

The SHARP logo is rendered in a bold, red, sans-serif font. The letters are closely spaced and have a slight shadow effect, giving them a three-dimensional appearance. The background of the entire page is a deep blue gradient with a bright light source on the right side, creating a lens flare effect and a trail of white dots that curves across the middle of the page.

SHARP

Be Original.

Annual Report 2022

For the fiscal year ended March 31, 2022

Annual Report 2022

For the fiscal year ended March 31, 2022

Business Philosophy, Business Creed

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.

Corporate Motto

Be Original.

From the beginning, Sharp has been driven by originality.

We originate technologies that enhance lifestyles,

Inspire innovations that support individual expression,

And create products that let you be you.

There is only one Sharp.

There is only one you.

Be Original.

SHARP

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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.

Message to Our Shareholders

We practice ESG-oriented management, aiming to establish SHARP a powerful corporate brand as quickly as possible.

My name is Robert Wu, and I became CEO in April 2022.

SHARP was founded in September 1912. This year marks our 110th anniversary. Once again, I thank you, our stakeholders, for supporting us over the years.

Since 2019, we have faced an unprecedented crisis in the form of COVID-19. But with advancements in vaccinations, changes in behavior, and IT progress in various fields, a new form of daily life with-COVID-19 is emerging, little by little. At the same time, many issues remain that the international community must come together to solve. These issues include climate change, human rights, and geopolitical developments.

In response, we will endeavor to engage in ESG-oriented management to an even greater degree. We contribute solutions to a wide array of social issues, hoping to enhance social value, raise brand power, and establish SHARP as a powerful corporate brand as quickly as possible.

Specifically, we pursue a vision of *Changing the World with 8K+5G and AIoT*. Under this vision, we strive to create innovative services and solutions centered our eight priority business areas: (1) Smart Home, (2) Smart Office, (3) Healthcare, (4) Entertainment, (5) Education, (6) Industry, (7) Security, and (8) Mobility. In particular, we intend to accelerate efforts to strengthen healthcare-related businesses further, leveraging digital technologies and to contribute to carbon neutrality.

Further, we practice HITO-based management, endeavoring to foster a young, vibrant corporate culture and to accelerate management reform from a global perspective. In this way, we believe SHARP will grow to become a company needed not only in Japan, but across the world as a truly global company.

At the same time, we recognize that these various social issues represent major risks to the continued development of our business in the future. We will continue to step up our efforts toward more robust sustainability.

As a case in point, we established the ESG Promotion Division in July this year. The ESG Promotion Division will play a central role in group-wide sustainability and Green Transformation (GX) strategies. We also formulated new medium-term environmental targets for the years

2030 and 2035 to achieve our long-term environmental vision, *SHARP Eco Vision 2050*. Further, we announced our support of the TCFD^{*1} recommendations. We intend to expand information disclosure related to climate change in accordance with the TCFD framework.

As a participant in the United Nations Global Compact, which we signed in 2009, we continue to support the Ten Principles related to human rights, labor, the environment, and anti-corruption. We share the vision and mission of the RBA^{*2}, which we joined in 2021, throughout the group to accelerate our efforts to solve global social issues effectively.

Our Business Philosophy states that our future prosperity is directly linked to the prosperity of our customers, dealers, shareholders...indeed the entire SHARP family. We will continue to work together with our stakeholders to solve social issues through our business activities and to reduce social and environmental burdens. We strive to help achieve the SDGs and create a better, sustainable world in which no person is left behind.

*1 A climate-related financial disclosure task force formed by the Financial Stability Board (international body that works toward financial systems stability). In 2017, the FSB released a recommendation to encourage companies and other entities to disclose information regarding risks and opportunities related to climate change.

*2 A non-profit organization that promotes social responsibility in global supply chains. The organization formulated and published the RBA Code of Conduct.



Robert Wu
President & Chief Executive Officer

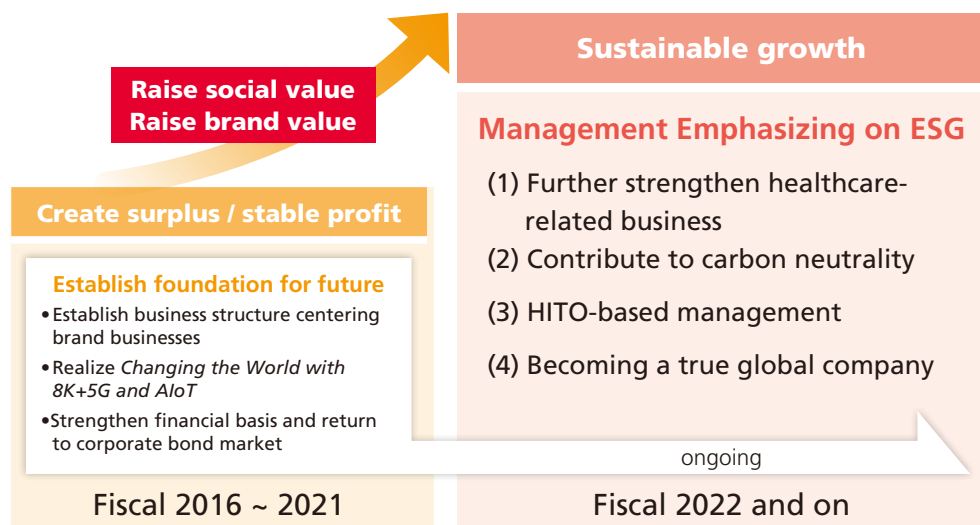
Management Emphasizing on ESG

Steps toward Strong Brand Company "SHARP"

Sharp promotes the three initiatives of: (1) Establish business structure centering brand businesses, (2) Realize *Changing the World with 8K+5G and AIoT*, and (3) Strengthen financial basis and return to corporate bond market. By doing so, we have created stable profits despite extremely difficult business environments, such as COVID-19 infections, and supply chain turmoil.

Going forward, we will continue to execute management emphasizing on ESG in addition to these foundations. Specifically, we will focus on the following four measures: (1) Further strengthen healthcare-related business, (2) Contribute to carbon neutrality, (3) HITO-based management and (4) Becoming a true global company.

We will strive to enhance the social value of Sharp and its branding power to achieve sustainable growth through these measures.



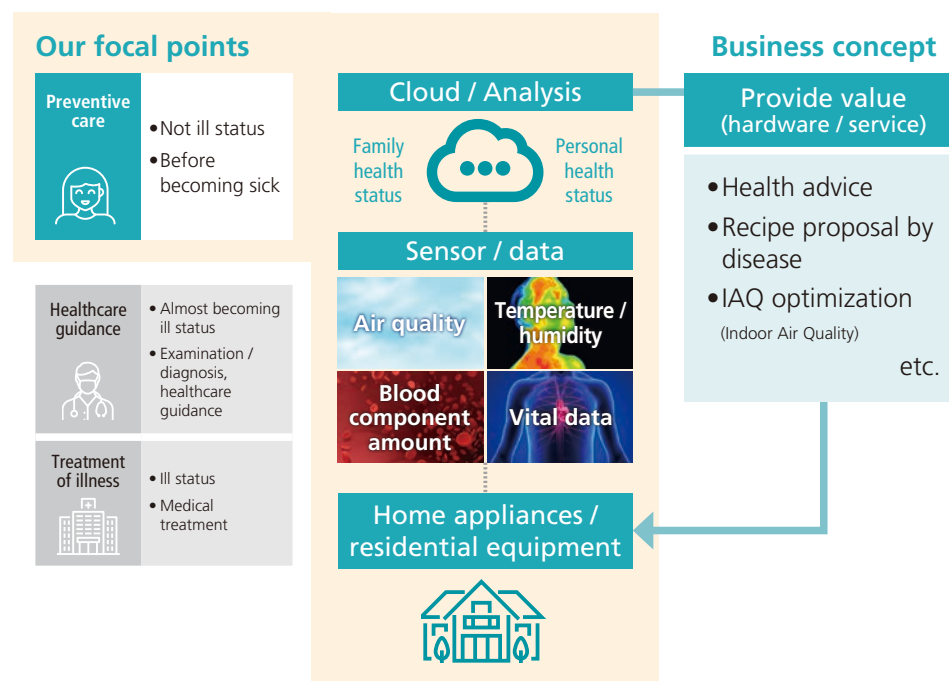
(1) Further strengthen healthcare-related business

Due to current impacts of COVID-19 infections and an aging population, society's concern for health and cleanliness is on the rise. In response to these impacts, Sharp is developing new products, services, and solutions, focusing on the areas of illness prevention.

We will actively work on coordination with other companies and M&A, in addition to strengthening sensing functions in our white goods, TV's, mobile devices, etc., developing proprietary healthcare-related sensors, and creating new healthcare-related devices.

Through these efforts, we will establish mechanisms that allow users to measure health data unconsciously and provide optimized solutions for each individual by analyzing the accumulated data.

We hope to achieve a lifestyle where users naturally become healthier.



Management Emphasizing on ESG

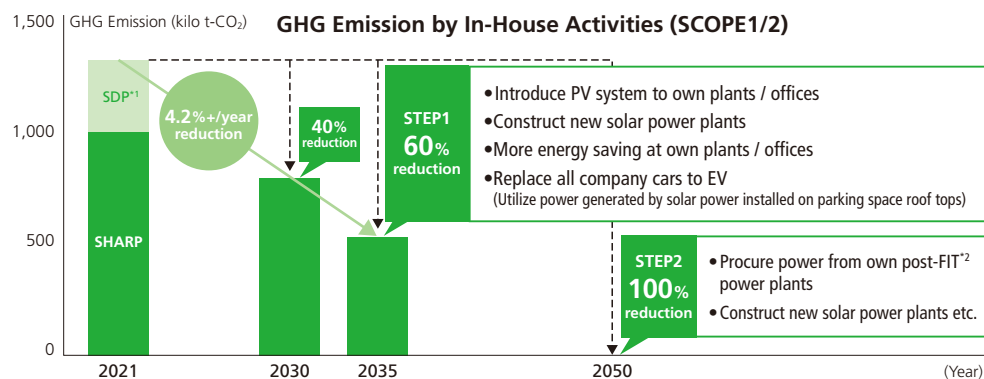
(2) Contribute to carbon neutrality

Sharp is contributing to carbon neutrality by both reducing greenhouse gas (GHG) emissions through our own business activities and expanding renewable energy in society.

▶Reducing Greenhouse Gas Emissions through our own Business Activities

We are aiming for net zero CO₂ emissions of GHG from our own business activities by 2050 and a reduction of 60% by 2035 under our long-term environmental vision *SHARP Eco Vision 2050*.

To achieve this vision, we will accelerate the introduction of solar power (PV) systems and energy conservation in our plants and offices, construct new solar power plants, and replace company cars to EV.



*1 Sakai Display Products Corporation

*2 FIT (feed-in tariff): A system under which electric power companies purchase electricity generated from renewable energy sources for a fixed period at a fixed price. A graduated FIT refers to the expiration of the 10-year purchase period at a fixed price.

▶Expanding Renewable Energy in Society

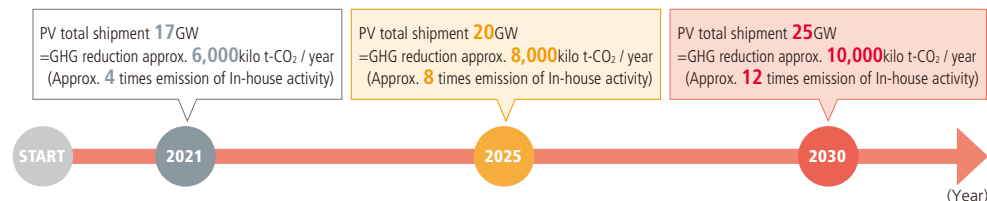
On the other hand, we will make efforts to reform and expand our energy solutions business in regard to renewable energy.

Tokuji Hayakawa, the founder of SHARP, began researching solar cells believing that "If we could devise a way to generate electricity from unlimited of heat and rays from the sun, there is no telling how much we could contribute to humanity." He successfully created a prototype in 1959 and began mass producing them by 1963. Over the next approximately 60 years, we led the market and worked to promote renewable energy.

Sharp's total PV system shipments were an approximately cumulative 17GW in 2021. This means we contributed to GHG reductions approximately four times the amount of GHG emissions than those of our own activities in a single year. Our goal is to increase this by approximately 12 times by 2030

through business expansions to space and automotive fields, expansions of the PPA* business, and acceleration of the commercialization of solar batteries made from perovskite - a new material.

* Abbreviation for Power Purchase Agreement. A method in which a power generation company enters into a power purchase agreement with a private individual or company.



(3) HITO-based management

We believe that people(HITO) are the driving force for sustainable growth. Going forward, we will promote further reform in human resources from the four points of HITO - Hybrid, Innovation, Talent, and Opportunity.

We will foster a young and lively corporate culture by making efforts to evolve performance-based reward system to support young generation, establish work treatment system effective on collecting personnel, fulfill methods to support development of personnel, improve organization rejuvenation / decision-making speed, etc.

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
Hybrid	Innovation	Talent	Opportunity

Management Emphasizing on ESG

(4) Becoming a true global company

To expand overseas business, Sharp will strengthen sales strategies in every area abroad as well as promote management reforms from a global perspective.

Toward this goal, we will engage in various measures, including strengthening training for global personnel and developing human resources management systems, while at the same time strengthening our overseas support functions of Headquarters, accelerating alliances and M&A with overseas companies, and strengthening corporate branding.

Moreover, we will promote global simultaneous introduction of new products with latest technology and strengthen local-adapting products and services to enhance our brand strength in each overseas region.

In July 2022, we also established an Global Business Group to unite representatives of each overseas region. President & CEO Robert Wu is in charge of this division, which will be a system that leads global business expansion.

Personnel	Organization / Function	Products / Services
<ul style="list-style-type: none"> •Boost English skills of employees •Strengthen overseas human resource management and collect excellent personnel •Global permeation of corporate philosophy 	<ul style="list-style-type: none"> •Strengthen overseas support function by Headquarter •Accelerate alliance / M&A with overseas companies •Strengthen corporate branding (Japan / overseas) 	<ul style="list-style-type: none"> •Global simultaneous introduction of new products with latest technology •Strengthen local-adapting products / services development

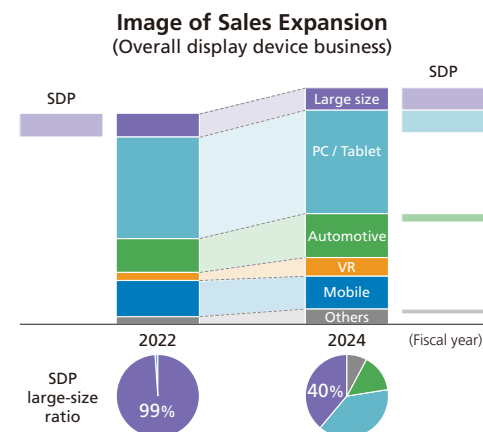
Consolidating Sakai Display Products Corporation

The decision to make Sakai Display Products Corporation a wholly owned subsidiary was based on a comprehensive evaluation of the following factors: the stable and predominating procurement of high quality panels for TV business and professional display business and expansion of applications, improvement of production capacity, strengthening future competition in the display device business. In addition, the company boasts predominance in panel supplies for North America with the current U.S.-China trade frictions, and operates the only Gen.10+ large-size LCD panel plant outside of China.

Going forward, Sharp's display business will work to expand business focusing on panels for PCs, automobiles, and VR.

In addition, Sakai Display Products Corporation will improve profitability and stabilize business performance by leveraging their high technological and cost capabilities as well as their superiority in large-size panel production. They will specifically shift from TV panels for which demand fluctuates widely, to panels for PCs and automotive appliances.

In addition, they will actively work on developing new self-luminous display for the future.



Aim of consolidation		
(1) Stable and predominating procurement of high quality panels for TV business and professional display business	(2) Expansion of application, improvement of production ability, strengthening future competition in display device business	(3) Predominance in panel supply for Americas market with U.S.-China trade friction in background

Emphasis in Fiscal 2022

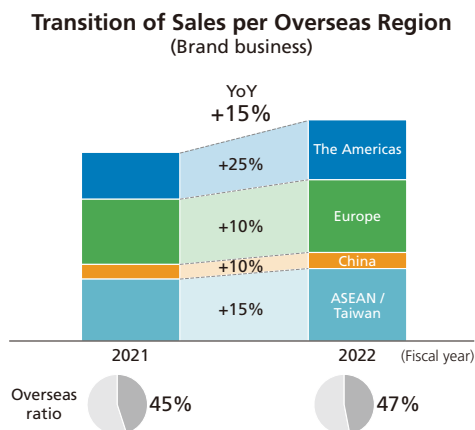


See the following for the latest information on business performance.
<https://global.sharp/corporate/ir/library/financial/>

(1) Strengthen overseas business

Sharp forecasts business growth mainly in the Americas, Europe, and ASEAN/Taiwan in fiscal 2022, and aims to reach 15% overall growth overseas compared to the previous fiscal year.

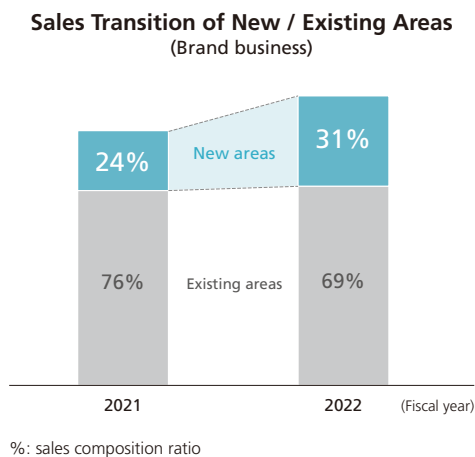
The 8K ecosystem, which is expected to see a steady recovery in the business solutions business, is particularly expected to lead growth in the Americas and Europe. On the other hand, smart life, which includes the white goods business, will contribute to business expansion in ASEAN/Taiwan.



(2) Expand new areas

Sharp aims to grow its overall business by maintaining and strengthening existing businesses while expanding the sales composition of new areas.

We will specifically work on three areas: the development of new products and services, such as AIoT corresponding devices and AQUOS XLED, the development of new markets, for overseas business and EC channels, and the creation of new businesses such as solution business and new B2B businesses by alliance with other industries.



(3) Risk correspondence

Supply chain disruptions such as shortages and rising costs of semiconductors, raw materials and components, as well as logistics confusion, are a major risk in the near term, and we will continue to work to minimize these impacts.

Although the supply and demand balance for memory is settling down and there are slight trends in improvement, in the shortages and rising costs of semiconductors, the situation remains severe. Thus, we are taking measures such as negotiating with the tops of semiconductor companies, diversifying procurement sources, and switching to alternatives.

For raw materials and components, steel prices have remained high level. With the trend of rising circuit board prices in the electronic components sector continuing or worsening, we are working to diversify procurement sources and switch to alternatives as well as to avoid shortages and soaring prices of parts from design changes.

We will also work to minimize the impact of logistical disruptions through flexible responses in coordination with our logistic subsidiaries.

	Overview	Current measures	Fiscal 2022 impact (change from previous fiscal)
Semiconductor shortage / cost raise	<ul style="list-style-type: none"> Demand / supply for memory semiconductors are starting to stable Others continue to show shortage / cost raise tendency 	<ul style="list-style-type: none"> Top negotiation with semiconductor suppliers Vary procurement / switch to replaceable products Propose forecast on long term 	Improving
Raw material / components shortage / cost raise	<ul style="list-style-type: none"> Steel / copper / resin costs remain at high level. Impact to Russian minerals due to sanctuary by others are concerned Electronic component boards costs are rising. Tight supply centering capacitors are continuing 	<ul style="list-style-type: none"> Vary procurement / switch to replaceable products Avoid shortage / high-cost parts by design change Early detection of issues by working in close collaboration with parts makers 	Continuing ~ deteriorating
Logistics confusion	<ul style="list-style-type: none"> U.S. ports: traffic is temporarily dissolved due to lockdown at Shanghai. However, with quantity increase expected after lockdown lift, traffic and raise in transportation costs are expected to return European ports: confusion continues 	<ul style="list-style-type: none"> Conduct swift shipment allocation and cost reduction while observing the situation in collaboration with logistics subsidiary SJL* Change logistics route and container landing ports 	Continuing

* Sharp Jusda Logistics Corporation

Financial and Non-Financial Highlights

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

	Yen (millions)				
	2018	2019	2020	2021	2022
Net Sales	¥2,427,271	¥2,394,767	¥2,262,284	¥2,425,910	¥2,495,588
Domestic sales	656,144	719,395	778,976	863,154	817,794
Overseas sales	1,771,127	1,675,372	1,483,308	1,562,755	1,677,794
Operating Profit	90,125	77,388	51,464	83,112	84,716
Profit before Income Taxes	89,416	58,428	32,331	66,442	89,802
Profit Attributable to Owners of Parent	70,225	64,012	13,726	53,263	73,991
Net Assets	401,713	357,331	270,959	364,139	469,269
Total Assets	1,908,461	1,848,551	1,811,907	1,927,226	1,956,288
Capital Investment	119,356	56,461	60,583	91,572	51,719
R&D Expenditures	100,536	108,545	100,591	86,793	86,290
Per Share Data					
Income per share (yen)	106.07	100.08	22.47	87.20	121.14
Cash dividends per share (yen)	10.00	20.00	18.00	30.00	40.00
Net assets per share (yen)	267.48	377.53	419.54	573.59	743.70
Return on Equity (ROE)	20.9%	17.8%	4.6%	17.6%	18.4%
Number of Outstanding Shares (Common Shares) (thousands of shares)	497,249	531,311	531,307	610,801	610,821
Number of Employees	47,171	54,156	52,876	50,478	47,941
Ratio of Disabled Employees	2.47%	2.45%	2.43%	2.46%	2.46%
Greenhouse Gas Emissions (thousand tons CO ₂)	940	1,077	974	951	985

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

2. Income per share is calculated by dividing profit attributable to owners of parent by the weighted average number of shares outstanding during the relevant period. For the fiscal years ended March 31, 2018 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 purpose 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.

3. Number of outstanding shares (common shares) is shown by deducting the treasury shares.

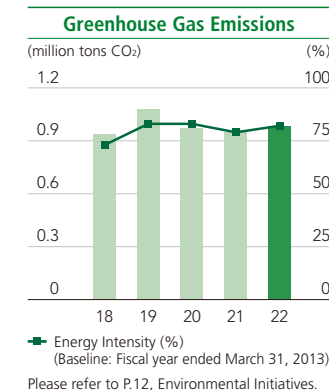
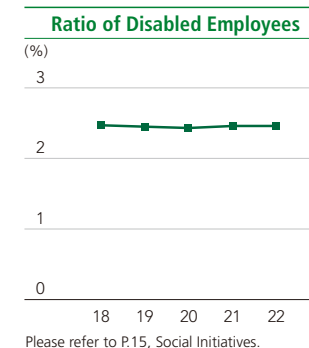
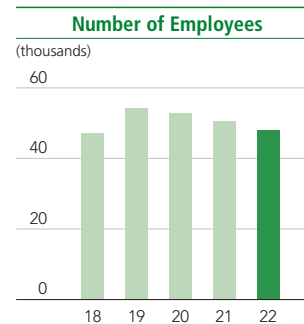
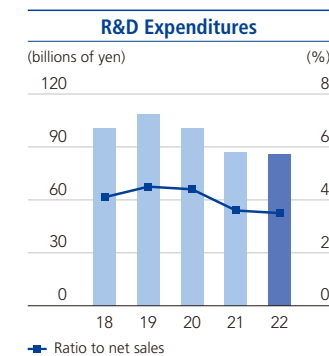
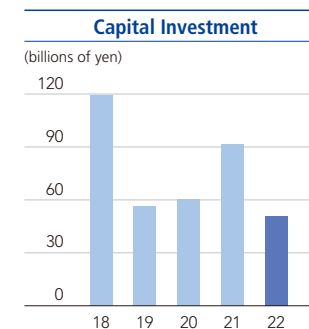
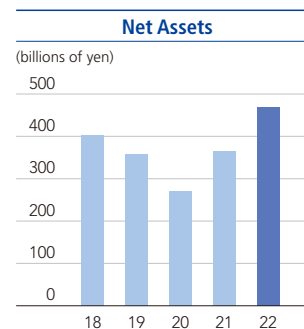
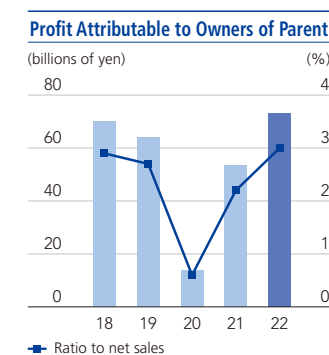
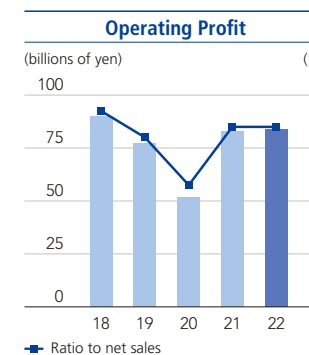
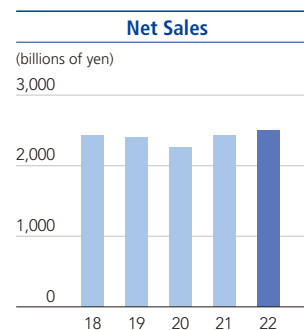
4. Sharp carried out a share consolidation of common shares as well as Class C shares at a ratio of 10 shares to 1 share on October 1, 2017. The figures for the income per share and net assets per share are calculated on the assumption that Sharp conducted this consolidation at the beginning of the fiscal year ended March 31, 2018.

5. Of the 200,000 Class A shares issued, Sharp acquired and canceled 92,000 shares on January 30, 2019 and 108,000 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 years ended March 31, 2019 and 2020.

6. Sharp acquired and canceled all the 795,363 Class C shares outstanding in exchange for 79,536,300 common shares on February 26, 2021.

7. 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 year ended March 31, 2022 represent those after the application of the said accounting standard and other standards.

8. Ratio of Disabled Employees includes data for Sharp, special subsidiaries, and group companies as of June 1 for each fiscal year.



Please refer to P.15, Social Initiatives.

Please refer to P.12, Environmental Initiatives.

Fiscal 2021 Review

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

Fiscal 2021 Earnings

The global economy recovered gradually thanks to advancements in COVID-19 vaccinations, but as in the fiscal year, conditions remained challenging due to ongoing supply chain disruptions stemming from the shortage of semiconductors, soaring raw materials prices, and rising logistics costs. Toward the end of the fiscal year, we saw the emergence of the situation in Ukraine in addition to lockdowns in China. Further, exchange rates fluctuated dramatically, stemming from differences in financial policies among countries.

Under these circumstances, Sharp is focusing on three initiatives in the interest of establishing SHARP as a powerful corporate brand: (1) Establish business structure centering brand businesses; (2) Realize our business vision; and (3) Strengthen financial basis and return to corporate bond market.

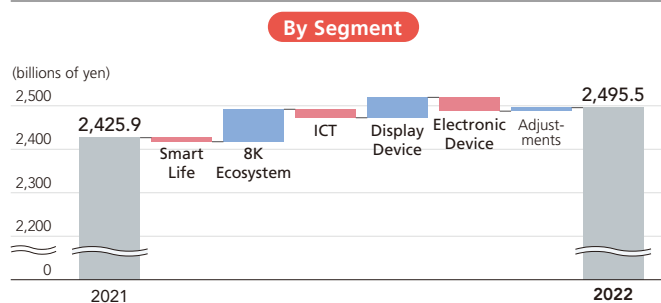
Consolidated net sales for fiscal 2021 amounted to 2,495.5 billion yen, up 2.9% year on year, as the 8K Ecosystem and Display Device businesses recorded sales growth, even as the Smart Life, ICT, and Electronic Device businesses experienced a decline in sales. Operating profit amounted to 84.7 billion yen, an increase of 1.9% year on year, due to higher 8K Ecosystem and Display Device performance, despite operating profit decreased year on year in Smart Life, ICT, and Electronic Device businesses. Ordinary profit was 114.9 billion yen, up 82.0%, and profit attributable to owners of parent amounted to 73.9 billion yen, a 38.9% increase year on year. Despite a challenging business environment, both net sales and profit exceeded the previous fiscal year.

Profit attributable to owners of parent increased and our efforts to create free cash flow and reduce interest-bearing debt resulted in NET DER as of the end of fiscal 2021 falling to 0.8 times (1.1 times at the end of the previous fiscal year). Accordingly, we achieved our short-term target of NET DER below 1.0 times. In addition, our equity ratio rose to 23.2% (compared with 18.2% as of the end of the previous fiscal year).

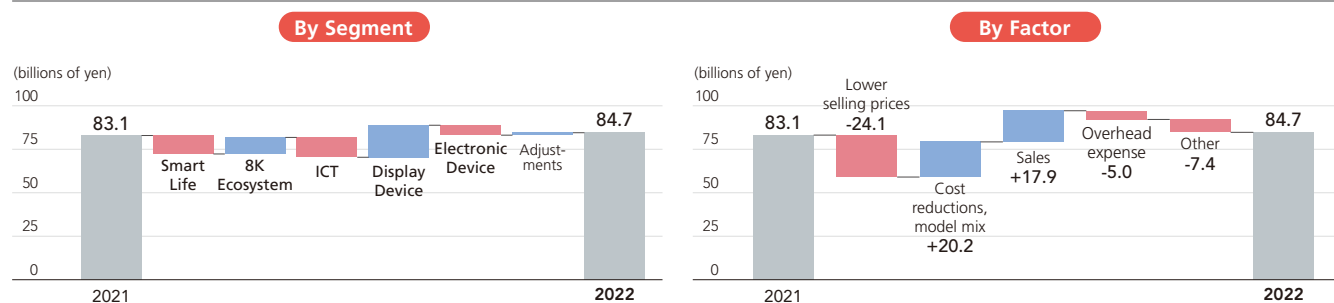
Considering our financial situation and future business development in a comprehensive manner, we declared an annual dividend of 40 yen per share, an increase of 10 yen per share compared with the previous fiscal year.

- Although the global economy recovered gradually, challenging conditions remained
- We moved forward with measures to establish SHARP as a powerful corporate brand
- Both net sales and profit outperformed the previous year
- We continued to improve our financial condition, achieving our NET DER target of 1.0 times or less
- Dividends exceeded fiscal 2020 levels

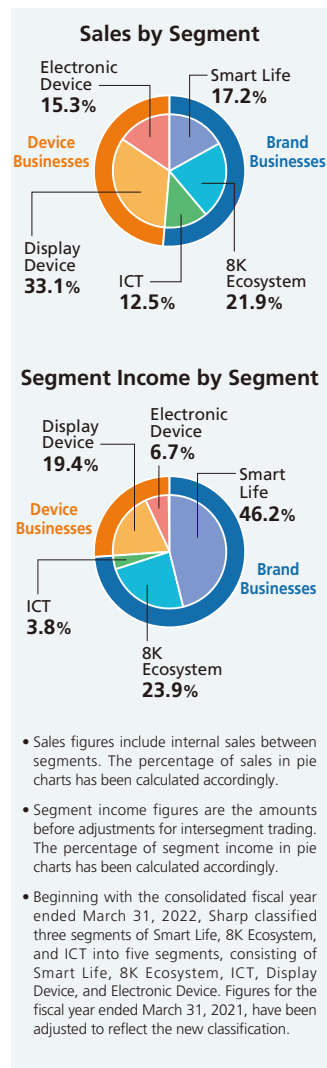
Analysis of Changes in Net Sales



Analysis of Changes in Operating Profit



Sales, Segment Income by Segment



Smart Life	Brand Businesses		ICT		Device Businesses	
	Smart Life	8K Ecosystem	ICT	Display Device	Electronic Device	
■ Sales (billions of yen)						
2021	455.5	493.0	343.4	812.7	428.5	
2022	446.1	567.6	324.0	859.6	396.8	
Sales in the energy solutions business increased, driven by the EPC business in Japan. Despite increased sales of cooking appliances and washing machines overseas, white goods business sales declined, mainly due to a decrease in domestic sales of Plasmacluster products compared to the previous year, when sales of Plasmacluster products grew substantially.						
Sales of televisions rose in Europe, Asia, and Japan, and other regions, and sales in the MFP business increased in the Americas, Europe, and Japan. We also benefited from the consolidation of Sharp NEC Display Solutions, Ltd. as a subsidiary.						
PC business for enterprise customers rose in the U.S., Asia, and China. However, the business was impacted negatively by a lull in PC demand that had been driven by the GIGA School concept in Japan. Further, semiconductor bottlenecks in the mobile communication business and PC business, as well as the lockdowns in China, had a negative impact on performance.						
Although sales of small-size panels for smartphones declined, sales of medium-size panels for automotive, PCs, tablets, and other applications increased.						
Production was impacted negatively by COVID-19 and other factors.						
■ Segment Income (billions of yen)						
2021	58.8	15.5	15.4	1.8	12.6	
2022	48.2	24.9	4.0	20.3	6.9	
Soaring prices for semiconductors and raw materials, as well as changes in product mix and other factors had an impact on performance.						
In addition to the increase in sales, progress in higher value-added TVs, and a recovery in print volume in the MFP business were other positive factors.						
In addition to the decrease in sales, higher prices for semiconductors and other factors had a negative impact on performance.						
This result was mainly due to improved model mix, as the sales ratio of medium-size panels rose.						
Performance suffered the negative impact of a decrease in sales and other factors.						
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, electronic dictionaries, calculators, telephones, network control units, solar cells, storage batteries						
Color televisions, Blu-ray disc recorders, audio equipment, digital MFPs (multi-function printers), information displays, commercial projectors, POS system equipment, FA equipment, options and consumables, office-related solutions services, software, face masks						
Mobile phones, PCs, tablet devices, routers						
Display modules, automotive cameras						
Camera modules, sensor modules, proximity sensors, dust sensors, wafer foundries, CMOS and CCD sensors, laser diodes						

Sustainability

See the following for more information on sustainability.
<https://global.sharp/corporate/eco/management/#anc01>

Basic Approach to Sustainability

Since our inception, Sharp has pursued our founding spirit, with a business philosophy of contributing to the culture, benefits, and welfare of people throughout the world and of expecting mutual prosperity with all who cooperate with Sharp. Our basic approach to Sustainability is to answer the expectations of society and our stakeholders, aiming for the sustainable development of both Sharp and society.

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. These are the group's basic policy for Sustainability and we are working to ensure its rigorous understanding.

*1 See below for more about our business philosophy and business creed.

<https://global.sharp/corporate/info/philosophy/>

*2 See below for more about Sharp Group Charter of Corporate Behavior and Sharp Code of Conduct.

<https://global.sharp/corporate/info/charter/>

Sustainability Policies and Promotion Structure

In August 2016, Sharp identified initiatives we believe to be particularly important in reducing our impact on society and the environment. We defined these initiatives as our Social and Environmental Responsibility (SER), establishing an SER policy.

SER Policy

- (1) Value the rights of employees and ensure their health and safety.
- (2) Fulfill environmental responsibilities in business activities and manufacturing processes.
- (3) Build and operate an SER management system based on international standards, regulations, and client requests.

In addition, as of fiscal 2018, our medium and long-term visions have taken up the purpose of contributing to the achievement of the SDGs (Sustainable Development Goals), adopted by the United Nations in September 2015. These visions have adopted the dual concepts of solving social issues through innovation in business and technology and reducing the impact of our business activities on society and the environment through promoting measures according to SER Policy.

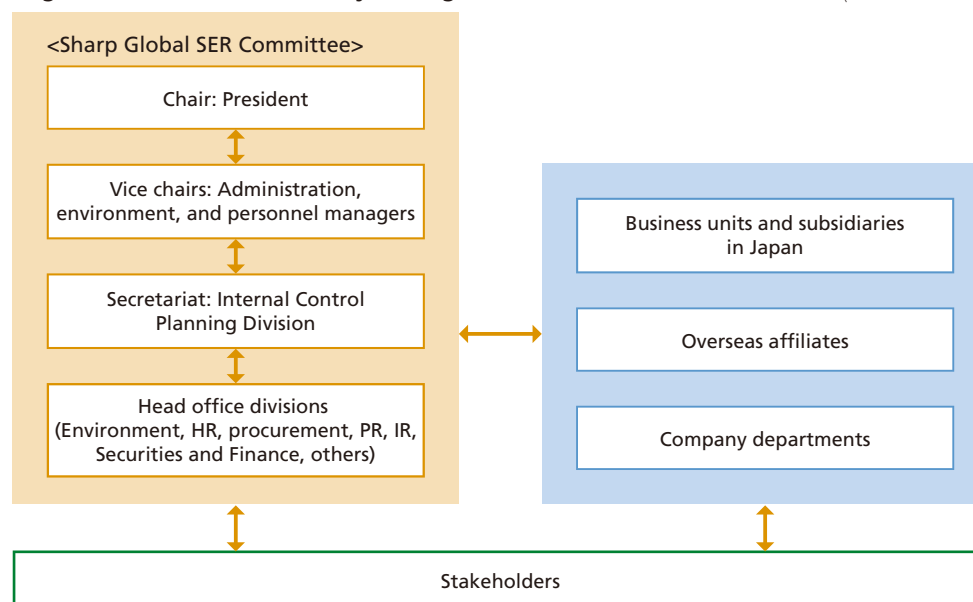


Looking forward, while enhancing our efforts in ESG—Environment, Society, and Governance—and improving our ESG rating, we will build a strong business infrastructure capable of supporting sustainable growth, and contribute to bringing about a sustainable society.

To reduce these policies to actionable measures managed via the PDCA cycle, Sharp launched the Sharp Global SER Committee. The committee consists of senior executives, headquarters functional divisions (e.g. environment/HR/procurement), business units and subsidiaries. This committee deliberates and pursues SER measures, implements policies and vision, and conducts activities that include communicating the latest trends related to social issues.

Organization for Sustainability Management

(As of March 2022)



Materialities

There are successive announcements of international long-term goals aimed at resolving global social issues, and we are seeing increased expectations for corporate initiatives such as increased interest in human rights issues such as forced labor in global supply chains. Against this backdrop, we are aiming to contribute to goals that solve global social issues, identify materialities in the Sharp Group from a medium- to long-term perspective, and strive to promote sustainability management.

In identifying material issues, we map important issues from the two-axis perspective of importance to society (stakeholder expectations) and importance to the Sharp Group. Accordingly, we have identified business priorities that emphasize ESG. We also contribute to the achievement of the SDGs by setting targets in our business units and subsidiaries in areas we identify from the perspectives of (1) solving social issues through innovation and (2) reducing the social and environmental impact of our business activities, which are the basic strategies of Sharp sustainability management.

Further, to solve social issues through innovation, we have as of fiscal 2019 established a medium- and long-term vision for contributing to the SDGs through each business unit and subsidiary, reporting and confirming*1 our progress here.

Each fiscal year, we formulate company-wide SER priority policy guidelines in the interest of reducing the impact of our business activities on society and the environment. Each business unit and subsidiary selects those issues important to them from these guidelines, engaging in and self-evaluating their progress in SER measures (goals, KPIs, scope, action plan, etc.)*2 on a semi-annual basis.

The Sharp Global SER Committee conducts ongoing follow-ups of how the SER measures in each business unit and subsidiary (using self-evaluations), sharing the status of promotion company-wide and conducting comprehensive reviews. All business units and subsidiaries generally made progress as planned with their SER measures for fiscal 2021, but we are also confirming measures for improvement for those remaining themes that need to be addressed.

Besides confirming the status of initiatives at company-wide meetings, we have also established annual targets*3 for strengthening basic governance as the foundation of all corporate activities for each major field of emphasis at each supervising department.

*1 See the following for more about the progress of our contribution in achieving the SDGs through our business.

<https://global.sharp/corporate/eco/sdgs/>

*2 See the following for more about the SER measures.

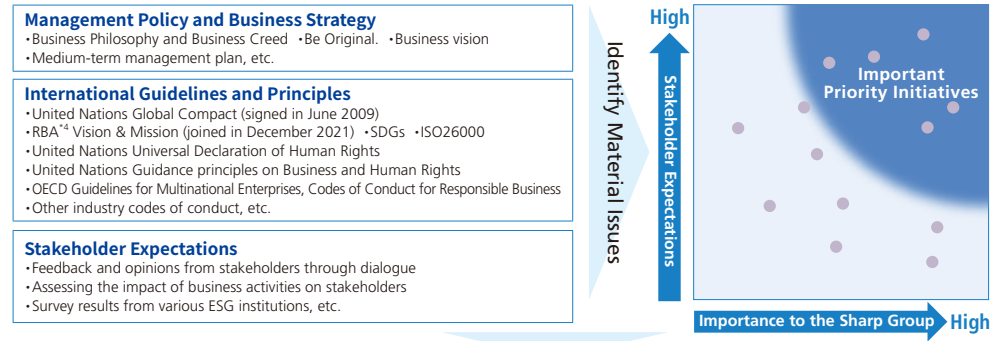
<https://global.sharp/corporate/eco/management/>

*3 Targets and results are detailed on the pages concerning Governance on the sustainability site shown below.

<https://global.sharp/corporate/eco/governance/>

*4 Responsible Business Alliance. Founded in 2004 by a group of leading electronics companies including Hewlett-Packard, IBM, and Dell, the RBA, formerly the Electronic Industry Citizenship Coalition (EICC), has a code of conduct covering the social, environmental, and ethical responsibilities in the global supply chain of its members in the electronics and a wide range of other industries.

*5 Please refer to P.11, Environmental Initiatives.



Management Emphasizing on ESG

- Further strengthen healthcare-related business(digital healthcare)**
Measure health data without conscious effort and provide solutions optimized for each individual, helping people to live healthier lives naturally
- Contribute to carbon neutrality**
 - Aim to reduce GHG emissions 60% by the year 2035 (compared to fiscal 2021 levels) toward achieving zero GHG emissions by the year 2050
 - Accelerate the transformation of the Energy Solutions business and contribute to the expansion of renewable energy
- HITO-based management**
Design and reform systems from the perspectives of H (Hybrid), I (Innovation), T (Talent), and O (Opportunity) for sustainable growth, aiming to foster a young, vibrant corporate culture
- Becoming a true global company**
Seek to become a truly global company in the areas of human resources, organization, functions, products, and services

Solving Social Issues through Business and Technological Innovation

SUSTAINABLE DEVELOPMENT GOALS

Reduce Our Impact of Our Business Activities on Society and the Environment

- Human rights and labor**
 - Employee health and safety
 - Respect for human rights
- Environment**
Initiatives for *SHARP Eco Vision 2050*, our long-term environmental vision*5
 - Climate change (achieving carbon-free society)
 - Resource recycling (achieving a circular economy)
 - Safety and security (careful and detailed management of chemical substances)
- Supply chain management**
 - ESG risk management throughout the supply chain
 - Responsible mineral procurement

Strengthen Basic Governance

Corporate governance, risk management, compliance, information security, etc.

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^{*1}) and carbon neutrality^{*2}, as well as initiatives to realize a circular economy^{*3}.

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 three 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 respect to

climate change, we set a target of reducing CO₂ emissions by 40% by 2030 and 60% by 2035. Our aim is to achieve net zero CO₂ emissions arising from our own business activities by 2050^{*4}.

Sharp is engaged in initiatives to solve social issues and sustainably raise corporate value. We are doing so by working more closely with our stakeholders through corporate and environmental conservation activities.

*1 17 social goals adopted by the United Nations in 2015 that international society needs to achieve by 2030 in order to ensure sustainable development.

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

*3 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.

*4 Compared with fiscal 2021. Includes post-2021 emissions of Sakai Display Products Corporation (SDP), which became a wholly owned subsidiary in June 2022. See P.3, Contribute to Carbon Neutrality.

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.

- 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.

- 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. We are striving to eliminate any chemicals that harm human health, the global environment, or ecosystems.

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

Environmental Initiatives

Disclosure of Information Regarding Climate Change

Addressing TCFD proposals

The Task Force on Climate-Related Financial Disclosures (TCFD) formed by the Financial Stability Board (international body that works toward financial systems stability) in 2017 put forth a proposal recommending that companies disclose information on the risks and opportunities presented by climate change. 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 President and Representative Director, who chairs the Sharp Global SER Committee^{*1} has the responsibility for monitoring and supervising climate-related issues. The Sharp SER Committee consists of the committee chair, committee vice chair (officers responsible for administration, environment, and human resources), and members (business division general managers, presidents of subsidiary companies). In addition, the related functional departments of the headquarters assist in operations as a support team. The committee deliberates climate change and other ESG-related issues, as well as implementation of policies and visions, and important measures to take. This also confirms and reviews measures taken by each business division and subsidiary, thereby overseeing climate change and other issues faced by society.

2. Strategy

Sharp pursues environmental activities based on the *SHARP Eco Vision 2050*, our long-term environmental vision formulated to achieve a sustainable global environment. Sharp is engaged in measures related to climate change to achieve our new medium-term environmental targets^{*2} by the year 2035.

To enhance resilience for an uncertain future related to climate change, we identified climate-related risks and opportunities based on multiple scenarios, including the SSP1-1.9 scenario^{*3} and the SSP5-8.5 scenario^{*4} of the IPCC 6th Assessment Report. The details of each risk and opportunity, as well as measures to address them, are summarized on the following page.

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 analysis to the Internal Control Planning Division (secretariat of the Risk Management Office) and senior management as necessary. Measures for improvement are discussed among the related departments.

4. Indicators/targets

Sharp has set corporate targets for fiscal 2031 in order to promote the reductions of CO₂ emissions throughout the supply chain. In January 2020, the Science Based Targets (SBT) Initiatives certified our targets as science-based and in compliance with the Paris Agreement. We aim to reduce both CO₂ emissions from business activities (Scope 1 and 2) and indirect CO₂ emissions from non-business activities (Scope 3) by 33% compared with fiscal 2018.

In June 2022, we announced our target to reduce CO₂ emissions by 60%^{*5} by 2035. This target is in compliance with the SBT 1.5°C target and reflects a 4.2% per year reduction in CO₂ emissions. We have also set an intermediate target of a 16.8% reduction^{*5} by the year 2025.

*1 See P.9.

*2 See P.3, Contribute to carbon neutrality.

*3 Scenario by which temperature increase remains below 1.5°C under sustainable development

*4 Maximum emissions under fossil fuel dependent development with no climate policy

*5 Compared with fiscal 2021. Includes post-2021 emissions of Sakai Display Products Corporation (SDP), which became a wholly owned subsidiary in June 2022.

SBT Progress (FY2021 Results)

Category	Base year (FY2018 results)	FY2031 targets (33% reduction over FY2018)	FY2021 results	Vs. base year
Scope 1+2	1,077 thousand tons CO ₂	722 thousand tons CO ₂	985 thousand tons CO ₂	9% reduction
Scope 3 (Category 11)	27,489 thousand tons CO ₂	18,418 thousand tons CO ₂	28,010 thousand tons CO ₂	2% increase

Environmental Initiatives

Disclosure of Information Regarding Climate Change

Sharp Risks and Opportunities

	1.5°C scenario SSP1-1.9						4°C scenario SSP5-8.5		
Analysis results	A large number of countries, whether advanced, emerging, or developing, are introducing more ambitious emission control regulations, which significantly restrict production methods, etc. Prices for conventional electricity, including thermal energy, etc., will skyrocket. At the same time, renewable energy will begin to be less expensive than conventional sources due to policy incentives.						Global efforts to decarbonize are progressing slowly in advanced countries, and the same can be said for developing countries. Extreme weather events will occur more frequently around the world. Global average sea levels are expected to rise by more than 1 meter, and urban infrastructure and logistics systems will be significantly less efficient as a result of environmental changes.		
Climate change related drivers	The introduction of carbon pricing and other policies to curb greenhouse gas emissions	Renewable energy becoming the main source of power	Shifts in consumer purchasing behavior toward socially and environmentally conscious products	Demands from the supply chain to reduce greenhouse gas emissions	Increased energy costs	Accelerated adoption of and stricter energy-saving regulations for products in many countries	A decrease in water consumption due to melting glaciers, etc., as well as frequent flooding	Increased frequency of heat stroke due to extreme weather in many regions, resulting in death and illness	Infrastructure damage due to rising sea levels, which will destabilize logistics networks
Business risks	Transition risk (Policy) Burden of new carbon taxes based on greenhouse gas emissions	Transition risk (Technology) Increased costs of renewable energy installations	Transition risk (Reputation) Increased capital investment and research costs to respond to greenhouse gas reduction demands from customers	Transition risk (Market) Increased costs due to environmental response demands from climate change-conscious customers	Transition risk (Market) Increased production and operating costs when using conventional energy	Transition risk (Regulatory) Low achievement of standards will result in sales stoppages and no or reduced sales growth for products and services	Physical risk (Acute) Shutdown of production plants due to drought or flooding	Physical risk (Acute and chronic) Suspension of production plant operations due to impact on employee health	Physical risk (Chronic) Disruption of parts supply from suppliers, resulting in increased costs of doing business in connection with recovery costs and delivery delays
Time horizon	Short to Long Term	Short to Medium Term	Medium to Long Term	Short to Medium Term	Short to Long Term	Short to Long Term	Medium to Long Term	Short to Medium Term	Medium to Long Term
Business opportunities	Resource efficiency Gain a competitive advantage by reducing tax expenditures through carbon tax savings	Products/services Expand sales of solar power generation systems to companies seeking to switch energy sources	Products/services Increase customer base by offering environmentally friendly products	Markets Gain competitive advantage by responding quickly to customer requests	Energy Expand sales of solar power generation systems to companies seeking to switch energy sources	Resilience Increased sales opportunities for products that contribute to decarbonized societies (energy-saving products)	Products/services Increased sales opportunities for products with water-saving functions	Products/services Increased demand for air conditioning equipment due to global warming	Resilience Securing competitive advantage by strengthening the supply chain
Main measures to address risks and opportunities	Systematic reduction of greenhouse gas emissions through science-based reduction targets	Continued long-term investment in solar power generation technologies and consideration of expanded use of solar energy in electric vehicles and other applications	Require and support greenhouse gas reductions upstream in the supply chain	Reinforce greenhouse gas emission reduction systems across the organization	Pursue investments in environmental facilities by adopting a carbon pricing system; actively purchase and use advanced power generation equipment produced in-house	Standardize environmentally friendly product design through a team dedicated to understanding changes in environmental regulations in each country	Introduce water recycling systems at production plants and develop products with water-saving functions	Implement measures in accordance with business risk management rules	Plan, maintain, and improve the Sharp Group Business Continuity Plan

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 on a regular basis using a survey form compliant with the RBA Self-Assessment Questionnaire. We also provide feedback on assessment results for each of our suppliers' plants, and for plants with low assessment scores, we ask suppliers to submit improvement plans, working to enhance CSR initiatives.

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

To meet these expectations and demands, as well as to reduce CSR risks in the supply chain further, Sharp joined the RBA officially in December 2021*. We are now strengthening related initiatives while utilizing RBA tools and mechanisms.

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 such a problem is identified, we will immediately call on the relevant supplier to take the necessary corrective and relief measures based on our agreement, and if no improvement is expected, we will take strict measures including suspending transactions.

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

* See the following for more about participation in RBA, an entity promoting social responsibility in the global supply chain.
<https://global.sharp/corporate/eco/topics/2021/211214a.html>

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.

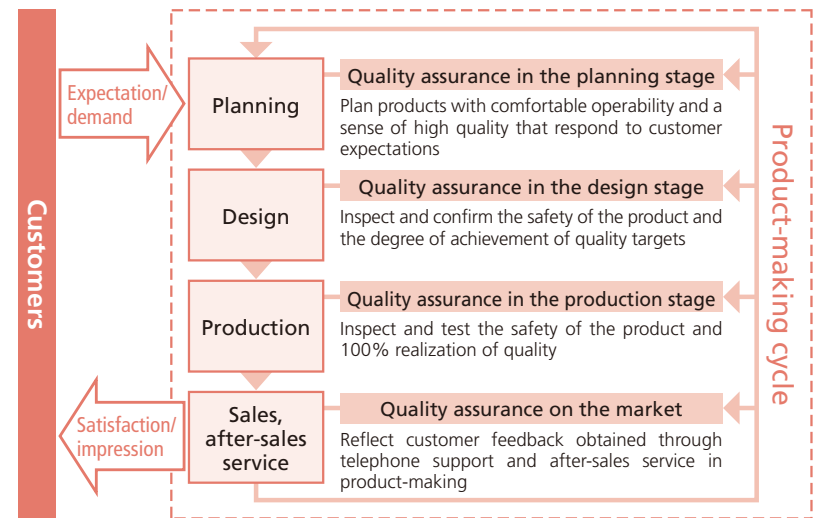
See the following for more about CSR procurement.
<https://global.sharp/corporate/eco/supplier/csr/>

Ensuring Quality and Safety

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

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.



See the following for more about quality.
https://global.sharp/corporate/eco/social/customer_satisfaction/

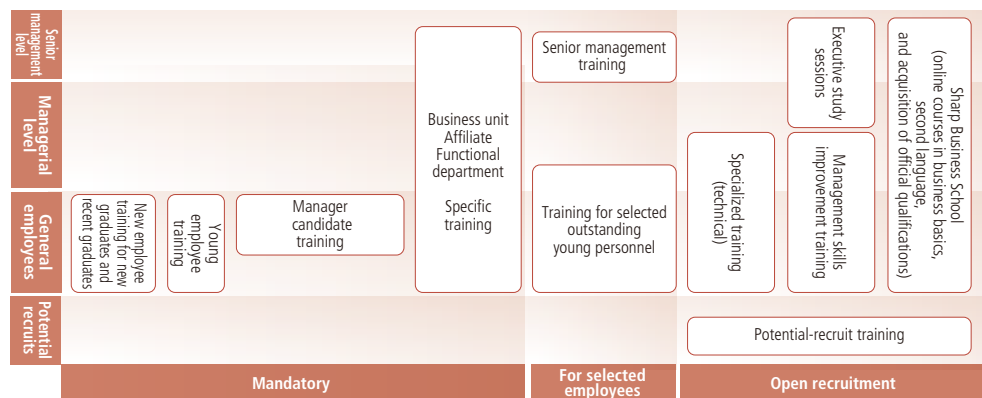
Social Initiatives

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, raise the skill level of each employee, and implement other measures for improvement.

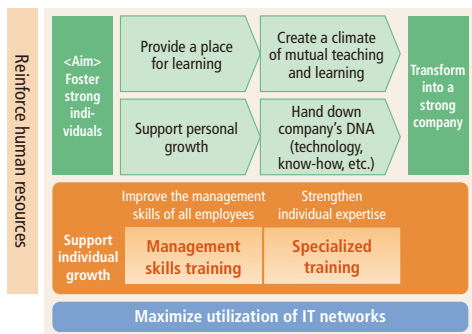
Our position-based training places particular emphasis on developing our younger employees. Courses offered include employee candidate training, new employee training, and young employee training. When an employee is ready for promotion to manager, they take a management candidate training course, which reinforces management skills in a systematic manner.

To foster the next generation of SHARP leaders, we identify outstanding future leaders and offer training in management and leadership skills. This training nurtures the skills required for management personnel.



We strive to cultivate an environment in which employees can pursue independent learning whenever and wherever they are, in order to build up the basic business knowledge and expertise that they need as professionals.

To strengthen individual expertise (technical competency), we share technical knowledge beyond the boundaries of business and products, passing on technical capabilities to and nurturing younger employees. We also offer basic skills improvement seminars (e-learning) for young engineers, device seminars to introduce our cutting-edge devices to product development staff, and technical workshops that focus on specific technical fields with



See the following for more on human resources development, diversity management, and other related information.

<https://global.sharp/corporate/eco/social/>

practical, work-related content.

We continue to expand topics related to management skills training that teaches necessary basic business knowledge and skills to employees. In addition to group training, SHARP provides an e-learning environment for study sessions and management skills improvement training. This is just another we actively support employee self-development and growth.

Through these initiatives, SHARP aims to create a climate of mutual teaching and learning through sustained personnel, education, and training systems, transforming into a strong company.

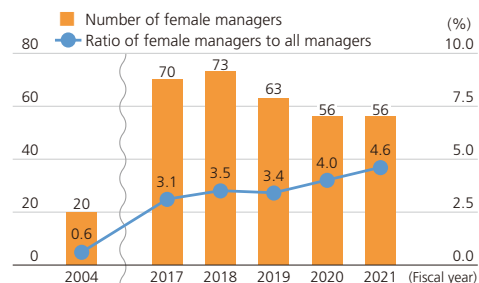
Diversity Management

Sharp's approach to diversity is clearly stated in its 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." Through mutual respect of individual employee personalities, we aim to create new value, leading to the proposal of services and development of new lifestyle products that we, alongside our customers, will use to build the stepping stones toward our future.

Diversity management is a human resources strategy for utilizing a diverse range of employees; it is also a business strategy.

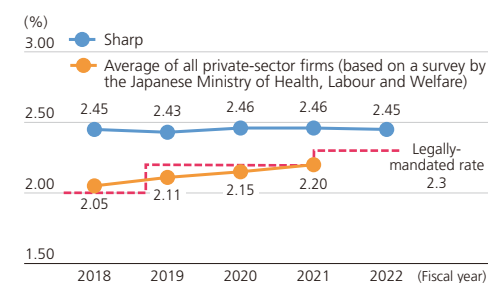
The Sharp Code of Conduct states, "In any corporate activities, including employment practices such as hiring, payment, promotion, opportunities for training and the like, we do not take any action that constitutes discrimination based on nationality, race, ethnic group, color, sex, physical health, 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

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 CEO'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 are as a rule held on a monthly basis to make decisions on matters stipulated by law and management-related matters of importance, as well as to 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, transactions between the parent company group and SHARP Group are reviewed and approved by the Special Committee to determine the necessity, rationality, and appropriateness of the transaction in question before being submitted to

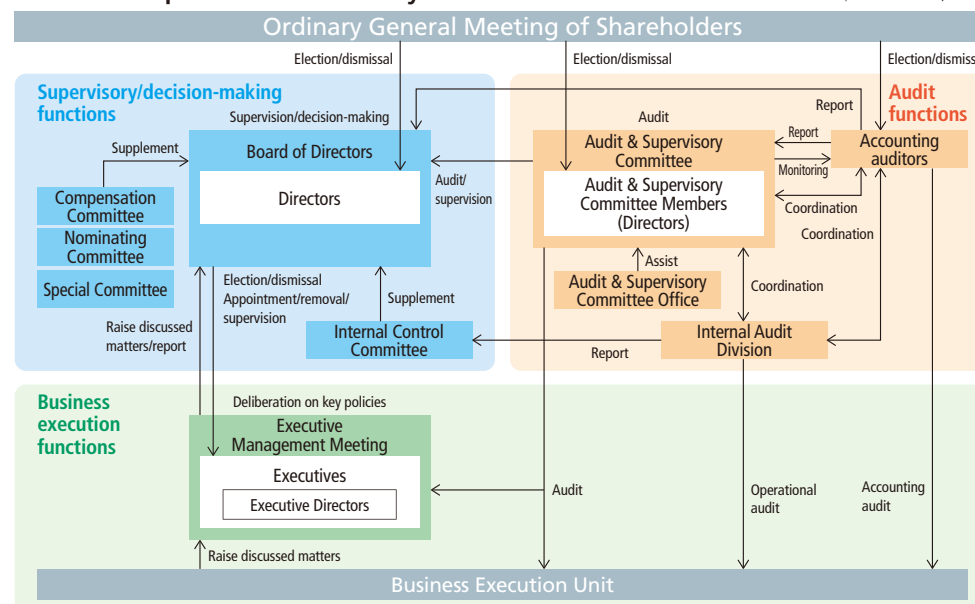
the Executive Management Meeting for decision.

In addition to the Board of Directors, the Company has set up an Executive Management Committee whose members are executive officers (CEO, vice president, CFO). 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 24, 2022)



Organization Membership

(©: Committee chair) (As of October 1, 2022)

Title	Name	Bord of Directors	Audit & Supervisory Committee	Executive Management Meeting	Nominating Committee	Compensation Committee	Special Committee	Internal Control Committee
President & Chief Executive Officer	Po-Hsuan Wu	©		©	○	○		©
Executive Vice President, Member of the Board	Masahiro Okitsu	○		○	○	○		○
Member of the Board (Outside Director)	Ting-Chen Hsu	○						
Member of the Board (Outside Director)	Zhen-Wei Wang	○			○		○	
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	Hsin-Shu Chen			○				
Executive Managing Officer	Yoshio Kosaka							○

* Member of Audit & Supervisory Committee

Outside Directors

(As of June 24, 2022)

Name	Member of Audit & Supervisory Committee	Independent Director	Reason for Selection	Attendance at Board/Committee in Fiscal 2021 (Meetings attended/ No. of meetings held*)
Hsu-Tung Lu	○		Mr. Lu has worked for many years in accounting operations. Given his wealth of experience and knowledge based on his professional experience, we have determined that he is well suited to serve as an outside director at Sharp.	Board of Directors (14/14) Audit & Supervisory Committee (16/16) Nomination Committee (1/1) Compensation Committee (2/2)
Yasuo Himeiwa	○	○	Mr. Himeiwa has worked for many years in the accounting business. Given his wealth of professional experience and knowledge, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Himeiwa as an independent director based on Standards for Independence of Outside Directors.	Board of Directors (14/14) Audit & Supervisory Committee (16/16) Nominating Committee (3/3) Compensation Committee (6/6)
Yutaka Nakagawa	○	○	Mr. Nakagawa has worked for many years in the audio visual equipment and semiconductor businesses, etc. Given his experience in corporate management as an executive officer and his wealth of professional experience and knowledge, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Nakagawa as an independent director based on Standards for Independence of Outside Directors.	Board of Directors (14/14) Audit & Supervisory Committee (16/16) Nominating Committee (2/2) Compensation Committee (4/4)
Ting-Chen Hsu			Mr. Hsu has worked for many years in semiconductor, display, and other manufacturing businesses, including management positions. Given his wealth of experience and knowledge based on this professional experience, we have determined that he is well suited to serve as an outside director at Sharp.	Board of Directors (10/11) Nominating Committee (2/2) Compensation Committee (4/4)
Zhen-Wei Wang		○	Mr. Wang has worked for many years in business and management related to computer and other product manufacturing companies. Given his wealth of experience in and wide range of knowledge, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Wang as an independent director based on Standards for Independence of Outside Directors.	—

*The number of meetings varies depending on the term of office of each member.

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 29, 2021, resolved to cap cash remuneration at ¥500 million per fiscal year (of which a maximum of ¥20 million may be paid to outside directors).

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 Company grants restricted stock as nonmonetary remuneration to directors, up to a limit of ¥300 million (150,000 shares) per fiscal year, of which a maximum of ¥12 million (6,000 shares) may be granted to outside directors.

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 foster 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, 2022 was ¥251 million (four directors, including one outside director). Remuneration, etc., for directors who are members of the Audit & Supervisory Committee was ¥71 million (three outside directors).

The Company does not disclose remuneration for individual directors.

Corporate Governance

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 2022). 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 companywide compli-

ance 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.

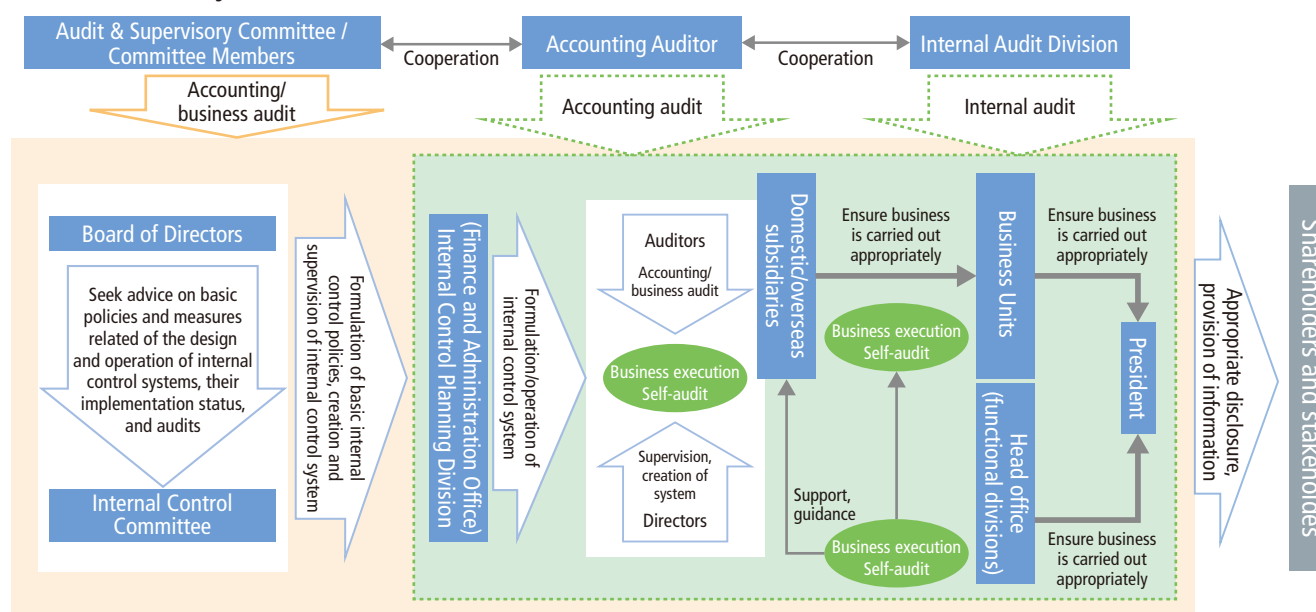
On the subject of compliance-related whistleblowing systems, we have established the Crystal Hotline to handle various issues regarding compliance, including organizational or individual violations of the law or ethics, and the workplace occurring at Sharp or domestic subsidiaries as well as the Competition 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.

Internal Control System (As of June 2022)



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, 2022 (or June 24, 2022 as appropriate).

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

Sharp conducts its business not only in Japan but also in different regions around the world. Business results and financial position are thus subject to economic and consumer trends, private consumption and corporate capital investment trends associated with the COVID-19 pandemic, competition with other companies, product demand, raw material supply, and price fluctuations in each region, including Japan.

The political and economic situation in Ukraine and other areas, the growing impact of world economic recession, U.S.-China trade friction, etc. may affect Sharp's business results and financial position.

(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, and changes from those in the previous report are analyzed with prescribed necessary measures taken against risks.

(2) Exchange rate fluctuations (Risk)

The proportion of consolidated net sales accounted for by overseas sales was 64.4% in fiscal 2020 and 67.2% in fiscal 2021. 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 not to 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 simultaneous entry 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 business strategic necessity, profitability, and financial appropriateness beforehand at the stage of executing 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.

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

Risk Factors

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, and given that our manufactures and sells telecommunications equipment, electrical appliances, and general electronics application equipment and components under the Sharp and other our brands. We believe that there is no competition within the parent group that would impact group businesses in conflict. 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, or face an unexpected M&A, or be impacted by natural disasters or accidents, or be impacted by the spread of the COVID-19 pandemic, U.S.-China trade friction, or the situation in Ukraine, or be impacted negatively by rising raw materials prices and energy costs, or be affected by legal regulations concerning human rights environmental issues such as the problem of conflict minerals in the supply chain, or shortages in semiconductors due to strong demand, or limited suppliers with 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 32.0% as of the end of the current consolidated fiscal year. 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. If its consolidated net

assets fall below the levels specified under such financial covenants, or 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, or if its consolidated ordinary profit cannot be kept at certain levels, Sharp may forfeit the benefit of time at the lender's request. Sharp may also forfeit the benefit of time on other borrowings if it violates the relevant financial covenants.

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.

Sharp strives to improve free cash flows by recovering operating cash flows through recovery of its earnings performance and by managing investment cash flows through concentrating on investments focused on efficiency. Sharp tries to create an environment that allows for fund raising

Risk Factors

through direct financing instead of indirect financing by early recovering from a bad rating.

(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)

Sharp's R&D teams work together as one to go beyond simply the improvement of the technological level and develop the 8K+5G Ecosystem and AIoT World under the collaboration of the three business groups. We effectively utilized the business foundation built to date to deploy new services and solutions in earnest. At the same

time, Sharp has accelerated R&D efforts to create new businesses in the fields of health, medicine, and nursing care. As our evaluations of technology change fundamentally together with the rapid changes evident in society, Sharp quickly identifies social issues and pursues related R&D.

In addition, Sharp does not stick to its in-house R&D, but accelerates R&D in active collaboration with external partners to strengthen the technological capability in new areas necessary to continue transformation to the solution business. 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 proprietary 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 ScienBiziP Japan 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 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 a third party, Sharp does not hesitate to seek a judgment by a third party, 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

Risk Factors

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, and reviews, scores, and prioritizes 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 and Executives

(As of October 1, 2022)

Members of the Board



President & Chief Executive Officer
Po-Hsuan Wu



Member of the Board
Masahiro Okitsu



Member of the Board
Ting-Chen Hsu ○



Member of the Board
Zhen-Wei Wang ○■



Member of the Board
(Member of Audit & Supervisory Committee)
Hsu-Tung Lu ○



Member of the Board
(Member of Audit & Supervisory Committee)
Yasuo Himeiya ○■



Member of the Board
(Member of Audit & Supervisory Committee)
Yutaka Nakagawa ○■

○ Outside Directors
■ Independent Directors

Skills Matrix

Name	Corporate Management and Business Strategy	International Business and Overseas Expertise	Engineering and Technology	Finance and Accounting	Risk Management and Compliance
Po-Hsuan Wu	○	○			○
Masahiro Okitsu	○	○	○		○
Ting-Chen Hsu	○	○	○		
Zhen-Wei Wang	○	○	○		○
Hsu-Tung Lu		○		○	○
Yasuo Himeiya		○		○	○
Yutaka Nakagawa	○	○	○		○

Executives

President & Chief Executive Officer	Po-Hsuan Wu	Executive Managing Officer	Yoshio Kosaka
Executive Vice President	Masahiro Okitsu	Executive Officer	Yasufumi Sugahara
Senior Executive Managing Officer	Hsin-Shu Chen	Executive Officer	Tetsuji Kawamura

New Representative Director



Representative Director
Masahiro Okitsu

Q Tell us about your career to date.

I joined Sharp Corporation in 1980 and worked in the white goods business, where I was involved in technology, production plants, and the establishment of development centers before becoming general manager of the division.

In 2013, I became an executive officer in charge of the Health and Environment business, and in June 2022, I was appointed representative director and executive vice president.

Q What do you emphasize in your management style?

I try to emphasize three things: Push Through, Quality First in Heart and Mind, and People.

(1) The phrase Push Through reflect the words of Tokuji Hayakawa, who overcame many trials and founded Sharp. I have run into walls many times since joining the company, but these words have always helped me do my best. Today, with the supply chain in disarray, the weak yen, and uncertainty spreading in the global economy, we recognize that the business environment will be challenging for the foreseeable future. In the spirit of Push Through, we will work to strengthen our overseas business, expand into new areas, and respond to risks.

(2) Quality First in Heart and Mind is a slogan for quality. As a section manager, my section once ran into a quality problem with certain components. We recovered the cost damages from the manufacturer, but it took time for the brand to recover its reputation. Since that experience, I have become even more convinced of the importance of putting quality first and of earning the trust of our customers. As Sharp continues to strive to become a strong brand company, we will rededicate ourselves to a quality-first policy, which is the foundation of everything.

(3) People are the foundation of everything we do. The recent improvement in the performance of our white goods business is due to the efforts and work of our employees. At Sharp, we have a strict performance-based evaluation system, but we are always looking for ways to improve it further. We want to create highly fair environments in which employees work proactively and responsibly.

Q What kind of company do you want Sharp to be?

Our aim is to make SHARP a powerful corporate brand. To this end, we will launch a new digital healthcare business and transform our Energy Solutions business to contribute to carbon neutrality. As was the case with Sharp in the past, Brand Businesses will continue to create distinctive products, while the Device Businesses develops unique devices in support of our brands. As both businesses spiral upward, we will create a cycle of evolution.

Q What is your message to shareholders and investors?

We will practice ESG-oriented management and aim for coexistence and co-prosperity with society and stakeholders as a powerful corporate brand. I know it will not be easy, but we will move forward steadily, step by step, and I ask for the continued support of our shareholders and investors in this endeavor.

Career Highlights

April 1980	Joined Sharp Corporation
October 2005	President, Shanghai Sharp Electronics Co., Ltd.
March 2009	Sharp Corporation, General Manager, Laundry Systems Business, Health and Environment Systems Group
October 2010	General Manager, Air Conditioning Systems Business, Health and Environment Systems Group
October 2011	Deputy Group Manager, Health and Environment Systems Business Group; General Manager, Air Conditioning Systems Business
April 2013	Executive Officer, General Manager, Health and Environment Business; Division General Manager, Health and Environment Systems Division
June 2016	Director; Managing Officer; Division General Manager, Health and Environment Division
June 2017	Executive Managing Officer; BU President, Health and Environment Systems BU
November 2019	Senior Executive Managing Officer; BU President, Smart Appliances and Solutions BU
June 2022	Representative Director; Executive Vice President

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- 32 / Notes to Consolidated Financial Statements
- 66 / Consolidated Subsidiaries

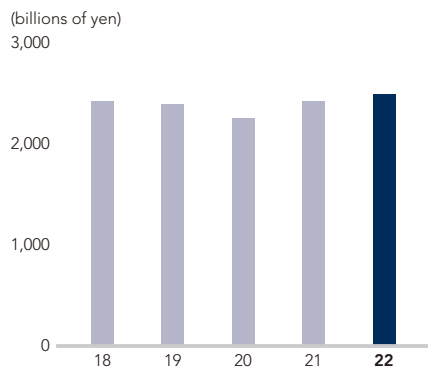
Financial Review

Sharp Corporation and Consolidated Subsidiaries

Net Sales

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

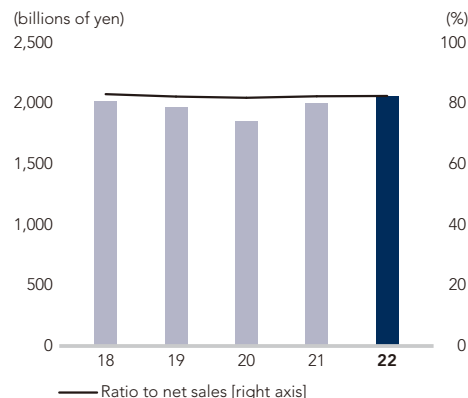
Net Sales



Financial Results

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

Cost of Sales



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

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

Non-operating income increased ¥27,448 million to ¥50,038 million, due to an increase

in foreign exchange gains, while non-operating expenses decreased ¥22,736 million to ¥19,790 million due to a decrease in share of loss of entities accounted for using equity method.

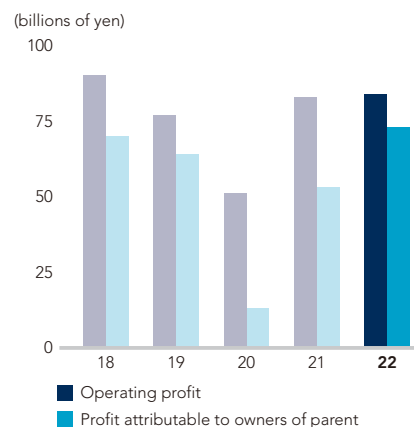
Extraordinary income increased ¥635 million to ¥12,993 million. Extraordinary losses increased ¥29,065 million to ¥38,156 million. This was mainly due to an increase in impairment losses and provision for loss on litigation.

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

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

Income per share of common stock was ¥121.14.

Operating Profit/ Profit Attributable to Owners of Parent



Segment Information

<Brand Businesses>

[Smart Life]

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

[8K Ecosystem]

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

[ICT]

Sales decreased 5.7% year on year to ¥324,017 million, despite growth in overseas enterprise PCs and other businesses. This result was mainly due to a lull in domestic PC demand associated with the GIGA School concept in Japan, the significant impact of semiconductor bottlenecks in

Financial Review

the mobile communication and PC businesses, and the impact of the lockdowns in China. Segment income decreased 73.8% year on year to ¥4,038 million, mainly due to the impact of higher prices for semiconductors and other devices, in addition to the decrease in sales.

<Device Businesses>

[Display Device]

Sales increased 5.8% year on year to ¥859,674 million. Despite lower sales of small-size panels for smartphones, sales increased for medium-size

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

[Electronic Device]

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

Sales by Segment

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

Segment Income by Segment

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

Capital Investment and Depreciation

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

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

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

Assets, Liabilities and Net Assets

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

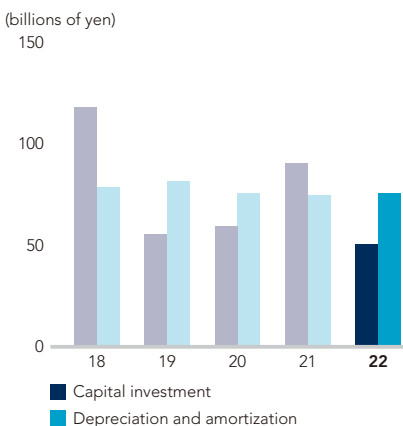
Assets

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

Property, plant and equipment decreased

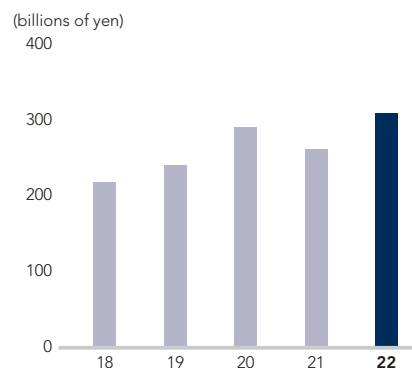
Capital Investment/ Depreciation and Amortization

(billions of yen)



Inventories

(billions of yen)



Financial Review

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

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

Liabilities

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

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

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

Net Assets

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

Our equity ratio was 23.2%.

Cash Flows

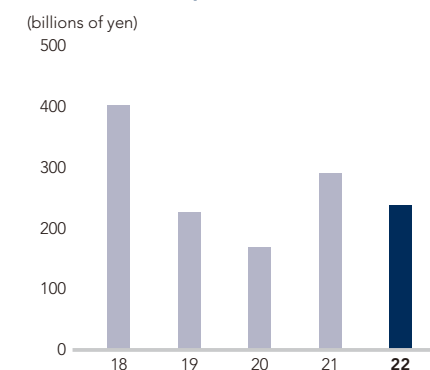
Cash and cash equivalents were ¥239,359 million, down ¥53,433 million from the end of the previous fiscal year. The combined capital outflows from financing activities and investing activities exceeded the capital inflows from operating activities.

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

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

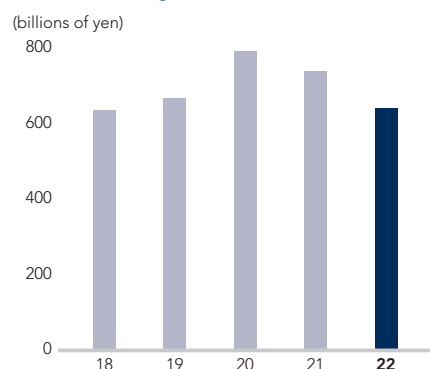
Cash used in financing activities was ¥124,291 million, up ¥47,566 million compared to cash used of ¥76,724 million in the previous fiscal year. This is mainly due to an increase in dividends paid of ¥7,332 million and a net decrease in short-term borrowings of ¥13,094 million compared to the previous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

Cash and Cash Equivalents

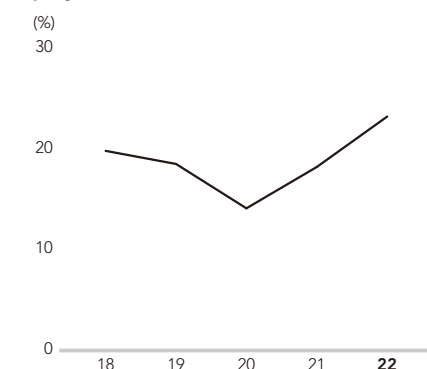


Notes: 1. Sales figures by segment shown in Segment Information include internal sales and transfers among segments (Smart Life, 8K Ecosystem, ICT, Display Device, Electronic Device). Segment income figures are amounts before adjustment for inter segment trading.
2. Capital investment figures shown in Capital Investment and Depreciation include the amount of leased assets.

Interest-Bearing Debt



Equity Ratio



Consolidated Balance Sheets

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

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

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

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, 2021 and 2022

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

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

Consolidated Statements of Comprehensive Income

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

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

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

Consolidated Statements of Changes in Equity

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

	Yen (millions)												
	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings (Note 5)	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	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, 2021	¥ 5,000	¥ 108,853	¥ 247,283	¥ (13,993)	¥ 347,143	¥ 8,048	¥ 846	¥ (56,118)	¥ (43,646)	¥ (90,870)	¥ 293	¥ 14,392	¥ 270,959
Changes during period													
Dividends of surplus			(10,995)		(10,995)								(10,995)
Profit attributable to owners of parent			53,263		53,263								53,263
Change in ownership interest of parent due to transactions with non-controlling interests		286			286								286
Purchase of treasury shares				(75)	(75)								(75)
Disposal of treasury shares		(13)		15	2								2
Net changes in items other than shareholders' equity						8,569	240	16,756	26,028	51,594	3	(898)	50,699
Total changes during period	—	272	42,268	(60)	42,480	8,569	240	16,756	26,028	51,594	3	(898)	93,180
Balance at end of the year ended March 31, 2021	¥ 5,000	¥ 109,126	¥ 289,551	¥ (14,053)	¥ 389,624	¥ 16,617	¥ 1,086	¥ (39,362)	¥ (17,617)	¥ (39,275)	¥ 297	¥ 13,493	¥ 364,139

	Yen (millions)												
	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings (Note 5)	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	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, 2022	¥ 5,000	¥ 109,126	¥ 289,551	¥ (14,053)	¥ 389,624	¥ 16,617	¥ 1,086	¥ (39,362)	¥ (17,617)	¥ (39,275)	¥ 297	¥ 13,493	¥ 364,139
Changes during period													
Dividends of surplus			(18,324)		(18,324)								(18,324)
Profit attributable to owners of parent			73,991		73,991								73,991
Change in ownership interest of parent due to transactions with non-controlling interests		(216)			(216)								(216)
Purchase of treasury shares				(8)	(8)								(8)
Disposal of treasury shares		(286)		314	28								28
Net changes in items other than shareholders' equity						3,551	748	30,277	13,872	48,449	7	1,202	49,659
Total changes during period	—	(503)	55,667	306	55,470	3,551	748	30,277	13,872	48,449	7	1,202	105,129
Balance at end of the year ended March 31, 2022	¥ 5,000	¥ 108,623	¥ 345,218	¥ (13,747)	¥ 445,094	¥ 20,169	¥ 1,835	¥ (9,085)	¥ (3,745)	¥ 9,173	¥ 304	¥ 14,696	¥ 469,269

Consolidated Statements of Cash Flows

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

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

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

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

Notes to Consolidated Financial Statements

Sharp Corporation and Consolidated Subsidiaries

1. Summary of Significant Accounting and Reporting Policies

(a) Basis of presenting consolidated financial statements

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

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

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

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

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 117 companies over which the Company has power of control through the holding of majority voting rights or with the existence of other certain conditions. Investments in 1 nonconsolidated subsidiary and 19 affiliates on which the Company has significant influence regarding their operating and financial policies are accounted for using equity method.

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

(Included in scope)

Xia Yan Technology (ShanDong) Co., Ltd.

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

(Excluded from scope)

Quorum Business Systems Limited

Lianyungang Kantatsu Fine Technology Co., Ltd.

Cocorolife Co., Ltd.

and 2 others

Sharp India Ltd. is the main nonconsolidated subsidiary.

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

(c) Investment securities

Other securities

Securities other than shares with no available market prices

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

Shares with no available market prices

Valued primarily by the periodic average method.

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

(d) Derivative financial instruments

Derivative financial instruments are stated at fair value.

(e) Inventories

Inventories held by the Company and its domestic consolidated subsidiaries are primarily measured at moving average cost. Inventories are written down when their profitability decreases. Inventories held by overseas consolidated subsidiaries are measured at the lower of moving average cost and net realizable value.

(f) Depreciation and amortization

For the Company and its domestic consolidated subsidiaries, depreciation of property, plant and equipment other than leased assets and right-of-use assets is computed by the declining-balance method.

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

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

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

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

Software used in-house is amortized by the straight-line method over the estimated useful life of principally 5 years, and software embedded in products is amortized over the forecasted sales quantity.

Depreciation of leased assets related to finance lease transactions that do not transfer ownership is

Notes to Consolidated Financial Statements

computed by the straight-line method with the lease period as the useful life and the residual value as zero.

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

(g) Allowance for doubtful accounts

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

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

(h) Provision for bonuses

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

(i) Provision for product warranties

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

(j) Provision for loss from litigation

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

(k) Provision for sales promotion expenses

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

(l) Provision for restructuring

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

(m) Defined benefit pension plan

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

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

(n) Major recognition criteria for revenues and expenses

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

Step 1: Identify a contract with customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the Group satisfies a performance obligation

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

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

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

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

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

Notes to Consolidated Financial Statements

observable stand-alone selling prices.

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

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

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

(o) Hedge accounting

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

All derivative financial instruments are stated at fair value and recorded on the balance sheets. The deferred method is used for recognizing gains and losses on hedging instruments and the hedged items. When foreign exchange forward contracts meet certain conditions, the hedged items are stated at the forward exchange contract rates.

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

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

(p) Method and period for amortization of goodwill

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

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

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

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

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

From the next consolidated fiscal year, the Company and some of its domestic consolidated subsidiaries will adopt the group tax relief system in place of the current consolidated taxation system. However, for the transition to the group tax relief system established by the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the items for which the non-consolidated taxation system was reviewed in accordance with the transition to the group tax relief system, the amounts of deferred tax assets and deferred tax liabilities are presented based on the previous tax acts, as provided for in Paragraph 3, "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Relief System" (Practical Issues Task Force No. 39, March 31, 2020), instead of applying the provisions in Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018).

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

(s) Major accounting estimates

(1) Valuation of inventories

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

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

Notes to Consolidated Financial Statements

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

The Group reduces the book value of inventories when the net realizable value falls below the book value. In addition, some inventories deemed slow-moving for more than a certain period of time are devalued regularly over time, assuming that it becomes less possible for those inventories to be sold. Moreover, the book value of some inventories is also devalued individually when they are deemed difficult to sell.

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

(2) Impairment losses on non-current assets

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

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

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

The Group conducts an impairment test of an asset or asset group, when there is an indication of impairment such as continued operating loss or negative cash flow from operating activities, and if the book value exceeds the higher of its value in use and its net realizable value, the Company recognizes impairment loss for the excess. The future business plan, which forms the basis for calculating the value in use, is established in consideration of information available at the time of financial closing, such as market prices and demand outlook provided by external information research companies. Additionally, the net realizable value is determined by reasonable approaches such as asset valuation by a third party.

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

(t) Changes in accounting policies

(1) Adoption of revenue recognition and other accounting standards

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

on the market prices as of the end of the fiscal year, effective from the fiscal year ended March 2022. In the past, the Group had recorded these shares stated at fair value based on the average market prices over the last month of the fiscal year.

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

(u) Unapplied accounting standard

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

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

Overseas consolidated subsidiaries

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

(v) Changes in presentation method

(Consolidated balance sheets)

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

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

(Consolidated statements of operations)

"Rental expenses on non-current assets" and "Inactive assets expenses," which were included in "Other" under "Non-operating expenses" in the fiscal year ended March 31, 2021, are separately presented since their amounts exceed 10/100 of the total non-operating expenses. The consolidated financial statements for the fiscal year ended March 31, 2021 have been reclassified to reflect this change in

presentation method.

As a result, in the consolidated statements of operations for the fiscal year ended March 31, 2021, ¥15,432 million that was included in "Other" under "Non-operating expenses" has been reclassified as ¥2,360 million of "Rental expenses on non-current assets," ¥4,139 million of "Inactive assets expenses" and ¥8,932 million of "Other."

(Consolidated statements of cash flows)

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

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

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

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

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

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

Notes to Consolidated Financial Statements

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

(w) Changes in accounting estimates

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

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

(x) Additional information

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

In the impairment tests of non-current assets, the Company made accounting estimates on future cash flows based on multiple scenarios, assuming that the impact of the spread of the new coronavirus pandemic would continue for a certain period in the fiscal year ended March 31, 2023 and beyond. However, since there are a lot of uncertainties regarding the impact of the spread of the new coronavirus pandemic, the accounting judgment revisions based on changes in the situations may lead to significant impacts on the Group's financial status and operating results in the fiscal year ended March 31, 2023 and beyond.

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

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

2. Notes to Consolidated Balance Sheets

(a) Investment in nonconsolidated subsidiaries and affiliates

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

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

(b) Inventories

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

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

(c) Collateral assets and liabilities secured by collateral

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

(1) Assets pledged as collateral

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

(2) Liabilities secured by collateral

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

In addition, certain shares of consolidated subsidiaries, which were subject to elimination through inter-company transactions, were pledged as collateral of long-term borrowings as of March 31, 2021 and 2022.

(d) Contingent liabilities

(1) Guarantee liabilities

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

(2) Discounted and endorsed trade notes receivable

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

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

The Company entered into long-term contracts with several suppliers with respect to electricity and other inputs at the Sakai plant. The total amounts of future minimum payments under such contracts as of March 31, 2021 and 2022 were ¥12,262 million (longest remaining term was 8 years) and ¥8,615 million (longest remaining term was 7 years), respectively. No contract can be terminated before expiration.

Notes to Consolidated Financial Statements

(e) Investment commitment

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

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

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

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

	Yen (millions)	
	2021	2022
Receivables arising from contracts with customers		¥ 477,269
Notes receivable		6,599
Accounts receivable		¥ 470,670
Contract assets		9,890
Contract liabilities		¥ 76,682

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

3. Notes to Consolidated Statements of Operations

(a) Revenue from contracts with customers

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

(b) Inventory valuation loss

Inventories at the end of the fiscal year is presented as the amount after deducting valuation loss.

Net inventory valuation loss (after offsetting the reversal amount) included in the cost of sales for the fiscal years ended March 31, 2021 and 2022 were as follows:

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

(c) Selling, general and administrative expenses

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

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

(d) Research and development expenses

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

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

Fiscal year ended March 31, 2021

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

SDP determined that there were indications of impairment with non-current assets, because of loss from operating activities in each of the past two consecutive years, mainly due to falling prices of large LCD panels, which is its key products. As a result of determination on the recognition and measurement

Notes to Consolidated Financial Statements

of impairment losses, the book value of non-current assets were reduced to the value in use. The value in use of non-current assets was calculated by the discounted present value of future cash flow, which was estimated based on its future business plans. The estimate included important assumptions such as the types, selling prices, and sales volumes of products to be sold in the future, as well as market growth rates and discount rates.

(f) Gain on sale of non-current assets

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

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

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

Fiscal year ended March 31, 2021

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

Fiscal year ended March 31, 2022

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

(h) Gain on sale of businesses

Fiscal year ended March 31, 2022

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

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

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

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

Notes to Consolidated Financial Statements

(j) Impairment losses

With regards to accounting for impairment of assets, the Company and its consolidated subsidiaries identify cash generating units through consideration of business characteristics and business operations. Idle assets are identified as separate cash generating units.

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

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

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

A business in Osaka, where cash generating unit is identified on a consolidated basis, recognized an impairment loss of ¥14,791 million for the fiscal year ended March 31, 2022, with the book value reduced to the recoverable value, for the OLED production facilities at the Sakai Plant owned by the Company and Sharp Display Technology Corporation, a consolidated subsidiary of the Company. Earnings in this business operated by Sharp Display Technology Corporation has so far not been significantly below the initial plan formulated at the launch of the business but are expected to fall much below the initial plan in

the next fiscal year and beyond as competition intensifies. Details were ¥3,193 million for buildings and structures and ¥11,598 million for machinery, equipment and vehicles. The estimated recoverable amount was measured by its value in use, and important assumptions included future selling prices, sales volume, unit variable cost, fixed cost, discount rate, etc. The discount rate was 7.8% (before tax).

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

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

(k) Settlement payments

Fiscal year ended March 31, 2022

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

(l) Provision for loss on litigation

Fiscal year ended March 31, 2022

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

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, 2021 and 2022 were as follows:

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

5. Notes to Consolidated Statements of Changes in Equity

(a) Class and total number of issued shares and treasury shares

Class and total number of issued shares and treasury shares for the fiscal years ended March 31, 2021 and 2022 were as follows:

Fiscal year ended March 31, 2021

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

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

Fiscal year ended March 31, 2022

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

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

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, 2021 and 2022 were as follows:

Fiscal year ended March 31, 2021

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

Fiscal year ended March 31, 2022

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

(c) Dividends

Fiscal year ended March 31, 2021

(1) Dividends paid

Resolutions	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 19, 2020	Common shares	9,563	18	March 31, 2020	June 15, 2020
Board of Directors meeting on May 19, 2020	Class C shares	1,431	1,800	March 31, 2020	June 15, 2020

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

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

Fiscal year ended March 31, 2022

(1) Dividends paid

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

(2) Dividends for which the record date belonged to the fiscal year ended March 31, 2022, with effective date falling in the fiscal year ended March 31, 2023 were as follows:

Resolutions	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 11, 2022	Common shares	Retained earnings	24,432	40	March 31, 2022	June 8, 2022

6. Notes to Consolidated Statements of Cash Flows

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

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

Notes to Consolidated Financial Statements

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

Fiscal year ended March 31, 2022

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

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

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

Fiscal year ended March 31, 2021

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

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

Fiscal year ended March 31, 2022

The information is omitted as it was immaterial.

(d) Significant non-cash transactions

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

	Yen (millions)	
	2021	2022
Newly acquired non-current assets and advances received assumed by the Company	¥ 41,636	¥ —

7. Leases

Finance leases

(a) As lessee

The information is omitted as it was immaterial.

(b) As lessor

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

(1) Current assets

	Yen (millions)					
	2021					
	Within 1 year	Over 1 year and no more than 2 years	Over 2 years and no more than 3 years	Over 3 years and no more than 4 years	Over 4 years and no more than 5 years	Over 5 years
Lease receivables	¥ 7,685	¥ —	¥ —	¥ —	¥ —	¥ —

	Yen (millions)					
	2022					
	Within 1 year	Over 1 year and no more than 2 years	Over 2 years and no more than 3 years	Over 3 years and no more than 4 years	Over 4 years and no more than 5 years	Over 5 years
Lease receivables	¥ 8,233	¥ —	¥ —	¥ —	¥ —	¥ —

Notes to Consolidated Financial Statements

(2) Investments and other assets

	Yen (millions)					
	2021					
	Within 1 year	Over 1 year and no more than 2 years	Over 2 years and no more than 3 years	Over 3 years and no more than 4 years	Over 4 years and no more than 5 years	Over 5 years
Lease receivables	¥ —	¥ 6,189	¥ 4,853	¥ 3,507	¥ 2,758	¥ 32,022

	Yen (millions)					
	2022					
	Within 1 year	Over 1 year and no more than 2 years	Over 2 years and no more than 3 years	Over 3 years and no more than 4 years	Over 4 years and no more than 5 years	Over 5 years
Lease receivables	¥ —	¥ 6,552	¥ 4,873	¥ 3,493	¥ 2,798	¥ 29,289

Operating leases

(a) As lessee

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

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

(b) As lessor

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

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

8. Financial Instruments

(a) Qualitative information on financial instruments

(1) Policies for financial instruments

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

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

(2) Description and risks of financial instruments

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

Other securities are held for long term to develop better business alliances and relationships with the Company's customers and suppliers. Other securities are exposed to market price fluctuation risks. The main purpose of long-term borrowings is to procure funds necessary for capital investments. The longest repayment term is 15 years and 4 months from March 31, 2022.

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

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 procedure. The Finance Division of Finance and Administration Office executes transactions and reports the results of such transactions to the Accounting Division of Finance and Administration Office on a daily basis. The Accounting Division has set up a specialized section for monitoring transaction results and position management and reports the results of transactions to the head of Finance and Administration Office on a daily basis.

In addition, the Finance Division reports the results of transactions to the Foreign Exchange Administration Committee and the Finance Administration Committee on a monthly basis. Its consolidated subsidiaries also manage forward foreign exchange transactions in accordance with the rules established by the Company and report the content of such transactions to the Company on a monthly basis.

For other securities and investments in capital, the Company monitors their fair values and the issuers' financial positions, and continually reviews the need to increase or decrease the holdings of such financial instruments based on the factors mentioned above as well as the relationship with the issuers.

iii) Management of liquidity risks in financing activities

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

(4) Supplementary explanation of fair value, etc. of financial instruments

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

The contract amounts regarding the derivative transactions are shown in "10. Derivative Transactions," however, the amount themselves do not indicate the magnitude of the market risks associated with derivative transactions.

(b) Fair value of financial instruments

The consolidated balance sheet amounts, fair values and differences between the two as of March 31, 2021 and 2022 are included in the tables below.

	Yen (millions)		
	2021		
	Consolidated balance sheet amount	Fair Value	Difference
(1) Notes and accounts receivable — trade*1	457,649	455,816	(1,833)
(2) Securities and investment securities*2			
1) Shares of subsidiaries and affiliates	0	949	949
2) Other securities	40,250	40,250	—
Total assets	¥ 497,899	¥ 497,015	¥ (884)
(1) Long-term borrowings	561,893	564,942	3,049
Total liabilities	¥ 561,893	¥ 564,942	¥ 3,049
Derivative transactions*3			
1) Derivative transactions — hedge accounting not applied	¥ 3,412	¥ 3,412	¥ —
2) Derivative transactions — hedge accounting applied	2,680	844	(1,835)
Total derivative transactions	¥ 6,092	¥ 4,256	¥ (1,835)

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

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

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

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

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

Note 2: Repayment plan for loans after closing date

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

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

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Securities and investment securities

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

Derivative transactions

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

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

Notes and accounts receivable — trade

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

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

Long-term borrowings

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

Notes to Consolidated Financial Statements

9. Investment Securities

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

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

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

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

Impairment losses recorded for unlisted stocks of other securities were ¥2,035 million for the fiscal year ended March 31, 2021.

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

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

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

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

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

10. Derivative Transactions

(a) Derivative transactions — hedge accounting not applied

Currency-related transactions

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

Notes to Consolidated Financial Statements

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

(b) Derivative transactions — hedge accounting applied

(1) Currency-related transactions

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

Notes to Consolidated Financial Statements

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

(2) Interest rate-related transactions

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

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

11. Bonds Payable, Borrowings and Lease Obligations

(a) Bonds payable

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

Notes to Consolidated Financial Statements

(b) Borrowings and lease obligations

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

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

- Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2021 and 2022 respectively.
2. The aggregate annual maturities of long-term borrowings due within 5 years (except portion due within one year) as of March 31, 2022 were as follows:

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

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

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

3. Current portion of lease obligations and lease obligations (excluding current portion) do not include lease liabilities recorded on the consolidated balance sheets by the application of IFRS 16. The balance of lease liabilities as of March 31, 2022 is as follows.

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

12. Pension Plans

(a) Overview of the applied pension plans

The Company and its domestic consolidated subsidiaries have primarily a trustee non-contributory defined benefit pension plan for their employees to supplement a governmental welfare pension plan. Certain overseas consolidated subsidiaries primarily have defined contribution pension plans and lump-sum retirement benefit plans.

(b) Defined benefit pension plans

(1) Reconciliations of the defined benefit obligations

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

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

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, 2021 and 2022 consisted of the following:

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

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

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

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

(4) Retirement benefit expenses

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

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

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

Amounts recognized in remeasurements of defined benefit plans (other comprehensive income) for the fiscal years ended March 31, 2021 and 2022 before the effect of income taxes consisted of the following:

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

(6) Amounts recognized in remeasurements of defined benefit plans (accumulated other comprehensive income)

Amounts recognized in remeasurements of defined benefit plans (accumulated other comprehensive income) as of March 31, 2021 and 2022 before the effect of income taxes consisted of the following:

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

Notes to Consolidated Financial Statements

(7) Classification of the fair value of plan assets

Classification of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2021 and 2022 consisted of the following:

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

Note: Alternatives mainly consisted of investments in hedge funds

(8) Long-term expected rate of return

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

(9) Actuarial assumptions

Actuarial assumptions

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

(c) Defined contribution pension plans

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

13. Stock Options

(a) Expensed amount and account

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

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

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

The amount recorded as profit due to expiration of unexercised rights for the fiscal years ended March 31, 2021 and 2022 were as follows:

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

(c) Description, size and changes of stock options

(1) Description of stock option

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

- Notes:
1. Equivalent number of shares has been described instead of the number of stock options. The Company performed a share consolidation at a ratio of 10 shares to 1 share on October 1, 2017. With regard to first and second stock options, figures shown above are the number of shares after the conversion.
 2. Eligible persons shall be directors, executives, audit & supervisory board members or employees of the Company, or the Company's subsidiaries and affiliates at the time of the exercise. However, the grantees can exercise their stock options without satisfying the above conditions in special cases when the Board of Directors permits in writing.

Notes to Consolidated Financial Statements

(2) Size and changes of stock options

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

i) Number of stock options

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

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

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

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

ii) Unit price

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

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

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

(d) Estimation method of the number of vested stock options

The method used is to deduct only the number of actual nullified stock options as the estimation method of the number of vested stock options since a reasonable estimation of future nullified number of stock options is difficult.

14. Income Taxes

The Company is subject to a number of different income taxes which, in the aggregate, indicate a statutory tax rate in Japan of approximately 30.4% for the fiscal years ended March 31, 2021 and 2022.

The Company and its wholly owned domestic subsidiaries have adopted the consolidated taxation system of Japan.

The significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the fiscal years ended March 31, 2021 and 2022 were as follows:

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

Notes to Consolidated Financial Statements

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

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

*1 Valuation allowance decreased by ¥119,837 million in the fiscal year ended March 31, 2022. This is primarily due to the expiration of some of the Company's tax loss carried forward.

*2 Tax loss carried forward and its deferred tax assets amount by carry forward period as of March 31, 2022 were as follows:

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

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

15. Business Combinations

The main business combinations conducted during the fiscal year ended March 31, 2022 were as follows:

(a) Business divestitures

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

(1) Overview of the divestiture

i) Name of the succeeding company:

Liaoning Zhonglan Electronic Technology Co., Ltd.

ii) Business divested:

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

iii) Main reason for the divestiture

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

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

iv) Date of the divestiture

December 15, 2021

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

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

Notes to Consolidated Financial Statements

(2) Overview of the accounting treatment

i) Amount of income/loss from transfer

Gain on sale of businesses: ¥5,725 million

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

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

iii) Accounting treatment

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

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

Electronic Device

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

The information is omitted as it was immaterial.

16. Revenue Recognition

(a) Information on disaggregated revenue from contracts with customers

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

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

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

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

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

The Display Device segment includes display modules.

The Electronic Device segment includes camera modules.

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 segment; digital multi-function printers, televisions, etc. in the 8K Ecosystem segment; and mobile phones, personal computers, etc. in the ICT segment). The Group also manufactures and sells electronic components as “device business” (display modules, etc. in the Display Device segment; and camera modules, etc. in the Electronic Device segment).

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

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

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

(2) Construction contracts

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

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

(3) Services

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

(4) Licensing

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

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

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

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)
	<u>2022</u>
Balance at beginning of year:	
Receivables arising from contracts with customers	¥ 457,649
Contract assets	12,210
Contract liabilities	74,843

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

- 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, 2022, ¥22,058 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 year ended March 31, 2022.
 - The amount of revenue generated from performance obligations satisfied (or partially satisfied) in prior periods and recognized in the fiscal year ended March 31, 2022 (e.g., change in transaction price) was immaterial.

(2) Transaction price allocated to remaining performance obligations

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

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

17. Segment Information

(a) General information about reportable segments

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

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

In the fiscal year ended March 31, 2021, the Group operated in three reportable business segments — Smart Life, 8K Ecosystem, and ICT. Starting from the fiscal year ended March 31, 2022, reportable business segments have been changed to the following five: Smart Life, 8K Ecosystem, ICT, Display Device, and Electronic Device.

This change is in line with the "Direction of Business Management and Initiatives in FY2021" announced on May 11, 2021, which aims to build a business structure centered on the brand business in order to accelerate the positioning of SHARP as a powerful brand company that is closest to people and society, and constantly proposing new value.

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

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

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

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

Segment information as of and for the fiscal years ended March 31, 2021 and 2022 were as follows:

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

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

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

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

Notes to Consolidated Financial Statements

Corporate expenses were mainly attributable to basic R&D expenses and expenses related to the administrative groups of the Company's headquarters.

Adjustments of segment assets were ¥662,473 million and ¥685,814 million as of March 31, 2021 and 2022, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment.

Elimination of intersegment transactions for segment assets were ¥(19,531) million and ¥(8,516) million, respectively. Corporate assets not allocated to each reportable segment were ¥682,004 million and ¥694,330 million as of March 31, 2021 and 2022, respectively.

Corporate assets not allocated to each reportable segment were attributable mainly to cash and deposits, the Company's investment securities, and depreciable assets related to the Company's R&D groups as well as the administrative groups of the Company's headquarters.

Adjustments of investments in nonconsolidated subsidiaries and affiliates accounted for using equity method were ¥37,257 million and ¥40,139 million as of March 31, 2021 and 2022, respectively, and mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥1,809 million and ¥4,785 million for the fiscal years ended March 31, 2021 and 2022, respectively, and mainly comprised increases in the Company's R&D groups and the administrative groups of the Company's headquarters.

Depreciation includes the amortization of long-term prepaid expenses.

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

(d) Related information

(1) Net sales by product/service

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

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

(2) Net sales by region/country

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

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

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

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

Property, plant and equipment by region/country as of March 31, 2021 and 2022 were as follows:

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

(4) Major customers and related sales amount

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

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

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

Notes to Consolidated Financial Statements

(e) Impairment losses on fixed assets by reportable segment

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

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

(f) Goodwill amortization and unamortized balance by reportable segment

Goodwill amortization and the unamortized balance by reportable segment as of and for the fiscal years ended March 31, 2021 and 2022 were as follows:

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

(g) Gain on bargain purchase by reportable segment

Fiscal year ended March 31, 2021

Not applicable

Fiscal year ended March 31, 2022

The information is omitted as it was immaterial.

18. Transactions with Related Parties

(a) Transactions with related parties

(1) Transactions between the Company and related parties

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

Principal transactions with related parties for the fiscal years ended March 31, 2021 and 2022 are omitted as they were immaterial.

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

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

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

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

Notes to Consolidated Financial Statements

Principal transactions with related parties for the fiscal year ended March 31, 2022 were as follows:

Category	Company name	Location	Share capital	Details of business	Holding or held ratio	Relationship with the related party	Detail of transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Affiliate	Sakai Display Products Corporation	Sakai City, Osaka	32,485 million yen	Development, manufacture, distribution, export and import of LCD and other displays	20.0% holding directly	Manufacture of the Company's products and lease of real estate, etc.	Payment of costs and expenses on behalf of the affiliate	42,418	Accounts receivable - other	40,844
							Collection of lease receivables	2,240	Other (Current assets) Other (Investments and other assets)	2,463 39,200

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

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

Principal transactions with related parties for the fiscal years ended March 31, 2021 and 2022 are omitted as they were immaterial.

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

Principal transactions with related parties for the fiscal years ended March 31, 2021 and 2022 are omitted as they were immaterial.

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

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

Principal transactions with related parties for the fiscal years ended March 31, 2021 and 2022 are omitted as they were immaterial.

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

Principal transactions with related parties for the fiscal years ended March 31, 2021 and 2022 are omitted as they were immaterial.

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

Principal transactions with related parties for the fiscal years ended March 31, 2021 and 2022 are omitted as they were immaterial.

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

Principal transactions with related parties for the fiscal years ended March 31, 2021 and 2022 are omitted as they were immaterial.

Notes to Consolidated Financial Statements

(b) Information on the parent company and significant affiliates

(1) Information on the parent company

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

(2) Summary of financial statements of significant affiliated company

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

Summary of its financial statements was as follows:

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

19. Per Share Data

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

	Yen	
	2021	2022
Net assets per share	¥ 573.59	¥ 743.70
Income per share	87.20	121.14
Fully diluted income per share	—	—

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

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

Income per share and fully diluted income per share as of March 31, 2021 and 2022 were calculated on the following basis:

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

Since Class C shares have the same priority as common shares in dividend payments, the number of Class C shares after considering the conversion rate to common shares is regarded as the number of “Shares equivalent to common shares.”

20. Significant Subsequent Events

Not applicable

Consolidated Subsidiaries

(As of March 31, 2022)

Domestic

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

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

Overseas

<Countries and Areas>

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

Sharp Electronics Sales (China) Co., Ltd. <Shanghai, China>
Nanjing Sharp Electronics Co., Ltd. <Nanjing, China>
Sharp Office Equipments (Changshu) Co., Ltd. <Changshu, China>
Wuxi Sharp Electronic Components Co., Ltd. <Wuxi, China>
Wuxi Sharp Display Technology Co., Ltd. <Wuxi, China>
Pinghu Kantatsu Fine Technology Co., Ltd. <Pinghu, China>
Dynabook Technology (Hangzhou) Inc. <Hangzhou, China>
Yantai Xia Ye Electrons Co., Ltd. <Yantai, China>
Sharp Hong Kong Limited <Hong Kong>
Sharp (Taiwan) Electronics Corporation <New Taipei, Taiwan>
Cocorolife Co., Ltd. <New Taipei, Taiwan>
Dynabook Technology (Taiwan) Co., Ltd. <Taoyuan, Taiwan>
Sharp Electronics (Malaysia) Sdn. Bhd. <Selangor, Malaysia>
Sharp Manufacturing Corporation (M) Sdn. Bhd. <Johor, Malaysia>
Sharp North Malaysia Sdn. Bhd. <Kedah, Malaysia>
Sharp Singapore Electronics Corporation Pte. Ltd. <Singapore>
Sharp Appliances (Thailand) Ltd. <Chachoengsao, Thailand>
Sharp Manufacturing (Thailand) Co., Ltd. <Nakornpathom, Thailand>
Sharp Solar Solution Asia Co., Ltd. <Bangkok, Thailand>
P.T. Sharp Electronics Indonesia <West Java, Indonesia>
P.T. Sharp Semiconductor Indonesia <West Java, Indonesia>
SAIGON STEC Co., LTD. <Thu Dau Mot, Vietnam>
Sharp Manufacturing Vietnam CO., LTD. <Tan Uyen, Vietnam>
Sharp Business Systems (India) Private Ltd. <New Delhi, India>
Sharp Corporation of Australia Pty. Ltd. <New South Wales, Australia>

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

Corporate Information

(As of March 31, 2022)

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: 47,941 Japan: 17,840 / Overseas: 30,101

Stock Information

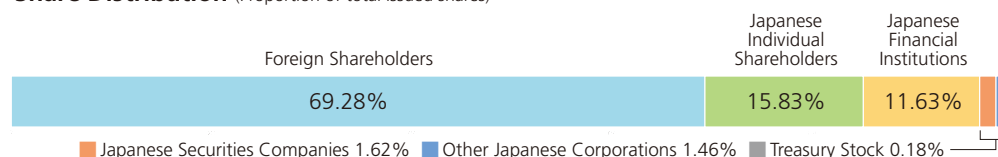
Number of Shares Authorized	1,000,000,000
Number of Shares Issued	611,952,858
Number of Shareholders	182,384
Stock Exchange Listings	Tokyo

Principal Shareholders

	Number of shares held	Percentage of total shares (%)
HON HAI PRECISION INDUSTRY CO., LTD.	144,900,000	23.72
FOXCONN (FAR EAST) LIMITED	76,655,069	12.55
FOXCONN TECHNOLOGY PTE. LTD.	64,640,000	10.58
CTBC BANK CO., LTD. -ES PLATFORM LP	61,236,300	10.03
The Master Trust Bank of Japan, Ltd. (Trust Account)	45,272,300	7.41
SIO INTERNATIONAL HOLDINGS LIMITED	35,100,000	5.75
Custody Bank of Japan, Ltd. (Trust Account)	7,142,400	1.17
Nippon Life Insurance Company	4,731,738	0.77
Meiji Yasuda Life Insurance Company	4,578,100	0.75
Sharp Employees' Stockholding Association	3,588,375	0.59

Note: Percentage of total shares is calculated by the number of shares issued excluding 1,131,071 treasury shares.

Share Distribution (Proportion of total issued shares)



ESG Indexes

As of September 2022, Sharp has been included in the following indexes and recognitions.

•FTSEGood 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 Leaders Indexes



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•EcoVadis

EcoVadis 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. Sharp has received a Gold rating from EcoVadis.

Investor Relations

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