

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

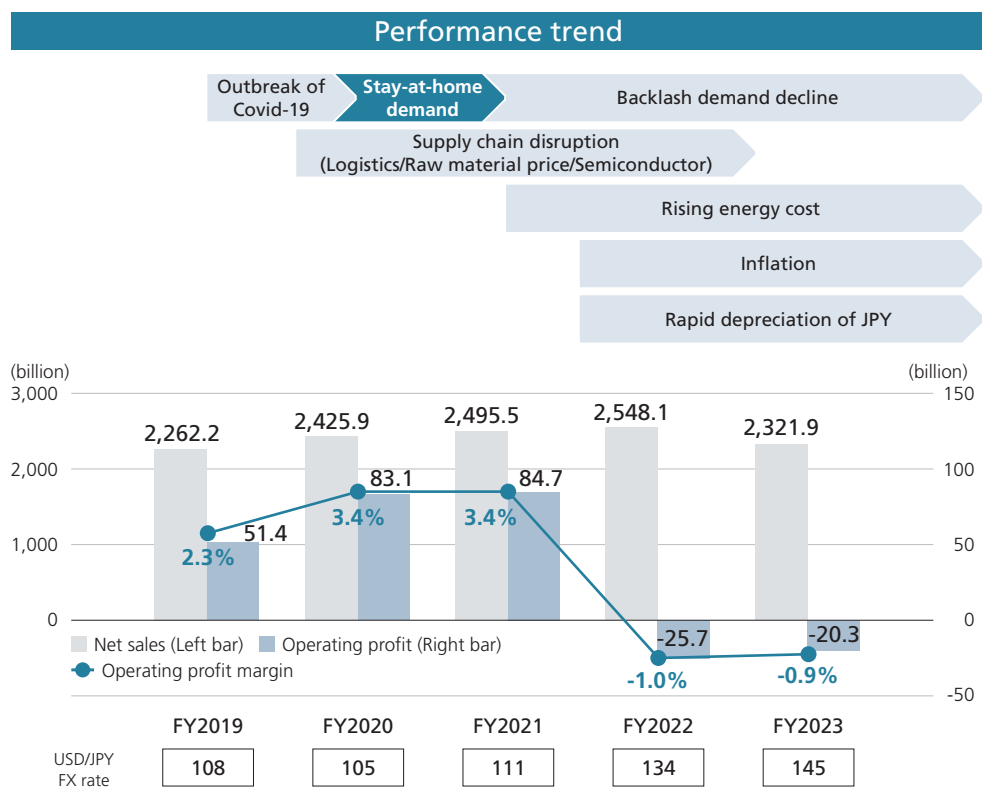
Sharp recorded operating losses for two consecutive terms due to the delay in corresponding to changes in Display Device. The reason behind our stagnant growth is that we fell into the negative cycle, hindering our ability to enhance cash generation.

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 re-growth phase.

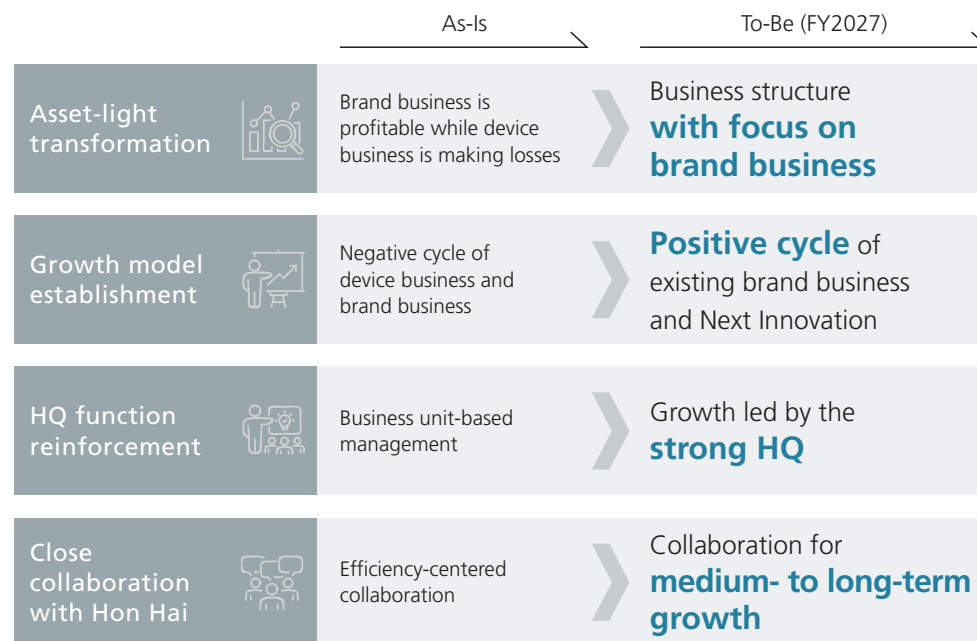
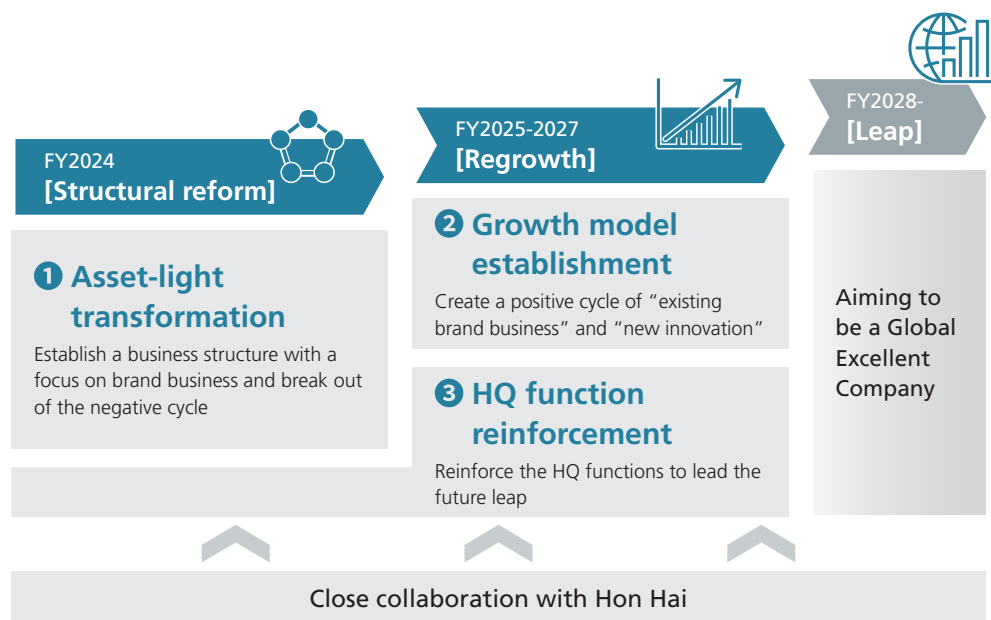
Sharp will first establish a business structure centered on the brand business by implementing asset-light initiatives in the device business that caused our negative cycle.

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)


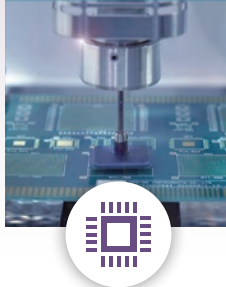
For our device business that holds large amount of assets for its business and requires large scale investment to keep competitive, we will transform our business direction toward optimizing our plant capacity and developing businesses by creating partnerships to utilize their strengths.

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.

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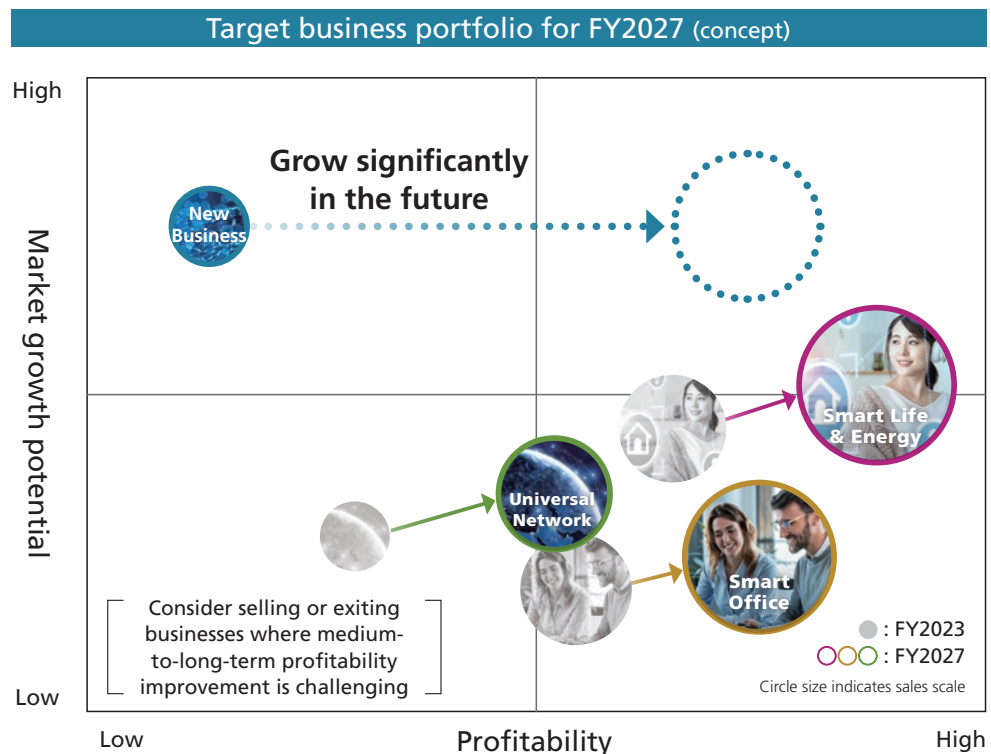
2. Growth model establishment

For our three existing brand businesses (Smart Life & Energy, Smart Office, and Universal Network), we will re-expand restrained investments to achieve sales and profit growth while accelerating our shift to growth areas.

We will also make proactive investments in advanced technologies using cash generated from these

businesses. Sharp aims to achieve business growth and increase our corporate value. To this end, we endeavor to seize business opportunities in AI, next-generation telecommunications, EVs, and other emerging industrial sectors (Next Innovation), including through collaboration with Hon Hai.

These efforts will help us achieve sustainable growth by establishing a positive cycle between existing brand businesses and new industries.



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.

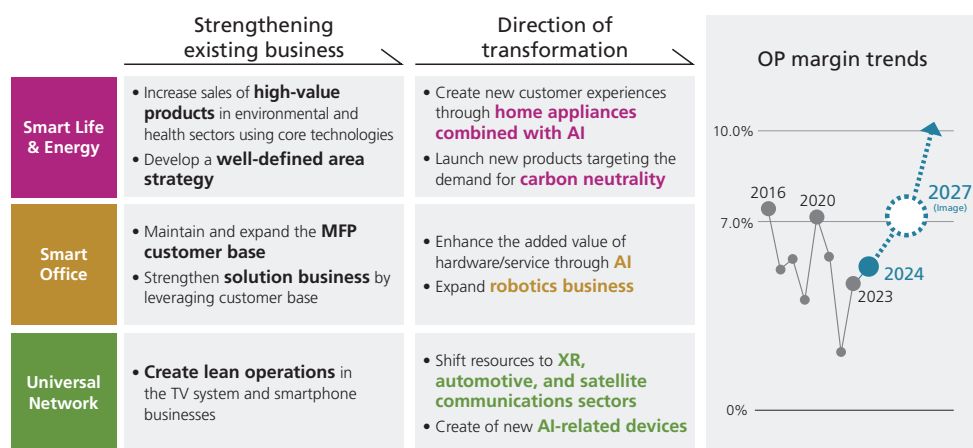
Let me now introduce individual segment efforts.

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 business, 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)

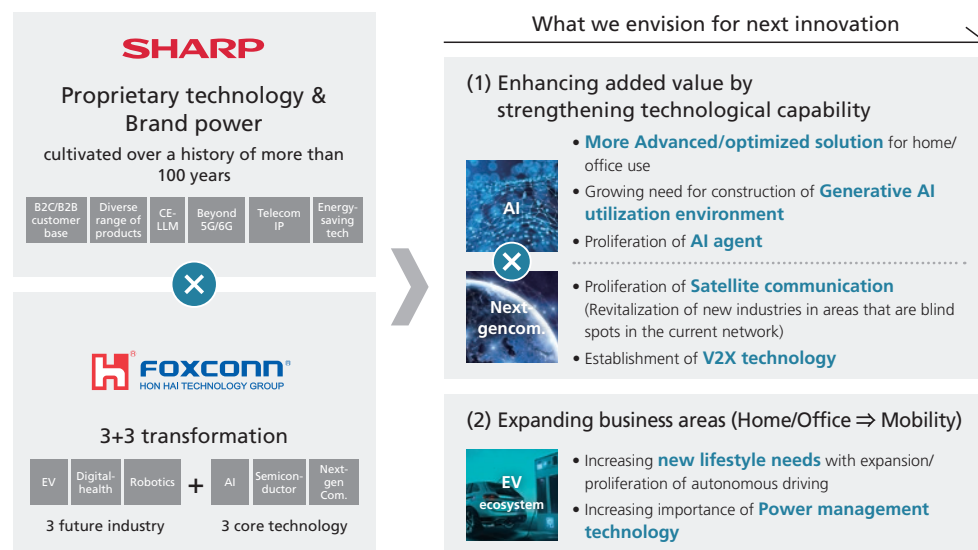
For new businesses, we will accelerate seeking our Next Innovation from the two perspectives of improving added value by strengthening technology and expanding business areas.

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



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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