Financial Section

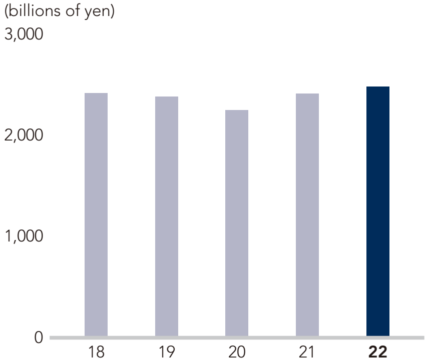
Financial Review

Sharp Corporation and Consolidated Subsidiaries

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2022 amounted to ¥2,495,588 million, up ¥69,677 million (2.9%) year on year.

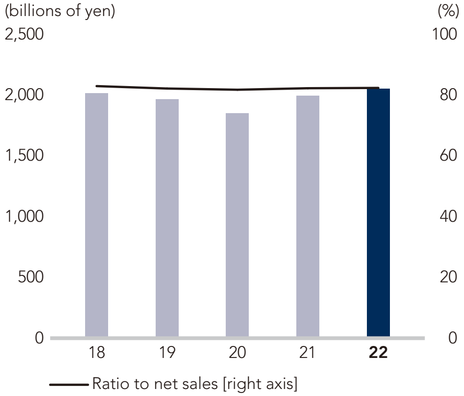
Net Sales



Financial Results

Cost of sales increased ¥59,271 million to ¥2,063,864 million, while our cost of sales ratio increased from 82.6% to 82.7% year on year.

Cost of Sales



Selling, general and administrative (SG&A) expenses increased ¥8,801 million to ¥347,006 million. The ratio of SG&A expenses against net sales was 13.9%, the same level as in the previous fiscal year. SG&A expenses included salaries and allowances of ¥117,715 million, retirement benefit expenses of ¥8,223 million, transportation and storage costs of ¥44,545 million, outsourcing expenses of ¥35,037 million, and research and development expenses of ¥21,708 million.

As a result, operating profit amounted to ¥84,716 million, an increase of ¥1,604 million (1.9%) year on year.

Non-operating income increased ¥27,448 million to ¥50,038 million, due to an increase in foreign exchange gains, while non-operating expenses decreased ¥22,736 million to ¥19,790 million due to a decrease in share of loss of entities accounted for using equity method.

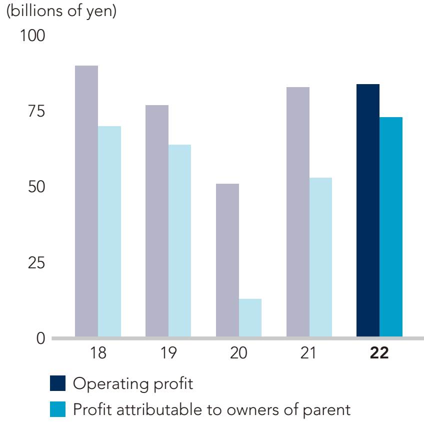
Extraordinary income increased ¥635 million to ¥12,993 million. Extraordinary losses increased ¥29,065 million to ¥38,156 million. This was mainly due to an increase in impairment losses and provision for loss on litigation.

As a result, profit before income taxes totaled ¥89,802 million, an increase of ¥23,359 million (35.2%) year on year.

Profit attributable to owners of parent increased ¥20,727 million year on year to ¥73,991 million (38.9%).

Income per share of common stock was ¥121.14.

Operating Profit/
Profit Attributable to Owners of Parent



Segment Information

<Brand Businesses>

[Smart Life]

Sales decreased 2.1% year on year to ¥446,192 million. Sales in the energy solutions business increased, driven by the EPC business in Japan. On the other hand, sales in the white goods business declined, despite an increase in sales of cooking appliances and washing machines overseas, as domestic sales of Plasmacluster products decreased compared to the previous fiscal year, when sales grew significantly. Segment income decreased 18.0% to ¥48,291 million, mainly due to the impact of higher prices for semiconductors and raw materials.

[8K Ecosystem]

Sales increased 15.1% year on year to ¥567,690 million. TV sales rose in Europe, Asia, and Japan, while MFP business sales increased in the Americas, Europe, and Japan. Further, the impact of making Sharp NEC Display Solutions, Ltd. a consolidated subsidiary also contributed to performance. Segment income increased 60.8% year on year to ¥24,966 million due to higher sales, progress in higher value-added TVs, and a recovery in print volume in the MFP business.

[ICT]

Sales decreased 5.7% year on year to ¥324,017 million, despite growth in overseas enterprise PCs and other businesses. This result was mainly due to a lull in domestic PC demand associated with the GIGA School concept in Japan, the significant impact of semiconductor bottlenecks in the mobile communication and PC businesses, and the impact of the lockdowns in China. Segment income decreased 73.8% year on year to ¥4,038 million, mainly due to the impact of higher prices for semiconductors and other devices, in addition to the decrease in sales.

<Device Businesses>

[Display Device]

Sales increased 5.8% year on year to ¥859,674 million. Despite lower sales of small-size panels for smartphones, sales increased for medium-size panels used in automotive and PC/tablet applications, etc. Segment income increased 10.9 times year on year to ¥20,316 million, mainly due to an improved model mix, including an increase in the ratio of medium-size panels to total sales.

[Electronic Device]

Sales decreased 7.4% year on year to ¥396,834 million, mainly due to the impact of COVID-19 on production. Segment income fell 44.9% to ¥6,988 million, mostly as a result of lower sales.

Sales by Segment

	Yen (millions)	
	2021	**2022**
Smart Life	¥ 455,543	**¥ 446,192**
8K Ecosystem	493,069	**567,690**
ICT	343,477	**324,017**
Display Device	812,792	**859,674**
Electronic Device	428,578	**396,834**
Subtotal	2,533,461	**2,594,410**
Adjustments	(107,551)	**(98,822)**
Total	2,425,910	**2,495,588**

Segment Income by Segment

	Yen (millions)	
	2021	**2022**
Smart Life	¥ 58,866	**¥ 48,291**
8K Ecosystem	15,527	**24,966**
ICT	15,421	**4,038**
Display Device	1,860	**20,316**
Electronic Device	12,692	**6,988**
Subtotal	104,368	**104,601**
Adjustments	(21,256)	**(19,884)**
Total	83,112	**84,716**

Capital Investment and Depreciation

Capital investment totaled ¥51,719 million, down 43.5% year on year, mainly due to the introduction of camera module production equipment.

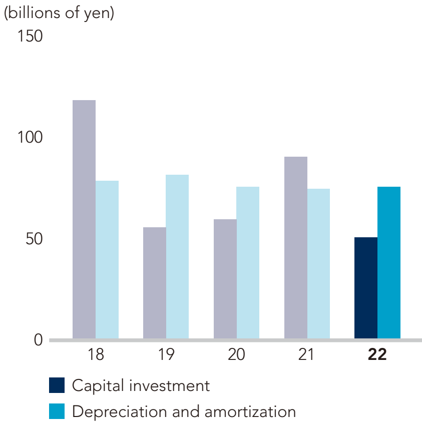
By business segment, capital investment was ¥1,883 million for Smart Life, ¥3,527 million for 8K Ecosystem, ¥677 million for ICT, ¥16,589 million for Display Device, and ¥25,204 million for Electronic Device. Unallocated capital investment amounted to ¥3,837 million.

Depreciation and amortization increased by 0.6% to ¥76,061 million year on year.

Assets, Liabilities and Net Assets

Total assets at fiscal year-end amounted to ¥1,956,288 million, up ¥29,061 million from the previous fiscal year.

**Capital Investment/
Depreciation and Amortization**

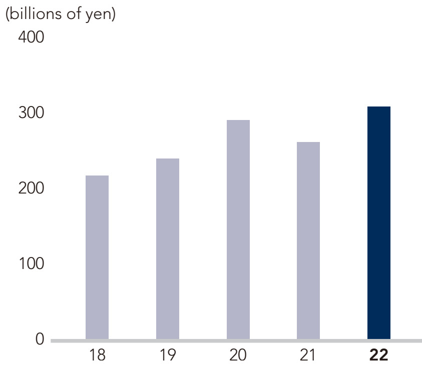


Assets

Current assets amounted to ¥1,230,628 million, up ¥41,858 million from the end of the previous fiscal year. This result was mainly due to an increase in inventories and an increase of notes and accounts receivable-trade, and contract assets from the end of the previous fiscal year, which was offset in part by a decrease in cash and deposits by repayment of short-term borrowings. Notes and accounts receivable-trade, and contract assets amounted to ¥487,160 million. Inventories amounted to ¥310,283 million, up ¥47,216 million from the end of the previous fiscal year. Within total inventories, finished goods increased ¥32,295 million to ¥165,625 million, work in process increased ¥24,600 million to ¥92,513 million, and raw materials and supplies decreased ¥9,679 million to ¥52,144 million.

Property, plant and equipment decreased

Inventories



¥20,226 million from the end of the previous fiscal year to ¥418,260 million.

Investments and other assets amounted to ¥265,114 million, up ¥10,259 million from the end of the previous fiscal year. This was mainly due to an increase of ¥7,210 million in investment securities.

Liabilities

Current liabilities decreased ¥77,383 million from the end of the previous fiscal year to ¥808,198 million. This result was mainly due to a decrease of ¥108,728 million in short-term borrowings from the end of the previous fiscal year, which was offset in part by an increase of ¥17,569 million in notes and accounts payable-trade and an increase of ¥11,645 million in provision for loss on litigation.

Non-current liabilities increased ¥1,315 million from the end of the previous year to ¥678,820 million. This result was mainly due to an increase of ¥10,377 million in long-term borrowings, which was offset in part by a decrease of ¥9,928 million in retirement benefit liability.

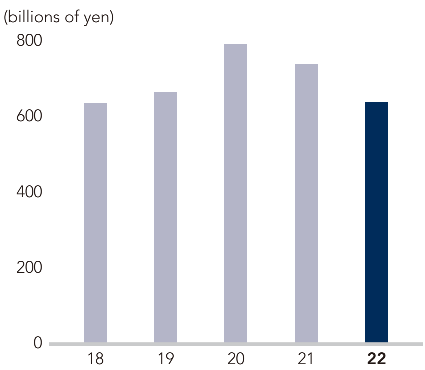
Interest-bearing debt at fiscal year-end stood at ¥640,714 million, down ¥100,103 million from the end of the previous fiscal year.

Net Assets

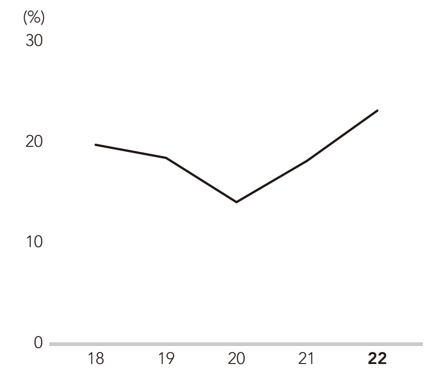
Net assets amounted to ¥469,269 million, up ¥105,129 million compared to the previous fiscal year-end balance of ¥364,139 million. This result was mainly due to an increase in retained earnings due to the recording of profit attributable to owners of parent, despite payment of dividends.

Our equity ratio was 23.2%.

Interest-Bearing Debt



Equity Ratio



Cash Flows

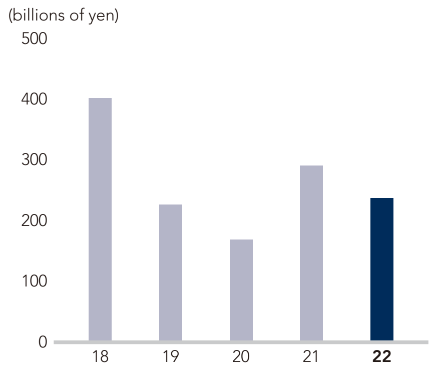
Cash and cash equivalents were ¥239,359 million, down ¥53,433 million from the end of the previous fiscal year. The combined capital outflows from financing activities and investing activities exceeded the capital inflows from operating activities.

Cash provided by operating activities amounted to ¥75,157 million, down ¥129,484 million compared to cash provided of ¥204,642 million in the previous fiscal year. The reason for this decrease was mainly due to an increase of ¥21,604 million in income taxes paid, and the changes in accounts receivable-other, inventories, and accrued expenses decreased by ¥9,722 million, ¥74,732 million, and ¥9,289 million, respectively, despite the increase of ¥23,359 million in profit before income taxes.

Cash used in investing activities totaled ¥31,448 million, up ¥17,334 million compared to cash used of ¥14,114 million in the previous fiscal year. The result was mainly due to increases of ¥11,933 million in expenditure on purchase of property, plant and equipment and ¥1,939 million in expenditure on purchase of investment securities compared to the previous fiscal year.

Cash used in financing activities was ¥124,291 million, up ¥47,566 million compared to cash used of ¥76,724 million in the previous fiscal year. This is mainly due to an increase in dividends paid of ¥7,332 million and a net decrease in short-term borrowings of ¥13,094 million compared to the previous fiscal year.

Cash and Cash Equivalents



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

2. Capital investment figures shown in Capital Investment and Depreciation include the amount of leased assets.

Consolidated Balance Sheets

Sharp Corporation and Consolidated Subsidiaries as of March 31, 2021 and 2022

	Yen (millions) 2021	2022
ASSETS		
Current Assets		
Cash and deposits (Notes 2 (c) and 6)	¥ 341,917	**¥ 287,361**
Notes and accounts receivable — trade (Notes 2 (c) and 8)	457,649	**—**
Notes and accounts receivable — trade and contract assets (Notes 2 (c), 2 (f), and 8)	—	**487,160**
Inventories (Notes 2 (b) and (c))	263,066	**310,283**
Other (Note 2 (c) and 7)	130,098	**148,165**
Allowance for doubtful accounts	(3,961)	**(2,342)**
Total current assets	1,188,770	**1,230,628**
Non-current Assets		
Property, plant and equipment		
Buildings and structures (Note 2 (c))	675,865	**689,458**
Machinery, equipment and vehicles (Note 2 (c))	1,162,607	**1,191,042**
Tools, furniture and fixtures (Note 2 (c))	190,705	**177,359**
Land (Note 2 (c))	83,600	**83,711**
Construction in progress (Note 2 (c))	31,822	**18,395**
Other	48,726	**48,109**
Accumulated depreciation	(1,754,840)	**(1,789,815)**
Total property, plant and equipment	438,486	**418,260**
Intangible assets		
Software	26,557	**25,954**
Other	18,557	**16,330**
Total intangible assets	45,114	**42,285**
Investments and other assets		
Investment securities (Notes 2 (a), 2 (c), 8 and 9)	164,181	**171,392**
Retirement benefit asset (Note 12)	5,584	**10,293**
Deferred tax assets (Note 14)	19,053	**22,391**
Other (Note 2 (c) and 7)	67,404	**63,595**
Allowance for doubtful accounts	(1,368)	**(2,559)**
Total investments and other assets	254,855	**265,114**
Total non-current assets	738,456	**725,660**
Total assets	¥ 1,927,226	**¥ 1,956,288**

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

	Yen (millions) 2021	2022
LIABILITIES		
Current Liabilities		
Notes and accounts payable — trade	¥ 361,825	**¥ 379,394**
Electronically recorded obligations — operating	34,597	**42,980**
Short-term borrowings (Notes 2 (c) and 11)	163,028	**54,300**
Accrued expenses	105,282	**106,398**
Provision for bonuses	18,573	**18,506**
Provision for product warranties	18,897	**19,750**
Provision for loss on litigation	642	**12,288**
Provision for sales promotion expenses	8,433	**9,586**
Provision for restructuring	670	**174**
Other (Note 2 (c),2(f) and 11)	173,632	**164,817**
Total current liabilities	885,582	**808,198**
Non-current Liabilities		
Long-term borrowings (Notes 2 (c), 8 and 11)	561,893	**572,270**
Retirement benefit liability (Note 12)	83,558	**73,630**
Other (Notes 11 and 14)	32,053	**32,919**
Total non-current liabilities	677,505	**678,820**
Total liabilities	1,563,087	**1,487,018**
NET ASSETS		
Shareholders' equity		
Share capital	5,000	**5,000**
Capital surplus	109,126	**108,623**
Retained earnings	289,551	**345,218**
Treasury shares	(14,053)	**(13,747)**
Total shareholders' equity	389,624	**445,094**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,617	**20,169**
Deferred gains or losses on hedges	1,086	**1,835**
Foreign currency translation adjustment	(39,362)	**(9,085)**
Remeasurements of defined benefit plans	(17,617)	**(3,745)**
Total accumulated other comprehensive income	(39,275)	**9,173**
Share acquisition rights (Note 5 (b))	297	**304**
Non-controlling interests	13,493	**14,696**
Total net assets	364,139	**469,269**
Total liabilities and net assets	¥ 1,927,226	**¥ 1,956,288**

Consolidated Statements of Operations

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years ended March 31, 2021 and 2022

	Yen (millions) 2021	2022
Net Sales (Note 3 (a), 16 and 17)	¥ 2,425,910	**¥ 2,495,588**
Cost of Sales (Notes 3 (b) and (d))	2,004,593	**2,063,864**
Gross profit	421,316	**431,723**
Selling, General and Administrative Expenses (Notes 3 (c) and (d))	338,204	**347,006**
Operating profit (Note 17)	83,112	**84,716**
Non-operating Income		
Interest income	2,818	**2,583**
Dividend income	1,240	**1,543**
Rental income from non-current assets	3,500	**3,465**
Foreign exchange gains	5,546	**18,947**
Share of profit of entities accounted for using equity method	—	**3,630**
Investment income	—	**9,263**
Other	9,483	**10,605**
Total non-operating income	22,590	**50,038**
Non-operating Expenses		
Interest expenses	5,511	**4,448**
Rental expenses on non-current assets	2,360	**2,323**
Share of loss of entities accounted for using equity method (Note 3 (e))	16,703	**—**
Inactive assets expenses	4,139	**5,199**
Investment expenses	4,879	**—**
Other	8,932	**7,818**
Total non-operating expenses	42,527	**19,790**
Ordinary profit	63,175	**114,964**
Extraordinary Income		
Gain on sale of non-current assets (Note 3 (f))	5,630	**5,124**
Gain on sale of investment securities	14	**631**
Gain on bargain purchase	—	**182**
Gain on liquidation of subsidiaries and associates	27	**—**
Gain on receipt of donated non-current assets (Note 3 (g))	6,675	**1,329**
Gain on sale of businesses (Note 3 (h))	—	**5,725**
Gain on reversal of share acquisition rights	10	**—**
Total extraordinary income	12,357	**12,993**
Extraordinary Losses		
Loss on sale and retirement of non-current assets (Note 3 (i))	638	**588**
Impairment losses (Note 3 (j))	6,417	**22,703**
Loss on valuation of investment securities	2,035	**77**
Loss on sale of investment securities	—	**7**
Loss on sale of shares of subsidiaries and associates	—	**268**
Settlement payments (Note 3 (k))	—	**2,763**
Provision for loss on litigation (Note 3 (l))	—	**11,747**
Total extraordinary losses	9,090	**38,156**
Profit before income taxes	66,442	**89,802**
Income Taxes (Note 14)		
Current	14,657	**17,230**
Deferred	(442)	**(1,184)**
Total income taxes	14,215	**16,045**
Profit	52,227	**73,756**
Profit (loss) attributable to non-controlling interests	(1,036)	**(234)**
Profit attributable to owners of parent	¥ 53,263	**¥ 73,991**

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, 2021 and 2022

	Yen (millions) 2021	2022
Profit	¥ 52,227	**¥ 73,756**
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	8,563	**3,546**
Deferred gains or losses on hedges	269	**675**
Foreign currency translation adjustment	16,466	**29,409**
Remeasurements of defined benefit plans, net of tax	26,010	**13,996**
Share of other comprehensive income of entities accounted for using equity method	1,523	**2,368**
Total other comprehensive income (Note 4)	52,832	**49,996**
Comprehensive Income	¥ 105,060	**¥ 123,752**
Comprehensive income attributable to:		
Owners of parent	104,858	**122,440**
Non-controlling interests	202	**1,312**

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

Consolidated Statements of Changes in Equity

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2021 and 2022

	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	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehensive income	Share acquisition rights (Note 5 (b))	Non-controlling interests	Total net assets
Balance at beginning of the year ended March 31, 2021	¥ 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 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 during period	—	272	42,268	(60)	42,480	8,569	240	16,756	26,028	51,594	3	(898)	93,180
Balance at end of the year ended March 31, 2021	¥ 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

	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	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehensive income	Share acquisition rights (Note 5 (b))	Non-controlling interests	Total net assets
Balance at beginning of the year ended March 31, 2022	¥ 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
Changes during period													
Dividends of surplus			**(18,324)**		**(18,324)**								**(18,324)**
Profit attributable to owners of parent			**73,991**		**73,991**								**73,991**
Change in ownership interest of parent due to transactions with non-controlling interests		**(216)**			**(216)**								**(216)**
Purchase of treasury shares				**(8)**	**(8)**								**(8)**
Disposal of treasury shares		**(286)**		**314**	**28**								**28**
Net changes in items other than shareholders' equity						**3,551**	**748**	**30,277**	**13,872**	**48,449**	**7**	**1,202**	**49,659**
Total changes during period	**—**	**(503)**	**55,667**	**306**	**55,470**	**3,551**	**748**	**30,277**	**13,872**	**48,449**	**7**	**1,202**	**105,129**
Balance at end of the year ended March 31, 2022	**¥ 5,000**	**¥ 108,623**	**¥ 345,218**	**¥ (13,747)**	**¥ 445,094**	**¥ 20,169**	**¥ 1,835**	**¥ (9,085)**	**¥ (3,745)**	**¥ 9,173**	**¥ 304**	**¥ 14,696**	**¥ 469,269**

Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2021 and 2022

	Yen (millions)	
	2021	**2022**
Cash Flows from Operating Activities:		
Profit before income taxes	¥ 66,442	**¥ 89,802**
Depreciation	71,942	**72,397**
Interest and dividend income	(4,059)	**(4,126)**
Interest expenses	5,511	**4,448**
Share of loss (profit) of entities accounted for using equity method	16,703	**(3,630)**
Investment expenses (income)	4,879	**(9,263)**
Loss (gain) on sale and retirement of non-current assets	(4,991)	**(4,535)**
Gain on receipt of donated non-current assets	(6,675)	**(1,329)**
Loss (gain) on sale of investment securities	(14)	**(623)**
Loss (gain) on valuation of investment securities	2,035	**77**
Loss (gain) on sale of shares of subsidiaries and associates	—	**268**
Gain on bargain purchase	—	**(182)**
Impairment losses	6,417	**22,703**
Loss (gain) on sales of businesses	—	**(5,725)**
Settlement payments	—	**2,763**
Provision for loss on litigation	—	**11,747**
Decrease (increase) in trade receivables	(8,781)	**—**
Decrease (increase) in trade receivables and contract assets	—	**(6,873)**
Decrease (increase) in accounts receivable — other	4,360	**(5,362)**
Decrease (increase) in inventories	53,266	**(21,466)**
Increase (decrease) in trade payables	8,511	**6,100**
Increase (decrease) in accrued expenses	6,698	**(2,590)**
Increase (decrease) in valuation reserve for inventory purchase commitments	(17,133)	**—**
Other, net	2,520	**(42,819)**
Subtotal	207,633	**101,778**
Interest and dividends received	8,232	**8,001**
Interest paid	(5,401)	**(4,453)**
Income taxes (paid) refund	(5,820)	**(27,425)**
Settlement package paid	—	**(2,742)**
Net cash provided by (used in) operating activities	204,642	**75,157**

	Yen (millions)	
	2021	**2022**
Cash Flows from Investing Activities:		
Payments into time deposits	(118,384)	**(133,685)**
Proceeds from withdrawal of time deposits	124,561	**135,143**
Purchases of property, plant and equipment	(35,656)	**(47,590)**
Proceeds from sale of property, plant and equipment	10,518	**9,216**
Purchase of intangible assets	(15,726)	**(15,483)**
Purchases of investment securities	(8,063)	**(10,003)**
Proceeds from sale of investment securities	27	**2,440**
Proceeds from sale of businesses (Note 6 (b))	—	**4,267**
Other, net (Note 6 (c))	28,608	**24,246**
Net cash provided by (used in) investing activities	(14,114)	**(31,448)**
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term borrowings	(89,398)	**(102,493)**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(6,875)	**(216)**
Dividends paid	(10,980)	**(18,312)**
Other, net	30,530	**(3,268)**
Net cash provided by (used in) financing activities	(76,724)	**(124,291)**
Effect of Exchange Rate Change on Cash and Cash Equivalents	8,665	**27,148**
Net Increase (Decrease) in Cash and Cash Equivalents	122,469	**(53,433)**
Cash and Cash Equivalents at Beginning of Period	170,323	**292,792**
Cash and Cash Equivalents at End of Period (Note 6 (a))	¥ 292,792	**¥ 239,359**

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 117 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 equity method.

Changes in the consolidated subsidiaries for the fiscal year ended March 31, 2022 were as follows:

(Included in scope)

Xia Yan Technology (ShanDong) Co., Ltd.

S-Solar Generation (Thailand) Co., Ltd.

(Excluded from scope)

Quorum Business Systems Limited

Lianyungang Kantatsu Fine Technology Co., Ltd.

Cocorolife Co., Ltd.

and 2 others

Sharp India Ltd. is the main nonconsolidated subsidiary.

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

(c) Investment securities

Other securities

Securities other than shares with no available market prices

Valued at fair market value (All valuation differences are directly charged or credited to net assets, with the cost of sales calculated primarily using the periodic average method.)

Shares with no available market prices

Valued primarily by the periodic average method.

Regarding the investments in partnerships, the Company and its consolidated subsidiaries recognize their share in the profits or losses resulting from the operations of the partnerships as non-operating income or expenses, and reflect such income or expenses to the balance of investment securities.

(d) Derivative financial instruments

Derivative financial instruments are stated at fair value.

(e) Inventories

Inventories held by the Company and its domestic consolidated subsidiaries are primarily measured at moving average cost. Inventories are written down when their profitability decreases. Inventories held by overseas consolidated subsidiaries 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 by 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 by 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 by the straight-line method.

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

Amortization of intangible assets (excluding leased assets) is computed by the straight-line method.

Software used in-house is amortized by 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 related to finance lease transactions that do not transfer ownership is computed by the straight-line method with the lease period as the useful life and the residual value as zero.

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

(g) Allowance for doubtful accounts

The Company and its consolidated subsidiaries accrue possible credit losses regarding monetary claims and other receivables.

The estimated amounts of allowance for general receivables are primarily determined based on the historical bad debt ratio. The estimated amounts of allowance for particular receivables, including those from debtors at risk of bankruptcy are consider of recoverable amounts on a case-by-case basis.

(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

The Company and its consolidated subsidiaries accrue the estimated amounts of future warranty based on the past experiences, so as to prepare for possible expenses related to after-sales service within the warranty period in respect of sales recorded prior to the balance sheet date.

(j) Provision for loss from litigation

The Company and its consolidated subsidiaries accrue the estimated amount deemed to be necessary for possible future losses from lawsuits.

(k) Provision for sales promotion expenses

The Company and its consolidated subsidiaries accrue sales promotion expenses based on estimated amounts to be paid to agencies and dealers in the subsequent period in respect of services rendered or goods received prior to the balance sheet date.

(l) Provision for restructuring

The Company and its consolidated subsidiaries accrue the estimated amounts of restructuring to prepare for future expenses related to structural reform.

(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 by the straight-line method over the average remaining service period of employees (9 years) commencing from the current period. Actuarial gains and losses are primarily amortized by the straight-line method over the average service period of employees (9 years) commencing from the period following that in which the gain or loss was incurred.

(n) Major recognition criteria for revenues and expenses

The Group recognizes revenue based on the following five-step approach.

Step 1: Identify a contract with customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the Group satisfies a performance obligation

Details of the main performance obligations related to revenue from contracts with customers in the Group's key businesses and the point of time when such performance obligations are typically satisfied (the point of time when revenues are usually recognized) are as follows.

The Group manufactures and sells telecommunications equipment, electrical equipment and electronic application equipment, and electronic components. In principle, revenue from these transactions is recognized at the point in time when the customer obtains control of products delivered by the Group as the performance obligation is deemed to have been satisfied by then. At that point in time, the legal title to the products, physical possession, and significant risks and rewards of ownership of the products are transferred to the customer, and the Group is entitled to receive payment for the transaction. For some domestic sales, revenue is recognized upon shipment if the period of time from the shipment to the completion of the transfer of control of the products to the customer is considered to be normal.

The Group is also engaged in contracted construction in addition to maintenance and warranty services that are mainly related to products. In these transactions, the Group transfers goods or services to customers over time to satisfy performance obligations. Thus, in principle, revenue is recognized according to the degree of progress towards complete satisfaction or over time for the service period.

Revenue is measured in the amount of consideration that the Group expects to be entitled in return for the transfer of products or services to the customers (hereinafter, "transaction price"). In determining a transaction price, if the consideration promised with the customer includes a variable component (hereinafter, "variable consideration"), the transaction price is estimated by subtracting any variable considerations. The amount of a variable consideration is included in the transaction price only to the extent that it is highly probable that the subsequent resolution of uncertainty concerning the amount of the variable consideration will not result in a significant reversal in the cumulative revenue recognized until then.

When multiple performance obligations, such as product and warranty services, are identifiable in a contract, a transaction price is allocated to each performance obligation primarily based on the ratio of observable stand-alone selling prices.

If a product warranty provides a customer with a service beyond the assurance that the product complies with agreed-upon specifications, it is treated as a separate performance obligation. A portion of the transaction price is allocated to that performance obligation and revenue is recognized over the extended warranty period.

The Group determines whether it acts as a principal or an agent in a transaction based on whether the Group controls the promised product or service before transferring to the customer. When the Group is deemed to be involved as an agent, the Group recognizes revenue at the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for goods or services to be provided by that party.

Considerations for transactions related to the sale of products, etc., contracted construction, and the provision of warranty or other services is usually received within approximately one year from the time each performance obligation is satisfied. The Group applies exemption rule to these contracts, and no adjustments for financing components have been made.

(o) Hedge accounting

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

(p) Method and period for amortization of goodwill

Goodwill is amortized by the straight-line method over the expected life. Goodwill recorded in the consolidated subsidiaries in the U.S.A. is amortized by the straight-line method over 10 years.

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

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

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

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

From the next consolidated fiscal year, the Company and some of its domestic consolidated subsidiaries will adopt the group tax relief system in place of the current consolidated taxation system. However, for the transition to the group tax relief system established by the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020) and the items for which the non-consolidated taxation system was reviewed in accordance with the transition to the group tax relief system, the amounts of deferred tax assets and deferred tax liabilities are presented based on 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 the Group Tax Relief 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).

From the beginning of the next fiscal year, the Group will apply the “Practical Solution to Accounting and Disclosures Under the Group Tax Relief System” (PITF No. 42, August 12, 2021), which stipulates the accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting when applying the group tax relief system.

(s) Major accounting estimates

(1) Valuation of inventories

i) Amount recorded in the consolidated financial statements as of March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Inventories	¥ 263,066	**¥ 310,283**

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

The Group reduces the book value of inventories when the 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 over time, assuming that it becomes less possible for those inventories to be sold. Moreover, the book value of some inventories is also devalued individually when they are deemed difficult to sell.

However, it may become necessary to record further devaluation in the consolidated financial statements in the next fiscal year or onward if the Group faces disadvantageous situations such as price declines resulting from unpredictable environment changes in the future.

(2) Impairment losses on non-current assets

i) Amount recorded in the consolidated financial statements as of March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Property, plant and equipment	¥ 438,486	**¥ 418,260**
Intangible assets	45,114	**42,285**

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

The Group conducts an impairment test of an asset or asset group, when there is an indication of impairment such as continued operating loss or negative cash flow from operating activities, and if the book value exceeds the higher of its value in use and its net realizable value, the Company recognizes impairment loss for the excess. The future business plan, which forms the basis for calculating the value in use, is established 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 reasonable approaches such as asset valuation by a third party.

However, the Group may record additional impairment losses in the consolidated financial statements in the next fiscal year or thereafter, when the assumptions in the business plan, such as the market environments, change in the future.

(t) Changes in accounting policies

(1) Adoption of revenue recognition and other accounting standards

At the beginning of the fiscal year ended March 31, 2022, the Group adopted Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020) (hereinafter, “Revenue Recognition Standard”) and other standards. In line with the adoption of these standards, the Group recognizes revenue at the amount of consideration the Group expects to receive in exchange for the goods or services, once the control of promised goods or services is transferred to a customer.

In the past, the Group recognized the extinguishment of inventories for work in process inventories, etc. supplied to subcontractors for a fee, recording accounts receivable-other from the subcontractor. However, as the Group is obligated to buy back processed products from the subcontractor, the Group no longer recognizes the extinguishment of inventories by the adoption of Revenue Recognition Standard. The Group also records liabilities related to subcontract manufacturing for the obligation to buy back.

In adopting the Revenue Recognition Standard, the Group follows the transitional treatment as prescribed in the provision of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of applying the new accounting policy retrospectively for periods prior to the beginning of the fiscal year ended March 31, 2022 has been reflected in retained earnings at the beginning of the fiscal year ended March 31, 2022, and the new accounting policy has been applied beginning with the relevant beginning balance. The company has applied the method prescribed in Paragraph 86 of the Revenue Recognition Standard and has not applied the new accounting policy retrospectively to contracts in which essentially all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the fiscal year ended March 31, 2022.

As a result, the impact of this change on consolidated earnings for the fiscal year ended March 31, 2022 is minimal. In connection with the adoption of this accounting standard, the Group recorded an increase in “Inventories” of ¥12,151 million, a decrease in “Other” under “Current assets” of ¥8,628 million, and an increase in “Other” under “Current liabilities” of ¥3,522 million as of March 31, 2022. There is no impact on the beginning balance of retained earnings.

As a result of the application of the Revenue Recognition Standard, “Notes and accounts receivable - trade,” which was presented under “Current assets” in the consolidated balance sheets of the fiscal year ended March 31, 2021, is now included under “Notes and accounts receivable - trade and contract assets” beginning with the fiscal year ended March 31, 2022. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Standard, no reclassification has been made for the fiscal year ended March 31, 2021 using the new presentation method. In line with the transitional treatment prescribed in Paragraph 89-3 of the Revenue Recognition Standard, notes to “Revenue recognition” concerning the fiscal year ended March 31, 2021 are not stated.

(2) Adoption of fair value measurement accounting standard and other standards

The Group has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019) (hereinafter, “Fair Value Measurement Standard”) and other standards as of the beginning of the fiscal year ended March 31, 2022. In accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Group applied the new accounting policy provided in Fair Value Measurement Standard and other standards prospectively. As a result, publicly listed shares included in other securities are stated at fair value based on the market prices as of the end of the fiscal year, effective from the fiscal year ended March 2022. In the past, the Group had recorded these shares stated at fair value based on the average market prices over the last month of the fiscal year.

Additionally, matters regarding financial statement's categorization by levels of fair value hierarchy is presented in Note 8 "Financial Instruments." However, pursuant to the transitional treatments stipulated in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), the notes concerning the fiscal year ended March 31, 2021 are not stated.

(u) Unapplied accounting standard

The accounting standard issued by March 31, 2022 but not yet applied as of March 31, 2022 was as follows:

The monetary impact amounts arising through the application of this standard are under evaluation.

Overseas consolidated subsidiaries

Name of the standard		Description of the standard	Planned adoption period
ASU No. 2016-02	Leases (Topic 842)	Revision of the accounting treatment for leases	From the year ended March 31, 2023

(v) Changes in presentation method

(Consolidated balance sheets)

"Provision for loss on litigation," which was included in "Other" under "Current liabilities" in the fiscal year ended March 31, 2021, has been separately presented in the fiscal year ended March 31, 2022 since its materiality has increased in the consolidated balance sheet. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2021 have been reclassified.

As a result, ¥174,274 million included in "Other" under "Current liabilities" in the consolidated balance sheets as of March 31 2021, has been reclassified as ¥642 million in "Provision for loss on litigation" and ¥173,632 million in "Other."

(Consolidated statements of operations)

"Rental expenses on non-current assets" and "Inactive assets expenses," which were included in "Other" under "Non-operating expenses" in the fiscal year ended March 31, 2021, are separately presented since their amounts exceed 10/100 of the total non-operating expenses. The consolidated financial statements for the fiscal year ended March 31, 2021 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, 2021, ¥15,432 million that was included in "Other" under "Non-operating expenses" has been reclassified as ¥2,360 million of "Rental expenses on non-current assets," ¥4,139 million of "Inactive assets expenses" and ¥8,932 million of "Other."

(Consolidated statements of cash flows)

(1) "Investment expenses" under "Cash flows from operating activities," which was separately presented in the fiscal year ended March 31, 2021, is changed to "Investment expenses (income)" since investment income has was recognized for the fiscal year ended March 31, 2022.

"Loss (gain) on liquidation of subsidiaries and associates" and "Increase (decrease) in advances received" under "Cash flows from operating activities," which were separately presented in the fiscal year ended March 31, 2021, are included in "Other, net" since their materiality has diminished. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2021 have been reclassified.

As a result, ¥(27) million of "Loss (gain) on liquidation of subsidiaries and associates," ¥(15,456) million of "Increase (decrease) in advances received" and ¥18,004 million of "Other, net" have been reclassified as ¥2,520 million of "Other, net."

(2) "Proceeds from sale of investment securities," which was included in "Other, net" under "Cash flows from investing activities" in the fiscal year ended March 31, 2021, is separately presented since its materiality has increased. On the other hand, "Purchase of shares of subsidiaries resulting in change in scope of consolidation" and "Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation," which were separately presented in the fiscal year ended March 31, 2021, are included in "Other, net" since their materiality has diminished. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2021 have been reclassified.

As a result, ¥(755) million of "Purchase of shares of subsidiaries resulting in change in scope of consolidation," ¥4,478 million of "Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation" and ¥24,913 million of "Other, net" have been reclassified as ¥27 million of "Proceeds from sale of investment securities" and ¥28,608 million of "Other, net."

(3) "Proceeds from long-term borrowings," "Repayments of long-term borrowings" and "Purchase of treasury shares" under "Cash flows from financing activities," which were separately presented in the fiscal year ended March 31, 2021, are included in "Other, net" since their materiality has diminished. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2021 have been reclassified.

As a result, ¥40,251 million of "Proceeds from long-term borrowings," ¥(4,688) million of "Repayments of long-term borrowings," ¥(75) million of "Purchase of treasury shares" and ¥(4,956) million of "Other, net" have been reclassified as ¥30,530 million of "Other, net."

(w) Changes in accounting estimates

The Company and certain domestic consolidated subsidiaries had been using a period of 10 years as the average employee remaining years of service over which to amortize actuarial gain (loss) for retirement benefit liability and past service cost. However, due to a decrease in average employee remaining years of service, the amortization period has been changed to 9 years, beginning with the fiscal year ended March 31, 2022.

As a result, operating profit, ordinary profit, and profit before income taxes have each decreased ¥4,099 million for the fiscal year ended March 31, 2022 compared to the amounts under the previous accounting method.

(x) Additional information

(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 the new coronavirus pandemic would continue for a certain period in the fiscal year ended March 31, 2023 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, 2023 and beyond.

(Making Sakai Display Products Corporation a wholly owned subsidiary through share exchange)

On March 3, 2022, the Company entered into a share purchase agreement with World Praise Limited (hereinafter, "WPL"), a shareholder of Sakai Display Products Corporation (hereinafter, "SDP"), that set out the Company's acquisition of SDP shares by way of a share exchange under which the Company became a wholly owning parent company and SDP became a wholly owned subsidiary company (hereinafter, the "Share Exchange").

After that, the Company obtained all the approvals and licenses required by competition laws, etc. necessary for the execution of this matter. Based on the Board of Directors resolution on the Share Exchange made on May 11, 2022, the Company signed a share purchase agreement with SDP on May 31, 2022. The Share Exchange was executed on June 27, 2022.

Through the Share Exchange, the Company delivered 38,453,680 shares of its common shares, allotting 11.45 shares of its common shares for each SDP share. The exchange ratio has been determined through negotiations and an independent appraisal by a third-party institution.

The acquisition price of the SDP shares through the Share Exchange was the Company's share price on the date of acquisition multiplied by the number of shares.

The acquisition price would be ¥44,183 million if calculations were based on the Company's share price of ¥1,149 on March 31, 2022, and the estimated total investment in the shares of SDP after it became a wholly owned subsidiary, which included ¥11,046 million in SDP shares already held (when evaluated by the above share price), would be ¥55,229 million. This estimated total investment amount exceeded ¥28,288 million, which was the amount of SDP's consolidated net assets of ¥228,507 million as of March 31, 2022 after excluding non-controlling interests of SDP's subsidiaries, and goodwill would be recognized. This was attributed primarily to the excess earning power of SDP anticipated by the Company.

The excess earning power is based on SDP's business plan, which was formulated in line with a growth strategy considering SDP's rejoining the Group. However, it is uncertain whether the business plan can be realized, and if it turns out to be impossible, the initially expected excess earning power will not be recognized, and therefore the value of SDP shares may fall substantially below the estimated total investment amount. For this reason, the Company looked into whether it was necessary to record a provision for the amortization of goodwill associated with possible future devaluation of SDP shares based on the conditions as of March 31, 2022.

The value of SDP shares inclusive of excess earning power can be evaluated by the discounted future cash flows based on SDP's business plan. To reflect uncertainty, the Company estimated SDP's value using multiple scenarios with various key assumptions, such as future selling prices, sales volume, unit variable cost, market growth rate, and discount rate. The Company confirmed that the value of SDP shares exceeded the total investment based on the estimation made as of March 31, 2022, and determined that the provision was not necessary.

2. Notes to Consolidated Balance Sheets

(a) Investment in nonconsolidated subsidiaries and affiliates

Investment in nonconsolidated subsidiaries and affiliates as of March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Investment securities	¥ 46,733	**¥ 55,135**

(b) Inventories

Inventories as of March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Finished goods	¥ 133,330	**¥ 165,625**
Work in process	67,912	**92,513**
Raw materials and supplies	61,823	**52,144**
	¥ 263,066	**¥ 310,283**

(c) Collateral assets and liabilities secured by collateral

Collateral assets and liabilities secured by collateral as of March 31, 2021 and 2022 were as follows:

(1) Assets pledged as collateral

	Yen (millions)	
	2021	**2022**
Cash and deposits	¥ 35,575	**¥ 43,830**
Notes and accounts receivable - trade	57,870	**—**
Notes and accounts receivable - trade and contract assets	—	**63,245**
Inventories	69,521	**75,732**
Other (Current assets)	46,642	**52,340**
Buildings and structures	166,167	**165,087**
Machinery, equipment and vehicles	11,562	**11,440**
Tools, furniture and fixtures	1,578	**1,620**
Land	69,566	**68,632**
Construction in progress	10	**26**
Investment securities	38,830	**36,810**
Other (Investments and other assets)	37,007	**35,859**
	¥ 534,334	**¥ 554,626**

(2) Liabilities secured by collateral

	Yen (millions)	
	2021	**2022**
Short-term borrowings	¥ —	**¥ 928**
Other (Current liabilities)	37,366	**32,555**
Long-term borrowings	426,741	**426,722**
	¥ 464,107	**¥ 460,207**

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, 2021 and 2022.

(d) Contingent liabilities

(1) Guarantee liabilities

	Yen (millions)	
	2021	**2022**
Loans guaranteed for employees	¥ 4,551	**¥ 3,866**
Guarantee for accounts payable		
Sharp FIT Automotive Technology Co., Ltd.	—	**14**
Guarantee for borrowing of invested companies		
Sermsang Power Corporation Public Company Limited	164	**182**
	¥ 4,715	**¥ 4,063**

(2) Discounted and endorsed trade notes receivable

	Yen (millions)	
	2021	**2022**
Discounted trade notes receivable	¥ 218	**¥ —**
Endorsed trade notes receivable	549	**1,018**

(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, 2021 and 2022 were ¥12,262 million (longest remaining term was 8 years) and ¥8,615 million (longest remaining term was 7 years), respectively. No contract can be terminated before expiration.

(e) Investment commitment

The Company entered into contract to participate in the SoftBank Vision Fund, a private fund established by SoftBank Group Corp., in May 2017. Total amount of investment commitment is USD 1 billion. The balance of remaining committed contribution as of March 31, 2021 and 2022 were as follows:

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

	Yen (millions)	
	2021	**2022**
Total amount of investment commitment	¥ 109,720	**¥ 121,410**
Contribution made	93,740	**105,983**
Remaining committed contribution	¥ 15,979	**¥ 15,426**

(f) Receivables arising from contracts with customers, contract assets and contract liabilities

	Yen (millions)
	2022
Receivables arising from contracts with customers	**¥ 477,269**
Notes receivable	**6,599**
Accounts receivable	**¥ 470,670**
Contract assets	**9,890**
Contract liabilities	**¥ 76,682**

On the consolidated balance sheets, receivables arising from contracts with customers and contract assets are included in "Notes and accounts receivable - trade and contract assets," and contract liabilities are included in "Other" under "Current liabilities."

3. Notes to Consolidated Statements of Operations

(a) Revenue from contracts with customers

Regarding net sales, revenue from contracts with customers is not presented separately from other revenues. The amount of revenue arising from contracts with customers is presented in "(a) Information on disaggregated revenue from contracts with customers" under "16. Revenue recognition."

(b) 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, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Cost of sales	¥ 768	**¥ (19,401)**

(c) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Salaries and allowances	¥ 107,644	**¥ 117,715**
Provision for bonuses	9,103	**9,717**
Retirement benefit expenses	8,802	**8,223**
Transportation and storage costs	41,116	**44,545**
Outsourcing expenses	36,821	**35,037**
Research and development expenses	20,968	**21,708**
Provision for bonuses	665	**757**

(d) Research and development expenses

Research and development expenses included in general and administrative expenses and cost of manufacturing were ¥86,793 million for the fiscal year ended March 31, 2021 and ¥86,290 million for the fiscal year ended March 31, 2022.

(e) Share of loss of entities accounted for using equity method

Fiscal year ended March 31, 2021

This item included ¥14,449 million, which was 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 determined that there were 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 losses, the book value of non-current assets were reduced to the value in use. The value in use of non-current assets was calculated by the discounted present value of future cash flow, which was estimated based on its future business plans. The estimate included 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.

(f) Gain on sale of non-current assets

Major components of gain on sale of non-current assets for the fiscal years ended March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Buildings and structures	¥ 2,362	**¥ 364**
Machinery, equipment and vehicles	147	**570**
Tools, furniture and fixtures	112	**173**
Land	2,754	**4,013**
Software	4	**—**
Other	249	**2**
	¥ 5,630	**¥ 5,124**

(g) Gain on receipt of donated non-current assets

Fiscal year ended March 31, 2021

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

Fiscal year ended March 31, 2022

Of the gain on receipt of donated non-current assets, ¥1,245 million was the free of charge receipt of utility equipment at the Hakusan Plant.

(h) Gain on sale of businesses

Fiscal year ended March 31, 2022

Kantatsu Corporation, a consolidated subsidiary of the Company (hereinafter, “Kantatsu”), transferred all of its equity in its subsidiary Lianyungang Kantatsu Fine Technology Co., Ltd. and related assets of Kantatsu to Liaoning Zhonglan Electronic Technology Co., Ltd. As a result, gain on sale of businesses was recorded.

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

Major components of loss on sale and retirement of non-current assets for the fiscal years ended March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Loss on sale:		
Buildings and structures	¥ —	**¥ 0**
Machinery, equipment and vehicles	3	**28**
Tools, furniture and fixtures	5	**1**
Land	—	**12**
Other	0	**1**
	¥ 9	**¥ 44**
Loss on retirement:		
Buildings and structures	¥ 292	**¥ 239**
Machinery, equipment and vehicles	271	**235**
Tools, furniture and fixtures	39	**27**
Construction in progress	4	**—**
Software	13	**35**
Other	5	**5**
	¥ 628	**¥ 543**
Total:		
Buildings and structures	¥ 292	**¥ 239**
Machinery, equipment and vehicles	275	**264**
Tools, furniture and fixtures	44	**28**
Construction in progress	4	**—**
Land	—	**12**
Software	13	**35**
Other	6	**7**
	¥ 638	**¥ 588**

(j) Impairment losses

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 business in Hiroshima, Japan, where cash generating unit is identified on a consolidated basis, recognized an impairment loss of ¥2,891 million for the Electronic Device 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 8K Ecosystem, ICT, and Electronic Device 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 at zero as the net realizable value.

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 amount invested 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 at zero as the net realizable value.

A business in Osaka, where cash generating unit is identified on a consolidated basis, recognized an impairment loss of ¥14,791 million for the fiscal year ended March 31, 2022, with the book value reduced to the recoverable value, for the OLED production facilities at the Sakai Plant owned by the Company and Sharp Display Technology Corporation, a consolidated subsidiary of the Company. Earnings in this business operated by Sharp Display Technology Corporation has so far not been significantly below the initial plan formulated at the launch of the business but are expected to fall much below the initial plan in the next fiscal year and beyond as competition intensifies. Details were ¥3,193 million for buildings and structures and ¥11,598 million for machinery, equipment and vehicles. The estimated recoverable amount was measured by its value in use, and important assumptions included future selling prices, sales volume, unit variable cost, fixed cost, discount rate, etc. The discount rate was 7.8% (before tax).

Some consolidated subsidiaries in China recognized an impairment loss of ¥5,184 million for the Electronic Device unit, for the fiscal year ended March 31, 2022, with the book value reduced to the recoverable value, because the investment amount became unrecoverable due to their decreasing profitability. Details were ¥2,671 million for machinery, equipment and vehicles, ¥2,030 million for tools, furniture and fixtures, and ¥482 million for other. The estimated recoverable amount was evaluated as the net realizable value.

Some consolidated subsidiaries in Japan recognized an impairment loss of ¥2,728 million for the fiscal year ended March 31, 2022, with the book value reduced to the recoverable value, because their idle assets are no longer expected to be used in the future. Details were ¥2,669 million for machinery, equipment and vehicles, and ¥58 million for other. The estimated recoverable amount was evaluated at zero as the net realizable value.

(k) Settlement payments

Fiscal year ended March 31, 2022

A lawsuit was filed by Foxconn Interconnect Technology Singapore Pte. Ltd. (hereinafter, “FIT”) against the Company, with respect to the Company’s transfer of shares of Kantatsu Corporation, a consolidated subsidiary of the Company, to FIT. An agreement was reached and concluded that the Company should pay the settlement amount to FIT among other terms.

(l) Provision for loss on litigation

Fiscal year ended March 31, 2022

Provision for loss on litigation was recorded regarding the case that LG Display Co., Ltd. (hereinafter, “LGD”) had sought arbitration from the Singapore International Arbitration Centre. The arbitration result was that the Company should pay damages and others to LGD.

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, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Valuation difference on available-for-sale securities		
Amount arising during the year	¥ 11,292	**¥ 5,107**
Reclassification adjustment	(12)	**—**
Before tax effect	11,280	**5,107**
Tax effect	(2,717)	**(1,561)**
Valuation difference on available-for-sale securities	¥ 8,563	**¥ 3,546**
Deferred gains or losses on hedges		
Amount arising during the year	¥ 1,656	**¥ 1,730**
Reclassification adjustment	(262)	**(1,079)**
Before tax effect	1,394	**650**
Tax effect	(1,125)	**25**
Deferred gains or losses on hedges	¥ 269	**¥ 675**
Foreign currency translation adjustment		
Amount arising during the year	¥ 16,466	**¥ 29,378**
Reclassification adjustment	—	**30**
Foreign currency translation adjustment	¥ 16,466	**¥ 29,409**
Remeasurements of defined benefit plans, net of tax		
Amount arising during the year	¥ 12,904	**¥ 3,591**
Reclassification adjustment	13,388	**12,409**
Before tax effect	26,293	**16,000**
Tax effect	(282)	**(2,004)**
Remeasurements of defined benefit plans, net of tax	¥ 26,010	**¥ 13,996**
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the year	¥ 1,484	**¥ 2,616**
Reclassification adjustment	39	**(248)**
Share of other comprehensive income of entities accounted for using equity method	¥ 1,523	**¥ 2,368**
Total other comprehensive income	¥ 52,832	**¥ 49,996**

5. Notes to Consolidated Statements of Changes in Equity

(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, 2021 and 2022 were as follows:

Fiscal year ended March 31, 2021

	(Thousands of shares)			
	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
Issued shares				
Common shares	532,416	79,536	—	611,952
Class C shares	795	—	795	—
Total	533,211	79,536	795	611,952
Treasury shares				
Common shares	1,109	44	1	1,151
Class C shares	—	795	795	—
Total	1,109	839	796	1,151

Notes: 1. The increase of 79,536 thousand shares of issued common shares, the decrease of 795 thousand shares of issued Class C shares, and the increase and decrease of 795 thousand shares in Class C treasury shares were due to the acquisition and cancellation of Class C shares with common shares as consideration on February 26, 2021.
2. The increase of 44 thousand shares of common treasury shares consisted of an increase of 44 thousand shares due to the purchase of shares less than one trading unit.
3. The decrease of 1 thousand shares of common treasury shares consisted of a decrease of 1 thousand shares due to the sale of shares less than one trading unit.

Fiscal year ended March 31, 2022

	(Thousands of shares)			
	Number of shares as of March 31, 2021	Increase in number of shares	Decrease in number of shares	**Number of shares as of March 31, 2022**
Issued shares				
Common shares	611,952	—	—	**611,952**
Total	611,952	—	—	**611,952**
Treasury shares				
Common shares	1,151	5	25	**1,131**
Total	1,151	5	25	**1,131**

Notes: 1. The increase of 5 thousand shares of treasury shares consisted of an increase of 5 thousand shares due to the purchase of shares less than one trading unit.
2. The decrease of 25 thousand shares of treasury shares consisted of a decrease of zero thousand shares due to the sale of shares less than one trading unit and a decrease of 25 thousand shares due to the disposition of treasury shares as restricted stock compensation.

(b) Share acquisition rights and treasury share acquisition rights

Share acquisition rights and treasury share acquisition rights for the fiscal years ended March 31, 2021 and 2022 were as follows:

Fiscal 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): 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	Balance as of March 31, 2021 (Millions of yen)
The Company	Share acquisition rights as a stock option	—	—	—	—	—	288
Consolidated subsidiaries	—	—	—	—	—	—	8
Total		—	—	—	—	—	297

Fiscal year ended March 31, 2022

Classification	Description of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares underlying the share acquisition rights (Share): Number of shares as of March 31, 2021	Increase in number of shares	Decrease in number of shares	**Number of shares as of March 31, 2022**	**Balance as of March 31, 2022 (Millions of yen)**
The Company	Share acquisition rights as a stock option	—	—	—	—	**—**	**296**
Consolidated subsidiaries	—	—	—	—	—	**—**	**8**
Total		—	—	—	—	**—**	**304**

(c) Dividends

Fiscal 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

Fiscal year ended March 31, 2022

(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 11, 2021	Common shares	**18,324**	**30**	March 31, 2021	June 7, 2021

(2) Dividends for which the record date belonged to the fiscal year ended March 31, 2022, with effective date falling in the fiscal year ended March 31, 2023 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, 2022	Common shares	Retained earnings	**24,432**	**40**	March 31, 2022	June 8, 2022

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

	Yen (millions) 2021	**2022**
Cash and deposits	¥ 341,917	**¥ 287,361**
Time deposits and negotiable certificate of deposit with maturity over 3 months or pledged as collateral	(49,124)	**(48,002)**
Cash and cash equivalents	¥ 292,792	**¥ 239,359**

(b) Major components of assets and liabilities related to business transfer with cash and cash equivalents as consideration

Fiscal year ended March 31, 2022

Kantatsu Corporation, a consolidated subsidiary of the Company (hereinafter, "Kantatsu"), transferred all of its equity in its subsidiary Lianyungang Kantatsu Fine Technology Co., Ltd. and related assets of Kantatsu to Liaoning Zhonglan Electronic Technology Co., Ltd. The relationship among major components of assets and liabilities of the business transferred, sale price of the business and the related proceeds were as follows:

	Yen (millions)
Current assets	**¥ 437**
Non-current assets	**168**
Current liabilities	**(3,067)**
Non-current liabilities	**(103)**
Foreign currency translation adjustment	**431**
Gain on sale of businesses	**5,725**
Business sale price	**3,591**
Proceeds from borrowing from the transferee of the subsidiary subject to business transfer	**1,300**
(Deduction) Accounts receivable - other	**619**
Cash and cash equivalents	**4**
Proceeds from sale of businesses	**¥ 4,267**

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

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
(Deduction) Cash and cash equivalents	8,851
Proceeds from purchase	¥ 4,477

Fiscal year ended March 31, 2022

The information is omitted as it was immaterial.

(d) 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)	
	2021	**2022**
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 was immaterial.

(b) As lessor

Amount of lease receivables to be collected on and after March 31, 2021 and 2022

(1) Current assets

	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	¥ —	¥ —	¥ —	¥ —	¥ —

	Yen (millions)					
	2022					
	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	**¥ 8,233**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**

(2) Investments and other assets

	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

	Yen (millions)					
	2022					
	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	**¥ —**	**¥ 6,552**	**¥ 4,873**	**¥ 3,493**	**¥ 2,798**	**¥ 29,289**

Operating leases

(a) As lessee

The balance of remaining lease payments for non-cancelable contracts as of March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Due within one year	¥ 1,292	**¥ 1,464**
Due after one year	4,553	**4,231**
Total	¥ 5,845	**¥ 5,696**

(b) As lessor

Future lease receipts for non-cancelable contracts as of March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Due within one year	¥ 2,006	**¥ 1,558**
Due after one year	2,877	**2,045**
Total	¥ 4,884	**¥ 3,603**

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, are 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. The main purpose of long-term borrowings is to procure funds necessary for capital investments. The longest repayment term is 15 years and 4 months from March 31, 2022.

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

(3) Risk management of financial instruments

i) Management of credit 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 positions, 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, etc. of financial instruments

Since variable factors are incorporated into the estimation of the fair value of financial instruments, the value may fluctuate when different assumptions are adopted.

The contract amounts regarding the derivative transactions are shown in "10. Derivative Transactions," however, the amount themselves do not indicate the magnitude of 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, 2021 and 2022 are included in the tables below.

	Yen (millions)		
	2021		
	Consolidated balance sheet amount	Fair Value	Difference
(1) Notes and accounts receivable — trade*1	457,649	455,816	(1,833)
(2) Securities and investment securities*2			
1) Shares of subsidiaries and affiliates	0	949	949
2) Other securities	40,250	40,250	—
Total assets	¥ 497,899	¥ 497,015	¥ (884)
(1) Long-term borrowings	561,893	564,942	3,049
Total liabilities	¥ 561,893	¥ 564,942	¥ 3,049
Derivative transactions*3			
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)

*1 Cash and deposits, notes and accounts payable — trade, electronically recorded obligations — operating, and short-term borrowings are omitted because their fair values approximate their book values as they are cash-based and settled in a short period of time.

*2 The following financial instruments for which there is no market value and the fair value of which is extremely difficult to determine, are not included in "(2) Securities and investment securities." The amounts recognized on the consolidated balance sheets for these financial instruments were as follows:

	Yen (millions)
Classification	2021
Unlisted stocks	¥ 48,331
Investment in capital	¥ 75,600

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

	Yen (millions)		
	2022		
	Consolidated balance sheet amount	Fair Value	Difference
(1) Notes and accounts receivable — trade*1	**477,269**	**475,631**	**(1,638)**
(2) Securities and investment securities*2			
1) Shares of subsidiaries and affiliates	**0**	**1,729**	**1,729**
2) Other securities	**38,017**	**38,017**	**—**
Total assets	**¥ 515,286**	**¥ 515,377**	**¥ 91**
(1) Long-term borrowings	**572,270**	**574,219**	**1,949**
Total liabilities	**¥ 572,270**	**¥ 574,219**	**¥ 1,949**
Derivative transactions*3			
1) Derivative transactions — hedge accounting not applied	**¥ 3,591**	**¥ 3,591**	**¥ —**
2) Derivative transactions — hedge accounting applied	**3,711**	**1,334**	**(2,376)**
Total derivative transactions	**¥ 7,303**	**¥ 4,926**	**¥ (2,376)**

*1 Cash and deposits, notes and accounts payable — trade, electronically recorded obligations — operating, and short-term borrowings are omitted because their fair values approximate their book values as they are cash-based and settled in a short period of time.

*2 Stocks and others that do not have available market prices are not included in "(2) Securities and investment securities." The amounts recognized on the Consolidated Balance Sheets for these financial instruments were as follows:

	Yen (millions)
Classification	2022
Unlisted stocks	**¥ 56,780**
Investment in capital	**¥ 76,594**

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

Note 1: Aggregate maturity of cash and deposits, and receivables as of March 31, 2021 and 2022 were as follows:

	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	—	—	—

	Yen (millions)		
	2022		
	Cash and deposits	Notes and accounts receivable – trade	Total
Due within one year	**¥ 287,361**	**¥ 469,975**	**¥ 757,336**
Due after one year, within five years	**—**	**7,002**	**7,002**
Due after five years, within ten years	**—**	**291**	**291**
Due after ten years	**—**	**—**	**—**

Note 2: Repayment plan for loans after closing date

	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

	Yen (millions)		
	2022		
	Short-term borrowings	Long-term borrowings	Total
Due within one year	**¥ 54,300**	**¥ —**	**¥ 54,300**
Due after one year, within two years	**—**	**29,360**	**29,360**
Due after two years, within three years	**—**	**18,397**	**18,397**
Due after three years, within four years	**—**	**10,506**	**10,506**
Due after four years, within five years	**—**	**513,994**	**513,994**
Due after five years	**—**	**11**	**11**

(c) Matters regarding financial statements' categorization by levels of fair value hierarchy

The fair values of financial instruments are categorized into the following three levels depending on the observability and significance of inputs used in the fair value measurement.

Level 1 fair value: Of the observable inputs in the fair value measurement, the fair value is measured based on the quoted price in an active market for the subject asset or liability.

Level 2 fair value: Of the observable inputs in the fair value measurement, the fair value is measured using inputs other than those used for Level 1.

Level 3 fair value: The fair value is measured using inputs that cannot be observed.

When there are multiple inputs that are significant to the measurement of the fair value, and those inputs are at different levels of the fair value hierarchy, the fair value measurement is categorized in the same level of fair value hierarchy as the lowest level input.

(1) Financial instruments reported on the consolidated balance sheets at fair value

	Yen (millions)			
	2022			
	Fair value			
Classification	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities	**¥ 38,017**	**¥ —**	**¥ —**	**¥ 38,017**
Derivative transactions*				
Currency-related	**—**	**7,356**	**—**	**7,356**
Interest rate-related	**—**	**(52)**	**—**	**(52)**
Total assets	**¥ 38,017**	**¥ 7,303**	**¥ —**	**¥ 45,320**

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

(2) Financial instruments other than those reported on the consolidated balance sheets at fair value

	Yen (millions)			
	2022			
	Fair value			
Classification	Level 1	Level 2	Level 3	Total
Notes and accounts receivable — trade	**¥ —**	**¥ 475,631**	**¥ —**	**¥ 475,631**
Securities and investment securities				
Shares of subsidiaries and affiliates	**1,729**	**—**	**—**	**1,729**
Derivative transactions*				
Currency-related	**—**	**(2,376)**	**—**	**(2,376)**
Total assets	**¥ 1,729**	**¥ 473,254**	**¥ —**	**¥ 474,983**
Long-term borrowings	**—**	**574,219**	**—**	**574,219**
Total liabilities	**¥ —**	**¥ 574,219**	**¥ —**	**¥ 574,219**

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

Note: Explanation of valuation techniques and inputs used in fair value measurements

Securities and investment securities

Listed stocks are valued using the quoted price. Because they are traded in active markets, their fair value is classified as Level 1 fair value.

Derivative transactions

The fair value of items subject to the allocation method for forward exchange contracts is calculated based on the forward exchange rate as of the last day of the fiscal year, and is classified as Level 2 fair value.

In addition, the fair value of interest-swap transactions is determined based on the prices quoted by counterparty financial institutions, and is classified as Level 2 fair value.

Notes and accounts receivable — trade

For those settled in a short period of time among notes and accounts receivable — trade, their fair value approximates their book value, and, therefore, the fair value is determined based on the book value.

The fair value of accounts receivable that take a long time to collect is calculated based on the present value discounted by the interest rate that takes into account the period to maturity and credit risks for each receivable classified by a certain period, and is classified as Level 2 fair value.

Long-term borrowings

For long-term borrowings, the fair value is based on the present value calculated by discounting the total amount of principal and interest at an interest rate that would be charged for similar new loans, and is classified as Level 2 fair value.

9. Investment Securities

Information on other securities as of March 31, 2021 was as follows:

	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 ¥77,198 million as of 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 ¥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 ¥2,035 million for the fiscal year ended March 31, 2021.

Information on other securities as of March 31, 2022 was as follows:

	Yen (millions)			
	2022			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	**¥ 16,905**	**¥ 21,129**	**¥ (18)**	**¥ 38,017**
	¥ 16,905	**¥ 21,129**	**¥ (18)**	**¥ 38,017**

Equity securities and others that do not have market prices (¥78, 239 million as of March 31, 2022) are not included in the above table.

The proceeds from sales of other securities were ¥714 million for the fiscal year ended March 31, 2022. The gross realized gains on those sales were ¥631 million for the fiscal year ended March 31, 2022. The gross realized losses on those sales were ¥7 million for the fiscal year ended March 31, 2022.

Impairment losses recorded for unlisted stocks of other securities were ¥77 million for the fiscal year ended March 31, 2022.

10. Derivative Transactions

(a) Derivative transactions — hedge accounting not applied

Currency-related transactions

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

		Yen (millions)			
		2022			
Classification	Type of derivatives	Contract amount	Amount of contract due after one year	Fair value	Profit (loss) from valuation
Off-market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	**¥ 23,097**	**¥ —**	**¥ (690)**	**¥ (690)**
	Euro	**3,370**	**—**	**(101)**	**(101)**
	Canadian dollar	**241**	**—**	**(16)**	**(16)**
	Russian rouble	**218**	**—**	**61**	**61**
	New Zealand dollar	**63**	**—**	**(3)**	**(3)**
	Australian dollar	**55**	**—**	**(3)**	**(3)**
	Chinese yuan	**0**	**—**	**0**	**0**
	Buy				
	U.S. dollar	**79,024**	**—**	**4,012**	**4,012**
	Euro	**10,480**	**—**	**186**	**186**
	Pound sterling	**4,572**	**—**	**109**	**109**
	Singapore dollar	**875**	**—**	**36**	**36**
	Chinese yuan	**50**	**—**	**1**	**1**
Total		**¥ 122,051**	**¥ —**	**¥ 3,591**	**¥ 3,591**

(b) Derivative transactions — hedge accounting applied

(1) Currency-related 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	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
Total			¥ 494,245	¥ —	¥ 1,001

Hedge accounting method	Type of derivatives	Main hedged item	Contract amount	Amount of contract due after one year	Fair value
			Yen (millions)		
			2022		
Principle-based accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		**¥ 37,627**	**¥ —**	**¥ (1,407)**
	Euro		**16,111**	**—**	**(474)**
	Pound sterling		**1,344**	**—**	**12**
	Canadian dollar		**770**	**—**	**(63)**
	Australian dollar		**305**	**—**	**(34)**
	Russian rouble		**293**	**—**	**31**
	Swedish krona		**182**	**—**	**(1)**
	Swiss franc		**175**	**—**	**(1)**
	New Zealand dollar		**153**	**—**	**(15)**
	Polish zloty		**68**	**—**	**(0)**
	Norwegian krone		**50**	**—**	**(1)**
	Czech koruna		**47**	**—**	**(0)**
	Danish krone		**39**	**—**	**(0)**
	Hungarian forint		**25**	**—**	**(0)**
	Chinese yuan		**2**	**—**	**(0)**
	Singapore dollar		**2**	**—**	**(0)**
	Buy	Accounts payable — trade			
	U.S. dollar		**93,084**	**—**	**5,676**
	Euro		**6,665**	**—**	**44**
	Japanese yen		**2**	**—**	**(0)**
	Pound sterling		**1**	**—**	**(0)**
	Singapore dollar		**0**	**—**	**0**
Allocation accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		**94,239**	**—**	**(5,580)**
	Euro		**8,293**	**—**	**(380)**
	Pound sterling		**624**	**—**	**(19)**
	Russian rouble		**81**	**—**	**6**
	Canadian dollar		**0**	**—**	**(0)**
	Buy	Accounts payable — trade			
	U.S. dollar		**63,962**	**—**	**3,596**
	Japanese yen		**131**	**—**	**(2)**
	Euro		**104**	**—**	**2**
	Singapore dollar		**8**	**—**	**0**
	Pound sterling		**0**	**—**	**0**
Total			**¥ 324,398**	**¥ —**	**¥ 1,387**

(2) Interest rate-related transactions

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

Hedge accounting method	Type of derivatives	Main hedged item	Contract amount	Amount of contract due after one year	Fair value
			Yen (millions)		
			2022		
Principle-based accounting	Interest rate swaps	Long-term borrowings			
	Pay fixed/receive floating		**¥ 20,000**	**¥ 20,000**	**¥ (52)**
Total			**¥ 20,000**	**¥ 20,000**	**¥ (52)**

11. Bonds Payable, Borrowings and Lease Obligations

(a) Bonds payable

Not applicable for the fiscal years ended March 31, 2021 and 2022

(b) Borrowings and lease obligations

Borrowings and lease obligations as of March 31, 2021 and 2022 consisted of the following:

	Yen (millions)	
	2021	**2022**
Short-term borrowings with the following interest rates 1.2% as of March 31, 2021 and 0.5% as of March 31, 2022	¥ 148,352	**¥ 47,095**
Current portion of long-term borrowings with the following interest rates 0.7% as of March 31, 2021 and 0.9% as of March 31, 2022	14,675	**7,204**
Current portion of lease obligations with the following interest rates 3.4% as of March 31, 2021 and 2.9% as of March 31, 2022	2,844	**2,283**
Long-term borrowings (except portion due within one year) with the following interest rates 0.5% as of March 31, 2021 and 0.5% as of March 31, 2022	561,893	**572,270**
Lease obligations (except portion due within one year) with the following interest rates 1.9% as of March 31, 2021 and 1.7% as of March 31, 2022	5,814	**4,907**
	¥ 733,580	**¥ 633,761**

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2021 and 2022 respectively.

2. The aggregate annual maturities of long-term borrowings due within 5 years (except portion due within one year) as of March 31, 2022 were as follows:

Years ending March 31	Yen (millions)
2024	¥ 29,360
2025	18,397
2026	10,506
2027	513,994

The aggregate annual maturities of lease obligations due within 5 years (except portion due within one year) as of March 31, 2022 were as follows:

Years ending March 31	Yen (millions)
2024	¥ 1,498
2025	1,161
2026	882
2027	352

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, 2022 is as follows.

Current portion of lease liabilities	¥2,893 million
Lease liabilities (excluding current portion)	¥4,060 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.

(b) Defined benefit pension plans

(1) Reconciliations of the defined benefit obligations

Reconciliations of the defined benefit obligations of the Company and its consolidated subsidiaries as of March 31, 2021 and 2022 consisted of the following:

	Yen (millions)	
	2021	**2022**
Balance at beginning of year	¥ 343,378	**¥ 347,069**
Service cost	9,877	**9,503**
Interest cost	2,988	**3,008**
Actuarial loss (gain)	6,403	**(2,959)**
Benefits paid	(21,982)	**(23,618)**
Increase from newly consolidated subsidiaries	6,030	**—**
Other	(3,860)	**459**
Foreign currency exchange differences	4,233	**4,594**
Balance at end of year	¥ 347,069	**¥ 338,057**

(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, 2021 and 2022 consisted of the following:

	Yen (millions) 2021	2022
Balance at beginning of year	¥ 247,457	**¥ 269,094**
Expected return on plan assets	6,198	**6,759**
Actuarial gain (loss)	19,383	**1,014**
Employer contribution	15,409	**16,128**
Benefits paid	(21,276)	**(22,612)**
Increase from newly consolidated subsidiaries	1,657	**—**
Other	(3,967)	**45**
Foreign currency exchange differences	4,233	**4,290**
Balance at end of year	¥ 269,094	**¥ 274,720**

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

Reconciliations of the defined benefit obligations and the fair value of the plan assets and the amount recognized in the consolidated balance sheets as of March 31, 2021 and 2022 consisted of the following:

	Yen (millions) 2021	2022
Funded defined benefit obligations at end of year	¥ 340,710	**¥ 331,487**
Fair value of plan assets at end of year	(269,094)	**(274,720)**
Funded status at end of year	71,615	**56,766**
Unfunded defined benefit obligations at end of year	6,358	**6,570**
Total net retirement benefit liability	¥ 77,974	**¥ 63,336**
Retirement benefit liability	83,558	**73,630**
Retirement benefit asset	(5,584)	**(10,293)**
Total net retirement benefit liability	¥ 77,974	**¥ 63,336**

(4) Retirement benefit expenses

Retirement benefit expenses of the Company and its consolidated subsidiaries for the fiscal years ended March 31, 2021 and 2022 consisted of the following:

	Yen (millions) 2021	2022
Service cost	¥ 9,877	**¥ 9,503**
Interest cost	2,988	**3,008**
Expected return on plan assets	(6,198)	**(6,759)**
Amortization of net actuarial loss	13,141	**12,819**
Amortization of past service cost	20	**73**
Other	74	**31**
Total retirement benefit expenses	¥ 19,903	**¥ 18,677**

(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, 2021 and 2022 before the effect of income taxes consisted of the following:

	Yen (millions) 2021	2022
Past service cost	¥ (809)	**¥ 169**
Net actuarial gain	27,102	**15,831**
Total	¥ 26,293	**¥ 16,000**

(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, 2021 and 2022 before the effect of income taxes consisted of the following:

	Yen (millions) 2021	2022
Unrecognized past service cost	¥ 811	**¥ 641**
Unrecognized net actuarial loss	21,092	**5,261**
Total	¥ 21,904	**¥ 5,903**

(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, 2021 and 2022 consisted of the following:

	2021	**2022**
Bonds	28%	**29%**
Equity securities	19%	**20%**
Cash and cash equivalents	4%	**4%**
Life insurance company general accounts	13%	**13%**
Alternatives	30%	**27%**
Other	5%	**7%**
Total	100%	**100%**

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

	2021	**2022**
Discount rate	mainly 0.5%	**mainly 0.5%**
Long-term expected rate of return	mainly 2.4%	**mainly 2.4%**

(c) Defined contribution pension plans

The required contribution of certain consolidated subsidiaries for the defined contribution pension plans was ¥1,148 million for the fiscal year ended March 31, 2021 and ¥1,496 million for the fiscal year ended March 31, 2022.

13. Stock Options

(a) Expensed amount and account

The expensed amount and account for the fiscal years ended March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Selling, general and administrative expenses	¥ 13	**¥ 7**

(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, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Gain on reversal of share acquisition rights	¥ 10	**¥ —**

(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

Notes: 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.
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.

(2) Size and changes of stock options

Stock options that existed for the fiscal year ended March 31, 2022 were as follows:

i) Number of stock options

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

	First stock options (resolved on April 19, 2017)	Second stock options (resolved on September 26, 2017)	Third stock options (resolved on August 28, 2018)
Unvested stock options (shares)			
Balance on March 31, 2021	—	—	42,500
Granted	—	—	—
Nullified	—	—	—
Vested	—	—	30,500
Balance on March 31, 2022	—	—	12,000
Vested stock options (shares)			
Balance on March 31, 2021	74,300	38,100	45,000
Vested	—	—	30,500
Exercised	—	—	—
Nullified	—	—	—
Balance on March 31, 2022	74,300	38,100	75,500

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	—	—	—
Fair value at the grant date	(74,100 shares) 1,970 (7,000 shares) 2,110	1,570	(54,500 shares) 1,010 (35,000 shares) 1,041 (15,000 shares) 1,139

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 a 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, 2021 and 2022.

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, 2021 and 2022 were as follows:

	2021	**2022**
Statutory tax rate	30.4%	**30.4%**
Foreign withholding tax	1.1	**3.0**
Tax credit	(6.5)	**(3.2)**
Net Increase (Decrease) in valuation allowance and other	(3.7)	**(10.4)**
Differences in normal tax rates of overseas subsidiaries	(1.2)	**(3.0)**
Other	1.3	**1.1**
Effective tax rate	21.4%	**17.9%**

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Deferred tax assets:		
Inventories	¥ 11,800	**¥ 11,868**
Accrued expenses	13,454	**14,047**
Provision for bonuses	4,744	**4,643**
Provision for sales promotion expenses	1,894	**1,603**
Retirement benefit liability	24,701	**21,646**
Buildings and structures	20,580	**18,582**
Machinery, equipment and vehicles	1,829	**2,122**
Software	4,325	**3,534**
Long-term prepaid expenses	6,765	**5,635**
Tax loss carried forward*2	263,342	**143,364**
Other	154,459	**159,710**
Gross deferred tax assets	507,898	**386,759**
Valuation allowance for tax loss carried forward*2	(263,060)	**(143,272)**
Valuation allowance for future deductible temporary difference and other	(217,221)	**(217,171)**
Total valuation allowance*1	(480,281)	**(360,444)**
Total deferred tax assets	¥ 27,616	**¥ 26,314**
Deferred tax liabilities:		
Retained earnings appropriated for tax allowable reserves	¥ (1,059)	**¥ (1,055)**
Valuation difference on available-for-sale securities	(7,346)	**(8,907)**
Other	(5,570)	**(4,106)**
Total deferred tax liabilities	¥ (13,976)	**¥ (14,069)**
Net deferred tax assets	¥ 13,640	**¥ 12,245**

*1 Valuation allowance decreased by ¥119,837 million in the fiscal year ended March 31, 2022. This is primarily due to the expiration of some of the Company's tax loss carried forward.
*2 Tax loss carried forward and its deferred tax assets amount by carry forward period as of March 31, 2022 were as follows:

	Yen (millions)		
	2022		
	Tax loss carried forward*	Valuation allowance	Deferred tax assets
Expire within one year	**¥ 27,471**	**¥ (27,462)**	**¥ 9**
Expire after one year, within two years	**27,047**	**(27,043)**	**4**
Expire after two years, within three years	**43,595**	**(43,591)**	**4**
Expire after three years, within four years	**39,150**	**(39,150)**	**—**
Expire after four years, within five years	**2,872**	**(2,872)**	**—**
Expire after five years	**3,227**	**(3,152)**	**74**
Total	**¥ 143,364**	**¥ (143,272)**	**¥ 92**

*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, 2022 were as follows:

(a) Business divestitures

Kantatsu Corporation, a consolidated subsidiary of the Company (hereinafter, "Kantatsu"), has transferred all of its equity in its subsidiary Lianyungang Kantatsu Fine Technology Co., Ltd. (hereinafter, "Lianyungang") and related assets of Kantatsu to Liaoning Zhonglan Electronic Technology Co., Ltd.

(1) Overview of the divestiture

i) Name of the succeeding company:

Liaoning Zhonglan Electronic Technology Co., Ltd.

ii) Business divested:

Manufacture and sale of micro lens units of Lianyungang, and related assets of Kantatsu

iii) Main reason for the divestiture

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 transferred all of its equity in Lianyungang and related assets of Kantatsu to Liaoning Zhonglan Electronics Technology Co., Ltd., a leading Chinese VCM (Voice Coil Motor) manufacturer that was planning to expand its lens business.

iv) Date of the divestiture

December 15, 2021

v) Matters related to the overview of other transactions including legal forms

Business transfer for which the consideration received consisted cash and other assets only

(2) Overview of the accounting treatment

i) Amount of income/loss from transfer

Gain on sale of businesses: ¥5,725 million

ii) Appropriate book value of assets and liabilities related to the transferred business and their details.

	Yen (millions)
Current assets	¥ 437
Non-current assets	168
Total assets	¥ 605
Current liabilities	3,067
Non-current liabilities	103
Total liabilities	¥ 3,171

iii) Accounting treatment

Accounting treatment is based on the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures" (ASBJ Guidance No. 10, January 16, 2019).

(3) Name of the reportable segment in which the divested business was included

Electronic Device

(4) Approximate amount of income/loss from the divested business recorded on the consolidated statements of operations for the fiscal year ended March 31, 2022

The information is omitted as it was immaterial.

16. Revenue Recognition

(a) Information on disaggregated revenue from contracts with customers

The Group's net sales mainly consist of revenue recognized from contracts with customers. The components of the Group's reportable segments disaggregated by type of goods or services were as follows:

	Yen (millions)
	2022
Reportable Segment:	
Smart Life:	
Smart Appliances & Solutions business	**¥ 356,682**
Other	**89,357**
Sales to external customers	**446,039**
8K Ecosystem:	
Smart Business Solutions business	**250,506**
Smart Display Systems business	**207,121**
Other	**100,317**
Sales to external customers	**557,945**
ICT:	
Mobile Communication business	**139,803**
PC business	**177,003**
Sales to external customers	**316,807**
Display Device:	
Display Device business	**817,082**
Sales to external customers	**817,082**
Electronic Device:	
Electronic Device business	**357,713**
Sales to external customers	**357,713**
Total	**¥ 2,495,588**

The Smart Life segment consists of the Smart Appliances & Solutions business and the other business. The Smart Appliances & Solutions business includes white goods such as refrigerators, washing machines and air conditioners.

The 8K Ecosystem segment consists of the Smart Business Solutions business, the Smart Display Systems business and other businesses. The Smart Business Solutions business includes digital multifunction printers. The Smart Display Systems business includes televisions.

The ICT segment consists of the Mobile Communication business and the PC business. The Mobile Communication business includes mobile phones.

The Display Device segment includes display modules.

The Electronic Device segment includes camera modules.

(b) Basic information for understanding revenue from contracts with customers

(1) Product sales

The Group manufactures and sells telecommunications equipment, electrical equipment, and electronic application equipment as "brand business" (white goods such as refrigerators, washing machines, and air conditioners in the Smart Life segment; digital multi-function printers, televisions, etc. in the 8K Ecosystem segment; and mobile phones, personal computers, etc. in the ICT segment). The Group also manufactures and sells electronic components as "device business"(display modules, etc. in the Display Device segment; and camera modules, etc. in the Electronic Device segment).

In principle, revenue from these transactions is recognized at the point when the customer obtains control of products delivered by the Group as the performance obligation is deemed to have been satisfied then. At that point in time, the legal title to the products, physical possession, and significant risks and rewards of the ownership of the products are transferred to the customer, and the Group is entitled to receive payment for the transaction. For some domestic sales, revenue is recognized upon shipment if the period of time from the shipment to the transfer of control of the products to the customer is considered to be normal.

Revenue is measured at the amount of consideration that the Group expects to be entitled (hereinafter, "transaction price") in return for transfer of products or services to customers. The Group deducts sales rebates paid primarily to retailers from revenue. In this way, in determining a transaction price, if the consideration promised to the customer includes a variable component (hereinafter, "variable consideration"), the transaction price is estimated by subtracting any variable considerations. The amount of a variable consideration is included in the transaction price only to the extent that it is highly probable that the subsequent resolution of uncertainty concerning the amount of the variable consideration will not result in a significant reversal in revenue.

In addition, the Group has product warranty obligations under product sales agreements to repair or replace defective products free of charge within a certain period of time. Such warranty obligations provide assurance to the customer that the product will perform as intended in accordance with the specifications set forth in the agreement with the customer, and are therefore recognized as a provision for product warranties.

(2) Construction contracts

In the energy solution business ("Other" in the Smart Life segment), the Group enters into construction contracts that include design and construction of solar power plants. In such contracts, the performance obligation is deemed to be satisfied over time as the construction progresses, and revenue is recognized according to the degree of progress made in satisfying that performance obligation. The degree of progress is measured by the percentage-of-completion method, which uses the ratio of the cost incurred to the estimated total cost of each contract.

However, for construction contracts that have a very short period of time from the contract commencement date to the date when the performance obligation is expected to be fully satisfied, the Group does not recognize revenue over time, but upon a completion of an acceptance inspection because the performance obligation is deemed to have been satisfied at that point in time.

(3) Services

The Group offers maintenance contracts and product warranty services associated with (1) Product sales contracts and (2) Construction contracts. For maintenance contracts, the Group provides maintenance services over the contract period and recognizes revenue according to the contract period. In some cases, an extended warranty contract is concluded as product warranty services, separately from the normal product warranties provided in accordance with agreed-upon specifications. In such cases, the Group recognizes revenue over the extended warranty period because the performance obligation of the product warranty services is satisfied over time.

(4) Licensing

The Group receives consideration for patent licensing by entering into an agreement that permits a customer to manufacture or sell the Group's products or use its technologies.

Revenue from licensing is recognized over time if the nature of the Group's promise in granting the license to the customer is the right to access the intellectual property over the term of the license. If it is the right to use the intellectual property at the point of time when the license is granted, revenue is recognized at that point.

In addition, for sales-based or usage-based royalties, revenue is measured based on sales etc. of the licensee while the timing of recognition is decided based on when sales, etc. are generated at the licensee side.

(c) Information on the relationship between satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in the next fiscal year and beyond from the contracts with customers outstanding at the end of the current fiscal year

(1) Balance of contract assets and contract liabilities, etc.

	Yen (millions)
	2022
Balance at beginning of year:	
Receivables arising from contracts with customers	**¥ 457,649**
Contract assets	**12,210**
Contract liabilities	**74,843**

	Yen (millions)
	2022
Balance at end of year:	
Receivables arising from contracts with customers	**¥ 477,269**
Contract assets	**9,890**
Contract liabilities	**76,682**

Notes: 1. Contract assets are, mainly generated from construction contracts, those related to the rights of the Company and its consolidated subsidiaries regarding the consideration for promised goods or services where performance obligations have been satisfied or partially satisfied as of the end of the fiscal year but have not yet been invoiced. Contract assets are transferred to receivables arising from contracts with customers once the right to consideration becomes unconditional.
Contract liabilities mainly consist of advances received from customers for products and consideration received for performance obligation of promised services that will be satisfied on a continuous basis.
2. Of the amount of revenue recognized in the fiscal year ended March 31, 2022, ¥22,058 million was transferred from the beginning balance of contract liabilities.
3. There were no significant changes in the balances of contract assets and contract liabilities for the fiscal year ended March 31, 2022.
4. The amount of revenue generated from performance obligations satisfied (or partially satisfied) in prior periods and recognized in the fiscal year ended March 31, 2022 (e.g., change in transaction price) was immaterial.

(2) Transaction price allocated to remaining performance obligations

Applying practical expedients to notes to the transaction price allocated to the remaining performance obligations, contracts with an initially expected contract period of one year or less and sales-based or usage-based royalties from intellectual property license agreements of the Company and its consolidated subsidiaries are not stated. Transaction price allocated to the remaining performance obligations as of March 31, 2022 totals ¥76,167 million. These performance obligations are mainly related to construction contracts, but also include maintenance and warranty services and intellectual property license agreements.

Approximately 64% of this transaction price is expected to be recognized as revenue within one year after March 31, 2022, approximately 27% within a timeframe of more than one year and less than five years, and the rest, approximately 9%, is expected to be recognized after five years.

17. Segment Information

(a) General information about reportable segments

The Group'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.

Guided by our business vision of Changing the World with 8K+5G and AIoT, Sharp is focusing on initiatives in the interest of accelerating the positioning of SHARP as a powerful brand company: (1) Build a business structure centered on brand businesses; (2) Realization of our business vision; and (3) Regain access to the corporate bond markets. To achieve this vision, the Group defined three brand business domains, Smart Life, 8K Ecosystem, and ICT, as well as two device business domains, Display Device and Electronic Device, as reportable segments.

In the fiscal year ended March 31, 2021, the Group 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 accelerate the positioning of SHARP as a powerful brand company that is closest to people and society, and constantly proposing new value.

The major change is the reclassification of the Device 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.

The segment information for the fiscal year ended March 31, 2021 is stated based on the reclassified segments after the change.

(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 Group's accounting policies used in the preparation of its consolidated financial statements. Intersegment sales and income (loss) are recognized based on properly negotiated prices.

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

As stated in "(w) Changes in accounting estimates" of "1. Summary of Significant Accounting and Reporting Policies," the Comapny and certain domestic consolidated subsidiaries had been using a period of 10 years as the average employee remaining years of service over which to amortize actuarial gain (loss) for retirement benefit liability and past service cost. However, due to a decrease in average remaining years of service, the amortization period has been changed to 9 years beginning with the fiscal year ended March 31, 2022.

As a result, segment income for the fiscal year ended March 31, 2022 decreased ¥705 million in Smart Life, ¥1,207 million in 8K Ecosystem, ¥483 million in ICT, ¥975 million in Display Device, ¥418 million in Electronic Device, and ¥308 million in Adjustments, respectively, compared to the amounts under the previous accounting method.

Additionally, as stated in "(t) Changes in accounting policies" of "1. Summary of Significant Accounting and Reporting Policies," the Group has applied revenue recognition accounting standards, etc. from the beginning of the fiscal year ended March 31, 2022.

As a result, segment assets at March 31, 2022 increased by ¥801 million for 8K Ecosystem, ¥1,322 million for ICT, ¥1,255 million for Display Device, and ¥142 million for Electronic Device, respectively.

(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, 2021 and 2022 were as follows:

	Yen (millions) 2021	2022
Net sales:		
Smart Life:		
Customers	¥ 454,510	**¥ 446,039**
Intersegment	1,033	**152**
Total	455,543	**446,192**
8K Ecosystem:		
Customers	484,552	**557,945**
Intersegment	8,517	**9,745**
Total	493,069	**567,690**
ICT:		
Customers	341,776	**316,807**
Intersegment	1,701	**7,210**
Total	343,477	**324,017**
Display Device:		
Customers	766,537	**817,082**
Intersegment	46,255	**42,592**
Total	812,792	**859,674**
Electronic Device:		
Customers	378,534	**357,713**
Intersegment	50,044	**39,120**
Total	428,578	**396,834**
Adjustments	(107,551)	**(98,822)**
Consolidated net sales	¥ 2,425,910	**¥ 2,495,588**
Segment income:		
Smart Life	¥ 58,866	**¥ 48,291**
8K Ecosystem	15,527	**24,966**
ICT	15,421	**4,038**
Display Device	1,860	**20,316**
Electronic Device	12,692	**6,988**
Adjustments	(21,256)	**(19,884)**
Consolidated operating profit	¥ 83,112	**¥ 84,716**
Segment assets:		
Smart Life	¥ 171,374	**¥ 168,996**
8K Ecosystem	313,639	**301,192**
ICT	115,615	**120,272**
Display Device	501,139	**480,925**
Electronic Device	162,984	**199,087**
Adjustments	662,473	**685,814**
Consolidated assets	¥ 1,927,226	**¥ 1,956,288**

	Yen (millions) 2021	2022
Other material items		
Depreciation:		
Smart Life	¥ 3,844	**¥ 3,546**
8K Ecosystem	15,072	**13,766**
ICT	12,830	**8,606**
Display Device	17,210	**18,182**
Electronic Device	18,714	**18,372**
Adjustments	2,007	**3,750**
The amount presented in consolidated financial statements	¥ 69,680	**¥ 66,225**
Amortization of goodwill:		
Smart Life	¥ 27	**¥ 35**
8K Ecosystem	1,525	**1,906**
ICT	121	**119**
Display Device	—	**—**
Electronic Device	—	**—**
Adjustments	—	**—**
The amount presented in consolidated financial statements	¥ 1,675	**¥ 2,062**
Investments in nonconsolidated subsidiaries and affiliates accounted for using equity method:		
Smart Life	¥ 436	**¥ 434**
8K Ecosystem	2,677	**2,964**
ICT	—	**—**
Display Device	5,776	**6,753**
Electronic Device	—	**—**
Adjustments	37,257	**40,139**
The amount presented in consolidated financial statements	¥ 46,148	**¥ 50,291**
Increase in property, plant, equipment and intangible assets:		
Smart Life	¥ 2,280	**¥ 2,322**
8K Ecosystem	13,589	**9,535**
ICT	10,602	**8,164**
Display Device	63,529	**18,243**
Electronic Device	20,471	**25,277**
Adjustments	1,809	**4,785**
The amount presented in consolidated financial statements	¥ 112,283	**¥ 68,328**

Adjustments of segment income were ¥(21,256) million and ¥(19,884) million for the fiscal years ended March 31, 2021 and 2022, respectively, including elimination of intersegment transactions and corporate expenses not allocated to each reportable segment.

Elimination of intersegment transactions for segment income were ¥40 million and ¥(4) million, respectively. Corporate expenses not allocated to each reportable segment were ¥(18,831) million and ¥(17,235) million for the fiscal years ended March 31, 2021 and 2022, 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 ¥662,473 million and ¥685,814 million as of March 31, 2021 and 2022, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment.

Elimination of intersegment transactions for segment assets were ¥(19,531) million and ¥(8,516) million, respectively. Corporate assets not allocated to each reportable segment were ¥682,004 million and ¥694,330 million as of March 31, 2021 and 2022, 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 equity method were ¥37,257 million and ¥40,139 million as of March 31, 2021 and 2022, respectively, and mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥1,809 million and ¥4,785 million for the fiscal years ended March 31, 2021 and 2022, 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, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Net sales to outside customers:		
LCD modules	¥ 766,537	**¥ 817,082**
Sensing devices	349,486	**315,919**
Other	1,309,887	**1,362,586**
Total	¥ 2,425,910	**¥ 2,495,588**

(2) Net sales by region/country

Net sales by region/country for the fiscal years ended March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Net sales:		
Japan	¥ 863,154	**¥ 817,794**
China	1,014,187	**1,001,698**
Other	548,568	**676,095**
Total	¥ 2,425,910	**¥ 2,495,588**

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, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Property, plant and equipment, at cost less accumulated depreciation:		
Japan	¥ 329,301	**¥ 301,956**
Asia	58,310	**71,093**
Other	50,874	**45,211**
Total	¥ 438,486	**¥ 418,260**

(4) Major customers and related sales amount

Major customers and related sales amount as of and for the fiscal years ended March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Net sales:		
APPLE INC.	¥ 534,508	**¥ 427,824**
Related segments:		
Display Device and Electronic Device for the years ended March 31, 2021 and 2022		

	Yen (millions)	
	2021	**2022**
Net sales:		
General Interface Solution Limited	¥ 264,807	**¥ 345,123**
Related segment:		
Display Device for the years ended March 31, 2021 and 2022		

(e) Impairment losses on fixed assets by reportable segment

Impairment losses on fixed assets by reportable segment for the fiscal years ended March 31, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Impairment losses:		
Smart Life	¥ 39	**¥ —**
8K Ecosystem	1,197	**—**
ICT	154	**—**
Display Device	—	**14,791**
Electronic Device	5,026	**7,912**
Corporate Assets and Elimination	—	**—**
Total	¥ 6,417	**¥ 22,703**

(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, 2021 and 2022 were as follows:

	Yen (millions)	
	2021	**2022**
Amortization of goodwill:		
Smart Life	¥ 27	**¥ 35**
8K Ecosystem	1,525	**1,906**
ICT	121	**119**
Display Device	—	**—**
Electronic Device	—	**—**
Corporate Assets and Elimination	—	**—**
Total	¥ 1,675	**¥ 2,062**
Balance at end of year:		
Smart Life	¥ 74	**¥ 56**
8K Ecosystem	9,440	**8,191**
ICT	322	**191**
Display Device	—	**—**
Electronic Device	—	**—**
Corporate Assets and Elimination	—	**—**
Total	¥ 9,836	**¥ 8,439**

(g) Gain on bargain purchase by reportable segment

Fiscal year ended March 31, 2021
Not applicable

Fiscal year ended March 31, 2022
The information is omitted as it was immaterial.

18. 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, 2021 and 2022 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, 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 on behalf of the affiliate	56,137	Accounts receivable - other	43,913
							Lease transaction	1,742	Other (Current assets)	3,349
							Collection of lease receivables	3,364	Other (Investments and other assets)	42,691

Note: Transaction prices and other transaction terms are determined appropriately upon negotiation.

Principal transactions with related parties for the fiscal year ended March 31, 2022 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	20.0% holding directly	Manufacture of the Company's products and lease of real estate, etc.	Payment of costs and expenses on behalf of the affiliate	42,418	Accounts receivable - other	40,844
							Collection of lease receivables	2,240	Other (Current assets)	2,463
									Other (Investments and other assets)	39,200

Note: Transaction prices and other transaction terms are determined appropriately upon negotiation.

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, 2021 and 2022 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, 2021 and 2022 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 years ended March 31, 2021 and 2022 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, 2021 and 2022 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, 2021 and 2022 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, 2021 and 2022 are omitted as they were immaterial.

(b) Information on the parent company and significant affiliates

(1) Information on the parent company

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

(2) Summary of financial statements of significant affiliated company

For the fiscal year ended March 31, 2022, significant affiliated company was Sakai Display Products Corporation.

Summary of its financial statements was as follows:

	Yen (millions)	
	2021	**2022**
Current assets	¥ 182,761	**¥ 250,385**
Non-current assets	713,438	**839,793**
Current liabilities	214,239	**270,524**
Non-current liabilities	501,255	**591,146**
Net assets	180,704	**228,507**
Net sales	186,327	**308,541**
Profit (loss) before income taxes	(73,894)	**11,891**
Profit (loss) attributable to owners of parent	(79,660)	**4,444**

19. Per Share Data

Per share data as of March 31, 2021 and 2022 were as follows:

	Yen	
	2021	**2022**
Net assets per share	¥ 573.59	**¥ 743.70**
Income per share	87.20	**121.14**
Fully diluted income per share	—	**—**
	"Fully diluted income per share" is not stated because potentially dilutive shares existed but they had no dilutive effects.	**"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, 2021 and 2022 were calculated on the following basis:

	2021	**2022**
Income per share		
Profit attributable to owners of parent (millions of yen)	¥ 53,263	**¥ 73,991**
Amounts not allocated to common shares (millions of yen)	—	**—**
Profit attributable to owners of parent allocated to common shares (millions of yen)	53,263	**73,991**
Average number of common shares outstanding during each year (thousands of shares)	610,833	**610,799**
Common shares (thousands of shares)	543,533	**610,799**
Shares equivalent to common shares (thousands of shares)	67,299	**—**
Details of potentially dilutive shares that were not included in the calculation of fully diluted income per share because they have no dilutive effects	743 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights) 381 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights) 875 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights) A brief summary is in Note 13. Stock Options.	**743 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)** **381 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights)** **875 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights)** **A brief summary is in Note 13. Stock Options.**

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."

20. Significant Subsequent Events

Not applicable

Consolidated Subsidiaries

(As of March 31, 2022)

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 Semiconductor Innovation Co., Ltd.
Sharp Fukuyama Laser Co., Ltd.
Sharp Cocoro Life Inc.
Sharp Display Technology Corporation
Sharp NEC Display Solutions, Ltd.
Sharp Sensing Technology Corporation

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 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>
Sharp NEC Display Solutions (China), Ltd. <Shenzhen, China>
Sharp Universal Technology (Shanghai) Co., Ltd. <Shanghai, China>
Shanghai Sharp Electronics Co., Ltd. <Shanghai, China>
Sharp Electronics Sales (China) Co., Ltd. <Shanghai, China>
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>
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>
Cocorolife 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>
Sharp North Malaysia Sdn. Bhd. <Kedah, Malaysia>
Sharp Singapore Electronics Corporation Pte. Ltd. <Singapore>
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>
SAIGON STEC Co., LTD. <Thu Dau Mot, Vietnam>
Sharp Manufacturing Vietnam CO., LTD. <Tan Uyen, Vietnam>
Sharp Business Systems (India) Private Ltd. <New Delhi, India>
Sharp Corporation of Australia Pty. Ltd. <New South Wales, Australia>

* There are 53 other consolidated subsidiaries in addition to the companies listed above.