

SHARP

Be Original.

Annual Report 2018

For the year ended March 31, 2018



**REFORMS BRING
A GROWTH PATH**

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REFORMS BRING A GROWTH PATH

Annual Report 2018 For the year ended March 31, 2018

Business Philosophy, Business Creed

Business Philosophy

We do not seek merely to expand our business volume. Rather, we are dedicated to the use of our unique, innovative technology to contribute to the culture, benefits and welfare of people throughout the world.

It is the intention of our corporation to grow hand-in-hand with our employees, encouraging and aiding them to reach their full potential and improve their standard of living.

Our future prosperity is directly linked to the prosperity of our customers, dealers and shareholders ...indeed, the entire Sharp family.

Business Creed

Sharp Corporation is dedicated to two principal ideals:

"Sincerity and Creativity"

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

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

Harmony brings strength ... trust each other and work together.

Politeness is a merit ... always be courteous and respectful.

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

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

Corporate Motto

Be Original.

From the beginning, Sharp has been driven by originality.

We originate technologies that enhance lifestyles,
Inspire innovations that support individual expression,
And create products that let you be you.

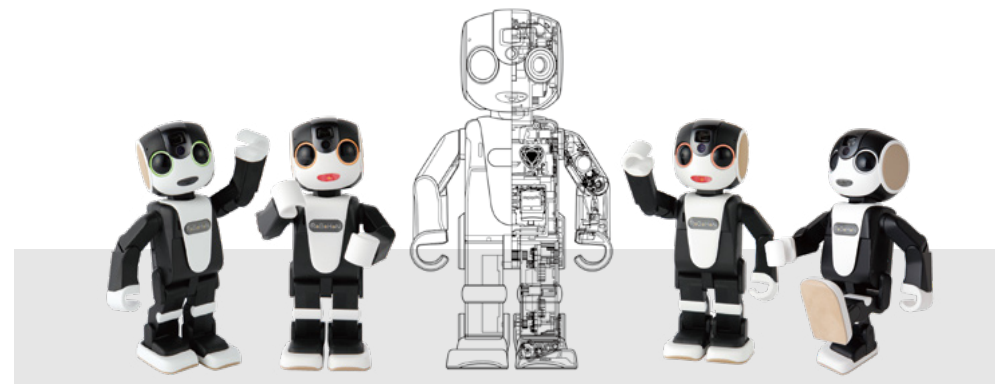
There is only one Sharp.

There is only one you.

Be Original.

SHARP

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Forward-Looking Statements

This annual report contains certain statements describing the future plans, strategies and performance of Sharp Corporation and its consolidated subsidiaries (hereinafter "Sharp"). These statements are not based on historical or present fact, but rather assumptions and estimates based on information currently available. These future plans, strategies and performance are subject to known and unknown risks, uncertainties and other factors. Sharp's actual performance, business activities and financial position may differ materially from the assumptions and estimates provided on account of such risks, uncertainties and other factors. Sharp is under no obligation to update these forward-looking statements in light of new information, future events or any other factors.

The risks, uncertainties and other factors that could affect actual results include, but are not limited to:

- (1) The economic situation in which Sharp operates;
- (2) Sudden, rapid fluctuations in demand for Sharp's products and services, as well as intense price competition;
- (3) Changes in exchange rates (particularly between the Japanese yen and the U.S. dollar, the euro and other currencies);
- (4) Regulations such as trade restrictions in other countries;
- (5) The progress of collaborations and alliances with other companies;
- (6) Litigation and other legal proceedings against Sharp;
- (7) Rapid technological changes in products and services.

Message to our Shareholders

In May 2017, Sharp published our fiscal 2017-2019 medium-term management plan. Under this plan, we are pursuing reform in our businesses, our arenas of competition, and our operations, shifting our focus from defense to offense, and transforming ourselves into a company that delivers People-Oriented IoT and an 8K Ecosystem.

Fiscal 2017 earnings were encouraging, mainly the result of growth overseas in ASEAN and China.

We also made tangible progress toward greater operational efficiencies.

Our shares were reassigned to the First Section of the Tokyo Stock Exchange this year, and we declared dividends for the first time in six years.



December 7, 2017 ceremony for the reassignment of shares to the First Section of the TSE

People-Oriented IoT and 8K Ecosystem

Changing the World with 8K and AIoT. This is the Sharp business vision by which we intend to grow, using 8K ultra-high-definition technologies and AIoT, a combination of artificial intelligence and the internet of things.

We will realize a future in which 8K technologies used for telemedicine and remote learning bring medical advancements and quality education to every corner of the world.

8K technologies will reduce food scarcity by causing a dramatic leap ahead in agricultural productivity through usage in pest control and crop cultivation management systems.

We will create smart homes and smart cities with AIoT, in which people live more comfortably and safer.

AIoT will introduce greater productivity to smart offices and smart factories, driving sustainable economic development and creating a society in which every person lives true

to themselves.

Sharp is transforming more quickly than ever to bring this future into reality.

Creating New Value

In the more than 100 years since our founding, Sharp has remained faithful to our founding spirit of *Sincerity and Creativity*. We still embrace our founder's ideal to "make products that others want to imitate." Over the years, we have produced many highly original world-first and Japan-first breakthroughs, pioneering new markets, introducing technological advancements, and contributing to the development of society.

To make good products after this fashion requires steady engagement, followed by services, platforms, and ecosystems. In this way, Sharp will transform into an entity that offers original, new value and amazing experiences to our customers.

We remain committed to improving lives and fostering social development, leading to higher levels of corporate value.

I will continue to devote myself, body and spirit, to meeting the expectations of our shareholders and all other stakeholders.

We look forward to your ongoing support.



戴正吳

J.W. Tai
Chairman,
President & CEO

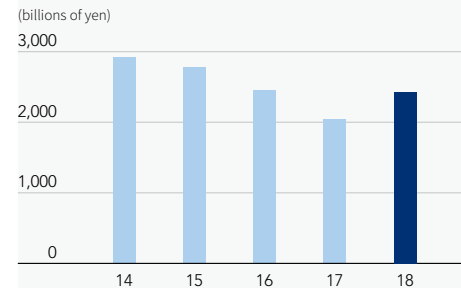
Financial Highlights

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31

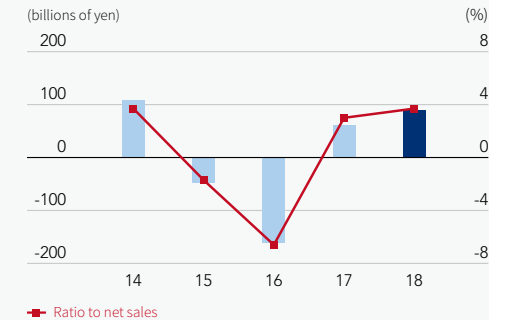
	Yen (millions)				
	2014	2015	2016	2017	2018
Net Sales	¥ 2,927,186	¥ 2,786,256	¥ 2,461,589	¥ 2,050,639	¥2,427,271
Domestic sales	1,150,091	968,449	750,499	654,012	656,144
Overseas sales	1,777,095	1,817,807	1,711,090	1,396,627	1,771,127
Operating Profit (Loss)	108,560	(48,065)	(161,967)	62,454	90,125
Profit (Loss) before Income Taxes	45,970	(188,834)	(231,122)	(587)	89,416
Profit (Loss) Attributable to Owners of Parent	11,559	(222,347)	(255,972)	(24,877)	70,225
Net Assets	207,173	44,515	(31,211)	307,801	401,713
Total Assets	2,181,680	1,961,909	1,570,672	1,773,682	1,908,660
Capital Investment	49,434	62,653	45,240	77,733	119,356
R&D Expenditures	132,124	141,042	130,120	106,107	100,536
Per Share Data					
Income (loss) per share (yen)	8.09	(131.51)	(154.64)	(68.56)	106.07
Cash dividends per share (yen)	—	—	—	—	10.00
Net assets per share (yen)	115.43	17.84	(161.79)	154.12	267.48
Return on Equity (ROE)	7.2%	(197.4%)	—	(19.8%)	20.9%
Number of Outstanding Shares (Common Shares) (thousands of shares)	1,690,765	1,690,733	1,690,678	4,972,609	497,249
Number of Employees	50,253	49,096	43,511	41,898	47,171

- (Notes)
- The amount of leased properties is included in capital investment.
 - Income (loss) per share is calculated by dividing profit (loss) attributable to owners of parent by the weighted average number of shares outstanding during the relevant period. For the fiscal years ended March 31, 2017 and 2018, since the dividend priority of the Class C shares is equal to that of the common shares, the number of Class C shares, after considering the conversion rate to common shares, is included in the number of shares outstanding for purposes of calculating the weighted average number of shares during the relevant period.
 - Number of outstanding shares (common shares) is shown by deducting the treasury shares.
 - Sharp carried out a share consolidation of common shares as well as Class C shares at a ratio of 10 shares to 1 share on October 1, 2017. The figures for the income (loss) per share and net assets per share are calculated on the assumption that Sharp conducts this consolidation at the beginning of the year ended March 31, 2017.

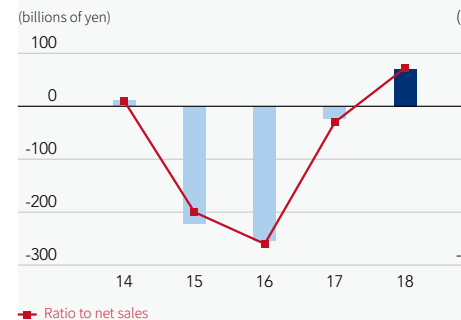
Net Sales



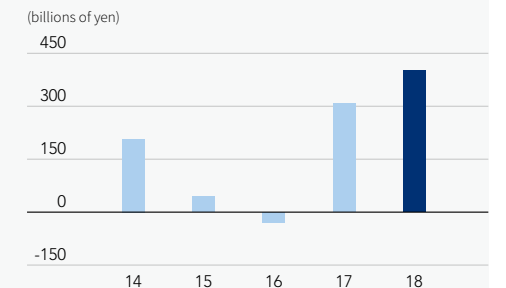
Operating Profit (Loss)



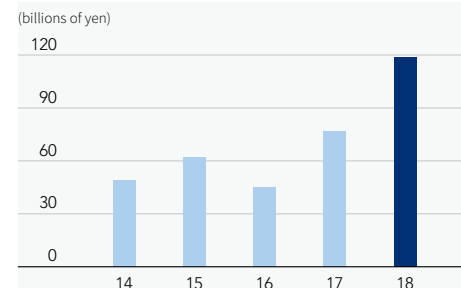
Profit (Loss) Attributable to Owners of Parent



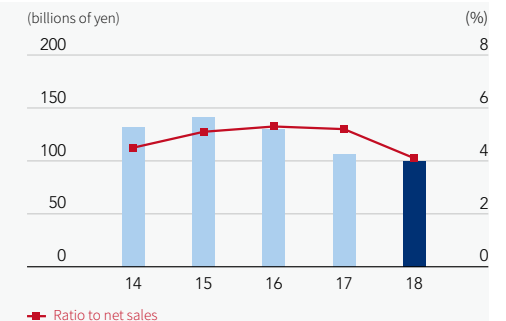
Net Assets



Capital Investment



R&D Expenditures



Fiscal 2017 Review

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31

Fiscal 2017 Earnings

During fiscal 2017, the economy of Japan experienced a moderate recovery, driven by improvements in corporate earnings and employment, as well as by recoveries in personal consumption and exports.

The economy overseas likewise experienced moderate growth, with the U.S. continuing to recover and the EU improving gradually. Meanwhile, China showed signs of its own ongoing recovery.

Throughout the year, Sharp continued to implement structural reforms, growing our business under the twin banners of *People-Oriented IoT* and an *8K Ecosystem*, according to the strategies in our fiscal 2017-2019 medium-term management plan.

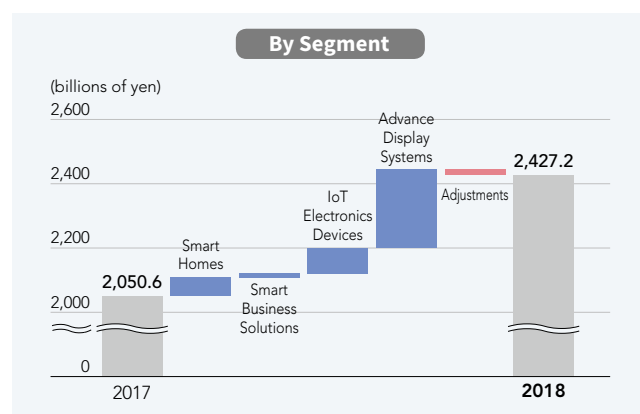
As a result of our efforts, consolidated net sales for fiscal 2017 rose to ¥2,427.2 billion, up 18.4% year on year, as our Advance Display Systems and all other segments reported higher sales.

Major gains in our Advance Display Systems segment helped drive operating profit higher to ¥90.1 billion (44.3% increase year on year), while ordinary profit rose to ¥89.3 billion (256.3% increase). Profit attributable to owners of parent amounted to ¥70.2 billion, compared to a loss of ¥24.8 billion in the prior year.

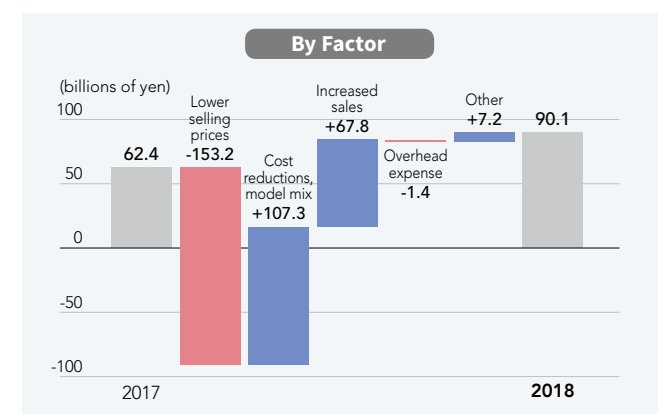
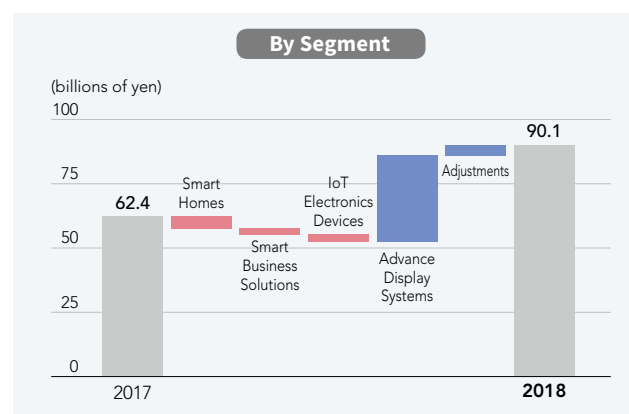
Considering our earnings improvement, financial condition, and future business growth, we declared dividends for the first time in six years.

- ✓ Fiscal 2017 earnings improved significantly year on year
- ✓ Net sales increased 18% vs. prior year, with all segments reporting revenue growth
- ✓ Profits improved steadily throughout the year as the company recorded profits for four consecutive quarters in a single fiscal year for the first time since 2007, prior to the Lehman shock
- ✓ Considering our earnings, financial condition, and future business growth, Sharp has decided to pay dividends for the first time in six years

Analysis of Changes in Net Sales

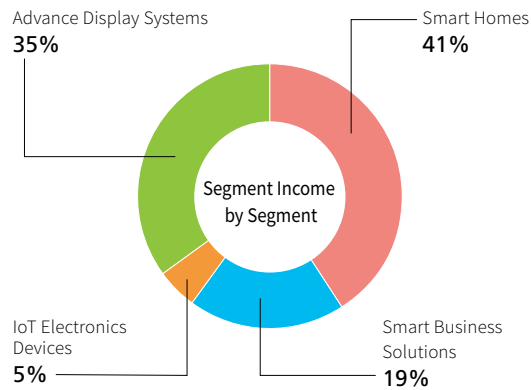
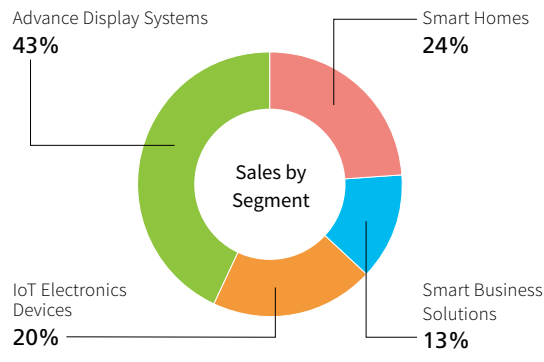


Analysis of Changes in Operating Profit



Fiscal 2017 Review

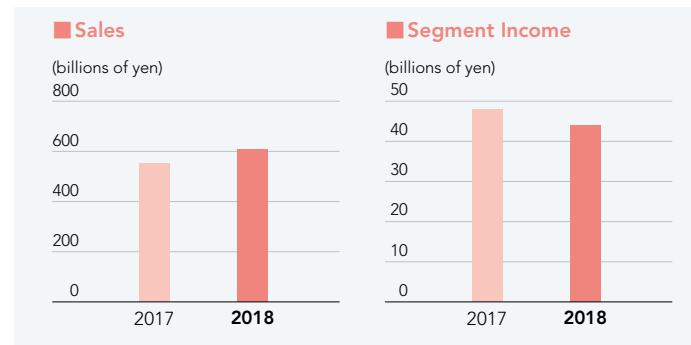
Sales, Segment Income by Segment



- Sales figures include internal sales between segments. The percentage of sales in pie charts has been calculated accordingly.
- Segment income figures are the amounts before adjustments for intersegment trading. The percentage of segment income in pie charts has been calculated accordingly.
- Effective for the year ended March 31, 2018, the Company has changed its segment classification. Figures for the previous year have been adjusted to reflect the new classification.

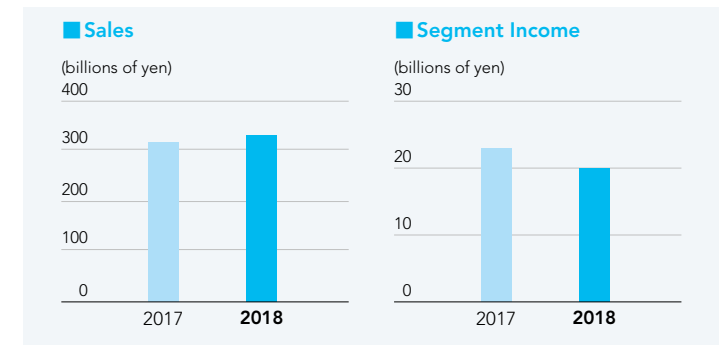
Smart Homes

Mobile phones, electronic dictionaries, calculators, facsimiles, telephones, network control units, 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 appliance, solar cells, storage battery



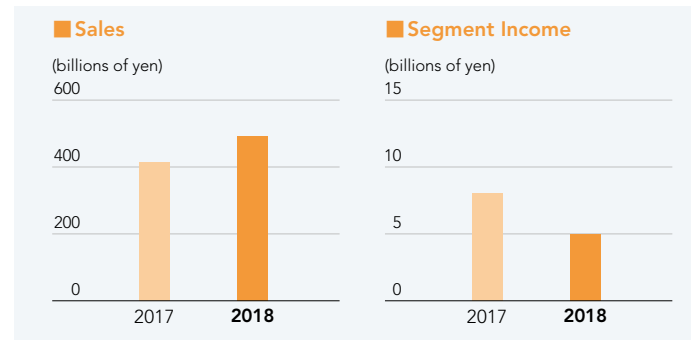
Smart Business Solutions

POS systems, electronic cash registers, commercial projectors, information displays, digital MFPs (multi-function printers), options and consumables, software, FA equipment, ultrasonic cleaners



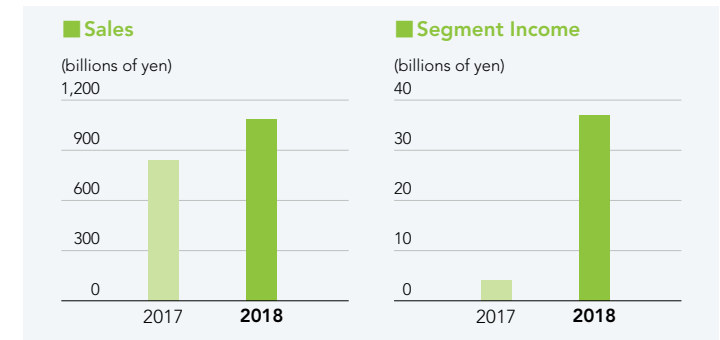
IoT Electronics Devices

Camera modules, camera module production facilities, sensor modules, proximity sensors, dust sensors, CCD/CMOS sensors, laser diodes, automotive cameras



Advance Display Systems

LCD color televisions, Blu-ray Disc recorders, IGZO LCD modules, CG-Silicon LCD modules, amorphous silicon LCD modules



Fiscal 2017 Review

Fiscal 2017-2019 Medium-Term Management Plan

On May 26, 2017, we published our fiscal 2017-2019 medium-term management plan, defining our business vision for *Changing the World with 8K and IoT*.

In pursuit of this business vision, we are transforming ourselves into a company that offers *People-Oriented IoT* and an *8K Ecosystem*, forming the foundation upon which we will build over the next 100 years.

We are engaging in transformations across our businesses, our arenas of competition, and our operations. More specifically, these transformations consist of (1) Reinventing our business model; (2) Expanding our business globally; and (3) Strengthening our business infrastructure. We underpin these three transformations through stronger unique technologies and more robust human resources.

• Reinvent business model

To our traditional hardware-based business model we are adding services, platforms, and ecosystems in general to transform ourselves into a company that provides new value to our customers.

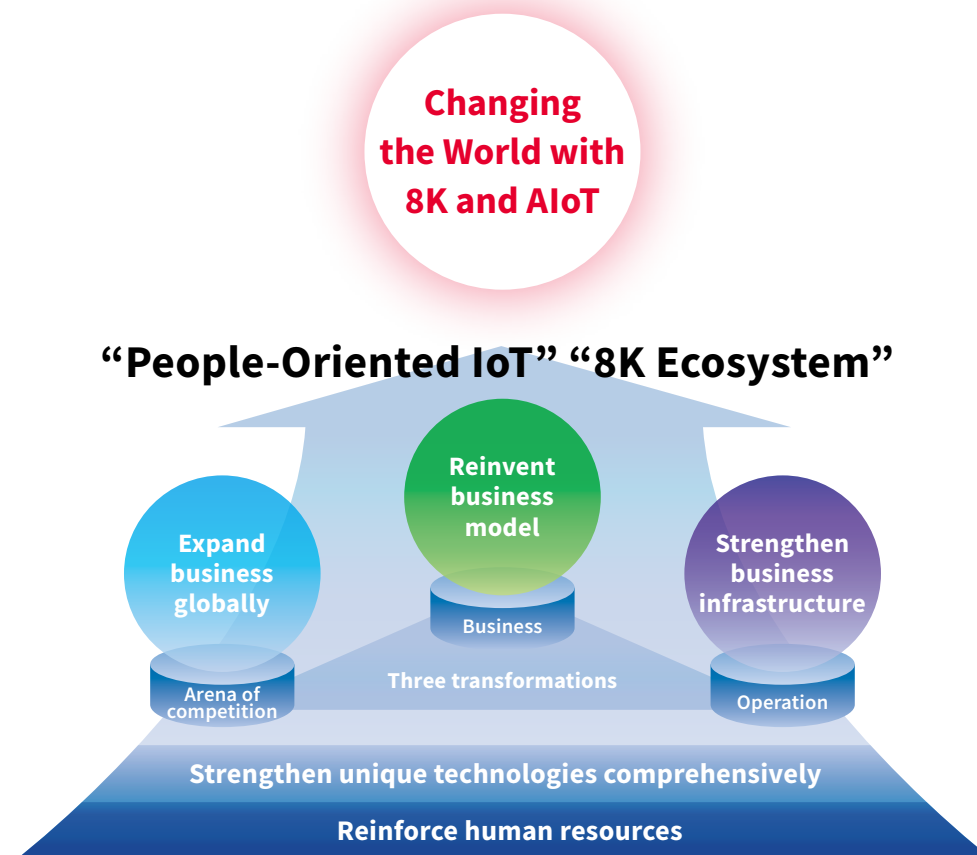
• Expand business globally

Our products business will focus mainly on overseas markets as we expand our lineup across existing and new categories, while growing our customer base and adding new sales channels. Meanwhile, our devices business will leverage new, innovative technologies to grow our customer base. These initiatives will be key drivers of our global expansion.

• Strengthen business infrastructure

For the past several years, we have followed three policies to introduce comprehensive structural reform into our group (review all business processes, raise awareness of costs, reward good performance). Under these policies we have achieved a ground-up structural reform, limiting expenditures across the board and building an efficient operational structure. Sharp will continue to pursue structural reform, establishing a more muscular management foundation that stands steadfast against any change in the business environment.

AloT is a registered trademark of Sharp Corporation.



Feature

Changing the World with 8K and AIoT



Sharp's Vision for the Future

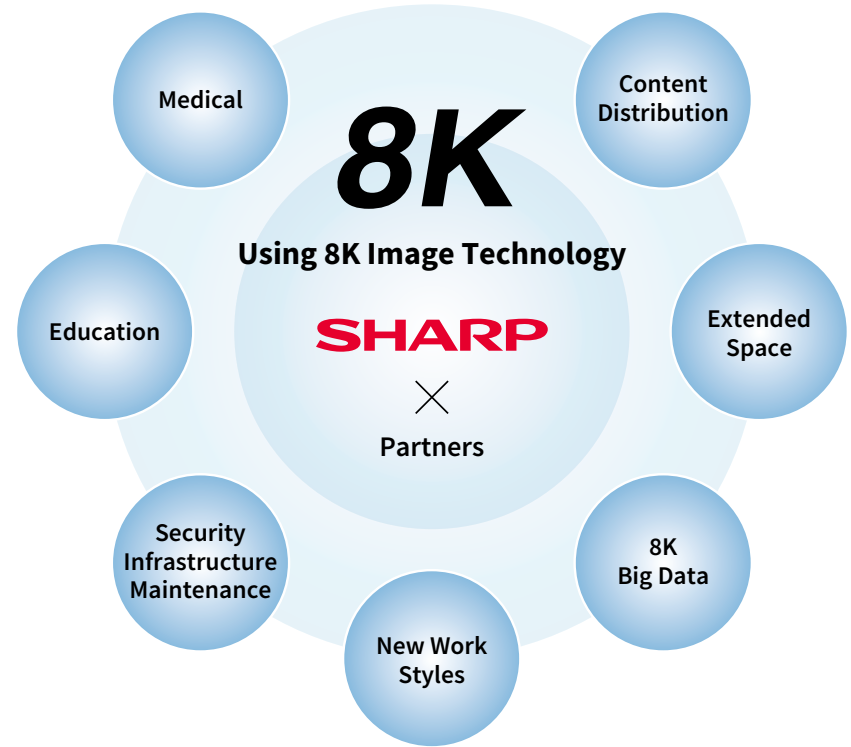
Sharp envisions a society in which people-oriented devices act as new partners to enrich our lives. In the future, 8K technology will give rise to innovations that will change our lives.

8K Ecosystem

Our strategy to develop and spread adoption of the 8K ecosystem is to work both independently and in collaboration with other companies, leveraging mutual strengths for rapid advancement.

8K offers 16 times the resolution of full high-definition. 8K viewers enjoy incredible realism through a lifelike, immersive experience, as well as new discoveries through images provided in unprecedented clarity.

Sharp will work with a variety of partners to build an end-to-end value chain, from video production and processing to distribution and display—all built on core 8K ultra-high-definition technologies. Our work will plant the seeds that bloom into new industries, bringing about dramatic social innovations in many different aspects of business and life.



8K Ecosystem Initiatives

We are accelerating the pace of development in our core 8K ecosystem products and technologies, including 8K TVs, displays, and cameras. At the same time, we are combining 8K with 5G and AI technologies to work with partners in broadcasting, medical, security, industry, education, art, infrastructure maintenance, entertainment, and sightseeing, creating 8K-based solutions in these fields.

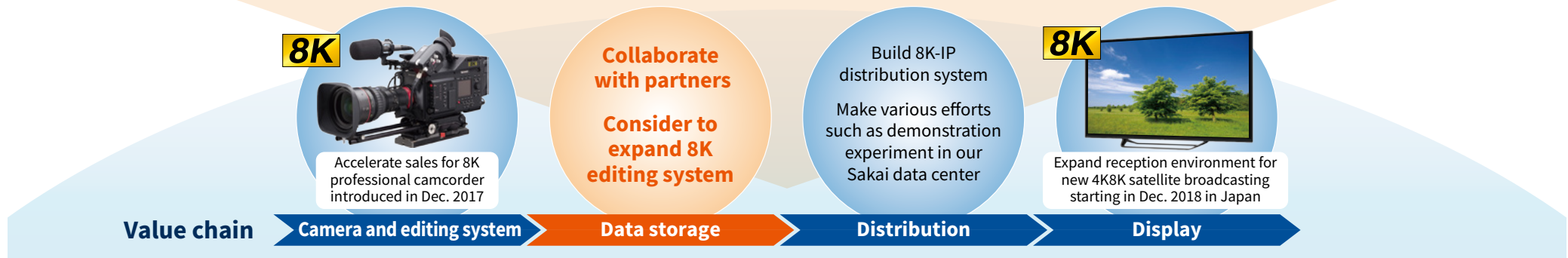
In August 2017, we unveiled *AQUOS 8K*, which features the strengths we have built over

many years of TV and display development. We followed in December 2017, launching an 8K professional camcorder, the result of a collaboration between of Sharp's device technology and Astrodesign, Inc.

In the field of medical, we started deliveries of 70-inch 8K image monitors for use with an endoscope system developed by Kairos Co., Ltd.



Develop various business fields

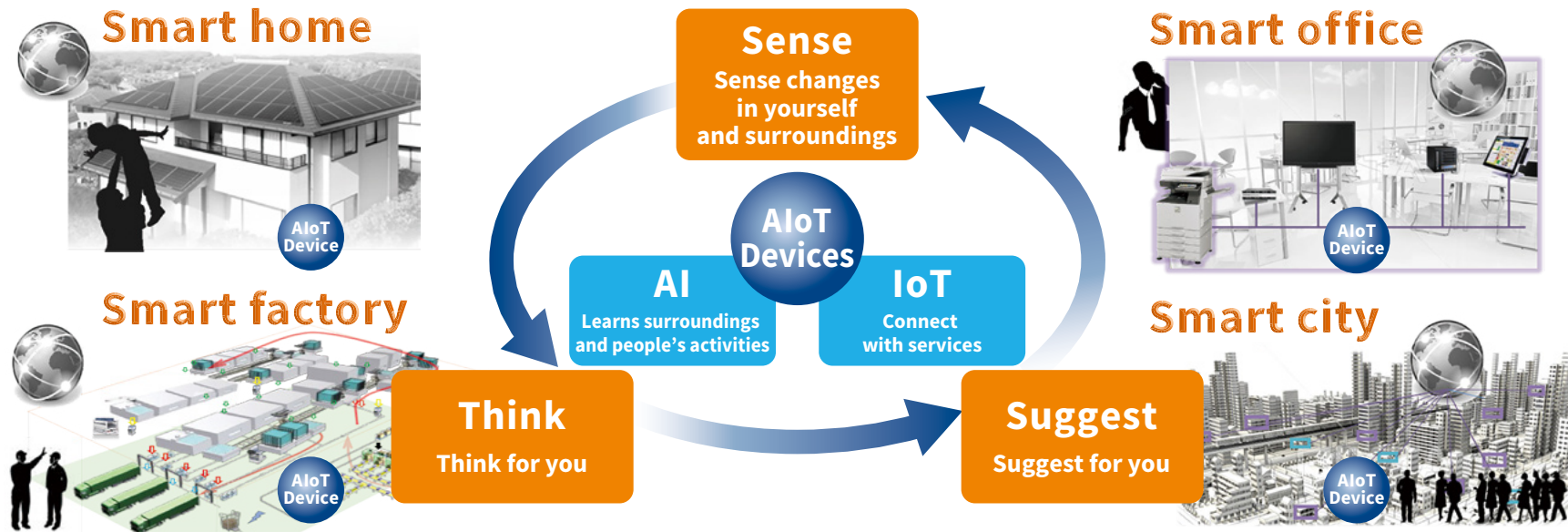


People-Oriented IoT

AloT is technology that integrates AI (artificial intelligence) and IoT (the internet of things). We are designing AloT devices to serve as new partners in detecting and considering changes in people and their environments, connecting with a variety of services via the internet to

make customized suggestions. This is what we call *People-Oriented IoT*.

Sharp will extend this technology to smart homes, smart offices, smart factories, and smart cities, helping build a smart society in which people play the leading role.



AIoT Initiatives

We must expand the number and breadth of services available, if we are to make AIoT more attractive to consumers.

In our Smart Homes business, for example, we are not only expanding AIoT devices, but also launching new AIoT services that include COCORO MUSIC, COCORO GAME, COCORO PET, and HEALSIO DELI. We also offer our AIoT platform to other companies to create new businesses.

We are exploring the potential for AIoT use in after-sales service, which could make the process more efficient for businesses and customers.

Our many years of developing Sharp device technologies gives us a major advantage in creating new businesses such as these and others.

Leveraging this advantage, our Smart Business Solutions will transform business through AIoT applied to smart offices, smart signage, smart retail, and smart factories.

Initiatives in the Smart Homes business



Corporate Social Responsibility

At Sharp, we fulfill our social responsibility through our commitment to our foundational Business Philosophy and Business Creed.

The foundation of corporate social responsibility (CSR) activities at Sharp lie in our Business Philosophy and Business Creed^{*1}, which distill the philosophy of our founder. This philosophy inspires us to be the first to make products that meet the needs of a new era and become a corporation that is known and trusted by society.

The Sharp Group Charter of Corporate Behavior and the Sharp Code of Conduct^{*2} formalize our Business philosophy and Business Creed, reflecting the changing expectations of

our stakeholders, revised and new laws, and changes in the business environment.

The Sharp Group Charter of Corporate Behavior serves as the group's action principles, while the Sharp Code of Conduct provides standards of conduct for group officers and employees.

*1 Sharp articulated this spirit in the company's Business Philosophy and Business Creed in 1973. See the following for more. <http://www.sharp-world.com/corporate/info/philosophy/>

*2 See the following for more about Sharp Group Charter of Corporate Behavior and the Sharp Code of Conduct <http://www.sharp-world.com/corporate/info/charter/>

Reference to Global Guidelines and Principles

Sharp CSR activities refer to several international standards and principles. These include the Ten Principles of the United Nations Global Compact, which Sharp joined in June 2009, and the Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015, which defines 17 goals for the year 2030 related

to such issues as poverty and hunger, energy, climate change, and peaceful societies.

- The Ten Principles of the United Nations Global Compact
- ISO26000 (international guidance on social responsibility)
- Sustainable Development Goals



CSR Initiatives ~ Raising our Response to Social and Environmental Responsibility ~

With the transition to a new management structure, Sharp also took the opportunity to revise our CSR promotion structure based on a new Basic Management Policy. In December

2016, we established the Sharp Global SER Committee and formulated our SER Policy to fulfill the social and environmental responsibilities of the Sharp Group.

SER Policy

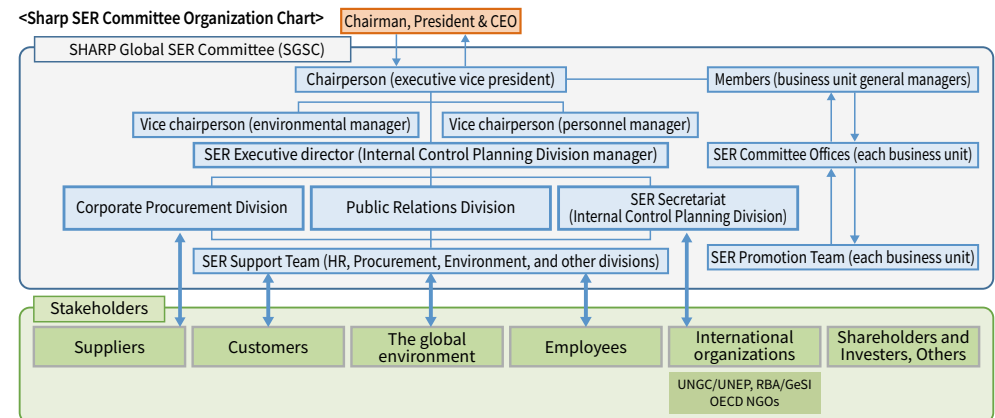
- (1) Value the rights of employees and ensure their health and safety.
- (2) Fulfill environmental responsibilities in business activities and manufacturing processes.
- (3) Build and operate an SER management system based on international standards, regulations, and client requests.

Sharp SER Committee

The SER Committee makes decisions on items related to the promotion of SER activities throughout the Sharp Group. Activities include formulating SER guidelines, relaying them to each business unit, disclosing information outside the company, and

communicating with stakeholders.

In addition, Sharp regularly holds an SER Conference with the participation business unit SER personnel to deliberate and decide important matters related to SER, publicizing these matters company wide.



Corporate Social Responsibility

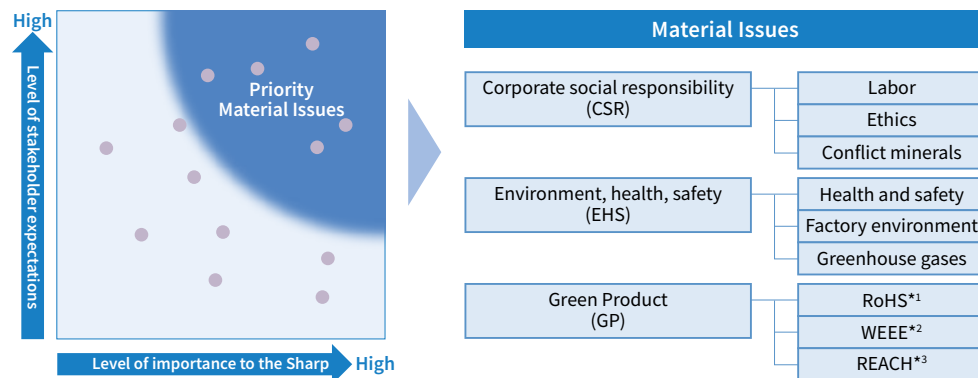
Identifying Material Issues

We have identified the impact of Sharp business activities on society, collecting the opinions and expectations of shareholders. We then categorized these matters into separate topics.

We mapped out these major topics along two axes: (1) Level of importance to society (level of

stakeholder expectations) and (2) Level of importance to the sharp Group. Once we prioritized these issues, we identified nine themes.

Last, we incorporated these matters into our SER management (CSR promotion structure) PDCA cycle.



*1 An EU directive on the restriction on the use of certain hazardous substances in electrical and electronic equipment
 *2 An EU directive on waste electrical and electronic equipment
 *3 A set of EU regulations on the registration, evaluation, authorization, and restriction of chemicals

Incorporation into SER Management

To incorporate defined materiality into specific actions, the Sharp SER Committee conducts an annual review and revision of SER Policy Guidelines.

Each business unit selects SER policy guidelines

that are most important to them, after which they formulate and pursue their own SER measures (targets, key performance indicators, scope, execution plan, etc.).

SER Policy Guidelines (Excerpt)

Theme	Policy	Scope	SDGs GOALS
Labor, health, and safety	Restrict long working hours that can lead to health problems	All employees in Japan	8, 9, 10
Labor and ethics	Prevent harassment	All employees in Japan	5, 8, 10
Labor and ethics	Respect for human rights at overseas bases	Employees at overseas bases	8, 10, 16
Conflict minerals	Compliance with and efficient response to laws and regulations (national/international)	Applicable business units	15
General	Respond to survey and audit requests from clients	All production sites and consolidated production subsidiaries in Japan	1, 8, 9, 10, 12, 13, 15, 16
General	Restructure supplier SER management system	Suppliers	1, 8, 9, 10, 12, 13, 15, 16
Factory environment	Reduce and recycle waste	All production sites	12, 13, 15
Greenhouse gases	Suppress greenhouse gas emissions associated with business activities (improve energy use efficiency)	All production sites	7, 13, 17
Greenhouse gases	Suppress greenhouse gas emissions associated with product use (energy efficiency of Sharp products)	All production sites	7, 12, 13, 17
RoHS	Eliminate the use of newly restricted substances*1 under the EU RoHS directive	All business units	8, 12, 15
WEEE	Comply with requirements set by the waste electrical and electronic equipment recycling laws of each country, such as the EU WEEE directive	All business units	8, 12, 15
REACH	Manage substances of very high concern*2, as stipulated by the EU REACH regulations	All business units	3, 12, 15

*1 Four phthalate esters (DEHP, BBP, DBP, and DIBP) mainly used as plasticizers for resins
 *2 Substances that may have serious effects on human health and the environment

Inclusion in ESG Indexes

As of July 2018, Sharp is a component member of several leading ESG indexes:

- FTSE4Good Developed Index
- FTSE Blossom Japan Index
- MSCI ESG Leaders Indexes
- MSCI Japan ESG Select Leaders Indexes
- Morningstar Socially Responsible Investment Index (Japan)



Corporate Governance

Basic Concepts

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

Based on this stance, Sharp appoints outside directors who have deep insight and a wealth of experience in the fields of social and economic trends, management, and so forth. In the institutional design of the company, we have chosen to become a company with an audit & supervisory

committee. This format increases the agility of our decision-making, while strengthening oversight of the execution of duties.

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

Status of Corporate Governance System

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

Meetings of the Board of Directors of Sharp Corporation are as a rule held on a monthly basis to make decisions on matters stipulated by law and management-related matters of importance, as well as to supervise the state of business execution. The Company also has an Internal Control Committee, the Compensation

Committee, and the Nominating Committee. These committees serve as advisory bodies to the Board of Directors.

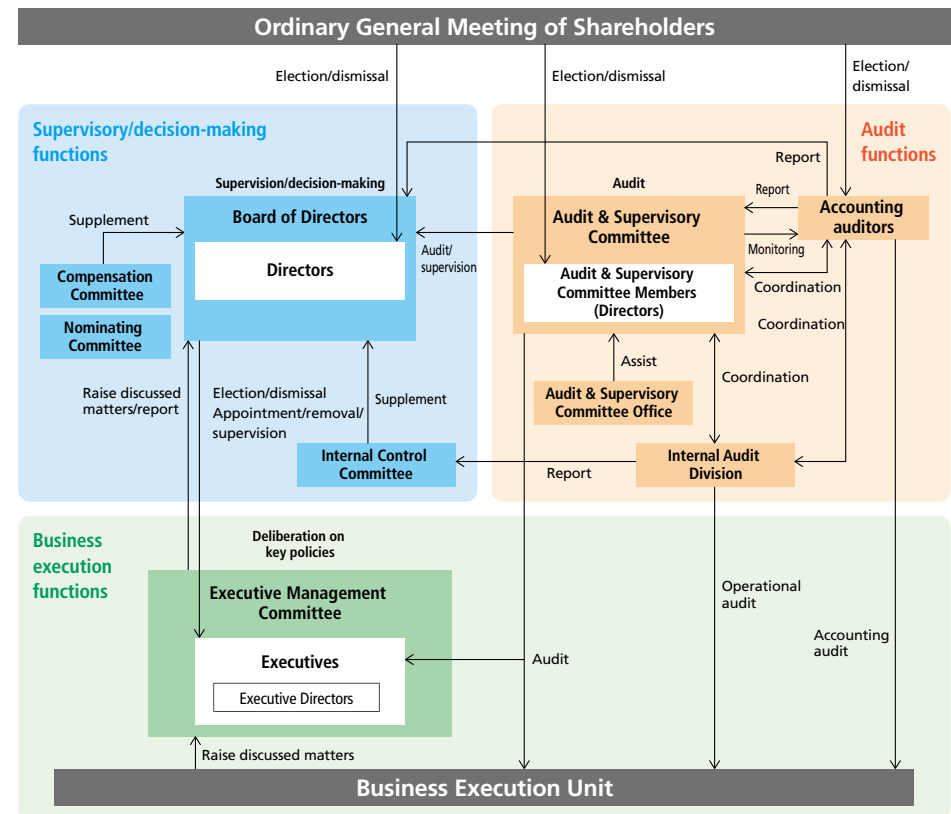
In addition to the Board of Directors, the Company has set up an Executive Management Committee whose members are executive officers. The Executive Management Committee deliberates in an appropriate and timely manner on matters of importance related to corporate management and business operations. This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

The Audit & Supervisory Committee is comprised of three directors, all of whom are outside directors having high levels of professional knowledge. Two of the Audit & Supervisory

Committee members are independent directors and two members are full-time Audit & Supervisory Committee members. The Audit & Supervisory Committee members hold regular meetings with representative directors, directors,

accounting auditors, the head of the Internal Audit Division and others to exchange opinions and endeavor to ensure that business is conducted legally, appropriately, and efficiently.

Corporate Governance System of Sharp Corporation (As of June 20, 2018)



Corporate Governance

Outside Directors

(As of June 20, 2018)

Name	Member of Audit & Supervisory Committee	Independent Director	Additional Comments on Aspects of Suitability	Reason for Selection
Hsu-Tung Lu	○		<p>Mr. Lu worked as an employee at Hon Hai Precision Industry Co., Ltd. (Sharp parent company) until 2010. He served as a director at Foxconn Japan Co., Ltd., a subsidiary of Hon Hai, until January 2014, and served there as an auditor until June 2017. From December 2010 until July 2017, Mr. Lu was employed by Foxconn Technology Co., Ltd. as chief financial officer. This company is the parent company of Foxconn Technology Pte. Ltd., which is a major shareholder in Sharp and an affiliated company of Hon Hai, parent company to Sharp.</p> <p>It is our judgment that Hon Hai Precision Industry Co., Ltd. qualifies as the parent company of Sharp based on facts Sharp recognizes considering Japanese laws and accounting standards. This judgment related to parent company status is not based on laws and accountings standards applied outside of Japan.</p>	Mr. Lu has worked for many years in accounting, including service as an internal auditor at Sakai Display Products Corporation. On this basis, we have determined that he is well suited to be an outside director at Sharp.

Name	Member of Audit & Supervisory Committee	Independent Director	Additional Comments on Aspects of Suitability	Reason for Selection
Yasuo Himeiwa	○	○	Mr. Himeiwa was affiliated with KPMG AZSA LLC, which served as Sharp's external auditor until June 2016.	<p>For many years, Mr. Himeiwa has worked as a certified public accountant. Given his wealth of experience and knowledge based on his professional experience, we have determined that he is well suited to serve as an independent outside director at Sharp.</p> <p>Mr. Himeiwa worked at KPMG AZSA LLC, which served as our external auditor until June 2016, but he was not involved in work for Sharp over that span and he has retired from KPMG AZSA LLC. Additionally, the auditing fees we paid to KPMG AZSA LLC equated to less than 1% of KPMG AZSA LLC's revenues, and KPMG AZSA LLC no longer works as external auditor. It is therefore our judgment that these past ties do not affect his independence as an outside director.</p>
Goro Aoki	○	○	—	<p>Mr. Aoki served many years in the Cabinet Secretariat and the Ministry of Foreign Affairs. He has also fulfilled responsibilities in important posts related to the police. He has a wealth of international and negotiating experience through his work at the National Police Agency, where he cooperated in international investigations and in negotiations for international treaties. The Company has decided to appoint Mr. Aoki as an outside director (member of the Audit & Supervisory Committee) to draw on his extensive experience and knowledge and to obtain his objective advice and supervision. Although Mr. Aoki most recently served as executive director for the Japan Road Traffic Information Center, he has retired from that position in June 2018. Accordingly, we do not believe this most recent post will affect his independence.</p>

Corporate Governance

Incentives

Introduction of Stock Option Plan

Sharp has introduced a stock option plan with the aim of improving the alignment between responsibility and incentives for persons in the categories listed below with our earnings performance. At the June 20, 2018 Ordinary General Meeting of Shareholders, approval was

granted for the issuance of a up to 1 million shares in total upon the exercise of share options that can be allocated to persons in the following categories: directors, employees, directors of subsidiaries, executive officers of subsidiaries, and corporate auditors of subsidiaries, and employees of subsidiaries, etc.

Director Remuneration

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

Sharp does not disclose the remuneration of individual directors. Remuneration paid to directors (excluding directors on the Audit & Supervisory Committee) in fiscal 2017 totaled ¥238 million (nine directors, including five directors who retired during fiscal 2017), remuneration paid to directors on the Audit & Supervisory Committee totaled ¥45 million (three directors), remuneration paid to Audit & Supervisory Board members totaled ¥15 million (four members who retired during fiscal 2017).

Regarding remuneration for directors (excluding directors on the Audit & Supervisory Committee), the Company proposed a cap on cash remuneration set at ¥500 million per fiscal year and a cap on share options set at 1,500 units (total cash value of up to ¥300 million) per fiscal year at the Ordinary General Meeting of shareholders

(OGM) held on June 20, 2018. Shareholders at the OGM approve the total sum of cash remuneration awarded to directors (excluding directors on the Audit & Supervisory Committee) and delegate such matters to the Compensation Committee, an advisory body to the Board of Directors, to determine a total sum equal to or below the cap.

Regarding remuneration for directors who are also members of the Audit & Supervisory Committee, the Company proposed a cap on cash remuneration set at ¥100 million per fiscal year and a cap on share options set at 300 units (total cash value of up to ¥60 million) per fiscal year at the OGM held on June 20, 2018.

Shareholders at the OGM approve the total sum of cash remuneration awarded to directors who are also members of the Audit & Supervisory Committee, with decisions on this matter to be finalized based on discussion at the Audit & Supervisory Committee.

Ongoing Development of the Internal Control System

In May 2006, the Board of Directors passed a resolution to adopt the Basic Policy for Internal Control (partially amended in June 2017). Sharp is currently engaged in the development and operation of internal control systems in accordance with this Basic Policy. The Internal Control Committee, which serves as an advisory body to the Board of Directors, deliberates on basic policies regarding internal controls and internal audits. The committee also reviews the status of development and implementation of various measures relating to internal control systems, and makes decisions about what to report on or discuss with the Board of Directors. The unit promoting internal controls on a company-wide basis oversees the internal controls of the business execution units. Meanwhile the Internal Audit Division makes specific proposals on how to improve business operations and reinforces internal controls by checking the validity of business execution as well as the appropriateness and efficiency of management.

To enhance compliance throughout the Group, Sharp introduced the Sharp Group Charter of Corporate Behavior, a set of principles to guide corporate behavior, and the Sharp Code of Conduct, which clarifies the conduct expected of all directors, executives, and employees of Sharp. Sharp ensures that these guidelines are thoroughly observed by posting them on the Web and carrying out position-specific training programs. In accordance with the basic rules of compliance, Sharp is also developing a company-wide compliance promotion system. Sharp is also implementing thorough measures to prevent compliance infractions by providing the Sharp Group Compliance Guidebook online to all employees and implementing training based on the guidebook.

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

Risk Factors

Listed below are the principal business risks of Sharp that may have a significant influence on investors' decisions. Note that in addition to these, there exist certain other risks that are difficult to foresee. Each of these risks has the potential to impact the operations, business results, and financial position of Sharp. All references to possible future developments in the following text were made by Sharp as of March 31, 2018 (or June 21, 2018 as appropriate).

(1) Global Market Trends and Overseas Businesses

Sharp conducts its business not only in Japan but also in different regions around the world, mainly in countries of the U.S., Europe, and Asia. Business results and financial position are thus subject to economic and consumer trends (especially trends in private consumption and corporate capital investment), competition with other companies, product demand, raw material supply, and price fluctuations in each region, including Japan. The political and economic situation in respective areas may also exert an influence on business results and financial position. Moreover, difficulty in monitoring and adjusting its operations in various regions; the growing impact of world economic recession; risks related to regulations and taxation in foreign countries; various standards and customs related to doing business; trade issues; political instability and business uncertainty; changes in political and economic relations with Japan; social turmoil; rising personnel costs; and labor issues, etc. may affect Sharp's business results and financial position.

(2) Exchange Rate Fluctuations

The proportion of consolidated net sales accounted for by overseas sales was 69.5% in fiscal 2015, 68.1% in fiscal 2016, and 73.0% in fiscal 2017. In addition, Sharp sells products made overseas in the Japanese market, and also sells products in countries where it does not manufacture the products. Although Sharp hedges the risk of exchange rate fluctuations by employing forward exchange contracts and expanding and strengthening optimally located production, such fluctuations may affect its business results.

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

The Sharp Group Advance Display Systems segment accounts for nearly 50 percent of group sales. Accordingly, group earnings may be impacted negatively by factors including slowing customer demand for LCD display-related products, falling product prices, or increasing competition due to the emergence of substitute or competitive products, or the emergence of new competitors. Sharp has high dependence on a small number of specific clients for the sales of certain products in our IoT Electronics Devices and Advance Display Systems segments. Sharp's business results and financial position could be affected if sales to such important clients languish due not to only factors related to Sharp's products but reasons outside of Sharp's control. These include declining demand for the clients' products, changes in product specifications, and changes in the clients' sales strategies.

(4) Strategic Alliances and Collaborations

On April 2, 2016, Sharp entered into a share subscription agreement with four companies, namely Hon Hai Precision Industry Co., Ltd. ("Hon Hai Precision Industry"), Foxconn (Far East) Limited ("Foxconn FE"), Foxconn Technology Pte. Ltd. ("Foxconn Technology"), and SIO International Holdings Limited ("SIO"). Under the agreement, Sharp agreed to issue 3,281,950,697 shares of common share at ¥88 per share and 11,363,636 shares of Class C share at ¥8,800 per share, to be purchased by the four companies via third-party allotments. Payment for the purchases under the agreement was completed on August 12, 2016.

The equity investments from these four companies resulted in a significant improvement in Sharp equity ratio. This transaction also allows Sharp to engage in growth investment, which had been necessarily limited due to financial circumstances. Further, Sharp now has the ability to pursue technological, productivity, and cost synergies with our parent company group (including Hon Hai Precision Industry, subsidiaries, and affiliates). However, we cannot guarantee that business synergies between the Sharp Group and the parent company group will occur as envisioned.

Sharp has forged strategic alliances and collaborations with other companies in order to enhance corporate competitiveness, improve profitability, and bolster the development of new technologies and products in various business fields. If, however, any strategic issues with such strategic partners or other business issues arise, or objectives change, it may become difficult to maintain such alliances and collaborative ties with these

companies, or to generate adequate results. In such cases, Sharp's business results and financial position may be impacted.

(5) Business Partners

Sharp procures materials and receives services from a large number of business partners, and transactions are made once a detailed credit check of the company has been completed. However, there is a risk that business partners may suffer deterioration in performance due to slumping demand or severe price erosion, or face an unexpected M&A, or be impacted by natural disasters or accidents, or become involved in a corporate scandal such as a breach of the law, or be impacted negatively by rising raw materials prices, or be affected by legal regulations concerning human rights or environmental issues such as the problem of "conflict minerals" in the supply chain, or legal restrictions, or limited suppliers with capability of providing certain material provisions. Due to these and other factors, Sharp may be unable to access sufficient supplies of materials/parts from procurement sources, or the quality of such materials/parts may be inadequate. In such an event, Sharp may be forced to do business with alternative suppliers subject to conditions less favorable than with its current suppliers, or Sharp may be unable to find an alternative supplier in a timely manner. Any of these factors could lead to a decline in the quality of Sharp's products, increases in costs, and/or delays in deliveries to customers, which may affect Sharp's business results and financial position.

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Risk Factors

(6) Other Factors Affecting Financial Position

Sharp procures funds through borrowings from financial institutions, such as banks and life insurance companies, and through bond issues. As of March 31, 2018, the balance of such debt was equivalent to 32.9% of total assets, and short-term borrowings accounted for 14.5% of such debt. Accordingly, Sharp might become subject to restrictions on how it uses its cash flows in order to repay such debt, and also faces the possibility of an increase in expenses due to rising interest rates. Moreover, Sharp has the possibility of increases in fund procurement costs as well as limitations on fund procurement. This may be because necessary funds cannot be obtained at the required time with adequate conditions, including for the refinancing of existing debt. These factors may affect Sharp's business results and financial position. Sharp has borrowing agreements with multiple financial institutions, and some of the agreements entail financial covenants. If its consolidated net assets fall below the levels specified under such financial covenants, or if Sharp fails to undertake faithful consultations in the event that its consolidated operating profit and profit attributable to owners of parent fall below specified levels, Sharp may forfeit the benefit of time at the lender's request. Moreover, Sharp may also forfeit the benefit of time on bonds and other borrowings if it violates the relevant financial covenants.

Sharp's major lending institutions are Mizuho Bank, Ltd. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (MUFG Bank, Ltd. as of April 1, 2018). As necessary, Sharp consults with both banks about ways to improve its financial position and other matters.

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

(7) Technological Innovation

New technologies are emerging rapidly in the markets where Sharp operates. Resultant changes in social infrastructure, intensified market competition, changes in technology standards, obsolescence of technologies, or the appearance of substitute technologies may make Sharp unable to introduce new products in a timely manner, or lead to an increase in inventories, or the inability to recover product development costs. These and other factors may impact Sharp's business results and financial position. Apart from technologies, Sharp faces intense competition from price and marketing perspectives as well, and winning against such competition is not guaranteed. Moreover, Sharp engages in R&D under collaborative development agreements with other companies, and it is possible that such relationships cannot be maintained, or that satisfactory outcomes cannot be produced, or that termination of such relationships cannot be handled smoothly.

(8) Intellectual Property Rights

Sharp strives to protect its proprietary technologies by acquiring patents, trademarks, and other intellectual property rights in Japan and in other countries, and by concluding contracts with other companies.

However, there is a risk that rights may not be granted, or a third party may demand invalidation of an application, such that Sharp may be unable to obtain sufficient legal protection of its proprietary technologies, or may be unable to receive sufficient royalty income from the granting of licenses. In addition, intellectual property that Sharp holds may not result in a superior competitive advantage, or Sharp may not be able to make effective use of such intellectual property, such as when a third party infringes on the intellectual property rights of Sharp. There may also be instances where the period of a license received from a third party expires, or for some reason or other, is terminated, or where a third party launches litigation against Sharp, claiming infringement of intellectual property rights. Resolution of such cases may place a significant financial burden on Sharp. Furthermore, if such a third-party claim against Sharp is recognized, Sharp may have to pay a large amount of compensation, and may incur further damage by having to cease using the technology in question.

Also, in the event that a company licensed to use Sharp's intellectual property is acquired by a third party, the third party, previously unlicensed to use Sharp's intellectual property, may acquire such license, with the result that Sharp's intellectual property may lose its superiority.

Furthermore, although compensation is given to employees for innovations that they make in the course of their work pursuant to a patent reward system governed by internal regulations, an employee may consider such payment or benefit inadequate and initiate legal action.

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

(9) Long-Term Investments and Agreements

Sharp has actively invested in manufacturing equipment and the like and has a large amount of noncurrent assets. Various factors related to such manufacturing equipment may prevent Sharp from securing anticipated income and require it to book impairment losses, which could impact its business results and financial position. These factors include equipment not functioning as expected and difficulty converting to other products due to equipment performance problems or contractual limitations. Sharp also has goodwill and other intangible noncurrent assets. Sharp may be required to apply impairment treatment to such assets if its profitability declines or if the market prices of its asset holdings decline significantly. Such factors may affect Sharp's business results and financial position.

In addition, Sharp has a large number of long-term contractual agreements in place, and many of those agreements include promises of fixed prices or price adjustments only at predetermined intervals during the agreement period. Accordingly, fluctuations in prices and costs during the periods of such agreements may have a major negative effect on Sharp's business. In particular, there are such agreements covering raw materials for solar panels. These include a contract that obligates Sharp to purchase a total of 8,307 tons of polysilicon (as March 31, 2018) by the end of 2020 at the longest, at a rate substantially higher than the

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Risk Factors

most recent market price (the weighted average price under the contracts exceeded the market price as of March 31, 2018 by around ¥2,572 per kilogram). If the market price of polysilicon falls even further, Sharp may incur additional losses.

Sharp also has long-term contractual agreements with multiple suppliers covering the supply of electricity at our Sakai Plant. As of the end of March 2018, the total amounts of future minimum payments of such contracts was ¥27,058 million (remaining terms of 11 years at the longest), and none of the contracts can be canceled prior to maturity. These contracts may affect Sharp's business results or financial position.

(10) Product Liability

Sharp manufactures products in accordance with strict quality control standards to ensure the utmost in quality. However, many of its products are for consumer use, and also incorporate innovative technologies. If defects arise in any of these products, Sharp may incur responsibility as a manufacturer and other obligations. In order to fulfill its responsibility as a manufacturer in case product defects do arise, Sharp has taken out insurance to cover compensations based on product liability. Nonetheless, there is still a risk of a large-scale product recall or litigation caused by unforeseen events, which may adversely affect Sharp's brand image or influence its business results and financial position.

(11) Laws and Regulations

The business activities of Sharp are subject to various regulations in countries where it operates,

including business and investment approval, export regulations, tariffs, accounting standards, and taxation. Sharp must also adhere to various laws and regulations concerning trading, antitrust practices, product liability, consumer protection, intellectual property rights, product safety, the environment, recycling, internal control, and labor regulations. Changes in such laws and regulations, or additional expenses to comply with the amendments, or the occurrence of violations of legal rules by persons in Sharp may affect Sharp's business results and financial position.

Furthermore, in a case where an accident occurs related to one of Sharp's products, report of said incident, based on the Consumer Product Safety Law and related regulations in Japan, and disclosure of the accident information based on a system for public announcements could diminish Sharp's brand image.

(12) Litigation and Other Legal Proceedings

Sharp conducts business activities around the world, and as such, there is a risk that Sharp could become involved with litigation and other legal proceedings in each country. If Sharp becomes involved in litigation or other legal proceedings, with the different legal and judicial systems in each country, depending on the case, Sharp may be ordered to pay a significant amount in damages or fines.

Such incidents could affect Sharp's business results and financial position.

(13) Leakage of Personal Data and Other Information

Sharp retains personal data and other confidential information concerning its customers, business partners, and employees. Extreme care is taken to protect this information. A company wide management system promotes employee education, internal auditing, and other measures aimed at ensuring compliance with management regulations. If information is leaked, however, it may reduce confidence in Sharp or result in substantial costs (associated with leakage prevention measures or indemnification for damages, for instance), which may affect Sharp's business results and financial position.

(14) Relations with Parent Company Group

The parent company group, led by Hon Hai Precision Industry, provides outsourced manufacturing services for electronic equipment. The group is engaged in the fields of production, sales, and after-sales services related to IT, telecommunications, automation equipment, optical industry, precision machinery, automobiles, connectors for home appliances, product case, radiators, and network equipment.

Sharp mainly manufactures and sells telecommunications equipment, electrical appliances, and general electronics application equipment and components of the Sharp brand.

Hon Hai Precision Industry is the core company of the parent company group. Hon Hai Precision Industry directly owns 26.2% of Sharp's voting rights, and Foxconn FE, a wholly owned subsidiary of Hon Hai Precision Industry, owns 18.4% of Sharp's voting rights. Therefore, Hon Hai Precision

Industry directly or indirectly holds 44.6% of Sharp's voting rights in total. Furthermore, Hon Hai Precision Industry holds more than 20% of the voting rights of Foxconn Technology, while Mr. Terry Gou, Chairman of Hon Hai Precision Industry, substantially controls SIO. Since both companies (Foxconn Technology and SIO) have close relationships with Hon Hai Precision Industry, they fall under the category of entities that exercise their voting rights in the same manner as Hon Hai Precision Industry. The combined voting rights of the two companies, together with voting rights held directly or indirectly by Hon Hai Precision Industry, come to 65.0% of Sharp's total voting rights, meaning they have certain rights as a major shareholder. However, the liquidity and price formation of Sharp's shares, as well as Sharp Group business performance, may be affected if, for example, there is a major change in the holding ratio of Sharp's shares among the four companies mentioned above, or a change in the business strategies of the parent company group (including the parent company, Sharp shareholder SIO, Sakai Display Products Corporation ("SDP"), and companies investing in SIO or SDP in the future).

The parent company group engages mainly in outsourced production of electronic equipment, and it manufactures and sells telecommunications equipment, electrical appliances, and general electronics application equipment and components under the Sharp brand. However, a change in the parent company group's business strategies or competitive relationship with the parent group arising in the future may affect Sharp's performance and financial position.

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Risk Factors

(1) Human Relations

Sharp had nine directors as of June 21, 2018, one of them is Young Liu, an executive director, who is concurrently serving as an officer of Hon Hai Precision Industry and an officer of an affiliate of Hon Hai Precision Industry. Sharp director Chien-Erh Wang resigned as an officer of the parent company group and SDP as of June 21, 2018.

(2) Business Partners

Business transactions between Sharp and the parent company group include purchases and sales, mainly in China. In addition, Sharp has formed business alliances through the establishment of subsidiaries and affiliates aimed at expanding income from outside Sharp in the intellectual property, logistics, and medical fields.

Other Sharp transactions include leasing of office space at some overseas bases. Important transactions made in the year ended March 2018 are stated in the section 17 "Transactions with Related Parties" on P.54 to P.56.

(3) Independence from Parent Company

Sharp make decisions on important matters, such as management policy and business development, based on independent and self-reliant considerations, and believes that independence and autonomy are preserved.

Sharp strives to grow, develop, and improve its performance in close cooperation with the parent company group, while fully respecting independence between both entities. Sharp recognizes that working together with the parent company group to increase Sharp's operational efficiency

and expand its sales and income will benefit the interests of noncontrolling shareholders.

Under its "Related Party Transactions Management Regulations," when starting new transactions with the parent company group, Sharp shall examine the necessity and rationality of the business, as well as appropriateness of the business terms, before making a decision. Proposals involving the Executive Management Committee and transactions involving managers shall be deliberated and decided at board of director meetings at which outside directors are present prior to a final decision.

(15) Large-Scale Natural Disasters

Sharp has created preventative/emergency measures and a business continuity plan aimed at rapid recovery/restoration in order to be prepared for and minimize damage in the event of large-scale natural disasters such as earthquakes and typhoons, and is working hard to avoid the impact of such disasters. However, if Sharp or its partners' business activities are impaired directly or indirectly due to the occurrence of an unprecedented large-scale natural disaster, it may affect Sharp's business results and financial position.

(16) Risks Accompanying the Electricity Shortages and Hikes in Electricity Prices

Any possible future restrictions on electricity usage or hikes in electricity prices stemming from electricity shortages arising from natural disasters such as the Great East Japan Earthquake could cause plant operations to be reduced and/or costs to increase, which may affect Sharp's business results and financial position.

(17) Competition to Secure Skilled Personnel

Exceptional human resources in such fields as technology and management are crucial to Sharp's sustained growth. In the event that Sharp is unable to prevent the departure of existing talent or attract new personnel according to its business policies, or is unable to improve the management skills and business performance of key personnel, its business results and financial position may be affected.

(18) Other Key Variable Factors

In addition to the aforementioned risks, Sharp's business results may be significantly affected by human-induced calamities, such as accidents, conflicts, insurrections, or terrorism; the spread of a new strain of influenza or other infectious disease; or major fluctuations in the stock and bond markets.

Members of the Board and Executives

(As of June 20, 2018)

Members of the Board



Chairman, President &
Chief Executive Officer
J.W. Tai



Member of the Board
Katsuaki Nomura



Member of the Board
Toshiaki Takayama



Member of the Board
Young Liu



Member of the Board
Chien-Erh Wang



Member of the Board
Yoshihisa Ishida



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



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



Member of the Board
(Member of Audit &
Supervisory Committee)
Goro Aoki*

Executives

Chairman, President &
Chief Executive Officer

J.W. Tai

Executive Vice President

Katsuaki Nomura

Executive Vice President

Yoshihisa Ishida

Senior Executive Managing Officer

Yoshisuke Hasegawa

Senior Executive Managing Officer

Fujikazu Nakayama

Executive Managing Officer

Masahiro Okitsu

Executive Managing Officer

Yoshihiro Hashimoto

Executive Managing Officer

Yumiko Ito

Executive Officer

Toshiaki Takayama

Executive Officer

Hirokazu Nishiyama

Executive Officer

Chien-Erh Wang

Executive Officer

Satoshi Sakakibara

*Outside Directors

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▶ Five-Year Financial Summary

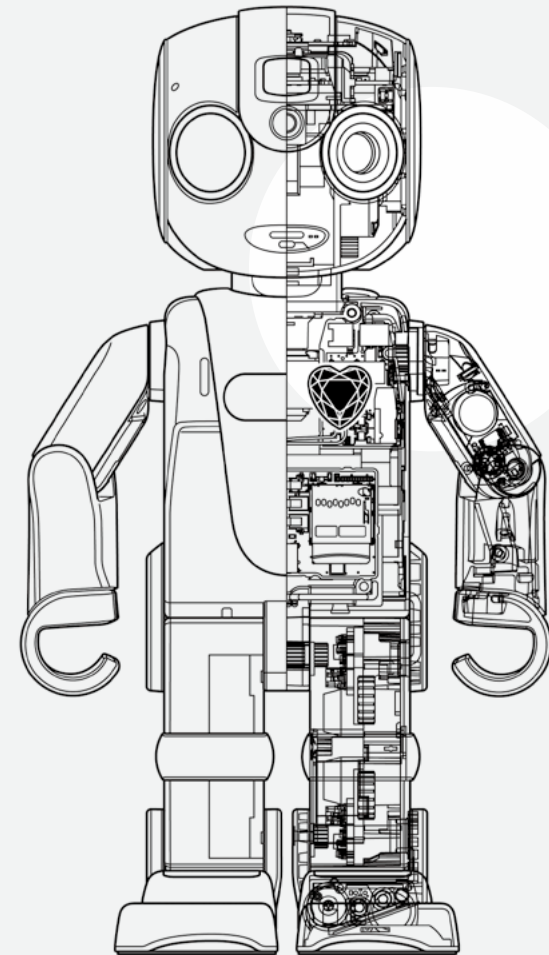
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Five-Year Financial Summary

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31

	Yen (millions)				
	2014	2015	2016	2017	2018
Net Sales	¥ 2,927,186	¥ 2,786,256	¥ 2,461,589	¥ 2,050,639	¥ 2,427,271
Domestic sales	1,150,091	968,449	750,499	654,012	656,144
Overseas sales	1,777,095	1,817,807	1,711,090	1,396,627	1,771,127
Operating Profit (Loss)	108,560	(48,065)	(161,967)	62,454	90,125
Profit (Loss) before Income Taxes	45,970	(188,834)	(231,122)	(587)	89,416
Profit (Loss) Attributable to Owners of Parent	11,559	(222,347)	(255,972)	(24,877)	70,225
Net Assets	207,173	44,515	(31,211)	307,801	401,713
Total Assets	2,181,680	1,961,909	1,570,672	1,773,682	1,908,660
Capital Investment*¹	49,434	62,653	45,240	77,733	119,356
Depreciation and Amortization	132,401	117,323	81,931	71,625	79,738
R&D Expenditures	132,124	141,042	130,120	106,107	100,536
	Yen				
Per Share of Common Stock*²					
Income (loss)	¥ 8.09	¥ (131.51)	¥ (154.64)	¥ (68.56)	¥ 106.07
Diluted income	7.87	—	—	—	85.60
Cash dividends	0.00	0.00	0.00	0.00	10.00
Net assets	115.43	17.84	(161.79)	154.12	267.48
Other Financial Data					
Return on equity (ROE)	7.2%	(197.4%)	—	(19.8%)	20.9%
Return on assets (ROA)	0.5%	(10.7%)	(14.5%)	(1.5%)	3.8%
Equity ratio	8.9%	1.5%	(2.7%)	16.6%	19.8%

*1 The amount of leased properties is included in capital investment.

*2 The Company carried out a share consolidation of common shares as well as Class C shares at a ratio of 10 shares to 1 share on October 1, 2017.

The figures for the income(loss) per share, the diluted income per share and net assets per share are calculated on the assumption that the Company conducts this consolidation at the beginning of the previous fiscal year. Additionally Year end dividends per share for the years ended March 31, 2018 are noted after considering the consolidation.

Five-Year Financial Summary

	Yen (millions)				
	2014	2015	2016	2017	2018
Net Sales	¥ 2,927,186	¥ 2,786,256	¥ 2,461,589	¥ 2,050,639	¥ 2,427,271
Sales by Segment*³ (Sales to Outside Customers)					
Digital Information Equipment	733,317	670,326	—	—	—
Health and Environmental Equipment	326,896	315,022	—	—	—
Energy Solutions	439,028	270,881	—	—	—
Business Solutions	318,856	340,323	—	—	—
Product Business	1,818,097	1,596,552	—	—	—
LCDs	814,718	772,997	—	—	—
Electronic Devices	294,371	416,707	—	—	—
Device Business	1,109,089	1,189,704	—	—	—
Total	2,927,186	2,786,256	—	—	—
Consumer Electronics	—	982,350	798,314	—	—
Energy Solutions	—	270,881	155,422	—	—
Business Solutions	—	343,321	348,451	—	—
Electronic Components and Devices	—	416,707	458,022	—	—
Display Devices	—	772,997	701,380	—	—
Total	—	2,786,256	2,461,589	—	—
IoT Communications	—	—	197,342	163,814	—
Health and Environment Systems	—	—	296,072	281,505	—
Business Solutions	—	—	348,451	310,169	—
Camera Modules	—	—	241,593	201,377	—
Electronic Components and Devices	—	—	216,429	186,475	—
Energy Solutions	—	—	155,422	102,810	—
Display Devices	—	—	1,006,280	804,489	—
Total	—	—	2,461,589	2,050,639	—
Smart Homes	—	—	—	548,129	595,132
Smart Business Solutions	—	—	—	310,169	322,591
IoT Electronics Devices	—	—	—	387,852	457,779
Advance Display Systems	—	—	—	804,489	1,051,767
Total	—	—	—	2,050,639	2,427,271
Sales by Region					
Japan	1,150,091	968,449	750,499	654,012	656,144
The Americas	468,473	320,980	281,049	175,169	181,412
Europe	144,804	142,520	136,590	123,551	174,194
China	925,348	1,140,892	1,085,311	900,759	1,117,883
Other	238,470	213,415	208,140	197,146	297,636
Total	2,927,186	2,786,256	2,461,589	2,050,639	2,427,271

*3 Effective from the year ended March 31, 2015, the "Solar Cells" product group was renamed as "Energy Solutions."

Effective for the year ended March 31, 2016, the segment classification has been changed. In this regard, Sales by Segment for the year ended March 31, 2015, has been restated based on a new classification.

Effective for the year ended March 31, 2017, the segment classification has been changed. In this regard, Sales by Segment for the year ended March 31, 2016, has been restated based on a new classification.

Effective for the year ended March 31, 2018, the segment classification has been changed. In this regard, Sales by Segment for the year ended March 31, 2017, has been restated based on a new classification.

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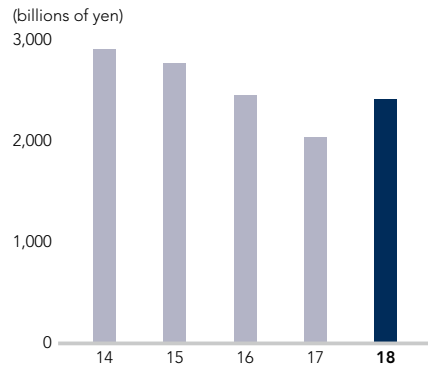
Financial Review

Sharp Corporation and Consolidated Subsidiaries

Net Sales

Consolidated net sales for the year ended March 31, 2018 increased by ¥376,632 million to ¥2,427,271 million, up 18.4% from the previous year.

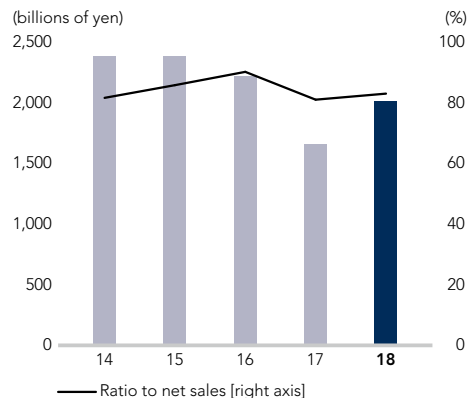
Net Sales



Financial Results

Cost of sales increased by ¥356,222 million to ¥2,023,007 million, and the cost of sales ratio increased from 81.3% to 83.3% year on year.

Cost of Sales



Selling, general and administrative (SG&A) expenses decreased by ¥7,261 million to ¥314,138 million, and the ratio of SG&A expenses against net sales decreased from 15.7% to 13.0% year on year. SG&A expenses included R&D expenditures of ¥22,709 million and employees' salaries and other benefits of ¥100,268 million.

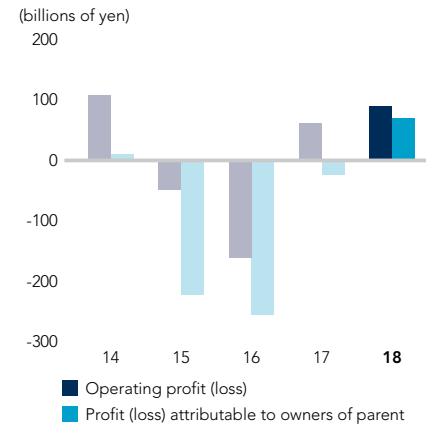
As a result, operating profit amounted to ¥90,125 million, an increase of ¥27,671 million (44.3%) year on year.

Non-operating income increased by ¥9,432 million to ¥22,219 million year on year, while non-operating expenses decreased by ¥27,146 million to ¥23,024 million.

Extraordinary income decreased by ¥8,814 million to ¥5,087 million year on year, while extraordinary losses decreased by ¥34,567 million to ¥4,991 million.

Accordingly, profit before income taxes totaled ¥89,416 million, compared with a ¥587 million loss before income taxes of in the previous year, and profit attributable to owners of parent was ¥70,225 million, compared with a ¥24,877 million loss attributable to owners of parent in the previous year. Income per share of common stock was ¥106.07.

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



Segment Information

Smart Homes

Sales in this segment increased by 10.4% year on year to ¥607,990 million. This increase was mainly driven by major sales growth in mobile phones and vacuum cleaners, as well as strong sales of Plasmacluster Ion-related products. Segment income decreased by 9.7% to ¥43,723 million, mainly due to the absence of special factors (change in raw materials purchasing contracts, etc.) of the type that occurred in the previous year. Higher sales and ongoing cost reduction measures were all positive factors during the year.

Smart Business Solutions

Sales in this segment increased by 4.2% year on year to ¥331,125 million, mainly due to increased sales of digital signage and overseas multi-function printer sales. Segment income decreased 10.6% from the previous year to ¥20,142 million due in part to falling prices, despite our efforts to reduce overhead expenses.

IoT Electronics Devices

Sales in this segment increased by 18.8% year on year to ¥491,525 million. This increase was mainly due to increased sales of camera modules for smartphones, as well as higher sales of unique devices such as sensor modules and semiconductors.

Segment income decreased by 35.9% year on year, down to ¥5,160 million. We offset the negative impact of demand fluctuations in part through cost reductions.

Financial Review

Advance Display Systems

Sales in this segment increased 29.0% year on year to ¥1,086,570 million. This increase was due to increased sales of LCD TVs, small-size LCD panels for smartphones, medium-size panels for tablets and automotive displays.

Segment income amounted to ¥37,041 million, a 10.4-fold increase compared to the previous year. This increase was due to higher sales, as well as major profitability gains through our

own cost reduction measures and a category shift to medium-size panels used in notebook PCs, tablets, and automotive displays.

Capital Investment and Depreciation

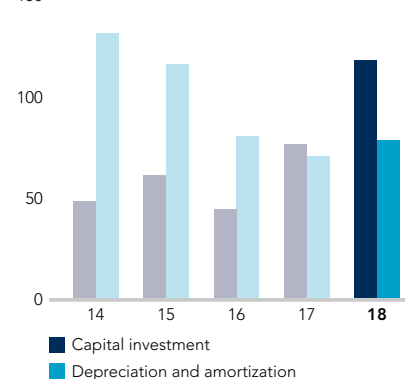
Capital investment totaled ¥119,356 million, up 53.5% from the previous year. Much of this investment related to the setting up of pilot lines for OLED displays and production lines for camera modules.

By business segment, capital investment was ¥3,255 million for Smart Homes, ¥4,756 million for Smart Business Solutions, ¥73,958 million for IoT Electronics Devices, and ¥36,424 million for Advance Display Systems. Unallocated capital investment amounted to ¥961 million.

Depreciation and amortization increased 11.3% to ¥79,738 million.

Capital Investment/ Depreciation and Amortization

(billions of yen)



Assets, Liabilities and Net Assets

Total assets at fiscal year end amounted to ¥1,908,660 million, up ¥134,978 million from the previous year.

Assets

Current assets amounted to ¥1,223,738 million, up ¥30,029 million from the end of the previous year. This result was mainly due to an increase in

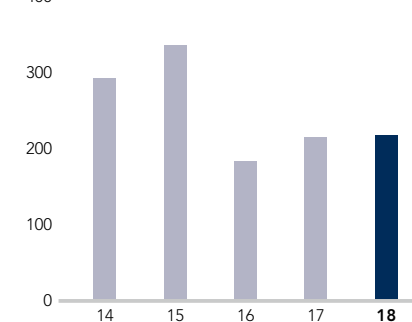
notes and accounts receivable-trade of ¥96,011 million, offset in part by a decrease in cash and deposits of ¥59,815 million. In addition, inventories increased by ¥1,822 million from the end of the previous year to ¥219,714 million. Within total inventories, finished products increased by ¥7,009 million to ¥153,717 million; work in process decreased by ¥4,458 million to ¥23,537 million; and raw materials and supplies decreased by ¥729 million to ¥42,459 million.

Property, plant and equipment increased by ¥78,981 million from the end of the previous year to ¥428,595 million. This increase was mainly due to a ¥53,992 million increase in machinery, equipment and vehicles from the end of the previous year.

Investments and other assets amounted to ¥211,508 million, up ¥23,546 million from the end of the previous year. This increase was mainly due to an increase in investment securities.

Inventories

(billions of yen)



Sales by Segment

	Yen (millions)	
	2017	2018
Smart Homes	¥ 550,624	¥ 607,990
Smart Business Solutions	317,780	331,125
IoT Electronics Devices	413,639	491,525
Advance Display Systems	842,010	1,086,570
Subtotal	2,124,054	2,517,212
Adjustments	(73,415)	(89,940)
Total	2,050,639	2,427,271

Segment Income by Segment

	Yen (millions)	
	2017	2018
Smart Homes	¥ 48,421	¥ 43,723
Smart Business Solutions	22,536	20,142
IoT Electronics Devices	8,055	5,160
Advance Display Systems	3,552	37,041
Subtotal	82,564	106,068
Adjustments	(20,109)	(15,942)
Total	62,454	90,125

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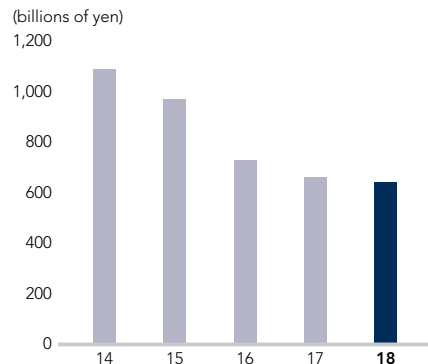
Liabilities

Current liabilities increased by ¥32,301 million from the end of the previous year to ¥833,938 million. This increase stemmed mainly from an increase in notes and accounts payable-trade of ¥78,959 million, offset in part by a decrease in short-term loans payable of ¥32,278 million.

Non-current liabilities increased by ¥8,765 million from the end of the previous year to ¥673,008 million. This increase was mainly due to an increase in long-term loans payable of ¥16,694 million.

Interest-bearing debt at year end stood at ¥637,783 million, down ¥19,661 million from the end of the previous year.

Interest-Bearing Debt

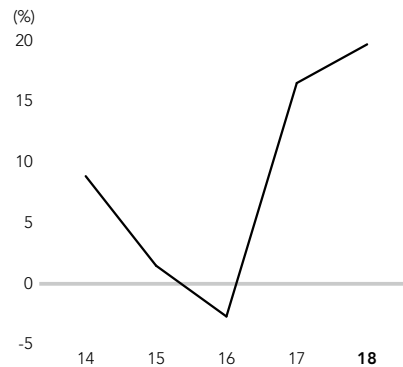


Net Assets

Net assets amounted to ¥401,713 million, up ¥93,912 million from the end of the previous year. This result was mainly due to Sharp recording profit attributable to owners of parent this fiscal year.

Our equity ratio was 19.8%.

Equity Ratio



Cash Flows

Cash and cash equivalents at the end of the year stood at ¥404,001 million, down ¥49,476 million from the previous year, as inflows from operating activities were exceeded by combined outflows from financing and investing activities.

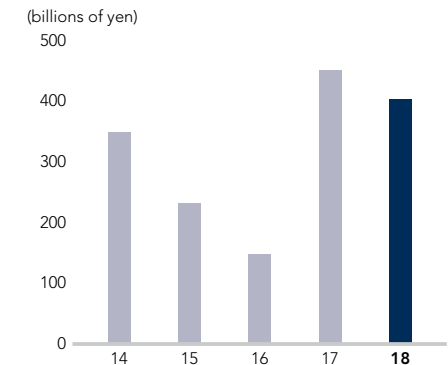
Net cash provided by operating activities amounted to ¥105,270 million, which represented a decrease of ¥21,961 million from the previous year total of ¥127,231 million. While the Company recorded profit before income taxes this fiscal year (compared to a loss in the previous year), we also recorded a net increase in accounts receivable-other, compared to a net decrease in the previous year.

Net cash used in investing activities totaled ¥126,006 million, up ¥35,329 million from the previous year total of ¥90,677 million. The main factors behind this increase were increases of ¥24,666 million in payments for the purchases of property, plant and equipment and ¥11,813 million in purchase of investment securities.

Net cash used in financing activities was ¥29,133 million, which represented an increase of ¥301,332 million compared to net cash provided of ¥272,199 million in the previous year. This result is mainly due to a decrease of ¥29,946 million in purchase of treasury shares compared to the previous year. While, during the previous fiscal year, the Company recorded ¥287,495 million in proceeds from issuance of

common stocks, as well as ¥99,624 million in proceeds from issuance of class shares, with no similar transactions this fiscal year.

Cash and Cash Equivalents



Notes: 1. Effective for the year ended March 31, 2018, the Company has changed its segment classification. Figures for previous year have been adjusted to reflect the new classification.

2. Sales figures by segment shown in Segment Information include internal sales and transfers among segments (Smart Homes, Smart Business Solutions, IoT Electronics Devices, and Advance Display Systems). Segment income figures are the amounts before adjustment for intersegment trading.

3. Capital investment figures shown in Capital Investment and Depreciation include the amount of leased properties.

Consolidated Balance Sheets

Sharp Corporation and Consolidated Subsidiaries as of March 31, 2017 and 2018

	Yen (millions)	
	2017	2018
ASSETS		
Current Assets		
Cash and deposits (Notes 2(c), 6 and 8)	¥ 482,117	¥ 422,302
Notes and accounts receivable — trade (Notes 2(c) and 8)	375,564	471,575
Inventories (Notes 2(b) and (c))	217,892	219,714
Other (Notes 2(c) and 14)	126,697	118,263
Allowance for doubtful accounts	(8,562)	(8,118)
Total current assets	1,193,709	1,223,738
Non-current Assets		
Property, Plant and Equipment		
Buildings and structures (Note 2(c))	625,139	625,263
Machinery, equipment and vehicles (Note 2(c))	1,155,188	1,209,180
Tools, furniture and fixtures (Note 2(c))	250,872	235,418
Land (Note 2(c))	95,760	92,106
Construction in progress	18,434	45,848
Other	50,901	49,076
Accumulated depreciation	(1,846,683)	(1,828,299)
Total property, plant and equipment	349,614	428,595
Intangible assets		
Software	28,856	26,041
Other	13,503	18,755
Total intangible assets	42,359	44,797
Investments and other assets		
Investment securities (Notes 2(a), (c), 8 and 9)	151,270	172,061
Net defined benefit asset (Note 12)	299	2,786
Other (Notes 2(c) and 14)	38,940	38,756
Allowance for doubtful accounts	(2,548)	(2,095)
Total investments and other assets	187,962	211,508
Total non-current assets	579,936	684,901
Deferred Assets	36	21
Total assets	¥ 1,773,682	¥ 1,908,660

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

	Yen (millions)	
	2017	2018
LIABILITIES		
Current Liabilities		
Notes and accounts payable — trade (Note 8)	¥ 306,007	¥ 384,966
Electronically recorded obligations — operating (Note 8)	44,560	44,511
Short-term loans payable (Notes 2(c), 8 and 11)	113,534	81,256
Current portion of bonds (Notes 8 and 11)	—	10,000
Accrued expenses	139,523	132,373
Provision for bonuses	21,137	20,859
Provision for product warranties	18,930	18,135
Provision for sales promotion expenses	15,913	14,392
Provision for restructuring	4,069	1,198
Valuation reserve for inventory purchase commitments	48,618	21,369
Other (Notes 11 and 14)	89,342	104,874
Total current liabilities	801,637	833,938
Non-current Liabilities		
Bonds payable (Notes 8 and 11)	40,000	30,000
Long-term loans payable (Notes 2(c), 8 and 11)	490,333	507,027
Net defined benefit liability (Note 12)	110,074	101,101
Other (Notes 11 and 14)	23,836	34,880
Total non-current liabilities	664,243	673,008
Total liabilities	1,465,881	1,506,947
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	576,792	295,332
Retained earnings (Note 5)	(148,597)	204,906
Treasury shares	(13,902)	(13,936)
Total shareholders' equity	419,292	491,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,474	16,876
Deferred gains or losses on hedges	39	(3,205)
Foreign currency translation adjustments	(44,355)	(47,302)
Remeasurements of defined benefit plans	(95,296)	(79,330)
Total accumulated other comprehensive income	(125,138)	(112,961)
Share acquisition rights (Note 5)	—	106
Non-controlling interests	13,646	23,265
Total net assets	307,801	401,713
Total liabilities and net assets	¥ 1,773,682	¥ 1,908,660

Consolidated Statements of Operations

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2017 and 2018

	Yen (millions)	
	2017	2018
Net Sales (Note 16)	¥ 2,050,639	¥ 2,427,271
Cost of Sales (Notes 3 (a) and (c))	1,666,784	2,023,007
Gross profit	383,854	404,264
Selling, General and Administrative Expenses (Notes 3 (b) and (c))	321,400	314,138
Operating profit (Note 16)	62,454	90,125
Non-operating Income		
Interest income	887	2,350
Dividend income	1,358	1,436
Rent income on non-current assets	3,791	4,662
Foreign exchange gains	—	6,454
Share of profit of entities accounted for using the equity method	—	176
Other	6,750	7,139
Total non-operating income	12,787	22,219
Non-operating Expenses		
Interest expenses	6,394	4,801
Rent expenses on non-current assets	1,889	2,499
Foreign exchange losses	3,329	—
Share of loss of entities accounted for using the equity method	18,667	—
Other	19,890	15,724
Total non-operating expenses	50,171	23,024
Ordinary profit	25,070	89,320
Extraordinary Income		
Gain on sales of non-current assets (Note 3 (d))	3,295	2,222
Gain on sales of investment securities	3,215	793
Gain on bargain purchase	—	856
Gain on change in equity	1,112	825
Gain on step acquisitions	—	389
Settlement received	6,278	—
Total extraordinary income	13,901	5,087
Extraordinary Losses		
Loss on sale and retirement of non-current assets (Note 3 (e))	4,390	1,094
Impairment loss (Note 3 (f))	34,668	1,943
Loss on valuation of investment securities	500	—
Loss on step acquisitions	—	1,954
Total extraordinary losses	39,559	4,991
Profit (loss) before income taxes	(587)	89,416
Income Taxes (Note 14):		
Current	20,137	14,238
Deferred	3,600	4,472
	23,738	18,711
Profit (loss)	(24,325)	70,705
Profit attributable to non-controlling interests	551	479
Profit (loss) attributable to owners of parent	¥ (24,877)	¥ 70,225

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 Years Ended March 31, 2017 and 2018

	Yen (millions)	
	2017	2018
Profit (loss)	¥ (24,325)	¥ 70,705
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	2,837	2,402
Deferred gains or losses on hedges	882	(3,541)
Foreign currency translation adjustment	(6,151)	(1,944)
Remeasurements of defined benefit plans	5,539	16,687
Share of other comprehensive income of entities accounted for using the equity method	(485)	(292)
Total other comprehensive income (Note 4)	2,621	13,311
Comprehensive Income	¥ (21,703)	¥ 84,016
Comprehensive income attributable to:		
Owners of parent	(21,550)	83,118
Non-controlling interests	(152)	897

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

Consolidated Statements of Changes in Net Assets

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2017 and 2018

	Yen (millions)												
	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings (Note 5)	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets	
Balance at beginning of the year ended March 31, 2017	¥ 500	¥ 222,457	¥ (123,644)	¥ (13,899)	¥ 85,414	¥ 11,634	¥ (843)	¥ (38,456)	¥ (100,799)	¥ (128,464)	¥ 11,839	¥ (31,211)	
Changes of items during period													
Issuance of new shares	194,405	194,405			388,811							388,811	
Transfer to capital surplus from capital stock	(189,905)	189,905			—							—	
Loss attributable to owners of parent			(24,877)		(24,877)							(24,877)	
Change of scope of consolidation			(76)		(76)							(76)	
Purchase of treasury shares				(29,978)	(29,978)							(29,978)	
Disposal of treasury shares		(0)		1	0							0	
Retirement of treasury shares		(29,974)		29,974	—							—	
Net changes of items other than shareholders' equity						2,840	882	(5,899)	5,503	3,326	1,807	5,133	
Total changes of items during period	4,500	354,335	(24,954)	(2)	333,878	2,840	882	(5,899)	5,503	3,326	1,807	339,012	
Balance at end of the year ended March 31, 2017	¥ 5,000	¥ 576,792	¥ (148,597)	¥ (13,902)	¥ 419,292	¥ 14,474	¥ 39	¥ (44,355)	¥ (95,296)	¥ (125,138)	¥ 13,646	¥ 307,801	

	Yen (millions)												
	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings (Note 5)	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights (Note 5)	Non-controlling interests	Total net assets
Balance at beginning of the year ended March 31, 2018	¥ 5,000	¥ 576,792	¥ (148,597)	¥ (13,902)	¥ 419,292	¥ 14,474	¥ 39	¥ (44,355)	¥ (95,296)	¥ (125,138)	¥ —	¥ 13,646	¥ 307,801
Changes of items during period													
Deficit disposition		(281,947)	281,947		—								—
Profit attributable to owners of parent			70,225		70,225								70,225
Change of scope of consolidation		1	572		573								573
Change in ownership interest of parent due to transactions with non-controlling interests		428			428								428
Increase (decrease) of capital surplus by change of share to consolidated subsidiary		58			58								58
Purchase of treasury shares				(32)	(32)								(32)
Disposal of treasury shares		(1)		2	0								0
Increase of treasury shares by increasing of consolidated subsidiary				(4)	(4)								(4)
Adjustment to retained earnings due to change in US tax rate			759		759								759
Net changes of items other than shareholders' equity						2,401	(3,244)	(2,946)	15,965	12,176	106	9,618	21,902
Total changes of items during period	—	(281,460)	353,504	(34)	72,009	2,401	(3,244)	(2,946)	15,965	12,176	106	9,618	93,912
Balance at end of the year ended March 31, 2018	¥ 5,000	¥ 295,332	¥ 204,906	¥ (13,936)	¥ 491,302	¥ 16,876	¥ (3,205)	¥ (47,302)	¥ (79,330)	¥ (112,961)	¥ 106	¥ 23,265	¥ 401,713

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

Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2017 and 2018

	Yen (millions)	
	2017	2018
Cash Flows from Operating Activities:		
Profit (loss) before income taxes	¥ (587)	¥ 89,416
Depreciation and amortization	68,235	76,116
Interest and dividend income	(2,246)	(3,787)
Interest expenses	6,394	4,801
Loss (gain) on sales and retirement of non-current assets, net	1,095	(1,128)
Impairment loss	34,668	1,943
Loss (gain) on sales of investment securities, net	(3,215)	(793)
Loss (gain) on step acquisitions	—	1,565
Gain on bargain purchase	—	(856)
Share of (profit) loss of entities accounted for using the equity method	18,667	(176)
Loss (gain) on change in equity	(1,112)	(825)
Settlement received	(6,278)	—
Decrease (increase) in notes and accounts receivable — trade	(83,914)	(85,373)
Decrease (increase) in inventories	(27,446)	4,802
Decrease (increase) in accounts receivable — other	105,927	(9,013)
Increase (decrease) in notes and accounts payable — trade	71,163	61,090
Increase (decrease) in valuation reserve for inventory purchase commitments	(8,505)	(27,248)
Other, net	(28,859)	12,071
Subtotal	143,986	122,602
Interest and dividend income received	3,605	4,088
Interest expenses paid	(5,685)	(5,873)
Settlement package received	5,943	—
Income taxes (paid) refund	(20,617)	(15,547)
Net cash provided by (used in) operating activities	127,231	105,270

	Yen (millions)	
	2017	2018
Cash Flows from Investing Activities:		
Payments into time deposits	(28,832)	(39,052)
Proceeds from withdrawal of time deposits	26,401	48,165
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6(b))	(9,366)	(6,356)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6(b))	—	6,311
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	741	—
Purchases of property, plant and equipment	(77,397)	(102,063)
Purchases of investment securities	(17,099)	(28,912)
Proceeds from sales of investment securities	18,718	62
Other, net	(3,842)	(4,160)
Net cash provided by (used in) investing activities	(90,677)	(126,006)
Cash Flows from Financing Activities:		
Payout of deposits received	(100,000)	—
Proceeds from restricted withdrawals and restricted cash	100,000	—
Net increase (decrease) in short-term loans payable	(367,114)	(39,240)
Proceeds from long-term loans payable	328,675	35,001
Repayments of long-term loans payable	(19,204)	(20,160)
Redemption of bonds	(21,812)	—
Proceeds from issuance of common shares	287,495	—
Proceeds from issuance of class shares	99,624	—
Purchase of treasury shares	(29,978)	(32)
Other, net	(5,487)	(4,701)
Net cash provided by (used in) financing activities	272,199	(29,133)
Effect of Exchange Rate Change on Cash and Cash Equivalents	(4,443)	852
Net Increase (Decrease) in Cash and Cash Equivalents	304,310	(49,017)
Cash and Cash Equivalents at Beginning of Year	149,533	453,477
Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	(365)	(458)
Cash and Cash Equivalents at End of Year (Note 6(a))	¥ 453,477	¥ 404,001

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 four 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 85 significant companies over which the Company has power of control through the holding of majority voting rights or because of the existence of certain other conditions evidencing control by the Company. Investments in 2 nonconsolidated subsidiaries and 26 affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method.

Changes in the consolidated subsidiaries for the year ended March 31, 2018 were as follows:

(Included in scope)

S&O Electronics (Malaysia) Sdn. Bhd.

Mikava oy

Sharp Malaysia Sales & Service Company Sdn. Bhd.

One Stop Support Co., Ltd.

Kantatsu Co., Ltd.

And 13 others

(Excluded from scope)

Sharp Laboratories of China Co., Ltd.

UMC Italy SRL

Sharp Electronics Marketing Corporation

And 9 others

Changes in the nonconsolidated subsidiaries and affiliates accounted for using the equity method for the year ended March 31, 2018 were as follows:

(Included in scope)

Aurora Telecom Co., Ltd.

Sharp Life Science International Ltd.

And 6 others

(Excluded from scope)

7 companies in total

Sharp India Ltd. is the main nonconsolidated subsidiary.

Sharp Telecommunications of Europe, Ltd. is the main nonconsolidated subsidiary not accounted for using the equity method.

(c) Investment securities

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

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

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

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

(d) Derivatives

Derivatives are stated at fair value.

(e) Inventories

Inventories held by the Company and its domestic consolidated subsidiaries are primarily measured at moving average cost. For balance sheet valuation, in the event that profitability of inventories decrease, inventories are carried at net realizable value. For overseas consolidated subsidiaries, inventories are measured at the lower of moving average cost and net realizable value.

(f) Depreciation and amortization

For the Company and its domestic consolidated subsidiaries, depreciation of property, plant and equipment other than leased assets is computed using the declining-balance method, except for machinery and

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equipment at the LCD plants in Mie and Kameyama, buildings (excluding attached facilities) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016 by the Company and its domestic consolidated subsidiaries; all of which are depreciated using the straight-line method over the estimated useful life of the asset. Property, plant and equipment at overseas consolidated subsidiaries are depreciated using the straight-line method.

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

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

Depreciation of leased assets under non-ownership-transfer finance lease transactions is computed using the straight-line method, using the lease period as the depreciable life and the residual value of zero.

(g) Deferred assets

Bond issue cost is amortized using the straight-line method over the redemption period.

(h) Allowance for doubtful accounts

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

(i) 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.

(j) Provision for product warranties

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

(k) Provision for sales promotion expenses

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

(l) Provision for restructuring

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

(m) Valuation reserve for inventory purchase commitments

Differences between contracted prices and current market prices for long-term supply contracts for raw materials are set aside as an allowance for contract loss. This reflects the impact of the risk of loss in cases where the market price of materials declines significantly below the contracted price and fulfillment of the contract causes a loss in the production and sale business.

(n) Defined benefit pension plan

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

Past service costs are amortized primarily using the straight-line method over the average of the estimated remaining service years (13 years) commencing from the current period. Actuarial gains and losses are primarily amortized using the straight-line method over the average of the estimated remaining service years (13 years) commencing from the period following that in which the gain or loss was incurred.

(o) Hedge accounting

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

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

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

(p) Method and period for amortization of goodwill

Goodwill for which the effective term is considered estimable is amortized straight line over the estimated term, while others are amortized straight line over 5 years. Goodwill recorded in the consolidated subsidiaries in the U.S.A. is amortized straight line over 10 years.

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

Notes to the Consolidated Financial Statements

(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) Consumption taxes

The tax exclusion method is applied.

(s) Adoption of consolidated tax return system

The consolidated tax return system is adopted.

(t) Changes in accounting policies

Effective from the year ended March 31, 2017, the Company and its domestic consolidated subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ Practical Issues Task Force No. 32 on June 17, 2016) according to the revision of the Corporation Tax Act. The Company and its domestic consolidated subsidiaries changed its accounting method to the straight-line method from declining-balance method for the depreciation method regarding facilities attached to buildings and structures acquired from April 1, 2016 onwards.

This change had an immaterial impact on consolidated financial statements for the year ended March 31, 2017.

(u) Unapplied accounting standards and interpretations

The accounting standards and interpretations issued as of March 31, 2017 but not yet applied as of the year ended March 31, 2017 were as follows:

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

Overseas consolidated subsidiaries

Name of the standards and interpretations	Description of the standards and interpretations	Planned adoption period
IFRS 15	Revenue from Contracts with Customers	Revision of the accounting treatment for revenue recognition
IFRS 9	Financial Instruments	Revision on the classification, measurement, and impairment of financial instruments
IFRS 16	Leases	Revision of the accounting treatment for leases
ASU No.2014-09	Revenue from Contracts with Customers (Topic 606)	Revision of the accounting treatment for revenue recognition
ASU No.2016-02	Leases (Topic 842)	Revision of the accounting treatment for leases

The accounting standards and interpretations issued as of March 31, 2018 but not yet applied as of the year ended March 31, 2018 were as follows:

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

The Company and domestic consolidated subsidiaries

Name of the standards and interpretations	Description of the standards and interpretations	Planned adoption period
ASBJ Statement No. 29	Accounting Standard for Revenue Recognition	Establishment of the accounting treatment for revenue recognition

Overseas consolidated subsidiaries

Name of the standards and interpretations	Description of the standards and interpretations	Planned adoption period
IFRS 15	Revenue from Contracts with Customers	Revision of the accounting treatment for revenue recognition
IFRS 9	Financial Instruments	Revision on the classification, measurement, and impairment of financial instruments
IFRS 16	Leases	Revision of the accounting treatment for leases
ASU No.2014-09	Revenue from Contracts with Customers (Topic 606)	Revision of the accounting treatment for revenue recognition
ASU No.2016-02	Leases (Topic 842)	Revision of the accounting treatment for leases

(v) Changes in presentation method

(Consolidated statements of operations)

"Rent expenses on non-current assets", which was included in "Other" of "Non-operating expenses" for the year ended March 31, 2017, has been separately presented for the year ended March 31, 2018 because its amount exceeded 10% of total non-operating expenses. In order to reflect this change in presentation method, amounts included in the consolidated financial statements for the year ended March 31, 2017 have been reclassified.

As a result, in the consolidated statements of operations for the year ended March 31, 2017, ¥21,780 million of "Other" of "Non-operating expenses" has been reclassified as ¥1,889 million of "Rent expenses on non-current assets" and ¥19,890 million of "Other" of "Non-operating expenses".

(Consolidated statements of cash flows)

(1) Cash flows from operating activities

"Increase (decrease) in accrued expenses" and "Increase (decrease) in provision for sales promotion

Notes to the Consolidated Financial Statements

expenses”, which were separately presented for the year ended March 31, 2017, have been included in “Other, net” for the year ended March 31, 2018 because their financial materiality has decreased. In addition, there is no “Reversal of provision for loss on litigation” for the year ended March 31, 2018, which was presented for the year ended March 31, 2017. In order to reflect these changes in presentation method, amounts included in the consolidated financial statements for the year ended March 31, 2017 have been reclassified.

As a result, in the net cash provided by (used in) operating activities in the consolidated statements for cash flows for the year ended March 31, 2017, ¥(200) million of “Reversal of provision for loss on litigation”, ¥2,785 million of Increase (decrease) in accrued expenses, ¥(9,101) million of “Increase (decrease) in provision for sales promotion expenses” and ¥(22,344) million of “Other, net” have been reclassified as ¥(28,859) million of “Other, net”.

(2) Cash flows from investing activities

“Proceeds from sales of property, plant and equipment”, which was separately presented for the year ended March 31, 2017, has been included in “Other, net” for the year ended March 31, 2018 because its financial materiality has decreased. In order to reflect this change in presentation method, amounts included in the consolidated financial statements for the year ended March 31, 2017 have been reclassified.

As a result, in the net cash provided by (used in) investing activities in the consolidated statements of cash flows for the year ended March 31, 2017, ¥3,818 million of “Proceeds from sales of property, plant and equipment” and ¥(7,661) million of “Other, net” have been reclassified as ¥(3,842) million of “Other, net”.

(w) Change in accounting estimates

The Company and its domestic consolidated subsidiaries previously amortized actuarial gains/losses and past service costs on defined benefit plans over 14 years. Effective from the year ended March 31, 2017, the amortization period has been changed to 13 years because the average of the estimated remaining service years decreased.

As a result, operating profit, ordinary profit and loss before income taxes for the year ended March 31, 2017 improved by ¥5,530 million in comparison to those calculated by the previous method.

(x) Additional information

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied from the fiscal year ended March 31, 2017.

2. Notes to Consolidated Balance Sheets

(a) Investment in nonconsolidated subsidiaries and affiliates

Investment in nonconsolidated subsidiaries and affiliates as of March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Investment in nonconsolidated subsidiaries and affiliates	¥ 84,704	¥ 75,871

(b) Inventories

Inventories as of March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Finished products	¥ 146,708	¥ 153,717
Work in process	27,995	23,537
Raw materials and supplies	43,188	42,459
	¥ 217,892	¥ 219,714

(c) Collateral Assets and Liabilities secured by Collateral

Collateral assets and liabilities secured by collateral as of March 31, 2017 and 2018 were as follows:

(1) Assets pledged as collateral

	Yen (millions)	
	2017	2018
Cash and deposits	¥ 24,637	¥ 14,580
Notes and accounts receivable — trade	48,199	70,936
Inventories	71,306	79,163
Other (Current assets)	8,640	3,724
Buildings and structures	138,647	135,969
Machinery, equipment and vehicles	15,045	31,256
Tools, furniture and fixtures	1,373	1,662
Land	82,354	79,137
Investment securities	33,816	37,661
Other (Investments and other assets)	662	157
	¥ 424,683	¥ 454,249

Notes to the Consolidated Financial Statements

(2) Liabilities secured by collateral

	Yen (millions)	
	2017	2018
Short-term loans payable	¥ 11,527	¥ 7,744
Long-term loans payable	426,693	426,693
	¥ 438,221	¥ 434,437

Cash and deposits of ¥20,122 million as of March 31, 2017 and ¥9,499 million as of March 31, 2018 were pledged as collateral for opening a standby letter of credit.

In addition, certain shares of consolidated subsidiaries which were subject to elimination through the consolidation process were pledged as collateral of long-term loans payable as of March 31, 2017 and 2018.

(d) Contingent Liabilities

(1) Guarantee liabilities

	Yen (millions)	
	2017	2018
Loans guaranteed for employees	¥ 9,542	¥ 8,191

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

The Company entered into long-term contracts with several suppliers with respect to electricity and other inputs at the Sakai Factory. The total amounts of future minimum payments under such contracts as of March 31, 2017 and 2018 were ¥32,528 million (remaining terms from 0.5 to 11.75 years) and ¥27,058 million (longest remaining term is 11 years), respectively. No contract can be terminated before expiration.

(e) Investment commitment

The Company entered into contract to participate in the SoftBank Vision Fund, a private fund established by SoftBank Group Corp, in May 2017. Total amount of investment commitment is USD 1 billion. The balance of remaining committed contribution as of March 31, 2018 was as follows:

	Yen (millions)	
	2017	2018
Total amount of investment commitment	—	¥ 105,270
Contribution made	—	24,331
Remaining committed contribution	—	¥ 80,938

3. Notes to Consolidated Statements of Operations

(a) Inventory valuation loss

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

Net inventory valuation loss (after offsetting the reversal amount) included in the cost of sales for the years ended March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Cost of sales	¥ (131,745)	¥ (17,475)

(b) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Salaries and allowances	¥ 97,127	¥ 100,268
Provision for bonuses	9,672	9,643
Retirement benefit expenses	6,856	9,548
Transportation and warehousing expenses	29,957	32,270
Research and development expenses	24,657	22,709
Provision for bonuses	1,340	1,273

Changes in presentation method:

“Transportation and warehousing expenses” has been separately presented, since the relevant expense amount exceeded 10% of the total amount of selling, general and administrative expenses for the year ended March 31, 2018.

(c) Research and development expenses

Research and development expenses included in general and administrative expenses and cost of manufacturing were ¥106,107 million for the year ended March 31, 2017 and ¥100,536 million for the year ended March 31, 2018.

Notes to the Consolidated Financial Statements

(d) Gain on sales of non-current assets

Major components of gain on sales of non-current assets for the years ended March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Buildings and structures	¥ 747	¥ 1,144
Machinery, equipment and vehicles	644	675
Tools, furniture and fixtures	36	139
Land	1,854	263
Other	11	0
	¥ 3,295	¥ 2,222

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

Major components of loss on sale and retirement of non-current assets for the years ended March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Loss on sale:		
Buildings and structures	¥ 4	¥ 0
Machinery, equipment and vehicles	122	79
Tools, furniture and fixtures	15	16
Other	—	0
	¥ 143	¥ 96
Loss on retirement:		
Buildings and structures	¥ 343	¥ 115
Machinery, equipment and vehicles	254	715
Tools, furniture and fixtures	204	118
Land	—	1
Construction in progress	17	0
Software	3,226	17
Other	200	28
	¥4,247	¥ 997
Total:		
Buildings and structures	¥ 348	¥ 115
Machinery, equipment and vehicles	377	795
Tools, furniture and fixtures	219	135
Land	—	1
Construction in progress	17	0
Software	3,226	17
Other	200	28
	¥4,390	¥1,094

(f) Impairment loss

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

The Company recognized an impairment loss of ¥698 million for the Energy Solutions unit due to the decreasing profitability of the business for the year ended March 31, 2017. Details were as follows: ¥290 million for machinery, equipment and vehicles; ¥317 million for software; and ¥90 million for others. The estimated recoverable amount for buildings and land was determined by using the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets was evaluated to be zero.

The Company recognized an impairment loss of ¥24,985 million for the Display Devices unit due to the decreasing profitability of the business for the year ended March 31, 2017. Details were as follows: ¥15,842 million for buildings and structures; ¥8,948 million for construction in progress; and ¥195 million for others. The estimated recoverable amount for buildings, machinery and equipment, and land was determined by using the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets was evaluated to be zero.

The Company recognized an impairment loss of ¥8,016 million for some idle assets and others due to no future usage being planned as of the year ended March 31, 2017. Details were as follows: ¥3,948 million for buildings and structures; ¥3,729 million for land; ¥338 million for others. The estimated recoverable amount for land was determined by using the net realizable value based on the estate appraisal valuation. The net realizable value for the other assets was evaluated to be zero.

Consolidated subsidiaries recognized an impairment loss of ¥966 million for their idle assets and others in U.S.A. and China due to no future usage being planned as of the year ended March 31, 2017. Details were as follows: ¥848 million for machinery, equipment and vehicles and ¥118 million for others. The estimated recoverable amount of all assets was determined to be zero, since no cash inflow was anticipated to be generated by the assets.

The Company recognized an impairment loss of ¥583 million for the Smart Home unit due to the decreasing profitability of the business for the year ended March 31, 2018. Details were as follows: ¥423 million for machinery, equipment and vehicles; ¥63 million for tools, furniture and fixtures; ¥75 million for software; and ¥20 million for others. The net realizable value for all assets was evaluated to be zero.

The Company recognized an impairment loss of ¥1,360 million for some idle assets due to no future usage being planned as of the year ended March 31, 2018. Details were as follows: ¥306 million for buildings and structures; ¥245 million for machinery, equipment and vehicles; ¥110 million for tools, furniture and fixtures; ¥682 million for software; and ¥16 million for others. The net realizable value for all assets was evaluated to be zero.

Notes to the Consolidated Financial Statements

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, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Valuation difference on available-for-sale securities		
Amount arising during the year	¥ 4,076	¥ 3,456
Reclassification adjustment	—	(0)
Before tax effect	4,076	3,455
Tax effect	(1,239)	(1,053)
Valuation difference on available-for-sale securities	¥ 2,837	¥ 2,402
Deferred gains or losses on hedges		
Amount arising during the year	¥ 872	¥ (2,947)
Reclassification adjustment	(93)	(445)
Before tax effect	778	(3,393)
Tax effect	103	(148)
Deferred gains or losses on hedges	¥ 882	¥ (3,541)
Foreign currency translation adjustment		
Amount arising during the year	¥ (6,151)	¥ (3,737)
Reclassification adjustment	—	1,792
Before tax effect	(6,151)	(1,944)
Tax effect	—	—
Foreign currency translation adjustment	¥ (6,151)	¥ (1,944)
Remeasurements of defined benefit plans		
Amount arising during the year	¥ (2,008)	¥ 5,362
Reclassification adjustment	7,029	12,106
Before tax effect	5,020	17,468
Tax effect	518	(781)
Remeasurements of defined benefit plans	¥ 5,539	¥ 16,687
Share of other comprehensive income of entities accounted for using the equity method		
Amount arising during the year	¥ (506)	¥ (419)
Reclassification adjustment	21	126
Share of other comprehensive income of entities accounted for using the equity method	¥ (485)	¥ (292)
Total other comprehensive income	¥ 2,621	¥ 13,311

5. Notes to Consolidated Statements of Changes in Net Assets

(a) Class and Total Number of Issued Shares and Treasury Shares

Class and total number of issued shares and treasury shares for the years ended March 31, 2017 and 2018 were as follows:

For the year ended March 31, 2017

	(Thousands of shares)			
	Number of shares as of March 31, 2016	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2017
Issued shares				
Common shares	1,701,214	3,281,950	—	4,983,165
Class A shares	200	—	—	200
Class B shares	25	—	25	—
Class C shares	—	11,363	—	11,363
Total	1,701,439	3,293,314	25	4,994,729
Treasury shares				
Common shares	10,536	20	0	10,556
Class B shares	—	25	25	—
Total	10,536	45	25	10,556

Notes: 1. The increase of 3,281,950 thousand shares in common shares of issued shares was due to the issuance of new shares through the third-party allotment on August 12, 2016. The allottees and the allotted shares were as follows:

Hon Hai Precision Industry Co., Ltd.	1,300,000	thousands of shares
Foxconn (Far East) Limited	915,550	thousands of shares
Foxconn Technology Pte. Ltd.	646,400	thousands of shares
SIO International Holdings Limited	420,000	thousands of shares

2. The increase of 25 thousand shares in Class B shares of treasury shares was due to the purchase of all the Class B shares of outstanding shares from Japan Industrial Solutions Fund I on August 12, 2016. The decrease of 25 thousand shares in Class B shares of issued shares and treasury shares was due to the retirement of treasury shares under Article 178 of the Companies Act on September 30, 2016.

3. The increase of 11,363 thousand shares in Class C shares of issued shares was due to the issuance of new shares through the third-party allotment on August 12, 2016. The allottee and the allotted shares were as follows:

Hon Hai Precision Industry Co., Ltd.	11,363	thousands of shares
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Notes to the Consolidated Financial Statements

- The increase of 20 thousand shares in common shares of treasury shares was due to the purchase of shares constituting less than one trading unit.
- The decrease of 0 thousand shares in common shares of treasury shares was due to the sale of shares constituting less than one trading unit.

For the year ended March 31, 2018

	(Thousands of shares)			Number of shares as of March 31, 2018
	Number of shares as of March 31, 2017	Increase in number of shares	Decrease in number of shares	
Issued shares				
Common shares	4,983,165	—	4,484,849	498,316
Class A shares	200	—	—	200
Class C shares	11,363	—	10,227	1,136
Total	4,994,729	—	4,495,076	499,652
Treasury shares				
Common shares	10,556	46	9,535	1,067
Total	10,556	46	9,535	1,067

- Notes: 1. Every 10 common shares and every 10 Class C shares were consolidated into 1 single share as of October 1, 2017. Due to this share consolidation, total issued shares decreased by 4,495,076 thousand shares, resulting in 499,652 thousand shares remaining issued as of year ended March 31, 2018.
- The increase of 46 thousand shares in common shares of treasury shares consisted of an increase of 28 thousand shares due to the addition of the Company's common shares which were held by a new affiliate accounted for using the equity method, an increase of 11 thousand shares due to the purchase of shares less than one trading unit, an increase of 5 thousand shares due to the purchase of fractional shares generated from the share consolidation, and an increase of 0 thousand shares due to the increase in the attribution ratio of the Company's common shares which was held by the newly consolidated subsidiary from the affiliate accounted for using the equity method.
 - The decrease of 9,535 thousand shares in common shares of treasury shares consisted of a decrease of 9,534 thousand shares due to the share consolidation and a decrease of 0 thousand shares due to the sale of shares less than one trading unit.

(b) Share Acquisition Rights and Treasury Share Acquisition Rights

Share acquisition rights and treasury share acquisition rights for the year ended March 31, 2018 was as follows:

Classification	Description of share acquisition rights	Number of shares underlying the share acquisition rights (Share)					Balance as of March 31, 2018 (Millions of yen)
		Class of shares underlying the share acquisition rights	Number of shares as of March 31, 2017	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2018	
The Company	Share acquisition rights as a stock option	—	—	—	—	—	98
Consolidated subsidiaries	—	—	—	—	—	—	8
Total	—	—	—	—	—	—	106

(c) Dividends

No dividend payments were made during the years ended March 31, 2017 and 2018.

Dividends for which the record date was within the year ended March 31, 2018, with effective date falling in the following fiscal year were as follows:

Resolutions	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 26, 2018	Common shares	Retained earnings	4,972	10	March 31, 2018	May 30, 2018
Board of Directors meeting held on April 26, 2018	Class A shares	Retained earnings	14,983	74,916.50	March 31, 2018	May 29, 2018
Board of Directors meeting held on April 26, 2018	Class C shares	Retained earnings	1,136	1,000	March 31, 2018	May 30, 2018

Notes to the Consolidated Financial Statements

6. Notes to Consolidated Statements of Cash Flows

(a) Reconciliation of cash and cash equivalents and cash and deposits on the consolidated balance sheets

Reconciliation of cash and cash equivalents and cash and deposits on the consolidated balance sheets as of March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Cash and deposits	¥ 482,117	¥ 422,302
Time deposits with maturity over 3 months or pledged as collateral	(28,148)	(18,301)
Restricted deposits*	(492)	—
Cash and cash equivalents	¥ 453,477	¥ 404,001

* Restricted deposits as of March 31, 2017 was the deposits restricted to tender offer for shares of the affiliate.

(b) Major components of assets and liabilities of newly consolidated subsidiaries acquired by purchase of shares

Major components of assets and liabilities of newly consolidated subsidiaries acquired by purchase of shares were as follows:

Fiscal year ended March 31, 2017

The components of assets and liabilities of Skytec UMC Ltd. and other newly consolidated subsidiary acquired by purchase of shares at the start of their consolidation, and the relationship between the acquisition cost of their shares and the related payments (net amount) were as follows:

	Yen (millions)	
	2017	
Current assets	¥ 21,998	
Non-current assets	5,711	
Goodwill	7,372	
Current liabilities	20,296	
Non-current liabilities	112	
Non-controlling interests	2,529	
Acquisition cost of shares	12,144	
Cash and Cash equivalents	2,778	
Net: Payments for the acquisition of newly acquired consolidated subsidiaries	¥ 9,366	

Fiscal year ended March 31, 2018

The information is omitted as it is immaterial.

7. Leases

Operating leases

(a) As lessee

Future minimum lease payments for only non-cancelable contracts as of March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Due within one year	¥ 1,798	¥ 2,790
Due after one year	7,884	9,135
	¥ 9,683	¥ 11,925

(b) As lessor

Future minimum lease receipts for only non-cancelable contracts as of March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Due within one year	¥ 1,596	¥ 1,280
Due after one year	2,982	2,556
	¥ 4,578	¥ 3,836

Notes to the Consolidated Financial Statements

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 and issuing bonds 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 risk and not for speculative or dealing purposes.

(2) Description and risks of financial instruments

Notes and accounts receivable are exposed to customer credit risk. Some notes and accounts receivable are denominated in foreign currencies because the Company conducts business globally and, therefore, is exposed to foreign currency risk. 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 are denominated in foreign currencies and, therefore, are exposed to foreign currency risk. 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 the long term to develop better business alliances and relationships with the Company's customers and suppliers. Other securities are exposed to market price fluctuation risk. Long-term loans payable and bonds payable are mainly for capital investments. The longest repayment or redemption term is 8 years and 1 month from March 31, 2018.

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

(3) Risk management of financial instruments

i) Management of credit risk

For notes and accounts receivable, the Company periodically reviews the status of its key customers, monitoring their respective payment deadlines and remaining outstanding balances. The Company strives to recognize and reduce the risk 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 risk

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

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

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

iii) Management of liquidity risk in financing activities

The Finance Division manages liquidity risk by preparing and updating financial plans based on reports from each section and through maintenance of ready liquidity.

(4) Supplementary explanation of fair value of financial instruments

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

The contract amount itself may not reflect the market risk associated with a derivative transaction.

(b) Fair value of financial instruments

The consolidated balance sheet amounts, fair values and differences between the two as of March 31, 2017 and 2018 are included in the tables below. Financial instruments for which fair values are considered too difficult to be estimated are not included in the tables. Refer to (Note 2) below for the details of such financial instruments.

Notes to the Consolidated Financial Statements

	Yen (millions)		
	2017		
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and deposits	¥ 482,117	¥ 482,117	¥ —
(2) Notes and accounts receivable — trade	375,564	375,313	(250)
(3) Investment securities			
1) Shares of nonconsolidated subsidiaries and affiliates	0	2,922	2,922
2) Other securities	36,601	36,601	—
Total assets	¥ 894,282	¥ 896,954	¥ 2,672
(4) Notes and accounts payable — trade	¥ 306,007	¥ 306,007	¥ —
(5) Electronically recorded obligations — operating	44,560	44,560	—
(6) Short-term loans payable	113,534	113,534	—
(7) Bonds payable	40,000	39,242	(758)
(8) Long-term loans payable	490,333	490,433	100
Total liabilities	¥ 994,436	¥ 993,778	¥ (657)
(9) Derivative transactions*			
1) Derivative transactions — hedge accounting not applied	¥ 1,512	¥ 1,512	¥ —
2) Derivative transactions — hedge accounting applied	227	(1,570)	(1,797)
Total derivative transactions	¥ 1,739	¥ (57)	¥ (1,797)

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

	Yen (millions)		
	2018		
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and deposits	¥ 422,302	¥ 422,302	¥ —
(2) Notes and accounts receivable — trade	471,575	471,391	(184)
(3) Investment securities			
1) Shares of nonconsolidated subsidiaries and affiliates	0	1,250	1,250
2) Other securities	40,059	40,059	—
Total assets	¥ 933,937	¥ 935,003	¥ 1,065
(4) Notes and accounts payable — trade	¥ 384,966	¥ 384,966	¥ —
(5) Electronically recorded obligations — operating	44,511	44,511	—
(6) Short-term loans payable	81,256	81,256	—
(7) Bonds payable (including bonds expiring within one year)	40,000	40,043	43
(8) Long-term loans payable	507,027	507,768	741
Total liabilities	¥ 1,057,761	¥ 1,058,546	¥ 784
(9) Derivative transactions*			
1) Derivative transactions — hedge accounting not applied	¥ 995	¥ 995	¥ —
2) Derivative transactions — hedge accounting applied	(2,985)	(1,148)	1,837
Total derivative transactions	¥ (1,990)	¥ (153)	¥ 1,837

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

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

(1) Cash and deposits

The fair value of deposits approximates their book value due to their short maturity periods.

(2) Notes and accounts receivable — trade

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

(3) Investment securities

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

(4) Notes and accounts payable — trade

The fair value of notes and accounts payable — trade approximates their book value due to their short maturity periods.

(5) Electronically recorded obligations — operating

The fair value of electronically recorded obligations — operating approximates their book value due to their short maturity periods.

(6) Short-term loans payable

The fair value of short-term loans payable approximates their book value due to their short maturity periods.

(7) Bonds payable

The fair value of bonds payable is determined by market price.

(8) Long-term loans payable

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

(9) Derivative transactions

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

(Note 2) Financial instruments of which fair values are considered too difficult to be estimated are unlisted stocks of ¥88,183 million as of March 31, 2017 and ¥80,606 million as of March 31, 2018, and investments in capital of ¥26,486 million as of March 31, 2017 and ¥51,396 million as of March 31, 2018. Since there are no available quoted market prices and it is too difficult to estimate their fair values, they are not included in “(3) Investment securities”.

Notes to the Consolidated Financial Statements

(Note 3) Aggregate maturity of cash and deposits, and receivables as of March 31, 2017 and 2018 were as follows:

	Yen (millions)		
	2017		
	Cash and deposits	Notes and accounts receivable — trade	Total
Due within one year	¥ 482,117	¥ 354,190	¥ 836,307
Due after one year, within five years	—	21,373	21,373
Due after five years, within ten years	—	—	—
Due after ten years	—	—	—

	Yen (millions)		
	2018		
	Cash and deposits	Notes and accounts receivable — trade	Total
Due within one year	¥ 422,302	¥ 458,059	¥ 880,361
Due after one year, within five years	—	13,516	13,516
Due after five years, within ten years	—	—	—
Due after ten years	—	—	—

9. Investment Securities

(a) Other securities

Other securities with available fair market values as of March 31, 2017 and 2018 were as follows:

	Yen (millions)			
	2017			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,967	¥ 19,634	¥ (0)	¥ 36,601
	¥ 16,967	¥ 19,634	¥ (0)	¥ 36,601

	Yen (millions)			
	2018			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 16,989	¥ 23,365	¥ (296)	¥ 40,059
	¥ 16,989	¥ 23,365	¥ (296)	¥ 40,059

Unlisted stocks and others (of which book values were recorded as ¥29,964 million for the year ended March 31, 2017 and ¥56,130 million for the year ended March 31, 2018) are not included in the above table because they do not have market prices.

The proceeds from sales of other securities were ¥1,500 million for the year ended March 31, 2017. The gross realized gains on those sales were ¥1,429 million for the year ended March 31, 2017. The gross realized losses on those sales were zero for the year ended March 31, 2017.

No item classified as other securities was sold during the year ended March 31, 2018.

10. Derivative Transactions

(a) Derivative transactions — hedge accounting not applied

Currency-related transactions

Classification	Type of derivatives	Yen (millions)			
		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	¥ 105,956	¥ —	¥ 901	¥ 901
	Euro	6,168	—	138	138
	New Zealand dollar	1,714	—	45	45
	Russian rouble	703	—	(11)	(11)
	Australian dollar	99	—	3	3
	Swedish krona	26	—	(0)	(0)
	Polish zloty	18	—	(0)	(0)
	Danish krone	18	—	0	0
	Norwegian krone	11	—	(0)	(0)
	Czech koruna	6	—	0	0
	Thai baht	4	—	0	0
	Buy				
	U.S. dollar	54,334	—	415	415
	Thai baht	1,835	—	20	20
Total		¥ 170,898	¥ —	¥ 1,512	¥ 1,512

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

Notes to the Consolidated Financial Statements

Classification	Type of derivatives	Yen (millions)			
		Contract amount	Amount of contract due after one year	Fair value	Profit (loss) from valuation
2018					
Off-market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	¥ 48,187	¥ —	¥ 2,142	¥ 2,142
	Euro	9,858	—	101	101
	New Zealand dollar	2,331	—	82	82
	Russian rouble	553	—	14	14
	Canadian dollar	154	—	12	12
	Australian dollar	86	—	6	6
	Singapore dollar	46	—	—	—
	Thai baht	41	—	1	1
	Polish zloty	31	—	(0)	(0)
	Buy				
	U.S. dollar	39,297	—	(1,367)	(1,367)
	Japanese yen	2,115	—	(7)	(7)
	Thai baht	839	—	8	8
Total		¥ 103,543	¥ —	¥ 995	¥ 995

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

(b) Derivative transactions — hedge accounting applied

(1) Currency-related transactions

Hedge accounting method	Type of derivatives	Hedged item	Yen (millions)		
			Contract amount	Amount of contract due after one year	Fair value
2017					
Principle-based accounting	Forward exchange contracts				
	Sell	Accounts receivable-trade			
	U.S. dollar		¥ 57,572	¥ —	¥ 492
	Euro		6,707	—	109
	Australian dollar		589	—	4
	Mexican peso		559	—	(49)
	Russian rouble		168	—	(24)
	Thai baht		64	—	(0)
	New Zealand dollar		42		1
	Buy	Accounts payable-trade			
	U.S. dollar		89,787	—	(299)
	Japanese yen		356	—	(7)
	Euro		143	—	(0)
Deferral hedge accounting	Forward exchange contracts				
	Sell	Accounts receivable-trade			
	U.S. dollar		54,264	—	(1,857)
	Thai baht		60	—	(0)
	Buy	Accounts payable-trade			
	U.S. dollar		16,465	—	59
Total			¥ 226,785	¥ —	¥ (1,570)

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

Notes to the Consolidated Financial Statements

Hedge accounting method	Type of derivatives	Hedged item	Yen (millions)		
			Contract amount	Amount of contract due after one year	Fair value
2018					
Principle-based accounting	Forward exchange contracts	Accounts receivable-trade			
	Sell				
	U.S. dollar		¥ 49,595	¥ —	¥ 1,342
	Euro		8,415	—	45
	Pound sterling		2,905	—	(20)
	Swedish krona		870	—	(3)
	Canadian dollar		570	—	(3)
	Swiss franc		381	—	—
	Australian dollar		324	—	(0)
	Danish krone		223	—	(0)
	Norwegian krone		196	—	(1)
	Russian rouble		155	—	(0)
	Polish zloty		150	—	(1)
	Czech koruna		150	—	(0)
	New Zealand dollar		146	—	(0)
	Thai baht		100	—	(1)
	Hungarian forint		77	—	—
	Buy	Accounts payable-trade			
	U.S. dollar		131,847	—	(4,077)
	Japanese yen		6	—	—
Deferral hedge accounting	Forward exchange contracts	Accounts receivable-trade			
	Sell				
	U.S. dollar		117,503	—	4,573
	Euro		0	—	(0)
	Buy	Accounts payable-trade			
	U.S. dollar		55,997	—	(2,736)
Total			¥ 369,621	¥ —	¥ (885)

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

(2) Interest rate-related transactions

There were no interest rate swaps as of March 31, 2017.

Hedge accounting method	Type of derivatives	Hedged item	Yen (millions)		
			Contract amount	Amount of contract due after one year	Fair value
2018					
Principle-based accounting	Interest rate swaps	Long-term loans payable			
	Pay fixed/receive floating		¥ 30,000	¥ 30,000	¥ (263)
Total			¥ 30,000	¥ 30,000	¥ (263)

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

11. Bonds Payable, Loans Payable and Lease Obligations

(a) Bonds payable

Bonds payable as of March 31, 2017 and 2018 consisted of the following:

	Yen (millions)	
	2017	2018
2.068% unsecured straight bonds, the date of maturity on March 19, 2019	¥ 10,000	¥ 10,000
1.604% unsecured straight bonds, the date of maturity on September 13, 2019	30,000	30,000
	¥ 40,000	¥ 40,000

The aggregate annual maturities of bonds payable as of March 31, 2018 were as follows:

Years ending March 31	Yen (millions)
2019	¥ 10,000
2020	30,000
2021	—
2022	—
2023	—
2024 and thereafter	—

(b) Loans payable and lease obligations

Loans payable and lease obligations as of March 31, 2017 and 2018 consisted of the following:

	Yen (millions)	
	2017	2018
Short-term loans payable with the following interest rates		
0.6% as of March 31, 2017 and 0.8% as of March 31, 2018	¥ 93,232	¥ 59,818
Current portion of long-term loans payable with the following interest rates		
1.8% as of March 31, 2017 and 1.9% as of March 31, 2018	20,302	21,438
Current portion of lease obligations with the following interest rates		
6.2% as of March 31, 2017 and 5.5% as of March 31, 2018	5,465	4,279
Long-term loans payable (except portion due within one year) with the following interest rates		
0.5% as of March 31, 2017 and 0.4% as of March 31, 2018	490,333	507,027
Lease obligations (except portion due within one year) with the following interest rates		
4.4% as of March 31, 2017 and 3.1% as of March 31, 2018	8,109	5,219
	¥ 617,444	¥ 597,783

Interest rates shown are weighted average interest rates for the balance outstanding as of March 31, 2017 and 2018 respectively.

Notes to the Consolidated Financial Statements

The aggregate annual maturities of long-term loans payable (except portion due within one year) as of March 31, 2018 were as follows:

Years ending March 31	Yen (millions)
2020	¥ 1,258
2021	784
2022	363
2023	156
2024 and thereafter	504,464

The aggregate annual maturities of lease obligations (except portion due within one year) as of March 31, 2018 were as follows:

Years ending March 31	Yen (millions)
2020	¥ 2,700
2021	791
2022	245
2023	116
2024 and thereafter	1,365

12. Defined benefit 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) Reconciliations of the defined benefit obligations

Reconciliations of the defined benefit obligations of the Company and its consolidated subsidiaries as of March 31, 2017 and 2018 consisted of the following:

	Yen (millions)	
	2017	2018
Defined benefit obligation at beginning of year	¥ 359,041	¥ 351,120
Service cost	11,631	10,986
Interest cost	3,230	3,250
Actuarial loss (gain)	3,627	(2,863)
Benefits paid	(22,292)	(17,721)
Increase from newly consolidated subsidiaries	—	972
Other	(2,343)	2,007
Foreign currency exchange rate changes	(1,772)	1,431
Defined benefit obligation at end of year	¥ 351,120	¥ 349,184

(c) 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, 2017 and 2018 consisted of the following:

	Yen (millions)	
	2017	2018
Fair value of plan assets at beginning of year	¥ 243,921	¥ 241,345
Expected return on plan assets	7,676	6,915
Actuarial gain	1,607	2,434
Employer contribution	13,121	13,690
Benefits paid	(22,038)	(17,293)
Increase from newly consolidated subsidiaries	—	858
Other	(985)	1,134
Foreign currency exchange rate changes	(1,957)	1,784
Fair value of plan assets at end of year	¥ 241,345	¥ 250,869

Notes to the Consolidated Financial Statements

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

Reconciliations of the defined benefit obligation and the fair value of the plan assets and the amount recognized in the consolidated balance sheets as of March 31, 2017 and 2018 consisted of the following:

	Yen (millions)	
	2017	2018
Funded defined benefit obligation at end of year	¥ 346,127	¥ 343,869
Fair value of plan assets at end of year	(241,345)	(250,869)
Funded status at end of year	104,782	93,000
Unfunded defined benefit obligation at end of year	4,992	5,314
Total net defined benefit liability	¥ 109,774	¥ 98,314
Net defined benefit liability	110,074	101,101
Net defined benefit asset	(299)	(2,786)
Total net defined benefit liability	¥ 109,774	¥ 98,314

(e) Expenses for the net defined benefit liability

Expenses for the net defined benefit liability of the Company and its consolidated subsidiaries for the years ended March 31, 2017 and 2018 consisted of the following:

	Yen (millions)	
	2017	2018
Service cost	¥ 11,631	¥ 10,986
Interest cost	3,230	3,250
Expected return on plan assets	(7,676)	(6,915)
Amortization of net actuarial loss	14,554	11,968
Amortization of past service cost	(7,531)	(44)
Other	(197)	105
Total expenses for the net defined benefit liability	¥ 14,010	¥ 19,350

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

Amounts recognized in remeasurements of defined benefit plans (other comprehensive income) for the years ended March 31, 2017 and 2018 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2017	2018
Past service cost	¥ (7,508)	¥ 11
Net actuarial gain	12,528	17,457
Total	¥ 5,020	¥ 17,468

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

Amounts recognized in remeasurements of defined benefit plans (accumulated other comprehensive income) as of March 31, 2017 and 2018 before the effect of income taxes consisted of the following:

	Yen (millions)	
	2017	2018
Unrecognized past service cost	¥ 47	¥ 36
Unrecognized net actuarial loss	102,034	85,336
Total	¥ 102,082	¥ 85,373

(h) Classification of the fair value of plan assets

Classification of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2017 and 2018 consisted of the following:

	2017	2018
Bonds	25%	26%
Equity securities	20%	19%
Cash and cash equivalents	7%	5%
Life insurance company general accounts	15%	13%
Alternatives	25%	27%
Other	8%	10%
Total	100%	100%

Alternatives mainly consisted of investments in hedge funds.

(i) 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.

(j) Actuarial assumptions

	2017	2018
Discount rate	mainly 0.5%	mainly 0.5%
Long-term expected rate of return	mainly 3.0%	mainly 2.7%

In addition, the cost recognized for the defined contribution pension plans was ¥1,186 million for the year ended March 31, 2017 and ¥906 million for the year ended March 31, 2018.

Notes to the Consolidated Financial Statements

13. Stock Options

(a) Expensed amount and account

The expensed amount and account for the years ended March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Selling, general and administrative expenses	¥ —	¥ 98

(b) 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 43 employees of the Company	7 directors of the Company 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

(Note 1) Equivalent number of shares has been described instead of the number of stock options.

The Company performed a share consolidation at a ratio of 10 shares to 1 share on October 1, 2017. Figures shown above are the number of shares after the conversion.

(Note 2) Eligible persons shall be directors, executives, audit & supervisory board members or employees of the Company, or the Company's subsidiaries and affiliates at the time of the exercise. However, the grantees can exercise their stock options without satisfying the above conditions in case that it is agreed in writing at the Board of Directors meeting considering various factors.

(2) Size and changes of stock options

Stock options that existed for the year ended March 31, 2018 were as follows:

i) Number of stock options

	First stock options (resolved on April 19, 2017)	Second stock options (resolved on September 26, 2017)
Unvested stock options (shares) (Note 3)		
Balance on March 31, 2017	—	—
Granted	81,100	45,300
Nullified	—	—
Vested	—	—
Balance on March 31, 2018	81,100	45,300

Vested stock options (shares) (Note 3)

Balance on March 31, 2017	—	—
Vested	—	—
Exercised	—	—
Nullified	—	—
Balance on March 31, 2018	—	—

(Note 3) 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. 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	(74,100 shares) 1,970	(7,000 shares) 2,110

The Company performed a share consolidation at a ratio of 10 shares to 1 share on October 1, 2017. Figures shown above are the number of shares after the conversion.

Notes to the Consolidated Financial Statements

(c) Estimation method of fair value of stock options

The fair value of the first and second stock options granted in the year ended March 31, 2018 were estimated as follows:

- i) Valuation method: Black-Scholes model
- ii) Major basic figures and estimation method

	First stock options (resolved on April 19, 2017)		Second stock options (resolved on September 26, 2017)
Share price volatility (Note 4)	(74,100 shares)	60.50%	57.80%
	(7,000 shares)	61.97%	
Expected remaining life (Note 5)	(74,100 shares)	4.5 years	4.5 years
	(7,000 shares)	5.0 years	
Expected dividend (Note 6)		¥ 0 per share	¥ 0 per share
Risk-free interest rate (Note 7)	(74,100 shares)	(0.170%)	(0.110%)
	(7,000 shares)	(0.165%)	

(Note 4) Calculated based on the actual share price over the following periods which corresponds to the expected remaining life.

First stock options (74,100 shares) 4.5 years from October 20, 2012 to April 21, 2017
(7,000 shares) 5.0 years from April 20, 2012 to April 21, 2017

Second stock options (45,300 shares) 4.5 years from March 25, 2013 to September 18, 2017

(Note 5) Estimated to be the period from the date of calculation to the middle points of the exercise periods since the period until the exercise date cannot be reasonably estimated, and the following dates have been picked up as the middle points of the exercise periods since stock options can be exercised gradually.

First stock options (74,100 shares) October 20, 2021
(7,000 shares) April 21, 2022

Second stock options (45,300 shares) March 28, 2022

(Note 6) Estimated as zero Japanese yen based on the actual dividend for the year ended March 31, 2017.

(Note 7) The yield of Japanese Government bond over the corresponding period of the expected remaining life is applied.

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

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

14. Income Taxes

The Company is subject to a number of different income taxes which, in the aggregate, indicate a statutory tax rate in Japan of approximately 30.6% for the years ended March 31, 2017 and 2018. The Company and its wholly owned domestic subsidiaries have adopted the consolidated tax return system of Japan. The significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the year ended March 31, 2018 were as follows:

	2017	2018
Statutory tax rate	—	30.6%
Foreign withholding tax	—	4.1
Income taxes for prior periods	—	3.9
Decrease in deferred tax assets due to change of federal tax rate in U.S.A.	—	2.1
Net decrease in valuation allowance and other	—	(15.7)
Differences in normal tax rates of overseas subsidiaries	—	(2.6)
Other	—	(1.5)
Effective tax rate	—	20.9%

The differences between the statutory tax rate and the effective tax rate for financial statement purposes for the year ended March 31, 2017 is not disclosed because a loss before income taxes was recorded.

Notes to the Consolidated Financial Statements

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Deferred tax assets:		
Inventories	¥ 23,721	¥ 18,731
Accrued expenses	22,760	21,830
Provision for bonuses	5,887	5,802
Provision for sales promotion expenses	3,978	4,119
Valuation reserve for inventory purchase commitments	14,877	6,496
Net defined benefit liability	35,244	31,246
Buildings and structures	26,761	23,597
Machinery, equipment and vehicles	7,666	3,225
Software	5,261	4,731
Long-term prepaid expenses	13,048	11,485
Loss carried forward	319,765	355,256
Other	50,177	49,377
Gross deferred tax assets	529,150	535,899
Valuation allowance	(502,548)	(515,147)
Total deferred tax assets	¥ 26,601	¥ 20,752
Deferred tax liabilities:		
Retained earnings appropriated for tax allowable reserves	¥ (2,100)	¥ (2,067)
Valuation difference on available-for-sale securities	(6,412)	(7,466)
Other	(4,508)	(2,848)
Total deferred tax liabilities	¥ (13,021)	¥ (12,382)
Net deferred tax assets	¥ 13,580	¥ 8,369

Net deferred tax assets as of March 31, 2017 and 2018 were included in the consolidated balance sheets as follows:

	Yen (millions)	
	2017	2018
Other (Current assets)	¥ 8,540	¥ 6,544
Other (Investments and other assets)	13,879	12,383
Other (Current liabilities)	(115)	(470)
Other (Non-current liabilities)	(8,723)	(10,087)
Net deferred tax assets	¥ 13,580	¥ 8,369

The Tax Cuts and Jobs Act was enacted in the U.S.A. on December 22, 2017. Under the Act, the federal corporate income tax rate was reduced from 35% to 21% effective from January 1, 2018, and the Company's consolidated subsidiaries in the U.S.A. recalculated their deferred tax assets and deferred tax liabilities based on the new tax rate. Due to this tax rate change, net deferred tax assets decreased by ¥2,529 million and remeasurements of defined benefit plans decreased by ¥727 million, while foreign currency translation adjustments increased by ¥78 million and deferred income tax for the year ended March 31, 2018 increased by ¥1,879 million.

15. Business Combinations

The main business combination conducted during the year ended March 31, 2017 was as follows:

Business combination by means of acquisition

(a) Overview of business combination

- Corporate name and field of business of the acquired company
 - Corporate name
Skytec UMC LTD ("SUMC")
 - Field of business
Manufacturing and sales of TVs
- Main reason for conducting business combination
To promote the manufacturing and sale of Sharp brand products and services, and to enhance the Sharp brand in Europe.
- Date of business combination
February 22, 2017
- Legal form of business combination
Acquisition of equity for cash consideration
- Corporate name after business combination
SUMC
- Ratio of acquired voting rights
56.7%
- Basis for identifying the acquiring company
The Company acquired equity of SUMC for cash consideration.

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

Results from the operating performance of the acquired company were not included in the consolidated statements of operations, because the deemed acquisition date was March 31, 2017.

(c) Details of the acquisition costs for the acquired company

	Yen (millions)
Consideration for the acquisition: amount of investment in SUMC as of the date of business combination	¥ 10,224
Total acquisition costs	¥ 10,224

Notes to the Consolidated Financial Statements

(d) Details of other costs directly incurred as part of the acquisition

¥71 million mainly for advisory fees.

(e) Amount of generated goodwill, reason for generation of goodwill, goodwill amortization method and period

(1) Amount of generated goodwill

¥6,912 million

The amount of goodwill that occurred from the event has been tentatively calculated because the distribution of acquisition costs has not been completed.

(2) Reason for generation of goodwill

Due to expected excess earning power as a result of business expansion in the future.

(3) Goodwill amortization method and period

The Company will estimate the period during which the goodwill will have effect, and will amortize the goodwill equally over the determined period.

(f) Allocation of acquisition costs

As of March 31, 2017, the Company has not completed the identification and calculation of the fair value of identifiable assets and liabilities as of the business combination date and allocation of the acquisition costs. Therefore, they have been tentatively determined based on the information available at the time, which have been finalised without any retrospective adjustment made to provisional amounts at March 31, 2018.

(g) Amounts and details of assets accepted and liabilities assumed on the date of the business combination

	Yen (millions)
Current assets	¥ 20,655
Non-current assets	4,666
Total assets	¥ 25,322
Current liabilities	19,369
Non-current liabilities	112
Total liabilities	¥ 19,482
Non-controlling interests	¥ 2,529

(h) Estimated amount of impact on the consolidated statements of operations for the year ended March 31, 2017 assuming that the business combination had been completed as of the beginning of the year

	Yen (millions)
Net sales	¥ 36,037
Operating profit	(759)
Ordinary profit	(1,150)
Loss before income taxes	(1,150)
Loss attributable to owners of parent	(459)
Loss per share (Yen)	(0.10)

The amount of impact above is estimated based on the statement of operations of SUMC for the year ended March 31, 2017.

The estimated amounts have not been audited.

The main business combination conducted during the year ended March 31, 2018 was as follows:

Transaction under common control

(a) Overview of the transaction

(1) Corporate name and field of business

Business name

Business of Smart Homes, Smart Business Solutions and Advance Display Systems in Japan

Field of business

Sales and after-sales service of consumer products and information products (digital MFPs and others)

(2) Date of business combination

October 1, 2017

(3) Legal form of business combination

An absorption-type merger

Surviving company

Company name: Sharp Business Solutions Corporation (the Company's wholly owned consolidated subsidiary)

Absorbed company

Company name: Sharp Electronics Marketing Corporation (the Company's wholly owned consolidated subsidiary)

Sharp Engineering Corporation (the Company's wholly owned consolidated subsidiary)

Notes to the Consolidated Financial Statements

(4) Company name after business combination

Sharp Marketing Japan Corporation

(5) Objective of business combination

Merger objectives include integration of common operations, sharing of collective know-how and sales channels, and development of an efficient operating model spanning from sales to after-sales service. In addition, the Company intend to accelerate the business of Smart Homes and Smart Business Solutions by further strengthening the customer-oriented solution proposals process development.

(b) Overview of the accounting treatment

This transaction is treated as a transaction under common control in accordance with the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21, September 13, 2013) and the “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, September 13, 2013).

16. Segment Information

(a) General information about reportable segments

The Company’s chief operating decision maker is its Board of Directors. The Company’s reportable segments are components of the Group that engage in business activities, whose operating results are regularly reviewed by the Board of Directors when making resource allocation and performance assessment decisions, and for which discrete financial information is available.

On May 26, 2017, the Sharp Group published a medium-term management plan for fiscal years 2017 through 2019. The goal of this plan is to prepare for the Next 100 Years of Sustained Growth beginning heading into fiscal 2020. Our strategy calls for three transformations (Reinvent Business Model, Expand Business Globally, and Strengthen Business Infrastructure) by which we intend to grow our business, achieving People-Oriented IoT and an 8K Ecosystem.

To accomplish our overall goals, Sharp defined four business domains: (1) Smart Homes, (2) Smart Business Solutions, (3) IoT Electronics Devices, and (4) Advance Display Systems. These four domains also represent the reportable business segments of the Sharp Group.

During the year ended March 31, 2017, the Sharp Group operated with seven reportable segments: (1) IoT Communications, (2) Health and Environment Systems, (3) Business Solutions, (4) Camera Modules, (5) Electronic Components and Devices, (6) Energy Solutions, and (7) Display Devices. We began operating under four reportable segments (Smart Homes, Smart Business Solutions, IoT Electronics Devices, and Advance Display Systems) in the first consolidated quarter of the year ended March 31, 2018.

This change conforms to the new organizational structure aligned with the new business domains defined in the above-mentioned medium-term management plan.

Our former IoT Communications, Health and Environment Systems, and Energy Solutions segments now fall under the Smart Homes segment. Our Smart Business Solutions segment is what we previously called our Business Solutions segment. The IoT Electronics Devices segment consists of our former Camera Modules and Electronic Components and Devices segments. Finally, our former Display Devices segment is now the Advance Display Systems segment.

Segment information as of and for the year ended March 31, 2017 is stated based on the 4 classifications under the new segmentation.

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

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

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

Notes to the Consolidated Financial Statements

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

Segment information as of and for the years ended March 31, 2017 and 2018 was as follows:

	Yen (millions)	
	2017	2018
Net sales:		
Smart Homes:		
Customers	¥ 548,129	¥ 595,132
Intersegment	2,495	12,858
Total	550,624	607,990
Smart Business Solutions:		
Customers	310,169	322,591
Intersegment	7,611	8,533
Total	317,780	331,125
IoT Electronics Devices:		
Customers	387,852	457,779
Intersegment	25,787	33,745
Total	413,639	491,525
Advance Display Systems:		
Customers	804,489	1,051,767
Intersegment	37,521	34,802
Total	842,010	1,086,570
Adjustments	(73,415)	(89,940)
Consolidated net sales	¥ 2,050,639	¥ 2,427,271
Segment income (loss):		
Smart Homes	¥ 48,421	¥ 43,723
Smart Business Solutions	22,536	20,142
IoT Electronics Devices	8,055	5,160
Advance Display Systems	3,552	37,041
Adjustments	(20,109)	(15,942)
Consolidated operating profit	¥ 62,454	¥ 90,125
Segment assets:		
Smart Homes	¥ 289,896	¥ 307,005
Smart Business Solutions	155,744	175,522
IoT Electronics Devices	101,506	226,962
Advance Display Systems	539,443	590,575
Adjustments	687,091	608,594
Consolidated assets	¥ 1,773,682	¥ 1,908,660
Other material items		
Depreciation and amortization:		
Smart Homes	¥ 19,190	¥ 17,986
Smart Business Solutions	13,643	14,025
IoT Electronics Devices	5,559	19,483
Advance Display Systems	24,718	21,057
Adjustments	4,515	2,056
The amount presented in consolidated financial statements	¥ 67,627	¥ 74,610

	Yen (millions)	
	2017	2018
Amortization of goodwill:		
Smart Homes	¥ —	¥ —
Smart Business Solutions	1,493	1,481
IoT Electronics Devices	—	—
Advance Display Systems	—	1,043
Adjustments	—	—
The amount presented in consolidated financial statements	¥ 1,493	¥ 2,525
Investments in nonconsolidated subsidiaries and affiliates accounted for using the equity method:		
Smart Homes	¥ 184	¥ 211
Smart Business Solutions	—	—
IoT Electronics Devices	—	—
Advance Display Systems	42,308	39,825
Adjustments	34,954	35,119
The amount presented in consolidated financial statements	¥ 77,448	¥ 75,157
Increase in property, plant, equipment and intangible assets:		
Smart Homes	¥ 12,301	¥ 10,965
Smart Business Solutions	10,149	17,261
IoT Electronics Devices	18,689	75,081
Advance Display Systems	43,371	40,619
Adjustments	14,433	1,224
The amount presented in consolidated financial statements	¥ 98,946	¥ 145,153

Adjustments of segment income or loss were ¥(20,109) million and ¥(15,942) million for the years ended March 31, 2017 and 2018, respectively, and comprised elimination of intersegment transactions and corporate expenses not allocated to each reportable segment.

Elimination of intersegment transactions for segment income (loss) were ¥1,139 million and ¥61 million, respectively. Corporate expenses not allocated to each reportable segment were ¥(20,731) million and ¥(13,709) million for the years ended March 31, 2017 and 2018, 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 ¥687,091 million and ¥608,594 million as of March 31, 2017 and 2018, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment.

Elimination of intersegment transactions for segment assets were ¥(7,075) million and ¥(5,968) million, respectively. Corporate assets not allocated to each reportable segment were ¥694,166 million and ¥614,562 million as of March 31, 2017 and 2018, respectively.

Notes to the Consolidated Financial Statements

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

Adjustments of investments in nonconsolidated subsidiaries and affiliates accounted for using the equity method were ¥34,954 million and ¥35,119 million as of March 31, 2017 and 2018, respectively, and mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in property, plant, equipment and intangible assets were ¥14,433 million and ¥1,224 million for the years ended March 31, 2017 and 2018, respectively, and mainly comprised increases in the Company's R&D groups, and the administrative groups of the Company's headquarters. The reacquisition of the Tanabe Building was included in the adjustments of increase in property, plant, equipment and intangible assets for the year ended March 31, 2017 as well.

Depreciation and amortization 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 years ended March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Net sales to outside customers:		
LCD modules	¥ 569,529	¥ 660,479
LCD color TVs	231,025	367,014
Sensing devices	340,087	392,402
Other	909,996	1,007,375
Total	¥ 2,050,639	¥ 2,427,271

Changes in presentation method:

"Office solution" which was separately presented in the year ended March 31, 2017, has been included in "Other", since its financial significance has decreased in the year ended March 31, 2018.

Since the net sales of "Sensing device", which was included in "Other" in the year ended March 31, 2017, exceeded 10% of the consolidated net sales due to the change in grouping of the products, it has been separately presented.

As a result, ¥214,517 million of "Office solution" and ¥1,035,566 million of "Other" for the year

ended March 31, 2017 has been reclassified as ¥340,087 million of "Sensing device" and ¥909,996 million of "Other".

Also the name of "LCD" has been changed to "LCD modules".

(2) Net sales by region/country

Net sales by region/country for the years ended March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Net sales:		
Japan	¥ 654,012	¥ 656,144
China	900,759	1,117,883
Other	495,866	653,243
Total	¥ 2,050,639	¥ 2,427,271

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

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

Property, plant and equipment by region/country as of March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Property, plant and equipment, at cost less accumulated depreciation:		
Japan	¥ 285,461	¥ 314,799
China	28,679	46,003
Other	35,473	67,792
Total	¥ 349,614	¥ 428,595

(4) Major customers and related sales amount

Major customers and related sales amount as of and for the years ended March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Net sales:		
APPLE INC.	¥ 542,068	¥ 575,836
Related segments:		
IoT Electronics Devices and Advance Display Systems for the years ended March 31, 2017 and 2018.		

Notes to the Consolidated Financial Statements

(e) Impairment loss on fixed assets by reportable segment

Impairment loss on fixed assets by reportable segment for the years ended March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Impairment loss:		
Smart Homes	¥ 1,328	¥ 583
Smart Business Solutions	195	808
IoT Electronics Devices	2,342	245
Advance Display Systems	26,579	—
Corporate Assets and Elimination	4,221	306
Total	¥ 34,668	¥ 1,943

(f) Amortization of goodwill and unamortized balance by reportable segment

Amortization of goodwill and the unamortized balance by reportable segment as of and for the years ended March 31, 2017 and 2018 were as follows:

	Yen (millions)	
	2017	2018
Amortization of goodwill:		
Smart Homes	¥ —	¥ —
Smart Business Solutions	1,493	1,481
IoT Electronics Devices	—	—
Advance Display Systems	—	1,043
Corporate Assets and Elimination	—	—
Total	¥ 1,493	¥ 2,525

Balance at end of year:		
Smart Homes	¥ —	¥ —
Smart Business Solutions	1,922	5,158
IoT Electronics Devices	—	499
Advance Display Systems	6,912	6,306
Corporate Assets and Elimination	—	—
Total	¥ 8,834	¥ 11,964

(g) Gain on bargain purchase by reportable segment

For the year ended March 31, 2017 there was no gain on bargain purchase, and for the year ended March 31, 2018 gain on bargain purchase by reportable segment is omitted as it is immaterial.

17. Transactions with Related Parties

(a) Transactions with related parties

(1) Transactions between the Company and related parties

i) The Company's parent company and major corporate shareholders

Principal transactions with related parties for the year ended March 31, 2017 were omitted as they were immaterial.

Principal transactions with related parties for the year ended March 31, 2018 were as follows:

	Yen (millions)
Category	Parent company
Company name	Hon Hai Precision Industry Co., Ltd.
Location	New Taipei City, Taiwan
Capital stock	173,287 million New Taiwan dollars
Details of business	Electronic manufacturing service
Holding or held ratio	26.2% held directly and 18.4% held indirectly [20.4%]
Relationship with the related party	Sales of goods from the Company; Holding a concurrent director
Detail of transaction	Sales of goods from the Company
Transaction amount	23,775
Account	Accounts receivable
Balance at end of year	20,309

Notes:

- Transaction amounts were determined at proper prices upon negotiation.
- The value in parentheses [] of "Holding or held ratio" refers to the ratio held by the entities which are regarded to exercise their voting rights in the same manner as Hon Hai Precision Industry Co., Ltd. due to a close relationship with Hon Hai Precision Industry Co., Ltd.

ii) The Company's non-consolidated subsidiaries and affiliates etc.

Principal transactions with related parties for the year ended March 31, 2017 were omitted as they were immaterial.

Notes to the Consolidated Financial Statements

Principal transactions with related parties for the year ended March 31, 2018 were as follows:

	Yen (millions)	
Category	Affiliate	
Company name	Sakai Display Products Corporation	
Location	Sakai City, Osaka	
Capital stock	32,485	
Details of business	Development, manufacture, distribution, export and import of LCD and other displays	
Holding or held ratio	24.6% holding directly	
Relationship with the related party	Purchases of goods by the Company	
Detail of transaction	Purchases of goods by the Company	
Transaction amount	56,008	
Account	Accounts payable	
Balance at end of year	25,756	

Notes:

1. Transaction amounts were determined at proper prices upon negotiation.
2. Consumption tax is included in the balance at end of year.

iii) The Company's directors and major individual shareholders, etc.

Principal transactions with related parties for the year ended March 31, 2017 were as follows:

	Yen (millions)	
Category	A company whose majority shares were owned by the Parent Company's directors and their close relatives	
Company name	SIO International Holdings limited	
Location	Cayman Islands	
Capital stock	155,100	
Details of business	Holding company	
Holding or held ratio	8.5% held directly	
Relationship with the related party	—	
Detail of transaction	Transfer of shares	Loss on transfer of shares
Transaction amount	17,170	4,175
Account	—	
Balance at end of year	—	

Notes:

1. SIO International Holdings Limited is substantially controlled by Mr. Terry Gou, the Chairman of Hon Hai Precision Industry Co., Ltd. which is the Company's parent company.
2. The Company transferred some of its shares in Sakai Display Product corporation, which is an affiliate of the Company. The transaction amount was determined based on the valuation performed by an independent organization.

Principal transactions with related parties for the year ended March 31, 2018 were omitted as they were immaterial.

(2) Transactions between the Company's consolidated subsidiaries and related parties

i) The Company's parent company or major shareholders

Principal transactions with related parties for the year ended March 31, 2017 were as follows:

	Yen (millions)	
Category	Parent company	
Company name	Hon Hai Precision Industry Co., Ltd.	
Location	New Taipei City, Taiwan	
Capital stock	173,287 million New Taiwan dollars	
Details of business	Electronic manufacturing service	
Holding or held ratio	26.2% held directly and 18.4% held indirectly [21.5%]	
Relationship with the related party	Purchases of raw materials by the Company; Holding a concurrent director	
Detail of transaction	Purchases of raw materials by the Company	
Transaction amount	82,536	
Account	Accounts payable	
Balance at end of year	46,965	

Notes:

1. Transaction amounts were determined at proper prices upon negotiation.
2. The value in parentheses [] of "Holding or held ratio" refers to the ratio held by the entities which are regarded to exercise their voting rights in the same manner as Hon Hai Precision Industry Co., Ltd. due to a close relationship with Hon Hai Precision Industry Co., Ltd.

Principal transactions with related parties for the year ended March 31, 2018 were omitted as they were immaterial.

Notes to the Consolidated Financial Statements

ii) Subsidiaries of the Company's parent company or other related companies

Principal transactions with related parties for the year ended March 31, 2017 were as follows:

	Yen (millions)	
Category	Subsidiaries of the Company's parent company	
Company name	Zhengzhou FuLianWang Electronic Technology Co., Ltd.	
Location	Zhengzhou City, China	
Capital stock	80 million Chinese yuan	
Details of business	Sales of Computer, Communication and Consumer electronics etc. on the Internet	
Holding or held ratio	—	
Relationship with the related party	Sales of goods from the Company	
Detail of transaction	Sales of goods from the Company	
Transaction amount	58,238	
Account	Accounts receivable	
Balance at end of year	35,021	

Note: Transaction amounts were determined at proper prices upon negotiation.

Principal transactions with related parties for the year ended March 31, 2018 were as follows:

	Yen (millions)	
Category	Subsidiaries of the Company's parent	Subsidiaries of the Company's parent
Company name	Zhengzhou FuLianWang Electronic Technology Co., Ltd.	Nanjing HongFuSharp Precision Electronics Co., Ltd.
Location	Zhengzhou City, China	Nanjing City, China
Capital stock	3,130 million Chinese yuan	198 million U.S. dollars
Details of business	Sales of Computer, Communication and Consumer electronics etc. on the Internet	Manufacture of LCD TV, Projector, LCD module and other display devices etc.
Holding or held ratio	—	
Relationship with the related party	Sales of goods from the Company	Production of the Company's goods
Detail of transaction	Sales of goods from the Company	Purchases of goods by the Company
Transaction amount	190,925	156,294
Account	Accounts receivable	Notes and accounts payable
Balance at end of year	36,755	34,359

Note : Transaction amounts were determined at proper prices upon negotiation.

(b) Information on the parent company and significant affiliates

(1) Information on the parent company

Hon Hai Precision Industry Co., Ltd. (whose stock is listed on the Taiwan Stock Exchange)

(2) Information on the significant affiliates

There was no significant affiliated company for the year ended March 31, 2018.

18. Per Share Data

Per share data as of March 31, 2017 and 2018 were as follows:

	Yen	
	2017	2018
Net assets per share	¥ 154.12	¥ 267.48
Income (loss) per share	(68.56)	106.07
Fully diluted income per share	—	85.60
	Fully diluted income per share was not presented, as loss per share was recorded despite the existence of residual securities.	

Income (loss) per share and fully diluted income per share as of March 31, 2017 and 2018 were calculated on the following basis:

	2017	2018
Income (loss) per share		
Profit (loss) attributable to owners of parent (millions of yen)	¥ (24,877)	¥ 70,225
Amounts not allocated to common shares (millions of yen)	5,353	5,430
Priority dividend amount (millions of yen)	5,353	5,430
Profit (loss) attributable to owners of parent allocated to common shares (millions of yen)	(30,230)	64,795
Average number of common shares outstanding during each year (thousands of shares)	440,963	610,891
Common shares (thousands of shares)	371,033	497,255
Shares equivalent to common shares (thousands of shares)	69,930	113,636
Fully diluted income per share		
Adjustment to profit attributable to owners of parent (millions of yen)	—	5,430
Priority dividend amount (millions of yen)	—	5,430
Increase in number of common shares (thousands of shares)	—	209,513
Class A shares (thousands of shares)	—	209,511
Share acquisition rights (thousands of shares)	—	1

Residual securities which do not dilute income per share Class A shares 200,000 shares **811 share acquisition rights resolved by the Board of Directors meeting on April 19, 2017 (First share acquisition rights)**

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Notes to the Consolidated Financial Statements

Since dividend priority of Class C shares is equal to common shares, the number of Class C shares after considering the conversion rate to common shares is regarded as the number of “Shares equivalent to common shares”.

The Company carried out a share consolidation of common shares as well as Class C shares at a ratio of 10 shares to 1 share on October 1, 2017. The figures for the net assets per share, the income (loss) per share and the fully diluted income per share are calculated on the assumption that the Company conducts this consolidation at the beginning of the previous fiscal year.

19. Significant Subsequent Events

(a) Allotment of Stock Options (Share Acquisition Rights)

The Company passed a resolution at the Board of Directors meeting held on May 11, 2018, to submit a proposal at the Ordinary General Meeting of Shareholders held on June 20, 2018, that the Company be authorized to allot share acquisition rights as stock options to directors, audit & supervisory board members, executives and employees (“Officers and Employees”) of the Company and its subsidiaries and affiliates in Japan (the “Company Group”) 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 Ordinary General Meeting of Shareholders.

(1) Purpose of adopting a stock option plan

The Company implemented a stock option plan that would help the Company recruit and retain human resources required for the Company’s revitalization and growth, and would serve as an incentive to increase their motivation to participate in the Company Group’s business management and contribute to higher performance, as well as the increased corporate value of the Company. The Company decided to continue the implementation of the plan and will issue share acquisition rights as stock options as one of the types of remuneration for Officers and Employees of the Company 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 number of shares to be issued shall not exceed 1,000,000.

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 issued

No more than 10,000 units of share acquisition rights shall be issued.

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 allot the share acquisition rights at a plurality of times within the scope of the aforementioned limit.

(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 (the “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.

Notes to the Consolidated Financial Statements

(6) Exercise period of share acquisition rights

The exercise period shall be from the date on which two years have passed from the date of allotment of the share acquisition rights to the date on which seven years have passed from the date of allotment. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

(7) Matters concerning increase in capital by issuing of shares upon 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.

(b) The Acquisition of Company through the Acquisition of Shares

The Company has adopted a resolution to acquire 80.1% issued shares of Toshiba Client Solutions Co., Ltd (the "TCS"), a wholly owned subsidiary of Toshiba Corporation (the "Toshiba Group", including its subsidiaries and affiliates), and to make the TCS its subsidiary at a meeting of its Board of Directors held on June 5, 2018.

Due to this acquisition, the Company will succeed to the products, brands, human resources, technologies, sales channels, etc. of the personal computer business, the mobile edge computing business (*), and the drive recorder business that the TCS mainly carries on in the Toshiba Group.

(*) Note: Business focused on achieving operational efficiencies and productivity improvements by utilizing mobile devices in workplaces.

(1) Purpose of the acquisition

The Company intends to pursue mutual business growth by succeeding to those businesses successfully from the Toshiba Group and promoting collaboration with the Company's existing businesses. The purpose of the acquisition is to increase the Company's corporate value by demonstrating management and administration capacity under the new management structure.

(2) Share transferee

Toshiba Corporation

(3) Acquired company, description and size of the business

i. Acquired company

Toshiba Client Solutions Co., Ltd.

ii. Description of the business

Development, manufacture, sales, and support service for personal computers and system solution products in the domestic and overseas markets

iii. Business size

¥ 2,200 million of capital stock

(4) Acquisition schedules

i. Resolution of the Board of Directors meeting

June 5, 2018

ii. Signing of the share purchase contract

June 5, 2018

iii. Expected completion of the transfer

October 1, 2018 (planned)

(5) The shareholding situation

i. Number of shares held prior to the acquisition

0 share (0% shareholding ratio)

ii. Number of shares to be acquired and acquisition price

3,524,400 shares (80.1% shareholding ratio) and ¥ 4,005 million (estimated amount (*))

iii. Number of shares held after the acquisition

3,524,400 shares (80.1% shareholding ratio)

(*) Note: The acquisition price above is estimated based on the TCS's financial information at the end of December, 2017. Final acquisition price may be adjusted since it will be determined based on the actual value as at the point in time of the share transfer.

Notes to the Consolidated Financial Statements

(c) Establishment of a “Capital Restructuring Plan”, the Repurchase of Treasury Shares and Shelf Registration for Issuance of New Shares

The Company has adopted a resolution for the establishment of a “Capital Restructuring Plan” (the “Plan”) which centers on the issuance of its common shares and the strengthening of its financial foundation by the repurchase of its Class A shares at a meeting of its Board of Directors held on June 5, 2018. In accordance with the Plan, the Company has adopted a resolution for matters concerning the repurchase of its Class A shares and has entered into an Agreement Concerning the Repurchase of Treasury Shares (the “Agreement”) with Mizuho Bank, Ltd. and MUFG Bank, Ltd., which own the Class A shares (the “Class A Shareholders”), dated June 5, 2018. In addition, the Company filed a shelf registration statement on June 5, 2018 concerning a scheduled issuance of new shares as a part of the Plan.

(1) Background and purpose of the Plan

The Company is conducting its restructuring under a strategic alliance with Hon Hai Precision Industry Co., Ltd. and its group companies, and the business has turned towards a path of growth. The Company also recorded net profit for the year ended March 31, 2018, and declared a dividend for the first time in six years, the record date of which was March 31, 2018, after considering comprehensively its business and financial condition and its future business development.

In light of the business environment mentioned above, the Company has concluded that it is desirable and reasonable, from the viewpoint of improving the Company's corporate value and shareholder value, to implement an issuance of common shares (the “Capital Increase”) and use the proceeds from the issuance to repurchase the Class A shares issued on June 30, 2015, instead of continuing to pay dividends on the Class A shares and gradually repurchasing Class A shares with the profits generated by the Company.

Based on the above conclusion, the Company, as a result of consultation with the Class A Shareholders, has reached an agreement to repurchase the Class A shares at the price obtained by deducting the paid dividends from the amount equivalent to the issue price. The Company has drawn up the Plan based on the fact that this will enable a reduction of the burden of preferred dividends and the redemption of cash to the Class A Shareholders in the future.

(2) The repurchase of treasury shares (Class A shares)

The Company intends to repurchase the Class A shares under the provisions of its articles of incorporation pursuant to Article 459, Paragraph 1 of the Companies Act for purposes such as the reduction of the burden of preferred dividends and cash consideration to the Class A Shareholders in the future.

i. Class of shares to be repurchased

Class A shares

ii. Total number of shares to be repurchased

200,000 shares

iii. Repurchase price per share

¥ 925,083.50 per share

(Note) The Company has obtained from a third-party valuation firm, Nomura Securities Co., Ltd., a report in which the value of the Class A shares is calculated (the “Valuation Report”). The Company and the Class A Shareholders have negotiated and determined the repurchase price per Class A share by comprehensively taking the results of the calculation in the Valuation Report, etc. into consideration.

iv. Total amount of the repurchase price of shares

¥185,016.7 million

v. Period during which the shares may be repurchased

From June 13, 2018 to June 12, 2019; however, the date of repurchase shall be the day that is two business days after the payment date of the Capital Increase (or a date which is agreed in writing between the Company and the Class A Shareholders).

vi. Main conditions for repurchase

The Capital Increase has been effective.

(3) Shelf registration for issuance of new shares

The Company has filed a shelf registration statement for an issuance of new shares that is planned as a part of the Plan on June 5, 2018. The scheduled issue amount is the issue amount that is scheduled if a public offering (including an offering to be made outside of Japan) would be made in the Capital Increase.

1. Class of Offered Securities	Common shares of the Company
2. Scheduled Issue Period	From the scheduled effective date of the shelf registration to the day that is one year from such scheduled effective date (from June 13, 2018 until June 12, 2019)
3. Scheduled Issue Amount	A maximum amount of ¥ 200 billion
4. Offering Method	To be determined
5. Use of Proceeds	For the repurchase of the Class A shares and the rest for capital investment and research and development, etc.
6. Underwriters	To be determined

Consolidated Subsidiaries*

(As of March 31, 2018)

Domestic:

Sharp Marketing Japan Corporation
Sharp Support & Service Corporation
Sharp Energy Solutions Corporation
Sharp Yonago Corporation
Sharp Mie Corporation
ScienBiziP Japan Co., Ltd.
Sharp Trading Corporation
Kantatsu Co., Ltd.

Overseas:

<Countries and Areas>

Sharp Electronics Corporation <New Jersey, U.S.A.>
Sharp Laboratories of America, Inc. <Washington, U.S.A.>
Sharp Electronics of Canada Ltd. <Ontario, Canada>
Sharp Corporation Mexico, S.A. de C.V. <Mexico City, Mexico>
Sharp Electronics (Europe) Limited <Middlesex, U.K.>
Sharp Business Systems UK Plc. <Wakefield, U.K.>
Sharp International Finance (U.K.) Plc. <Middlesex, U.K.>
Sharp Laboratories of Europe, Ltd. <Oxford, U.K.>
Sharp Electronics (Europe) GmbH <Hamburg, Germany>
Sharp Devices (Europe) GmbH <Munich, Germany>
Sharp Business Systems Deutschland GmbH <Cologne, Germany>
Sharp Business Systems Sverige AB <Bromma, Sweden>
Sharp Electronics (Schweiz) AG <Rüschlikon, Switzerland>
Sharp Business Systems France S.A.S. <Toulouse, France>
Sharp Manufacturing France S.A. <Soulz, France>
Sharp Electronics (Italia) S.p.A. <Milano, Italy>
Sharp Electronics Benelux B.V. <Houten, The Netherlands>
UMC Poland sp. z o.o. <Toruń, Poland>
Sharp Universal Technology (Shenzhen) Co., Ltd. <Shenzhen, China>
Sharp (China) Investment Co., Ltd. <Beijing, China>
Sharp Electronics Sales (China) Co., Ltd. <Shanghai, China>
Shanghai Sharp Electronics Co., Ltd. <Shanghai, China>
Sharp Universal Technology (Shanghai) 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>
Lianyungang Kantatsu Fine Technology Co., Ltd. <Lianyungang, China>
Kanto Tatsumi Electronics (Pinghu) Co., Ltd. <Pinghu, China>
Sharp (Taiwan) Electronics Corporation <New Taipei City, Taiwan>
Sharp Electronics (Malaysia) Sdn. Bhd. <Selangor, Malaysia>
Sharp Manufacturing Corporation (M) Sdn. Bhd. <Johor, Malaysia>
S&O Electronics (Malaysia) Sdn. Bhd. <Kedah, Malaysia>
Sharp Malaysia Sales & Service Company Sdn. Bhd. <Selangor, Malaysia>
Sharp Singapore Electronics Corporation Pte. Ltd. <Singapore>
Sharp Thai Co., Ltd. <Bangkok, Thailand>
Sharp Appliances (Thailand) Ltd. <Chachoengsao, Thailand>
Sharp Manufacturing (Thailand) Co., Ltd. <Nakornpathom, Thailand>
Sharp Solar Solution Asia Co., Ltd. <Bangkok, Thailand>
P.T. Sharp Electronics Indonesia <West Jawa, Indonesia>
P.T. Sharp Semiconductor Indonesia <West Jawa, Indonesia>
Sharp (Phils.) Corporation <Manila, Philippines>
Sharp Electronics (Vietnam) Company Limited <Ho Chi Minh City, Vietnam>
Sharp Business Systems (India) Private Ltd. <New Delhi, India>
Sharp Corporation of Australia Pty. Ltd. <New South Wales, Australia>
Sharp Middle East Free Zone Establishment <Dubai, U.A.E.>

* In addition to the companies listed above, there are 32 consolidated subsidiaries.

Investor Information

(As of March 31, 2018)

Shareholders

	Number of shares issued	Number of shareholders
Common shares	498,316,558	204,213
Class A shares	200,000	2
Class C shares	1,136,363	1

Note: Every 10 common shares and Class C shares were consolidated into 1 share as of October 1, 2017.

Principal Shareholders (Common shares)

	Number of shares held	Percentage of total shares (%)
HON HAI PRECISION INDUSTRY CO., LTD.	130,000,000	26.14
FOXCONN (FAR EAST) LIMITED	91,555,069	18.41
FOXCONN TECHNOLOGY PTE. LTD.	64,640,000	13.00
SIO INTERNATIONAL HOLDINGS LIMITED	36,600,000	7.36
Daiwa PI Partners Co. Ltd.	5,400,000	1.09
Nippon Life Insurance Company	4,731,738	0.95
Meiji Yasuda Life Insurance Company	4,578,100	0.92
Mizuho Bank, Ltd.	4,191,046	0.84
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,167,811	0.84
Makita Corporation	3,584,200	0.72

Notes: 1. Percentage of total shares is calculated by the number of shares issued including 1,064,017 treasury shares.

2. Aside from the above, a total of 600,000 shares in Mizuho Bank, Ltd. have been set up as trust assets related to the employee pension trust.

3. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd., as of April 1, 2018.

Investor Relations

Sharp Corporation Investor Relations Department

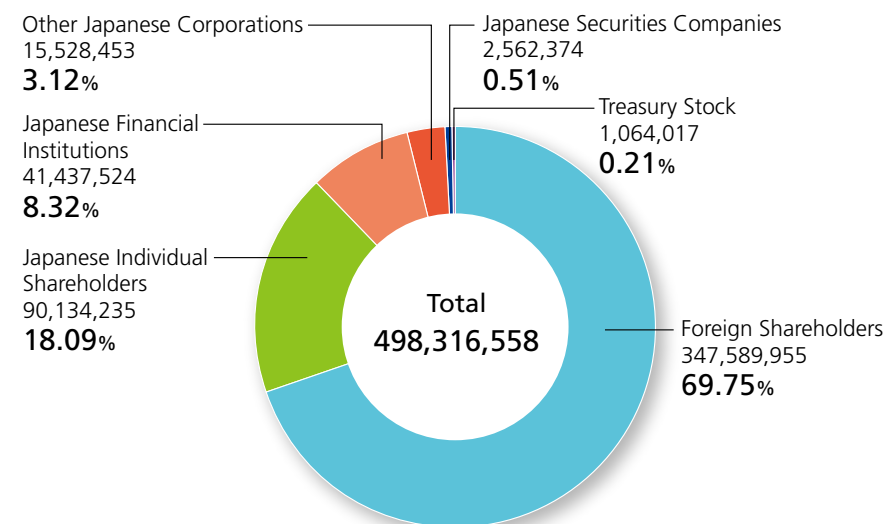
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[English http://www.sharp-world.com/corporate/ir/index.html](http://www.sharp-world.com/corporate/ir/index.html)

Share Distribution (Proportion of total issued common shares)



Stock Exchange Listing

Tokyo