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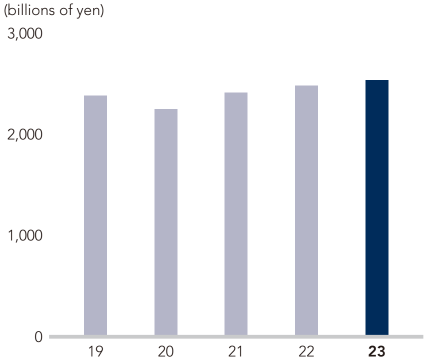
Financial Review

Sharp Corporation and Consolidated Subsidiaries

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2023 amounted to ¥2,548,117 million, up ¥52,529 million (2.1%) year on year.

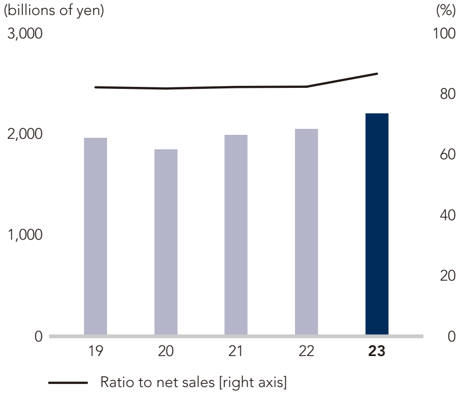
Net Sales



Financial Results

Cost of sales increased ¥153,420 million to ¥2,217,285 million, while our cost of sales ratio increased from 82.7% to 87.0% year on year.

Cost of Sales



Selling, general and administrative (SG&A) expenses increased ¥9,544 million to ¥356,550 million. The ratio of SG&A expenses against net sales increased from 13.9% to 14.0% year on year. SG&A expenses included salaries and allowances of ¥121,538 million, retirement benefit expenses of ¥3,188 million, transportation and storage costs of ¥44,606 million, and research and development expenses of ¥17,013 million.

As a result, operating loss amounted to ¥25,719 million, compared to operating profit of ¥84,716 million in the previous fiscal year.

Non-operating income decreased ¥9,355 million to ¥40,683 million due to a decrease in share of profit of entities accounted for using equity method and foreign exchange gains, while non-operating expenses increased ¥25,661 million to ¥45,451 million due to the recording of share of loss of entities accounted for using equity method.

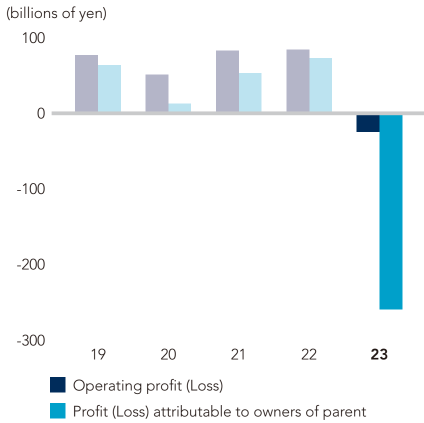
Extraordinary income increased ¥6,839 million to ¥19,833 million, mainly due to the recording of gain on step acquisitions, etc. Extraordinary losses increased ¥190,232 million to ¥228,389 million, mainly due to an increase in impairment losses.

As a result, loss before income taxes totaled ¥239,043 million, compared to profit before income taxes of ¥89,802 million in the previous fiscal year.

Loss attributable to owners of parent amounted ¥260,840 million compared to profit attributable to owners of parent of ¥73,991 million in the previous fiscal year.

Loss per share of common stock was ¥407.31.

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



Segment Information

<Brand Businesses>

[Smart Life]

Sales increased 5.1% year on year to ¥468,743 million. Sales in the white goods business increased, even though market conditions in Japan, ASEAN, and other regions around the world began to weaken in the second half. Sales of cooking appliances rose significantly in Europe and the Americas, and washing machines increased due to strong performance of drum washing machines, etc. In addition, sales in the energy solution business increased, driven by the overseas EPC business and household products in Japan. Segment income decreased 41.6% year on year to ¥28,209 million, mainly due to a soaring raw materials prices and a decline in profit from the domestic white goods business caused by weakening of the yen.

[8K Ecosystem]

Sales increased 4.3% year on year to ¥591,832 million. Sales in the business solutions business rose more than 10% year on year. The MFP business and smart office business grew significantly in Europe, the Americas, and Asia. In addition, information displays saw growth in Europe and the Americas, and other regions. Meanwhile, sales in the TV business declined due to deteriorating market conditions. Segment income decreased 46.2% year on year to ¥13,421 million. Business solutions business posted higher profit by shifting toward high-value-added offerings. Meanwhile, TV business recorded a lower profit due to the impact of a decrease in sales and the recording of one-time expenses.

[ICT]
Sales increased 0.6% year on year to ¥325,873 million. Sales in the mobile communication business increased due to a sales expansion of high-end models as we expanded our lineup of smartphones. Meanwhile, sales in the PC businesses decreased due to weak global demand. Segment loss amounted to ¥5,530 million compared to segment profit of ¥4,038 million in the previous fiscal year. This was mainly due to the weakening of the yen. However, ICT began profit improvement initiative ahead of other businesses, including structural reforms in Europe and improved product mix. These measures resulted in net operating profit for the mobile communication business and the PC business in the second half.

<Device Businesses>
[Display Device]
Sales decreased 11.6% year on year to ¥759,953 million. While panels sales grew for automotive, sales of panels for smartphones and PCs declined due to challenging market condition. Segment loss amounted to ¥66,482 million compared to segment profit of ¥20,316 million in the previous fiscal year. This was mainly due to lower sales and the impact of large-size display business.

[Electronic Device]
Sales increased 19.8% year on year to ¥475,589 million, mainly due to the firm device sales for customer 2022 models. Segment income increased 111.8% year on year to ¥14,799 million, mostly as a result of higher sales.

Capital Investment and Depreciation
Capital investment totaled ¥44,512 million, down 13.9% year on year, mainly due to the introduction of camera module production equipment.

By business segment, capital investment was ¥4,703 million for Smart Life, ¥9,710 million for 8K Ecosystem, ¥282 million for ICT, ¥14,262 million for Display Device, and ¥14,453 million for Electronic Device. Unallocated capital investment amounted to ¥1,102 million.

Depreciation and amortization increased by 24.3% to ¥94,547 million year on year.

Assets, Liabilities and Net Assets
Total assets at fiscal year-end amounted to ¥1,772,961 million, down ¥183,327 million from the previous fiscal year.

Assets
Beginning with the consolidated fiscal year ended March 31, 2023, we included Sakai Display Products Corporation ("SDP") in the scope of consolidation. Non-current assets and goodwill recorded in connection with this inclusion were subject to impairment, while Sharp Corporation's receivables, etc. from SDP, included in total assets at the end of the previous consolidated fiscal year, were eliminated in consolidation. These factors led to a decrease in total assets.

Current assets amounted to ¥1,087,087 million, down ¥143,540 million from the end of the previous fiscal year. This result was mainly due to the changes in cash and deposits, notes and accounts receivable-trade and contract assets, and inventories decreased by ¥25,302 million, ¥49,102 million, and ¥10,975 million, respectively from the end of the previous fiscal year. Notes and accounts receivable-trade and contract assets amounted to ¥438,057

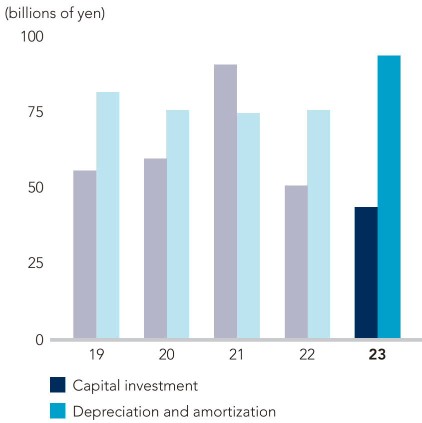
Sales by Segment

	Yen (millions) 2022	2023
Smart Life	¥ 446,192	**¥ 468,743**
8K Ecosystem	567,690	**591,832**
ICT	324,017	**325,873**
Display Device	859,674	**759,953**
Electronic Device	396,834	**475,589**
Subtotal	2,594,410	**2,621,992**
Adjustments	(98,822)	**(73,875)**
Total	2,495,588	**2,548,117**

Segment Income (Loss) by Segment

	Yen (millions) 2022	2023
Smart Life	¥ 48,291	**¥ 28,209**
8K Ecosystem	24,966	**13,421**
ICT	4,038	**(5,530)**
Display Device	20,316	**(66,482)**
Electronic Device	6,988	**14,799**
Subtotal	104,601	**(15,582)**
Adjustments	(19,884)	**(10,137)**
Total	84,716	**(25,719)**

Capital Investment/ Depreciation and Amortization



million. Inventories amounted to ¥299,307 million. Within total inventories, finished goods increased ¥6,209 million to ¥171,835 million, work in process decreased ¥15,605 million to ¥76,908 million, and raw materials and supplies decreased ¥1,579 million to ¥50,564 million.

Property, plant and equipment decreased ¥29,003 million from the end of the previous fiscal year to ¥389,257 million.

Investments and other assets amounted to ¥260,770 million, down ¥4,343 million from the end of the previous fiscal year.

Liabilities

Current liabilities increased ¥74,364 million from the end of the previous fiscal year to ¥882,563 million. This result was mainly due to an increase of ¥109,596 in short-term borrowings from the end of the previous fiscal year, which was offset in part by a decrease of ¥50,494 million in notes and accounts payable-trade.

Non-current liabilities decreased ¥10,785 million from the end of the previous year to ¥668,034 million. This result was mainly due to a decrease of ¥29,542 million in long-term borrowings.

Interest-bearing debt at fiscal year-end stood at ¥751,138 million, up ¥110,424 million from the end of the previous fiscal year.

Net Assets

Net assets amounted to ¥222,362 million, down ¥246,906 million compared to the previous fiscal year-end balance of ¥469,269 million. This result was mainly due to a decrease in retained earnings by the recording of loss attributable to owners of parent.

Our equity ratio was 11.8%.

Cash Flows

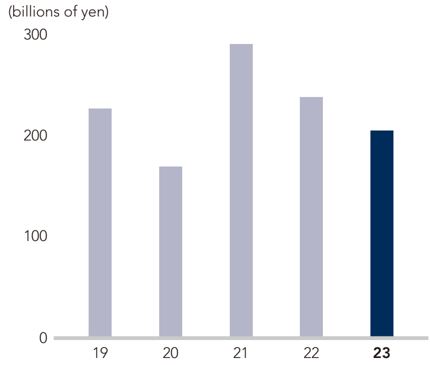
Cash and cash equivalents were ¥206,612 million, down ¥32,746 million from the end of the previous fiscal year. The combined capital outflows from investing activities and financing activities exceeded the capital inflows from operating activities.

Cash provided by operating activities amounted to ¥14,746 million, down ¥60,411 million compared to cash provided of ¥75,157 million in the previous fiscal year. The reason for this decrease was mainly due to a decrease of ¥328,845 million in profit before income taxes, despite the changes in inventories increased by ¥66,820 million and trade receivables and contract assets increased by ¥48,452 million compared to the previous fiscal year.

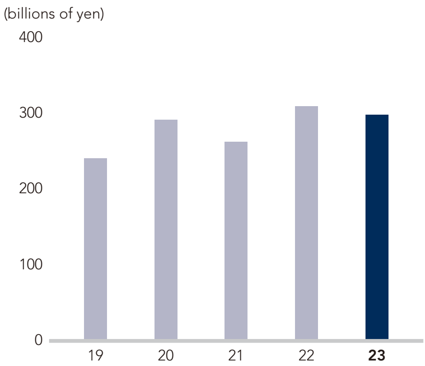
Cash used in investing activities totaled ¥40,967 million, up ¥9,518 million compared to cash used of ¥31,448 million in the previous fiscal year. The result was mainly due to decreases of ¥2,249 million in proceeds from sale of investment securities and ¥3,647 million in proceeds from sale of businesses compared to the previous fiscal year.

Cash used in financing activities was ¥18,483 million, down ¥105,807 million compared to cash used of ¥124,291 million in the previous fiscal year. This is mainly due to an increase of ¥128,347 million in net increase (decrease) in short-term borrowings, despite a decrease of ¥6,112 million in dividends paid compared to the previous fiscal year.

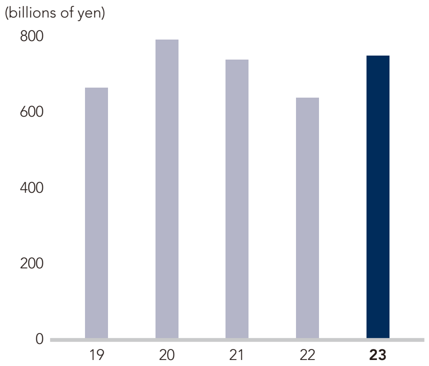
Cash and Cash Equivalents



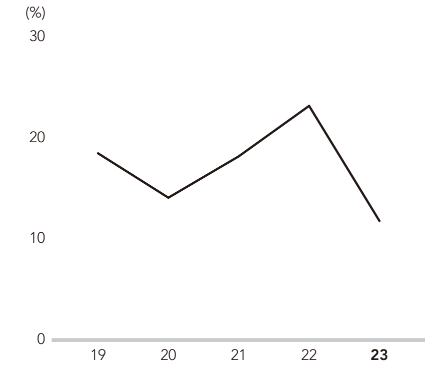
Inventories



Interest-Bearing Debt



Equity Ratio



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. Effective from the consolidated fiscal year ending March 31 2024, Sharp has amended its segment classification. Please refer to "20. Significant Subsequent Events (a) Segment reclassification", P.68, for information on net sales, income or loss of each reclassified reportable segment for the fiscal year ended March 31, 2023 based on the new segmentation.
3. Capital investment figures shown in Capital Investment and Depreciation include the amount of leased assets.

Consolidated Balance Sheets

Sharp Corporation and Consolidated Subsidiaries as of March 31, 2022 and 2023

	Yen (millions) 2022	2023
ASSETS		
Current Assets		
Cash and deposits (Notes 2 (c) and 6)	¥ 287,361	**¥ 262,058**
Notes and accounts receivable - trade and contract assets (Notes 2 (c), 2 (f), and 8)	487,160	**438,057**
Inventories (Notes 2 (b) and (c))	310,283	**299,307**
Other (Notes 2 (c) and 7)	148,165	**90,713**
Allowance for doubtful accounts	(2,342)	**(3,049)**
Total current assets	1,230,628	**1,087,087**
Non-current Assets		
Property, plant and equipment		
Buildings and structures (Note 2 (c))	689,458	**695,180**
Machinery, equipment and vehicles (Note 2 (c))	1,191,042	**1,181,932**
Tools, furniture and fixtures (Note 2 (c))	177,359	**170,801**
Land (Note 2 (c))	83,711	**76,467**
Construction in progress (Note 2 (c))	18,395	**24,982**
Other	48,109	**57,352**
Accumulated depreciation	(1,789,815)	**(1,817,459)**
Total property, plant and equipment	418,260	**389,257**
Intangible assets		
Software	25,954	**23,322**
Goodwill	8,439	**6,284**
Other	7,890	**6,237**
Total intangible assets	42,285	**35,845**
Investments and other assets		
Investment securities (Notes 2 (a), 2 (c), 8 and 9)	171,392	**216,207**
Retirement benefit asset (Note 12)	10,293	**6,214**
Deferred tax assets (Note 14)	22,391	**18,127**
Other (Notes 2 (c) and 7)	63,595	**22,667**
Allowance for doubtful accounts	(2,559)	**(2,445)**
Total investments and other assets	265,114	**260,770**
Total non-current assets	725,660	**685,873**
Total assets	¥ 1,956,288	**¥ 1,772,961**

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

	Yen (millions) 2022	2023
LIABILITIES		
Current Liabilities		
Notes and accounts payable — trade	¥ 379,394	**¥ 328,899**
Electronically recorded obligations — operating	42,980	**42,973**
Short-term borrowings (Notes 2 (c) and 11)	54,300	**163,896**
Lease liabilities	2,283	**18,966**
Accrued expenses	106,398	**114,638**
Provision for bonuses	18,506	**15,791**
Provision for product warranties	19,750	**12,165**
Provision for loss on litigation	12,288	**614**
Provision for sales promotion expenses	9,586	**4,120**
Provision for restructuring	174	**1,024**
Other (Notes 2 (c), 2 (f) and 11)	162,534	**179,472**
Total current liabilities	808,198	**882,563**
Non-current Liabilities		
Long-term borrowings (Notes 2 (c), 8 and 11)	572,270	**542,727**
Retirement benefit liability (Note 12)	73,630	**72,019**
Other (Notes 11 and 14)	32,919	**53,287**
Total non-current liabilities	678,820	**668,034**
Total liabilities	1,487,018	**1,550,598**
NET ASSETS		
Shareholders' equity		
Share capital	5,000	**5,000**
Capital surplus	108,623	**148,929**
Retained earnings	345,218	**59,802**
Treasury shares	(13,747)	**(13,749)**
Total shareholders' equity	445,094	**199,982**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,169	**26,469**
Deferred gains or losses on hedges	1,835	**475**
Foreign currency translation adjustment	(9,085)	**(2,266)**
Remeasurements of defined benefit plans	(3,745)	**(16,211)**
Total accumulated other comprehensive income	9,173	**8,467**
Share acquisition rights (Note 5 (b))	304	**293**
Non-controlling interests	14,696	**13,618**
Total net assets	469,269	**222,362**
Total liabilities and net assets	¥ 1,956,288	**¥ 1,772,961**

Consolidated Statements of Operations

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2022 and 2023

	Yen (millions) 2022	2023
Net Sales (Notes 3 (a), 16 and 17)	¥ 2,495,588	**¥ 2,548,117**
Cost of Sales (Notes 3 (b) and (d))	2,063,864	**2,217,285**
Gross profit	431,723	**330,831**
Selling, General and Administrative Expenses (Notes 3 (c) and (d))	347,006	**356,550**
Operating profit (loss) (Note 17)	84,716	**(25,719)**
Non-operating Income		
Interest income	2,583	**2,681**
Dividend income	1,543	**1,533**
Rental income from non-current assets	3,465	**4,396**
Foreign exchange gains	18,947	**17,223**
Share of profit of entities accounted for using equity method	3,630	**—**
Investment income	9,263	**6,907**
Other	10,605	**7,942**
Total non-operating income	50,038	**40,683**
Non-operating Expenses		
Interest expenses	4,448	**9,296**
Share of loss of entities accounted for using equity method	—	**20,401**
Other	15,342	**15,753**
Total non-operating expenses	19,790	**45,451**
Ordinary profit (loss)	114,964	**(30,487)**
Extraordinary Income		
Gain on sale of non-current assets (Note 3 (e))	5,124	**7,126**
Gain on receipt of donated non-current assets (Note 3 (f))	1,329	**—**
Gain on sale of investment securities	631	**17**
Gain on step acquisitions(Note 3 (g))	—	**12,422**
Gain on change in equity	—	**261**
Gain on bargain purchase	182	**—**
Gain on sale of businesses (Note 3 (h))	5,725	**—**
Gain on reversal of share acquisition rights	—	**4**
Total extraordinary income	12,993	**19,833**
Extraordinary Losses		
Loss on sale and retirement of non-current assets (Note 3 (i))	588	**1,269**
Impairment losses (Note 3 (j))	22,703	**220,553**
Loss on valuation of investment securities	77	**138**
Loss on sale of investment securities	7	**—**
Loss on sale of shares of subsidiaries and associates	268	**—**
Business restructuring expenses (Note 3 (k))	—	**4,451**
Settlement payments (Note 3 (l))	2,763	**—**
Provision for loss on litigation (Note 3 (m))	11,747	**1,976**
Total extraordinary losses	38,156	**228,389**
Profit (loss) before income taxes	89,802	**(239,043)**
Income Taxes (Note 14)		
Current	17,230	**15,660**
Deferred	(1,184)	**6,950**
Total income taxes	16,045	**22,610**
Profit (Loss)	73,756	**(261,654)**
Loss attributable to non-controlling interests	(234)	**(814)**
Profit (loss) attributable to owners of parent	¥ 73,991	**¥ (260,840)**

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, 2022 and 2023

	Yen (millions) 2022	2023
Profit (Loss)	¥ 73,756	**¥ (261,654)**
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	3,546	**6,301**
Deferred gains or losses on hedges	675	**(1,345)**
Foreign currency translation adjustment	29,409	**14,868**
Remeasurements of defined benefit plans, net of tax	13,996	**(12,657)**
Share of other comprehensive income of entities accounted for using equity method	2,368	**(7,882)**
Total other comprehensive income (Note 4)	49,996	**(714)**
Comprehensive Income	¥ 123,752	**¥ (262,369)**
Comprehensive income attributable to:		
Owners of parent	¥ 122,440	**¥ (261,546)**
Non-controlling interests	1,312	**(822)**

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, 2022 and 2023

Yen (millions)

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

Yen (millions)

	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehensive income	Share acquisition rights (Note 5 (b))	Non-controlling interests	Total net assets
Balance at beginning of the year ended March 31, 2023	¥ 5,000	¥ 108,623	¥ 345,218	¥ (13,747)	¥ 445,094	¥ 20,169	¥ 1,835	¥ (9,085)	¥ (3,745)	¥ 9,173	¥ 304	¥ 14,696	¥ 469,269
Cumulative effects of changes in accounting policies			**(143)**		**(143)**								**(143)**
Restated balance	**5,000**	**108,623**	**345,075**	**(13,747)**	**444,951**	**20,169**	**1,835**	**(9,085)**	**(3,745)**	**9,173**	**304**	**14,696**	**469,126**
Changes during period													
Dividends of surplus			**(24,432)**		**(24,432)**								**(24,432)**
Loss attributable to owners of parent			**(260,840)**		**(260,840)**								**(260,840)**
Increase by share exchanges		**40,337**			**40,337**								**40,337**
Change in ownership interest of parent due to transactions with non-controlling interests		**(31)**			**(31)**								**(31)**
Purchase of treasury shares				**(2)**	**(2)**								**(2)**
Net changes in items other than shareholders' equity						**6,300**	**(1,359)**	**6,818**	**(12,466)**	**(706)**	**(11)**	**(1,077)**	**(1,795)**
Total changes during period	—	**40,306**	**(285,273)**	**(2)**	**(244,968)**	**6,300**	**(1,359)**	**6,818**	**(12,466)**	**(706)**	**(11)**	**(1,077)**	**(246,763)**
Balance at end of the year ended March 31, 2023	**¥ 5,000**	**¥ 148,929**	**¥ 59,802**	**¥ (13,749)**	**¥ 199,982**	**¥ 26,469**	**¥ 475**	**¥ (2,266)**	**¥ (16,211)**	**¥ 8,467**	**¥ 293**	**¥ 13,618**	**¥ 222,362**

Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2022 and 2023

	Yen (millions)	
	2022	**2023**
Cash Flows from Operating Activities:		
Profit (loss) before income taxes	¥ 89,802	**¥ (239,043)**
Depreciation	72,397	**89,799**
Interest and dividend income	(4,126)	**(4,214)**
Interest expenses	4,448	**9,296**
Share of loss (profit) of entities accounted for using equity method	(3,630)	**20,401**
Investment expenses (income)	(9,263)	**(6,907)**
Loss (gain) on sale and retirement of non-current assets	(4,535)	**(5,857)**
Gain on receipt of donated non-current assets	(1,329)	**—**
Impairment losses	22,703	**220,553**
Loss (gain) on valuation of investment securities	77	**138**
Loss (gain) on sale of investment securities	(623)	**(17)**
Loss (gain) on step acquisitions	—	**(12,422)**
Loss (gain) on change in equity	—	**(261)**
Gain on reversal of share acquisition rights	—	**(4)**
Loss (gain) on sale of businesses	(5,725)	**—**
Business restructuring expenses	—	**4,451**
Settlement payments	2,763	**—**
Provision for loss on litigation	11,747	**1,976**
Decrease (increase) in trade receivables and contract assets	(6,873)	**41,579**
Decrease (increase) in accounts receivable — other	(5,362)	**2,207**
Decrease (increase) in inventories	(21,466)	**45,354**
Increase (decrease) in trade payables	6,100	**(82,201)**
Other, net	(45,324)	**(44,484)**
Subtotal	101,778	**40,343**
Interest and dividends received	8,001	**8,078**
Interest paid	(4,453)	**(8,918)**
Income taxes (paid) refund	(27,425)	**(13,946)**
Payments for business restructuring	—	**(998)**
Settlement paid	(2,742)	**(9,813)**
Net cash provided by (used in) operating activities	75,157	**14,746**

	Yen (millions)	
	2022	**2023**
Cash Flows from Investing Activities:		
Payments into time deposits	(133,685)	**(98,943)**
Proceeds from withdrawal of time deposits	135,143	**91,739**
Purchase of property, plant and equipment	(47,590)	**(43,565)**
Proceeds from sale of property, plant and equipment	9,216	**9,828**
Purchase of intangible assets	(15,483)	**(13,449)**
Purchase of investment securities	(10,003)	**(2,472)**
Proceeds from sale of investment securities	2,440	**191**
Proceeds from sale of businesses (Note 6 (b))	4,267	**619**
Other, net	24,246	**15,083**
Net cash provided by (used in) investing activities	(31,448)	**(40,967)**
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term borrowings	(102,493)	**25,854**
Proceeds from long-term borrowings	15,648	**1**
Repayments of long-term borrowings	(14,513)	**(10,908)**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(216)	**—**
Dividends paid	(18,312)	**(24,425)**
Other, net	(4,403)	**(9,006)**
Net cash provided by (used in) financing activities	(124,291)	**(18,483)**
Effect of Exchange Rate Change on Cash and Cash Equivalents	27,148	**9,859**
Net Increase (Decrease) in Cash and Cash Equivalents	(53,433)	**(34,845)**
Cash and Cash Equivalents at Beginning of Period	292,792	**239,359**
Increase in Cash and Cash Equivalents Resulting from Share Exchanges (Note 6(c))	—	**2,099**
Cash and Cash Equivalents at End of Period (Note 6 (a))	¥ 239,359	**¥ 206,612**

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 118 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 16 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, 2023 were as follows:

(Included in scope)

Sakai Display Products Corporation

And 1 other

(Excluded from scope)

Midshire Business Systems Ltd.

Change in the nonconsolidated subsidiaries and affiliates accounted for using equity method for the fiscal year ended March 31, 2023 was as follows:

(Excluded from scope)

Lacamas Life Sciences, Inc.

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

Depreciation of leased assets related to finance lease transactions that do not transfer ownership is computed by the straight-line method with the lease period as the useful life and the residual value as zero.

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

(g) Allowance for doubtful accounts

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

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

(h) Provision for bonuses

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

(i) Provision for product warranties

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

(j) Provision for loss from litigation

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

(k) Provision for sales promotion expenses

The Company and its consolidated subsidiaries accrue sales promotion expenses based on estimated amounts to be paid to agencies and dealers in the subsequent period in respect of revenue recorded by the balance sheet date.

(l) Provision for restructuring

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

(m) Defined benefit pension plan

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

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

(n) Major recognition criteria for revenues and expenses

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

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

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

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

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

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

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

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

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

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

(o) Hedge accounting

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

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

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

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

(p) Method and period for amortization of goodwill

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

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

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

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

(r) Major accounting estimates

(1) Valuation of inventories

i) Amount recorded in the consolidated financial statements as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Inventories	¥ 310,283	**¥ 299,307**

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, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Property, plant and equipment	¥ 418,260	**¥ 389,257**
Intangible assets	42,285	**35,845**
Investment securities	171,392	**216,207**

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

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

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

Additionally, investment securities of ¥216,207 million recorded in the fiscal year ended March 31, 2023 include investments in equity-method affiliates of ¥88,772 million. If the equity-method affiliates recognize impairment losses in the next fiscal year or thereafter, the Group may recognize the share of loss of entities accounted for using equity method in the consolidated financial statements.

(s) Changes in accounting policies

US GAAP ASC 842 "Leases"

The Group's overseas consolidated subsidiaries adopting US GAAP have applied ASC 842 "Leases" from the fiscal year ended March 31, 2023.

In applying this accounting standard, right-of-use assets and lease liabilities are recognized for leases as lessee. However, no right-of-use asset or lease liability is recognized for short-term leases. As a permitted transitional measure at the adoption of this standard, the cumulative effect of the adoption is recognized at the date of initial application.

As the result, the Group recorded increases of ¥6,032 million in "Property, plant and equipment," ¥1,452 million in "Other" under "Current liabilities," and ¥6,231 million in "Other" under "Non-current liabilities" as of March 31, 2023.

The impact of this change on consolidated earnings for the fiscal year ended March 31, 2023 is minimal.

(t) Unapplied accounting standard

The accounting standards issued by March 31, 2023 but not yet applied as of March 31, 2023 were as follows.

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

The Company and its domestic subsidiaries

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

(u) Changes in presentation method

(Consolidated balance sheets)

(1) "Goodwill," which was included in "Other" under "Intangible assets" in the fiscal year ended March 31, 2022, has been separately presented in the fiscal year ended March 31, 2023 since its materiality has increased in the consolidated balance sheets. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified.

As a result, ¥16,330 million included in "Other" under "Intangible assets" in the consolidated balance sheets as of March 31 2022, has been reclassified as ¥8,439 million in "Goodwill" and ¥7,890 million in "Other."

(2) "Lease liabilities," which was included in "Other" under "Current liabilities" in the fiscal year ended March 31, 2022, has been separately presented in the fiscal year ended March 31, 2023 since its materiality has increased in the consolidated balance sheets. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified.

As a result, ¥164,817 million included in "Other" under "Current liabilities" in the consolidated balance sheets as of March 31 2022, has been reclassified as ¥2,283 million in "Lease liabilities" and ¥162,534 million in "Other."

(Consolidated statements of operations)

"Rental expenses on non-current assets"(¥3,471 million for the fiscal year ended March 31, 2023) and "Inactive assets expenses" (¥4,221 million for the fiscal year ended March 31, 2023), which were separately presented in the fiscal year ended March 31, 2022, are included in "Other" under "Non-operating expenses" since their amounts decreased to less than 10/100 of the total non-operating expenses. The consolidated financial statements for the fiscal year ended March 31, 2022 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, 2022, "Other" under "Non-operating expenses" which was ¥7,818 million, now includes ¥2,323 million of "Rental expenses on non-current assets" and ¥5,199 million of "Inactive assets expenses," totaling ¥15,342 million.

(Consolidated statements of cash flows)

(1) "Loss (gain) on sale of shares of subsidiaries and associates," "Gain on bargain purchase," and "Increase (decrease) in accrued expenses," which were separately presented under "Cash flows from operating activities" in the fiscal year ended March 31, 2022, are included in "Other, net" since their materiality has diminished. The consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified to reflect this change in presentation method.

As a result, ¥268 million in "Loss (gain) on sale of shares of subsidiaries and associates," ¥(182) million in "Gain on bargain purchase," ¥(2,590) million in "Increase (decrease) in accrued expenses," and ¥(42,819) million in "Other, net" have been reclassified as ¥(45,324) million in "Other, net."

(2) "Proceeds from long-term borrowings" and "Repayments of long-term borrowings," which were included in "Other, net" under "Cash flows from financing activities" in the fiscal year ended March 31, 2022, are separately presented since their materiality has increased. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified.

As a result, ¥(3,268) million in "Other, net," which was presented under "Cash flows from financing activities" has been reclassified as ¥15,648 million in "Proceeds from long-term borrowings," ¥(14,513) million in "Repayments of long-term borrowings," and ¥(4,403) million in "Other, net."

2. Notes to Consolidated Balance Sheets

(a) Investment in nonconsolidated subsidiaries and affiliates

Investment in nonconsolidated subsidiaries and affiliates as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Investment securities	¥ 55,135	**¥ 89,855**

(b) Inventories

Inventories as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Finished goods	¥ 165,625	**¥ 171,835**
Work in process	92,513	**76,908**
Raw materials and supplies	52,144	**50,564**
	¥ 310,283	**¥ 299,307**

(c) Collateral assets and liabilities secured by collateral

Collateral assets and liabilities secured by collateral as of March 31, 2022 and 2023 were as follows:

(1) Assets pledged as collateral

	Yen (millions)	
	2022	**2023**
Cash and deposits	¥ 43,830	**¥ 50,023**
Notes and accounts receivable - trade and contract assets	63,245	**69,283**
Inventories	75,732	**81,591**
Other (Current assets)	52,340	**3,848**
Buildings and structures	165,087	**159,247**
Machinery, equipment and vehicles	11,440	**12,019**
Tools, furniture and fixtures	1,620	**1,237**
Land	68,632	**60,852**
Construction in progress	26	**—**
Investment securities	36,810	**39,616**
Other (Investments and other assets)	35,859	**639**
	¥ 554,626	**¥ 478,361**

(2) Liabilities secured by collateral

	Yen (millions)	
	2022	**2023**
Short-term borrowings	¥ 928	**¥ 46,430**
Other (Current liabilities)	32,555	**27,587**
Long-term borrowings	426,722	**426,693**
	¥ 460,207	**¥ 500,711**

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, 2022 and 2023.

(d) Contingent liabilities

(1) Guarantee liabilities

	Yen (millions)	
	2022	**2023**
Loans guaranteed for employees	¥ 3,866	**¥ 3,073**
Guarantee for accounts payable		
Sharp FIT Automotive Technology Co., Ltd.	14	—
Guarantee for borrowing of invested companies		
Sermsang Power Corporation Public Company Limited	182	**198**
	¥ 4,063	**¥ 3,272**

(2) Endorsed trade notes receivable

	Yen (millions)	
	2022	**2023**
Endorsed trade notes receivable	¥ 1,018	**¥ 191**

(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, 2022 and 2023 were ¥8,615 million (longest remaining term was 7 years) and ¥4,891 million (longest remaining term was 6 years), respectively. No contract can be terminated before expiration.

(e) Investment commitment

The Company entered into contract to participate in the SoftBank Vision Fund, a private fund established by SoftBank Group Corp., in May 2017. Total amount of investment commitment is USD 1 billion. The balance of remaining committed contribution as of March 31, 2022 and 2023 were as follows.

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

	Yen (millions)	
	2022	**2023**
Total amount of investment commitment	¥ 121,410	**¥ 132,540**
Contribution made	105,983	**115,755**
Remaining committed contribution	¥ 15,426	**¥ 16,784**

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

	Yen (millions)	
	2022	**2023**
Receivables arising from contracts with customers	¥ 477,269	**¥ 433,106**
Notes receivable	6,599	**5,123**
Accounts receivable	470,670	**427,983**
Contract assets	¥ 9,890	**¥ 4,951**
Contract liabilities	76,682	**86,838**

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

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

Net inventory valuation losses (after offsetting the reversal amount) included in the cost of sales for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Cost of sales	¥ (19,401)	**¥ 3,204**

(c) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Salaries and allowances	¥ 117,715	**¥ 121,538**
Provision for bonuses	9,717	**8,632**
Retirement benefit expenses	8,223	**3,188**
Transportation and storage costs	44,545	**44,606**
Research and development expenses	21,708	**17,013**
Provision for bonuses	757	**750**

(Change in presentation method)

“Outsourcing expenses” has been excluded from major components since it decreased to less than 10/100 of selling, general and administrative expenses.

(d) Research and development expenses

Research and development expenses included in general and administrative expenses and cost of manufacturing were ¥86,290 million for the fiscal year ended March 31, 2022 and ¥78,712 million for the fiscal year ended March 31, 2023.

(e) Gain on sale of non-current assets

Major components of gain on sale of non-current assets for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Buildings and structures	¥ 364	**¥ 45**
Machinery, equipment and vehicles	570	**805**
Tools, furniture and fixtures	173	**308**
Land	4,013	**5,934**
Other	2	**33**
	¥ 5,124	**¥ 7,126**

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

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.

(g) Gain on step acquisitions

Fiscal year ended March 31, 2023

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

(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, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Loss on sale:		
Buildings and structures	¥ 0	**¥ 166**
Machinery, equipment and vehicles	28	**1**
Tools, furniture and fixtures	1	**2**
Land	12	**—**
Other	1	**—**
	¥ 44	**¥ 170**
Loss on retirement:		
Buildings and structures	¥ 239	**¥ 300**
Machinery, equipment and vehicles	235	**583**
Tools, furniture and fixtures	27	**28**
Software	35	**184**
Other	5	**1**
	¥ 543	**¥ 1,098**
Total:		
Buildings and structures	¥ 239	**¥ 467**
Machinery, equipment and vehicles	264	**585**
Tools, furniture and fixtures	28	**31**
Land	12	**—**
Software	35	**184**
Other	7	**1**
	¥ 588	**¥ 1,269**

(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.

Fiscal year ended March 31, 2022

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 have 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 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.

Fiscal year ended March 31, 2023

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

Some consolidated subsidiaries in Japan and Europe recognized an impairment loss of ¥456 million for the ICT unit's business assets for the fiscal year ended March 31, 2023, with the book value reduced to the recoverable value, because they were no longer expected to be used in the future due to the restructuring of the ICT business. Details were ¥5 million for buildings and structures, ¥2 million for tools, furniture and fixtures, ¥116 million for software, and ¥330 million for other. The estimated recoverable amount was evaluated at a net realizable value of zero.

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

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

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

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

(k) Business restructuring expenses

Fiscal year ended March 31, 2023

Business restructuring expenses include severance charges associated with the ICT business restructuring in Europe and the U.S.A.

(l) 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.

(m) 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.

Fiscal year ended March 31, 2023

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

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, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Valuation difference on available-for-sale securities		
Amount arising during the year	¥ 5,107	**¥ 9,169**
Reclassification adjustment	—	**1**
Before tax effect	5,107	**9,170**
Tax effect	(1,561)	**(2,869)**
Valuation difference on available-for-sale securities	¥ 3,546	**¥ 6,301**
Deferred gains or losses on hedges		
Amount arising during the year	¥ 1,730	**¥ (2,270)**
Reclassification adjustment	(1,079)	**(527)**
Before tax effect	650	**(2,798)**
Tax effect	25	**1,452**
Deferred gains or losses on hedges	¥ 675	**¥ (1,345)**
Foreign currency translation adjustment		
Amount arising during the year	¥ 29,378	**¥ 14,868**
Reclassification adjustment	30	**—**
Foreign currency translation adjustment	¥ 29,409	**¥ 14,868**
Remeasurements of defined benefit plans, net of tax		
Amount arising during the year	¥ 3,591	**¥ (15,412)**
Reclassification adjustment	12,409	**870**
Before tax effect	16,000	**(14,541)**
Tax effect	(2,004)	**1,884**
Remeasurements of defined benefit plans, net of tax	¥ 13,996	**¥ (12,657)**
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the year	¥ 2,616	**¥ (4,394)**
Reclassification adjustment	(248)	**(3,488)**
Share of other comprehensive income of entities accounted for using equity method	¥ 2,368	**¥ (7,882)**
Total other comprehensive income	¥ 49,996	**¥ (714)**

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, 2022 and 2023 were as follows:

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 0 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.

Fiscal year ended March 31, 2023

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

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

(b) Share acquisition rights and treasury share acquisition rights

Share acquisition rights and treasury share acquisition rights for the fiscal years ended March 31, 2022 and 2023 were as follows:

Fiscal year ended March 31, 2022

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

Fiscal year ended March 31, 2023

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

(c) Dividends

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

Fiscal year ended March 31, 2023

(1) Dividends paid

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

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

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)	
	2022	**2023**
Cash and deposits	¥ 287,361	**¥ 262,058**
Time deposits with maturity over 3 months and others	(48,002)	**(55,445)**
Cash and cash equivalents	¥ 239,359	**¥ 206,612**

(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 exchanges

Fiscal year ended March 31, 2023

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

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

(d) Significant non-cash transactions

	Yen (millions)	
	2022	**2023**
Increase in capital surplus resulting from the share exchange	¥ —	**¥ 40,337**

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, 2022

(1) Current assets

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

(2) Investments and other assets

	Yen (millions)					
	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

Note: Information on finance leases as a lessor for the fiscal year ended March, 31, 2023 is omitted as it was immaterial.

Operating leases

(a) As lessee

The balance of remaining lease payments for non-cancelable contracts as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Due within one year	¥ 1,464	**¥ 6**
Due after one year	4,231	**73**
Total	¥ 5,696	**¥ 79**

Note: The Group's overseas consolidated subsidiaries adopting US GAAP have applied ASC 842 "Leases" from the fiscal year ended March 31, 2023. Consequently, operating leases of these subsidiaries are included only in the amounts for the fiscal year ended March 31, 2022.

(b) As lessor

Future lease receipts for non-cancelable contracts as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Due within one year	¥ 1,558	**¥ 1,383**
Due after one year	2,045	**1,795**
Total	¥ 3,603	**¥ 3,179**

8. Financial Instruments

(a) Qualitative information on financial instruments

(1) Policies for financial instruments

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

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

(2) Description and risks of financial instruments

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

Other securities are held for long term to develop better business alliances and relationships with the Company's customers and suppliers, and are exposed to market price fluctuation risks. The main purpose of long-term borrowings is to procure funds necessary for capital investments. The longest repayment term is 14 years and 4 months from March 31, 2023.

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

(3) Risk management of financial instruments

i) Management of credit risks

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

ii) Management of market risks

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

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

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

iii) Management of liquidity risks in financing activities

The Finance Division manages liquidity risks by preparing and updating cash management plans based on reports from each 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, 2022 and 2023 are included in the tables below.

	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, lease liabilities (current liabilities) are omitted because their fair values approximate their book values as they are cash-based and settled in a short period of time.
*2 Stocks and others that do not have available market prices are not included in "(2) Securities and investment securities." The amounts recognized on the consolidated balance sheets for these financial instruments were as follows:

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

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

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

*1 Cash and deposits, notes and accounts payable — trade, electronically recorded obligations — operating, and short-term borrowings, lease liabilities (current liabilities) are omitted because their fair values approximate their book values as they are cash-based and settled in a short period of time.
*2 Stocks and others that do not have available market prices are not included in "(2) Securities and investment securities." The amounts recognized on the consolidated balance sheets for these financial instruments were as follows:

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

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

Note 1: Aggregate maturity of cash and deposits, and receivables as of March 31, 2022 and 2023 were as follows:

	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	—	—	—

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

Note 2: Repayment plan for loans after closing date

	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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Securities and investment securities

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

Derivative transactions

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

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

Notes and accounts receivable — trade

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

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

Long-term borrowings

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

9. Investment Securities

Information on other securities as of March 31, 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.

Information on other securities as of March 31, 2023 was as follows:

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

Equity securities and others that do not have market prices (¥85,452 million as of March 31, 2023) are not included in the above table.

The proceeds from sales of other securities were ¥40 million for the fiscal year ended March 31, 2023. The gross realized gains on those sales were ¥17 million for the fiscal year ended March 31, 2023.

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

10. Derivative Transactions

(a) Derivative transactions — hedge accounting not applied

Currency-related transactions

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

		Yen (millions)			
		2023			
Classification	Type of derivatives	Contract amount	Amount of contract due after one year	Fair value	Profit (loss) from valuation
Off-market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	**¥ 35,985**	**¥ —**	**¥ (66)**	**¥ (66)**
	Euro	**2,541**	**—**	**(44)**	**(44)**
	Canadian dollar	**152**	**—**	**1**	**1**
	Australian dollar	**97**	**—**	**5**	**5**
	Chinese yuan	**6**	**—**	**(0)**	**(0)**
	New Zealand dollar	**5**	**—**	**0**	**0**
	Buy				
	U.S. dollar	**107,210**	**—**	**1,892**	**1,892**
	Euro	**13,462**	**—**	**416**	**416**
	Pound sterling	**5,586**	**—**	**330**	**330**
	Chinese yuan	**15**	**—**	**0**	**0**
Total		**¥ 165,062**	**¥ —**	**¥ 2,535**	**¥ 2,535**

(b) Derivative transactions — hedge accounting applied

(1) Currency-related transactions

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions) 2022 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)
	Buy	Accounts payable — trade			
	U.S. dollar		93,084	—	5,676
	Euro		6,665	—	44
	Japanese yen		2	—	(0)
	Pound sterling		1	—	(0)
	Singapore dollar		0	—	0
Allocation accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		94,239	—	(5,580)
	Euro		8,293	—	(380)
	Pound sterling		624	—	(19)
	Russian rouble		81	—	6
	Canadian dollar		0	—	(0)
	Buy	Accounts payable — trade			
	U.S. dollar		63,962	—	3,596
	Japanese yen		131	—	(2)
	Euro		104	—	2
	Singapore dollar		8	—	0
	Pound sterling		0	—	0
Total			¥ 324,398	¥ —	¥ 1,387

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions) 2023 Contract amount	Amount of contract due after one year	Fair value
Principle-based accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	Euro		**¥ 9,179**	**¥ —**	**¥ (68)**
	U.S. dollar		**7,424**	**—**	**29**
	Pound sterling		**860**	**—**	**(7)**
	Swiss franc		**152**	**—**	**1**
	Swedish krona		**145**	**—**	**(0)**
	Polish zloty		**132**	**—**	**(1)**
	Czech koruna		**67**	**—**	**(0)**
	Norwegian krone		**54**	**—**	**0**
	Danish krone		**53**	**—**	**0**
	New Zealand dollar		**26**	**—**	**0**
	Hungarian forint		**18**	**—**	**(0)**
	Canadian dollar		**2**	**—**	**(0)**
	Buy	Accounts payable — trade			
	U.S. dollar		**73,676**	**—**	**443**
	Euro		**7,185**	**—**	**138**
	Pound sterling		**18**	**—**	**0**
	Japanese yen		**2**	**—**	**(0)**
Allocation accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		**99,298**	**—**	**(562)**
	Euro		**2,610**	**—**	**(80)**
	Buy	Accounts payable — trade			
	U.S. dollar		**66,924**	**—**	**142**
	Euro		**815**	**—**	**56**
	Japanese yen		**86**	**—**	**(0)**
Total			**¥ 268,736**	**¥ —**	**¥ 90**

(2) Interest rate-related transactions

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions) 2022 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)

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions) **2023** 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**	**¥ —**	**¥ (10)**
Total			**¥ 20,000**	**¥ —**	**¥ (10)**

11. Bonds Payable, Borrowings and Lease liabilities

(a) Bonds payable

Not applicable for the fiscal years ended March 31, 2022 and 2023

(b) Borrowings and lease liabilities

Borrowings and lease liabilities as of March 31, 2022 and 2023 consisted of the following:

	Yen (millions) 2022	**2023**
Short-term borrowings with the following interest rates 0.5% as of March 31, 2022 and 1.1% as of March 31, 2023	¥ 47,095	**¥ 86,387**
Current portion of long-term borrowings with the following interest rates 0.9% as of March 31, 2022 and 2.5% as of March 31, 2023	7,204	**77,508**
Current portion of lease liabilities with the following interest rates 2.9% as of March 31, 2022 and 1.9% as of March 31, 2023	2,283	**18,966**
Long-term borrowings (except portion due within one year) with the following interest rates 0.5% as of March 31, 2022 and 0.5% as of March 31, 2023	572,270	**542,727**
Lease liabilities (except portion due within one year) with the following interest rates 1.7% as of March 31, 2022 and 2.2% as of March 31, 2023	4,907	**10,083**
	¥ 633,761	**¥ 735,674**

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2022 and 2023 respectively.

2. The aggregate annual maturities of long-term borrowings due within 5 years (except portion due within one year) as of March 31, 2023 were as follows:

Years ending March 31	Yen (millions)
2025	¥ 18,715
2026	10,003
2027	513,994
2028	2

The aggregate annual maturities of lease liabilities due within 5 years (except portion due within one year) as of March 31, 2023 were as follows:

Years ending March 31	Yen (millions)
2025	¥ 4,726
2026	3,709
2027	570
2028	180

3. Current portion of lease liabilities and lease liabilities (excluding current portion) do not include those recorded on the consolidated balance sheets by the application of IFRS 16 "Leases" and US GAAP ASC 842 "Leases". The balance of those lease liabilities as of March 31, 2023 was as follows:

Current portion of lease liabilities ¥4,286 million
Lease liabilities (excluding current portion) ¥11,178 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, 2022 and 2023 consisted of the following:

	Yen (millions)	
	2022	**2023**
Balance at beginning of year	¥ 347,069	**¥ 338,057**
Service cost	9,503	**9,093**
Interest cost	3,008	**3,365**
Actuarial loss (gain)	(2,959)	**(12,850)**
Benefits paid	(23,618)	**(27,223)**
Increase from newly consolidated subsidiaries	—	**4,878**
Other	459	**(4,825)**
Foreign currency exchange differences	4,594	**2,689**
Balance at end of year	¥ 338,057	**¥ 313,185**

(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, 2022 and 2023 consisted of the following:

	Yen (millions)	
	2022	**2023**
Balance at beginning of year	¥ 269,094	**¥ 274,720**
Expected return on plan assets	6,759	**7,389**
Actuarial gain (loss)	1,014	**(28,826)**
Employer contribution	16,128	**14,603**
Benefits paid	(22,612)	**(25,783)**
Increase from newly consolidated subsidiaries	—	**7,079**
Other	45	**(4,717)**
Foreign currency exchange differences	4,290	**2,914**
Balance at end of year	¥ 274,720	**¥ 247,381**

(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, 2022 and 2023 consisted of the following:

	Yen (millions)	
	2022	**2023**
Funded defined benefit obligations at end of year	¥ 331,487	**¥ 304,051**
Fair value of plan assets at end of year	(274,720)	**(247,381)**
Funded status at end of year	56,766	**56,669**
Unfunded defined benefit obligations at end of year	6,570	**9,134**
Total net retirement benefit liability	¥ 63,336	**¥ 65,804**
Retirement benefit liability	73,630	**72,019**
Retirement benefit asset	(10,293)	**(6,214)**
Total net retirement benefit liability	¥ 63,336	**¥ 65,804**

(4) Retirement benefit expenses

Retirement benefit expenses of the Company and its consolidated subsidiaries for the fiscal years ended March 31, 2022 and 2023 consisted of the following:

	Yen (millions)	
	2022	**2023**
Service cost	¥ 9,503	**¥ 9,093**
Interest cost	3,008	**3,365**
Expected return on plan assets	(6,759)	**(7,389)**
Amortization of net actuarial loss	12,819	**1,187**
Amortization of past service cost	73	**67**
Other	31	**774**
Total retirement benefit expenses	¥ 18,677	**¥ 7,098**

(5) Amounts recognized in remeasurements of defined benefit plans

Amounts recognized in remeasurements of defined benefit plans (other comprehensive income) for the fiscal years ended March 31, 2022 and 2023 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2022	**2023**
Past service cost	¥ 169	**¥ (25)**
Net actuarial gain (loss)	15,831	**(14,515)**
Total	¥ 16,000	**¥ (14,541)**

(6) Amounts recognized in remeasurements of defined benefit plans

Amounts recognized in remeasurements of defined benefit plans (accumulated other comprehensive income) as of March 31, 2022 and 2023 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2022	**2023**
Unrecognized past service cost	¥ 641	**¥ 667**
Unrecognized net actuarial loss	5,261	**19,777**
Total	¥ 5,903	**¥ 20,444**

(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, 2022 and 2023 consisted of the following:

	2022	**2023**
Bonds	29%	**23%**
Equity securities	20%	**19%**
Cash and cash equivalents	4%	**4%**
Life insurance company general accounts	13%	**15%**
Alternatives	27%	**32%**
Other	7%	**7%**
Total	100%	**100%**

Note: Alternatives mainly consisted of investments in hedge funds

(8) Long-term expected rate of return

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

(9) Actuarial assumptions

Major actuarial assumptions

	2022	**2023**
Discount rate	mainly 0.5%	**mainly 0.5%**
Expected long-term rate of return	mainly 2.4%	**mainly 2.4%**

(c) Defined contribution pension plans

The required contribution of certain consolidated subsidiaries for the defined contribution pension plans was ¥1,496 million for the fiscal year ended March 31, 2022 and ¥1,723 million for the fiscal year ended March 31, 2023.

13. Stock Options

(a) Expensed amount and account

The expensed amount and account for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Selling, general and administrative expenses	¥ 7	**¥ 1**

(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, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Gain on reversal of share acquisition rights	¥ —	**¥ 4**

(c) Description, size and changes of stock options

(1) Description of stock option

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

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

(2) Size and changes of stock options

Stock options that existed for the fiscal year ended March 31, 2023 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, 2022	—	—	12,000
Granted	—	—	—
Nullified	—	—	—
Vested	—	—	12,000
Balance on March 31, 2023	—	—	—
Vested stock options (shares)			
Balance on March 31, 2022	74,300	38,100	75,500
Vested	—	—	12,000
Exercised	—	—	—
Nullified	2,300	—	—
Balance on March 31, 2023	72,000	38,100	87,500

Note: The Company performed a share consolidation at a ratio of 10 shares to 1 share on October 1, 2017.
With regard to first and second stock options, figures shown above are the number of shares after the conversion.

ii) Unit price

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

Note: The Company performed a share consolidation at a ratio of 10 shares to 1 share on October 1, 2017.
With regard to first and second stock options, figures shown above are the number of shares after the conversion.

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

The method used is to deduct only the number of actual nullified stock options as the estimation method of the number of vested stock options since a reasonable estimation of the number of stock options nullified in the future 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, 2022 and 2023.

The Company and its wholly owned domestic subsidiaries have adopted the Group Tax Relief System in Japan from the fiscal year ended March 31, 2023.

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

The significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the fiscal years ended March 31, 2022 and 2023 were as follows:

	2022	**2023**
Statutory tax rate	30.4%	—
Foreign withholding tax	3.0	—
Tax credit	(3.2)	—
Net Increase (Decrease) in valuation allowance and other	(10.4)	—
Differences in normal tax rates of overseas consolidated subsidiaries	(3.0)	—
Other	1.1	—
Effective tax rate	17.9%	—

Note: Information for the fiscal year ended March 31, 2023 is omitted since the Group recorded a loss before income taxes.

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

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Deferred tax assets:		
Inventories	¥ 11,868	**¥ 18,433**
Allowance for doubtful accounts	7,444	**40,898**
Accrued expenses	14,047	**16,917**
Provision for bonuses	4,643	**3,971**
Provision for sales promotion expenses	1,603	**1,519**
Retirement benefit liability	21,646	**20,704**
Buildings and structures	18,582	**53,727**
Machinery, equipment and vehicles	2,122	**17,666**
Software	3,534	**3,770**
Long-term prepaid expenses	5,635	**5,263**
Shares of subsidiaries and associates	110,593	**136,129**
Tax loss carried forward*2	143,364	**163,229**
Other	41,672	**73,132**
Gross deferred tax assets	386,759	**555,365**
Valuation allowance for tax loss carried forward*2	(143,272)	**(163,137)**
Valuation allowance for future deductible temporary difference and other	(217,171)	**(369,860)**
Total valuation allowance*1	(360,444)	**(532,998)**
Total deferred tax assets	¥ 26,314	**¥ 22,367**
Deferred tax liabilities:		
Retained earnings appropriated for tax allowable reserves	¥ (1,055)	**¥ (997)**
Valuation difference on available-for-sale securities	(8,907)	**(11,776)**
Other	(4,106)	**(6,530)**
Total deferred tax liabilities	¥ (14,069)	**¥ (19,305)**
Net deferred tax assets	¥ 12,245	**¥ 3,062**

*1 Valuation allowance increased by ¥172,553 million in the fiscal year ended March 31, 2023. This is primarily due to an increase in the future deductible temporary difference arising from posting an impairment loss of non-current assets and an increase in tax loss carried forward arising from the increase of newly consolidated subsidiaries.

*2 Tax loss carried forward and its deferred tax assets amount by carry forward period as of March 31, 2023 were as follows:

	Yen (millions)		
	2023		
	Tax loss carried forward*	Valuation allowance	Deferred tax assets
Expire within one year	¥ 26,645	¥ (26,645)	¥ —
Expire after one year, within two years	42,759	(42,759)	—
Expire after two years, within three years	54,293	(54,262)	31
Expire after three years, within four years	7,313	(7,313)	—
Expire after four years, within five years	667	(667)	—
Expire after five years	31,550	(31,489)	61
Total	¥ 163,229	¥ (163,137)	¥ 92

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

(Change in presentation method)

"Allowance for doubtful accounts" and "Shares of subsidiaries and associates," which were included in "Other" under "Deferred tax assets" in the fiscal year ended March 31, 2022, are separately presented since their materiality has increased. In order to reflect this change in presentation method, notes to the fiscal year ended March 31, 2022 have been reclassified.

As a result, ¥159,710 million in "Other" that was presented under "Deferred tax assets" has been reclassified as ¥7,444 million in "Allowance for doubtful accounts," ¥110,593 million in "Shares of subsidiaries and associates," and ¥41,672 million in "Other."

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

From the fiscal year ended March 31, 2023, the Company and some of its domestic consolidated subsidiaries transitioned from the consolidated taxation system to the group tax relief system. Accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting are in accordance with the "Practical Solution to Accounting and Disclosures Under the Group Tax Relief System" (Practical Issues Task Force No. 42, August 12, 2021, hereinafter "PITF No. 42").

In addition, based on PITF No. 42, Paragraph 32-1, changes in accounting policy due to the application of the PITF No. 42 are treated as they have no impact.

15. Business Combinations

The main business combinations conducted during the fiscal year ended March 31, 2023 were as follows:

Business combination through acquisition

(Making Sakai Display Products Corporation a wholly owned subsidiary through a 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 sets out the Company's acquisition of SDP shares by way of a share exchange under which the Company became a wholly owing 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 transaction. Based on the Board of Directors resolution on the Share Exchange made on May 11, 2022, the Company signed a share exchange agreement with SDP on May 31, 2022. The procedures of the Share Exchange were completed, effective June 27, 2022.

Business combination through the Share Exchange is outlined below.

(a) Overview of the business combination

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

Name of the acquired company: Sakai Display Products Corporation (SDP)

Field of business: Development, manufacture, sales, import and export of liquid crystal displays and other display devices

(2) Main reasons for the business combination

From 2009, when SDP started its operations, the Company had procured large-size LCD panels for its main lineup of products in TV and commercial display business, from SDP. Based on the judgment that complete subsidiarization of SDP (rejoining the Group) would bring the following benefits to the Company's business, the Share Exchange was executed with WPL, a shareholder of SDP.

i) As the Company strives to expand its TV and commercial display business on a global scale, stable and advantageous procurement of high-definition panels, which accounts for a large proportion of the cost structure, is critical.

ii) This business combination would help the Company's Display Device unit expand applications, improve production capacity, and strengthen competitiveness in the future when demand for displays is expected to increase further driven by the current New Normal, digital transformation, automotive, metaverse, and other new trends.

iii) While China, which holds onto high share of the large-size LCD market, has been in the midst of the trade conflict with the U.S.A., SDP is expected to have an advantage in supplying panels to the markets in the Americas, as it is the only 10th generation (2,880 mm x 3,130 mm mother glass) or larger LCD panel plant outside China.

(3) Date of business combination

June 27, 2022 (Deemed acquisition date: June 30, 2022)

(4) Legal form of business combination

Share exchange

(5) Company name after business combination

The company's name is unchanged.

(6) Ratio of voting rights acquired

Voting rights held immediately before the business combination:	20%
Voting rights additionally acquired through the share exchange:	80%
Voting rights after the acquisition:	100%

(7) Main reason for identifying the acquired company

Due to the fact that the Company acquired 100% of SDP's voting rights though the share exchange and made it a wholly owned subsidiary.

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

From July 1, 2022 to March 31, 2023

In addition, the portion of SDP's performance attributable to the Company for the period from April 1, 2022 to June 30, 2022 was recorded as a share of losses of entities accounted for using the equity method since SDP was an equity-method affiliate of the Company.

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

	Yen (millions)
Market value of shares held immediately before the business combination as of the date of the business combination	¥ 10,084
Market value of common shares of the Company issued on the date of the business combination:	40,337
Total acquisition costs:	¥ 50,422

(d) Exchange ratio by class of shares and calculation method thereof, and number of shares issued

(1) Exchange ratio by class of shares

The Company allotted and issued 11.45 shares of its common shares for each SDP common share. However, 839,600 SDP shares, which the Company owned, was not allocated by the Share Exchange.

(2) Calculation method of share exchange ratio

The Company requested a third-party institution independent from both companies, to calculate the share exchange ratio. The exchange ratio was determined based on the submitted report and discussions between both parties.

(3) Number of shares delivered

38,453,680 shares

(e) Major component of acquisition-related expenses and the amount thereof

Advisory fee, etc. ¥74 million

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

Gain on step acquisitions ¥12,422 million

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

(1) Amount of goodwill recognized

¥69,240 million

(2) Reason for recognition

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

(3) Amortization method and amortization period

The Company started to amortize the goodwill using the straight-line method with an amortization period of 10 years, but recorded an impairment loss at the end of the fiscal year ended March 31, 2023. For details, please refer to "(j) Impairment losses" under "3. Notes to Consolidated Statements of Operations."

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

	Yen (millions)
Current assets	¥ 40,365
Non-current assets	207,701
Total assets	248,067
Current liabilities	163,079
Non-current liabilities	103,806
Total liabilities	¥ 266,885

(i) Estimated amounts of impact on the consolidated statements of operations for the fiscal year ended March 31, 2023 assuming the business combination was completed on the first day of the fiscal year and calculation method thereof

	Yen (millions)
Net sales	¥ 6,831
Operating loss	(23,626)
Ordinary loss	(27,492)
Loss before income taxes	(22,301)

(Calculation method of estimated amounts)

The estimated amounts of impact indicate the difference between net sales and profit/loss information with the assumption that the business combination had been completed on the first day of the fiscal year ended March 31, 2023 and with adjustments for the elimination of internal transactions, and net sales and profit/loss information reported in the consolidated statements of operations of the acquiring company. In addition, the goodwill recognized upon the business combination was assumed to be booked at the first day of the fiscal year ended March 31, 2023, and was included in the estimated amounts.

This note is not subject to audit.

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. With the organizational changes made in the fiscal year ended March 31, 2023, the Digital Imaging Solutions business, which was included in Other under the 8K Ecosystem in the fiscal year ended March 31, 2022, is now included in the Smart Business Solutions business. The components for the fiscal year ended March 31, 2022 have been prepared based on the information that reflects the organizational changes, etc.

	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	341,086
Smart Display Systems business	207,121
Other	9,737
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

	Yen (millions)
	2023
Reportable Segment:	
Smart Life:	
Smart Appliances & Solutions business	**¥ 374,628**
Other	**93,923**
Sales to external customers	**468,552**
8K Ecosystem:	
Smart Business Solutions business	**392,668**
Smart Display Systems business	**186,215**
Other	**6,544**
Sales to external customers	**585,428**
ICT:	
Mobile Communication business	**147,639**
PC business	**163,712**
Sales to external customers	**311,351**
Display Device:	
Display Device business	**736,224**
Sales to external customers	**736,224**
Electronic Device:	
Electronic Device business	**446,560**
Sales to external customers	**446,560**
Total	**¥ 2,548,117**

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

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

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

The Display Device segment includes display modules.

The Electronic Device segment includes camera modules.

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

(1) Product sales

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

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

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

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

(2) Construction contracts

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

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

(3) Services

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

(4) Licensing

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

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

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

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

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

	Yen (millions)	
	2022	**2023**
Balance at beginning of year:		
Receivables arising from contracts with customers	¥ 457,649	**¥ 477,269**
Contract assets	12,210	**9,890**
Contract liabilities	74,843	**76,682**

	Yen (millions)	
	2022	**2023**
Balance at end of year:		
Receivables arising from contracts with customers	¥ 477,269	**¥ 433,106**
Contract assets	9,890	**4,951**
Contract liabilities	76,682	**86,838**

Notes: 1. Contract assets are, mainly generated from construction contracts, those related to the rights of the Company and its consolidated subsidiaries regarding the consideration for promised goods or services where performance obligations have been satisfied or partially satisfied as of the end of the fiscal year but have not yet been invoiced. Contract assets are transferred to receivables arising from contracts with customers once the right to consideration becomes unconditional.
Contract liabilities mainly consist of advances received from customers for products and consideration received for performance obligation of promised services that will be satisfied on a continuous basis.
2. Of the amount of revenue recognized in the fiscal year ended March 31, 2023, ¥26,504 million was transferred from the beginning balance of contract liabilities.
3. There were no significant changes in the balances of contract assets and liabilities for the fiscal year ended March 31, 2023.
4. The amount of revenue generated from performance obligations satisfied (or partially satisfied) in prior periods and recognized in the fiscal year ended March 31, 2023 (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, 2023 totals ¥48,085 million. These performance obligations are mainly related to construction contracts, but also include maintenance and warranty services and intellectual property license agreements, etc.

Approximately 48% of this transaction price is expected to be recognized as revenue within one year after March 31, 2023, approximately 40% within a timeframe of more than one year and less than five years, and the rest, approximately 12%, is expected to be recognized after five years.

17. Segment Information

(a) General information about reportable segments

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

The Group is working to establish business structure centering brand businesses, while at the same time promoting ESG-focused management to achieve sustainable growth. Specifically, the Group is focusing on the four major goals of (1) Further strengthening healthcare-related business, (2) Contributing to carbon neutrality, (3) HITO (people)-based management and (4) Becoming a true global company. To achieve these goals, 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.

(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.

Additionally, as stated in "(s) Changes in accounting policies" under "1. Summary of Significant Accounting and Reporting Policies" beginning from the fiscal year ended March 31, 2023, the US GAAP ASC 842 "Leases" has been applied to the Group's overseas consolidated subsidiaries that have adopted the US GAAP.

As a result, segment assets as of March 31, 2023 increased by ¥5,636 million for 8K Ecosystem, ¥206 million for ICT, and ¥189 million for Display Device, respectively.

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

Segment information as of and for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Net sales:		
Smart Life:		
Customers	¥ 446,039	**¥ 468,552**
Intersegment	152	**191**
Total	446,192	**468,743**
8K Ecosystem:		
Customers	557,945	**585,428**
Intersegment	9,745	**6,404**
Total	567,690	**591,832**
ICT:		
Customers	316,807	**311,351**
Intersegment	7,210	**14,521**
Total	324,017	**325,873**
Display Device:		
Customers	817,082	**736,224**
Intersegment	42,592	**23,729**
Total	859,674	**759,953**
Electronic Device:		
Customers	357,713	**446,560**
Intersegment	39,120	**29,028**
Total	396,834	**475,589**
Adjustments	(98,822)	**(73,875)**
Consolidated net sales	¥ 2,495,588	**¥ 2,548,117**
Segment income (loss):		
Smart Life	¥ 48,291	**¥ 28,209**
8K Ecosystem	24,966	**13,421**
ICT	4,038	**(5,530)**
Display Device	20,316	**(66,482)**
Electronic Device	6,988	**14,799**
Adjustments	(19,884)	**(10,137)**
Consolidated operating profit (loss)	¥ 84,716	**¥ (25,719)**
Segment assets:		
Smart Life	¥ 168,996	**¥ 147,982**
8K Ecosystem	301,192	**309,655**
ICT	120,272	**108,239**
Display Device	480,925	**355,103**
Electronic Device	199,087	**198,078**
Adjustments	685,814	**653,901**
Consolidated assets	¥ 1,956,288	**¥ 1,772,961**

	Yen (millions)	
	2022	**2023**
Other material items		
Depreciation:		
Smart Life	¥ 3,546	**¥ 3,678**
8K Ecosystem	13,766	**15,881**
ICT	8,606	**8,207**
Display Device	18,182	**27,508**
Electronic Device	18,372	**18,972**
Adjustments	3,750	**4,892**
The amount presented in consolidated financial statements	¥ 66,225	**¥ 79,141**
Amortization of goodwill:		
Smart Life	¥ 35	**¥ 39**
8K Ecosystem	1,906	**1,856**
ICT	119	**135**
Display Device	—	**5,193**
Electronic Device	—	**—**
Adjustments	—	**—**
The amount presented in consolidated financial statements	¥ 2,062	**¥ 7,224**
Investments in nonconsolidated subsidiaries and affiliates accounted for using equity method:		
Smart Life	¥ 434	**¥ 478**
8K Ecosystem	2,964	**3,133**
ICT	—	**—**
Display Device	6,753	**42,971**
Electronic Device	—	**—**
Adjustments	40,139	**42,189**
The amount presented in consolidated financial statements	¥ 50,291	**¥ 88,772**
Increase in property, plant, equipment and intangible assets:		
Smart Life	¥ 2,322	**¥ 5,236**
8K Ecosystem	9,535	**17,147**
ICT	8,164	**6,119**
Display Device	18,243	**14,753**
Electronic Device	25,277	**14,717**
Adjustments	4,785	**2,893**
The amount presented in consolidated financial statements	¥ 68,328	**¥ 60,867**

Adjustments of segment income were ¥(19,884) million and ¥(10,137) million for the fiscal years ended March 31, 2022 and 2023, respectively, including elimination of intersegment transactions and corporate expenses not allocated to each reportable segment.

Elimination of intersegment transactions for segment income were ¥(4) million and ¥(0) million, respectively. Corporate expenses not allocated to each reportable segment were ¥(17,235) million and ¥(15,929) million for the fiscal years ended March 31, 2022 and 2023, respectively.

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

Adjustments of segment assets were ¥685,814 million and ¥653,901 million as of March 31, 2022 and 2023, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment.

Elimination of intersegment transactions for segment assets were ¥(8,516) million and ¥(5,086) million, respectively. Corporate assets not allocated to each reportable segment were ¥694,330 million and ¥658,987 million as of March 31, 2022 and 2023, 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 ¥40,139 million and ¥42,189 million as of March 31, 2022 and 2023, respectively, and mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥4,785 million and ¥2,893 million for the fiscal years ended March 31, 2022 and 2023, 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, 2022 and 2023 were as follows:

	Yen (millions) 2022	2023
Net sales to outside customers:		
Display modules	¥ 817,082	**¥ 736,224**
Sensing devices	315,919	**415,717**
Other	1,362,586	**1,396,174**
Total	¥ 2,495,588	**¥ 2,548,117**

Note: From the fiscal year ended March 31, 2023, the product/service name of "LCD display modules" has been changed to "Display modules." This change of name does not affect the information of each product/service. As was done with the information for the fiscal year ended March 31, 2023, "LCD display modules" have been renamed "Display modules" for the fiscal year ended March 31, 2022.

(2) Net sales by region/country

Net sales by region/country for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions) 2022	2023
Net sales:		
Japan	¥ 817,794	**¥ 800,315**
China	1,001,698	**988,194**
Asia	240,445	**258,004**
Other	435,649	**501,601**
Total	¥ 2,495,588	**¥ 2,548,117**

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

(Change in presentation method)

From the fiscal year ended March 31, 2023, "Asia" has been separately presented since its materiality as a region has increased. As a result, ¥676,095 million, which was presented as "Other" in the fiscal year ended March 31, 2022, has been reclassified as ¥240,445 million for "Asia" and ¥435,649 million for "Other."

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

Property, plant and equipment by region/country as of March 31, 2022 and 2023 were as follows:

	Yen (millions) 2022	2023
Property, plant and equipment, at cost less accumulated depreciation:		
Japan	¥ 301,956	**¥ 275,737**
Asia	71,093	**70,121**
Other	45,211	**43,397**
Total	¥ 418,260	**¥ 389,257**

(4) Major customers and related sales amount

Major customers and related sales amount for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions) 2022	2023
Net sales:		
APPLE INC.	¥ 427,824	**¥ 509,959**
Related segments:		
Display Device and Electronic Device for the years ended March 31, 2022 and 2023		
Net sales:		
General Interface Solution Limited	¥ 345,123	**¥ 315,668**
Related segment:		
Display Device for the years ended March 31, 2022 and 2023		

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

Impairment losses on non-current assets by reportable segment for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Yen (millions) 2022	2023
Impairment losses:		
Smart Life	¥ —	**¥ —**
8K Ecosystem	—	**3,729**
ICT	—	**456**
Display Device	14,791	**213,384**
Electronic Device	7,912	**2,983**
Corporate Assets and Elimination	—	**—**
Total	¥ 22,703	**¥ 220,553**

(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, 2022 and 2023 were as follows:

	Yen (millions)	
	2022	**2023**
Amortization of goodwill:		
Smart Life	¥ 35	**¥ 39**
8K Ecosystem	1,906	**1,856**
ICT	119	**135**
Display Device	—	**5,193**
Electronic Device	—	**—**
Corporate Assets and Elimination	—	**—**
Total	¥ 2,062	**¥ 7,224**
Balance at end of year:		
Smart Life	¥ 56	**¥ 19**
8K Ecosystem	8,191	**6,199**
ICT	191	**66**
Display Device	—	**—**
Electronic Device	—	**—**
Corporate Assets and Elimination	—	**—**
Total	¥ 8,439	**¥ 6,284**

Note: An impairment loss was recorded for ¥745 million of goodwill attributable to the 8K Ecosystem segment and ¥64,047 million of goodwill attributable to the Display Device segment.

(g) Gain on bargain purchase by reportable segment

Fiscal year ended March 31, 2022

The information is omitted as it was immaterial.

Fiscal year ended March 31, 2023

Not applicable

18. Transactions with Related Parties

(a) Transactions with related parties

(1) Transactions between the Company and related parties

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

Principal transactions with related parties for the fiscal years ended March 31, 2022 and 2023 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, 2022 were as follows:

<table>
<tr><th>Category</th><th>Company name</th><th>Location</th><th>Share capital</th><th>Details of business</th><th>Holding or held ratio</th><th>Relationship with the related party</th><th>Detail of transaction</th><th>Transaction amount (millions of yen)</th><th>Account</th><th>Ending balance (millions of yen)</th></tr>
<tr><td rowspan="3">Affiliate</td><td rowspan="3">Sakai Display Products Corporation</td><td rowspan="3">Sakai City, Osaka</td><td rowspan="3">32,485 million yen</td><td rowspan="3">Development, manufacture, distribution, export and import of LCD and other displays</td><td rowspan="3">20.0% holding directly</td><td rowspan="3">Manufacture of the Company's products and lease of real estate, etc.</td><td>Payment of costs and expenses on behalf of the affiliate</td><td>42,418</td><td>Accounts receivable - other</td><td>40,844</td></tr>
<tr><td rowspan="2">Collection of lease receivables</td><td rowspan="2">2,240</td><td>Other (Current assets)</td><td>2,463</td></tr>
<tr><td>Other (Investments and other assets)</td><td>39,200</td></tr>
</table>

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

Principal transactions with related parties for the fiscal year ended March 31, 2023 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, 2022 and 2023 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, 2022 and 2023 are omitted as they were immaterial.

(2) Transactions between the consolidated subsidiaries of the Company and related parties
i) Parent company and major corporate shareholders, etc. of the Company
Principal transactions with related parties for the fiscal year ended March 31, 2022 are omitted as they were immaterial.

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

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

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

ii) Nonconsolidated subsidiaries and affiliates, etc. of the Company
Principal transactions with related parties for the fiscal years ended March 31, 2022 and 2023 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, 2022 and 2023 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, 2022 and 2023 are omitted as they were immaterial.

(b) Information on the parent company and significant affiliates

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

(2) Summary of financial statements of significant affiliated company
For the fiscal year ended March 31, 2022, the significant affiliated company was Sakai Display Products Corporation.
Summary of its financial statements was as follows:

	Yen (millions)
	2022
Current assets	¥ 250,385
Non-current assets	839,793
Current liabilities	270,524
Non-current liabilities	591,146
Net assets	228,507
Net sales	308,541
Profit before income taxes	11,891
Profit attributable to owners of parent	4,444

For the fiscal year ended March 31, 2023, the significant affiliated company was SDP Global (China) Co., Ltd.

Summary of its financial statements was as follows:

	Yen (millions)
	2023
Current assets	**¥ 155,107**
Non-current assets	**765,944**
Current liabilities	**187,975**
Non-current liabilities	**510,337**
Net assets	**222,738**
Net sales	**110,901**
Loss before income taxes	**(65,939)**
Loss	**(65,939)**

19. Per Share Data

Per share data as of March 31, 2022 and 2023 were as follows:

	Yen	
	2022	**2023**
Net assets per share	¥ 743.70	**¥ 321.05**
Income (loss) per share	121.14	**(407.31)**
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 a loss per share was recorded.**

Income (loss) per share and fully diluted income per share as of March 31, 2022 and 2023 were calculated on the following basis:

	2022	**2023**
Income (loss) per share		
Profit (loss) attributable to owners of parent (millions of yen)	¥ 73,991	**¥ (260,840)**
Amounts not allocated to common shares (millions of yen)	—	**—**
Profit (loss) attributable to owners of parent allocated to common shares (millions of yen)	73,991	**(260,840)**
Average number of common shares outstanding during each year (thousands of shares)	610,799	**640,400**
Details of potentially dilutive shares that were not included in the calculation of fully diluted income per share because they have no dilutive effects	743 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights) 381 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights) 875 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights) A brief summary is in Note 13. Stock Options.	**720 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)** **381 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights)** **875 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights)** **A brief summary is in Note 13. Stock Options.**

20. Significant Subsequent Events

(a) Segment reclassification

In the fiscal year ended March 31, 2023, the Group operated in five reportable business segments: Smart Life, 8K Ecosystem, ICT, Display Device, and Electronic Device. Starting from the fiscal year ending March 31, 2024, the reportable business segments have been changed to the following five: Smart Life & Energy, Smart Office, Universal Network, Display Device, and Electronic Device.

This change is intended to reorganize the group structure of the brand businesses to clarify areas of focus and maximize synergies among businesses. The Company will speed up business transformation for renewed growth toward early materialization of new businesses.

With this segment reclassification, the Smart Appliances & Solutions business and Energy Solution business (formerly under Smart life) are now included in the Smart Life & Energy business segment. The Smart Business Solutions business (formerly under 8K Ecosystem) and the PC business (formerly under ICT) are included in the Smart Office business segment. The Smart Display Systems business (formerly under 8K Ecosystem) and the Mobile Communication business (formerly under ICT) are included in the Universal Network business segment. Additionally, the Smart Display Systems business is renamed as TV Systems business along with this segment reclassification.

Information on net sales, income (loss) of each reclassified reportable segment for the fiscal year ended March 31, 2023 was as follows.

	Yen (millions)
	2023
Net sales:	
Smart Life & Energy:	
Customers	**¥ 475,096**
Intersegment	**1,736**
Total	**476,832**
Smart Office:	
Customers	**556,380**
Intersegment	**5,388**
Total	**561,768**
Universal Network:	
Customers	**333,855**
Intersegment	**261**
Total	**334,116**
Display Device:	
Customers	**736,224**
Intersegment	**23,729**
Total	**759,953**
Electronic Device:	
Customers	**446,560**
Intersegment	**29,028**
Total	**475,589**
Adjustments	**(60,144)**
Consolidated net sales	**¥ 2,548,117**
Segment income (loss):	
Smart Life & Energy	**¥ 29,381**
Smart Office	**14,526**
Universal Network	**(7,807)**
Display Device	**(66,482)**
Electronic Device	**14,799**
Adjustments	**(10,137)**
Consolidated operating loss	**¥ (25,719)**

Adjustments of segment income (loss) of ¥(10,137) million included elimination of intersegment transactions of ¥(0) million and corporate expenses not allocated to each reportable segment of ¥(15,929) million. Corporate expenses were mainly attributable to basic R&D expenses and expenses related to the administrative groups of the Company's headquarters.

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

The Company adopted a resolution at the Board of Directors meeting held on May 11, 2023, to submit a proposal at the Ordinary General Meeting of Shareholders held on June 27, 2023, that the Company be authorized to allot share acquisition rights as stock options to directors, executive officers and employees (hereinafter collectively called “Officers and Employees”) of the Company and its subsidiaries and to delegate to its Board of Directors the determination of the subscription requirements of such share acquisition rights.

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

(1) Purpose of adopting the stock option plan

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

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

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

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

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

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

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

(4) Cash payment for share acquisition rights

No cash payment is required for share acquisition rights.

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

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

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

(6) Exercise period of share acquisition rights

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

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

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

Consolidated Subsidiaries

(As of March 31, 2023)

Domestic

Sharp Marketing Japan Corporation
Sharp Energy Solutions Corporation
Sharp Yonago Corporation
Sharp Display Manufacturing Corporation
Sakai Display Products Corporation
Sharp Support & Service Corporation
ScienBiziP Japan Co., Ltd.
Dynabook Inc.
Kantatsu Co., Ltd.
Sharp Semiconductor Innovation Corporation
Sharp Fukuyama Laser Co., Ltd.
Sharp Cocoro Life Inc.
Sharp Display Technology Corporation
Sharp NEC Display Solutions, Ltd.
Sharp Sensing Technology Corporation

Overseas

<Countries and Areas>

Sharp Electronics Corporation <New Jersey, U.S.A.>
Sharp Laboratories of America, Inc. <Washington, U.S.A.>
Dynabook Americas, Inc. <Delaware, U.S.A.>
Sharp NEC Display Solutions of America, Inc. <Illinois, U.S.A.>
Sharp Electronics of Canada Ltd. <Ontario, Canada>
Sharp Corporation Mexico S.A. de C.V. <Mexico City, Mexico>
Sharp Electronics (Europe) Limited <Middlesex, U.K.>
Sharp Business Systems UK Plc. <Wakefield, U.K.>
Sharp International Finance (U.K.) Plc. <Middlesex, U.K.>
Sharp Electronics (Europe) GmbH <Hamburg, Germany>
Sharp Devices Europe GmbH <Munich, Germany>
Sharp NEC Display Solutions Europe GmbH <Munich, Germany>
Sharp Business Systems Deutschland GmbH <Cologne, Germany>
Dynabook Europe GmbH <Neuss, Germany>
Sharp Business Systems Sverige AB <Bromma, Sweden>
Sharp Electronics (Schweiz) AG <Rüschlikon, Switzerland>
Sharp Business Systems France S.A.S. <Toulouse, France>
Sharp Manufacturing France S.A. <Soultz, France>
Sharp Electronics Benelux B.V. <Utrecht, the Netherlands>
Sharp Consumer Electronics Poland Sp. z o.o. <Toruń, Poland>
Sharp Middle East Free Zone Establishment <Dubai, U.A.E.>
Sharp Universal Technology (Shenzhen) Co., Ltd. <Shenzhen, China>
Sharp NEC Display Solutions (China), Ltd. <Shenzhen, China>
Sharp Universal Technology (Shanghai) Co., Ltd. <Shanghai, China>
Shanghai Sharp Electronics Co., Ltd. <Shanghai, China>
Sharp Electronics Sales (China) Co., Ltd. <Shanghai, China>
Nanjing Sharp Electronics Co., Ltd. <Nanjing, China>
Sharp Office Equipments (Changshu) Co., Ltd. <Changshu, China>
Wuxi Sharp Electronic Components Co., Ltd. <Wuxi, China>
Wuxi Sharp Display Technology Co., Ltd. <Wuxi, China>
Pinghu Kantatsu Fine Technology Co., Ltd. <Pinghu, China>
Dynabook Technology (Hangzhou) Inc. <Hangzhou, China>
Yantai Xia Ye Electrons Co., Ltd. <Yantai, China>
Sharp Hong Kong Limited <Hong Kong>
Sharp (Taiwan) Electronics Corporation <New Taipei, Taiwan>
Dynabook Technology (Taiwan) Co., Ltd. <Taoyuan, Taiwan>
Cocorolife Co., Ltd. <New Taipei, Taiwan>
Sharp Electronics (Malaysia) Sdn. Bhd. <Selangor, Malaysia>
Sharp Manufacturing Corporation (M) Sdn. Bhd. <Johor, Malaysia>
Sharp North Malaysia Sdn. Bhd. <Kedah, Malaysia>
Sharp Singapore Electronics Corporation Pte. Ltd. <Singapore>
Sharp Appliances (Thailand) Ltd. <Chachoengsao, Thailand>
Sharp Manufacturing (Thailand) Co., Ltd. <Nakornpathom, Thailand>
Sharp Solar Solution Asia Co., Ltd. <Bangkok, Thailand>
P.T. Sharp Electronics Indonesia <West Jawa, Indonesia>
P.T. Sharp Semiconductor Indonesia <West Jawa, Indonesia>
SAIGON STEC Co.,LTD. <Thu Dau Mot, Vietnam>
Sharp Manufacturing Vietnam CO., LTD. <Tan Uyen, Vietnam>
Sharp Business Systems (India) Private Ltd. <New Delhi, India>
Sharp Corporation of Australia Pty. Ltd. <New South Wales, Australia>

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