Be Original.

Annual Report 2021

For the fiscal year ended March 31, 2021

Annual Report 2021 For the fiscal year ended March 31, 2021

Business Philosophy, Business Creed

Business Philosophy

We do not seek merely to expand our business volume. Rather, we are dedicated to the use of our unique, innovative technology to contribute to the culture, benefits and welfare of people throughout the world.
It is the intention of our corporation to grow hand-in-hand with our employees, encouraging and aiding them to reach their full potential and improve their standard of living.
Our future prosperity is directly linked to the prosperity of our customers, dealers and shareholders …indeed, the entire Sharp family.

Business Creed

Sharp Corporation is dedicated to two principal ideals:

"Sincerity and Creativity"

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

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

Harmony brings strength …
trust each other and work together.

Politeness is a merit …
always be courteous and respectful.

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

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

Corporate Motto

Be Original.

From the beginning, Sharp has been driven by originality.
We originate technologies that enhance lifestyles,
Inspire innovations that support individual expression,
And create products that let you be you.
There is only one Sharp.
There is only one you.
Be Original.

SHARP

Contents

Top Message

Our aim is to establish SHARP as a powerful corporate brand representing a company closest to people and society, constantly proposing new value.

In August 2021, we passed the five-year mark since we launched a new management structure. During the past five years, we experienced a number of unexpected changes in the business environment, including COVID-19 and U.S.-Chinese trade frictions. In spite of these circumstances, we improved performance steadily, reaching a milestone in our management restructuring. Today, we are moving forward to achieve sustainable growth for the next 100 years. Once again, we wish to express our gratitude for the continued support of our stakeholders.

Last year, the world faced an unprecedented crisis in the form of the COVID-19 pandemic. Thanks to the hard work of medical professionals and others around the world, humanity is moving gradually toward overcoming the crisis. We have been providing masks and other health-related products as part of our contribution to society, and we will strengthen our efforts in this area to achieve a safe and secure society.

The COVID-19 pandemic has been an opportunity for us to learn more about drastically changing values, lifestyles, and work styles. We have seen increased demand for in-home consumption, a rising preference for cleanliness, expanded telework, advancements in ICT-based education, the acceleration of online medical treatment and telemedicine, and digital transformation in retail and industrial applications. These developments and more demand the establishment of a *new normal* as soon as possible. In addition, a variety of urgent social issues have surfaced that the international community must address. These issues include achieving carbon neutrality, solutions to medical and nursing care issues, and a resolution to labor shortages.

Amid these circumstances and based on our business vision of *Changing the World with 8K+5G and AIoT*, we will collaborate with various companies to develop business focusing in eight priority areas to create innovative services and solutions: Smart Home, Smart Office, Healthcare, Entertainment, Education, Industry, Security, and Mobility. By contributing answers to social issues faced by modern society through these initiatives, we aim to establish SHARP as a powerful corporate brand representing a company closest to people and society, constantly proposing new value.

Further, we will continue to step up our ESG initiatives. Through our business activities, we will contribute to the achievement of each of the Sustainable Development Goals (SDGs) proposed by the United Nations. At the same time, we will move forward steadily in fulfilling our corporate social responsibility as a global brand.

J.W. Tai
Chairman & CEO

Katsuaki Nomura
President & COO

Specifically, in terms of the environment, we will endeavor to reduce CO_2 emissions, create more advanced levels of clean energy, and reduce our environmental impact in line with our long-term goal, *SHARP Eco Vision 2050*, which we formulated in February 2019. On the social front, we will contribute to society through our business activities focusing on eight priority business fields, and we will also engage firmly with CSR throughout the supply chain. In terms of governance, we will improve the effectiveness of our board of directors and continue to engage in dialogue with our stakeholders to structure corporate governance that will enhance our corporate value.

Also, as a signatory* of the United Nations Global Compact, we will continue to support the Ten Principles of the compact related to human rights, labor, the environment, and anti-corruption.

As announced previously, we discovered improper accounting practices at consolidated subsidiary Kantatsu Co., Ltd and its subsidiaries, in response to which we established an investigation committee in December 2020, including outside lawyers and certified public accountants, from whom received the investigation report from the committee in March 2021. We take this incident and the ineffective function of group internal controls very seriously. We initiated concrete measures in line with the content of the committee's report to prevent any recurrence of these issues, including the reconfirming of compliance, revising business processes, and strengthening group governance.

One line from our Business Philosophy states, "Our future prosperity is directly linked to the prosperity of our customers, dealers, and shareholders...indeed, the entire Sharp family." As this phrase suggests, we will continue to contribute to the creation of a sustainable society, working together with our stakeholders to solve social issues.

*Signed in June 2009.

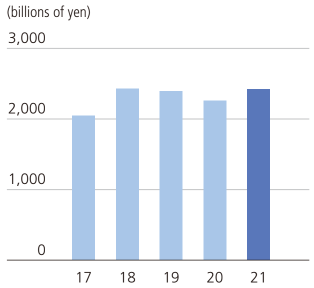
Financial and Non-Financial Highlights

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

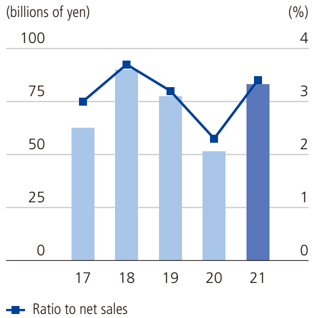
	Yen (millions)				
	2017	2018	2019	2020	**2021**
Net Sales	¥2,050,639	¥2,427,271	¥2,394,767	¥2,262,284	**¥2,425,910**
Domestic sales	654,012	656,144	719,395	778,976	**863,154**
Overseas sales	1,396,627	1,771,127	1,675,372	1,483,308	**1,562,755**
Operating Profit	62,454	90,125	77,388	51,464	**83,112**
Profit (Loss) before Income Taxes	(587)	89,416	58,428	32,331	**66,442**
Profit (Loss) Attributable to Owners of Parent	(24,877)	70,225	64,012	13,726	**53,263**
Net Assets	307,801	401,713	357,331	270,959	**364,139**
Total Assets	1,773,682	1,908,461	1,848,551	1,811,907	**1,927,226**
Capital Investment	77,733	119,356	56,461	60,583	**91,572**
R&D Expenditures	106,107	100,536	108,545	100,591	**86,793**
Per Share Data					
Income (loss) per share (yen)	(68.56)	106.07	100.08	22.47	**87.20**
Cash dividends per share (yen)	—	10.00	20.00	18.00	**30.00**
Net assets per share (yen)	154.12	267.48	377.53	419.54	**573.59**
Return on Equity (ROE)	(19.8%)	20.9%	17.8%	4.6%	**17.6%**
Number of Outstanding Shares (Common Shares) (thousands of shares)	4,972,609	497,249	531,311	531,307	**610,801**
Number of Employees	41,898	47,171	54,156	52,876	**50,478**
Raito of Disabled Employees	2.39%	2.47%	2.45%	2.43%	**2.46%**
Greenhouse Gas Emissions (thousand tons CO_2)	1,016	940	1,077	974	**951**

Notes: 1. Sharp has adopted ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (February 16, 2018) from the fiscal year ended March 31, 2019. The figures for the fiscal year ended March 31, 2018 have been reclassified by applying the accounting standard.
2. The amount of leased properties is included in capital investment.
3. Income (loss) per share is calculated by dividing profit (loss) attributable to owners of parent by the weighted average number of shares outstanding during the relevant period. For the fiscal years ended March 31, 2017 through 2021, since the dividend priority of the Class C shares is equal to that of the common shares, the number of Class C shares, after considering the conversion rate to common shares, is included in the number of shares outstanding for purposes of calculating the weighted average number of shares during the relevant period.
4. Number of outstanding shares (common shares) is shown by deducting the treasury shares.
5. Sharp carried out a share consolidation of common shares as well as Class C shares at a ratio of 10 shares to 1 share on October 1, 2017. The figures for the income (loss) per share and net assets per share are calculated on the assumption that Sharp conducted this consolidation at the beginning of the fiscal year ended March 31, 2017.
6. Of the 200,000 Class A shares issued, Sharp acquired and canceled 92,000 shares on January 30, 2019 and 108,000 shares on June 21, 2019. The effects of the said acquisition and cancellation of treasury stock are taken into consideration in the income per share for the fiscal years ended March 31, 2019 and 2020.
7. Sharp acquired and canceled all the 795,363 Class C shares outstanding in exchange for 79,536,300 common shares on February 26, 2021.
8. Ratio of Disabled Employees includes data for Sharp, special subsidiaries, and group companies as of June 1 for each fiscal year.

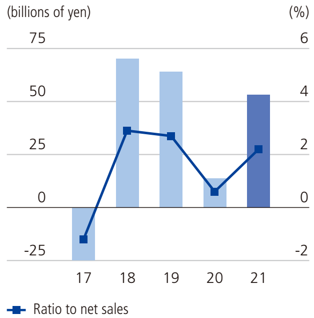
Net Sales



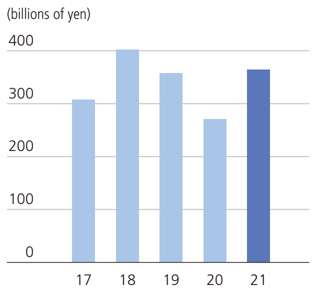
Operating Profit



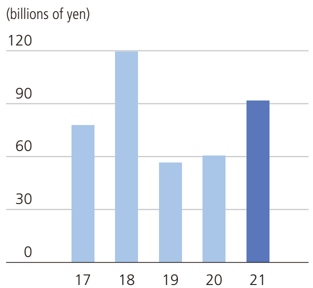
Profit (Loss) Attributable to Owners of Parent



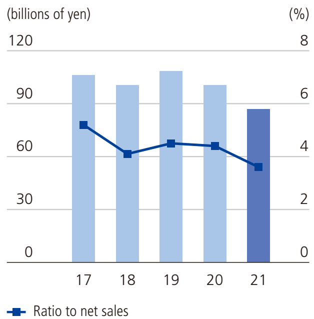
Net Assets



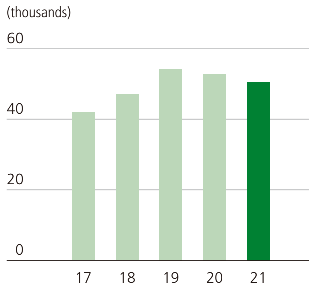
Capital Investment



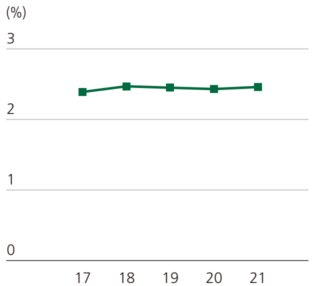
R&D Expenditures



Number of Employees

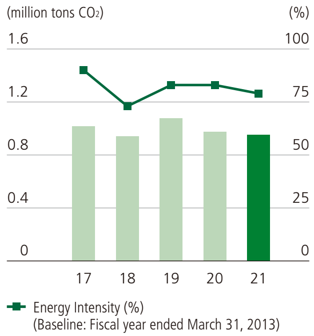


Ratio of Disabled Employees



Please refer to P.14, Social Initiatives.

Greenhouse Gas Emissions



Please refer to P.12, Environmental Initiatives.

Fiscal 2020 Review

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

Fiscal 2020 Earnings

The global economy deteriorated rapidly in the first quarter due to the impact of lockdowns and other restrictions in various countries to counter COVID-19. However, economic activity around the world began to pick up in the second quarter. In the latter part of the third quarter and later, new waves of COVID-19 infections led to another round of restrictions and extensions of existing restrictions in various countries. Bottlenecks for semiconductors and other economic issues occurred toward the end of the fiscal year.

Sharp engaged in flexible measures to respond to these dizzying changes in the business environment, striving to ensure the safety of employees and maintain business performance. As a result of our efforts, we experienced a steady recovery in business performance, achieving a significant increase in profits. Operating profit rose 1.6-fold and bottom-line profit increased 3.9-fold.

Net sales for fiscal 2020 amounted to ¥2,425.9 billion, up 7.2% year on year, as our three segments of Smart Life, 8K Ecosystem, and ICT all recorded sales increases. Operating profit amounted to ¥83.1 billion, an increase of 61.5% year on year, due to improvements in Smart Life and 8K Ecosystem, despite a decrease in ICT. Ordinary profit was ¥63.1 billion, up 25.9%, and profit attributable to owners of parent amounted to ¥53.2 billion, a 288.0% increase year on year.

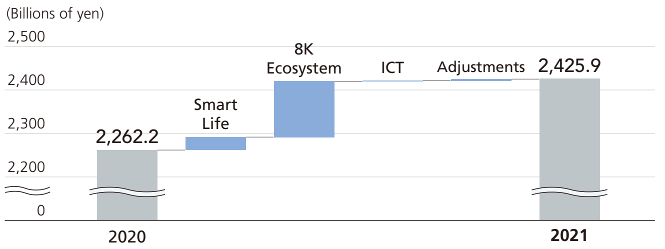
At the same time, we endeavored to improve our financial condition by generating free cash flows and reducing interest-bearing debt by ¥52.3 billion compared with the end of the previous fiscal year. In addition, we also endeavored to increase shareholder value by buying back and canceling all classes of shares.

Further, considering our financial position and future business expansion, we increased our annual dividend to ¥30 per share, marking an increase of ¥12 per share compared with the previous fiscal year.

- No resolution to the COVID-19 pandemic, and the global economy experienced semiconductor bottlenecks toward the end of the fiscal year
- Responded flexibly to the rapidly changing business environment, achieving a steady recovery in business performance and significant increase in profit (operating profit: 1.6-fold, bottom-line profit: 3.9-fold)
- Financial position improved through our efforts to improve free cash flow and reduce interest-bearing debt
- Increased shareholder value by buying back and canceling all classes of shares

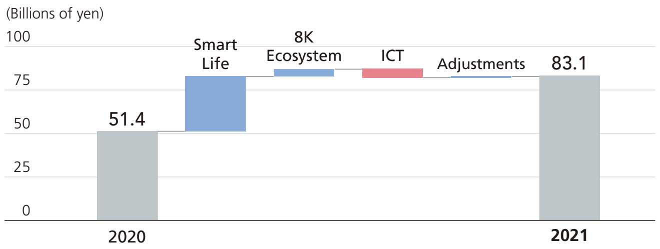
Analysis of Changes in Net Sales

By Segment

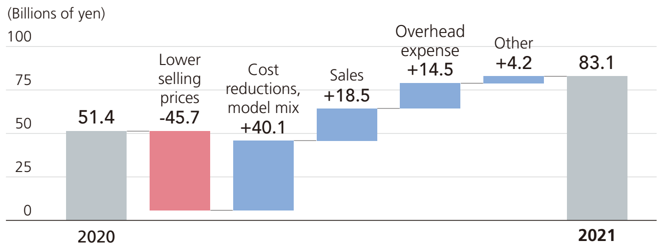


Analysis of Changes in Operating Profit

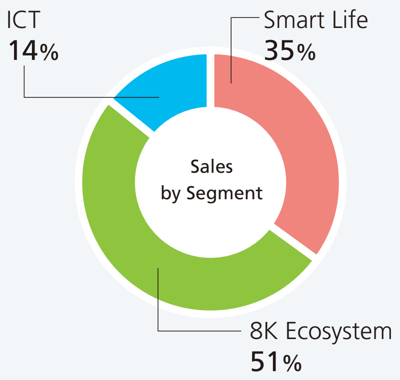
By Segment

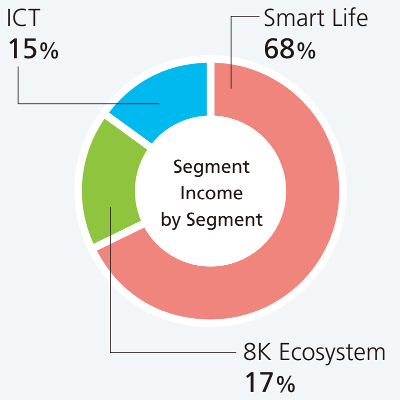


By Factor



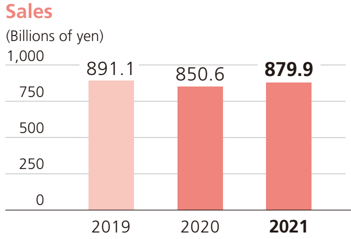
Sales, Segment Income by Segment

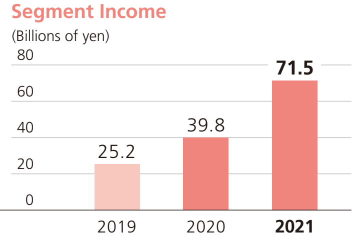




- Sales figures include internal sales between segments. The percentage of sales in pie charts has been calculated accordingly.
- Segment income figures are the amounts before adjustments for intersegment trading. The percentage of segment income in pie charts has been calculated accordingly.
- Beginning with the consolidated fiscal year ended March 31, 2021, the COCORO service business, which was previously under the Smart Life segment, is now included in the 8K Ecosystem segment for presentation. In conjunction with this change, the consolidated financial statements for the fiscal year ended March 31, 2020 have been presented in accordance with this new classification.

Smart Life



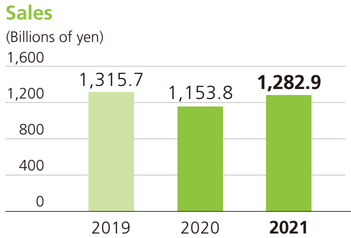


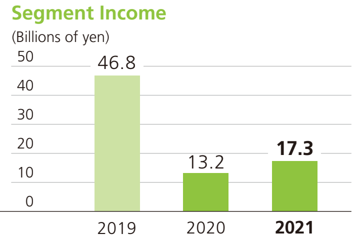
Refrigerators, superheated steam ovens, microwave ovens, small cooking appliances, air conditioners, washing machines, vacuum cleaners, air purifiers, electric fans, dehumidifiers, humidifiers, electric heaters, Plasmacluster Ion generators, beauty appliances, electronic dictionaries, calculators, telephones, network control units, solar cells, storage batteries, camera modules, sensor modules, proximity sensors, dust sensors, wafer foundries, CMOS/CCD sensors, laser diodes

Fiscal 2020 Performance (vs. Fiscal 2019)

Sales of Plasmacluster products in Japan rose significantly, while sales of washing machines, cooking appliances, etc., also rose. In the device business as well, we steadily captured firm customer demand. As a result, Smart Life sales increased. Segment income rose, mainly due to increased sales, cost reductions, and a shift to high-value-added white goods.

8K Ecosystem



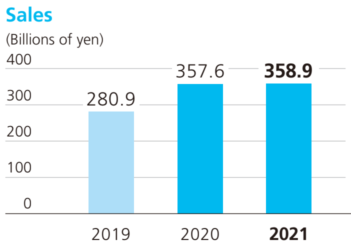


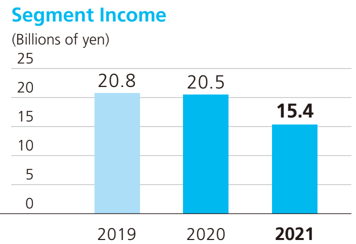
LCD color televisions, Blu-ray Disc recorders, audio equipment, display modules, automotive cameras, digital MFPs (multi-function printers), information displays, commercial projectors, POS systems, FA equipment, options and consumables, office-related solutions services, software

Fiscal 2020 Performance (vs. Fiscal 2019)

Although sales decreased for multi-function printers and panels used in automotive applications, which were significantly affected by COVID-19, sales increased for panels used in PCs and tablets, large-size panels, and finished TVs, resulting in higher 8K Ecosystem sales. Segment income rose, mainly due to an increase in segment sales and progress in cost reductions, despite the impact of declining sales of multi-function printers and panels used in automotive applications.

ICT





Mobile phones, personal computers

Fiscal 2020 Performance (vs. Fiscal 2019)

The mobile communications business grew as we developed products meeting the needs of the market, while PC business sales for GIGA school and other educational applications also increased, resulting in higher ICT sales. Segment income fell, mainly due to an increase in the ratio of mid-range models in the mobile communications business.

Beginning with the consolidated fiscal year ending March 31, 2022, Sharp has reclassified the three segments of Smart Life, 8K Ecosystem, and ICT into five segments, consisting of Smart Life, 8K Ecosystem, ICT, Display Device, and Electronic Devices. (Please refer to P.6.)

Direction of Business Management

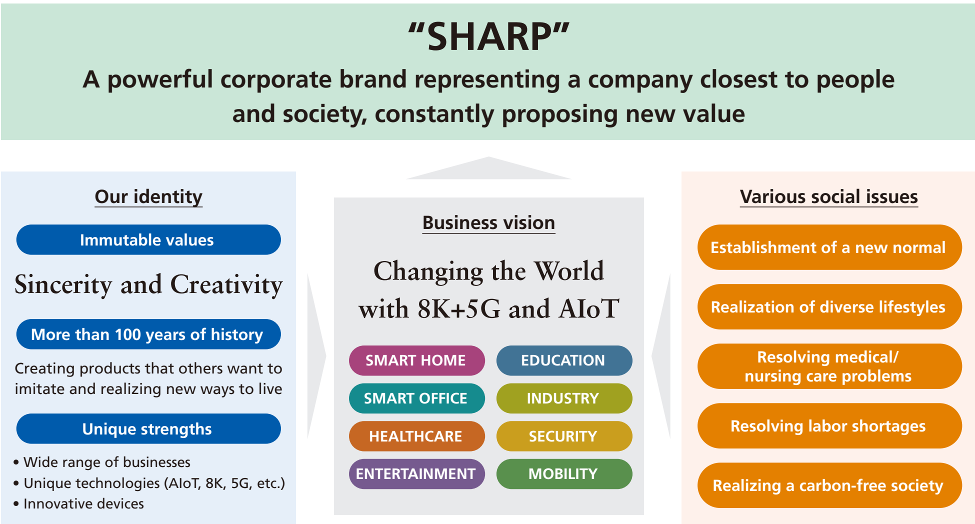
Direction of Sharp's Future

Sharp has crafted a rock-solid identity, comprised of three major elements: immutable values of Sincerity and Creativity, carefully passed down since our founding; more than 100 years of history where we have created products that others want to imitate and realizing new ways to live; and unique strengths in our wide range of businesses, our unique technologies such as AIoT, 8K, 5G, and more, and our innovative devices.

If we turn to the world stage, a variety of social issues have surfaced: the establishment of a new normal in the with-COVID and post-COVID eras; realization of diverse lifestyles; resolving medical and nursing care problems; resolving labor shortages; and realizing a carbon-free society.

Under these circumstances, we are working to solve social issues by embodying our business vision of *Changing the World with 8K+5G and AIoT*, that is, by providing Sharp's own unique hardware and solutions.

Here, we want to establish SHARP as a powerful corporate brand representing a company closest to people and society, constantly providing new value.

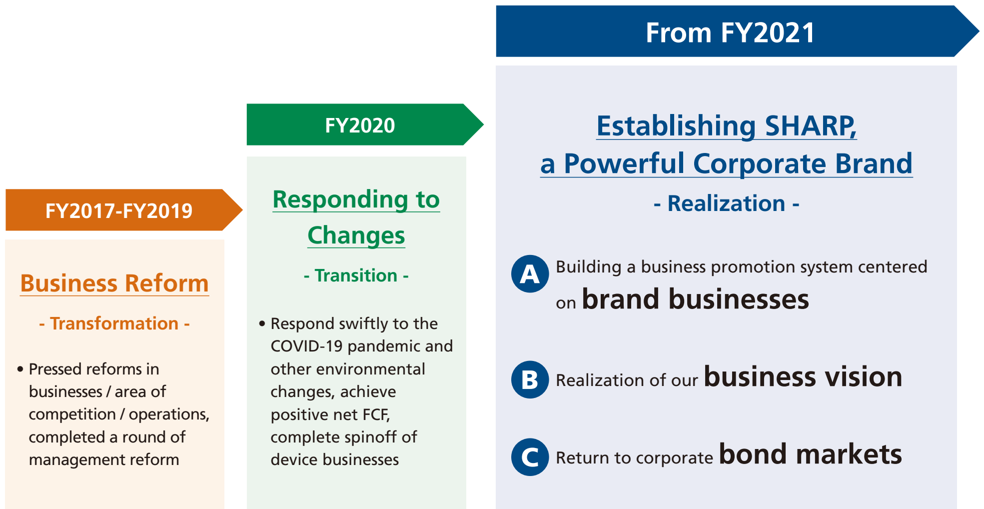


Future Initiative Policy

In the three years since fiscal 2017, Sharp endeavored to transform our business, market, and operations. As a result, we have generated steady profits every fiscal year. We have also brought a certain degree of closure to our management reform, by improving our financial position through the cancellation of all classes of shares issued during our severe financial situation, etc.

We responded nimbly to the rapidly changing business environment during fiscal 2020, achieving positive net free cash flows and steady improvement in management.

Beginning in fiscal 2021 and beyond, we are using these achievements as a foundation to focus on three initiatives in the interest of rapidly establishing SHARP as a powerful corporate brand: building a business promotion system centered on brand businesses; realizing our business vision; and returning to corporate bond markets.



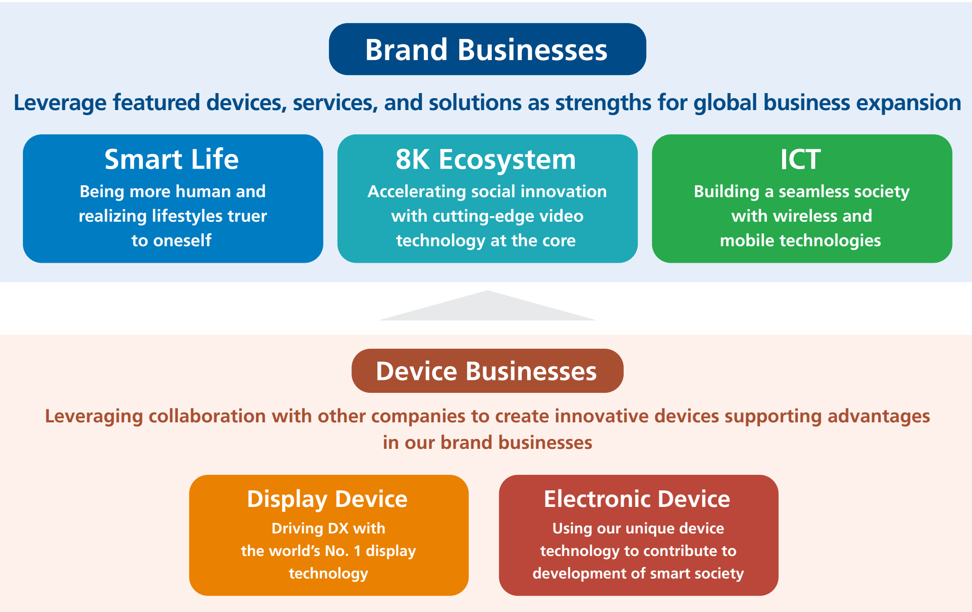
Building a Business Promotion System Centered on Brand Businesses

Sharp has three brand businesses: Smart Life, 8K Ecosystem, and ICT, as well as two device businesses: Display Device and Electronic Device.

Our brand businesses leverage featured devices, services, and solutions as strengths for global business expansion, seeking to improve the Sharp brand even more.

On the other hand, in the device businesses, we are working to leverage collaboration with other companies to create innovative devices supporting advantages in our brand businesses.

Effective the first quarter of fiscal 2021, we changed reportable segments from three to the five above to clarify the efforts, policies, and achievements of each business.

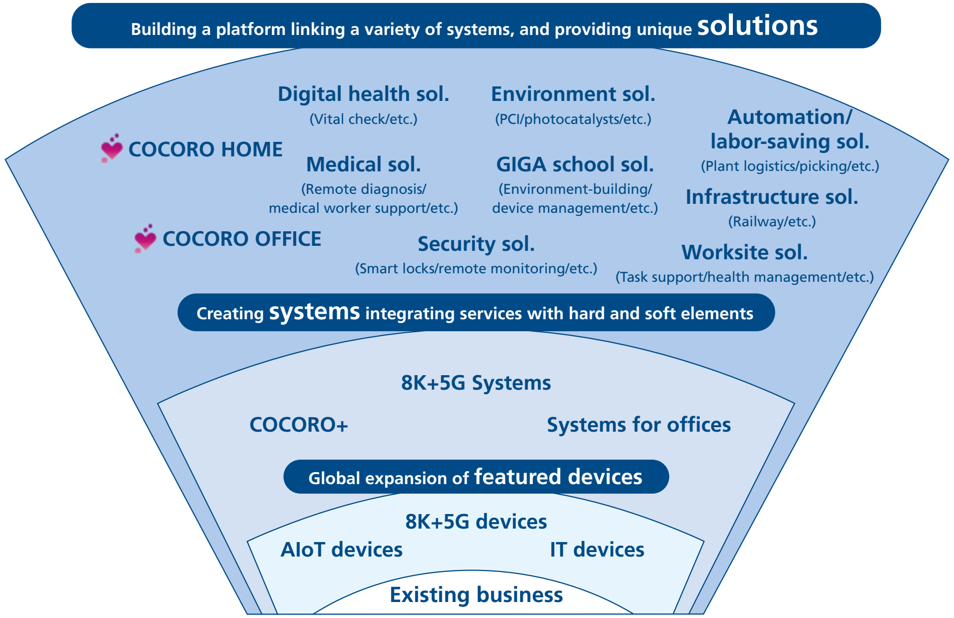


Realization of our Business Vision

At Sharp, our business vision is *Changing the World with 8K+5G and AIoT*, and we create feature-rich devices powered by cutting-edge technologies as we expand globally.

Here, we are working to create systems fusing this hardware with software and services, and furthermore building a platform unique to Sharp that links a variety of systems, providing unique solutions.

In addition, we hope to strengthen profitability through these efforts and achieve an operating profit margin of 7% or more in the near future in the brand businesses.



Direction of Business Management

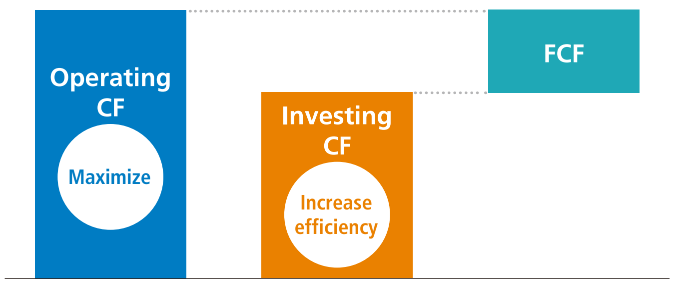
Return to Corporate Bond Markets

In order for us to continue to grow, it is essential to build a stronger financial base.

Under this concept, we are working to maximize operating cash flows through a comprehensive implementation of a shift to quality above quantity, as well as by using working capital efficiently. At the same time, we will strengthen our efforts to improve investment efficiency by expanding investments in brand businesses expected to generate stable earnings and by acquiring funds from external sources in our device business, among other efforts. We will also be proactive in making investments necessary from a strategic standpoint.

We will create stable free cash flow every year to provide appropriate shareholder returns and to take action to improve our financial position, like reducing interest-bearing debt.

Our initial aim is to achieve a net debt-equity ratio under 1.0 and an equity ratio of 25% or more. We would also like to pave the way to our return to corporate bond markets in the future.



- Thorough emphasis of quality above quantity
- Reduction of working capital

- Expanding investment in brand businesses
- Acquisition of external funds in device businesses

- Dividend payout ratio of 30% (basic policy)
- Work to reduce interest-bearing debt while securing appropriate levels of cash on hand

Immediate Goals

(1) Net D/E ratio under 1.0

(Net interest-bearing debt ÷ Equity)

(2) Equity ratio of 25%+

ESG Initiative Policy

In terms of governance, we will strive to strengthen group governance and improve functionality of the Board of Directors and continue to hold dialogues with stakeholders positively in the interest of building corporate governance that improves corporate value.

In terms of the environment, we will work to reduce CO_2 emissions, generate more clean energy, and reduce our environmental burden in line with the *SHARP Eco Vision 2050* long-term environmental vision.

In terms of society, we will contribute to society through business activities centered on eight priority business areas: Smart Home, Smart Office, Healthcare, Entertainment, Education, Industry, Security, and Mobility. We also intend to work on CSR across the entire supply chain.

G Building Corporate Governance that Improves Corporate Value

- Rebuilding the Board of Directors structure to improve its function (e.g. diversification of experience, evolution/diversification of expertise)
- Strengthening group governance
- More appropriate information disclosure and continuing dialogue with stakeholders

E Executing the SHARP Eco Vision 2050

- Achieve net zero CO_2 emissions from our own business activities by 2050
- Generate clean energy in excess of the energy consumed throughout our supply chain
- Minimize the environmental impact of our business activities on the planet

S Contributing to Society through Business Activities

- Resolving social issues centered on eight business areas
- Promoting CSR throughout the supply chain
- Continuous and global social contribution

Sustainability

Basic Approach to Sustainability

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

To embody this business philosophy and business creed*1, we established the Sharp Group Charter of Corporate Behavior as a code of conduct for group companies and the Sharp Code of Conduct*2 for all directors, executives, and employees. These are the group's basic policy for Sustainability and we are working to ensure its rigorous understanding.

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

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

Sustainability Policies and Promotion Structure

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

SER Policy

(1) Value the rights of employees and ensure their health and safety.

(2) Fulfill environmental responsibilities in business activities and manufacturing processes.

(3) Build and operate an SER management system based on international standards, regulations, and client requests.

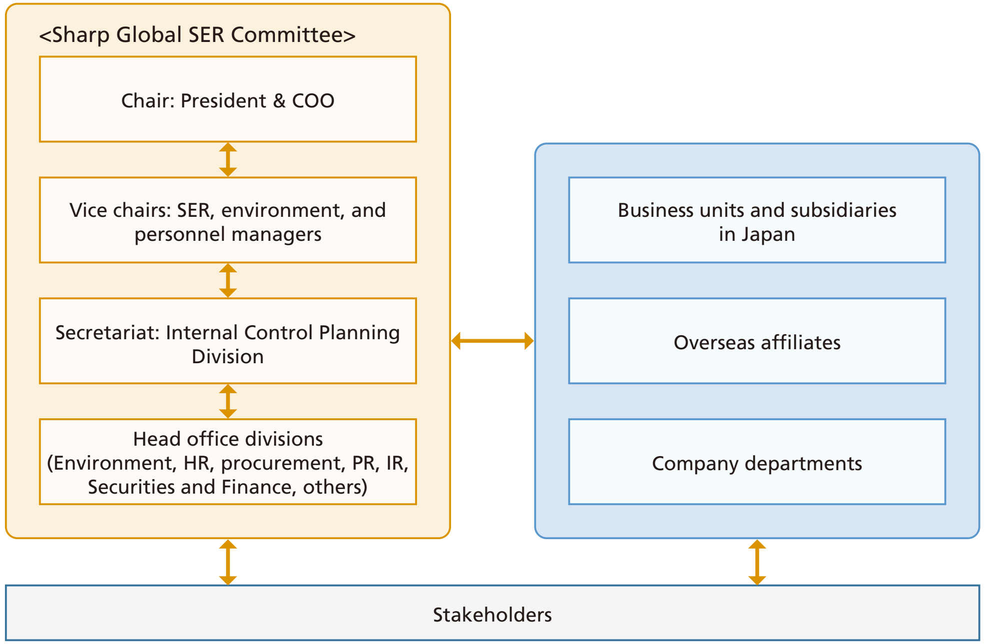
In addition, as of fiscal 2018, our medium and long-term visions have taken up the purpose of contributing to the achievement of the SDGs (Sustainable Development Goals), adopted by the United Nations in September 2015. These visions have adopted the dual concepts of solving social issues through innovation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

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

To reduce these policies to actionable measures managed via the PDCA cycle, Sharp launched the SHARP SER Committee in 2016, comprised of senior executives, headquarters functional divisions (e.g. environment/HR/procurement), business units and subsidiaries. This committee deliberates and promotes SER measures and the thorough implementation of policies and visions, and conducts such activities as sharing the latest trends related to social issues.

<Organization for Sustainability Management>

As of March 2021



Materiality

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

In identifying material issues, we map important issues from the two-axis perspective of importance to society (stakeholder expectations) and importance to the Sharp Group. Accordingly, we have identified top-priority issues. In addition, with strengthening governance at the foundation of all of our corporate activities, we have arranged material issues under the two perspectives of solving social issues through innovation and reducing the impact of our business activities on society and the environment.

Identified material issues are reduced to measurable and specific measures and monitored.

Further, to solve social issues through innovation, we have as of fiscal 2019 established a medium- and long-term vision for contributing to the SDGs through each of our companies and business units, reporting and confirming*3 our progress here.

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

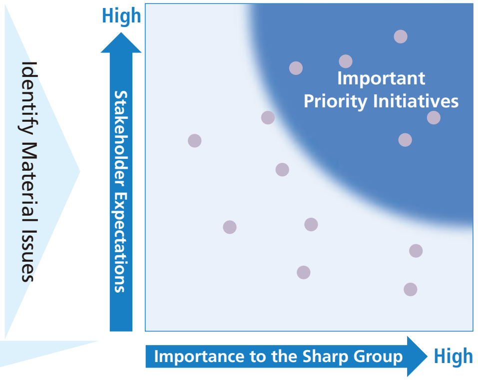
The SHARP SER Committee conducts ongoing follow-ups of how the SER measures in each business unit and company (using self-evaluations), sharing the status of promotion company-wide and conducting comprehensive reviews. All business units and companies generally made progress as planned with their SER measures*4 for fiscal 2020, but we are also confirming measures for improvement for those remaining themes that need to be addressed.

Besides confirming the status of initiatives at company-wide meetings, we have also established annual targets*5 for strengthening governance for each major field of emphasis at each supervising department.

Management Policy and Business Strategy
- Business Philosophy and Business Creed • Be Origianl.
- Business Vision • Medium-Term Management Plan, etc.

International Guidelines and Principles
- United Nations Global Compact (signed in June 2009)
- SDGs • ISO26000
- United Nations Universal Declaration of Human Rights
- United Nations Guidance principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- RBA*1 and Other Industry Codes of Conduct, etc.

Stakeholder Expectations
- Feedback and opinions from stakeholders through dialogue
- Assessing the impact of business activities on stakeholders
- Survey results from various ESG institutions, etc.



Solving Social Issues through Innovation		Reducing Impact of our Business Activities on Society and Environment
Smart Life	Being more human and realizing lifestyles truer to oneself	**Human Rights and Labor** • Ensuring the health and safety of employees by preventing overwork • Harassment prevention • Respect for human rights
8K Ecosystem	Accelerating social innovation with cutting-edge video technology at the core	**Environment** Initiatives for *SHARP Eco Vision 2050*, Our Long-Term Environmental Vision*2 • Climate change (achieving carbon-free society) • Resource recycling (achieving a circular economy) • Safety and security (careful and detailed management of chemical substances)
ICT	Building a seamless society with wireless and mobile technologies	
Display Device	Driving DX with the world's No.1 display technology	
Electronic Device	Using our unique device technology to contribute to development of smart society	**Supply Chain Management** • ESG risk management throughout the supply chain • Responsible mineral procurement
Stronger Governance		
Corporate governance, risk management, compliance, information security, etc.		

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

*2 Please refer to P.10, Environmental Initiatives.

*3 Please see the following link for more about the progress of our contribution in achieving the SDGs through our business.
https://global.sharp/corporate/eco/sdgs/#anc03

*4 Please see the following link for more about fiscal 2020 SER measures.
https://global.sharp/corporate/eco/management/#anc02

*5 Targets and results are detailed on the pages concerning Governance on the sustainability site shown below.
https://global.sharp/corporate/eco/governance/

ESG Indexes

As of September 2021, Sharp has been included in the following ESG indexes.

- FTSE4Good Developed Index
- FTSE Blossom Japan Index
- S&P/JPX Carbon Efficient Index
- MSCI ESG Leaders Indexes

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Environmental Initiatives

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

Global environmental issues such as climate change, resource depletion, and the problems presented by plastic waste are becoming more serious and are recognized as important issues among the international community. Under these circumstances, global movements aimed at resolving social issues are accelerating, such as those designed to respond to Sustainable Development Goals (SDGs*1) and carbon neutrality*2, as well as initiatives to realize a circular economy*3.

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

In the field of climate change, we recognize the 1.5°C target*4 outlined in the Paris Agreement, and aim to achieve carbon neutrality in terms of CO_2 emissions from our own activities. As well as promoting the spread and further use of clean energy-related products and services, we are also working to reduce quantities of greenhouse gases emitted by our products and services.

In the field of resource recycling, we will take upon us the challenge of using recycled materials for all parts in our products, and aim to eliminate the generation of waste from our activities—both measures towards achieving a circular economy.

In the field of safety and security, we will eliminate risks of adverse effects by ensuring full management as well as reduced consumption of chemical substances that can impact people, the environment, and ecosystems.

Furthermore, in order to realize our long-term environmental vision, we are formulating "medium-term environmental goals" that set specific initiatives and quantitative goals for each area.

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

*1 17 social goals adopted by the United Nations in 2015 that international society needs to achieve by 2030 in order to ensure sustainable development.
*2 A state of net zero CO_2 emissions.
*3 An economic system in which discarded products and raw materials are considered as new resources and in which resources are circulated without generating waste products.
*4 The Paris Agreement sets long-term objectives of keeping the rise in global average temperatures to no more than 2°C above levels prior to the industrial revolution, and pursuing efforts to limit this rise to 1.5°C.

Long-Term Environmental Targets

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

Climate Change

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

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

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

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

Goals
- Achieve net zero CO_2 emissions due to our own business activities
- Generate clean energy in excess of the energy consumed throughout our supply chain

Resource Recycling

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

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

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

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

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

Safety and Security

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

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

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

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

Disclosure of Information Regarding Climate Change

Addressing TCFD Proposals

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

1. Governance

The President and Representative Director, who chairs the Sharp SER Committee* has the responsibility for monitoring and supervising climate-related issues. The Sharp SER Committee has the President and Representative Director as its chair, with officers responsible for environmental affairs, administration, and human resources all serving as vice chairs. The committee also has as members the general managers of each business division and the presidents of affiliated companies, and this has relevant head office functional divisions as a support team. The committee deliberates climate change and other ESG-related issues, as well as implementation of policies and visions, and important measures to take. This also confirms and reviews measures taken by each business division and affiliated company, thereby overseeing climate change and other issues faced by society.

* Please refer to P.8.

2. Strategy

Risks related to climate change can be ascribed to transition, including stricter regulations, technical advancements, and market changes that occur in the move towards a decarbonized economy, and to physical changes such as acute and extreme weather phenomena and persistent temperature increases attributable to ongoing climate change. Opportunities, however, include products and services related to the production of energy-saving products, and resource efficiency related to the efficient utilization of resources in our factory operations. We recognize the risks and opportunities presented to Sharp's business are as follows.

Business risks in our operations

Type		Time frame	Risks	Main responses
Transition (2°C scenario)	Policy	Long-term	Our production bases in Japan are responsible for 70% of our total emissions of greenhouse gas emissions, with the remainder being from China and the ASEAN region. Strengthened regulations in Japan will mean increased energy costs as well as the increased burden of carbon taxes based on emitted greenhouse gas quantities.	We are making improvements to production processes and improving management of facilities so that we can reduce greenhouse gas emissions in operations at each production base. In fiscal 2020, we installed high-efficiency equipment to increase our energy efficiency, as well as adding new sensors and switches to existing facilities to monitor wasted energy consumption.
	Regulations	Medium-term	We predict that there will be an accelerated introduction of regulations, as well as stricter regulations regarding energy conservation in each country as a solution put forth to combat climate change-related issues. If products do not meet energy-saving standards or regulations in each country, or fail to do so fully, then there is the possibility that these will not be sold, or that they will not be selected by customers. This may mean sales of products and services may fail to increase, or may even decrease.	We are using the "Green Product/Device System," and have created a system to comply with environmental laws and regulations, and to maintain and improve the environmental friendliness of our products. We are also using Guidelines that summarize policies regarding laws and regulations as well as environmentally friendly design at the product development stage, and have continued to achieve zero violations of environmental laws and regulations in fiscal 2020.
Physical change (4°C scenario)	Acute	Medium-term	Disasters due to larger typhoons and heavier rainfall impact our production sites and suppliers. Using the AQUEDUCT tools from the World Resource Institute (WRI), we have identified 10 sites (approximately 24% of our total production sites) that are at particular risk of flood damage. This has the possibility of not only shutting down operations and impacting employees' livelihoods, but also of interrupting the supply of parts from suppliers. This would increase management costs due to costs required for recovery and delays in deliveries, resulting in decreased sales.	So that we can prepare for the emergence of physical risks, it is essential that we rapidly restore business operations after a disaster, and that we prevent damage before it occurs. Sharp is appropriately formulating, maintaining, and managing our BCP in accordance with the "Sharp Group Business Continuity Plan (BCP) Action Guidelines." These were formulated on the assumption that our production bases, suppliers, and employees would be affected by a natural disaster. In addition, we have clarified systems and roles in order to avoid interruption of important business operations, and to enable early recovery even if such an interruption is inevitable. Even given the destructive typhoons that battered Japan in 2020, there were no events that posed any threat to business continuity.

Disclosure of Information Regarding Climate Change

Business opportunities in our operations

Type	Time frame	Opportunities	Main responses
Products/services	Medium-term	Increased society-wide interest in renewable energy. Increase revenue by providing new services with which anyone can choose a life using renewable energy.	By providing a service to install solar power generation systems at zero initial cost, we are proposing a lifestyle using renewable energy not only for corporations, but also for individual households. In fiscal 2020, we launched a solar power generation service for corporations, that requires zero initial investment. From June 2021, we started offering COCORO POWER, a fixed-price PPA* service for new residential builds. * Abbreviation of the Power Purchase Agreement model
Products/services	Short-term	Increase product value and revenue by creating energy saving products that help mitigate climate change and bring about a decarbonized society.	Certify products that offer especially high levels of environmental performance, particularly energy-saving performance as Super Green Products (SGP), and implement internal systems that promote their creation. In fiscal 2020, we have created 25 SGP models (net sales: ¥142.6 billion).
Resource efficiency	Short-term	Looking towards making our own activities carbon neutrality by 2050, our focus is on reducing energy consumption by introducing energy-saving operations at our production sites. Cost reductions through resource efficiencies in direct operations.	Substituting high-efficiency equipment for mainly old equipment, and constant energy-saving diagnostics in the workplace to monitor for energy wastage. In fiscal 2020, so that we could improve production processes and enhance management of facilities, we installed high-efficiency equipment to increase our energy efficiency, as well as adding new sensors and switches to existing facilities to reduce energy consumption.

3. Risk management

Based on the Business Risk Management Guidelines which defines the basic concept of business risk management, Sharp manages and assesses risks, including climate-related risks, in an integrated manner.

4. Indicators/goals

Sharp has set corporate targets for fiscal 2031 in order to promote the reductions of greenhouse gas emissions throughout the supply chain. These science-based targets have been certified by the SBT (Science Based Targets) initiative as being compliant with the Paris Agreement.

Regarding greenhouse gas emissions from our business activities (Scope 1 and 2), by striving to use energy more efficiently in operations at all of our plants, we aim to reduce greenhouse gas emissions by 33% over fiscal 2018 levels.

For indirect greenhouse gas emissions from our non-business activities (Scope 3), given that greenhouse gas emissions from the use of products we sell (Category 11) account for more than 80% of our Scope 3 emissions, we have narrowed down this target to Category 11. In the same way, this aims to reduce emissions by 33% over fiscal 2018 levels.

Results as of fiscal 2020 are as in the following table. We managed to reduce Scope 1 and 2 emissions by 12% over fiscal 2018 (base year) levels by closing old factories and consolidating production bases. However, Scope 3 emissions rose by 8% over fiscal 2018 (base year) levels because of an increase in the number of products shipped.

With our sights on fiscal 2031, we are taking the challenge of achieving these goals by further promoting energy-saving measures in our plants, and expanding usage of Super Green Products (SGP) and other energy-saving products.

SBT progress (FY2020 results)

Category	Base year (FY2018 results)	FY2031 targets (33% reduction over FY2018)	FY2020 results	Vs. base year
Scope 1+2	1,077 thousand tons CO_2	772 thousand tons CO_2	951 thousand tons CO_2	12% reduction
Scope 3 (Category 11)	27,489 thousand tons CO_2	18,418 thousand tons CO_2	29,593 thousand tons CO_2	8% increase

Social Initiatives

Promoting CSR Across the Entire Supply Chain

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

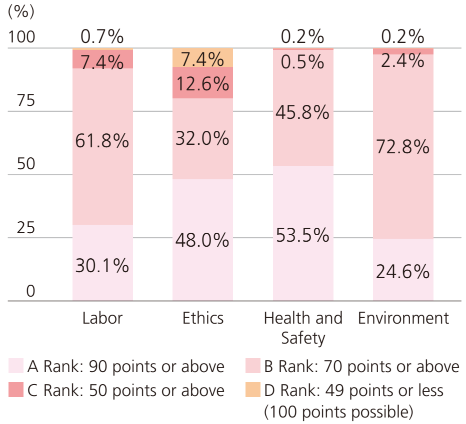
In order to identify, assess, and appropriately address CSR risks such as forced labor in the supply chain, we conduct CSR/green procurement surveys on a regular basis using a survey form compliant with the RBA Self-Assessment Questionnaire. We also provide feedback on assessment results for each of our suppliers' plants, and for plants with low assessment scores, we ask suppliers to submit improvement plans, working to enhance CSR initiatives.

In fiscal 2020, we conducted risk assessments for approximately 650 plants at our business units and manufacturing subsidiaries in Japan. We have also introduced a supplier management system at our manufacturing and procurement bases in China and the ASEAN region, and are continuously assessing risks in a similar fashion.

As a result of these efforts, we have not identified any serious problems such as forced labor or child labor in our supply chain. However, in the unlikely event that such a problem is identified, we will immediately call on the relevant supplier to take the necessary corrective measures based on our agreement, and if no improvement is expected, we will take strict measures including suspending transactions.

We will continue to proactively promote CSR initiatives throughout the supply chain on a global basis.

Assessment Distribution of CSR/ Green Procurement Survey (Japan)



Initiatives for Responsible Mineral Procurement

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

Based on this basic policy, the Global SER Committee*, chaired by the President, has set responsible mineral procurement as a priority initiative topic, and we have confirmed that a system is in place for investigating the progress of related measures at each major business unit and manufacturing subsidiary based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

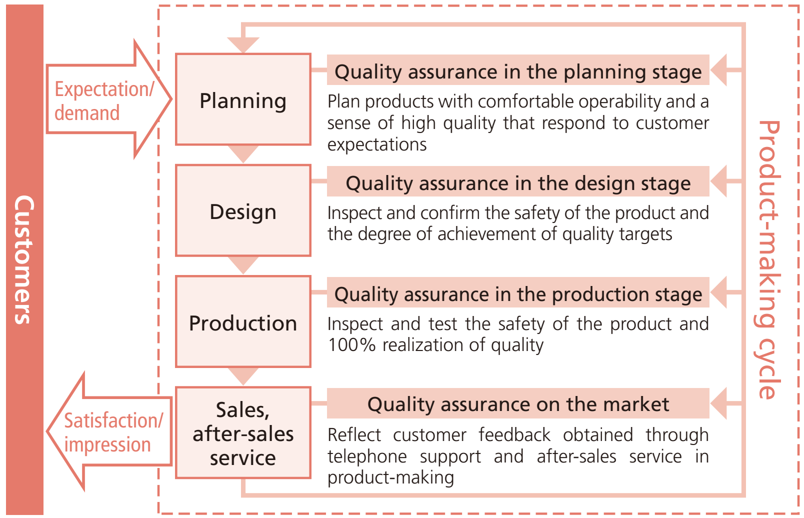
* Please refer to Sustainability, P.8.

Ensuring Quality and Safety

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

Quality Assurance System

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



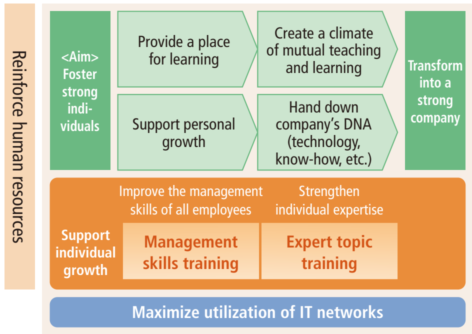
Human Resource Development

Sharp strives create a learning environment in which any individual has access to self-driven learning tools related to both basic and expert knowledge related to their work. In this way, we foster professionals who are well versed in their businesses.

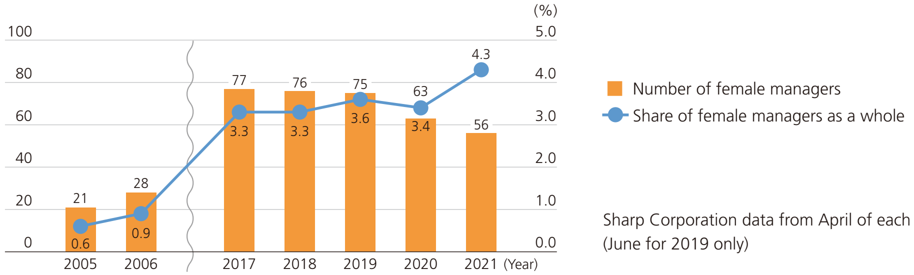
To strengthen individual expertise (technical capabilities), we share technical expertise beyond the boundaries of business and products, passing on technical capabilities to and nurturing younger employees. In addition to technical workshops that focus on specific technical fields and that are practical and related directly to business, we also hold various workshops and seminars, including basic skills improvement seminars for young engineers and device seminars, to introduce advanced devices to employees involved in product development.

We continue to expand topics related to management skills training that teaches basic business knowledge and skills to employees.

We aim to transform into a strong company through human resource development and enhancement to foster strong individuals, creating a climate of mutual teaching and learning through sustained personnel, education, and training systems.



Number of Female Managers



Sharp Corporation data from April of each year (June for 2019 only)

Ever since Sharp founder Tokuji Hayakawa established the *accumulation of community service* as one of the Five Accumulations of Competency*, Sharp has been actively involved in social service and welfare. As of June 1, 2021, the Sharp Group employed approximately 320 disabled persons. The percentage of disabled employees among all employees was 2.46%, well over the 2.3% rate mandated by law (as stated in the Act on Employment Promotion etc., of Persons with Disabilities).

* Accumulation of trust, accumulation of capital, accumulation of community service, accumulation of human resources, and accumulation of trading partners

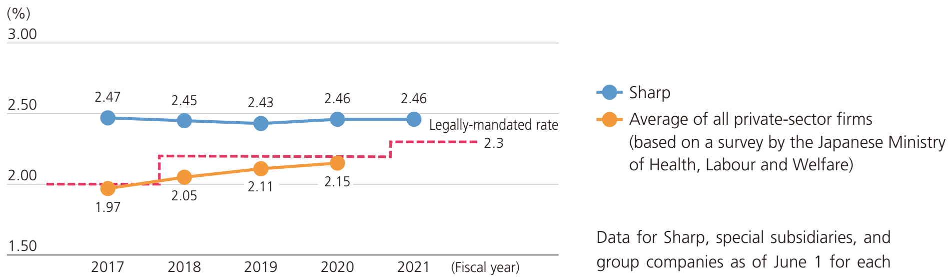
Diversity Management

Sharp's approach to diversity is clearly stated in its Business Philosophy: "It is the intention of our corporation to grow hand-in-hand with our employees, encouraging and aiding them to reach their full potential and improve their standard of living." Through mutual respect of individual employee personalities, we aim to create new value, leading to the proposal of services and development of new lifestyle products that we, alongside our customers, will use to build the stepping stones toward our future.

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

For years, Sharp has striven to expand the roles of women in the workplace and promote female employees to managers. In April 2021, the share of women in manager positions was 4.3%, a nearly seven-fold increase compared to the 0.6% share in 2005, the year Sharp launched a program to promote more women to managerial positions.

Employment Rate of the Disabled in Japan



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

Corporate Governance

Basic Concepts

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

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

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

Status of Corporate Governance System

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

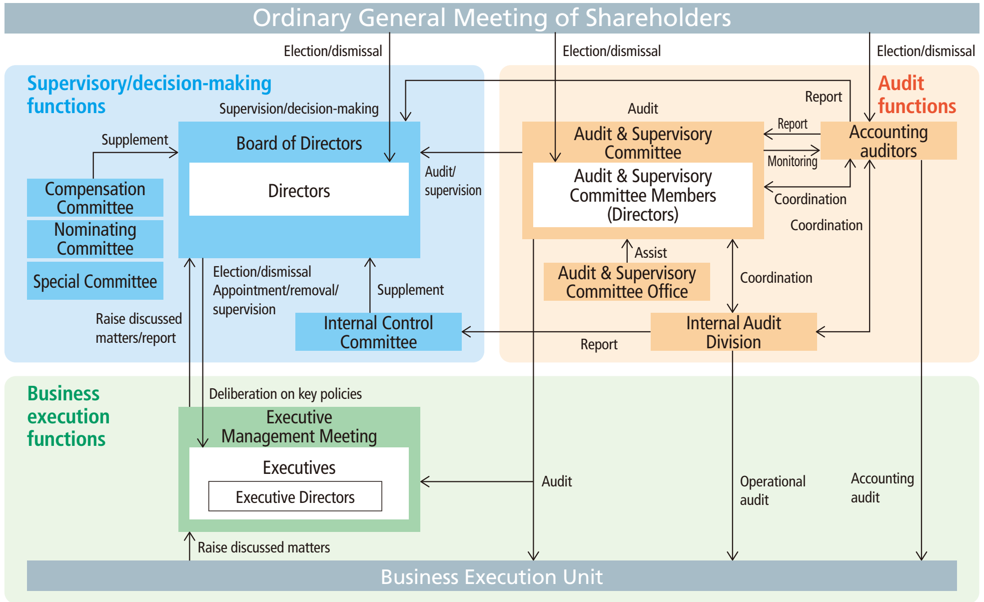
Meetings of the Board of Directors of Sharp Corporation are as a rule held on a monthly basis to make decisions on matters stipulated by law and management-related matters of importance, as well as to supervise the state of business execution. The Company also has an Internal Control Committee, the Compensation Committee, and the Nominating Committee. These committees serve as advisory bodies to the Board of Directors. In addition, transactions between the parent company group and Sharp Group are reviewed and approved by the Special Committee to determine the necessity, rationality, and appropriateness of the transaction in question before being submitted to the Executive Management Meeting for decision.

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

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

Status of Corporate Governance System

(As of June 30, 2021)



Organization Membership

(◎: Committee chair) (As of June 30, 2021)

Title	Name	Bord of Directors	Audit & Supervisory Committee	Executive Management Meeting	Nominating Committee	Compensation Committee	Special Committee	Internal Control Committee
Chairman & Chief Executive Officer	J.W. Tai	◎		○	○	○		◎
President & Chief Operating Officer	Katsuaki Nomura	○		◎	○	○		○
Member of the Board	Hong-Jen Chuang	○						
Member of the Board (Outside Director)	Ting-Chen Hsu	○			○	○		
Member of the Board (Outside Director)	Hsu-Tung Lu*	○	◎				○	○
Member of the Board (Outside Director)	Yasuo Himeiwa*	○	○		◎	◎	○	○
Member of the Board (Outside Director)	Yutaka Nakagawa*	○	○		○	○	◎	○
Senior Executive Managing Officer	Fujikazu Nakayama			○				
Senior Executive Managing Officer	Masahiro Okitsu			○				
Senior Executive Managing Officer	Youichi Tsusue			○				
Senior Executive Managing Officer	Yoshihiro Hashimoto			○				○
Executive Managing Officer	Mototaka Taneya			○				
Executive Managing Officer	Po-Hsuan Wu			○				
Executive Officer	Yoshiro Nakano			○				
Executive Officer	Yoshio Kosaka			○				○
Executive Officer	Kazuhiro Kitamura			○				

* Member of Audit & Supervisory Committee

Outside Directors

(As of June 30, 2021)

Name	Member of Audit & Supervisory Committee	Independent Director	Reason for Selection
Hsu-Tung Lu	○		Mr. Lu has worked for many years in accounting operations. Given his wealth of experience and knowledge based on his professional experience, we have determined that he is well suited to serve as an outside director at Sharp.
Yasuo Himeiwa	○	○	Mr. Himeiwa has worked for many years in the accounting business. Given his wealth of professional experience and knowledge, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Himeiwa as an independent director based on Standards for Independence of Outside Directors.
Yutaka Nakagawa	○	○	Mr. Nakagawa has worked for many years in the audio visual equipment and semiconductor businesses, etc. Given his experience in corporate management as an executive officer and his wealth of professional experience and knowledge, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Nakagawa as an independent director based on Standards for Independence of Outside Directors.
Ting-Chen Hsu		○	Mr. Hsu has worked for many years in semiconductor, display, and other manufacturing businesses, including management positions. Given his wealth of experience and knowledge based on this professional experience, we have determined that he is well suited to serve as an outside director at Sharp. Further, we have designated Mr. Hsu as an independent director based on Standards for Independence of Outside Directors.

Director Remuneration

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

Regarding remuneration for directors (excluding directors on the Audit & Supervisory Committee), the Ordinary General Meeting of Shareholders, held June 29, 2021, resolved to cap cash remuneration at ¥500 million per fiscal year (of which a maximum of ¥20 million may be paid to outside directors).

To better align values between Sharp directors and shareholders, as well as to strengthen the sense of responsibility and increase motivation related to corporate performance, the Company grants restricted stock as nonmonetary remuneration to directors, up to a limit of ¥300 million (150,000 shares) per fiscal year, of which a maximum of ¥12 million (6,000 shares) may be granted to outside directors.

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

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

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

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

Remuneration, etc., for Sharp directors (excluding directors who are members of the Audit & Supervisory Committee) for the fiscal year ended March 31, 2021 was ¥249 million (three directors, including one director who retired during the fiscal year). Remuneration, etc., for directors who are members of the Audit & Supervisory Committee was ¥69 million (four directors, including one outside director and one director who retired during the fiscal year).

The Company does not disclose remuneration for individual directors.

Ongoing Development of the Internal Control System

In May 2006, the Board of Directors passed a resolution to adopt the Basic Policy for Internal Control (partially amended in August 2020). Sharp is currently engaged in the development and operation of internal control systems in accordance with this Basic Policy. The Internal Control Committee, which serves as an advisory body to the Board of Directors, deliberates on basic policies regarding internal controls and internal audits. The committee also reviews the status of development and implementation of various measures relating to internal control systems, and makes decisions about what to report on or discuss with the Board of Directors. The unit promoting internal controls on a companywide basis oversees the internal controls of the business execution units. Meanwhile, the Internal Audit Division made independent within the company works to reinforce initial business controls by continuously evaluating and providing feedback on the internal controls developed and implemented by the business execution units.

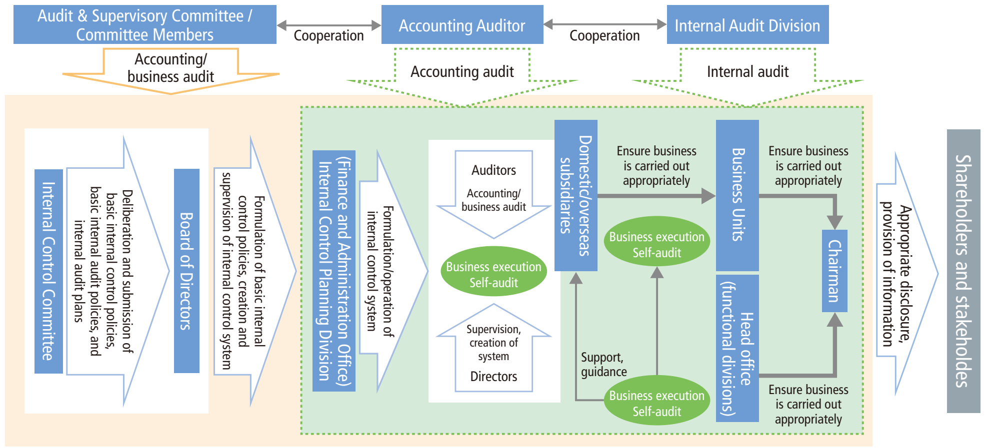
To enhance compliance throughout the Group, Sharp introduced the Sharp Group Charter of Corporate Behavior, a set of principles to guide corporate behavior, and the Sharp Code of Conduct, which clarifies the conduct expected of all directors, executives, and employees of Sharp. Disseminating these throughout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

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

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

*Employees of business partners may only use the Crystal Hotline.

Internal Control System (As of June 2021)



Improper Accounting Treatment among Consolidated Subsidiaries

<Background>

Sharp Corporation consolidated subsidiary Kantatsu Co., Ltd. and subsidiaries of Kantatsu Co., Ltd. engaged in inappropriate accounting treatment, including the inappropriate recording of sales that did not meet the requirement for sales recognition. Therefore, in March 2021, we revised our financial results to reflect the reversal of said sales, the recording of inventory write-downs, the recording of impairment losses on fixed assets, and other unadjusted items in our consolidated financial results. Further, we determined that internal controls related to financial reporting for fiscal years 2018 and 2019 were not effective, and we have made revisions to our Internal Controls Report. We also determined that internal controls were not effective during fiscal 2020.

We express our deepest apologies for the inconvenience and concern to our shareholders, investors, and other related parties caused by this situation, and we will strive to restore the trust placed in us by implementing the following measures to prevent recurrence.

<Initiatives to Prevent Recurrence>

We will implement the following remedial measures based on the report of the investigation committee and our analysis of the underlying causes:

- Foster awareness of compliance, including adherence to accounting standards, and strengthen accounting knowledge
- Strengthen mutual checks and balances; ensure compliance with procedures and strengthen auditing/supervision
- Strengthen management and supervision by Sharp

Risk Factors

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

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

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

All references to possible future developments in the following text were made by Sharp as of March 31, 2021 (or June 30, 2021 as appropriate).

(1) Global Market Trends and Overseas Businesses

(Risk)

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

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

(Countermeasure)

Business units that control Sharp's overseas subsidiaries collect risk and other information that may impact Sharp's operations, including global market trends, in cooperation with their local offices and make necessary operational decisions. Business results of the overseas subsidiaries and business units are reported to management regularly, and changes from those in the previous report are analyzed and prescribed necessary measures are taken against risks. Important matters requiring decision making for business execution are elevated to the Executive Management Meeting, a deliberation and decision-making body for important business execution, where deliberation is conducted.

(2) Exchange Rate Fluctuations

(Risk)

The proportion of consolidated net sales accounted for by overseas sales was 65.6% in fiscal 2019 and 64.4% in fiscal 2020. Sharp sells products made overseas in the Japanese market, and also sells products in countries where it does not manufacture the products. Therefore, Sharp's business results may be impacted by exchange rate fluctuations.

(Countermeasure)

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

(3) Dependence on Certain Businesses, Products, and Clients

(Risk)

Sharp's 8K Ecosystem segment accounts for nearly half of Sharp's sales. Accordingly, Sharp's earnings may be impacted negatively by factors including slowing customer demand for related products, falling product prices, or increasing competition due to the emergence of substitute or competitive products, or the emergence of new competitors.

Sharp's Smart Life and 8K Ecosystem segments have high dependence on a small number of specific clients for the sales of some of their products. Sharp's business results and financial position could be affected if sales to such important clients languish due not to only factors related to Sharp's products but reasons outside of Sharp's control. These include declining demand for the clients' products, changes in product specifications, and changes in the clients' sales strategies.

(Countermeasure)

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

Furthermore, the segment categories have been changed since the first quarter of FY2021. Please refer to "19. Significant Subsequent Events (a) Change of segment", P.58, for information on sales, income, and loss by segment for the consolidated fiscal year ended March 31, 2021 based on the new segmentation.

(4) Strategic Alliances and Collaborations

(Risk)

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

(Countermeasure)

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

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

(5) Relations with Parent Company Group

(Risk)

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

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

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

(Countermeasure)

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

The parent company group engages mainly in outsourced production of electronic equipment, and given that our manufactures and sells telecommunications equipment, electrical appliances, and general electronics application equipment and components under the Sharp and other our brands. We believe that there is no competition within the parent group that would impact group businesses in conflict. Therefore, Sharp believes that there is no competition in the parent company group that may impact Sharp's operations.

Sharp strives to grow, develop, and improve its performance in close cooperation with the parent company group, while fully respecting independence and autonomy between both entities. Sharp recognizes that working together with the parent company group to increase Sharp's operational efficiency and expand its sales and income will benefit the interests of noncontrolling shareholders.

(6) Dealings with Suppliers

(Risk)

Sharp procures materials and receives services from a large number of business partners, however there is a risk that business partners may suffer deterioration in performance due to slumping demand or severe price erosion, or face an unexpected M&A, or be impacted by natural disasters or accidents, or be impacted by the spread of the COVID-19 pandemic or U.S.-China trade friction, or be impacted negatively by rising raw materials prices, or be affected by legal regulations concerning human rights environmental issues such as the problem of "conflict minerals" in the supply chain, or shortages in semiconductors due to strong demand, or limited suppliers with capability of providing certain material provisions. Due to these and other factors, Sharp may be unable to access sufficient supplies of materials/parts from procurement sources.

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

(Countermeasure)

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

(7) Other Factors Affecting Financial Position

(Risk)

Sharp raises funds through borrowings from financial institutions such as banks. The debt to total assets ratio is 37.6% as of the end of the current consolidated fiscal year. Sharp might become subject to restrictions on how it uses its cash flows in order to repay debt, and also face the possibility of an increase in expenses due to rising interest rates. Sharp has the possibility of increases in fund raising costs as well as limitations on fund raising. This may be because necessary funds cannot be raised at the required time with adequate conditions, including for the refinancing of existing debt. These factors may affect Sharp's business results and financial position.

Sharp has borrowing agreements with multiple financial institutions, and some of the agreements entail financial covenants. If its consolidated net assets fall below the levels specified under such financial covenants, or if Sharp fails to undertake faithful consultations in the event that its consolidated operating profit and profit attributable to owners of parent fall below specified levels, or if its consolidated ordinary income cannot be kept at certain levels, Sharp may forfeit the benefit of time at the lender's request. Sharp may also forfeit the benefit of time on other borrowings if it violates the relevant financial covenants.

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

(Countermeasure)

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

Sharp strives to improve free cash flows by recovering operating cash flows through recovery of its earnings performance and by managing investment cash flows through concentrating on investments focused on efficiency. Sharp tries to create an environment that allows for fund raising through direct financing instead of indirect financing by early recovering from a bad rating.

(8) Technological Innovation

(Risk)

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

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

In addition, trade frictions have led to the United States designating certain emerging technologies for export control. This may have an indirect impact on our business due to added constraints in taking said technologies out of the United States or limits on exporting (re-exporting) goods containing more than the allowed ratio of added-value for said technologies from Japan, etc. to third countries.

(Countermeasure)

Sharp's R&D teams work together as one to go beyond simply the improvement of the technological level and develop the 8K+5G Ecosystem and AIoT World under the collaboration of the three business groups. Sharp has also recently accelerated its R&D efforts to create new businesses in the fields of health, medicine, and nursing care. As our evaluations of technology change fundamentally together with the rapid changes evident in society, Sharp quickly identifies social issues and senses technological innovations at global exhibitions and on other occasions and promotes R&D keeping in mind suitability for social issues.

In addition, Sharp does not stick to its in-house R&D, but accelerates R&D in active collaboration with external partners to strengthen the technological capability in new areas necessary to continue transformation to the solution business. Through these initiatives, Sharp reduces risks associated with social changes and technological innovations, and aims to become a brand company that continues to grow sustainably through technological advancement.

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

(9) Intellectual Property Rights

(Risk)

Sharp strives to protect its proprietary technologies by acquiring intellectual property rights in Japan and in other countries, and by concluding contracts with other companies. There may also be instances in which no rights are granted to the Group's patent applications, or where a third party launches litigation against Sharp, claiming infringement of intellectual property rights.

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

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

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

(Countermeasure)

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

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

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

(10) Product Liability

(Risk)

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

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

(Countermeasure)

Sharp not only complies with public safety standards in each country to ensure the safety of its products but also improves safety by combining the risk assessment policy with its unique safety criteria. To ensure safety even if an unexpected problem arises, in particular criteria for inflammable structure, malfunction test, etc. were established, and they are revised when necessary to pursue a higher level of safety, and training is performed for internal stakeholders to ensure that the safety criteria are understood and shared by the design and quality departments. Sharp has established a system to ensure safety to make sure that an emergency action can be taken quickly and appropriately when a problem arises. In order to fulfill its responsibility as a manufacturer in case product defects do arise, Sharp has taken out insurance to cover compensations based on product liability.

(11) Competition to Secure Skilled Personnel

(Risk)

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

(Countermeasure)

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

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

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

As a platform where diverse human resources can work with peace of mind, Sharp actively implements initiatives in consideration of the work-life balance of employees, such as creating various programs to strike a balance between work and child upbringing/care/treatment.

In addition to the risks above, there are various potential risks, including a risk of dealing with a large number of clients, capital investment risk, regulatory risk, large-scale natural disaster risk, or climate change risk. There are other potential risks that are not mentioned in this section which may adversely affect Sharp's business results and financial position.

(Risk Management System)

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

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

Members of the Board and Executives

(As of July 1, 2021)

Members of the Board

Chairman &
Chief Executive Officer
J.W. Tai

President &
Chief Operating Officer
Katsuaki Nomura

Member of the Board
Hong-Jen Chuang

Member of the Board
Ting-Chen Hsu*

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

Member of the Board
(Member of Audit &
Supervisory Committee)
Yasuo Himeiwa*

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

*Outside Directors

Executives

Chairman & Chief Executive Officer	J.W. Tai
President & Chief Operating Officer	Katsuaki Nomura
Senior Executive Managing Officer	Fujikazu Nakayama
Senior Executive Managing Officer	Masahiro Okitsu
Senior Executive Managing Officer	Youichi Tsusue
Senior Executive Managing Officer	Yoshihiro Hashimoto
Executive Managing Officer	Mototaka Taneya
Executive Managing Officer	Po-Hsuan Wu
Executive Officer	Yoshiro Nakano
Executive Officer	Yoshio Kosaka
Executive Officer	Kazuhiro Kitamura

Financial Section

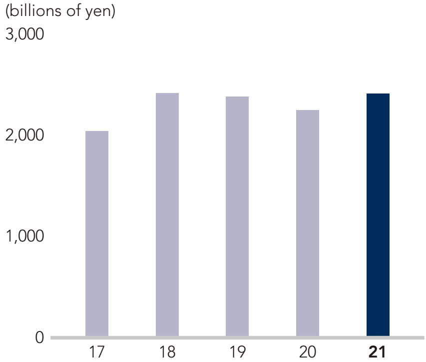
Financial Review

Sharp Corporation and Consolidated Subsidiaries

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2021 amounted to ¥2,425,910 million, up ¥163,625 million (7.2%) year on year.

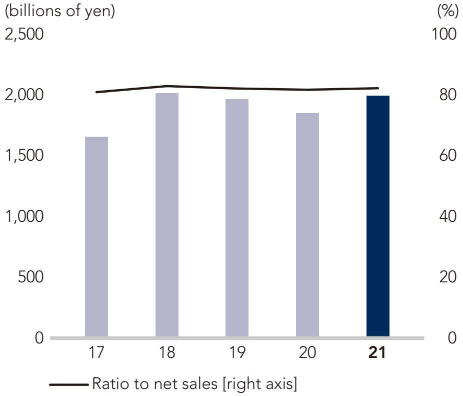
Net Sales



Financial Results

Cost of sales increased ¥147,586 million to ¥2,004,593 million, while our cost of sales ratio increased from 82.1% to 82.6% year on year.

Cost of Sales



Selling, general and administrative (SG&A) expenses decreased ¥15,608 million to ¥338,204 million. The ratio of SG&A expenses against net sales decreased from 15.6% to 13.9% year on year. SG&A expenses included salaries and allowances of ¥107,644 million, retirement benefit expenses of ¥8,802 million, transportation and storage costs of ¥41,116 million, outsourcing expenses of ¥36,821 million, and research and development expenses of ¥20,968 million.

As a result, operating profit amounted to ¥83,112 million, an increase of ¥31,647 million (61.5%) year on year.

Non-operating income increased ¥945 million to ¥22,590 million, while non-operating expenses increased ¥19,593 million to ¥42,527 million due to an increase in share of loss of entities accounted for using the equity method.

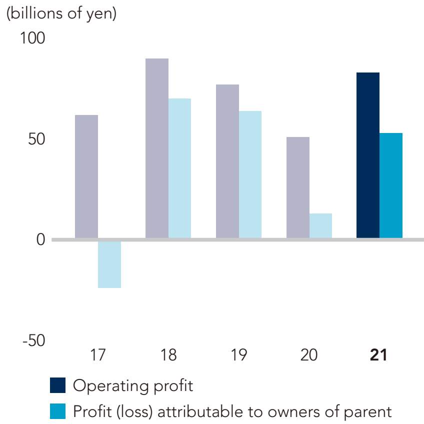
Extraordinary income increased ¥6,101 million to ¥12,357 million. Extraordinary losses decreased ¥15,009 million to ¥9,090 million. This was mainly due to a decrease in loss on valuation of investment securities.

As a result, profit before income taxes totaled ¥66,442 million, an increase of ¥34,110 million, up 2.1 fold year on year.

Profit attributable to owners of parent increased ¥39,536 million year on year to ¥53,263 million (3.9 fold). Income per share of common stock was ¥87.20.

Due to effects from the COVID-19, net sales decreased by approximately ¥107.8 billion, while operating profit decreased by approximately ¥32.0 billion.

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



Segment Information

[Smart Life]

Sales of Plasmacluster products in Japan rose significantly, while sales of washing machines, cooking appliances, etc., also rose. Furthermore, sales in the device businesses and other areas increased, and sales increased 3.4% to ¥879,910 million. Segment income rose 79.7% to ¥71,559 million, mainly due to increased sales, cost reductions, and a shift to high-value-add in white goods.

[8K Ecosystem]

Although sales decreased for multi-function printers and panels used in automotive applications, which were significantly affected by COVID-19, sales increased for panels used in PCs and tablets, large-size panels, and finished TVs, resulting in sales of ¥1,282,938 million, up 11.2% year on year. Segment income rose 31.5% to ¥17,387 million, mainly due to overall increase in segment sales and progress in cost reductions, despite impact from declining sales of multi-function printers and panels used in automotive applications.

[ICT]

Sales increased in the mobile communications and personal computers businesses, resulting in sales of ¥358,923 million, up 0.4% year on year. Segment income fell 25.0% to ¥15,421 million, mainly due to an increase in the ratio of mid-range models in the mobile communications business.

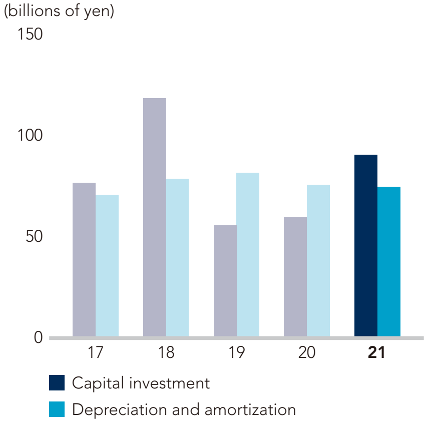
Capital Investment and Depreciation

Capital investment totaled ¥91,572 million, up 51.2% year on year mainly due to acquisition of the Hakusan Plant and introducing production equipment for camera modules.

By business segment, capital investment was ¥21,984 million for Smart Life, ¥66,966 million for 8K Ecosystem and ¥817 million for ICT. Unallocated capital investment amounted to ¥1,804 million.

Depreciation and amortization declined by 1.4% to ¥75,597 million.

Capital Investment/ Depreciation and Amortization



Sales by Segment

	Yen (millions) 2020	2021
Smart Life	¥ 850,683	**¥ 879,910**
8K Ecosystem	1,153,824	**1,282,938**
ICT	357,605	**358,923**
Subtotal	2,362,114	**2,521,772**
Adjustments	(99,829)	**(95,861)**
Total	2,262,284	**2,425,910**

Segment Income by Segment

	Yen (millions) 2020	2021
Smart Life	¥ 39,829	**¥ 71,559**
8K Ecosystem	13,217	**17,387**
ICT	20,548	**15,421**
Subtotal	73,596	**104,368**
Adjustments	(22,131)	**(21,256)**
Total	51,464	**83,112**

Assets, Liabilities and Net Assets

Total assets at fiscal year-end amounted to ¥1,927,226 million, up ¥115,319 million from the previous fiscal year. This included the new consolidation of Sharp NEC Display Solutions, Ltd., and an increase in assets due to the acquisition of the Hakusan Plant.

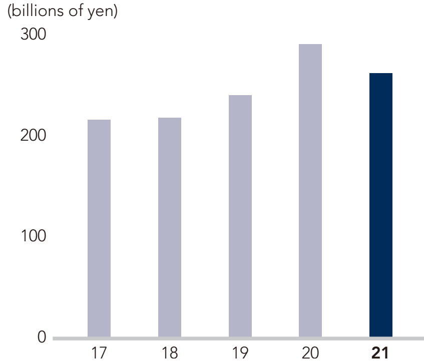
Assets

Current assets amounted to ¥1,188,770 million, up ¥107,621 million from the end of the previous fiscal year. This result was mainly due to an increase in cash and deposits of ¥116,867 million and an increase in notes and accounts receivable-trade of ¥34,030 million, which was offset in part by a decrease in inventories of ¥29,773 million. Inventories were ¥263,066 million. Within total inventories, finished products decreased ¥23,574 million to ¥133,330 million, works in process increased ¥536 million to ¥67,912 million, and raw materials and supplies decreased ¥6,735 million to ¥61,823 million.

Property, plant and equipment increased ¥37,538 million from the end of the previous fiscal year to ¥438,486 million.

Investments and other assets amounted to ¥254,855 million, down ¥29,663 million from the end of the previous fiscal year. This was mainly due to a decrease in investment securities.

Inventories



Liabilities

Current liabilities increased ¥20,998 million from the end of the previous fiscal year to ¥885,582 million.

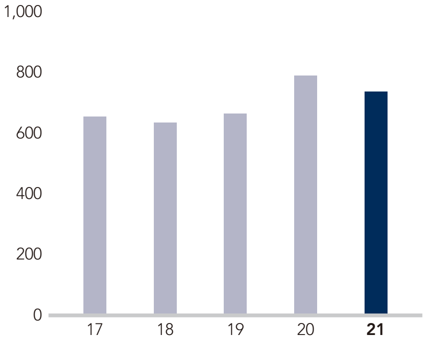
Short-term borrowings decreased by ¥74,698 million despite an increase of ¥49,825 million from the end of the previous fiscal year in notes and accounts payable-trade and an increase of ¥7,835 million in accrued expenses.

Non-current liabilities increased ¥1,139 million from the end of the previous fiscal year to ¥677,505 million. This result was mainly due to an increase of ¥23,148 million in long-term borrowings, which was offset in part by a decrease of ¥19,658 million in retirement benefit liability.

Interest-bearing debt at fiscal year-end stood at ¥740,818 million, down ¥52,387 million from the end of the previous fiscal year.

Interest-Bearing Debt

(billions of yen)



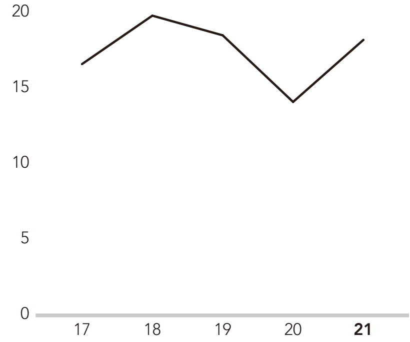
Net Assets

Net assets amounted to ¥364,139 million, up ¥93,180 million compared to the previous fiscal year-end balance of ¥270,959 million.

This result was due to an increase in capital surplus due to the recording of profit attributable to owners of parent, despite payment of dividends.

Our equity ratio was 18.2%.

Equity Ratio



Cash Flows

Cash and cash equivalents were ¥292,792 million, up ¥122,469 million from the end of the previous fiscal year due to the capital inflows from operating activities exceeding the combined capital outflows from financing activities and investing activities.

Cash provided by operating activities amounted to ¥204,642 million, up ¥136,189 million compared to cash provided in the amount of ¥68,453 million in the previous fiscal year.

This result mainly consisted of an increase of ¥34,110 million in profit before income taxes, an increase of ¥35,414 million in accounts receivable-other, an increase of ¥109,777 million in inventories, and an increase of ¥62,835 million in trade payables , despite a decrease of ¥110,547 million in trade receivables compared to the previous fiscal year.

Cash used in investing activities totaled ¥14,114 million, down ¥114,135 million compared to cash used of ¥128,249 million in the previous fiscal year.

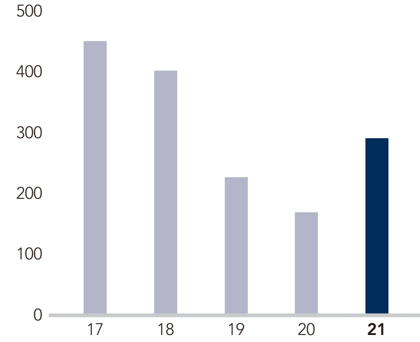
The result was mainly due to decreases of ¥37,787 million in expenditure on purchase of property, plant and equipment, ¥27,838 million in expenditure on purchase of investment securities, and ¥11,497 million in expenditure in payments into time deposits, in addition to increases in ¥4,716 million in proceeds from sale of property, plant and equipment and ¥12,826 million in proceeds from withdrawal of time deposits.

Cash used in financing activities was ¥76,724 million, up ¥81,285 million compared to cash provided of ¥4,560 million in the previous fiscal year.

This is due to a net decrease in short-term borrowings of ¥89,398 million and a proceeds from long-term borrowings of ¥40,251 million, in contrast to outflows for redemption of bonds of ¥30,000 million, outflows for purchases of treasury shares of ¥97,078 million, a net increase in short-term borrowings of ¥157,355 million, and a proceeds from long-term borrowings of ¥1,790 million in the previous fiscal year.

Cash and Cash Equivalents

(billions of yen)



Notes: 1. Sales figures by segment shown in Segment Information include internal sales and transfers among segments (Smart Life, 8K Ecosystem, ICT). Segment income figures are amounts before adjustment for inter-segment trading.
2. Effective from the consolidated fiscal year ending March 31, 2022, the Company has amended its segment classification.
Please refer to "19. Significant Subsequent Events (a) Change of segment", P.58, for information on sales, income, and loss by segment for the consolidated fiscal year ended March 31, 2021 based on the new segmentation.
3. Capital investment figures shown in Capital Investment and Depreciation include the amount of leased properties.

Consolidated Balance Sheets

Sharp Corporation and Consolidated Subsidiaries as of March 31, 2020 and 2021

	Yen (millions) 2020	2021
ASSETS		
Current Assets		
Cash and deposits (Notes 2 (c), 6 and 8)	¥ 225,049	**¥ 341,917**
Notes and accounts receivable — trade (Notes 2 (c) and 8)	423,618	**457,649**
Inventories (Notes 2 (b) and (c))	292,840	**263,066**
Other (Note 2 (c) and 7)	142,268	**130,098**
Allowance for doubtful accounts	(2,629)	**(3,961)**
Total current assets	1,081,148	**1,188,770**
Non-current Assets		
Property, plant and equipment		
Buildings and structures (Note 2 (c))	647,929	**675,865**
Machinery, equipment and vehicles (Note 2 (c))	1,151,621	**1,162,607**
Tools, furniture and fixtures (Note 2 (c))	188,295	**190,705**
Land (Note 2 (c))	82,369	**83,600**
Construction in progress (Note 2 (c))	29,442	**31,822**
Other	50,668	**48,726**
Accumulated depreciation	(1,749,377)	**(1,754,840)**
Total property, plant and equipment	400,948	**438,486**
Intangible assets		
Software	28,203	**26,557**
Other	17,088	**18,557**
Total intangible assets	45,292	**45,114**
Investments and other assets		
Investment securities (Notes 2 (a), 2 (c), 8 and 9)	187,542	**164,181**
Retirement benefit asset (Note 12)	7,295	**5,584**
Deferred tax assets (Note 14)	18,298	**19,053**
Other (Note 2 (c) and 7)	73,807	**67,404**
Allowance for doubtful accounts	(2,426)	**(1,368)**
Total investments and other assets	284,518	**254,855**
Total non-current assets	730,759	**738,456**
Total assets	¥ 1,811,907	**¥ 1,927,226**

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

	Yen (millions) 2020	2021
LIABILITIES		
Current Liabilities		
Notes and accounts payable — trade (Note 8)	¥ 311,999	**¥ 361,825**
Electronically recorded obligations — operating (Note 8)	36,331	**34,597**
Short-term borrowings (Notes 2 (c), 8 and 11)	237,726	**163,028**
Accrued expenses	97,446	**105,282**
Provision for bonuses	18,634	**18,573**
Provision for product warranties	15,967	**18,897**
Provision for sales promotion expenses	6,918	**8,433**
Provision for restructuring	434	**670**
Valuation reserve for inventory purchase commitments	17,133	**—**
Other (Note 2(c) and 11)	121,990	**174,274**
Total current liabilities	864,583	**885,582**
Non-current Liabilities		
Long-term borrowings (Notes 2 (c), 8 and 11)	538,744	**561,893**
Retirement benefit liability (Note 12)	103,217	**83,558**
Other (Notes 11 and 14)	34,402	**32,053**
Total non-current liabilities	676,365	**677,505**
Total liabilities	1,540,948	**1,563,087**
NET ASSETS		
Shareholders' equity		
Share capital	5,000	**5,000**
Capital surplus	108,853	**109,126**
Retained earnings	247,283	**289,551**
Treasury shares	(13,993)	**(14,053)**
Total shareholders' equity	347,143	**389,624**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,048	**16,617**
Deferred gains or losses on hedges	846	**1,086**
Foreign currency translation adjustment	(56,118)	**(39,362)**
Remeasurements of defined benefit plans	(43,646)	**(17,617)**
Total accumulated other comprehensive income	(90,870)	**(39,275)**
Share acquisition rights (Note 5)	293	**297**
Non-controlling interests	14,392	**13,493**
Total net assets	270,959	**364,139**
Total liabilities and net assets	¥ 1,811,907	**¥ 1,927,226**

Consolidated Statements of Operations

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2020 and 2021

	Yen (millions)	
	2020	**2021**
Net Sales (Note 16)	¥ 2,262,284	**¥ 2,425,910**
Cost of Sales (Notes 3 (a) and (c))	1,857,007	**2,004,593**
Gross profit	405,277	**421,316**
Selling, General and Administrative Expenses (Notes 3 (b) and (c))	353,812	**338,204**
Operating profit (Note 16)	51,464	**83,112**
Non-operating Income		
Interest income	2,916	**2,818**
Dividend income	1,502	**1,240**
Rental income from non-current assets	3,444	**3,500**
Foreign exchange gains	3,048	**5,546**
Other	10,733	**9,483**
Total non-operating income	21,644	**22,590**
Non-operating Expenses		
Interest expenses	4,697	**5,511**
Share of loss of entities accounted for using the equity method (Note 3 (d))	4,085	**16,703**
Investment expenses	—	**4,879**
Other	14,150	**15,432**
Total non-operating expenses	22,933	**42,527**
Ordinary profit	50,175	**63,175**
Extraordinary Income		
Gain on sales of non-current assets (Note 3 (e))	2,843	**5,630**
Gain on sales of investment securities	244	**14**
Gain on sales of shares of subsidiaries and associates	2,976	**—**
Gain on donation of non-current assets (Note 3 (f))	—	**6,675**
Gain on liquidation of subsidiaries and associates	—	**27**
Gain on reversal of share acquisition rights	3	**10**
Gain on step acquisitions	188	**—**
Total extraordinary income	6,256	**12,357**
Extraordinary Losses		
Loss on sales and retirement of non-current assets (Note 3 (g))	341	**638**
Impairment loss (Note 3 (h))	3,403	**6,417**
Loss on valuation of investment securities	16,691	**2,035**
Restructuring charges	332	**—**
Loss from business combination (Note 3 (i))	3,331	**—**
Total extraordinary losses	24,100	**9,090**
Profit before income taxes	32,331	**66,442**
Income Taxes (Note 14)		
Current	11,820	**14,657**
Deferred	5,952	**(442)**
Total income taxes	17,773	**14,215**
Profit	14,558	**52,227**
Profit (loss) attributable to non-controlling interests	831	**(1,036)**
Profit attributable to owners of parent	¥ 13,726	**¥ 53,263**

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, 2020 and 2021

	Yen (millions)	
	2020	**2021**
Profit	¥ 14,558	**¥ 52,227**
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	(5,439)	**8,563**
Deferred gains or losses on hedges	1,088	**269**
Foreign currency translation adjustment	(13,080)	**16,466**
Remeasurements of defined benefit plans	32,473	**26,010**
Share of other comprehensive income of entities accounted for using the equity method	(573)	**1,523**
Total other comprehensive income (Note 4)	14,469	**52,832**
Comprehensive Income	¥ 29,027	**¥ 105,060**
Comprehensive income attributable to:		
Owners of parent	28,968	**104,858**
Non-controlling interests	59	**202**

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

Consolidated Statements of Changes in Net Assets

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2020 and 2021

Yen (millions)

	Shareholders' equity					Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings (Note 5)	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehensive income	Share acquisition rights (Note 5)	Non-controlling interests	Total net assets
Balance at beginning of the year ended March 31, 2020	¥ 5,000	¥ 208,725	¥ 247,826	¥ (13,987)	¥ 447,564	¥ 13,531	¥ (220)	¥ (43,214)	¥ (76,208)	¥ (106,111)	¥ 235	¥ 15,642	¥ 357,331
Cumulative effects of changes in accounting policies			783		783								783
Restated balance	5,000	208,725	248,610	(13,987)	448,347	13,531	(220)	(43,214)	(76,208)	(106,111)	235	15,642	358,114
Changes in items during period													
Dividends of surplus			(15,053)		(15,053)								(15,053)
Profit attributable to owners of parent			13,726		13,726								13,726
Change in ownership interest of parent due to transactions with non-controlling interests		(3,453)			(3,453)								(3,453)
Sales of shares of consolidated subsidiaries		755			755								755
Capital increase of consolidated subsidiaries		(101)			(101)								(101)
Purchase of treasury shares				(97,078)	(97,078)								(97,078)
Cancellation of treasury shares		(97,072)		97,072	—								—
Net changes in items other than shareholders' equity						(5,483)	1,066	(12,903)	32,561	15,241	58	(1,250)	14,048
Total changes in items during period	—	(99,871)	(1,326)	(5)	(101,204)	(5,483)	1,066	(12,903)	32,561	15,241	58	(1,250)	(87,155)
Balance at end of the year ended March 31, 2020	¥ 5,000	¥ 108,853	¥ 247,283	¥ (13,993)	¥ 347,143	¥ 8,048	¥ 846	¥ (56,118)	¥ (43,646)	¥ (90,870)	¥ 293	¥ 14,392	¥ 270,959

Yen (millions)

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

Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2020 and 2021

	Yen (millions)	
	2020	**2021**
Cash Flows from Operating Activities:		
Profit before income taxes	¥ 32,331	**¥ 66,442**
Depreciation	72,630	**71,942**
Interest and dividend income	(4,418)	**(4,059)**
Interest expenses	4,697	**5,511**
Share of loss (profit) of entities accounted for using the equity method	4,085	**16,703**
Investment expenses	—	**4,879**
Loss (gain) on sales and retirement of non-current assets	(2,502)	**(4,991)**
Gain on donation of non-current assets	—	**(6,675)**
Loss (gain) on sales of investment securities	(244)	**(14)**
Loss (gain) on sales of shares of subsidiaries and associates	(2,976)	**—**
Loss (gain) on liquidation of subsidiaries and associates	—	**(27)**
Loss (gain) on step acquisitions	(188)	**—**
Impairment loss	3,403	**6,417**
Loss (gain) on valuation of investment securities	16,691	**2,035**
Loss from business combination	3,331	**—**
Decrease (increase) in trade receivables	101,766	**(8,781)**
Decrease (increase) in accounts receivable — other	(31,054)	**4,360**
Decrease (increase) in inventories	(56,511)	**53,266**
Increase (decrease) in trade payables	(54,323)	**8,511**
Increase (decrease) in accrued expenses	(20,050)	**6,698**
Increase (decrease) in advances received	11,433	**(15,456)**
Increase (decrease) in valuation reserve for inventory purchase commitments	9	**(17,133)**
Other, net	(1,760)	**18,004**
Subtotal	76,351	**207,633**
Interest and dividends received	7,786	**8,232**
Interest paid	(4,716)	**(5,401)**
Income taxes (paid) refund	(10,968)	**(5,820)**
Net cash provided by (used in) operating activities	68,453	**204,642**

	Yen (millions)	
	2020	**2021**
Cash Flows from Investing Activities:		
Payments into time deposits	(129,881)	**(118,384)**
Proceeds from withdrawal of time deposits	111,735	**124,561**
Purchases of property, plant and equipment	(73,444)	**(35,656)**
Proceeds from sales of property, plant and equipment	5,801	**10,518**
Purchase of intangible assets	(20,662)	**(15,726)**
Purchases of investment securities	(35,901)	**(8,063)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6 (b))	(2,721)	**(755)**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6 (b))	341	**4,478**
Other, net	16,482	**24,913**
Net cash provided by (used in) investing activities	(128,249)	**(14,114)**
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term borrowings	157,355	**(89,398)**
Proceeds from long-term borrowings	1,790	**40,251**
Repayments of long-term borrowings	(1,605)	**(4,688)**
Redemption of bonds	(30,000)	**—**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(8,668)	**(6,875)**
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	5,904	**—**
Purchase of treasury shares	(97,078)	**(75)**
Dividends paid	(15,028)	**(10,980)**
Other, net	(8,110)	**(4,956)**
Net cash provided by (used in) financing activities	4,560	**(76,724)**
Effect of Exchange Rate Change on Cash and Cash Equivalents	(3,239)	**8,665**
Net Increase (Decrease) in Cash and Cash Equivalents	(58,474)	**122,469**
Cash and Cash Equivalents at Beginning of Period	228,798	**170,323**
Cash and Cash Equivalents at End of Period (Note 6 (a))	¥ 170,323	**¥ 292,792**

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

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

Changes in the consolidated subsidiaries for the fiscal year ended March 31, 2021 were as follows:

(Included in scope)

Sharp Display Technology Corporation

Sharp NEC Display Solutions, Ltd.

And 16 others

(Excluded from scope)

Sharp Brasil Comércio e Distribuicáo de Artigos Eletrônicos Ltda.

Sharp Center Arhus ApS

And 1 other

Change in the nonconsolidated subsidiaries and affiliates accounted for using the equity method for the fiscal year ended March 31, 2021 was as follows:

(Excluded from scope)

Sharp Life Science International Ltd.

Sharp India Ltd. is the main nonconsolidated subsidiary.

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

(c) Investment securities

Investment securities consist principally of marketable and non-marketable equity securities.

Investment securities with available fair market values are stated at fair market value, which is calculated as the average of market prices during the last month of the fiscal year.

Investment securities with no available fair market values are stated at gross average cost.

With respect to the investments in partnerships, the amount determined by applying the holding ratio to the profits or losses resulting from the operations of the partnerships is stated as non-operating income or expenses, and added to or deducted from the balance of investment securities.

(d) Derivatives

Derivatives are stated at fair value.

(e) Inventories

Inventories held by the Company and its domestic consolidated subsidiaries are primarily measured at moving average cost. For balance sheet valuation, in the event that profitability of inventories decrease, inventories are written down to net realizable value. For overseas consolidated subsidiaries, inventories 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 using 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 using 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 using the straight-line method.

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

Amortization of intangible assets other than leased assets is computed using the straight-line method.

Software used by the Company is amortized using 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 under non-ownership-transfer finance lease transactions is computed using the straight-line method, using the lease period as the useful life and the residual value as zero.

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

(g) Allowance for doubtful accounts

The estimated amounts of allowance for general receivables are primarily determined based on the past loss experience. For particular receivables, including those from debtors at risk of bankruptcy, the allowance is recorded to prepare for potential losses in individually estimated unrecoverable amounts. This procedure is made to reflect the impact of the risk of possible credit loss.

(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

Estimated amounts of warranty are accrued based on the past experience. This procedure is made to reflect the impact of the risk of expenses being incurred for after-sales service within the warranty period in respect of sales recorded prior to the balance sheet date.

(j) Provision for sales promotion expenses

The reserve for payment of sales promotion expenses is set aside based on estimated amounts to be paid to agencies and dealers in the subsequent period in respect of services rendered or goods received prior to the balance sheet date.

(k) Provision for restructuring

The estimated amounts of restructuring are recognized as a provision in order to prepare for future expenses related to structural reform.

(l) Valuation reserve for inventory purchase commitments

Regarding long-term purchase agreements of raw materials where the market price of the raw material is significantly lower than the purchase price set forth in the agreement, the difference between the purchase price in the agreement and the latest market price or the resale price, whichever is lower, is recorded as an estimated loss associated with the agreement.

This is to prepare for potential losses that could be generated from future production and sales activities as the Company executes the agreement in the future.

(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 using the straight-line method over the average remaining service period of employees (10 years) commencing from the current period. Actuarial gains and losses are primarily amortized using the straight-line method over the average service period of employees (10 years) commencing from the period following that in which the gain or loss was incurred.

(n) 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 with variable interest rates 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.

(o) Method and period for amortization of goodwill

Goodwill is amortized using the straight-line method over the estimated effective term. Goodwill recorded in the consolidated subsidiaries in the U.S.A. is amortized straight line over 10 years.

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

(p) 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.

(q) Consumption taxes

The tax exclusion method is applied.

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

Although there were some changes for the transition to the group tax relief system established in the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the coordinated revisions in the taxation system for individual companies, the Company and a part of its domestic consolidated subsidiaries continued to present the amounts of deferred tax assets and deferred tax liabilities according to the previous tax acts, as provided for in Paragraph 3, "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to Group Tax Sharing System" (Practical Issues Task Force No. 39, March 31, 2020), instead of applying the provisions in Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018).

(s) Significant accounting estimates

(1) Valuation of inventories

i) Amount recorded in the consolidated financial statements of the fiscal year ended March 31, 2021

	Yen (millions)
	Fiscal year ended March 31, 2021
Inventories	¥ 263,066

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

The Group reduces the book value of inventories when their 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 as time goes by, assuming their salability is declining. Moreover, the book value of some inventories is also devalued individually when they are deemed difficult to sell.

However, if a disadvantageous situation arises for the Group in the future, such as a price decline resulting from unpredictable changes in the environment, it may be necessary to additionally reduce the book value in the consolidated financial statements from the next fiscal year onward.

(2) Impairment loss on non-current assets

i) Amount recorded in the consolidated financial statements of the fiscal year ended March 31, 2021

	Yen (millions)
	Fiscal year ended March 31, 2021
Property, plant and equipment	¥ 438,486
Intangible assets	¥ 45,114

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

When there is an indication of impairment such as continued operating loss or negative cash flow from operating activities, the Company determines whether or not an asset or asset group is impaired. If it is determined that the value in use or net realizable value of the asset (group), whichever is higher, has fallen below its book value, the difference is recognized as an impairment loss. The future business plan, which forms the basis for calculating the value in use, is created 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 a rational method such as asset valuation by a third party.

In the future, however, if there are changes in the market environment, which is the premise of the Company's business plan, there is a possibility that an additional impairment loss may be recorded in the consolidated financial statements for the next fiscal year and thereafter.

(t) Unapplied accounting standards and interpretations

The accounting standards and interpretations issued as of March 31, 2021 but not yet applied as of the fiscal year ended March 31, 2021 were as follows:

The monetary impact amounts arising through the application of these standards and interpretations are under evaluation.

The Company and domestic consolidated subsidiaries

Name of the standards and interpretations		Description of the standards and interpretations	Planned adoption period
ASBJ Statement No. 29	Accounting Standard for Revenue Recognition	Establishment of the accounting treatment for revenue recognition	From the year ended March 31, 2022

Overseas consolidated subsidiaries

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

(u) Changes in presentation method

(Consolidated statements of operations)

"Rental expenses on non-current assets" (¥2,360 million for the fiscal year ended March 31, 2021), which was separately presented in the fiscal year ended March 31, 2020, has been included in "Other" under "Non-operating expenses" for the fiscal year ended March 31, 2021, since its amount does not exceed 10/100 of the total non-operating expenses. The consolidated financial statements for the fiscal year ended March 31, 2020 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, 2020, "Other" under "Non-operating expenses," which was ¥11,632 million, now includes "Rental expenses on non-current assets" of ¥2,517 million, totaling ¥14,150 million.

(Consolidated statements of cash flows)

(1) "Increase (decrease) in advances received" and "Increase (decrease) in valuation reserve for inventory purchase commitments", which were included in "Other, net" under "Cash flows from operating activities" in the fiscal year ended March 31, 2020, 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, 2020 have been reclassified.

As a result, ¥9,683 million of "Other, net" under "Cash flows from operating activities" in the consolidated statements of cash flows for the fiscal year ended March 31, 2020 have been reclassified as ¥11,433 million of "Increase (Decrease) in advances received", ¥9 million of "Increase (decrease) in valuation reserve for inventory purchase commitments", and ¥(1,760) million of "Other, net".

(2) "Proceeds from share issuance to non-controlling shareholders", which was separately presented in the fiscal year ended March 31, 2020, is included in "Other, net" under "Cash flows from financing activities" since its materiality has diminished. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2020 have been reclassified.

As a result, ¥17 million of "Proceeds from share issuance to non-controlling shareholders" under "Cash flows from financing activities" and ¥(8,127) million of "Other, net" in the consolidated statements of cash flows for the fiscal year ended March 31, 2020 have been reclassified as ¥(8,110) million of "Other, net".

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

The Company has adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the consolidated financial statements at the end of the fiscal year ended March 31, 2021 and provides notes on significant accounting estimates in the consolidated financial statements.

However, said notes do not contain any content related to the fiscal year ended March 31, 2020 in accordance with the transitional treatment stipulated in the proviso of Paragraph 11 of the Standard.

(v) Additional information

(Inappropriate accounting practices at the Company's consolidated subsidiaries)

The Company discovered that inappropriate accounting was conducted at its consolidated subsidiary, Kantatsu Co. Ltd. and its subsidiaries (hereinafter "Kantatsu Group") and therefore launched an investigation committee that includes external lawyers and accountants on December 25, 2020, and started the investigation. The investigation report received from the committee on March 12, 2021 identified that the Kantatsu Group had recorded sales for which there were no purchase orders from trading firms (the customers), nor product shipments. The inappropriate accounting practices pointed out in the report also include the recording of sales upon shipment to trading firms, although there were special provisions that allowed trading firms to return products when they could not resell them to third parties, which indicate sales were supposed to be recognized when the products were resold.

Following the investigation results, the Company corrected the Kantatsu Group's inappropriate accounting figures from previous fiscal years and recorded a valuation loss on related inventories as well as an impairment loss on non-current assets. Along with that, corrections were made to other items that had not been corrected as they had no materiality on previous consolidated financial statements. On March 15, 2021, the Company restated financial statements for previous fiscal years that reflected those corrections.

Reflecting the above-stated corrections, for the fiscal year ended March 31, 2019, the Company recognized decreases in net sales by ¥5,304 million, operating profit by ¥6,751 million, ordinary profit by ¥6,162 million, and profit attributable to owners of parent by ¥10,214 million, total assets by ¥17,797 million, and net assets by ¥15,140 million, respectively, compared to the figures before the corrections.

In addition, for the fiscal year ended March 31, 2020, the Company recognized decreases in net sales by ¥8,963 million, operating profit by ¥1,309 million, ordinary profit by ¥5,365 million, profit attributable to owners of parent by ¥7,232 million, total assets by ¥20,441 million, and net assets by ¥24,179 million, respectively, compared to the figures before the corrections.

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

In the impairment tests of non-current assets, the Company made accounting estimates on future cash flows based on multiple scenarios, assuming that the impact of the spread of new coronavirus pandemic will continue for a certain period in the fiscal year ended March 31, 2022 and beyond. However, since there are a lot of uncertainties regarding the impact of the spread of the new coronavirus pandemic, the accounting judgment revisions based on changes in the situations may lead to significant impacts on the Group's financial status and operating results in the fiscal year ended March 31, 2022 and beyond.

2. Notes to Consolidated Balance Sheets

(a) Investment in nonconsolidated subsidiaries and affiliates

Investment in nonconsolidated subsidiaries and affiliates as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Investment securities	¥ 61,119	**¥ 46,733**

(b) Inventories

Inventories as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Finished goods	¥ 156,905	**¥ 133,330**
Work in process	67,376	**67,912**
Raw materials and supplies	68,558	**61,823**
	¥ 292,840	**¥ 263,066**

(c) Collateral assets and liabilities secured by collateral

Collateral assets and liabilities secured by collateral as of March 31, 2020 and 2021 were as follows:

(1) Assets pledged as collateral

	Yen (millions)	
	2020	**2021**
Cash and deposits	¥ 38,349	**¥ 35,575**
Notes and accounts receivable - trade	63,201	**57,870**
Inventories	74,711	**69,521**
Other (Current assets)	41,341	**46,642**
Buildings and structures	145,475	**166,167**
Machinery, equipment and vehicles	12,360	**11,562**
Tools, furniture and fixtures	2,168	**1,578**
Land	69,246	**69,566**
Construction in progress	—	**10**
Investment securities	29,419	**38,830**
Other (Investments and other assets)	38,724	**37,007**
	¥ 514,998	**¥ 534,334**

(2) Liabilities secured by collateral

	Yen (millions)	
	2020	**2021**
Short-term borrowings	¥ 402	**¥ —**
Other (Current liabilities)	—	**37,366**
Long-term borrowings	428,476	**426,741**
	¥ 428,878	**¥ 464,107**

Cash and deposits of ¥10,021 million as of March 31, 2020 were pledged as collateral for opening a standby letter of credit. 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, 2020 and 2021.

(d) Contingent liabilities

(1) Guarantee liabilities

	Yen (millions)	
	2020	**2021**
Loans guaranteed for employees	¥ 5,617	**¥ 4,551**
Guarantee for borrowing of invested companies		
Sermsang Power Corporation Public Company Limited	162	**164**
	¥ 5,779	**¥ 4,715**

(2) Discounted and endorsed trade notes receivable

	Yen (millions)	
	2020	**2021**
Discounted trade notes receivable	¥ 238	**¥ 218**
Endorsed trade notes receivable	618	**549**

(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, 2020 and 2021 were ¥16,738 million (longest remaining term was 9 years) and ¥12,262 million (longest remaining term was 8 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, 2020 and 2021 were as follows:

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

	Yen (millions)	
	2020	**2021**
Total amount of investment commitment	¥ 107,830	**¥ 109,720**
Contribution made	89,936	**93,740**
Remaining committed contribution	¥ 17,893	**¥ 15,979**

3. Notes to Consolidated Statements of Operations

(a) Inventory valuation loss

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

Net inventory valuation loss (after offsetting the reversal amount) included in the cost of sales for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Cost of sales	¥ 5,759	**¥ 768**

(b) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Salaries and allowances	¥ 110,534	**¥ 107,644**
Provision for bonuses	10,049	**9,103**
Retirement benefit expenses	18,821	**8,802**
Transportation and storage costs	37,709	**41,116**
Outsourcing expenses	31,161	**36,821**
Research and development expenses	23,851	**20,968**
Provision for bonuses	926	**665**

(Changes in presentation method)

"Outsourcing expenses" has been presented separately as a major component because the amount exceeds 10/100 of the total selling, general and administrative expenses for the fiscal year ended March 31, 2021.

(c) Research and development expenses

Research and development expenses included in general and administrative expenses and cost of manufacturing were ¥100,591 million for the fiscal year ended March 31, 2020 and ¥86,793 million for the fiscal year ended March 31, 2021.

(d) Share of loss of entities accounted for using the equity method

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

SDP has determined that there are indications of impairment with non-current assets, because of loss from operating activities in each of the past two consecutive years, mainly due to falling prices of large LCD panels, which is its key products. As a result of determination on the recognition and measurement of impairment loss, the book value of non-current assets has been reduced to the value in use. The value in use of non-current assets is calculated by the discounted present value of future cash flow, which is estimated based on future business plans. The estimates include important assumptions such as the types, selling prices, and sales volumes of products to be sold in the future, as well as market growth rates and discount rates.

(e) Gain on sales of non-current assets

Major components of gain on sales of non-current assets for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Buildings and structures	¥ 483	**¥ 2,362**
Machinery, equipment and vehicles	652	**147**
Tools, furniture and fixtures	446	**112**
Land	1,260	**2,754**
Software	—	**4**
Other	0	**249**
	¥ 2,843	**¥ 5,630**

(f) Gain on donation of non-current assets

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

(g) Loss on sales and retirement of non-current assets

Major components of loss on sales and retirement of non-current assets for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Loss on sales:		
Machinery, equipment and vehicles	¥ 11	**¥ 3**
Tools, furniture and fixtures	9	**5**
Other	1	**0**
	¥ 21	**¥ 9**
Loss on retirement:		
Buildings and structures	¥ 57	**¥ 292**
Machinery, equipment and vehicles	154	**271**
Tools, furniture and fixtures	42	**39**
Construction in progress	—	**4**
Software	14	**13**
Other	51	**5**
	¥ 320	**¥ 628**
Total:		
Buildings and structures	¥ 57	**¥ 292**
Machinery, equipment and vehicles	165	**275**
Tools, furniture and fixtures	51	**44**
Construction in progress	—	**4**
Software	14	**13**
Other	52	**6**
	¥ 341	**¥ 638**

(h) Impairment loss

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

A consolidated subsidiary in China recognized an impairment loss of ¥384 million for the Smart Life unit, with the book value reduced to the recoverable value, due to the future production plan change for the fiscal year ended March 31, 2020. Details were ¥374 million for machinery, equipment and vehicles, and ¥10 million for tools, furniture and fixtures. Although the recoverable value was measured based on value in use, no discount rate was applied to the future cash flow in measuring the value in use, because the assets had a short remaining useful life and the discount rate was not important in calculating the recoverable value.

Some consolidated subsidiaries in China and Japan recognized an impairment loss of ¥3,018 million for the Smart Life unit, for the fiscal year ended March 31, 2020, with the book value reduced to the recoverable value, because the investment amount became unrecoverable due to their decreasing profitability. Details were ¥296 million for buildings and structures, ¥975 million for machinery, equipment and vehicles, ¥1,026 million for tools, furniture and fixtures, and ¥720 million for other. The estimated recoverable amount was evaluated to be the net realizable value.

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

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

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

Impairment losses other than those stated above are omitted as they are immaterial.

(i) Loss from business combination

Due to the settlement of a price adjustment for the acquisition of Toshiba Client Solutions Co., Ltd. executed in October 2018, the Company posted an extraordinary loss of ¥3,331 million as a loss on business combination for the fiscal year ended March 31, 2020.

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, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Valuation difference on available-for-sale securities		
Amount arising during the year	¥ (6,555)	**¥ 11,292**
Reclassification adjustment	(244)	**(12)**
Before tax effect	(6,799)	**11,280**
Tax effect	1,360	**(2,717)**
Valuation difference on available-for-sale securities	¥ (5,439)	**¥ 8,563**
Deferred gains or losses on hedges		
Amount arising during the year	¥ 1,560	**¥ 1,656**
Reclassification adjustment	68	**(262)**
Before tax effect	1,629	**1,394**
Tax effect	(540)	**(1,125)**
Deferred gains or losses on hedges	¥ 1,088	**¥ 269**
Foreign currency translation adjustment		
Amount arising during the year	¥ (13,080)	**¥ 16,466**
Foreign currency translation adjustment	¥ (13,080)	**¥ 16,466**
Remeasurements of defined benefit plans		
Amount arising during the year	¥ (3,179)	**¥ 12,904**
Reclassification adjustment	36,409	**13,388**
Before tax effect	33,230	**26,293**
Tax effect	(756)	**(282)**
Remeasurements of defined benefit plans	¥ 32,473	**¥ 26,010**
Share of other comprehensive income of entities accounted for using the equity method		
Amount arising during the year	¥ (597)	**¥ 1,484**
Reclassification adjustment	24	**39**
Share of other comprehensive income of entities accounted for using the equity method	¥ (573)	**¥ 1,523**
Total other comprehensive income	¥ 14,469	**¥ 52,832**

5. Notes to Consolidated Statements of Changes in Net Assets

(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, 2020 and 2021 were as follows:

For the year ended March 31, 2020

	(Thousands of shares)			
	Number of shares as of March 31, 2019	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2020
Issued shares				
Common shares	532,416	—	—	532,416
Class A shares	108	—	108	—
Class C shares	795	—	—	795
Total	533,319	—	108	533,211
Treasury shares				
Common shares	1,104	4	—	1,109
Class A shares	—	108	108	—
Class C shares	—	—	—	—
Total	1,104	112	108	1,109

Notes: 1. The decrease of 108 thousand shares in Class A shares of issued shares, the increase and decrease of 108 thousand shares in Class A shares of treasury shares was due to the acquisition and cancellation of treasury shares (Class A shares) on June 21, 2019.
2. The increase of 4 thousand shares in common shares of treasury shares consisted of the increase of 4 thousand shares due to the purchase of shares less than one trading unit.

For the year ended March 31, 2021

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

Notes: 1. The increase of 79,536 thousand shares in common shares of issued shares, the decrease of 795 thousand shares in Class C shares of issued shares, and the increase and decrease of 795 thousand shares in Class C shares of treasury shares were due to the acquisition of Class C shares by exercising the call option with common shares as consideration and cancellation of treasury shares (Class C shares) on February 26, 2021.
2. The increase of 44 thousand shares in common shares of treasury shares consisted of the increase of 44 thousand shares due to the purchase of shares of less than one trading unit.
3. The decrease of 1 thousand shares in common shares of treasury shares consisted of the decrease of 1 thousand shares due to the sale of shares of 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, 2020 and 2021 were as follows:

For the year ended March 31, 2020

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, 2019	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2020	Balance as of March 31, 2020 (Millions of yen)
The Company	Share acquisition rights as a stock option	—	—	—	—	—	285
Consolidated subsidiaries	—	—	—	—	—	—	8
Total		—	—	—	—	—	293

For the year ended March 31, 2021

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

(c) Dividends

For the year ended March 31, 2020

(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 9, 2019	Common shares	10,626	20	March 31, 2019	June 5, 2019
Board of Directors meeting on May 9, 2019	Class A shares	2,836	26,263.60	March 31, 2019	June 4, 2019
Board of Directors meeting on May 9, 2019	Class C shares	1,590	2,000	March 31, 2019	June 5, 2019

(2) Dividends for which the record date belonged to the fiscal year ended March 31, 2020, with effective date falling in the fiscal year ended March 31, 2021 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 19, 2020	Common shares	Retained earnings	9,563	18	March 31, 2020	June 15, 2020
Board of Directors meeting on May 19, 2020	Class C shares	Retained earnings	1,431	1,800	March 31, 2020	June 15, 2020

For the year ended March 31, 2021

(1) Dividends paid

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

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

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

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

Reconciliation of the balance of cash and cash equivalents at the end of period and accounting items on the consolidated balance sheets as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Cash and deposits	¥ 225,049	**¥ 341,917**
Time deposits and negotiable certificate of deposit with maturity over 3 months or pledged as collateral	(54,726)	**(49,124)**
Cash and cash equivalents	¥ 170,323	**¥ 292,792**

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

Fiscal year ended March 31, 2020

The information is omitted as it is immaterial.

Fiscal year ended March 31, 2021

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

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

(c) Significant non-cash transactions

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

	Yen (millions)	
	2020	**2021**
Newly acquired non-current assets and advances received assumed by the Company	¥ —	**¥ 41,636**

7. Leases

Finance leases

(a) As lessee

The information is omitted as it is immaterial.

(b) As lessor

Amount of lease receivables to be collected on and after March 31, 2020 and 2021

(1) Current assets

	Yen (millions)					
	2020					
	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	¥ 6,794	¥ —	¥ —	¥ —	¥ —	¥ —

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

(2) Investments and other assets

	Yen (millions)					
	2020					
	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	¥ —	¥ 5,734	¥ 4,536	¥ 3,506	¥ 2,889	¥ 34,243

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

Operating leases

(a) As lessee

The balance of remaining lease payments for non-cancelable contracts as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Due within one year	¥ 1,243	**¥ 1,292**
Due after one year	4,428	**4,553**
Total	¥ 5,672	**¥ 5,845**

(b) As lessor

Future lease receipts for only non-cancelable contracts as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Due within one year	¥ 1,458	**¥ 2,006**
Due after one year	2,294	**2,877**
Total	¥ 3,752	**¥ 4,884**

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

Other securities are held for long term to develop better business alliances and relationships with the Company's customers and suppliers. Other securities are exposed to market price fluctuation risks. Long-term borrowings are mainly for capital investments. The longest repayment term is 5 years and 1 month from March 31, 2021.

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 "(n) 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. Its consolidated subsidiaries also manage forward foreign exchange transactions in accordance with the rules established by the Company and report the content of such transactions to the Company on a monthly basis.

For other securities and investments in capital, the Company monitors their fair values and the issuers' financial position, 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 of financial instruments

The fair value of financial instruments is based on the quoted market price in an active market other than when a market price is not available, in which case the fair value is reasonably estimated. Since variable factors are incorporated in the determination of this reasonably estimated price, the valuation may vary if different assumptions were to be used.

The contract amounts themselves may not reflect 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, 2020 and 2021 are included in the tables below. Financial instruments for which fair values are considered extremely difficult to be estimated are not included in the tables. Refer to Note 2 below for the details of such financial instruments.

	Yen (millions)		
	2020		
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and deposits	¥ 225,049	¥ 225,049	¥ —
(2) Notes and accounts receivable — trade	423,618	423,226	(392)
(3) Investment securities			
1) Shares of nonconsolidated subsidiaries and affiliates	0	296	296
2) Other securities	30,674	30,674	—
Total assets	¥ 679,343	¥ 679,247	¥ (96)
(4) Notes and accounts payable — trade	¥ 311,999	¥ 311,999	¥ —
(5) Electronically recorded obligations — operating	36,331	36,331	—
(6) Short-term borrowings	237,726	237,726	—
(7) Long-term borrowings	538,744	541,317	2,572
Total liabilities	¥ 1,124,802	¥ 1,127,375	¥ 2,572
(8) Derivative transactions*			
1) Derivative transactions — hedge accounting not applied	¥ (2,198)	¥ (2,198)	¥ —
2) Derivative transactions — hedge accounting applied	1,289	1,979	690
Total derivative transactions	¥ (908)	¥ (218)	¥ 690

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

	Yen (millions)		
	2021		
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and deposits	**¥ 341,917**	**¥ 341,917**	**¥ —**
(2) Notes and accounts receivable — trade	**457,649**	**455,816**	**(1,833)**
(3) Investment securities			
1) Shares of nonconsolidated subsidiaries and affiliates	**0**	**949**	**949**
2) Other securities	**40,250**	**40,250**	**—**
Total assets	**¥ 839,816**	**¥ 838,932**	**¥ (884)**
(4) Notes and accounts payable — trade	**¥ 361,825**	**¥ 361,825**	**¥ —**
(5) Electronically recorded obligations — operating	**34,597**	**34,597**	**—**
(6) Short-term borrowings	**163,028**	**163,028**	**—**
(7) Long-term borrowings	**561,893**	**564,942**	**3,049**
Total liabilities	**¥ 1,121,343**	**¥ 1,124,393**	**¥ 3,049**
(8) Derivative transactions*			
1) Derivative transactions — hedge accounting not applied	**¥ 3,412**	**¥ 3,412**	**¥ —**
2) Derivative transactions — hedge accounting applied	**2,680**	**844**	**(1,835)**
Total derivative transactions	**¥ 6,092**	**¥ 4,256**	**¥ (1,835)**

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

Note 1 Methods of calculating the fair value of financial instruments and matters related to securities and derivative transactions

(1) Cash and deposits

Book value is used, because the fair value of deposits approximates their book value due to their short maturity periods.

(2) Notes and accounts receivable — trade

Book value is used, because the fair value of notes and accounts receivable — trade due within a year approximates their book value. The fair value of notes and accounts receivable with long maturity periods is discounted using a rate which reflects both the period until maturity and credit risk.

(3) Investment securities

The fair value of investment securities is based on the average quoted market price during the last month of the fiscal year.

(4) Notes and accounts payable — trade

Book value is used, because the fair value of notes and accounts payable - trade approximates their book value due to their short maturity periods.

(5) Electronically recorded obligations — operating

Book value is used, because the fair value of electronically recorded obligations — operating approximates their book value due to their short maturity periods.

(6) Short-term borrowings

Book value is used, because the fair value of short-term borrowings approximates their book value due to their short maturity periods.

(7) Long-term borrowings

The fair value of long-term borrowings is determined by the present value of the total amount of the principal and interest discounted at the rate which would apply if similar borrowings were newly made.

(8) Derivative transactions

The fair values of forward exchange contracts are calculated based on forward exchange market rates. The fair value of interest rate swaps is calculated based on the asking price offered by the financial institutions with which the Company enters into such transactions.

Note 2 Financial instruments of which fair values are considered extremely difficult to be estimated are unlisted stocks of ¥64,109 million as of March 31, 2020 and ¥48,331 million as of March 31, 2021, and investments in capital of ¥92,758 million as of March 31, 2020 and ¥75,600 million as of March 31, 2021. Since there are no available quoted market prices and it is extremely difficult to estimate their fair values, they are not included in "(3) Investment securities".

Note 3 Aggregate maturity of cash and deposits, and receivables as of March 31, 2020 and 2021 were as follows:

	Yen (millions)		
	2020		
	Cash and deposits	Notes and accounts receivable - trade	Total
Due within one year	¥ 225,049	¥ 418,595	¥ 643,644
Due after one year, within five years	—	5,023	5,023
Due after five years, within ten years	—	—	—
Due after ten years	—	—	—

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

Note 4 Repayment plan for bonds and loans after consolidated closing date

	Yen (millions)		
	2020		
	Short-term borrowings	Long-term borrowings	Total
Due within one year	¥ 237,726	¥ —	¥ 237,726
Due after one year, within two years	—	11,798	11,798
Due after two years, within three years	—	2,358	2,358
Due after three years, within four years	—	148	148
Due after four years, within five years	—	8	8
Due after five years	—	524,430	524,430

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

9. Investment Securities

Other securities with available fair market values as of March 31, 2020 and 2021 were as follows:

	Yen (millions)			
	2020			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,933	¥ 14,231	¥ (489)	¥ 30,674
	¥ 16,933	¥ 14,231	¥ (489)	¥ 30,674

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

Unlisted stocks and others (of which book values were recorded as ¥95,748 million for the fiscal year ended March 31, 2020 and ¥77,198 million for the fiscal year ended March 31, 2021) are not included in the above table because they do not have market prices and it is extremely difficult to evaluate their market values.

The proceeds from sales of other securities were ¥287 million for the fiscal year ended March 31, 2020. The gross realized gains on those sales were ¥244 million for the fiscal year ended March 31, 2020.

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

Impairment losses recorded for unlisted stocks of other securities were ¥16,691 million and ¥2,035 million for the fiscal years ended March 31, 2020 and 2021, respectively.

10. Derivative Transactions

(a) Derivative transactions — hedge accounting not applied

Currency-related transactions

		Yen (millions)			
		2020			
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	¥ 87,099	¥ —	¥ (765)	¥ (765)
	Euro	11,277	—	(143)	(143)
	New Zealand dollar	2,007	—	(50)	(50)
	Canadian dollar	242	—	(19)	(19)
	Russian rouble	177	—	(57)	(57)
	Australian dollar	159	—	(21)	(21)
	Swedish krona	147	—	5	5
	Czech koruna	66	—	3	3
	Danish krone	44	—	(0)	(0)
	Buy				
	U.S. dollar	79,339	—	(1,138)	(1,138)
	Euro	861	—	(10)	(10)
	Chinese yuan	71	—	(0)	(0)
Total		¥ 181,495	¥ —	¥ (2,198)	¥ (2,198)

*Fair value of forward exchange contracts is calculated based on forward exchange market rate.

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

*Fair value of forward exchange contracts is calculated based on forward exchange market rate.

(b) Derivative transactions — hedge accounting applied

(1) Currency-related transactions

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions) 2020 Contract amount	Amount of contract due after one year	Fair value
Principle-based accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		¥ 53,456	¥ —	¥ (367)
	Euro		3,339	—	44
	Pound sterling		1,171	—	(41)
	Swedish krona		198	—	(1)
	Swiss franc		183	—	(0)
	Australian dollar		153	—	15
	Russian rouble		120	—	12
	Canadian dollar		77	—	4
	Danish krone		73	—	(0)
	Polish zloty		59	—	(5)
	Czech koruna		49	—	0
	Norwegian krone		43	—	(0)
	Hungarian forint		19	—	0
	New Zealand dollar		11	—	0
	Buy	Accounts payable — trade			
	U.S. dollar		215,026	—	1,801
	Euro		11	—	0
	Japanese yen		7	—	0
Allocation accounting	Forward exchange contracts				
	Sell	Accounts receivable — trade			
	U.S. dollar		123,337	—	198
	Buy	Accounts payable — trade			
	U.S. dollar		48,646	—	491
	Euro		100	—	(0)
Total			¥ 446,086	¥ —	¥ 2,152

*Fair value of forward exchange contracts is calculated based on forward exchange market rate.

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

*Fair value of forward exchange contracts is calculated based on forward exchange market rate.

(2) Interest rate-related transactions

Hedge accounting method	Type of derivatives	Main hedged item	Yen (millions) 2020 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	¥ (172)
Total			¥ 20,000	¥ 20,000	¥ (172)

*Fair value of interest rate swaps is calculated based on the asking price offered by the financial institutions with which the Company enters into such transactions.

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

*Fair value of interest rate swaps is calculated based on the asking price offered by the financial institutions with which the Company enters into such transactions.

11. Bonds Payable, Borrowings and Lease Obligations

(a) Bonds payable

Not applicable for the fiscal years ended March 31, 2020 and 2021

(b) Borrowings and lease obligations

Borrowings and lease obligations as of March 31, 2020 and 2021 consisted of the following:

	Yen (millions)	
	2020	**2021**
Short-term borrowings with the following interest rates 0.3% as of March 31, 2020 and 1.2% as of March 31, 2021	¥ 236,507	**¥ 148,352**
Current portion of long-term borrowings with the following interest rates 2.3% as of March 31, 2020 and 0.7% as of March 31, 2021	1,218	**14,675**
Current portion of lease obligations with the following interest rates 4.0% as of March 31, 2020 and 3.4% as of March 31, 2021	3,056	**2,844**
Long-term borrowings (except portion due within one year) with the following interest rates 0.5% as of March 31, 2020 and 0.5% as of March 31, 2021	538,744	**561,893**
Lease obligations (except portion due within one year) with the following interest rates 2.3% as of March 31, 2020 and 1.9% as of March 31, 2021	6,765	**5,814**
	¥ 786,293	**¥ 733,580**

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2020 and 2021 respectively.

2. The aggregate annual maturities of long-term borrowings due within 5 years (except portion due within one year) as of March 31, 2021 were as follows:

Years ending March 31	Yen (millions)
2023	¥ 7,191
2024	27,737
2025	2,511
2026	10,446

The aggregate annual maturities of lease obligations due within 5 years (except portion due within one year) as of March 31, 2021 were as follows:

Years ending March 31	Yen (millions)
2023	¥ 1,756
2024	1,269
2025	863
2026	675

3. Current portion of lease obligations and lease obligations (excluding current portion) do not include lease liabilities recorded on the consolidated balance sheets by the application of IFRS 16. The balance of lease liabilities as of March 31, 2021 is as follows.

Current portion of lease liabilities ¥2,977 million
Lease liabilities (Excluding current portion) ¥4,260 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. Certain domestic consolidated subsidiaries adopted a simplified accounting method in the fiscal year ended March 31, 2020, and such figures are simply included in the amounts under the standard method in this note, since they are immaterial.

(b) Defined benefit pension plan

(1) Reconciliations of the defined benefit obligations

Reconciliations of the defined benefit obligations of the Company and its consolidated subsidiaries as of March 31, 2020 and 2021 consisted of the following:

	Yen (millions)	
	2020	**2021**
Defined benefit obligation at beginning of year	¥ 358,253	**¥ 343,378**
Service cost	10,688	**9,877**
Interest cost	3,147	**2,988**
Actuarial loss (gain)	(3,106)	**6,403**
Benefits paid	(22,828)	**(21,982)**
Increase from newly consolidated subsidiaries	44	**6,030**
Other	475	**(3,860)**
Foreign currency exchange rate changes	(3,295)	**4,233**
Defined benefit obligation at end of year	¥ 343,378	**¥ 347,069**

(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, 2020 and 2021 consisted of the following:

	Yen (millions)	
	2020	**2021**
Fair value of plan assets at beginning of year	¥ 255,789	**¥ 247,457**
Expected return on plan assets	7,066	**6,198**
Actuarial gain (loss)	(6,466)	**19,383**
Employer contribution	16,216	**15,409**
Benefits paid	(22,200)	**(21,276)**
Increase from newly consolidated subsidiaries	—	**1,657**
Other	25	**(3,967)**
Foreign currency exchange rate changes	(2,975)	**4,233**
Fair value of plan assets at end of year	¥ 247,457	**¥ 269,094**

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

Reconciliations of the defined benefit obligation and the fair value of the plan assets and the amount recognized in the consolidated balance sheets as of March 31, 2020 and 2021 consisted of the following:

	Yen (millions)	
	2020	**2021**
Funded defined benefit obligation at end of year	¥ 334,003	**¥ 340,710**
Fair value of plan assets at end of year	(247,457)	**(269,094)**
Funded status at end of year	86,546	**71,615**
Unfunded defined benefit obligation at end of year	9,375	**6,358**
Total net retirement benefit liability	¥ 95,921	**¥ 77,974**
Retirement benefit liability	103,217	**83,558**
Retirement benefit asset	(7,295)	**(5,584)**
Total net retirement benefit liability	¥ 95,921	**¥ 77,974**

(4) Retirement benefit expenses

Retirement benefit expenses of the Company and its consolidated subsidiaries for the fiscal years ended March 31, 2020 and 2021 consisted of the following:

	Yen (millions)	
	2020	**2021**
Service cost	¥ 10,688	**¥ 9,877**
Interest cost	3,147	**2,988**
Expected return on plan assets	(7,066)	**(6,198)**
Amortization of net actuarial loss	36,550	**13,141**
Amortization of past service cost	127	**20**
Other	35	**74**
Total retirement benefit expenses	¥ 43,480	**¥ 19,903**

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

Amounts recognized in remeasurements of defined benefit plans (other comprehensive income) for the fiscal years ended March 31, 2020 and 2021 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2020	**2021**
Past service cost	¥ (108)	**¥ (809)**
Net actuarial gain	33,339	**27,102**
Total	¥ 33,230	**¥ 26,293**

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

Amounts recognized in remeasurements of defined benefit plans (accumulated other comprehensive income) as of March 31, 2020 and 2021 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2020	**2021**
Unrecognized past service cost	¥ (13)	**¥ 811**
Unrecognized net actuarial loss	48,210	**21,092**
Total	¥ 48,197	**¥ 21,904**

(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, 2020 and 2021 consisted of the following:

	2020	**2021**
Bonds	27%	**28%**
Equity securities	16%	**19%**
Cash and cash equivalents	2%	**4%**
Life insurance company general accounts	14%	**13%**
Alternatives	32%	**30%**
Other	9%	**5%**
Total	100%	**100%**

Note: Alternatives mainly consisted of investments in hedge funds.

(8) Long-term expected rate of return

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

(9) Actuarial assumptions

Actuarial assumptions

	2020	**2021**
Discount rate	mainly 0.5%	**mainly 0.5%**
Long-term expected rate of return	mainly 2.7%	**mainly 2.4%**

(c) Defined contribution pension plans

The required contribution of certain consolidated subsidiaries for the defined contribution pension plans was ¥1,033 million for the fiscal year ended March 31, 2020 and ¥1,148 million for the fiscal year ended March 31, 2021.

13. Stock Options

(a) Expensed amount and account

The expensed amount and account for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Selling, general and administrative expenses	¥ 61	**¥ 13**

(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, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Gain on reversal of share acquisition rights	¥ 3	**¥ 10**

(c) Description, size and changes of stock options

(1) Description of stock option

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

Note 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.

Note 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, 2021 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, 2020	7,000	—	102,500
Granted	—	—	—
Nullified	—	—	15,000
Vested	7,000	—	45,000
Balance on March 31, 2021	—	—	42,500
Vested stock options (shares)			
Balance on March 31, 2020	69,300	42,100	—
Vested	7,000	—	45,000
Exercised	—	—	—
Nullified	2,000	4,000	—
Balance on March 31, 2021	74,300	38,100	45,000

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	(74,100 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 the reasonable estimation of future nullified number of stock options is difficult.

14. Income Taxes

The Company is subject to a number of different income taxes which, in the aggregate, indicate a statutory tax rate in Japan of approximately 30.4% for the fiscal years ended March 31, 2020 and 2021.

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

The significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the fiscal years ended March 31, 2020 and 2021 were as follows:

	2020	**2021**
Statutory tax rate	30.4%	**30.4%**
Foreign withholding tax	2.8	**1.1**
Tax credit	(9.5)	**(6.5)**
Net Increase (Decrease) in valuation allowance and other	29.6	**(3.7)**
Differences in normal tax rates of overseas subsidiaries	2.1	**(1.2)**
Other	(0.4)	**1.3**
Effective tax rate	55.0%	**21.4%**

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2020 and 2021 were as follows:

	Yen (millions) 2020	2021
Deferred tax assets:		
Inventories	¥ 15,179	**¥ 11,800**
Accrued expenses	13,868	**13,454**
Provision for bonuses	4,930	**4,744**
Provision for sales promotion expenses	651	**1,894**
Valuation reserve for inventory purchase commitments	5,208	**—**
Retirement benefit liability	29,296	**24,701**
Buildings and structures	21,691	**20,580**
Machinery, equipment and vehicles	2,555	**1,829**
Software	4,500	**4,325**
Long-term prepaid expenses	7,339	**6,765**
Tax loss carried forward*	309,539	**263,342**
Other	70,015	**154,459**
Gross deferred tax assets	484,776	**507,898**
Valuation allowance for tax loss carried forward*	(309,139)	**(263,060)**
Valuation allowance for future deductible temporary difference and other	(149,592)	**(217,221)**
Total valuation allowance	(458,731)	**(480,281)**
Total deferred tax assets	¥ 26,044	**¥ 27,616**
Deferred tax liabilities:		
Retained earnings appropriated for tax allowable reserves	¥ (1,351)	**¥ (1,059)**
Valuation difference on available-for-sale securities	(4,626)	**(7,346)**
Other	(4,172)	**(5,570)**
Total deferred tax liabilities	¥ (10,150)	**¥ (13,976)**
Net deferred tax assets	¥ 15,893	**¥ 13,640**

*Tax loss carried forward and its deferred tax assets amount by carry forward period as of March 31, 2021 were as follows:

	Yen (millions) 2021 Tax loss carried forward*	Valuation allowance	Deferred tax assets
Expire within one year	**¥ 120,089**	**¥ (120,089)**	**¥ —**
Expire after one year, within two years	**27,203**	**(27,195)**	**8**
Expire after two years, within three years	**26,589**	**(26,589)**	**—**
Expire after three years, within four years	**42,573**	**(42,573)**	**—**
Expire after four years, within five years	**38,827**	**(38,773)**	**53**
Expire after five years	**8,058**	**(7,838)**	**220**
Total	**¥ 263,342**	**¥ (263,060)**	**¥ 281**

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

15. Business Combinations

The main business combinations conducted during the fiscal year ended March 31, 2021 were as follows:

(a) Business combination through acquisition

(Making NEC Display Solutions, Ltd. a consolidated subsidiary through share acquisition)

(1) Overview of the business combination

i) Company name and field of business of acquired company

Company name

NEC Display Solutions, Ltd. and its three subsidiaries

Field of business

BtoB display business

ii) Main reason for the business combination

The Company aims to strengthen its business and expand sales as a business solution and service provider in the global market centering on Europe and the United States.

iii) Date of business combination

November 1, 2020

iv) Legal form of business combination

Share acquisition using cash as a consideration

v) Company name after business combination

Sharp NEC Display Solutions, Ltd.

vi) Ratio of voting rights acquired

66.0%

vii) Grounds for determining the acquisition of a company

The Company's cash acquisition of shares

(2) Period of performance of the acquired companies included in the consolidated financial statements

From January 1, 2021 to March 31, 2021

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

		Yen (millions)
Consideration for the acquisition:	Cash	¥ 4,336
Total acquisition costs		¥ 4,336

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

Remunerations, fees, etc. paid to advisors ¥218 million

(5) Amount of goodwill recognized, cause of the recognition, amortization method and amortization period

i) Amount of goodwill recognized
¥1,356 million

ii) Cause of the recognition
Excess earning power that is expected from business development going forward.

iii) Amortization method and amortization period
Amortization by straight line method over five years

(6) Amount of assets accepted and liabilities assumed on the date of the business combination and their details

	Yen (millions)
Current assets	¥ 43,052
Non-current assets	3,397
Total assets	¥ 46,450
Current liabilities	33,618
Non-current liabilities	8,315
Total liabilities	¥ 41,934

(7) Estimated amount of impact on the consolidated statements of operations for the fiscal year ended March 31, 2021 assuming that the business combination was completed at the beginning of the fiscal year and the calculation method thereof

The estimated amount is not provided due to the difficulty of reasonable estimate.

(b) Transaction under common control (Absorption-type company split of the display device business of the Company)

(1) Overview of the transaction

i) Name and field of business
Planning, development, design, manufacture, and sales of the Company's display devices and display technology-applied products

ii) Date of business combination
October 1, 2020

iii) Legal form of business combination
An absorption-type split
Splitting company
Company name: Sharp Corporation (the Company)
Succeeding company
Company name: Sharp Display Technology Corporation
(the Company's wholly owned consolidated subsidiary)

iv) Company name after business combination
Sharp Display Technology Corporation

v) Objective of business combination
Through this absorption-type company split, Sharp Display Technology Corporation will strive to clarify its business results by the company split, speedily make decisions to keep up with the rapidly changing business environment and make continuous capital and development investments with a view to acquiring external funds through investment from other companies, thereby maintaining its competitiveness and achieving further business expansion.

(2) Overview of the accounting treatment
This transaction is treated as a transaction under common control in accordance with the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019).

16. Segment Information

(a) General information about reportable segments

The Company'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 Company has united for transformation, pursuing the business vision of Changing the World with 8K+5G and AIoT through initiatives to (1) expand our business globally, (2) create new businesses, (3) engage in M&A and alliances, and (4) strengthen our competitive position. To achieve this vision, the Company defined three business domains as reportable segments: Smart Life, 8K Ecosystem, and ICT.

Beginning with the third quarter of the consolidated accounting period, the COCORO service business (formerly under Smart Life) is now included in the 8K Ecosystem business segment to conform with the reorganization.

Segment information for the fiscal year ended March 31, 2020 is stated based on the reclassified segments after the change.

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

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

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

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

Segment information as of and for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Net sales:		
Smart Life:		
Customers	¥ 795,646	**¥ 833,044**
Intersegment	55,037	**46,865**
Total	850,683	**879,910**
8K Ecosystem:		
Customers	1,127,921	**1,251,089**
Intersegment	25,903	**31,848**
Total	1,153,824	**1,282,938**
ICT:		
Customers	338,717	**341,776**
Intersegment	18,888	**17,147**
Total	357,605	**358,923**
Adjustments	(99,829)	**(95,861)**
Consolidated net sales	¥ 2,262,284	**¥ 2,425,910**
Segment income (loss):		
Smart Life	¥ 39,829	**¥ 71,559**
8K Ecosystem	13,217	**17,387**
ICT	20,548	**15,421**
Adjustments	(22,131)	**(21,256)**
Consolidated operating profit	¥ 51,464	**¥ 83,112**
Segment assets:		
Smart Life	¥ 349,044	**¥ 333,936**
8K Ecosystem	685,959	**804,736**
ICT	109,145	**115,615**
Adjustments	667,757	**672,938**
Consolidated assets	¥ 1,811,907	**¥ 1,927,226**

	Yen (millions)	
	2020	**2021**
Other material items		
Depreciation:		
Smart Life	¥ 27,520	**¥ 22,559**
8K Ecosystem	33,056	**32,282**
ICT	10,776	**12,830**
Adjustments	2,054	**2,007**
The amount presented in consolidated financial statements	¥ 73,407	**¥ 69,680**
Amortization of goodwill:		
Smart Life	¥ 88	**¥ 27**
8K Ecosystem	1,412	**1,525**
ICT	66	**121**
Adjustments	—	**—**
The amount presented in consolidated financial statements	¥ 1,566	**¥ 1,675**
Investments in nonconsolidated subsidiaries and affiliates accounted for using the equity method:		
Smart Life	¥ 404	**¥ 436**
8K Ecosystem	24,894	**8,453**
ICT	—	**—**
Adjustments	34,938	**37,257**
The amount presented in consolidated financial statements	¥ 60,237	**¥ 46,148**
Increase in property, plant, equipment and intangible assets:		
Smart Life	¥ 25,015	**¥ 22,751**
8K Ecosystem	35,183	**77,119**
ICT	17,068	**10,602**
Adjustments	15,624	**1,809**
The amount presented in consolidated financial statements	¥ 92,892	**¥ 112,283**

Adjustments of segment income (loss) were ¥(22,131) million and ¥(21,256) million for the fiscal years ended March 31, 2020 and 2021, respectively, including elimination of intersegment transactions and corporate expenses not allocated to each reportable segment.

Elimination of intersegment transactions for segment income (loss) were ¥(41) million and ¥40 million, respectively. Corporate expenses not allocated to each reportable segment were ¥(18,885) million and ¥(18,831) million for the fiscal years ended March 31, 2020 and 2021, 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 ¥667,757 million and ¥672,938 million as of March 31, 2020 and 2021, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment.

Elimination of intersegment transactions for segment assets were ¥(10,215) million and ¥(9,066) million, respectively. Corporate assets not allocated to each reportable segment were ¥677,973 million and ¥682,004 million as of March 31, 2020 and 2021, 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 the equity method were ¥34,938 million and ¥37,257 million as of March 31, 2020 and 2021, respectively, and mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥15,624 million and ¥1,809 million for the fiscal years ended March 31, 2020 and 2021, 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, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Net sales to outside customers:		
LCD modules	¥ 627,230	**¥ 766,537**
Sensing devices	340,635	**349,486**
Other	1,294,417	**1,309,887**
Total	¥ 2,262,284	**¥ 2,425,910**

(2) Net sales by region/country

Net sales by region/country for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Net sales:		
Japan	¥ 778,976	**¥ 863,154**
China	909,810	**1,014,187**
Other	573,497	**548,568**
Total	¥ 2,262,284	**¥ 2,425,910**

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

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

Property, plant and equipment by region/country as of March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Property, plant and equipment, at cost less accumulated depreciation:		
Japan	¥ 298,531	**¥ 329,301**
Asia	54,916	**58,310**
Other	47,500	**50,874**
Total	¥ 400,948	**¥ 438,486**

(4) Major customers and related sales amount

Major customers and related sales amount as of and for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Net sales:		
APPLE INC.	¥ 522,254	**¥ 534,508**
Related segments:		
Smart Life and 8K Ecosystem for the years ended March 31, 2020 and 2021		

	Yen (millions)
	2021
Net sales:	
General Interface Solution Limited	**¥ 264,807**
Related segment:	
8K Ecosystem for the year ended March 31, 2021	

(e) Impairment loss on fixed assets by reportable segment

Impairment loss on fixed assets by reportable segment for the fiscal years ended March 31, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Impairment loss:		
Smart Life	¥ 3,403	**¥ 5,065**
8K Ecosystem	—	**1,197**
ICT	—	**154**
Corporate Assets and Elimination	—	**—**
Total	¥ 3,403	**¥ 6,417**

(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, 2020 and 2021 were as follows:

	Yen (millions)	
	2020	**2021**
Amortization of goodwill:		
Smart Life	¥ 88	**¥ 27**
8K Ecosystem	1,412	**1,525**
ICT	66	**121**
Corporate Assets and Elimination	—	**—**
Total	¥ 1,566	**¥ 1,675**
Balance at end of year:		
Smart Life	¥ 46	**¥ 74**
8K Ecosystem	8,652	**9,440**
ICT	471	**322**
Corporate Assets and Elimination	—	**—**
Total	¥ 9,169	**¥ 9,836**

(g) Gain on bargain purchase by reportable segment

There was no gain on bargain purchase.

17. 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, 2020 and 2021 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, 2020 were as follows:

Category	Company name	Location	Share capital	Details of business	Holding or held ratio	Relationship with the related party	Detail of transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Affiliate	Sakai Display Products Corporation	Sakai City, Osaka	32,485 million yen	Development, manufacture, distribution, export and import of LCD and other displays	24.6% holding directly	Manufacture of the Company's products and lease of real estate, etc.	Payment of costs and expenses	38,035	Accounts receivable - other	36,472
							Lease transaction with the Company	5,022	Other (Current assets)	2,848
							Collection of lease receivables	624	Other (Investments and other assets)	44,578

Notes: 1. Transaction amounts were determined at proper prices upon negotiation.
2. Consumption tax is included in the ending balance of accounts receivable - other.

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

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

Notes: 1. Transaction amounts were determined at proper prices upon negotiation.
2. Consumption tax is included in the ending balance of accounts receivable - other.

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, 2020 and 2021 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, 2020 and 2021 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, 2020 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 company	Hon Hai Precision Industry Co., Ltd.	New Taipei City, Taiwan	138,629 million New Taiwan dollars	Electronic manufacturing service	24.5% held directly and 17.2% held indirectly [19.1%]	Purchases of raw materials and goods by the Company	Purchases of raw materials and goods by the Company	92,322	Accounts payable - trade	25,461

Notes: 1. Transaction amounts were determined at proper prices upon negotiation.
2. The value in brackets [ ] of “Holding or held ratio” refers to 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 a close relationship with Hon Hai Precision Industry Co., Ltd.

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

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

Principal transactions with related parties for the fiscal years ended March 31, 2020 and 2021 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, 2020 and 2021 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, 2020 and 2021 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, 2021, significant affiliated company was Sakai Display Products Corporation.

Summary of its financial statements was as follows:

	Yen (millions)	
	2020	**2021**
Current assets	296,480	**182,761**
Non-current assets	505,031	**713,438**
Current liabilities	209,683	**214,239**
Non-current liabilities	371,276	**501,255**
Net assets	220,550	**180,704**
Net sales	101,458	**186,327**
Profit (loss) before income taxes	20,817	**73,894**
Profit (loss) attributable to owners of parent	20,941	**79,660**

18. Per Share Data

Per share data as of March 31, 2020 and 2021 were as follows:

	Yen	
	2020	**2021**
Net assets per share	¥ 419.54	**¥ 573.59**
Income per share	22.47	**87.20**
Fully diluted income per share	21.62	—
		"Fully diluted income per share" is not stated because potentially dilutive shares existed but they had no dilutive effects.

Income per share and fully diluted income per share as of March 31, 2020 and 2021 were calculated on the following basis:

	2020	**2021**
Income per share		
Profit attributable to owners of parent (millions of yen)	¥ 13,726	**¥ 53,263**
Amounts not allocated to common shares (millions of yen)	—	—
Profit attributable to owners of parent allocated to common shares (millions of yen)	13,726	**53,263**
Average number of common shares outstanding during each year (thousands of shares)	610,845	**610,833**
Common shares (thousands of shares)	531,309	**543,533**
Shares equivalent to common shares (thousands of shares)	79,536	**67,299**
Fully diluted income per share		
Adjustment to profit attributable to owners of parent (millions of yen)	—	—
Increase in number of common shares (thousands of shares)	24,196	—
Class A shares (thousands of shares)	24,196	—
Details of potentially dilutive shares that were not included in the calculation of fully diluted income per share because they have no dilutive effects	763 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)	**743 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)**
	421 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights)	**381 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights)**
	1,025 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights)	**875 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights)**
	A brief summary is in Note 13. Stock Options	**A brief summary is in Note 13. Stock Options**

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

The Company completed acquisition and cancellation of all the 108,000 Class A shares outstanding on June 21, 2019. The figures of the income per share and fully diluted income per share for the fiscal year ended March 31, 2020 are calculated considering the effect of the said acquisition and cancellation of treasury shares.

19. Significant Subsequent Events

(a) Change of segment

In the fiscal year ended March 31, 2020, the Company operated in three reportable business segments — Smart Life, 8K Ecosystem, and ICT. Starting from the fiscal year ended March 31, 2022, reportable business segments have been changed to the following five: Smart Life, 8K Ecosystem, ICT, Display Device, and Electronic Device.

This change is in line with the Direction of Business Management and Initiatives in FY2021 announced on May 11, 2021, which aims to build a business structure centered on the brand business in order to establish “powerful brand company ‘SHARP’” that is closest to people and society, and constantly proposing new value, at an early date.

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

Information on net sales, income or loss of each reclassified reportable segment for the fiscal year ended March 31, 2021 is as follows.

	Yen (millions)
	2021
Net sales:	
Smart Life:	
Customers	**¥ 454,510**
Intersegment	**1,033**
Total	**455,543**
8K Ecosystem:	
Customers	**484,552**
Intersegment	**8,517**
Total	**493,069**
ICT:	
Customers	**341,776**
Intersegment	**1,701**
Total	**343,477**
Display Device:	
Customers	**766,537**
Intersegment	**46,255**
Total	**812,792**
Electronic Device:	
Customers	**378,534**
Intersegment	**50,044**
Total	**428,578**
Adjustment	**(107,551)**
Consolidated net sales	**¥ 2,425,910**
Segment income (loss):	
Smart Life	**¥ 58,866**
8K Ecosystem	**15,527**
ICT	**15,421**
Display Divices	**1,860**
Electronics Divices	**12,692**
Adjustment	**(21,256)**
Consolidated operating profit	**¥ 83,112**

Adjustments of segment income (loss) of ¥(21,256) million include elimination of intersegment transactions of ¥40 million and corporate expenses not allocated to each reportable segment of ¥(18,831) million. Corporate expenses are mainly attributable to basic R&D expenses and expenses related to the administrative groups of the Company's headquarters.

(b) Transfer of equity of important subsidiaries

Kantatsu Corporation, a consolidated subsidiary of the Company (hereinafter, "Kantatsu"), announced on June 29, 2021 that it had decided on the transfer of all of its equity in its subsidiary Lianyungang Kantatsu Fine Technology Co., Ltd. (hereinafter, "Lianyungang") to Liaoning Zhonglan Electronic Technology Co., Ltd. (hereinafter, "ZET") (hereinafter, the Transfer) and signed an agreement with ZET.

Upon the completion of the Transfer, Lianyungang will be excluded from the scope of consolidation of the Company.

(1) Reason for the Transfer

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

As a result, Kantatsu has decided to transfer its equity in Lianyungang to ZET, one of the leading VCM (Voice Coil Motor) manufacturers in China, which plans to expand its lens business.

(2) Overview of the subsidiary transferred

Name:	Lianyungang Kantatsu Fine Technology Co., Ltd.
Main field of business:	Manufacture and sale of micro lens units
Business relationship:	The Company purchases micro lens units from Kantatsu, its parent company.

(3) Overview of the transferee

Name:	Liaoning Zhonglan Electronic Technology Co., Ltd.
Main field of business:	Design, development, manufacture, and sale of parts and components for smartphone devices
Business relationship:	Not applicable.

(4) Summary of the Transfer

Equity before the Transfer	100%
Equity after the Transfer	0%

* The transfer price is not disclosed because of confidentiality obligations.

Consolidated Subsidiaries

(As of March 31, 2021)

Domestic

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

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 Laboratories of Europe, Ltd. <Oxford, 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>
NEC Viewtechnology Trading (Shenzhen), Ltd. <Shenzhen, China>
Sharp Universal Technology (Guangzhou) Co., Ltd. <Guangzhou, China>
Sharp Universal Technology (Shanghai) Co., Ltd. <Shanghai, China>
Shanghai Sharp Electronics Co., Ltd. <Shanghai, China>
Sharp Electronics Sales (China) Co., Ltd. <Shanghai, China>
Sharp (China) Investment Co., Ltd. <Beijing, 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>
Lianyungang Kantatsu Fine Technology Co., Ltd. <Lianyungang, 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>
Mirada Co., Ltd. <New Taipei, Taiwan>
Dynabook Technology (Taiwan) Co., Ltd. <Taoyuan, Taiwan>
Sharp Electronics (Malaysia) Sdn. Bhd. <Selangor, Malaysia>
Sharp Manufacturing Corporation (M) Sdn. Bhd. <Johor, Malaysia>
S&O Electronics (Malaysia) Sdn. Bhd. <Kedah, Malaysia>
Sharp Singapore Electronics Corporation Pte. Ltd. <Singapore>
Sharp Thai Co., Ltd. <Bangkok, Thailand>
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>
Sharp Electronics (Vietnam) Company Limited <Ho Chi Minh City, Vietnam>
SAIGON STEC Co.,LTD. <Thu Dau Mot, Vietnam>
Sharp Manufacturing Vietnam CO., LTD. <Tan Uyen, Vietnam>
Sharp (Phils.) Corporation <Manila, Philippines>
Sharp Business Systems (India) Private Ltd. <New Delhi, India>
Sharp Corporation of Australia Pty. Ltd. <New South Wales, Australia>

* There are 49 other consolidated subsidiaries in additions to the companies listed above.

Investor Information

(As of March 31, 2021)

Number of Shares issued and Shareholders

	Number of shares authorized	Number of shares issued	Number of shareholders
Common shares	1,000,000,000	611,952,858	175,200
Class C shares	1,136,363	—	—

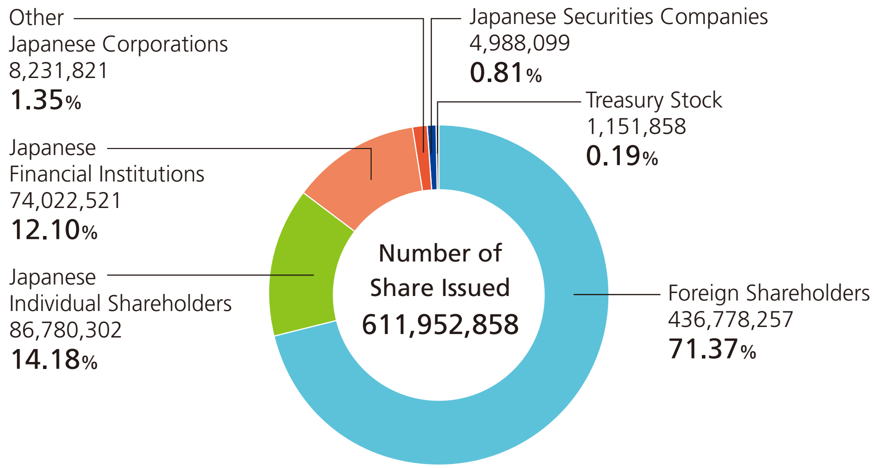
Note: On February 26, 2021, Sharp acquired all 795,363 outstanding Class C shares in exchange for 79,536,300 shares of common stock. On the same day, Sharp cancelled all of the acquired Class C shares. In addition, on June 29, 2021, Sharp amended a portion of the company's articles of incorporation via resolution at the 127th Ordinary General Meeting of Shareholders, deleting provisions related to Class C stock.

Principal Shareholders (Common shares)

	Number of shares held	Percentage of total shares (%)
HON HAI PRECISION INDUSTRY CO., LTD.	130,000,000	21.28
FOXCONN (FAR EAST) LIMITED	91,555,069	14.99
CTBC BANK CO., LTD. -ES PLATFORM LP	79,536,300	13.02
FOXCONN TECHNOLOGY PTE. LTD.	64,640,000	10.58
SIO INTERNATIONAL HOLDINGS LIMITED	35,100,000	5.75
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,416,200	4.65
Custody Bank of Japan, Ltd. (Trust Account)	9,355,700	1.53
Nippon Life Insurance Company	4,731,738	0.77
Meiji Yasuda Life Insurance Company	4,578,100	0.75
Custody Bank of Japan, Ltd. (Trust Account 5)	4,075,900	0.67

Note: Percentage of total shares is calculated by the number of shares issued excluding 1,151,858 treasury shares.

Share Distribution (Proportion of total issued shares)



Stock Exchange Listings Tokyo

Investor Relations

Sharp Corporation Investor Relations Department

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	Phone: +81-50-5358-0980
Osaka	1 Takumi-cho, Sakai-ku, Sakai City, Osaka 590-8522, Japan
Websites:	Japanese https://corporate.jp.sharp/ir/index.html
	English https://global.sharp/corporate/ir/index.html