

## **Financial Section**

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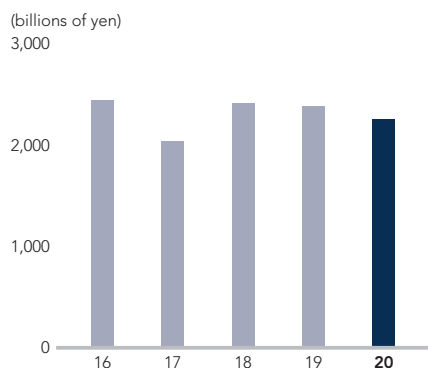
# Financial Review

Sharp Corporation and Consolidated Subsidiaries

## Net Sales

Consolidated net sales for the year ended March 31, 2020 amounted to ¥2,271,248 million, down ¥128,823 million (5.4%) year on year.

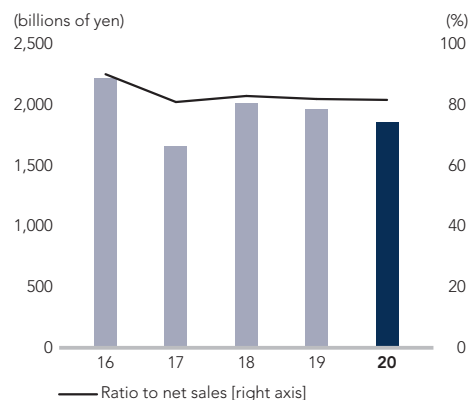
### Net Sales



## Financial Results

Cost of sales decreased ¥114,509 million to ¥1,861,449 million, while our cost of sales ratio decreased from 82.3% to 82.0% year on year.

### Cost of Sales



Selling, general and administrative (SG&A) expenses increased ¥17,052 million to ¥357,025 million. The ratio of SG&A expenses against net sales increased from 14.2% to 15.7% year on year. SG&A expenses included salaries and allowances of ¥110,534 million, retirement benefit expenses of ¥18,821 million, transportation and warehousing expenses of ¥37,709 million, and R&D expenses of ¥23,851 million.

As a result, operating profit amounted to ¥52,773 million, a decrease of ¥31,366 million (37.3%) year on year.

Non-operating income increased ¥2,256 million to ¥24,907 million, while non-operating

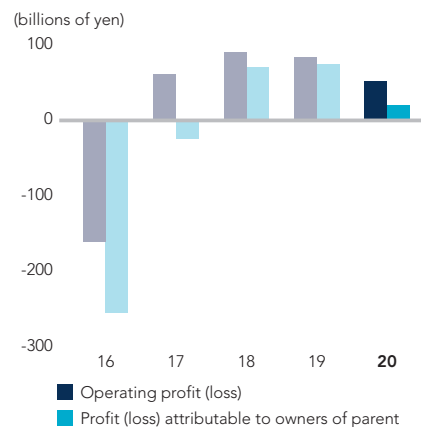
expenses decreased ¥15,639 million to ¥22,140 million.

Extraordinary income decreased ¥11,413 million to ¥3,302 million. Extraordinary losses increased by ¥12,369 million to ¥20,509 million year on year. This was mainly due to the recording of a loss on valuation of investment securities.

As a result, profit before income taxes totaled ¥38,334 million, a decrease of ¥37,253 million (49.3%) year on year. Profit attributable to owners of parent decreased ¥53,267 million (71.8%) to ¥20,958 million. Income per share of common stock was ¥34.31.

Due to effects from the COVID-19, net sales decreased by approximately ¥178.0 billion, while operating profit decreased by approximately ¥36.0 billion.

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



## Segment Information

### [Smart Life]

Although sales of air conditioners, refrigerators, and washing machines increased, net sales decreased by 4.7% to ¥856,291 million from the previous year due to a decrease in device sales. Segment income increased by 26.3% from the previous year to ¥39,719 million due in part to cost reduction measures.

### [8K Ecosystem]

Sales in this segment decreased by 11.9% to ¥1,157,278 million year on year, due to declines in sales of LCD TVs and of panels for smartphones. Due to a decrease in sales, segment income decreased by 68.5% from the previous year to ¥14,945 million.

### [ICT]

Despite the decrease in mobile communications sales, the addition of Dynabook Inc. as a consolidated subsidiary was effective in increasing sales by 27.3% to ¥357,507 million. Due to a decrease in mobile communications sales, segment income decreased by 3.0% from the previous year to ¥20,240 million.

## Financial Review

### Capital Investment and Depreciation

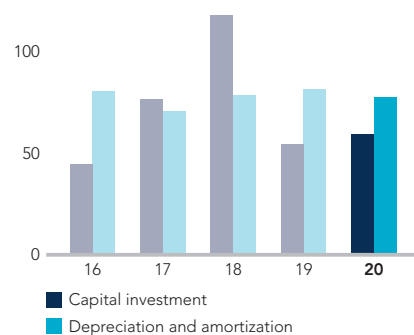
Capital Investment totaled ¥60,216 million, up 7.5% from the previous year. Much of this investment related to camera module production equipment and pilot lines for OLED displays.

By business segment, capital investment was ¥23,919 million for Smart Life, ¥23,285 million for 8K Ecosystem and ¥1,194 million for ICT. Unallocated capital investment amounted to ¥11,816 million.

Depreciation and amortization declined by 5.1% to ¥78,724 million.

### Capital Investment/ Depreciation and Amortization

(billions of yen)  
150



### Assets, Liabilities and Net Assets

Total assets at fiscal year-end amounted to ¥1,832,349 million, down ¥33,999 million from the previous year.

#### Assets

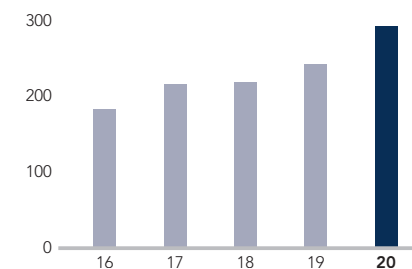
Current assets amounted to ¥1,088,626 million, down ¥52,743 million from the end of the previous year. This result was mainly due to a decrease in notes and accounts receivable-trade of ¥110,789 million, which was offset in part by an increase in inventories of ¥50,938 million. In addition, inventories were ¥294,788 million. Within total inventories, finished goods decreased ¥4,879 million to ¥156,974 million, work in process increased ¥36,191 million to ¥69,233 million, and raw materials and supplies increased ¥19,627 million to ¥68,580 million.

Property, plant and equipment increased ¥5,722 million from the end of the previous year to ¥410,760 million.

Investments and other assets amounted to ¥287,415 million, up ¥7,175 million from the end of the previous year. This was mainly due to the increase in investment securities.

### Inventories

(billions of yen)  
400



### Sales by Segment

	Yen (millions)	
	2019	2020
Smart Life	¥ 898,631	¥ <b>856,291</b>
8K Ecosystem	1,313,555	<b>1,157,278</b>
ICT	280,911	<b>357,507</b>
Subtotal	2,493,098	<b>2,371,077</b>
Adjustments	(93,026)	<b>(99,829)</b>
Total	2,400,072	<b>2,271,248</b>

### Segment Income by Segment

	Yen (millions)	
	2019	2020
Smart Life	¥ 31,441	¥ <b>39,719</b>
8K Ecosystem	47,380	<b>14,945</b>
ICT	20,856	<b>20,240</b>
Subtotal	99,678	<b>74,905</b>
Adjustments	(15,538)	<b>(22,131)</b>
Total	84,140	<b>52,773</b>

## Financial Review

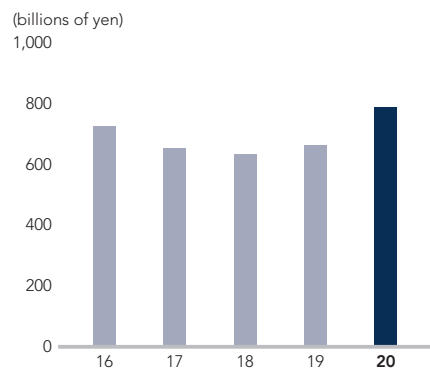
### Liabilities

Current liabilities increased ¥47,886 million from the end of the previous year to ¥861,023 million. This result was mainly due to an increase of ¥156,280 million in short-term borrowings, which was offset in part by a decrease of ¥59,292 million in notes and accounts payable-trade.

Non-current liabilities decreased ¥4,553 million from the end of the previous year to ¥676,187 million. This decrease was mainly due to a decrease of ¥3,418 million in retirement benefit liability compared to the end of the previous fiscal year.

Interest-bearing debt at year end stood at ¥793,205 million, up ¥125,996 million from the end of the previous year.

### Interest-Bearing Debt

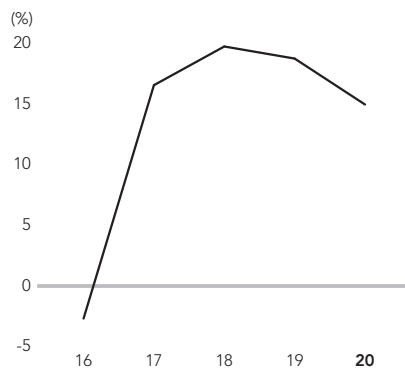


### Net Assets

Net assets amounted to ¥295,138 million, down ¥77,333 million compared to the previous year-end balance of ¥372,471 million. This result was due to a decrease in capital surplus due to the purchase and cancellation of Class A shares despite an increase in retained earnings due to the recording a profit attributable to owners of parent.

Our equity ratio was 15.0%.

### Equity Ratio



### Cash Flows

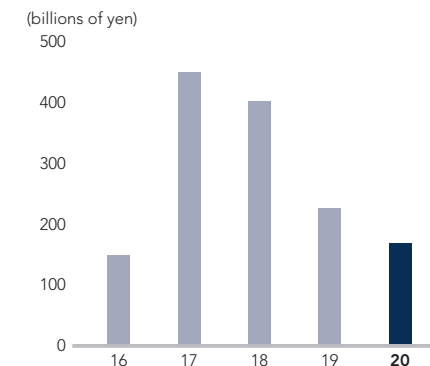
Cash and cash equivalents at the end of the year stood at ¥170,323 million, down ¥58,474 million from the previous year, as the combined inflows from operating activities and financing activities were less than the capital outflow from investing activities.

Net Cash provided by operating activities amounted to ¥68,086 million, down ¥10,957 million compared to cash provided in the amount of ¥79,043 million in the previous year. This result was mainly due to a decrease of ¥37,253 million in profit before income taxes, a decrease of ¥49,553 million in accounts receivable-other, and a decrease of ¥57,984 million in inventories, despite an increase of ¥139,201 million in notes and accounts receivable-trade compared to the previous year.

Net Cash used in investing activities totaled ¥127,882 million, down ¥39,704 million compared to cash used of ¥167,587 million in the previous year. This result was mainly due to a decrease of ¥53,182 million in payments for the purchases of property, plant and equipment compared to the previous year.

Net Cash provided by financing activities was ¥4,560 million, up ¥93,077 million compared to cash used of ¥88,517 million in the previous year. This result was mainly due to an increase of ¥136,808 million in inflows from short-term borrowings, despite increases of ¥11,913 million in outflows for purchases of treasury shares and ¥20,000 million for outflows for redemption of bonds compared to the previous year.

### Cash and Cash Equivalents



- Notes: 1. Effective for the year ended March 31, 2020, the Company has changed its segment classification. Figures for the previous year have been adjusted to reflect the new classification.  
 2. Sales figures by segment shown in Segment Information include internal sales and transfers among segments (Smart Life, 8K Ecosystem, ICT). Segment income figures are amounts before adjustment for inter-segment trading.  
 3. Capital investment figures shown in Capital Investment and Depreciation include the amount of leased properties.

# Consolidated Balance Sheets

Sharp Corporation and Consolidated Subsidiaries as of March 31, 2019 and 2020

	Yen (millions)	
	2019	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and deposits (Notes 2(c), 6 and 8)	¥ 266,648	¥ <b>225,049</b>
Notes and accounts receivable — trade (Notes 2(c) and 8)	539,927	<b>429,138</b>
Inventories (Notes 2(b) and (c))	243,849	<b>294,788</b>
Other (Note 2(c) and 7)	94,944	<b>142,278</b>
Allowance for doubtful accounts	(4,000)	<b>(2,629)</b>
Total current assets	1,141,369	<b>1,088,626</b>
<b>Non-current Assets</b>		
Property, Plant and Equipment		
Buildings and structures (Note 2(c))	645,074	<b>650,391</b>
Machinery, equipment and vehicles (Note 2(c))	1,188,148	<b>1,156,260</b>
Tools, furniture and fixtures (Note 2(c))	218,694	<b>191,466</b>
Land (Note 2(c))	83,245	<b>82,491</b>
Construction in progress	47,741	<b>29,369</b>
Other	45,974	<b>51,978</b>
Accumulated depreciation	(1,823,840)	<b>(1,751,198)</b>
Total property, plant and equipment	405,038	<b>410,760</b>
Intangible assets		
Software	25,763	<b>28,261</b>
Other	13,931	<b>17,286</b>
Total intangible assets	39,695	<b>45,547</b>
Investments and other assets		
Investment securities (Notes 2(a), 2(c), 8 and 9)	185,782	<b>190,434</b>
Retirement benefit asset (Note 12)	4,172	<b>7,295</b>
Deferred tax assets (Note 14)	22,740	<b>18,253</b>
Other (Note 2(c) and 7)	70,023	<b>73,858</b>
Allowance for doubtful accounts	(2,480)	<b>(2,426)</b>
Total investments and other assets	280,239	<b>287,415</b>
Total non-current assets	724,972	<b>743,723</b>
<b>Deferred Assets</b>	6	—
Total assets	¥ 1,866,349	¥ <b>1,832,349</b>

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

	Yen (millions)	
	2019	2020
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Notes and accounts payable — trade (Note 8)	¥ 372,166	¥ <b>312,873</b>
Electronically recorded obligations — operating (Note 8)	38,149	<b>36,331</b>
Short-term borrowings (Notes 2(c), 8 and 11)	81,446	<b>237,726</b>
Current portion of bonds payable (Notes 8 and 11)	30,000	—
Accrued expenses	114,401	<b>99,427</b>
Provision for bonuses	20,639	<b>18,634</b>
Provision for product warranties	19,903	<b>15,967</b>
Provision for sales promotion expenses	12,422	<b>6,918</b>
Provision for restructuring	666	<b>434</b>
Valuation reserve for inventory purchase commitments	17,123	<b>17,133</b>
Other (Note 11)	106,217	<b>115,575</b>
Total current liabilities	813,136	<b>861,023</b>
<b>Non-current Liabilities</b>		
Long-term borrowings (Notes 2(c), 8 and 11)	538,205	<b>538,744</b>
Retirement benefit liability (Note 12)	106,636	<b>103,217</b>
Other (Notes 11 and 14)	35,898	<b>34,225</b>
Total non-current liabilities	680,740	<b>676,187</b>
Total liabilities	1,493,877	<b>1,537,211</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Share Capital	5,000	<b>5,000</b>
Capital surplus	208,725	<b>108,853</b>
Retained earnings	258,040	<b>264,729</b>
Treasury shares	(13,987)	<b>(13,993)</b>
Total shareholders' equity	457,778	<b>364,590</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,531	<b>10,368</b>
Deferred gains or losses on hedges	(220)	<b>846</b>
Foreign currency translation adjustment	(44,251)	<b>(56,849)</b>
Remeasurements of defined benefit plans	(76,208)	<b>(43,646)</b>
Total accumulated other comprehensive income	(107,148)	<b>(89,281)</b>
Share acquisition rights (Note 5)	235	<b>293</b>
Non-controlling interests	21,605	<b>19,535</b>
Total net assets	372,471	<b>295,138</b>
Total liabilities and net assets	¥ 1,866,349	¥ <b>1,832,349</b>

## Consolidated Statements of Operations

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2019 and 2020

	Yen (millions)	
	2019	2020
<b>Net Sales (Note 16)</b>	¥ 2,400,072	<b>2,271,248</b>
<b>Cost of Sales (Notes 3 (a) and (c))</b>	1,975,958	<b>1,861,449</b>
Gross profit	424,113	<b>409,798</b>
<b>Selling, General and Administrative Expenses (Notes 3 (b) and (c))</b>	339,972	<b>357,025</b>
Operating profit (Note 16)	84,140	<b>52,773</b>
<b>Non-operating Income</b>		
Interest income	2,713	<b>2,916</b>
Dividend income	1,396	<b>1,502</b>
Rental income from non-current assets	4,090	<b>3,444</b>
Foreign exchange gains	—	<b>3,030</b>
Other	14,449	<b>14,014</b>
Total non-operating income	22,650	<b>24,907</b>
<b>Non-operating Expenses</b>		
Interest expenses	4,376	<b>4,714</b>
Rental expenses on non-current assets	2,746	<b>2,517</b>
Foreign exchange losses	5,782	—
Share of loss of entities accounted for using the equity method	9,381	<b>3,778</b>
Other	15,492	<b>11,129</b>
Total non-operating expenses	37,779	<b>22,140</b>
Ordinary profit	69,011	<b>55,541</b>
<b>Extraordinary Income</b>		
Gain on sales of non-current assets (Note 3 (d))	10,599	<b>2,865</b>
Gain on sales of investment securities	—	<b>244</b>
Gain on bargain purchase	3,936	—
Gain on reversal of share acquisition rights	—	<b>3</b>
Gain on change in equity	180	—
Gain on step acquisitions	—	<b>188</b>
Total extraordinary income	14,716	<b>3,302</b>
<b>Extraordinary Losses</b>		
Loss on sale and retirement of non-current assets (Note 3 (e))	1,161	<b>341</b>
Impairment loss (Note 3 (f))	6,304	<b>384</b>
Loss on valuation of investment securities	10	<b>16,119</b>
Restructuring charges	355	<b>332</b>
Loss on liquidation of subsidiaries and associates	307	—
Loss from business combination (Note 3 (g))	—	<b>3,331</b>
Total extraordinary losses	8,139	<b>20,509</b>
Profit before income taxes	75,587	<b>38,334</b>
<b>Income Taxes (Note 14)</b>		
Current	13,698	<b>11,924</b>
Deferred	(11,523)	<b>4,837</b>
	2,175	<b>16,762</b>
<b>Profit</b>	73,412	<b>21,571</b>
Profit (loss) attributable to non-controlling interests	(814)	<b>612</b>
Profit attributable to owners of parent	¥ 74,226	¥ <b>20,958</b>

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, 2019 and 2020

	Yen (millions)	
	2019	2020
<b>Profit</b>	¥ 73,412	¥ <b>21,571</b>
<b>Other Comprehensive Income:</b>		
Valuation difference on available-for-sale securities	(3,375)	<b>(3,119)</b>
Deferred gains or losses on hedges	3,216	<b>1,088</b>
Foreign currency translation adjustment	3,228	<b>(14,399)</b>
Remeasurements of defined benefit plans	3,118	<b>32,473</b>
Share of other comprehensive income of entities accounted for using the equity method	(640)	<b>434</b>
<b>Total other comprehensive income (Note 4)</b>	5,546	<b>16,478</b>
<b>Comprehensive Income</b>	¥ 78,958	¥ <b>38,050</b>
Comprehensive income attributable to:		
Owners of parent	80,039	<b>38,825</b>
Non-controlling interests	(1,080)	<b>(775)</b>

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, 2019 and 2020

	Yen (millions)												
	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	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 adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights (Note 5)	Non-controlling interests	Total net assets
<b>Balance at beginning of the year ended March 31, 2019</b>	¥ 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 in 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 in items other than shareholders' equity						(3,344)	2,985	3,051	3,122	5,813	128	(1,660)	4,281
Total changes in 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)
<b>Balance at end of the year ended March 31, 2019</b>	¥ 5,000	¥ 208,725	¥ 258,040	¥ (13,987)	¥ 457,778	¥ 13,531	¥ (220)	¥ (44,251)	¥ (76,208)	¥ (107,148)	¥ 235	¥ 21,605	¥ 372,471

	Yen (millions)												
	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	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 adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights (Note 5)	Non-controlling interests	Total net assets
<b>Balance at beginning of the year ended March 31, 2020</b>	¥ 5,000	¥ 208,725	¥ 258,040	¥ (13,987)	¥ 457,778	¥ 13,531	¥ (220)	¥ (44,251)	¥ (76,208)	¥ (107,148)	¥ 235	¥ 21,605	¥ 372,471
Cumulative effects of changes in accounting policies			783		783								783
Restated balance	5,000	208,725	258,824	(13,987)	458,562	13,531	(220)	(44,251)	(76,208)	(107,148)	235	21,605	373,255
Changes in items during period													
Dividends of surplus			(15,053)		(15,053)								(15,053)
Profit attributable to owners of parent			20,958		20,958								20,958
Change in ownership interest of parent due to transactions with non-controlling interests		(3,453)			(3,453)								(3,453)
Sales of shares of consolidated subsidiaries		755			755								755
Capital increase of consolidated subsidiaries		(101)			(101)								(101)
Purchase of treasury shares				(97,078)	(97,078)								(97,078)
Cancellation of treasury shares		(97,072)		97,072	—								—
Net changes in items other than shareholders' equity						(3,163)	1,066	(12,598)	32,561	17,867	58	(2,069)	15,855
Total changes in items during period	—	(99,871)	5,905	(5)	(93,971)	(3,163)	1,066	(12,598)	32,561	17,867	58	(2,069)	(78,116)
<b>Balance at end of the year ended March 31, 2020</b>	¥ 5,000	¥ 108,853	¥ 264,729	¥ (13,993)	¥ 364,590	¥ 10,368	¥ 846	¥ (56,849)	¥ (43,646)	¥ (89,281)	¥ 293	¥ 19,535	¥ 295,138



# Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2019 and 2020

	Yen (millions)	
	2019	2020
<b>Cash Flows from Operating Activities:</b>		
Profit before income taxes	¥ 75,587	¥ <b>38,334</b>
Depreciation	78,849	<b>74,712</b>
Interest and dividend income	(4,110)	<b>(4,418)</b>
Interest expenses	4,376	<b>4,714</b>
Share of loss (profit) of entities accounted for using the equity method	9,381	<b>3,778</b>
Loss (gain) on sales and retirement of non-current assets	(9,438)	<b>(2,524)</b>
Loss (gain) on sales of investment securities	—	<b>(244)</b>
Gain on bargain purchase	(3,936)	—
Gain on change in equity	(180)	—
Loss (gain) on step acquisitions	—	<b>(188)</b>
Impairment loss	6,304	<b>384</b>
Loss (gain) on valuation of investment securities	10	<b>16,119</b>
Loss (gain) on liquidation of subsidiaries and associates	307	—
Loss from business combination	—	<b>3,331</b>
Decrease (increase) in trade receivables	(37,248)	<b>101,953</b>
Decrease (increase) in accounts receivable — other	17,166	<b>(32,387)</b>
Decrease (increase) in inventories	1,795	<b>(56,188)</b>
Increase (decrease) in trade payables	(47,024)	<b>(53,614)</b>
Increase (decrease) in accrued expenses	(19,326)	<b>(18,405)</b>
Other, net	17,563	<b>628</b>
Subtotal	90,079	<b>75,984</b>
Interest and dividends received	8,782	<b>7,786</b>
Interest paid	(4,382)	<b>(4,716)</b>
Income taxes (paid) refund	(15,436)	<b>(10,968)</b>
Net cash provided by (used in) operating activities	79,043	<b>68,086</b>

	Yen (millions)	
	2019	2020
<b>Cash Flows from Investing Activities:</b>		
Payments into time deposits	(79,470)	<b>(129,881)</b>
Proceeds from withdrawal of time deposits	59,377	<b>111,735</b>
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6(b))	(3,393)	<b>(2,721)</b>
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6(b))	13,455	<b>341</b>
Purchases of property, plant and equipment	(126,259)	<b>(73,077)</b>
Proceeds from sales of property, plant and equipment	20,764	<b>5,801</b>
Purchase of intangible assets	(16,589)	<b>(20,662)</b>
Purchases of investment securities	(36,664)	<b>(35,901)</b>
Other, net	1,192	<b>16,482</b>
Net cash provided by (used in) investing activities	(167,587)	<b>(127,882)</b>
<b>Cash Flows from Financing Activities:</b>		
Net increase (decrease) in short-term borrowings	20,547	<b>157,355</b>
Proceeds from long-term borrowings	32,695	<b>1,790</b>
Repayments of long-term borrowings	(21,189)	<b>(1,605)</b>
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5,422)	<b>(8,668)</b>
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	<b>5,904</b>
Redemption of bonds	(10,000)	<b>(30,000)</b>
Purchase of treasury shares	(85,164)	<b>(97,078)</b>
Dividends paid	(21,076)	<b>(15,028)</b>
Proceeds from share issuance to non-controlling shareholders	2,255	<b>17</b>
Other, net	(1,162)	<b>(8,127)</b>
Net cash provided by (used in) financing activities	(88,517)	<b>4,560</b>
<b>Effect of Exchange Rate Change on Cash and Cash Equivalents</b>	482	<b>(3,239)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(176,577)	<b>(58,474)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	404,001	<b>228,798</b>
<b>Increase (Decrease) in Cash and Cash Equivalents Resulting from Change in Scope of Consolidation</b>	1,374	—
<b>Cash and Cash Equivalents at End of Period (Note 6(a))</b>	¥ 228,798	¥ <b>170,323</b>

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



# Notes to Consolidated Financial Statements

Sharp Corporation and Consolidated Subsidiaries

## 1. Summary of Significant Accounting and Reporting Policies

### (a) Basis of presenting consolidated financial statements

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

The financial statements of the Company’s overseas consolidated subsidiaries for consolidation purposes have been prepared in conformity with IFRS or generally accepted accounting principles in the United States of America (“US GAAP”), with adjustments for the specified five items where applicable according to Practical Issues Task Force No. 18 “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”.

The accompanying consolidated financial statements have been translated into English (with no reclassifications) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Act.

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

### (b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 105 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 subsidiaries and 20 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, 2020 were as follows:

(Included in scope)

HiFi Orient Thai Public Company Limited  
SHARP Manufacturing Vietnam CO.,LTD.  
Aurora Telecom Corporation  
And 12 others

(Excluded from scope)

Sharp Trading Corporation  
And 2 others

Changes in the nonconsolidated subsidiaries and affiliates accounted for using the equity method for the year ended March 31, 2020 were as follows:

(Included in scope)

Sakai 10 Generations Precision Electronics Products Corporation

(Excluded from scope)

Sakai Display Products USA Corporation  
And 7 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 decrease, 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 and right-of-use assets is computed using the declining-balance method.

Meanwhile, machinery and equipment at the LCD plants in Mie and Kameyama and a part of plant in Sakai are depreciated using the straight-line method.

Buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

Property, plant and equipment at overseas consolidated subsidiaries are depreciated using the straight-line method.

## Notes to Consolidated Financial Statements

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.

Right-of-use assets are depreciated using the straight-line method over the lesser of the useful life of the asset or the term of the lease.

### **(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**

Regarding long-term purchase agreements of raw materials where the market price of the raw material

is significantly lower than the purchase price set forth in the agreement, the difference between the purchase price in the agreement and the latest market price or the resale price, whichever is lower, is recorded as an estimated loss associated with the agreement.

This is to prepare for potential losses that could be generated from future production and sales activities as we execute the agreement in the future.

### **(n) Defined benefit pension plans**

The estimated amount of defined benefit pension plans to be paid at future retirement dates is allocated to each service year based on the plan's benefit formula.

Past service costs are amortized primarily using the straight-line method over the average remaining service period of employees (10 years) commencing from the current period. Actuarial gains and losses are primarily amortized using the straight-line method over the average service period of employees (10 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.

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

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

### **(p) Method and period for amortization of goodwill**

Goodwill is amortized 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.

## Notes to Consolidated Financial Statements

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

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

### (r) Consumption taxes

The tax exclusion method is applied.

### (s) Application of tax effect accounting for transition from consolidated taxation system to group tax relief system

Although there were some changes for the transition to the group tax relief system established in the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the coordinated revisions in the taxation system for individual companies, the Company and a part of its domestic consolidated subsidiaries continued to present the amounts of deferred tax assets and deferred tax liabilities according to the previous tax acts, as provided for in Paragraph 3, "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to Group Tax Sharing System" (Practical Issues Task Force No. 39, March 31, 2020), instead of applying the provisions in Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018).

### (t) Changes in accounting policies

Effective from the year ended March 2020, overseas subsidiaries reporting under US GAAP have adopted ASC 606 "Revenue from Contracts with Customers".

This change had an immaterial impact on consolidated financial statements for the year ended March 31, 2020.

Effective from the year ended March 2020, overseas subsidiaries reporting under IFRS have adopted IFRS 16 "Leases".

With the adoption of this accounting standard lessees in lease transactions recognize right-of-use assets and lease liabilities, while recording depreciation expense for right-of-use assets and interest payments related to lease liabilities. Right-of-use assets and lease liabilities are not recognized for short-term leases or for which the underlying asset is of low value. In accordance with transitional treatment, the Company has recognized the cumulative impact of this accounting standard for balances as of the date of adoption.

In connection with the adoption of this accounting standard, the Company recorded increases of ¥6,410 million in property, plant and equipment, ¥2,557 million in other under current liabilities, and ¥4,354 million in other under non-current liabilities.

This change had an immaterial impact on profit and loss of consolidated fiscal year ended March 31, 2020.

### (u) Unapplied accounting standards and interpretations

The accounting standards and interpretations issued as of March 31, 2020 but not yet applied as of the year ended March 31, 2020 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
ASU No.2016-02	Leases (Topic 842)	Revision of the accounting treatment for leases
		From the year ended March 31, 2023

### (v) Changes in presentation method

(Consolidated statements of operations)

"Rental expenses on non-current assets", which was included in "Other" under "Non-operating expenses" in the previous consolidated fiscal year is presented separately because the amount exceeds 10/100 of the total non-operating expenses. The consolidated financial statements for the year ended March 31, 2019 have been reclassified to reflect this change in presentation method.

As a result, in the consolidated statements of operations for the year ended March 31, 2019, ¥18,239 million that was included in "Other" under "Non-operating expenses" was reclassified as ¥2,746 million of "Rental expenses on non-current assets" and ¥15,492 million of "Other".

(Consolidated statements of cash flows)

"Restructuring charges", "Increase (Decrease) in advances received" and "Increase (Decrease) in valuation reserve for inventory purchase commitments", which were separately presented in the previous consolidated fiscal year have been included in "Other, net" under "Cash flows from operating activities" since their materiality has diminished. In order to reflect this change in presentation method, the consolidated financial statements for the year ended March 31, 2019 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, 2019, ¥355 million of "Restructuring charges", ¥11,180 million of "Increase (Decrease) in advances received", ¥(4,245) million of "Increase (Decrease) in valuation

## Notes to Consolidated Financial Statements

reserve for inventory purchase commitments”, and ¥10,283 million of “Other, net” have been reclassified as ¥17,563 million of “Other, net.”

### (w) Changes in accounting estimates

The Company and a part of its domestic consolidated subsidiaries previously amortized actuarial gains/losses and past service costs on retirement benefit liability over 13 years. Effective from the year ended March 31, 2020, the amortization period has been changed to 10 years because the average remaining service period of employees decreased.

As a result, operating profit, ordinary profit and profit before income taxes for the year ended March 31, 2020 decreased by ¥18,180 million in comparison to those calculated by the previous method.

### (x) Additional information

In the impairment tests of non-current assets, accounting estimates were estimated on future cash flows based on multiple scenarios, assuming that the impact of the spread of new coronavirus pandemic will continue until at least a certain portion of the next consolidated fiscal year. However, since there are a lot of uncertainties regarding the impact of the spread of the new coronavirus pandemic, the accounting judgment revisions based on changes in the situations may lead to significant impacts on the Group's financial status and operating results in upcoming years.

## 2. Notes to Consolidated Balance Sheets

### (a) Investment in nonconsolidated subsidiaries and affiliates

Investment in nonconsolidated subsidiaries and affiliates as of March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Investment securities	¥ 65,515	¥ 61,119

### (b) Inventories

Inventories as of March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Finished goods	¥ 161,854	¥ 156,974
Work in process	33,042	69,233
Raw materials and supplies	48,952	68,580
	¥ 243,849	¥ 294,788

### (c) Collateral Assets and Liabilities secured by Collateral

Collateral assets and liabilities secured by collateral as of March 31, 2019 and 2020 were as follows:

#### (1) Assets pledged as collateral

	Yen (millions)	
	2019	2020
Cash and deposits	¥ 34,224	¥ 38,349
Notes and accounts receivable - trade	72,803	63,201
Inventories	94,018	74,711
Other (Current assets)	11,110	41,341
Buildings and structures	140,593	145,475
Machinery, equipment and vehicles	21,913	12,360
Tools, furniture and fixtures	2,142	2,168
Land	69,992	69,246
Investment securities	33,073	29,419
Other (Investments and other assets)	—	38,724
	¥ 479,871	¥ 514,998

## Notes to Consolidated Financial Statements

### (2) Liabilities secured by collateral

	Yen (millions)	
	2019	2020
Short-term borrowings	¥ 7,733	¥ 402
Long-term borrowings	426,693	428,476
	¥ 434,427	¥ 428,878

Cash and deposits of ¥9,475 million as of March 31, 2019 and ¥10,021 million as of March 31, 2020 were pledged as collateral for opening a stand-by letters 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 borrowings as of March 31, 2019 and 2020.

### (d) Contingent Liabilities

#### (1) Guarantee liabilities

	Yen (millions)	
	2019	2020
Loans guaranteed for employees	¥ 6,862	¥ 5,617
Guarantee for borrowing of invested company		
Sermsang Power Corporation Public Company Limited	—	162
	¥ 6,862	¥ 5,779

#### (2) Discounted and endorsed trade notes receivable

	Yen (millions)	
	2019	2020
Discounted trade notes receivable	¥ 1,880	¥ 238
Endorsed trade notes receivable	—	618

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

The Company entered into long-term contracts with several suppliers with respect to electricity and other inputs at the Sakai plant. The total amounts of future minimum payments under such contracts as of March 31, 2019 and 2020 were ¥21,795 million (longest remaining term was 10 years) and ¥16,738 million (longest remaining term was 9 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, 2019 and 2020 were as follows:

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

	Yen (millions)	
	2019	2020
Total amount of investment commitment	¥ 110,010	¥ 107,830
Contribution made	57,409	89,936
Remaining committed contribution	¥ 52,600	¥ 17,893

## 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, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Cost of sales	¥ (10,323)	¥ 1,135

### (b) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Salaries and allowances	¥ 107,609	¥ 110,534
Provision for bonuses	10,850	10,049
Retirement benefit expenses	8,087	18,821
Transportation and storage costs	36,298	37,709
Research and development expenses	31,868	23,851
Provision for bonuses	1,154	926

### (c) Research and development expenses

Research and development expenses included in general and administrative expenses and cost of manufacturing were ¥108,545 million for the year ended March 31, 2019 and ¥100,591 million for the year ended March 31, 2020.

## 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, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Buildings and structures	¥ 2,364	¥ 483
Machinery, equipment and vehicles	2,079	652
Tools, furniture and fixtures	203	468
Land	5,934	1,260
Software	14	—
Other	3	0
	¥ 10,599	¥ 2,865

### (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, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Loss on sale:		
Machinery, equipment and vehicles	¥ 14	¥ 11
Tools, furniture and fixtures	3	9
Other	0	1
	¥ 19	¥ 21
Loss on retirement:		
Buildings and structures	¥ 321	¥ 57
Machinery, equipment and vehicles	614	154
Tools, furniture and fixtures	39	42
Construction in progress	2	—
Software	53	14
Other	109	51
	¥ 1,141	¥ 320
Total:		
Buildings and structures	¥ 321	¥ 57
Machinery, equipment and vehicles	629	165
Tools, furniture and fixtures	43	51
Construction in progress	2	—
Software	53	14
Other	109	52
	¥ 1,161	¥ 341

### (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.

A consolidated subsidiary recognized an impairment loss of ¥167 million for the Smart Home unit, with the book value reduced to the recoverable value, 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, with the book value reduced to the recoverable value, 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 estimated recoverable amount was evaluated to be the net realizable value.

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.

A consolidated subsidiary in China recognized an impairment loss of ¥384 million for the Smart Life unit, with the book value reduced to the recoverable value, due to the future production plan change for the year ended March 31, 2020. Details were as follows: ¥374 million for machinery, equipment and vehicles, and ¥10 million for tools, furniture and fixtures. Although the recoverable value was measured based on value in use, no discount rate was applied to the future cash flow in measuring the value in use, because the assets had a short remaining useful life and the discount rate was not important in calculating the recoverable value.

### (g) Loss on business combination

Due to the settlement of an adjusted price for the acquisition of Toshiba Client Solutions Co., Ltd. executed in October 2018, the Company posted an extraordinary loss of ¥3,331 million as a loss on business combination.

## Notes to Consolidated Financial Statements

### 4. Notes to Consolidated Statements of Comprehensive Income

Summary of amounts of reclassification adjustments and their tax effects to other comprehensive income as of March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Valuation difference on available-for-sale securities		
Amount arising during the year	¥ (4,810)	¥ (4,235)
Reclassification adjustment	(42)	(244)
Before tax effect	(4,853)	(4,479)
Tax effect	1,477	1,360
Valuation difference on available-for-sale securities	¥ (3,375)	¥ (3,119)
Deferred gains or losses on hedges		
Amount arising during the year	¥ 2,894	¥ 1,560
Reclassification adjustment	(40)	68
Before tax effect	2,853	1,629
Tax effect	363	(540)
Deferred gains or losses on hedges	¥ 3,216	¥ 1,088
Foreign currency translation adjustment		
Amount arising during the year	¥ 3,228	¥ (14,399)
Foreign currency translation adjustment	¥ 3,228	¥ (14,399)
Remeasurements of defined benefit plans		
Amount arising during the year	¥ (7,345)	¥ (3,179)
Reclassification adjustment	11,290	36,409
Before tax effect	3,945	33,230
Tax effect	(827)	(756)
Remeasurements of defined benefit plans	¥ 3,118	¥ 32,473
Share of other comprehensive income of entities accounted for using the equity method		
Amount arising during the year	¥ (637)	¥ 410
Reclassification adjustment	(3)	24
Share of other comprehensive income of entities accounted for using the equity method	¥ (640)	¥ 434
<b>Total other comprehensive income</b>	¥ 5,546	¥ 16,478

### 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, 2019 and 2020 were as follows:

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:
- 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.
  - 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 treasury shares (Class A shares) on June 21, 2019.
  - 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.
  - 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.



## Notes to Consolidated Financial Statements

For the year ended March 31, 2020

	(Thousands of shares)			Number of shares as of March 31, 2020
	Number of shares as of March 31, 2019	Increase in number of shares	Decrease in number of shares	
Issued shares				
Common shares	532,416	—	—	<b>532,416</b>
Class A shares	108	—	108	—
Class C shares	795	—	—	<b>795</b>
<b>Total</b>	<b>533,319</b>	<b>—</b>	<b>108</b>	<b>533,211</b>
Treasury shares				
Common shares	1,104	4	—	<b>1,109</b>
Class A shares	—	108	108	—
Class C shares	—	—	—	—
<b>Total</b>	<b>1,104</b>	<b>112</b>	<b>108</b>	<b>1,109</b>

- Notes: 1. The decrease of 108 thousand shares in Class A shares of issued shares, the increase and decrease of 108 thousand shares in Class A shares of treasury shares was due to the acquisition and cancellation of treasury shares (Class A shares) on June 21, 2019.
2. The increase of 4 thousand shares in common shares of treasury shares consisted of the increase of 4 thousand shares due to the purchase 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, 2019 and 2020 were as follows:

For the year ended March 31, 2019

Classification	Description of share acquisition rights	Number of shares underlying the share acquisition rights (Share)					Balance as of March 31, 2019 (Millions of yen)
		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	
The Company	Share acquisition rights as a stock option	—	—	—	—	—	227
Consolidated subsidiaries	—	—	—	—	—	—	8
<b>Total</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>235</b>

For the year ended March 31, 2020

Classification	Description of share acquisition rights	Number of shares underlying the share acquisition rights (Share)					Balance as of March 31, 2020 (Millions of yen)
		Class of shares underlying the share acquisition rights	Number of shares as of March 31, 2019	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2020	
The Company	Share acquisition rights as a stock option	—	—	—	—	—	<b>285</b>
Consolidated subsidiaries	—	—	—	—	—	—	<b>8</b>
<b>Total</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>293</b>

### (c) Dividends

Items related to dividends for the years ended March 31, 2019 and 2020 were as follows:

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

## Notes to Consolidated Financial Statements

For the year ended March 31, 2020

### (1) Dividends paid

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

(2) Dividends for which the record date was within the year ended March 31, 2020, 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 19, 2020	Common shares	Retained earnings	9,563	18	March 31, 2020	June 15, 2020
Board of Directors meeting on May 19, 2020	Class C shares	Retained earnings	1,431	1,800	March 31, 2020	June 15, 2020

## 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, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Cash and deposits	¥ 266,648	¥ 225,049
Time deposits and negotiable certificate of deposit with maturity over 3 months or pledged as collateral	(37,850)	(54,726)
Cash and cash equivalents	¥ 228,798	¥ 170,323

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

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 adjustment	108
Non-controlling interests	111
Acquisition cost of shares	331
Cash and cash equivalents	776
Net: proceeds from purchase	¥ 444

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

Fiscal year ended March 31, 2020

The information is omitted as it was immaterial.

## Notes to Consolidated Financial Statements

### (c) Significant non-cash transactions

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

	Yen (millions)	
	2019	2020
Assets and liabilities related to finance lease transactions	¥ 27,204	¥ —

## 7. Leases

### Finance leases

#### (a) As lessee

The information is omitted as it was immaterial.

#### (b) As lessor

Amount of lease receivables to be collected on and after March 31, 2020

##### (1) Current assets

	Yen (millions)					
	2020					
	Within 1 year	Over 1 year and no more than 2 years	Over 2 years and no more than 3 years	Over 3 years and no more than 4 years	Over 4 years and no more than 5 years	Over 5 years
Lease receivables	¥ 6,794	¥ —	¥ —	¥ —	¥ —	¥ —

##### (2) Investments and other assets

	Yen (millions)					
	2020					
	Within 1 year	Over 1 year and no more than 2 years	Over 2 years and no more than 3 years	Over 3 years and no more than 4 years	Over 4 years and no more than 5 years	Over 5 years
Lease receivables	¥ —	¥ 5,734	¥ 4,536	¥ 3,506	¥ 2,889	¥ 34,243

Note: Finance lease transactions for the previous consolidated fiscal year in which the Company was the lessor are omitted as they were immaterial.

### Operating leases

#### (a) As lessee

The balance of remaining lease payments for non-cancellable contracts as of March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Due within one year	¥ 3,073	¥ 1,243
Due after one year	9,949	4,428
	¥ 13,023	¥ 5,672

Since overseas consolidated subsidiaries, etc., excluding those in the United States, have adopted IFRS 16 "Leases" from the current consolidated fiscal year, the amount of the operating leases related to the said subsidiaries are included only in the figures of March 31, 2019.

#### (b) As lessor

Future lease receipts for only non-cancellable contracts as of March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Due within one year	¥ 1,378	¥ 1,458
Due after one year	2,540	2,294
	¥ 3,919	¥ 3,752

## Notes to Consolidated Financial Statements

### 8. Financial Instruments

#### (a) Qualitative information on financial instruments

##### (1) Policies for financial instruments

The Company and its consolidated subsidiaries obtain necessary funds mainly through bank loans according to its capital investment plan for its main business of manufacturing and distributing electronic communication equipment, electronic equipment, electronic application equipment and electronic components. Short-term operating funds are obtained through bank loans. Transactions involving such financial instruments are conducted with creditworthy financial institutions.

Derivative transactions are used 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 borrowings are mainly for capital investments. The longest repayment term is 6 years and 1 month from March 31, 2020.

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 Finance Division and Accounting Division of Finance and Administration Office of the Company periodically review the status of its key customers, monitoring their respective payment deadlines and remaining balance. 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, 2019 and 2020 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)		
	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 borrowings	81,446	81,446	—
(7) Bonds payable (including bonds expiring within one year)	30,000	30,129	129
(8) Long-term borrowings	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 “( )”.

	Yen (millions)		
	2020		
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and deposits	¥ 225,049	¥ 225,049	¥ —
(2) Notes and accounts receivable — trade	429,138	428,745	(392)
(3) Investment securities			
1) Shares of nonconsolidated subsidiaries and affiliates	0	296	296
2) Other securities	30,674	30,674	—
Total assets	¥ 684,863	¥ 684,766	¥ (96)
(4) Notes and accounts payable — trade	¥ 312,873	¥ 312,873	¥ —
(5) Electronically recorded obligations — operating	36,331	36,331	—
(6) Short-term borrowings	237,726	237,726	—
(7) Long-term borrowings	538,744	541,317	2,572
Total liabilities	¥ 1,125,676	¥ 1,128,249	¥ 2,572
(8) Derivative transactions*			
1) Derivative transactions — hedge accounting not applied	¥ (2,198)	¥ (2,198)	¥ —
2) Derivative transactions — hedge accounting applied	1,289	1,979	690
Total derivative transactions	¥ (908)	¥ (218)	¥ 690

\*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 borrowings

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

(7) Long-term borrowings

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

(8) 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 such transactions.

(Note 2) Financial instruments of which fair values are considered too difficult to be estimated are unlisted stocks of ¥72,108 million as of March 31, 2019 and ¥64,700 million as of March 31, 2020, and investments in capital of ¥78,484 million as of March 31, 2019 and ¥95,059 million as of March 31, 2020. 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, 2019 and 2020 were as follows:

	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	—	—	—

	Yen (millions)		
	2020		
	Cash and deposits	Notes and accounts receivable - trade	Total
Due within one year	¥ 225,049	¥ 424,114	¥ 649,164
Due after one year, within five years	—	5,023	5,023
Due after five years, within ten years	—	—	—
Due after ten years	—	—	—

## 9. Investment Securities

Other securities with available fair market values as of March 31, 2019 and 2020 were as follows:

	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

	Yen (millions)			
	2020			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,933	¥ 14,231	¥ (489)	¥ 30,674
	¥ 16,933	¥ 14,231	¥ (489)	¥ 30,674

Unlisted stocks and others (of which book values were recorded as ¥85,077 million for the year ended March 31, 2019 and ¥98,640 million for the year ended March 31, 2020) 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.

The proceeds from sales of other securities were ¥287 million for the year ended March 31, 2020. The gross realized gains on those sales were ¥244 million for the year ended March 31, 2020. The gross realized losses on those sales were zero for the year ended March 31, 2020.

Impairment losses recorded for unlisted stocks of other securities were ¥10 million and ¥16,119 million for the years ended March 31, 2019 and 2020, respectively.

## 10. Derivative Transactions

### (a) Derivative transactions — hedge accounting not applied

Currency-related transactions

Classification	Type of derivatives	Yen (millions)			
		2019			
		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
<b>Total</b>		<b>¥ 117,749</b>	<b>¥ —</b>	<b>¥ 1,184</b>	<b>¥ 1,184</b>

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

## Notes to Consolidated Financial Statements

Classification	Type of derivatives	Yen (millions)			
		2020			
		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	¥ 87,099	¥ —	¥ (765)	¥ (765)
	Euro	11,277	—	(143)	(143)
	New Zealand dollar	2,007	—	(50)	(50)
	Canadian dollar	242	—	(19)	(19)
	Russian rouble	177	—	(57)	(57)
	Australian dollar	159	—	(21)	(21)
	Swedish krona	147	—	5	5
	Czech koruna	66	—	3	3
	Danish krone	44	—	(0)	(0)
	Buy				
	U.S. dollar	79,339	—	(1,138)	(1,138)
	Euro	861	—	(10)	(10)
	Chinese yuan	71	—	(0)	(0)
<b>Total</b>		<b>¥ 181,495</b>	<b>¥ —</b>	<b>¥ (2,198)</b>	<b>¥ (2,198)</b>

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

## (b) Derivative transactions — hedge accounting applied

### (1) Currency-related transactions

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions)		
			2019		
			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)
Allocation 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
<b>Total</b>			<b>¥ 366,799</b>	<b>¥ —</b>	<b>¥ (313)</b>

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



## Notes to Consolidated Financial Statements

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions)		
			Contract amount	Amount of contract due after one year	Fair value
			<b>2020</b>		
Principle-based accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		¥ 53,456	¥ —	¥ (367)
	Euro		3,339	—	44
	Pound sterling		1,171	—	(41)
	Swedish krona		198	—	(1)
	Swiss franc		183	—	(0)
	Australian dollar		153	—	15
	Russian rouble		120	—	12
	Canadian dollar		77	—	4
	Danish krone		73	—	(0)
	Polish zloty		59	—	(5)
	Czech koruna		49	—	0
	Norwegian krone		43	—	(0)
	Hungarian forint		19	—	0
	New Zealand dollar		11	—	0
	Buy	Accounts payable — trade			
	U.S. dollar		215,026	—	1,801
	Euro		11	—	0
	Japanese yen		7	—	0
Allocation accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		123,337	—	198
	Buy	Accounts payable — trade			
	U.S. dollar		48,646	—	491
	Euro		100	—	(0)
<b>Total</b>			<b>¥ 446,086</b>	<b>¥ —</b>	<b>¥ 2,152</b>

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

### (2) Interest rate-related transactions

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

\*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.

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions)		
			Contract amount	Amount of contract due after one year	Fair value
			<b>2020</b>		
Principle-based accounting	Interest rate swaps	Long-term borrowings			
	Pay fixed/receive floating		¥ 20,000	¥ 20,000	¥ (172)
<b>Total</b>			<b>¥ 20,000</b>	<b>¥ 20,000</b>	<b>¥ (172)</b>

\*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, Borrowings and Lease Obligations

### (a) Bonds payable

Bonds payable as of March 31, 2019 and 2020 consisted of the following:

	Yen (millions)	
	2019	2020
1.604% unsecured straight bonds, the date of maturity on September 13, 2019	¥ 30,000	—
	¥ 30,000	—

## Notes to Consolidated Financial Statements

### (b) Borrowings and lease obligations

Borrowings and lease obligations as of March 31, 2019 and 2020 consisted of the following:

	Yen (millions)	
	2019	2020
Short-term borrowings with the following interest rates		
1.2% as of March 31, 2019 and 0.3% as of March 31, 2020	¥ 79,741	¥ 236,507
Current portion of long-term borrowings with the following interest rates		
2.0% as of March 31, 2019 and 2.3% as of March 31, 2020	1,704	1,218
Current portion of lease obligations with the following interest rates		
2.5% as of March 31, 2019 and 4.0% as of March 31, 2020	4,362	3,056
Long-term borrowings (except portion due within one year) with the following interest rates		
0.5% as of March 31, 2019 and 0.5% as of March 31, 2020	538,205	538,744
Lease obligations (except portion due within one year) with the following interest rates		
2.3% as of March 31, 2019 and 2.3% as of March 31, 2020	13,193	6,765
	¥ 637,208	¥ 786,293

Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2019 and 2020 respectively.

The aggregate annual maturities of long-term borrowings (except portion due within one year) as of March 31, 2020 were as follows:

Years ending March 31	Yen (millions)
2022	¥ 11,798
2023	2,358
2024	148
2025	8
2026 and thereafter	524,430

The aggregate annual maturities of lease obligations due within 5 years (except portion due within one year) as of March 31, 2020 were as follows:

Years ending March 31	Yen (millions)
2022	¥ 2,126
2023	1,293
2024	871
2025	643

The current portions of lease obligations and lease obligations (excluding the current portion) do not include lease liabilities recorded on the consolidated balance sheet by the application of IFRS 16. The balance of lease liabilities at the end of the current period is as follows.

Current portion of lease liabilities	¥2,557 million
Lease liabilities (Excluding current portion)	¥4,354 million

## 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, 2019 and 2020 consisted of the following:

	Yen (millions)	
	2019	2020
Defined benefit obligation at beginning of year	¥ 349,184	¥ 358,253
Service cost	10,760	10,688
Interest cost	3,205	3,147
Actuarial loss (gain)	3,817	(3,106)
Benefits paid	(21,907)	(22,828)
Increase from newly consolidated subsidiaries	13,962	44
Other	(3)	475
Foreign currency exchange rate changes	(766)	(3,295)
Defined benefit obligation at end of year	¥ 358,253	¥ 343,378

## 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, 2019 and 2020 consisted of the following:

	Yen (millions)	
	2019	2020
Fair value of plan assets at beginning of year	¥ 250,869	¥ <b>255,789</b>
Expected return on plan assets	7,194	<b>7,066</b>
Actuarial gain (loss)	(3,269)	<b>(6,466)</b>
Employer contribution	13,176	<b>16,216</b>
Benefits paid	(21,251)	<b>(22,200)</b>
Increase from newly consolidated subsidiaries	9,721	—
Other	(122)	<b>25</b>
Foreign currency exchange rate changes	(529)	<b>(2,975)</b>
Fair value of plan assets at end of year	¥ 255,789	¥ <b>247,457</b>

### (d) Reconciliations of the defined benefit obligation and 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, 2019 and 2020 consisted of the following:

	Yen (millions)	
	2019	2020
Funded defined benefit obligation at end of year	¥ 348,873	¥ <b>334,003</b>
Fair value of plan assets at end of year	(255,789)	<b>(247,457)</b>
Funded status at end of year	93,083	<b>86,546</b>
Unfunded defined benefit obligation at end of year	9,379	<b>9,375</b>
Total net retirement benefit liability	¥ 102,463	¥ <b>95,921</b>
Retirement benefit liability	106,636	<b>103,217</b>
Retirement benefit asset	(4,172)	<b>(7,295)</b>
Total net retirement benefit liability	¥ 102,463	¥ <b>95,921</b>

### (e) Retirement benefit expenses

Retirement benefit expenses of the Company and its consolidated subsidiaries for the years ended March 31, 2019 and 2020 consisted of the following:

	Yen (millions)	
	2019	2020
Service cost	¥ 10,760	¥ <b>10,688</b>
Interest cost	3,205	<b>3,147</b>
Expected return on plan assets	(7,194)	<b>(7,066)</b>
Amortization of net actuarial loss	11,357	<b>36,550</b>
Amortization of past service cost	(86)	<b>127</b>
Other	124	<b>35</b>
Total retirement benefit expenses	¥ 18,166	¥ <b>43,480</b>

### (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, 2019 and 2020 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2019	2020
Past service cost	¥ (52)	¥ <b>(108)</b>
Net actuarial gain	3,998	<b>33,339</b>
Total	¥ 3,945	¥ <b>33,230</b>

### (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, 2019 and 2020 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2019	2020
Unrecognized past service cost	¥ (121)	¥ <b>(13)</b>
Unrecognized net actuarial loss	81,549	<b>48,210</b>
Total	¥ 81,427	¥ <b>48,197</b>

## 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, 2019 and 2020 consisted of the following:

	2019	2020
Bonds	26%	<b>27%</b>
Equity securities	17%	<b>16%</b>
Cash and cash equivalents	2%	<b>2%</b>
Life insurance company general accounts	14%	<b>14%</b>
Alternatives	31%	<b>32%</b>
Other	10%	<b>9%</b>
Total	100%	<b>100%</b>

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

Actuarial assumptions

	2019	2020
Discount rate	mainly 0.5%	<b>mainly 0.5%</b>
Long-term expected rate of return	mainly 2.7%	<b>mainly 2.7%</b>

In addition, the cost recognized for the defined contribution pension plans was ¥942 million for the year ended March 31, 2019 and ¥1,033 million for the year ended March 31, 2020.

## 13. Stock Options

### (a) Expensed amount and account

The expensed amount and account for the years ended March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Selling, general and administrative expenses	¥ 128	¥ 61

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

The amount recorded as profit due to expiration of unexercised rights for the years ended March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Gain on reversal of share acquisition rights	¥ —	¥ 3

### (c) Description, size and changes of stock options

(1) Description of stock option

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

(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 special cases when the Board of Directors permits in writing.

## Notes to Consolidated Financial Statements

### (2) Size and changes of stock options

Stock options that existed for the year ended March 31, 2020 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)
<b>Unvested stock options (shares)</b>			
Balance on March 31, 2019	78,100	42,100	102,500
Granted	—	—	—
Nullified	—	—	—
Vested	71,100	42,100	—
Balance on March 31, 2020	7,000	—	102,500
<b>Vested stock options (shares)</b>			
Balance on March 31, 2019	—	—	—
Vested	71,100	42,100	—
Exercised	—	—	—
Nullified	1,800	—	—
Balance on March 31, 2020	69,300	42,100	—

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

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

#### ii) Unit price

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

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.

### (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 reasonable estimation of future nullified number of stock options is difficult.

## 14. Income Taxes

The Company is subject to a number of different income taxes which, in the aggregate, indicate a statutory tax rate in Japan of approximately 30.4% for the year ended March 31, 2019 and 2020.

The Company and its wholly owned domestic subsidiaries have adopted the consolidated taxation 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, 2019 and 2020 were as follows:

	2019	2020
Statutory tax rate	30.4%	<b>30.4%</b>
Foreign withholding tax	3.8	<b>2.4</b>
Tax credit	(2.8)	<b>(8.1)</b>
Net Increase (Decrease) in valuation allowance and other	(28.8)	<b>18.7</b>
Differences in normal tax rates of overseas subsidiaries	(0.4)	<b>1.2</b>
Other	0.7	<b>(0.9)</b>
Effective tax rate	2.9%	<b>43.7%</b>

## Notes to Consolidated Financial Statements

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Deferred tax assets:		
Inventories	¥ 17,334	¥ <b>14,643</b>
Accrued expenses	30,340	<b>13,868</b>
Provision for bonuses	5,372	<b>4,930</b>
Provision for sales promotion expenses	318	<b>651</b>
Valuation reserve for inventory purchase commitments	5,205	<b>5,208</b>
Retirement benefit liability	29,408	<b>29,296</b>
Buildings and structures	23,595	<b>21,609</b>
Machinery, equipment and vehicles	3,025	<b>2,395</b>
Software	5,056	<b>4,484</b>
Long-term prepaid expenses	9,136	<b>7,339</b>
Loss carried forward*	302,063	<b>309,182</b>
Other	65,089	<b>69,458</b>
Gross deferred tax assets	495,948	<b>483,068</b>
Valuation allowance for tax loss carried forward*	(300,171)	<b>(308,757)</b>
Valuation allowance for future deductible temporary difference and other	(163,476)	<b>(148,065)</b>
Total valuation allowance	(463,647)	<b>(456,823)</b>
Total deferred tax assets	¥ 32,300	¥ <b>26,245</b>
Deferred tax liabilities:		
Retained earnings appropriated for tax allowable reserves	¥ (1,314)	¥ <b>(1,351)</b>
Valuation difference on available-for-sale securities	(5,988)	<b>(4,626)</b>
Other	(3,699)	<b>(4,199)</b>
Total deferred tax liabilities	¥ (11,002)	¥ <b>(10,177)</b>
Net deferred tax assets	¥ 21,297	¥ <b>16,067</b>

\* Tax loss carried forward and its deferred tax assets amount by carry forward period as of March 31, 2020 were as follows:

	Yen (millions)		
	2020		
	Tax loss carried forward*	Valuation allowance	Deferred tax assets
Expire within one year	¥ <b>50,094</b>	¥ <b>(50,048)</b>	¥ <b>45</b>
Expire after one year, within two years	<b>120,191</b>	<b>(120,113)</b>	<b>78</b>
Expire after two years, within three years	<b>26,770</b>	<b>(26,765)</b>	<b>4</b>
Expire after three years, within four years	<b>26,248</b>	<b>(26,248)</b>	—
Expire after four years, within five years	<b>41,824</b>	<b>(41,824)</b>	—
Expire after five years	<b>44,052</b>	<b>(43,757)</b>	<b>295</b>
Total	¥ <b>309,182</b>	¥ <b>(308,757)</b>	¥ <b>424</b>

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

## 15. Business Combinations

The main business combination conducted during the year ended March 31, 2020 was as follows:

### Transaction under common control

#### (Absorption-type merger of import and sales business in Japan)

##### (a) Overview of the transaction

###### (1) Name and field of business

Business name

Business of import and sales of machinery and equipment

Field of business

Import of machinery and equipment and sales to domestic affiliated companies, etc.

###### (2) Date of business combination

June 1, 2019

###### (3) Legal form of business combination

An absorption-type merger

Surviving company

Company name: Sharp Corporation (the Company)

Absorbed company

Company name: Sharp Trading Co., Ltd. (the Company's wholly owned consolidated subsidiary) (hereinafter referred to as the "Merger")

###### (4) Company name after business combination

Sharp Corporation

###### (5) Objective of business combination

As part of structural reforms, the Company will simplify and streamline the import process through this merger to improve profitability.

##### (b) Overview of the accounting treatment

The Merger is treated as a transaction under common control in accordance with the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, January 16, 2019) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019).

## Notes to Consolidated Financial Statements

### 16. Segment Information

#### (a) General information about reportable segments

The Company's reportable segments are components of the Group for which discrete financial information is available and whose operating results are reviewed regularly by the Board of Directors. The Board uses this information to make decisions about resources to be allocated among the segments and to assess segment performance.

The Company has united for transformation, pursuing the business vision of Changing the World with 8K+5G and AIoT through initiatives to (1) expand our business globally, (2) create new businesses, (3) engage in M&A and alliances, and (4) strengthen our competitive position. To achieve this vision, we changed the four reportable business segments (Smart Homes, Smart Business Solutions, IoT Electronics Devices, and Advance Display Systems) used in the previous consolidated fiscal year, and defined three business domains as reportable segments: Smart Life, 8K Ecosystem, and ICT.

This change reflects the reorganization conducted to advance business reform as One SHARP, aiming to achieve our business vision of creating an 8K+5G Ecosystem and AIoT World.

The major difference is the reclassification of the Health and Environment business and Energy Solutions business (formerly under Smart Homes) and the Camera Modules business and Electronic Components and Devices business (formerly under IoT Electronics Devices) to the Smart Life business segment. In addition, Smart Business Solutions business, Advance Display Systems business, and the Advanced Equipment Development business formerly under IoT Electronics Devices have been reclassified under the 8K Ecosystem business segment. Mobile communication business, AIoT business, and PC business formerly under Smart Homes are now under the ICT business segment.

Segment information for the year ended March 31, 2019 is stated based on the three new segments after the change.

#### (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.

As described under Changes in Accounting Estimates, the Company and certain domestic consolidated subsidiaries had been using a period of 13 years as the period over which to amortize actuarial gains/losses and past service costs for retirement benefit liabilities. However, due to a decrease in average employee remaining years of service, the Company has adopted a 10-year amortization period beginning with the current consolidated fiscal year.

As a result of this change, segment profit for the current consolidated fiscal year decreased ¥4,251 million for Smart Life, ¥10,883 million for 8K Ecosystem, ¥1,781 million for ICT, and ¥1,263 million for Adjustments compared to calculations based on the former amortization period.

#### (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, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Net sales:		
Smart Life:		
Customers	¥ 848,412	¥ 801,254
Intersegment	50,219	55,037
Total	898,631	856,291
8K Ecosystem:		
Customers	1,287,812	1,131,375
Intersegment	25,742	25,903
Total	1,313,555	1,157,278
ICT:		
Customers	263,847	338,619
Intersegment	17,063	18,888
Total	280,911	357,507
Adjustments	(93,026)	(99,829)
Consolidated net sales	¥ 2,400,072	¥ 2,271,248
Segment income (loss):		
Smart Life	¥ 31,441	¥ 39,719
8K Ecosystem	47,380	14,945
ICT	20,856	20,240
Adjustments	(15,538)	(22,131)
Consolidated operating profit	¥ 84,140	¥ 52,773
Segment assets:		
Smart Life	¥ 404,480	¥ 361,885
8K Ecosystem	729,353	687,915
ICT	122,582	112,470
Adjustments	609,932	670,077
Consolidated assets	¥ 1,866,349	¥ 1,832,349



## Notes to Consolidated Financial Statements

	Yen (millions)	
	2019	2020
Other material items		
Depreciation:		
Smart Life	¥ 34,347	¥ 29,602
8K Ecosystem	31,306	32,974
ICT	10,783	10,858
Adjustments	1,582	2,054
The amount presented in consolidated financial statements	¥ 78,018	¥ 75,490
Amortization of goodwill:		
Smart Life	¥ 749	¥ 88
8K Ecosystem	2,323	1,412
ICT	—	66
Adjustments	—	—
The amount presented in consolidated financial statements	¥ 3,072	¥ 1,566
Investments in nonconsolidated subsidiaries and affiliates accounted for using the equity method:		
Smart Life	¥ 392	¥ 404
8K Ecosystem	29,994	25,201
ICT	—	—
Adjustments	34,435	34,938
The amount presented in consolidated financial statements	¥ 64,822	¥ 60,544
Increase in property, plant, equipment and intangible assets:		
Smart Life	¥ 27,701	¥ 24,648
8K Ecosystem	38,881	35,086
ICT	10,464	17,165
Adjustments	2,636	15,624
The amount presented in consolidated financial statements	¥ 79,684	¥ 92,525

Adjustments of segment income (loss) were ¥(15,538) million and ¥(22,131) million for the years ended March 31, 2019 and 2020, respectively, including elimination of intersegment transactions and corporate expenses not allocated to each reportable segment.

Elimination of intersegment transactions for segment income (loss) were ¥(11) million and ¥41 million, respectively. Corporate expenses not allocated to each reportable segment were ¥(16,225) million and ¥(18,885) million for the years ended March 31, 2019 and 2020, 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 ¥609,932 million and ¥670,077 million as of March 31, 2019 and 2020, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment.

Elimination of intersegment transactions for segment assets were ¥(6,408) million and ¥(10,215) million, respectively. Corporate assets not allocated to each reportable segment were ¥616,341 million and ¥680,293 million as of March 31, 2019 and 2020, 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 ¥34,435 million and ¥34,938 million as of March 31, 2019 and 2020, respectively, and mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥2,636 million and ¥15,624 million for the years ended March 31, 2019 and 2020, respectively, and mainly comprised increases in the Company's R&D groups and the administrative groups of the Company's headquarters.

Depreciation includes the amortization of long-term prepaid expenses.

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

### (d) Related information

#### (1) Net sales by product/service

Net sales by product/service for the years ended March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Net sales to outside customers:		
LCD modules	¥ 710,842	¥ 627,230
Sensing devices	362,005	347,362
Other	1,327,224	1,296,655
Total	¥ 2,400,072	¥ 2,271,248

Changes in presentation method:

'LCD color TVs', which was separately presented in the year ended March 31, 2019, has been included in 'Other', since its financial materiality has decreased in the year ended March 31, 2020.

As a result, ¥218,425 million of 'LCD color TVs' and ¥1,108,798 million of 'Other' for the year ended March 31, 2019 have been reclassified as ¥1,327,224 million of 'Other'.

## Notes to Consolidated Financial Statements

### (2) Net sales by region/country

Net sales by region/country for the years ended March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Net sales:		
Japan	¥ 719,424	¥ <b>786,859</b>
China	1,050,536	<b>910,891</b>
Other	630,111	<b>573,497</b>
Total	¥ 2,400,072	¥ <b>2,271,248</b>

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

Changes in presentation method:

'Asia', which was separately presented in the year ended March 31, 2019, has been included in 'Other', since its financial materiality has decreased in the year ended March 31, 2020.

As a result, ¥240,230 million of 'Asia' and ¥389,881 million of 'Other' for the year ended March 31, 2019 have been reclassified as ¥630,111 million of 'Other'.

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

Property, plant and equipment by region/country as of March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Property, plant and equipment, at cost less accumulated depreciation:		
Japan	¥ 293,300	¥ <b>300,475</b>
Asia	58,747	<b>54,916</b>
Other	52,989	<b>55,367</b>
Total	¥ 405,038	¥ <b>410,760</b>

### (4) Major customers and related sales amount

Major customers and related sales amount as of and for the year ended March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Net sales:		
APPLE INC.	¥ 563,336	¥ <b>522,254</b>
Related segments:		
Smart Life and 8K Ecosystem for the years ended March 31, 2019 and 2020.		

### (e) Impairment loss on fixed assets by reportable segment

Impairment loss on fixed assets by reportable segment for the years ended March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Impairment loss:		
Smart Life	¥ 970	¥ <b>384</b>
8K Ecosystem	5,166	—
ICT	167	—
Corporate Assets and Elimination	—	—
Total	¥ 6,304	¥ <b>384</b>

## Notes to Consolidated Financial Statements

### (f) Goodwill amortization and unamortized balance by reportable segment

Goodwill amortization and the unamortized balance by reportable segment as of and for the years ended March 31, 2019 and 2020 were as follows:

	Yen (millions)	
	2019	2020
Amortization of goodwill:		
Smart Life	¥ 749	¥ 88
8K Ecosystem	2,323	1,412
ICT	—	66
Corporate Assets and Elimination	—	—
<b>Total</b>	<b>¥ 3,072</b>	<b>¥ 1,566</b>

Balance at end of year:

Smart Life	¥ 83	¥ 46
8K Ecosystem	7,526	8,652
ICT	—	471
Corporate Assets and Elimination	—	—
<b>Total</b>	<b>¥ 7,610</b>	<b>¥ 9,169</b>

¥5,166 million of impairment loss was recorded for the year ended March 31, 2019 regarding the goodwill attributable to the 8K Ecosystem segment.

### (g) Gain on bargain purchase by reportable segment

For the year ended March 31, 2019, ¥3,936 million of gain on bargain purchase was recorded under the ICT 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.

For the year ended March 31, 2020, there was no gain on bargain purchase.

## 17. Transactions with Related Parties

### (a) Transactions with related parties

(1) Transactions between the Company and related parties

i) Parent company and major corporate shareholders, etc. of the Company

Principal transactions with related parties for the year ended March 31, 2019 and 2020 are omitted as they were immaterial.

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

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

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

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

## Notes to Consolidated Financial Statements

Principal transactions with related parties for the year ended March 31, 2020 were as follows:

Category	Company name	Location	Share capital	Details of business	Holding or held ratio	Relationship with the related party	Detail of transaction	Transaction amount (millions of yen)	Account	Balance at end of year (millions of yen)
Affiliate	Sakai Display Products Corporation	Sakai City, Osaka	32,485 million yen	Development, manufacture, distribution, export and import of LCD and other displays	24.6% holding directly	Manufacture of the Company's products and lease of real estate, etc.	Payment of costs and expenses	38,035	Accounts receivable - other	36,472
							Lease transaction with the Company	5,022	Other (Current assets)	2,848
							Collection of lease receivables from the Company	624	Other (Investments and other assets)	44,578

Notes:

1. Transaction amounts were determined at proper prices upon negotiation.
2. Consumption tax is included in accounts receivable - other of the balance at end of year.

iii) Subsidiaries owned by the same parent company as the Company and subsidiaries of other related companies of the Company, etc.

Principal transactions with related parties for the years ended March 31, 2019 and 2020 are omitted as they were immaterial.

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

Principal transactions with related parties for the years ended March 31, 2019 and 2020 are omitted as they were immaterial.

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

i) Parent company and major corporate shareholders, etc. of the Company

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

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

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, 2020 were as follows:

Category	Company name	Location	Share capital	Details of business	Holding or held ratio	Relationship with the related party	Detail of transaction	Transaction amount (millions of yen)	Account	Balance at end of year (millions of yen)
Parent company	Hon Hai Precision Industry Co., Ltd.	New Taipei City, Taiwan	138,629 million New Taiwan dollars	Electronic manufacturing service	24.5% held directly and 17.2% held indirectly [19.1%]	Purchases of raw materials and goods by the Company	Purchases of raw materials and goods by the Company	92,322	Accounts payable	22,461

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..

## Notes to Consolidated Financial Statements

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

Principal transactions with related parties for the years ended March 31, 2019 and 2020 are omitted as they were immaterial.

iii) Subsidiaries owned by the same parent company as the Company and subsidiaries of other related companies of the Company, etc.

Principal transactions with related parties for the year ended March 31, 2019 and 2020 are omitted as they were immaterial.

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

Principal transactions with related parties for the years ended March 31, 2019 and 2020 are omitted as they were immaterial.

### (b) Information on the parent company and significant affiliates

(1) Information on the parent company

Hon Hai Precision Industry Co., Ltd. (Listed on the Taiwan Stock Exchange)

(2) Summary of financial statements of significant affiliated company

For the year ended March 31, 2020, significant affiliated company was Sakai Display Products Corporation.

Summary of its financial statements was as follows:

	Yen (millions)	
	2019	2020
Current assets	203,646	<b>296,480</b>
Non-current assets	422,291	<b>505,031</b>
Current liabilities	139,635	<b>209,683</b>
Non-current liabilities	216,106	<b>371,276</b>
Net assets	270,195	<b>220,550</b>
Net sales	80,115	<b>101,458</b>
Profit (loss) before income taxes	(44,869)	<b>(20,817)</b>
Profit (loss) attributable to owners of parent	(43,891)	<b>(20,941)</b>

## 18. Per Share Data

Per share data as of March 31, 2019 and 2020 were as follows:

	Yen	
	2019	2020
Net assets per share	¥ 392.56	<b>¥ 450.70</b>
Income per share	116.80	<b>34.31</b>
Fully diluted income per share	91.69	<b>33.00</b>

Income per share and fully diluted income per share as of March 31, 2019 and 2020 were calculated on the following basis:

	2019	2020
Income per share		
Profit attributable to owners of parent (millions of yen)	¥ 74,226	<b>¥ 20,958</b>
Amounts not allocated to common shares (millions of yen)	2,877	—
Preferred dividend amount (millions of yen)	2,877	—
Profit attributable to owners of parent allocated to common shares (millions of yen)	71,348	<b>20,958</b>
Average number of common shares outstanding during each year (thousands of shares)	610,882	<b>610,845</b>
Common shares (thousands of shares)	520,854	<b>531,309</b>
Shares equivalent to common shares (thousands of shares)	90,028	<b>79,536</b>

Fully diluted income per share		
Adjustment to profit attributable to owners of parent (millions of yen)	2,877	—
Preferred dividend amount (millions of yen)	2,877	—
Increase in number of common shares (thousands of shares)	198,689	<b>24,196</b>
Class A shares (thousands of shares)	198,689	<b>24,196</b>

Residual securities which do not dilute income per share	781 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)	<b>763 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)</b>
	421 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights)	<b>421 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights)</b>
	1,025 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights)	<b>1,025 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights)</b>

## Notes to Consolidated Financial Statements

Since Class C shares have the same priority as common shares in dividend payments, 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 completed the acquisition and cancellation of 200,000 Class A shares issued (92,000 shares on January 30, 2019 and 108,000 shares on June 21, 2019). The figures for the income per share and the fully diluted income per share are calculated considering the effect of this transaction.

### 19. Significant Subsequent Events

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

The Company passed a resolution at the Board of Directors meeting held on June 5, 2020, to submit a proposal at the Ordinary General Meeting of Shareholders held on June 29, 2020, that the Company be authorized to allot share acquisition rights as stock options to directors, audit & supervisory board members, executives and employees (hereinafter referred to as “Officers and Employees”) of the Company and its subsidiaries and affiliates in Japan (hereinafter referred to as 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.

#### (4) Cash payment for share acquisition rights

No cash payment is required for share acquisition rights.

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

The value of assets to be contributed upon the exercise of each share acquisition right shall be the value per share to be issued by the exercise of each share acquisition right (hereinafter referred to as 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.

## Consolidated Subsidiaries

(As of March 31, 2020)

### Domestic

Sharp Marketing Japan Corporation  
Sharp Energy Solutions Corporation  
Sharp Yonago Corporation  
Sharp Mie Corporation  
Sharp Support & Service Corporation  
ScienBiziP Japan Co., Ltd.  
Dynabook Inc.  
Kantatsu Co., Ltd.  
Sharp Fukuyama Semiconductor Co., Ltd.  
Sharp Fukuyama Laser Co., Ltd.  
AIoT Cloud Inc.

### 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. <Sultz, France>  
Sharp Electronics Benelux B.V. <Utrecht, the Netherlands>  
UMC Poland sp. z o.o. <Toruń, Poland>  
Sharp Middle East Free Zone Establishment <Dubai, U.A.E.>  
Sharp Universal Technology (Shenzhen) Co., Ltd. <Shenzhen, China>  
Sharp Universal Technology (Shanghai) Co., Ltd. <Shanghai, China>  
Shanghai Sharp Electronics Co., Ltd. <Shanghai, China>  
Sharp Electronics Sales (China) Co., Ltd. <Shanghai, China>  
Sharp (China) Investment Co., Ltd. <Beijing, China>  
Sharp Electronics Research & Development (Nanjing) Co., Ltd. <Nanjing, 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>  
Pinghu Kantatsu Fine Technology Co., Ltd. <Pinghu, China>  
Dynabook Technology (Hangzhou) Inc. <Hangzhou, China>  
Yantai Xia Ye Electrons Co., Ltd. <Yantai, China>  
Sharp Hong Kong Limited <Hong Kong>  
Sharp (Taiwan) Electronics Corporation <New Taipei, Taiwan>  
Dynabook Technology (Taiwan) Co., Ltd. <Taoyuan, Taiwan>  
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>

\* There are 43 other consolidated subsidiaries in additions to the companies listed above.