# Financial Section

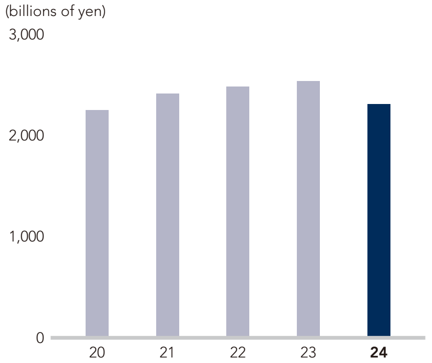
# Financial Review

Sharp Corporation and Consolidated Subsidiaries

### Net Sales

Consolidated net sales for the fiscal year ended March 31, 2024 amounted to ¥2,321,921 million, down ¥226,196 million (8.9%) year on year.

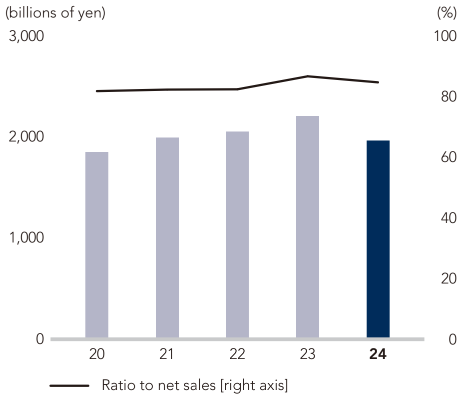
**Net Sales**




### Financial Results

Cost of sales decreased ¥243,253 million to ¥1,974,032 million, while our cost of sales ratio decreased from 87.0% to 85.0% year on year.

**Cost of Sales**




Selling, general and administrative (SG&A) expenses increased ¥11,681 million to ¥368,232 million. The ratio of SG&A expenses against net sales increased from 14.0% to 15.9% year on year. SG&A expenses included salaries and allowances of ¥126,025 million, retirement benefit expenses of ¥4,720 million, transportation and storage costs of ¥44,364 million, and research and development expenses of ¥19,688 million.

As a result, operating loss amounted to ¥20,343 million, compared to operating loss of ¥25,719 million in the previous fiscal year.

Non-operating income decreased ¥599 million to ¥40,084 million mainly due to a decrease in investment income and foreign exchange gains, despite an increase in share of profit of entities accounted for using equity method. Non-operating expenses decreased ¥18,626 million to ¥26,825 million, mainly due to a decrease in share of loss of entities accounted for using equity method.

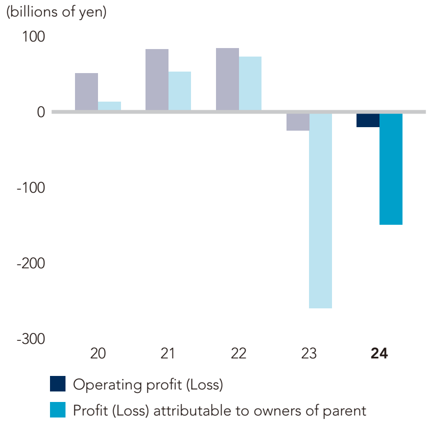
Extraordinary income decreased ¥4,898 million to ¥14,934 million, mainly due to a decrease in gain on step acquisitions. Extraordinary losses decreased ¥82,975 million to ¥145,413 million, mainly due to a decrease in impairment losses.

As a result, loss before income taxes totaled ¥137,563 million, compared to loss before income taxes of ¥239,043 million in the previous fiscal year.

Loss attributable to owners of parent amounted ¥149,980 million compared to loss attributable to owners of parent of ¥260,840 million in the previous fiscal year.

Loss per share of common stock was ¥230.99.

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




### Segment Information

**<Brand Businesses>**

**[Smart Life & Energy]**

Sales decreased 7.4% year on year to ¥441,315 million. Sales in the white goods business decreased despite strong air conditioner sales supported by the launch of a new plant in Indonesia. This decrease was mainly due to sluggish market conditions for cooking appliances, vacuum cleaners, and washing machines. Sales decreased in the energy solutions business due to a downturn in the EPC business stemming from market conditions, despite steady growth in the domestic market for residential uses. Segment income decreased 6.8% year on year to ¥27,373 million, mainly due to lower sales and the impact of the weakening yen.

**[Smart Office]**

Sales increased 3.6% to ¥582,003 million. Sales in the business solutions business increased. Although sales of information displays declined as a result of our efforts to reduce distribution inventories, the MFP and office solutions businesses grew significantly, particularly in Europe and the Americas. This growth was mainly due to a recovery in office demand. An expanded share in corporate and government sectors in Japan drove sales growth in the PC business, despite weak market conditions. Segment income increased 104.3% year on year to ¥29,674 million. This increase was mainly driven by the effects of structural reforms, the advancement of value-added initiatives in the PC and office solutions businesses, and increased sales in the MFP and office solutions businesses.

**[Universal Network]**

Sales decreased 6.7% year on year to ¥311,891 million. In the TV business, sales decreased despite progress in the sales of high value-added models. This result was due to weak market conditions in Japan, price competition effects on sales in Asia, and the prioritization of profitable businesses over sales volume in China. Sales decreased in the mobile communication business due to weak domestic market conditions. Segment income amounted to ¥8,880 million, compared to a segment loss of ¥7,807 million in the previous fiscal year due to increased profits in both the TV and mobile communication businesses. Despite lower sales, this increase was attributed to the effects of structural reforms, progress in creating higher value-added offerings, and the posting of one-time revenues in the mobile communication business.

**<Device Businesses>**

**[Display Device]**

Sales decreased 19.1% year on year to ¥614,950 million. Sales of large-size displays increased due to improved demand, while sales of small- and medium-size displays declined. Segment loss amounted to ¥83,290 million, compared to segment loss of ¥66,482 million in the previous fiscal year. Loss in the small- and medium-size display business increased due to the lower sales, despite the improvement in earnings of large-size display business.

**[Electronic Device]**

Sales decreased 12.3% year on year to ¥416,981 million, mainly due to a customer demand fluctuation and a decline in LCD driver sales from sluggish demand for displays. Segment income decreased 8.2% year on year to ¥13,583 million, mainly due to lower sales despite cost reduction efforts.

### Sales by Segment

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Smart Life & Energy | ¥ 476,832 | **¥ 441,315** |
| Smart Office | 561,768 | **582,003** |
| Universal Network | 334,116 | **311,891** |
| Display Device | 759,953 | **614,950** |
| Electronic Device | 475,589 | **416,981** |
| Subtotal | 2,608,261 | **2,367,142** |
| Adjustments | (60,144) | **(45,221)** |
| Total | 2,548,117 | **2,321,921** |

### Segment Income (Loss) by Segment

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Smart Life & Energy | ¥ 29,381 | **¥ 27,373** |
| Smart Office | 14,526 | **29,674** |
| Universal Network | (7,807) | **8,880** |
| Display Device | (66,482) | **(83,290)** |
| Electronic Device | 14,799 | **13,583** |
| Subtotal | (15,582) | **(3,778)** |
| Adjustments | (10,137) | **(16,564)** |
| Total | (25,719) | **(20,343)** |

### Capital Investment and Depreciation

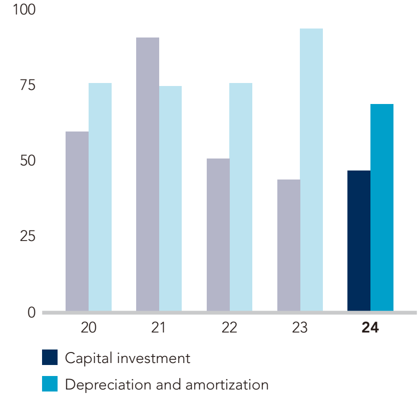
Capital investment totaled ¥47,647 million, up 7.0% year on year, primarily in the introduction of display device production equipment.

By business segment, capital investment was ¥4,296 million for Smart Life & Energy, ¥9,852 million for Smart Office, ¥553 million for Universal Network, ¥19,882 million for Display Device, and ¥11,705 million for Electronic Device. Unallocated capital investment amounted to ¥1,356 million, primarily for the research and development division and headquarters.

Depreciation and amortization decreased by 26.8% to ¥69,182 million year on year.

**Capital Investment/ Depreciation and Amortization**

(billions of yen)




### Assets, Liabilities and Net Assets

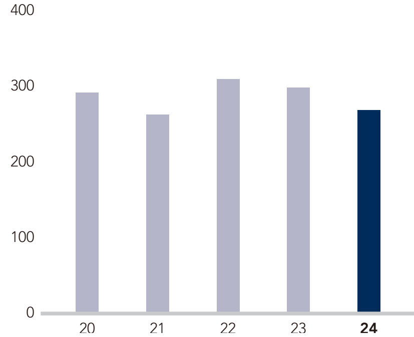
Total assets at fiscal year-end amounted to ¥1,590,032 million, down ¥182,928 million from the previous fiscal year.

### Assets

Current assets amounted to ¥990,228 million, down ¥96,858 million from the end of the previous fiscal year. This result was mainly due to the changes in cash and deposits, notes and accounts receivable-trade and contract assets, and inventories decreased by ¥34,927 million, ¥30,519 million, and ¥29,722 million, respectively from the end of the previous fiscal year. Notes and accounts receivable-trade and contract assets amounted to ¥407,538 million. Inventories amounted to ¥269,584 million. Within total inventories, finished goods decreased ¥18,204 million to ¥153,630 million, work in process decreased ¥14,991 million to ¥61,916 million, and raw materials and supplies increased ¥3,473 million to ¥54,037 million.

**Inventories**

(billions of yen)



Property, plant and equipment decreased ¥109,133 million from the end of the previous fiscal year to ¥280,123 million.

Investments and other assets amounted to ¥288,599 million, up ¥27,828 million from the end of the previous fiscal year.

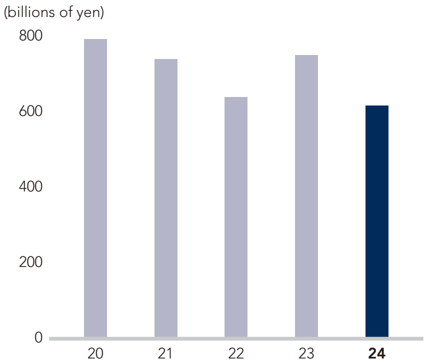
### Liabilities

Current liabilities decreased ¥26,206 million from the end of the previous fiscal year to ¥856,357 million. This result was mainly due to a decrease of ¥47,927 million in short-term borrowings, while accrued expenses increased by ¥10,015 million from the end of the previous year.

Non-current liabilities decreased ¥91,784 million from the end of the previous year to ¥576,250 million. This result was mainly due to a decrease of ¥85,104 million in long-term borrowings.

Interest-bearing debt totaled ¥617,592 million at the end of the fiscal year, down ¥133,546 million from the end of the previous fiscal year.

**Interest-Bearing Debt**

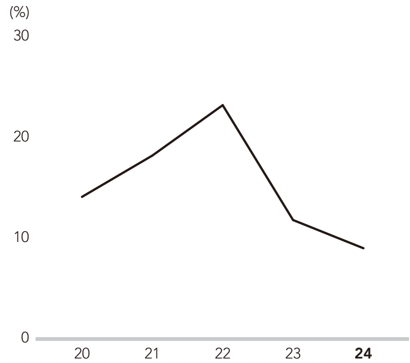



### Net Assets

Net assets amounted to ¥157,424 million, down ¥64,937 million compared to the previous fiscal year-end balance of ¥222,362 million. This result was mainly due to a decrease in retained earnings from the recording of loss attributable to owners of parent despite an increase in foreign currency translation adjustment due to the weakening yen.

Our equity ratio was 9.0%.

**Equity Ratio**



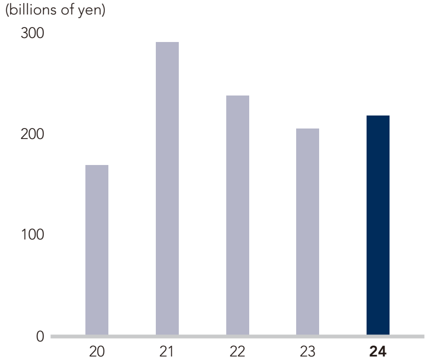

### Cash Flows

Cash and cash equivalents were ¥219,128 million, up ¥12,515 million from the end of the previous fiscal year.

Cash provided by operating activities amounted to ¥124,495 million, up ¥109,749 million compared to cash provided of ¥14,746 million in the previous fiscal year. This increase was mainly due to increases in cash flows of ¥41,628 million from changes in trade payables and ¥15,243 million from changes in accounts receivable-trade, and contract assets compared to the previous fiscal year. Although we recorded a ¥137,563 million loss before income taxes during the current fiscal year, this loss was mainly due to the recognition of non-cash impairment losses totaling ¥122,332 million.

Cash provided by investing activities totaled ¥10,875 million, up ¥51,843 million compared to cash used of ¥40,967 million in the previous fiscal year. Cash used in financing activities was ¥149,668 million, up ¥131,184 million compared to cash used of ¥18,483 million in the previous fiscal year. These results are mainly due to the repayment of long-term borrowings using funds from operating activities and withdrawals of time deposits, which reduced interest-bearing debt.

**Cash and Cash Equivalents**




Notes:
1. Effective from the consolidated fiscal year ended March 31 2024, Sharp has reclassified five segments, consisting of Smart Life, 8K Ecosystem, ICT, Display Device, and Electronic Device into five segments, consisting of Smart Life & Energy, Smart Office, Universal Network, Display Device, and Electronic Device. Figures for the fiscal year ended March 31, 2023 have been adjusted to reflect the new classification.
2. Sales figures by segment shown in Segment Information include internal sales and transfers among segments. Segment income figures are amounts before adjustment for intersegment transactions.
3. Capital investment figures shown in Capital Investment and Depreciation include the amount of leased assets.

# Consolidated Balance Sheets

Sharp Corporation and Consolidated Subsidiaries as of March 31, 2023 and 2024

| | Yen (millions) 2023 | Yen (millions) 2024 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and deposits (Notes 2 (c) and 6) | ¥ 262,058 | **¥ 227,130** |
| Notes and accounts receivable - trade and contract assets (Notes 2 (c), 2 (f), and 8) | 438,057 | **407,538** |
| Inventories (Notes 2 (b) and (c)) | 299,307 | **269,584** |
| Other (Notes 2 (c) and 7) | 90,713 | **90,998** |
| Allowance for doubtful accounts | (3,049) | **(5,024)** |
| Total current assets | 1,087,087 | **990,228** |
| **Non-current Assets** | | |
| Property, plant and equipment | | |
| Buildings and structures (Note 2 (c)) | 695,180 | **623,523** |
| Machinery, equipment and vehicles (Note 2 (c)) | 1,181,932 | **1,164,709** |
| Tools, furniture and fixtures (Note 2 (c)) | 170,801 | **144,944** |
| Land (Note 2 (c)) | 76,467 | **69,641** |
| Construction in progress | 24,982 | **7,126** |
| Other | 57,352 | **68,580** |
| Accumulated depreciation | (1,817,459) | **(1,798,401)** |
| Total property, plant and equipment | 389,257 | **280,123** |
| Intangible assets | | |
| Software | 23,322 | **20,988** |
| Goodwill | 6,284 | **5,422** |
| Other | 6,237 | **4,669** |
| Total intangible assets | 35,845 | **31,080** |
| Investments and other assets | | |
| Investment securities (Notes 2 (a), 2 (c), 8 and 9) | 216,207 | **238,581** |
| Retirement benefit asset (Note 12) | 6,214 | **5,363** |
| Deferred tax assets (Note 14) | 18,127 | **21,872** |
| Other (Notes 2 (c) and 7) | 22,667 | **24,268** |
| Allowance for doubtful accounts | (2,445) | **(1,485)** |
| Total investments and other assets | 260,770 | **288,599** |
| Total non-current assets | 685,873 | **599,803** |
| Total assets | ¥ 1,772,961 | **¥ 1,590,032** |

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

| | Yen (millions) 2023 | Yen (millions) 2024 |
|---|---|---|
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Notes and accounts payable — trade | ¥ 328,899 | **¥ 318,159** |
| Electronically recorded obligations — operating | 42,973 | **37,094** |
| Short-term borrowings (Notes 2 (c), 2 (g) and 11) | 163,896 | **115,969** |
| Lease liabilities | 18,966 | **16,264** |
| Accrued expenses | 114,638 | **124,653** |
| Provision for bonuses | 15,791 | **17,423** |
| Provision for product warranties | 12,165 | **16,685** |
| Provision for sales promotion expenses | 4,120 | **2,830** |
| Provision for restructuring | 1,024 | **4,903** |
| Other provisions | 6,104 | **7,702** |
| Other (Notes 2 (c), 2 (f) and 11) | 173,982 | **194,669** |
| Total current liabilities | 882,563 | **856,357** |
| **Non-current Liabilities** | | |
| Long-term borrowings (Notes 2 (c), 2 (g), 8 and 11) | 542,727 | **457,623** |
| Deferred tax liabilities (Note 14) | 15,065 | **20,345** |
| Provision for product warranties | 5,894 | **5,756** |
| Provision for restructuring | — | **6,286** |
| Other provisions | 2,669 | **2,991** |
| Retirement benefit liability (Note 12) | 72,019 | **52,911** |
| Other (Note 11) | 29,657 | **30,336** |
| Total non-current liabilities | 668,034 | **576,250** |
| Total liabilities | 1,550,598 | **1,432,607** |
| **NET ASSETS** | | |
| Shareholders' equity | | |
| Share capital | 5,000 | **5,000** |
| Capital surplus | 148,929 | **148,594** |
| Retained earnings | 59,802 | **(90,178)** |
| Treasury shares | (13,749) | **(13,387)** |
| Total shareholders' equity | 199,982 | **50,028** |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 26,469 | **40,396** |
| Deferred gains or losses on hedges | 475 | **508** |
| Foreign currency translation adjustment | (2,266) | **52,870** |
| Remeasurements of defined benefit plans | (16,211) | **(1,381)** |
| Total accumulated other comprehensive income | 8,467 | **92,393** |
| Share acquisition rights (Note 5 (b)) | 293 | **756** |
| Non-controlling interests | 13,618 | **14,246** |
| Total net assets | 222,362 | **157,424** |
| Total liabilities and net assets | ¥ 1,772,961 | **¥ 1,590,032** |

# Consolidated Statements of Operations

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years ended March 31, 2023 and 2024

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| **Net Sales (Notes 3 (a), 16 and 17)** | ¥ 2,548,117 | **¥ 2,321,921** |
| **Cost of Sales (Notes 3 (b) and (d))** | 2,217,285 | **1,974,032** |
| Gross profit | 330,831 | **347,888** |
| **Selling, General and Administrative Expenses (Notes 3 (c) and (d))** | 356,550 | **368,232** |
| Operating loss (Note 17) | (25,719) | **(20,343)** |
| **Non-operating Income** | | |
| Interest income | 2,681 | **4,556** |
| Dividend income | 1,533 | **1,865** |
| Rental income from non-current assets | 4,396 | **4,580** |
| Foreign exchange gains | 17,223 | **13,365** |
| Share of profit of entities accounted for using equity method | — | **8,359** |
| Investment income | 6,907 | **1,130** |
| Other | 7,942 | **6,225** |
| Total non-operating income | 40,683 | **40,084** |
| **Non-operating Expenses** | | |
| Interest expenses | 9,296 | **10,801** |
| Rental expense on non-current assets | 3,471 | **3,215** |
| Share of loss of entities accounted for using equity method | 20,401 | **—** |
| Inactive asset expenses | 4,221 | **3,725** |
| Other | 8,060 | **9,081** |
| Total non-operating expenses | 45,451 | **26,825** |
| Ordinary loss | (30,487) | **(7,084)** |
| **Extraordinary Income** | | |
| Gain on sale of non-current assets (Note 3 (e)) | 7,126 | **3,622** |
| Gain on sale of investment securities | 17 | **113** |
| Gain on sale of shares of subsidiaries and associates | — | **818** |
| Gain on step acquisitions (Note 3 (f)) | 12,422 | **1,312** |
| Gain on change in equity (Note 3 (g)) | 261 | **4,203** |
| Gain on reversal of liabilities (Note 3 (g)) | — | **4,863** |
| Gain on reversal of share acquisition rights | 4 | **1** |
| Total extraordinary income | 19,833 | **14,934** |
| **Extraordinary Losses** | | |
| Loss on sale and retirement of non-current assets (Note 3 (h)) | 1,269 | **1,370** |
| Impairment losses (Note 3 (i)) | 220,553 | **122,332** |
| Loss on valuation of investment securities | 138 | **2,885** |
| Loss from cancellation of made-to-order production (Note 3 (b) and (j)) | — | **4,718** |
| Loss on sale of businesses (Note 3 (k)) | — | **2,327** |
| Business restructuring expenses (Note 3 (l)) | 4,451 | **11,777** |
| Provision for loss on litigation (Note 3 (m)) | 1,976 | **—** |
| Total extraordinary losses | 228,389 | **145,413** |
| Loss before income taxes | (239,043) | **(137,563)** |
| **Income Taxes (Note 14)** | | |
| Current | 15,660 | **14,552** |
| Deferred | 6,950 | **(2,030)** |
| Total income taxes | 22,610 | **12,522** |
| **Loss** | (261,654) | **(150,085)** |
| Loss attributable to non-controlling interests | (814) | **(104)** |
| Loss attributable to owners of parent | ¥ (260,840) | **¥ (149,980)** |

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, 2023 and 2024

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| **Loss** | ¥ (261,654) | **¥ (150,085)** |
| **Other Comprehensive Income:** | | |
| Valuation difference on available-for-sale securities | 6,301 | **13,911** |
| Deferred gains or losses on hedges | (1,345) | **35** |
| Foreign currency translation adjustment | 14,868 | **51,492** |
| Remeasurements of defined benefit plans, net of tax | (12,657) | **14,763** |
| Share of other comprehensive income of entities accounted for using equity method | (7,882) | **5,464** |
| **Total other comprehensive income (Note 4)** | (714) | **85,667** |
| **Comprehensive Income** | (262,369) | **(64,418)** |
| Comprehensive income attributable to: | | |
| Owners of parent | (261,546) | **(66,054)** |
| Non-controlling interests | (822) | **1,636** |

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

# Consolidated Statements of Changes in Equity

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2023 and 2024

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

| | Yen (millions) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | | | |
| | Share capital | Capital surplus | Retained earnings (Note 5 (c)) | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasure-ments of defined benefit plans | Total accumu-lated other comprehensive income | Share acquisition rights (Note 5 (b)) | Non-controlling interests | Total net assets |
| **Balance at beginning of the year ended March 31, 2024** | ¥ 5,000 | ¥ 148,929 | ¥ 59,802 | ¥ (13,749) | ¥ 199,982 | ¥ 26,469 | ¥ 475 | ¥ (2,266) | ¥ (16,211) | ¥ 8,467 | ¥ 293 | ¥ 13,618 | ¥ 222,362 |
| Changes during period | | | | | | | | | | | | | |
| Loss attributable to owners of parent | | | **(149,980)** | | **(149,980)** | | | | | | | | **(149,980)** |
| Change in ownership interest of parent due to transactions with non-controlling interests | | **(2)** | | | **(2)** | | | | | | | | **(2)** |
| Purchase of treasury shares | | | | **(1)** | **(1)** | | | | | | | | **(1)** |
| Disposal of treasury shares | | **(333)** | | **363** | **29** | | | | | | | | **29** |
| Net changes in items other than shareholders' equity | | | | | | **13,926** | **33** | **55,136** | **14,829** | **83,926** | **463** | **627** | **85,017** |
| Total changes during period | **—** | **(335)** | **(149,980)** | **361** | **(149,954)** | **13,926** | **33** | **55,136** | **14,829** | **83,926** | **463** | **627** | **(64,937)** |
| **Balance at end of the year ended March 31, 2024** | **¥ 5,000** | **¥ 148,594** | **¥ (90,178)** | **¥ (13,387)** | **¥ 50,028** | **¥ 40,396** | **¥ 508** | **¥ 52,870** | **¥ (1,381)** | **¥ 92,393** | **¥ 756** | **¥ 14,246** | **¥ 157,424** |

# Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2023 and 2024

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| **Cash Flows from Operating Activities:** | | |
| Loss before income taxes | ¥ (239,043) | **¥ (137,563)** |
| Depreciation | 89,799 | **66,215** |
| Interest and dividend income | (4,214) | **(6,422)** |
| Interest expenses | 9,296 | **10,801** |
| Share of loss (profit) of entities accounted for using equity method | 20,401 | **(8,359)** |
| Investment expenses (income) | (6,907) | **(1,130)** |
| Loss (gain) on sale and retirement of non-current assets | (5,857) | **(2,251)** |
| Impairment losses | 220,553 | **122,332** |
| Loss (gain) on valuation of investment securities | 138 | **2,885** |
| Loss (gain) on sale of investment securities | (17) | **(113)** |
| Loss (gain) on sale of shares of subsidiaries and associates | — | **(818)** |
| Loss (gain) on step acquisitions | (12,422) | **(1,312)** |
| Loss (gain) on change in equity | (261) | **(4,203)** |
| Gain on reversal of liabilities | — | **(4,863)** |
| Loss from cancellation of made-to-order production | — | **4,718** |
| Loss on sale of businesses | — | **2,327** |
| Gain on reversal of share acquisition rights | (4) | **(1)** |
| Business restructuring expenses | 4,451 | **11,777** |
| Provision for loss on litigation | 1,976 | **—** |
| Decrease (increase) in trade receivables and contract assets | 41,579 | **56,822** |
| Decrease (increase) in accounts receivable — other | 2,207 | **(2,982)** |
| Decrease (increase) in inventories | 45,354 | **48,012** |
| Increase (decrease) in trade payables | (82,201) | **(40,572)** |
| Other, net | (44,484) | **24,802** |
| Subtotal | 40,343 | **140,102** |
| Interest and dividends received | 8,078 | **10,906** |
| Interest paid | (8,918) | **(8,661)** |
| Income taxes refund (paid) | (13,946) | **(10,052)** |
| Payments for business restructuring | (998) | **(4,210)** |
| Settlement paid | (9,813) | **(3,588)** |
| Net cash provided by (used in) operating activities | 14,746 | **124,495** |

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| **Cash Flows from Investing Activities:** | | |
| Payments into time deposits | (98,943) | **(12,004)** |
| Proceeds from withdrawal of time deposits | 91,739 | **61,231** |
| Purchase of property, plant and equipment | (43,565) | **(40,874)** |
| Proceeds from sale of property, plant and equipment | 9,828 | **5,149** |
| Purchase of intangible assets | (13,449) | **(11,699)** |
| Purchase of investment securities | (2,472) | **(1,871)** |
| Payments for sale of shares of subsidiaries resulting in change in scope of consolidation (Note 6 (b)) | — | **(364)** |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6 (c)) | (26) | **(166)** |
| Proceeds from sale of businesses | 619 | **—** |
| Other, net | 15,301 | **11,476** |
| Net cash provided by (used in) investing activities | (40,967) | **10,875** |
| **Cash Flows from Financing Activities:** | | |
| Net increase (decrease) in short-term borrowings | 25,854 | **7,439** |
| Proceeds from long-term borrowings | 1 | **11,203** |
| Repayments of long-term borrowings | (10,908) | **(157,207)** |
| Dividends paid | (24,425) | **(25)** |
| Other, net | (9,006) | **(11,077)** |
| Net cash provided by (used in) financing activities | (18,483) | **(149,668)** |
| **Effect of Exchange Rate Change on Cash and Cash Equivalents** | 9,859 | **26,812** |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (34,845) | **12,515** |
| **Cash and Cash Equivalents at Beginning of Period** | 239,359 | **206,612** |
| **Increase in Cash and Cash Equivalents Resulting from Share Exchanges (Note 6 (d))** | 2,099 | **—** |
| **Cash and Cash Equivalents at End of Period (Note 6 (a))** | ¥ 206,612 | **¥ 219,128** |

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

# Notes to Consolidated Financial Statements

Sharp Corporation and Consolidated Subsidiaries

## 1. Summary of Significant Accounting and Reporting Policies

### (a) Basis of presenting consolidated financial statements

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

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

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

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

### (b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 116 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 12 affiliates on which the Company has significant influence regarding their operating and financial policies are accounted for using equity method.

Changes in the consolidated subsidiaries for the fiscal year ended March 31, 2024 were as follows:

(Included in scope)

SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. (company name changed from FIT ELECTRONICS DEVICE PTE. LTD. on July 27, 2023)

And 4 others

(Excluded from scope)

Kantatsu Co., Ltd.

And 6 others

Changes in the nonconsolidated subsidiaries and affiliates accounted for using equity method for the fiscal year ended March 31, 2024 were as follows:

(Excluded from scope)

FIT ELECTRONICS DEVICE PTE. LTD

And 3 others

Sharp India Ltd. is the main nonconsolidated subsidiary.

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

### (c) Investment securities

Other securities

Securities other than shares with no available market prices

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

Shares with no available market prices

Valued primarily by the periodic average method.

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

### (d) Derivative financial instruments

Derivative financial instruments are stated at fair value.

### (e) Inventories

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

### (f) Depreciation and amortization

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

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

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

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

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

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

Depreciation of leased assets related to finance lease transactions that transfer ownership is computed by the same method as applied to non-current assets owned by the Company.

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

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

### (g) Allowance for doubtful accounts

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

The allowance for general receivables is primarily determined based on the historical bad debt ratio. The allowance for particular receivables, including those from debtors at risk of bankruptcy, is estimated for uncollectable amounts, which are determined by examining individual levels of recoverability on a case-by-case basis.

### (h) Provision for bonuses

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

### (i) Provision for product warranties

In order to prepare for expenses related to product quality assurance, the Company and its consolidated subsidiaries accrue estimated future warranty amounts based on past performance for after-sales service costs within the warranty period. Additionally, the expected costs for individual cases are also accrued.

### (j) Provision for loss from litigation

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

### (k) Provision for sales promotion expenses

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

### (l) Provision for restructuring

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

### (m) Defined benefit pension plan

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

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

### (n) Major recognition criteria for revenues and expenses

The Company and its consolidated subsidiaries ("the Group") recognize revenue based on the following five-step approach.

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

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

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

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

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

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

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

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

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

### (o) Significant hedge accounting methods

(1) Deferred and other hedge accounting methods

The Company uses deferred hedge accounting for foreign exchange forward contracts for certain consolidated subsidiaries and interest rate swaps of the Company. The allocation method is used for foreign exchange forward contracts that meet the requirements for the allocation method, and special accounting is used for interest rate swaps that meet the requirements for special accounting.

(2) Hedging instruments and hedged items

a. Hedging instrument: Foreign exchange forward contracts
Hedged items: Assets and liabilities denominated in foreign currencies (mainly receivables and payables related to export and import transactions)

b. Hedging instrument: interest rate swaps
Hedged items: Borrowings with variable interest rates

(3) Hedging policy

Foreign exchange forward contracts are used to hedge the exchange rate fluctuation risks associated with assets and liabilities in accordance with the Company's internal rules or the basic rules established under the Company's guidance. Furthermore, the Company uses interest rate swaps in order to hedge the interest rate fluctuation risks associated with borrowings from financial institutions.

(4) Method for evaluating hedge effectiveness

An evaluation of hedge effectiveness is omitted because the major conditions of the hedging instruments and the hedged items are consistent and the market fluctuations or cash flow fluctuations are assumed to be completely offset at the time of commencement of the hedge and thereafter on an ongoing basis.

### (p) Method and period for amortization of goodwill

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

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

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

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

### (r) Major accounting estimates

(1) Valuation of inventories

i) Amount recorded in the consolidated financial statements as of March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Inventories | ¥ 299,307 | **¥ 269,584** |

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

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

(2) Impairment losses on non-current assets

i) Amount recorded in the consolidated financial statements as of March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Property, plant and equipment | ¥ 389,257 | **¥ 280,123** |
| Intangible assets | 35,845 | **31,080** |
| Investment securities | 216,207 | **238,581** |

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

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

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

Additionally, investment securities of ¥238,581 million recorded in the fiscal year ended March 31, 2024 include investments in equity-method affiliates of ¥103,157 million. If the equity-method affiliates recognize impairment losses in the next fiscal year or thereafter, the Group may recognize the share of loss of entities accounted for using equity method in the consolidated financial statements.

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

As stated in "(d) Contingent liabilities" in "2. Notes to Consolidated Balance Sheets" in "Consolidated Financial Statements, etc.," the Company entered into long-term contracts with several suppliers with respect to electricity and other forms of input at the Sakai plant. Despite Sakai Display Products Corporation's decision to cease LCD panel production, the Company plans to continue to utilize the Sakai Plant and therefore no provision is recorded in the current consolidated fiscal year. The amount of future minimum payments under the contracts was disclosed as a contingent liability. It may be necessary in the next fiscal year or thereafter to record provisions, depending on the utilization status of the Sakai Plant.

### (s) Unapplied accounting standard

The accounting standards issued by March 31, 2024 but not yet applied as of March 31, 2024 were as follows.

The monetary impact arising from the application of this standard is under evaluation.

The Company and its domestic subsidiaries

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

### (t) Changes in presentation method

(Consolidated balance sheets)

(1) "Provision for loss on litigation," which was separately presented under "Current liabilities" in the fiscal year ended March 31, 2023, has been included in "Other provisions" under "Current liabilities" as its materiality has diminished in the consolidated balance sheets. Meanwhile, "Other provisions," which was included in "Other" under "Current liabilities" in the fiscal year ended March 31, 2023, has been separately presented in the fiscal year ended March 31, 2024 as its materiality has increased in the consolidated balance sheets. In order to reflect these changes in presentation methods, the consolidated financial statements for the fiscal year ended March 31, 2023 have been reclassified.

As a result, ¥614 million included in "Provision for loss on litigation" under "Current liabilities" and ¥179,472 million included in "Other" under "Current liabilities" in the consolidated balance sheets as of March 31, 2023, have been reclassified as ¥6,104 million in "Other provisions" and ¥173,982 million in "Other." "Provision for loss on litigation" as of March 31, 2024 is ¥477 million.

(2) "Deferred tax liabilities," "Provision for product warranties," and "Other provisions," which were included in "Other" under "Non-current liabilities" in the fiscal year ended March 31, 2023, have been separately presented in the fiscal year ended March 31, 2024 as their materiality has increased in the consolidated balance sheets. In order to reflect these changes in presentation methods, the consolidated financial statements for the fiscal year ended March 31, 2023 have been reclassified.

As a result, ¥53,287 million included in "Other" under "Non-current liabilities" in the fiscal year ended March 31, 2023, has been reclassified as ¥15,065 million in "Deferred tax liabilities," ¥5,894 million in "Provision for product warranties," ¥2,669 million in "Other provisions," and ¥29,657 million in "Other."

(Consolidated statements of operations)
"Rental expenses on non-current assets" and "Inactive asset expenses," which were included in "Other" under "Non-operating expenses" in the fiscal year ended March 31, 2023, are separately presented as their amounts increased to more than 10/100 of the total non-operating expenses. The consolidated financial statements for the fiscal year ended March 31, 2023 have been reclassified to reflect this change in presentation method.

As a result, ¥15,753 million included in "Other" under "Non-operating expenses" in the consolidated statements of operations as of March 31, 2023, has been reclassified as ¥3,471 million in "Rental expenses on non-current assets," ¥4,221 million in "Inactive asset expenses," and ¥8,060 million in "Other."

(Consolidated statements of cash flows)
"Purchase of shares of subsidiaries resulting in change in scope of consolidation," which was included in "Other" under "Cash flows from investing activities" in the fiscal year ended March 31, 2023, is separately presented as its materiality has increased. In order to reflect this change in presentation methods, the consolidated financial statements for the fiscal year ended March 31, 2023 have been reclassified.

Meanwhile, "Proceeds from sale of investment securities," which was separately presented under "Cash flows from investing activities" in the fiscal year ended March 31, 2023, is included in "Other" as its materiality has diminished.

As a result, in the Consolidated Statements of Cash Flows for the fiscal year ended March 31, 2023, ¥191 million in "Proceeds from sale of investment securities" and ¥15,083 million in "Other," which were presented under "Cash flows from investing activities," have been reclassified as ¥(26) million in "Purchase of shares of subsidiaries resulting in change in scope of consolidation" and ¥15,301 million in "Other."

### (u) Additional information

(Accounting for foreign exchange forward contracts)
The Company used the allocation method for its foreign currency forward contracts concerning monetary receivables and payables denominated in foreign currencies, and the deferred hedge method for those concerning forecasted transactions denominated in foreign currencies. However, as a result of changes in the method for managing foreign exchange forward contacts, the Company has switched from the above-mentioned methods to a fair value method, which is the principle method under the Accounting Standard for Financial Instruments, effective from the fiscal year ended March 31, 2024.

## 2. Notes to Consolidated Balance Sheets

### (a) Investment in nonconsolidated subsidiaries and affiliates

Investment in nonconsolidated subsidiaries and affiliates as of March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Investment securities | ¥ 89,855 | **¥ 104,283** |

### (b) Inventories

Inventories as of March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Finished goods | ¥ 171,835 | **¥ 153,630** |
| Work in process | 76,908 | **61,916** |
| Raw materials and supplies | 50,564 | **54,037** |
| | ¥ 299,307 | **¥ 269,584** |

### (c) Collateral assets and liabilities secured by collateral

Collateral assets and liabilities secured by collateral as of March 31, 2023 and 2024 were as follows:

(1) Assets pledged as collateral

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Cash and deposits | ¥ 50,023 | **¥ 2,903** |
| Notes and accounts receivable - trade and contract assets | 69,283 | **66,913** |
| Inventories | 81,591 | **64,966** |
| Other (Current assets) | 3,848 | **6,423** |
| Buildings and structures | 159,247 | **76,326** |
| Machinery, equipment and vehicles | 12,019 | **1,961** |
| Tools, furniture and fixtures | 1,237 | **636** |
| Land | 60,852 | **53,601** |
| Investment securities | 39,616 | **52,104** |
| Other (Investments and other assets) | 639 | **707** |
| | ¥ 478,361 | **¥ 326,545** |

(2) Liabilities secured by collateral

| | Yen (millions) 2023 | 2024 |
|---|---|---|
| Short-term borrowings | ¥ 46,430 | **¥ 73** |
| Other (Current liabilities) | 27,587 | **24,341** |
| Long-term borrowings | 426,693 | **373,899** |
| | ¥ 500,711 | **¥ 398,315** |

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, 2023 and 2024.

### (d) Contingent liabilities

(1) Guarantee liabilities

| | Yen (millions) 2023 | 2024 |
|---|---|---|
| Guarantee for employee mortgages | ¥ 3,073 | **¥ 2,409** |
| Guarantee for borrowings of invested companies | | |
| Sermsang Power Corporation Public Company Limited | 198 | **184** |
| | ¥ 3,272 | **¥ 2,593** |

(2) Endorsed trade notes receivable

| | Yen (millions) 2023 | 2024 |
|---|---|---|
| Endorsed trade notes receivable | ¥ 191 | **¥ 91** |

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

Fiscal year ended March 31, 2023

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, 2023 were ¥4,891 million (longest remaining term was 6 years). No contract can be terminated before expiration.

Fiscal year ended March 31, 2024

The Company entered into long-term contracts with several suppliers with respect to electricity and other inputs at the Sakai plant.

Sakai Display Products Corporation has decided to cease LCD panel production, but use of electricity is expected to continue as the Company plans to continue to utilize the Sakai Plant. The total amount of future minimum payments under these contracts as of March 31, 2024 was ¥38,458 million (the remaining term was 6 years).

The total amount of future minimum payments under long-term contracts with respect to electricity and other input for businesses other than the above as of March 31, 2024 was ¥1,237 million (the longest remaining term was 5 years).

None of these long-term contracts 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, 2023 and 2024 were as follows.

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

| | Yen (millions) 2023 | 2024 |
|---|---|---|
| Total amount of investment commitment | ¥ 132,540 | **¥ 151,400** |
| Contribution made | 115,755 | **132,226** |
| Remaining committed contribution | ¥ 16,784 | **¥ 19,173** |

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

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Receivables arising from contracts with customers | ¥ 433,106 | **¥ 401,308** |
| Notes receivable | 5,123 | **4,864** |
| Accounts receivable | 427,983 | **396,443** |
| Contract assets | ¥ 4,951 | **¥ 6,230** |
| Contract liabilities | 86,838 | **112,145** |

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

On May 14, 2024, Sakai Display Products Corporation, a consolidated subsidiary, resolved to cease production at the Sakai Plant. The above contract liabilities include advance payments for promised products of ¥45,033 million received by Sakai Display Products Corporation.

### (g) Financial covenants

The Company's principal loan agreements, syndicated loan agreements and commitment line agreements, are subject to financial covenants. If the Group's consolidated net assets and consolidated ordinary income fall below certain levels, or if the Company or any of its consolidated subsidiaries becomes insolvent, benefit of time of such loans may be forfeited upon demand by the lending financial institutions.

Although some violations of the above financial covenants occurred at the end of the current consolidated fiscal year, the Company has obtained the consent of the financial institutions that they will not demand forfeiture of the benefit of time.

The outstanding borrowings under the above main agreements subject to financial covenants were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Short-term borrowings | ¥ 28,000 | **¥ 35,000** |
| Long-term borrowings | 426,693 | **373,899** |

## 3. Notes to Consolidated Statements of Operations

### (a) Revenue from contracts with customers

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

### (b) Inventory valuation loss

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

Net inventory valuation losses (after offsetting the reversal amount) included in the cost of sales and extraordinary losses (loss from cancellation of made-to-order production) for the fiscal years ended March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Cost of sales | ¥3,204 | **¥ 527** |
| Loss from cancellation of made-to-order production | — | **2,059** |

### (c) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Salaries and allowances | ¥ 121,538 | **¥ 126,025** |
| Retirement benefit expenses | 3,188 | **4,720** |
| Transportation and storage costs | 44,606 | **44,364** |
| Research and development expenses | 17,013 | **19,688** |

### (d) Research and development expenses

Research and development expenses included in general and administrative expenses and cost of manufacturing were ¥78,712 million for the fiscal year ended March 31, 2023 and ¥73,015 million for the fiscal year ended March 31, 2024.

### (e) Gain on sale of non-current assets

Major components of gain on sale of non-current assets for the fiscal years ended March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Buildings and structures | ¥ 45 | **¥ 3** |
| Machinery, equipment and vehicles | 805 | **731** |
| Tools, furniture and fixtures | 308 | **215** |
| Land | 5,934 | **2,655** |
| Software | — | **1** |
| Other | 33 | **13** |
| | ¥ 7,126 | **¥ 3,622** |

### (f) Gain on step acquisitions

Fiscal year ended March 31, 2023

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

Fiscal year ended March 31, 2024

FIT ELECTRONICS DEVICE PTE. LTD., which was previously an equity-method affiliate, has been made a wholly owned subsidiary of the Group through the acquisition of all of its shares and included in the scope of consolidation.

The company was renamed SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. effective July 27, 2023.

### (g) Gain on change in equity and Gain on reversal of liabilities

Fiscal year ended March 31, 2024

Gain on change in equity was recorded as share of equity in SDP Global (China) Co., Ltd. (hereinafter, “SDP Global”), which is an equity-method affiliate of Sakai Display Products Corporation (hereinafter, “SDP”), which in turn is a consolidated subsidiary of the Company, decreased from 40.9% to 36.1%.

This change in equity is contingent on the new shareholder of SDP Global, assuming part of SDP’s liabilities, and gain on reversal of liabilities is recorded for the amount of liabilities thus assumed.

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

Major components of loss on sale and retirement of non-current assets for the fiscal years ended March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Loss on sale: | | |
| Buildings and structures | ¥ 166 | **¥ 373** |
| Machinery, equipment and vehicles | 1 | **8** |
| Tools, furniture and fixtures | 2 | **109** |
| Other | — | **7** |
| | ¥ 170 | **¥ 498** |
| Loss on retirement: | | |
| Buildings and structures | ¥ 300 | **¥ 196** |
| Machinery, equipment and vehicles | 583 | **607** |
| Tools, furniture and fixtures | 28 | **51** |
| Software | 184 | **11** |
| Other | 1 | **5** |
| | ¥ 1,098 | **¥ 872** |
| Total: | | |
| Buildings and structures | ¥ 467 | **¥ 569** |
| Machinery, equipment and vehicles | 585 | **615** |
| Tools, furniture and fixtures | 31 | **161** |
| Software | 184 | **11** |
| Other | 1 | **12** |
| | ¥ 1,269 | **¥ 1,370** |

### (i) Impairment losses

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

Fiscal year ended March 31, 2023

| Use | Type | Location |
|---|---|---|
| Business assets, other<br>(8K Ecosystem sales-related assets, etc.) | Buildings and structures, tools, furniture and fixtures, construction in progress, software, goodwill, etc. | Tochigi, Japan<br>Kanagawa, Japan<br>U.S.A., etc. |
| Business assets<br>(ICT sales-related assets, etc.) | Buildings and structures, tools, furniture and fixtures, software, etc. | Tokyo, Germany, France, etc. |
| Business assets, other<br>(Display Device LCD business-related production facilities, etc.) | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, construction in progress, software, goodwill, etc. | Osaka, Japan |
| Business assets<br>(Display Device OLED business-related production facilities, etc.) | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, construction in progress, software | Osaka, Japan |
| Business assets<br>(Electronic Device production facilities, etc.) | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, software, etc. | China, etc. |
| Idle assets | Machinery, equipment and vehicles, tools, furniture and fixtures, etc. | Mie, Japan<br>China, etc. |

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

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

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

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

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

# Notes to Consolidated Financial Statements

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

Fiscal year ended March 31, 2024

| Use | Type | Location |
|---|---|---|
| Business assets<br>(Display device medium and small-sized LCD panel business-related production facilities, etc.) | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, construction in progress, software, etc. | Mie, Japan<br>Ishikawa, Japan |
| Business assets<br>(Display Device large-sized LCD panel business-related production facilities, etc.) | Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, construction in progress, software | Osaka, Japan |
| Other<br>(Display Device business-related) | Goodwill | — |
| Idle assets<br>(Display Device business-related) | Machinery, equipment and vehicles, tools, furniture and fixtures, construction in progress, software, etc. | China |

Assets for the Display Device unit related to medium and small-sized LCD businesses in Mie and Ishikawa prefectures are factories, equipment, etc. owned by the Company and its consolidated subsidiaries, including Sharp Display Technology Corporation. These assets were grouped by factories, and the common assets were then identified in a larger group that includes jointly used assets. The business environment for medium and small-sized LCD panels became more difficult than expected due to the slow recovery of demand for computer and tablet applications, and the investment amount became unrecoverable due to decreasing profitability. Therefore, the companies reduced the assets' book value to a recoverable value and recognized an impairment loss of ¥109,109 million under extraordinary losses. Details were ¥72,375 million for buildings and structures, ¥11,639 million for machinery, equipment, and vehicles, ¥1,485 million for tools, furniture and fixtures, ¥6,475 million for land, ¥14,896 million for construction in progress, ¥144 million for software, and ¥2,095 million for other. The estimated recoverable amount was evaluated at a net realizable value of ¥34,186 million, based on the appraisal results.

Large-sized LCD panel-related business assets of the Display Device unit in Osaka, where the cash generating unit is identified on a consolidated basis, are a part of LCD panel production equipment and other assets owned by a consolidated subsidiary. As the investment amount became unrecoverable due to decreasing profitability, their book value was reduced to a recoverable value, recognizing an impairment loss of ¥4,785 million under extraordinary losses. Details were ¥19 million for buildings and structures, ¥503 million for machinery, equipment, and vehicles, ¥214 million for tools, furniture, and fixtures, ¥4,043 million for construction in progress, and ¥5 million for software. The estimated recoverable amount was a net realizable value.

Goodwill related to the Display Device unit was generated when SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. and its two subsidiaries became the Company's consolidated subsidiaries. The goodwill and the business assets of the subsidiaries are grouped on a consolidated basis. As the investment amount became unrecoverable due to decreasing profitability, the book value was reduced to a recoverable value, recognizing an impairment loss of ¥2,896 million under extraordinary losses. The estimated recoverable amount for goodwill was zero and that for business assets other than goodwill was a net realizable value.

The book value of idle assets of some consolidated subsidiaries in China was reduced to a recoverable value because they were no longer expected to be used in the future. The decrease (¥5,541 million) was recognized as an impairment loss under extraordinary losses. Details were ¥398 million for machinery, equipment, and vehicles, ¥14 million for tools, furniture, and fixtures, ¥4,993 million for construction in progress, ¥20 million for software, and ¥113 million for other. The estimated recoverable amount was evaluated at zero as the net realizable value.

**(j) Loss from cancellation of made-to-order production**

Fiscal year ended March 31, 2024

This loss was incurred due to customer cancellation of a new product development project, for which the Company's consolidated subsidiary had received an order to produce custom-made parts. The Company is in a process of claiming compensation from the customer, but the amount of compensation has not been determined because the customer has not completed confirmation of the details of the claim, and therefore, no income from compensation is recorded in the fiscal year ended March 31, 2024.

Details of the loss were ¥2,059 million in inventory write-down, ¥619 million in impairment loss of machinery and equipment, and ¥2,040 million in estimated future losses on ordered parts, machinery, equipment, etc.

(Impairment losses)

| Use | Type | Location |
|---|---|---|
| Business assets<br>(Display Device production facilities, etc.) | Machinery, equipment, and vehicles,<br>construction in progress, software | Vietnam |

The Group identifies cash generating units through consideration of business characteristics and business operations. Idle assets are identified as separate cash generating units.

The book value of business assets in Vietnam owned by a consolidated subsidiary in Japan was reduced to a recoverable value because the assets are no longer expected to be used in the future due to the cancellation of a new product development project by a customer, resulting in ¥619 million extraordinary losses. Details were ¥565 million for machinery, equipment, and vehicles, ¥14 million for construction in progress, and ¥40 million for software. The estimated recoverable amount was evaluated at zero as the net realizable value.

**(k) Loss on sale of businesses**

Fiscal year ended March 31, 2024

The loss resulted from the transfer of shares of Kantatsu Co., Ltd., which had been a consolidated subsidiary of the Company, and receivables from the subsidiary to Eiki Shoji Co., Ltd.

**(l) Business restructuring expenses**

Fiscal year ended March 31, 2023

Business restructuring expenses include severance charges associated with the ICT business in Europe.

Fiscal year ended March 31, 2024

Details of business restructuring expenses were as follows:

(1) Provision for long-term contracts for pure water, gas, etc. due to the cease of production at the Sakai Plant (¥8,705 million)
Provision was recorded for the estimated remaining obligations for the Company's long-term contracts for supply of pure water, gas, and others at the Sakai Plant, without expectation for further usage due to the decision by Sakai Display Products Corporation to cease production at the Sakai Plant.

(2) Expenses for termination of the OLED business in the Display Device unit (¥1,154 million)
Expenses to terminate the OLED business of the Sharp Display Technology Corporation

(3) Severance charges (¥1,917 million) associated with restructuring of the Universal Network unit
Severance charges associated with restructuring of the Universal Network unit (TV system business) in Asia

**(m) Provision for loss on litigation**

Fiscal year ended March 31, 2023

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

## 4. Notes to Consolidated Statements of Comprehensive Income

Summary of amounts of reclassification adjustments and their tax effects to other comprehensive income as of March 31, 2023 and 2024 were as follows:

| | Yen (millions) 2023 | **2024** |
|---|---|---|
| Valuation difference on available-for-sale securities | | |
| Amount arising during the year | ¥ 9,169 | **¥ 23,024** |
| Reclassification adjustment | 1 | **(3,156)** |
| Before tax effect | 9,170 | **19,867** |
| Tax effect | (2,869) | **(5,955)** |
| Valuation difference on available-for-sale securities | ¥ 6,301 | **¥ 13,911** |
| Deferred gains or losses on hedges | | |
| Amount arising during the year | ¥ (2,270) | **¥ 546** |
| Reclassification adjustment | (527) | **(400)** |
| Before tax effect | (2,798) | **145** |
| Tax effect | 1,452 | **(110)** |
| Deferred gains or losses on hedges | ¥ (1,345) | **¥ 35** |
| Foreign currency translation adjustment | | |
| Amount arising during the year | ¥ 14,868 | **¥ 50,973** |
| Reclassification adjustment | — | **518** |
| Foreign currency translation adjustment | ¥ 14,868 | **¥ 51,492** |
| Remeasurements of defined benefit plans, net of tax | | |
| Amount arising during the year | ¥ (15,412) | **¥ 11,004** |
| Reclassification adjustment | 870 | **3,706** |
| Before tax effect | (14,541) | **14,710** |
| Tax effect | 1,884 | **53** |
| Remeasurements of defined benefit plans, net of tax | ¥ (12,657) | **¥ 14,763** |
| Share of other comprehensive income of entities accounted for using equity method | | |
| Amount arising during the year | ¥ (4,394) | **¥ 5,998** |
| Reclassification adjustment | (3,488) | **(533)** |
| Share of other comprehensive income of entities accounted for using equity method | ¥ (7,882) | **¥ 5,464** |
| **Total other comprehensive income** | ¥ (714) | **¥ 85,667** |

## 5. Notes to Consolidated Statements of Changes in Equity

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

Class and total number of issued shares and treasury shares for the fiscal years ended March 31, 2023 and 2024 were as follows:

Fiscal year ended March 31, 2023

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

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

Fiscal year ended March 31, 2024

| | (Thousands of shares) Number of shares as of March 31, 2023 | Increase in number of shares | Decrease in number of shares | **Number of shares as of March 31, 2024** |
|---|---|---|---|---|
| Issued shares | | | | |
| Common shares | 650,406 | — | — | **650,406** |
| Total | 650,406 | — | — | **650,406** |
| Treasury shares | | | | |
| Common shares | 1,133 | 2 | 30 | **1,105** |
| Total | 1,133 | 2 | 30 | **1,105** |

Notes: 1. The increase of 2 thousand shares of treasury shares was due to the purchase of shares less than one trading unit.
2. The decrease of 30 thousand treasury shares was due to the disposition of treasury shares as restricted stock compensation.

### (b) Share acquisition rights and treasury share acquisition rights

Share acquisition rights and treasury share acquisition rights for the fiscal years ended March 31, 2023 and 2024 were as follows:

Fiscal year ended March 31, 2023

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

Fiscal year ended March 31, 2024

| | | | Number of shares underlying the share acquisition rights (Share) | | | | |
|---|---|---|---|---|---|---|---|
| Classification | Description of share acquisition rights | Class of shares underlying the share acquisition rights | Number of shares as of March 31, 2023 | Increase in number of shares | Decrease in number of shares | **Number of shares as of March 31, 2024** | **Balance as of March 31, 2024 (Millions of yen)** |
| The Company | Share acquisition rights as a stock option | — | — | — | — | **—** | **756** |
| Total | | — | — | — | — | **—** | **756** |

### (c) Dividends

Fiscal year ended March 31, 2023

(1) Dividends paid

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

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

Fiscal year ended March 31, 2024

(1) Dividends paid: Not applicable

(2) Dividends for which the record date belonged to the fiscal year ended March 31, 2024, but the effective date falling in the fiscal year ended March 31, 2025: Not applicable

## 6. Notes to Consolidated Statements of Cash Flows

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

| | Yen (millions) 2023 | 2024 |
|---|---|---|
| Cash and deposits | ¥ 262,058 | **¥ 227,130** |
| Time deposits with maturity over 3 months and others | (55,445) | **(8,001)** |
| Cash and cash equivalents | ¥ 206,612 | **¥ 219,128** |

### (b) Major components of assets and liabilities of subsidiaries excluded from the scope of consolidation due to sale of shares

Fiscal year ended March 31, 2024

The Company transferred its shares of Kantatsu Co., Ltd., a consolidated subsidiary of the Company, and receivables from Kantatsu Co., Ltd. to Eiki Shoji Co., Ltd. As a result, Kantatsu Co., Ltd. and its subsidiary Pinghu Kantatsu Fine Technology Co., Ltd. were excluded from the scope of consolidation. Assets and liabilities related to the sale and the relationship between the sale price of the business and the payments for sale were as follows:

| | Yen (millions) |
|---|---|
| Current assets | **¥ 1,450** |
| Non-current assets | **687** |
| Current liabilities | **(1,048)** |
| Non-current liabilities | **(175)** |
| Foreign currency translation adjustment | **1,401** |
| Other | **12** |
| Loss on sale of businesses | **(2,327)** |
| Business sale price | **0** |
| Cash and cash equivalents | **124** |
| Loan advances to the target company that took place between the date of deconsolidation and the date of business divestiture | **240** |
| Payments for sale of shares of subsidiaries resulting in change in the scope of consolidation | **¥ 364** |

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

Fiscal year ended March 31, 2023

The information is omitted as it was immaterial.

Fiscal year ended March 31, 2024

In the consolidation of FIT ELECTRONICS DEVICE PTE. LTD., previously an equity-method affiliate, and its two subsidiaries by additional share acquisitions, assets and liabilities at initial consolidation and the relationship between the share acquisition cost and (net) payments for acquisition were as follows.

The company was renamed SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. effective July 27, 2023.

| | Yen (millions) |
|---|---|
| Current assets | **¥ 2,943** |
| Non-current assets | **1,247** |
| Goodwill | **3,872** |
| Current liabilities | **(3,119)** |
| Non-current liabilities | **(844)** |
| Foreign currency translation adjustment | **(403)** |
| Acquisition cost of shares | **3,695** |
| Accounts payable – other | **(1,586)** |
| Cash and cash equivalents | **(476)** |
| Market value of shares held immediately before the business combination as of the date of the business combination | **(1,810)** |
| Foreign exchange difference | **266** |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | **¥ 88** |

The amounts of assets and liabilities of other companies newly consolidated as a result of share acquisitions in the current fiscal year are omitted as they were immaterial.

### (d) Major components of assets and liabilities of newly consolidated subsidiaries acquired by share exchanges

Fiscal year ended March 31, 2023

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

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

Fiscal year ended March 31, 2024

Not applicable

### (e) Significant non-cash transactions

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Increase in capital surplus resulting from the share exchange | ¥ 40,337 | **¥ —** |

## 7. Leases

**Finance leases**

**(a) As lessee**

(1) Finance lease transactions that transfer ownership

The information is omitted as it was immaterial.

(2) Finance lease transactions that do not transfer ownership, and right-of-use assets at subsidiaries applying IFRS 16

i) Description of leased assets

Property, plant, and equipment

Mainly offices (buildings)

ii) Depreciation of leased assets

In accordance with "(f) Depreciation and amortization" under "1. Summary of Significant Accounting and Reporting Policies"

**(b) As lessor**

The information is omitted as it was immaterial.

### Operating leases

### (a) As lessee

The balance of remaining lease payments for non-cancelable contracts as of March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Due within one year | ¥ 6 | **¥ 6** |
| Due after one year | 73 | **67** |
| Total | ¥ 79 | **¥ 73** |

### (b) As lessor

Future lease receipts for non-cancelable contracts as of March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Due within one year | ¥ 1,383 | **¥ 2,282** |
| Due after one year | 1,795 | **2,692** |
| Total | ¥ 3,179 | **¥ 4,975** |

## 8. Financial Instruments

### (a) Qualitative information on financial instruments

(1) Policies for financial instruments

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

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

(2) Description and risks of financial instruments

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

Other securities are held for long term to develop better business alliances and relationships with the Company's customers and suppliers, and are exposed to market price fluctuation risks. The main purpose of long-term borrowings is to procure funds necessary for capital investments. The longest repayment term is 13 years and 4 months from March 31, 2024.

Derivative transactions consist primarily of forward exchange contracts, which are used to hedge foreign currency risk exposure, and interest rate swaps to hedge against the risk of fluctuations in interest rates on borrowings. For hedging instruments, hedged items, hedging policies and assessment methods of effectiveness of hedging instruments, see "(o) Significant hedge accounting methods" 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 policy. The Finance Division of Finance and Administration Office executes transactions and reports the results of such transactions to the Accounting Division of Finance and Administration Office on a daily basis. The Accounting Division has set up a specialized section for monitoring transaction results and position management and reports the results of transactions to the head of Finance and Administration Office on a daily basis.

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

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

iii) Management of liquidity risks in financing activities

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

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

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

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

## (b) Fair value of financial instruments

The consolidated balance sheet amounts, fair values and their differences as of March 31, 2023 and 2024 are included in the tables below.

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

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

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

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

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

| | Yen (millions) 2024 Consolidated balance sheet amount | Fair Value | Difference |
|---|---|---|---|
| (1) Notes and accounts receivable — trade*1 | **¥ 401,308** | **¥ 397,103** | **¥ (4,204)** |
| (2) Securities and investment securities*2 | | | |
| 1) Shares of subsidiaries and affiliates | **0** | **2,602** | **2,602** |
| 2) Other securities | **54,131** | **54,131** | **—** |
| Total assets | **¥ 455,439** | **¥ 453,837** | **¥ (1,601)** |
| (1) Long-term borrowings | **457,623** | **457,469** | **(153)** |
| Total liabilities | **¥ 457,623** | **¥ 457,469** | **¥ (153)** |
| Derivative transactions*3 | | | |
| 1) Derivative transactions — hedge accounting not applied | **¥ 3,945** | **¥ 3,945** | **¥ —** |
| 2) Derivative transactions — hedge accounting applied | **634** | **634** | **—** |
| Total derivative transactions | **¥ 4,579** | **¥ 4,579** | **¥ —** |

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

| Classification | Yen (millions) 2024 |
|---|---|
| Unlisted stocks | **¥ 49,630** |
| Investment in capital | **134,819** |

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

Note 1: Aggregate maturity of cash and deposits, and receivables as of March 31, 2023 and 2024 were as follows:

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

| | Yen (millions) 2024 Cash and deposits | Notes and accounts receivable – trade | Total |
|---|---|---|---|
| Due within one year | **¥ 227,130** | **¥ 390,110** | **¥ 617,240** |
| Due after one year, within five years | **—** | **9,017** | **9,017** |
| Due after five years, within ten years | **—** | **287** | **287** |
| Due after ten years | **—** | **1,892** | **1,892** |

Note 2: Repayment schedule for loans after closing date

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

| | Yen (millions) 2024 Short-term borrowings | Long-term borrowings | Total |
|---|---|---|---|
| Due within one year | **¥ 115,969** | **¥ —** | **¥ 115,969** |
| Due after one year, within two years | **—** | **10,002** | **10,002** |
| Due after two years, within three years | **—** | **447,605** | **447,605** |
| Due after three years, within four years | **—** | **1** | **1** |
| Due after four years, within five years | **—** | **1** | **1** |
| Due after five years | **—** | **12** | **12** |

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

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

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

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

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

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

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

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

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

| | Yen (millions) | | | |
|---|---|---|---|---|
| | **2024** | | | |
| | Fair value | | | |
| Classification | Level 1 | Level 2 | Level 3 | Total |
| Securities and investment securities | | | | |
| Other securities | **¥ 54,131** | **¥ —** | **¥ —** | **¥ 54,131** |
| Derivative transactions* | | | | |
| Currency-related | **—** | **4,579** | **—** | **4,579** |
| Total assets | **¥ 54,131** | **¥ 4,579** | **¥ —** | **¥ 58,710** |

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

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

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

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

| | Yen (millions) | | | |
|---|---|---|---|---|
| | **2024** | | | |
| | Fair value | | | |
| Classification | Level 1 | Level 2 | Level 3 | Total |
| Notes and accounts receivable — trade | **¥ —** | **¥ 397,103** | **¥ —** | **¥ 397,103** |
| Securities and investment securities | | | | |
| Shares of subsidiaries and affiliates | **2,602** | **—** | **—** | **2,602** |
| Total assets | **¥ 2,602** | **¥ 397,103** | **¥ —** | **¥ 399,706** |
| Long-term borrowings | **—** | **457,469** | **—** | **457,469** |
| Total liabilities | **¥ —** | **¥ 457,469** | **¥ —** | **¥ 457,469** |

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

Securities and investment securities

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

Derivative transactions

The fair value of forward exchange contracts is calculated based on observable inputs such as exchange rates and is classified as Level 2 fair value. In the allocation methods for forward exchange contracts used at some subsidiaries, they are treated as an integral part of receivables and payables that are hedged, and their fair value is therefore included in the fair value of relevant receivables and payables.

In special accounting for interest rate swaps, they are treated as an integral part of long-term borrowings that are hedged, and therefore, their fair value is included in the fair value of the relevant long-term borrowings.

Notes and accounts receivable — trade

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

The fair value of accounts receivable — trade that takes a long time to collect is determined based on the present value, which is calculated by dividing receivables into certain periods and discounting the amount by different interest rates considering period to maturity and credit risks of each receivable, and is classified as Level 2 fair value.

Long-term borrowings

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

## 9. Investment Securities

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

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

Equity securities and others that do not have market prices (¥85,452 million on Consolidated Balance Sheets) are not included in the above table.

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

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

Information on other securities as of March 31, 2024 was as follows:

| | Yen (millions) | | | |
|---|---|---|---|---|
| | **2024** | | | |
| | Acquisition cost | Unrealized gains | Unrealized losses | Fair market value |
| Equity securities | **¥ 16,905** | **¥ 37,226** | **¥ 0** | **¥ 54,131** |
| | **¥ 16,905** | **¥ 37,226** | **¥ 0** | **¥ 54,131** |

Equity securities and others that do not have market prices (¥80,166 million on Consolidated Balance Sheets) are not included in the above table.

The proceeds from sales of other securities were ¥113 million for the fiscal year ended March 31, 2024. The gross realized gains on those sales were ¥113 million for the fiscal year ended March 31, 2024.

Impairment losses recorded for unlisted stocks of other securities were ¥2,885 million for the fiscal year ended March 31, 2024.

Impairment losses are recorded for the amount deemed necessary in the event that the real value of unlisted stocks of other securities has declined by 50% or more compared to the acquisition cost at the end of the fiscal year and is not expected to recover.

## 10. Derivative Transactions

### (a) Derivative transactions — hedge accounting not applied

Currency-related transactions

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

| Classification | Type of derivatives | Yen (millions) 2024 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 | **¥ 172,475** | **¥ —** | **¥ (1,849)** | **¥ (1,849)** |
| | Euro | **12,487** | **—** | **(9)** | **(9)** |
| | New Zealand dollar | **2,748** | **—** | **30** | **30** |
| | Danish krone | **264** | **—** | **(0)** | **(0)** |
| | Norwegian krone | **197** | **—** | **0** | **0** |
| | Canadian dollar | **155** | **—** | **(0)** | **(0)** |
| | Swedish krona | **115** | **—** | **0** | **0** |
| | Australian dollar | **93** | **—** | **(0)** | **(0)** |
| | Buy | | | | |
| | U.S. dollar | **247,808** | **—** | **5,784** | **5,784** |
| | Euro | **8,539** | **—** | **(44)** | **(44)** |
| | Pound sterling | **6,440** | **—** | **20** | **20** |
| | Canadian dollar | **1,111** | **—** | **12** | **12** |
| Total | | **¥ 452,439** | **¥ —** | **¥ 3,945** | **¥ 3,945** |

### (b) Derivative transactions — hedge accounting applied

(1) Currency-related transactions

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

| Hedge accounting method | Type of derivatives | Main hedged item | Yen (millions) 2024 Contract amount | Amount of contract due after one year | Fair value |
|---|---|---|---|---|---|
| Principle-based accounting | Forward exchange contracts | | | | |
| | Sell | Accounts receivable — trade | | | |
| | U.S. dollar | | **¥ 10,840** | **¥ —** | **¥ (236)** |
| | Pound sterling | | **1,081** | **—** | **(4)** |
| | Swiss franc | | **164** | **—** | **2** |
| | Swedish krona | | **133** | **—** | **2** |
| | Polish zloty | | **103** | **—** | **0** |
| | Czech koruna | | **66** | **—** | **0** |
| | Danish krone | | **63** | **—** | **0** |
| | Norwegian krone | | **47** | **—** | **0** |
| | Hungarian forint | | **14** | **—** | **(0)** |
| | Buy | Accounts payable — trade | | | |
| | U.S. dollar | | **33,147** | **—** | **868** |
| | Japanese yen | | **1** | **—** | **0** |
| Allocation accounting | Forward exchange contracts | | | | |
| | Sell | Accounts receivable — trade | | | |
| | U.S. dollar | | **6,734** | **—** | |
| | Euro | | **4,052** | **—** | |
| | South African rand | | **40** | **—** | **(Note)** |
| | Buy | Accounts payable — trade | | | |
| | U.S. dollar | | **14,925** | **—** | |
| | Japanese yen | | **127** | **—** | |
| | Euro | | **25** | **—** | |
| Total | | | **¥ 71,570** | **¥ —** | **¥ 634** |

Note: In the allocation accounting for forward exchange contracts, they are treated as an integral part of receivables and payables that are hedged, and their fair value is therefore included in the fair value of relevant receivables and payables.

(2) Interest rate-related transactions

| Hedge accounting method | Type of derivatives | Main hedged item | Yen (millions) 2023 Contract amount | Amount of contract due after one year | Fair value |
|---|---|---|---|---|---|
| Principle-based accounting | Interest rate swaps | Long-term borrowings | | | |
| | Pay fixed/receive floating | | ¥ 20,000 | ¥ — | ¥ (10) |

| Hedge accounting method | Type of derivatives | Main hedged item | Yen (millions) 2024 Contract amount | Amount of contract due after one year | Fair value |
|---|---|---|---|---|---|
| Special accounting for interest rate swaps | Interest rate swaps | Long-term borrowings | | | |
| | Pay fixed/receive floating | | **¥ 20,000** | **¥ 20,000** | **(Note)** |

Note: In the special accounting for interest rate swaps, they are treated as an integral part of the long-term borrowings that are hedged, and their fair value is therefore included in the fair value of the relevant long-term borrowings.

## 11. Bonds Payable, Borrowings and Lease Liabilities

### (a) Bonds payable

Not applicable for the fiscal years ended March 31, 2023 and 2024

### (b) Borrowings and lease liabilities

Borrowings and lease liabilities as of March 31, 2023 and 2024 consisted of the following:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Short-term borrowings with the following interest rates 1.1% as of March 31, 2023 and 2.2% as of March 31, 2024 | ¥ 86,387 | **¥ 96,684** |
| Current portion of long-term borrowings with the following interest rates 2.5% as of March 31, 2023 and 1.8% as of March 31, 2024 | 77,508 | **19,284** |
| Current portion of lease liabilities with the following interest rates 1.9% as of March 31, 2023 and 1.6% as of March 31, 2024 | 18,966 | **16,264** |
| Long-term borrowings (except portion due within one year) with the following interest rates 0.5% as of March 31, 2023 and 0.3% as of March 31, 2024 | 542,727 | **457,623** |
| Lease liabilities (except portion due within one year) with the following interest rates 2.2% as of March 31, 2023 and 2.8% as of March 31, 2024 | 10,083 | **7,853** |
| | ¥ 735,674 | **¥ 597,710** |

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2023 and 2024 respectively.

2. The aggregate annual maturities of long-term borrowings due within 5 years (except portion due within one year) as of March 31, 2024 were as follows:

| Years ending March 31 | Yen (millions) |
|---|---|
| 2026 | ¥ 10,002 |
| 2027 | 447,605 |
| 2028 | 1 |
| 2029 | 1 |

The aggregate annual maturities of lease liabilities due within 5 years (except portion due within one year) as of March 31, 2024 were as follows:

| Years ending March 31 | Yen (millions) |
|---|---|
| 2026 | ¥ 4,719 |
| 2027 | 1,314 |
| 2028 | 778 |
| 2029 | 245 |

3. Current portion of lease liabilities and lease liabilities (excluding current portion) do not include those recorded on the consolidated balance sheets by the application of IFRS 16 "Leases" and US GAAP ASC 842 "Leases". The balance of those lease liabilities as of March 31, 2024 was as follows:

Current portion of lease liabilities ¥5,323 million
Lease liabilities (excluding current portion) ¥14,558 million

## 12. Pension Plans

### (a) Overview of the applied pension plans

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

### (b) Defined benefit pension plans

(1) Reconciliations of the defined benefit obligations

Reconciliations of the defined benefit obligations of the Company and its consolidated subsidiaries as of March 31, 2023 and 2024 consisted of the following:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Balance at beginning of year | ¥ 338,057 | **¥ 313,185** |
| Service cost | 9,093 | **8,870** |
| Interest cost | 3,365 | **3,629** |
| Actuarial loss (gain) | (12,850) | **(1,865)** |
| Benefits paid | (27,223) | **(26,926)** |
| Increase from newly consolidated subsidiaries | 4,878 | **184** |
| Other | (4,825) | **(4,447)** |
| Foreign currency exchange differences | 2,689 | **7,078** |
| Balance at end of year | ¥ 313,185 | **¥ 299,709** |

(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, 2023 and 2024 consisted of the following:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Balance at beginning of year | ¥ 274,720 | **¥ 247,381** |
| Expected return on plan assets | 7,389 | **7,169** |
| Actuarial gain (loss) | (28,826) | **8,622** |
| Employer contribution | 14,603 | **12,641** |
| Benefits paid | (25,783) | **(25,736)** |
| Increase from newly consolidated subsidiaries | 7,079 | **206** |
| Other | (4,717) | **(4,301)** |
| Foreign currency exchange differences | 2,914 | **6,179** |
| Balance at end of year | ¥ 247,381 | **¥ 252,161** |

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

Reconciliations of the defined benefit obligations and the fair value of the plan assets and the amount recognized in the consolidated balance sheets as of March 31, 2023 and 2024 consisted of the following:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Funded defined benefit obligations at end of year | ¥ 304,051 | **¥ 289,675** |
| Fair value of plan assets at end of year | (247,381) | **(252,161)** |
| Funded status at end of year | 56,669 | **37,513** |
| Unfunded defined benefit obligations at end of year | 9,134 | **10,034** |
| Total net retirement benefit liability | ¥ 65,804 | **¥ 47,547** |
| Retirement benefit liability | 72,019 | **52,911** |
| Retirement benefit asset | (6,214) | **(5,363)** |
| Total net retirement benefit liability | ¥ 65,804 | **¥ 47,547** |

(4) Retirement benefit expenses

Retirement benefit expenses of the Company and its consolidated subsidiaries for the fiscal years ended March 31, 2023 and 2024 consisted of the following:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Service cost | ¥ 9,093 | **¥ 8,870** |
| Interest cost | 3,365 | **3,629** |
| Expected return on plan assets | (7,389) | **(7,169)** |
| Amortization of net actuarial loss | 1,187 | **4,022** |
| Amortization of past service cost | 67 | **102** |
| Other | 774 | **1,297** |
| Total retirement benefit expenses | ¥ 7,098 | **¥ 10,753** |

(5) Amounts recognized in remeasurements of defined benefit plans

Amounts recognized in remeasurements of defined benefit plans (other comprehensive income) for the fiscal years ended March 31, 2023 and 2024 before the effect of income taxes consisted of the following:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Past service cost | ¥ (25) | **¥ 98** |
| Net actuarial gain (loss) | (14,515) | **14,611** |
| Total | ¥ (14,541) | **¥ 14,710** |

(6) Amounts recognized in remeasurements of defined benefit plans

Amounts recognized in remeasurements of defined benefit plans (accumulated other comprehensive income) as of March 31, 2023 and 2024 before the effect of income taxes consisted of the following:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Unrecognized past service cost | ¥ 667 | **¥ 568** |
| Unrecognized net actuarial loss | 19,777 | **5,165** |
| Total | ¥ 20,444 | **¥ 5,734** |

(7) Classification of the fair value of plan assets

Composition ratio of major classifications of plan assets of the Company and its consolidated subsidiaries as of March 31, 2023 and 2024 was as follows:

| | 2023 | 2024 |
|---|---|---|
| Bonds | 23% | **20%** |
| Equity securities | 19% | **23%** |
| Cash and cash equivalents | 4% | **5%** |
| Life insurance company general accounts | 15% | **14%** |
| Alternatives | 32% | **31%** |
| Other | 7% | **7%** |
| Total | 100% | **100%** |

Note: Alternatives mainly consisted of investments in hedge funds

(8) Long-term expected rate of return

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

(9) Actuarial assumptions

Major actuarial assumptions

| | 2023 | 2024 |
|---|---|---|
| Discount rate | mainly 0.5% | **mainly 0.5%** |
| Expected long-term rate of return | mainly 2.4% | **mainly 2.4%** |

### (c) Defined contribution pension plans

The required contribution of certain consolidated subsidiaries for the defined contribution pension plans was ¥1,723 million for the fiscal year ended March 31, 2023 and ¥1,667 million for the fiscal year ended March 31, 2024.

## 13. Stock Options

### (a) Expensed amount and account

The expensed amount and account for the fiscal years ended March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | 2024 |
| Selling, general and administrative expenses | ¥ 1 | **¥ 464** |

### (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, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | 2024 |
| Gain on reversal of share acquisition rights | ¥ 4 | **¥ 1** |

### (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) |
|---|---|---|
| Grantee categories and numbers of grantees | 5 directors of the Company<br>43 employees of the Company | 7 directors of the Company<br>22 employees of the Company |
| Number of stock options by class of shares (Note 1) | 81,100 common shares | 45,300 common shares |
| Grant date | April 21, 2017 | September 28, 2017 |
| Vesting conditions | See Note 2 | See Note 2 |
| Service period | From April 21, 2017 to April 20, 2019 | From September 28, 2017 to September 27, 2019 |
| Exercise period | From April 21, 2019 to April 21, 2024 | From September 28, 2019 to September 28, 2024 |

| | Third stock options (resolved on August 28, 2018) | Fourth stock options (resolved on August 4, 2023) |
|---|---|---|
| Grantee categories and numbers of grantees | 5 directors of the Company<br>15 employees of the Company | 2 directors of the Company<br>831 employees of the Company<br>7 directors of the Company's subsidiaries<br>50 employees of the Company's subsidiaries |
| Number of stock options by class of shares (Note 1) | 104,500 common shares | 5,500,000 common shares |
| Grant date | September 3, 2018 | August 31, 2023 |
| Vesting conditions | See Note 2 | See Note 3 |
| Service period | From September 3, 2018 to September 2, 2020 | From August 31, 2023 to August 30, 2025 |
| Exercise period | From September 3, 2020 to September 3, 2025 | From August 31, 2025 to August 4, 2033 |

Notes: 1. Equivalent number of shares has been described instead of the number of stock options.
The Company performed a share consolidation at a ratio of 10 shares to 1 share on October 1, 2017. With regard to first and second stock options, figures shown above are the number of shares after the conversion.
2. Eligible persons shall be directors, executives, audit & supervisory board members or employees of the Company, the Company's subsidiaries or 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.
3. Eligible persons shall be directors, audit & supervisory board members, executives or employees of the Company or the Company's subsidiaries 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, 2024 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) | Fourth stock options (resolved on August 4, 2023) |
|---|---|---|---|---|
| **Unvested stock options (shares)** | | | | |
| Balance on March 31, 2023 | — | — | — | — |
| Granted | — | — | — | 5,500,000 |
| Nullified | — | — | — | 46,000 |
| Vested | — | — | — | — |
| Balance on March 31, 2024 | — | — | — | 5,454,000 |
| **Vested stock options (shares)** | | | | |
| Balance on March 31, 2023 | 72,000 | 38,100 | 87,500 | — |
| Vested | — | — | — | — |
| Exercised | — | — | — | — |
| Nullified | 800 | — | — | — |
| Balance on March 31, 2024 | 71,200 | 38,100 | 87,500 | — |

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

ii) Unit price

| | Yen | |
|---|---|---|
| | First stock options (resolved on April 19, 2017) | Second stock options (resolved on September 26, 2017) |
| Exercise price | ¥ 4,120 | ¥ 3,400 |
| Weighted-average share price at exercise | — | — |
| Fair value at the grant date | (74,400 shares) 1,970<br>(7,000 shares) 2,110 | 1,570 |

| | Yen | |
|---|---|---|
| | Third stock options (resolved on August 28, 2018) | Fourth stock options (resolved on August 4, 2023) |
| Exercise price | ¥ 2,717 | ¥ 896.9 |
| Weighted-average share price at exercise | — | — |
| Fair value at the grant date | (54,500 shares) 1,010<br>(35,000 shares) 1,041<br>(15,000 shares) 1,139 | (2,746,100 shares) 356.9<br>(1,356,800 shares) 378.1<br>(1,397,100 shares) 406.8 |

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 for the fair value of stock options

The fair value estimation method for the fourth stock option granted in the current fiscal year was as follows:

(1) Evaluation technique used: Black–Scholes equation

(2) Main basic figures and estimation method

| | Fourth stock options (resolved on August 4, 2023) | |
|---|---|---|
| Stock volatility (Note 1) | (2,746,100 shares) | 41.90% |
| | (1,356,800 shares) | 42.80% |
| | (1,397,100 shares) | 44.70% |
| Expected remaining period (Note 2) | (2,746,100 shares) | 6 years 0 months |
| | (1,356,800 shares) | 6 years 6 months |
| | (1,397,100 shares) | 7 years 0 months |
| Expected dividend (Note 3) | | 0 yen/share |
| Risk-free interest rate (Note 4) | (2,746,100 shares) | 0.31% |
| | (1,356,800 shares) | 0.36% |
| | (1,397,100 shares) | 0.40% |

Notes: 1. Calculation is based on the actual stock prices during the following periods that correspond to the expected remaining periods.
Fourth stock options:
(2,746,100 shares) 6 years and 0 months from August 28, 2017 to August 21, 2023
(1,356,800 shares) 6 years and 6 months from February 20, 2017 to August 21, 2023
(1,397,100 shares) 7 years and 0 months from August 22, 2016 to August 21, 2023
2. The expected remaining period is presumed to be the period from the time of calculation to the midpoint of the exercise period as the period until the exercise of rights cannot be reasonably estimated. As the rights can be exercised in stages, the fair value was calculated using the following dates as the midpoint of the exercise period.
Forth stock options:
(2,746,100 shares) August 29, 2029
(1,356,800 shares) February 27, 2030
(1,397,100 shares) August 29, 2030
3. Set at 0 yen based on actual dividends for the fiscal year ended March 31, 2023.
4. Yield on Japanese government bonds over the period that corresponds to the expected remaining period

### (e) Estimation method of the number of vested stock options

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

## 14. Income Taxes

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

Information is omitted due to the Group recording a loss before income taxes for both fiscal years ended March 31, 2023 and March 31, 2024.

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

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Deferred tax assets: | | |
| Inventories | ¥ 18,433 | **¥ 21,458** |
| Allowance for doubtful accounts | 40,898 | **92,351** |
| Accrued expenses | 16,917 | **18,143** |
| Provision for bonuses | 3,971 | **4,483** |
| Provision for sales promotion expenses | 1,519 | **1,767** |
| Retirement benefit liability | 20,704 | **15,664** |
| Buildings and structures | 53,727 | **73,521** |
| Machinery, equipment and vehicles | 17,666 | **18,061** |
| Software | 3,770 | **3,621** |
| Long-term prepaid expenses | 5,263 | **5,349** |
| Shares of subsidiaries and associates | 136,129 | **137,803** |
| Tax loss carried forward*2 | 163,229 | **146,726** |
| Other | 73,132 | **77,565** |
| Gross deferred tax assets | 555,365 | **616,517** |
| Valuation allowance for tax loss carried forward*2 | (163,137) | **(145,936)** |
| Valuation allowance for future deductible temporary difference and other | (369,860) | **(440,531)** |
| Total valuation allowance*1 | (532,998) | **(586,468)** |
| Total deferred tax assets | ¥ 22,367 | **¥ 30,048** |
| Deferred tax liabilities: | | |
| Retained earnings appropriated for tax allowable reserves | ¥ (997) | **¥ (968)** |
| Valuation difference on available-for-sale securities | (11,776) | **(17,734)** |
| Other | (6,530) | **(9,819)** |
| Total deferred tax liabilities | ¥ (19,305) | **¥ (28,522)** |
| Net deferred tax assets | ¥ 3,062 | **¥ 1,526** |

*1 Valuation allowance increased by ¥53,470 million in the fiscal year ended March 31, 2024. This is primarily due to an increase in the future deductible temporary difference arising from posting allowance for doubtful accounts and impairment loss on non-current assets.

*2 Tax loss carried forward and its deferred tax assets amount by carry forward period as of March 31, 2024 were as follows:

| | Yen (millions) | | |
|---|---|---|---|
| | **2024** | | |
| | Tax loss carried forward* | Valuation allowance | Deferred tax assets |
| Expire within one year | **¥ 42,856** | **¥ (42,273)** | **¥ 582** |
| Expire after one year, within two years | **53,489** | **(53,478)** | **11** |
| Expire after two years, within three years | **3,076** | **(3,035)** | **40** |
| Expire after three years, within four years | **5,404** | **(5,404)** | **—** |
| Expire after four years, within five years | **819** | **(819)** | **—** |
| Expire after five years | **41,079** | **(40,924)** | **154** |
| Total | **¥ 146,726** | **¥ (145,936)** | **¥ 789** |

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

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

The Company and some of its domestic consolidated subsidiaries adopt a group tax relief system. Accounting treatment and disclosure of corporate taxes, local corporate taxes, and tax effect accounting are in accordance with the "Practical Solution to Accounting and Disclosures Under the Group Tax Relief System" (Practical Issues Task Force No. 42, August 12, 2021).

## 15. Business Combinations

The main business combinations conducted during the fiscal year ended March 31, 2024 were as follows.

**Business combination through acquisition**

Sharp Display Technology Corporation (hereinafter, "SDTC"), a consolidated subsidiary of the Company which previously held a 49% share in FIT ELECTRONICS DEVICE PTE. LTD. (hereinafter, "FITED"), acquired additional shares in FITED, through which FITED was converted from an equity-method affiliate of the Company to a subsidiary of SDTC. An outline of the business combination is as follows.

### (a) Overview of the business combination

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

| | |
|---|---|
| Name of the acquired company: | FIT ELECTRONICS DEVICE PTE. LTD. and its two subsidiaries |
| Field of business: | Development and manufacturing of automotive camera modules and electronic mirrors |

(2) Main reasons for the business combination

Amid the global trend toward EV / automatic driving in recent years, significant growth in the sensing camera market is expected in the business of automotive applications. Under these circumstances, in order to smoothly address said expansion in demand, SDTC acquired additional shares of FITED, which operates an automotive camera business, and made it a subsidiary of SDTC. The Company will lead business in the acquired company and aim to expand its automotive business through cross selling of SDTC automotive displays.

(3) Date of business combination

April 27, 2023 (Deemed acquisition date: June 30, 2023)

(4) Legal form of business combination

Acquisition of shares with cash as consideration

(5) Company name after business combination

FIT ELECTRONICS DEVICE PTE. LTD.

Effective July 27, 2023, FIT ELECTRONICS DEVICE PTE. LTD. changed its name to SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD.

(6) Ratio of voting rights acquired

| | |
|---|---|
| Voting rights held before the acquisition: | 49% |
| Voting rights additionally acquired: | 51% |
| Voting rights after the acquisition: | 100% |

(7) Main reason for identifying the acquired company

Due to the fact that a consolidated subsidiary of the Company acquired the shares with cash as consideration.

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

From July 1, 2023 to March 31, 2024

In addition, the portion of FITED's financial results attributable to the Company for the period from April 1, 2023 to June 30, 2023, when FITED was an equity-method affiliate of the Company, was recorded as a share of profit or loss of entities accounted for using equity method.

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

| | Yen (millions) |
|---|---|
| Market value of shares held immediately before the business combination as of the date of the business combination | ¥ 1,810 |
| Cost of additional acquisition Cash | 1,884 |
| Total acquisition costs: | ¥ 3,695 |

### (d) Major components of acquisition-related expenses and the amount thereof

The information is omitted as its impact on the consolidated financial statements for the fiscal year ended March 31, 2024 was minimal.

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

Gain on step acquisitions ¥1,312 million

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

(1) Amount of goodwill recognized

¥3,872 million

(2) Reason for recognition

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

(3) Amortization method and amortization period

The Company started to amortize the goodwill using the straight-line method with an amortization period of 3 years, but recorded an impairment loss at the end of the fiscal year ended March 31, 2024. For details, please refer to "(i) Impairment losses" under "3. Notes to Consolidated Statements of Operations."

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

| | Yen (millions) |
|---|---|
| Current assets | ¥ 2,943 |
| Non-current assets | 1,247 |
| Total assets | 4,190 |
| Current liabilities | 3,119 |
| Non-current liabilities | 844 |
| Total liabilities | ¥ 3,964 |

**(h) Estimated amounts of impact on the consolidated statements of operations for the fiscal year ended March 31, 2024 assuming the business combination was completed on the first day of the fiscal year and calculation method thereof**

| | Yen (millions) |
|---|---|
| Net sales | ¥ 590 |
| Operating loss | (663) |
| Ordinary loss | (645) |

(Calculation method of estimated amounts)

The estimated amounts of impact indicate the difference between the assumed amounts of net sales and profit/loss, from which internal transactions were eliminated, if the business combination had been completed on the first day of the fiscal year ended March 31, 2024, and the amounts reported in the consolidate statements of operations of the acquiring company. In addition, the goodwill recognized upon the business combination was assumed to be booked at the first day of the fiscal year ended March 31, 2024, and the amortization expense under that assumption was also included.

This note is not subject to audit.

**Business divestiture**

The Company has transferred its shares of Kantatsu Co., Ltd. (hereinafter, "Kantatsu"), a consolidated subsidiary of the Company, and its receivables from Kantatsu to Eiki Shoji Co., Ltd. (hereinafter, Eiki Shoji).

As a result, Kantatsu and its subsidiary Pinghu Kantatsu Fine Technology Co., Ltd. (hereinafter, "Pinghu") were excluded from the scope of the Company's consolidation.

### (a) Overview of the business divestiture

(1) Name of the company to which the business was divested

Eiki Shoji Co., Ltd.

(2) Field of the business divested

Business of micro-lens unit manufacturing and sales of Kantatsu and Pinghu

(3) Main reasons for the business divestiture

Kantatsu is engaged in the manufacturing and sales of micro-lens units, among other activities, but its performance had been sluggish under the intensifying competitive environment. The Company decided that it was best to transfer Kantatsu to Eiki Shoji, which primarily engaged in international trade of electronic components and had a strong sales channel in China, in order to improve Kantatsu's performance while focusing on the selection and concentration of the Group's business.

(4) Date of business divestiture

November 30, 2023

(5) Other matters related to the transaction, including legal forms

Transfer of shares and receivables for which consideration is limited to cash and other assets

### (b) Overview of accounting procedures taken

(1) Amount of gain (loss) on transfer

Loss on sale of businesses ¥2,327 million

(2) Book value of assets and liabilities of the transferred business and major components thereof

| | Yen (millions) |
|---|---|
| Current assets | ¥ 1,450 |
| Non-current assets | 687 |
| Total assets | 2,137 |
| Current liabilities | 1,048 |
| Non-current liabilities | 175 |
| Total liabilities | ¥ 1,223 |

(3) Accounting procedures

Loss on sale of businesses recorded comprising the following: loss arising from the difference between proceeds from the sales of Kantatsu shares and receivables from Kantatsu and the consolidated book value of the transferred business, and loss arising from the reversal of foreign currency translation adjustment in relation to the yen translation of foreign currency financial statements of its overseas subsidiary Pinghu upon its deconsolidation.

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

Electronic Device

### (d) Estimated amounts of loss on divested business recorded in the Consolidated Statements of Operations for the year ended March 31, 2024

| | Yen (millions) |
|---|---|
| Net sales | ¥ 47 |
| Operating loss | (650) |

## 16. Revenue Recognition

### (a) Information on disaggregated revenue from contracts with customers

The Group's net sales mainly consist of revenue recognized from contracts with customers. The components of the Group's reportable segments disaggregated by type of goods or services were as follows. Starting from the fiscal year ended March 31, 2024, the classification of reportable segments has been changed. For comparison with the previous fiscal year below, figures for the fiscal year ended March 31, 2023 were reclassified based on the reportable segments after the change. Details regarding the change in reportable segments are described in "17. Segment Information."

| | Yen (millions) |
|---|---|
| | 2023 |
| Reportable Segment: | |
| Smart Life & Energy | |
| Smart Appliances & Solutions business | ¥ 374,628 |
| Other | 100,467 |
| Sales to external customers | 475,096 |
| Smart Office: | |
| Smart Business Solutions business | 392,668 |
| PC business | 163,712 |
| Sales to external customers | 556,380 |
| Universal Network: | |
| TV systems business | 186,215 |
| Mobile Communication business | 147,639 |
| Sales to external customers | 333,855 |
| Display Device: | |
| Display Device business | 736,224 |
| Sales to external customers | 736,224 |
| Electronic Device: | |
| Electronic Device business | 446,560 |
| Sales to external customers | 446,560 |
| Total | ¥ 2,548,117 |

| | Yen (millions) |
|---|---|
| | **2024** |
| Reportable Segment: | |
| Smart Life & Energy: | |
| Smart Appliances & Solutions business | **¥ 366,606** |
| Other | **73,592** |
| Sales to external customers | **440,198** |
| Smart Office: | |
| Smart Business Solutions business | **412,831** |
| PC business | **167,216** |
| Sales to external customers | **580,047** |
| Universal Network: | |
| TV systems business | **180,299** |
| Mobile Communication business | **131,185** |
| Sales to external customers | **311,485** |
| Display Device: | |
| Display Device business | **595,293** |
| Sales to external customers | **595,293** |
| Electronic Device: | |
| Electronic Device business | **394,895** |
| Sales to external customers | **394,895** |
| Total | **¥ 2,321,921** |

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

The Smart Office segment consists of the Smart Business Solutions business and the PC business. The Smart Business Solutions business includes digital multifunction printers. The PC business includes personal computers.

The Universal Network segment consists of the TV systems business and the Mobile Communication business. The TV systems business includes televisions. The Mobile Communication business includes mobile phones.

The Display Device segment includes display modules.

The Electronic Device segment includes camera modules.

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

(1) Product sales

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

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

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

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

(2) Construction contracts

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

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

(3) Services

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

(4) Licensing

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

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

In addition, for sales-based or usage-based royalties, amount and timing to recognize revenue is based on the sales amounts, etc. and timing recognized on the licensee side.

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

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

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Balance at beginning of year: | | |
| Receivables arising from contracts with customers | ¥ 477,269 | **¥ 433,106** |
| Contract assets | 9,890 | **4,951** |
| Contract liabilities | 76,682 | **86,838** |

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Balance at end of year: | | |
| Receivables arising from contracts with customers | ¥ 433,106 | **¥ 401,308** |
| Contract assets | 4,951 | **6,230** |
| Contract liabilities | 86,838 | **112,145** |

Notes: 1. Contract assets are, mainly generated from construction contracts, those related to the rights of the Company and its consolidated subsidiaries regarding the consideration for promised goods or services where performance obligations have been satisfied or partially satisfied as of the end of the fiscal year but have not yet been invoiced. Contract assets are transferred to receivables arising from contracts with customers once the right to consideration becomes unconditional.
Contract liabilities mainly consist of advances received from customers for products and consideration received for performance obligation of promised services that will be satisfied on a continuous basis.
2. Of the amount of revenue recognized in the fiscal year ended March 31, 2023, ¥26,504 million was transferred from the beginning balance of contract liabilities. Of the amount of revenue recognized in the fiscal year ended March 31, 2024, ¥18,614 million was transferred from the beginning balance of contract liabilities.
3. There were no significant changes in the balances of contract assets and contract liabilities for the fiscal years ended March 31, 2023 and 2024.
4. The amount of revenue generated from performance obligations satisfied (or partially satisfied) in prior periods and recognized in the fiscal years ended March 31, 2023 and 2024 (e.g., change in transaction price) was immaterial.
5. On May 14, 2024, Sakai Display Products Corporation, a consolidated subsidiary of the Company, made the decision to cease production at the Sakai Plant. The contract liabilities as of March 31, 2024 include advance payments for products of ¥45,033 million received by Sakai Display Products Corporation.

(2) Transaction price allocated to remaining performance obligations

Applying practical expedients to notes to the transaction price allocated to the remaining performance obligations, contracts with an initially expected contract period of one year or less and sales-based or usage-based royalties from intellectual property license agreements of the Company and its consolidated subsidiaries are not stated. Transaction price allocated to the remaining performance obligations as of March 31, 2024 totals ¥52,043 million. These performance obligations are related to construction contracts, maintenance and warranty services, intellectual property license agreements, etc.

Approximately 41% of this transaction price is expected to be recognized as revenue within one year after March 31, 2024, approximately 45% within a timeframe of more than one year and less than five years, and the rest, approximately 14%, is expected to be recognized after five years.

## 17. Segment Information

### (a) General information about reportable segments

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

The Group makes company-wide efforts to expand business through the development of new products, new markets, and new businesses, and to build a stronger management structure. Moreover, we work toward building a business promotion system centered on brand businesses by accelerating the creation of new businesses and developing innovative technologies and devices to “Be a Game Changer.” To achieve these goals, we concentrate on three brand businesses: Smart Life & Energy, Smart Office, and Universal Network, as well as on the two device businesses, Display Device and Electronic Device, as reportable segments.

In the fiscal year ended March 31, 2023, we categorized the Group’s reportable segments into five segments: Smart Life, 8K Ecosystem, ICT, Display Device, and Electronic Device. Effective from the fiscal year ended March 31, 2024, we have recategorized reportable segments into five segments: Smart Life & Energy, Smart Office, Universal Network, Display Device, and Electronic Device.

This change reorganizes the group structure of the brand businesses to clarify our business areas of focus and maximize synergy among businesses. We also intend to accelerate business transformation for our return to a growth path, seeking to accelerate the creation of new businesses.

As a result of this change in segment classification, the Smart Appliances & Solutions business and the Energy Solutions business, previously included in the Smart Life segment, are included in the Smart Life & Energy segment. The Smart Business Solutions business, previously included in the 8K Ecosystem segment, and the PC business, previously included in the ICT segment, are included in the Smart Office segment under the revised segment classification. The Smart Display Systems business, previously included in the 8K Ecosystem segment, and the Mobile Communication business, previously included in the ICT segment, are included in the Universal Network segment under the revised segment classification. In addition, we have renamed the Smart Display Systems business to the TV systems business.

The segment information for the fiscal year ended March 31, 2023 is restated in the segment classification after the change.

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

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

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

### (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, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Net sales: | | |
| Smart Life & Energy: | | |
| Customers | ¥ 475,096 | **¥ 440,198** |
| Intersegment | 1,736 | **1,117** |
| Total | 476,832 | **441,315** |
| Smart Office: | | |
| Customers | 556,380 | **580,047** |
| Intersegment | 5,388 | **1,955** |
| Total | 561,768 | **582,003** |
| Universal Network: | | |
| Customers | 333,855 | **311,485** |
| Intersegment | 261 | **406** |
| Total | 334,116 | **311,891** |
| Display Device: | | |
| Customers | 736,224 | **595,293** |
| Intersegment | 23,729 | **19,656** |
| Total | 759,953 | **614,950** |
| Electronic Device: | | |
| Customers | 446,560 | **394,895** |
| Intersegment | 29,028 | **22,086** |
| Total | 475,589 | **416,981** |
| Adjustments | (60,144) | **(45,221)** |
| Consolidated net sales | ¥ 2,548,117 | **¥ 2,321,921** |
| Segment income (loss): | | |
| Smart Life & Energy | ¥ 29,381 | **¥ 27,373** |
| Smart Office | 14,526 | **29,674** |
| Universal Network | (7,807) | **8,880** |
| Display Device | (66,482) | **(83,290)** |
| Electronic Device | 14,799 | **13,583** |
| Adjustments | (10,137) | **(16,564)** |
| Consolidated operating loss | ¥ (25,719) | **¥ (20,343)** |
| Segment assets: | | |
| Smart Life & Energy | ¥ 149,194 | **¥ 176,174** |
| Smart Office | 254,528 | **269,408** |
| Universal Network | 162,154 | **135,037** |
| Display Device | 355,103 | **257,799** |
| Electronic Device | 198,078 | **141,220** |
| Adjustments | 653,901 | **610,391** |
| Consolidated assets | ¥ 1,772,961 | **¥ 1,590,032** |

| | Yen (millions) 2023 | 2024 |
|---|---|---|
| Other material items Depreciation: | | |
| Smart Life & Energy | ¥ 3,818 | **¥ 5,266** |
| Smart Office | 12,867 | **11,846** |
| Universal Network | 11,081 | **9,612** |
| Display Device | 27,508 | **11,862** |
| Electronic Device | 18,972 | **14,869** |
| Adjustments | 4,892 | **5,077** |
| The amount presented in consolidated financial statements | ¥ 79,141 | **¥ 58,536** |
| Amortization of goodwill: | | |
| Smart Life & Energy | ¥ 88 | **¥ 44** |
| Smart Office | 1,792 | **1,447** |
| Universal Network | 150 | **194** |
| Display Device | 5,193 | **965** |
| Electronic Device | — | **—** |
| Adjustments | — | **—** |
| The amount presented in consolidated financial statements | ¥ 7,224 | **¥ 2,651** |
| Investments in nonconsolidated subsidiaries and affiliates accounted for using equity method: | | |
| Smart Life & Energy | ¥ 478 | **¥ 523** |
| Smart Office | — | **—** |
| Universal Network | 3,133 | **—** |
| Display Device | 42,971 | **58,063** |
| Electronic Device | — | **—** |
| Adjustments | 42,189 | **44,569** |
| The amount presented in consolidated financial statements | ¥ 88,772 | **¥ 103,157** |
| Increase in property, plant, equipment and intangible assets: | | |
| Smart Life & Energy | ¥ 5,295 | **¥ 4,812** |
| Smart Office | 12,250 | **14,339** |
| Universal Network | 10,958 | **6,396** |
| Display Device | 14,753 | **22,148** |
| Electronic Device | 14,717 | **11,865** |
| Adjustments | 2,893 | **2,503** |
| The amount presented in consolidated financial statements | ¥ 60,867 | **¥ 62,065** |

Adjustments of segment income were ¥(10,137) million and ¥(16,564) million for the fiscal years ended March 31, 2023 and 2024, respectively, including elimination of intersegment transactions and corporate expenses not allocated to each reportable segment.

Elimination of intersegment transactions for segment income were ¥(0) million and ¥(0) million, respectively. Corporate expenses not allocated to each reportable segment were ¥(15,929) million and ¥(17,163) million for the fiscal years ended March 31, 2023 and 2024, 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 ¥653,901 million and ¥610,391 million as of March 31, 2023 and 2024, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment.

Elimination of intersegment transactions for segment assets were ¥(5,086) million and ¥(6,959) million, respectively. Corporate assets not allocated to each reportable segment were ¥658,987 million and ¥617,350 million as of March 31, 2023 and 2024, respectively.

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

Adjustments of investments in nonconsolidated subsidiaries and affiliates accounted for using equity method were ¥42,189 million and ¥44,569 million as of March 31, 2023 and 2024, respectively, which mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥2,893 million and ¥2,503 million for the fiscal years ended March 31, 2023 and 2024, 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, 2023 and 2024 were as follows:

| | Yen (millions) 2023 | 2024 |
|---|---|---|
| Net sales to outside customers: | | |
| Display modules | ¥ 736,224 | **¥ 595,293** |
| Sensing devices | 415,717 | **365,431** |
| Office solutions | 229,646 | **258,798** |
| Other | 1,166,528 | **1,102,396** |
| Total | ¥ 2,548,117 | **¥ 2,321,921** |

(Change in presentation method)

"Office solutions," which was included in "Other" in the fiscal year ended March 31, 2023, has been presented separately as its net sales to outside customers have exceeded 10% of the net sales in the Consolidated Statements of Operations. As a result, ¥1,396,174 million, which was presented as "Other" in the fiscal year ended March 31, 2023, has been reclassified as ¥229,646 million for "Office solutions" and ¥1,166,528 million for "Other."

(2) Net sales by region/country

Net sales by region/country for the fiscal years ended March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Net sales: | | |
| Japan | ¥ 800,315 | **¥ 772,968** |
| Americas | 253,565 | **258,857** |
| China | 988,194 | **809,805** |
| Asia | 258,004 | **251,727** |
| Other | 248,036 | **228,562** |
| Total | ¥ 2,548,117 | **¥ 2,321,921** |

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

(Change in presentation method)

From the fiscal year ended March 31, 2024, "Americas" has been separately presented since its materiality as a region has increased. As a result, ¥501,601 million, which was presented as "Other" in the fiscal year ended March 31, 2023, has been reclassified as ¥253,565 million for "Americas" and ¥248,036 million for "Other."

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

Property, plant and equipment by region/country as of March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Property, plant and equipment, at cost less accumulated depreciation: | | |
| Japan | ¥ 275,737 | **¥ 164,856** |
| Asia | 70,121 | **72,591** |
| Other | 43,397 | **42,676** |
| Total | ¥ 389,257 | **¥ 280,123** |

(4) Major customers and related sales amount

Major customers and related sales amount for the fiscal years ended March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Net sales: | | |
| APPLE INC. | ¥ 509,959 | **¥ 430,294** |
| Related segments: | | |
| Display Device and Electronic Device for the years ended March 31, 2023 and 2024 | | |

| | Yen (millions) |
|---|---|
| | 2023 |
| Net sales: | |
| General Interface Solution Limited | ¥ 315,668 |
| Related segment: | |
| Display Device for the year ended March 31, 2023 | |

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

Impairment losses on non-current assets by reportable segment for the fiscal years ended March 31, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Impairment losses: | | |
| Smart Life & Energy | ¥ — | **¥ —** |
| Smart Office | 4,030 | **—** |
| Universal Network | 156 | **—** |
| Display Device | 213,384 | **122,952** |
| Electronic Device | 2,983 | **—** |
| Corporate Assets and Elimination | — | **—** |
| Total | ¥ 220,553 | **¥ 122,952** |

Note: Of the ¥122,952 million in impairment losses, ¥619 million is included in "Loss from cancellation of made-to-order production" under extraordinary losses.

### (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, 2023 and 2024 were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Amortization of goodwill: | | |
| Smart Life & Energy | ¥ 88 | **¥ 44** |
| Smart Office | 1,792 | **1,447** |
| Universal Network | 150 | **194** |
| Display Device | 5,193 | **965** |
| Electronic Device | — | **—** |
| Corporate Assets and Elimination | — | **—** |
| Total | ¥ 7,224 | **¥ 2,651** |
| Balance at end of year: | | |
| Smart Life & Energy | ¥ 43 | **¥ 17** |
| Smart Office | 6,167 | **5,321** |
| Universal Network | 73 | **82** |
| Display Device | — | **—** |
| Electronic Device | — | **—** |
| Corporate Assets and Elimination | — | **—** |
| Total | ¥ 6,284 | **¥ 5,422** |

Notes: 1. For the fiscal year ended March 31, 2023, impairment losses were recorded for ¥745 million of goodwill attributable to the Smart Office segment and ¥64,047 million of goodwill attributable to the Display Device segment.
2. For the fiscal year ended March 31, 2024, an impairment loss was recorded for ¥2,896 million of goodwill attributable to the Display Device segment.

### (g) Gain on bargain purchase by reportable segment

Fiscal year ended March 31, 2023

Not applicable

Fiscal year ended March 31, 2024

Not applicable

## 18. Transactions with Related Parties

### (a) Transactions with related parties

(1) Transactions between the Company and related parties

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

Principal transactions with related parties for the fiscal years ended March 31, 2023 and 2024 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, 2023 and 2024 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, 2023 and 2024 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, 2023 and 2024 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, 2023 were as follows:

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

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

Principal transactions with related parties for the fiscal year ended March 31, 2024 were as follows:

| Category | Company name | Location | Share Capital | Details of business | Holding or held ratio | Relationship with the related party | Detail of transaction | Transaction amount (millions of yen) | Account | Ending balance (millions of yen) |
|---|---|---|---|---|---|---|---|---|---|---|
| Parent | Hon Hai Precision Industry Co., Ltd. | New Taipei City, Taiwan | NT$138,629 million | Electronic equipment contract manufacturing service | (Held) 22.3% Directly 11.8% Indirectly [23.2%] | Sale of products | Receipt of advances | 35,824 | Contract liabilities (advances) | 45,033 |

Notes: 1. Transaction prices and other transaction terms are determined appropriately through negotiation.
2. The holding or held ratio in brackets is not included in the figures above it and indicates the ratio held by the entities which are regarded to exercise their voting rights in the same manner as Hon Hai Precision Industry Co., Ltd. due to their close relationship.
3. As stated in "20. Significant Subsequent Events," Sakai Display Products Corporation, a consolidated subsidiary, decided on May 14, 2024 to cease production at the Sakai Plant. The contract liabilities are advance payments for products received by Sakai Display Products Corporation.

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

Principal transactions with related parties for the fiscal years ended March 31, 2023 and 2024 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, 2023 and 2024 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, 2023 and 2024 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 years ended March 31, 2023 and 2024, the significant affiliated company was SDP Global (China) Co., Ltd.

Summary of its financial statements were as follows:

| | Yen (millions) | |
|---|---|---|
| | 2023 | **2024** |
| Current assets | ¥ 155,107 | **¥ 151,812** |
| Non-current assets | 765,944 | **806,485** |
| Current liabilities | 187,975 | **218,035** |
| Non-current liabilities | 510,337 | **487,006** |
| Net assets | 222,738 | **253,256** |
| Net sales | 110,901 | **211,276** |
| Profit (Loss) before income taxes | (65,939) | **10,128** |
| Profit (Loss) | (65,939) | **10,128** |

## 19. Per Share Data

Per share data as of March 31, 2023 and 2024 were as follows:

| | Yen | |
|---|---|---|
| | 2023 | **2024** |
| Net assets per share | ¥ 321.05 | **¥ 219.35** |
| Loss per share | (407.31) | **(230.99)** |
| Fully diluted income per share | — | **—** |
| | "Fully diluted income per share" is not stated because potentially dilutive shares existed but a loss per share was recorded. | **"Fully diluted income per share" is not stated because potentially dilutive shares existed but a loss per share was recorded.** |

Loss per share and fully diluted income per share as of March 31, 2023 and 2024 were calculated on the following basis:

| | 2023 | **2024** |
|---|---|---|
| Loss per share | | |
| Loss attributable to owners of parent (millions of yen) | ¥ (260,840) | **¥ (149,980)** |
| Amounts not allocated to common shares (millions of yen) | — | **—** |
| Loss attributable to owners of parent allocated to common shares (millions of yen) | (260,840) | **(149,980)** |
| Average number of common shares outstanding during each year (thousands of shares) | 640,400 | **649,281** |
| Details of potentially dilutive shares that were not included in the calculation of fully diluted income per share because they have no dilutive effects | 720 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)<br>381 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights)<br>875 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights)<br>A brief summary is in Note 13. Stock Options. | **712 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First Share acquisition rights)**<br>**381 share acquisition rights resolved by the Board of Directors meeting on September 26, 2017 (Second Share acquisition rights)**<br>**875 share acquisition rights resolved by the Board of Directors meeting on August 28, 2018 (Third Share acquisition rights)**<br>**54,540 share acquisition rights resolved by the Board of Directors meeting on August 4, 2023 (Fourth Share acquisition rights)**<br>**A brief summary is in Note 13. Stock Options.** |

## 20. Significant Subsequent Events

### (a) Cease of production at a major subsidiary

On May 14, 2024, Sakai Display Products Corporation (hereinafter, "SDP"), a consolidated subsidiary of the Company, made a decision to cease production at the Sakai Plant.

(1) Reason for cease of production

Due to the prolonged slump in the LCD panel market, SDP's performance and financial conditions have deteriorated, making it difficult for SDP to continue panel production on a stable basis. Considering the risk of possible escalation of losses in the future from continuing operations at the Sakai Plant, SDP has decided to cease production at the plant.

(2) Overview of SDP

| | |
|---|---|
| i) Name | Sakai Display Products Corporation |
| ii) Location | 1 Takumi-cho, Sakai-ku, Sakai-city, Osaka, Japan |
| iii) Business Activities | Development, manufacture, distribution, export and import of liquid crystal displays and other displays |
| iv) Capital | ¥100 million |
| v) Most recent net sales | ¥69,874 million (fiscal year ended December 31, 2023) |

(3) Time of production ceasing

Second quarter of the fiscal year ending March 31, 2025 (scheduled)

(4) Material impact of ceasing production on business activities, etc.

The Company recorded business restructuring expenses of ¥8,705 million for the fiscal year ended March 31, 2024 for the estimated remaining payment under the contracts for long-term supply of pure water, gas, etc. for the Sakai Plant, no longer expected to be used due to the decision to cease production at the plant. Meanwhile, no provision was recorded in relation to long-term contracts for electricity etc., as we intend to continue to utilize the Sakai Plant.

Additional losses may be incurred in the future as a result of compensation for suppliers for cease of production and voluntary employee retirement. Discussions are also underway regarding the future treatment of advance payments for products received by SDP from a customer.

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

The Company adopted a resolution at the Board of Directors meeting held on May 14, 2024, to submit a proposal at the Ordinary General Meeting of Shareholders held on June 27, 2024, that the Company be authorized to allot share acquisition rights as stock options to directors, executive officers and employees (hereinafter collectively called "Officers and Employees") of the Company and its subsidiaries and to delegate to its Board of Directors the determination of the subscription requirements of such share acquisition rights.

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

(1) Purpose of adopting the stock option plan

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

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

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

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

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

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

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

(4) Cash payment for share acquisition rights

No cash payment is required for share acquisition rights.

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

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

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

(6) Exercise period of share acquisition rights

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

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

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

# Consolidated Subsidiaries

(As of March 31, 2024)

## Domestic

Sharp Marketing Japan Corporation
Sharp Energy Solutions Corporation
Sharp Display Manufacturing Corporation
Sakai Display Products Corporation
Sharp IP Infinity Co., Ltd.
Dynabook Inc.
Sharp Semiconductor Innovation Corporation
Sharp Fukuyama Laser Co., Ltd.
Sharp Cocoro Life Inc.
Sharp Display Technology Corporation
Sharp NEC Display Solutions, Ltd.
Sharp Sensing Technology Corporation

## Overseas

<Countries and Areas>

Sharp Electronics Corporation <New Jersey, U.S.A.>
Sharp Laboratories of America, Inc. <Washington, U.S.A.>
Dynabook Americas, Inc. <California, 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 International Finance (U.K.) Plc. <Middlesex, U.K.>
Sharp Electronics (Europe) GmbH <Hamburg, Germany>
Sharp Devices Europe GmbH <Munich, Germany>
Sharp NEC Display Solutions Europe GmbH <Munich, Germany>
Sharp Manufacturing France S.A. <Soultz, France>
Sharp Consumer Electronics Poland Sp. z o.o. <Toruń, Poland>
Sharp Middle East Free Zone Establishment <Dubai, U.A.E.>
Sharp Universal Technology (Shenzhen) Co., Ltd. <Shenzhen, China>
Sharp Universal Technology (Shanghai) Co., Ltd. <Shanghai, China>
Shanghai Sharp Electronics Co., Ltd. <Shanghai, China>
Sharp Electronics Sales (China) Co., Ltd. <Shanghai, China>
Nanjing Sharp Electronics Co., Ltd. <Nanjing, China>
Sharp Office Equipments (Changshu) Co., Ltd. <Changshu, China>
Wuxi Sharp Electronic Components Co., Ltd. <Wuxi, China>
Wuxi Sharp Display Technology Co., Ltd. <Wuxi, China>
Dynabook Technology (Hangzhou) Inc. <Hangzhou, China>
Yantai Xia Ye Electrons Co., Ltd. <Yantai, China>
Sharp Hong Kong Limited <Hong Kong>
Sharp (Taiwan) Electronics Corporation <New Taipei, Taiwan>
Dynabook Technology (Taiwan) Co., Ltd. <Taoyuan, Taiwan>
Sharp Electronics (Malaysia) Sdn. Bhd. <Selangor, Malaysia>
Sharp Manufacturing Corporation (M) Sdn. Bhd. <Johor, Malaysia>
Sharp North Malaysia Sdn. Bhd. <Kedah, Malaysia>
Sharp Singapore Electronics Corporation Pte. Ltd. <Singapore>
Sharp Appliances (Thailand) Ltd. <Chachoengsao, Thailand>
Sharp Manufacturing (Thailand) Co., Ltd. <Nakornpathom, Thailand>
P.T. Sharp Electronics Indonesia <West Jawa, Indonesia>
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 65 other consolidated subsidiaries in addition to the companies listed above.