

## Financial Section

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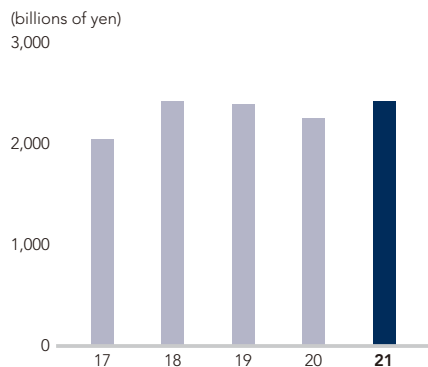
# Financial Review

Sharp Corporation and Consolidated Subsidiaries

## Net Sales

Consolidated net sales for the fiscal year ended March 31, 2021 amounted to ¥2,425,910 million, up ¥163,625 million (7.2%) year on year.

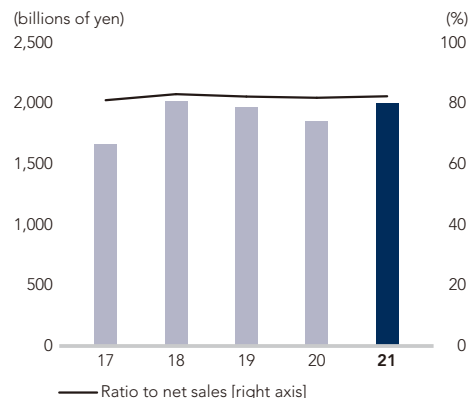
### Net Sales



## Financial Results

Cost of sales increased ¥147,586 million to ¥2,004,593 million, while our cost of sales ratio increased from 82.1% to 82.6% year on year.

### Cost of Sales



Selling, general and administrative (SG&A) expenses decreased ¥15,608 million to ¥338,204 million. The ratio of SG&A expenses against net sales decreased from 15.6% to 13.9% year on year. SG&A expenses included salaries and allowances of ¥107,644 million, retirement benefit expenses of ¥8,802 million, transportation and storage costs of ¥41,116 million, outsourcing expenses of ¥36,821 million, and research and development expenses of ¥20,968 million.

As a result, operating profit amounted to ¥83,112 million, an increase of ¥31,647 million (61.5%) year on year.

Non-operating income increased ¥945 million to ¥22,590 million, while non-operating

expenses increased ¥19,593 million to ¥42,527 million due to an increase in share of loss of entities accounted for using the equity method.

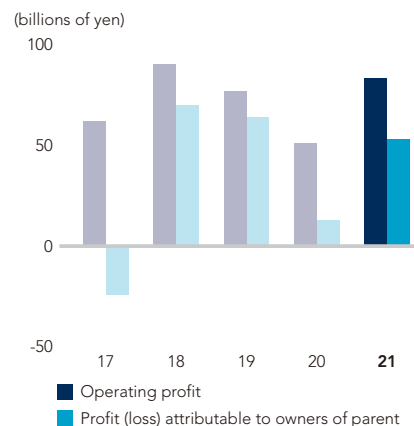
Extraordinary income increased ¥6,101 million to ¥12,357 million. Extraordinary losses decreased ¥15,009 million to ¥9,090 million. This was mainly due to a decrease in loss on valuation of investment securities.

As a result, profit before income taxes totaled ¥66,442 million, an increase of ¥34,110 million, up 2.1 fold year on year.

Profit attributable to owners of parent increased ¥39,536 million year on year to ¥53,263 million (3.9 fold). Income per share of common stock was ¥87.20.

Due to effects from the COVID-19, net sales decreased by approximately ¥107.8 billion, while operating profit decreased by approximately ¥32.0 billion.

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



## Segment Information

### [Smart Life]

Sales of Plasmacluster products in Japan rose significantly, while sales of washing machines, cooking appliances, etc., also rose. Furthermore, sales in the device businesses and other areas increased, and sales increased 3.4% to ¥879,910 million. Segment income rose 79.7% to ¥71,559 million, mainly due to increased sales, cost reductions, and a shift to high-value-add in white goods.

### [8K Ecosystem]

Although sales decreased for multi-function printers and panels used in automotive applications, which were significantly affected by COVID-19, sales increased for panels used in PCs and tablets, large-size panels, and finished TVs, resulting in sales of ¥1,282,938 million, up 11.2% year on year. Segment income rose 31.5% to ¥17,387 million, mainly due to overall increase in segment sales and progress in cost reductions, despite impact from declining sales of multi-function printers and panels used in automotive applications.

### [ICT]

Sales increased in the mobile communications and personal computers businesses, resulting in sales of ¥358,923 million, up 0.4% year on year. Segment income fell 25.0% to ¥15,421 million, mainly due to an increase in the ratio of mid-range models in the mobile communications business.

## Financial Review

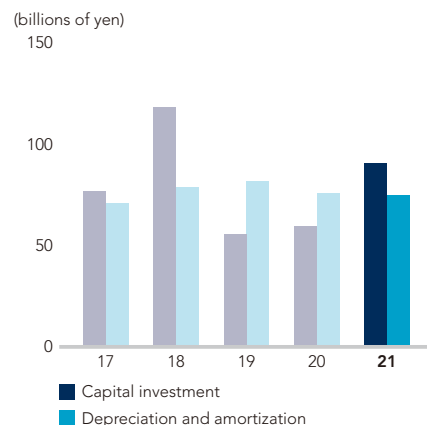
### Capital Investment and Depreciation

Capital investment totaled ¥91,572 million, up 51.2% year on year mainly due to acquisition of the Hakusan Plant and introducing production equipment for camera modules.

By business segment, capital investment was ¥21,984 million for Smart Life, ¥66,966 million for 8K Ecosystem and ¥817 million for ICT. Unallocated capital investment amounted to ¥1,804 million.

Depreciation and amortization declined by 1.4% to ¥75,597 million.

### Capital Investment/ Depreciation and Amortization



### Sales by Segment

	Yen (millions)	
	2020	2021
Smart Life	¥ 850,683	¥ <b>879,910</b>
8K Ecosystem	1,153,824	<b>1,282,938</b>
ICT	357,605	<b>358,923</b>
Subtotal	2,362,114	<b>2,521,772</b>
Adjustments	(99,829)	<b>(95,861)</b>
Total	2,262,284	<b>2,425,910</b>

### Segment Income by Segment

	Yen (millions)	
	2020	2021
Smart Life	¥ 39,829	¥ <b>71,559</b>
8K Ecosystem	13,217	<b>17,387</b>
ICT	20,548	<b>15,421</b>
Subtotal	73,596	<b>104,368</b>
Adjustments	(22,131)	<b>(21,256)</b>
Total	51,464	<b>83,112</b>

### Assets, Liabilities and Net Assets

Total assets at fiscal year-end amounted to ¥1,927,226 million, up ¥115,319 million from the previous fiscal year. This included the new consolidation of Sharp NEC Display Solutions, Ltd., and an increase in assets due to the acquisition of the Hakusan Plant.

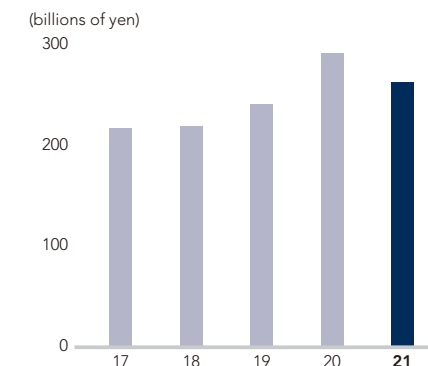
#### Assets

Current assets amounted to ¥1,188,770 million, up ¥107,621 million from the end of the previous fiscal year. This result was mainly due to an increase in cash and deposits of ¥116,867 million and an increase in notes and accounts receivable-trade of ¥34,030 million, which was offset in part by a decrease in inventories of ¥29,773 million. Inventories were ¥263,066 million. Within total inventories, finished products decreased ¥23,574 million to ¥133,330 million, works in process increased ¥536 million to ¥67,912 million, and raw materials and supplies decreased ¥6,735 million to ¥61,823 million.

Property, plant and equipment increased ¥37,538 million from the end of the previous fiscal year to ¥438,486 million.

Investments and other assets amounted to ¥254,855 million, down ¥29,663 million from the end of the previous fiscal year. This was mainly due to a decrease in investment securities.

### Inventories



# Financial Review

## Liabilities

Current liabilities increased ¥20,998 million from the end of the previous fiscal year to ¥885,582 million.

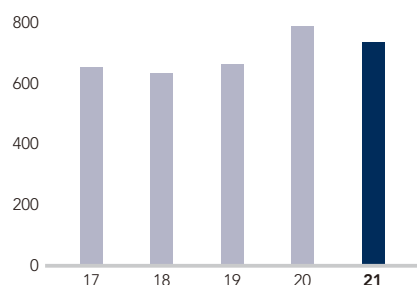
Short-term borrowings decreased by ¥74,698 million despite an increase of ¥49,825 million from the end of the previous fiscal year in notes and accounts payable-trade and an increase of ¥7,835 million in accrued expenses.

Non-current liabilities increased ¥1,139 million from the end of the previous fiscal year to ¥677,505 million. This result was mainly due to an increase of ¥23,148 million in long-term borrowings, which was offset in part by a decrease of ¥19,658 million in retirement benefit liability.

Interest-bearing debt at fiscal year-end stood at ¥740,818 million, down ¥52,387 million from the end of the previous fiscal year.

## Interest-Bearing Debt

(billions of yen)  
1,000



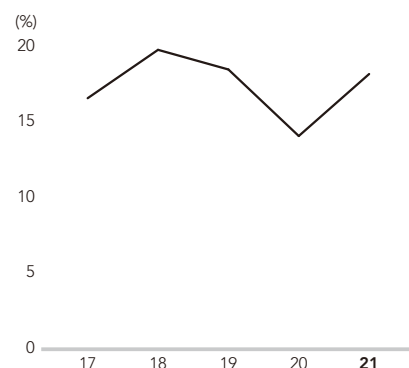
## Net Assets

Net assets amounted to ¥364,139 million, up ¥93,180 million compared to the previous fiscal year-end balance of ¥270,959 million.

This result was due to an increase in capital surplus due to the recording of profit attributable to owners of parent, despite payment of dividends.

Our equity ratio was 18.2%.

## Equity Ratio



## Cash Flows

Cash and cash equivalents were ¥292,792 million, up ¥122,469 million from the end of the previous fiscal year due to the capital inflows from operating activities exceeding the combined capital outflows from financing activities and investing activities.

Cash provided by operating activities amounted to ¥204,642 million, up ¥136,189 million compared to cash provided in the amount of ¥68,453 million in the previous fiscal year.

This result mainly consisted of an increase of ¥34,110 million in profit before income taxes, an increase of ¥35,414 million in accounts receivable-other, an increase of ¥109,777 million in inventories, and an increase of ¥62,835 million in trade payables, despite a decrease of ¥110,547 million in trade receivables compared to the previous fiscal year.

Cash used in investing activities totaled ¥14,114 million, down ¥114,135 million compared to cash used of ¥128,249 million in the previous fiscal year.

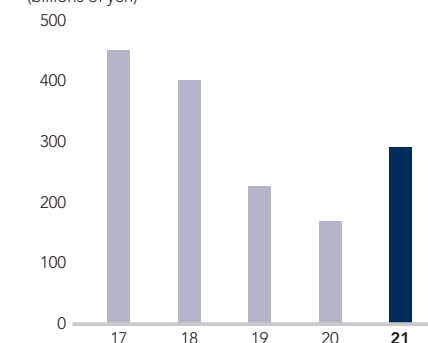
The result was mainly due to decreases of ¥37,787 million in expenditure on purchase of property, plant and equipment, ¥27,838 million in expenditure on purchase of investment securities, and ¥11,497 million in expenditure in payments into time deposits, in addition to increases in ¥4,716 million in proceeds from sale of property, plant and equipment and ¥12,826 million in proceeds from withdrawal of time deposits.

Cash used in financing activities was ¥76,724 million, up ¥81,285 million compared to cash provided of ¥4,560 million in the previous fiscal year.

This is due to a net decrease in short-term borrowings of ¥89,398 million and a proceeds from long-term borrowings of ¥40,251 million, in contrast to outflows for redemption of bonds of ¥30,000 million, outflows for purchases of treasury shares of ¥97,078 million, a net increase in short-term borrowings of ¥157,355 million, and a proceeds from long-term borrowings of ¥1,790 million in the previous fiscal year.

## Cash and Cash Equivalents

(billions of yen)



Notes: 1. Sales figures by segment shown in Segment Information include internal sales and transfers among segments (Smart Life, 8K Ecosystem, ICT). Segment income figures are amounts before adjustment for inter-segment trading.

2. Effective from the consolidated fiscal year ending March 31, 2022, the Company has amended its segment classification.

Please refer to "19. Significant Subsequent Events (a) Change of segment", P.58, for information on sales, income, and loss by segment for the consolidated fiscal year ended March 31, 2021 based on the new segmentation.

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, 2020 and 2021

	Yen (millions)	
	2020	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and deposits (Notes 2 (c), 6 and 8)	¥ 225,049	¥ 341,917
Notes and accounts receivable — trade (Notes 2 (c) and 8)	423,618	457,649
Inventories (Notes 2 (b) and (c))	292,840	263,066
Other (Note 2 (c) and 7)	142,268	130,098
Allowance for doubtful accounts	(2,629)	(3,961)
<b>Total current assets</b>	<b>1,081,148</b>	<b>1,188,770</b>
<b>Non-current Assets</b>		
Property, plant and equipment		
Buildings and structures (Note 2 (c))	647,929	675,865
Machinery, equipment and vehicles (Note 2 (c))	1,151,621	1,162,607
Tools, furniture and fixtures (Note 2 (c))	188,295	190,705
Land (Note 2 (c))	82,369	83,600
Construction in progress (Note 2 (c))	29,442	31,822
Other	50,668	48,726
Accumulated depreciation	(1,749,377)	(1,754,840)
<b>Total property, plant and equipment</b>	<b>400,948</b>	<b>438,486</b>
Intangible assets		
Software	28,203	26,557
Other	17,088	18,557
<b>Total intangible assets</b>	<b>45,292</b>	<b>45,114</b>
Investments and other assets		
Investment securities (Notes 2 (a), 2 (c), 8 and 9)	187,542	164,181
Retirement benefit asset (Note 12)	7,295	5,584
Deferred tax assets (Note 14)	18,298	19,053
Other (Note 2 (c) and 7)	73,807	67,404
Allowance for doubtful accounts	(2,426)	(1,368)
<b>Total investments and other assets</b>	<b>284,518</b>	<b>254,855</b>
<b>Total non-current assets</b>	<b>730,759</b>	<b>738,456</b>
<b>Total assets</b>	<b>¥ 1,811,907</b>	<b>¥ 1,927,226</b>

	Yen (millions)	
	2020	2021
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Notes and accounts payable — trade (Note 8)	¥ 311,999	¥ 361,825
Electronically recorded obligations — operating (Note 8)	36,331	34,597
Short-term borrowings (Notes 2 (c), 8 and 11)	237,726	163,028
Accrued expenses	97,446	105,282
Provision for bonuses	18,634	18,573
Provision for product warranties	15,967	18,897
Provision for sales promotion expenses	6,918	8,433
Provision for restructuring	434	670
Valuation reserve for inventory purchase commitments	17,133	—
Other (Note 2(c) and 11)	121,990	174,274
<b>Total current liabilities</b>	<b>864,583</b>	<b>885,582</b>
<b>Non-current Liabilities</b>		
Long-term borrowings (Notes 2 (c), 8 and 11)	538,744	561,893
Retirement benefit liability (Note 12)	103,217	83,558
Other (Notes 11 and 14)	34,402	32,053
<b>Total non-current liabilities</b>	<b>676,365</b>	<b>677,505</b>
<b>Total liabilities</b>	<b>1,540,948</b>	<b>1,563,087</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	108,853	109,126
Retained earnings	247,283	289,551
Treasury shares	(13,993)	(14,053)
<b>Total shareholders' equity</b>	<b>347,143</b>	<b>389,624</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,048	16,617
Deferred gains or losses on hedges	846	1,086
Foreign currency translation adjustment	(56,118)	(39,362)
Remeasurements of defined benefit plans	(43,646)	(17,617)
<b>Total accumulated other comprehensive income</b>	<b>(90,870)</b>	<b>(39,275)</b>
Share acquisition rights (Note 5)	293	297
Non-controlling interests	14,392	13,493
<b>Total net assets</b>	<b>270,959</b>	<b>364,139</b>
<b>Total liabilities and net assets</b>	<b>¥ 1,811,907</b>	<b>¥ 1,927,226</b>

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

## Consolidated Statements of Operations

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2020 and 2021

	Yen (millions)	
	2020	2021
<b>Net Sales (Note 16)</b>	¥ 2,262,284	¥ 2,425,910
<b>Cost of Sales (Notes 3 (a) and (c))</b>	1,857,007	2,004,593
Gross profit	405,277	421,316
<b>Selling, General and Administrative Expenses (Notes 3 (b) and (c))</b>	353,812	338,204
Operating profit (Note 16)	51,464	83,112
<b>Non-operating Income</b>		
Interest income	2,916	2,818
Dividend income	1,502	1,240
Rental income from non-current assets	3,444	3,500
Foreign exchange gains	3,048	5,546
Other	10,733	9,483
Total non-operating income	21,644	22,590
<b>Non-operating Expenses</b>		
Interest expenses	4,697	5,511
Share of loss of entities accounted for using the equity method (Note 3 (d))	4,085	16,703
Investment expenses	—	4,879
Other	14,150	15,432
Total non-operating expenses	22,933	42,527
Ordinary profit	50,175	63,175
<b>Extraordinary Income</b>		
Gain on sales of non-current assets (Note 3 (e))	2,843	5,630
Gain on sales of investment securities	244	14
Gain on sales of shares of subsidiaries and associates	2,976	—
Gain on donation of non-current assets (Note 3 (f))	—	6,675
Gain on liquidation of subsidiaries and associates	—	27
Gain on reversal of share acquisition rights	3	10
Gain on step acquisitions	188	—
Total extraordinary income	6,256	12,357
<b>Extraordinary Losses</b>		
Loss on sales and retirement of non-current assets (Note 3 (g))	341	638
Impairment loss (Note 3 (h))	3,403	6,417
Loss on valuation of investment securities	16,691	2,035
Restructuring charges	332	—
Loss from business combination (Note 3 (i))	3,331	—
Total extraordinary losses	24,100	9,090
Profit before income taxes	32,331	66,442
<b>Income Taxes (Note 14)</b>		
Current	11,820	14,657
Deferred	5,952	(442)
Total income taxes	17,773	14,215
<b>Profit</b>	14,558	52,227
Profit (loss) attributable to non-controlling interests	831	(1,036)
Profit attributable to owners of parent	¥ 13,726	¥ 53,263

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

## Consolidated Statements of Comprehensive Income

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2020 and 2021

	Yen (millions)	
	2020	2021
<b>Profit</b>	¥ 14,558	¥ 52,227
<b>Other Comprehensive Income:</b>		
Valuation difference on available-for-sale securities	(5,439)	8,563
Deferred gains or losses on hedges	1,088	269
Foreign currency translation adjustment	(13,080)	16,466
Remeasurements of defined benefit plans	32,473	26,010
Share of other comprehensive income of entities accounted for using the equity method	(573)	1,523
<b>Total other comprehensive income (Note 4)</b>	14,469	52,832
<b>Comprehensive Income</b>	¥ 29,027	¥ 105,060
Comprehensive income attributable to:		
Owners of parent	28,968	104,858
Non-controlling interests	59	202

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 Fiscal Years Ended March 31, 2020 and 2021

	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	¥ 247,826	¥ (13,987)	¥ 447,564	¥ 13,531	¥ (220)	¥ (43,214)	¥ (76,208)	¥ (106,111)	¥ 235	¥ 15,642	¥ 357,331
Cumulative effects of changes in accounting policies			783		783								783
Restated balance	5,000	208,725	248,610	(13,987)	448,347	13,531	(220)	(43,214)	(76,208)	(106,111)	235	15,642	358,114
Changes in items during period													
Dividends of surplus			(15,053)		(15,053)								(15,053)
Profit attributable to owners of parent			13,726		13,726								13,726
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						(5,483)	1,066	(12,903)	32,561	15,241	58	(1,250)	14,048
Total changes in items during period	—	(99,871)	(1,326)	(5)	(101,204)	(5,483)	1,066	(12,903)	32,561	15,241	58	(1,250)	(87,155)
<b>Balance at end of the year ended March 31, 2020</b>	¥ 5,000	¥ 108,853	¥ 247,283	¥ (13,993)	¥ 347,143	¥ 8,048	¥ 846	¥ (56,118)	¥ (43,646)	¥ (90,870)	¥ 293	¥ 14,392	¥ 270,959

	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, 2021</b>	¥ 5,000	¥ 108,853	¥ 247,283	¥ (13,993)	¥ 347,143	¥ 8,048	¥ 846	¥ (56,118)	¥ (43,646)	¥ (90,870)	¥ 293	¥ 14,392	¥ 270,959
Changes in items during period													
Dividends of surplus			(10,995)		(10,995)								(10,995)
Profit attributable to owners of parent			53,263		53,263								53,263
Change in ownership interest of parent due to transactions with non-controlling interests		286			286								286
Purchase of treasury shares				(75)	(75)								(75)
Disposal of treasury shares		(13)		15	2								2
Net changes in items other than shareholders' equity						8,569	240	16,756	26,028	51,594	3	(898)	50,699
Total changes in items during period	—	272	42,268	(60)	42,480	8,569	240	16,756	26,028	51,594	3	(898)	93,180
<b>Balance at end of the year ended March 31, 2021</b>	¥ 5,000	¥ 109,126	¥ 289,551	¥ (14,053)	¥ 389,624	¥ 16,617	¥ 1,086	¥ (39,362)	¥ (17,617)	¥ (39,275)	¥ 297	¥ 13,493	¥ 364,139

# Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2020 and 2021

	Yen (millions)	
	2020	2021
<b>Cash Flows from Operating Activities:</b>		
Profit before income taxes	¥ 32,331	¥ 66,442
Depreciation	72,630	71,942
Interest and dividend income	(4,418)	(4,059)
Interest expenses	4,697	5,511
Share of loss (profit) of entities accounted for using the equity method	4,085	16,703
Investment expenses	—	4,879
Loss (gain) on sales and retirement of non-current assets	(2,502)	(4,991)
Gain on donation of non-current assets	—	(6,675)
Loss (gain) on sales of investment securities	(244)	(14)
Loss (gain) on sales of shares of subsidiaries and associates	(2,976)	—
Loss (gain) on liquidation of subsidiaries and associates	—	(27)
Loss (gain) on step acquisitions	(188)	—
Impairment loss	3,403	6,417
Loss (gain) on valuation of investment securities	16,691	2,035
Loss from business combination	3,331	—
Decrease (increase) in trade receivables	101,766	(8,781)
Decrease (increase) in accounts receivable — other	(31,054)	4,360
Decrease (increase) in inventories	(56,511)	53,266
Increase (decrease) in trade payables	(54,323)	8,511
Increase (decrease) in accrued expenses	(20,050)	6,698
Increase (decrease) in advances received	11,433	(15,456)
Increase (decrease) in valuation reserve for inventory purchase commitments	9	(17,133)
Other, net	(1,760)	18,004
Subtotal	76,351	207,633
Interest and dividends received	7,786	8,232
Interest paid	(4,716)	(5,401)
Income taxes (paid) refund	(10,968)	(5,820)
Net cash provided by (used in) operating activities	68,453	204,642

	Yen (millions)	
	2020	2021
<b>Cash Flows from Investing Activities:</b>		
Payments into time deposits	(129,881)	(118,384)
Proceeds from withdrawal of time deposits	111,735	124,561
Purchases of property, plant and equipment	(73,444)	(35,656)
Proceeds from sales of property, plant and equipment	5,801	10,518
Purchase of intangible assets	(20,662)	(15,726)
Purchases of investment securities	(35,901)	(8,063)
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6 (b))	(2,721)	(755)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6 (b))	341	4,478
Other, net	16,482	24,913
Net cash provided by (used in) investing activities	(128,249)	(14,114)
<b>Cash Flows from Financing Activities:</b>		
Net increase (decrease) in short-term borrowings	157,355	(89,398)
Proceeds from long-term borrowings	1,790	40,251
Repayments of long-term borrowings	(1,605)	(4,688)
Redemption of bonds	(30,000)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(8,668)	(6,875)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	5,904	—
Purchase of treasury shares	(97,078)	(75)
Dividends paid	(15,028)	(10,980)
Other, net	(8,110)	(4,956)
Net cash provided by (used in) financing activities	4,560	(76,724)
<b>Effect of Exchange Rate Change on Cash and Cash Equivalents</b>	(3,239)	8,665
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(58,474)	122,469
<b>Cash and Cash Equivalents at Beginning of Period</b>	228,798	170,323
<b>Cash and Cash Equivalents at End of Period (Note 6 (a))</b>	¥ 170,323	¥ 292,792

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 120 companies over which the Company has power of control through the holding of majority voting rights or with the existence of other certain conditions. Investments in 1 nonconsolidated subsidiary and 19 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 fiscal year ended March 31, 2021 were as follows:

(Included in scope)

Sharp Display Technology Corporation

Sharp NEC Display Solutions, Ltd.

And 16 others

(Excluded from scope)

Sharp Brasil Comércio e Distribuição de Artigos Eletrônicos Ltda.

Sharp Center Aarhus ApS

And 1 other

Change in the nonconsolidated subsidiaries and affiliates accounted for using the equity method for the fiscal year ended March 31, 2021 was as follows:

(Excluded from scope)

Sharp Life Science International Ltd.

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, and 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 written down to 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 the Sakai Plant 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.

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

## Notes to Consolidated Financial Statements

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 useful 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) 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 recorded to prepare for potential losses in individually estimated unrecoverable amounts. This procedure is made to reflect the impact of the risk of possible credit loss.

### **(h) Provision for bonuses**

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

### **(i) Provision for product warranties**

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.

### **(j) Provision for sales promotion expenses**

The reserve for payment of sales promotion expenses is set aside based on estimated amounts to be paid to agencies and dealers in the subsequent period in respect of services rendered or goods received prior to the balance sheet date.

### **(k) Provision for restructuring**

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

### **(l) 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 the Company executes the agreement in the future.

### **(m) Defined benefit pension plan**

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

Past service costs are amortized primarily 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.

### **(n) Hedge accounting**

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

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

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

Goodwill is amortized using the straight-line method 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.

### **(p) 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

# Notes to Consolidated Financial Statements

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.

## (q) Consumption taxes

The tax exclusion method is applied.

## (r) 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).

## (s) Significant accounting estimates

### (1) Valuation of inventories

#### i) Amount recorded in the consolidated financial statements of the fiscal year ended March 31, 2021

	Yen (millions)
	Fiscal year ended March 31, 2021
Inventories	¥ 263,066

#### ii) Information related to the contents of significant accounting estimates for identified items

The Group reduces the book value of inventories when their net realizable value falls below the book value. In addition, some inventories deemed slow-moving for more than a certain period of time are devalued regularly as time goes by, assuming their salability is declining. Moreover, the book value of some inventories is also devalued individually when they are deemed difficult to sell.

However, if a disadvantageous situation arises for the Group in the future, such as a price decline resulting from unpredictable changes in the environment, it may be necessary to additionally reduce the book value in the consolidated financial statements from the next fiscal year onward.

### (2) Impairment loss on non-current assets

#### i) Amount recorded in the consolidated financial statements of the fiscal year ended March 31, 2021

	Yen (millions)
	Fiscal year ended March 31, 2021
Property, plant and equipment	¥ 438,486
Intangible assets	¥ 45,114

#### ii) Information related to the contents of significant accounting estimates for identified items

When there is an indication of impairment such as continued operating loss or negative cash flow from operating activities, the Company determines whether or not an asset or asset group is impaired. If it is determined that the value in use or net realizable value of the asset (group), whichever is higher, has fallen below its book value, the difference is recognized as an impairment loss. The future business plan, which forms the basis for calculating the value in use, is created in consideration of information available at the time of financial closing, such as market prices and demand outlook provided by external information research companies. Additionally, the net realizable value is determined by a rational method such as asset valuation by a third party.

In the future, however, if there are changes in the market environment, which is the premise of the Company's business plan, there is a possibility that an additional impairment loss may be recorded in the consolidated financial statements for the next fiscal year and thereafter.

## (t) Unapplied accounting standards and interpretations

The accounting standards and interpretations issued as of March 31, 2021 but not yet applied as of the fiscal year ended March 31, 2021 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

# Notes to Consolidated Financial Statements

## (u) Changes in presentation method

(Consolidated statements of operations)

“Rental expenses on non-current assets” (¥2,360 million for the fiscal year ended March 31, 2021), which was separately presented in the fiscal year ended March 31, 2020, has been included in “Other” under “Non-operating expenses” for the fiscal year ended March 31, 2021, since its amount does not exceed 10/100 of the total non-operating expenses. The consolidated financial statements for the fiscal year ended March 31, 2020 have been reclassified to reflect this change in presentation method.

As a result, in the consolidated statements of operations for the fiscal year ended March 31, 2020, “Other” under “Non-operating expenses,” which was ¥11,632 million, now includes “Rental expenses on non-current assets” of ¥2,517 million, totaling ¥14,150 million.

(Consolidated statements of cash flows)

(1) “Increase (decrease) in advances received” and “Increase (decrease) in valuation reserve for inventory purchase commitments”, which were included in “Other, net” under “Cash flows from operating activities” in the fiscal year ended March 31, 2020, are separately presented since their materiality has increased. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2020 have been reclassified.

As a result, ¥9,683 million of “Other, net” under “Cash flows from operating activities” in the consolidated statements of cash flows for the fiscal year ended March 31, 2020 have been reclassified as ¥11,433 million of “Increase (Decrease) in advances received”, ¥9 million of “Increase (decrease) in valuation reserve for inventory purchase commitments”, and ¥(1,760) million of “Other, net”.

(2) “Proceeds from share issuance to non-controlling shareholders”, which was separately presented in the fiscal year ended March 31, 2020, is included in “Other, net” under “Cash flows from financing activities” since its materiality has diminished. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2020 have been reclassified.

As a result, ¥17 million of “Proceeds from share issuance to non-controlling shareholders” under “Cash flows from financing activities” and ¥(8,127) million of “Other, net” in the consolidated statements of cash flows for the fiscal year ended March 31, 2020 have been reclassified as ¥(8,110) million of “Other, net”.

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

The Company has adopted the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the consolidated financial statements at the end of the fiscal year ended March 31, 2021 and provides notes on significant accounting estimates in the consolidated financial statements.

However, said notes do not contain any content related to the fiscal year ended March 31, 2020 in accordance with the transitional treatment stipulated in the proviso of Paragraph 11 of the Standard.

## (v) Additional information

(Inappropriate accounting practices at the Company’s consolidated subsidiaries)

The Company discovered that inappropriate accounting was conducted at its consolidated subsidiary, Kantatsu Co. Ltd. and its subsidiaries (hereinafter “Kantatsu Group”) and therefore launched an investigation committee that includes external lawyers and accountants on December 25, 2020, and started the investigation. The investigation report received from the committee on March 12, 2021 identified that the Kantatsu Group had recorded sales for which there were no purchase orders from trading firms (the customers), nor product shipments. The inappropriate accounting practices pointed out in the report also include the recording of sales upon shipment to trading firms, although there were special provisions that allowed trading firms to return products when they could not resell them to third parties, which indicate sales were supposed to be recognized when the products were resold.

Following the investigation results, the Company corrected the Kantatsu Group’s inappropriate accounting figures from previous fiscal years and recorded a valuation loss on related inventories as well as an impairment loss on non-current assets. Along with that, corrections were made to other items that had not been corrected as they had no materiality on previous consolidated financial statements. On March 15, 2021, the Company restated financial statements for previous fiscal years that reflected those corrections.

Reflecting the above-stated corrections, for the fiscal year ended March 31, 2019, the Company recognized decreases in net sales by ¥5,304 million, operating profit by ¥6,751 million, ordinary profit by ¥6,162 million, and profit attributable to owners of parent by ¥10,214 million, total assets by ¥17,797 million, and net assets by ¥15,140 million, respectively, compared to the figures before the corrections.

In addition, for the fiscal year ended March 31, 2020, the Company recognized decreases in net sales by ¥8,963 million, operating profit by ¥1,309 million, ordinary profit by ¥5,365 million, profit attributable to owners of parent by ¥7,232 million, total assets by ¥20,441 million, and net assets by ¥24,179 million, respectively, compared to the figures before the corrections.

(Accounting Estimates on the Impact of the Spread of the New Coronavirus Pandemic)

In the impairment tests of non-current assets, the Company made accounting estimates on future cash flows based on multiple scenarios, assuming that the impact of the spread of new coronavirus pandemic will continue for a certain period in the fiscal year ended March 31, 2022 and beyond. 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 the fiscal year ended March 31, 2022 and beyond.

# Notes to Consolidated Financial Statements

## 2. Notes to Consolidated Balance Sheets

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

Investment in nonconsolidated subsidiaries and affiliates as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Investment securities	¥ 61,119	<b>¥ 46,733</b>

### (b) Inventories

Inventories as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Finished goods	¥ 156,905	<b>¥ 133,330</b>
Work in process	67,376	<b>67,912</b>
Raw materials and supplies	68,558	<b>61,823</b>
	¥ 292,840	<b>¥ 263,066</b>

### (c) Collateral assets and liabilities secured by collateral

Collateral assets and liabilities secured by collateral as of March 31, 2020 and 2021 were as follows:

#### (1) Assets pledged as collateral

	Yen (millions)	
	2020	2021
Cash and deposits	¥ 38,349	<b>¥ 35,575</b>
Notes and accounts receivable - trade	63,201	<b>57,870</b>
Inventories	74,711	<b>69,521</b>
Other (Current assets)	41,341	<b>46,642</b>
Buildings and structures	145,475	<b>166,167</b>
Machinery, equipment and vehicles	12,360	<b>11,562</b>
Tools, furniture and fixtures	2,168	<b>1,578</b>
Land	69,246	<b>69,566</b>
Construction in progress	—	<b>10</b>
Investment securities	29,419	<b>38,830</b>
Other (Investments and other assets)	38,724	<b>37,007</b>
	¥ 514,998	<b>¥ 534,334</b>

#### (2) Liabilities secured by collateral

	Yen (millions)	
	2020	2021
Short-term borrowings	¥ 402	<b>¥ —</b>
Other (Current liabilities)	—	<b>37,366</b>
Long-term borrowings	428,476	<b>426,741</b>
	¥ 428,878	<b>¥ 464,107</b>

Cash and deposits of ¥10,021 million as of March 31, 2020 were pledged as collateral for opening a standby letter of credit. In addition, certain shares of consolidated subsidiaries which were subject to elimination through inter-company transactions were pledged as collateral of long-term borrowings as of March 31, 2020 and 2021.

### (d) Contingent liabilities

#### (1) Guarantee liabilities

	Yen (millions)	
	2020	2021
Loans guaranteed for employees	¥ 5,617	<b>¥ 4,551</b>
Guarantee for borrowing of invested companies		
Serssang Power Corporation Public Company Limited	162	<b>164</b>
	¥ 5,779	<b>¥ 4,715</b>

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

	Yen (millions)	
	2020	2021
Discounted trade notes receivable	¥ 238	<b>¥ 218</b>
Endorsed trade notes receivable	618	<b>549</b>

#### (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, 2020 and 2021 were ¥16,738 million (longest remaining term was 9 years) and ¥12,262 million (longest remaining term was 8 years), respectively. No contract can be terminated before expiration.

# Notes to Consolidated Financial Statements

## (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, 2020 and 2021 were as follows:

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

	Yen (millions)	
	2020	2021
Total amount of investment commitment	¥ 107,830	¥ <b>109,720</b>
Contribution made	89,936	<b>93,740</b>
Remaining committed contribution	¥ 17,893	¥ <b>15,979</b>

## 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 fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Cost of sales	¥ 5,759	¥ <b>768</b>

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

Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Salaries and allowances	¥ 110,534	¥ <b>107,644</b>
Provision for bonuses	10,049	<b>9,103</b>
Retirement benefit expenses	18,821	<b>8,802</b>
Transportation and storage costs	37,709	<b>41,116</b>
Outsourcing expenses	31,161	<b>36,821</b>
Research and development expenses	23,851	<b>20,968</b>
Provision for bonuses	926	<b>665</b>

(Changes in presentation method)

“Outsourcing expenses” has been presented separately as a major component because the amount exceeds 10/100 of the total selling, general and administrative expenses for the fiscal year ended March 31, 2021.

### (c) Research and development expenses

Research and development expenses included in general and administrative expenses and cost of manufacturing were ¥100,591 million for the fiscal year ended March 31, 2020 and ¥86,793 million for the fiscal year ended March 31, 2021.

### (d) Share of loss of entities accounted for using the equity method

This item includes ¥14,449 million, which is the equivalent amount of the Company's interest in an impairment loss on non-current assets of ¥58,854 million posted by Sakai Display Products Corporation (hereinafter, SDP), an equity-method affiliate.

SDP has determined that there are indications of impairment with non-current assets, because of loss from operating activities in each of the past two consecutive years, mainly due to falling prices of large LCD panels, which is its key products. As a result of determination on the recognition and measurement of impairment loss, the book value of non-current assets has been reduced to the value in use. The value in use of non-current assets is calculated by the discounted present value of future cash flow, which is estimated based on future business plans. The estimates include important assumptions such as the types, selling prices, and sales volumes of products to be sold in the future, as well as market growth rates and discount rates.

### (e) Gain on sales of non-current assets

Major components of gain on sales of non-current assets for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Buildings and structures	¥ 483	¥ <b>2,362</b>
Machinery, equipment and vehicles	652	<b>147</b>
Tools, furniture and fixtures	446	<b>112</b>
Land	1,260	<b>2,754</b>
Software	—	<b>4</b>
Other	0	<b>249</b>
	¥ 2,843	¥ <b>5,630</b>

## Notes to Consolidated Financial Statements

### (f) Gain on donation of non-current assets

Of the gain on donation of non-current assets, ¥6,129 million is the free of charge receipt of utility equipments associated with the acquisition of the Hakusan Plant.

### (g) Loss on sales and retirement of non-current assets

Major components of loss on sales and retirement of non-current assets for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Loss on sales:		
Machinery, equipment and vehicles	¥ 11	¥ 3
Tools, furniture and fixtures	9	5
Other	1	0
	¥ 21	¥ 9
Loss on retirement:		
Buildings and structures	¥ 57	¥ 292
Machinery, equipment and vehicles	154	271
Tools, furniture and fixtures	42	39
Construction in progress	—	4
Software	14	13
Other	51	5
	¥ 320	¥ 628
Total:		
Buildings and structures	¥ 57	¥ 292
Machinery, equipment and vehicles	165	275
Tools, furniture and fixtures	51	44
Construction in progress	—	4
Software	14	13
Other	52	6
	¥ 341	¥ 638

### (h) 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 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 fiscal year ended March 31, 2020. Details were ¥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.

Some consolidated subsidiaries in China and Japan recognized an impairment loss of ¥3,018 million for the Smart Life unit, for the fiscal year ended March 31, 2020, with the book value reduced to the recoverable value, because the investment amount became unrecoverable due to their decreasing profitability. Details were ¥296 million for buildings and structures, ¥975 million for machinery, equipment and vehicles, ¥1,026 million for tools, furniture and fixtures, and ¥720 million for other. The estimated recoverable amount was evaluated to be the net realizable value.

A business in Hiroshima, Japan, where the cash generating unit is identified on a consolidated basis, recognized an impairment loss of ¥2,891 million for the Smart Life unit, for the fiscal year ended March 31, 2021, with the book value reduced to the recoverable value, because the investment amount became unrecoverable due to the decreasing profitability of a consolidated subsidiary. Details were ¥2,493 million for buildings and structures, ¥327 million for machinery, equipment and vehicles, ¥24 million for tools, furniture and fixtures, ¥46 million for land, and ¥0 million for other. The estimated recoverable amount was evaluated to be the net realizable value based on appraisals, etc.

A consolidated subsidiary in China recognized an impairment loss of ¥2,218 million for the Smart Life, 8K Ecosystem, and ICT units for the fiscal year ended March 31, 2021, with the book value reduced to the recoverable value, because the investment amount became unrecoverable due to their decreasing profitability. Details were ¥2,056 million for machinery, equipment and vehicles and ¥161 million for other. The estimated recoverable amount was evaluated with the net realizable value as zero.

Some consolidated subsidiaries in China and Japan recognized an impairment loss of ¥1,188 million for the Smart Life unit for the fiscal year ended March 31, 2021, with the book value reduced to the recoverable value, because the investment amount became unrecoverable due to their decreasing profitability. Details were ¥314 million for machinery, equipment and vehicles, ¥799 million for tools, furniture and fixtures, and ¥74 million for other. The estimated recoverable amount was evaluated with the net realizable value as zero.

Impairment losses other than those stated above are omitted as they are immaterial.

### (i) Loss from business combination

Due to the settlement of a price adjustment 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 for the fiscal year ended March 31, 2020.



## 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, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Valuation difference on available-for-sale securities		
Amount arising during the year	¥ (6,555)	¥ <b>11,292</b>
Reclassification adjustment	(244)	<b>(12)</b>
Before tax effect	(6,799)	<b>11,280</b>
Tax effect	1,360	<b>(2,717)</b>
Valuation difference on available-for-sale securities	¥ (5,439)	¥ <b>8,563</b>
Deferred gains or losses on hedges		
Amount arising during the year	¥ 1,560	¥ <b>1,656</b>
Reclassification adjustment	68	<b>(262)</b>
Before tax effect	1,629	<b>1,394</b>
Tax effect	(540)	<b>(1,125)</b>
Deferred gains or losses on hedges	¥ 1,088	¥ <b>269</b>
Foreign currency translation adjustment		
Amount arising during the year	¥ (13,080)	¥ <b>16,466</b>
Foreign currency translation adjustment	¥ (13,080)	¥ <b>16,466</b>
Remeasurements of defined benefit plans		
Amount arising during the year	¥ (3,179)	¥ <b>12,904</b>
Reclassification adjustment	36,409	<b>13,388</b>
Before tax effect	33,230	<b>26,293</b>
Tax effect	(756)	<b>(282)</b>
Remeasurements of defined benefit plans	¥ 32,473	¥ <b>26,010</b>
Share of other comprehensive income of entities accounted for using the equity method		
Amount arising during the year	¥ (597)	¥ <b>1,484</b>
Reclassification adjustment	24	<b>39</b>
Share of other comprehensive income of entities accounted for using the equity method	¥ (573)	¥ <b>1,523</b>
<b>Total other comprehensive income</b>	¥ 14,469	¥ <b>52,832</b>

### 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 fiscal years ended March 31, 2020 and 2021 were as follows:

For the year ended March 31, 2020

	(Thousands of shares)			
	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
Issued shares				
Common shares	532,416	—	—	532,416
Class A shares	108	—	108	—
Class C shares	795	—	—	795
<b>Total</b>	<b>533,319</b>	<b>—</b>	<b>108</b>	<b>533,211</b>
Treasury shares				
Common shares	1,104	4	—	1,109
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.



# Notes to Consolidated Financial Statements

For the year ended March 31, 2021

Classification	(Thousands of shares)			Number of shares as of March 31, 2021
	Number of shares as of March 31, 2020	Increase in number of shares	Decrease in number of shares	
Issued shares				
Common shares	532,416	79,536	—	<b>611,952</b>
Class C shares	795	—	795	—
<b>Total</b>	<b>533,211</b>	<b>79,536</b>	<b>795</b>	<b>611,952</b>
Treasury shares				
Common shares	1,109	44	1	<b>1,151</b>
Class C shares	—	795	795	—
<b>Total</b>	<b>1,109</b>	<b>839</b>	<b>796</b>	<b>1,151</b>

- Notes:
- The increase of 79,536 thousand shares in common shares of issued shares, the decrease of 795 thousand shares in Class C shares of issued shares, and the increase and decrease of 795 thousand shares in Class C shares of treasury shares were due to the acquisition of Class C shares by exercising the call option with common shares as consideration and cancellation of treasury shares (Class C shares) on February 26, 2021.
  - The increase of 44 thousand shares in common shares of treasury shares consisted of the increase of 44 thousand shares due to the purchase of shares of less than one trading unit.
  - The decrease of 1 thousand shares in common shares of treasury shares consisted of the decrease of 1 thousand shares due to the sale of shares of less than one trading unit.

## (b) Share acquisition rights and treasury share acquisition rights

Share acquisition rights and treasury share acquisition rights for the fiscal years ended March 31, 2020 and 2021 were as follows:

For the year ended March 31, 2020

Classification	Description of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares underlying the share acquisition rights (Share)				Balance as of March 31, 2020 (Millions of yen)
			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		—	—	—	—	285
Consolidated subsidiaries	—	—	—	—	—	—	8
<b>Total</b>			<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>293</b>

For the year ended March 31, 2021

Classification	Description of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares underlying the share acquisition rights (Share)				Balance as of March 31, 2021 (Millions of yen)
			Number of shares as of March 31, 2020	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2021	
The Company	Share acquisition rights as a stock option		—	—	—	—	<b>288</b>
Consolidated subsidiaries	—	—	—	—	—	—	<b>8</b>
<b>Total</b>			<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>297</b>

## (c) Dividends

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 belonged to the fiscal year ended March 31, 2020, with effective date falling in the fiscal year ended March 31, 2021 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

# Notes to Consolidated Financial Statements

For the year ended March 31, 2021

## (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 19, 2020	Common shares	9,563	18	March 31, 2020	June 15, 2020
Board of Directors meeting on May 19, 2020	Class C shares	1,431	1,800	March 31, 2020	June 15, 2020

(2) Dividends for which the record date belonged to the fiscal year ended March 31, 2021, with effective date falling in the fiscal year ended March 31, 2022 were as follows:

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

## 6. Notes to Consolidated Statements of Cash Flows

### (a) Reconciliation of the balance of cash and cash equivalents at the end of period and accounting items on the consolidated balance sheets

Reconciliation of the balance of cash and cash equivalents at the end of period and accounting items on the consolidated balance sheets as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Cash and deposits	¥ 225,049	¥ 341,917
Time deposits and negotiable certificate of deposit with maturity over 3 months or pledged as collateral	(54,726)	(49,124)
Cash and cash equivalents	¥ 170,323	¥ 292,792

### (b) Major components of assets and liabilities of newly consolidated subsidiaries acquired by share acquisition

Fiscal year ended March 31, 2020

The information is omitted as it is immaterial.

Fiscal year ended March 31, 2021

The components of assets and liabilities at the time when Sharp NEC Display Solutions, Ltd. and its three subsidiaries were included in the consolidated companies as a result of share acquisition, and the relationship between the acquisition cost of their shares and the related proceeds (net amount) were as follows:

	Yen (millions)
Current assets	¥ 43,052
Non-current assets	3,397
Goodwill	1,356
Current liabilities	33,618
Non-current liabilities	8,315
Non-controlling interests	1,535
Acquisition cost of shares	4,336
Foreign currency translation difference	37
Cash and cash equivalents	8,851
Net: proceeds from purchase	¥ 4,477

### (c) Significant non-cash transactions

The non-current assets of the Hakusan Plant, which was acquired in exchange for assuming advances received, were as follows:

	Yen (millions)	
	2020	2021
Newly acquired non-current assets and advances received assumed by the Company	¥ —	¥ 41,636

## 7. Leases

### Finance leases

#### (a) As lessee

The information is omitted as it is immaterial.

# Notes to Consolidated Financial Statements

## (b) As lessor

Amount of lease receivables to be collected on and after March 31, 2020 and 2021

### (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	¥ —	¥ —	¥ —	¥ —	¥ —

	Yen (millions)					
	2021					
	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	¥ 7,685	¥ —	¥ —	¥ —	¥ —	¥ —

### (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

	Yen (millions)					
	2021					
	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	¥ —	¥ 6,189	¥ 4,853	¥ 3,507	¥ 2,758	¥ 32,022

## Operating leases

### (a) As lessee

The balance of remaining lease payments for non-cancelable contracts as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Due within one year	¥ 1,243	¥ 1,292
Due after one year	4,428	4,553
Total	¥ 5,672	¥ 5,845

## (b) As lessor

Future lease receipts for only non-cancelable contracts as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Due within one year	¥ 1,458	¥ 2,006
Due after one year	2,294	2,877
Total	¥ 3,752	¥ 4,884

## 8. Financial Instruments

### (a) Qualitative information on financial instruments

#### (1) Policies for financial instruments

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

The Company utilizes derivative transactions for minimizing risks and does not intend to use them for speculative or dealing purposes.

#### (2) Description and risks of financial instruments

Notes and accounts receivable are exposed to customer credit risks. Some notes and accounts receivable are denominated in foreign currencies because the Company conducts business globally and, therefore, is exposed to foreign currency risks. Notes and accounts payable - trade and electronically recorded obligations - operating are due within one year. Some notes and accounts payable arising from the import of raw materials, etc. are denominated in foreign currencies and, therefore, are exposed to foreign currency risks. The Company makes use of forward exchange contracts to hedge the foreign currency risk exposure on the net position of foreign currency denominated notes and accounts receivable and notes and accounts payable.

Other securities are held for long term to develop better business alliances and relationships with the Company's customers and suppliers. Other securities are exposed to market price fluctuation risks. Long-term borrowings are mainly for capital investments. The longest repayment term is 5 years and 1 month from March 31, 2021.

## Notes to Consolidated Financial Statements

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 “(n) Hedge accounting” in “1. Summary of Significant Accounting and Reporting Policies”.

### (3) Risk management of financial instruments

#### i) Management of credit risks

For notes and accounts receivable, the Finance Division and Accounting Division of Finance and Administration Office of the Company periodically reviews the status of its key customers, monitoring their respective payment deadlines and remaining outstanding. The Company strives to recognize and reduce the risks of irrecoverability as a result of deteriorating financial conditions or other factors at an early stage. The Company's consolidated subsidiaries also follow the same monitoring and administration process.

#### ii) Management of market risks

The Company decides basic policies for derivative transactions at the Foreign Exchange Administration Committee meeting and the Finance Administration Committee meeting which are required to be held monthly by the Company's internal procedure. The Finance Division of Finance and Administration Office executes transactions and reports the results of such transactions to the Accounting Division of Finance and Administration Office on a daily basis. The Accounting Division has set up a specialized section for monitoring transaction results and position management and reports the results of transactions to the head of Finance and Administration Office on a daily basis.

In addition, the Finance Division reports the results of transactions to the Foreign Exchange Administration Committee and the Finance Administration Committee on a monthly basis. 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 issuers' 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 risks in financing activities

The Finance Division manages liquidity risks by preparing and updating cash management plans based on reports from each section and by maintaining liquidity on hand.

#### (4) Supplementary explanation of fair value 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 amounts themselves may not reflect the market risks associated with derivative transactions.

### (b) Fair value of financial instruments

The consolidated balance sheet amounts, fair values and differences between the two as of March 31, 2020 and 2021 are included in the tables below. Financial instruments for which fair values are considered extremely difficult to be estimated are not included in the tables. Refer to Note 2 below for the details of such financial instruments.

	Yen (millions)		
	2020		
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and deposits	¥ 225,049	¥ 225,049	¥ —
(2) Notes and accounts receivable — trade	423,618	423,226	(392)
(3) Investment securities			
1) Shares of nonconsolidated subsidiaries and affiliates	0	296	296
2) Other securities	30,674	30,674	—
Total assets	¥ 679,343	¥ 679,247	¥ (96)
(4) Notes and accounts payable — trade	¥ 311,999	¥ 311,999	¥ —
(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	¥ 1,124,802	¥ 1,127,375	¥ 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 “( )”.

## Notes to Consolidated Financial Statements

	Yen (millions)		
	2021		
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and deposits	¥ 341,917	¥ 341,917	¥ —
(2) Notes and accounts receivable — trade	457,649	455,816	(1,833)
(3) Investment securities			
1) Shares of nonconsolidated subsidiaries and affiliates	0	949	949
2) Other securities	40,250	40,250	—
Total assets	¥ 839,816	¥ 838,932	¥ (884)
(4) Notes and accounts payable — trade	¥ 361,825	¥ 361,825	¥ —
(5) Electronically recorded obligations — operating	34,597	34,597	—
(6) Short-term borrowings	163,028	163,028	—
(7) Long-term borrowings	561,893	564,942	3,049
Total liabilities	¥ 1,121,343	¥ 1,124,393	¥ 3,049
(8) Derivative transactions*			
1) Derivative transactions — hedge accounting not applied	¥ 3,412	¥ 3,412	¥ —
2) Derivative transactions — hedge accounting applied	2,680	844	(1,835)
Total derivative transactions	¥ 6,092	¥ 4,256	¥ (1,835)

\*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

Book value is used, because the fair value of deposits approximates their book value due to their short maturity periods.

(2) Notes and accounts receivable — trade

Book value is used, because 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

Book value is used, because the fair value of notes and accounts payable - trade approximates their book value due to their short maturity periods.

(5) Electronically recorded obligations — operating

Book value is used, because the fair value of electronically recorded obligations — operating approximates their book value due to their short maturity periods.

(6) Short-term borrowings

Book value is used, because 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 values of forward exchange contracts are calculated based on forward exchange market rates. 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 extremely difficult to be estimated are unlisted stocks of ¥64,109 million as of March 31, 2020 and ¥48,331 million as of March 31, 2021, and investments in capital of ¥92,758 million as of March 31, 2020 and ¥75,600 million as of March 31, 2021. Since there are no available quoted market prices and it is extremely difficult to estimate their fair values, they are not included in “(3) Investment securities”.

Note 3 Aggregate maturity of cash and deposits, and receivables as of March 31, 2020 and 2021 were as follows:

	Yen (millions)		
	2020		
	Cash and deposits	Notes and accounts receivable - trade	Total
Due within one year	¥ 225,049	¥ 418,595	¥ 643,644
Due after one year, within five years	—	5,023	5,023
Due after five years, within ten years	—	—	—
Due after ten years	—	—	—

	Yen (millions)		
	2021		
	Cash and deposits	Notes and accounts receivable - trade	Total
Due within one year	¥ 341,917	¥ 450,507	¥ 792,424
Due after one year, within five years	—	6,472	6,472
Due after five years, within ten years	—	669	669
Due after ten years	—	—	—

# Notes to Consolidated Financial Statements

## Note 4 Repayment plan for bonds and loans after consolidated closing date

	Yen (millions)		
	2020		
	Short-term borrowings	Long-term borrowings	Total
Due within one year	¥ 237,726	¥ —	¥ 237,726
Due after one year, within two years	—	11,798	11,798
Due after two years, within three years	—	2,358	2,358
Due after three years, within four years	—	148	148
Due after four years, within five years	—	8	8
Due after five years	—	524,430	524,430

	Yen (millions)		
	2021		
	Short-term borrowings	Long-term borrowings	Total
Due within one year	¥ 163,028	¥ —	¥ 163,028
Due after one year, within two years	—	7,191	7,191
Due after two years, within three years	—	27,737	27,737
Due after three years, within four years	—	2,511	2,511
Due after four years, within five years	—	10,446	10,446
Due after five years	—	514,006	514,006

## 9. Investment Securities

Other securities with available fair market values as of March 31, 2020 and 2021 were as follows:

	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

	Yen (millions)			
	2021			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,907	¥ 23,451	¥ (109)	¥ 40,250
	¥ 16,907	¥ 23,451	¥ (109)	¥ 40,250

Unlisted stocks and others (of which book values were recorded as ¥95,748 million for the fiscal year ended March 31, 2020 and ¥77,198 million for the fiscal year ended March 31, 2021) are not included in the above table because they do not have market prices and it is extremely difficult to evaluate their market values.

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

The proceeds from sales of other securities were ¥27 million for the fiscal year ended March 31, 2021. The gross realized gains on those sales were ¥14 million for the fiscal year ended March 31, 2021.

Impairment losses recorded for unlisted stocks of other securities were ¥16,691 million and ¥2,035 million for the fiscal years ended March 31, 2020 and 2021, respectively.

## 10. Derivative Transactions

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

Currency-related transactions

Classification	Type of derivatives	Yen (millions)			
		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)
Total		¥ 181,495	¥ —	¥ (2,198)	¥ (2,198)

\*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)		
		Contract amount	Amount of contract due after one year	Profit (loss) from valuation
<b>2021</b>				
Off-market transactions	Forward exchange contracts			
	Sell			
	U.S. dollar	¥ 39,304	¥ —	¥ (1,285)
	Euro	8,367	—	32
	Russian rouble	240	—	32
	Canadian dollar	98	—	(4)
	Australian dollar	93	—	1
	New Zealand dollar	84	—	2
	Buy			
	U.S. dollar	95,642	—	4,378
	Euro	8,825	—	121
	Pound sterling	3,011	—	111
	Singapore dollar	810	—	20
	Chinese yuan	50	—	1
<b>Total</b>		<b>¥ 156,527</b>	<b>¥ —</b>	<b>¥ 3,412</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)		
			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.

# Notes to Consolidated Financial Statements

			Yen (millions)			
			2021			
Hedge accounting method	Type of derivatives	Main hedged item	Contract amount	Amount of contract due after one year	Fair value	
Principle-based accounting	Forward exchange contracts					
	Sell	Accounts receivable — trade				
		U.S. dollar		¥ 119,950	¥ —	¥ (1,710)
		Pound sterling		12,963	—	(506)
		Euro		2,044	—	(37)
		Russian rouble		185	—	(10)
		Swedish krona		169	—	1
		Swiss franc		125	—	0
		Danish krone		76	—	(0)
		Polish zloty		61	—	0
		Norwegian krone		45	—	(0)
		Czech koruna		37	—	(0)
		Hungarian forint		28	—	(0)
		Canadian dollar		25	—	(1)
		New Zealand dollar		8	—	(0)
		Australian dollar		4	—	(0)
	Buy	Accounts payable — trade				
U.S. dollar			206,757	—	5,103	
Euro			3	—	0	
Japanese yen			2	—	(0)	
Pound sterling			0	—	0	
Singapore dollar			0	—	0	
Allocation accounting	Forward exchange contracts					
	Sell	Accounts receivable — trade				
		U.S. dollar		105,572	—	(3,725)
		Russian rouble		55	—	(6)
	Buy	Accounts payable — trade				
		U.S. dollar		45,893	—	1,899
		Japanese yen		138	—	(3)
Euro			53	—	0	
Singapore dollar		40	—	0		
<b>Total</b>			<b>¥ 494,245</b>	<b>¥ —</b>	<b>¥ 1,001</b>	

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

## (2) Interest rate-related transactions

			Yen (millions)		
			2020		
Hedge accounting method	Type of derivatives	Main hedged item	Contract amount	Amount of contract due after one year	Fair value
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.

			Yen (millions)		
			2021		
Hedge accounting method	Type of derivatives	Main hedged item	Contract amount	Amount of contract due after one year	Fair value
Principle-based accounting	Interest rate swaps	Long-term borrowings			
	Pay fixed/receive floating		¥ 20,000	¥ 20,000	¥ (156)
<b>Total</b>			<b>¥ 20,000</b>	<b>¥ 20,000</b>	<b>¥ (156)</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

Not applicable for the fiscal years ended March 31, 2020 and 2021



# Notes to Consolidated Financial Statements

## (b) Borrowings and lease obligations

Borrowings and lease obligations as of March 31, 2020 and 2021 consisted of the following:

	Yen (millions)	
	2020	2021
Short-term borrowings with the following interest rates 0.3% as of March 31, 2020 and 1.2% as of March 31, 2021	¥ 236,507	¥ 148,352
Current portion of long-term borrowings with the following interest rates 2.3% as of March 31, 2020 and 0.7% as of March 31, 2021	1,218	14,675
Current portion of lease obligations with the following interest rates 4.0% as of March 31, 2020 and 3.4% as of March 31, 2021	3,056	2,844
Long-term borrowings (except portion due within one year) with the following interest rates 0.5% as of March 31, 2020 and 0.5% as of March 31, 2021	538,744	561,893
Lease obligations (except portion due within one year) with the following interest rates 2.3% as of March 31, 2020 and 1.9% as of March 31, 2021	6,765	5,814
	¥ 786,293	¥ 733,580

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2020 and 2021 respectively.

2. The aggregate annual maturities of long-term borrowings due within 5 years (except portion due within one year) as of March 31, 2021 were as follows:

Years ending March 31	Yen (millions)
2023	¥ 7,191
2024	27,737
2025	2,511
2026	10,446

The aggregate annual maturities of lease obligations due within 5 years (except portion due within one year) as of March 31, 2021 were as follows:

Years ending March 31	Yen (millions)
2023	¥ 1,756
2024	1,269
2025	863
2026	675

3. Current portion of lease obligations and lease obligations (excluding current portion) do not include lease liabilities recorded on the consolidated balance sheets by the application of IFRS 16. The balance of lease liabilities as of March 31, 2021 is as follows.

Current portion of lease liabilities ¥2,977 million  
Lease liabilities (Excluding current portion) ¥4,260 million

## 12. Pension plans

### (a) Overview of the applied pension plans

The Company and its domestic consolidated subsidiaries have primarily a trustee non-contributory defined benefit pension plan for their employees to supplement a governmental welfare pension plan. Certain overseas consolidated subsidiaries primarily have defined contribution pension plans and lump-sum retirement benefit plans. Certain domestic consolidated subsidiaries adopted a simplified accounting method in the fiscal year ended March 31, 2020, and such figures are simply included in the amounts under the standard method in this note, since they are immaterial.

### (b) Defined benefit pension plan

(1) Reconciliations of the defined benefit obligations

Reconciliations of the defined benefit obligations of the Company and its consolidated subsidiaries as of March 31, 2020 and 2021 consisted of the following:

	Yen (millions)	
	2020	2021
Defined benefit obligation at beginning of year	¥ 358,253	¥ 343,378
Service cost	10,688	9,877
Interest cost	3,147	2,988
Actuarial loss (gain)	(3,106)	6,403
Benefits paid	(22,828)	(21,982)
Increase from newly consolidated subsidiaries	44	6,030
Other	475	(3,860)
Foreign currency exchange rate changes	(3,295)	4,233
Defined benefit obligation at end of year	¥ 343,378	¥ 347,069

## Notes to Consolidated Financial Statements

### (2) Reconciliations of the fair value of plan assets

Reconciliations of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2020 and 2021 consisted of the following:

	Yen (millions)	
	2020	2021
Fair value of plan assets at beginning of year	¥ 255,789	¥ <b>247,457</b>
Expected return on plan assets	7,066	<b>6,198</b>
Actuarial gain (loss)	(6,466)	<b>19,383</b>
Employer contribution	16,216	<b>15,409</b>
Benefits paid	(22,200)	<b>(21,276)</b>
Increase from newly consolidated subsidiaries	—	<b>1,657</b>
Other	25	<b>(3,967)</b>
Foreign currency exchange rate changes	(2,975)	<b>4,233</b>
Fair value of plan assets at end of year	¥ 247,457	¥ <b>269,094</b>

### (3) 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, 2020 and 2021 consisted of the following:

	Yen (millions)	
	2020	2021
Funded defined benefit obligation at end of year	¥ 334,003	¥ <b>340,710</b>
Fair value of plan assets at end of year	(247,457)	<b>(269,094)</b>
Funded status at end of year	86,546	<b>71,615</b>
Unfunded defined benefit obligation at end of year	9,375	<b>6,358</b>
Total net retirement benefit liability	¥ 95,921	¥ <b>77,974</b>
Retirement benefit liability	103,217	<b>83,558</b>
Retirement benefit asset	(7,295)	<b>(5,584)</b>
Total net retirement benefit liability	¥ 95,921	¥ <b>77,974</b>

### (4) Retirement benefit expenses

Retirement benefit expenses of the Company and its consolidated subsidiaries for the fiscal years ended March 31, 2020 and 2021 consisted of the following:

	Yen (millions)	
	2020	2021
Service cost	¥ 10,688	¥ <b>9,877</b>
Interest cost	3,147	<b>2,988</b>
Expected return on plan assets	(7,066)	<b>(6,198)</b>
Amortization of net actuarial loss	36,550	<b>13,141</b>
Amortization of past service cost	127	<b>20</b>
Other	35	<b>74</b>
Total retirement benefit expenses	¥ 43,480	¥ <b>19,903</b>

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

Amounts recognized in remeasurements of defined benefit plans (other comprehensive income) for the fiscal years ended March 31, 2020 and 2021 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2020	2021
Past service cost	¥ (108)	¥ <b>(809)</b>
Net actuarial gain	33,339	<b>27,102</b>
Total	¥ 33,230	¥ <b>26,293</b>

### (6) 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, 2020 and 2021 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2020	2021
Unrecognized past service cost	¥ (13)	¥ <b>811</b>
Unrecognized net actuarial loss	48,210	<b>21,092</b>
Total	¥ 48,197	¥ <b>21,904</b>

## Notes to Consolidated Financial Statements

### (7) Classification of the fair value of plan assets

Classification of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2020 and 2021 consisted of the following:

	2020	2021
Bonds	27%	<b>28%</b>
Equity securities	16%	<b>19%</b>
Cash and cash equivalents	2%	<b>4%</b>
Life insurance company general accounts	14%	<b>13%</b>
Alternatives	32%	<b>30%</b>
Other	9%	<b>5%</b>
Total	100%	<b>100%</b>

Note: Alternatives mainly consisted of investments in hedge funds.

### (8) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

### (9) Actuarial assumptions

Actuarial assumptions

	2020	2021
Discount rate	mainly 0.5%	<b>mainly 0.5%</b>
Long-term expected rate of return	mainly 2.7%	<b>mainly 2.4%</b>

### (c) Defined contribution pension plans

The required contribution of certain consolidated subsidiaries for the defined contribution pension plans was ¥1,033 million for the fiscal year ended March 31, 2020 and ¥1,148 million for the fiscal year ended March 31, 2021.

## 13. Stock Options

### (a) Expensed amount and account

The expensed amount and account for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Selling, general and administrative expenses	¥ 61	<b>¥ 13</b>

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

The amount recorded as profit due to expiration of unexercised rights for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Gain on reversal of share acquisition rights	¥ 3	<b>¥ 10</b>

### (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 fiscal year ended March 31, 2021 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, 2020	7,000	—	102,500
Granted	—	—	—
Nullified	—	—	15,000
Vested	7,000	—	45,000
Balance on March 31, 2021	—	—	42,500
<b>Vested stock options (shares)</b>			
Balance on March 31, 2020	69,300	42,100	—
Vested	7,000	—	45,000
Exercised	—	—	—
Nullified	2,000	4,000	—
Balance on March 31, 2021	74,300	38,100	45,000

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

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

### ii) Unit price

	Yen		
	First stock options (resolved on April 19, 2017)	Second stock options (resolved on September 26, 2017)	Third stock options (resolved on August 28, 2018)
Exercise price	¥ 4,120	¥ 3,400	¥ 2,717
Weighted-average share price at exercise	—	—	—
	(74,100 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

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

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

## (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 fiscal years ended March 31, 2020 and 2021.

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 fiscal years ended March 31, 2020 and 2021 were as follows:

	2020	2021
Statutory tax rate	30.4%	<b>30.4%</b>
Foreign withholding tax	2.8	<b>1.1</b>
Tax credit	(9.5)	<b>(6.5)</b>
Net Increase (Decrease) in valuation allowance and other	29.6	<b>(3.7)</b>
Differences in normal tax rates of overseas subsidiaries	2.1	<b>(1.2)</b>
Other	(0.4)	<b>1.3</b>
Effective tax rate	55.0%	<b>21.4%</b>

## Notes to Consolidated Financial Statements

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Deferred tax assets:		
Inventories	¥ 15,179	¥ 11,800
Accrued expenses	13,868	13,454
Provision for bonuses	4,930	4,744
Provision for sales promotion expenses	651	1,894
Valuation reserve for inventory purchase commitments	5,208	—
Retirement benefit liability	29,296	24,701
Buildings and structures	21,691	20,580
Machinery, equipment and vehicles	2,555	1,829
Software	4,500	4,325
Long-term prepaid expenses	7,339	6,765
Tax loss carried forward*	309,539	263,342
Other	70,015	154,459
Gross deferred tax assets	484,776	507,898
Valuation allowance for tax loss carried forward*	(309,139)	(263,060)
Valuation allowance for future deductible temporary difference and other	(149,592)	(217,221)
Total valuation allowance	(458,731)	(480,281)
Total deferred tax assets	¥ 26,044	¥ 27,616
Deferred tax liabilities:		
Retained earnings appropriated for tax allowable reserves	¥ (1,351)	¥ (1,059)
Valuation difference on available-for-sale securities	(4,626)	(7,346)
Other	(4,172)	(5,570)
Total deferred tax liabilities	¥ (10,150)	¥ (13,976)
Net deferred tax assets	¥ 15,893	¥ 13,640

\*Tax loss carried forward and its deferred tax assets amount by carry forward period as of March 31, 2021 were as follows:

	Yen (millions)		
	2021		
	Tax loss carried forward*	Valuation allowance	Deferred tax assets
Expire within one year	¥ 120,089	¥ (120,089)	¥ —
Expire after one year, within two years	27,203	(27,195)	8
Expire after two years, within three years	26,589	(26,589)	—
Expire after three years, within four years	42,573	(42,573)	—
Expire after four years, within five years	38,827	(38,773)	53
Expire after five years	8,058	(7,838)	220
Total	¥ 263,342	¥ (263,060)	¥ 281

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

## 15. Business Combinations

The main business combinations conducted during the fiscal year ended March 31, 2021 were as follows:

### (a) Business combination through acquisition

#### (Making NEC Display Solutions, Ltd. a consolidated subsidiary through share acquisition)

- (1) Overview of the business combination
  - i) Company name and field of business of acquired company  
Company name  
NEC Display Solutions, Ltd. and its three subsidiaries  
Field of business  
BtoB display business
  - ii) Main reason for the business combination  
The Company aims to strengthen its business and expand sales as a business solution and service provider in the global market centering on Europe and the United States.
  - iii) Date of business combination  
November 1, 2020
  - iv) Legal form of business combination  
Share acquisition using cash as a consideration
  - v) Company name after business combination  
Sharp NEC Display Solutions, Ltd.
  - vi) Ratio of voting rights acquired  
66.0%
  - vii) Grounds for determining the acquisition of a company  
The Company's cash acquisition of shares
- (2) Period of performance of the acquired companies included in the consolidated financial statements  
From January 1, 2021 to March 31, 2021
- (3) Cost of acquisition of the acquired company and breakdown thereof by type of consideration
 

		Yen (millions)
Consideration for the acquisition:	Cash	¥ 4,336
Total acquisition costs		¥ 4,336
- (4) Major component of acquisition-related expenses and the amount thereof  
Remunerations, fees, etc. paid to advisors ¥218 million

## Notes to Consolidated Financial Statements

(5) Amount of goodwill recognized, cause of the recognition, amortization method and amortization period

- i) Amount of goodwill recognized  
¥1,356 million
- ii) Cause of the recognition  
Excess earning power that is expected from business development going forward.
- iii) Amortization method and amortization period  
Amortization by straight line method over five years

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

	Yen (millions)
Current assets	¥ 43,052
Non-current assets	3,397
<b>Total assets</b>	<b>¥ 46,450</b>
Current liabilities	33,618
Non-current liabilities	8,315
<b>Total liabilities</b>	<b>¥ 41,934</b>

(7) Estimated amount of impact on the consolidated statements of operations for the fiscal year ended March 31, 2021 assuming that the business combination was completed at the beginning of the fiscal year and the calculation method thereof

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

### (b) Transaction under common control

#### (Absorption-type company split of the display device business of the Company)

(1) Overview of the transaction

- i) Name and field of business  
Planning, development, design, manufacture, and sales of the Company's display devices and display technology-applied products
- ii) Date of business combination  
October 1, 2020
- iii) Legal form of business combination  
An absorption-type split  
Splitting company  
Company name: Sharp Corporation (the Company)

Succeeding company

Company name: Sharp Display Technology Corporation  
(the Company's wholly owned consolidated subsidiary)

iv) Company name after business combination

Sharp Display Technology Corporation

v) Objective of business combination

Through this absorption-type company split, Sharp Display Technology Corporation will strive to clarify its business results by the company split, speedily make decisions to keep up with the rapidly changing business environment and make continuous capital and development investments with a view to acquiring external funds through investment from other companies, thereby maintaining its competitiveness and achieving further business expansion.

(2) Overview of the accounting treatment

This transaction 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).

## 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, the Company defined three business domains as reportable segments: Smart Life, 8K Ecosystem, and ICT.

Beginning with the third quarter of the consolidated accounting period, the COCORO service business (formerly under Smart Life) is now included in the 8K Ecosystem business segment to conform with the reorganization.

Segment information for the fiscal year ended March 31, 2020 is stated based on the reclassified segments after the change.

# Notes to Consolidated Financial Statements

## (b) Basis of measurement of reportable segment sales, income or loss, segment assets and other material items

The accounting policies for the reportable segments are consistent with the Company's accounting policies used in the preparation of its consolidated financial statements. Intersegment sales and income (loss) are recognized based on properly negotiated prices.

Depreciable assets of the administration groups of the Company's headquarters are not allocated to reportable segments. However, depreciation and amortization of these assets are properly allocated to reportable segments.

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

Segment information as of and for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Net sales:		
Smart Life:		
Customers	¥ 795,646	¥ 833,044
Intersegment	55,037	46,865
Total	850,683	879,910
8K Ecosystem:		
Customers	1,127,921	1,251,089
Intersegment	25,903	31,848
Total	1,153,824	1,282,938
ICT:		
Customers	338,717	341,776
Intersegment	18,888	17,147
Total	357,605	358,923
Adjustments	(99,829)	(95,861)
Consolidated net sales	¥ 2,262,284	¥ 2,425,910
Segment income (loss):		
Smart Life	¥ 39,829	¥ 71,559
8K Ecosystem	13,217	17,387
ICT	20,548	15,421
Adjustments	(22,131)	(21,256)
Consolidated operating profit	¥ 51,464	¥ 83,112
Segment assets:		
Smart Life	¥ 349,044	¥ 333,936
8K Ecosystem	685,959	804,736
ICT	109,145	115,615
Adjustments	667,757	672,938
Consolidated assets	¥ 1,811,907	¥ 1,927,226

	Yen (millions)	
	2020	2021
Other material items		
Depreciation:		
Smart Life	¥ 27,520	¥ 22,559
8K Ecosystem	33,056	32,282
ICT	10,776	12,830
Adjustments	2,054	2,007
The amount presented in consolidated financial statements	¥ 73,407	¥ 69,680
Amortization of goodwill:		
Smart Life	¥ 88	¥ 27
8K Ecosystem	1,412	1,525
ICT	66	121
Adjustments	—	—
The amount presented in consolidated financial statements	¥ 1,566	¥ 1,675
Investments in nonconsolidated subsidiaries and affiliates accounted for using the equity method:		
Smart Life	¥ 404	¥ 436
8K Ecosystem	24,894	8,453
ICT	—	—
Adjustments	34,938	37,257
The amount presented in consolidated financial statements	¥ 60,237	¥ 46,148
Increase in property, plant, equipment and intangible assets:		
Smart Life	¥ 25,015	¥ 22,751
8K Ecosystem	35,183	77,119
ICT	17,068	10,602
Adjustments	15,624	1,809
The amount presented in consolidated financial statements	¥ 92,892	¥ 112,283

Adjustments of segment income (loss) were ¥(22,131) million and ¥(21,256) million for the fiscal years ended March 31, 2020 and 2021, respectively, including elimination of intersegment transactions and corporate expenses not allocated to each reportable segment.

Elimination of intersegment transactions for segment income (loss) were ¥(41) million and ¥40 million, respectively. Corporate expenses not allocated to each reportable segment were ¥(18,885) million and ¥(18,831) million for the fiscal years ended March 31, 2020 and 2021, 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 ¥667,757 million and ¥672,938 million as of March 31, 2020 and 2021, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment.

## Notes to Consolidated Financial Statements

Elimination of intersegment transactions for segment assets were ¥(10,215) million and ¥(9,066) million, respectively. Corporate assets not allocated to each reportable segment were ¥677,973 million and ¥682,004 million as of March 31, 2020 and 2021, 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 ¥34,938 million and ¥37,257 million as of March 31, 2020 and 2021, respectively, and mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥15,624 million and ¥1,809 million for the fiscal years ended March 31, 2020 and 2021, 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 fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Net sales to outside customers:		
LCD modules	¥ 627,230	¥ 766,537
Sensing devices	340,635	349,486
Other	1,294,417	1,309,887
Total	¥ 2,262,284	¥ 2,425,910

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

Net sales by region/country for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Net sales:		
Japan	¥ 778,976	¥ 863,154
China	909,810	1,014,187
Other	573,497	548,568
Total	¥ 2,262,284	¥ 2,425,910

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

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

Property, plant and equipment by region/country as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Property, plant and equipment, at cost less accumulated depreciation:		
Japan	¥ 298,531	¥ 329,301
Asia	54,916	58,310
Other	47,500	50,874
Total	¥ 400,948	¥ 438,486

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

Major customers and related sales amount as of and for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Net sales:		
APPLE INC.	¥ 522,254	¥ 534,508
Related segments:		
Smart Life and 8K Ecosystem for the years ended March 31, 2020 and 2021		

	Yen (millions)	
	2020	2021
Net sales:		
General Interface Solution Limited		¥ 264,807
Related segment:		
8K Ecosystem for the year ended March 31, 2021		



# Notes to Consolidated Financial Statements

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

Impairment loss on fixed assets by reportable segment for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Impairment loss:		
Smart Life	¥ 3,403	¥ 5,065
8K Ecosystem	—	1,197
ICT	—	154
Corporate Assets and Elimination	—	—
<b>Total</b>	<b>¥ 3,403</b>	<b>¥ 6,417</b>

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

Goodwill amortization and the unamortized balance by reportable segment as of and for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	2021
Amortization of goodwill:		
Smart Life	¥ 88	¥ 27
8K Ecosystem	1,412	1,525
ICT	66	121
Corporate Assets and Elimination	—	—
<b>Total</b>	<b>¥ 1,566</b>	<b>¥ 1,675</b>
Balance at end of year:		
Smart Life	¥ 46	¥ 74
8K Ecosystem	8,652	9,440
ICT	471	322
Corporate Assets and Elimination	—	—
<b>Total</b>	<b>¥ 9,169</b>	<b>¥ 9,836</b>

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

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 fiscal years ended March 31, 2020 and 2021 are omitted as they were immaterial.

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

Principal transactions with related parties for the fiscal year ended March 31, 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	Ending balance (millions of yen)
Affiliate	Sakai Display Products Corporation	Sakai City, Osaka	32,485 million yen	Development, manufacture, distribution, export and import of LCD and other displays	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	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 the ending balance of accounts receivable - other.

# Notes to Consolidated Financial Statements

Principal transactions with related parties for the fiscal year ended March 31, 2021 were as follows:

Category	Company name	Location	Share capital	Details of business	Holding or held ratio	Relationship with the related party	Detail of transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Affiliate	Sakai Display Products Corporation	Sakai City, Osaka	32,485 million yen	Development, manufacture, distribution, export and import of LCD and other displays	33.0% holding directly	Manufacture of the Company's products and lease of real estate, etc.	Payment of costs and expenses	56,137	Accounts receivable - other	43,913
							Lease transaction with the Company	1,742	Other (Current assets)	3,349
							Collection of lease receivables	3,364	Other (Investments and other assets)	42,691

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

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

Principal transactions with related parties for the fiscal years ended March 31, 2020 and 2021 are omitted as they were immaterial.

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

Principal transactions with related parties for the fiscal years ended March 31, 2020 and 2021 are omitted as they were immaterial.

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

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

Principal transactions with related parties for the fiscal year ended March 31, 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	Ending balance (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 - trade	25,461

Notes: 1. Transaction amounts were determined at proper prices upon negotiation.  
2. The value in brackets [ ] 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 fiscal year ended March 31, 2021 are omitted as they were immaterial.

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

Principal transactions with related parties for the fiscal years ended March 31, 2020 and 2021 are omitted as they were immaterial.

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

Principal transactions with related parties for the fiscal years ended March 31, 2020 and 2021 are omitted as they were immaterial.

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

Principal transactions with related parties for the fiscal years ended March 31, 2020 and 2021 are omitted as they were immaterial.

# Notes to Consolidated Financial Statements

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

(1) Information on the parent company

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

(2) Summary of financial statements of significant affiliated company

For the fiscal year ended March 31, 2021, significant affiliated company was Sakai Display Products Corporation.

Summary of its financial statements was as follows:

	Yen (millions)	
	2020	2021
Current assets	296,480	<b>182,761</b>
Non-current assets	505,031	<b>713,438</b>
Current liabilities	209,683	<b>214,239</b>
Non-current liabilities	371,276	<b>501,255</b>
Net assets	220,550	<b>180,704</b>
Net sales	101,458	<b>186,327</b>
Profit (loss) before income taxes	20,817	<b>73,894</b>
Profit (loss) attributable to owners of parent	20,941	<b>79,660</b>

## 18. Per Share Data

Per share data as of March 31, 2020 and 2021 were as follows:

	Yen	
	2020	2021
Net assets per share	¥ 419.54	<b>¥ 573.59</b>
Income per share	22.47	<b>87.20</b>
Fully diluted income per share	21.62	—

**"Fully diluted income per share" is not stated because potentially dilutive shares existed but they had no dilutive effects.**

Income per share and fully diluted income per share as of March 31, 2020 and 2021 were calculated on the following basis:

	2020	2021
Income per share		
Profit attributable to owners of parent (millions of yen)	¥ 13,726	<b>¥ 53,263</b>
Amounts not allocated to common shares (millions of yen)	—	—
Profit attributable to owners of parent allocated to common shares (millions of yen)	13,726	<b>53,263</b>
Average number of common shares outstanding during each year (thousands of shares)	610,845	<b>610,833</b>
Common shares (thousands of shares)	531,309	<b>543,533</b>
Shares equivalent to common shares (thousands of shares)	79,536	<b>67,299</b>
Fully diluted income per share		
Adjustment to profit attributable to owners of parent (millions of yen)	—	—
Increase in number of common shares (thousands of shares)	24,196	—
Class A shares (thousands of shares)	24,196	—

Details of potentially dilutive shares that were not included in the calculation of fully diluted income per share because they have no dilutive effects

763 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)	<b>743 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>381 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>875 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights)</b>
A brief summary is in Note 13. Stock Options	<b>A brief summary is in Note 13. Stock Options</b>

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 acquisition and cancellation of all the 108,000 Class A shares outstanding on June 21, 2019. The figures of the income per share and fully diluted income per share for the fiscal year ended March 31, 2020 are calculated considering the effect of the said acquisition and cancellation of treasury shares.

# Notes to Consolidated Financial Statements

## 19. Significant Subsequent Events

### (a) Change of segment

In the fiscal year ended March 31, 2020, the Company operated in three reportable business segments — Smart Life, 8K Ecosystem, and ICT. Starting from the fiscal year ended March 31, 2022, reportable business segments have been changed to the following five: Smart Life, 8K Ecosystem, ICT, Display Device, and Electronic Device.

This change is in line with the Direction of Business Management and Initiatives in FY2021 announced on May 11, 2021, which aims to build a business structure centered on the brand business in order to establish “powerful brand company ‘SHARP’” that is closest to people and society, and constantly proposing new value, at an early date.

The major difference is the reclassification of the Devices business (formerly under Smart Life) under the Electronic Device business segment. The Display Device business (formerly under 8K Ecosystem) is now under the Display Device business segment.

Information on net sales, income or loss of each reclassified reportable segment for the fiscal year ended March 31, 2021 is as follows.

	Yen (millions)
	<b>2021</b>
Net sales:	
Smart Life:	
Customers	¥ 454,510
Intersegment	1,033
Total	455,543
8K Ecosystem:	
Customers	484,552
Intersegment	8,517
Total	493,069
ICT:	
Customers	341,776
Intersegment	1,701
Total	343,477
Display Device:	
Customers	766,537
Intersegment	46,255
Total	812,792
Electronic Device:	
Customers	378,534
Intersegment	50,044
Total	428,578
Adjustment	(107,551)
Consolidated net sales	¥ 2,425,910
Segment income (loss):	
Smart Life	¥ 58,866
8K Ecosystem	15,527
ICT	15,421
Display Devices	1,860
Electronics Devices	12,692
Adjustment	(21,256)
Consolidated operating profit	¥ 83,112

Adjustments of segment income (loss) of ¥(21,256) million include elimination of intersegment transactions of ¥40 million and corporate expenses not allocated to each reportable segment of ¥(18,831) million. Corporate expenses are mainly attributable to basic R&D expenses and expenses related to the administrative groups of the Company's headquarters.

### (b) Transfer of equity of important subsidiaries

Kantatsu Corporation, a consolidated subsidiary of the Company (hereinafter, "Kantatsu"), announced on June 29, 2021 that it had decided on the transfer of all of its equity in its subsidiary Lianyungang Kantatsu Fine Technology Co., Ltd. (hereinafter, "Lianyungang") to Liaoning Zhonglan Electronic Technology Co., Ltd. (hereinafter, "ZET") (hereinafter, the Transfer) and signed an agreement with ZET.

Upon the completion of the Transfer, Lianyungang will be excluded from the scope of consolidation of the Company.

#### (1) Reason for the Transfer

Kantatsu manufactures and sells micro lens units mounted on smartphones. In order to address sluggish business performance amid the intensifying competitive environment and deterioration of its financial position as a consequence of inappropriate accounting, Kantatsu is moving ahead with drastic structural reforms. As part of the reforms, Kantatsu has been making efforts to improve its financial position by transferring its equity in Lianyungang, which requires continuous significant investments.

As a result, Kantatsu has decided to transfer its equity in Lianyungang to ZET, one of the leading VCM (Voice Coil Motor) manufacturers in China, which plans to expand its lens business.

#### (2) Overview of the subsidiary transferred

Name:	Lianyungang Kantatsu Fine Technology Co., Ltd.
Main field of business:	Manufacture and sale of micro lens units
Business relationship:	The Company purchases micro lens units from Kantatsu, its parent company.

#### (3) Overview of the transferee

Name:	Liaoning Zhonglan Electronic Technology Co., Ltd.
Main field of business:	Design, development, manufacture, and sale of parts and components for smartphone devices
Business relationship:	Not applicable.

#### (4) Summary of the Transfer

Equity before the Transfer	100%
Equity after the Transfer	0%

\* The transfer price is not disclosed because of confidentiality obligations.

# Consolidated Subsidiaries

(As of March 31, 2021)

## Domestic

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

Kantatsu Co., Ltd.  
Sharp Fukuyama Semiconductor Co., Ltd.  
Sharp Fukuyama Laser Co., Ltd.  
AloT Cloud Inc.  
Sharp Cocoro Life Inc.  
Sharp Display Technology Corporation  
Sharp NEC Display Solutions, Ltd.

## Overseas

<Countries and Areas>

Sharp Electronics Corporation <New Jersey, U.S.A.>  
Sharp Laboratories of America, Inc. <Washington, U.S.A.>  
Dynabook Americas, Inc. <Delaware, U.S.A.>  
Sharp NEC Display Solutions of America, Inc. <Illinois, U.S.A.>  
Sharp Electronics of Canada Ltd. <Ontario, Canada>  
Sharp Corporation Mexico S.A. de C.V. <Mexico City, Mexico>  
Sharp Electronics (Europe) Limited <Middlesex, U.K.>  
Sharp Business Systems UK Plc. <Wakefield, U.K.>  
Sharp International Finance (U.K.) Plc. <Middlesex, U.K.>  
Sharp Laboratories of Europe, Ltd. <Oxford, U.K.>  
Sharp Electronics (Europe) GmbH <Hamburg, Germany>  
Sharp Devices Europe GmbH <Munich, Germany>  
Sharp NEC Display Solutions Europe GmbH <Munich, Germany>  
Sharp Business Systems Deutschland GmbH <Cologne, Germany>  
Dynabook Europe GmbH <Neuss, Germany>  
Sharp Business Systems Sverige AB <Bromma, Sweden>  
Sharp Electronics (Schweiz) AG <Rüschlikon, Switzerland>  
Sharp Business Systems France S.A.S. <Toulouse, France>  
Sharp Manufacturing France S.A. <Soultz, France>  
Sharp Electronics Benelux B.V. <Utrecht, the Netherlands>  
Sharp Consumer Electronics Poland Sp. z o.o. <Toruń, Poland>  
Sharp Middle East Free Zone Establishment <Dubai, U.A.E.>  
Sharp Universal Technology (Shenzhen) Co., Ltd. <Shenzhen, China>  
NEC Viewtechnology Trading (Shenzhen), Ltd. <Shenzhen, China>  
Sharp Universal Technology (Guangzhou) Co., Ltd. <Guangzhou, 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>

Nanjing Sharp Electronics Co., Ltd. <Nanjing, China>  
Sharp Office Equipments (Changshu) Co., Ltd. <Changshu, China>  
Wuxi Sharp Electronic Components Co., Ltd. <Wuxi, China>  
Wuxi Sharp Display Technology Co., Ltd. <Wuxi, China>  
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>  
Mirada Co., Ltd. <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 Manufacturing Vietnam CO., LTD. <Tan Uyen, 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 49 other consolidated subsidiaries in additions to the companies listed above.