Be Original.

Annual Report 2019

For the year ended March 31, 2019

Toward Further Heights

Toward Further Heights

Annual Report 2019 For the year ended March 31, 2019

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

Contents

Forward-Looking Statements

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

The risks, uncertainties and other factors that could affect actual results include, but are not limited to:
(1) The economic situation in which Sharp operates;
(2) Sudden, rapid fluctuations in demand for Sharp's products and services, as well as intense price competition;
(3) Changes in exchange rates (particularly between the Japanese yen and the U.S. dollar, the euro and other currencies);
(4) Regulations such as trade restrictions in other countries;
(5) The progress of collaborations and alliances with other companies;
(6) Litigation and other legal proceedings against Sharp;
(7) Rapid technological changes in products and services.

Message to Our Shareholders

At Sharp, our business vision is *Changing the World with 8K+5G and AIoT*. Today, we are engaged in business reform toward commercialization in both 8K+5G Ecosystem and AIoT World. More specifically, driven by the key words *Technology Up, Quality Up, Value Up,* we are not only creating highly competitive equipment and devices driven, but we are also accelerating our shift toward a business model that offers systems, as well as solutions, based on integrated hardware, software, and cloud services. Through these initiatives, we intend to expand our B2C businesses further, as well as strengthen and grow our B2B businesses.

Press Conference in Shenzhen, China

From the perspective of global business expansion, we have expanded our businesses in Japan, ASEAN, and Europe steadily. We will further accelerate the pace of our business expansion in these regions, while at the same time aggressively growing our businesses in China and the Americas, realizing further growth through a global five-axis model.

Responsibility for the Future

In recent years, the international community has experienced an acceleration of movements designed to solve social issues, as seen in the 17 Sustainable Development Goals (SDGs) to achieve by 2030 and the enactment of the Paris Agreement, a framework for reducing greenhouse gases. Against this backdrop, in February 2019, we formulated a new long-term environmental vision toward the year 2050. We call this vision, SHARP Eco Vision 2050. Engaging in various measures to achieve this vision, we will contribute to the realization of a sustainable society, creating clean energy beyond that which we consume and otherwise minimizing the impact of our business activities on the environment.

In addition, we will continue to provide our support as a signatory* to the 10 principles of the United Nations Global Compact related to human rights, labor, the environment, and anti-corruption, moving forward with measures to address global issues that include conflict minerals and human rights.

*Signed in June 2009

Transformation

Fiscal 2019 is the final year in our transformation for the next 100 years. We will achieve transformations in our business, our target markets, and our operations *Three Transformations* to build a strong business infrastructure capable of supporting future sustainable growth, while contributing solutions to various international societal issues through 8K+5G and AIoT. Further, we will ensure dramatic growth for Sharp.

Sharp will continue to devote ourselves physically and mentally to our work to answer the expectations of you, our shareholders, and our other stakeholders. We look forward to your ongoing support.

Business Policy Announcement

J.W. Tai
Chairman,
President & CEO

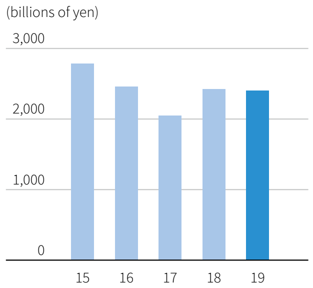
Financial and Non-Financial Highlights

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31

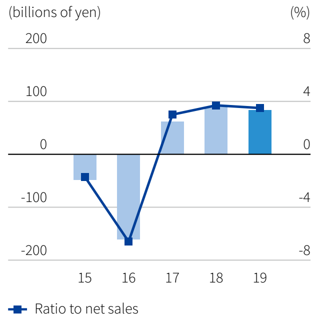
	Yen (millions)				
	2015	2016	2017	2018	2019
Net Sales	¥ 2,786,256	¥ 2,461,589	¥ 2,050,639	¥ 2,427,271	**¥ 2,400,072**
Domestic sales	968,449	750,499	654,012	656,144	**719,424**
Overseas sales	1,817,807	1,711,090	1,396,627	1,771,127	**1,680,647**
Operating Profit (Loss)	(48,065)	(161,967)	62,454	90,125	**84,140**
Profit (Loss) before Income Taxes	(188,834)	(231,122)	(587)	89,416	**75,587**
Profit (Loss) Attributable to Owners of Parent	(222,347)	(255,972)	(24,877)	70,225	**74,226**
Net Assets	44,515	(31,211)	307,801	401,713	**372,471**
Total Assets	1,961,909	1,570,672	1,773,682	1,908,461	**1,866,349**
Capital Investment	62,653	45,240	77,733	119,356	**55,996**
R&D Expenditures	141,042	130,120	106,107	100,536	**108,545**
Per Share Data					
Income (loss) per share (yen)	(131.51)	(154.64)	(68.56)	106.07	**116.80**
Cash dividends per share (yen)	—	—	—	10.00	**20.00**
Net assets per share (yen)	17.84	(161.79)	154.12	267.48	**392.56**
Return on Equity (ROE)	(197.4%)	—	(19.8%)	20.9%	**20.4%**
Number of Outstanding Shares (Common Shares) (thousands of shares)	1,690,733	1,690,678	4,972,609	497,249	**531,311**
Number of Employees	49,096	43,511	41,898	47,171	**54,156**
Ratio of Disabled Employees*	2.30%	2.32%	2.39%	2.47%	**2.45%**
Greenhouse Gas Emissions (thousand tons CO_2)	1,307	1,114	1,016	940	**1,077**

(Notes)
1. Sharp has applied ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (February 16, 2018) from the year ended March 31, 2019. The figures for the year ended March 31, 2018 have been reclassfied by applying the accounting standard.
2. The amount of leased properties is included in capital investment.
3. Income (loss) per share is calculated by dividing profit (loss) attributable to owners of parent by the weighted average number of shares outstanding during the relevant period. For the years ended March 31, 2017, and 2019, since the dividend priority of the Class C shares is equal to that of the common shares, the number of Class C shares, after considering the conversion rate to common shares, is included in the number of shares outstanding for purposes of calculating the weighted average number of shares during the relevant period.
4. Number of outstanding shares (common shares) is shown by deducting the treasury shares.
5. Sharp carried out a share consolidation of common shares as well as Class C shares at a ratio of 10 shares to 1 share on October 1, 2017. The figures for the income (loss) per share and net assets per share are calculated on the assumption that Sharp conducts this consolidation at the beginning of the year ended March 31, 2017.
6. Sharp acquired and cancelled 92,000 of 200,000 Class A Shares on January 30, 2019. For the year ended March 31, 2019, the figure for the income per share is caluculated by considering the impact of this transaction.

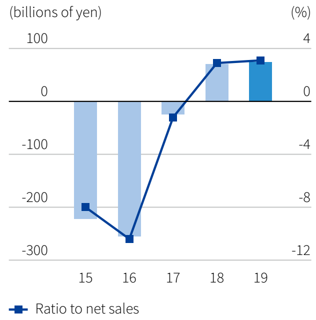
Net Sales



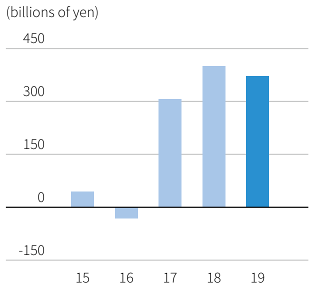
Operating Profit (Loss)



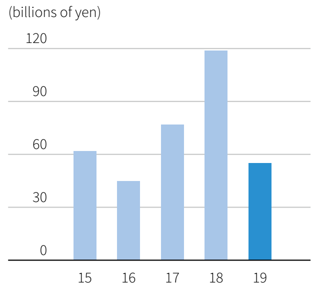
Profit (Loss) Attributable to Owners of Parent



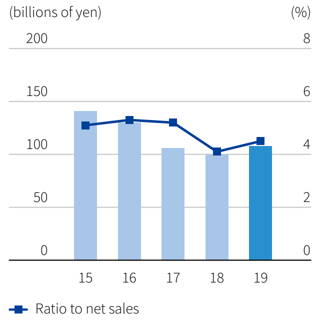
Net Assets



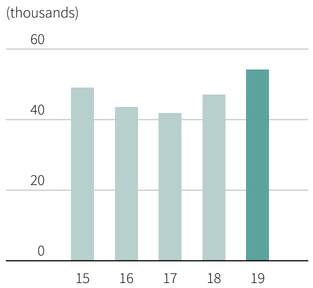
Capital Investment



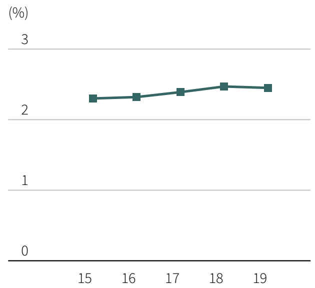
R&D Expenditures



Number of Employees

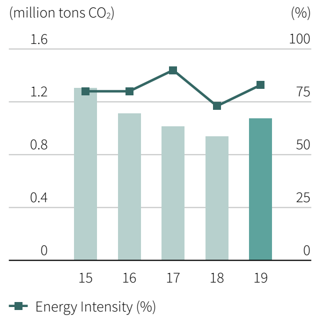


Ratio of Disabled Employees



*Sharp Corporation, including seven special subsidiaries and applicable group companies (data as of June 1 for each fiscal year)

Greenhouse Gas Emissions



(Baseline: Fiscal year ended March 31, 2013)

Please refer to P.13, Environmental Initiatives.

Fiscal 2018 Review

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31

Fiscal 2018 Earnings

The economy of Japan experienced a moderate recovery, driven by improvements in employment and a recovery in personal consumption. However, certain export and production sectors showed signs of weakness. Overseas, the U.S. economy continues to recover, while certain countries in the EU have showed signs of slowing. The Chinese economy experienced a moderate slowing. U.S.-China trade friction and fluctuating demand among major customers through the end of the fiscal year made overseas market conditions more challenging than anticipated.

Amid these circumstances, the Sharp Group pursued our business vision of Changing the World with 8K+5G and AIoT. We are still engaged in a shift to quality above quantity for further growth, making improvements to our earnings capacity and financial condition.

Sharp fiscal 2018 net sales amounted to ¥2,400.0 billion, a 1.1% decrease as our Advance Display Systems segment reported lower sales. Lower performance in the Advance Display Systems segment contributed to a 6.6% decrease in operating profit to ¥84.1 billion. Ordinary profit amounted to ¥69.0 billion, a 22.7% decrease year on year, while profit attributable to owners of parent rose 5.7% to ¥74.2 billion.

Despite the challenging market environment, Sharp continued a shift to quality above quantity ahead of environmental changes. As a result, Sharp secured higher final profits and profit margin compared to the prior fiscal year. On a quarterly basis, we have recorded net profits for the past 10 consecutive quarters since the third quarter of fiscal 2016.

Sharp made qualitatively improvements to equity, including the purchase and cancellation of 92,000 of the 200,000 outstanding Class A shares, which entail dilution risk, preferred dividends, and other considerations*.

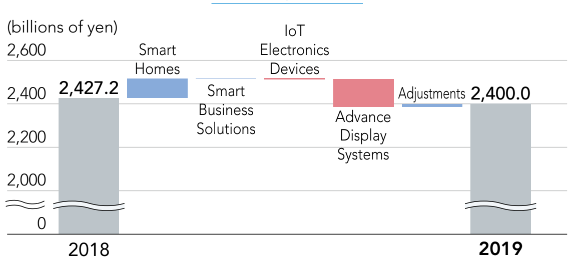
Considering our financial situation and future business development, we paid a dividend of ¥20 per share of common stock, ¥10 per share higher than the prior fiscal year.

*As a result, Sharp had 108,000 Class A shares issued and outstanding as of March 31, 2019. We completed the purchase and cancellation of all outstanding shares on June 21, 2019.

- U.S.-China trade friction, fluctuating demand among major customers, and other factors combined for a market environment much more challenging than anticipated through the end of the year
- Ahead of environmental changes, we are shifting to quality above quantity, securing bottom-line profits and profit margin in excess of prior-year results
- Ten consecutive quarters of net profits since Q3 FY2016
- Undertook measures to improve equity qualitatively, including partial acquisition and cancellation of Class A shares
- Providing dividends on common shares above FY2017 levels

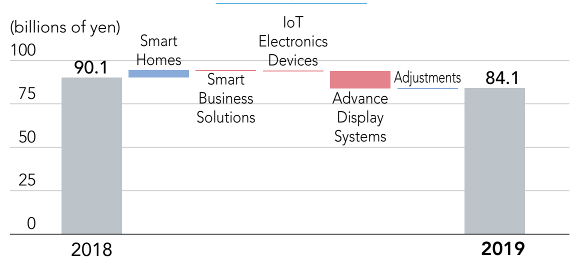
Analysis of Changes in Net Sales

By Segment

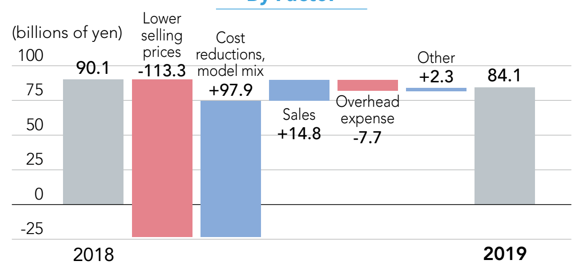


Analysis of Changes in Operating Profit

By Segment



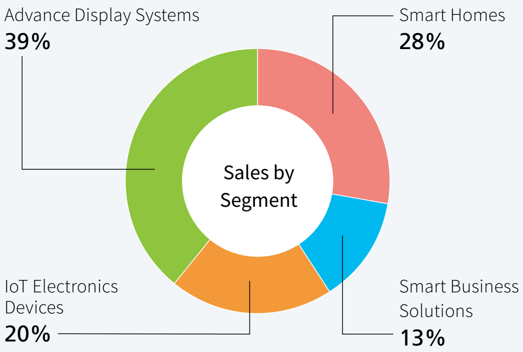
By Factor

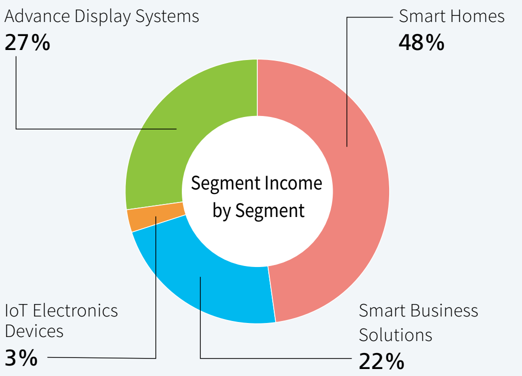


AIoT is a registered trademark of Sharp Corporation.

Fiscal 2018 Review

Sales, Segment Income by Segment

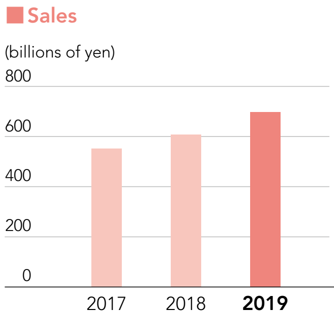


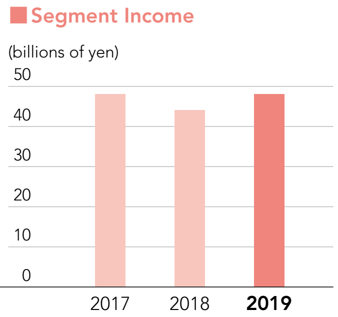


- Sales figures include internal sales between segments. The percentage of sales in pie charts has been calculated accordingly.
- Segment income figures are the amounts before adjustments for intersegment trading. The percentage of segment income in pie charts has been calculated accordingly.
- Effective for the year ended March 31, 2018, the Company changed its segment classification. Figures for the year ended March 31, 2017, have been adjusted to reflect the new classification.
- Effective for the year ended March 31, 2019, advanced equipment that had been included under Smart Business Solutions has been changed under IoT Electronics Devices. Figures for the year ended March 31, 2018, have been restated based on a new classification.

Smart Homes

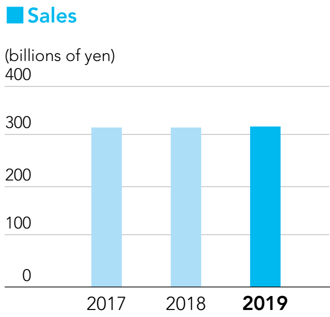
Mobile phones, electronic dictionaries, calculators, telephones, network control units, refrigerators, superheated steam ovens, microwave ovens, small cooking appliances, air conditioners, washing machines, vacuum cleaners, air purifiers, electric fans, dehumidifiers, humidifiers, electric heaters, Plasmacluster Ion generators, beauty appliance, solar cells, storage battery, personal computers

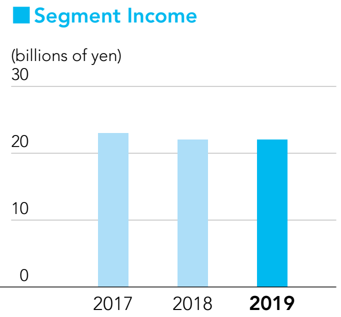




Smart Business Solutions

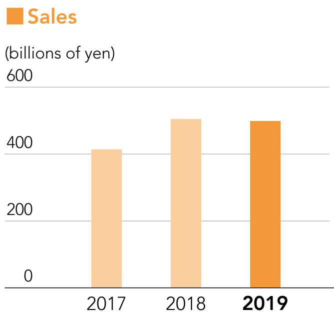
Digital MFPs (multi-function printers), information displays, POS systems, electronic cash registers, commercial projectors, options and consumables, software

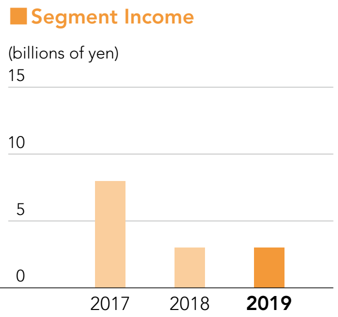




IoT Electronics Devices

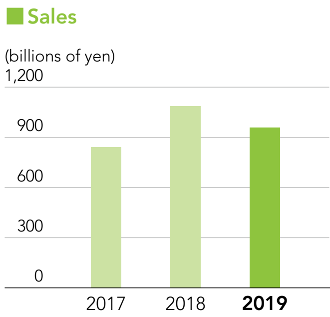
Camera modules, camera module production facilities, sensor modules, proximity sensors, dust sensors, wafer foundries, CCD/CMOS sensors, laser diodes, automotive cameras, FA equipment, ultrasonic cleaners

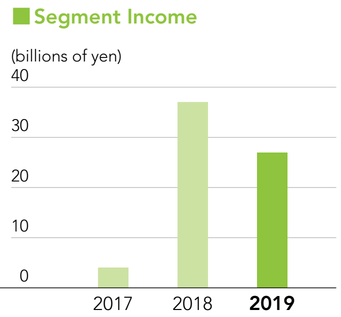




Advance Display Systems

LCD color televisions, Blu-ray Disc recorders, audio equipment, display modules





Feature

Changing the World with 8K+5G and AIoT

—Building an 8K+5G Ecosystem and AIoT World—

Sharp is engaged in business reform, pursuing a business vision of Changing the World with 8K+5G and AIoT.

We plan to leverage our strengths in displays, electronic devices, sensors and other feature-rich devices in combination with 8K, 5G, AI, IoT, and robotics core technologies to create feature-rich products and services across eight business sectors: Industry, Security, Smart office, Entertainment, Health, Automotive, Education, and Smart home.

We aim to achieve further growth and build a platform on an 8K+5G Ecosystem and AIoT World as a powerful corporate brand.

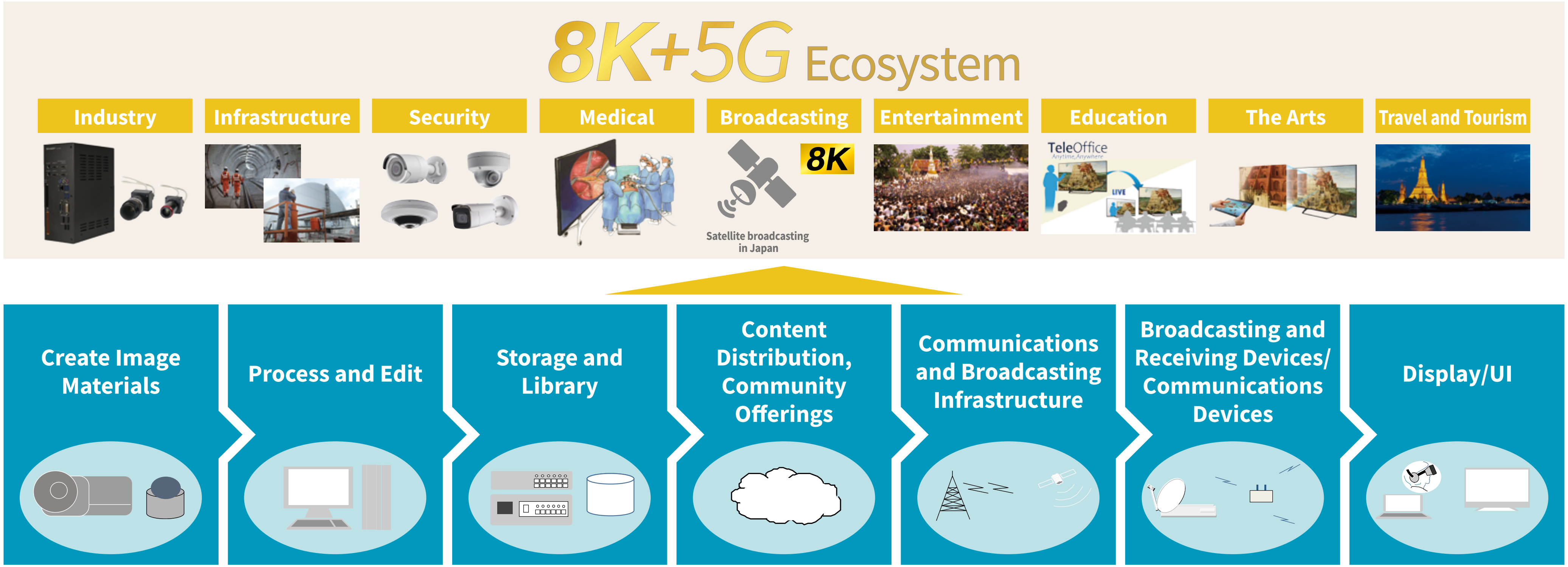
At present, we are updating our organizational structure to carry out these initiatives efficiently. Part of this reorganization is defining our operations into three business groups: Smart Life, 8K Ecosystem, and ICT.

The following initiatives represent specific 8K+5G Ecosystem and AIoT World projects under our business vision.

We are already forming cooperative partnerships throughout the entire value chain of our 8K+5G Ecosystem, from the production of image materials to content delivery and display.

To date, our 8K business has consisted mainly of manufactured products, including 8K TVs and monitors, and cameras. Moving forward, we intend to morph into a solutions business that offers imaging solutions for broadcasting, as well as solutions for 8K museums, sports stadiums, medical, security, CAD, train inspection systems, and more.

In December 2018, we launched the 8K Lab. This lab drives cross-organizational projects between units involved in 8K technology development and 8K businesses. We are using the 8K Lab to accelerate the commercialization of 8K businesses with partners.



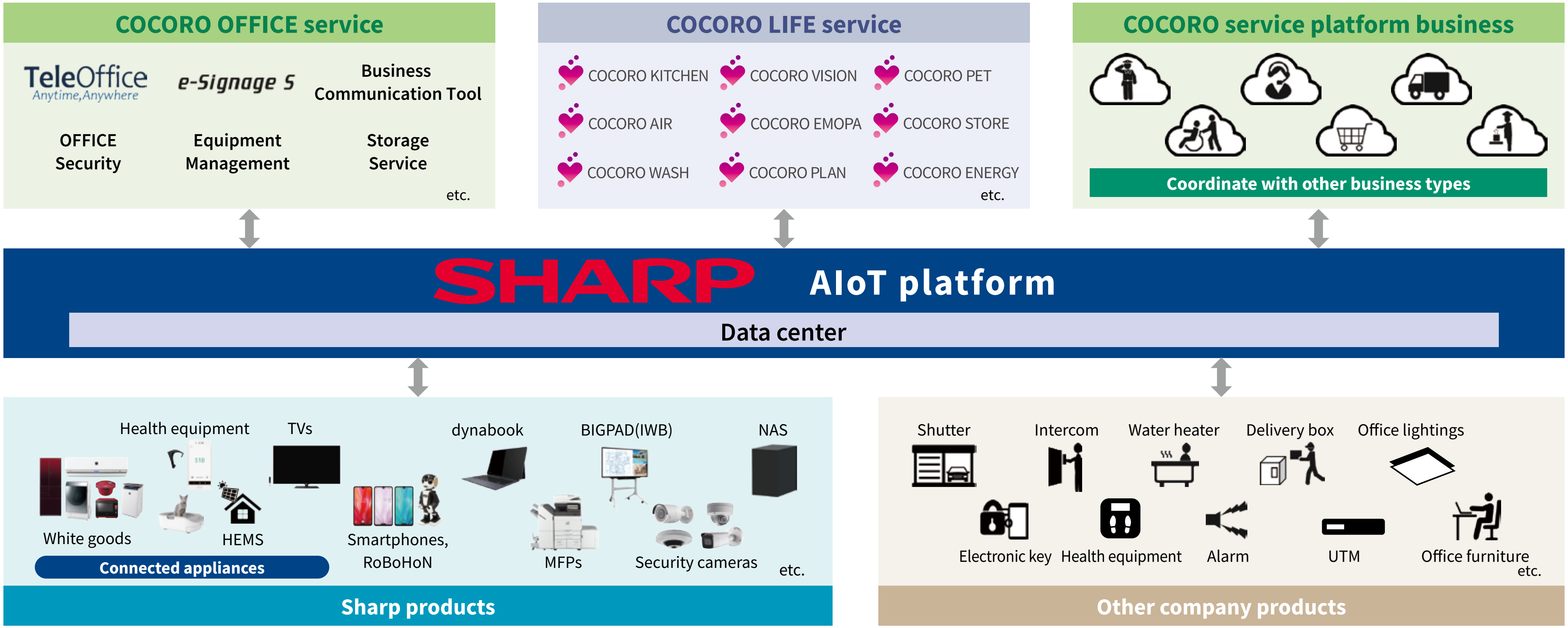
We are expanding our AIoT World through four business sectors: AIoT Devices, COCORO LIFE service, COCORO OFFICE service, and AIoT platform.

The AIoT Devices business will introduce more AIoT-compatible devices over time. Connected to services, these devices will become more than simple tools, evolving into lifestyle partners.

The COCORO LIFE service extends beyond services for devices to include providing devices for services. We will facilitate smart living through services that leverage the strengths of AIoT technology.

Our COCORO OFFICE service creates smart offices by offering B2B and B2G services tailored to the needs of each customer.

Further, Sharp has opened our AIoT platform for device manufacturers and service providers. Based on this AIoT platform, we will create win-win relationships with other companies, growing the AIoT market through a positive upward spiral.



J.W. Tai
Chairman, President & CEO

Business strategy planning office

President's office

Business groups

Smart Life

Katsuaki Nomura
Executive Vice President

■ Business / company
- Smart Appliances & Solutions
- Camera modules
- Sharp Energy Solutions Corporation
- Sharp Fukuyama Semiconductor Co., Ltd.

8K Ecosystem

J.W. Tai
Chairman
President & CEO

■ Business / company
- TV systems
- Business solutions
- Display devices
- Corporate research & development

ICT

Yoshihisa Ishida
Executive Vice President

■ Business / company
- Mobile communications
- AIoT Cloud Inc.
- SHARP COCORO LIFE Inc.
- Dynabook Inc.

To more quickly achieve our business vision, Sharp has reorganized from four business groups into three: Smart Life, 8K Ecosystem, and ICT.

Our Smart Life business consists mainly of Smart Appliances & Solutions (SAS), Camera Modules, Energy Solutions, and Electronic Components and Devices. We combined the Japanese and overseas units in our Health and Environment business, rolling our AIoT devices and services globally under the SAS. In addition, we established a dedicated organization for B2B growth under SAS.

The 8K Ecosystem business consists mainly of TV Systems, Business Solutions (BS), Display Devices, and Research and Development. Here, we are reinforcing our 8K+5G Ecosystem strategy and conducting a reorganization. At the same time, Business Solutions is building a project platform working with domestic and overseas sales subsidiaries to expand smart office business.

ICT includes Communications, AIoT cloud, COCORO LIFE service, and dynabook. To accelerate cooperation with other companies on our services and platform businesses, we spun off SHARP COCORO LIFE Inc. and AIoT Cloud Inc. into separate entities on October 1, 2019, as part of our business reorganization.

We are linking together all three business groups as we reform our business into One SHARP.

Brilliant and reliable global brand SHARP

8K+5G Ecosystem & AIoT WORLD


Tokuji Hayakawa, Sharp Founder

"Make products that others want to imitate."

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.

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

The roots of Sharp management are our founding spirit in which we strived to contribute to society and become a trusted company through manufacturing that anticipated the needs of the next generation early, our business philosophy and business creed which clearly state this spirit, and our corporate motto, *Be Original*, which is our promise to customers throughout the world that we will continue to be a brand that creates highly original value in the Sharp style.

These commitments will continue to inspire us as we create an 8K+5G Ecosystem and AIoT World for *Changing the World with 8K+5G and AIoT*.

Our aim is to establish Sharp's position as an inspiring global brand, to earn the trust of all stakeholders, and to continue to be a company that is valued and needed by society.

ESG (CSR)

Basic Approach to CSR

Since our foundation, Sharp has pursued our founding spirit, to contribute to the culture, benefits, and welfare of people throughout the world and a business philosophy stating that our future prosperity is directly linked to the prosperity of our customers, dealers, and shareholders… indeed, the entire Sharp family and answer the expectations of society and our stakeholders, aiming for the sustainable mutual development of both Sharp and society. These two elements form our basic approach to CSR.

To embody this business philosophy and business creed*1, we established the Sharp Group Charter of Corporate Behavior as a code of conduct for group companies and the Sharp Code of Conduct*2 for all officers and employees.

*1 See below for more about our business philosophy and business creed.
https://global.sharp/corporate/info/philosophy/
*2 See below for more about Sharp Group Charter of Corporate Behavior and Sharp Code of Conduct.
https://global.sharp/corporate/info/charter/

Policy, Vision, and Strategy for Sustainability

In August 2016, Sharp identified initiatives we believe to be particularly important in reducing our impact on society and the environment. We defined these initiatives as our Social and Environmental Responsibility (SER), establishing an SER policy.

The Sustainable Development Goals (SDGs) were adopted by the United Nations in September 2015. Sharp is contributing to the achievement of the SDGs since fiscal 2018 as part of our medium- and long-term vision.

SER Policy

(1) Value the rights of employees and ensure their health and safety.
(2) Fulfill environmental responsibilities in business activities and manufacturing processes.
(3) Build and operate an SER management system based on international standards, regulations, and client requests.

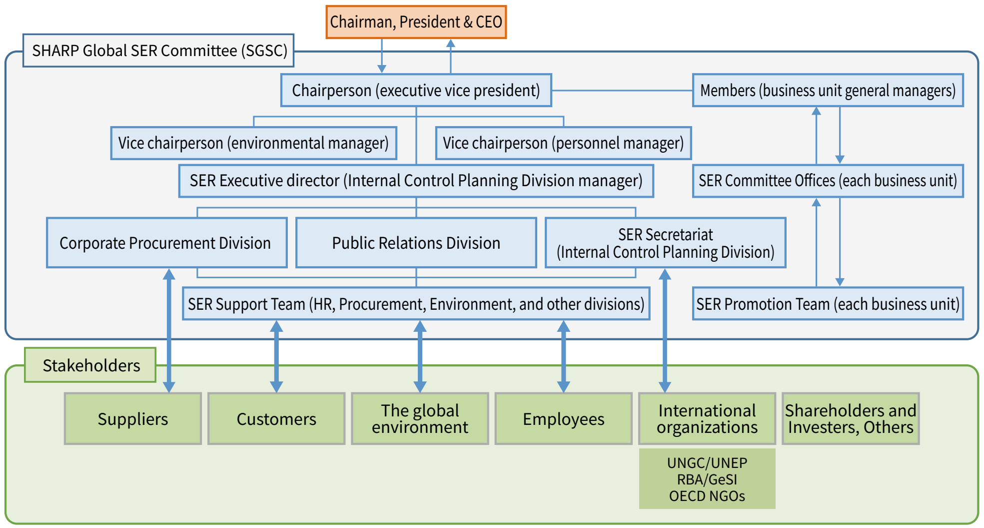
CSR Management Promotion Framework

To reduce our SER Policy to actionable measures managed via the PDCA cycle, Sharp launched the SHARP Global SER Committee in 2016.

The SER Conference is held as the deliberative body of the SHARP Global SER Committee. The SER Conference deliberates the thorough implementation of the Sharp Group SER policy and vision, as well as key measures. The Conference also confirms the progress of business activities and SER measures designed for each company and business unit to achieve the SDGs.

Each company and business unit has an SER Promotion Team under the leadership of each company president and business unit head. These SER Promotion Teams conduct business to achieve the SDGs, while at the same time engaging in solving social issues after selecting important SER measures related intimately to the business unit or company.

<Sharp SER Committee Organization Chart>



(As of March 2019)

ESG (CSR)

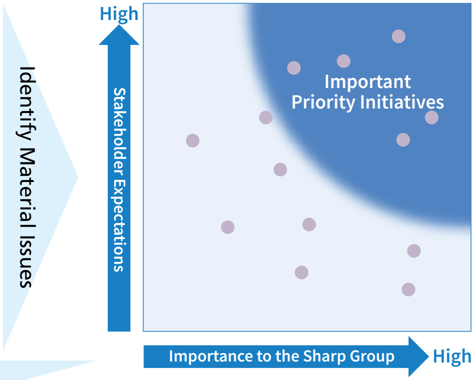
Identification and Monitoring of Material Issues

Aiming to contribute to goals that solve global social issues, we identify material issues for the Sharp Group from a medium- to long-term perspective. In identifying material issues, we map important issues from the two-axis perspective of importance to society (stakeholder expectations) and importance to the Sharp Group. Accordingly, we have identified top-priority issues.

Management Policy and Business Strategy
- Business Philosophy and Business Creed
- Be Origianl.
- Business Vision and Medium-Term Management Plan, etc.

International Guidelines and Principles
- United Nations Global Compact (signed in June 2009)
- SDGs
- ISO26000
- United Nations Universal Declaration of Human Rights
- United Nations Guidance principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- RBA* and Other Industry Codes of Conduct, etc.

Stakeholder Expectations
- Feedback and opinions from stakeholders through dialogue
- Assessing the impact of business activities on stakeholders
- Survey results from various ESG institutions, etc.



Solving Social Issues through Innovation	Reduce our impact of our business activities on society and the environment
Building a 8K+5G Ecosystem Offer solutions in medical, security, inspection systems, infrastructure maintenance and other fields through ultra-high-definition 8K **Expand People-Oriented AIoT** Offer a safe, convenient, comfortable smart life through AI- and IoT- compatible devices across a range of scenarios **ICT Utilization** Offer remote factory support systems, meeting solutions, and education solutions through computing	**Human Rights and Labor** • Employee health and safety • Harassment prevention • Respect for human rights **Environment** Initiatives for SHARP Eco Vision 2050, Our Long-Term Environmental Vision*2 • Climate change (achieving carbon-free society) • Resource recycling (achieving a circular economy) • Safety and security (careful and detailed management of chemical substances) **Supply Chain Management** • ESG risk management throughout the supply chain • Responsible mineral procurement
Stronger Governance Corporate governance, risk management, compliance, information security, etc.	

*1 Responsible Business Alliance. Founded in 2004 by a group of leading electronics companies including Hewlett-Packard, IBM, and Dell, the RBA, formerly the Electronic Industry Citizenship Coalition (EICC), has a code of conduct covering the social, environmental, and ethical responsibilities in the global supply chain of its members in the electronics and a wide range of other industries.

*2 Please refer to P.12, Environmental Initiatives.

To solve social issues through innovation, we monitor our progress using the financial performance indicators defined in our medium-term management plan. Further, we have established a medium- and long-term vision for contributing to the SDGs through each of our companies and business units. The SER Conference receives reports and confirms our progress here.

In addition, each company and business unit selects important issues from Sharp-wide SER Policy Guidelines, engaging in and self-evaluating their progress in SER measures.

Besides confirming the status of initiatives at company-wide meetings, we have also established annual targets for strengthening governance for each major field of emphasis at each supervising department.

<Fiscal 2018 Company-Wide SER Priority Policy Guidelines, (Excerpt)>

SER Measures	Scope	Target SDGs
Restrict long working hours that can lead to health problems	All employees in Japan	3, 8
Prevent harassment	All employees in Japan	5, 16
Respect for human rights at overseas bases	All employees at overseas bases	8, 10, 16
Compliance with and efficient response to laws and regulations (national/international)	Applicable business units	16
Conduct internal production plant SER performance surveys and audits based on international SER standards (RBA Code of Conduct)	All production sites in Japan Consolidated manufacturing subsidiaries	1, 3, 5, 6, 7, 8, 10, 12, 13, 16
Restructure supplier SER management system	Suppliers	
Reduce and recycle waste	All production sites	6, 9, 12
Suppress greenhouse gas emissions associated with business activities (More efficient use of energy)	All production sites	7, 9, 13
Suppress greenhouse gas emissions associated with product use (make Sharp products more energy-efficient)	Product-related business units	7, 12, 13

ESG Indexes

As of July 2019, Sharp has been included in the following ESG indexes.

- FTSE4Good Developed Index
- FTSE Blossom Japan Index
- MSCI ESG Leaders Indexes
- MSCI Japan ESG Select Leaders Indexes

FTSE4Good
FTSE Blossom Japan
MSCI 2019 Constituent MSCI ESG Leaders Indexes
MSCI 2019 Constituent MSCI ジャパンESG セレクト・リーダーズ指数

Environmental Initiatives

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

From Increasing Shared Environmental Values to SHARP Eco Vision 2050

Sharp pursued an environmental policy of increasing green shared value, a material issue adopted in fiscal 2013. Here, we endeavored increasing our contribution of reduced greenhouse gases through energy-saving and energy-creating products in excess of emissions stemming from our business activities throughout the supply chain.

In the meantime, climate change, resource depletion, marine plastics, and other environmental issues have become recognized global-scale social issues. Global movements toward resolving social issues, including Sustainable Development Goals and the Paris Agreement* on reducing greenhouse gas emissions, gained momentum.

In response, Sharp revised our environmental policy, announcing the SHARP Eco Vision 2050, our long-term environmental vision toward the year 2050. This is our aspiration to help create a sustainable global environment, providing clearn energy to the world, while minimizing the environmental impact of greenhouse gases and waste products resulting from corporate activities.

Sharp is engaged in initiatives to solve social issues and raise sustainable corporate value. We are doing so by developing technologies, creating products, and delivering services that preserve the environment through our business activities, while working more closely with our stakeholders.

*An international framework for the prevention of global warming, ratified at the 21st Conference of the Parties of the UNFCCC (COP21), held in Paris in 2015.

Long-Term Environmental Goals

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

Climate Change

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

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

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

Sharp set two goals to achieve by the year 2050 as we strive further to reduce energy consumption and generate clean energy, contributing to a carbon-free society.

Goals

- Generate clean energy in excess of the energy consumed throughout our supply chain
- Achieve net zero CO_2 emissions due to our own business activities

Resource Recycling

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

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

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

Goals

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

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

Safety and Security

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

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

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

Goals

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

Environmental Initiatives

Relationship between Climate Change and Business

Sharp recognizes the risks and opportunities related to climate change as material management issues. Sharp established the SHARP Global SER Committee*1 as part of governance to investigate risks and opportunities, assessing risks and opportunities comprehensively over the medium to long term. We categorize and investigate climate-related risks in two major categories, risks related to the transition to a carbon-free economy and risks caused by the physical impact of climate change. Our definitions are in line with categories under the Task Force on Climate-related Financial Disclosures (TCFD)*2. Further, we believe that mitigating climate change through products and services is an opportunity, and we are engaged in this pursuit.

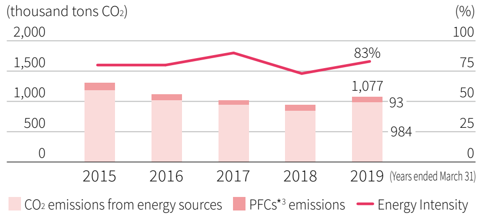
*1 See P.10 (CSR Management Promotion Framework)

*2 Climate-related financial disclosure task force formed by the Financial Stability Board (international body that works toward financial systems stability) in 2017.

Suppress Greenhouse Gas Emissions Associated with Business Activities

Sharp suppresses greenhouse gas emissions associated with our business activities, contributing to a carbon-free society. Sharp greenhouse gas emissions in fiscal 2018 increases 14.6% year on year to 1.08 million tons CO_2. This increase was due to the acquisition of a subsidiary, which expanded the scope of data included in our calculations. Our improvement rate of energy intensity was 17% compared to a fiscal 2012 baseline.

■ Greenhouse Gas Emissions and Energy Intensity (Baseline: Fiscal year ended March 31, 2013)



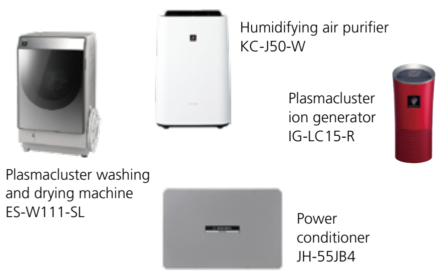
*3 HFCs, PFCs, sulfur hexafluoride (SF_6), nitrogen trifluoride (NF_3)

Develop Environmentally Conscious Products and Devices

At Sharp, we call our environmentally conscious products as Green Products (GP). All product design departments use the GP Guidelines, which defines development and design policies across seven concepts*4. Further, Sharp certifies products that offer particularly high levels of environmental performance as Super Green Products (SGP). We are engaged actively in developing SGPs.

*4 Energy-saving/energy-creating, resource conservation, recyclability, safe use and disposal, use of green materials and devices, environmentally conscious batteries, showing eco information on products

■ Fiscal 2018 Certified Super Green Products (Partial List)



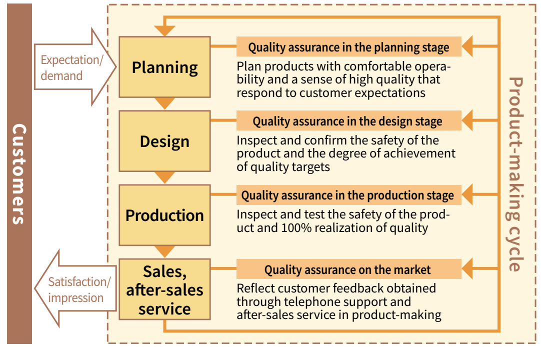
Social Initiatives

Ensuring Quality and Safety

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

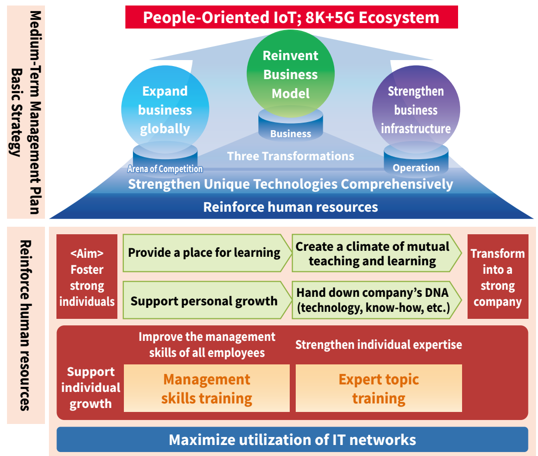
Quality Assurance System

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



Human Resource Development

Sharp strives create a learning environment in which any individual has access to self-driven learning tools related to both basic and expert knowledge related to their work. In this way, we foster professionals who are well versed in their businesses. We aim to transform into a strong company through human resource development and enhancement to foster strong individuals, creating a climate of mutual teaching and learning through sustained personnel, education, and training systems.



Corporate Governance

Basic Concepts

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

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

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

Status of Corporate Governance System

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

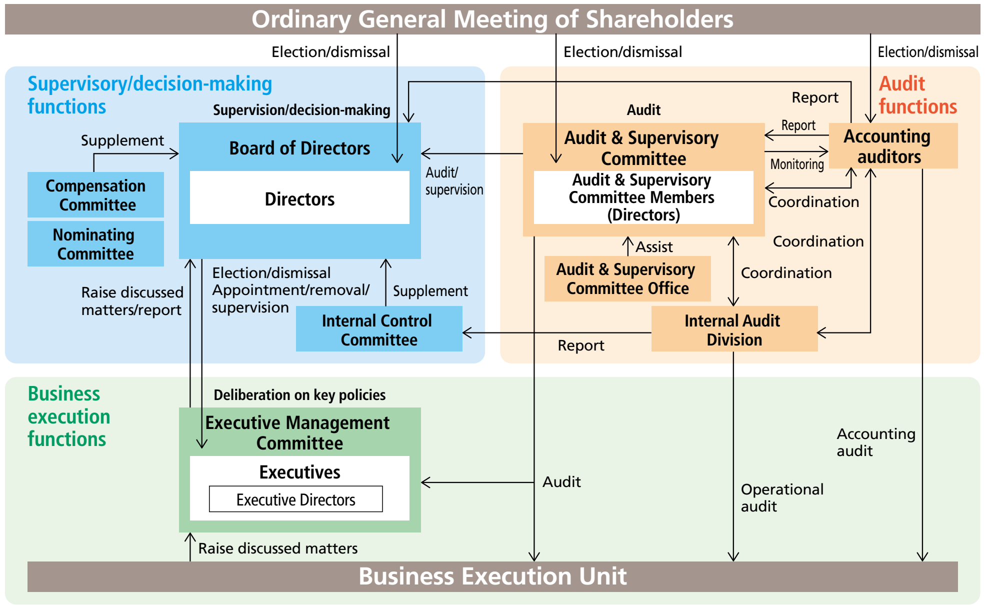
Meetings of the Board of Directors of Sharp Corporation are as a rule held on a monthly basis to make decisions on matters stipulated by law and management-related matters of importance, as well as to supervise the state of business execution. The Company also has an Internal Control Committee, the Compensation Committee, and the Nominating Committee. These committees serve as advisory bodies to the Board of Directors.

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

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

Corporate Governance System of Sharp Corporation

(As of June 26, 2019)



Organization Membership

(◎: Committee chair) (As of November 1, 2019)

Title	Name	Bord of Directors	Audit & Supervisory Committee	Executive Management Committee	Nominating Committee	Compensation Committee	Internal Control Committee
Chairman, President & Chief Executive Officer	J.W. Tai	◎		◎	○	○	◎
Executive Vice President, Member of the Board	Katsuaki Nomura	○		○	○	○	○
Executive Vice President, Member of the Board	Yoshihisa Ishida	○		○			
Member of the Board	Woo Kwok-Fai	○					
Member of the Board	Chung-Cheng Lin	○					
Member of the Board	Wei-Ming Chen	○					
Outside Director Member of the Board*	Hsu-Tung Lu	○	◎		○	○	○
Outside Director Member of the Board*	Yasuo Himeiwa	○	○		◎	◎	○
Outside Director Member of the Board*	Youichi Tsusue	○	○				○
Senior Executive Managing Officer	Fujikazu Nakayama			○			
Senior Executive Managing Officer	Masahiro Okitsu			○			
Executive Managing Officer	Yoshihiro Hashimoto			○			○
Executive Managing Officer	Chien-Erh Wang			○			
Executive Managing Officer	Mototaka Taneya			○			
Executive Officer	Satoshi Sakakibara			○			○
Executive Officer	Kazuhiro Kitamura			○			
Executive Officer	Yoshiro Nakano			○			

*Member of Audit & Supervisory Committee

Corporate Governance

Outside Directors

(As of June 26, 2019)

Name	Member of Audit & Supervisory Committee	Independent Director	Additional Comments on Aspects of Suitability	Reason for Selection
Hsu-Tung Lu	○		Mr. Lu worked was an employee at Hon Hai Precision Industry Co., Ltd. (Sharp parent company) until 2010. He served as a director at Foxconn Japan Co., Ltd., a subsidiary of Hon Hai, until January 2014, and served there as an auditor until June 2017. From December 2010 until July 2017, Mr. Lu was employed by Foxconn Technology Co., Ltd. as chief financial officer. This company is the parent company of Foxconn Technology Pte. Ltd., which is a major shareholder in Sharp and an affiliated company of Hon Hai, parent company to Sharp. It is our judgment that Hon Hai Precision Industry Co., Ltd. qualifies as the parent company of Sharp based on facts Sharp recognizes considering Japanese laws and accounting standards. This judgment related to parent company status is not based on laws and accountings standards applied outside of Japan.	Mr. Lu has worked for many years in accounting, including service as an internal auditor at Sakai Display Products Corporation. On this basis, we have determined that he is well suited to be an outside director at Sharp.

Name	Member of Audit & Supervisory Committee	Independent Director	Additional Comments on Aspects of Suitability	Reason for Selection
Yasuo Himeiwa	○	○	Mr. Himeiwa was affiliated with KPMG AZSA LLC, which served as Sharp's external auditor until June 2016.	For many years, Mr. Himeiwa has worked as a certified public accountant. Given his wealth of experience and knowledge based on his professional experience, we have determined that he is well suited to serve as an independent outside director at Sharp. Mr. Himeiwa worked at KPMG AZSA LLC, which served as our external auditor until June 2016, but he was not involved in work for Sharp over that span and he has retired from KPMG AZSA LLC. Since that time, KPMG AZSA LLC has been replaced as Sharp's external auditor. It is therefore our judgment that these past ties do not affect his independence as an outside director.
Youichi Tsusue	○	○	—	Mr. Tsusue has been involved in imaging equipment development and design for many years. He has served in management of joint-venture companies and has a wealth of experience and deep knowledge in areas related to Sharp business and management. On this basis, we have determined that he is well suited to be an independent outside director at Sharp.

Corporate Governance

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 25, 2019 Ordinary General Meeting of Shareholders, approval was granted for the issuance of a up to 2 million shares in total upon the exercise of share options that can be allocated to persons in the following categories: directors, employees, directors of subsidiaries, executive officers 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 2018 totaled ¥386 million (six directors, including one director who retired during fiscal 2018), remuneration paid to directors on the Audit & Supervisory Committee totaled ¥75 million (four directors, including one director who retired during fiscal 2018).

Regarding remuneration for directors (excluding directors on the Audit & Supervisory Committee), the Company proposed a cap on cash remuneration set at ¥500 million per fiscal year and a cap on share options set at 3,000 units (total cash value of up to ¥300 million) per fiscal year at the Ordinary General Meeting of shareholders (OGM) held on June 25, 2019. Shareholders at the OGM approve 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 ¥100 million per fiscal year and a cap on share options set at 600 units (total cash value of up to ¥60 million) per fiscal year at the OGM held on June 25, 2019.

Shareholders at the OGM approve 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.

Ongoing Development of the Internal Control System

In May 2006, the Board of Directors passed a resolution to adopt the Basic Policy for Internal Control (partially amended in August 2019). Sharp is currently engaged in the development and operation of internal control systems in accordance with this Basic Policy. The Internal Control Committee, which serves as an advisory body to the Board of Directors, deliberates on basic policies regarding internal controls and internal audits. The committee also reviews the status of development and implementation of various measures relating to internal control systems, and makes decisions about what to report on or discuss with the Board of Directors. The unit promoting internal controls on a companywide basis oversees the internal controls of the business execution units. Meanwhile the Internal Audit Division makes specific 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. In accordance with the basic rules of compliance, Sharp is also developing a companywide compliance promotion system. Sharp is also implementing thorough measures to prevent compliance infractions by providing the Sharp Group Compliance Guidebook online to all employees and implementing training based on the guidebook.

To deal comprehensively and systematically with a wide range of business risks, Sharp formulated its Business Risk Management Guidelines for the prevention of and swift response 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, 2019 (or June 26, 2019 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; U.S.-China trade friction, and other trade issues; 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 68.1% in fiscal 2017, 73.0% in fiscal 2018, and 70.0% in fiscal 2019. 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 Businesses, Products, and Clients

The Sharp Group Advance Display Systems segment accounts for nearly 40 percent of group sales. Accordingly, group earnings may be impacted negatively by factors including slowing customer demand for LCD display-related products, falling product prices, or increasing competition due to the emergence of substitute or competitive products, or the emergence of new competitors. Sharp has high dependence on a small number of specific clients for the sales of certain products in our IoT Electronics Devices and Advance Display Systems segments. 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, namely Hon Hai Precision Industry Co., Ltd. ("Hon Hai Precision Industry"), Foxconn (Far East) Limited ("Foxconn FE"), Foxconn Technology Pte. Ltd. ("Foxconn Technology"), and SIO International Holdings Limited ("SIO"). Under the agreement, Sharp agreed to issue 3,281,950,697 shares of common share at ¥88 per share and 11,363,636 shares of Class C share at ¥8,800 per share, to be purchased by the four companies via third-party allotments. Payment for the purchases under the agreement was completed on August 12, 2016.

The equity investments from these four companies resulted in a significant improvement in Sharp equity ratio. This transaction also allows Sharp to engage in growth investment, which had been necessarily limited due to financial circumstances. Further, Sharp now has the ability to pursue technological, productivity, and cost synergies with our parent company group (including Hon Hai Precision Industry, subsidiaries, and affiliates). However, we cannot guarantee that business synergies between the Sharp Group and the parent company group will occur as envisioned.

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 impacted negatively by rising raw materials prices, 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.

Risk Factors

(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, 2019, the balance of such debt was equivalent to 34.8% of total assets, and short-term borrowings accounted for 17.2% 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 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 MUFG Bank, 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. In addition, trade frictions have led to the United States designating certain emerging technologies for export control. This may have an indirect impact on our business due to added constraints in taking said technologies out of the United States or limits on exporting (re-exporting) goods containing more than the allowed ratio of added-value for said technologies from Japan, etc. to third countries.

(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.

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 or benefit 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 intangible 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

Risk Factors

Sharp to purchase a total of 6,600 tons of polysilicon (as March 31, 2019) 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, 2019 by around ¥2,595 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 at our Sakai Plant. As of the end of March 2019, the total amounts of future minimum payments of such contracts was ¥21,795 million (remaining terms of 10 years at the longest), and none of the contracts can be canceled prior to maturity. These contracts may affect Sharp's business results or financial position.

(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 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.

Such incidents could affect Sharp's 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 parent company group, led by Hon Hai Precision Industry, provides outsourced manufacturing services for electronic equipment. The group 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 is the core company of the parent company group. Hon Hai Precision Industry directly owns 24.5% of Sharp's voting rights, and Foxconn FE, a wholly owned subsidiary of Hon Hai Precision Industry, owns 17.2% of Sharp's voting rights. Therefore, Hon Hai Precision Industry directly or indirectly holds 41.7% of Sharp's voting rights in total. Furthermore, Hon Hai Precision Industry holds more than 20% of the voting rights of Foxconn Technology, while Mr. Terry Gou, Chairman of Hon Hai Precision Industry, substantially controls SIO. Since 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 60.8% of Sharp's total voting rights, meaning they have certain rights as a major shareholder. However, the liquidity and price formation of Sharp's shares, as well as Sharp Group business performance, may be affected if, for example, there is a major change in the holding ratio of Sharp's shares among the four companies mentioned above, or a change in the business strategies of the parent company group (including the parent company, Sharp shareholder SIO, Sakai Display Products Corporation ("SDP"), and companies investing in SIO or SDP in the future).

The parent company 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. However, a change in the parent company group's business strategies or competitive relationship with the parent group arising in the future may affect Sharp's performance and financial position.

Risk Factors

(1) Human Relations
Sharp had nine directors as of June 26, 2019, four of whom (J.W. Tai, Woo Kwok-Fai, Chung-Cheng Lin, and Wei-Ming Chen) serve concurrently or who are scheduled to serve concurrently as officers at Hon Hai Precision Industry or Hon Hai Precision Industry affiliates.

(2) Business Partners
Business transactions between Sharp and the parent company group include purchases and sales, mainly in China. In addition, Sharp has 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.

Important transactions made in the year ended March 2019 are stated on P.58 to P.60.

(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 parent company group, while fully respecting independence between both entities. Sharp recognizes that working together with the parent company 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 making a decision. Proposals involving the Executive Management Committee and transactions involving managers shall be deliberated and decided at board of director meetings at which outside directors are present prior to a final decision.

(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) Climate Change

Sharp's business may be impacted by climate change. Stronger greenhouse gas emissions regulations, increased energy costs associated with potential carbon taxes, stronger policies to reduce greenhouse gas emissions, or other regulations may have an impact on Sharp's business results or financial position.

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

Any possible future restrictions on electricity usage or hikes in electricity prices stemming from electricity shortages arising from natural disasters such as the Great East Japan Earthquake could cause plant operations to be reduced and/or costs to increase, which may affect Sharp's business results and financial position.

(18) Competition to Secure Skilled Personnel

Exceptional human resources in such fields as technology and management are crucial to Sharp's 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.

(19) 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.

Members of the Board and Executives

(As of November 1, 2019)

Members of the Board

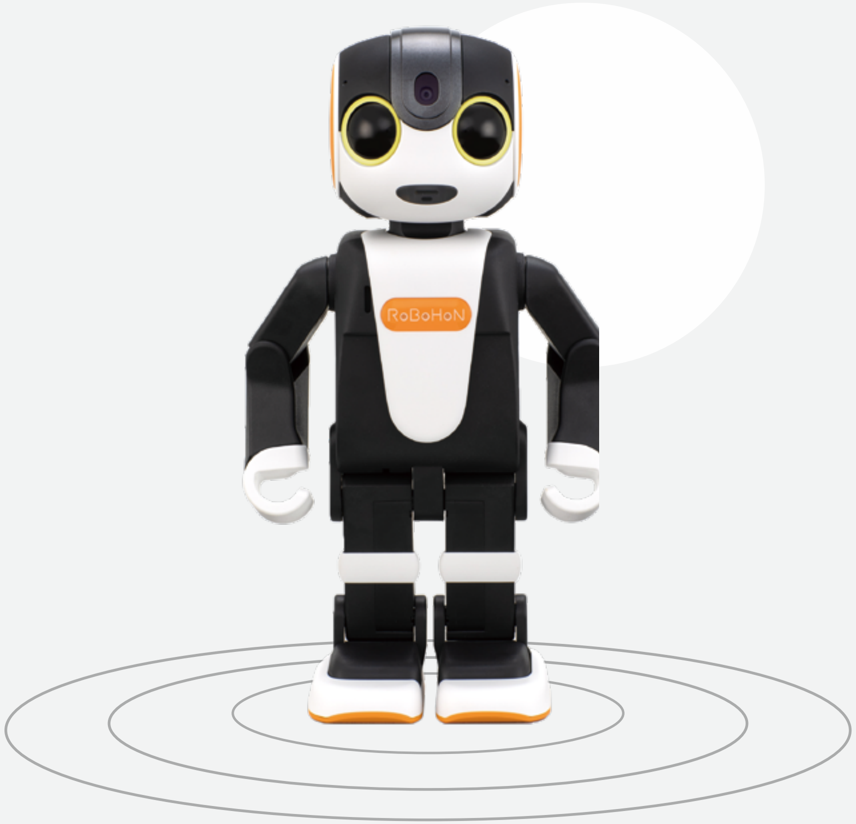
Chairman, President & Chief Executive Officer	**J.W. Tai**	Member of the Board	**Wei-Ming Chen**
Member of the Board	**Katsuaki Nomura**	Member of the Board (Member of Audit & Supervisory Committee)	**Hsu-Tung Lu** *
Member of the Board	**Yoshihisa Ishida**	Member of the Board (Member of Audit & Supervisory Committee)	**Yasuo Himeiwa** *
Member of the Board	**Woo Kwok-Fai**	Member of the Board (Member of Audit & Supervisory Committee)	**Youichi Tsusue** *
Member of the Board	**Chung-Cheng Lin**		

*Outside Directors

Executives

Chairman, President & Chief Executive Officer	**J.W. Tai**	Executive Managing Officer	**Chien-Erh Wang**
Executive Vice President	**Katsuaki Nomura**	Executive Managing Officer	**Mototaka Taneya**
Executive Vice President	**Yoshihisa Ishida**	Executive Officer	**Satoshi Sakakibara**
Senior Executive Managing Officer	**Fujikazu Nakayama**	Executive Officer	**Kazuhiro Kitamura**
Senior Executive Managing Officer	**Masahiro Okitsu**	Executive Officer	**Yoshiro Nakano**
Executive Managing Officer	**Yoshihiro Hashimoto**		

Financial Section



Five-Year Financial Summary

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31

	Yen (millions)				
	2015	2016	2017	2018	**2019**
Net Sales	¥ 2,786,256	¥ 2,461,589	¥ 2,050,639	¥ 2,427,271	**¥ 2,400,072**
Domestic sales	968,449	750,499	654,012	656,144	**719,424**
Overseas sales	1,817,807	1,711,090	1,396,627	1,771,127	**1,680,648**
Operating Pofit (Loss)	(48,065)	(161,967)	62,454	90,125	**84,140**
Profit (Loss) before Income Taxes	(188,834)	(231,122)	(587)	89,416	**75,587**
Profit (Loss) Attributable to Owners of Parent	(222,347)	(255,972)	(24,877)	70,225	**74,226**
Net Assets	44,515	(31,211)	307,801	401,713	**372,471**
Total Assets[*1]	1,961,909	1,570,672	1,773,682	1,908,461	**1,866,349**
Capital Investment[*2]	62,653	45,240	77,733	119,356	**55,996**
Depreciation and Amortization	117,323	81,931	71,625	79,738	**82,970**
R&D Expenditures	141,042	130,120	106,107	100,536	**108,545**

	Yen				
Per Share of Common Stock[*3]					
Income (loss)	¥ (131.51)	¥ (154.64)	¥ (68.56)	¥ 106.07	**¥ 116.80**
Diluted income	—	—	—	85.60	**91.69**
Cash dividends	0.00	0.00	0.00	10.00	**20.00**
Net assets	17.84	(161.79)	154.12	267.48	**392.56**
Other Financial Data					
Return on equity (ROE)	(197.4%)	—	(19.8%)	20.9%	**20.4%**
Return on assets (ROA)	(10.7%)	(14.5%)	(1.5%)	3.8%	**3.9%**
Equity ratio	1.5%	(2.7%)	16.6%	19.8%	**18.8%**

*1 The Company adopted Partial Amendment to Accounting Standard for Tax-Effect Accounting (ASBJ Statement No.28, February 16, 2018) at the beginning of the year ended March 31, 2019. Under this standard, sharp presents deferred tax assets under investments and other assets and deferred tax liabilities under non-current liabilities. Figure for the year ended March 31, 2018 has been restated to reflect the application of this accounting standard retroactively.
*2 The amount of leased properties is included in capital investment.
*3 The Company carried out a share consolidation of common shares as well as Class C shares at a ratio of 10 shares to 1 share on October 1, 2017. The figures for the income (loss) per share, the diluted income per share and net assets per share are calculated on the assumption that the Company conducts this consolidation at the beginning of the year ended March 31, 2017.

Five-Year Financial Summary

	Yen (millions)				
	2015	2016	2017	2018	**2019**
Net Sales	¥ 2,786,256	¥ 2,461,589	¥ 2,050,639	¥ 2,427,271	**¥ 2,400,072**
Sales by Segment[*4] (Sales to Outside Customers)					
Digital Information Equipment	670,326	—	—	—	—
Health and Environmental Equipment	315,022	—	—	—	—
Energy Solutions	270,881	—	—	—	—
Business Solutions	340,323	—	—	—	—
Product Business	1,596,552	—	—	—	—
LCDs	772,997	—	—	—	—
Electronic Devices	416,707	—	—	—	—
Device Business	1,189,704	—	—	—	—
Total	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	—	—
Smart Homes	—	—	548,129	595,132	**681,330**
Smart Business Solutions	—	—	310,169	318,074	**319,215**
IoT Electronics Devices	—	—	387,852	462,297	**441,231**
Advance Display Systems	—	—	804,489	1,051,767	**958,295**
Total	—	—	2,050,639	2,427,271	**2,400,072**
Sales by Region					
Japan	968,449	750,499	654,012	656,144	**719,424**
The Americas	320,980	281,049	175,169	181,412	**177,277**
Europe	142,520	136,590	123,551	174,194	**175,126**
China	1,140,892	1,085,311	900,759	1,157,370	**1,050,536**
Other	213,415	208,140	197,146	258,149	**277,708**
Total	2,786,256	2,461,589	2,050,639	2,427,271	**2,400,072**

*4 Effective for the year ended March 31, 2016, the segment classification was 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 was changed. In this regard, Sales by Segment for the year ended March 31, 2016, has been restated based on a new classification.
Effective for the year ended March 31, 2018, the segment classification was changed. In this regard, Sales by Segment for the year ended March 31, 2017, has been restated based on a new classification.
Effective for the second quarter of the year ended March 31, 2019, advanced equipment that had been included under Smart Business Solutions has been changed under IoT Electronics Devices. In this regard, Sales by Segment for the year ended March 31, 2018, has been restated based on a new classification.

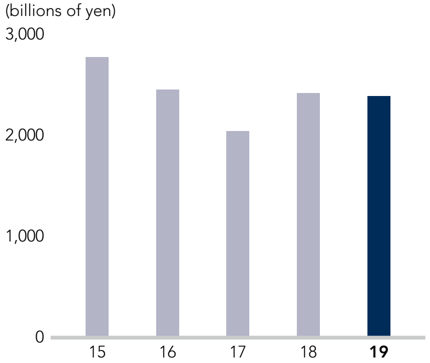
Financial Review

Sharp Corporation and Consolidated Subsidiaries

Net Sales

Consolidated net sales for the year ended March 31, 2019 amounted to ¥2,400,072 million, down ¥27,199 million or 1.1% year on year.

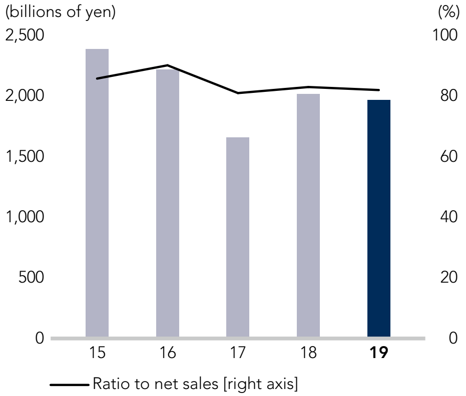
Net Sales



Financial Results

Cost of sales decreased ¥47,048 million to ¥1,975,958 million, while our cost of sales ratio decreased from 83.3% to 82.3% year on year.

Cost of Sales



Selling, general and administrative (SG&A) expenses increased ¥25,834 million to ¥339,972 million. The ratio of SG&A expenses against net sales increased from 12.9% to 14.2% year on year. SG&A expenses included R&D expenditures of ¥31,868 million and employees' salaries and other benefits of ¥107,609 million.

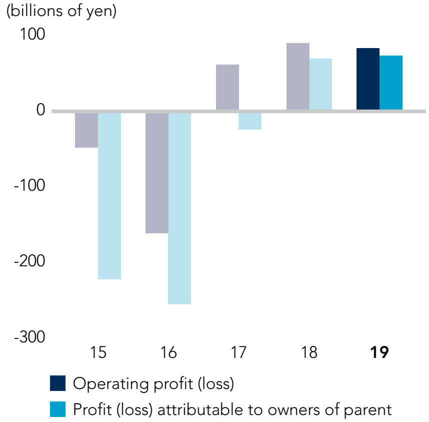
As a result, operating profit amounted to ¥84,140 million, a decrease of ¥5,984 million (6.6%) year on year.

Non-operating income increased ¥431 million to ¥22,650 million, while non-operating expenses increased ¥14,754 million to ¥37,779 million.

Extraordinary income increased ¥9,628 million to ¥14,716 million. Extraordinary losses increased ¥3,148 million to ¥8,139 million year on year.

As a result, profit before income taxes totaled ¥75,587 million, a decrease of ¥13,828 million (15.5%) year on year. Profit attributable to owners of parent increased ¥4,000 million (5.7%) to ¥74,226 million. Income per share of common stock was ¥116.80.

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



Segment Information

Smart Homes

Sales in this segment increased 14.6% year on year to ¥696,936 million. This increase was mainly driven by major sales growth in air conditioners, as well as growth in washing machines and refrigerators. Another positive factor was the addition of Dynabook Inc. in October 2018 as a consolidated subsidiary. Segment income rose 9.8% to ¥48,018 million, mainly due to increased sales of white goods combined with cost reduction measures.

Smart Business Solutions

Sales in this segment increased 0.7% to ¥320,403 million, mainly due to strong sales of multi-function printers overseas. Despite sales growth, segment income decreased 1.2% from the previous year to ¥21,699 million, impacted by lower selling prices.

IoT Electronics Devices

Sales in this segment decreased 1.1% year on year to ¥499,094 million. This decrease was mainly due to lower sales of sensor modules and other products, despite growth in sales of camera modules for smartphones and higher sales of semiconductors.

Segment income decreased 13.1% to ¥2,894 million. This decrease was mainly due to the impact of demand fluctuations among major customers and rising depreciation associated with growth investments. These negative factors were partially offset by growth in semiconductors and cost reduction measures.

Financial Review

Advance Display Systems

Sales of LCD TVs in Asia increased, as did sales of medium-size LCD panels for PCs and tablets. At the same time, we limited sales of LCD TVs in China as part of our shift to quality above quantity, reflecting our approach to distribution stock. We also saw a decrease in sales of LCD panels for smartphones. As a result, net sales decreased 11.7% year on year to ¥959,689 million. Segment income amounted to ¥27,066 million, a 26.9% decrease. Despite cost reduction measures, the negative impact of U.S.-China trade frictions on the markets, an increasingly challenging competitive environment, costs involved in launching organic EL displays, and other factors combined to drive segment income lower.

Capital Investment and Depreciation

Capital Investment totaled ¥55,996 million, down 53.1% from the previous year. Much of this investment related to camera module production lines and pilot lines for organic EL displays.

By business segment, capital investment was ¥2,418 million for Smart Homes, ¥2,493 million for Smart Business Solutions, ¥24,206 million for IoT Electronics Devices, and ¥24,468 million for Advance Display Systems. Unallocated capital investment amounted to ¥2,409 million.

Depreciation and amortization increased 4.1% to ¥82,970 million.

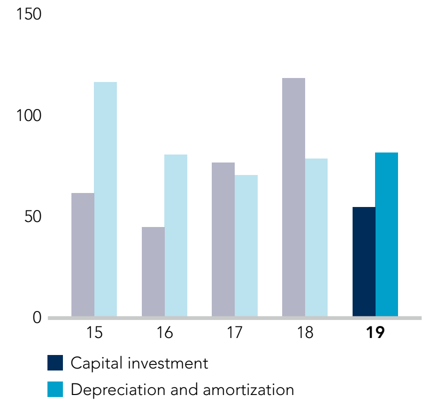
Sales by Segment

	Yen (millions)	
	2018	**2019**
Smart Homes	¥ 607,990	**¥ 696,936**
Smart Business Solutions	318,084	**320,403**
IoT Electronics Devices	504,566	**499,094**
Advance Display Systems	1,086,570	**959,689**
Subtotal	2,517,212	**2,476,124**
Adjustments	(89,940)	**(76,051)**
Total	2,427,271	**2,400,072**

Segment Income by Segment

	Yen (millions)	
	2018	**2019**
Smart Homes	¥ 43,723	**¥ 48,018**
Smart Business Solutions	21,969	**21,699**
IoT Electronics Devices	3,332	**2,894**
Advance Display Systems	37,041	**27,066**
Subtotal	106,068	**99,678**
Adjustments	(15,942)	**(15,538)**
Total	90,125	**84,140**

Capital Investment/ Depreciation and Amortization



Assets, Liabilities and Net Assets

Total assets at fiscal year-end amounted to ¥1,866,349 million, down ¥42,112 million from the previous year.

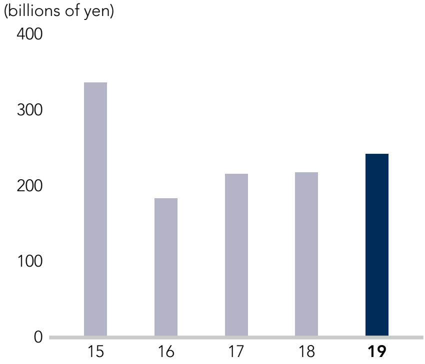
Assets

Current assets amounted to ¥1,141,369 million, down ¥75,823 million from the end of the previous year. This result was mainly due to a decrease in cash and deposits of ¥155,654 million, which was offset in part by an increase in notes and accounts receivable - trade of ¥68,352 million. In addition, inventories increased ¥24,135 million from the end of the previous year to ¥243,849 million. Within total inventories, finished products increased ¥8,136 million to ¥161,854 million, work in process increased ¥9,505 million to ¥33,042 million, and raw materials and supplies increased ¥6,493 million to ¥48,952 million.

Property, plant and equipment decreased ¥23,557 million from the end of the previous year to ¥405,038 million. This decrease was mainly due to a decrease of ¥21,032 million in machinery, equipment and vehicles compared to the end of the previous fiscal year.

Investments and other assets amounted to ¥280,239 million, up ¥62,385 million from the end of the previous year. This was mainly due to the increase in investment securities.

Inventories



Financial Review

Liabilities

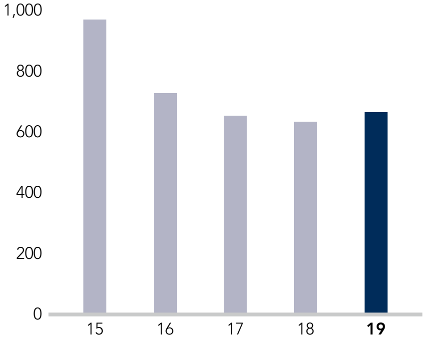
Current liabilities decreased ¥20,330 million from the end of the previous year to ¥813,136 million. This result was mainly due to decreases of ¥12,800 million and ¥17,972 million in notes and accounts payable - trade and accrued expenses, respectively.

Non-current liabilities increased ¥7,459 million from the end of the previous year to ¥680,740 million. This results was mainly due to an increase in long-term loans payable of ¥31,177 million.

Interest-bearing debt at year end stood at ¥667,208 million, up ¥29,424 million from the end of the previous year.

Interest-Bearing Debt

(billions of yen)

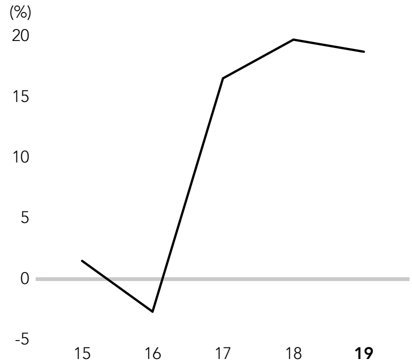


Net Assets

Net assets amounted to ¥372,471 million, down ¥29,241 million compared to the previous year-end balance of ¥401,713 million. This result was mainly due to a decrease in retained earnings due to the purchase and cancellation of Class A shares while recording a net profit attributable to owners of parent.

Our equity ratio was 18.8%.

Equity Ratio



Cash Flows

Cash and cash equivalents at the end of the year stood at ¥228,798 million, down ¥175,203 million from the previous year, as inflows from operating activities were less than outflows from combined financing and investing activities.

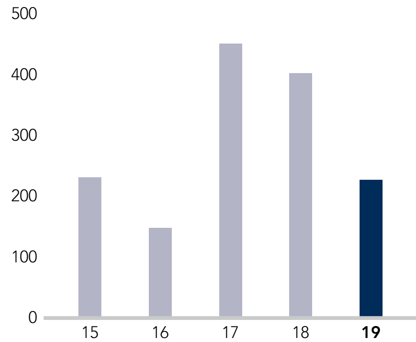
Net Cash provided by operating activities amounted to ¥79,043 million, down ¥26,227 million compared to cash provided in the amount of ¥105,270 million in the previous year. This result was mainly due to a decrease of ¥13,828 million in profit before income taxes compared to the previous year, a decrease in notes and accounts payable-trade (compared to increase in notes and accounts payable-trade in the previous year), and a decrease of ¥10,423 million in accrued expenses.

Net Cash used in investing activities totaled ¥167,587 million, up ¥41,580 million compared to cash used of ¥126,006 million in the previous year. This result was mainly due to increases of ¥40,417 million in payments into time deposits and ¥24,196 million in purchases of property, plant and equipment, which more than offset an increase of ¥11,212 million in proceeds from withdrawal of time deposits.

Net Cash used in financing activities was ¥88,517 million, up ¥59,383 million compared to cash used of ¥29,133 million in the previous year. This result was mainly due to an increase of ¥85,132 million in purchase of treasury shares and dividend payments of ¥21,076 million, which more than offset the shift from decreases to increases in short-term loans payable.

Cash and Cash Equivalents

(billions of yen)



Notes: 1. Sales figures by segment shown in Segment Information include internal sales and transfers among segments (Smart Homes, Smart Business Solutions, IoT Electronics Devices, and Advance Display Systems). Segment income figures are amounts before adjustment for inter-segment trading.
2. Capital investment figures shown in Capital Investment and Depreciation include the amount of leased properties.
3. Sharp adopted Partial Amendment to Accounting Standard for Tax-Effect Accounting (ASBJ Statement No.28, February 16, 2018) at the beginning of the year ended March 31, 2019. Major management indicators for fiscal 2017 reflect the retroactive application of this accounting standard.
4. Effective for the second quarter of the year ended March 31, 2019, advanced equipment that had been included under Smart Business Solutions has been changed under IoT Electronics Devices. In this regard, Sales by Segment for the year ended March 31, 2018, has been restated based on a new classification.

Consolidated Balance Sheets

Sharp Corporation and Consolidated Subsidiaries as of March 31, 2018 and 2019

	Yen (millions)	
	2018	**2019**
ASSETS		
Current Assets		
Cash and deposits (Notes 2(c), 6 and 8)	¥ 422,302	**¥ 266,648**
Notes and accounts receivable — trade (Notes 2(c) and 8)	471,575	**539,927**
Inventories (Notes 2(b) and (c))	219,714	**243,849**
Other (Note 2(c))	111,718	**94,944**
Allowance for doubtful accounts	(8,118)	**(4,000)**
Total current assets	1,217,193	**1,141,369**
Non-current Assets		
Property, Plant and Equipment		
Buildings and structures (Note 2(c))	625,263	**645,074**
Machinery, equipment and vehicles (Note 2(c))	1,209,180	**1,188,148**
Tools, furniture and fixtures (Note 2(c))	235,418	**218,694**
Land (Note 2(c))	92,106	**83,245**
Construction in progress	45,848	**47,741**
Other	49,076	**45,974**
Accumulated depreciation	(1,828,299)	**(1,823,840)**
Total property, plant and equipment	428,595	**405,038**
Intangible assets		
Software	26,041	**25,763**
Other	18,755	**13,931**
Total intangible assets	44,797	**39,695**
Investments and other assets		
Investment securities (Notes 2(a), 2(c), 8 and 9)	172,061	**185,782**
Net defined benefit asset (Note 12)	2,786	**4,172**
Deferred tax assets (Note 14)	18,729	**22,740**
Other (Note 2(c))	26,372	**70,023**
Allowance for doubtful accounts	(2,095)	**(2,480)**
Total investments and other assets	217,854	**280,239**
Total non-current assets	691,247	**724,972**
Deferred Assets	21	**6**
Total assets	¥ 1,908,461	**¥ 1,866,349**

	Yen (millions)	
	2018	**2019**
LIABILITIES		
Current Liabilities		
Notes and accounts payable — trade (Note 8)	¥ 384,966	**¥ 372,166**
Electronically recorded obligations — operating (Note 8)	44,511	**38,149**
Short-term loans payable (Notes 2(c), 8 and 11)	81,256	**81,446**
Current portion of bonds (Notes 8 and 11)	10,000	**30,000**
Accrued expenses	132,373	**114,401**
Provision for bonuses	20,859	**20,639**
Provision for product warranties	18,135	**19,903**
Provision for sales promotion expenses	14,392	**12,422**
Provision for restructuring	1,198	**666**
Valuation reserve for inventory purchase commitments	21,369	**17,123**
Other (Note 11)	104,403	**106,217**
Total current liabilities	833,467	**813,136**
Non-current Liabilities		
Bonds payable (Notes 8 and 11)	30,000	**—**
Long-term loans payable (Notes 2(c), 8 and 11)	507,027	**538,205**
Net defined benefit liability (Note 12)	101,101	**106,636**
Other (Notes 11 and 14)	35,151	**35,898**
Total non-current liabilities	673,280	**680,740**
Total liabilities	1,506,748	**1,493,877**
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	**5,000**
Capital surplus	295,332	**208,725**
Retained earnings (Note 5)	204,906	**258,040**
Treasury shares	(13,936)	**(13,987)**
Total shareholders' equity	491,302	**457,778**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,876	**13,531**
Deferred gains or losses on hedges	(3,205)	**(220)**
Foreign currency translation adjustments	(47,302)	**(44,251)**
Remeasurements of defined benefit plans	(79,330)	**(76,208)**
Total accumulated other comprehensive income	(112,961)	**(107,148)**
Share acquisition rights (Note 5)	106	**235**
Non-controlling interests	23,265	**21,605**
Total net assets	401,713	**372,471**
Total liabilities and net assets	¥ 1,908,461	**¥ 1,866,349**

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

Consolidated Statements of Operations

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2018 and 2019

	Yen (millions)	
	2018	**2019**
Net Sales (Note 16)	¥ 2,427,271	**¥ 2,400,072**
Cost of Sales (Notes 3 (a) and (c))	2,023,007	**1,975,958**
Gross profit	404,264	**424,113**
Selling, General and Administrative Expenses (Notes 3 (b) and (c))	314,138	**339,972**
Operating profit (Note 16)	90,125	**84,140**
Non-operating Income		
Interest income	2,350	**2,713**
Dividend income	1,436	**1,396**
Rent income on non-current assets	4,662	**4,090**
Foreign exchange gains	6,454	**—**
Share of profit of entities accounted for using the equity method	176	**—**
Other	7,139	**14,449**
Total non-operating income	22,219	**22,650**
Non-operating Expenses		
Interest expenses	4,801	**4,376**
Foreign exchange losses	—	**5,782**
Share of loss of entities accounted for using the equity method	—	**9,381**
Other	18,223	**18,239**
Total non-operating expenses	23,024	**37,779**
Ordinary profit	89,320	**69,011**
Extraordinary Income		
Gain on sales of non-current assets (Note 3 (d))	2,222	**10,599**
Gain on sales of investment securities	793	**—**
Gain on bargain purchase	856	**3,936**
Gain on change in equity	825	**180**
Gain on step acquisitions	389	**—**
Total extraordinary income	5,087	**14,716**
Extraordinary Losses		
Loss on sale and retirement of non-current assets (Note 3 (e))	1,094	**1,161**
Impairment loss (Note 3 (f))	1,943	**6,304**
Loss on valuation of investment securities	—	**10**
Restructuring charges	—	**355**
Loss on liquidation of subsidiaries and associates	—	**307**
Loss on step acquisitions	1,954	**—**
Total extraordinary losses	4,991	**8,139**
Profit before income taxes	89,416	**75,587**
Income Taxes (Note 14)		
Current	14,238	**13,698**
Deferred	4,472	**(11,523)**
	18,711	**2,175**
Profit	70,705	**73,412**
Profit (loss) attributable to non-controlling interests	479	**(814)**
Profit attributable to owners of parent	¥ 70,225	**¥ 74,226**

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

Consolidated Statements of Comprehensive Income

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2018 and 2019

	Yen (millions)	
	2018	**2019**
Profit	¥ 70,705	**¥ 73,412**
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	2,402	**(3,375)**
Deferred gains or losses on hedges	(3,541)	**3,216**
Foreign currency translation adjustment	(1,944)	**3,228**
Remeasurements of defined benefit plans	16,687	**3,118**
Share of other comprehensive income of entities accounted for using the equity method	(292)	**(640)**
Total other comprehensive income (Note 4)	13,311	**5,546**
Comprehensive Income	¥ 84,016	**¥ 78,958**
Comprehensive income attributable to:		
Owners of parent	83,118	**80,039**
Non-controlling interests	897	**(1,080)**

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

Consolidated Statements of Changes in Net Assets

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2018 and 2019

	Yen (millions)												
	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings (Note 5)	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	Share acquisition rights (Note 5)	Non-controlling interests	Total net assets
Balance at beginning of the year ended March 31, 2018	¥ 5,000	¥ 576,792	¥ (148,597)	¥ (13,902)	¥ 419,292	¥ 14,474	¥ 39	¥ (44,355)	¥ (95,296)	¥ (125,138)	¥ —	¥ 13,646	¥ 307,801
Changes of items during period													
Deficit disposition		(281,947)	281,947		—								—
Profit attributable to owners of parent			70,225		70,225								70,225
Change of scope of consolidation		1	572		573								573
Change in ownership interest of parent due to transactions with non-controlling interests		428			428								428
Increase (decrease) of capital surplus by change of share to consolidated subsidiary		58			58								58
Purchase of treasury shares				(32)	(32)								(32)
Disposal of treasury shares		(1)		2	0								0
Increase of treasury shares by increasing of consolidated subsidiary				(4)	(4)								(4)
Adjustment to retained earnings due to change in US tax rate			759		759								759
Net changes of items other than shareholders' equity						2,401	(3,244)	(2,946)	15,965	12,176	106	9,618	21,902
Total changes of items during period	—	(281,460)	353,504	(34)	72,009	2,401	(3,244)	(2,946)	15,965	12,176	106	9,618	93,912
Balance at end of the year ended March 31, 2018	¥ 5,000	¥ 295,332	¥ 204,906	¥ (13,936)	¥ 491,302	¥ 16,876	¥ (3,205)	¥ (47,302)	¥ (79,330)	¥ (112,961)	¥ 106	¥ 23,265	¥ 401,713

	Yen (millions)												
	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings (Note 5)	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	Share acquisition rights (Note 5)	Non-controlling interests	Total net assets
Balance at beginning of the year ended March 31, 2019	¥ 5,000	¥ 295,332	¥ 204,906	¥ (13,936)	¥ 491,302	¥ 16,876	¥ (3,205)	¥ (47,302)	¥ (79,330)	¥ (112,961)	¥ 106	¥ 23,265	¥ 401,713
Changes of items during period													
Dividends of surplus			**(21,092)**		**(21,092)**								**(21,092)**
Profit attributable to owners of parent			**74,226**		**74,226**								**74,226**
Change in ownership interest of parent due to transactions with non-controlling interests		**(1,512)**			**(1,512)**								**(1,512)**
Capital increase of consolidated subsidiaries		**7**			**7**								**7**
Purchase of treasury shares				**(85,164)**	**(85,164)**								**(85,164)**
Disposal of treasury shares		**5**		**6**	**12**								**12**
Cancellation of treasury shares		**(85,107)**		**85,107**	**—**								**—**
Net changes of items other than shareholders' equity						**(3,344)**	**2,985**	**3,051**	**3,122**	**5,813**	**128**	**(1,660)**	**4,281**
Total changes of items during period	**—**	**(86,607)**	**53,134**	**(50)**	**(33,523)**	**(3,344)**	**2,985**	**3,051**	**3,122**	**5,813**	**128**	**(1,660)**	**(29,241)**
Balance at end of the year ended March 31, 2019	**¥ 5,000**	**¥ 208,725**	**¥ 258,040**	**¥ (13,987)**	**¥ 457,778**	**¥ 13,531**	**¥ (220)**	**¥ (44,251)**	**¥ (76,208)**	**¥ (107,148)**	**¥ 235**	**¥ 21,605**	**¥ 372,471**

Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2018 and 2019

	Yen (millions)	
	2018	**2019**
Cash Flows from Operating Activities:		
Profit before income taxes	¥ 89,416	**¥ 75,587**
Depreciation and amortization	76,116	**78,849**
Interest and dividend income	(3,787)	**(4,110)**
Interest expenses	4,801	**4,376**
Share of loss (profit) of entities accounted for using the equity method	(176)	**9,381**
Loss (gain) on sales and retirement of non-current assets, net	(1,128)	**(9,438)**
Loss (gain) on sales of investment securities, net	(793)	**—**
Gain on bargain purchase	(856)	**(3,936)**
Gain on change in equity	(825)	**(180)**
Impairment loss	1,943	**6,304**
Loss (gain) on valuation of investment securities	—	**10**
Restructuring charges	—	**355**
Loss (gain) on liquidation of subsidiaries and associates	—	**307**
Loss (gain) on step acquisitions	1,565	**—**
Decrease (increase) in notes and accounts receivable — trade	(85,373)	**(37,248)**
Decrease (increase) in accounts receivable — other	(9,013)	**17,166**
Decrease (increase) in inventories	4,802	**1,795**
Increase (decrease) in notes and accounts payable — trade	61,090	**(47,024)**
Increase (decrease) in accrued expenses	(8,902)	**(19,326)**
Increase (decrease) in advances received	(3)	**11,180**
Increase (decrease) in valuation reserve for inventory purchase commitments	(27,248)	**(4,245)**
Other, net	20,978	**10,283**
Subtotal	122,602	**90,079**
Interest and dividend income received	4,088	**8,782**
Interest expenses paid	(5,873)	**(4,382)**
Income taxes (paid) refund	(15,547)	**(15,436)**
Net cash provided by (used in) operating activities	105,270	**79,043**

	Yen (millions)	
	2018	**2019**
Cash Flows from Investing Activities:		
Payments into time deposits	(39,052)	**(79,470)**
Proceeds from withdrawal of time deposits	48,165	**59,377**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6(b))	(6,356)	**(3,393)**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6(b))	6,311	**13,455**
Purchases of property, plant and equipment	(102,063)	**(126,259)**
Purchase of intangible assets	(14,565)	**(16,589)**
Purchases of investment securities	(28,912)	**(36,664)**
Proceeds from sales of property, plant and epuipment	3,289	**20,764**
Other, net	7,177	**1,192**
Net cash provided by (used in) investing activities	(126,006)	**(167,587)**
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	(39,240)	**20,547**
Proceeds from long-term loans payable	35,001	**32,695**
Repayments of long-term loans payable	(20,160)	**(21,189)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(402)	**(5,422)**
Redemption of bonds	—	**(10,000)**
Purchase of treasury shares	(32)	**(85,164)**
Cash dividends paid	—	**(21,076)**
Proceeds from share issuance to non-controlling shareholders	—	**2,255**
Other, net	(4,299)	**(1,162)**
Net cash provided by (used in) financing activities	(29,133)	**(88,517)**
Effect of Exchange Rate Change on Cash and Cash Equivalents	852	**482**
Net Increase (Decrease) in Cash and Cash Equivalents	(49,017)	**(176,577)**
Cash and Cash Equivalents at Beginning of Year	453,477	**404,001**
Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	(458)	**1,374**
Cash and Cash Equivalents at End of Year (Note 6(a))	¥ 404,001	**¥ 228,798**

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

Notes to Consolidated Financial Statements

Sharp Corporation and Consolidated Subsidiaries

1. Summary of Significant Accounting and Reporting Policies

(a) Basis of presenting consolidated financial statements

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

The financial statements of the Company’s overseas consolidated subsidiaries for consolidation purposes have been prepared in conformity with IFRS or generally accepted accounting principles in the United States of America (“US GAAP”), with adjustments for the specified 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 Act.

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

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 93 companies over which the Company has power of control through the holding of majority voting rights or with the existence of other certain conditions. Investments in 1 nonconsolidated subsidiary and 27 affiliates on which the Company has significant influence regarding their operating and financial policies are accounted for using the equity method.

Changes in the consolidated subsidiaries for the year ended March 31, 2019 were as follows:

(Included in scope)
Dynabook Inc.
Sharp Hong Kong Limited
Sharp Fukuyama Semiconductor Co., Ltd.
And 12 others

(Excluded from scope)
Sharp Electronics (Nordic) AB
Mikava Oy
And 5 others

Changes in the nonconsolidated subsidiaries and affiliates accounted for using the equity method for the year ended March 31, 2019 were as follows:

(Included in scope)
FIT Electronics Device Pte. Ltd.
Sharp FIT Automotive Technology Co., Ltd.
And 3 others

(Excluded from scope)
Sharp Hong Kong Limited
Sharp Life Science Corporation
Eco Life Solutions Co., Ltd.
And 2 others

Sharp India Ltd. is the main nonconsolidated subsidiary.

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

(c) Investment securities

Investment securities consist principally of marketable and non-marketable 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.

With respect to the investments in partnerships, the amount determined by applying the holding ratio to the profits or losses resulting from the operations of the partnerships is stated as non-operating income or expenses, then added to or deducted from the balance of investment securities.

(d) Derivatives

Derivatives are stated at fair value.

(e) 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 profitability of inventories decreases, inventories are carried at net realizable value. For overseas consolidated subsidiaries, inventories are measured at the lower of moving average cost and net realizable value.

(f) Depreciation and amortization

For the Company and its domestic consolidated subsidiaries, depreciation of property, plant and equipment other than leased assets 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

Notes to Consolidated Financial Statements

using the straight-line method over the estimated useful life of the asset. Property, plant and equipment 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.

(g) Deferred assets

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

(h) 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 to reflect the impact of the risk of possible credit loss.

(i) Provision for bonuses

The Company and its consolidated subsidiaries accrue estimated amounts of employees' bonuses based on the estimated amounts to be paid in the subsequent period which relate to their performance in the current period.

(j) Provision for product warranties

Estimated amounts of warranty are accrued based on the past experience. This procedure is made to reflect the impact of the risk of expenses being incurred for after-sales service within the warranty period in respect of sales recorded prior to the balance sheet date.

(k) 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 in respect of services rendered or goods received prior to the balance sheet date.

(l) Provision for restructuring

The estimated amounts of restructuring are recognized as a provision in order to provide for expenses related to structural reform.

(m) Valuation reserve for inventory purchase commitments

Differences between contracted prices and current market prices for long-term supply contracts for raw materials are set aside as an allowance for contract loss. This reflects the impact of the risk of loss in cases where the market price of materials declines significantly below the contracted price of fulfillment of the contract causes a loss in the production of 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 period following that in which the gain or loss was incurred.

(o) Hedge accounting

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

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

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

(p) Method and period for amortization of goodwill

Goodwill is amortized evenly over the estimated effective term. Goodwill recorded in the consolidated subsidiaries in the U.S.A. is amortized straight line over 10 years.

However, if the amount of goodwill is insignificant, the entire amount is amortized during the period in which the goodwill arises.

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

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

Notes to Consolidated Financial Statements

(r) Consumption taxes

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, 2019, overseas subsidiaries reporting under IFRS have applied IFRS 15 *Revenue from Contracts with Customers*.

This change had an immaterial impact on consolidated financial statements for the year ended March 31, 2019.

(u) Unapplied accounting standards and interpretations

The accounting standards and interpretations issued as of March 31, 2019 but not yet applied as of the year ended March 31, 2019 were as follows:

The monetary impact amounts arising through the application of these standards and interpretations are under evaluation.

The Company and domestic consolidated subsidiaries

Name of the standards and interpretations		Description of the standards and interpretations	Planned adoption period
ASBJ Statement No. 29	Accounting Standard for Revenue Recognition	Establishment of the accounting treatment for revenue recognition	From the year ended March 31, 2022

Overseas consolidated subsidiaries

Name of the standards and interpretations		Description of the standards and interpretations	Planned adoption period
IFRS 16	Leases	Revision of the accounting treatment for leases	From the year ended March 31, 2020
ASU No.2014-09	Revenue from Contracts with Customers (Topic 606)	Revision of the accounting treatment for revenue recognition	From the year ended March 31, 2020
ASU No.2016-02	Leases (Topic 842)	Revision of the accounting treatment for leases	From the year ended March 31, 2021

(v) Changes in presentation method

(Changes conforming to the application of *Partial Amendments to Accounting Standard for Tax Effect Accounting*)

Beginning with the year ended March 31, 2019, the Company has applied ASBJ Statement No. 28 *Partial Amendments to Accounting Standard for Tax Effect Accounting* (February 16, 2018, hereinafter referred to as Statement No. 28). With this change, deferred tax assets and deferred tax liabilities are now presented under "Investments and other assets" and "Non-current liabilities", respectively. We have also made changes to Notes to income taxes.

As a result, ¥6,544 million of deferred tax assets, which was included in "Other" under "Current assets" on the consolidated balance sheets of the year ended March 31, 2018, has been reclassified as a part of the ¥18,729 million in "Deferred tax assets" under "Investments and other assets". Also, ¥470 million of deferred tax liabilities, which was included in "Other" under "Current liabilities", has been reclassified as a part of the ¥35,151 million of "Other" under "Non-current liabilities".

Deferred tax assets and liabilities have been offset on the consolidated balance sheets for taxes paid by the same taxable entity. As a result, total assets decreased ¥198 million under the change in presentation method.

Notes to income taxes reflects the disclosures required by Annotation 8 (excluding the total amount of the valuation allowance) and Annotation 9 of *Annotations on Accounting Standard for Tax Effect Accounting*, which are stipulated in Paragraphs 3 to 5 of Statement No. 28. The information pertaining to the year ended March 31, 2018 is omitted in accordance with the transitional treatment defined in Paragraph 7 of Statement No. 28.

(Consolidated balance sheets)

"Deferred tax assets", which was included in "Other" under "Investments and other assets" in the year ended March 31, 2018, has been separately presented in the year ended March 31, 2019 since its balance exceeded 1% of total assets. In order to reflect this change in presentation method, amounts included in the consolidated financial statements for the year ended March 31, 2018 have been reclassified.

As a result, ¥38,756 million included in "Other" under "Investments and other assets" in the consolidated balance sheets as of March 31, 2018, has been reclassified as ¥18,729 million in "Deferred tax assets" and ¥26,372 million in "Other" after the application of Statement No. 28.

(Consolidated statements of operations)

"Rent expenses on non-current assets", which was separately presented for the year ended March 31, 2018, has been included in "Other" of "Non-operating expenses" for the year ended March 31, 2019 since its amount became less than 10% of total non-operating expenses. In order to reflect this change in presentation method, amounts included in the consolidated financial statements for the year ended March 31, 2018 have been reclassified.

As a result, in the consolidated statements of operations for the year ended March 31, 2018, ¥2,499 million of "Rent expenses on non-current assets" and ¥15,724 million of "Other" of "Non-operating expenses" have been reclassified as ¥18,223 million of "Other" of "Non-operating expenses".

Notes to Consolidated Financial Statements

(Consolidated statements of cash flows)

1) Cash flows from operating activities

"Increase (decrease) in accrued expenses" and "Increase (decrease) in advances received", which were included in "Other, net" for the year ended March 31, 2018, have been separately presented for the year ended March 31, 2019 since their financial materiality has increased. In order to reflect this change in presentation method, amounts included in the consolidated financial statements for the year ended March 31, 2018 have been reclassified.

As a result, in the net cash provided by (used in) operating activities in the consolidated statements of cash flows for the year ended March 31, 2018, ¥12,071 million of "Other, net" has been reclassified as ¥(8,902) million of "Increase (decrease) in accrued expenses", ¥(3) million of "Increase (decrease) in advances received" and ¥20,978 million of "Other, net".

2) Cash flows from investing activities

"Proceeds from sales of investment securities", which was separately presented for the year ended March 31, 2018, has been included in "Other, net" for the year ended March 31, 2019 since its financial materiality has decreased. Furthermore, "Purchase of intangible assets" and "Proceeds from sales of property, plant and equipment", which were included in "Other, net" for the year ended March 31, 2018, have been separately presented for the year ended March 31, 2019 because their financial materiality has increased. In order to reflect this change in presentation method, amounts included in the consolidated financial statements for the year ended March 31, 2018 have been reclassified.

As a result, in the net cash provided by (used in) investing activities in the consolidated statements of cash flows for the year ended March 31, 2018, ¥62 million of "Proceeds from sales of investment securities" and ¥(4,160) million of "Other, net" have been reclassified as ¥(14,565) million of "Purchase of intangible assets", ¥3,289 million of "Proceeds from sales of property, plant and equipment" and ¥7,177 million of "Other, net".

3) Cash flows from financing activities

"Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation", which was included in "Other, net" for the year ended March 31, 2018, has been separately presented for the year ended March 31, 2019 since their financial materiality has increased. In order to reflect this change in presentation method, amounts included in the consolidated financial statements for the year ended March 31, 2018 have been reclassified.

As a result, in the net cash provided by (used in) financing activities in the consolidated statements of cash flows for the year ended March 31, 2018, ¥(4,701) million of "Other, net" has been reclassified as ¥(402) million of "Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation" and ¥(4,299) million of "Other, net".

2. Notes to Consolidated Balance Sheets

(a) Investment in nonconsolidated subsidiaries and affiliates

Investment in nonconsolidated subsidiaries and affiliates as of March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Investment in nonconsolidated subsidiaries and affiliates	¥ 75,871	**¥ 65,515**

(b) Inventories

Inventories as of March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Finished products	¥ 153,717	**¥ 161,854**
Work in process	23,537	**33,042**
Raw materials and supplies	42,459	**48,952**
	¥ 219,714	**¥ 243,849**

(c) Collateral Assets and Liabilities secured by Collateral

Collateral assets and liabilities secured by collateral as of March 31, 2018 and 2019 were as follows:

(1) Assets pledged as collateral

	Yen (millions)	
	2018	**2019**
Cash and deposits	¥ 14,580	**¥ 34,224**
Notes and accounts receivable — trade	70,936	**72,803**
Inventories	79,163	**94,018**
Other (Current assets)	3,724	**11,110**
Buildings and structures	135,969	**140,593**
Machinery, equipment and vehicles	31,256	**21,913**
Tools, furniture and fixtures	1,662	**2,142**
Land	79,137	**69,992**
Investment securities	37,661	**33,073**
Other (Investments and other assets)	157	**—**
	¥ 454,249	**¥ 479,871**

Notes to Consolidated Financial Statements

(2) Liabilities secured by collateral

	Yen (millions)	
	2018	**2019**
Short-term loans payable	¥ 7,744	**¥ 7,733**
Long-term loans payable	426,693	**426,693**
	¥ 434,437	**¥ 434,427**

Cash and deposits of ¥9,499 million as of March 31, 2018 and ¥9,475 million as of March 31, 2019 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 long-term loans payable as of March 31, 2018 and 2019.

(d) Contingent Liabilities

(1) Guarantee liabilities

	Yen (millions)	
	2018	**2019**
Loans guaranteed for employees	¥ 8,191	**¥ 6,862**

(2) Discounted trade notes receivable

	Yen (millions)	
	2018	**2019**
Discounted trade notes receivable	—	**¥ 1,880**

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

The Company entered into long-term contracts with several suppliers with respect to electricity and other inputs at the Sakai Factory. The total amounts of future minimum payments under such contracts as of March 31, 2018 and 2019 were ¥27,058 million (longest remaining term was 11 years) and ¥21,795 million (longest remaining term was 10 years), respectively. No contract can be terminated before expiration.

(e) Investment commitment

The Company entered into contract to participate in the SoftBank Vision Fund, a private fund established by SoftBank Group Corp., in May 2017. Total amount of investment commitment is USD 1 billion. The balance of remaining committed contribution as of March 31, 2018 and 2019 were as follows:

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

	Yen (millions)	
	2018	**2019**
Total amount of investment commitment	¥ 105,270	**¥ 110,010**
Contribution made	24,331	**57,409**
Remaining committed contribution	¥ 80,938	**¥ 52,600**

3. Notes to Consolidated Statements of Operations

(a) Inventory valuation loss

Inventories at the end of the fiscal year is presented as the amount after deducting valuation loss.

Net inventory valuation loss (after offsetting the reversal amount) included in the cost of sales for the years ended March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Cost of sales	¥ (17,475)	**¥ (10,323)**

(b) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Salaries and allowances	¥ 100,268	**¥ 107,609**
Provision for bonuses	9,643	**10,850**
Retirement benefit expenses	9,548	**8,087**
Transportation and warehousing expenses	32,270	**36,298**
Research and development expenses	22,709	**31,868**
Provision for bonuses	1,273	**1,154**

(c) Research and development expenses

Research and development expenses included in general and administrative expenses and cost of manufacturing were ¥100,536 million for the year ended March 31, 2018 and ¥108,545 million for the year ended March 31, 2019.

Notes to Consolidated Financial Statements

(d) Gain on sales of non-current assets

Major components of gain on sales of non-current assets for the years ended March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Buildings and structures	¥ 1,144	**¥ 2,364**
Machinery, equipment and vehicles	675	**2,079**
Tools, furniture and fixtures	139	**203**
Land	263	**5,934**
Software	—	**14**
Other	0	**3**
	¥ 2,222	**¥ 10,599**

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

Major components of loss on sale and retirement of non-current assets for the years ended March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Loss on sale:		
Buildings and structures	¥ 0	**¥ —**
Machinery, equipment and vehicles	79	**14**
Tools, furniture and fixtures	16	**3**
Other	0	**0**
	¥ 96	**¥ 19**
Loss on retirement:		
Buildings and structures	¥ 115	**¥ 321**
Machinery, equipment and vehicles	715	**614**
Tools, furniture and fixtures	118	**39**
Land	1	**—**
Construction in progress	0	**2**
Software	17	**53**
Other	28	**109**
	¥ 997	**¥ 1,141**
Total:		
Buildings and structures	¥ 115	**¥ 321**
Machinery, equipment and vehicles	795	**629**
Tools, furniture and fixtures	135	**43**
Land	1	**—**
Construction in progress	0	**2**
Software	17	**53**
Other	28	**109**
	¥ 1,094	**¥ 1,161**

(f) 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 ¥583 million for the Smart Home unit due to the decreasing profitability of the business for the year ended March 31, 2018. Details were as follows: ¥423 million for machinery, equipment and vehicles; ¥63 million for tools, furniture and fixtures; ¥75 million for software; and ¥20 million for others. The net realizable value for all assets was evaluated to be zero.

The Company recognized an impairment loss of ¥1,360 million for some idle assets due to no future usage being planned as of the year ended March 31, 2018. Details were as follows: ¥306 million for buildings and structures; ¥245 million for machinery, equipment and vehicles; ¥110 million for tools, furniture and fixtures; ¥682 million for software; and ¥16 million for others. The net realizable value for all assets was evaluated to be zero.

A consolidated subsidiary recognized an impairment loss of ¥167 million for the Smart Home unit due to the decreasing profitability of the business for the year ended March 31, 2019. Details were as follows: ¥2 million for buildings and structures; ¥14 million for tools, furniture and fixtures; ¥128 million for software; and ¥22 million for others. The net realizable value for all assets was evaluated to be zero.

The Company recognized an impairment loss of ¥970 million for the IoT Electronic Device unit due to the decreasing profitability of the business for the year ended March 31, 2019. Details were as follows: ¥960 million for machinery, equipment and vehicles; ¥9 million for tools, furniture and fixtures . The net realizable value for all assets was evaluated to be zero.

The Company recognized an impairment loss of ¥5,166 million on goodwill following adverse profitability in a consolidated subsidiary. The estimated recoverable amount was evaluated based on the net realizable value.

4. Notes to Consolidated Statements of Comprehensive Income

Summary of amounts of reclassification adjustments and their tax effects to other comprehensive income as of March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Valuation difference on available-for-sale securities		
Amount arising during the year	¥ 3,456	**¥ (4,810)**
Reclassification adjustment	(0)	**(42)**
Before tax effect	3,455	**(4,853)**
Tax effect	(1,053)	**1,477**
Valuation difference on available-for-sale securities	¥ 2,402	**¥ (3,375)**
Deferred gains or losses on hedges		
Amount arising during the year	¥ (2,947)	**¥ 2,894**
Reclassification adjustment	(445)	**(40)**
Before tax effect	(3,393)	**2,853**
Tax effect	(148)	**363**
Deferred gains or losses on hedges	¥ (3,541)	**¥ 3,216**
Foreign currency translation adjustment		
Amount arising during the year	¥ (3,737)	**¥ 3,228**
Reclassification adjustment	1,792	**—**
Before tax effect	(1,944)	**3,228**
Tax effect	—	**—**
Foreign currency translation adjustment	¥ (1,944)	**¥ 3,228**
Remeasurements of defined benefit plans		
Amount arising during the year	¥ 5,362	**¥ (7,345)**
Reclassification adjustment	12,106	**11,290**
Before tax effect	17,468	**3,945**
Tax effect	(781)	**(827)**
Remeasurements of defined benefit plans	¥ 16,687	**¥ 3,118**
Share of other comprehensive income of entities accounted for using the equity method		
Amount arising during the year	¥ (419)	**¥ (637)**
Reclassification adjustment	126	**(3)**
Share of other comprehensive income of entities accounted for using the equity method	¥ (292)	**¥ (640)**
Total other comprehensive income	¥ 13,311	**¥ 5,546**

5. Notes to Consolidated Statements of Changes in Net Assets

(a) Class and Total Number of Issued Shares and Treasury Shares

Class and total number of issued shares and treasury shares for the years ended March 31, 2018 and 2019 were as follows:

For the year ended March 31, 2018

	(Thousands of shares)			
	Number of shares as of March 31, 2017	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2018
Issued shares				
Common shares	4,983,165	—	4,484,849	498,316
Class A shares	200	—	—	200
Class C shares	11,363	—	10,227	1,136
Total	4,994,729	—	4,495,076	499,652
Treasury shares				
Common shares	10,556	46	9,535	1,067
Total	10,556	46	9,535	1,067

Notes:
1. Every 10 common shares and every 10 Class C shares were consolidated into 1 single share as of October 1, 2017. Due to this share consolidation, total issued shares decreased by 4,495,076 thousand shares, resulting in 499,652 thousand shares remaining issued as of the year ended March 31, 2018.
2. The increase of 46 thousand shares in common shares of treasury shares consisted of an increase of 28 thousand shares due to the addition of the Company's common shares which were held by a new affiliate accounted for using the equity method, an increase of 11 thousand shares due to the purchase of shares less than one trading unit, an increase of 5 thousand shares due to the purchase of fractional shares generated from the share consolidation, and an increase of 0 thousand shares due to the increase in the attribution ratio of the Company's common shares which was held by the newly consolidated subsidiary from the affiliate accounted for using the equity method.
3. The decrease of 9,535 thousand shares in common shares of treasury shares consisted of the decrease of 9,534 thousand shares due to the share consolidation and the decrease of 0 thousand shares due to the sale of shares less than one trading unit.

Notes to Consolidated Financial Statements

For the year ended March 31, 2019

(Thousands of shares)

	Number of shares as of March 31, 2018	Increase in number of shares	Decrease in number of shares	**Number of shares as of March 31, 2019**
Issued shares				
Common shares	498,316	34,100	—	**532,416**
Class A shares	200	—	92	**108**
Class C shares	1,136	—	341	**795**
Total	499,652	34,100	433	**533,319**
Treasury shares				
Common shares	1,067	41	3	**1,104**
Class A shares	—	92	92	**—**
Class C shares	—	341	341	**—**
Total	1,067	474	436	**1,104**

Notes:
1. The increase of 34,100 thousand shares in common shares of issued shares, the increase and decrease of 341 thousand shares in Class C shares of treasury shares was due to the acquisition by exercising the call option with common shares as consideration and cancellation of treasury shares (Class C shares) on July 23, 2018.
2. The decrease of 92 thousand shares in Class A shares of issued shares, the increase and decrease of 92 thousand shares in Class A shares of treasury shares was due to the acquisition and cancellation of treasury shares (Class A shares) on January 30, 2019.
   The Company adopted the resolution concerning the acquisition and cancellation of the remaining 108 thousand shares in Class A shares at the meeting of its Board of Directors on June 11, 2019. Based on this, the Company acquired and cancelled of treasury shares (Class A shares) on June 21, 2019.
3. The increase of 41 thousand shares in common shares of treasury shares consisted of the increase of 35 thousand shares due to the acquisition of shares owned by untraceable shareholders and the increase of 5 thousand shares due to the purchase of shares less than one trading unit.
4. The decrease of 3 thousand shares in common shares of treasury shares consisted of the decrease of 3 thousand shares due to the sale of the Company's common shares which were held by the consolidated subsidiary and the decrease of 0 thousand shares due to the sale of shares less than one trading unit.

(b) Share Acquisition Rights and Treasury Share Acquisition Rights

Share acquisition rights and treasury share acquisition rights for the years ended March 31, 2018 and 2019 were as follows:

For the year ended March 31, 2018

			Number of shares underlying the share acquisition rights (Share)				
Classification	Description of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares as of March 31, 2017	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2018	Balance as of March 31, 2018 (Millions of yen)
The Company	Share acquisition rights as a stock option	—	—	—	—	—	98
Consolidated subsidiaries	—	—	—	—	—	—	8
Total		—	—	—	—	—	106

For the year ended March 31, 2019

			Number of shares underlying the share acquisition rights (Share)				
Classification	Description of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares as of March 31, 2018	Increase in number of shares	Decrease in number of shares	**Number of shares as of March 31, 2019**	**Balance as of March 31, 2019 (Millions of yen)**
The Company	Share acquisition rights as a stock option	—	—	—	—	**—**	**227**
Consolidated subsidiaries	—	—	—	—	—	**—**	**8**
Total		—	—	—	—	**—**	**235**

Notes to Consolidated Financial Statements

(c) Dividends

Items related to dividends for the years ended March 31, 2018 and 2019 were as follows:

For the year ended March 31, 2018

(1) Dividends paid

No dividend payment was made during the year ended March 31, 2018.

(2) Dividends for which the record date was within the year ended March 31, 2018, with effective date falling in the following fiscal year were as follows:

Resolutions	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on April 26, 2018	Common shares	Retained earnings	4,972	10	March 31, 2018	May 30, 2018
Board of Directors meeting on April 26, 2018	Class A shares	Retained earnings	14,983	74,916.50	March 31, 2018	May 29, 2018
Board of Directors meeting on April 26, 2018	Class C shares	Retained earnings	1,136	1,000	March 31, 2018	May 30, 2018

For the year ended March 31, 2019

(1) Dividends paid

Resolutions	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on April 26, 2018	Common shares	4,972	10	March 31, 2018	May 30, 2018
Board of Directors meeting on April 26, 2018	Class A shares	14,983	74,916.50	March 31, 2018	May 29, 2018
Board of Directors meeting on April 26, 2018	Class C shares	1,136	1,000	March 31, 2018	May 30, 2018

(2) Dividends for which the record date was within the year ended March 31, 2019, with effective date falling in the following fiscal year were as follows:

Resolutions	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 9, 2019	Common shares	Retained earnings	10,626	20	March 31, 2019	June 5, 2019
Board of Directors meeting on May 9, 2019	Class A shares	Retained earnings	2,836	26,263.60	March 31, 2019	June 4, 2019
Board of Directors meeting on May 9, 2019	Class C shares	Retained earnings	1,590	2,000	March 31, 2019	June 5, 2019

6. Notes to Consolidated Statements of Cash Flows

(a) Reconciliation of cash and cash equivalents and cash and deposits on the consolidated balance sheets

Reconciliation of cash and cash equivalents and cash and deposits on the consolidated balance sheets as of March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Cash and deposits	¥ 422,302	**¥ 266,648**
Time deposits with maturity over 3 months or pledged as collateral	(18,301)	**(37,850)**
Cash and cash equivalents	¥ 404,001	**¥ 228,798**

(b) Major components of assets and liabilities of newly consolidated subsidiaries acquired by purchase of shares

Major components of assets and liabilities of newly consolidated subsidiaries acquired by purchase of shares were as follows:

Fiscal year ended March 31, 2018

The information is omitted as it is immaterial.

Fiscal year ended March 31, 2019

The components of assets and liabilities of SAIGON STEC Co., LTD. acquired by purchase of shares at the start of its consolidation, and the relationship between the acquisition cost of their shares and the related proceeds (net amount) were as follows:

	Yen (millions)
Current assets	**¥ 10,496**
Non-current assets	**10,828**
Goodwill	**323**
Current liabilities	**18,503**
Non-current liabilities	**2,593**
Foreign currency translation adjustments	**108**
Non-controlling interests	**111**
Acquisition cost of shares	**331**
Cash and Cash equivalents	**776**
Net: proceeds from purchase	**¥ 444**

Notes to Consolidated Financial Statements

The components of assets and liabilities of Dynabook Inc. and other 7 newly consolidated subsidiaries acquired by purchase of shares at the start of their consolidation, and the relationship between the acquisition cost of their shares and the related proceeds (net amount) were as follows:

	Yen (millions)
Current assets	**¥ 75,908**
Non-current assets	**2,048**
Current liabilities	**61,177**
Non-current liabilities	**6,045**
Gain on bargain purchase	**3,936**
Non-controlling interests	**2,136**
Acquisition cost of shares	**4,661**
Accounts payable — other	**(656)**
Cash and Cash equivalents	**17,015**
Net: proceeds from purchase	**¥ 13,010**

As of March 31, 2019, the purchase price allocation for Dynabook Inc. and other 7 newly consolidated subsidiaries was not completed and the Company used a provisional accounting treatment based on available reasonable information at the time.

(c) Significant Non-cash Transactions

Newly recorded assets and liabilities related to finance leases were as follows:

	Yen (millions)	
	2018	**2019**
Assets and liablities related to finance lease transactions	¥ —	**¥ 27,204**

7. Leases

Operating leases

(a) As lessee

Future minimum lease payments for only non-cancelable contracts as of March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Due within one year	¥ 2,790	**¥ 3,073**
Due after one year	9,135	**9,949**
	¥ 11,925	**¥ 13,023**

(b) As lessor

Future minimum lease receipts for only non-cancelable contracts as of March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Due within one year	¥ 1,280	**¥ 1,378**
Due after one year	2,556	**2,540**
	¥ 3,836	**¥ 3,919**

8. Financial Instruments

(a) Qualitative information on financial instruments

(1) Policies for financial instruments

The Company and its consolidated subsidiaries obtain necessary funds mainly through bank loans 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 term is 7 years and 1 month from March 31, 2019.

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

(3) Risk management of financial instruments

i) Management of credit 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.

ii) 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.

iii) 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 of 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, 2018 and 2019 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) below for the details of such financial instruments.

Notes to Consolidated Financial Statements

	Yen (millions)		
	2018		
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and deposits	¥ 422,302	¥ 422,302	¥ —
(2) Notes and accounts receivable — trade	471,575	471,391	(184)
(3) Investment securities			
1) Shares of nonconsolidated subsidiaries and affiliates	0	1,250	1,250
2) Other securities	40,059	40,059	—
Total assets	¥ 933,937	¥ 935,003	¥ 1,065
(4) Notes and accounts payable — trade	¥ 384,966	¥ 384,966	¥ —
(5) Electronically recorded obligations — operating	44,511	44,511	—
(6) Short-term loans payable	81,256	81,256	—
(7) Bonds payable (including bonds expiring within one year)	40,000	40,043	43
(8) Long-term loans payable	507,027	507,768	741
Total liabilities	¥ 1,057,761	¥ 1,058,546	¥ 784
(9) Derivative transactions*			
1) Derivative transactions — hedge accounting not applied	¥ 995	¥ 995	¥ —
2) Derivative transactions — hedge accounting applied	(2,985)	(1,148)	1,837
Total derivative transactions	¥ (1,990)	¥ (153)	¥ 1,837

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

	Yen (millions)		
	2019		
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and deposits	**¥ 266,648**	**¥ 266,648**	**¥ —**
(2) Notes and accounts receivable — trade	**539,927**	**539,504**	**(423)**
(3) Investment securities			
1) Shares of nonconsolidated subsidiaries and affiliates	**0**	**914**	**914**
2) Other securities	**35,190**	**35,190**	**—**
Total assets	**¥ 841,766**	**¥ 842,258**	**¥ 491**
(4) Notes and accounts payable — trade	**¥ 372,166**	**¥ 372,166**	**¥ —**
(5) Electronically recorded obligations — operating	**38,149**	**38,149**	**—**
(6) Short-term loans payable	**81,446**	**81,446**	**—**
(7) Bonds payable (including bonds expiring within one year)	**30,000**	**30,129**	**129**
(8) Long-term loans payable	**538,205**	**541,383**	**3,178**
Total liabilities	**¥ 1,059,967**	**¥ 1,063,274**	**¥ 3,307**
(9) Derivative transactions*			
1) Derivative transactions — hedge accounting not applied	**¥ 1,184**	**¥ 1,184**	**¥ —**
2) Derivative transactions — hedge accounting applied	**(13)**	**(548)**	**(535)**
Total derivative transactions	**¥ 1,171**	**¥ 636**	**¥ (535)**

*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 calculated based on forward exchange market rate. The fair value of interest rate swaps is calculated based on the asking price offered by the financial institutions with which the Company enters into has such transactions.

(Note 2) Financial instruments of which fair values are considered too difficult to be estimated are unlisted stocks of ¥80,606 million as of March 31, 2018 and ¥72,108 million as of March 31, 2019, and investments in capital of ¥51,396 million as of March 31, 2018 and ¥78,484 million as of March 31, 2019. 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".

Notes to Consolidated Financial Statements

(Note 3) Aggregate maturity of cash and deposits, and receivables as of March 31, 2018 and 2019 were as follows:

	Yen (millions)		
	2018		
	Cash and deposits	Notes and accounts receivable – trade	Total
Due within one year	¥ 422,302	¥ 458,059	¥ 880,361
Due after one year, within five years	—	13,516	13,516
Due after five years, within ten years	—	—	—
Due after ten years	—	—	—

	Yen (millions)		
	2019		
	Cash and deposits	Notes and accounts receivable – trade	Total
Due within one year	**¥ 266,648**	**¥ 529,494**	**¥ 796,142**
Due after one year, within five years	**—**	**10,433**	**10,433**
Due after five years, within ten years	**—**	**—**	**—**
Due after ten years	**—**	**—**	**—**

9. Investment Securities

(a) Other securities

Other securities with available fair market values as of March 31, 2018 and 2019 were as follows:

	Yen (millions)			
	2018			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,989	¥ 23,365	¥ (296)	¥ 40,059
	¥ 16,989	¥ 23,365	¥ (296)	¥ 40,059

	Yen (millions)			
	2019			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	**¥ 16,976**	**¥ 18,635**	**¥ (421)**	**¥ 35,190**
	¥ 16,976	**¥ 18,635**	**¥ (421)**	**¥ 35,190**

Unlisted stocks and others (of which book values were recorded as ¥56,130 million for the year ended March 31, 2018 and ¥85,077 million for the year ended March 31, 2019) are not included in the above table because they do not have market prices.

The proceeds from sales of other securities were ¥74 million for the year ended March 31, 2019. The gross realized gains on those sales were ¥57 million for the year ended March 31, 2019. The gross realized losses on those sales were zero for the year ended March 31, 2019.

No item classified as other securities was sold during the year ended March 31, 2018.

10. Derivative Transactions

(a) Derivative transactions — hedge accounting not applied

Currency-related transactions

		Yen (millions)			
		2018			
Classification	Type of derivatives	Contract amount	Amount of contract due after one year	Fair value	Profit (loss) from valuation
Off-market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	¥ 48,187	¥ —	¥ 2,142	¥ 2,142
	Euro	9,858	—	101	101
	New Zealand dollar	2,331	—	82	82
	Russian rouble	553	—	14	14
	Canadian dollar	154	—	12	12
	Australian dollar	86	—	6	6
	Singapore dollar	46	—	—	—
	Thai baht	41	—	1	1
	Polish zloty	31	—	(0)	(0)
	Buy				
	U.S. dollar	39,297	—	(1,367)	(1,367)
	Japanese yen	2,115	—	(7)	(7)
	Thai baht	839	—	8	8
Total		¥ 103,543	¥ —	¥ 995	¥ 995

*Fair value of forward exchange contracts is calculated based on forward exchange market rate.

Notes to Consolidated Financial Statements

		Yen (millions)			
		2019			
Classification	Type of derivatives	Contract amount	Amount of contract due after one year	Fair value	Profit (loss) from valuation
Off-market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	**¥ 42,230**	**¥ —**	**¥ 197**	**¥ 197**
	New Zealand dollar	**2,331**	**—**	**82**	**82**
	Canadian dollar	**884**	**—**	**16**	**16**
	Pound sterling	**584**	**—**	**(4)**	**(4)**
	Russian rouble	**242**	**—**	**19**	**19**
	Swedish krona	**132**	**—**	**(0)**	**(0)**
	Euro	**128**	**—**	**3**	**3**
	Swiss franc	**88**	**—**	**(0)**	**(0)**
	Australian dollar	**55**	**—**	**2**	**2**
	Danish krone	**13**	**—**	**(0)**	**(0)**
	Norwegian krone	**1**	**—**	**0**	**0**
	Hungarian forint	**1**	**—**	**0**	**0**
	Buy				
	U.S. dollar	**69,995**	**—**	**860**	**860**
	Canadian dollar	**1,042**	**—**	**8**	**8**
	Euro	**13**	**—**	**0**	**0**
	Chinese yuan	**2**	**—**	**0**	**0**
Total		**¥ 117,749**	**¥ —**	**¥ 1,184**	**¥ 1,184**

*Fair value of forward exchange contracts is calculated based on forward exchange market rate.

(b) Derivative transactions — hedge accounting applied

(1) Currency-related transactions

			Yen (millions)		
			2018		
Hedge accounting method	Type of derivatives	Hedged item	Contract amount	Amount of contract due after one year	Fair value
Principle-based accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		¥ 49,595	¥ —	¥ 1,342
	Euro		8,415	—	45
	Pound sterling		2,905	—	(20)
	Swedish krona		870	—	(3)
	Canadian dollar		570	—	(3)
	Swiss franc		381	—	—
	Australian dollar		324	—	(0)
	Danish krone		223	—	(0)
	Norwegian krone		196	—	(1)
	Russian rouble		155	—	(0)
	Polish zloty		150	—	(1)
	Czech koruna		150	—	(0)
	New Zealand dollar		146	—	(0)
	Thai baht		100	—	(1)
	Hungarian forint		77	—	—
	Buy	Accounts payable — trade			
	U.S. dollar		131,847	—	(4,077)
	Japanese yen		6	—	—
Deferral hedge accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		117,503	—	4,573
	Euro		0	—	(0)
	Buy	Accounts payable — trade			
	U.S. dollar		55,997	—	(2,736)
Total			¥ 369,621	¥ —	¥ (885)

*Fair value of forward exchange contracts is calculated based on forward exchange market rate.

Notes to Consolidated Financial Statements

			Yen (millions)		
			2019		
Hedge accounting method	Type of derivatives	Hedged item	Contract amount	Amount of contract due after one year	Fair value
Principle-based accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		**¥ 61,348**	**¥ —**	**¥ (16)**
	Pound sterling		**1,690**	**—**	**(11)**
	Swiss franc		**269**	**—**	**(4)**
	Swedish krona		**230**	**—**	**(4)**
	Russian rouble		**116**	**—**	**(8)**
	Danish krone		**98**	**—**	**(0)**
	Norwegian krone		**80**	**—**	**(1)**
	Czech koruna		**70**	**—**	**(0)**
	Polish zloty		**70**	**—**	**(0)**
	Hungarian forint		**30**	**—**	**0**
	New Zealand dollar		**6**	**—**	**(0)**
	Buy	Accounts payable — trade			
	U.S. dollar		**103,686**	**—**	**267**
	Japanese yen		**9**	**—**	**0**
	Canadian dollar		**1**	**—**	**(0)**
Deferral hedge accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		**157,226**	**—**	**(640)**
	Buy	Accounts payable — trade			
	U.S. dollar		**41,819**	**—**	**105**
	Euro		**33**	**—**	**(0)**
	Singapore dollar		**9**	**—**	**0**
Total			**¥ 366,799**	**¥ —**	**¥ (313)**

*Fair value of forward exchange contracts is calculated based on forward exchange market rate.

(2) Interest rate-related transactions

			Yen (millions)		
			2018		
Hedge accounting method	Type of derivatives	Hedged item	Contract amount	Amount of contract due after one year	Fair value
Principle-based accounting	Interest rate swaps Pay fixed/receive floating	Long-term loans payable	¥ 30,000	¥ 30,000	¥ (263)
Total			¥ 30,000	¥ 30,000	¥ (263)

*Fair value of interest rate swaps is calculated based on the asking price offered by the financial institutions with which the Company enters into such transactions.

			Yen (millions)		
			2019		
Hedge accounting method	Type of derivatives	Hedged item	Contract amount	Amount of contract due after one year	Fair value
Principle-based accounting	Interest rate swaps Pay fixed/receive floating	Long-term loans payable	**¥ 20,000**	**¥ 20,000**	**¥ (235)**
Total			**¥ 20,000**	**¥ 20,000**	**¥ (235)**

*Fair value of interest rate swaps is calculated based on the asking price offered by the financial institutions with which the Company enters into such transactions.

11. Bonds Payable, Loans Payable and Lease Obligations

(a) Bonds payable

Bonds payable as of March 31, 2018 and 2019 consisted of the following:

	Yen (millions)	
	2018	**2019**
2.068% unsecured straight bonds, the date of maturity on March 19, 2019	¥ 10,000	**—**
1.604% unsecured straight bonds, the date of maturity on September 13, 2019	30,000	**30,000**
	¥ 40,000	**¥ 30,000**

The aggregate annual maturities of bonds payable as of March 31, 2019 were as follows:

Years ending March 31	Yen (millions)
2020	¥ 30,000
2021	—
2022	—
2023	—
2024	—
2025 and thereafter	—

Notes to Consolidated Financial Statements

(b) Loans payable and lease obligations

Loans payable and lease obligations as of March 31, 2018 and 2019 consisted of the following:

	Yen (millions)	
	2018	**2019**
Short-term loans payable with the following interest rates 0.8% as of March 31, 2018 and 1.2% as of March 31, 2019	¥ 59,818	**¥ 79,741**
Current portion of long-term loans payable with the following interest rates 1.9% as of March 31, 2018 and 2.0% as of March 31, 2019	21,438	**1,704**
Current portion of lease obligations with the following interest rates 5.5% as of March 31, 2018 and 2.5% as of March 31, 2019	4,279	**4,362**
Long-term loans payable (except portion due within one year) with the following interest rates 0.4% as of March 31, 2018 and 0.5% as of March 31, 2019	507,027	**538,205**
Lease obligations (except portion due within one year) with the following interest rates 3.1% as of March 31, 2018 and 2.3% as of March 31, 2019	5,219	**13,193**
	¥ 597,783	**¥ 637,208**

Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2018 and 2019 respectively.

The aggregate annual maturities of long-term loans payable (except portion due within one year) as of March 31, 2019 were as follows:

Years ending March 31	Yen (millions)
2021	¥ 1,223
2022	11,803
2023	586
2024	146
2025 and thereafter	524,445

The aggregate annual maturities of lease obligations due within 5 years (except portion due within one year) as of March 31, 2019 were as follows:

Years ending March 31	Yen (millions)
2021	¥ 3,926
2022	2,264
2023	1,613
2024	1,365

12. Defined benefit pension plans

(a) Overview of the applied pension plans

The Company and its domestic consolidated subsidiaries have primarily a trustee non-contributory defined benefit pension plan for their employees to supplement a governmental welfare pension plan. Certain domestic consolidated subsidiaries adopt a simplified accounting method, and such figures are simply included in the amounts under the standard method in this note, since they are immaterial.

Certain overseas consolidated subsidiaries primarily have defined contribution pension plans and lump-sum retirement benefit plans.

(b) Reconciliations of the defined benefit obligations

Reconciliations of the defined benefit obligations of the Company and its consolidated subsidiaries as of March 31, 2018 and 2019 consisted of the following:

	Yen (millions)	
	2018	**2019**
Defined benefit obligation at beginning of year	¥ 351,120	**¥ 349,184**
Service cost	10,986	**10,760**
Interest cost	3,250	**3,205**
Actuarial loss (gain)	(2,863)	**3,817**
Benefits paid	(17,721)	**(21,907)**
Increase from newly consolidated subsidiaries	972	**13,962**
Other	2,007	**(3)**
Foreign currency exchange rate changes	1,431	**(766)**
Defined benefit obligation at end of year	¥ 349,184	**¥ 358,253**

Notes to Consolidated Financial Statements

(c) Reconciliations of the fair value of plan assets

Reconciliations of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2018 and 2019 consisted of the following:

	Yen (millions)	
	2018	**2019**
Fair value of plan assets at beginning of year	¥ 241,345	**¥ 250,869**
Expected return on plan assets	6,915	**7,194**
Actuarial gain (loss)	2,434	**(3,269)**
Employer contribution	13,690	**13,176**
Benefits paid	(17,293)	**(21,251)**
Increase from newly consolidated subsidiaries	858	**9,721**
Other	1,134	**(122)**
Foreign currency exchange rate changes	1,784	**(529)**
Fair value of plan assets at end of year	¥ 250,869	**¥ 255,789**

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

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, 2018 and 2019 consisted of the following:

	Yen (millions)	
	2018	**2019**
Funded defined benefit obligation at end of year	¥ 343,869	**¥ 348,873**
Fair value of plan assets at end of year	(250,869)	**(255,789)**
Funded status at end of year	93,000	**93,083**
Unfunded defined benefit obligation at end of year	5,314	**9,379**
Total net defined benefit liability	¥ 98,314	**¥ 102,463**
Net defined benefit liability	101,101	**106,636**
Net defined benefit asset	(2,786)	**(4,172)**
Total net defined benefit liability	¥ 98,314	**¥ 102,463**

(e) Expenses for the net defined benefit liability

Expenses for the net defined benefit liability of the Company and its consolidated subsidiaries for the years ended March 31, 2018 and 2019 consisted of the following:

	Yen (millions)	
	2018	**2019**
Service cost	¥ 10,986	**¥ 10,760**
Interest cost	3,250	**3,205**
Expected return on plan assets	(6,915)	**(7,194)**
Amortization of net actuarial loss	11,968	**11,357**
Amortization of past service cost	(44)	**(86)**
Other	105	**124**
Total expenses for the net defined benefit liability	¥ 19,350	**¥ 18,166**

(f) Amounts recognized in remeasurements of defined benefit plans (other comprehensive income)

Amounts recognized in remeasurements of defined benefit plans (other comprehensive income) for the years ended March 31, 2018 and 2019 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2018	**2019**
Past service cost	¥ 11	**¥ (52)**
Net actuarial gain	17,457	**3,998**
Total	¥ 17,468	**¥ 3,945**

(g) Amounts recognized in remeasurements of defined benefit plans (accumulated other comprehensive income)

Amounts recognized in remeasurements of defined benefit plans (accumulated other comprehensive income) as of March 31, 2018 and 2019 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2018	**2019**
Unrecognized past service cost	¥ 36	**¥ (121)**
Unrecognized net actuarial loss	85,336	**81,549**
Total	¥ 85,373	**¥ 81,427**

Notes to Consolidated Financial Statements

(h) Classification of the fair value of plan assets

Classification of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2018 and 2019 consisted of the following:

	2018	**2019**
Bonds	26%	**26%**
Equity securities	19%	**17%**
Cash and cash equivalents	5%	**2%**
Life insurance company general accounts	13%	**14%**
Alternatives	27%	**31%**
Other	10%	**10%**
Total	100%	**100%**

Alternatives mainly consisted of investments in hedge funds.

(i) 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.

(j) Actuarial assumptions

	2018	**2019**
Discount rate	mainly 0.5%	**mainly 0.5%**
Long-term expected rate of return	mainly 2.7%	**mainly 2.7%**

In addition, the cost recognized for the defined contribution pension plans was ¥906 million for the year ended March 31, 2018 and ¥942 million for the year ended March 31, 2019.

13. Stock Options

(a) Expensed amount and account

The expensed amount and account for the years ended March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Selling, general and administrative expenses	¥ 98	**¥ 128**

(b) Description, size and changes of stock options

(1) Description of stock option

	First stock options (resolved on April 19, 2017)	Second stock options (resolved on September 26, 2017)	Third stock options (resolved on August 28, 2018)
Grantee categories and numbers of grantees	5 directors of the Company 43 employees of the Company	7 directors of the Company 22 employees of the Company	5 directors of the Company 15 employees of the Company
Number of stock options by class of shares (Note 1)	81,100 common shares	45,300 common shares	104,500 common shares
Grant date	April 21, 2017	September 28, 2017	September 3, 2018
Vesting conditions	See (Note 2)	See (Note 2)	See (Note 2)
Service period	From April 21, 2017 to April 20, 2019	From September 28, 2017 to September 27, 2019	From September 3, 2018 to September 2, 2020
Exercise period	From April 21, 2019 to April 21, 2024	From September 28, 2019 to September 28, 2024	From September 3, 2020 to September 3, 2025

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

(Note 2) Eligible persons shall be directors, executives, audit & supervisory board members or employees of the Company, or the Company's subsidiaries and affiliates at the time of the exercise. However, the grantees can exercise their stock options without satisfying the above conditions in case that it is agreed in writing at the Board of Directors meeting considering various factors.

Notes to Consolidated Financial Statements

(2) Size and changes of stock options

Stock options that existed for the year ended March 31, 2019 were as follows:

i) Number of stock options

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

	First stock options (resolved on April 19, 2017)	Second stock options (resolved on September 26, 2017)	Third stock options (resolved on August 28, 2018)
Unvested stock options (shares)			
Balance on March 31, 2018	81,100	45,300	—
Granted	—	—	104,500
Nullified	3,000	3,200	2,000
Vested	—	—	—
Balance on March 31, 2019	78,100	42,100	102,500
Vested stock options (shares)			
Balance on March 31, 2018	—	—	—
Vested	—	—	—
Exercised	—	—	—
Nullified	—	—	—
Balance on March 31, 2019	—	—	—

The Company performed a share consolidation at a ratio of 10 shares to 1 share on October 1, 2017.

With regard to first and second stock options, figures shown above are the number of shares after the conversion.

ii) Unit price

	Yen		
	First stock options (resolved on April 19, 2017)	Second stock options (resolved on September 26, 2017)	Third stock options (resolved on August 28, 2018)
Exercise price	¥ 4,120	¥ 3,400	¥ 2,717
Weighted-average share price at exercise	—	—	—
Fair value at the grant date	(74,100 shares) 1,970 (7,000 shares) 2,110	1,570	(54,500 shares) 1,010 (35,000 shares) 1,041 (15,000 shares) 1,139

The Company performed a share consolidation at a ratio of 10 shares to 1 share on October 1, 2017.

With regard to first and second stock options, figures shown above are the number of shares after the conversion.

(c) Estimation method of fair value of stock options

The fair value of the third stock options granted in the year ended March 31, 2019 was estimated as follows:

(1) Valuation method: Black-Scholes model

(2) Major basic figures and estimation method

	Third stock options (resolved on August 28, 2018)
Share price volatility (Note 1)	(54,500 shares) 53.10% (35,000 shares) 52.10% (15,000 shares) 54.70%
Expected remaining life (Note 2)	(54,500 shares) 4.5 years (35,000 shares) 5.0 years (15,000 shares) 5.5 years
Expected dividend (Note 3)	¥ 10 per share
Risk-free interest rate (Note 4)	(54,500 shares) (0.09%) (35,000 shares) (0.08%) (15,000 shares) (0.07%)

(Note 1) Calculated based on the actual share price over the following periods which corresponds to the expected remaining life.

Third stock options	(54,500 shares)	4.5 years from February 24, 2014 to August 27, 2018
	(35,000 shares)	5.0 years from August 26, 2013 to August 27, 2018
	(15,000 shares)	5.5 years from Feburuay 25, 2013 to August 27, 2018

(Note 2) Estimated to be the period from the date of calculation to the middle points of the exercise periods since the period until the exercise date cannot be reasonably estimated, and the following dates have been picked up as the middle points of the exercise periods since stock options can be exercised gradually.

Third stock options	(54,500 shares)	March 3, 2023
	(35,000 shares)	September 3, 2023
	(15,000 shares)	March 3, 2024

(Note 3) Estimated as 10 Japanese yen based on the actual dividend for the year ended March 31, 2018.

(Note 4) The yield of Japanese Government bond over the corresponding period of the expected remaining life is applied.

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

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

Notes to Consolidated Financial Statements

14. Income Taxes

The Company is subject to a number of different income taxes which, in the aggregate, indicate a statutory tax rate in Japan of approximately 30.6% for the year ended March 31, 2018 and approximately 30.4% for the year ended March 2019.

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

The significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2018 and 2019 were as follows:

	2018	2019
Statutory tax rate	30.6%	**30.4%**
Foreign withholding tax	4.1	**3.8**
Tax credit	—	**(2.8)**
Income taxes for prior periods	3.9	**—**
Decrease in deferred tax assets due to change of federal tax rate in U.S.A.	2.1	**—**
Net decrease in valuation allowance and other	(15.7)	**(28.8)**
Differences in normal tax rates of overseas subsidiaries	(2.6)	**(0.4)**
Other	(1.5)	**0.7**
Effective tax rate	20.9%	**2.9%**

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Deferred tax assets:		
Inventories	¥ 18,731	**¥ 17,334**
Accrued expenses	21,830	**30,340**
Provision for bonuses	5,802	**5,372**
Provision for sales promotion expenses	4,119	**318**
Valuation reserve for inventory purchase commitments	6,496	**5,205**
Net defined benefit liability	31,246	**29,408**
Buildings and structures	23,597	**23,595**
Machinery, equipment and vehicles	3,225	**3,025**
Software	4,731	**5,056**
Long-term prepaid expenses	11,485	**9,136**
Loss carried forward (*2)	323,193	**302,063**
Other	49,377	**65,089**
Gross deferred tax assets	503,836	**495,948**
Valuation allowance for tax loss carried forward (*2)	—	**(300,171)**
Valuation allowance for future deductible temporary difference and other	—	**(163,476)**
Total valuation allowance (*1)	(483,084)	**(463,647)**
Total deferred tax assets	¥ 20,752	**¥ 32,300**
Deferred tax liabilities:		
Retained earnings appropriated for tax allowable reserves	¥ (2,067)	**¥ (1,314)**
Valuation difference on available-for-sale securities	(7,466)	**(5,988)**
Other	(2,848)	**(3,699)**
Total deferred tax liabilities	¥ (12,382)	**¥ (11,002)**
Net deferred tax assets	¥ 8,369	**¥ 21,297**

(*1) Total valuation allowance as of March 31, 2019 decreased by 19,436 million Yen from the previous year. The main reason of this decrease was the expiration of the Company's loss carried forward and decrease in future deductible temporary difference.

(*2) Tax loss carried forward and its deferred tax assets amount by carry forward period as of March 31, 2019 were as follows:

	Yen (millions)		
	2019		
	Tax loss carried forward*	Valuation allowance	Deferred tax assets
Expire within one year	**¥ 1,424**	**¥ (459)**	**¥ 965**
Expire after one year, within two years	**48,771**	**(48,771)**	**—**
Expire after two years, within three years	**112,760**	**(112,617)**	**142**
Expire after three years, within four years	**24,830**	**(24,830)**	**—**
Expire after four years, within five years	**27,099**	**(26,750)**	**348**
Expire after five years	**87,176**	**(86,741)**	**435**
Total	**¥ 302,063**	**¥ (300,171)**	**¥ 1,892**

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

15. Business Combinations

The main business combinations conducted during the year ended March 31, 2019 were as follows:

Business Combination by means of Acquisition

(Acquisition of equity interests of SAIGON STEC Co., LTD. as a consolidated subdiary)

(a) Details of business combination

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

Corporate name

SAIGON STEC Co., LTD.

Field of business

Camera module manufacturing

(2) Main reason for conducting business combination

To reinforce the cost competitiveness in the camera module businesses, whose markets are expected to expand in step with smartphones and tablet devices.

(3) Date of business combination

April 13, 2018

(4) Legal form of business combination

Acquisition of equity for cash consideration

(5) Corporate name after business combination

SAIGON STEC Co., LTD.

(6) Ratio of acquired voting rights

51.0%

(7) Main reason for decision to acquire company

The company acquired equity of SAIGON STEC Co., LTD. In exchange for cash consideration.

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

July 1, 2018 to March 31, 2019

(c) Details of the acquisition costs for acquired company

		Yen (millions)
Consideration for the acquisition:	Cash	¥ 331
Total acquisition costs		¥ 331

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

¥14 million for advisory fees, etc.

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

(1) Amount of generated goodwill

¥323 million

(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

Amortization over one year

(f) Amount of assets accepted and liabilities assumed on the date of business combination and espective details

	Yen (millions)
Current assets	¥ 10,496
Non-current assets	10,828
Total assets	¥ 21,325
Current liabilities	18,503
Non-current liabilities	2,593
Total liabilities	¥ 21,097

(g) Estimated amount of impact on the consolidated statements of operation for the year ended March 31, 2019 assuming that the business combination was completed at the beginning of the year

	Yen (millions)
Net sales	¥ —
Operating loss	(717)
Ordinary loss	(893)
Loss before income taxes	(791)
Loss attributable to owners of parent	(403)
Loss per share (Yen)	(0.66)

The amount of impact above is estimated based on the statement of operations of SAIGON STEC Co., LTD. for the quarter ended June 30, 2018.

The estimated amounts have not been audited.

Notes to Consolidated Financial Statements

(Share acquisition of Toshiba Client Solutions Co., Ltd. as a consolidated subsidiariy)

(a) Details of business combination

(1) Corporate name and field of business of acquired company
Corporate name
Toshiba Client Solutions Co., Ltd. ("TCS")
Field of business
Development, manufacture, sales, and support and service of PCs and system solutions products

(2) Main reason for conducting business combination
We intend to combine Sharp's cutting-edge technologies and devices, such as our displays and various sensors, with the leading-edge puroducts and services that TCS possesses. These combined technologies, linked to our AIoT platforms, will enhance the added value of our products and services, promote the adoption of smart features in the home and office, and further strengthen our ability to offer competitive AIoT solutions in global markets.

(3) Date of business combination
October 1, 2018

(4) Legal form of business combination
Acquisition of equity for cash consideration

(5) Corporate name after business combination
Toshiba Client Solutions Co., Ltd. (Changed company name to Dynabook Inc. from January 1, 2019.)

(6) Ratio of acquired voting rights
80.1%

(7) Main reason for decision on acquiring company
The Company acquired equity of Toshiba Client Solutions Co., Ltd. for cash consideration.

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

October 1, 2018 to March 31, 2019

(c) Details of the acquisition costs for acquired company

		Yen (millions)
Consideration for the acquisition:	Cash	**¥ 4,661**
Total acquisition costs		**¥ 4,661**

The consideration for the acquisition is the amount before reflecting the price adjustment specified in the contract.

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

¥162 million of advisory fees, etc.

(e) Amount of recognized gain on bargain purchase, reason for recognizing gain on bargain purchase

(1) Amount of recognized gain on bargain purchase
¥3,936 million
The amount of gain on bargain purchase that occurred in connection with this event has been calculated provisionally, as the distribution of acquisition costs has not been completed.

(2) Reason for generation of gain on bargain purchase
Since the acquisition cost is less than the net assets at fair value as of the date of the business combination, the difference is recognized as a gain on bargain purchase.

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

	Yen (millions)
Current assets	**¥ 75,908**
Non-current assets	**2,048**
Total assets	**¥ 77,956**
Current liabilities	**61,177**
Non-current liabilities	**6,045**
Total liabilities	**¥ 67,222**

(g) Estimated amount of impact on the consolidated statements of operation for the current fiscal year assuming that the business combination was completed on the beginning of the year

The estimated amount is not provided due to the difficulty of reasonable estimate.

Notes to Consolidated Financial Statements

Transaction under common control

(Absorption-type split of the Company's energy solution business)

(a) Overview of the transaction

(1) Corporate name and field of business

The Company's energy solution business (excluding part of manufacturing-related business*)

*Businesses related to the manufacturing of solar cell products at the Sakai Plant and compound solar cells at the Nara Plant

(2) Date of business combination

April 1, 2018

(3) Legal form of business combination

An absorption-type split

Splitting company

Company name: Sharp Corporation (the Company)

Succeeding company

Company name: Sharp Energy Solutions Corporation

(the Company's wholly owned consolidated subsidiary)

(4) Company name after business combination

Sharp Energy Solutions Corporation

(5) Objective of business combination

Through this absorption-type split, Sharp Energy Solutions Corporation intends to expand sales by taking advantage of its strength in conducting all activities from sales, installation and after-sales service for every solar power generation system in Japan and overseas. It also seeks to improve profitability by accelerating the simplification of its organization and streamlining of overlapping work.

(b) Overview of the accounting treatment

This Transaction is treated as a transaction under common control in accordance with *Revised Accounting Standard for Business Combinations* (ASBJ Statement No.21, September 13, 2013) and *Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No.10, September 13, 2013).

(Absorption-type split of the international purchasing business in Hong Kong)

(a) Overview of the transaction

(1) Corporate name and field of business

International purchasing business at the Hong Kong branch of Sharp Electronics (Malaysia) Sdn. Bhd. (the Company's wholly owned consolidated subsidiary, hereinafter referred to as "SEM")

(2) Date of business combination

April 1, 2018

(3) Legal form of business combination

An absorption-type split

Splitting company

Company name: SEM

Succeeding company

Company name: Sharp Hong Kong Limited

(the Company's wholly owned non-consolidated subsidiary)

(4) Company name after business combination

Sharp Hong Kong Limited

(5) Objective of business combination

Through this absorption-type split, Sharp Hong Kong Limited intends to reduce costs by simplifying the Group's organizations and operations in the Hong Kong and Macao region and by streamlining overlapping work, thereby improving its profitability.

(b) Overview of the accounting treatment

This Transaction is treated as a transaction under common control in accordance with *Revised Accounting Standard for Business Combinations* (ASBJ Statement No.21, September 13, 2013) and *Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No.10, September 13, 2013).

16. Segment Information

(a) 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.

On May 26, 2017, the Sharp Group published a medium-term management plan for fiscal years 2017 through 2019. The goal of this plan is to prepare for the Next 100 Years of Sustained Growth beginning heading into fiscal 2020. Our strategy calls for three transformations (Reinvent Business Model, Expand Business Globally, and Strengthen Business Infrastructure) by which we intend to grow our business, achieving People-Oriented IoT and an 8K Ecosystem.

To accomplish our overall goals, Sharp defined four business domains: (1) Smart Homes, (2) Smart Business Solutions, (3) IoT Electronics Devices, and (4) Advance Display Systems. These four domains also represent the reportable business segments of the Sharp Group.

In the second quarter of the year ended March 31, 2019, the Advanced Equipment Development Business, formerly included in the Smart Business Solutions segment, was reclassified to the IoT Electronics Devices segment, following an organizational reform.

Segment information as of and for the year ended March 31, 2018 is stated based on the new segmentation.

(b) Basis of measurement of reported segment sales, 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.

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

Segment information as of and for the years ended March 31, 2018 and 2019 was as follows:

	Yen (millions)	
	2018	**2019**
Net sales:		
Smart Homes:		
Customers	¥ 595,132	**¥ 681,330**
Intersegment	12,858	**15,606**
Total	607,990	**696,936**
Smart Business Solutions:		
Customers	318,074	**319,215**
Intersegment	9	**1,188**
Total	318,084	**320,403**
IoT Electronics Devices:		
Customers	462,297	**441,231**
Intersegment	42,269	**57,862**
Total	504,566	**499,094**
Advance Display Systems:		
Customers	1,051,767	**958,295**
Intersegment	34,802	**1,394**
Total	1,086,570	**959,689**
Adjustments	(89,940)	**(76,051)**
Consolidated net sales	¥ 2,427,271	**¥ 2,400,072**
Segment income (loss):		
Smart Homes	¥ 43,723	**¥ 48,018**
Smart Business Solutions	21,969	**21,699**
IoT Electronics Devices	3,332	**2,894**
Advance Display Systems	37,041	**27,066**
Adjustments	(15,942)	**(15,538)**
Consolidated operating profit	¥ 90,125	**¥ 84,140**
Segment assets:		
Smart Homes	¥ 307,005	**¥ 312,046**
Smart Business Solutions	141,001	**176,512**
IoT Electronics Devices	261,483	**216,353**
Advance Display Systems	590,575	**551,504**
Adjustments	608,395	**609,932**
Consolidated assets	¥ 1,908,461	**¥ 1,866,349**
Other material items		
Depreciation and amortization:		
Smart Homes	¥ 17,986	**¥ 16,980**
Smart Business Solutions	13,420	**12,188**
IoT Electronics Devices	20,088	**28,288**
Advance Display Systems	21,057	**18,978**
Adjustments	2,056	**1,582**
The amount presented in consolidated financial statements	¥ 74,610	**¥ 78,018**

Notes to Consolidated Financial Statements

	Yen (millions)	
	2018	**2019**
Amortization of goodwill:		
Smart Homes	¥ —	**¥ —**
Smart Business Solutions	1,481	**1,289**
IoT Electronics Devices	—	**749**
Advance Display Systems	1,043	**1,033**
Adjustments	—	**—**
The amount presented in consolidated financial statements	¥ 2,525	**¥ 3,072**
Investments in nonconsolidated subsidiaries and affiliates accounted for using the equity method:		
Smart Homes	¥ 211	**¥ 392**
Smart Business Solutions	—	**—**
IoT Electronics Devices	—	**1,336**
Advance Display Systems	39,825	**28,657**
Adjustments	35,119	**34,435**
The amount presented in consolidated financial statements	¥ 75,157	**¥ 64,822**
Increase in property, plant, equipment and intangible assets:		
Smart Homes	¥ 10,965	**¥ 12,333**
Smart Business Solutions	17,227	**11,064**
IoT Electronics Devices	75,116	**25,963**
Advance Display Systems	40,619	**27,686**
Adjustments	1,224	**2,636**
The amount presented in consolidated financial statements	¥ 145,153	**¥ 79,684**

Adjustments of segment income or loss were ¥(15,942) million and ¥(15,538) million for the years ended March 31, 2018 and 2019, respectively, and comprised elimination of intersegment transactions and corporate expenses not allocated to each reportable segment.

Elimination of intersegment transactions for segment income (loss) were ¥61 million and ¥(11) million, respectively. Corporate expenses not allocated to each reportable segment were ¥(13,709) million and ¥(16,225) million for the years ended March 31, 2018 and 2019, respectively.

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

Adjustments of segment assets were ¥608,395 million and ¥609,932 million as of March 31, 2018 and 2019, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment.

Elimination of intersegment transactions for segment assets were ¥(5,968) million and ¥(6,408) million, respectively. Corporate assets not allocated to each reportable segment were ¥614,363 million and ¥616,341 million as of March 31, 2018 and 2019, respectively.

Corporate assets not allocated to each reportable segment were attributable mainly to cash and deposits, the Company's investment securities, and depreciable assets related to the Company's R&D groups as well as the administrative groups of the Company's headquarters.

Adjustments of investments in nonconsolidated subsidiaries and affiliates accounted for using the equity method were ¥35,119 million and ¥34,435 million as of March 31, 2018 and 2019, respectively, and mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥1,224 million and ¥2,636 million for the years ended March 31, 2018 and 2019, respectively, and mainly comprised increases in the Company's R&D groups, and the administrative groups of the Company's headquarters.

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.

(d) Related information

(1) Net sales by product/service

Net sales by product/service for the years ended March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Net sales to outside customers:		
LCD modules	¥ 660,479	**¥ 710,842**
LCD color TVs	367,014	**218,425**
Sensing devices	392,402	**362,005**
Other	1,007,375	**1,108,798**
Total	¥ 2,427,271	**¥ 2,400,072**

(2) Net sales by region/country

Net sales by region/country for the years ended March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Net sales:		
Japan	¥ 656,144	**¥ 719,424**
China	1,157,370	**1,050,536**
Asia	218,087	**240,230**
Other	395,669	**389,881**
Total	¥ 2,427,271	**¥ 2,400,072**

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

Notes to Consolidated Financial Statements

Changes in presentation method:

'Asia' has been separated from 'Other' in the year ended March 31, 2019 since its financial materiality has increased.

As a result, ¥613,756 million of 'Other' for the year ended March 31, 2018 has been reclassified as ¥218,087 million of 'Asia' and ¥395,669 million of 'Other'.

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

Property, plant and equipment by region/country as of March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Property, plant and equipment, at cost less accumulated depreciation:		
Japan	¥ 314,799	**¥ 293,300**
Asia	53,628	**58,747**
Other	60,167	**52,989**
Total	¥ 428,595	**¥ 405,038**

Changes in presentation method:

'Asia' has been separated from 'Other' in the year ended March 31, 2019 since its financial materiality has increased. Also 'China', which was separately presented in the year ended March 31, 2018, has been included in 'Other', since its financial materiality has decreased in the year ended March 31, 2019.

As a result, ¥46,003 million of 'China' and ¥67,792 million of 'Other' for the year ended March 31, 2018 has been reclassified as ¥53,628 million of 'Asia' and ¥60,167 million of 'Other'.

(4) Major customers and related sales amount

Major customers and related sales amount as of and for the year ended March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Net sales:		
APPLE INC.	¥ 575,836	**¥ 563,336**
Related segments:		
IoT Electronics Devices and Advance Display Systems for the years ended March 31, 2018 and 2019.		

(e) Impairment loss on fixed assets by reportable segment

Impairment loss on fixed assets by reportable segment for the years ended March 31, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Impairment loss:		
Smart Homes	¥ 583	**¥ 167**
Smart Business Solutions	808	**—**
IoT Electronics Devices	245	**970**
Advance Display Systems	—	**5,166**
Corporate Assets and Elimination	306	**—**
Total	¥ 1,943	**¥ 6,304**

(f) 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, 2018 and 2019 were as follows:

	Yen (millions)	
	2018	**2019**
Amortization of goodwill:		
Smart Homes	¥ —	**¥ —**
Smart Business Solutions	1,481	**1,289**
IoT Electronics Devices	—	**749**
Advance Display Systems	1,043	**1,033**
Corporate Assets and Elimination	—	**—**
Total	¥ 2,525	**¥ 3,072**
Balance at end of year:		
Smart Homes	¥ —	**¥ —**
Smart Business Solutions	5,158	**7,526**
IoT Electronics Devices	499	**83**
Advance Display Systems	6,306	**—**
Corporate Assets and Elimination	—	**—**
Total	¥ 11,964	**¥ 7,610**

¥5,166 million of impairment loss was recorded for the year ended March 31, 2019 regarding the goodwill attributable to the Advance Display Systems segment.

Notes to Consolidated Financial Statements

(g) Gain on bargain purchase by reportable segment

For the year ended March 31, 2018 gain on bargain purchase by reportable segment is omitted as it is immaterial.

For the year ended March 31, 2019, ¥3,936 million of gain on bargain purchase was recorded under the Smart Home segment. It is derived from the acquisition of Toshiba Client Solutions Co., Ltd. which is included in our consolidation.

Toshiba Client Solutions Co., Ltd. has changed its name to Dynabook Inc. on January 1, 2019.

17. Transactions with Related Parties

(a) Transactions with related parties

(1) Transactions between the Company and related parties

i) The Company's parent company and major corporate shareholders

Principal transactions with related parties for the year ended March 31, 2018 were as follows:

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 [20.4%]
Relationship with the related party	Sales of goods from the Company; Holding a concurrent director
Detail of transaction	Sales of goods from the Company
Transaction amount	23,775 million yen
Account	Accounts receivable
Balance at end of year	20,309 million yen

Notes:
1. Transaction amounts were determined at proper prices upon negotiation.
2. The value in parentheses [ ] of "Holding or held ratio" refers to the ratio held by the entities which are regarded to exercise their voting rights in the same manner as Hon Hai Precision Industry Co., Ltd. due to a close relationship with Hon Hai Precision Industry Co., Ltd.

Principal transactions with related parties for the year ended March 31, 2019 were omitted as they were immaterial.

ii) The Company's non-consolidated subsidiaries and affiliates, etc.

Principal transactions with related parties for the year ended March 31, 2018 were as follows:

Category	Affiliate
Company name	Sakai Display Products Corporation
Location	Sakai City, Osaka
Capital stock	32,485 million yen
Details of business	Development, manufacture, distribution, export and import of LCD and other displays
Holding or held ratio	24.6% holding directly
Relationship with the related party	Purchases of goods by the Company
Detail of transaction	Purchases of goods by the Company
Transaction amount	56,008 million yen
Account	Accounts payable
Balance at end of year	25,756 million yen

Notes:
1. Transaction amounts were determined at proper prices upon negotiation.
2. Consumption tax is included in the balance at end of year.

Principal transactions with related parties for the year ended March 31, 2019 were as follows:

Category	Affiliate	
Company name	Sakai Display Products Corporation	
Location	Sakai City, Osaka	
Capital stock	32,485 million yen	
Details of business	Development, manufacture, distribution, export and import of LCD and other displays	
Holding or held ratio	24.6% holding directly	
Relationship with the related party	Purchases of goods by the Company and Lease of real estate, etc.	
Detail of transaction	Lease transaction with the Company	Collection of lease receivables from the Company
Transaction amount	49,136 million yen	2,980 million yen
Account	Other (Current assets)	Other (Investments and other assets)
Balance at end of year	3,460 million yen	42,695 million yen

Note: Transaction amounts were determined at proper prices upon negotiation.

Notes to Consolidated Financial Statements

iii) Subsidiaries of the Company's parent company and subsidiaries of other related companies of the Company, etc.

Principal transactions with related parties for the years ended March 31, 2018 and 2019 were omitted as they were immaterial.

iv) The Company's directors and major individual shareholders, etc.

Principal transactions with related parties for the years ended March 31, 2018 and 2019 were omitted as they were immaterial.

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

i) The Company's parent company and major corporate shareholders

Principal transactions with related parties for the year ended March 31, 2018 were omitted as they were immaterial.

Principal transactions with related parties for the year ended March 31, 2019 were as follows:

Category	Parent company
Company name	Hon Hai Precision Industry Co., Ltd.
Location	New Taipei City, Taiwan
Capital stock	138,629 million New Taiwan dollars
Details of business	Electronic manufacturing service
Holding or held ratio	24.5% held directly and 17.2% held indirectly [19.1%]
Relationship with the related party	Purchases of raw materials and goods by the Company
Detail of transaction	Purchases of raw materials and goods by the Company
Transaction amount	138,616 million yen
Account	Accounts payable
Balance at end of year	38,634 million yen

Notes:
1. Transaction amounts were determined at proper prices upon negotiation.
2. The value in parentheses [ ] of "Holding or held ratio" refers to the ratio held by the entities which are regarded to exercise their voting rights in the same manner as Hon Hai Precision Industry Co., Ltd. due to a close relationship with Hon Hai Precision Industry Co., Ltd.

ii) The Company's non-consolidated subsidiaries and affiliates, etc.

Principal transactions with related parties for the years ended March 31, 2018 and 2019 were omitted as they were immaterial.

iii) Subsidiaries of the Company's parent company and subsidiaries of other related companies of the Company, etc.

Principal transactions with related parties for the year ended March 31, 2018 were as follows:

Category	Subsidiaries of the Company's parent company	Subsidiaries of the Company's parent company
Company name	Zhengzhou FuLianWang Electronic Technology Co., Ltd.	Nanjing HongFuSharp Precision Electronics Co., Ltd.
Location	Zhengzhou City, China	Nanjing City, China
Capital stock	3,130 million Chinese yuan	198 million U.S. dollars
Details of business	Sales of Computer, Communication and Consumer electronics etc. on the Internet	Manufacture of LCD TV, Projector, LCD module and other display devices etc.
Holding or held ratio	—	—
Relationship with the related party	Sales of goods from the Company	Production of the Company's goods
Detail of transaction	Sales of goods from the Company	Purchases of goods by the Company
Transaction amount	190,925 million yen	156,294 million yen
Account	Accounts receivable	Notes and accounts payable
Balance at end of year	36,755 million yen	34,359 million yen

Note: Transaction amounts were determined at proper prices upon negotiation.

Principal transactions with related parties for the year ended March 31, 2019 were omitted as they were immaterial.

iv) The Company's directors and major individual shareholders, etc.

Principal transactions with related parties for the years ended March 31, 2018 and 2019 were omitted as they were immaterial.

Notes to Consolidated Financial Statements

(b) Information on the parent company and significant affiliates

(1) Information on the parent company

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

(2) Summary financial statements of significant affiliated company

For the year ended March 31, 2019, significant affiliated company was Sakai Display Products Corporation. Summary of its financial statements was as follows:

	Yen (millions)	
	2018*	**2019**
Current assets	—	**203,646**
Non-current assets	—	**422,291**
Current liabilities	—	**139,635**
Non-current liabilities	—	**216,106**
Net assets	—	**270,195**
Net sales	—	**80,115**
Loss before income taxes	—	**44,869**
Loss attributable to owners of parent	—	**43,891**

* Sakai Disply Products Corporation was categorized as significant affiliated company from the year ended March 31, 2019 since its financial materiality has increased.

18. Per Share Data

Per share data as of March 31, 2018 and 2019 were as follows:

	Yen	
	2018	**2019**
Net assets per share	¥ 267.48	**¥ 392.56**
Income per share	106.07	**116.80**
Fully diluted income per share	85.60	**91.69**

Income per share and fully diluted income per share as of March 31, 2018 and 2019 were calculated on the following basis:

	2018	**2019**
Income per share		
Profit attributable to owners of parent (millions of yen)	¥ 70,225	**¥ 74,226**
Amounts not allocated to common shares (millions of yen)	5,430	**2,877**
Priority dividend amount (millions of yen)	5,430	**2,877**
Profit attributable to owners of parent allocated to common shares (millions of yen)	64,795	**71,348**
Average number of common shares outstanding during each year (thousands of shares)	610,891	**610,882**
Common shares (thousands of shares)	497,255	**520,854**
Shares equivalent to common shares (thousands of shares)	113,636	**90,028**
Fully diluted income per share		
Adjustment to profit attributable to owners of parent (millions of yen)	5,430	**2,877**
Priority dividend amount (millions of yen)	5,430	**2,877**
Increase in number of common shares (thousands of shares)	209,513	**198,689**
Class A shares (thousands of shares)	209,511	**198,689**
Share acquisition rights (thousands of shares)	1	**—**
Residual securities which do not dilute income per share	811 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)	**781 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)** **421 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights)** **1,025 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights)**

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”.

The Company carried out a share consolidation of common shares as well as Class C shares at a ratio of 10 shares to 1 share on October 1, 2017. The figures for the net assets per share, the income per share and the fully diluted income per share are calculated on the assumption that the Company conducts this consolidation at the beginning of the previous fiscal year.

The company acquired and cancelled 92,000 of 200,000 Class A Shares on January 30, 2019. The figures for the net income per share and the fully diluted net income per share are calculated by considering the impact of this transaction.

19. Significant Subsequent Events

(a) Large-Scale Loans

Based on the commitment line agreement concluded in August 2016, the Company applied for loans on May 31, 2019, and executed the loans as follows.

(1) Purpose for funding
Business fund

(2) Lending institutions
Mizuho Bank, Ltd. and MUFG Bank, Ltd.

(3) Loan amount
¥100 billion

(4) Interest rate
Base rate plus spread

(5) Date of borrowing
June 7, 2019

(6) Repayment due date
June 5, 2020

(7) Collateral assets or guarantee
None

(b) Allotment of Stock Options (Share Acquisition Rights)

The Company passed a resolution at the Board of Directors meeting held on May 24, 2019, to submit a proposal at the Ordinary General Meeting of Shareholders held on June 25, 2019, that the Company be authorized to allot share acquisition rights as stock options to directors, audit & supervisory board members, executives 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 acquisition rights.

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

(1) Purpose of adopting the stock option plan
The Company implemented the stock option plan that would help the Company 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 acquisition rights 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 acquisition rights
The class of shares to be issued upon the exercise of share acquisition rights shall be common stock of the Company, and the number of shares to be issued shall not exceed 2,000,000.

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

(3) Total number of share acquisition rights to be issued
No more than 20,000 units of share acquisition rights shall be issued.

100 shares shall be issued per unit of share acquisition rights; provided that, in the event of any adjustment of the number of shares stipulated in (2) above, the number of shares to be issued per unit of share acquisition rights shall be adjusted accordingly.

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

Notes to Consolidated Financial Statements

(4) Cash payment for share acquisition rights

No cash payment is required for share acquisition rights.

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

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

The Exercise Value shall be the closing price on the Tokyo Stock Exchange on the day immediately prior to the date of the resolution by the Board of Directors of the Company determining the Subscription Requirements of the share acquisition rights or the closing price on the date of the allotment, whichever is higher.

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

(6) Exercise period of share acquisition rights

The exercise period shall be from the date on which two years have passed from the date of allotment of the share acquisition rights 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 acquisition rights

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

(c) Acquisition and Cancellation of Treasury Shares (Class A Shares)

The Company has adopted a resolution for matters concerning the acquisition and cancellation of all of its Class A shares at a meeting of its Board of Directors on June 11, 2019. Based on this resolution, the Company acquired and cancelled all of its Class A shares.

The Class A shares hold the following issues and burdens of (1) the annual preferred dividend rate is at a high level, (2) there is a put option for the Class A shares with common shares as consideration, which may cause dilution that is not intended by the Company, and (3) there is a put option for the Class A shares with cash as consideration, and the exercise of such put option could result in a large amount of cash being expended at a time that is not chosen by the Company. Considering such issues and burdens should be resolved at an early stage, and considering our business records as well as capital and financial conditions, after discussions with Class A shareholders, Mizuho Bank, Ltd. and MUFG Bank, Ltd. (hereinafter "Class A Shareholders"), the Company acquired and cancelled 92,000 Class A shares on January 30, 2019, and the remaining 108,000 shares on June 21, 2019. The burden of the above preferred dividend and the monetary redemption was resolved through the acquisition and cancellation of the Class A shares.

(1) The acquisition of the Class A shares

i. Total number of shares to be acquired

(Class A shares) 108,000 shares

ii. Acquisition price per share

898,819.90 yen

(Note) The Company has obtained from a third-party valuation firm, Nomura Securities Co., Ltd., a report in which the value of the the Class A shares is calculated (the "Valuation Report"). The Company and the Class A Shareholders have negotiated and determined the acquisition price per share by comprehensively taking the results of the calculation in the Valuation Report, etc. into consideration.

iii. Total amount of the acquisition price of shares

97,072,549,200 yen

iv. Date of acquisition of shares

June, 21, 2019

(2) Cancellation of treasury shares (Class A shares)

i. Total number of treasury shares to be cancelled

(Class A shares) 108,000 shares

ii. Date of cancellation of shares

June, 21, 2019

Consolidated Subsidiaries

(As of March 31, 2019)

Domestic:

Sharp Marketing Japan Corporation
Sharp Energy Solutions Corporation
Sharp Trading Corporation
Sharp Yonago Corporation
Sharp Mie Corporation
Sharp Support & Service Corporation
ScienBiziP Japan Co., Ltd.
Dynabook Inc.
Kantatsu Co., Ltd.

Overseas:

<Countries and Areas>

Sharp Electronics Corporation <New Jersey, U.S.A.>
Sharp Laboratories of America, Inc. <Washington, U.S.A.>
Dynabook Americas, Inc. <Delaware, U.S.A.>
Sharp Electronics of Canada Ltd. <Ontario, Canada>
Sharp Corporation Mexico S.A. de C.V. <Mexico City, Mexico>
Sharp Electronics (Europe) Limited <Middlesex, U.K.>
Sharp Business Systems UK Plc. <Wakefield, U.K.>
Sharp International Finance (U.K.) Plc. <Middlesex, U.K.>
Sharp Laboratories of Europe, Ltd. <Oxford, U.K.>
Sharp Electronics (Europe) GmbH <Hamburg, Germany>
Sharp Devices Europe GmbH <Munich, Germany>
Sharp Business Systems Deutschland GmbH <Cologne, Germany>
Dynabook Europe GmbH <Neuss, Germany>
Sharp Business Systems Sverige AB <Bromma, Sweden>
Sharp Electronics (Schweiz) AG <Rüschlikon, Switzerland>
Sharp Business Systems France S.A.S. <Toulouse, France>
Sharp Manufacturing France S.A. <Soultz, France>
Sharp Electronics (Italia) S.p.A. <Milan, Italy>
Sharp Electronics Benelux B.V. <Utrecht, the Netherlands>
UMC Poland sp. z o.o. <Toruń, Poland>
Sharp Universal Technology (Shenzhen) Co., Ltd. <Shenzhen, China>
Sharp (China) Investment Co., Ltd. <Beijing, China>
Sharp Electronics Sales (China) Co., Ltd. <Shanghai, China>
Shanghai Sharp Electronics Co., Ltd. <Shanghai, China>
Sharp Universal Technology (Shanghai) Co., Ltd. <Shanghai, China>
Nanjing Sharp Electronics Co., Ltd. <Nanjing, China>
Sharp Office Equipments (Changshu) Co., Ltd. <Changshu, China>
Wuxi Sharp Electronic Components Co., Ltd. <Wuxi, China>
Lianyungang Kantatsu Fine Technology Co., Ltd. <Lianyungang, China>
Dynabook Technology (Hangzhou) Inc. <Hangzhou, China>
Kanto Tatsumi Electronics (Pinghu) Co., Ltd. <Pinghu, China>
Yantai Xia Ye Electrons Co., Ltd. <Yantai, China>
Sharp Hong Kong Limited <Hong Kong>
Sharp (Taiwan) Electronics Corporation <New Taipei, Taiwan>
Sharp Electronics (Malaysia) Sdn. Bhd. <Selangor, Malaysia>
Sharp Manufacturing Corporation (M) Sdn.Bhd. <Johor, Malaysia>
S&O Electronics (Malaysia) Sdn. Bhd. <Kedah, Malaysia>
Sharp Singapore Electronics Corporation Pte. Ltd. <Singapore>
Sharp Thai Co., Ltd. <Bangkok, Thailand>
Sharp Appliances (Thailand) Ltd. <Chachoengsao, Thailand>
Sharp Manufacturing (Thailand) Co., Ltd. <Nakornpathom, Thailand>
Sharp Solar Solution Asia Co., Ltd. <Bangkok, Thailand>
P.T. Sharp Electronics Indonesia <West Jawa, Indonesia>
P.T. Sharp Semiconductor Indonesia <West Jawa, Indonesia>
Sharp Electronics (Vietnam) Company Limited <Ho Chi Minh City, Vietnam>
SAIGON STEC Co.,LTD. <Thu Dau Mot, Vietnam>
Sharp (Phils.) Corporation <Manila, Philippines>
Sharp Business Systems (India) Private Ltd. <New Delhi, India>
Sharp Corporation of Australia Pty. Ltd. <New South Wales, Australia>
Sharp Middle East Free Zone Establishment <Dubai, U.A.E.>

*1 There are 34 other consolidated subsidiaries in addition to the companies listed above.
*2 The company name of Dynabook Americas, Inc., Dynabook Europe GmbH and Dynabook Technology (Hangzhou) Inc. was changed from Toshiba America Client Solutions, Inc., Toshiba Client Solutions Europe GmbH and Toshiba Information Equipment (Hangzhou) Co., Ltd. respectively on April 1, 2019.

Investor Information

(As of March 31, 2019)

Number of Shares issued and Shareholders

	Number of shares authorized	Number of shares issued	Number of shareholders
Common shares	1,000,000,000	532,416,558	206,194
Class A shares	200,000	108,000	2
Class C shares	1,136,363	795,363	1

Notes: 1. On July 23, 2018, Sharp acquired 341,000 Class C shares in exchange for 34,100,000 common shares. On the same day, Sharp canceled the 341,000 Class C shares acquired. As a result, Class C shares issued as of March 31, 2019 amounted to 795,363 shares, while common shares issued amounted to 532,416,558 shares.
2. On January 30, 2019, Sharp acquired and canceled 92,000 Class A shares of the 200,000 Class A shares issued. As a result, Class A shares as of March 31, 2019 amounted to 108,000 shares. Further, on June 21, 2019, Sharp acquired and canceled all remaining 108,000 issued Class A shares.

Principal Shareholders (Common shares)

	Number of shares held	Percentage of total shares (%)
HON HAI PRECISION INDUSTRY CO., LTD.	130,000,000	24.47
FOXCONN (FAR EAST) LIMITED	91,555,069	17.23
FOXCONN TECHNOLOGY PTE. LTD.	64,640,000	12.17
SIO INTERNATIONAL HOLDINGS LIMITED	36,600,000	6.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,342,700	1.01
Nippon Life Insurance Company	4,731,738	0.89
Meiji Yasuda Life Insurance Company	4,578,100	0.86
Mizuho Bank, Ltd.	4,191,046	0.79
MUFG Bank, Ltd.	4,167,811	0.78
Japan Trustee Services Bank, Ltd. (Trust Accont 5)	3,891,000	0.73

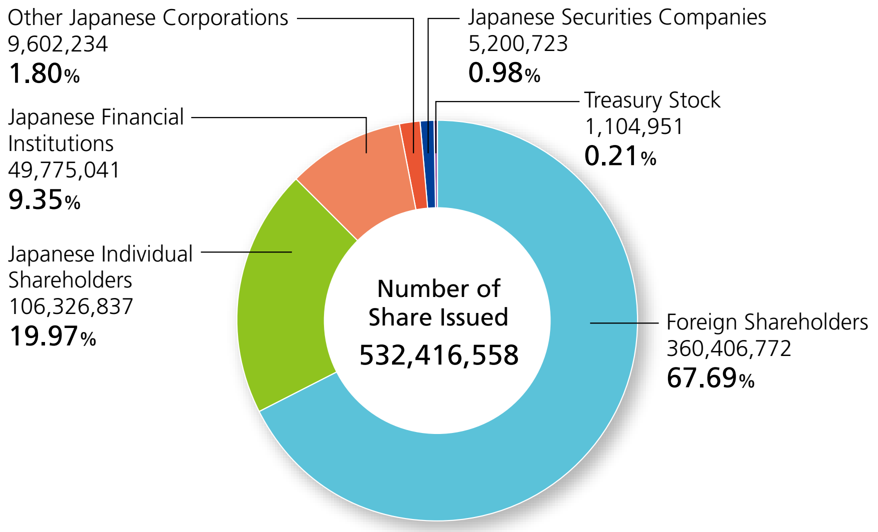
Notes: 1. Percentage of total shares is calculated by the number of shares issued excluding 1,104,951 treasury shares.
2. Aside from the above, a total of 600,000 shares in Mizuho Bank, Ltd. have been set up as trust assets related to the employee pension trust.

Investor Relations

Sharp Corporation Investor Relations Department
Tokyo Seavans South Building, 1-2-3 Shibaura, Minato-ku, Tokyo, 105-0023, Japan
Phone: +81-50-5358-0980
Osaka 1 Takumi-cho, Sakai-ku, Sakai City, Osaka 590-8522, Japan

Websites: Japanese https://corporate.jp.sharp/ir/index.html
English https://global.sharp/corporate/ir/index.html

Share Distribution (Proportion of total issued common shares)



Stock Exchange Listing

Tokyo