Important Matters on Presenting Consolidated Financial Statements

Matters Related to Accounting Procedure Standards

1) Valuation Standards and Methods for Securities

Other Securities

- Securities with available fair market values:
  Primarily, stated at fair market value based on average of market price during the last month of the fiscal year (valuation differences are disposed using the direct equity adjustment method and the cost of securities sold is calculated using the average cost method).
- Securities with no available fair market value:
  Primarily, stated at average cost.

2) Valuation Standards and Methods for Inventories

- Finished products:
  For Sharp Corporation and domestic consolidated subsidiaries, primarily, stated at the lower of moving average cost or market.
  For overseas consolidated subsidiaries, primarily, stated at the lower of first-in, first-out cost or market.
- Work in process and raw materials:
  Primarily, stated at the current production and purchase costs.

3) Depreciation Methods Used for Tangible Fixed Assets

For Sharp Corporation and domestic consolidated subsidiaries, depreciation is based primarily on the declining-balance method (Except for machinery and equipment in the Mie and Kameyama Plants, which are depreciated on the straight line method).

Note that overseas consolidated subsidiaries primarily use the straight line method.

4) Method for Appropriation for Accrued Bonuses

The reserve for payment of employee bonuses is set aside based on estimated amounts to be paid in the subsequent period.

5) Method for Appropriation for Severance and Pension Benefits

To provide for employees' severance and pension benefits, reserves are set aside based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the end of the current consolidated fiscal year.

Further, net transition obligation is being amortized in equal amounts over 7 years.

Prior service costs are amortized over the average of the estimated remaining service lives (16 years).

Actuarial losses are recognized primarily in expenses over the average of estimated remaining services lives (16 years) commencing with the following period.

6) Accounting for Consumption Taxes, etc.

The tax exclusion method is applied.

7) Adaptation of Consolidated Tax Return System

The consolidated tax return system has been adapted.