

Consolidated Financial Results for the Year Ended March 31, 2023

May 11, 2023

SHARP CORPORATION

Stock exchange listings: Tokyo
 Code number: 6753
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Scheduled date of the Ordinary

General Meeting of Shareholders: June 27, 2023

Scheduled dividend payment date: —

Supplementary material: Yes

Financial results meeting: Yes (targeted at institutional investors and analysts)

(Monetary amounts are rounded down to the nearest million yen.)

1. Results for the Year Ended March 31, 2023

(1) Financial Results

(The percentage figures represent the percentage of increase or decrease against the previous year.)

Millions of Yen

	Net Sales	Percent Change	Operating Profit (Loss)	Percent Change	Ordinary Profit (Loss)	Percent Change
Year Ended March 31, 2023	2,548,117	+2.1%	(25,719)	-	(30,487)	-
Year Ended March 31, 2022	2,495,588	+2.9%	84,716	+1.9%	114,964	+82.0%

	Profit (Loss) Attributable to Owners of Parent	Percent Change	Income (Loss) per Share (Yen)	Fully Diluted Income per Share (Yen)
Year Ended March 31, 2023	(260,840)	-	(407.31)	-
Year Ended March 31, 2022	73,991	+38.9%	121.14	-

[Reference] Comprehensive income: March 31, 2023 ; (262,369) million yen — %
 March 31, 2022 ; 123,752 million yen +17.8%

	Income (Loss) to Equity	Ordinary Profit (Loss) to Total Assets	Operating Profit (Loss) to Net Sales
Year Ended March 31, 2023	-78.7%	-1.6%	-1.0%
Year Ended March 31, 2022	18.4%	5.9%	3.4%

[Reference] Share of profit (loss) of entities accounted for using equity method: March 31, 2023 ; (20,401) million yen
 March 31, 2022 ; 3,630 million yen

(2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of March 31, 2023	1,772,961	222,362	11.8%	321.05
As of March 31, 2022	1,956,288	469,269	23.2%	743.70

[Reference] Equity: March 31, 2023 ; 208,450 million yen
 March 31, 2022 ; 454,268 million yen

(3) Cash Flows

Millions of Yen

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Year Ended March 31, 2023	14,746	(40,967)	(18,483)	206,612
Year Ended March 31, 2022	75,157	(31,448)	(124,291)	239,359

2. Dividends

	Dividends per Share (Yen)					Total Dividend Payment (Millions of Yen)	Pay-out Ratio (Consolidated)	Dividend to Net Assets (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual			
Year Ended March 31, 2022	-	0.00	-	40.00	40.00	24,432	33.0%	6.1%
Year Ended March 31, 2023	-	0.00	-	0.00	0.00	0	0.0%	0.0%
Year Ending March 31, 2024 (Forecast)	-	-	-	-	-		-	

Note: The amount of dividend per share for the year ending March 31, 2024, has not been decided at the time of announcement.

3. Forecast of Financial Results for the Year Ending March 31, 2024

(The percentage figures represent the percentage of increase or decrease against the previous year.)

Millions of Yen

	Net Sales	Percent Change	Operating Profit	Percent Change	Ordinary Profit	Percent Change	Profit Attributable to Owners of Parent	Percent Change	Net Income per Share (Yen)
Year Ending March 31, 2024 (Forecast)	2,560,000	+0.5%	40,000	-	39,000	-	10,000	-	15.40

4. Other Information

(1) Changes in significant consolidated subsidiaries (Changes in specified subsidiaries involving changes in scope of consolidation): Yes

Newly added : 1 company

Sakai Display Products Corporation

Excluded : -

(2) Changes in accounting policies and accounting estimates, and restatement

1. Changes in accounting policies arising from revision of accounting standards: Yes

2. Changes arising from other factors: None

3. Changes in accounting estimates: None

4. Restatement: None

(3) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury stock) as of March 31, 2023 ; 650,406,538 shares
as of March 31, 2022 ; 611,952,858 shares

2. Number of shares of treasury stock as of March 31, 2023 ; 1,133,210 shares
as of March 31, 2022 ; 1,131,071 shares

3. Average number of shares outstanding during the year ended March 31, 2023 ; 640,400,405 shares
during the year ended March 31, 2022 ; 610,799,739 shares

Notes:

1. This financial release is not subject to audit.

2. This financial release contains certain statements about the future, which are based on information available and deemed reasonable to the Sharp Group at the time of announcement and are not the commitments made by Sharp.

3. Sharp will hold a financial results meeting on May 11, 2023. Financial materials distributed at the meeting will be posted on its website immediately after the meeting.

4. The accompanying consolidated financial statements are a translation of the consolidated financial statements of Sharp, which were prepared in accordance with accounting principles and practices generally accepted in Japan.

1. Qualitative Information: Fiscal 2022 Financial Results

(1) Qualitative Information regarding Consolidated Financial Results

i. Financial results for fiscal 2022

The global economy continued to recover moderately from the COVID-19 pandemic during the consolidated fiscal year under review. However, inflation rose due to soaring energy and raw materials prices linked to the situation in Ukraine and other factors. To control inflation, monetary tightening was initiated in various countries, and the spread of financial instability, including the collapse of banks in the United States, has led to an uncertain outlook.

In addition, the business environment for Sharp remained extremely challenging due to the weak yen and deteriorating conditions in the display market.

Amid these circumstances, Sharp pursued three initiatives: (1) Strengthen our overseas businesses; (2) Expand into new areas (new products/services, new markets, and new businesses); and (3) Strengthen ability to respond to risks.

Consolidated net sales for fiscal 2022 amounted to 2,548.1 billion yen, up 2.1% year on year, as sales of Smart Life, 8K Ecosystem, ICT, and Electronic Device businesses grew, despite a decline in Display Device business sales. Operating loss amounted to 25.7 billion yen, compared with operating profit of 84.7 billion yen in the previous fiscal year. This operating loss was due to a significant decrease in four segments under other, reflecting the impact of the weakening yen and deteriorating display market conditions, despite an increase in Electronic Device business profit. Ordinary loss was 30.4 billion yen (ordinary profit of 114.9 billion yen in the previous fiscal year) due to the posting of an operating loss and non-operating losses of 4.7 billion yen, including share of loss of entities accounted for using the equity method among other factors. Loss attributable to owners of parent amounted to 260.8 billion yen, compared with profit attributable to owners of parent of 73.9 billion yen in the previous fiscal year. This loss was mainly due to impairment loss of 220.5 billion yen, mainly in the Display Device business.

The sales performance of each business segment in fiscal 2022 was as follows. Segment sales include inter-segment sales and transfers.

< Brand Businesses >

1. Smart Life

The Smart Life segment recorded sales of 468.7 billion yen, up 5.1% year on year. The white goods business posted higher sales due to growth in cooking appliances and washing machines, etc. The energy solutions business also posted higher sales.

2. 8K Ecosystem

8K Ecosystem segment sales amounted to 591.8 billion yen, up 4.3% year on year. Sales in the TV business declined; however, sales in the business solutions business rose due to growth in MFPs, smart office, and information displays.

3. ICT

The ICT segment recorded sales of 325.8 billion yen, up 0.6% year on year. While the PC business saw a decline in sales, the mobile communications business posted higher sales.

< Device Businesses >

4. Display Device

Display Device segment sales amounted to 759.9 billion yen, down 11.6% year on year. While panel sales grew for automotive applications, sales of panels for smartphones and PCs declined.

5. Electronic Device

The Electronic Device segment recorded sales of 475.5 billion yen, up 19.8% year on year. Device sales for customer 2022 models were firm.

ii. Analysis of financial position

Total assets as of the consolidated fiscal year end amounted to 1,772.9 billion yen, down 183.3 billion yen compared to the end of the prior fiscal year. This result was mainly due to decreases in notes and accounts receivable-trade and contract assets and inventories, as well as impairment related to non-current assets, etc. Beginning with the current consolidated fiscal year, we included Sakai Display Products Corporation (“SDP”) in the scope of consolidation. Fixed assets and goodwill recorded in connection with this inclusion were subject to impairment, while Sharp receivables, etc. from SDP, included in total assets at the end of the prior consolidated fiscal year, were eliminated in consolidation. These factors led to a decrease in total assets. Total liabilities amounted to 1,550.5 billion yen, up 63.5 billion yen compared to the prior fiscal year end. This result was mainly due an increase short-term borrowings, etc. Net assets amounted to 222.3 billion yen, down 246.9 billion yen compared to the prior fiscal year end. This result was mainly due to the recording of loss attributable to owners of parent.

Net cash provided by operating activities was 14.7 billion yen, net cash used in investing activities was 40.9 billion yen, and net cash used in financing activities was 18.4 billion yen. In addition, SDP became a wholly owned subsidiary through a share exchange and was included in the scope of consolidation, increasing cash and cash equivalents by 2.0 billion yen. As a result, cash and cash equivalents as of the end of the consolidated fiscal year amounted to 206.6 billion yen, down 32.7 billion yen compared to the prior fiscal year end.

(2) Future outlook

Although energy and raw materials prices are easing, the prolonged situation in Ukraine, high inflation worldwide, monetary tightening in various countries, and financial instability triggered by the U.S. bank failure have caused concerns about a slowdown in the economy. Due to these factors, the outlook for the economy will remain uncertain.

Amid these circumstances, while Sharp posted a significant loss in the fiscal year ended March 31, 2023, during the fiscal year ending March 31, 2024, we intend to conduct a fundamental review of our loss-making businesses, develop high-value-added products and services, create new products, and strengthen our overseas businesses. We will come together as One SHARP to achieve a return to profitability for the full fiscal year.

Sharp practices ESG-focused management from a medium- to long-term perspective. We will accelerate the creation of new businesses that will be the pillars of future growth as quickly as possible, and we are building a business promotion system centered on our brand businesses. Sharp will continue to solve various social issues and contribute to the development of global society.

The following outlines our current financial results forecast for the fiscal year ending March 2024.

(The percentage figures represent the percentage of increase or decrease against the previous fiscal year.)

Billions of Yen				
	Year ended March 31, 2023	Percentage Change	Year ending March 31, 2024 (Forecast)	Percentage Change
Net Sales	2,548.1	+2.1%	2,560.0	+0.5%
Operating Profit (Loss)	(25.7)	-	40.0	-
Ordinary Profit (Loss)	(30.4)	-	39.0	-
Profit (Loss) Attributable to Owners of Parent	(260.8)	-	10.0	-

We have assumed an exchange rate of USD1 to JPY135 for fiscal 2023.

*The financial results forecast presented here is based on information available and judgments deemed reasonable at the time. These forecasts are not guarantees of future performance. Actual performance may differ materially due to a number of factors. Matters that could affect actual results include, but are not limited to, the following factors:

- The economic conditions in which the Sharp operates
- Sudden, rapid fluctuations in demand for Sharp products and services, as well as intensified price competition
- Exchange rate fluctuations (particularly between the yen and the U.S. dollar, the euro, and other currencies)
- Regulations, including trade restrictions with other countries
- The progress of collaborations and alliances with other companies
- Litigation and other legal proceedings against the Sharp
- Rapid technological changes in products and services, etc.

(3) Material Events Related to the Going Concern Assumption

For the fiscal year ended March 31, 2023, Sharp recorded a loss attributable to owners of parent of 260.8 billion yen. This loss was mainly the result of impairment losses of 220.5 billion yen mainly due to deteriorating market conditions for large LCD panels, which reduced consolidated net assets significantly.

In response, Sharp aims to return to profitability beginning with the fiscal year ending March 31, 2024. We will work toward future sustainable growth by building a business promotion system centered on brand businesses, by accelerating the creation of new businesses, and by developing game changing innovative technologies and devices.

In terms of funding, Sharp continues to borrow from our main banks, Mizuho Bank, Ltd. and MUFG Bank, Ltd., as well as from other financial institutions. We have executed a syndicated loan agreement as our main loan agreement which provides for a principle loan period ending in April 2026. We also have a commitment line agreement with our two main banks that totals 200.0 billion yen. Sharp continues to work closely with our primary financial institutions, striving to maintain good working relationships and dialogue to help them understand the Sharp businesses and our and financial plans. Accordingly, Sharp has determined that there are no significant concerns regarding fund raising for working capital or investment funds for the time being.

While certain events or circumstances may have given rise significant doubts in connection with the going concern assumption, there are no material uncertainties noted that are applicable to P.15 (5) *Notes Related to the Going Concern Assumption*.

2. Basic Approach to Selection of Accounting Standards

The Sharp uses Japanese accounting standards to ensure comparability of consolidated financial statements over different time periods.

We will continue to monitor trends in the adoption of the International Financial Reporting Standards (IFRS).

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<u>Assets</u>		
Current assets		
Cash and deposits	287,361	262,058
Notes and accounts receivable - trade, and contract assets	487,160	438,057
Inventories	310,283	299,307
Other	148,165	90,713
Allowance for doubtful accounts	(2,342)	(3,049)
Total current assets	1,230,628	1,087,087
Non-current assets		
Property, plant and equipment		
Buildings and structures	689,458	695,180
Machinery, equipment and vehicles	1,191,042	1,181,932
Tools, furniture and fixtures	177,359	170,801
Land	83,711	76,467
Construction in progress	18,395	24,982
Other	48,109	57,352
Accumulated depreciation	(1,789,815)	(1,817,459)
Total property, plant and equipment	418,260	389,257
Intangible assets		
Software	25,954	23,322
Goodwill	8,439	6,284
Other	7,890	6,237
Total intangible assets	42,285	35,845
Investments and other assets		
Investment securities	171,392	216,207
Retirement benefit asset	10,293	6,214
Deferred tax assets	22,391	18,127
Other	63,595	22,667
Allowance for doubtful accounts	(2,559)	(2,445)
Total investments and other assets	265,114	260,770
Total non-current assets	725,660	685,873
Total assets	1,956,288	1,772,961
<u>Liabilities</u>		
Current liabilities		
Notes and accounts payable - trade	379,394	328,899
Electronically recorded obligations - operating	42,980	42,973
Short-term borrowings	54,300	163,896
Lease liabilities	2,283	18,966
Accrued expenses	106,398	114,638
Provision for bonuses	18,506	15,791
Provision for product warranties	19,750	12,165
Provision for loss on litigation	12,288	614
Provision for sales promotion expenses	9,586	4,120
Provisions for restructuring	174	1,024
Other	162,534	179,472
Total current liabilities	808,198	882,563
Non-current liabilities		
Long-term borrowings	572,270	542,727
Retirement benefit liability	73,630	72,019
Other	32,919	53,287
Total non-current liabilities	678,820	668,034
Total liabilities	1,487,018	1,550,598

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	108,623	148,929
Retained earnings	345,218	59,802
Treasury shares	(13,747)	(13,749)
Total shareholders' equity	445,094	199,982
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,169	26,469
Deferred gains or losses on hedges	1,835	475
Foreign currency translation adjustment	(9,085)	(2,266)
Remeasurements of defined benefit plans	(3,745)	(16,211)
Total accumulated other comprehensive income	9,173	8,467
Share acquisition rights	304	293
Non-controlling interests	14,696	13,618
Total net assets	469,269	222,362
Total liabilities and net assets	1,956,288	1,772,961

(2) Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

- Consolidated Statements of Income

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	2,495,588	2,548,117
Cost of sales	2,063,864	2,217,285
Gross profit	431,723	330,831
Selling, general and administrative expenses	347,006	356,550
Operating profit (loss)	84,716	(25,719)
Non-operating income		
Interest income	2,583	2,681
Dividend income	1,543	1,533
Rental income from non-current assets	3,465	4,396
Foreign exchange gains	18,947	17,223
Share of profit of entities accounted for using equity method	3,630	-
Investment income	9,263	6,907
Other	10,605	7,942
Total non-operating income	50,038	40,683
Non-operating expenses		
Interest expenses	4,448	9,296
Share of loss of entities accounted for using equity method	-	20,401
Other	15,342	15,753
Total non-operating expenses	19,790	45,451
Ordinary profit (loss)	114,964	(30,487)
Extraordinary income		
Gain on sale of non-current assets	5,124	7,126
Gain on receipt of donated non-current assets	1,329	-
Gain on sale of investment securities	631	17
Gain on step acquisitions	-	12,422
Gain on change in equity	-	261
Gain on bargain purchase	182	-
Gain on sale of businesses	5,725	-
Gain on reversal of share acquisition rights	-	4
Total extraordinary income	12,993	19,833
Extraordinary losses		
Loss on sale and retirement of non-current assets	588	1,269
Impairment losses	22,703	220,553
Loss on valuation of investment securities	77	138
Loss on sale of investment securities	7	-
Loss on sale of shares of subsidiaries and associates	268	-
Business restructuring expenses	-	4,451
Settlement payments	2,763	-
Provision for loss on litigation	11,747	1,976
Total extraordinary losses	38,156	228,389
Profit (loss) before income taxes	89,802	(239,043)
Income taxes - current	17,230	15,660
Income taxes - deferred	(1,184)	6,950
Total income taxes	16,045	22,610
Profit (loss)	73,756	(261,654)
Loss attributable to non-controlling interests	(234)	(814)
Profit (loss) attributable to owners of parent	73,991	(260,840)

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit (loss)	73,756	(261,654)
Other comprehensive income		
Valuation difference on available-for-sale securities	3,546	6,301
Deferred gains or losses on hedges	675	(1,345)
Foreign currency translation adjustment	29,409	14,868
Remeasurements of defined benefit plans, net of tax	13,996	(12,657)
Share of other comprehensive income of entities accounted for using equity method	2,368	(7,882)
Total other comprehensive income	49,996	(714)
Comprehensive income	123,752	(262,369)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	122,440	(261,546)
Comprehensive income attributable to non-controlling interests	1,312	(822)

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	109,126	289,551	(14,053)	389,624
Changes during period					
Dividends of surplus			(18,324)		(18,324)
Profit (loss) attributable to owners of parent			73,991		73,991
Change in ownership interest of parent due to transactions with non-controlling interests		(216)			(216)
Purchase of treasury shares				(8)	(8)
Disposal of treasury shares		(286)		314	28
Net changes in items other than shareholders' equity					
Total changes during period	-	(503)	55,667	306	55,470
Balance at end of period	5,000	108,623	345,218	(13,747)	445,094

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	16,617	1,086	(39,362)	(17,617)	(39,275)	297	13,493	364,139
Changes during period								
Dividends of surplus								(18,324)
Profit (loss) attributable to owners of parent								73,991
Change in ownership interest of parent due to transactions with non-controlling interests								(216)
Purchase of treasury shares								(8)
Disposal of treasury shares								28
Net changes in items other than shareholders' equity	3,551	748	30,277	13,872	48,449	7	1,202	49,659
Total changes during period	3,551	748	30,277	13,872	48,449	7	1,202	105,129
Balance at end of period	20,169	1,835	(9,085)	(3,745)	9,173	304	14,696	469,269

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	108,623	345,218	(13,747)	445,094
Cumulative effects of changes in accounting policies			(143)		(143)
Restated balance	5,000	108,623	345,075	(13,747)	444,951
Changes during period					
Dividends of surplus			(24,432)		(24,432)
Profit (loss) attributable to owners of parent			(260,840)		(260,840)
Increase by share exchanges		40,337			40,337
Change in ownership interest of parent due to transactions with non-controlling interests		(31)			(31)
Purchase of treasury shares				(2)	(2)
Net changes in items other than shareholders' equity					
Total changes during period	-	40,306	(285,273)	(2)	(244,968)
Balance at end of period	5,000	148,929	59,802	(13,749)	199,982

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	20,169	1,835	(9,085)	(3,745)	9,173	304	14,696	469,269
Cumulative effects of changes in accounting policies								(143)
Restated balance	20,169	1,835	(9,085)	(3,745)	9,173	304	14,696	469,126
Changes during period								
Dividends of surplus								(24,432)
Profit (loss) attributable to owners of parent								(260,840)
Increase by share exchanges								40,337
Change in ownership interest of parent due to transactions with non-controlling interests								(31)
Purchase of treasury shares								(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	6,300	(1,359)	6,818	(12,466)	(706)	(11)	(1,077)	(246,763)
Balance at end of period	26,469	475	(2,266)	(16,211)	8,467	293	13,618	222,362

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
<u>Cash flows from operating activities</u>		
Profit (loss) before income taxes	89,802	(239,043)
Depreciation	72,397	89,799
Interest and dividend income	(4,126)	(4,214)
Interest expenses	4,448	9,296
Share of loss (profit) of entities accounted for using equity method	(3,630)	20,401
Investment expenses	(9,263)	(6,907)
Loss (gain) on sale and retirement of non-current assets	(4,535)	(5,857)
Gain on receipt of donated non-current assets	(1,329)	-
Impairment losses	22,703	220,553
Loss (gain) on valuation of investment securities	77	138
Loss (gain) on sale of investment securities	(623)	(17)
Loss (gain) on step acquisitions	-	(12,422)
Loss (gain) on change in equity	-	(261)
Gain on reversal of share acquisition rights	-	(4)
Loss (gain) on sale of businesses	(5,725)	-
Business restructuring expenses	-	4,451
Settlement payments	2,763	-
Provision for loss on litigation	11,747	1,976
Decrease (increase) in notes and accounts receivable - trade and contract assets	(6,873)	41,579
Decrease (increase) in accounts receivable - other	(5,362)	2,207
Decrease (increase) in inventories	(21,466)	45,354
Increase (decrease) in trade payables	6,100	(82,201)
Other, net	(45,324)	(44,484)
Subtotal	101,778	40,343
Interest and dividends received	8,001	8,078
Interest paid	(4,453)	(8,918)
Income taxes refund (paid)	(27,425)	(13,946)
Payments for Business Restructuring	-	(998)
Settlement paid	(2,742)	(9,813)
Net cash provided by (used in) operating activities	75,157	14,746
<u>Cash flows from investing activities</u>		
Payments into time deposits	(133,685)	(98,943)
Proceeds from withdrawal of time deposits	135,143	91,739
Purchase of property, plant and equipment	(47,590)	(43,565)
Proceeds from sale of property, plant and equipment	9,216	9,828
Purchase of intangible assets	(15,483)	(13,449)
Purchase of investment securities	(10,003)	(2,472)
Proceeds from sale of investment securities	2,440	191
Proceeds from sale of businesses	4,267	619
Other, net	24,246	15,083
Net cash provided by (used in) investing activities	(31,448)	(40,967)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
<u>Cash flows from financing activities</u>		
Net increase (decrease) in short-term borrowings	(102,493)	25,854
Proceeds from long-term borrowings	15,648	1
Repayments of long-term borrowings	(14,513)	(10,908)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(216)	-
Dividends paid	(18,312)	(24,425)
Other, net	(4,403)	(9,006)
Net cash provided by (used in) financing activities	(124,291)	(18,483)
Effect of exchange rate change on cash and cash equivalents	27,148	9,859
Net increase (decrease) in cash and cash equivalents	(53,433)	(34,845)
Cash and cash equivalents at beginning of period	292,792	239,359
Increase in cash and cash equivalents resulting from share exchanges	-	2,099
Cash and cash equivalents at end of period	239,359	206,612

(5) Notes to Consolidated Quarterly Financial Statements

(Notes Related to Going Concern Assumption)

No applicable matters to report.

(Changes in Accounting Policies)

U.S. Accounting Standard ASC No. 842 Leases

Beginning with the current consolidated fiscal year, Sharp has applied the U.S. accounting standard ASC No. 842 Leases to overseas consolidated subsidiaries, etc. to which U.S. accounting standards are applied.

With the adoption of this accounting standard, lessees in lease transactions recognize right-of-use assets and lease liabilities. Short-term leases are not recognized as right-of-use assets or lease liabilities. In accordance with transitional treatment, Sharp has recognized the impact of this accounting standard cumulatively for balances as of the date of adoption.

In connection with the adoption of this accounting standard, Sharp recorded increases for the current consolidated fiscal year of 6,032 million yen in property, plant and equipment, 1,452 million yen in other under current liabilities, and 6,231 million yen in other under non-current liabilities.

The impact of the adoption of this accounting standard on profit and loss for the current consolidated fiscal year is minor.

(Segment Information)

1. Outline of reportable segments

Sharp 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.

Sharp is building a business promotion system centered on our brand businesses, while also engaging in ESG-focused management for sustainable growth. Specifically, we focus on the following four goals: (1) Strengthening our healthcare-related business further, (2) Contributing to carbon neutrality, (3) Management that makes the most of people (HITO-based management) and (4) Becoming a truly global company.

To achieve these goals, we concentrate on three brand businesses: Smart Life, 8K Ecosystem, and ICT, as well as on the two device businesses of Display Device and Electronic Device, as reportable segments.

The major products handled in each reportable segment are as follows.

Reportable Segment	Major Products
Smart Life	Refrigerators, superheated steam ovens, microwave ovens, small cooking appliances, air conditioners, washing machines, vacuum cleaners, air purifiers, electric fans, dehumidifiers, humidifiers, electric heaters, Plasmacluster Ion generators, beauty appliances, LED lightings, electronic dictionaries, calculators, telephones, network control units, solar cells, storage batteries
8K Ecosystem	Color televisions, Blu-ray disc recorders, audio equipment, digital MFPs (multi-function printers), information displays, commercial projectors, POS system equipment, FA equipment, options and consumables, office-related solutions services, software, face masks
ICT	Mobile phones, PCs, tablet devices, routers
Display Device	Display modules, automotive cameras
Electronic Device	Camera modules, sensor modules, optical sensors, optical devices, CMOS imagers, wafer foundries, laser diodes

2. Measurement of sales and income (loss) by reportable segment

The accounting policies for the reportable segments are basically the same as the policies for the consolidated financial statements. Intersegment sales and income (loss) are recognized based on appropriate prices determined by negotiation.

3. Segment Information

(1) Year Ended March 31, 2022

i . Information regarding sales and income (loss) by reportable segment

	Millions of Yen
Net Sales	
Smart Life	
Customers	446,039
Intersegment	152
Total	446,192
8K Ecosystem	
Customers	557,945
Intersegment	9,745
Total	567,690
ICT	
Customers	316,807
Intersegment	7,210
Total	324,017
Display Device	
Customers	817,082
Intersegment	42,592
Total	859,674
Electronic Device	
Customers	357,713
Intersegment	39,120
Total	396,834
Adjustments	(98,822)
The amount presented in Consolidated Statements of Income	2,495,588
Segment Income	
Smart Life	48,291
8K Ecosystem	24,966
ICT	4,038
Display Device	20,316
Electronic Device	6,988
Adjustments* ¹	(19,884)
The amount presented in Consolidated Statements of Income* ²	84,716

Notes: 1. Adjustments of segment income of (19,884) million yen include elimination of intersegment transactions of (4) million yen and corporate expenses not allocated to each reportable segment of (17,235) million yen. Corporate expenses are mainly attributable to basic R&D expenses and expenses related to parent company's functional groups.

2. Adjustments were made to reconcile segment income to operating profit presented in Consolidated Statements of Income.

(2) Year Ended March 31, 2023

i . Information regarding sales and income (loss) by reportable segment

Millions of Yen

Net Sales	
Smart Life	
Customers	468,552
Intersegment	191
Total	468,743
8K Ecosystem	
Customers	585,428
Intersegment	6,404
Total	591,832
ICT	
Customers	311,351
Intersegment	14,521
Total	325,873
Display Device	
Customers	736,224
Intersegment	23,729
Total	759,953
Electronic Device	
Customers	446,560
Intersegment	29,028
Total	475,589
Adjustments	(73,875)
The amount presented in Consolidated Statements of Income	2,548,117
Segment Income (Loss)	
Smart Life	28,209
8K Ecosystem	13,421
ICT	(5,530)
Display Device	(66,482)
Electronic Device	14,799
Adjustments* ¹	(10,137)
The amount presented in Consolidated Statements of Income* ²	(25,719)

- Notes: 1. Adjustments of segment income (loss) of (10,137) million yen include elimination of intersegment transactions of 0 million yen and corporate expenses not allocated to each reportable segment of (15,929) million yen. Corporate expenses are mainly attributable to basic R&D expenses and expenses related to parent company's functional groups.
2. Adjustments were made to reconcile segment income (loss) to operating profit presented in Consolidated Statements of Income.

(Per Share Information)

Yen

	Year Ended March 31, 2022	Year Ended March 31, 2023
Net assets per share	743.70	321.05
Income (loss) per share	121.14	(407.31)
Fully diluted income per share	-	-
	Fully diluted income per share for the year ended March 31, 2022, is not provided. Although Sharp has dilutive shares, the shares in question have no dilutive effect.	Fully diluted income per share for the year ended March 31, 2023, is not provided. Although Sharp has dilutive shares, the shares in question are loss per share.

Notes: Income (loss) per share and fully diluted income per share were calculated on the following basis.

	Year Ended March 31, 2022	Year Ended March 31, 2023
Income (loss) per share		
Profit (loss) attributable to owners of parent (millions of yen)	73,991	(260,840)
Amounts not allocated to common shares (millions of yen)	-	-
Profit (loss) attributable to owners of parent (millions of yen)	73,991	(260,840)
Average number of common shares outstanding during each year (thousands of shares)	610,799	640,400
Common shares (thousands of shares)	610,799	640,400
Shares equivalent to common shares (thousands of shares)	-	-
Residual securities which do not dilute income per share	743 share options resolved by the board of directors on April 19, 2017 (First Share Options) 381 share options resolved by the board of directors on September 26, 2017 (Second Share Options) 875 share options resolved by the board of directors on August 28, 2018 (Third Share Options)	720 share options resolved by the board of directors on April 19, 2017 (First Share Options) 381 share options resolved by the board of directors on September 26, 2017 (Second Share Options) 875 share options resolved by the board of directors on August 28, 2018 (Third Share Options)

(Significant Subsequent Events)

Change in segment classification

As of the current consolidated fiscal year, we categorize Sharp reportable segments into five segments: Smart Life, 8K Ecosystem, ICT, Display Device, and Electronic Device. Effective as of the next consolidated fiscal year, we will categorize 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 business to clarify our focus businesses and maximize synergies among businesses. We also intend to accelerate business transformation for a return to growth, 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--will be 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, will be included in the Smart Office segment under the revised segment classification. The smart display systems business, previously included in the 8K Ecosystem segment, and mobile communication business, previously included in the ICT segment, will be included in the Universal Network segment under the revised segment classification. In addition, we will rename the smart display systems business to the TV systems business in accordance with the change in reporting segments.

We are currently calculating information related to sales and profit or loss for each reportable segment for the current consolidated fiscal year according to the reporting segment classification after the change.