was to issue 3,281,950,697 shares of common share at ¥88 per share and 11,363,636 shares of C-class share at ¥8,800 per share, to be purchased by the Hon Hai Precision Industry Group via third-party allotments. Payment for the purchases under the agreement was completed on August 12, 2016.

The investment made by the Hon Hai Precision Industry Group will enable Sharp to improve its equity ratio, make growth investments that had been constrained due to recent financial conditions, and seek synergies by drawing on the technological edge, high productivity, and cost competitiveness of the Hon Hai Precision Industry Group.

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 objectives 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.

(5) Business Partners

Sharp procures materials and receives services from a large number of business partners, and transactions are made once a detailed credit check of the company has been completed. However, there is a risk that business partners may suffer deterioration in performance due to slumping demand or severe price erosion, or face an unexpected M&A, or be impacted by natural disasters or accidents, or become involved in a corporate scandal such as a breach of the law, or be affected by legal regulations concerning human rights or environmental issues such as the problem of "conflict minerals" in the supply chain, or legal restrictions, or limited suppliers with 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, or the quality of such materials/parts may be inadequate. 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 a decline in the quality of Sharp's products, increases in costs, and/or delays in deliveries to customers, which may affect Sharp's business results and financial position.

(6) Other Factors Affecting Financial Position

Sharp procures funds through borrowings from financial institutions, such as banks and life insurance companies, and through bond issues. As of March 31, 2017, the balance of such debt was equivalent to 36.3% of total assets, and short-term borrowings accounted for 17.6% of such debt. Accordingly, Sharp might become subject to restrictions on how it uses its cash flows in order to repay such debt, and also faces the possibility of an increase in expenses due to rising interest rates. Moreover, Sharp has the possibility of increases in fund procurement costs as well as limitations on fund procurement. This may be because necessary funds cannot be obtained 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. If its consolidated net assets fall below the levels specified under such financial covenants, or if Sharp fails to undertake faithful consultations in the event that its consolidated operating profit and profit attributable to

Risk Factors

owners of parent fall below specified levels, Sharp may forfeit the benefit of time at the lender's request. Moreover, Sharp may also forfeit the benefit of time on bonds and other borrowings if it violates the relevant financial covenants. Sharp's major lending institutions are Mizuho Bank, Ltd. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. As necessary, Sharp consults with both banks about ways to improve its financial position and other matters. In addition, dependence on borrowings, a 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.

(7) Technological Innovation

New technologies are emerging rapidly in the markets where Sharp operates. Resultant changes in social infrastructure, intensified market competition, changes in technology standards, obsolescence of technologies, or the appearance of substitute technologies may make Sharp unable to introduce new products in a timely manner, or lead to an increase in inventories, or the inability to recover product development costs. These and other factors may impact Sharp's business results and financial position. Apart from technologies, Sharp faces intense competition from price and marketing perspectives as well, and winning against such competition is not guaranteed. Depending on the outcome of fierce competition with other companies, Sharp may be forced to downsize or withdraw from existing businesses, which could incur additional costs. Moreover, Sharp engages in R&D under collaborative development agreements with other companies, and

it is possible that such relationships cannot be maintained, or that satisfactory outcomes cannot be produced, or that termination of such relationships cannot be handled smoothly.

(8) Intellectual Property Rights

Sharp strives to protect its proprietary technologies by acquiring patents, trademarks, and other intellectual property rights in Japan and in other countries, and by concluding contracts with other companies. However, there is a risk that rights may not be granted, or a third party may demand invalidation of an application, such that Sharp may be unable to obtain sufficient legal protection of its proprietary technologies, or may be unable to receive sufficient royalty income from the granting of licenses. 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. There may also be instances where the period of a license received from a third party expires, or for some reason or other, is terminated, or where a third party launches litigation against Sharp, claiming infringement of intellectual property rights. Resolution of such cases may place a significant financial burden on Sharp. Furthermore, if such a third-party claim against Sharp is recognized, Sharp may have to pay a large amount of compensation, and may incur further damage by having to cease using the technology in question. Also, in the event that a company licensed to use Sharp's intellectual property is acquired by a third party, the third party, previously unlicensed to use Sharp's intellectual property, may acquire such license, with the result that Sharp's intellectual

property may lose its superiority. Alternatively, the formation of an alliance with said third party could result in Sharp's business becoming subject to new restrictions to which it had not previously been subject, the resolution of which may require Sharp to pay additional compensation. Moreover, the formation of such an alliance could result in claims for infringement of an existing licensing agreement with another third party, placing pressure on Sharp to cancel said alliance. Furthermore, although compensation is given to employees for innovations that they make in the course of their work pursuant to a patent reward system governed by internal regulations, an employee may consider such payment inadequate and initiate legal action. If any of the above problems related to intellectual property were to occur, it could impact Sharp's business results and financial position.

(9) Long-Term Investments and Agreements

Sharp has actively invested in manufacturing equipment and the like and has a large amount of noncurrent assets. Various factors related to such manufacturing equipment may prevent Sharp from securing anticipated income and require it to book impairment losses, which could impact its business results and financial position. These factors include equipment not functioning as expected and difficulty converting to other products due to equipment performance problems or contractual limitations. Sharp also has goodwill and other noncurrent assets. Sharp may be required to apply impairment treatment to such assets if its profitability declines or if the market prices of its asset holdings decline significantly. Such factors may affect Sharp's business results and financial position. In addition, Sharp has a large number of long-term contractual agreements in place,

and many of those agreements include promises of fixed prices or price adjustments only at predetermined intervals during the agreement period. Accordingly, fluctuations in prices and costs during the periods of such agreements may have a major negative effect on Sharp's business. In particular, there are such agreements covering raw materials for solar panels. These include a contract that obligates Sharp to purchase a total of 15,797 tons of polysilicon (as of the end of March 2017) by the end of 2020 at the longest, at a rate substantially higher than the most recent market price (the weighted average price under the contracts exceeded the market price as of March 31, 2017 by around ¥3,078 per kilogram). If the market price of polysilicon falls even further, Sharp may incur additional losses. Sharp also has long-term contractual agreements with multiple suppliers covering the supply of electricity necessary to produce solar cells at its Sakai Plant. As of the end of March 2017, the total amounts of future minimum payments of such contracts was ¥32,528 million (remaining terms of between 0.5 and 11.75 years), and none of the contracts can be cancelled prior to maturity. These long-term contracts cover the supply of electricity necessary to produce 480MW of solar cells annually. However, the actual production volume at the Sakai Plant is only 160MW per year, which is incurring considerably high production costs for the energy solutions business.

(10) Product Liability

Sharp manufactures products in accordance with strict quality control standards to ensure the utmost in quality. However, many of its 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

Risk Factors

and other obligations. 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. Nonetheless, there is still 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.

(11) Laws and Regulations

The business activities of Sharp are subject to various regulations in countries where it operates, including business and investment approval, export regulations, tariffs, accounting standards, and taxation. Sharp must also adhere to various laws and regulations concerning trading, antitrust practices, product liability, consumer protection, intellectual property rights, product safety, the environment, recycling, internal control, and labor regulations. Changes in such laws and regulations, or additional expenses to comply with the amendments, or the occurrence of violations of legal rules by persons in Sharp may affect Sharp's business results and financial position. Furthermore, in a case where an accident occurs related to one of Sharp's products, report of said incident, based on the Consumer Product Safety Law and related regulations in Japan, and disclosure of the accident information based on a system for public announcements could diminish Sharp's brand image.

(12) Litigation and Other Legal Proceedings

Sharp conducts business activities around the world, and as such, there is a risk that Sharp could become involved with litigation and other legal proceedings in each country. If Sharp becomes involved in litigation or other legal proceedings, with the different legal and judicial systems in each

country, depending on the case, Sharp may be ordered to pay a significant amount in damages or fines, which could affect its business results and financial position.

(13) Leakage of Personal Data and Other Information

Sharp retains personal data and other confidential information concerning its customers, business partners, and employees. Extreme care is taken to protect this information. A company-wide management system promotes employee education, internal auditing, and other measures aimed at ensuring compliance with management regulations. If information is leaked, however, it may reduce confidence in Sharp or result in substantial costs (associated with leakage prevention measures or indemnification for damages, for instance), which may affect Sharp's business results and financial position.

(14) Relations with Parent Company Group

The Hon Hai Precision Industry Group—centered on Hon Hai Precision Industry Co., Ltd. (hereinafter "Hon Hai Precision Industry"), which provides outsourced manufacturing services for electronic equipment—is engaged in the fields of production, sales, and after-sales services related to IT, telecommunications, automation equipment, optical industry, precision machinery, automobiles, connectors for home appliances, product case, radiators, and network equipment. Sharp mainly manufactures and sells telecommunications equipment, electrical appliances, and general electronics application equipment and components of the Sharp brand. Hon Hai Precision Industry, the core company of the Hon Hai Precision Industry Group, directly has 26.2%

of Sharp's voting rights, and Foxconn (Far East) Limited (hereinafter "Foxconn FE"), a wholly owned subsidiary of Hon Hai Precision Industry, has 18.4%, therefore, Hon Hai Precision Industry directly or indirectly holds 44.6% of Sharp's voting rights in total. Furthermore, Hon Hai Precision Industry holds more than 20% of the voting rights of Foxconn Technology Pte. Ltd. (hereinafter "Foxconn Technology"), and Mr. Terry Gou, Chairman of Hon Hai Precision Industry, substantially controls SIO International Holdings Limited (hereinafter "SIO"). Because both companies (Foxconn Technology and SIO) have close relationships with Hon Hai Precision Industry, they fall under the category of entities that exercise their voting rights in the same manner as Hon Hai Precision Industry. The combined voting rights of the two companies, together with voting rights held directly or indirectly by Hon Hai Precision Industry, come to 66.1% of Sharp's total voting rights, meaning they have certain rights as a major shareholder. Under the share subscription agreement between Sharp and Hon Hai Precision Industry Group dated April 2, 2016, it was agreed that shares held by Hon Hai Precision Industry Group shall not be sold, transferred, or otherwise disposed of to third parties over the two-year period from the agreement date without the written consent of Sharp. However, the liquidity and price formation of Sharp's shares, as well as its business performance, may be affected if, for example, there is a major change in the Hon Hai Precision Industry Group's holding ratio of Sharp's shares, or a change in the Hon Hai Precision Industry Group's business strategies. The Hon Hai Precision Industry Group engages mainly in outsourced production of electronic equipment, and it manufactures and sells telecommunications equipment,

electrical appliances, and general electronics application equipment and components under the Sharp brand. Therefore, Sharp believes there is no competition within the Hon Hai Precision Industry Group that would affect Sharp's business. Regarding the manufacture and sale of electronic components, there are companies in the Hon Hai Precision Industry Group that engage in businesses related to liquid crystal devices, but Sharp believes there is no direct competition at this time. However, a change in the Hon Hai Precision Industry Group's business strategies may affect Sharp's performance and financial position.

(1) Human Relations

Sharp had nine directors as of June 21, 2017, one of them is Young Liu, an executive director, who is concurrently serving as an officer of Hon Hai Precision Industry, while Hsu-Tung Lu, a member of Sharp's Audit & Supervisory Committee, is concurrently serving as an officer of an affiliate of Hon Hai Precision Industry. Two directors of Sharp—J.W. Tai and Toshiaki Takayama—resigned as officers of the parent company group, effective June 21, 2017.

To promote structural reforms overseas, seven members of the Hon Hai Precision Industry Group (including part-time) engaged in business at three of Sharp's subsidiaries as of June 21, 2017, at the request of Sharp. However, this does not affect important decision-making at Sharp's overseas subsidiaries. In addition, in Japan we have accepted one technician at Sharp's business headquarters and one officer at a joint venture between Sharp and the Hon Hai Precision Industry Group from the Hon Hai Precision Industry Group.

(2) Business Partners

Business transactions between Sharp and the

Risk Factors

Hon Hai Precision Industry Group include purchases and sales in China. In addition, some of Sharp's shares have been transferred to its affiliate, Sakai Display Products Corporation. Sharp has also formed business alliances through the establishment of subsidiaries and affiliates aimed at expanding income from outside Sharp in the intellectual property, logistics, and medical fields. Other Sharp transactions include leasing of office space at some overseas bases. Important transactions made in the year ended March 2017 are stated in the section 16 "Transactions with related Parties" on P.50 to P.51.

(3) Independence from Parent Company

Sharp make decisions on important matters, such as management policy and business development, based on independent and self-reliant considerations, and believes that independence and autonomy are preserved. Sharp strives to grow, develop, and improve its performance in close cooperation with the Hon Hai Precision Industry Group, while fully respecting independence between both entities. Sharp recognizes that working together with the Hon Hai Precision Industry Group to increase Sharp's operational efficiency and expand its sales and income will benefit the interests of noncontrolling shareholders.

Under its "Related Party Transactions Management Regulations," when starting new transactions with the parent company group, Sharp shall examine the necessity and rationality of the business, as well as appropriateness of the business terms, before obtaining approval from authorized parties (Board of Directors for matters to be resolved by the Board of Directors). For important transactions, Sharp shall explain to outside directors before approval.

(15) Large-Scale Natural Disasters

Sharp has created preventative/emergency measures and a business continuity plan aimed at rapid recovery/restoration in order to be prepared for and minimize damage in the event of large-scale natural disasters such as earthquakes and typhoons, and is working hard to avoid the impact of such disasters. However, if Sharp or its partners' business activities are impaired directly or indirectly due to the occurrence of an unprecedented large-scale natural disaster, it may affect Sharp's business results and financial position.

(16) Risks Accompanying the Electricity Shortages and Hikes in Electricity Prices

Electric power generation problems, caused by the nuclear power plant accident accompanying the Great East Japan Earthquake, have had various adverse effects on both Japanese and overseas markets, which is affecting Sharp's business results and financial position.

Any possible future restrictions on electricity usage or hikes in electricity prices stemming from electricity shortages could cause plant operations to be reduced and/or costs to increase, which may affect Sharp's business results and financial position.

(17) Competition to Secure Skilled Personnel

Exceptional human resources in such fields as technology and management are crucial to Sharp's revitalization and sustained growth. In the event that Sharp is unable to prevent the departure of existing talent or attract new personnel according to its business policies, or is unable to improve the management skills and business performance of key personnel, its business results and financial position may be affected.

(18) Other Key Variable Factors

In addition to the aforementioned risks, Sharp's business results may be significantly affected by human-induced calamities, such as accidents, conflicts, insurrections, or terrorism; the spread of a new strain of influenza or other infectious disease; or major fluctuations in the stock and bond markets.

(19) Outline of Significant Events Relating to Assumed Going Concern

In the year ended March 31, 2017, Sharp again recorded a loss attributable to owners of parent. Although there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern as a result of this situation, Sharp believes that these conditions will not cast a material uncertainty about Sharp's ability to continue as a going concern, due to implementation of various measures to resolve these and other major issues as described below. Therefore, no further disclosure for the "Going Concern Assumption" in the notes to the consolidated financial statements is necessary.

Following the issue of new shares via third-party allotments to Hon Hai Precision Industry and others on August 12, 2016, Sharp transitioned to a new management structure with J.W. Tai as President and Chief Executive Officer. In the year ended March 2017, Sharp concentrated on realizing objectives outlined in its fiscal 2015 results announcement, citing three structural reforms aimed at swiftly returning to profitability: (1) Optimize management resources, (2) Engage in responsible business management, and (3) Reward good performance. With the inauguration of the new management structure, meanwhile, Sharp shifted its focus to efforts aimed at business expansion, including exploitation of synergies with

the Hon Hai Precision Industry Group and active investments in priority projects.

At its meeting on May 26, 2017, Sharp's Board of Directors approved a new Medium-Term Management Plan covering fiscal 2017 through fiscal 2019. The overall strategy of the plan is to realize "People-Oriented IoT" and "8K Ecosystem" and thus broaden operations through three transformations: reinvent business model, expand business globally, and strengthen business infrastructure. In fiscal 2019 (ending March 2020), the final year under the plan, Sharp is targeting consolidated net sales of ¥3,250 billion and operating income of ¥150 billion.

On funding side, the issuance of new shares totaling ¥388.8 billion through third-party allotments resulted in elimination of capital deficit on both consolidated and nonconsolidated bases. On April 26, 2016, Sharp's main banks, Mizuho Bank, Ltd. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., together with other participating banks, agreed to renew the syndicated loan agreement, and on August 12, 2016 a syndicated commitment line totaling ¥300 billion was set up between Sharp and its two main banks.

Through the ongoing support and the implementation of the various measures described above, Sharp will be able to avoid the risk of fund insufficiency and stabilize its financial base.

Members of the Board and Executives

(As of June 20, 2017)

Members of the Board



President &
Chief Executive Officer
J.W. Tai



Member of the Board
Katsuaki Nomura



Member of the Board
Toshiaki Takayama



Member of the Board
Young Liu



Member of the Board
Hirokazu Nishiyama



Member of the Board
Chien-Erh Wang



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



Member of the Board
(Member of Audit &
Supervisory Committee)
Nobuaki Kurumatani*



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

Executives

President &
Chief Executive Officer

J.W. Tai

Executive Vice President

Katsuaki Nomura

Executive Vice President

Yoshihisa Ishida

Senior Executive Managing Officer

Yoshisuke Hasegawa

Senior Executive Managing Officer

Fujikazu Nakayama

Executive Managing Officer

Masahiro Okitsu

Executive Managing Officer

Yoshihiro Hashimoto

Executive Managing Officer

Yumiko Ito

Executive Officer

Toshiaki Takayama

Executive Officer

Hirokazu Nishiyama

Executive Officer

Chien-Erh Wang

Executive Officer

Satoshi Sakakibara

*Outside Directors

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Five-Year Financial Summary

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31

	Yen (millions)				
	2013	2014	2015	2016	2017
Net Sales	¥ 2,478,586	¥ 2,927,186	¥ 2,786,256	¥ 2,461,589	¥ 2,050,639
Domestic sales	1,007,264	1,150,091	968,449	750,499	654,012
Overseas sales	1,471,322	1,777,095	1,817,807	1,711,090	1,396,627
Operating Profit (Loss)	(146,266)	108,560	(48,065)	(161,967)	62,454
Profit (Loss) before Income Taxes	(466,187)	45,970	(188,834)	(231,122)	(587)
Profit (Loss) Attributable to Owners of Parent	(545,347)	11,559	(222,347)	(255,972)	(24,877)
Net Assets	134,837	207,173	44,515	(31,211)	307,801
Total Assets	2,087,763	2,181,680	1,961,909	1,570,672	1,773,682
Capital Investment*1	82,458	49,434	62,653	45,240	77,733
Depreciation and Amortization	197,880	132,401	117,323	81,931	71,625
R&D Expenditures	137,936	132,124	141,042	130,120	106,107
	Yen				
Per Share of Common Stock					
Net income (loss)	¥ (489.83)	¥ 8.09	¥ (131.51)	¥ (154.64)	¥ (6.86)
Diluted net income	—	7.87	—	—	—
Cash dividends	0.00	0.00	0.00	0.00	0.00
Net assets	106.90	115.43	17.84	(161.79)	15.41
Other Financial Data					
Return on equity (ROE)	(145.3%)	7.2%	(197.4%)	—	(19.8%)
Return on assets (ROA)	(23.2%)	0.5%	(10.7%)	(14.5%)	(1.5%)
Equity ratio	6.0%	8.9%	1.5%	(2.7%)	16.6%

*1 The amount of leased properties is included in capital investment.

Five-Year Financial Summary

	Yen (millions)				
	2013	2014	2015	2016	2017
Net Sales	¥ 2,478,586	¥ 2,927,186	¥ 2,786,256	¥ 2,461,589	¥ 2,050,639
Sales by Segment*² (Sales to Outside Customers)					
Digital Information Equipment	732,017	733,317	670,326	—	—
Health and Environmental Equipment	309,613	326,896	315,022	—	—
Energy Solutions	259,895	439,028	270,881	—	—
Business Solutions	296,787	318,856	340,323	—	—
Product Business	1,598,312	1,818,097	1,596,552	—	—
LCDs	650,847	814,718	772,997	—	—
Electronic Devices	229,427	294,371	416,707	—	—
Device Business	880,274	1,109,089	1,189,704	—	—
Total	2,478,586	2,927,186	2,786,256	—	—
Consumer Electronics	—	—	982,350	798,314	—
Energy Solutions	—	—	270,881	155,422	—
Business Solutions	—	—	343,321	348,451	—
Electronic Components and Devices	—	—	416,707	458,022	—
Display Devices	—	—	772,997	701,380	—
Total	—	—	2,786,256	2,461,589	—
IoT Communications	—	—	—	197,342	163,814
Health and Environment Systems	—	—	—	296,072	281,505
Business Solutions	—	—	—	348,451	310,169
Camera Modules	—	—	—	241,593	201,377
Electronic Components and Devices	—	—	—	216,429	186,475
Energy Solutions	—	—	—	155,422	102,810
Display Devices	—	—	—	1,006,280	804,489
Total	—	—	—	2,461,589	2,050,639
Sales by Region					
Japan	1,007,264	1,150,091	968,449	750,499	654,012
The Americas	355,288	468,473	320,980	281,049	175,169
Europe	174,381	144,804	142,520	136,590	123,551
China	667,933	925,348	1,140,892	1,085,311	900,759
Other	273,720	238,470	213,415	208,140	197,146
Total	2,478,586	2,927,186	2,786,256	2,461,589	2,050,639

*2 Effective from the year ended March 2015, the “Solar Cells” product group was renamed as “Energy Solutions.”

Effective for the year ended March 31, 2016, the segment classification has been changed. In this regard, Sales by Segment for the year ended March 31, 2015, has been restated based on a new classification.

Effective for the year ended March 31, 2017, the segment classification has been changed. In this regard, Sales by Segment for the year ended March 31, 2016, has been restated based on a new classification.

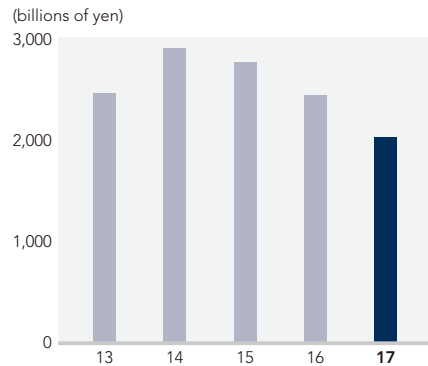
Financial Review

Sharp Corporation and Consolidated Subsidiaries

Net Sales

Consolidated net sales for the year ended March 31, 2017 decreased by ¥410,950 million to ¥2,050,639 million, down 16.7% from the previous year.

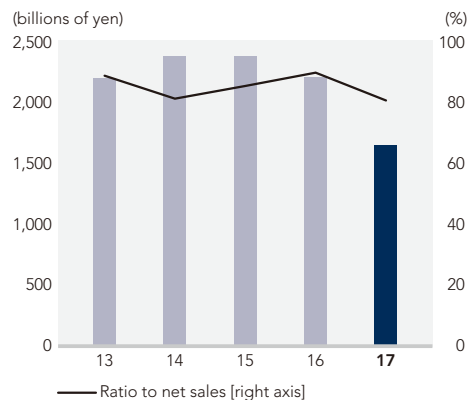
Net Sales



Financial Results

Cost of sales decreased by ¥561,493 million to ¥1,666,784 million, and the cost of sales ratio reduced from 90.5% to 81.3% year on year.

Cost of Sales



Selling, general and administrative (SG&A) expenses decreased by ¥73,879 million to ¥321,400 million, and the ratio of SG&A expenses against net sales reduced from 16.1% to 15.7% year on year. SG&A expenses included R&D expenditures of ¥24,657 million and employees' salaries and other benefits of ¥97,127 million.

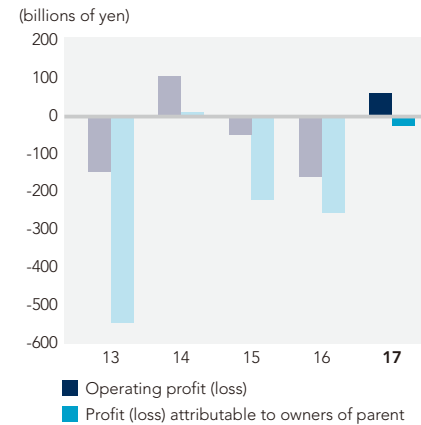
As a result, operating profit amounted to ¥62,454 million, compared with an operating loss of ¥161,967 million in the previous year.

Non-operating income decreased by ¥8,398 million to ¥12,787 million, and non-operating expenses decreased by ¥1,507 million to ¥50,171 million year on year.

Extraordinary income decreased by ¥14,526 million to ¥13,901 million, and extraordinary losses decreased by ¥27,531 million to ¥39,559 million year on year.

Accordingly, loss before income taxes totaled ¥587 million, compared with ¥231,122 million in the previous year, and loss attributable to owners of parent was ¥24,877 million, compared with ¥255,972 million in the previous year. The net loss per share of common stock was ¥6.86.

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



Segment Information

IoT Communications

Sales in this segment decreased by 16.5% to ¥164,777 million year on year, due mainly to a decline in sales of mobile phones. Segment income increased by 12.4% from the previous year to ¥16,303 million due in part to cost reduction measures and lower overhead expenses.

Health and Environment Systems

Sales in this segment decreased by 5.4% to ¥282,177 million year on year, due mainly to declines in sales of air conditioners and refrigerators. Segment income jumped by 154.5% from the previous year to ¥29,907 million due to cost and overhead expense reductions through optimized logistics and overseas operations.

Business Solutions

Sales in this segment decreased by 10.5% to ¥317,780 million year on year, due mainly to a decline in sales of MFPs. Segment income decreased by 37.1% from the previous year to ¥22,536 million.

Camera Modules

Sales in this segment decreased by 16.4% to ¥204,738 million year on year, due to a decline in sales of camera modules. Segment income decreased by 85.7% from the previous year to ¥1,307 million.

Electronic Components and Devices

Sales in this segment decreased by 14.7% to ¥208,900 million year on year, due to a decline in sales of sensor modules. Segment income was ¥6,747 million, compared with a segment loss of ¥7,619 million in the previous year as a result of engaging in structural reform measures in addition to cost and fixed expense reductions.

Energy Solutions

Sales in this segment decreased by 33.9% to ¥103,669 million year on year, due to a decline in domestic sales of solar cells. Segment income was ¥2,209 million, compared with a segment loss of ¥18,425 million in the previous year as a result of revising raw materials purchasing contracts and cost reductions although we

Financial Review

experienced a significant negative impact from weak demand in domestic market.

Display Devices

Sales in this segment decreased by 22.5% to ¥842,010 million year on year, due to declines in sales of large-size LCDs for TVs and of small-and medium-size LCDs for Chinese smartphones. Segment income was ¥3,552 million, compared with a segment loss of ¥177,258 million in the previous year. This improvement was mainly due

to continued profits in the TV business as well as cost and overhead expense reductions, despite the sales decrease, negative impact of OLED development expense.

Capital Investment and Depreciation

Capital investment totaled ¥77,733 million, up 71.8% from the previous year. Much of this investment related to the setting up of pilot lines for OLED display.

By business segment, capital investment was

Sales by Segment

	Yen (millions)	
	2016	2017
IoT Communications	¥ 197,407	¥ 164,777
Health and Environment Systems	298,201	282,177
Business Solutions	355,196	317,780
Camera Modules	245,041	204,738
Electronic Components and Devices	244,988	208,900
Energy Solutions	156,834	103,669
Display Devices	1,086,673	842,010
	2,584,340	2,124,054
Adjustments	(122,751)	(73,415)
Total	2,461,589	2,050,639

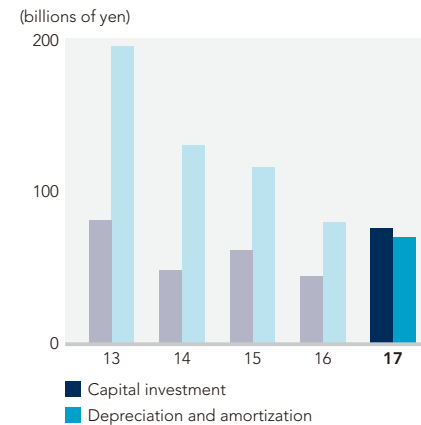
Segment Income (Loss) by Segment

	Yen (millions)	
	2016	2017
IoT Communications	¥ 14,505	¥ 16,303
Health and Environment Systems	11,750	29,907
Business Solutions	35,814	22,536
Camera Modules	9,110	1,307
Electronic Components and Devices	(7,619)	6,747
Energy Solutions	(18,425)	2,209
Display Devices	(177,258)	3,552
	(132,123)	82,564
Adjustments	(29,844)	(20,109)
Total	(161,967)	62,454

¥1,411 million for the IoT Communications, ¥3,966 million for the Health and Environment Systems, ¥3,835 million for the Business Solutions, ¥8,735 million for the Camera Modules, ¥9,903 million for the Electronic Components and Devices, ¥403 million for the Energy Solutions and ¥34,900 million for the Display Devices. Unallocated capital investment amounted to ¥14,577 million.

Depreciation and amortization declined by 12.6% to ¥71,625 million.

Capital Investment/ Depreciation and Amortization



Assets, Liabilities and Net Assets

Total assets at fiscal year-end amounted to ¥1,773,682 million, up ¥203,010 million from the previous year.

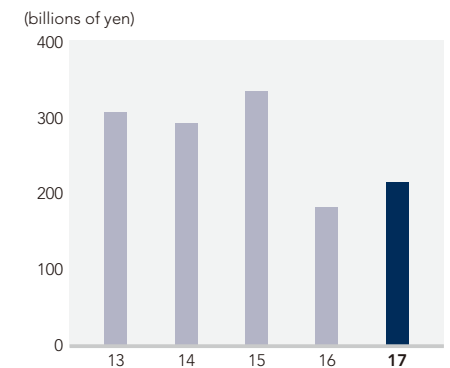
Assets

Current assets amounted to ¥1,193,709 million, up ¥227,750 million from the end of the previous year. This was mainly due to the increase in cash and deposits of ¥206,718 million and increase in notes and account receivable-trade of ¥88,293 million. In addition, inventories increased by ¥33,579 million from the end of the previous year to ¥217,892 million. Within total inventories, finished products increased by ¥20,998 million to ¥146,708 million; work in process increased by ¥5,133 million to ¥27,995 million; and raw materials and supplies increased by ¥7,447 million to ¥43,188 million.

Property, plant and equipment declined by ¥1,591 million from the end of the previous year to ¥349,614 million.

Investments and other assets amounted to ¥187,962 million, down ¥23,848 million from the end of the previous year. This was mainly due to the decrease in investment securities.

Inventories



Financial Review

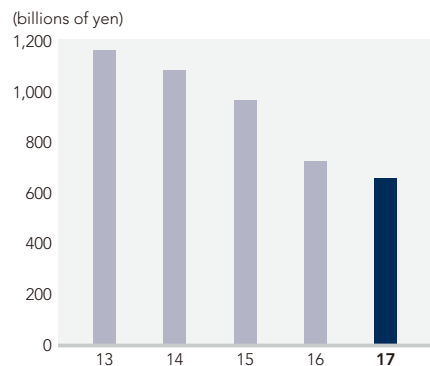
Liabilities

Current liabilities decreased by ¥573,225 million from the end of the previous year to ¥801,637 million. This stemmed mainly from the decrease in short-term loans payable by ¥499,059 million from the end of the previous year.

Non-current liabilities increased by ¥437,222 million from the end of the previous year to ¥664,243 million. This was mainly due to the increase in long-term loans payable of ¥450,082 million.

Interest-bearing debt at year-end stood at ¥657,444 million, down ¥73,578 million from the end of the previous year.

Interest-Bearing Debt



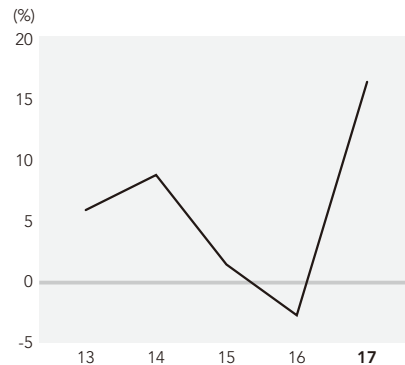
Net Assets

Net assets amounted to ¥307,801 million, representing a net increase of ¥339,012 million from a net liabilities position of ¥31,211 million at the end of the previous year. This was due to the

completion, on August 12, 2016, of a new share issuance achieved through third-party allotments, and which related to a strategic alliance with Hon Hai Precision Industry Co., Ltd.

The equity ratio was 16.6%.

Equity Ratio



Cash Flows

Cash and cash equivalents at the end of the year stood at ¥453,477 million, up ¥303,944 million from the previous year, as combined inflows from operating and financing activities exceeded outflows from investing activities.

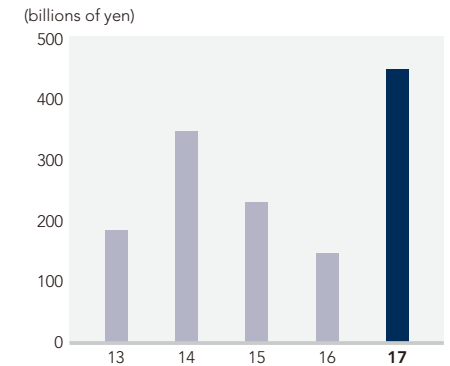
Net cash provided by operating activities amounted to ¥127,231 million, which represented an increase of ¥146,096 million, compared to net cash used of ¥18,866 million in the previous year. This is mainly due to the decrease in loss before income taxes of ¥230,535 million, and by the movement in notes and accounts payable-trade, which changed from a decrease

to an increase, offset by movements in notes and accounts receivable-trade and inventories, which changed from a decrease to an increase.

Net cash used in investing activities totaled ¥90,677 million, up ¥50,164 million from the previous year total of ¥40,513 million. The main factors included an increase in payments for the purchases of property, plant and equipment of ¥31,033 million and a decrease in the income received from the sales of property, plant and equipment of ¥20,364 million.

Net cash provided by financing activities was ¥272,199 million, which represented an increase of ¥287,559 million, compared to net cash used of ¥15,360 million in the previous year. This is mainly due to the increase in proceeds from long-term loans payable of ¥328,672 million and to the increase in proceeds from issuance of common shares of ¥287,495 million, offset by the drop in proceeds from issuance of class shares of ¥124,982 million from the previous year, and of the increased reduction in the amount of short-term loans payable by the amount of ¥190,177 million.

Cash and Cash Equivalents



- Notes: 1. Effective for the year ended March 31, 2017, the Company has changed its segment classification. Figures for previous year have been adjusted to reflect the new classification.
2. Sales figures by segment shown in "Segment Information" include internal sales and transfers among segments (IoT Communications, Health and Environment Systems, Business Solutions, Camera Modules, Electronic Components and Devices, Energy Solutions, and Display Devices). Segment income (loss) figures are the amounts before adjustment for intersegment trading.
3. Capital investment figures shown in "Capital Investment and Depreciation" include the amount of leased properties.

Consolidated Balance Sheets

Sharp Corporation and Consolidated Subsidiaries as of March 31, 2016 and 2017

	Yen (millions)	
	2016	2017
ASSETS		
Current Assets		
Cash and deposits (Notes 7 and 10)	¥ 275,399	¥ 482,117
Notes and accounts receivable — trade (Notes 7 and 10)	287,271	375,564
Inventories (Notes 3 and 10)	184,313	217,892
Other (Notes 4 and 10)	224,325	126,697
Allowance for doubtful accounts	(5,349)	(8,562)
Total current assets	965,959	1,193,709
Non-current Assets		
Property, Plant and Equipment		
Buildings and structures (Note 10)	643,926	625,139
Machinery, equipment and vehicles (Note 10)	1,244,065	1,155,188
Tools, furniture and fixtures (Note 10)	275,678	250,872
Land (Note 10)	85,352	95,760
Construction in progress	7,916	18,434
Other	54,386	50,901
Accumulated depreciation	(1,960,118)	(1,846,683)
Total property, plant and equipment	351,205	349,614
Intangible assets		
Software	34,282	28,856
Other	7,358	13,503
Total intangible assets	41,640	42,359
Investments and other assets		
Investment securities (Notes 2 , 7 and 10)	166,427	151,270
Net defined benefit asset (Note 12)	2,221	299
Other (Notes 4 and 10)	45,421	38,940
Allowance for doubtful accounts	(2,259)	(2,548)
Total investments and other assets	211,810	187,962
Total non-current assets	604,655	579,936
Deferred Assets	58	36
Total assets	¥ 1,570,672	¥ 1,773,682

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

	Yen (millions)	
	2016	2017
LIABILITIES		
Current Liabilities		
Notes and accounts payable — trade (Note 7)	¥ 212,556	¥ 306,007
Electronically recorded obligations — operating (Note 7)	66,131	44,560
Short-term loans payable (Notes 5 , 7 and 10)	612,593	113,534
Current portion of bonds (Notes 5 and 7)	20,000	—
Accrued expenses	138,470	139,523
Provision for bonuses	12,614	21,137
Provision for product warranties	18,718	18,930
Provision for sales promotion expenses	26,120	15,913
Provision for restructuring	7,786	4,069
Valuation reserve for inventory purchase commitments	57,124	48,618
Other (Notes 4 and 5)	202,750	89,342
Total current liabilities	1,374,862	801,637
Non-current Liabilities		
Bonds payable (Notes 5 and 7)	40,000	40,000
Long-term loans payable (Notes 5 , 7 and 10)	40,251	490,333
Net defined benefit liability (Note 12)	117,341	110,074
Other (Notes 4 and 5)	29,429	23,836
Total non-current liabilities	227,021	664,243
Total liabilities	1,601,883	1,465,881
NET ASSETS		
Shareholders' equity		
Capital stock	500	5,000
Capital surplus	222,457	576,792
Retained earnings	(123,644)	(148,597)
Treasury shares	(13,899)	(13,902)
Total shareholders' equity	85,414	419,292
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,634	14,474
Deferred gains or losses on hedges	(843)	39
Foreign currency translation adjustments	(38,456)	(44,355)
Remeasurements of defined benefit plans	(100,799)	(95,296)
Total accumulated other comprehensive income	(128,464)	(125,138)
Non-controlling interests	11,839	13,646
Total net assets	(31,211)	307,801
Total liabilities and net assets	¥ 1,570,672	¥ 1,773,682

Consolidated Statements of Operations

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2016 and 2017

	Yen (millions)	
	2016	2017
Net Sales	¥ 2,461,589	¥ 2,050,639
Cost of Sales	2,228,277	1,666,784
Gross profit	233,312	383,854
Selling, General and Administrative Expenses	395,279	321,400
Operating profit (loss)	(161,967)	62,454
Non-operating Income		
Interest income	912	887
Dividend income	965	1,358
Rental income on non-current assets	3,808	3,791
Foreign exchange gains	4,981	—
Share of profit of entities accounted for using equity method	1,493	—
Other	9,027	6,750
Total non-operating income	21,186	12,787
Non-operating Expenses		
Interest expenses	18,721	6,394
Foreign exchange losses	—	3,329
Share of loss of entities accounted for using equity method	—	18,667
Other	32,958	21,780
Total non-operating expenses	51,679	50,171
Ordinary profit (loss)	(192,460)	25,070
Extraordinary Income		
Gain on sales of non-current assets	15,954	3,295
Gain on sales of investment securities	1,939	3,215
Reversal of provision for loss on litigation	2,046	—
Gain on change in equity	—	1,112
Settlement received	8,490	6,278
Total extraordinary income	28,429	13,901
Extraordinary Losses		
Loss on sale and retirement of non-current assets	1,990	4,390
Impairment loss (Note 14)	24,748	34,668
Loss on valuation of investment securities	125	500
Restructuring charges (Note 15)	38,165	—
Provision for loss on litigation	2,038	—
Loss on liquidation of subsidiaries and associates	25	—
Total extraordinary losses	67,091	39,559
Loss before income taxes	(231,122)	(587)
Income Taxes (Note 4):		
Current	18,401	20,137
Deferred	3,663	3,600
	22,064	23,738
Loss	(253,186)	(24,325)
Profit attributable to non-controlling interests	2,786	551
Loss attributable to owners of parent	¥ (255,972)	¥ (24,877)

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

Consolidated Statements of Comprehensive Income

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2016 and 2017

	Yen (millions)	
	2016	2017
Loss	¥ (253,186)	¥ (24,325)
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	1,066	2,837
Deferred gains or losses on hedges	(1,623)	882
Foreign currency translation adjustment	(21,393)	(6,151)
Remeasurements of defined benefit plans	(21,227)	5,539
Share of other comprehensive income of entities accounted for using equity method	(351)	(485)
Total other comprehensive income	(43,528)	2,621
Comprehensive Income	(296,714)	(21,703)
Comprehensive income attributable to:		
Owners of parent	(298,114)	(21,550)
Non-controlling interests	1,400	(152)

Consolidated Statements of Changes in Net Assets

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2016 and 2017

	Yen (millions)											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	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 adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of the year ended March 31, 2016	¥ 121,885	¥ 95,945	¥ (87,448)	¥ (13,893)	¥ 116,489	¥ 10,569	¥ 780	¥ (18,106)	¥ (79,566)	¥ (86,323)	¥ 14,349	¥ 44,515
Changes of items during period												
Issuance of new shares	112,500	112,500			225,000							225,000
Transfer to capital surplus from capital stock	(233,885)	233,885			—							—
Deficit disposition		(219,781)	219,781		—							—
Loss attributable to owners of parent			(255,972)		(255,972)							(255,972)
Change of scope of equity method			(5)		(5)							(5)
Purchase of shares of consolidated subsidiaries		(90)			(90)							(90)
Purchase of treasury shares				(9)	(9)							(9)
Disposal of treasury shares		(2)		3	1							1
Net changes of items other than shareholders' equity						1,065	(1,623)	(20,350)	(21,233)	(42,141)	(2,510)	(44,651)
Total changes of items during period	(121,385)	126,512	(36,196)	(6)	(31,075)	1,065	(1,623)	(20,350)	(21,233)	(42,141)	(2,510)	(75,726)
Balance at end of the year ended March 31, 2016	¥ 500	¥ 222,457	¥ (123,644)	¥ (13,899)	¥ 85,414	¥ 11,634	¥ (843)	¥ (38,456)	¥ (100,799)	¥ (128,464)	¥ 11,839	¥ (31,211)

	Yen (millions)											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	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 adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of the year ended March 31, 2017	¥ 500	¥ 222,457	¥ (123,644)	¥ (13,899)	¥ 85,414	¥ 11,634	¥ (843)	¥ (38,456)	¥ (100,799)	¥ (128,464)	¥ 11,839	¥ (31,211)
Changes of items during period												
Issuance of new shares	194,405	194,405			388,811							388,811
Transfer to capital surplus from capital stock	(189,905)	189,905			—							—
Loss attributable to owners of parent			(24,877)		(24,877)							(24,877)
Change of scope of consolidation			(76)		(76)							(76)
Purchase of treasury shares				(29,978)	(29,978)							(29,978)
Disposal of treasury shares		(0)		1	0							0
Retirement of treasury shares		(29,974)		29,974	—							—
Net changes of items other than shareholders' equity						2,840	882	(5,899)	5,503	3,326	1,807	5,133
Total changes of items during period	4,500	354,335	(24,954)	(2)	333,878	2,840	882	(5,899)	5,503	3,326	1,807	339,012
Balance at end of the year ended March 31, 2017	¥ 5,000	¥ 576,792	¥ (148,597)	¥ (13,902)	¥ 419,292	¥ 14,474	¥ 39	¥ (44,355)	¥ (95,296)	¥ (125,138)	¥ 13,646	¥ 307,801

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

Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2016 and 2017

	Yen (millions)	
	2016	2017
Cash Flows from Operating Activities:		
Loss before income taxes	¥ (231,122)	¥ (587)
Depreciation and Amortization	76,724	68,235
Interest and dividend income	(1,877)	(2,246)
Interest expenses	18,721	6,394
Loss (gain) on sales and retirement of non-current assets, net	(13,964)	1,095
Impairment loss	24,748	34,668
Loss (gain) on sales of investment securities, net	(1,939)	(3,215)
Restructuring charges	38,165	—
Share of (Profit) loss of entities accounted for using equity method	(1,493)	18,667
Provision for loss on litigation	2,038	—
Reversal of provision for loss on litigation	(2,046)	(200)
Loss (gain) on change in equity	—	(1,112)
Settlement received	(8,490)	(6,278)
Decrease (increase) in notes and accounts receivable — trade	98,449	(83,914)
Decrease (increase) in inventories	137,503	(27,446)
Decrease (increase) in accounts receivable — other	36,538	105,927
Increase (decrease) in notes and accounts payable — trade	(121,230)	71,163
Increase (decrease) in accrued expenses	(27,380)	2,785
Increase (decrease) in valuation reserve for inventory purchase commitments	2,469	(8,505)
Increase (decrease) in provision for sales promotion expenses	28,352	(9,101)
Other, net	(16,450)	(22,344)
Total	37,716	143,986
Interest and dividend income received	2,978	3,605
Interest expenses paid	(18,770)	(5,685)
Special extra retirement payments paid	(22,566)	—
Settlement package received	8,145	5,943
Settlement package paid	(2,983)	0
Income taxes paid refund	(23,386)	(20,617)
Net cash provided by (used in) operating activities	(18,866)	127,231

	Yen (millions)	
	2016	2017
Cash Flows from Investing Activities:		
Payments into time deposits	(26,241)	(28,832)
Proceeds from withdrawal of time deposits	22,394	26,401
Purchase of shares subsidiaries resulting in change in scope of consolidation	(220)	(9,366)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	3,789	741
Purchases of property, plant and equipment	(46,364)	(77,397)
Proceeds from sales of property, plant and equipment	24,183	3,818
Purchases of investment securities	(501)	(17,099)
Proceeds from sales of investment securities	724	18,718
Other, net	(18,277)	(7,661)
Net cash provided by (used in) investing activities	(40,513)	(90,677)
Cash Flows from Financing Activities:		
Proceeds from deposits received	100,000	—
Payout of deposits received	—	(100,000)
Deposits of restricted withdrawals and restricted cash	(100,000)	—
Proceeds from restricted withdrawals and restricted cash	—	100,000
Net increase (decrease) in short-term loans payable	(176,937)	(367,114)
Proceeds from long-term loans payable	3	328,675
Repayments of long-term loans payable	(55,015)	(19,204)
Redemption of bonds	(4,132)	(21,812)
Proceeds from issuance of class shares	224,606	99,624
Proceeds from issuance of common shares	—	287,495
Purchase of treasury shares	(10)	(29,978)
Other, net	(3,875)	(5,487)
Net cash provided by (used in) financing activities	(15,360)	272,199
Effect of Exchange Rate Change on Cash and Cash Equivalents	(7,939)	(4,443)
Net Increase (Decrease) in Cash and Cash Equivalents	(82,678)	304,310
Cash and Cash Equivalents at Beginning of Year	232,211	149,533
Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	—	(365)
Cash and Cash Equivalents at End of Year	¥ 149,533	¥ 453,477

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

Notes to the 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 Law 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 four 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 Law. Certain supplementary information included in the Japanese language statutory consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 79 significant companies over which the Company has power of control through majority voting right or the existence of certain other conditions evidencing control by the Company. Investments in 2 nonconsolidated subsidiary and 25 affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method.

(c) Investment securities

Investment securities consist principally of marketable and nonmarketable equity securities.

Investment securities with available fair market values are stated at fair market value, which is calculated as the average of market prices during the last month of the fiscal year.

Investment securities with no available fair market values are stated at gross average cost.

(d) Inventories

Inventories held by the Company and its domestic consolidated subsidiaries are primarily measured at moving average cost. For balance sheet valuation, in the event that an impairment is determined, inventory impairment is computed using net realizable value. For overseas consolidated subsidiaries, inventories are measured at the lower of moving average cost and net realizable value.

(e) Depreciation and amortization

For the Company and its domestic consolidated subsidiaries, depreciation of property, plant and equipment other than leased assets is computed using the declining-balance method, except for machinery and equipment at the LCD plants in Mie and Kameyama, buildings (excluding attached facilities) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016 by the Company and its domestic consolidated subsidiaries; all of which are depreciated using the straight-line method over the estimated useful life of the asset. Properties at overseas consolidated subsidiaries are depreciated using the straight-line method.

Amortization of intangible assets other than leased assets is computed using the straight-line method.

Software used by the Company is amortized using 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 under non-ownership-transfer finance lease transactions is computed using the straight-line method, using the lease period as the depreciable life and the residual value as zero.

(f) Deferred assets

Bond issue cost is amortized using the straight-line method over the redemption period.

(g) Allowance for doubtful accounts

The estimated amounts of allowance for general receivables are primarily determined based on the past loss experience. For particular receivables, including those from debtors at risk of bankruptcy, the allowance is provided for individually estimated unrecoverable amounts. This procedure is made against possible credit loss.

Notes to the Consolidated Financial Statements

(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.

(i) Provision for product warranties

Estimated amounts of warranty are accrued based on the past experience. This procedure is made against expense for after-sales service within the warranty period.

(j) Provision for sales promotion expenses

The reserve for payment of sales promotion expenses is set aside based on estimated amounts to be paid to agencies and dealers in the subsequent period.

(k) Provision for loss on litigation

The Company accrues estimated amounts for possible future loss on litigation in amounts considered necessary.

(l) Provision for restructuring

The estimated amounts of restructuring are recognized as a provision in order to provide for expenses for possible future loss due to structural reform.

(m) Valuation reserve for inventory purchase commitments

Regarding long-term contracts for purchasing raw materials over a long time frame, the difference between the contracted price and current market price are set aside as an allowance for contract loss in order to provide for future possible loss in case the market price of materials decline significantly from the contracted price and fulfillment of the contract causes a loss in production and sale business.

(n) Defined benefit pension plan

The estimated amount of all 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 using the straight-line method over the average of the estimated remaining service years (13 years) commencing from the current period. Actuarial gains and losses are primarily amortized using the straight-line method over the average of the estimated remaining service years (13 years) commencing from the following period.

(o) Derivative financial instruments

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.

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.

Derivative financial instruments are used based on internal policies and procedures related to risk management. The risks of fluctuations in foreign currency exchange 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 for which the effective term is considered estimable is amortized evenly over the estimated term, while others are amortized evenly over 5 years. However, if the amount is minor, the entire amount is amortized during the period of 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 risks of fluctuations in value are not significant.

(r) Consumption taxes, etc.

The tax exclusion method is applied.

(s) Adoption of consolidated tax return system

The consolidated tax return system is adopted.

(t) Changes in accounting policies

Effective from the year ended March 31, 2017, the Company and its domestic consolidated subsidiaries

Notes to the Consolidated Financial Statements

adopted "Practical Solution on a change of depreciation method due to Tax Revision 2016" (ASBJ Practical Issues Task Force No. 32 on June 17, 2016) according to the revision of the Corporation Tax Act. The Company and its domestic consolidated subsidiaries changed its accounting method to the straight-line method from declining-balance method for the depreciation method regarding facilities attached to buildings and structures acquired from April 1, 2016 onwards.

This change had an immaterial impact on consolidated financial statements for the year ended March 31, 2017.

(u) Change in accounting estimates

The Company and its domestic consolidated subsidiaries previously amortized actuarial gains/losses and past service costs on defined benefit plans over 14 years. Effective from the year ended March 31, 2017, the amortization period has been changed to 13 years because the average of the estimated remaining service years decreased.

As a result, operating profit, ordinary profit and loss before income taxes for the year ended March 31, 2017 improved by 5,530 million yen in comparison to those calculated by the previous method.

2. Investment Securities

The following is a summary of other securities with available fair market values as of March 31, 2016 and 2017:

	Yen (millions)			
	2017			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,967	¥ 19,634	¥ (0)	¥ 36,601
	¥ 16,967	¥ 19,634	¥ (0)	¥ 36,601

	Yen (millions)			
	2016			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,967	¥ 15,559	¥ (1)	¥ 32,525
	¥ 16,967	¥ 15,559	¥ (1)	¥ 32,525

Unlisted stocks (¥26,240 million for year ended March 31, 2016 and ¥29,964 million for years ended March 31, 2017) are not included in the above table because such stocks do not have market prices and the fair value of such stocks cannot be determined.

The proceeds from sales of other securities were ¥263 million for year ended March 31, 2016, and ¥1,500 million for year ended 2017. The gross realized gains on those sales were ¥144 million for year ended March 31, 2016, and ¥1,429 million for year ended March 31, 2017. The gross realized losses on those sales were zero for both of those reporting periods.

3. Inventories

Inventories as of March 31, 2016 and 2017 were as follows:

	Yen (millions)	
	2016	2017
Finished products	¥ 125,710	¥ 146,708
Work in process	22,862	27,995
Raw materials and supplies	35,741	43,188
	¥ 184,313	¥ 217,892

4. 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 32.8% for the years ended March 31, 2016 and approximately 30.6% for the year ended March 31, 2017.

The Company and its wholly owned domestic subsidiaries have adopted the consolidated tax return system of Japan.

The differences between the statutory tax rate and the effective tax rate for financial statement purposes for the year ended March 31, 2016 and 2017 are not disclosed because a loss before income taxes was recorded.

Notes to the Consolidated Financial Statements

Significant components of deferred tax assets and deferred tax liabilities as of March 31, 2016 and 2017 were as follows:

	Yen (millions)	
	2016	2017
Deferred tax assets:		
Inventories	¥ 64,643	¥ 23,721
Accrued expenses	21,245	22,760
Provision for bonuses	2,881	5,887
Provision for sales promotion expenses	6,530	3,978
Valuation reserve for inventory purchase commitments	17,480	14,877
Net defined benefit liability	36,159	35,244
Buildings and structures	26,423	26,761
Machinery, equipment and vehicles	15,031	7,666
Software	7,023	5,261
Long-term prepaid expenses	18,324	13,048
Loss carried forward	311,573	319,765
Other	37,976	50,177
Gross deferred tax assets	565,288	529,150
Valuation allowance	(533,446)	(502,548)
Total deferred tax assets	31,842	26,601
Deferred tax liabilities:		
Retained earnings appropriated for tax allowable reserves	(2,146)	(2,100)
Valuation difference on available-for-sale securities	(5,173)	(6,412)
Other	(5,673)	(4,508)
Total deferred tax liabilities	(12,992)	(13,021)
Net deferred tax assets	¥ 18,850	¥ 13,580

Net deferred tax assets as of March 31, 2016 and 2017 were included in the consolidated balance sheets as follows:

	Yen (millions)	
	2016	2017
Other current assets	¥ 10,966	¥ 8,540
Other non-current assets	16,066	13,879
Other current liabilities	(446)	(115)
Other non-current liabilities	(7,736)	(8,723)
Net deferred tax assets	¥ 18,850	¥ 13,580

5. Bonds Payable, Loans Payable and Lease Obligations

Bonds payable as of March 31, 2016 and 2017 consisted of the following:

	Yen (millions)	
	2016	2017
2.068% unsecured straight bonds, due 2019	¥ 10,000	¥ 10,000
1.141% unsecured straight bonds, due 2016	20,000	—
1.604% unsecured straight bonds, due 2019	30,000	30,000
	¥ 60,000	¥ 40,000

The aggregate annual maturities of bonds payable as of March 31, 2017 were as follows:

Years ending March 31	Yen (millions)
2018	¥ —
2019	10,000
2020	30,000
2021	—
2022	—

Loans payable and lease obligations as of March 31, 2016 and 2017 consisted of the following:

	Yen (millions)	
	2016	2017
Short-term loans payable with an interest rate of 0.6%	¥ 452,792	¥ 93,232
Current portion of long-term loans payable with an interest rate of 1.8%	159,801	20,302
Current portion of lease obligations with an interest rate of 6.2%	6,163	5,465
Long-term loans payable (except portion due within one year) with an interest rate of 0.5%	40,251	490,333
Lease obligations (except portion due within one year) with an interest rate of 4.4%	12,015	8,109
	¥ 671,022	¥ 617,444

Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2017.

Notes to the Consolidated Financial Statements

The aggregate annual maturities of long-term loans payable (except portion due within one year) as of March 31, 2017 were as follows:

Years ending March 31	Yen (millions)
2019	¥ 20,168
2020	172
2021	177
2022	159

The aggregate annual maturities of lease obligations (except portion due within one year) as of March 31, 2017 were as follows:

Years ending March 31	Yen (millions)
2019	¥ 3,454
2020	2,341
2021	663
2022	196

6. Leases

Operating leases

(a) As lessee

Future minimum lease payments for only non-cancelable contracts as of March 31, 2016 and 2017 were as follows:

	Yen (millions)	
	2016	2017
Due within one year	¥ 2,434	¥ 1,798
Due after one year	7,332	7,884
	¥ 9,766	¥ 9,683

(b) As lessor

Future minimum lease receipts for only non-cancelable contracts as of March 31, 2016 and 2017 were as follows:

	Yen (millions)	
	2016	2017
Due within one year	¥ 1,509	¥ 1,596
Due after one year	1,960	2,982
	¥ 3,469	¥ 4,578

7. 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 and issuing bonds 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 risk and not for speculative or dealing purposes.

(2) Description and risks of financial instruments

Notes and accounts receivable are exposed to customer credit risk. Some notes and accounts receivable are denominated in foreign currencies because the Company conducts business globally and, therefore, is exposed to foreign currency risk. 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 are denominated in foreign currencies and, therefore, are exposed to foreign currency risk. 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 the long term to develop better business alliances and relationships with the Company's customers and suppliers. Other securities are exposed to market price fluctuation risk. Long-term loans payable and bonds payable are mainly for capital investments. The longest repayment or redemption date is 9 years and 1 month from March 31, 2017.

Derivative transactions consist primarily of forward exchange contracts and are used to hedge the foreign currency risk exposure.

For hedging instruments, hedged items, hedging policies and assessment methods of effectiveness of hedging instruments, see "(o) Derivative financial instruments" in "1. Summary of Significant Accounting and Reporting Policies."

Notes to the Consolidated Financial Statements

(3) Risk management of financial instruments

[1] Management of credit risk

For notes and accounts receivable, the Company periodically reviews the status of its key customers, monitoring their respective payment deadlines and remaining outstanding balances.

The Company strives to recognize and reduce the risk 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.

[2] Management of market risk

The Company decides basic policies for derivative transactions at the Foreign Exchange Administration Committee meeting which is held monthly and the Finance Administration Committee meeting which is required 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. Its 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 issuer's financial position, 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.

[3] Management of liquidity risk in financing activities

The Finance Division manages liquidity risk by preparing and updating financial plans based on reports from each section and through maintenance ready liquidity.

(4) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on the quoted market price in an active market other than when a market price is not available, in which case the fair value is reasonably estimated. Since variable factors are incorporated in the determination of this reasonably estimated price, the valuation may vary if different assumptions were to be used.

The contract amount itself may not reflect the market risk associated with a derivative transaction.

(b) Fair value of financial instruments

The consolidated balance sheet amounts, fair values and differences between the two as of March 31, 2016 and 2017 are included in the tables below. Financial instruments for which fair values are considered too difficult to be estimated are not included in the tables. Refer to (Note 2) for the details of such financial instruments.

Notes to the Consolidated Financial Statements

	Yen (millions)		
	Consolidated Balance Sheet Amount	Fair Value	Difference
			2017
(1) Cash and deposits	¥ 482,117	¥ 482,117	¥ —
(2) Notes and accounts receivable — trade	375,564	375,313	(250)
(3) Investment securities			
1) Shares of non-consolidated subsidiaries and affiliates	0	2,922	2,922
2) Other securities	36,601	36,601	—
Total assets	894,282	896,954	2,672
(4) Notes and accounts payable — trade	306,007	306,007	—
(5) Electronically recorded obligations — operating	44,560	44,560	—
(6) Short-term loans payable	113,534	113,534	—
(7) Bonds payable	40,000	39,242	(758)
(8) Long-term loans payable	490,333	490,433	100
Total liabilities	994,436	993,778	(657)
(9) Derivative transactions*	1,739	(57)	(1,797)

	Yen (millions)		
	Consolidated Balance Sheet Amount	Fair Value	Difference
			2016
(1) Cash and deposits	¥ 275,399	¥ 275,399	¥ —
(2) Notes and accounts receivable — trade	287,271	286,757	(514)
(3) Accounts receivable — other	148,111	148,111	—
(4) Investment securities			
1) Shares of non-consolidated subsidiaries and affiliates	212	1,632	1,420
2) Other securities	32,525	32,525	—
Total assets	743,518	744,424	906
(5) Notes and accounts payable — trade	212,556	212,556	—
(6) Electronically recorded obligations — operating	66,131	66,131	—
(7) Short-term loans payable	612,593	612,593	—
(8) Deposits received	110,890	110,890	—
(9) Bonds payable (including bonds expiring within one year)	60,000	55,243	(4,757)
(10) Long-term loans payable	40,251	41,641	1,390
Total liabilities	1,102,421	1,099,054	(3,367)
(11) Derivative transactions*	756	2,261	1,505

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

(Note 1) Methods of calculating the fair value of financial instruments and matters related to securities and derivative transactions

(1) Cash and deposits

The fair value of deposits approximates their book value due to their short maturity periods.

(2) Notes and accounts receivable — trade

The fair value of notes and accounts receivable — trade due within a year approximates their book value. The fair value of notes and accounts receivable with long maturity periods is discounted using a rate which reflects both the period until maturity and credit risk.

(3) Investment securities

The fair value of investment securities is based on the average quoted market price during the last month of the fiscal year.

(4) Notes and accounts payable — trade

The fair value of notes and accounts payable — trade approximates their book value due to their short maturity periods.

(5) Electronically recorded obligations — operating

The fair value of electronically recorded obligations — operating approximates their book value due to their short maturity periods.

(6) Short-term loans payable

The fair value of short-term loans payable approximates their book value due to their short maturity periods.

(7) Bonds payable

The fair value of bonds payable is determined by market price.

(8) Long-term loans payable

The fair value of long-term loans payable is determined by the total amount of the principal and interest using the rate which would apply if similar borrowings were newly made.

(9) Derivative transactions

The fair value of forward exchange contracts is based on forward exchange rate.

(Note 2) Financial instruments of which fair values are considered too difficult to be estimated are unlisted stocks of ¥108,923 million as of March 31, 2016 and ¥88,183 million as of March 31, 2017, and investments in capital of ¥24,764 million as of March 31, 2016 and ¥26,486 million

Notes to the Consolidated Financial Statements

as of March 31, 2017. Since there are no available quoted market prices and it is too difficult to estimate their fair values, they are not included in “(3) Investment securities.”

(Note 3) Maturity analysis for cash and deposits, and receivables.

	Yen (millions)	
	Due in one year or less	Due after one year
		2017
Cash and deposits	¥ 482,117	¥ —
Notes and accounts receivable — trade	354,190	21,373
Total	¥ 836,307	¥ 21,373

	Yen (millions)	
	Due in one year or less	Due after one year
		2016
Cash and deposits	¥ 275,399	¥ —
Notes and accounts receivable — trade	258,818	28,453
Accounts receivable — other	148,111	—
Total	¥ 682,328	¥ 28,453

8. Business Combinations

Main business combinations conducted during the year ended March 31, 2017 were as follows:

Business combination by means of acquisition

(a) Details of business combination

(1) Corporate name and field of business of acquired company

Corporate name

SKYTEC UMC LTD (“SUMC”)

Field of business

Manufacturing and sales of TVs

(2) Main reason for conducting business combination

To promote the manufacturing and sale of Sharp brand products and service and enhance the Sharp brand in Europe.

(3) Date of business combination

February 22, 2017

(4) Legal form of business combination

Acquisition of equity for cash consideration

(5) Corporate name after business combination

SUMC

(6) Ratio of acquired voting rights

56.7%

(7) Main reason for decision on acquiring company

Sharp acquired equity of SUMC for cash consideration.

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

The operating performance of the acquired company was not included in the consolidated statements of operations, because the deemed acquisition date was March 31, 2017.

Notes to the Consolidated Financial Statements

(c) Details of the acquisition costs for acquired company

	Yen (millions)
Consideration for the acquisition: amount of investment in SUMC as of the date of business combination	¥ 10,224
Total acquisition costs	¥ 10,224

(d) Details of other costs directly incurred as part of the acquisition

¥71 million for advisory fees, etc.

(e) Amount of generated goodwill, reason for generation of goodwill, goodwill amortization method and period

(1) Amount of generated goodwill

¥6,912 million

The amount of goodwill that occurred from the event has been tentatively calculated because the distribution of acquisition costs has not been completed.

(2) Reason for generation of goodwill

Due to expected excess earning power as a result of business expansion in the future.

(3) Goodwill amortization method and period

The Company will estimate the period during which the goodwill will have effect, and will amortize the goodwill equally over the determined period.

(f) Distribution of acquisition costs

As of March 31, 2017, the Company has not completed the identification and calculation of the fair value of identifiable assets and liabilities as of the business combination date and distribution of the acquisition costs.

Therefore, they have been tentatively determined based on the information available at the time.

(g) Amount of assets accepted and liabilities assumed on the date of business combination and their details

	Yen (millions)
Current assets	¥ 20,655
Non-current assets	4,666
Total assets	¥ 25,322
Current liabilities	19,369
Non-current liabilities	112
Total liabilities	¥ 19,482
Non-controlling interests	¥ 2,529

(h) Estimated amount of impact on the consolidated statements of operation for the year ended March 31, 2017 assuming that the business combination was completed on the beginning of the year

	Yen (millions)
Net sales	¥ 36,037
Operating profit	(759)
Ordinary profit	(1,150)
Loss before income taxes	(1,150)
Loss attributable to owners of parent	(459)
Loss per share (Yen)	(0.10)

The amount of impact above is estimated based on the statement of operations of SUMC for the year ended March 31, 2017.

The estimated amounts have not been audited.

Notes to the Consolidated Financial Statements

9. Net Assets and Per Share Data

Net assets and per share data as of March 31, 2016 and 2017 were as follows:

	Yen	
	2016	2017
Net assets per share	¥ (161.79)	¥ 15.41
Loss per share	(154.64)	(6.86)
Fully diluted income (loss) per share	—	—
	Fully diluted income (loss) per share was not presented, as loss per share was recorded despite the existence of residual securities.	Fully diluted income (loss) per share was not presented, as loss per share was recorded despite the existence of residual securities.

Loss per share as of March 31, 2016 and 2017 were calculated on the following basis:

	Yen	
	2016	2017
Loss attributable to owners of parent	¥ (255,972)	¥ (24,877)
Amounts not allocated to common shares	5,478	5,353
Priority dividend amount	5,478	5,353
Loss attributable to owners of parent allocated to common shares	(261,450)	(30,230)
Average number of common shares outstanding		
during each year (thousands of shares)	1,690,699	4,409,631
Common shares (thousands of shares)	1,690,699	3,710,331
Shares equivalent to common shares (thousands of shares)	—	699,300
Residual securities which do not dilute income per share	Class A share 200,000 shares Class B share 25,000 shares	Class A share 200,000 shares

Since dividend priority of Class C shares is equal to common shares, the number of Class C shares after considering the conversion rate to common shares is regarded as the number of "Shares equivalent to common shares."

10. Collateral Assets and Liabilities secured by Collateral

Collateral assets and liabilities secured by collateral as of March 31, 2016 and 2017 were as follows:

(a) Collateral assets

	Yen (millions)	
	2016	2017
Cash and deposits	¥ 25,958	¥ 24,637
Notes and accounts receivable — trade	49,491	48,199
Inventories	87,217	71,306
Other (Current assets)	9,943	8,640
Buildings and structures	156,500	138,647
Machinery, equipment and vehicles	9,936	15,045
Tools, furniture and fixtures	2,502	1,373
Land	81,908	82,354
Investment securities	30,409	33,816
Other (Investments and other assets)	—	662
	¥ 453,864	¥ 424,683

(b) Liabilities secured by collateral

	Yen (millions)	
	2016	2017
Short-term loans payable	¥ 433,998	¥ 11,527
Long-term loans payable	—	426,693
	¥ 433,998	¥ 438,221

Cash and deposits of ¥23,913 million as of March 31, 2016 and ¥20,122 million as of March 31, 2017 were pledged as collateral for opening a standby letter of credit.

In addition, certain shares of consolidated subsidiaries which were subject to elimination through inter-company transactions were pledged as collateral of short-term loans payable as of March 31, 2016 and long-term loans payable as of March 31, 2017.

Notes to the Consolidated Financial Statements

11. Contingent Liabilities

(a) Guarantee liabilities

	Yen (millions)	
	2016	2017
Loans guaranteed	¥ 11,866	¥ 9,542

(b) Matters related to inventory purchase commitments of raw materials (polysilicon) for solar cells

A valuation reserve for inventory purchase commitments is set aside with respect to purchase contracts for raw materials (polysilicon) for solar cells. At year end, some of the purchase contracts held in respect of raw materials (polysilicon) prohibited their resale. Therefore, potential future losses might occur if raw materials (polysilicon) are no longer used. The aggregate amount of purchase contracts for raw materials which prohibit resale, after deducting the valuation reserve for inventory purchase commitments, was ¥19,437 million as of March 31, 2016.

There were no similar commitments as of March 31, 2017.

(c) Matters related to long-term electricity and other supply contracts at a production base

The Company entered into long-term contracts with several suppliers with respect to electricity and other inputs necessary to produce solar cells at the Sakai Factory. The total amounts of future minimum payments under such contracts as of March 31, 2016 and 2017 were, respectively, ¥38,064 million (with remaining term from 1.5 to 12.75 years) and ¥32,528 million (remaining term from 0.5 to 11.75 years). No contract can be terminated before expiration.

Although such long-term electricity and other supply contracts give the Company 480 megawatts of production capacity for solar cells per year, the actual production volume usage is currently around 160 megawatts per year. Such long-term contracts have resulted in more expensive production costs in the Energy Solution Business. However, it is difficult to estimate the amount of loss related to such contracts because the prevailing market price of electricity and other inputs at Sakai Factory, procurement costs of electricity and other inputs outside of these contracts, and accurate production costs based on these market price and procurement costs cannot be determined.

(d) Others

As of March 31, 2016 in relation to the TFT-LCD business, the Company and some of its subsidiaries were subject to investigations being conducted by the Directorate General for Competition of the European Commission, and civil lawsuits seeking monetary damages resulting from alleged anticompetitive behavior were filed against the Company and some of its subsidiaries in North America.

There were no equivalent matters as of March 31, 2017.

12. Defined Benefit 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.

Reconciliations of the defined benefit obligations of the Company and its consolidated subsidiaries as of March 31, 2016 and 2017 consisted of the following:

	Yen (millions)	
	2016	2017
Defined benefit obligation at beginning of year	¥ 389,851	¥ 359,041
Service cost	11,796	11,631
Interest cost	6,939	3,230
Actuarial loss	26,223	3,627
Benefits paid	(69,880)	(22,292)
Other	(2,066)	(2,343)
Foreign currency exchange rate changes	(3,822)	(1,772)
Defined benefit obligation at end of year	¥ 359,041	¥ 351,120

Notes to the Consolidated Financial Statements

Reconciliations of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2016 and 2017 consisted of the following:

	Yen (millions)	
	2016	2017
Fair value of plan assets at beginning of year	¥ 304,574	¥ 243,921
Expected return on plan assets	9,538	7,676
Actuarial gain (loss)	(10,262)	1,607
Employer contribution	14,503	13,121
Benefits paid	(69,365)	(22,038)
Other	(1,098)	(985)
Foreign currency exchange rate changes	(3,969)	(1,957)
Fair value of plan assets at end of year	¥ 243,921	¥ 241,345

Reconciliations of the defined benefit obligation and the fair value of the plan assets and the amount recognized in the consolidated balance sheets as of March 31, 2016 and 2017 consisted of the following:

	Yen (millions)	
	2016	2017
Funded defined benefit obligation at end of year	¥ 352,758	¥ 346,127
Fair value of plan assets at end of year	(243,921)	(241,345)
Funded status at end of year	108,837	104,782
Unfunded defined benefit obligation at end of year	6,283	4,992
Total net defined benefit liability	¥ 115,120	¥ 109,774
Net defined benefit liability	117,341	110,074
Net defined benefit asset	(2,221)	(299)
Total net defined benefit liability	¥ 115,120	¥ 109,774

Expenses for the net defined benefit liability of the Company and its consolidated subsidiaries for the years ended March 31, 2016 and 2017 consisted of the following:

	Yen (millions)	
	2016	2017
Service cost	¥ 11,796	¥ 11,631
Interest cost	6,939	3,230
Expected return on plan assets	(9,538)	(7,676)
Amortization of net actuarial loss	21,088	14,554
Amortization of past service cost	(4,553)	(7,531)
Other	516	(197)
Total expenses for the net defined benefit liability	¥ 26,248	¥ 14,010

Other than the total expenses for the net defined benefit liability, the Company and its domestic subsidiaries recorded expenses for the voluntary retirement program in the amount of ¥24,080 million as restructuring charges for the year ended March 31, 2016.

Amounts recognized in remeasurements of defined benefit plans (other comprehensive income) for the years ended March 31, 2016 and 2017 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2016	2017
Past service cost	¥ (4,523)	¥ (7,508)
Net actuarial gain (loss)	(14,216)	12,528
Total	¥ (18,739)	¥ 5,020

Amounts recognized in remeasurements of defined benefit plans (accumulated other comprehensive income) as of March 31, 2016 and 2017 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2016	2017
Unrecognized past service cost	¥ (7,460)	¥ 47
Unrecognized net actuarial loss	114,562	102,034
Total	¥ 107,102	¥ 102,082

Classification of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2016 and 2017 consisted of the following:

	2016	2017
Bonds	27%	25%
Equity securities	18%	20%
Cash and cash equivalents	9%	7%
Life insurance company general accounts	16%	15%
Alternatives	25%	25%
Other	5%	8%
Total	100%	100%

Alternatives mainly consisted of investments in hedge funds.

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.

Notes to the Consolidated Financial Statements

Actuarial assumptions

	2016	2017
Discount rate	mainly 0.5%	mainly 0.5%
Long-term expected rate of return	mainly 3.0%	mainly 3.0%

The discount rate applied at the beginning of the year ended March 31, 2016 was mainly 1.5%, however, the Company and its consolidated subsidiaries changed the discount rate to 0.5% based on the reevaluation of the defined benefit obligation at the end of the year ended March 31, 2016.

In addition, the cost recognized for the defined contribution pension plans was ¥1,099 million for the year ended March 31, 2016 and ¥1,186 million for the year ended March 31, 2017.

13. Segment Information

General information about reportable segments

The Company's chief operating decision maker is its Board of Directors. The Company's reportable segments are components of the Group that engage in business activities, whose operating results are regularly reviewed by the Board of Directors when making resource allocation and performance assessment decisions, and for which discrete financial information is available.

As of August 27, 2016 the Company executed significant organization reform under the new management in order to become an inspiring global brand, to move into the black and to realize sound growth. Each business unit after the reform develops a comprehensive strategy for the organization, handling of products and services under its organization and expanding its business activities.

Hence, the Group consists of seven reportable segments based on the business units. Those seven reportable segments are IoT Communications, Health and Environment Systems, Business Solutions, Camera Modules, Electronic Components and Devices, Energy Solution, and Display Devices. The Group engaged in production and sales of electronic communication equipment, electrical equipment, electronic application equipment and electronic components.

In the cumulative consolidated first quarter of the fiscal year ended March 2017, the Group classified reportable segments into five reportable segments: (1) Consumer Electronics; (2) Energy Solutions; (3)

Business Solutions; (4) Electronic Components and Devices; and (5) Display Devices. However, in this consolidated second quarter, the Company changed to segment information based on the seven reportable segments: (1) IoT Communications; (2) Health and Environment Systems; (3) Business Solutions; (4) Camera Modules; (5) Electronic Components and Devices; (6) Energy Solutions; and (7) Display Devices. Subsequent to this change in classifications, Digital Information Equipments that had been included under the Consumer Electronics segment are now included under the Display Devices, mobile phones and others now under the IoT Communications segment, white goods such as refrigerator and others now under the Health and Environment Systems. In addition, Electronic Components and Devices are now split into Camera Modules and Electronic Components and Devices.

The segment information as of and for the year ended March 31, 2016 is stated based on the 7 classifications under the new segmentation.

Basis of measurement of reported segment income or loss, segment assets and other material items

The accounting policies for the reportable segments are consistent with the Company'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.

As stated in "(u) Change in accounting estimates" in "1. Summary of Significant Accounting and Reporting Policies," the Company and its domestic consolidated subsidiaries previously amortized actuarial gain/loss and past service costs for defined benefit plans over 14 years. Effective from the year ended March 31, 2017, the amortization period has been changed to 13 years because the average of the estimated remaining service years decreased.

As a result, segment income for the year ended March 31, 2017 increased in comparison to that calculated by the previous method by 520 million yen for IoT Communications, 1,087 million yen for Health and Environment Systems, 856 million yen for Business Solutions, 128 million yen for Camera Modules, 430 million yen for Electronic Components and Devices, 389 million yen for Energy Solutions, 1,757 million yen for Display Devices and 359 million yen for adjustments respectively.

Notes to the Consolidated Financial Statements

Information on reported segment income or loss, segment assets and other material items

Segment information as of and for the years ended March 31, 2016 and 2017 was as follows:

	Yen (millions)	
	2016	2017
Net sales:		
IoT Communications:		
Customers	¥ 197,342	¥ 163,814
Intersegment	65	963
Total	197,407	164,777
Health and Environment Systems:		
Customers	296,072	281,505
Intersegment	2,129	672
Total	298,201	282,177
Business Solutions:		
Customers	348,451	310,169
Intersegment	6,745	7,611
Total	355,196	317,780
Camera Modules		
Customers	241,593	201,377
Intersegment	3,448	3,361
Total	245,041	204,738
Electronic Components and Devices:		
Customers	216,429	186,475
Intersegment	28,559	22,425
Total	244,988	208,900
Energy Solutions:		
Customers	155,422	102,810
Intersegment	1,412	859
Total	156,834	103,669
Display Devices:		
Customers	1,006,280	804,489
Intersegment	80,393	37,521
Total	1,086,673	842,010
Eliminations	(122,751)	(73,415)
Consolidated net sales	¥ 2,461,589	¥ 2,050,639
Segment income (loss):		
IoT Communications	¥ 14,505	¥ 16,303
Health and Environment Systems	11,750	29,907
Business Solutions	35,814	22,536
Camera Modules	9,110	1,307
Electronic Components and Devices	(7,619)	6,747
Energy Solutions	(18,425)	2,209
Display Devices	(177,258)	3,552
Adjustments	(29,844)	(20,109)
Consolidated operating profit (loss)	¥ (161,967)	¥ 62,454

	Yen (millions)	
	2016	2017
Segment assets:		
Consumer Electronics	¥ 342,064	¥ —
Energy Solutions	85,689	—
Business Solutions	168,273	—
Electronic Components and Devices	94,164	—
Display Devices	436,862	—
Adjustments	443,620	—
Consolidated assets	¥ 1,570,672	¥ —
IoT Communications	¥ —	¥ 58,334
Health and Environment Systems	—	137,076
Business Solutions	—	155,744
Camera Modules	—	36,073
Electronic Components and Devices	—	65,432
Energy Solutions	—	94,484
Display Devices	—	539,443
Adjustments	—	687,091
Consolidated assets	¥ —	¥ 1,773,682
Other material items		
Depreciation and amortization:		
IoT Communications	¥ 13,015	¥ 10,940
Health and Environment Systems	9,697	7,907
Business Solutions	14,477	13,643
Camera Modules	—	1,531
Electronic Components and Devices	4,670	4,027
Energy Solutions	675	342
Display Devices	30,991	24,718
Adjustments	3,856	4,515
The amount presented in consolidated financial statements	¥ 77,381	¥ 67,627
Amortization of goodwill:		
IoT Communications	¥ —	¥ —
Health and Environment Systems	—	—
Business Solutions	1,807	1,493
Camera Modules	—	—
Electronic Components and Devices	—	—
Energy Solutions	—	—
Display Devices	—	—
Adjustments	—	—
The amount presented in consolidated financial statements	¥ 1,807	¥ 1,493

Notes to the Consolidated Financial Statements

	Yen (millions)	
	2016	2017
Investments in nonconsolidated subsidiaries and affiliates accounted for using the equity methods:		
IoT Communications	¥ —	¥ —
Health and Environment Systems	125	117
Business Solutions	—	—
Camera Modules	—	—
Electronic Components and Devices	—	—
Energy Solutions	66	66
Display Devices	74,246	42,308
Adjustments	31,930	34,954
The amount presented in consolidated financial statements	¥ 106,367	¥ 77,448
Increase in property, plant, equipment and intangible assets:		
IoT Communications	¥ 10,203	¥ 6,955
Health and Environment Systems	6,802	4,521
Business Solutions	12,232	10,149
Camera Modules	—	8,735
Electronic Components and Devices	1,833	9,954
Energy Solutions	1,616	823
Display Devices	30,362	43,371
Adjustments	9,466	14,433
The amount presented in consolidated financial statements	¥ 72,514	¥ 98,946

Adjustments of segment income or loss were ¥(29,844) million and ¥(20,109) million for the years ended March 31, 2016 and 2017, respectively, and comprised elimination of intersegment transactions and corporate expenses not allocated to each reportable segment.

The elimination of intersegment transactions was ¥(89) million and ¥1,139 million, respectively. Corporate expenses not allocated to each reportable segment were ¥(29,079) million and ¥(20,731) million for the years ended March 31, 2016 and 2017, respectively.

Corporate expenses were mainly attributable to basic R&D expenses and expenses related to the administrative groups of the Company's headquarters.

The segment assets information as of March 31, 2016 is described as five classifications under the old segmentations as the Company was unable to classify them under the new seven segments.

Adjustments of segment assets were ¥443,620 million and ¥687,091 million as of March 31, 2016 and 2017, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment.

The elimination of intersegment transactions was ¥(10,413) million and ¥(7,075) million, respectively. Corporate assets not allocated to each reportable segment were ¥454,033 million and ¥694,166 million

as of March 31, 2016 and 2017, respectively.

Corporate assets not allocated to each reportable segment were attributable mainly to cash and deposits, the Company's investments 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 the equity method were ¥31,930 million and ¥34,954 million as of March 31, 2016 and 2017, respectively, and mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥9,466 million and ¥14,433 million for the years ended March 31, 2016 and 2017, respectively, and mainly comprised increases in the Company's R&D groups, and the administrative groups of the Company's headquarters. And the reacquisition of the Tanabe Building was included in those for the years ended March 31, 2017.

Depreciation and amortization includes the amortization of long-term prepaid expenses.

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

Related information

Net sales by product/service for the years ended March 31, 2016 and 2017 were as follows:

	Yen (millions)	
	2016	2017
Net sales to outside customers:		
LCDs	¥ 704,018	¥ 569,529
LCD Color TVs	284,206	231,025
Office Solution	188,742	214,517
Others	1,284,623	1,035,566
Total	¥ 2,461,589	¥ 2,050,639

Net sales by region/country for the years ended March 31, 2016 and 2017 were as follows:

	Yen (millions)	
	2016	2017
Net sales:		
Japan	¥ 750,499	¥ 654,012
China	1,085,311	900,759
Others	625,779	495,866
Total	¥ 2,461,589	¥ 2,050,639

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

Notes to the Consolidated Financial Statements

Property, plant and equipment by region/country as of March 31, 2016 and 2017 were as follows:

	Yen (millions)	
	2016	2017
Property, plant and equipment, at cost less accumulated depreciation:		
Japan	¥ 280,087	¥ 285,461
Others	71,118	64,152
Total	¥ 351,205	¥ 349,614

Impairment loss on fixed assets by reportable segment

Impairment loss on fixed assets by reportable segment for the years ended March 31, 2016 and 2017 were as follows:

	Yen (millions)	
	2016	2017
Impairment loss:		
IoT Communications	¥ —	¥ 630
Health and Environment Systems	—	—
Business Solutions	278	195
Camera Modules	—	—
Electronic Components and Devices	2,251	2,342
Energy Solutions	2,762	698
Display Devices	18,492	26,579
Corporate Assets and Elimination	965	4,221
Total	¥ 24,748	¥ 34,668

Amortization of goodwill and unamortized balance by reportable segment

Amortization of goodwill and the unamortized balance by reportable segment as of and for the years ended March 31, 2016 and 2017 were as follows:

	Yen (millions)	
	2016	2017
Amortization of goodwill:		
IoT Communications	¥ —	¥ —
Health and Environment Systems	—	—
Business Solutions	1,807	1,493
Camera Modules	—	—
Electronic Components and Devices	—	—
Energy Solutions	—	—
Display Devices	—	—
Corporate Assets and Elimination	—	—
Total	¥ 1,807	¥ 1,493
Balance at end of year:		
IoT Communications	¥ —	¥ —
Health and Environment Systems	—	—
Business Solutions	2,256	1,922
Camera Modules	—	—
Electronic Components and Devices	—	—
Energy Solutions	—	—
Display Devices	—	6,912
Corporate Assets and Elimination	—	—
Total	¥ 2,256	¥ 8,834

14. Impairment Loss

(Impairment loss)

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.

The Company recognized an impairment loss of ¥563 million for the Consumer Electronics (Digital Information Appliance) unit due to the decreasing profitability of the business for the year ended March 31, 2016. Details were as follows: ¥68 million for molds; ¥424 million for long-term prepaid expenses; and ¥71 million for others. The estimated recoverable amount for buildings and land was determined by the

Notes to the Consolidated Financial Statements

net realizable value based on the estate appraisal valuation. The net realizable value for the other assets was evaluated to be zero.

The Company recognized an impairment loss of ¥2,761 million for the Energy Solutions unit due to the decreasing profitability of the business for the year ended March 31, 2016. Details were as follows: ¥668 million for buildings and structures; ¥397 million for machinery, equipment and vehicles; ¥1,102 million for software; ¥594 million for others. The estimated recoverable amount for buildings and land was determined by the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets was evaluated to be zero.

The Company recognized an impairment loss of ¥3 million for the Electronic Devices unit due to the planned restructuring and concentration of production for the year ended March 31, 2016. Details were as follows: ¥2 million for buildings and structures; ¥1 million for others. The estimated recoverable amount for buildings and land was determined by the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets was evaluated to be zero.

The Company recognized an impairment loss of ¥12,320 million for the Display Device unit due to the decreasing profitability of the business for the year ended March 31, 2016. Details were as follows: ¥4,078 million for buildings and structures; ¥4,401 million for machinery, equipment and vehicles; ¥2,342 million for photo masks; ¥1,499 million for others. The estimated recoverable amount for buildings, machinery and equipment, and land was determined by the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets was evaluated to be zero.

The Company recognized an impairment loss of ¥1,169 million for some idle shared assets due to no future usage being planned as of the year ended March 31, 2016. Details were as follows: ¥1,168 million for buildings and structures and ¥1 million for others. The net realizable value of all assets was evaluated to be zero.

The consolidated subsidiaries in U.S.A and Mexico recognized an impairment loss of ¥2,552 million due to the planned sale of assets (2017: now sold) for the year ended March 31, 2016. Details were as follows: ¥2,037 million for buildings and structures and ¥515 million for others. The estimated recoverable amount was determined by the net realizable value based on the estate appraisal valuation and other methods.

The consolidated subsidiaries in China, Indonesia and Malaysia recognized an impairment loss of ¥5,380 million for their idle assets due to no future usage being planned as of the year ended March 31, 2016. Details were as follows: ¥5,216 million for machinery, equipment and vehicles and ¥164 million for others. The estimated recoverable amount was determined to be zero, since no cash inflow was anticipated to be generated by the assets.

The Company recognized an impairment loss of ¥698 million for the Energy Solutions unit due to the decreasing profitability of the business for the year ended March 31, 2017. Details were as follows: ¥290 million for machinery, equipment and vehicles; ¥317 million for software; and ¥90 million for others. The estimated recoverable amount for buildings and land was determined by the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets was evaluated to be zero.

The Company recognized an impairment loss of ¥24,985 million for the Display Devices unit due to the decreasing profitability of the business for the year ended March 31, 2017. Details were as follows: ¥15,842 million for buildings and structures; ¥8,948 million for construction in progress; ¥195 million for others. The estimated recoverable amount for buildings, machinery and equipment, and land was determined by the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets was evaluated to be zero.

The Company recognized an impairment loss of ¥8,016 million for some idle assets and others due to no future usage being planned as of the year ended March 31, 2017. Details were as follows: ¥3,948 million for buildings and structures; ¥3,729 million for land; ¥338 million for others. The estimated recoverable amount for land was determined by the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets was evaluated to be zero.

The consolidated subsidiaries in U.S.A and China recognized an impairment loss of ¥966 million for their idle assets and others due to no future usage being planned as of the year ended March 31, 2017. Details were as follows: ¥848 million for machinery, equipment and vehicles and ¥118 million for others. The estimated recoverable amount of all assets was determined to be zero, since no cash inflow was anticipated to be generated by the assets.

15. Restructuring Charges

Details of the restructuring charges for the year ended March 31, 2016 were as follows:

(a) Costs related to the voluntary retirement of employees of the Company and its major consolidated subsidiaries in Japan (¥24,080 million)

(b) Severance costs and asset disposal losses due to the restructuring reform of the LCD TV business in the U.S.A. and Mexico (¥6,820 million)

Notes to the Consolidated Financial Statements

(c) Inventory devaluation due to the restructuring reform of the Electronic Device and Components business (¥6,121 million)

(d) Costs related to the termination of business at a subsidiary in South America (¥1,144 million)

There were no restructuring charges incurred for the year ended March 31, 2017.

16. Transactions with Related Parties

1. Transactions with related parties

(a) Transactions between the Company and related parties

The Company's Directors or major shareholders

Principal transactions with related parties for the year ended March 31, 2016 were as follows:

Yen (millions)	
Category	A company whose majority shares were owned by the Company's directors and their close relatives
Company name	Japan Industrial Solutions Co., Ltd.
Location	Chiyoda-ku, Tokyo
Capital stock	100
Details of business	Investment business, etc.
Holding or held ratio	—
Relation of related party	Notes: 1
Detail of transaction	Issuance of new shares through the third-party allotment
Transaction amount	25,000
Account	—
Balance at end of year	—

Notes: 1. Mr. Saito, who was the Company's outside director, served as the representative director of Japan Industrial Solutions Co., Ltd.

2. The Company entered into a subscription agreement to issue Class B shares of 1 million yen per share with Japan Industrial Solutions Fund I, whose general partner is Japan Industrial Solutions Co., Ltd. This agreement was entered into before Mr. Saito was appointed as the Company's outside director, and subsequently, the payment was made after it was approved by special resolution related to the issuance of the Class B shares at the shareholders' meeting. Therefore, no special interest existed between Mr. Saito and the Company at the time of the agreement. The transaction amount was determined by special resolution at the shareholders' meeting, based on the value-analysis of this Class Share which was evaluated by the "II Tree Model" of ordinary value-calculation-model of Deloitte Tohmatsu Financial Advisory, which was an independent evaluation organization from the Company.

Principal transactions with related parties for the year ended March 31, 2017 were as follows:

Yen (millions)		
Category	A company whose majority shares were owned by the Company's directors and their close relatives	
Company name	SIO International Holdings limited	
Location	Cayman Islands	
Capital stock	155,100	
Details of business	Holding company	
Holding or held ratio	8.5% held directly	
Relation of related party	—	
Detail of transaction	Transfer of shares	Loss on transfer of shares
Transaction amount	17,170	4,175
Account	—	
Balance at end of year	—	

Notes: 1. SIO International Holdings limited is substantially controlled by Mr. Terry Gou, the Chairman of Hon Hai Precision Industry Co., Ltd. which is the Company's parent company.

2. The Company transferred some of its shares in Sakai Display Product corporation, which is an associated company of the Company. The transaction amount was determined, based on the valuation by an independent organization.

(b) Transactions between the Company's consolidated subsidiaries and related parties

(1) The Company's parent company or major shareholders

Principal transactions with related parties for the year ended March 31, 2017 were as follows:

Yen (millions)	
Category	Parent company
Company name	Hon Hai Precision Industry Co., Ltd.
Location	New Taipei City, Taiwan
Capital stock	173,287 million New Taiwan dollars
Details of business	Electronic manufacturing service
Holding or held ratio	26.2% held directly and 18.4% held indirectly [21.5%]
Relation of related party	Purchases of raw materials and holding a concurrent director
Detail of transaction	Purchase of raw materials
Transaction amount	82,536
Account	Accounts payable
Balance at end of year	46,965

Notes: 1. Transaction amounts were determined by properly negotiated prices.

2. [] of "Holding or held ratio" refers to the ratio held by persons who are found to exercise their voting rights in the same manner as Hon Hai Precision Industry due to a close relationship with Hon Hai Precision Industry.

Notes to the Consolidated Financial Statements

(2) Subsidiaries of the Company's parent company or other related companies

Principal transactions with related parties for the year ended March 31, 2017 were as follows:

	Yen (millions)
Category	Subsidiaries of the Company's parent company
Company name	ZhengZhou FuLianWang Electronic Technology Co., Ltd.
Location	Zhengzhou City, China
Capital stock	80 million yuan
Details of business	Sales of Computer, Communication and Consumer electronics etc. on the Internet
Holding or held ratio	—
Relation of related party	Sales of goods
Detail of transaction	Sales of goods
Transaction amount	58,238
Account	Accounts receivable
Balance at end of year	35,021

Note: Transaction amounts were determined by properly negotiated prices.

2. Information on the parent company and significant affiliates

(a) Information on the parent company

Hon Hai Precision Industry Co., Ltd. (whose stock is listed on the Taiwan Stock Exchange)

(b) A significant affiliated company for the year ended March 31, 2017 was Sakai Display Products Corporation and its summarized financial information is as follows:

	Yen (millions)
	2017
Total current assets	¥ 66,270
Total non-current assets	236,256
Total current liabilities	82,595
Total non-current liabilities	59,868
Total net assets	¥ 160,063
Net sales	¥ 177,121
Loss before income taxes	(45,281)
Loss	¥ (52,593)

17. Significant Subsequent Events

1. Change of the number of shares in a unit and consolidation of shares

The Company passed a resolution at the Board of Directors meeting held on May 12, 2017, to submit proposals related to the change of the number of shares in a unit and the consolidation of shares at the 123rd ordinary general meeting of shareholders of the Company held on June 20, 2017 (the "Ordinary General Meeting of Shareholders").

The proposals were approved at the Ordinary General Meeting of Shareholders.

(1) Change of the number of shares in a unit

i. Purpose of the change of the number of shares in a unit

The Japanese Stock Exchanges Conference has announced an "Action Plan for Consolidation of Trading Units" calling for the consolidation of the share trading unit of all listed domestic shares into 100 shares.

The Company, which is a listed company, will change the number of shares in a unit from 1,000 shares to 100 shares in accordance with this decision.

ii. Details of the change of the number of shares in a unit

As of October 1, 2017, the number of shares in a unit shall be changed from 1,000 shares to 100 shares.

(2) Consolidation of shares

i. Purpose of the consolidation of shares

The Company will consolidate shares in order to adjust the trading unit to the appropriate level considering a mid-to-long-term price volatility of share along with the change of the number of shares in a unit from 1,000 shares to 100 shares as described in "(1) Change of the number of shares in a unit."

ii. Details of the consolidation of shares

a. Class of shares to be consolidated:

Common shares and Class C Shares

b. Consolidation method and ratio

As of October 1, 2017, 10 shares shall be consolidated into 1 share based on the ownership of shares according to the list of shareholders as of September 30, 2017.

Notes to the Consolidated Financial Statements

iii. Number of shares to be decreased (as of March 31, 2017)

	Common shares	Class C Shares
(i) Number of shares issued before the consolidation	4,983,165,584 shares	11,363,636 shares
(ii) Number of shares to be decreased by the consolidation	4,484,849,026 shares	10,227,273 shares
(iii) Number of shares issued after the consolidation	498,316,558 shares	1,136,363 shares

Note: "Number of shares to be decreased by the consolidation" and "Number of shares issued after the consolidation" are theoretical values calculated based on the number of shares issued before the consolidation and the consolidation ratio.

iv. Measures to be taken for any fraction of less than one share

When any fraction of less than one share is caused by the consolidation of shares, the payment shall be made to the shareholders who hold the fractional shares in proportion to their ratios based on the Companies Act.

(3) Schedule for the change of the number of shares in a unit and the consolidation of shares

May 12, 2017	Resolutions to be made by the Board of Directors
June 20, 2017	Approval by the Ordinary General Meeting of Shareholders
October 1, 2017	Effective date for the change of the number of shares in a unit and the consolidation of shares (tentative)

(4) Impact on per share data

The per share data for the year ended March 31, 2016 and 2017 under the assumption that the consolidation of shares was conducted at the beginning of the year ended March 31, 2016 and 2017 are as follows.

	2016	2017
Net assets per share	(1,617.87) yen	154.12 yen
Loss per share	(1,546.40) yen	(68.56) yen

2. Participation in a private fund

The Company passed a resolution at the Board of Directors meeting held on May 18, 2017, to participate in the SoftBank Vision Fund (the "Fund"), a private fund established by SoftBank Group Corp. ("SBG").

The Company participated in the Fund on May 20, 2017.

(1) Reason for participating in the Fund

The Fund is expected to invest in IoT and other leading-edge technologies and the Company expects the Fund will forge new business sectors and give birth to a new paradigm shift with one of the world's largest funds. The Company decided to participate in the Fund since, by participating in a fund of this kind, it expects to capture an opportunity to learn about the IoT space, which will in turn enable the Company to accelerate its business expansion as an IoT company, which the Company is aiming for. Furthermore, since SBG's investment team, which has investment management capabilities in the technology sector as well as highly regarded wide-ranging operational knowledge and experience, will be making the investments, the Company expects its participation in the Fund to be conducive to improved financial performance.

(2) Outline of the Fund

- i. Name: SoftBank Vision Fund
- ii. Manager: An overseas subsidiary of SBG
- iii. Investment criteria: Mainly companies in the technology sector

(3) Amount and period of the investment

Once the Fund is operational, for each investment executed by the Fund, the Company will make investments that are proportional to its contribution to the Fund. The investment period is 5 years and the Company's commitment (maximum contribution) is USD 1 billion.

(4) Impact on consolidated financial statements

The Company will receive dividends in return for its investment. The Fund does not guarantee the investment principal, so losses may be incurred in line with investment performance.

3. Allotment of Stock Options (Share Options)

The Company passed a resolution at the Board of Directors meeting held on May 19, 2017, to submit a proposal at the Ordinary General Meeting of Shareholders, that the Company be authorized to allot Share Options as stock options to Directors and employees ("Officers and Employees") of the Company and its subsidiaries and affiliates in Japan (the "Company Group") and to delegate to its Board of Directors the determination of the subscription requirements of such Share Options.

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

Notes to the Consolidated Financial Statements

(1) Purpose of adopting a stock option plan

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

(2) Class and number of shares to be issued upon exercise of Share Options

The class of shares to be issued upon the exercise of Share Options shall be common stock of the Company, and the number of shares to be issued shall not exceed 60,000,000.

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

(3) Total number of Share Options to be issued

No more than 60,000 units of Share Options shall be issued.

1,000 shares shall be issued per unit of Share Options; 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 Options shall be adjusted accordingly.

The date of allotment of Share Options shall be determined by the Board of Directors, and the Board of Directors may allot the Share Options at a plurality of times within the scope of the aforementioned limit.

(4) Cash payment for Share Options

No cash payment is required for Share Options.

(5) Value of assets to be contributed upon the exercise of Share Options

The value of assets to be contributed upon the exercise of each Share Option shall be the value per share to be issued by the exercise of each Share Option (the "Exercise Value") multiplied by the number of shares to be issued upon the exercise of one unit of Share Options.

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 Options or the closing price on the date of the allotment, whichever is higher.

If the Company splits its common stock or consolidates its common stock after the issuance of Share Options, the Exercise Value shall be adjusted.

(6) Exercise period of Share Options

The exercise period shall be from the date on which two years have passed from the date of allotment of the Share Options to the date on which seven years have passed from the date of allotment. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

(7) Matters concerning increase in capital by issuing of shares upon exercise of Share Options

Amount of increase in capital as a result of issuing shares upon exercise of Share Options 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.

4. Change in segment classifications

For the year ended March 31, 2017, the Company classified reportable segments into seven reportable segments: (1) IoT communications, (2) Health and Environment Systems, (3) Business Solutions, (4) Camera Modules, (5) Electronic Components and Devices, (6) Energy Solutions, and (7) Display Devices. However, beginning with the year ending March 31, 2018, the Company will disclose segment information based on four reportable segments: (1) Smart Homes, (2) Smart Business Solutions, (3) IoT Electronics Devices, and (4) Advance Display Systems.

This change has accompanied the streamlining of the new organizational structure as of June 1, 2017 based on the new business domains defined in the Medium-Term Management Plan for Fiscal 2017 through 2019.

Subsequent to this change in classifications, three existing segments: IoT communications, Health and Environment Systems, and Energy Solutions will now be included under the Smart Homes segment, the existing Business Solutions segment will now be the Smart Business Solutions segment, two existing segments: Camera Modules and Electronic Components and Devices will now be included under the IoT Electronics Devices segment, and the existing Display Devices segment will now be Advance Display

Notes to the Consolidated Financial Statements

Systems segment.

The following schedule provides sales and income (loss) results for the year ended March 31, 2017 for each segment as presented under the new segment classifications.

	Yen (millions)
	2017
Net sales:	
Smart Homes:	
Customers	¥ 548,129
Intersegment	2,495
Total	550,624
Smart Business Solutions:	
Customers	310,169
Intersegment	7,611
Total	317,780
IoT Electronics Devices:	
Customers	387,852
Intersegment	25,787
Total	413,639
Advance Display Systems:	
Customers	804,489
Intersegment	37,521
Total	842,010
Eliminations	(73,415)
Consolidated Net Sales	¥ 2,050,639
Segment income (loss):	
Smart Homes	¥ 48,421
Smart Business Solutions	22,536
IoT Electronics Devices	8,055
Advance Display Systems	3,552
Adjustments	(20,109)
Consolidated operating profit	¥ 62,454

Adjustments of segment income or loss are ¥ (20,109) million, and comprised elimination of intersegment transactions and corporate expenses not allocated to each reportable segment.

The elimination of intersegment transactions is ¥1,139 million. Corporate expenses not allocated to each reportable segment are ¥ (20,731) million.

Corporate expenses are mainly attributable to basic R&D expenses and expenses related to the administrative groups of the Company's headquarters.

Consolidated Subsidiaries*

(As of March 31, 2017)

Domestic:

Sharp Electronics Marketing Corporation
 Sharp Engineering Corporation
 Sharp Business Solutions Corporation
 Sharp Energy Solutions Corporation
 Sharp Trading Corporation
 Sharp Yonago Corporation
 Sharp Mie Corporation
 Sharp Support & Service Corporation
 ScienBiziP Japan

Overseas:

<Countries and Areas>

Sharp Electronics Corporation <New Jersey, U.S.A.>
 Sharp Laboratories of America, Inc. <Washington, U.S.A.>
 Sharp Electronics of Canada Ltd. <Ontario, Canada>
 Sharp Corporation Mexico, S.A. de C.V. <Mexico City, Mexico>
 Sharp Electronics (Europe) GmbH <Hamburg, Germany>
 Sharp Devices (Europe) GmbH <Munich, Germany>
 Sharp Business Systems Deutschland GmbH <Cologne, Germany>
 Fritz Schumacher AG <Zürich, Switzerland>
 Sharp Electronics (Europe) Limited <London, U.K.>
 Sharp Business Systems UK PLC <Wakefield, U.K.>
 Sharp Laboratories of Europe, Ltd. <Oxford, U.K.>
 Sharp International Finance (U.K.) Plc. <Middlesex, U.K.>
 Sharp Electronics (Schweiz) AG <Rüschlikon, Switzerland>
 Sharp Business Systems Sverige AB <Bromma, Sweden>
 Sharp Manufacturing France S.A. <Soultz, France>
 Sharp Business Systems France SAS <Toulouse, France>
 Sharp Electronics (Italia) S.p.A. <Milano, Italy>
 Sharp Electronics Benelux B.V. <Houten, The Netherlands>
 Sharp Electronics Russia LLC. <Moscow, Russia>
 Skytec UMC LTD <Larnaca, Cyprus>
 Universal Media Corporation/Slovakia/s.r.o. <Bratislava, Slovakia>
 UMC Poland Sp.z o.o. <Toruń, Poland>
 Sharp (Phils.) Corporation <Manila, Philippines>

Sharp-Roxy Sales (Singapore) Pte., Ltd. <Singapore>
 Sharp Electronics (Singapore) Pte., Ltd. <Singapore>
 Sharp Manufacturing Corporation (M) Sdn. Bhd. <Johor, Malaysia>
 Sharp Electronics (Malaysia) Sdn. Bhd. <Selangor, Malaysia>
 Sharp Appliances (Thailand) Ltd. <Chachoengsao, Thailand>
 Sharp Manufacturing (Thailand) Co., Ltd. <Nakornpathom, Thailand>
 Sharp Business Systems (India) Private Ltd. <New Delhi, India>
 Sharp Universal Technology (SZ) Co., Ltd. <Shenzhen, China>
 Shanghai Sharp Electronics Co., Ltd. <Shanghai, China>
 Sharp Office Equipments (Changshu) Co., Ltd. <Changshu, China>
 Wuxi Sharp Electronic Components Co., Ltd. <Wuxi, China>
 Nanjing Sharp Electronics Co., Ltd. <Nanjing, China>
 Sharp Electronics (Shanghai) Co., Ltd. <Shanghai, China>
 Sharp Electronics Sales (China) Co., Ltd. <Shanghai, China>
 Sharp Laboratories of China Co., Ltd. <Shanghai, China>
 Sharp (China) Investment Co., Ltd. <Beijing, China>
 P.T. Sharp Electronics Indonesia <Jakarta, Indonesia>
 P.T. Sharp Semiconductor Indonesia <West Java, Indonesia>
 Sharp Electronics (Vietnam) Company Limited <Ho Chi Minh City, Vietnam>
 Sharp Corporation of Australia Pty., Ltd. <New South Wales, Australia>
 Sharp Corporation of New Zealand Ltd. <Auckland, New Zealand>
 Sharp Middle East FZE <Dubai, U.A.E.>

* In addition to the companies listed above, there are 25 consolidated subsidiaries.

Investor Information

(As of March 31, 2017)

Shareholders

	Number of shares issued	Number of shareholders
Common shares	4,983,165,584	211,551
Class A shares	200,000	2
Class C shares	11,363,636	1

Note: Every 10 common shares and Class C shares shall be consolidated into 1 share as of October 1, 2017.

Principal Shareholders (Common shares)

	Number of shares held	Percentage of total shares (%)
HON HAI PRECISION INDUSTRY CO., LTD.	1,300,000,000	26.09
FOXCONN (FAR EAST) LIMITED	915,550,697	18.37
FOXCONN TECHNOLOGY PTE. LTD.	646,400,000	12.97
SIO INTERNATIONAL HOLDINGS LIMITED	420,000,000	8.43
Nippon Life Insurance Company	47,317,384	0.95
Meiji Yasuda Life Insurance Company	45,781,000	0.92
Mizuho Bank, Ltd.	41,910,469	0.84
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	41,678,116	0.84
Makita Corporation	35,842,000	0.72
Sharp Employees' Stockholding Association	30,720,180	0.62

Notes: 1. Percentage of total shares is calculated by the number of shares issued including 10,556,161 treasury shares.

2. Aside from the above, a total of 6,000,000 shares in Mizuho Bank, Ltd. have been set up as trust assets related to the employee pension trust.

Investor Relations

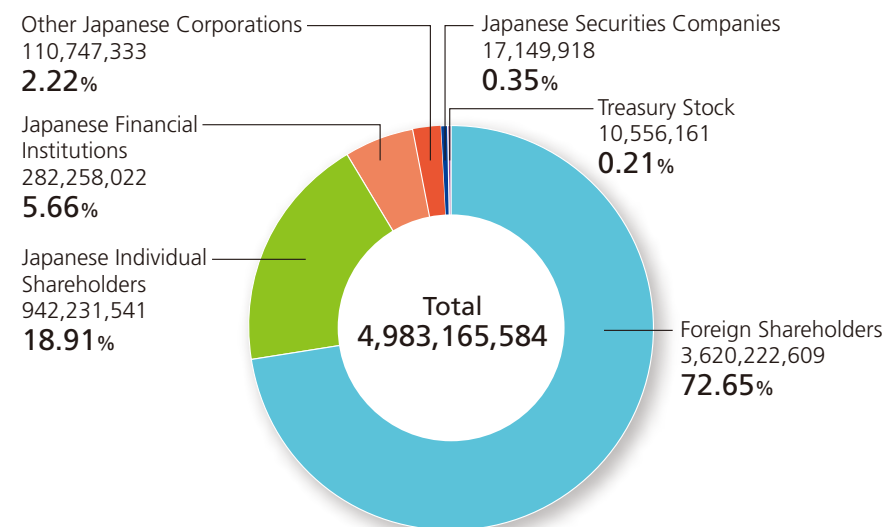
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[English http://sharp-world.com/corporate/ir/index.html](http://sharp-world.com/corporate/ir/index.html)

Share Distribution (Proportion of total issued common shares)



Stock Exchange Listing

Tokyo