

2024 Annual Report

For the fiscal year ended March 31, 2024

Next Innovation for a Better Life

Annual Report 2024

For the fiscal year ended March 31, 2024

Business Philosophy

We do not seek merely to expand our business volume. Rather, we are dedicated to the use of our unique, innovative technology to contribute to the culture, benefits and welfare of people throughout the world.

It is the intention of our corporation to grow hand-in-hand with our employees, encouraging and aiding them to reach their full potential and improve their standard of living.

Our future prosperity is directly linked to the prosperity of our customers, dealers and shareholders ...indeed, the entire Sharp family.

Business Creed

Sharp Corporation is dedicated to two principal ideals:

"Sincerity and Creativity"

By committing ourselves to these ideals, we can derive genuine satisfaction from our work, while making a meaningful contribution to society.

Sincerity is a virtue fundamental to humanity ... always be sincere.

Harmony brings strength ... trust each other and work together.

Politeness is a merit ... always be courteous and respectful.

Creativity promotes progress ... remain constantly aware of the need to innovate and improve.

Courage is the basis of a rewarding life ... accept every challenge with a positive attitude.

Forward-Looking Statements

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

- (1) The economic situation in which Sharp operates;
- (2) Sudden, rapid fluctuations in demand for Sharp's products and services, as well as intense price competition;
- (3) Changes in exchange rates (particularly between the Japanese yen and the U.S. dollar, the euro and other currencies);
- (4) Regulations such as trade restrictions in other countries;
- (5) The progress of collaborations and alliances with other companies;
- (6) Litigation and other legal proceedings against Sharp;
- (7) Rapid technological changes in products and services.

Contents

Message from the President	1
R&D, Intellectual Property, and Standardization	8
Financial and Non-Financial Highlights	9
Fiscal 2023 Review	10
Sustainability	12
Environmental Initiatives	14
Social Initiatives	17
Messages from Outside Directors	19
Corporate Governance	20
Risk Factors	22
Members of the Board, Executives and Chairman	26
Financial Section	27
Corporate Information	77

Message from the President

Establish the trusted Japanese brand “SHARP”

Masahiro Okitsu
President &
Chief Executive Officer



I am Masahiro Okitsu, appointed President & CEO of SHARP as of June 27. Sharp is currently undertaking major transformations for our future growth, and it is a great challenge for me to assume the heavy responsibility of President and CEO.

Opening Remarks

I joined Sharp in 1980 and dedicated my whole career to the Company. My deep commitment to the Company and strong desire to mold Sharp into a company admired worldwide are second to none.

I would like to begin by sharing three principles that I have learned from my mentors and have come to deeply value and apply in my business management.

The first is our Business Philosophy and Business Creed. Our Business Philosophy expresses the ideal figure we should aim for, and our Business Creed explains the thoughts and beliefs we should all hold to achieve this Philosophy. Only by cherishing these two elements can we embody the true Sharp character that enables us to create unique values from a perspective different from that of other companies.

The second is to make efforts every day and never give up. This expresses the spirit of founder Hayakawa who overcame countless challenges. I encouraged myself with these words and over-

came many difficulties. Now is the time to embody this spirit. I intend to lead Sharp by example to face challenges with the spirit to *never give up*.

The last principle is our quality slogan: *Quality First in Heart and Mind*. We ran into a quality problem during my time as a section manager that required painstaking efforts to regain trust. This experience reinforced my belief that prioritizing quality and earning customer trust is of utmost importance. To this day, I still hang a poster of this slogan in my office as a daily reminder.

My Mission

Our current business environment is more challenging than anticipated. Although the brand business achieved steady profits amid such circumstances, performance in the Display Device business deteriorated significantly. We recorded substantial losses in fiscal 2022 and 2023 and experienced a decline in our financial position as a result, falling short of stakeholders' expectations for our company.

Sharp announced the Medium-Term Management Direction on May 14, 2024, focusing on reforming the device business, establishing a new growth model, and reinforcing HQ functions.

I will elaborate further on the specific details of this direction in the following section. I myself took responsibility and played an active role in the formulation of this critical plan to revitalize Sharp.

I recognize the path forward will not be an easy one, but as CEO, I am committed to executing this Medium-Term Management Direction to meet the expectations of our stakeholders.

Message from the President

See the following for the latest information.
<https://global.sharp/corporate/ir/library/financial/>

Medium-Term Management Direction

Current Status and Issues

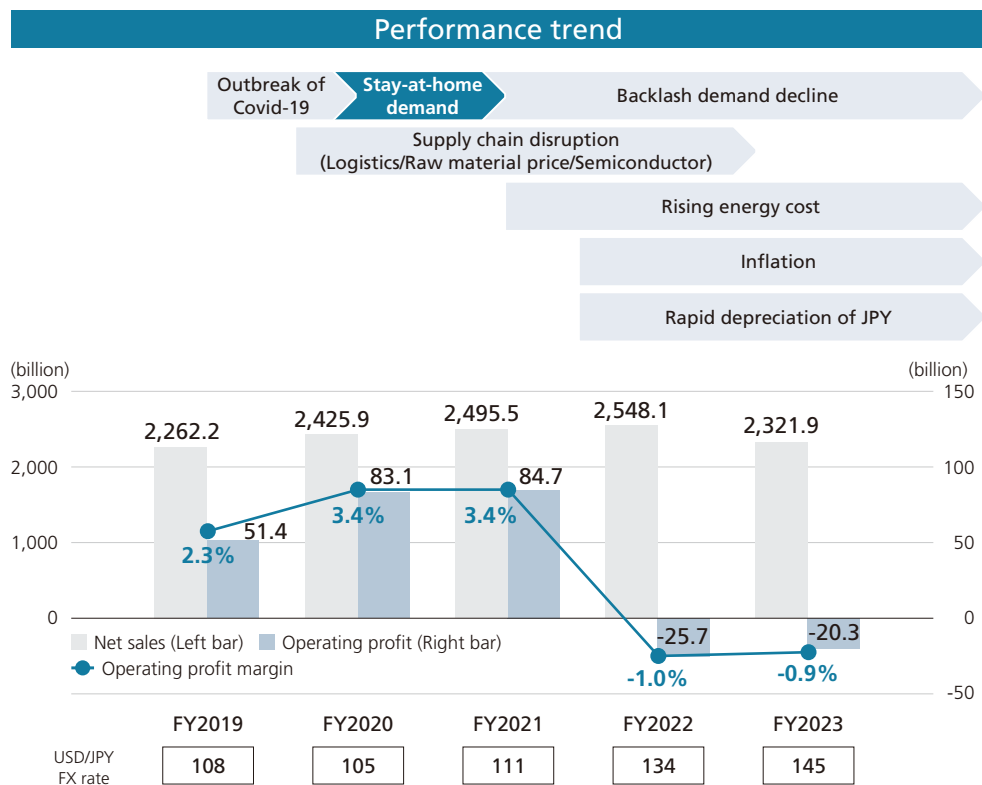
Sharp recorded operating losses for two consecutive terms due to the delay in corresponding to changes in Display Device. The reason behind our stagnant growth is that we fell into the negative cycle, hindering our ability to enhance cash generation.

While large-scale investment is required for the device business to remain competitive, we have not been able to make sufficient investments for a long time. As a result, our competitiveness declined in the device business and hindered our ability to develop new categories, attract new cus-

tomers, and explore other growth areas. The business became more susceptible to changes in supply, demand, prices, and other market conditions, making it difficult to generate stable profits.

Meanwhile, even though the brand business has been performing well, investments in the future growth has been restricted under these circumstances.

Sharp must break out of this cycle quickly and establish a sustainable profit structure to ensure continued growth.



Summary of the past two years

- Achievement** (+)
 - Despite tough business environment, the brand business has **secured a steady profit**
 - Progress has been made in each segment towards **new business development**
 - Reflection** (-)
 - Operating loss in two consecutive terms**
 - Mainly due to **delay in corresponding to change** in Display Device
 - ✓ SDP continued to record losses after consolidation*
 - ✓ Small- and medium-size LCD business rapidly deteriorated recently
- *June 2022

Structural issues

Device business ↓

- Lack in investment in technology and factories**, that are source of competitive strength
- Thereby **not sufficient progress in developing growth areas** such as new categories/customers, resulting in weak performance

Negative cycle

Brand business →

- Despite limited investment, **solid performance** through unique tech-focused business development
- However, **investment for future growth** in expansion, branding, and new areas, falls short

Message from the President

Basic Policy

To prepare for a substantial leap forward in fiscal 2028, Sharp positions fiscal 2024 as a year of structural reform and the three-year period as a regrowth phase. Our efforts focus on asset-light transformation, growth model establishment, and HQ function reinforcement.

Let's take a closer look at our goals through the end of fiscal 2027, the final year of the regrowth phase.

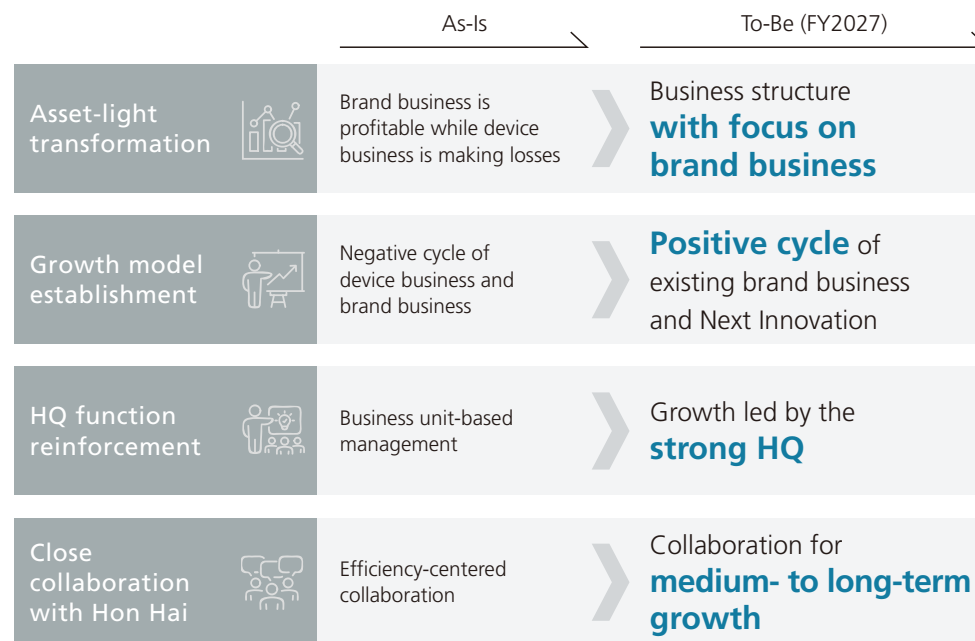
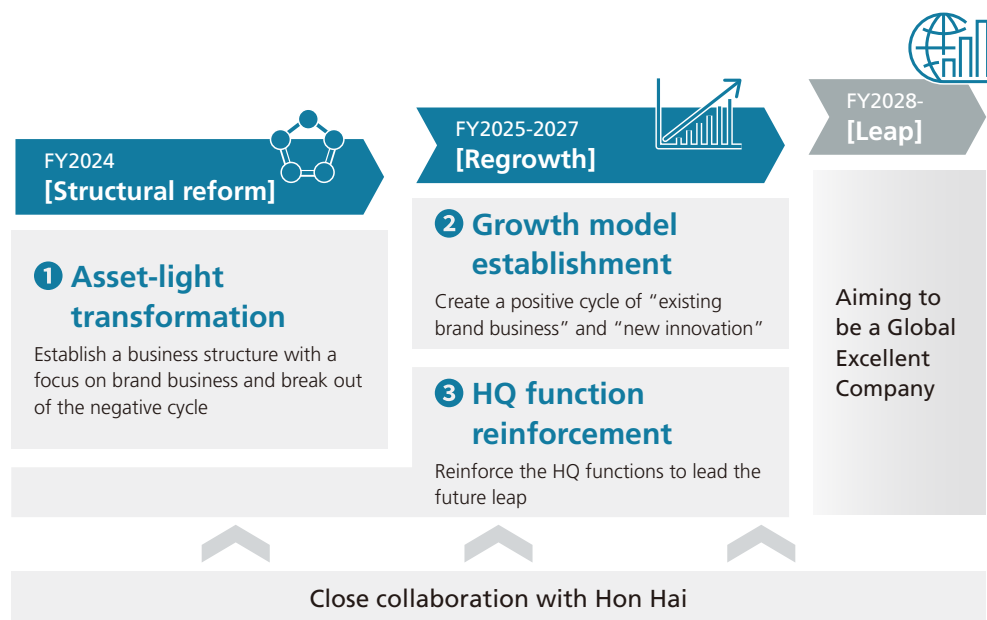
Sharp will first establish a business structure centered on the brand business by implementing asset-light initiatives in the device business that caused our negative cycle.

We plan to use the earnings from existing brand businesses to expand earnings and shift to

growth areas in the existing brand business. We will also leverage these earnings to seize business opportunities in new industry sectors, creating a positive cycle between existing brand businesses and new industry sectors.

Furthermore, we will reinforce headquarters to drive and support growth, driving these transformations throughout the Sharp Group.

Sharp has collaborated closely with Hon Hai Precision Industry Co., Ltd. ("Hon Hai"), a key business partner, to enhance efficiency. Going forward, we will accelerate our efforts by collaborating further on medium-to long-term growth.



Message from the President

Initiative Details



1. Asset-light transformation (directions in the device business)


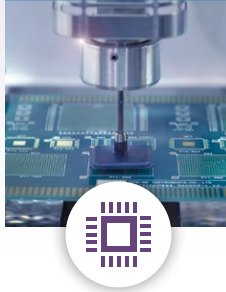
For our device business that holds large amount of assets for its business and requires large-scale investment to keep competitive, we will transform our business direction toward optimizing our plant capacity and developing businesses by creating partnerships to utilize their strengths.

We consolidated SDP, which specializes in producing large-size displays, in 2022 in the Display Device business. SDP halted panel production in August 2024 due to major market changes and diffi-

culties in implementing its revitalization plan. We also endeavor to shift the large-size display business to an AI data center-related businesses that utilize our building and utilities, as well as to technical support business for leading Indian companies. We also collaborate with semiconductor-related companies that utilize idle space and reduce production capacity to optimize factories and enhance profitability in the small- and medium-size display business.

For camera module and semiconductor businesses, we plan to sell them to partners who have synergies in their businesses, and can contribute to further growth of the businesses.

Display Device	
	
Large-size display (SDP)	Small- and medium-size display
Direction	Halt manufacturing in the first half of fiscal 2024 and execute business transformation
Progress	<ul style="list-style-type: none"> • Halt manufacturing panels on August 2024. • In discussion with partner candidates to transform the fab into AI data center.
Direction	Business collaboration and factory optimization
Progress	<ul style="list-style-type: none"> • Completed the capacity reduction of Kameyama No.2 plant and Mie plant No.3 and shutting down OLED line in Sakai plant. • Reached a basic agreement with Aoi Electronics Co., Ltd. regarding the use of Mie plant No.1 for semiconductor back-end processes.

Electronic Device	
	
Camera module	Semiconductor
Direction	Promote finding the best owner for further growth
Progress	<ul style="list-style-type: none"> • In detailed discussion with Hon Hai to complete selling the businesses to Hon Hai by the end of fiscal 2024.

Message from the President

(Existing Brand Business Directions and Outlooks)

In our existing businesses, we will increase investments, which we had restrained in the past, to improve profitability and take on the challenge of transforming our business for our future leap.

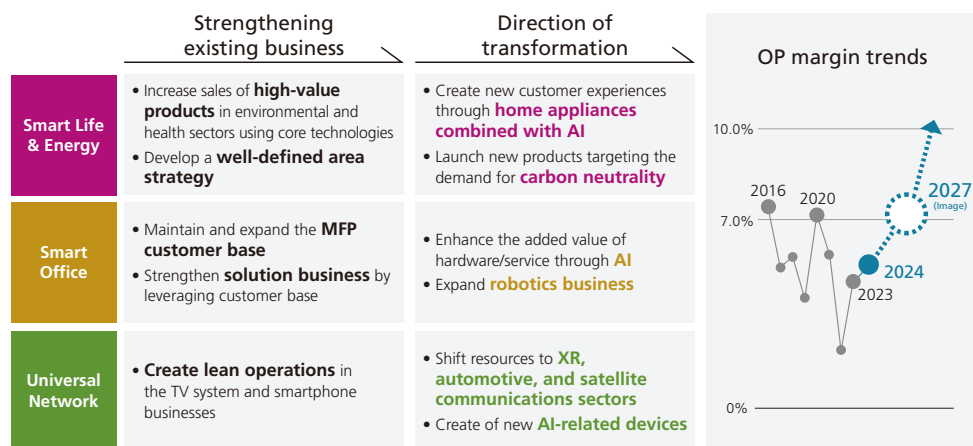
Let me now introduce individual segment efforts.

The first segment is Smart Life & Energy. We will increase the sales ratio of high value-added products in existing businesses by leveraging our core technologies, mainly in the health and environmental sectors. This segment will also implement a well-defined area strategy, mainly by strengthening overseas operations in our priority regions including ASEAN and the Americas. To transform business, we will create new customer experiences through home appliances combined with AI and launch new products targeting the demand for carbon neutrality.

The next segment is Smart Office. We will maintain and expand the MFP customer base and strengthen solution business by leveraging this base. To transform business, we work to utilize AI to enhance the added value of hardware and services. We also strengthen our solution proposal capabilities in the robotics business, which improves operational efficiency in the newly entered logistics warehouses and other businesses.

The third is Universal Network. In existing businesses, we streamline the TV system and smartphone businesses, mainly by increasing development efficiency. To transform businesses, we reallocate resources to the XR, automotive, and satellite communications sectors and make efforts to create new AI-related devices.

With such initiatives, we aim to achieve operating profit margin of 7% in our existing brand businesses as our current target.




(New Industry Directions and Outlooks)

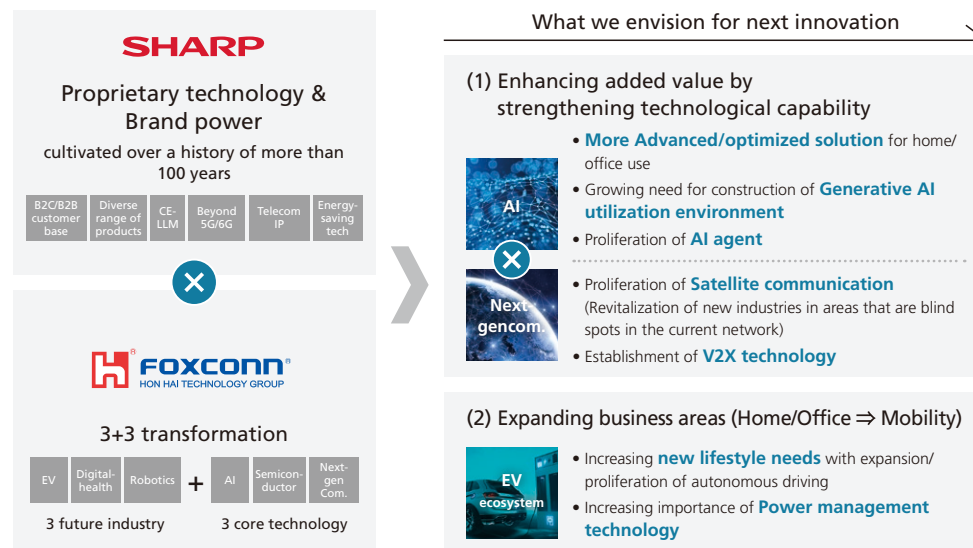
For new businesses, we will accelerate seeking our Next Innovation from the two perspectives of improving added value by strengthening technology and expanding business areas.

Specifically, we will accelerate development in utilizing AI with our strengths of having touch points with various customers, and next generation communication, where we have accumulated technology over many years and its importance will continue to grow.

In addition, one of our main business areas is people's living space, where we develop our business in homes and work places. We view mobility as another living space where we will aim to create new values that are unique to the Sharp Group.

Also, in order to promote such initiatives, we will work closely with Hon Hai, and by utilizing their various resources, we aim to accelerate our initiatives one step further.

 For more information on Next Innovation Creation, see **R&D, Intellectual Property, and Standardization** on P.8



Message from the President

3. HQ function reinforcement

In order for us to return to a growing phase once again and make strong steps to the future, we need to reinforce headquarter functions. Especially, we will focus on the six points of Group management, Talent management, Brand management, Research and Development, DX strategy, and ESG management.



Group management

- Execute top-down management for **medium- to long-term growth**
- Execute **portfolio management**



R&D

- Utilize new **"I-Pro"** project to launch all-company new business / technology development
- Speed-up by utilizing **alliance / external talents**



Talent management (HITO management)

- Expand **investment in people**
- Increase **employee engagement**



DX strategy

- Increase **management speed** with IT
- Business efficiency using **AI**



Brand management

- Reconstruct and vitalize **corporate brand strategy**



ESG management

- Re-establish and accelerate **ESG strategy**

Closing Remarks

To conclude, I will outline our new business execution system and governance structures designed to ensure we achieve the Medium-Term Management Direction.

First, business execution will be led primarily by experienced members who have been with Sharp for many years. These individuals are not only familiar with our business, but also feel a strong commitment to Sharp.

Four new independent outside directors joined the Board of Directors to ensure fair, impartial, and transparent corporate governance. Each independent outside director possesses a wealth of experience and expertise. They also supervise business execution and offer management advice from an independent standpoint. I feel that we have strengthened our supervisory structure significantly compared to the past, with outside directors making up seven of the nine directors.

I am also pleased to announce that Mr. Liu, Chairman of Hon Hai, assumed the position of Chairman of Sharp. Mr. Liu has supported Sharp in various areas, including advising us on how to improve our corporate value and strengthening our partnership with Hon Hai for medium- to long-term growth.

I am committed to leading the Company to establish SHARP as a trusted Japanese brand under the One SHARP concept. I appreciate your continued support as we move forward together.

October 2024

R&D, Intellectual Property, and Standardization

Next Innovation Creation



Mototaka Taneya
Senior Executive
Managing Officer
Chief Technical Officer,
Head of Next Innovation
Group, Chairman of SIPI

The Company focuses on AI, next-generation communications, and EV as new industries, accelerating the creation of next innovation from the two perspectives of enhancing our added value by strengthening technological capabilities and expanding business areas. We will accelerate the development of people- and society-oriented AI, leveraging our unique Edge AI technology CE-LLM^{*1}, as well as next-generation communication technologies, which are expected to grow in importance. In addition, we view mobility as a way of life, embracing the challenge of creating unique value for Sharp.

We introduced the Innovation Accelerator Project (I-Pro), a company-wide project led by the CEO to accelerate these efforts. We identify promising themes that resonate throughout the Company, aiming for the early launch of new innovative businesses by combining the collective strength of the Sharp Group.

We also established the SHARP INCUBATION HUB, a site to control incubation activities. As part of our efforts, we launched the SHARP Co-Creation PROGRAM, which combines our strengths and co-creation ideas based on business ideas from a wide range of partners, including startups and creators, to create new solutions focused on customer issues.

*1 CE-LLM (Communication Edge-LLM) is a registered trademark of Sharp Corporation.

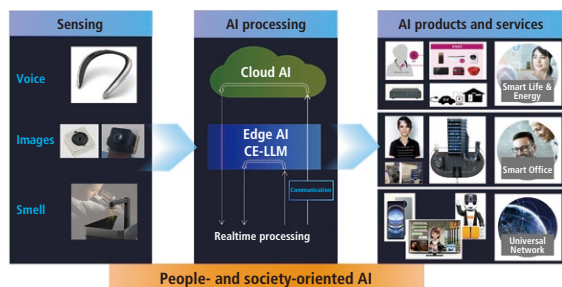
 For more information on Next Innovation Creation, see **New Industry Directions and Outlooks under the Message from the President** on P.6

R&D Initiatives and Directions of Technological Developments

The Corporate Research & Development Group is committed to building new ecosystems using the world's first and best unique technologies impacting society. To this end, the group is committed to its mission of helping to achieve a sustainable society through the creation and expansion of new businesses.

Collaborating as One SHARP, we accelerate new business development in growth areas that establish more comfortable living environments. These areas include strengthening initiatives toward carbon neutrality and advancing digital transformation in infrastructure.

We focus particularly on creating innovations friendly to people and the earth through the application and development of advancing AI technologies.



Direction of Technological Developments at Sharp
- Implementing Edge AI technologies <CE-LLM> in all businesses -

Intellectual Property Strategy

Sharp positions its intellectual property strategy as one of the most important management strategies, pursuing it together with business and R&D strategies. We work to enhance our business advantage and strengthen our management foundation by actively obtaining patents. We also spun off the Intellectual Property Department and established Sharp IP Infinity Co., Ltd., aiming to make the department a profit center. Sharp IP Infinity has thorough knowledge of Sharp products, technologies, and businesses. Utilizing this knowledge, the company will provide advanced services as the company enforces improvements in the quality and efficiency of professional services. In doing so, Sharp IP Infinity will enhance the driving force of intellectual property management and generate strong patents and various economic values with the advanced technologies of Sharp. In regard to patent acquisition, Sharp clarifies the core technological fields for each of our businesses and works closely with the field to make strategic patent applications.

We also actively work to obtain useful patents generated through alliances with other companies or industry-academia collaborations.

Standardization Strategy

In recent years, standardization activities have become increasingly important as a tool for corporate management strategies, such as strategies to create markets and secure competitive advantages. At the same time, there is an urgent need in Japan to strengthen competitiveness by acquiring international standards.

In 2003, we established a research institute to acquire patents for wireless communication technology standards and participated in the standardization of LTE launched at the 3GPP^{*2} meeting in 2004. Since then, we have continued to participate up through the standardization of Beyond 5G. Our stock of over 7,500 communication standard essential patents in more than 50 countries around the world serves as an important management resource to the Company.

Furthermore, we actively engage in international collaborations with overseas companies and universities, focused on pursuing international standardization of next-generation communication and video coding technologies in particular. We also actively send young employees to international conferences to gain various experiences, aiming to develop highly skilled human resources.

<Contributions>

Contributed to formulating the 5G-Advanced standard specifications

Contributed to the development of the world's first physical layer standard specification for 5G-Advanced, which aims to expand the functionality and improve the performance of 5G (5G-Advanced is expected to be put into practical use in the late 2020s.)

<Awards>

Three employees received 2024 TTC Distinguished Service Award

Awarded in recognition of achievements related to 3GPP workshop initiatives leading to the development of young standardization personnel

*2 3GPP (Third Generation Partnership Project) is a project to study and develop specifications for mobile communication systems dealing with 4G (4th generation mobile communication systems) and 5G (5th generation mobile communication systems) technologies. The developed specifications have been widely adopted for mobile communication systems in Japan and around the world.

Financial and Non-Financial Highlights

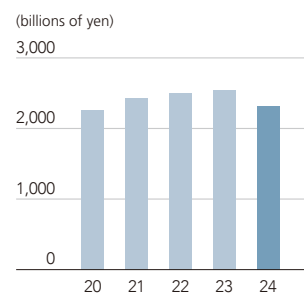
Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31

	Yen (millions)				
	2020	2021	2022	2023	2024
Net Sales	¥2,262,284	¥2,425,910	¥2,495,588	¥2,548,117	¥2,321,921
Domestic sales	778,976	863,154	817,794	800,315	772,968
Overseas sales	1,483,308	1,562,755	1,677,794	1,747,802	1,548,953
Operating Profit (Loss)	51,464	83,112	84,716	(25,719)	(20,343)
Profit (Loss) before Income Taxes	32,331	66,442	89,802	(239,043)	(137,563)
Profit (Loss) Attributable to Owners of Parent	13,726	53,263	73,991	(260,840)	(149,980)
Net Assets	270,959	364,139	469,269	222,362	157,424
Total Assets	1,811,907	1,927,226	1,956,288	1,772,961	1,590,032
Capital Investment	60,583	91,572	51,719	44,512	47,647
R&D Expenditures	100,591	86,793	86,290	78,712	73,015
Per Share Data					
Income (Loss) per share (yen)	22.47	87.20	121.14	(407.31)	(230.99)
Cash dividends per share (yen)	18.00	30.00	40.00	—	—
Net assets per share (yen)	419.54	573.59	743.70	321.05	219.35
Return on Equity (ROE)	4.6%	17.6%	18.4%	(78.7%)	(85.5%)
Number of Outstanding Shares (Common Shares) (thousands of shares)	531,307	610,801	610,821	649,273	649,301
Number of Employees	52,876	50,478	47,941	46,200	43,445
Ratio of Disabled Employees	2.43%	2.46%	2.46%	2.45%	2.58%
Greenhouse Gas Emissions (thousand tons CO ₂)	974	951	1,365	1,125	1,175

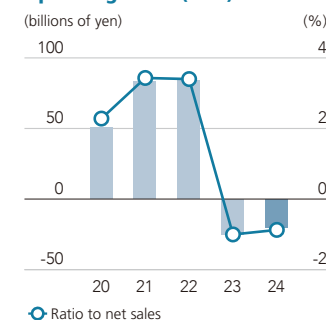
Notes 1: The amount of leased assets is included in capital investment.

- Income (loss) per share is calculated by dividing profit (loss) attributable to owners of parent by the weighted average number of shares outstanding during the relevant period. For the fiscal years ended March 31, 2020 through 2021, the number of Class C shares, after considering the conversion rate to common shares, is included in the number of shares outstanding for the purposes of calculating the weighted average number of shares during the relevant period, since the dividend priority of the Class C shares is equal to that of the common shares.
- Number of outstanding shares (common shares) is shown by deducting the treasury shares.
- Sharp acquired and canceled 108,000 issued Class A shares on June 21, 2019. The effects of the said acquisition and cancellation of treasury stock are taken into consideration in the income per share for the fiscal year ended March 31, 2020.
- Sharp acquired and canceled all the 795,363 Class C shares outstanding in exchange for 79,536,300 common shares on February 26, 2021.
- Sharp has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended March 31, 2022. The figures for the fiscal years ended March 31, 2022 and thereafter represent those after the application of the said accounting standard and other standards.
- Ratio of Disabled Employees includes data for Sharp, special subsidiaries, and group companies as of June 1 for each fiscal year.
- Sharp made Sakai Display Products Corporation a wholly-owned subsidiary in June 2022. To ensure comparability, the figure of greenhouse gas emissions for the fiscal year ended March 31, 2022, includes emissions from the subsidiary.

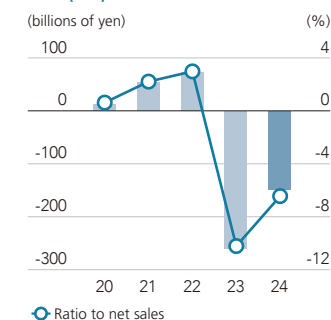
Net Sales



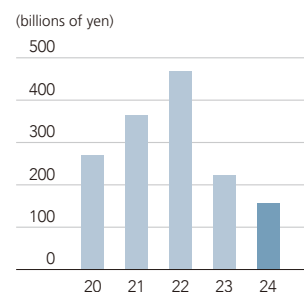
Operating Profit (Loss)



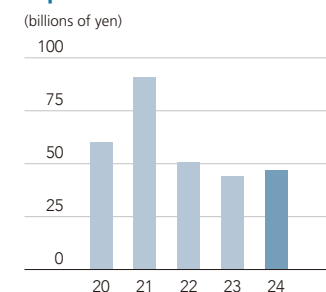
Profit (Loss) Attributable to Owners of Parent



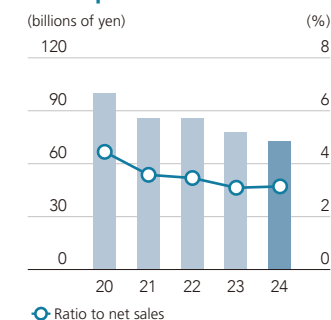
Net Assets



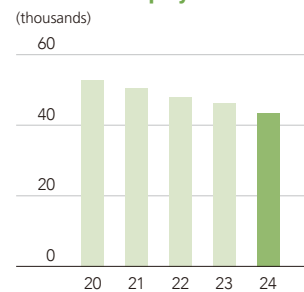
Capital Investment



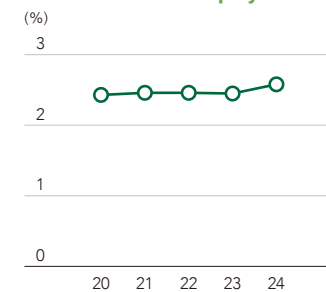
R&D Expenditures



Number of Employees

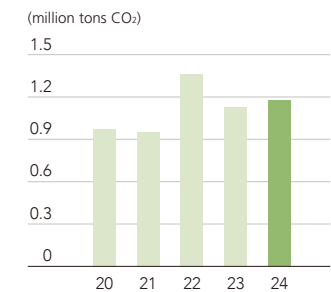


Ratio of Disabled Employees



Please refer to P.18, Social Initiatives.

Greenhouse Gas Emissions



Please refer to P.15, Environmental Initiatives.

Fiscal 2023 Review

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Year Ended March 31

The global economy remained in a difficult situation during the fiscal year mainly due to geopolitical issues, such as the situation in Ukraine and the Middle East region, high energy costs, deep-seated inflation, and other factors, despite recovery from the COVID-19 pandemic, which had previously restrained economic activities.

Amid these circumstances, during the fiscal 2023, Sharp worked to return to profitability for the full fiscal year by conducting a fundamental review of our loss-making businesses, developing high-value-added products and services, creating new products, and strengthening our overseas businesses, in response to the fact that Sharp posted a significant loss in the previous fiscal year.

However, due to an abrupt decline in demand for small- and medium-size displays, we faced extreme difficulties in achieving a full-year company-wide turnaround. In addition, the consumer spending has shifted from the nesting demand to travel and eating out, resulting in weak demand for consumer electronics and other products. The brand businesses, which import products manufactured at overseas factories, and sell them in Japan, were negatively affected by the weakening yen.

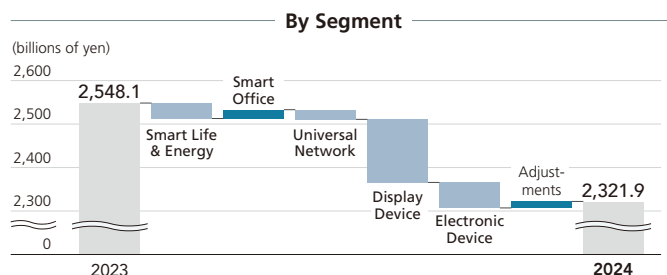
Consolidated net sales for fiscal 2023 amounted to 2,321.9 billion yen, down 8.9% year on year. Sales in Smart Life & Energy, Universal Network, Display Device, and Electronic Device decreased, despite an increase in Smart Office sales.

Operating loss narrowed to 20.3 billion yen, compared to an operating loss of 25.7 billion yen in the previous fiscal year. Smart Office and Universal Network reported a significant increase in profit. However, the operating loss in Display Device increased significantly due to an abrupt deterioration in demand for small- and medium-size displays, and besides, Smart Life & Energy and Electronic Device recorded a decrease in profit. Ordinary loss was 7.0 billion yen, compared to an ordinary loss of 30.4 billion yen in the previous fiscal year. Loss attributable to owners of the parent amounted to 149.9 billion yen, compared to a loss attributable to owners of the parent of 260.8 billion yen in the previous fiscal year. As non-operating income, we recorded foreign exchange gains of 13.3 billion yen and share of profit of entities accounted for using equity method of 8.3 billion yen. In addition, as extraordinary income, we recorded a gain on change in equity of 4.2 billion yen and a gain on reversal of liabilities of 4.8 billion yen as a result of the decrease in the ownership interest in SDP Global (China) Co., Ltd., an equity-method affiliate of Sakai Display Products Corporation, while we recorded extraordinary losses including impairment losses of 122.3 billion yen related to Display Device and business restructuring expenses of 11.7 billion yen.

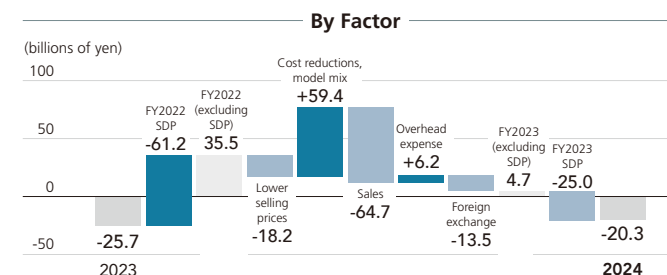
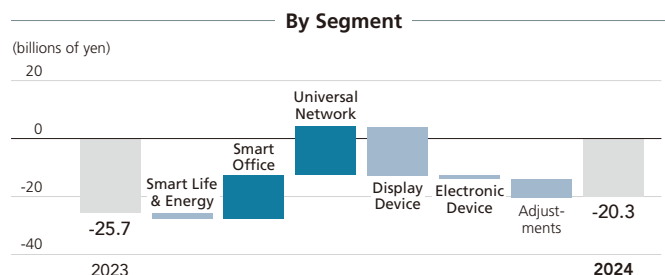
Sharp decided there would be no dividend payment for fiscal 2023, as the Company posted a net loss for this period.

- The global economy remained challenging due to geopolitical issues, deep-seated inflation, and other factors, despite recovery from the COVID-19 pandemic
- Extremely challenging business environment due to an abrupt decline in demand for small- and medium-size displays
- Net sales declined year on year due to a significant decrease in sales from Display Device and other segments
- Operating and ordinary losses persisted due to weak performance in Display Device; however, losses narrowed due to improved profitability in the brand businesses
- Significant net loss during the period due to impairment losses in Display Device and other factors
- No dividend payment for fiscal 2023 due to net loss

Analysis of Changes in Net Sales



Analysis of Changes in Operating Profit



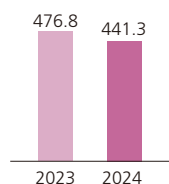
Fiscal 2023 Review

Sales, Segment Income by Segment

Brand Businesses

Smart Life & Energy

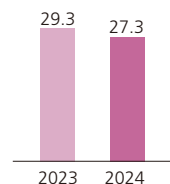
Sales (billions of yen)



Sales decreased in the white goods business, mainly due to sluggish market conditions for cooking appliances, vacuum cleaners, and washing machines, despite higher sales for air conditioners overseas. Sales declines in the energy solutions business due to sluggish market conditions in EPC, despite sales growth for domestic residential products.

Refrigerators, superheated steam ovens, microwave ovens, small cooking appliances, air conditioners, washing machines, vacuum cleaners, air purifiers, electric fans, dehumidifiers, humidifiers, electric heaters, Plasmacluster Ion generators, beauty appliances, LED lightings, electronic dictionaries, calculators, telephones, network control units, solar cells, storage batteries, face masks, etc.

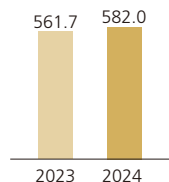
Segment Income (billions of yen)



Profit declined due to lower sales and significant impacts from the weakening yen, despite efforts to reduce costs, cut expenses, and enhance value-added offerings.

Smart Office

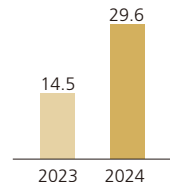
Sales (billions of yen)



Sales increased in the business solutions business due to strong growth in MFPs and office solutions. Sales also increased in the PC business due to strong sales of premium models for enterprise customers.

Digital MFPs (multi-function printers), information displays, commercial projectors, POS system equipment, FA equipment, options and consumables, office-related solutions services, software, PCs, etc.

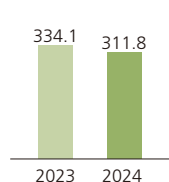
Segment Income (billions of yen)



Profit increased mainly due to increased sales, steady tangible effects of structural reforms, the advancement of value-added offerings in the PC and office solutions businesses.

Universal Network

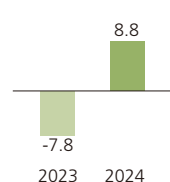
Sales (billions of yen)



Sales decreased in the TV business due to sluggish market conditions. Sales also decreased in the mobile communication business due to weak market conditions in Japan.

Televisions, Blu-ray disc recorders, audio equipment, mobile phones, tablet devices, routers, etc.

Segment Income (billions of yen)

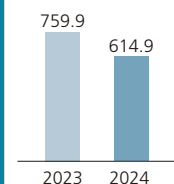


Although sales declined, the segment returned to profitability. This was mainly due to the effects of structural reforms and progress in high value-added offerings. Other factors include the one-time income recorded in the mobile communication business.

Device Businesses

Display Device

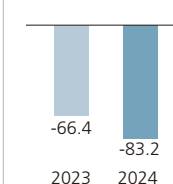
Sales (billions of yen)



Sales from large-size displays increased. Meanwhile, sales in small- and medium-size displays decreased due to lower sales for smartphones, PCs, and tablets, despite increased sales for automotive applications.

Display modules, automotive cameras, etc.

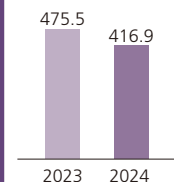
Segment Income (billions of yen)



The segment posted significant loss. While profitability in the large-size display business improved, profitability in the small- and medium-size display business worsened due to lower sales.

Electronic Device

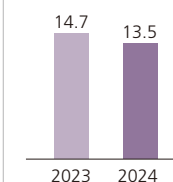
Sales (billions of yen)



Sales declined due to fluctuations in customer demand for certain devices. Other factors include a decrease in LCD driver sales caused by weakened display demand.

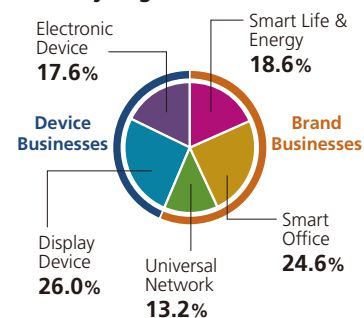
Camera modules, sensor modules, optical sensors, optical devices, CMOS imagers, wafer foundries, laser diodes, etc.

Segment Income (billions of yen)



Profit decreased due to lower sales, despite efforts to reduce expenses.

Sales by Segment



- Sales figures include internal sales between segments. The percentage of sales in pie charts has been calculated accordingly.
- Segment income figures are the amounts before adjustments for intersegment transactions.
- Effective from the consolidated fiscal year ended March 31, 2024, Sharp has reclassified five segments, consisting of Smart Life & Energy, Smart Office, Universal Network, Display Device, and Electronic Device. Figures for the fiscal year ended March 31, 2023, have been adjusted to reflect the new classification.

Sustainability

See the following for more information on sustainability.
<https://global.sharp/corporate/eco/management/>

Basic Approach to Sustainability

As stated in our business philosophy, the founding spirit of Sharp aims to contribute to the culture, benefits, and welfare of people throughout the world and expects mutual prosperity with all who cooperate with Sharp. Guided by this spirit, our basic approach to Sustainability is to aim for the sustainable development of both Sharp and society, answering the expectations of society and our stakeholders.

To embody this business philosophy and business creed^{*1}, we established the Sharp Group Charter of Corporate Behavior as a code of conduct for group companies and the Sharp Code of Conduct^{*2} for all directors, executives, and employees. We work to ensure each officer and employee is thoroughly informed of these policies.

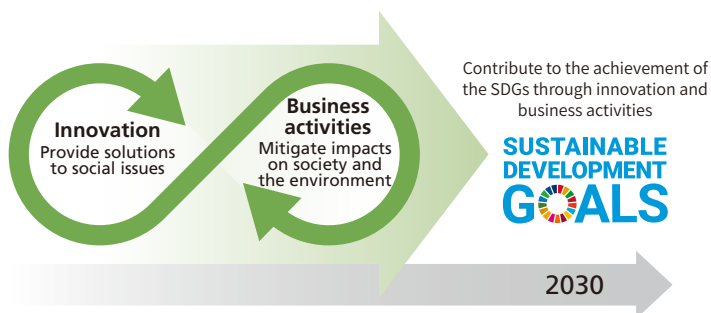
*1 See below for more about our business philosophy and business creed.
<https://global.sharp/corporate/info/philosophy/>

*2 See below for more about the Sharp Group Charter of Corporate Behavior and Sharp Code of Conduct.
<https://global.sharp/corporate/info/charter/>

Sustainability Strategy and Promotion Structure

Sharp takes initiative to achieve the Sustainable Development Goals (SDGs). We set our medium- to long-term vision as contributing to the achievement of these goals based on our basic approach to sustainability. The SDGs were adopted by the United Nations in September 2015 and set high expectations for companies.

In fiscal 2018, we defined our basic strategy of sustainable management as aiming to contribute to the achievement of the SDGs through “solving social issues through business and technological innovation” and “Mitigating impacts on society and the environment through sustainable business activities,” and have been accelerating our efforts to achieve the medium- to long-term vision.

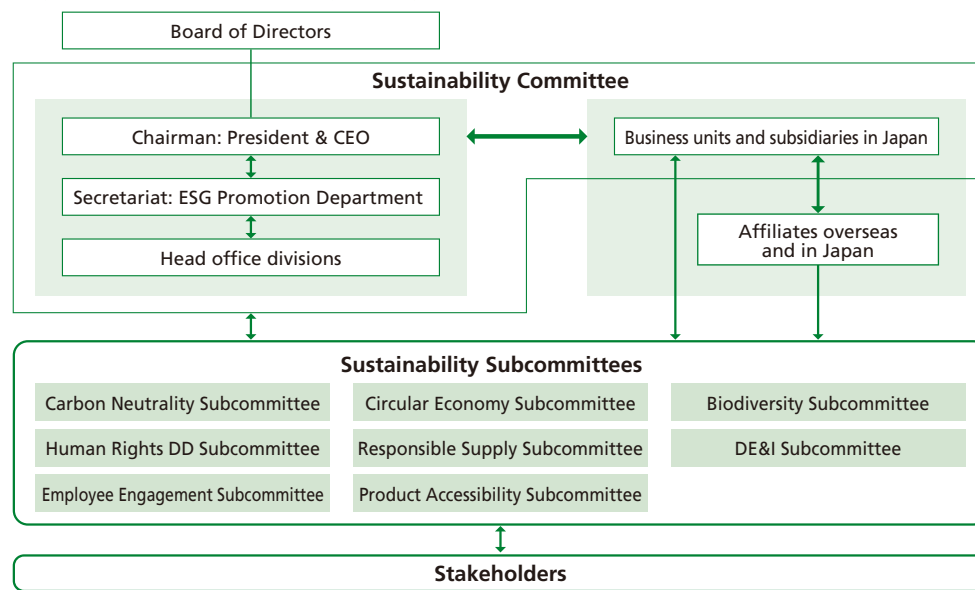


To break down these strategies to actionable measures managed and monitored the progress via the PDCA cycle, Sharp launched the Sustainability Committee. The committee is chaired by the Representative President and CEO, and consists of senior executives, Head office divisions (e.g., environment/HR/procurement), business units, and subsidiaries. This committee deliberates and pursues various measures, implements policies and vision, and conducts activities that include communicating the latest trends related to social issues. In addition, the committee reports important policies and decisions to the Board of Directors.

We established a Sustainability Subcommittee on key topics in fiscal 2024, accelerating our efforts.

Organization for Sustainability Management

(As of August, 2024)



Major Fiscal 2023 Sustainability Committee Agenda (Held Twice)

- Thorough implementation of fiscal year sustainability initiatives policies
- Status of efforts to achieve SDGs
- Status of technological developments that contribute to sustainability
- Status of our contribution to carbon neutrality
- Status of efforts to achieve a circular economy
- Status of ESG risk assessments at our factories
- Status of efforts to achieve responsible mineral procurement
- Reports on Employee ESG Awareness Survey results, etc.

Sustainability

Material Issues

There are successive announcements of international medium- to long-term goals aimed at resolving global social issues, such as the SDGs and the Paris Agreement*. Amid growing concern about human rights issues, such as forced labor in global supply chains, expectations for corporate sustainability initiatives are further increasing.

Against this background, we identify material issues and make efforts to promote sustainable management from both the perspectives of contributing to the resolution of global social issues and achieving medium- to long-term growth for the Sharp Group.

In identifying material issue, we take into account international guidelines and principles, and non-financial disclosure standards, such as the UN Global Compact, SDGs, and the RBA vision and mission, in addition to our business philosophy, business creed, and Medium-term Management Direction. We also consider opinions and expectations from various stakeholders, and evaluation results from ESG rating and rating agencies.

Process for Identifying Material Issues

Management Policy and Business Strategy

- Business Philosophy and Business Creed
- Medium-term Management Direction, etc.

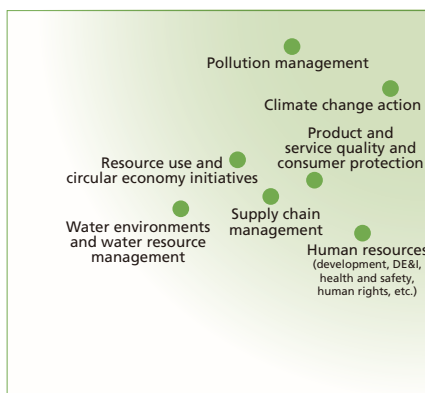
International Guidelines and Principles

- The 10 Principles of the UN Global Compact
- SDGs • ISO26000
- ISSB, ESRS, and other disclosure standards
- GRI, SASB, and other disclosure guidelines
- United Nations Universal Declaration of Human Rights
- United Nations Guidance Principles on Business and Human Rights
- RBA Vision & Mission
- Other industry codes of conduct, etc.

Stakeholder Opinions and Expectations

- Feedback and opinions from stakeholders through dialogue
- Survey results from various ESG institutions, etc.

Impact on the Environment and Society



Impact on Corporate Finance

We determine identified material issues as topics to be prioritized at a company-wide level from the perspectives: 1) Impact on the environment and society and 2) Impact on corporate finance.

For priority matters identified, we set targets, goals, KPIs, and action plans for each measure. We review the performance and status of these initiatives at the semiannual Sustainability Committee, sustainability subcommittees, and other company-wide meetings.

*Multilateral international consensus agreement on climate change control adopted at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) in Paris in 2015. States that efforts will be pursued to keep the increase in global average temperature well below 2°C above pre-industrial revolution levels as well as to limit the increase to 1.5°C.

Participation in Initiatives

Sharp conducts corporate management while respecting international guidelines and norms as a member of the global community.

United Nations Global Compact

WE SUPPORT

RMI
(Responsible Minerals Initiative)

RBA
(Responsible Business Alliance)

Sharp joined the RBA, an alliance of companies that pursues social responsibility across the global supply chain, and endorse the RBA vision and mission.

JaCER
(Japan Center for Engagement and Remedy on Business and Human Rights)

TCFD
(Task Force on Climate-related Financial Disclosures)

SBTi (Science Based Targets Initiative)

GX League

Circular Partners
(Industry-Government-Academia Partnership on Circular Economy)


TNFD
(Taskforce on Nature-related Financial Disclosures Forum)

30by30 Alliance for Biodiversity

Other Major Initiatives

Keidanren (Japan Business Federation), JEMA (Japan Electrical Manufacturers' Association) JEITA (Japan Electronics and Information Technology Industries Association) JBMIA (Japan Business Machine and Information System Industries Association) JMC (Japan Machinery Center for Trade and Investment) JPEA (Japan Photovoltaic Energy Association)

Environmental Initiatives

 See the following for more information on Sharp's environmental activities.
<https://global.sharp/corporate/eco/environment/>

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

Global environmental issues such as climate change, resource depletion, and the problems presented by plastic waste are becoming more serious and are recognized as important issues among the international community. Under these circumstances, global movements aimed at resolving social issues are accelerating, such as those designed to respond to Sustainable Development Goals (SDGs) and carbon neutrality^{*1}, as well as initiatives to realize a circular economy^{*2}.

In 2019, Sharp established its long-term environmental vision *SHARP Eco Vision 2050* based on its principal environmental philosophy of "Creating an Environmentally Conscious Company with Sincerity and Creativity", which was established in 1992. Our aim is to realize a sustainable global environment by setting long-term goals for 2050 in the areas of climate change, resource recycling, and safety and security.

Furthermore, in order to realize our long-term environmental vision, we are formulating "medium-term environmental goals" that set specific initiatives and quantitative goals for each area. With regard to climate change, a pressing issue worldwide, we accelerate our efforts to achieve net-zero CO₂ emissions arising from our own business activities by 2030.

Sharp is engaged in initiatives to solve social issues and sustainably raise corporate value. In order to accomplish the initiatives, we will work more closely with our stakeholders through corporate and environmental conservation activities.

*1 A state in which the total amount of greenhouse gas emissions minus the absorption volume is effectively zero.

*2 An economic system in which discarded products and raw materials are considered as new resources and in which resources are circulated without generating waste products.

Long-Term Environmental Targets

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

Climate Change



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

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

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

Sharp supports the global goal of achieving carbon neutrality, and we have set ourselves the challenge of meeting the following two goals by 2050 in our own activities and throughout the supply chain as a whole, so that we can achieve a decarbonized society.

Goals

- Achieve net zero CO₂ emissions due to our own business activities
- Generate clean energy in excess of the energy consumed throughout our supply chain

Resource Recycling



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

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

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

Goals

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

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

Safety and Security



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

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

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

Goals

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

Environmental Initiatives

Information Disclosure based on TCFD

Addressing TCFD Recommendations

The Task Force on Climate-Related Financial Disclosures (TCFD) formed by the Financial Stability Board (international body that works toward financial systems stability) put forth recommendations that companies disclose information on the risks and opportunities presented by climate change in 2017. Sharp declared its support for the recommendations of the TCFD, and intends to expand disclosure of information regarding climate change in accordance with the TCFD framework.



1. Governance

The Representative President and CEO, who chairs the Sustainability Committee^{*1}, has the responsibility for monitoring and supervising climate-related issues. The Sustainability Committee consists of the committee chair, senior management, headquarters functional divisions, business units, and subsidiaries. The Committee is responsible for the thorough implementation of policies and vision on ESG, including those on climate change. They also deliberate and promote measures and share the latest trends in social issues.

Through monitoring and review by management at committee meetings, Sharp continuously strengthens climate change action to play a part in making society sustainable.

2. Strategy

Sharp considers climate change as one of our medium- to long-term risks and opportunities. We explore strategies and organizational resilience in light of related risks and opportunities. We conducted a scenario analysis referring to climate change scenarios (1.5°C scenario^{*2} and 4°C scenario^{*3}) by the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC) to consider long-term impacts up to the year 2050.

See the following website for more information on each risk and opportunity, as well as our measures taken.

https://global.sharp/corporate/eco/environment/climate_change/

3. Risk Management

Based on the Business Risk Management Guidelines which defines the basic concept of business risk management, Sharp manages and assesses risks, including climate-related risks, in an integrated manner. We identify high-probability climate risks by analyzing projected future climate scenarios. We report the details of the analysis to senior management and the Internal Control Planning Division (secretariat of the Risk Management Office) as necessary. Measures for improvement are discussed among the related departments.

4. Metrics and Target

In 2019, Sharp established the long-term environmental vision *SHARP Eco Vision 2050* based on our principal environmental philosophy of “Creating an Environmentally Conscious Company with Sincerity and Creativity”, which was established in 1992. Our aim is to realize a sustainable global environment by setting long-term goals for 2050 in the areas of climate change, resource recycling, and safety and security. With regard to climate change, a pressing issue worldwide, we accelerate our efforts to achieve net-zero CO₂ emissions arising from our own business activities by 2030.

Progress towards Reducing of Greenhouse Gas Emissions (Fiscal 2023)

Base year (Fiscal 2021 results)	Fiscal 2023 results	vs. Base year
1,365 thousand tons CO ₂	1,175 thousand tons CO ₂	13.9% reduction

*1 Please refer to P.12.

*2 Referenced the IEA Net Zero Emission 2050 Scenario and the IPCC Sixth Assessment Report (AR6) SSP1-1.9 scenario, etc.

*3 Referenced the IPCC Fifth Assessment Report (AR5) RCP8.5 scenario, etc.

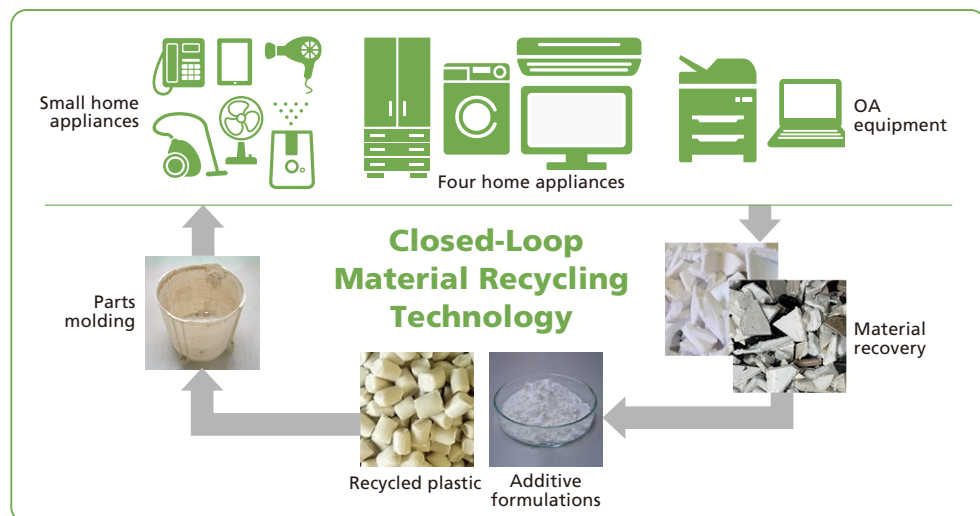
Environmental Initiatives

Resource Recycling

Achieving a Circular Economy

Recycled plastic developed through Sharp's own closed-loop material recycling technology is used in refrigerators, air conditioners, washing machines, and small home appliances for fiscal 2023 models. The use of this recycled plastic reached a cumulative total of 21,000 tons (FY2001-FY2023).

We will help realize a circular economy, aiming to expand self-circulating material recycling to all of our products going forward, not just these four home appliances categories.



Adoption of Recycled Plastics

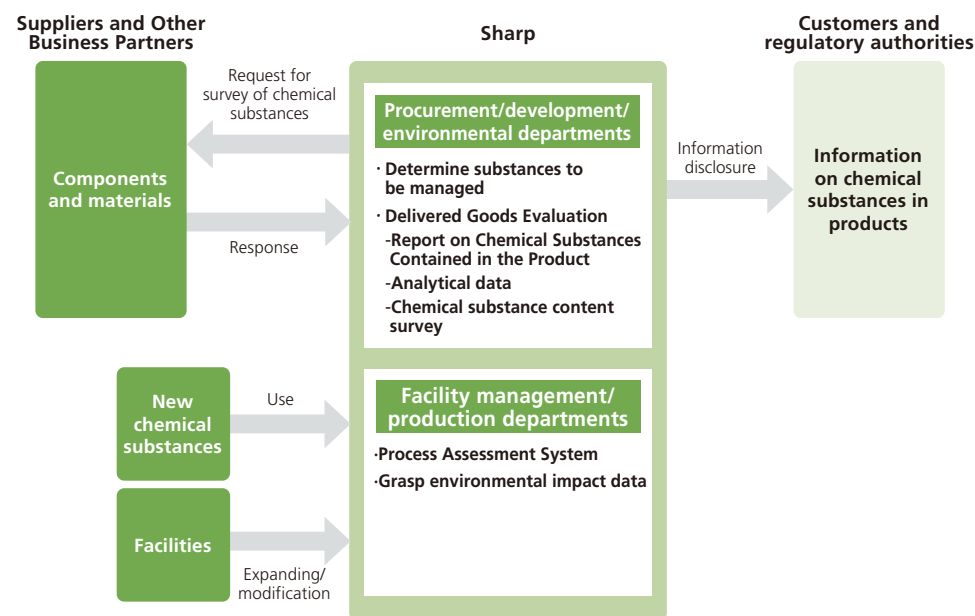


Safety and Security

Proper Management of Chemical Substances

As part of our efforts to manage chemical substances, we conduct a Delivered Goods Evaluation of chemical substances contained in product components and materials. We work with our suppliers and other business partners to conduct this evaluation to grasp and manage information on chemical substances contained in our products. Each plant also introduced the Process Assessment System to evaluate and confirm safety and environmental impact before new chemical substances are used or when facilities are expanded or modified.

Chemical Substance Management System



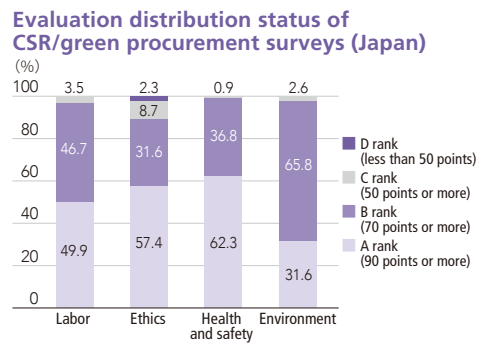
Social Initiatives

Promoting CSR across the Entire Supply Chain

The Sharp Group Charter of Corporate Behavior stipulates that Sharp does not sanction any form of forced labor, including child labor, and supports its effective abolition. Based on this policy, we have formulated and published the SHARP Supply-Chain CSR Deployment Guidebook in accordance with the RBA Code of Conduct, and, in our basic agreements for ongoing transactions, have established mandatory compliance with Guidebook-based CSR initiatives for our suppliers.

In order to identify, assess, and appropriately address CSR risks such as forced labor in the supply chain, we conduct CSR/green procurement surveys for each of our suppliers' plants on a regular basis in accordance with the RBA Self-Assessment Questionnaire. We also provide feedback on assessment results and require suppliers with plants that scored low in any area to submit improvement plans. In this way, we work to enhance sustainable CSR initiatives. In fiscal 2023, we conducted CSR/green procurement surveys at 393 bases of 99 companies that we procure from.

We will continue to strengthen our CSR efforts throughout the supply chain, aiming to build a globally responsible supply chain.



Human Rights Due Diligence Initiatives for the Supply Chain

In recent years, expectations and demands related to supply chain due diligence initiatives have been increasing in light of the emergence of human rights and environmental risks in the global supply chain, as well as the strengthening of related laws, regulations, and import/export restrictions in various countries.

Sharp joined the RBA officially in December 2021. We are now strengthening related initiatives while utilizing RBA tools and mechanisms. One such initiative is our use of the RBA e-learning Academy. The academy has been providing employees with a deeper understanding of international CSR standards since February 2022.

We also assess the risk of human rights violations through the aforementioned CSR/green procurement surveys. As a result of these efforts, we have not identified any serious problems such as forced labor or child labor in our supply chain. However, in the unlikely event that a problem such as a human rights violation is identified, we will immediately take the necessary corrective and relief measures in consultation with our suppliers based on our agreement. If no improvement is expected, we will take strict measures including suspending transactions.

Sharp is also working to strengthen our grievance-handling mechanism. We established the Crystal Hotline, our whistleblowing contact desk, on our external website to receive reports from suppliers and other stakeholders. In October 2022, we joined the Japan Center for Engagement

See the following for more information on CSR procurement.
<https://global.sharp/corporate/eco/social/procurement/>
 See the following for more information on quality.
https://global.sharp/corporate/eco/social/customer_satisfaction/

and Remedy on Business and Human Rights (JaCER) as an inaugural member (regular member) to establish a mechanism that enables a wide range of stakeholders in the global supply chain to file human rights grievances in both Japanese and English.

Initiatives for Responsible Mineral Procurement

In recent years, in addition to legal frameworks such as the U.S.'s Dodd-Frank Wall Street Reform and Consumer Protection Act and the EU's Conflict Minerals Convention, the scope of responsible mineral procurement has been expanding in terms of minerals, regions, and risks. Society demands that companies practice responsible mineral procurement from CSR perspectives against the backdrop of child labor and environmental destruction at mineral mining sites. Sharp's basic policy is to take appropriate measures to ensure that we are neither complicit in human rights abuses or environmental destruction nor interfering with sound and legitimate local business activities in our supply chain for procuring minerals mined in conflict-affected and high-risk areas.

Under this basic policy, we established an investigation system at each of our major business units and manufacturing subsidiaries. Through our membership in industry associations such as the Responsible Minerals Initiative (RMI) and Japan Electronics and Information Technology Industries Association (JEITA), we monitor the latest global trends and pursue relevant measures based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Furthermore, the Sustainability Committee*, chaired by the Representative President and CEO, designates responsible mineral procurement as a key theme for initiatives and monitors the progress of related measures.

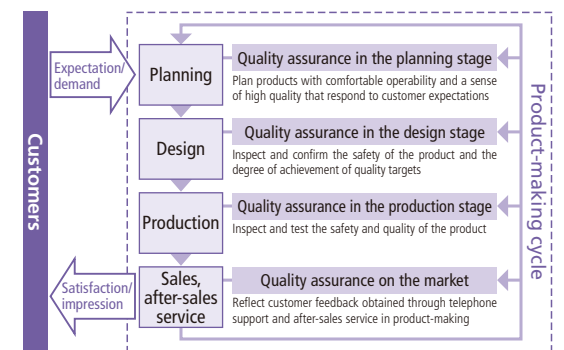
*Please refer to P.12.

Ensuring Quality and Safety

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

Quality Assurance System

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



Talent Management (HITO-oriented Management)

Sharp focuses on our human resource strategy, HITO-oriented management, in our Medium-term Management Direction. This strategy aims to expand investments in people and increase employee engagement. We consider people (HITO) as the driving force behind the sustainable growth of our business. To this end, we will further reform our personnel system from the following four perspectives: developing (H)ybrid human resources with multiple specialties, creating an environment and culture that fosters (I)nnovation, allocating the right people in the right jobs to utilize employee (T)alents, and providing growth (O)pportunities to excellent human resources.

Our efforts include evolving performance-based reward system to support young generation, establishing work treatment system effective on collecting personnel, fulfilling methods to support development of personnel, and improving organization rejuvenation / decision-making speed. Through these efforts, we aim to foster a young and energetic corporate culture where every employee embraces challenges and is unafraid of failure.

Evolve performance-based reward system to support young generation	(1) Realize speedy promotion based on job responsibility	(2) Annual salary increase with variation considering reward standards	(3) Bonus system realizing higher standards based on business performance
Establish work treatment system effective on collecting personnel	(1) Raise reward level of excellent young talent observing market standards	(2) Realize flexible work styles and work spots	(3) Enrich welfare such as dorm, canteen, healthcare measures etc.
Fulfill methods to support development of personnel	(1) Enrich education program for next-generation management executives / startup training	(2) Aggressively provide opportunities to work overseas	(3) Promote job mobility within business groups
Improve organization rejuvenation / decision-making speed	(1) Further strengthen recruitment	(2) Aggressively assign young employees to key posts	(3) Promote flattening of organizations
H ybrid	I nnovation	T alent	O pportunity

Human Resource Development

Sharp conducts a variety of human resources development programs aimed to improve quality and expand the breadth of the abilities of each employee. Through these programs, we nurture young employees, develop the next generation of leaders, foster globally minded individuals, raise the skill level of each employee, and implement other measures for improvement.

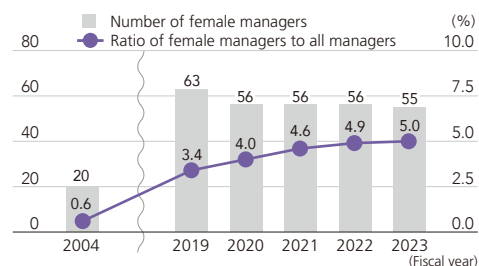
We also aim to establish an environment to build up the basic business knowledge and expertise, based on our concept of nurturing strong individuals. We strive to foster professional employees by providing employees opportunities to pursue independent learning whenever and wherever they are. Our e-learning environment allows employees to easily learn anytime, anywhere using computers or smartphones at home, actively helping employees enhance their abilities through self-development.

Diversity Management

Sharp's approach to diversity is clearly stated in our Business Philosophy: "It is the intention of our corporation to grow hand-in-hand with our employees, encouraging and aiding them to reach their full potential and improve their standard of living." We aim to lead to new value propositions by innovating through the mutual respect of individual employee personalities, developing innovative technologies unique to the Company, and providing services. Diversity management is a human resources strategy for utilizing a diverse range of employees; it is also a business strategy.

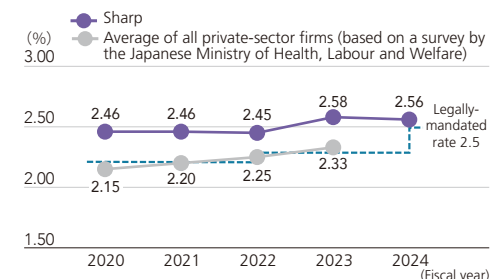
The Sharp Code of Conduct states, "In any corporate activities, including employment practices such as hiring, compensation, promotion, opportunities for training and the like, we do not take any action that constitutes discrimination based on nationality, race, ethnic group, color, sex, physical health, pregnancy, sexual orientation, age, marital status, religion, creed, social status, birth, property, bodily feature, physical or mental disability, political opinion, and the like," and that, "We will actively take part in efforts to enhance the work environment where employees with diverse characteristics can fully demonstrate their abilities." This is what Sharp is actively working towards, giving individual consideration based on need.

Number of Female Managers



Data for Sharp Corporation as of March 31 in each fiscal year

Employment Rate of the Disabled in Japan



Data for Sharp, special subsidiaries, and group companies as of June 1 for each fiscal year

Work-Life Balance Initiatives

Sharp implements No Overtime Days and encourages all employees to plan for and use annual paid leave to establish an efficient and balanced work style. In 2023, we eliminated the requirement for employees to justify their use of the telecommuting system, assuming employees in question is capable of maintaining or enhancing their productivity. We also increased the number of days per week that the system can be used. At the same time, we expanded flexible hours under the flextime system, establishing a more adaptable work environment regarding location and time.

Furthermore, we strive to improve work-life balance by expanding and encouraging the use of systems that help employees balance work with childcare, nursing care, and medical treatment. For childcare support, we distribute guidebooks and inform employees about our individual systems, resulting in numerous employees utilizing leave for childcare.

Messages from Outside Directors



Corporate Governance Awareness: An Essential Factor in Managing Listed Companies

Akira Kiyota
Outside Director

Awareness of the importance of corporate governance began to grow in Japan around 2000. Under the second Abe administration beginning late 2012, the “Abenomics” growth strategy introduced initiatives to boost the profitability of Japanese companies and enhance shareholder value. In response, the Financial Services Agency and Tokyo Stock Exchange (TSE) formulated the *Corporate Governance Code* in March 2015, which went into effect for all listed companies in June 2015. Corporate governance refers to the framework that ensures companies make transparent, fair, timely, and decisive decisions, taking into account the positions of shareholders, customers, employees, local communities, and others.

Transparent and clear management from a shareholder’s perspective backed by compelling management visions and strategies is essential for listed companies. Such factors allow listed companies to be well-regarded in capital markets and achieve sustainable growth. The Corporate Governance Code responds to this need, aiming to improve shareholder returns by supporting management committed to improving corporate value over the medium- to long-term through constructive shareholder dialogue. The Corporate Governance Code adopts a *comply or explain* framework to encourage companies to either adopt its standards or explain reasons for non-compliance, thereby promoting proactive governance. As listed companies face significant shifts in their business environments, management must consider ways to achieve sustainable growth and create long-term corporate value, while exploring effective frameworks to achieve these goals.

The TSE revised its market segments for the first time since the Tokyo Stock Exchange and the Osaka Securities Exchange merged, reclassifying the previous four segments—TSE 1st Section, TSE 2nd Section, JASDAQ, and Mothers—to clarify segment concepts. The new structure introduces the Prime Market segment, where companies are expected to maintain a higher standard of corporate governance.

The Corporate Governance Code has undergone multiple revisions since its introduction, urging management to enhance effectiveness through measures including improving board functionality and fostering diversity among core members. The Corporate Governance Code also calls for proactive efforts to enhance sustainability.

Today, nearly all executives of companies listed on the Prime Market actively engage in corporate governance. I am committed to supporting Sharp in their efforts to strengthen corporate governance and enhance corporate value.



Pursuing Diversity and Corporate Value Enhancement

Yumiko Kajiwara
Outside Director

I worked at a business firm until March 2024, handling a wide range of responsibilities. I even contributed to an alliance with Sharp’s mobile business when I worked for a mobile phones business unit. After working in front-line business operations, I moved to corporate functions, where I gained experience in legal affairs, intellectual property, human resources development, purpose, and sustainability. I aim to contribute to Sharp as an outside director by leveraging my knowledge and experience in business transformation, digital transformation, and sustainability transformation during a time of VUCA*.

Sharp is executing significant structural reforms, carrying out Asset Light Initiatives to achieve its new growth strategy. This is a pivotal year as the Company stands at the starting line to remain a company recognized and valued by society for years to come. The Board of Directors engages in transparent and frank discussions, fully aware of the challenging environment and other issues. It goes without saying that I will monitor and advise the progress of these structural reforms. Another area I want to focus on is human resources strategy, which is the driving force of ongoing corporate value enhancement and must be aligned with business strategy.

Sharp’s business philosophy reads, “It is the intention of our corporation to grow hand-in-hand with our employees, encouraging and aiding them to reach their full potential and improve their standard of living.” I aim to contribute as an outside director to support the Company in continuing to practice this philosophy in the context of today’s social environment. For instance, the number of female employees and the ratio of women in managerial positions remain low. I want the executive team to raise the quality of management by responding to a society with diverse values, enhancing workforce diversity, and listening to diverse voices. I also hope to play an advisory role by taking the opportunity to listen to those on the front lines.

I expect Sharp to swiftly advance efforts to enhance physical, organizational, and institutional environments, empowering women and other diverse, motivated employees to unlock their potential and thrive.

*VUCA: Volatility, Uncertainty, Complexity and Ambiguity

Corporate Governance

Basic Concepts

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

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

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

Status of Corporate Governance System

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

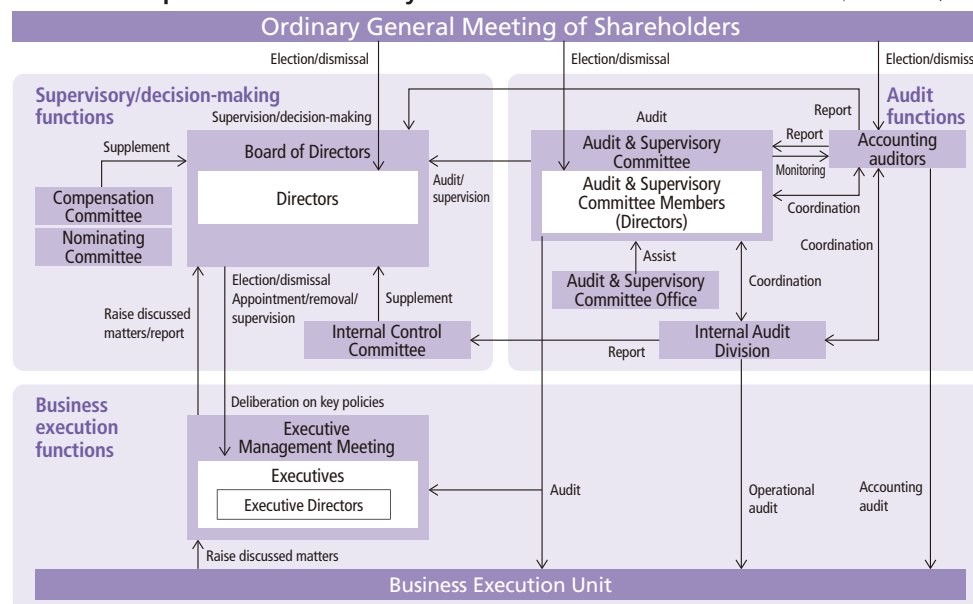
Meetings of the Board of Directors of Sharp Corporation make decisions on matters stipulated by law and management-related matters of importance, and supervise the state of business execution. The Company also has an Internal Control Committee, the Compensation Committee, and the Nominating Committee. These committees serve as advisory bodies to the Board of Directors. In addition, important transactions between the parent company group and Sharp Group which need to be submitted for discussion at the Executive Management Meeting are reviewed and approved by the Board of Directors, the majority of whom are independent outside directors, to determine the necessity, rationality, and appropriateness of the transaction in question.

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

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

Status of Corporate Governance System

(As of June 28, 2024)



Organization Membership

(◎ : Committee chair) (As of June 28, 2024)

Title	Name	Bord of Directors	Audit & Supervisory Committee	Executive Management Meeting	Nominating Committee	Compensation Committee	Internal Control Committee
Deputy Chairman, Member of the Board	Po-Hsuan Wu	◎		○	○	○	○
President & CEO, Member of the Board	Masahiro Okitsu	○		◎	○	○	◎
Member of the Board(Outside Director)	Akira Kiyota	○			○	○	
Member of the Board(Outside Director)	Ching-Ray Chang	○					
Member of the Board(Outside Director)	Seiichi Nagatsuka	○					
Member of the Board(Outside Director)	Yumiko Kajiwara	○			○	○	
Member of the Board(Outside Director)*	Hsu-Tung Lu	○	◎				○
Member of the Board(Outside Director)*	Yasuo Himeiwa	○	○				○
Member of the Board(Outside Director)*	Yutaka Nakagawa	○	○		◎	◎	○
Senior Executive Managing Officer, CFO	Yoshio Kosaka			○			○
Senior Executive Managing Officer, CTO	Mototaka Taneya			○			
Executive Managing Officer	Yasufumi Sugahara			○			
Executive Managing Officer	Tetsuji Kawamura			○			
Executive Officer	Yoshiro Nakano			○			
Executive Officer	Katsuhiro Kawai			○			

* Member of Audit & Supervisory Committee

Director Remuneration

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

Regarding remuneration for directors (excluding directors on the Audit & Supervisory Committee), the Ordinary General Meeting of Shareholders, held June 27, 2024, resolved to cap cash remuneration at ¥500 million per fiscal year (of which a maximum of ¥100 million may be paid to outside directors).

The Company grants restricted stock as nonmonetary remuneration or stock acquisition rights as stock options to directors, up to a limit of ¥300 million (150,000 shares or 1,500 units) per fiscal year, of which a maximum of ¥30 million (15,000 shares or 150 units) may be granted to outside directors. This allows us to better align values between Sharp directors and shareholders, as well as to strengthen the sense of responsibility and increase motivation related to corporate performance.

The Compensation Committee, delegated authority by the Board of Directors, determines monetary remuneration for individual directors (excluding members of the Audit & Supervisory Committee) within the scope approved by the Ordinary General Meeting of Shareholders. The Compensation Committee provides advice regarding nonmonetary remuneration, which is determined by a resolution of the Board of Directors in consideration of said advice.

Monetary remuneration is limited to ¥100 million per fiscal year for directors who are Audit & Supervisory Committee members per resolution of the Ordinary General Meeting of Shareholders, held June 29, 2021.

To better align values between Sharp directors who are members of the Audit & Supervisory Committee and shareholders, the Company grants restricted stock as nonmonetary remuneration separate from the framework for monetary remuneration to directors who are members of the Audit & Supervisory Committee, up to a limit of ¥60 million (30,000 shares) per fiscal year. This remuneration is designed to improve a greater awareness of the need for complete and comprehensive audits, to prevent loss of corporate value, and to maintain trust in the Company.

The Ordinary Meeting of General Shareholders approves the scope of monetary and nonmonetary remuneration for individual directors who are members of the Audit & Supervisory Committee, the amounts of which are then determined according to discussions among directors who are members of the Audit & Supervisory Committee.

Remuneration, etc. for Sharp directors (excluding directors who are members of the Audit & Supervisory Committee) for the fiscal year ended March 31, 2024 was ¥218 million (five directors, including one director who retired during the term). Remuneration, etc. for directors who are members of the Audit & Supervisory Committee was ¥73 million (three outside directors).

The Company does not disclose remuneration for individual directors.

Ongoing Development of the Internal Control System

In May 2006, the Board of Directors passed a resolution to adopt the Basic Policy for Internal Control (final revision in August 2024). Sharp is currently engaged in the development and operation of internal control systems in accordance with this Basic Policy. The Internal Control Committee, which serves as an advisory body to the Board of Directors, deliberates on basic policies regarding internal controls, internal audits, and the status of internal controls-related policies and operations. The committee reports on or refers matters to the Board of Directors as necessary. Sharp has established departments to supervise and implement measures and initiatives related to internal controls on a company-wide basis. Sharp has also established an independent internal audit division to evaluate the effectiveness of internal control and provide feedback on a continuing basis.

To enhance compliance throughout the Group, Sharp introduced the Sharp Group Charter of Corporate Behavior, a set of principles to guide corporate behavior, and the Sharp Code of Conduct, which clarifies the conduct expected of all directors, executives, and employees of Sharp. Disseminating these throughout the Company and conducting annual trainings fosters a mindset of preventing problems before they occur. In accordance with the basic rules of compliance, Sharp is also developing a company-wide compliance promotion system. Sharp is also formulating the Sharp Group Compliance Guidebook which points out specific standards for items to be observed, prohibited items, and actions to be taken by all directors, executives, and employees. This is being provided to the whole company in order to ensure thorough compliance.

On the subject of compliance-related whistleblowing systems, we have established the Crystal Hotline to handle various issues regarding compliance, including organizational or individual violations of the law or ethics at Sharp or domestic subsidiaries as well as the Competition Law Hotline to handle issues regarding competition laws. These hotlines have been established both internally and externally (making use of advisory law firm services) in keeping with the Whistleblower Protection Act and may be used by any employees or temporary employees of the Sharp Group in Japan, or employees of its business partners, etc*. In addition, our major overseas bases have also established similar whistleblowing and consultation facilities.

To deal comprehensively and systematically with a wide range of business risks, Sharp formulated its Business Risk Management Guidelines for the prevention of risk and for the swift response to any emerging risks.

*Business partners may only use the Crystal Hotline.

Risk Factors

Listed below are the principal business risks of Sharp that may have a significant influence on investors' decisions and countermeasures.

Note that in addition to these, there exist certain other risks that are difficult to foresee.

Each of these risks has the potential to impact the operations, business results, and financial position of Sharp.

All references to possible future developments in the following text were made by Sharp as of March 31, 2024 (or June 28, 2024 as appropriate).

(1) Global market trends and overseas businesses (Risk)

Sharp conducts our business not only in Japan but also in different regions around the world. Business results and financial position are thus subject to economic trends (especially private consumption and corporate capital investment trends), competition with other companies, product demand, raw material supply, and price fluctuations in each region around the world, including Japan.

In addition, various factors may have negative impacts on Sharp performance and financial position. Such factors include persistent global inflation, prolonged monetary tightening in Europe and the U.S. putting potential downward pressure on demand for durable consumer goods, and sluggish consumer spending in China due to the stagnant real estate market.

(Countermeasure)

Business units that control Sharp's overseas

subsidiaries collect risk and other information that may impact Sharp's operations, including global market trends, in cooperation with their local offices and make necessary operational decisions. Business results of the overseas subsidiaries and business units are reported to management regularly, determining the necessary risk responses on a case-by-case basis by analyzing the latest circumstances.

(2) Exchange rate fluctuations (Risk)

The proportion of consolidated net sales accounted for by overseas sales was 68.6% in fiscal 2022 and 66.7% in fiscal 2023. Sharp sells products made overseas in the Japanese market, and also sells products in countries where it does not manufacture the products. Therefore, Sharp's business results may be impacted by exchange rate fluctuations.

(Countermeasure)

Sharp hedges the risk of exchange rate fluctuations by employing forward exchange contracts and expanding and strengthening optimally located production.

(3) Dependence on certain businesses, products, and clients (Risk)

Sharp's device businesses account for nearly half of Sharp's sales. Accordingly, Sharp's earnings may be impacted negatively by factors including slowing customer demand for related products, falling product prices, or increasing competition due to

the emergence of substitute or competitive products, or the emergence of new competitors.

Sharp's device businesses have high dependence on a small number of specific clients for the sales of some of their products. Sharp's business results and financial position could be affected if sales to such important clients languish due to not only factors related to Sharp's products but reasons outside of Sharp's control. These include declining demand for the clients' products, changes in product specifications, and changes in the clients' sales strategies.

(Countermeasure)

Sharp aims to gain superior competitive advantages by accelerating a business model shift achieved by launching new high value-added service solutions; accelerating the global business expansion and developing the business to the B2C and B2B markets, in addition to maintaining and expanding the existing business segments by expanding the traditional hardware business.

(4) Strategic alliances and collaborations (Risk)

Sharp has forged strategic alliances and collaborations with other companies in order to enhance corporate competitiveness, improve profitability, and bolster the development of new technologies and products in various business fields. If, however, any strategic issues with such strategic partners or other business issues arise, or goals change, it may become difficult to maintain such alliances and collaborative ties with these

companies, or to generate adequate results. In such cases, Sharp's business results and financial position may be impacted.

(Countermeasure)

Sharp believes that importance of strategic alliances and collaborations will grow in the future. To lead them to success, Sharp thoroughly verifies the strategic necessity of the business, profitability, and financial appropriateness at the stage of feasibility study of strategic alliances and collaborations, and makes decisions after deliberation at the Executive Management Meeting and the Board of Directors.

After executing them, Sharp monitors the progress of the alliances and collaborations under close cooperation with the relevant business units, and reports to management early if it is determined that the expected results cannot be achieved, to ensure that measures can be taken to minimize the impact they may have on Sharp's business results and financial position.

(5) Relations with parent company group (Risk)

The equity investments from our parent company group (including Hon Hai Precision Industry, subsidiaries, and affiliates) allowed Sharp to invest in growth, and to pursue operational synergies using the technological, productivity, and cost capabilities of our parent company group. However, we cannot guarantee that operational synergies between Sharp and the parent company group will occur as envisioned.

Risk Factors

A change in the parent company group's business strategies or competitive relationship with the parent company group arising in the future may adversely affect Sharp's operations, business results, and financial position.

Decision making of important matters, such as management policy and business development may be biased by the parent company group and maintaining our independence and autonomy may not be possible.

(Countermeasure)

Sharp conducts business operations by maximizing operational synergies with the parent company group while fully respecting independence and autonomy between both entities and in close cooperation with the parent company group. Sharp identifies areas where Sharp can create synergy effects with the parent company group, such as its operational efficiency improvement and expansion of its sales and profits, and Sharp appropriately verifies the expected synergies in those areas in cooperation with the parent company group in an effort to implement them.

The parent company group engages mainly in outsourced production of electronic equipment. The Sharp Group handles the manufacturing and sales of telecommunications equipment, electrical appliances, and general electronics application equipment and components under the Sharp and other brands. Therefore, Sharp believes that there is no competition in the parent company group that may impact Sharp's operations.

Sharp strives to grow, develop, and improve its performance in close cooperation with the parent

company group, while fully respecting independence and autonomy between both entities. Sharp recognizes that working together with the parent company group to increase Sharp's operational efficiency and expand its sales and profits will benefit the interests of non-controlling shareholders.

(6) Dealings with suppliers

(Risk)

Sharp procures materials and receives services from a large number of business partners. However, there is a risk that business partners may suffer deterioration in performance due to slumping demand or severe price erosion, unexpected M&A, or natural disasters or accidents. They may also be affected by the U.S.-China trade friction, the situation in Ukraine, labor costs, rising raw materials prices and energy costs, legal regulations concerning human rights, environmental issues such as the problem of conflict minerals in the supply chain, or limited suppliers with the capability of providing certain material provisions. Due to these and other factors, Sharp may be unable to access sufficient supplies of materials/parts from procurement sources.

In such an event, Sharp may be forced to do business with alternative suppliers subject to conditions less favorable than with its current suppliers, or Sharp may be unable to find an alternative supplier in a timely manner. Any of these factors could lead to increases in costs and/or delays in deliveries to customers, which may adversely affect Sharp's business results and financial position.

(Countermeasure)

Sharp conducts business with suppliers after carrying out thorough credit checks. Additionally, Sharp has introduced a supply chain CSR management system to address risks in the supply chain, and regularly evaluates suppliers at domestic and overseas production sites, providing thorough education and guidance. Furthermore, in order to ensure a stable supply of parts and materials and to optimize costs of procurement, Sharp is strengthening partnerships with suppliers such as for long-term quotas, and is also promoting purchasing from multiple companies.

(7) Other factors affecting financial position

(Risk)

Sharp raises funds through borrowings from financial institutions such as banks. The debt to total assets ratio is 36.1% as of fiscal year ending March 31, 2024. Sharp might become subject to restrictions on how it uses its cash flows in order to repay debt, and also face the possibility of an increase in expenses due to rising interest rates. Sharp has the possibility of increases in fund raising costs as well as limitations on fund raising. This may be because necessary funds cannot be raised at the required time with adequate conditions, including for the refinancing of existing debt. These factors may affect Sharp's business results and financial position.

Sharp has borrowing agreements with multiple financial institutions, and some of the agreements entail financial covenants. Sharp may forfeit the benefit of time with respect to such borrowings at

the request of the lender's financial institution due to any of the following reasons: (1) If consolidated net assets fall below the levels specified under such financial covenants, (2) if Sharp fails to undertake faithful consultations in the event that its consolidated operating profit and profit attributable to owners of parent fall below specified levels, (3) if its consolidated ordinary profit cannot be kept at certain levels, or (4) if Sharp or any of our consolidated subsidiaries becomes excess liabilities.

Sharp's dependence on borrowings, credit ratings reduction caused by it, or deterioration of Sharp's financial position may work to its disadvantage with respect to competition with other companies with robust financial positions, and contract-related issues could also arise between Sharp and its lenders or business partners.

(Countermeasure)

Sharp's major lending institutions are Mizuho Bank, Ltd. and MUFG Bank, Ltd. As necessary, Sharp consults with both banks about ways to improve its financial position and other matters. Sharp also shares information about its financial position with other financial institutions with which Sharp has borrowing agreements. Sharp has a system in place to discuss matters when necessary, keeps good relations with its correspondent financial institutions, and maintains and continues borrowings.

To procure stable funding, the Company syndicated loan agreement, which is the main borrowing agreement for the Group, is a long-term loan agreement through April 2026. We also entered into commitment line agreements with two main banks totaling 200 billion yen in loans.

Risk Factors

(Material events related to the going concern assumption)

The Company recorded an impairment loss of 122,332 million yen in the fiscal year under review, due to a sluggish performance in the Display Device, including a delayed recovery in demand for small- and medium-size LCDs for PCs and tablets. As a result, net loss attributable to owners of the parent amounted to 149,980 million yen and consolidated net assets decreased to 157,424 million yen, down 29.2% year on year. Sharp consolidated net assets and consolidated ordinary income fell below a certain level, resulting in the Company and certain consolidated subsidiaries having excess liabilities at the end of fiscal 2023. This situation violated the financial covenants outlined in the loan agreement. However, the lending institutions have agreed not to make this claim for forfeiture, and we expect to continue our good business relationship with the lender as in the past.

Sharp has implemented structural reforms, including production halt at Sakai Display Products Corporation, in the large-size display business and production capacity reduction and personnel optimization, in the small- and medium-size display business, both of which contributed to the losses. At the same time, we will continue our efforts to enhance profitability by creating distinctive products and new product categories and strengthening overseas businesses in the brand businesses.

We determined that there are no significant concerns about cash flow in working capital and investment funds for the time being, as the impairment loss is not one that involves an outflow of

funds and we achieved a total of 135,371 million yen in free cash flow, the sum of cash flows from operating and investing activities. Although events and circumstances exist that may raise significant doubts about our premise of a going concern, no significant uncertainties have been identified. As such, Notes Related to the Going Concern Assumption is not applicable.

(8) Technological innovation (Risk)

Rapid technological advancement and proper response to changes in the business areas where Sharp operates improves the competitiveness of Sharp's products and services, whereas insufficient response to the following items may adversely affect the growth and business results.

- Prediction and response to the technological advancement and rise and fall, and their social significance
- Selection and concentration in R&D, and proper resource allocation
- Technological enhancement for new areas
- Acceleration of R&D in collaboration with external partners

In addition, there are moves to strengthen export control of advanced technologies from the perspective of international security. Export restrictions on products containing more than a certain amount of added value from the targeted technologies could have an indirect impact on our business.

(Countermeasure)

Group research and development is not limited to

mere improvement of technological standards, but also focuses on creating technologies that solve issues arising with rapid changes in society. We focus particularly on the application and development of Edge AI technology in growth areas such as carbon neutrality, industry digital transformation, and digital healthcare. We advance the creation of new services and solutions by effectively utilizing our business foundation built to date to promptly implement necessary technologies in society. We also work to strengthen our technological capabilities and accelerate development through active collaboration outside the Company. Through these initiatives, Sharp reduces risks associated with social changes and technological innovations, and aims to become a brand company that continues to grow sustainably through technological advancement.

In addition to complying with export and import control laws and regulations in the operational activities, Sharp executes control for export and import in conformance with laws and regulations as well as regulatory situation in each country and region in R&D to deal with the tightening of control of emerging technologies involving social platforms for global infrastructure, defense, security, and so on.

(9) Intellectual property rights (Risk)

Sharp strives to protect its unique technologies by acquiring intellectual property rights in Japan and in other countries, and by concluding contracts

with other companies. There may also be instances in which no rights are granted to the group's patent applications, or where a third party launches litigation against Sharp, claiming infringement of intellectual property rights.

Resolution of cases may place a significant financial burden on Sharp. Furthermore, if a third party claim against Sharp is recognized, Sharp may be subject to damages, including by having to pay a large amount of compensation, or by having to cease using the technology in question.

In addition, intellectual property that Sharp holds may not result in a superior competitive advantage, or Sharp may not be able to make effective use of such intellectual property, such as when a third party infringes on the intellectual property rights of Sharp.

If any of the above problems related to intellectual property rights were to occur, it could impact Sharp's business results and financial position.

(Countermeasure)

Under recognition that the intellectual property rights are important assets for a company, Sharp strives to actively create intellectual properties, and tries to acquire strong rights by mainly using Sharp's subsidiary Sharp IP Infinity Co., Ltd., its intellectual property rights application and acquisition division.

Before releasing its products, Sharp checks the clearance of intellectual property rights by thoroughly checking the intellectual property rights of third parties, and at the same time, Sharp improves clearance accuracy by standardizing the clearance process. Thus, Sharp implements measures against

Risk Factors

the risk of infringing on the intellectual property rights of third parties.

Further, Sharp maximizes the use of intellectual property rights in conjunction with the business and R&D strategies, and at the same time, protects its intellectual property rights and fully respects the intellectual property rights of third parties. In principle, Sharp resolves a dispute concerning an infringement of rights through dialogue, but if its intellectual property rights are not respected by third parties, Sharp does not hesitate to seek a judgment by third parties, such as a court.

(10) Product liability

(Risk)

Many of Sharp's products are for consumer use, and also incorporate innovative technologies. If defects arise in any of these products, Sharp may incur responsibility as a manufacturer and other obligations.

There is a risk of a large-scale product recall or litigation caused by unforeseen events, which may adversely affect Sharp's brand image or influence its business results and financial position.

(Countermeasure)

Sharp not only complies with public safety standards in each country to ensure the safety of its products but also improves safety by combining the risk assessment policy with its unique safety criteria. To ensure safety even if an unexpected problem arises, in particular criteria for inflammable structure, malfunction test, etc. were established, and they are revised when necessary to pursue a higher level of safety, and training is performed

for internal stakeholders to ensure that the safety criteria are understood and shared by the design and quality departments. Sharp has established a system to ensure safety to make sure that an emergency action can be taken quickly and appropriately when a problem arises. In order to fulfill its responsibility as a manufacturer in case product defects do arise, Sharp has taken out insurance to cover compensations based on product liability.

(11) Competition to secure skilled personnel

(Risk)

Failure to secure skilled personnel in the technology and management fields could affect Sharp's business results and financial position.

(Countermeasure)

Sharp implements the following measures to secure skilled personnel in the technology and management fields.

Sharp actively hires new graduates in order to acquire new talents according to its business policies. Sharp also actively hires experienced personnel in order to secure core personnel responsible for new businesses.

Sharp created education and training programs that allow all employees to acquire basic and professional knowledge by self-driven learning to develop professional personnel who can fulfill their professional duties.

As a platform where diverse human resources can work with peace of mind, Sharp actively implements initiatives in consideration of the work-life balance of employees, such as creating various

programs to strike a balance between work and child upbringing/care/treatment.

(12) The impact of climate change

(Risk)

Group business results and financial position could be affected by stricter regulations on greenhouse gas emissions, increased energy costs associated with the introduction of a carbon tax, and tighter measures to reduce greenhouse gas emissions. In addition, disasters caused by increasingly larger typhoons and greater precipitation due to climate change may cause production sites to suspend operations or interrupt parts supply.

(Countermeasure)

Sharp ensures compliance with existing regulations and standards. In addition, we strive to remain abreast of legal and regulatory trends and participate in policy-making opportunities. We also endeavor to reduce or minimize our cost burden by improving production efficiency and energy conservation. Further, Sharp has formulated a business continuity plan in the event that production sites or employees suffer damage from natural disasters. We maintain and improve our organization's business continuity capabilities through regular reviews and drills.

In addition to the risks above, there are various potential risks, including a risk of dealing with a large number of clients, capital investment risk, regulatory risk, or large-scale natural disaster risk.

There are other potential risks that are not mentioned in this section which may adversely affect Sharp's business results and financial position.

(Risk management system)

Sharp sees the risk management as "one of the important activities to fulfill our social responsibilities by growing the business sustainably and meeting the expectations of our stakeholders." Specifically, Sharp has established the Business Risk Management Guidelines as basic rules for the risk management, created a company-wide risk management system in line with the guidelines, and selected risks that have significant impact on the business as "specific risks" and manages them.

To respond to changes in the business and market environments, Sharp considers adding or changing specific risks every fiscal year for all specific risks, evaluating and reviewing the added or changed specific risks. The functional department that manages company-wide risks works together with business units in charge of managing their business segments to minimize and mitigate risks and take the necessary measures to prevent them. In addition, in case a specific risk arises, the department where the incident arises reports it to the internal control department that serves as risk management secretariat as well as management, works together with the relevant departments to respond to the relevant incident, and, when necessary, considers company-wide improvement measures to prevent recurrence.

Members of the Board, Executives and Chairman

(As of June 27, 2024)

Members of the Board



Member of the Board
(Representative)

Po-Hsuan Wu

Board of Directors Chairperson



Member of the Board
(Representative)

Masahiro Okitsu



Member of the Board

Akira Kiyota

○ ■



Member of the Board

Ching-Ray Chang

○ ■



Member of the Board

Seiichi Nagatsuka

○ ■



Member of the Board

Yumiko Kajiwara

○ ■



Member of the Board
(Member of Audit
& Supervisory Committee)

Hsu-Tung Lu ○

Audit & Supervisory Committee
Committee Chair



Member of the Board
(Member of Audit
& Supervisory Committee)

Yasuo Himeiwa ○ ■



Member of the Board
(Member of Audit
& Supervisory Committee)

Yutaka Nakagawa ○ ■

○ Outside Directors
■ Independent Directors

Nominating Committee and Compensation Committee Members (○ indicates chairperson)

• Nominating Committee: Yutaka Nakagawa○, Akira Kiyota, Yumiko Kajiwara, Po-Hsuan Wu, Masahiro Okitsu

• Compensation Committee: Yutaka Nakagawa○, Akira Kiyota, Yumiko Kajiwara, Po-Hsuan Wu, Masahiro Okitsu

Members of the Board	Attendance at Board/ Audit and Supervisory Committee in FY2023 (Meetings attended/ No. of meetings held)(%)	Skills Matrix				
		Corporate Management and Business Strategy	International Business and Overseas Expertise	Engineering and Technology	Finance and Accounting	Risk Management and Compliance
Po-Hsuan Wu	Board of Directors (12/12)(100%)	○	○		○	○
Masahiro Okitsu	Board of Directors (12/12)(100%)	○	○	○		○
Akira Kiyota	—	○	○		○	○
Ching-Ray Chang	—	○	○	○		○
Seiichi Nagatsuka	—	○	○			○
Yumiko Kajiwara	—	○	○	○		○
Hsu-Tung Lu	Board of Directors (12/12)(100%) Audit & Supervisory Committee (16/16)(100%)		○		○	○
Yasuo Himeiwa	Board of Directors (12/12)(100%) Audit & Supervisory Committee (16/16)(100%)		○		○	○
Yutaka Nakagawa	Board of Directors (12/12)(100%) Audit & Supervisory Committee (16/16)(100%)	○	○	○		○

Executives

Deputy Chairman	Po-Hsuan Wu	Executive Managing Officer	Yasufumi Sugahara
President & Chief Executive Officer	Masahiro Okitsu	Executive Managing Officer	Tetsuji Kawamura
Senior Executive Managing Officer Chief Financial Officer	Yoshio Kosaka	Executive Officer	Yoshiro Nakano
Senior Executive Managing Officer Chief Technical Officer	Mototaka Taneya	Executive Officer	Katsuhiko Kawai

Chairman

Chairman **Young-Way Liu**

Financial Section

- 28 Financial Review
- 31 Consolidated Balance Sheets
- 32 Consolidated Statements of Operations
- 32 Consolidated Statements of Comprehensive Income
- 33 Consolidated Statements of Changes in Equity
- 34 Consolidated Statements of Cash Flows
- 35 Notes to Consolidated Financial Statements
- 76 Consolidated Subsidiaries

Financial Review

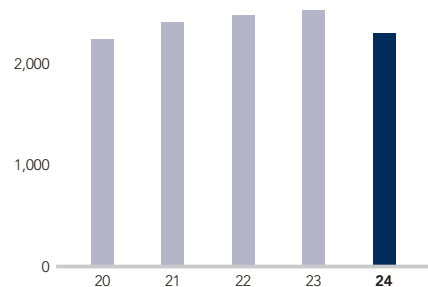
Sharp Corporation and Consolidated Subsidiaries

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2024 amounted to ¥2,321,921 million, down ¥226,196 million (8.9%) year on year.

Net Sales

(billions of yen)
3,000

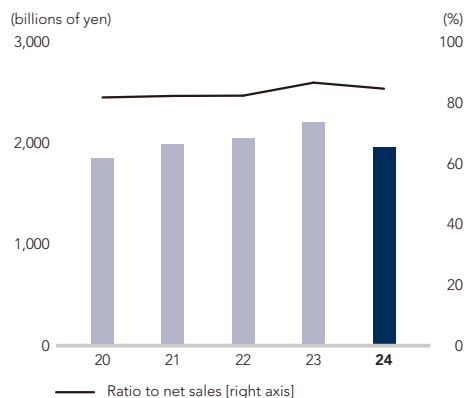


Financial Results

Cost of sales decreased ¥243,253 million to ¥1,974,032 million, while our cost of sales ratio decreased from 87.0% to 85.0% year on year.

Cost of Sales

(billions of yen)
3,000



Selling, general and administrative (SG&A) expenses increased ¥11,681 million to ¥368,232 million. The ratio of SG&A expenses against net sales increased from 14.0% to 15.9% year on year. SG&A expenses included salaries and allowances of ¥126,025 million, retirement benefit expenses of ¥4,720 million, transportation and storage costs of ¥44,364 million, and research and development expenses of ¥19,688 million.

As a result, operating loss amounted to ¥20,343 million, compared to operating loss of ¥25,719 million in the previous fiscal year.

Non-operating income decreased ¥599 million to ¥40,084 million mainly due to a decrease in investment income and foreign exchange gains, despite an increase in share of profit of entities accounted for using equity method. Non-operating expenses decreased ¥18,626 million to ¥26,825 million, mainly due to a decrease in share of loss of entities accounted for using equity method.

Extraordinary income decreased ¥4,898 million to ¥14,934 million, mainly due to a decrease in gain on step acquisitions. Extraordinary losses decreased ¥82,975 million to ¥145,413 million, mainly due to a decrease in impairment losses.

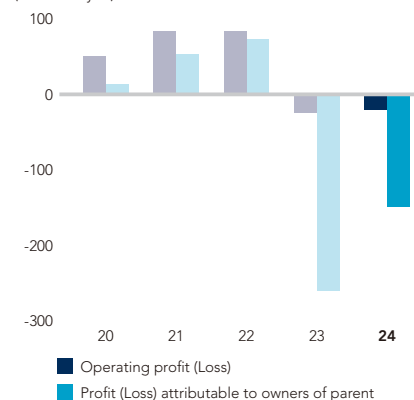
As a result, loss before income taxes totaled ¥137,563 million, compared to loss before income taxes of ¥239,043 million in the previous fiscal year.

Loss attributable to owners of parent amounted ¥149,980 million compared to loss attributable to owners of parent of ¥260,840 million in the previous fiscal year.

Loss per share of common stock was ¥230.99.

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

(billions of yen)



Segment Information

<Brand Businesses>

[Smart Life & Energy]

Sales decreased 7.4% year on year to ¥441,315 million. Sales in the white goods business decreased despite strong air conditioner sales supported by the launch of a new plant in Indonesia. This decrease was mainly due to sluggish market conditions for cooking appliances, vacuum cleaners, and washing machines. Sales decreased in the energy solutions business due to a downturn in the EPC business stemming from market conditions, despite steady growth in the domestic market for residential uses. Segment income decreased 6.8% year on year to ¥27,373 million, mainly due to lower sales and the impact of the weakening yen.

[Smart Office]

Sales increased 3.6% to ¥582,003 million. Sales in the business solutions business increased. Although sales of information displays declined as a result of our efforts to reduce distribution inventories, the MFP and office solutions businesses grew significantly, particularly in Europe and the Americas. This growth was mainly due to a recovery in office demand. An expanded share in corporate and government sectors in Japan drove sales growth in the PC business, despite weak market conditions. Segment income increased 104.3% year on year to ¥29,674 million. This increase was mainly driven by the effects of structural reforms, the advancement of value-added initiatives in the PC and office solutions businesses, and increased sales in the MFP and office solutions businesses.

[Universal Network]

Sales decreased 6.7% year on year to ¥311,891 million. In the TV business, sales decreased despite progress in the sales of high value-added models. This result was due to weak market conditions in Japan, price competition effects on sales in Asia, and the prioritization of profitable businesses over sales volume in China. Sales decreased in the mobile communication business due to weak domestic market conditions. Segment income amounted to ¥8,880 million, compared to a segment loss of ¥7,807 million in the previous fiscal year due to increased profits in both the TV and mobile communication businesses. Despite lower sales, this increase was attributed to the effects of structural reforms,

Financial Review

progress in creating higher value-added offerings, and the posting of one-time revenues in the mobile communication business.

<Device Businesses>

[Display Device]

Sales decreased 19.1% year on year to ¥614,950 million. Sales of large-size displays increased due to improved demand, while sales of small- and medium-size displays declined. Segment loss amounted to ¥83,290 million, compared to

segment loss of ¥66,482 million in the previous fiscal year. Loss in the small- and medium-size display business increased due to the lower sales, despite the improvement in earnings of large-size display business.

[Electronic Device]

Sales decreased 12.3% year on year to ¥416,981 million, mainly due to a customer demand fluctuation and a decline in LCD driver sales from sluggish demand for displays. Segment income

decreased 8.2% year on year to ¥13,583 million, mainly due to lower sales despite cost reduction efforts.

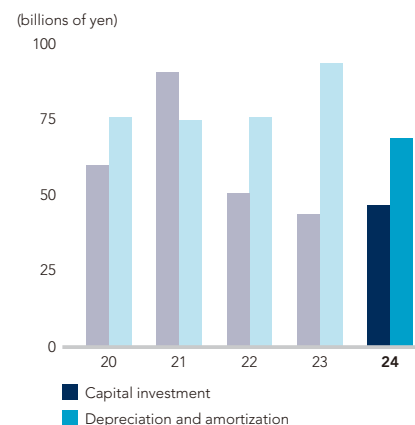
Capital Investment and Depreciation

Capital investment totaled ¥47,647 million, up 7.0% year on year, primarily in the introduction of display device production equipment.

By business segment, capital investment was ¥4,296 million for Smart Life & Energy, ¥9,852 million for Smart Office, ¥553 million for Universal Network, ¥19,882 million for Display Device, and ¥11,705 million for Electronic Device. Unallocated capital investment amounted to ¥1,356 million, primarily for the research and development division and headquarters.

Depreciation and amortization decreased by 26.8% to ¥69,182 million year on year.

Capital Investment/ Depreciation and Amortization



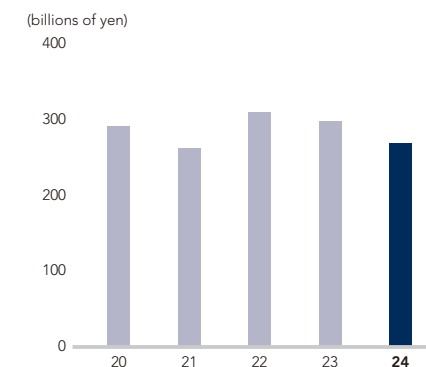
Assets, Liabilities and Net Assets

Total assets at fiscal year-end amounted to ¥1,590,032 million, down ¥182,928 million from the previous fiscal year.

Assets

Current assets amounted to ¥990,228 million, down ¥96,858 million from the end of the previous fiscal year. This result was mainly due to the changes in cash and deposits, notes and accounts receivable-trade and contract assets, and inventories decreased by ¥34,927 million, ¥30,519 million, and ¥29,722 million, respectively from the end of the previous fiscal year. Notes and accounts receivable-trade and contract assets amounted to ¥407,538 million. Inventories amounted to ¥269,584 million. Within total inventories, finished goods decreased ¥18,204 million to ¥153,630 million, work in process decreased ¥14,991 million to ¥61,916 million, and raw materials and supplies increased ¥3,473 million to ¥54,037 million.

Inventories



Sales by Segment

	Yen (millions)	
	2023	2024
Smart Life & Energy	¥ 476,832	¥ 441,315
Smart Office	561,768	582,003
Universal Network	334,116	311,891
Display Device	759,953	614,950
Electronic Device	475,589	416,981
Subtotal	2,608,261	2,367,142
Adjustments	(60,144)	(45,221)
Total	2,548,117	2,321,921

Segment Income (Loss) by Segment

	Yen (millions)	
	2023	2024
Smart Life & Energy	¥ 29,381	¥ 27,373
Smart Office	14,526	29,674
Universal Network	(7,807)	8,880
Display Device	(66,482)	(83,290)
Electronic Device	14,799	13,583
Subtotal	(15,582)	(3,778)
Adjustments	(10,137)	(16,564)
Total	(25,719)	(20,343)

Financial Review

Property, plant and equipment decreased ¥109,133 million from the end of the previous fiscal year to ¥280,123 million.

Investments and other assets amounted to ¥288,599 million, up ¥27,828 million from the end of the previous fiscal year.

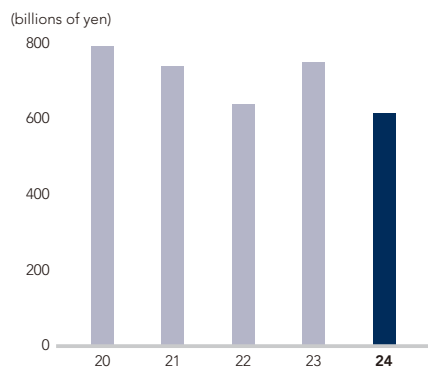
Liabilities

Current liabilities decreased ¥26,206 million from the end of the previous fiscal year to ¥856,357 million. This result was mainly due to a decrease of ¥47,927 million in short-term borrowings, while accrued expenses increased by ¥10,015 million from the end of the previous year.

Non-current liabilities decreased ¥91,784 million from the end of the previous year to ¥576,250 million. This result was mainly due to a decrease of ¥85,104 million in long-term borrowings.

Interest-bearing debt totaled ¥617,592 million at the end of the fiscal year, down ¥133,546 million from the end of the previous fiscal year.

Interest-Bearing Debt

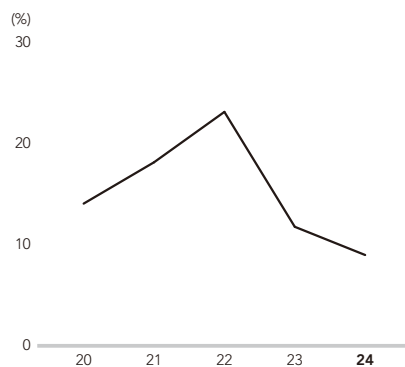


Net Assets

Net assets amounted to ¥157,424 million, down ¥64,937 million compared to the previous fiscal year-end balance of ¥222,362 million. This result was mainly due to a decrease in retained earnings from the recording of loss attributable to owners of parent despite an increase in foreign currency translation adjustment due to the weakening yen.

Our equity ratio was 9.0%.

Equity Ratio



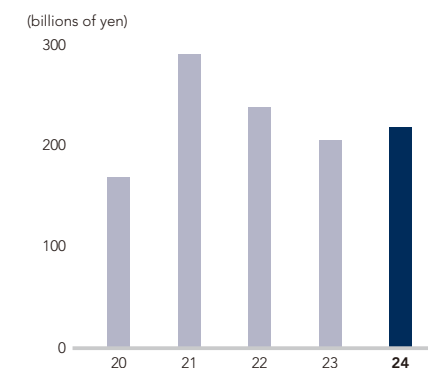
Cash Flows

Cash and cash equivalents were ¥219,128 million, up ¥12,515 million from the end of the previous fiscal year.

Cash provided by operating activities amounted to ¥124,495 million, up ¥109,749 million compared to cash provided of ¥14,746 million in the previous fiscal year. This increase was mainly due to increases in cash flows of ¥41,628 million from changes in trade payables and ¥15,243 million from changes in accounts receivable-trade, and contract assets compared to the previous fiscal year. Although we recorded a ¥137,563 million loss before income taxes during the current fiscal year, this loss was mainly due to the recognition of non-cash impairment losses totaling ¥122,332 million.

Cash provided by investing activities totaled ¥10,875 million, up ¥51,843 million compared to cash used of ¥40,967 million in the previous fiscal year. Cash used in financing activities was ¥149,668 million, up ¥131,184 million compared to cash used of ¥18,483 million in the previous fiscal year. These results are mainly due to the repayment of long-term borrowings using funds from operating activities and withdrawals of time deposits, which reduced interest-bearing debt.

Cash and Cash Equivalents



Notes:

- Effective from the consolidated fiscal year ended March 31 2024, Sharp has reclassified five segments, consisting of Smart Life, 8K Ecosystem, ICT, Display Device, and Electronic Device into five segments, consisting of Smart Life & Energy, Smart Office, Universal Network, Display Device, and Electronic Device. Figures for the fiscal year ended March 31, 2023 have been adjusted to reflect the new classification.
- Sales figures by segment shown in Segment Information include internal sales and transfers among segments. Segment income figures are amounts before adjustment for intersegment transactions.
- 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, 2023 and 2024

	Yen (millions)	
	2023	2024
ASSETS		
Current Assets		
Cash and deposits (Notes 2 (c) and 6)	¥ 262,058	¥ 227,130
Notes and accounts receivable - trade and contract assets (Notes 2 (c), 2 (f), and 8)	438,057	407,538
Inventories (Notes 2 (b) and (c))	299,307	269,584
Other (Notes 2 (c) and 7)	90,713	90,998
Allowance for doubtful accounts	(3,049)	(5,024)
Total current assets	1,087,087	990,228
Non-current Assets		
Property, plant and equipment		
Buildings and structures (Note 2 (c))	695,180	623,523
Machinery, equipment and vehicles (Note 2 (c))	1,181,932	1,164,709
Tools, furniture and fixtures (Note 2 (c))	170,801	144,944
Land (Note 2 (c))	76,467	69,641
Construction in progress	24,982	7,126
Other	57,352	68,580
Accumulated depreciation	(1,817,459)	(1,798,401)
Total property, plant and equipment	389,257	280,123
Intangible assets		
Software	23,322	20,988
Goodwill	6,284	5,422
Other	6,237	4,669
Total intangible assets	35,845	31,080
Investments and other assets		
Investment securities (Notes 2 (a), 2 (c), 8 and 9)	216,207	238,581
Retirement benefit asset (Note 12)	6,214	5,363
Deferred tax assets (Note 14)	18,127	21,872
Other (Notes 2 (c) and 7)	22,667	24,268
Allowance for doubtful accounts	(2,445)	(1,485)
Total investments and other assets	260,770	288,599
Total non-current assets	685,873	599,803
Total assets	¥ 1,772,961	¥ 1,590,032

	Yen (millions)	
	2023	2024
LIABILITIES		
Current Liabilities		
Notes and accounts payable — trade	¥ 328,899	¥ 318,159
Electronically recorded obligations — operating	42,973	37,094
Short-term borrowings (Notes 2 (c), 2 (g) and 11)	163,896	115,969
Lease liabilities	18,966	16,264
Accrued expenses	114,638	124,653
Provision for bonuses	15,791	17,423
Provision for product warranties	12,165	16,685
Provision for sales promotion expenses	4,120	2,830
Provision for restructuring	1,024	4,903
Other provisions	6,104	7,702
Other (Notes 2 (c), 2 (f) and 11)	173,982	194,669
Total current liabilities	882,563	856,357
Non-current Liabilities		
Long-term borrowings (Notes 2 (c), 2 (g), 8 and 11)	542,727	457,623
Deferred tax liabilities (Note 14)	15,065	20,345
Provision for product warranties	5,894	5,756
Provision for restructuring	—	6,286
Other provisions	2,669	2,991
Retirement benefit liability (Note 12)	72,019	52,911
Other (Note 11)	29,657	30,336
Total non-current liabilities	668,034	576,250
Total liabilities	1,550,598	1,432,607
NET ASSETS		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	148,929	148,594
Retained earnings	59,802	(90,178)
Treasury shares	(13,749)	(13,387)
Total shareholders' equity	199,982	50,028
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,469	40,396
Deferred gains or losses on hedges	475	508
Foreign currency translation adjustment	(2,266)	52,870
Remeasurements of defined benefit plans	(16,211)	(1,381)
Total accumulated other comprehensive income	8,467	92,393
Share acquisition rights (Note 5 (b))	293	756
Non-controlling interests	13,618	14,246
Total net assets	222,362	157,424
Total liabilities and net assets	¥ 1,772,961	¥ 1,590,032

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

Consolidated Statements of Operations

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years ended March 31, 2023 and 2024

	Yen (millions)	
	2023	2024
Net Sales (Notes 3 (a), 16 and 17)	¥ 2,548,117	¥ 2,321,921
Cost of Sales (Notes 3 (b) and (d))	2,217,285	1,974,032
Gross profit	330,831	347,888
Selling, General and Administrative Expenses (Notes 3 (c) and (d))	356,550	368,232
Operating loss (Note 17)	(25,719)	(20,343)
Non-operating Income		
Interest income	2,681	4,556
Dividend income	1,533	1,865
Rental income from non-current assets	4,396	4,580
Foreign exchange gains	17,223	13,365
Share of profit of entities accounted for using equity method	—	8,359
Investment income	6,907	1,130
Other	7,942	6,225
Total non-operating income	40,683	40,084
Non-operating Expenses		
Interest expenses	9,296	10,801
Rental expense on non-current assets	3,471	3,215
Share of loss of entities accounted for using equity method	20,401	—
Inactive asset expenses	4,221	3,725
Other	8,060	9,081
Total non-operating expenses	45,451	26,825
Ordinary loss	(30,487)	(7,084)
Extraordinary Income		
Gain on sale of non-current assets (Note 3 (e))	7,126	3,622
Gain on sale of investment securities	17	113
Gain on sale of shares of subsidiaries and associates	—	818
Gain on step acquisitions (Note 3 (f))	12,422	1,312
Gain on change in equity (Note 3 (g))	261	4,203
Gain on reversal of liabilities (Note 3 (g))	—	4,863
Gain on reversal of share acquisition rights	4	1
Total extraordinary income	19,833	14,934
Extraordinary Losses		
Loss on sale and retirement of non-current assets (Note 3 (h))	1,269	1,370
Impairment losses (Note 3 (i))	220,553	122,332
Loss on valuation of investment securities	138	2,885
Loss from cancellation of made-to-order production (Note 3 (b) and (j))	—	4,718
Loss on sale of businesses (Note 3 (k))	—	2,327
Business restructuring expenses (Note 3 (l))	4,451	11,777
Provision for loss on litigation (Note 3 (m))	1,976	—
Total extraordinary losses	228,389	145,413
Loss before income taxes	(239,043)	(137,563)
Income Taxes (Note 14)		
Current	15,660	14,552
Deferred	6,950	(2,030)
Total income taxes	22,610	12,522
Loss	(261,654)	(150,085)
Loss attributable to non-controlling interests	(814)	(104)
Loss attributable to owners of parent	¥ (260,840)	¥ (149,980)

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, 2023 and 2024

	Yen (millions)	
	2023	2024
Loss	¥ (261,654)	¥ (150,085)
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	6,301	13,911
Deferred gains or losses on hedges	(1,345)	35
Foreign currency translation adjustment	14,868	51,492
Remeasurements of defined benefit plans, net of tax	(12,657)	14,763
Share of other comprehensive income of entities accounted for using equity method	(7,882)	5,464
Total other comprehensive income (Note 4)	(714)	85,667
Comprehensive Income	(262,369)	(64,418)
Comprehensive income attributable to:		
Owners of parent	(261,546)	(66,054)
Non-controlling interests	(822)	1,636

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, 2023 and 2024

	Yen (millions)												
	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights (Note 5 (b))	Non-controlling interests	Total net assets
Balance at beginning of the year ended March 31, 2023	¥ 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
Cumulative effects of changes in accounting policies			(143)		(143)								(143)
Restated balance	5,000	108,623	345,075	(13,747)	444,951	20,169	1,835	(9,085)	(3,745)	9,173	304	14,696	469,126
Changes during period													
Dividends of surplus			(24,432)		(24,432)								(24,432)
Loss attributable to owners of parent			(260,840)		(260,840)								(260,840)
Increase by share exchanges		40,337			40,337								40,337
Change in ownership interest of parent due to transactions with non-controlling interests		(31)			(31)								(31)
Purchase of treasury shares				(2)	(2)								(2)
Net changes in items other than shareholders' equity						6,300	(1,359)	6,818	(12,466)	(706)	(11)	(1,077)	(1,795)
Total changes during period	—	40,306	(285,273)	(2)	(244,968)	6,300	(1,359)	6,818	(12,466)	(706)	(11)	(1,077)	(246,763)
Balance at end of the year ended March 31, 2023	¥ 5,000	¥ 148,929	¥ 59,802	¥ (13,749)	¥ 199,982	¥ 26,469	¥ 475	¥ (2,266)	¥ (16,211)	¥ 8,467	¥ 293	¥ 13,618	¥ 222,362

	Yen (millions)												
	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings (Note 5 (c))	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights (Note 5 (b))	Non-controlling interests	Total net assets
Balance at beginning of the year ended March 31, 2024	¥ 5,000	¥ 148,929	¥ 59,802	¥ (13,749)	¥ 199,982	¥ 26,469	¥ 475	¥ (2,266)	¥ (16,211)	¥ 8,467	¥ 293	¥ 13,618	¥ 222,362
Changes during period													
Loss attributable to owners of parent			(149,980)		(149,980)								(149,980)
Change in ownership interest of parent due to transactions with non-controlling interests		(2)			(2)								(2)
Purchase of treasury shares				(1)	(1)								(1)
Disposal of treasury shares		(333)		363	29								29
Net changes in items other than shareholders' equity						13,926	33	55,136	14,829	83,926	463	627	85,017
Total changes during period	—	(335)	(149,980)	361	(149,954)	13,926	33	55,136	14,829	83,926	463	627	(64,937)
Balance at end of the year ended March 31, 2024	¥ 5,000	¥ 148,594	¥ (90,178)	¥ (13,387)	¥ 50,028	¥ 40,396	¥ 508	¥ 52,870	¥ (1,381)	¥ 92,393	¥ 756	¥ 14,246	¥ 157,424

Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2023 and 2024

	Yen (millions)	
	2023	2024
Cash Flows from Operating Activities:		
Loss before income taxes	¥ (239,043)	¥ (137,563)
Depreciation	89,799	66,215
Interest and dividend income	(4,214)	(6,422)
Interest expenses	9,296	10,801
Share of loss (profit) of entities accounted for using equity method	20,401	(8,359)
Investment expenses (income)	(6,907)	(1,130)
Loss (gain) on sale and retirement of non-current assets	(5,857)	(2,251)
Impairment losses	220,553	122,332
Loss (gain) on valuation of investment securities	138	2,885
Loss (gain) on sale of investment securities	(17)	(113)
Loss (gain) on sale of shares of subsidiaries and associates	—	(818)
Loss (gain) on step acquisitions	(12,422)	(1,312)
Loss (gain) on change in equity	(261)	(4,203)
Gain on reversal of liabilities	—	(4,863)
Loss from cancellation of made-to-order production	—	4,718
Loss on sale of businesses	—	2,327
Gain on reversal of share acquisition rights	(4)	(1)
Business restructuring expenses	4,451	11,777
Provision for loss on litigation	1,976	—
Decrease (increase) in trade receivables and contract assets	41,579	56,822
Decrease (increase) in accounts receivable — other	2,207	(2,982)
Decrease (increase) in inventories	45,354	48,012
Increase (decrease) in trade payables	(82,201)	(40,572)
Other, net	(44,484)	24,802
Subtotal	40,343	140,102
Interest and dividends received	8,078	10,906
Interest paid	(8,918)	(8,661)
Income taxes refund (paid)	(13,946)	(10,052)
Payments for business restructuring	(998)	(4,210)
Settlement paid	(9,813)	(3,588)
Net cash provided by (used in) operating activities	14,746	124,495

	Yen (millions)	
	2023	2024
Cash Flows from Investing Activities:		
Payments into time deposits	(98,943)	(12,004)
Proceeds from withdrawal of time deposits	91,739	61,231
Purchase of property, plant and equipment	(43,565)	(40,874)
Proceeds from sale of property, plant and equipment	9,828	5,149
Purchase of intangible assets	(13,449)	(11,699)
Purchase of investment securities	(2,472)	(1,871)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation (Note 6 (b))	—	(364)
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6 (c))	(26)	(166)
Proceeds from sale of businesses	619	—
Other, net	15,301	11,476
Net cash provided by (used in) investing activities	(40,967)	10,875
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term borrowings	25,854	7,439
Proceeds from long-term borrowings	1	11,203
Repayments of long-term borrowings	(10,908)	(157,207)
Dividends paid	(24,425)	(25)
Other, net	(9,006)	(11,077)
Net cash provided by (used in) financing activities	(18,483)	(149,668)
Effect of Exchange Rate Change on Cash and Cash Equivalents	9,859	26,812
Net Increase (Decrease) in Cash and Cash Equivalents	(34,845)	12,515
Cash and Cash Equivalents at Beginning of Period	239,359	206,612
Increase in Cash and Cash Equivalents Resulting from Share Exchanges (Note 6 (d))	2,099	—
Cash and Cash Equivalents at End of Period (Note 6 (a))	¥ 206,612	¥ 219,128

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 116 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 12 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, 2024 were as follows:

(Included in scope)

SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. (company name changed from FIT ELECTRONICS DEVICE PTE. LTD. on July 27, 2023)

And 4 others

(Excluded from scope)

Kantatsu Co., Ltd.

And 6 others

Changes in the nonconsolidated subsidiaries and affiliates accounted for using equity method for the fiscal year ended March 31, 2024 were as follows:

(Excluded from scope)

FIT ELECTRONICS DEVICE PTE. LTD

And 3 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-

Notes to Consolidated Financial Statements

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 transfer ownership is computed by the same method as applied to non-current assets owned by the Company.

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 allowance for general receivables is primarily determined based on the historical bad debt ratio. The allowance for particular receivables, including those from debtors at risk of bankruptcy, is estimated for uncollectable amounts, which are determined by examining individual levels of recoverability 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

In order to prepare for expenses related to product quality assurance, the Company and its consolidated subsidiaries accrue estimated future warranty amounts based on past performance for after-sales service costs within the warranty period. Additionally, the expected costs for individual cases are also accrued.

(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 revenue recorded by 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 remaining 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 Company and its consolidated subsidiaries ("the Group") recognize 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

Notes to Consolidated Financial Statements

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 are usually received within approximately one year from the time each performance obligation is satisfied. The Group applies the exemption rule to these contracts, and no adjustments for financing components have been made.

(o) Significant hedge accounting methods

(1) Deferred and other hedge accounting methods

The Company uses deferred hedge accounting for foreign exchange forward contracts for certain consolidated subsidiaries and interest rate swaps of the Company. The allocation method is used for foreign exchange forward contracts that meet the requirements for the allocation method, and special accounting is used for interest rate swaps that meet the requirements for special accounting.

(2) Hedging instruments and hedged items

a. Hedging instrument: Foreign exchange forward contracts

Hedged items: Assets and liabilities denominated in foreign currencies (mainly receivables and payables related to export and import transactions)

b. Hedging instrument: interest rate swaps

Hedged items: Borrowings with variable interest rates

(3) Hedging policy

Foreign exchange forward contracts are used to hedge the exchange rate fluctuation risks associated with assets and liabilities in accordance with the Company’s internal rules or the basic rules established under the Company’s guidance. Furthermore, the Company uses interest rate swaps in order to hedge the interest rate fluctuation risks associated with borrowings from financial institutions.

(4) Method for evaluating hedge effectiveness

An evaluation of hedge effectiveness is omitted because the major conditions of the hedging instruments and the hedged items are consistent and the market fluctuations or cash flow fluctuations are assumed to be completely offset at the time of commencement of the hedge and thereafter on an ongoing basis.

(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) Major accounting estimates

(1) Valuation of inventories

- i) Amount recorded in the consolidated financial statements as of March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Inventories	¥ 299,307	¥ 269,584

- 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.

Notes to Consolidated Financial Statements

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, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Property, plant and equipment	¥ 389,257	¥ 280,123
Intangible assets	35,845	31,080
Investment securities	216,207	238,581

- 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.

Additionally, investment securities of ¥238,581 million recorded in the fiscal year ended March 31, 2024 include investments in equity-method affiliates of ¥103,157 million. If the equity-method affiliates recognize impairment losses in the next fiscal year or thereafter, the Group may recognize the share of loss of entities accounted for using equity method in the consolidated financial statements.

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

As stated in “(d) Contingent liabilities” in “2. Notes to Consolidated Balance Sheets” in “Consolidated Financial Statements, etc.,” the Company entered into long-term contracts with several suppliers with respect to electricity and other forms of input at the Sakai plant. Despite Sakai Display Products Corporation’s decision to cease LCD panel production, the Company plans to continue to utilize the Sakai Plant and therefore no provision is recorded in the current consolidated fiscal year. The amount of future minimum payments under the contracts was disclosed as a contingent liability. It may be necessary in the next fiscal year or thereafter to record provisions, depending on the utilization status of the Sakai Plant.

(s) Unapplied accounting standard

The accounting standards issued by March 31, 2024 but not yet applied as of March 31, 2024 were as follows.

The monetary impact arising from the application of this standard is under evaluation.

The Company and its domestic subsidiaries

Name of the standards		Description of the standards	Planned adoption period
ASBJ Statement No. 27 (October 28, 2022)	Accounting Standard for Current Income Taxes	Revision of classification of tax expenses (taxation on other comprehensive income)	From the year ending March 31, 2025
ASBJ Statement No. 25 (October 28, 2022)	Accounting Standard for Presentation of Comprehensive Income	Revision of the tax effect on the sale of subsidiary shares, etc. (shares of subsidiaries or affiliates) when applying the group tax relief system	
ASBJ Guidance No. 28 (October 28, 2022)	Guidance on Accounting Standard for Tax Effect Accounting		

(t) Changes in presentation method

(Consolidated balance sheets)

(1) “Provision for loss on litigation,” which was separately presented under “Current liabilities” in the fiscal year ended March 31, 2023, has been included in “Other provisions” under “Current liabilities” as its materiality has diminished in the consolidated balance sheets. Meanwhile, “Other provisions,” which was included in “Other” under “Current liabilities” in the fiscal year ended March 31, 2023, has been separately presented in the fiscal year ended March 31, 2024 as its materiality has increased in the consolidated balance sheets. In order to reflect these changes in presentation methods, the consolidated financial statements for the fiscal year ended March 31, 2023 have been reclassified.

As a result, ¥614 million included in “Provision for loss on litigation” under “Current liabilities” and ¥179,472 million included in “Other” under “Current liabilities” in the consolidated balance sheets as of March 31, 2023, have been reclassified as ¥6,104 million in “Other provisions” and ¥173,982 million in “Other.” “Provision for loss on litigation” as of March 31, 2024 is ¥477 million.

(2) “Deferred tax liabilities,” “Provision for product warranties,” and “Other provisions,” which were included in “Other” under “Non-current liabilities” in the fiscal year ended March 31, 2023, have been separately presented in the fiscal year ended March 31, 2024 as their materiality has increased in the consolidated balance sheets. In order to reflect these changes in presentation methods, the consolidated financial statements for the fiscal year ended March 31, 2023 have been reclassified.

As a result, ¥53,287 million included in “Other” under “Non-current liabilities” in the fiscal year ended March 31, 2023, has been reclassified as ¥15,065 million in “Deferred tax liabilities,” ¥5,894 million in “Provision for product warranties,” ¥2,669 million in “Other provisions,” and ¥29,657 million in “Other.”

Notes to Consolidated Financial Statements

(Consolidated statements of operations)

“Rental expenses on non-current assets” and “Inactive asset expenses,” which were included in “Other” under “Non-operating expenses” in the fiscal year ended March 31, 2023, are separately presented as their amounts increased to more than 10/100 of the total non-operating expenses. The consolidated financial statements for the fiscal year ended March 31, 2023 have been reclassified to reflect this change in presentation method.

As a result, ¥15,753 million included in “Other” under “Non-operating expenses” in the consolidated statements of operations as of March 31, 2023, has been reclassified as ¥3,471 million in “Rental expenses on non-current assets,” ¥4,221 million in “Inactive asset expenses,” and ¥8,060 million in “Other.”

(Consolidated statements of cash flows)

“Purchase of shares of subsidiaries resulting in change in scope of consolidation,” which was included in “Other” under “Cash flows from investing activities” in the fiscal year ended March 31, 2023, is separately presented as its materiality has increased. In order to reflect this change in presentation methods, the consolidated financial statements for the fiscal year ended March 31, 2023 have been reclassified.

Meanwhile, “Proceeds from sale of investment securities,” which was separately presented under “Cash flows from investing activities” in the fiscal year ended March 31, 2023, is included in “Other” as its materiality has diminished.

As a result, in the Consolidated Statements of Cash Flows for the fiscal year ended March 31, 2023, ¥191 million in “Proceeds from sale of investment securities” and ¥15,083 million in “Other,” which were presented under “Cash flows from investing activities,” have been reclassified as ¥(26) million in “Purchase of shares of subsidiaries resulting in change in scope of consolidation” and ¥15,301 million in “Other.”

(u) Additional information

(Accounting for foreign exchange forward contracts)

The Company used the allocation method for its foreign currency forward contracts concerning monetary receivables and payables denominated in foreign currencies, and the deferred hedge method for those concerning forecasted transactions denominated in foreign currencies. However, as a result of changes in the method for managing foreign exchange forward contracts, the Company has switched from the above-mentioned methods to a fair value method, which is the principle method under the Accounting Standard for Financial Instruments, effective from the fiscal year ended March 31, 2024.

2. Notes to Consolidated Balance Sheets

(a) Investment in nonconsolidated subsidiaries and affiliates

Investment in nonconsolidated subsidiaries and affiliates as of March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Investment securities	¥ 89,855	¥ 104,283

(b) Inventories

Inventories as of March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Finished goods	¥ 171,835	¥ 153,630
Work in process	76,908	61,916
Raw materials and supplies	50,564	54,037
	¥ 299,307	¥ 269,584

(c) Collateral assets and liabilities secured by collateral

Collateral assets and liabilities secured by collateral as of March 31, 2023 and 2024 were as follows:

(1) Assets pledged as collateral

	Yen (millions)	
	2023	2024
Cash and deposits	¥ 50,023	¥ 2,903
Notes and accounts receivable - trade and contract assets	69,283	66,913
Inventories	81,591	64,966
Other (Current assets)	3,848	6,423
Buildings and structures	159,247	76,326
Machinery, equipment and vehicles	12,019	1,961
Tools, furniture and fixtures	1,237	636
Land	60,852	53,601
Investment securities	39,616	52,104
Other (Investments and other assets)	639	707
	¥ 478,361	¥ 326,545

Notes to Consolidated Financial Statements

(2) Liabilities secured by collateral

	Yen (millions)	
	2023	2024
Short-term borrowings	¥ 46,430	¥ 73
Other (Current liabilities)	27,587	24,341
Long-term borrowings	426,693	373,899
	¥ 500,711	¥ 398,315

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, 2023 and 2024.

(d) Contingent liabilities

(1) Guarantee liabilities

	Yen (millions)	
	2023	2024
Guarantee for employee mortgages	¥ 3,073	¥ 2,409
Guarantee for borrowings of invested companies		
Sermsang Power Corporation Public Company Limited	198	184
	¥ 3,272	¥ 2,593

(2) Endorsed trade notes receivable

	Yen (millions)	
	2023	2024
Endorsed trade notes receivable	¥ 191	¥ 91

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

Fiscal year ended March 31, 2023

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, 2023 were ¥4,891 million (longest remaining term was 6 years). No contract can be terminated before expiration.

Fiscal year ended March 31, 2024

The Company entered into long-term contracts with several suppliers with respect to electricity and other inputs at the Sakai plant.

Sakai Display Products Corporation has decided to cease LCD panel production, but use of electricity is expected to continue as the Company plans to continue to utilize the Sakai Plant. The total amount of future minimum payments under these contracts as of March 31, 2024 was ¥38,458 million (the remaining term was 6 years).

The total amount of future minimum payments under long-term contracts with respect to electricity and other input for businesses other than the above as of March 31, 2024 was ¥1,237 million (the longest remaining term was 5 years).

None of these long-term contracts 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, 2023 and 2024 were as follows.

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

	Yen (millions)	
	2023	2024
Total amount of investment commitment	¥ 132,540	¥ 151,400
Contribution made	115,755	132,226
Remaining committed contribution	¥ 16,784	¥ 19,173

Notes to Consolidated Financial Statements

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

	Yen (millions)	
	2023	2024
Receivables arising from contracts with customers	¥ 433,106	¥ 401,308
Notes receivable	5,123	4,864
Accounts receivable	427,983	396,443
Contract assets	¥ 4,951	¥ 6,230
Contract liabilities	86,838	112,145

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.”

On May 14, 2024, Sakai Display Products Corporation, a consolidated subsidiary, resolved to cease production at the Sakai Plant. The above contract liabilities include advance payments for promised products of ¥45,033 million received by Sakai Display Products Corporation.

(g) Financial covenants

The Company’s principal loan agreements, syndicated loan agreements and commitment line agreements, are subject to financial covenants. If the Group’s consolidated net assets and consolidated ordinary income fall below certain levels, or if the Company or any of its consolidated subsidiaries becomes insolvent, benefit of time of such loans may be forfeited upon demand by the lending financial institutions.

Although some violations of the above financial covenants occurred at the end of the current consolidated fiscal year, the Company has obtained the consent of the financial institutions that they will not demand forfeiture of the benefit of time.

The outstanding borrowings under the above main agreements subject to financial covenants were as follows:

	Yen (millions)	
	2023	2024
Short-term borrowings	¥ 28,000	¥ 35,000
Long-term borrowings	426,693	373,899

3. Notes to Consolidated Statements of Operations

(a) Revenue from contracts with customers

Regarding net sales, revenue from contracts with customers and other revenues are not presented separately. 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

Ending balances of inventories are presented in amounts after deducting valuation losses resulting from a decline in profitability.

Net inventory valuation losses (after offsetting the reversal amount) included in the cost of sales and extraordinary losses (loss from cancellation of made-to-order production) for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Cost of sales	¥3,204	¥ 527
Loss from cancellation of made-to-order production	—	2,059

(c) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Salaries and allowances	¥ 121,538	¥ 126,025
Retirement benefit expenses	3,188	4,720
Transportation and storage costs	44,606	44,364
Research and development expenses	17,013	19,688

(d) Research and development expenses

Research and development expenses included in general and administrative expenses and cost of manufacturing were ¥78,712 million for the fiscal year ended March 31, 2023 and ¥73,015 million for the fiscal year ended March 31, 2024.

Notes to Consolidated Financial Statements

(e) Gain on sale of non-current assets

Major components of gain on sale of non-current assets for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Buildings and structures	¥ 45	¥ 3
Machinery, equipment and vehicles	805	731
Tools, furniture and fixtures	308	215
Land	5,934	2,655
Software	—	1
Other	33	13
	¥ 7,126	¥ 3,622

(f) Gain on step acquisitions

Fiscal year ended March 31, 2023

Sakai Display Products Corporation, which was previously an equity-method affiliate, has been made a wholly owned subsidiary of the Group through a share exchange and included in the scope of consolidation. As a result, gain on step acquisitions was recorded.

Fiscal year ended March 31, 2024

FIT ELECTRONICS DEVICE PTE. LTD., which was previously an equity-method affiliate, has been made a wholly owned subsidiary of the Group through the acquisition of all of its shares and included in the scope of consolidation.

The company was renamed SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. effective July 27, 2023.

(g) Gain on change in equity and Gain on reversal of liabilities

Fiscal year ended March 31, 2024

Gain on change in equity was recorded as share of equity in SDP Global (China) Co., Ltd. (hereinafter, "SDP Global"), which is an equity-method affiliate of Sakai Display Products Corporation (hereinafter, "SDP"), which in turn is a consolidated subsidiary of the Company, decreased from 40.9% to 36.1%.

This change in equity is contingent on the new shareholder of SDP Global, assuming part of SDP's liabilities, and gain on reversal of liabilities is recorded for the amount of liabilities thus assumed.

(h) 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, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Loss on sale:		
Buildings and structures	¥ 166	¥ 373
Machinery, equipment and vehicles	1	8
Tools, furniture and fixtures	2	109
Other	—	7
	¥ 170	¥ 498
Loss on retirement:		
Buildings and structures	¥ 300	¥ 196
Machinery, equipment and vehicles	583	607
Tools, furniture and fixtures	28	51
Software	184	11
Other	1	5
	¥ 1,098	¥ 872
Total:		
Buildings and structures	¥ 467	¥ 569
Machinery, equipment and vehicles	585	615
Tools, furniture and fixtures	31	161
Software	184	11
Other	1	12
	¥ 1,269	¥ 1,370

Notes to Consolidated Financial Statements

(i) 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.

Fiscal year ended March 31, 2023

Use	Type	Location
Business assets, other (8K Ecosystem sales-related assets, etc.)	Buildings and structures, tools, furniture and fixtures, construction in progress, software, goodwill, etc.	Tochigi, Japan Kanagawa, Japan U.S.A., etc.
Business assets (ICT sales-related assets, etc.)	Buildings and structures, tools, furniture and fixtures, software, etc.	Tokyo, Germany, France, etc.
Business assets, other (Display Device LCD business-related production facilities, etc.)	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, construction in progress, software, goodwill, etc.	Osaka, Japan
Business assets (Display Device OLED business-related production facilities, etc.)	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, construction in progress, software	Osaka, Japan
Business assets (Electronic Device production facilities, etc.)	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, software, etc.	China, etc.
Idle assets	Machinery, equipment and vehicles, tools, furniture and fixtures, etc.	Mie, Japan China, etc.

The Company and some of its consolidated subsidiaries in Japan and the U.S.A. recognized an impairment loss of ¥3,729 million for the 8K Ecosystem unit's business assets for the fiscal year ended March 31, 2023, with the book value reduced to the recoverable value, because the investment amount became unrecoverable due to decreasing profitability. Details were ¥421 million for buildings and structures, ¥156 million for tools, furniture and fixtures, ¥0 million for construction in progress, ¥206 million for software, ¥745 million for goodwill, and ¥2,198 million for other. The estimated recoverable amount was evaluated at a net realizable value of zero.

Some consolidated subsidiaries in Japan and Europe recognized an impairment loss of ¥456 million for the ICT unit's business assets for the fiscal year ended March 31, 2023, with the book value reduced to the recoverable value, because they were no longer expected to be used in the future due to the restructuring of the ICT business. Details were ¥5 million for buildings and structures, ¥2 million for tools, furniture and

fixtures, ¥116 million for software, and ¥330 million for other. The estimated recoverable amount was evaluated at a net realizable value of zero.

LCD-related business assets of the Display Device unit in Osaka, where the cash generating unit is identified on a consolidated basis, include an LCD panel production factory, machinery and goodwill resulted from the acquisition of Sakai Display Products Corporation (hereinafter, "SDP"), a consolidated subsidiary of the Company. In the fiscal year ended March 31, 2023, the Company made SDP a wholly owned subsidiary for the purpose of expanding the display business through stable procurement of large-sized LCD panels and with a shift to medium and small-sized panels. However, prices of not only large-sized LCD panels, which SDP produces, but also medium and small-sized panels have fallen significantly, and SDP's future cash flow was expected to fall far short of the original plan. For this reason, an impairment loss of ¥188,487 million was recognized under extraordinary losses for such non-current assets, with the book value reduced to the recoverable value. Details were ¥71,884 million for buildings and structures, ¥29,295 million for machinery, equipment and vehicles, ¥1,654 million for tools, furniture and fixtures, ¥6,748 million for land, ¥2,146 million for construction in progress, ¥51 million for software, ¥64,047 million for goodwill, and ¥12,658 million for other. The estimated recoverable amount for business assets other than goodwill was evaluated at ¥7,732 million based on the appraisal results, while goodwill was evaluated at zero as the net recoverable value.

OLED-related business assets of the Display Device unit in Osaka, where the cash generating unit is identified on a consolidated basis, are production facilities and others. Amid harsher-than-expected competition in the OLED business, the investment amount became unrecoverable due to decreasing profitability. For this reason, an impairment loss of ¥21,291 million was recognized under extraordinary losses for such non-current assets, with the book value reduced to the recoverable value. Details were ¥5,440 million for buildings and structures, ¥15,076 million for machinery, equipment and vehicles, ¥177 million for tools, furniture and fixtures, ¥329 million for construction in progress, and ¥266 million for software. The estimated recoverable amount was evaluated at a net realizable value of ¥1,228 million.

Some consolidated subsidiaries in Japan and China recognized an impairment loss of ¥612 million for the Electronic Device unit's business assets, for the fiscal year ended March 31, 2023, with the book value reduced to the recoverable value, because the investment amount became unrecoverable due to decreasing profitability. Details were ¥153 million for buildings and structures, ¥8 million for machinery, equipment and vehicles, ¥118 million for tools, furniture and fixtures, ¥0 million for land, ¥5 million for software, and ¥325 million for other. The estimated recoverable amount was evaluated as the net realizable value.

Notes to Consolidated Financial Statements

Some consolidated subsidiaries recognized an impairment loss of ¥5,976 million for the fiscal year ended March 31, 2023, with the book value reduced to the recoverable value, because some idle assets in Japan, China and others were no longer expected to be used in the future. Details were ¥4,847 million for machinery, equipment and vehicles, ¥30 million for tools, furniture and fixtures, and ¥1,098 million for other. The estimated recoverable amount was evaluated at a net realizable value of zero.

Fiscal year ended March 31, 2024

Use	Type	Location
Business assets (Display device medium and small-sized LCD panel business-related production facilities, etc.)	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, construction in progress, software, etc.	Mie, Japan Ishikawa, Japan
Business assets (Display Device large-sized LCD panel business-related production facilities, etc.)	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, construction in progress, software	Osaka, Japan
Other (Display Device business-related)	Goodwill	—
Idle assets (Display Device business-related)	Machinery, equipment and vehicles, tools, furniture and fixtures, construction in progress, software, etc.	China

Assets for the Display Device unit related to medium and small-sized LCD businesses in Mie and Ishikawa prefectures are factories, equipment, etc. owned by the Company and its consolidated subsidiaries, including Sharp Display Technology Corporation. These assets were grouped by factories, and the common assets were then identified in a larger group that includes jointly used assets. The business environment for medium and small-sized LCD panels became more difficult than expected due to the slow recovery of demand for computer and tablet applications, and the investment amount became unrecoverable due to decreasing profitability. Therefore, the companies reduced the assets' book value to a recoverable value and recognized an impairment loss of ¥109,109 million under extraordinary losses. Details were ¥72,375 million for buildings and structures, ¥11,639 million for machinery, equipment, and vehicles, ¥1,485 million for tools, furniture and fixtures, ¥6,475 million for land, ¥14,896 million for construction in progress, ¥144 million for software, and ¥2,095 million for other. The estimated recoverable amount was evaluated at a net realizable value of ¥34,186 million, based on the appraisal results.

Large-sized LCD panel-related business assets of the Display Device unit in Osaka, where the cash generating unit is identified on a consolidated basis, are a part of LCD panel production equipment and other assets owned by a consolidated subsidiary. As the investment amount became unrecoverable due to decreasing profitability, their book value was reduced to a recoverable value, recognizing an impairment loss of ¥4,785 million under extraordinary losses. Details were ¥19 million for buildings and structures, ¥503 million for machinery, equipment, and vehicles, ¥214 million for tools, furniture, and fixtures, ¥4,043 million for construction in progress, and ¥5 million for software. The estimated recoverable amount was a net realizable value.

Goodwill related to the Display Device unit was generated when SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. and its two subsidiaries became the Company's consolidated subsidiaries. The goodwill and the business assets of the subsidiaries are grouped on a consolidated basis. As the investment amount became unrecoverable due to decreasing profitability, the book value was reduced to a recoverable value, recognizing an impairment loss of ¥2,896 million under extraordinary losses. The estimated recoverable amount for goodwill was zero and that for business assets other than goodwill was a net realizable value.

The book value of idle assets of some consolidated subsidiaries in China was reduced to a recoverable value because they were no longer expected to be used in the future. The decrease (¥5,541 million) was recognized as an impairment loss under extraordinary losses. Details were ¥398 million for machinery, equipment, and vehicles, ¥14 million for tools, furniture, and fixtures, ¥4,993 million for construction in progress, ¥20 million for software, and ¥113 million for other. The estimated recoverable amount was evaluated at zero as the net realizable value.

Notes to Consolidated Financial Statements

(j) Loss from cancellation of made-to-order production

Fiscal year ended March 31, 2024

This loss was incurred due to customer cancellation of a new product development project, for which the Company's consolidated subsidiary had received an order to produce custom-made parts. The Company is in a process of claiming compensation from the customer, but the amount of compensation has not been determined because the customer has not completed confirmation of the details of the claim, and therefore, no income from compensation is recorded in the fiscal year ended March 31, 2024.

Details of the loss were ¥2,059 million in inventory write-down, ¥619 million in impairment loss of machinery and equipment, and ¥2,040 million in estimated future losses on ordered parts, machinery, equipment, etc.

(Impairment losses)

Use	Type	Location
Business assets (Display Device production facilities, etc.)	Machinery, equipment, and vehicles, construction in progress, software	Vietnam

The Group identifies cash generating units through consideration of business characteristics and business operations. Idle assets are identified as separate cash generating units.

The book value of business assets in Vietnam owned by a consolidated subsidiary in Japan was reduced to a recoverable value because the assets are no longer expected to be used in the future due to the cancellation of a new product development project by a customer, resulting in ¥619 million extraordinary losses. Details were ¥565 million for machinery, equipment, and vehicles, ¥14 million for construction in progress, and ¥40 million for software. The estimated recoverable amount was evaluated at zero as the net realizable value.

(k) Loss on sale of businesses

Fiscal year ended March 31, 2024

The loss resulted from the transfer of shares of Kantatsu Co., Ltd., which had been a consolidated subsidiary of the Company, and receivables from the subsidiary to Eiki Shoji Co., Ltd.

(l) Business restructuring expenses

Fiscal year ended March 31, 2023

Business restructuring expenses include severance charges associated with the ICT business in Europe.

Fiscal year ended March 31, 2024

Details of business restructuring expenses were as follows:

- (1) Provision for long-term contracts for pure water, gas, etc. due to the cease of production at the Sakai Plant (¥8,705 million)
Provision was recorded for the estimated remaining obligations for the Company's long-term contracts for supply of pure water, gas, and others at the Sakai Plant, without expectation for further usage due to the decision by Sakai Display Products Corporation to cease production at the Sakai Plant.
- (2) Expenses for termination of the OLED business in the Display Device unit (¥1,154 million)
Expenses to terminate the OLED business of the Sharp Display Technology Corporation
- (3) Severance charges (¥1,917 million) associated with restructuring of the Universal Network unit
Severance charges associated with restructuring of the Universal Network unit (TV system business) in Asia

(m) Provision for loss on litigation

Fiscal year ended March 31, 2023

The provision for loss on litigation that had been recorded in the fiscal year ended March 31, 2022 was revaluated in accordance with exchange rate fluctuations in the fiscal year ended March 31, 2023.

Notes to Consolidated Financial Statements

4. Notes to Consolidated Statements of Comprehensive Income

Summary of amounts of reclassification adjustments and their tax effects to other comprehensive income as of March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Valuation difference on available-for-sale securities		
Amount arising during the year	¥ 9,169	¥ 23,024
Reclassification adjustment	1	(3,156)
Before tax effect	9,170	19,867
Tax effect	(2,869)	(5,955)
Valuation difference on available-for-sale securities	¥ 6,301	¥ 13,911
Deferred gains or losses on hedges		
Amount arising during the year	¥ (2,270)	¥ 546
Reclassification adjustment	(527)	(400)
Before tax effect	(2,798)	145
Tax effect	1,452	(110)
Deferred gains or losses on hedges	¥ (1,345)	¥ 35
Foreign currency translation adjustment		
Amount arising during the year	¥ 14,868	¥ 50,973
Reclassification adjustment	—	518
Foreign currency translation adjustment	¥ 14,868	¥ 51,492
Remeasurements of defined benefit plans, net of tax		
Amount arising during the year	¥ (15,412)	¥ 11,004
Reclassification adjustment	870	3,706
Before tax effect	(14,541)	14,710
Tax effect	1,884	53
Remeasurements of defined benefit plans, net of tax	¥ (12,657)	¥ 14,763
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the year	¥ (4,394)	¥ 5,998
Reclassification adjustment	(3,488)	(533)
Share of other comprehensive income of entities accounted for using equity method	¥ (7,882)	¥ 5,464
Total other comprehensive income	¥ (714)	¥ 85,667

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, 2023 and 2024 were as follows:

Fiscal year ended March 31, 2023

	(Thousands of shares)			
	Number of shares as of March 31, 2022	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2023
Issued shares				
Common shares	611,952	38,453	—	650,406
Total	611,952	38,453	—	650,406
Treasury shares				
Common shares	1,131	2	—	1,133
Total	1,131	2	—	1,133

Notes: 1. The increase of 38,453 thousand shares of issued shares was due to the share exchange effective June 27, 2022, under which the Company became the wholly owning parent company and Sakai Display Products Corporation became the wholly owned subsidiary.
2. The increase of 2 thousand shares of treasury shares was due to the purchase of shares less than one trading unit.

Fiscal year ended March 31, 2024

	(Thousands of shares)			
	Number of shares as of March 31, 2023	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2024
Issued shares				
Common shares	650,406	—	—	650,406
Total	650,406	—	—	650,406
Treasury shares				
Common shares	1,133	2	30	1,105
Total	1,133	2	30	1,105

Notes: 1. The increase of 2 thousand shares of treasury shares was due to the purchase of shares less than one trading unit.
2. The decrease of 30 thousand treasury shares was due to the disposition of treasury shares as restricted stock compensation.

Notes to Consolidated Financial Statements

(b) Share acquisition rights and treasury share acquisition rights

Share acquisition rights and treasury share acquisition rights for the fiscal years ended March 31, 2023 and 2024 were as follows:

Fiscal year ended March 31, 2023

Classification	Description of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares underlying the share acquisition rights (Share)				Balance as of March 31, 2023 (Millions of yen)
			Number of shares as of March 31, 2022	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2023	
The Company	Share acquisition rights as a stock option		—	—	—	—	293
	Total		—	—	—	—	293

Fiscal year ended March 31, 2024

Classification	Description of share acquisition rights	Class of shares underlying the share acquisition rights	Number of shares underlying the share acquisition rights (Share)				Balance as of March 31, 2024 (Millions of yen)
			Number of shares as of March 31, 2023	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2024	
The Company	Share acquisition rights as a stock option		—	—	—	—	756
	Total		—	—	—	—	756

(c) Dividends

Fiscal year ended March 31, 2023

(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, 2022	Common shares	24,432	40	March 31, 2022	June 8, 2022

(2) Dividends for which the record date belonged to the fiscal year ended March 31, 2023, but the effective date falling in the fiscal year ended March 31, 2024: Not applicable

Fiscal year ended March 31, 2024

(1) Dividends paid: Not applicable

(2) Dividends for which the record date belonged to the fiscal year ended March 31, 2024, but the effective date falling in the fiscal year ended March 31, 2025: Not applicable

Notes to Consolidated Financial Statements

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)	
	2023	2024
Cash and deposits	¥ 262,058	¥ 227,130
Time deposits with maturity over 3 months and others	(55,445)	(8,001)
Cash and cash equivalents	¥ 206,612	¥ 219,128

(b) Major components of assets and liabilities of subsidiaries excluded from the scope of consolidation due to sale of shares

Fiscal year ended March 31, 2024

The Company transferred its shares of Kantatsu Co., Ltd., a consolidated subsidiary of the Company, and receivables from Kantatsu Co., Ltd. to Eiki Shoji Co., Ltd. As a result, Kantatsu Co., Ltd. and its subsidiary Pinghu Kantatsu Fine Technology Co., Ltd. were excluded from the scope of consolidation. Assets and liabilities related to the sale and the relationship between the sale price of the business and the payments for sale were as follows:

	Yen (millions)
Current assets	¥ 1,450
Non-current assets	687
Current liabilities	(1,048)
Non-current liabilities	(175)
Foreign currency translation adjustment	1,401
Other	12
Loss on sale of businesses	(2,327)
Business sale price	0
Cash and cash equivalents	124
Loan advances to the target company that took place between the date of deconsolidation and the date of business divestiture	240
Payments for sale of shares of subsidiaries resulting in change in the scope of consolidation	¥ 364

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

Fiscal year ended March 31, 2023

The information is omitted as it was immaterial.

Fiscal year ended March 31, 2024

In the consolidation of FIT ELECTRONICS DEVICE PTE. LTD., previously an equity-method affiliate, and its two subsidiaries by additional share acquisitions, assets and liabilities at initial consolidation and the relationship between the share acquisition cost and (net) payments for acquisition were as follows.

The company was renamed SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. effective July 27, 2023.

	Yen (millions)
Current assets	¥ 2,943
Non-current assets	1,247
Goodwill	3,872
Current liabilities	(3,119)
Non-current liabilities	(844)
Foreign currency translation adjustment	(403)
Acquisition cost of shares	3,695
Accounts payable – other	(1,586)
Cash and cash equivalents	(476)
Market value of shares held immediately before the business combination as of the date of the business combination	(1,810)
Foreign exchange difference	266
Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ 88

The amounts of assets and liabilities of other companies newly consolidated as a result of share acquisitions in the current fiscal year are omitted as they were immaterial.

Notes to Consolidated Financial Statements

(d) Major components of assets and liabilities of newly consolidated subsidiaries acquired by share exchanges

Fiscal year ended March 31, 2023

The relationship among assets and liabilities at initial consolidation of Sakai Display Products Corporation and its subsidiaries, the acquisition cost of shares and the increase in cash, and cash equivalents related to this consolidation by share exchanges were as follows:

	Yen (millions)
Current assets	¥ 40,365
Non-current assets	207,701
Goodwill	69,240
Current liabilities	(163,079)
Non-current liabilities	(103,806)
Acquisition cost of shares	50,422
Cash and cash equivalents	2,099
Price of the Company's shares issued through the share exchange	(40,337)
Market value of shares held immediately before the business combination as of the date of the business combination	(10,084)
Increase in cash and cash equivalents resulting from the share exchange	¥ 2,099

Fiscal year ended March 31, 2024

Not applicable

(e) Significant non-cash transactions

	Yen (millions)	
	2023	2024
Increase in capital surplus resulting from the share exchange	¥ 40,337	¥ —

7. Leases

Finance leases

(a) As lessee

(1) Finance lease transactions that transfer ownership

The information is omitted as it was immaterial.

(2) Finance lease transactions that do not transfer ownership, and right-of-use assets at subsidiaries applying IFRS 16

i) Description of leased assets

Property, plant, and equipment

Mainly offices (buildings)

ii) Depreciation of leased assets

In accordance with "(f) Depreciation and amortization" under "1. Summary of Significant Accounting and Reporting Policies"

(b) As lessor

The information is omitted as it was immaterial.

Notes to Consolidated Financial Statements

Operating leases

(a) As lessee

The balance of remaining lease payments for non-cancelable contracts as of March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Due within one year	¥ 6	¥ 6
Due after one year	73	67
Total	¥ 79	¥ 73

(b) As lessor

Future lease receipts for non-cancelable contracts as of March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Due within one year	¥ 1,383	¥ 2,282
Due after one year	1,795	2,692
Total	¥ 3,179	¥ 4,975

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, and 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 13 years and 4 months from March 31, 2024.

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

Notes to Consolidated Financial Statements

(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 policy. 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. The 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 department 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 their differences as of March 31, 2023 and 2024 are included in the tables below.

	Yen (millions)		
	2023		
	Consolidated balance sheet amount	Fair Value	Difference
(1) Notes and accounts receivable — trade*1	¥ 433,106	¥ 431,799	¥ (1,307)
(2) Securities and investment securities*2			
1) Shares of subsidiaries and affiliates	0	1,514	1,514
2) Other securities	40,899	40,899	—
Total assets	¥ 474,005	¥ 474,212	¥ 207
(1) Long-term borrowings	542,727	542,743	15
Total liabilities	¥ 542,727	¥ 542,743	¥ 15
Derivative transactions*3			
1) Derivative transactions — hedge accounting not applied	¥ 2,535	¥ 2,535	¥ —
2) Derivative transactions — hedge accounting applied	524	80	(444)
Total derivative transactions	¥ 3,060	¥ 2,615	¥ (444)

*1 Cash and deposits, notes and accounts payable — trade, electronically recorded obligations — operating, and short-term borrowings, lease liabilities (current liabilities) 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:

Classification	Yen (millions)
	2023
Unlisted stocks	¥ 50,104
Investment in capital	125,203

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

Notes to Consolidated Financial Statements

	Yen (millions)		
	2024		
	Consolidated balance sheet amount	Fair Value	Difference
(1) Notes and accounts receivable — trade*1	¥ 401,308	¥ 397,103	¥ (4,204)
(2) Securities and investment securities*2			
1) Shares of subsidiaries and affiliates	0	2,602	2,602
2) Other securities	54,131	54,131	—
Total assets	¥ 455,439	¥ 453,837	¥ (1,601)
(1) Long-term borrowings	457,623	457,469	(153)
Total liabilities	¥ 457,623	¥ 457,469	¥ (153)
Derivative transactions*3			
1) Derivative transactions — hedge accounting not applied	¥ 3,945	¥ 3,945	¥ —
2) Derivative transactions — hedge accounting applied	634	634	—
Total derivative transactions	¥ 4,579	¥ 4,579	¥ —

*1 Cash and deposits, notes and accounts payable — trade, electronically recorded obligations — operating, and short-term borrowings, lease liabilities (current liabilities) 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:

Classification	Yen (millions)	
	2024	
Unlisted stocks	¥ 49,630	
Investment in capital	134,819	

*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, 2023 and 2024 were as follows:

	Yen (millions)		
	2023		
	Cash and deposits	Notes and accounts receivable - trade	Total
Due within one year	¥ 262,058	¥ 428,336	¥ 690,394
Due after one year, within five years	—	4,650	4,650
Due after five years, within ten years	—	119	119
Due after ten years	—	—	—

	Yen (millions)		
	2024		
	Cash and deposits	Notes and accounts receivable — trade	Total
Due within one year	¥ 227,130	¥ 390,110	¥ 617,240
Due after one year, within five years	—	9,017	9,017
Due after five years, within ten years	—	287	287
Due after ten years	—	1,892	1,892

Note 2: Repayment schedule for loans after closing date

	Yen (millions)		
	2023		
	Short-term borrowings	Long-term borrowings	Total
Due within one year	¥ 163,896	¥ —	¥ 163,896
Due after one year, within two years	—	18,715	18,715
Due after two years, within three years	—	10,003	10,003
Due after three years, within four years	—	513,994	513,994
Due after four years, within five years	—	2	2
Due after five years	—	12	12

	Yen (millions)		
	2024		
	Short-term borrowings	Long-term borrowings	Total
Due within one year	¥ 115,969	¥ —	¥ 115,969
Due after one year, within two years	—	10,002	10,002
Due after two years, within three years	—	447,605	447,605
Due after three years, within four years	—	1	1
Due after four years, within five years	—	1	1
Due after five years	—	12	12

Notes to Consolidated Financial Statements

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

The fair value of financial instruments is 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

Classification	Yen (millions)			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities	¥ 40,899	¥ —	¥ —	¥ 40,899
Derivative transactions*				
Currency-related	—	3,070	—	3,070
Interest rate-related	—	(10)	—	(10)
Total assets	¥ 40,899	¥ 3,060	¥ —	¥ 43,959

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

Classification	Yen (millions)			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities	¥ 54,131	¥ —	¥ —	¥ 54,131
Derivative transactions*				
Currency-related	—	4,579	—	4,579
Total assets	¥ 54,131	¥ 4,579	¥ —	¥ 58,710

* 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

Classification	Yen (millions)			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable — trade	¥ —	¥ 431,799	¥ —	¥ 431,799
Securities and investment securities				
Shares of subsidiaries and affiliates	1,514	—	—	1,514
Derivative transactions*				
Currency-related	—	(444)	—	(444)
Total assets	¥ 1,514	¥ 431,354	¥ —	¥ 432,869
Long-term borrowings	—	542,743	—	542,743
Total liabilities	¥ —	¥ 542,743	¥ —	¥ 542,743

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

Classification	Yen (millions)			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable — trade	¥ —	¥ 397,103	¥ —	¥ 397,103
Securities and investment securities				
Shares of subsidiaries and affiliates	2,602	—	—	2,602
Total assets	¥ 2,602	¥ 397,103	¥ —	¥ 399,706
Long-term borrowings	—	457,469	—	457,469
Total liabilities	¥ —	¥ 457,469	¥ —	¥ 457,469

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 forward exchange contracts is calculated based on observable inputs such as exchange rates and is classified as Level 2 fair value. In the allocation methods for forward exchange contracts used at some subsidiaries, they are treated as an integral part of receivables and payables that are hedged, and their fair value is therefore included in the fair value of relevant receivables and payables.

In special accounting for interest rate swaps, they are treated as an integral part of long-term borrowings that are hedged, and therefore, their fair value is included in the fair value of the relevant long-term borrowings.

Notes to Consolidated Financial Statements

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 — trade that takes a long time to collect is determined based on the present value, which is calculated by dividing receivables into certain periods and discounting the amount by different interest rates considering period to maturity and credit risks of each receivable, 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, 2023 was as follows:

	Yen (millions)			
	2023			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,905	¥ 23,993	¥ (0)	¥ 40,899
	¥ 16,905	¥ 23,993	¥ (0)	¥ 40,899

Equity securities and others that do not have market prices (¥85,452 million on Consolidated Balance Sheets) are not included in the above table.

The proceeds from sales of other securities were ¥40 million for the fiscal year ended March 31, 2023.

The gross realized gains on those sales were ¥17 million for the fiscal year ended March 31, 2023.

Impairment losses recorded for unlisted stocks of other securities were ¥138 million for the fiscal year ended March 31, 2023.

Information on other securities as of March 31, 2024 was as follows:

	Yen (millions)			
	2024			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,905	¥ 37,226	¥ 0	¥ 54,131
	¥ 16,905	¥ 37,226	¥ 0	¥ 54,131

Equity securities and others that do not have market prices (¥80,166 million on Consolidated Balance Sheets) are not included in the above table.

The proceeds from sales of other securities were ¥113 million for the fiscal year ended March 31, 2024. The gross realized gains on those sales were ¥113 million for the fiscal year ended March 31, 2024.

Impairment losses recorded for unlisted stocks of other securities were ¥2,885 million for the fiscal year ended March 31, 2024.

Impairment losses are recorded for the amount deemed necessary in the event that the real value of unlisted stocks of other securities has declined by 50% or more compared to the acquisition cost at the end of the fiscal year and is not expected to recover.

10. Derivative Transactions

(a) Derivative transactions — hedge accounting not applied

Currency-related transactions

Classification	Type of derivatives	Yen (millions)			
		2023			
		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	¥ 35,985	¥ —	¥ (66)	¥ (66)
	Euro	2,541	—	(44)	(44)
	Canadian dollar	152	—	1	1
	Australian dollar	97	—	5	5
	Chinese yuan	6	—	(0)	(0)
	New Zealand dollar	5	—	0	0
	Buy				
	U.S. dollar	107,210	—	1,892	1,892
	Euro	13,462	—	416	416
	Pound sterling	5,586	—	330	330
	Chinese yuan	15	—	0	0
Total		¥ 165,062	¥ —	¥ 2,535	¥ 2,535

Notes to Consolidated Financial Statements

		Yen (millions)			
		2024			
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	¥ 172,475	¥ —	¥ (1,849)	¥ (1,849)
	Euro	12,487	—	(9)	(9)
	New Zealand dollar	2,748	—	30	30
	Danish krone	264	—	(0)	(0)
	Norwegian krone	197	—	0	0
	Canadian dollar	155	—	(0)	(0)
	Swedish krona	115	—	0	0
	Australian dollar	93	—	(0)	(0)
	Buy				
	U.S. dollar	247,808	—	5,784	5,784
	Euro	8,539	—	(44)	(44)
	Pound sterling	6,440	—	20	20
	Canadian dollar	1,111	—	12	12
Total		¥ 452,439	¥ —	¥ 3,945	¥ 3,945

(b) Derivative transactions — hedge accounting applied

(1) Currency-related transactions

			Yen (millions)		
			2023		
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			
	Euro		¥ 9,179	¥ —	¥ (68)
	U.S. dollar		7,424	—	29
	Pound sterling		860	—	(7)
	Swiss franc		152	—	1
	Swedish krona		145	—	(0)
	Polish zloty		132	—	(1)
	Czech koruna		67	—	(0)
	Norwegian krone		54	—	0
	Danish krone		53	—	0
	New Zealand dollar		26	—	0
	Hungarian forint		18	—	(0)
	Canadian dollar		2	—	(0)
	Buy	Accounts payable — trade			
	U.S. dollar		73,676	—	443
	Euro		7,185	—	138
	Pound sterling		18	—	0
	Japanese yen		2	—	(0)
Allocation accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		99,298	—	(562)
	Euro		2,610	—	(80)
	Buy	Accounts payable — trade			
	U.S. dollar		66,924	—	142
	Euro		815	—	56
	Japanese yen		86	—	(0)
Total			¥ 268,736	¥ —	¥ 90

Notes to Consolidated Financial Statements

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions)		
			Contract amount	Amount of contract due after one year	Fair value
			2024		
Principle-based accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		¥ 10,840	¥ —	¥ (236)
	Pound sterling		1,081	—	(4)
	Swiss franc		164	—	2
	Swedish krona		133	—	2
	Polish zloty		103	—	0
	Czech koruna		66	—	0
	Danish krone		63	—	0
	Norwegian krone		47	—	0
	Hungarian forint		14	—	(0)
	Buy	Accounts payable — trade			
	U.S. dollar		33,147	—	868
	Japanese yen		1	—	0
Allocation accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		6,734	—	
	Euro		4,052	—	
	South African rand		40	—	(Note)
	Buy	Accounts payable — trade			
	U.S. dollar		14,925	—	
	Japanese yen		127	—	
	Euro		25	—	
Total			¥ 71,570	¥ —	¥ 634

Note: In the allocation accounting for forward exchange contracts, they are treated as an integral part of receivables and payables that are hedged, and their fair value is therefore included in the fair value of relevant receivables and payables.

(2) Interest rate-related transactions

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions)		
			Contract amount	Amount of contract due after one year	Fair value
			2023		
Principle-based accounting	Interest rate swaps	Long-term borrowings			
	Pay fixed/receive floating		¥ 20,000	¥ —	¥ (10)
			2024		
Special accounting for interest rate swaps	Interest rate swaps	Long-term borrowings			
	Pay fixed/receive floating		¥ 20,000	¥ 20,000	(Note)

Note: In the special accounting for interest rate swaps, they are treated as an integral part of the long-term borrowings that are hedged, and their fair value is therefore included in the fair value of the relevant long-term borrowings.

11. Bonds Payable, Borrowings and Lease Liabilities

(a) Bonds payable

Not applicable for the fiscal years ended March 31, 2023 and 2024

Notes to Consolidated Financial Statements

(b) Borrowings and lease liabilities

Borrowings and lease liabilities as of March 31, 2023 and 2024 consisted of the following:

	Yen (millions)	
	2023	2024
Short-term borrowings with the following interest rates		
1.1% as of March 31, 2023 and 2.2% as of March 31, 2024	¥ 86,387	¥ 96,684
Current portion of long-term borrowings with the following interest rates		
2.5% as of March 31, 2023 and 1.8% as of March 31, 2024	77,508	19,284
Current portion of lease liabilities with the following interest rates		
1.9% as of March 31, 2023 and 1.6% as of March 31, 2024	18,966	16,264
Long-term borrowings (except portion due within one year) with the following interest rates		
0.5% as of March 31, 2023 and 0.3% as of March 31, 2024	542,727	457,623
Lease liabilities (except portion due within one year) with the following interest rates		
2.2% as of March 31, 2023 and 2.8% as of March 31, 2024	10,083	7,853
	¥ 735,674	¥ 597,710

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2023 and 2024 respectively.

2. The aggregate annual maturities of long-term borrowings due within 5 years (except portion due within one year) as of March 31, 2024 were as follows:

Years ending March 31	Yen (millions)
2026	¥ 10,002
2027	447,605
2028	1
2029	1

The aggregate annual maturities of lease liabilities due within 5 years (except portion due within one year) as of March 31, 2024 were as follows:

Years ending March 31	Yen (millions)
2026	¥ 4,719
2027	1,314
2028	778
2029	245

3. Current portion of lease liabilities and lease liabilities (excluding current portion) do not include those recorded on the consolidated balance sheets by the application of IFRS 16 "Leases" and US GAAP ASC 842 "Leases". The balance of those lease liabilities as of March 31, 2024 was as follows:

Current portion of lease liabilities	¥5,323 million
Lease liabilities (excluding current portion)	¥14,558 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, 2023 and 2024 consisted of the following:

	Yen (millions)	
	2023	2024
Balance at beginning of year	¥ 338,057	¥ 313,185
Service cost	9,093	8,870
Interest cost	3,365	3,629
Actuarial loss (gain)	(12,850)	(1,865)
Benefits paid	(27,223)	(26,926)
Increase from newly consolidated subsidiaries	4,878	184
Other	(4,825)	(4,447)
Foreign currency exchange differences	2,689	7,078
Balance at end of year	¥ 313,185	¥ 299,709

Notes to Consolidated Financial Statements

(2) Reconciliations of the fair value of plan assets

Reconciliations of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2023 and 2024 consisted of the following:

	Yen (millions)	
	2023	2024
Balance at beginning of year	¥ 274,720	¥ 247,381
Expected return on plan assets	7,389	7,169
Actuarial gain (loss)	(28,826)	8,622
Employer contribution	14,603	12,641
Benefits paid	(25,783)	(25,736)
Increase from newly consolidated subsidiaries	7,079	206
Other	(4,717)	(4,301)
Foreign currency exchange differences	2,914	6,179
Balance at end of year	¥ 247,381	¥ 252,161

(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, 2023 and 2024 consisted of the following:

	Yen (millions)	
	2023	2024
Funded defined benefit obligations at end of year	¥ 304,051	¥ 289,675
Fair value of plan assets at end of year	(247,381)	(252,161)
Funded status at end of year	56,669	37,513
Unfunded defined benefit obligations at end of year	9,134	10,034
Total net retirement benefit liability	¥ 65,804	¥ 47,547
Retirement benefit liability	72,019	52,911
Retirement benefit asset	(6,214)	(5,363)
Total net retirement benefit liability	¥ 65,804	¥ 47,547

(4) Retirement benefit expenses

Retirement benefit expenses of the Company and its consolidated subsidiaries for the fiscal years ended March 31, 2023 and 2024 consisted of the following:

	Yen (millions)	
	2023	2024
Service cost	¥ 9,093	¥ 8,870
Interest cost	3,365	3,629
Expected return on plan assets	(7,389)	(7,169)
Amortization of net actuarial loss	1,187	4,022
Amortization of past service cost	67	102
Other	774	1,297
Total retirement benefit expenses	¥ 7,098	¥ 10,753

(5) Amounts recognized in remeasurements of defined benefit plans

Amounts recognized in remeasurements of defined benefit plans (other comprehensive income) for the fiscal years ended March 31, 2023 and 2024 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2023	2024
Past service cost	¥ (25)	¥ 98
Net actuarial gain (loss)	(14,515)	14,611
Total	¥ (14,541)	¥ 14,710

(6) Amounts recognized in remeasurements of defined benefit plans

Amounts recognized in remeasurements of defined benefit plans (accumulated other comprehensive income) as of March 31, 2023 and 2024 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2023	2024
Unrecognized past service cost	¥ 667	¥ 568
Unrecognized net actuarial loss	19,777	5,165
Total	¥ 20,444	¥ 5,734

Notes to Consolidated Financial Statements

(7) Classification of the fair value of plan assets

Composition ratio of major classifications of plan assets of the Company and its consolidated subsidiaries as of March 31, 2023 and 2024 was as follows:

	2023	2024
Bonds	23%	20%
Equity securities	19%	23%
Cash and cash equivalents	4%	5%
Life insurance company general accounts	15%	14%
Alternatives	32%	31%
Other	7%	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

Major actuarial assumptions

	2023	2024
Discount rate	mainly 0.5%	mainly 0.5%
Expected long-term 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 ¥1,723 million for the fiscal year ended March 31, 2023 and ¥1,667 million for the fiscal year ended March 31, 2024.

13. Stock Options

(a) Expensed amount and account

The expensed amount and account for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Selling, general and administrative expenses	¥ 1	¥ 464

(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, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Gain on reversal of share acquisition rights	¥ 4	¥ 1

Notes to Consolidated Financial Statements

(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)
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
Number of stock options by class of shares (Note 1)	81,100 common shares	45,300 common shares
Grant date	April 21, 2017	September 28, 2017
Vesting conditions	See Note 2	See Note 2
Service period	From April 21, 2017 to April 20, 2019	From September 28, 2017 to September 27, 2019
Exercise period	From April 21, 2019 to April 21, 2024	From September 28, 2019 to September 28, 2024

	Third stock options (resolved on August 28, 2018)	Fourth stock options (resolved on August 4, 2023)
Grantee categories and numbers of grantees	5 directors of the Company 15 employees of the Company	2 directors of the Company 831 employees of the Company 7 directors of the Company's subsidiaries 50 employees of the Company's subsidiaries
Number of stock options by class of shares (Note 1)	104,500 common shares	5,500,000 common shares
Grant date	September 3, 2018	August 31, 2023
Vesting conditions	See Note 2	See Note 3
Service period	From September 3, 2018 to September 2, 2020	From August 31, 2023 to August 30, 2025
Exercise period	From September 3, 2020 to September 3, 2025	From August 31, 2025 to August 4, 2033

- 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, the Company's subsidiaries or 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.
3. Eligible persons shall be directors, audit & supervisory board members, executives or employees of the Company or the Company's subsidiaries 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, 2024 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)	Fourth stock options (resolved on August 4, 2023)
Unvested stock options (shares)				
Balance on March 31, 2023	—	—	—	—
Granted	—	—	—	5,500,000
Nullified	—	—	—	46,000
Vested	—	—	—	—
Balance on March 31, 2024	—	—	—	5,454,000
Vested stock options (shares)				
Balance on March 31, 2023	72,000	38,100	87,500	—
Vested	—	—	—	—
Exercised	—	—	—	—
Nullified	800	—	—	—
Balance on March 31, 2024	71,200	38,100	87,500	—

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)
Exercise price	¥ 4,120	¥ 3,400
Weighted-average share price at exercise	—	—
Fair value at the grant date	(74,400 shares) 1,970	(7,000 shares) 2,110

	Yen	
	Third stock options (resolved on August 28, 2018)	Fourth stock options (resolved on August 4, 2023)
Exercise price	¥ 2,717	¥ 896.9
Weighted-average share price at exercise	—	—
Fair value at the grant date	(54,500 shares) 1,010	(2,746,100 shares) 356.9
	(35,000 shares) 1,041	(1,356,800 shares) 378.1
	(15,000 shares) 1,139	(1,397,100 shares) 406.8

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.

Notes to Consolidated Financial Statements

(d) Estimation method for the fair value of stock options

The fair value estimation method for the fourth stock option granted in the current fiscal year was as follows:

(1) Evaluation technique used: Black–Scholes equation

(2) Main basic figures and estimation method

	Fourth stock options (resolved on August 4, 2023)	
Stock volatility (Note 1)	(2,746,100 shares)	41.90%
	(1,356,800 shares)	42.80%
	(1,397,100 shares)	44.70%
Expected remaining period (Note 2)	(2,746,100 shares)	6 years 0 months
	(1,356,800 shares)	6 years 6 months
	(1,397,100 shares)	7 years 0 months
Expected dividend (Note 3)		0 yen/share
Risk-free interest rate (Note 4)	(2,746,100 shares)	0.31%
	(1,356,800 shares)	0.36%
	(1,397,100 shares)	0.40%

Notes: 1. Calculation is based on the actual stock prices during the following periods that correspond to the expected remaining periods.

Fourth stock options:

(2,746,100 shares) 6 years and 0 months from August 28, 2017 to August 21, 2023

(1,356,800 shares) 6 years and 6 months from February 20, 2017 to August 21, 2023

(1,397,100 shares) 7 years and 0 months from August 22, 2016 to August 21, 2023

2. The expected remaining period is presumed to be the period from the time of calculation to the midpoint of the exercise period as the period until the exercise of rights cannot be reasonably estimated. As the rights can be exercised in stages, the fair value was calculated using the following dates as the midpoint of the exercise period.

Fourth stock options:

(2,746,100 shares) August 29, 2029

(1,356,800 shares) February 27, 2030

(1,397,100 shares) August 29, 2030

3. Set at 0 yen based on actual dividends for the fiscal year ended March 31, 2023.

4. Yield on Japanese government bonds over the period that corresponds to the expected remaining period

(e) 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 the number of stock options that will be nullified in the future is difficult.

14. Income Taxes

(a) Significant differences between the statutory tax rate and the effective tax rate for financial statement purposes

Information is omitted due to the Group recording a loss before income taxes for both fiscal years ended March 31, 2023 and March 31, 2024.

Notes to Consolidated Financial Statements

(b) Significant components of deferred tax assets and deferred tax liabilities

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Deferred tax assets:		
Inventories	¥ 18,433	¥ 21,458
Allowance for doubtful accounts	40,898	92,351
Accrued expenses	16,917	18,143
Provision for bonuses	3,971	4,483
Provision for sales promotion expenses	1,519	1,767
Retirement benefit liability	20,704	15,664
Buildings and structures	53,727	73,521
Machinery, equipment and vehicles	17,666	18,061
Software	3,770	3,621
Long-term prepaid expenses	5,263	5,349
Shares of subsidiaries and associates	136,129	137,803
Tax loss carried forward* ²	163,229	146,726
Other	73,132	77,565
Gross deferred tax assets	555,365	616,517
Valuation allowance for tax loss carried forward* ²	(163,137)	(145,936)
Valuation allowance for future deductible temporary difference and other	(369,860)	(440,531)
Total valuation allowance* ¹	(532,998)	(586,468)
Total deferred tax assets	¥ 22,367	¥ 30,048
Deferred tax liabilities:		
Retained earnings appropriated for tax allowable reserves	¥ (997)	¥ (968)
Valuation difference on available-for-sale securities	(11,776)	(17,734)
Other	(6,530)	(9,819)
Total deferred tax liabilities	¥ (19,305)	¥ (28,522)
Net deferred tax assets	¥ 3,062	¥ 1,526

*1 Valuation allowance increased by ¥53,470 million in the fiscal year ended March 31, 2024. This is primarily due to an increase in the future deductible temporary difference arising from posting allowance for doubtful accounts and impairment loss on non-current assets.

*2 Tax loss carried forward and its deferred tax assets amount by carry forward period as of March 31, 2024 were as follows:

	Yen (millions)		
	2024		
	Tax loss carried forward*	Valuation allowance	Deferred tax assets
Expire within one year	¥ 42,856	¥ (42,273)	¥ 582
Expire after one year, within two years	53,489	(53,478)	11
Expire after two years, within three years	3,076	(3,035)	40
Expire after three years, within four years	5,404	(5,404)	—
Expire after four years, within five years	819	(819)	—
Expire after five years	41,079	(40,924)	154
Total	¥ 146,726	¥ (145,936)	¥ 789

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

(c) Accounting treatment for corporate tax and local corporate tax, and tax effect accounting treatment thereof

The Company and some of its domestic consolidated subsidiaries adopt a group tax relief system. Accounting treatment and disclosure of corporate taxes, local corporate taxes, and tax effect accounting are in accordance with the “Practical Solution to Accounting and Disclosures Under the Group Tax Relief System” (Practical Issues Task Force No. 42, August 12, 2021).

Notes to Consolidated Financial Statements

15. Business Combinations

The main business combinations conducted during the fiscal year ended March 31, 2024 were as follows.

Business combination through acquisition

Sharp Display Technology Corporation (hereinafter, "SDTC"), a consolidated subsidiary of the Company which previously held a 49% share in FIT ELECTRONICS DEVICE PTE. LTD. (hereinafter, "FITED"), acquired additional shares in FITED, through which FITED was converted from an equity-method affiliate of the Company to a subsidiary of SDTC. An outline of the business combination is as follows.

(a) Overview of the business combination

(1) Name and field of business of the acquired company

Name of the acquired company: FIT ELECTRONICS DEVICE PTE. LTD. and its two subsidiaries
Field of business: Development and manufacturing of automotive camera modules and electronic mirrors

(2) Main reasons for the business combination

Amid the global trend toward EV / automatic driving in recent years, significant growth in the sensing camera market is expected in the business of automotive applications. Under these circumstances, in order to smoothly address said expansion in demand, SDTC acquired additional shares of FITED, which operates an automotive camera business, and made it a subsidiary of SDTC. The Company will lead business in the acquired company and aim to expand its automotive business through cross selling of SDTC automotive displays.

(3) Date of business combination

April 27, 2023 (Deemed acquisition date: June 30, 2023)

(4) Legal form of business combination

Acquisition of shares with cash as consideration

(5) Company name after business combination

FIT ELECTRONICS DEVICE PTE. LTD.

Effective July 27, 2023, FIT ELECTRONICS DEVICE PTE. LTD. changed its name to SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD.

(6) Ratio of voting rights acquired

Voting rights held before the acquisition:	49%
Voting rights additionally acquired:	51%
Voting rights after the acquisition:	100%

(7) Main reason for identifying the acquired company

Due to the fact that a consolidated subsidiary of the Company acquired the shares with cash as consideration.

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

From July 1, 2023 to March 31, 2024

In addition, the portion of FITED's financial results attributable to the Company for the period from April 1, 2023 to June 30, 2023, when FITED was an equity-method affiliate of the Company, was recorded as a share of profit or loss of entities accounted for using equity method.

(c) Cost of acquisition of the acquired company and breakdown thereof by type of consideration

	Yen (millions)
Market value of shares held immediately before the business combination as of the date of the business combination	¥ 1,810
Cost of additional acquisition Cash	1,884
Total acquisition costs:	¥ 3,695

(d) Major components of acquisition-related expenses and the amount thereof

The information is omitted as its impact on the consolidated financial statements for the fiscal year ended March 31, 2024 was minimal.

Notes to Consolidated Financial Statements

(e) Difference between the acquisition cost of the acquired company and total amount of individual investment costs leading to the acquisition

Gain on step acquisitions ¥1,312 million

(f) Amount of goodwill recognized, reason for recognition, amortization method and amortization period

(1) Amount of goodwill recognized

¥3,872 million

(2) Reason for recognition

Goodwill was recognized in relation to the excess earning power anticipated at the time of the business combination.

(3) Amortization method and amortization period

The Company started to amortize the goodwill using the straight-line method with an amortization period of 3 years, but recorded an impairment loss at the end of the fiscal year ended March 31, 2024. For details, please refer to “(i) Impairment losses” under “3. Notes to Consolidated Statements of Operations.”

(g) Amount of assets accepted and liabilities assumed on the date of business combination and major breakdown thereof

	Yen (millions)
Current assets	¥ 2,943
Non-current assets	1,247
Total assets	4,190
Current liabilities	3,119
Non-current liabilities	844
Total liabilities	¥ 3,964

(h) Estimated amounts of impact on the consolidated statements of operations for the fiscal year ended March 31, 2024 assuming the business combination was completed on the first day of the fiscal year and calculation method thereof

	Yen (millions)
Net sales	¥ 590
Operating loss	(663)
Ordinary loss	(645)

(Calculation method of estimated amounts)

The estimated amounts of impact indicate the difference between the assumed amounts of net sales and profit/loss, from which internal transactions were eliminated, if the business combination had been completed on the first day of the fiscal year ended March 31, 2024, and the amounts reported in the consolidated statements of operations of the acquiring company. In addition, the goodwill recognized upon the business combination was assumed to be booked at the first day of the fiscal year ended March 31, 2024, and the amortization expense under that assumption was also included.

This note is not subject to audit.

Notes to Consolidated Financial Statements

Business divestiture

The Company has transferred its shares of Kantatsu Co., Ltd. (hereinafter, "Kantatsu"), a consolidated subsidiary of the Company, and its receivables from Kantatsu to Eiki Shoji Co., Ltd. (hereinafter, Eiki Shoji).

As a result, Kantatsu and its subsidiary Pinghu Kantatsu Fine Technology Co., Ltd. (hereinafter, "Pinghu") were excluded from the scope of the Company's consolidation.

(a) Overview of the business divestiture

(1) Name of the company to which the business was divested

Eiki Shoji Co., Ltd.

(2) Field of the business divested

Business of micro-lens unit manufacturing and sales of Kantatsu and Pinghu

(3) Main reasons for the business divestiture

Kantatsu is engaged in the manufacturing and sales of micro-lens units, among other activities, but its performance had been sluggish under the intensifying competitive environment. The Company decided that it was best to transfer Kantatsu to Eiki Shoji, which primarily engaged in international trade of electronic components and had a strong sales channel in China, in order to improve Kantatsu's performance while focusing on the selection and concentration of the Group's business.

(4) Date of business divestiture

November 30, 2023

(5) Other matters related to the transaction, including legal forms

Transfer of shares and receivables for which consideration is limited to cash and other assets

(b) Overview of accounting procedures taken

(1) Amount of gain (loss) on transfer

Loss on sale of businesses ¥2,327 million

(2) Book value of assets and liabilities of the transferred business and major components thereof

	Yen (millions)
Current assets	¥ 1,450
Non-current assets	687
Total assets	2,137
Current liabilities	1,048
Non-current liabilities	175
Total liabilities	¥ 1,223

(3) Accounting procedures

Loss on sale of businesses recorded comprising the following: loss arising from the difference between proceeds from the sales of Kantatsu shares and receivables from Kantatsu and the consolidated book value of the transferred business, and loss arising from the reversal of foreign currency translation adjustment in relation to the yen translation of foreign currency financial statements of its overseas subsidiary Pinghu upon its deconsolidation.

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

Electronic Device

(d) Estimated amounts of loss on divested business recorded in the Consolidated Statements of Operations for the year ended March 31, 2024

	Yen (millions)
Net sales	¥ 47
Operating loss	(650)

Notes to Consolidated Financial Statements

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. Starting from the fiscal year ended March 31, 2024, the classification of reportable segments has been changed. For comparison with the previous fiscal year below, figures for the fiscal year ended March 31, 2023 were reclassified based on the reportable segments after the change. Details regarding the change in reportable segments are described in "17. Segment Information."

	Yen (millions)
	2023
Reportable Segment:	
Smart Life & Energy	
Smart Appliances & Solutions business	¥ 374,628
Other	100,467
Sales to external customers	475,096
Smart Office:	
Smart Business Solutions business	392,668
PC business	163,712
Sales to external customers	556,380
Universal Network:	
TV systems business	186,215
Mobile Communication business	147,639
Sales to external customers	333,855
Display Device:	
Display Device business	736,224
Sales to external customers	736,224
Electronic Device:	
Electronic Device business	446,560
Sales to external customers	446,560
Total	¥ 2,548,117

	Yen (millions)
	2024
Reportable Segment:	
Smart Life & Energy:	
Smart Appliances & Solutions business	¥ 366,606
Other	73,592
Sales to external customers	440,198
Smart Office:	
Smart Business Solutions business	412,831
PC business	167,216
Sales to external customers	580,047
Universal Network:	
TV systems business	180,299
Mobile Communication business	131,185
Sales to external customers	311,485
Display Device:	
Display Device business	595,293
Sales to external customers	595,293
Electronic Device:	
Electronic Device business	394,895
Sales to external customers	394,895
Total	¥ 2,321,921

The Smart Life & Energy 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 Smart Office segment consists of the Smart Business Solutions business and the PC business. The Smart Business Solutions business includes digital multifunction printers. The PC business includes personal computers.

The Universal Network segment consists of the TV systems business and the Mobile Communication business. The TV systems business includes televisions. The Mobile Communication business includes mobile phones.

The Display Device segment includes display modules.

The Electronic Device segment includes camera modules.

Notes to Consolidated Financial Statements

(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 & Energy segment; digital multi-function printers, personal computers, etc. in the Smart Office segment; and mobile phones, televisions, etc. in the Universal Network 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 Solutions business (“Other” in the Smart Life & Energy 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 Input 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, amount and timing to recognize revenue is based on the sales amounts, etc. and timing recognized on the licensee side.

Notes to Consolidated Financial Statements

(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)	
	2023	2024
Balance at beginning of year:		
Receivables arising from contracts with customers	¥ 477,269	¥ 433,106
Contract assets	9,890	4,951
Contract liabilities	76,682	86,838

	Yen (millions)	
	2023	2024
Balance at end of year:		
Receivables arising from contracts with customers	¥ 433,106	¥ 401,308
Contract assets	4,951	6,230
Contract liabilities	86,838	112,145

- Notes:
- 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.
 - Of the amount of revenue recognized in the fiscal year ended March 31, 2023, ¥26,504 million was transferred from the beginning balance of contract liabilities. Of the amount of revenue recognized in the fiscal year ended March 31, 2024, ¥18,614 million was transferred from the beginning balance of contract liabilities.
 - There were no significant changes in the balances of contract assets and contract liabilities for the fiscal years ended March 31, 2023 and 2024.
 - The amount of revenue generated from performance obligations satisfied (or partially satisfied) in prior periods and recognized in the fiscal years ended March 31, 2023 and 2024 (e.g., change in transaction price) was immaterial.
 - On May 14, 2024, Sakai Display Products Corporation, a consolidated subsidiary of the Company, made the decision to cease production at the Sakai Plant. The contract liabilities as of March 31, 2024 include advance payments for products of ¥45,033 million received by Sakai Display Products Corporation.

(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, 2024 totals ¥52,043 million. These performance obligations are related to construction contracts, maintenance and warranty services, intellectual property license agreements, etc.

Approximately 41% of this transaction price is expected to be recognized as revenue within one year after March 31, 2024, approximately 45% within a timeframe of more than one year and less than five years, and the rest, approximately 14%, 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.

The Group makes company-wide efforts to expand business through the development of new products, new markets, and new businesses, and to build a stronger management structure. Moreover, we work toward building a business promotion system centered on brand businesses by accelerating the creation of new businesses and developing innovative technologies and devices to "Be a Game Changer." To achieve these goals, we concentrate on three brand businesses: Smart Life & Energy, Smart Office, and Universal Network, as well as on the two device businesses, Display Device and Electronic Device, as reportable segments.

In the fiscal year ended March 31, 2023, we categorized the Group's reportable segments into five segments: Smart Life, 8K Ecosystem, ICT, Display Device, and Electronic Device. Effective from the fiscal year ended March 31, 2024, we have recategorized reportable segments into five segments: Smart Life & Energy, Smart Office, Universal Network, Display Device, and Electronic Device.

Notes to Consolidated Financial Statements

This change reorganizes the group structure of the brand businesses to clarify our business areas of focus and maximize synergy among businesses. We also intend to accelerate business transformation for our return to a growth path, seeking to accelerate the creation of new businesses.

As a result of this change in segment classification, the Smart Appliances & Solutions business and the Energy Solutions business, previously included in the Smart Life segment, are included in the Smart Life & Energy segment. The Smart Business Solutions business, previously included in the 8K Ecosystem segment, and the PC business, previously included in the ICT segment, are included in the Smart Office segment under the revised segment classification. The Smart Display Systems business, previously included in the 8K Ecosystem segment, and the Mobile Communication business, previously included in the ICT segment, are included in the Universal Network segment under the revised segment classification. In addition, we have renamed the Smart Display Systems business to the TV systems business.

The segment information for the fiscal year ended March 31, 2023 is restated in the segment classification 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.

(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, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Net sales:		
Smart Life & Energy:		
Customers	¥ 475,096	¥ 440,198
Intersegment	1,736	1,117
Total	476,832	441,315
Smart Office:		
Customers	556,380	580,047
Intersegment	5,388	1,955
Total	561,768	582,003
Universal Network:		
Customers	333,855	311,485
Intersegment	261	406
Total	334,116	311,891
Display Device:		
Customers	736,224	595,293
Intersegment	23,729	19,656
Total	759,953	614,950
Electronic Device:		
Customers	446,560	394,895
Intersegment	29,028	22,086
Total	475,589	416,981
Adjustments	(60,144)	(45,221)
Consolidated net sales	¥ 2,548,117	¥ 2,321,921
Segment income (loss):		
Smart Life & Energy	¥ 29,381	¥ 27,373
Smart Office	14,526	29,674
Universal Network	(7,807)	8,880
Display Device	(66,482)	(83,290)
Electronic Device	14,799	13,583
Adjustments	(10,137)	(16,564)
Consolidated operating loss	¥ (25,719)	¥ (20,343)
Segment assets:		
Smart Life & Energy	¥ 149,194	¥ 176,174
Smart Office	254,528	269,408
Universal Network	162,154	135,037
Display Device	355,103	257,799
Electronic Device	198,078	141,220
Adjustments	653,901	610,391
Consolidated assets	¥ 1,772,961	¥ 1,590,032

Notes to Consolidated Financial Statements

	Yen (millions)	
	2023	2024
Other material items Depreciation:		
Smart Life & Energy	¥ 3,818	¥ 5,266
Smart Office	12,867	11,846
Universal Network	11,081	9,612
Display Device	27,508	11,862
Electronic Device	18,972	14,869
Adjustments	4,892	5,077
The amount presented in consolidated financial statements	¥ 79,141	¥ 58,536
Amortization of goodwill:		
Smart Life & Energy	¥ 88	¥ 44
Smart Office	1,792	1,447
Universal Network	150	194
Display Device	5,193	965
Electronic Device	—	—
Adjustments	—	—
The amount presented in consolidated financial statements	¥ 7,224	¥ 2,651
Investments in nonconsolidated subsidiaries and affiliates accounted for using equity method:		
Smart Life & Energy	¥ 478	¥ 523
Smart Office	—	—
Universal Network	3,133	—
Display Device	42,971	58,063
Electronic Device	—	—
Adjustments	42,189	44,569
The amount presented in consolidated financial statements	¥ 88,772	¥ 103,157
Increase in property, plant, equipment and intangible assets:		
Smart Life & Energy	¥ 5,295	¥ 4,812
Smart Office	12,250	14,339
Universal Network	10,958	6,396
Display Device	14,753	22,148
Electronic Device	14,717	11,865
Adjustments	2,893	2,503
The amount presented in consolidated financial statements	¥ 60,867	¥ 62,065

Adjustments of segment income were ¥(10,137) million and ¥(16,564) million for the fiscal years ended March 31, 2023 and 2024, respectively, including elimination of intersegment transactions and corporate expenses not allocated to each reportable segment.

Elimination of intersegment transactions for segment income were ¥(0) million and ¥(0) million, respectively. Corporate expenses not allocated to each reportable segment were ¥(15,929) million and

¥(17,163) million for the fiscal years ended March 31, 2023 and 2024, 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 ¥653,901 million and ¥610,391 million as of March 31, 2023 and 2024, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment.

Elimination of intersegment transactions for segment assets were ¥(5,086) million and ¥(6,959) million, respectively. Corporate assets not allocated to each reportable segment were ¥658,987 million and ¥617,350 million as of March 31, 2023 and 2024, 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 ¥42,189 million and ¥44,569 million as of March 31, 2023 and 2024, respectively, which mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥2,893 million and ¥2,503 million for the fiscal years ended March 31, 2023 and 2024, 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, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Net sales to outside customers:		
Display modules	¥ 736,224	¥ 595,293
Sensing devices	415,717	365,431
Office solutions	229,646	258,798
Other	1,166,528	1,102,396
Total	¥ 2,548,117	¥ 2,321,921

Notes to Consolidated Financial Statements

(Change in presentation method)

“Office solutions,” which was included in “Other” in the fiscal year ended March 31, 2023, has been presented separately as its net sales to outside customers have exceeded 10% of the net sales in the Consolidated Statements of Operations. As a result, ¥1,396,174 million, which was presented as “Other” in the fiscal year ended March 31, 2023, has been reclassified as ¥229,646 million for “Office solutions” and ¥1,166,528 million for “Other.”

(2) Net sales by region/country

Net sales by region/country for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Net sales:		
Japan	¥ 800,315	¥ 772,968
Americas	253,565	258,857
China	988,194	809,805
Asia	258,004	251,727
Other	248,036	228,562
Total	¥ 2,548,117	¥ 2,321,921

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

(Change in presentation method)

From the fiscal year ended March 31, 2024, “Americas” has been separately presented since its materiality as a region has increased. As a result, ¥501,601 million, which was presented as “Other” in the fiscal year ended March 31, 2023, has been reclassified as ¥253,565 million for “Americas” and ¥248,036 million for “Other.”

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

Property, plant and equipment by region/country as of March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Property, plant and equipment, at cost less accumulated depreciation:		
Japan	¥ 275,737	¥ 164,856
Asia	70,121	72,591
Other	43,397	42,676
Total	¥ 389,257	¥ 280,123

(4) Major customers and related sales amount

Major customers and related sales amount for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Net sales:		
APPLE INC.	¥ 509,959	¥ 430,294
Related segments:		
Display Device and Electronic Device for the years ended March 31, 2023 and 2024		

	Yen (millions)	
	2023	
Net sales:		
General Interface Solution Limited	¥ 315,668	
Related segment:		
Display Device for the year ended March 31, 2023		

(e) Impairment losses on non-current assets by reportable segment

Impairment losses on non-current assets by reportable segment for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Impairment losses:		
Smart Life & Energy	¥ —	¥ —
Smart Office	4,030	—
Universal Network	156	—
Display Device	213,384	122,952
Electronic Device	2,983	—
Corporate Assets and Elimination	—	—
Total	¥ 220,553	¥ 122,952

Note: Of the ¥122,952 million in impairment losses, ¥619 million is included in “Loss from cancellation of made-to-order production” under extraordinary losses.

Notes to Consolidated Financial Statements

(f) Goodwill amortization and unamortized balance by reportable segment

Goodwill amortization and the unamortized balance by reportable segment as of and for the fiscal years ended March 31, 2023 and 2024 were as follows:

	Yen (millions)	
	2023	2024
Amortization of goodwill:		
Smart Life & Energy	¥ 88	¥ 44
Smart Office	1,792	1,447
Universal Network	150	194
Display Device	5,193	965
Electronic Device	—	—
Corporate Assets and Elimination	—	—
Total	¥ 7,224	¥ 2,651
Balance at end of year:		
Smart Life & Energy	¥ 43	¥ 17
Smart Office	6,167	5,321
Universal Network	73	82
Display Device	—	—
Electronic Device	—	—
Corporate Assets and Elimination	—	—
Total	¥ 6,284	¥ 5,422

Notes: 1. For the fiscal year ended March 31, 2023, impairment losses were recorded for ¥745 million of goodwill attributable to the Smart Office segment and ¥64,047 million of goodwill attributable to the Display Device segment.
2. For the fiscal year ended March 31, 2024, an impairment loss was recorded for ¥2,896 million of goodwill attributable to the Display Device segment.

(g) Gain on bargain purchase by reportable segment

Fiscal year ended March 31, 2023

Not applicable

Fiscal year ended March 31, 2024

Not applicable

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, 2023 and 2024 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, 2023 and 2024 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, 2023 and 2024 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, 2023 and 2024 are omitted as they were immaterial.

Notes to Consolidated Financial Statements

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

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

Principal transactions with related parties for the fiscal year ended March 31, 2023 were as follows:

Category	Company name	Location	Share Capital	Details of business	Holding or held ratio	Relationship with the related party	Detail of transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Parent	Hon Hai Precision Industry Co., Ltd.	New Taipei City, Taiwan	NT\$138,629 million	Electronic equipment contract manufacturing service	(Held) 22.3% Directly 11.8% Indirectly [23.2%]	Contract manufacturing, sale of products, purchase of raw materials and products	Contract manufacturing, sale of products	12,029	Accounts receivable	21,048
							Purchase of raw materials and products	25,600	Accounts payable	20,523

- Notes:
1. Transaction prices and other transaction terms are determined appropriately through negotiation.
 2. The holding or held ratio in brackets is not included in the figures above it and indicates the ratio held by the entities which are regarded to exercise their voting rights in the same manner as Hon Hai Precision Industry Co., Ltd. due to their close relationship.
 3. The transaction amount of contract manufacturing is the net of product price less the amount of raw materials supplied.

Principal transactions with related parties for the fiscal year ended March 31, 2024 were as follows:

Category	Company name	Location	Share Capital	Details of business	Holding or held ratio	Relationship with the related party	Detail of transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Parent	Hon Hai Precision Industry Co., Ltd.	New Taipei City, Taiwan	NT\$138,629 million	Electronic equipment contract manufacturing service	(Held) 22.3% Directly 11.8% Indirectly [23.2%]	Sale of products	Receipt of advances	35,824	Contract liabilities (advances)	45,033

- Notes:
1. Transaction prices and other transaction terms are determined appropriately through negotiation.
 2. The holding or held ratio in brackets is not included in the figures above it and indicates the ratio held by the entities which are regarded to exercise their voting rights in the same manner as Hon Hai Precision Industry Co., Ltd. due to their close relationship.
 3. As stated in "20. Significant Subsequent Events," Sakai Display Products Corporation, a consolidated subsidiary, decided on May 14, 2024 to cease production at the Sakai Plant. The contract liabilities are advance payments for products received by Sakai Display Products Corporation.

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

Principal transactions with related parties for the fiscal years ended March 31, 2023 and 2024 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, 2023 and 2024 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, 2023 and 2024 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 years ended March 31, 2023 and 2024, the significant affiliated company was SDP Global (China) Co., Ltd.

Summary of its financial statements were as follows:

	Yen (millions)	
	2023	2024
Current assets	¥ 155,107	¥ 151,812
Non-current assets	765,944	806,485
Current liabilities	187,975	218,035
Non-current liabilities	510,337	487,006
Net assets	222,738	253,256
Net sales	110,901	211,276
Profit (Loss) before income taxes	(65,939)	10,128
Profit (Loss)	(65,939)	10,128

Notes to Consolidated Financial Statements

19. Per Share Data

Per share data as of March 31, 2023 and 2024 were as follows:

	Yen	
	2023	2024
Net assets per share	¥ 321.05	¥ 219.35
Loss per share	(407.31)	(230.99)
Fully diluted income per share	—	—
	"Fully diluted income per share" is not stated because potentially dilutive shares existed but a loss per share was recorded.	"Fully diluted income per share" is not stated because potentially dilutive shares existed but a loss per share was recorded.

Loss per share and fully diluted income per share as of March 31, 2023 and 2024 were calculated on the following basis:

	2023	2024
Loss per share		
Loss attributable to owners of parent (millions of yen)	¥ (260,840)	¥ (149,980)
Amounts not allocated to common shares (millions of yen)	—	—
Loss attributable to owners of parent allocated to common shares (millions of yen)	(260,840)	(149,980)
Average number of common shares outstanding during each year (thousands of shares)	640,400	649,281
Details of potentially dilutive shares that were not included in the calculation of fully diluted income per share because they have no dilutive effects	720 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)	712 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)	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)	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.	54,540 share acquisition rights resolved by the Board of Directors meeting on August 4, 2023 (Fourth Share acquisition rights)
		A brief summary is in Note 13. Stock Options.

20. Significant Subsequent Events

(a) Cease of production at a major subsidiary

On May 14, 2024, Sakai Display Products Corporation (hereinafter, "SDP"), a consolidated subsidiary of the Company, made a decision to cease production at the Sakai Plant.

(1) Reason for cease of production

Due to the prolonged slump in the LCD panel market, SDP's performance and financial conditions have deteriorated, making it difficult for SDP to continue panel production on a stable basis. Considering the risk of possible escalation of losses in the future from continuing operations at the Sakai Plant, SDP has decided to cease production at the plant.

(2) Overview of SDP

i) Name	Sakai Display Products Corporation
ii) Location	1 Takumi-cho, Sakai-ku, Sakai-city, Osaka, Japan
iii) Business Activities	Development, manufacture, distribution, export and import of liquid crystal displays and other displays
iv) Capital	¥100 million
v) Most recent net sales	¥69,874 million (fiscal year ended December 31, 2023)

(3) Time of production ceasing

Second quarter of the fiscal year ending March 31, 2025 (scheduled)

(4) Material impact of ceasing production on business activities, etc.

The Company recorded business restructuring expenses of ¥8,705 million for the fiscal year ended March 31, 2024 for the estimated remaining payment under the contracts for long-term supply of pure water, gas, etc. for the Sakai Plant, no longer expected to be used due to the decision to cease production at the plant. Meanwhile, no provision was recorded in relation to long-term contracts for electricity etc., as we intend to continue to utilize the Sakai Plant.

Additional losses may be incurred in the future as a result of compensation for suppliers for cease of production and voluntary employee retirement. Discussions are also underway regarding the future treatment of advance payments for products received by SDP from a customer.

Notes to Consolidated Financial Statements

(b) Allotment of stock options (share acquisition rights)

The Company adopted a resolution at the Board of Directors meeting held on May 14, 2024, to submit a proposal at the Ordinary General Meeting of Shareholders held on June 27, 2024, that the Company be authorized to allot share acquisition rights as stock options to directors, executive officers and employees (hereinafter collectively called "Officers and Employees") of the Company and its subsidiaries and to delegate to its Board of Directors the determination of the subscription requirements of such share acquisition rights.

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

(1) Purpose of adopting the stock option plan

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

(2) Class and number of shares to be issued upon exercise of share acquisition rights

The class of shares to be issued upon the exercise of share acquisition rights shall be common stock of the Company, and the maximum number of shares to be issued shall be 9,750,000.

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

(3) Total number of share acquisition rights to be allotted

The maximum number of share acquisition rights to be allotted shall be 97,500.

100 shares shall be issued per unit of share acquisition rights; provided that, in the event of any adjustment of the number of shares stipulated in (2) above, the number of shares to be issued per unit of share acquisition rights shall be adjusted accordingly. The date of allotment of share acquisition rights shall be determined by the Board of Directors, and the Board of Directors may make multiple allotments up to the aforementioned maximum number of share acquisition rights.

(4) Cash payment for share acquisition rights

No cash payment is required for share acquisition rights.

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

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

The Exercise Value shall be the closing price on the Tokyo Stock Exchange on the day immediately prior to the date of the resolution by the Board of Directors of the Company determining the subscription requirements of the share acquisition rights or the closing price on the date of the allotment, whichever is higher. If the Company splits or consolidates its common stock after the issuance of share acquisition rights, the Exercise Value shall be adjusted.

(6) Exercise period of share acquisition rights

The exercise period shall be from the second anniversary to the tenth anniversary of the allotment date. If the last day of the exercise period falls on a Company holiday, the final day shall be the working day immediately preceding the last day.

(7) Increase in capital due to the issuance of shares arising from the exercise of share acquisition rights

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

Consolidated Subsidiaries

(As of March 31, 2024)

Domestic

Sharp Marketing Japan Corporation
Sharp Energy Solutions Corporation
Sharp Display Manufacturing Corporation
Sakai Display Products Corporation
Sharp IP Infinity Co., Ltd.
Dynabook Inc.

Sharp Semiconductor Innovation Corporation
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. <California, 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 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 Manufacturing France S.A. <Soulz, France>
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 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>
Dynabook Technology (Hangzhou) Inc. <Hangzhou, China>
Yantai Xia Ye Electrons Co., Ltd. <Yantai, China>
Sharp Hong Kong Limited <Hong Kong>
Sharp (Taiwan) Electronics Corporation <New Taipei, Taiwan>
Dynabook Technology (Taiwan) Co., Ltd. <Taoyuan, Taiwan>
Sharp Electronics (Malaysia) Sdn. Bhd. <Selangor, Malaysia>
Sharp Manufacturing Corporation (M) Sdn. Bhd. <Johor, Malaysia>
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>
P.T. Sharp Electronics Indonesia <West Java, Indonesia>
Saigon STEC Co., LTD. <Thu Dau Mot, Vietnam>
Sharp Manufacturing Vietnam CO., LTD. <Tan Uyen, Vietnam>
Sharp (Phils.) Corporation <Manila, Philippines>
Sharp Business Systems (India) Private Ltd. <New Delhi, India>
Sharp Corporation of Australia Pty. Ltd. <New South Wales, Australia>

* There are 65 other consolidated subsidiaries in addition to the companies listed above.

Corporate Information

(As of March 31, 2024)

Corporate Overview

Corporate Name	Sharp Corporation
Incorporation	May 1935 (Founding: September 1912)
Head Office	1 Takumi-cho, Sakai-ku, Sakai City, Osaka 590-8522, Japan
Capital Stock	5 billion yen
Employees	Consolidated: 43,445 Japan: 17,209 / Overseas: 26,236

Stock Information

Number of Shares Authorized	1,000,000,000
Number of Shares Issued	650,406,538
Number of Shareholders	163,308
Stock Exchange Listings	Tokyo

Principal Shareholders

	Number of shares held	Percentage of total shares (%)
HON HAI PRECISION INDUSTRY CO., LTD.	144,900,000	22.32
SIO INTERNATIONAL HOLDINGS LIMITED	85,884,845	13.23
FOXCONN (FAR EAST) LIMITED	76,655,069	11.81
FOXCONN TECHNOLOGY PTE. LTD.	64,640,000	9.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	34,518,900	5.32
WORLD PRAISE LIMITED	25,622,400	3.95
LGT BANK LTD	15,631,273	2.41
CLEARSTREAM BANKING S. A.	13,262,863	2.04
Custody Bank of Japan, Ltd. (Trust Account)	7,786,100	1.20
Nippon Life Insurance Company	4,731,738	0.73

Note: Percentage of total shares is calculated by the number of shares issued excluding 1,105,236 treasury shares.

Share Distribution (Proportion of total issued shares)



External recognitions

As of August 2024, Sharp has been included in the following indexes and recognitions.

FTSE4Good Index Series



FTSE4Good

FTSE Blossom Japan Index



FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index



FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index



MSCI ESG Ratings

MSCI ESG RATINGS



CCC B BB BBB A AA AAA

MSCI Japan Equity ESG Select Leaders Index

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

MSCI Japan ESG Select Leaders Index

2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Morningstar Japan ex-REIT Gender Diversity Tilt Index

This index is compiled by Morningstar, a U.S. company, using data and evaluation methods from Equileap, a Dutch company, to select companies that have gender diversity policies ingrained in their culture and that promise equal opportunities to employees regardless of gender.

EcoVadis Sustainability Rating

Sharp has passed a rating evaluation by EcoVadis, a company that evaluates the sustainability performance of supplier companies. Its aim is to improve those companies' environmental and social practices by taking into account the impact that global supply chains have on the environment and society.

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