SHARP

Re-growth on Track

Annual Report 2014

For the year ended March 31, 2014

Message to our Shareholders

Kozo Takahashi

April 1980	Joined Sharp Corporation
September 2008	Executive Officer; Group General Manager, Health and Environment Systems Group
April 2010	Executive Managing Officer; Group General Manager, North and South America Group
April 2012	Executive Vice President; Chief Officer, Sales and Marketing; Group General Manager, Global Business Group
June 2012	Representative Director and Executive Vice President; Chief Officer, Sales and Marketing; Group General Manager, Global Business Group
July 2012	Representative Director and Executive Vice President; Chief Officer, Products Business; Group General Manager, Global Business Group
April 2013	Representative Director and Executive Vice President; Chief Officer, Products Business Group
June 2013	President of Sharp Corporation

We will stay as “the kind of company society needs.”

In fiscal 2013, ended March 31, 2014, Sharp returned to profitability after two years of losses, marking the first step on its road to recovery. However, there is definitely no room for complacency, as crucial moments lie ahead.

To achieve recovery and growth, Sharp must continue steadily implementing its Medium-Term Management Plan. For a start, this will require reforms of our corporate culture and customs.

Since I became president in June 2013, I have personally visited not only our large business operations but also sales and service offices with small personnel numbers to hear the opinions of our workers and directly convey my thoughts. I feel that the shortest path to our recovery lies in awakening the spirit of challenge and creativity in the employees.

At the beginning of 2014, all of us at Sharp made our own “Action Declaration” towards recovery and growth, in accordance with Sharp’s business philosophy and business creed. What I declared was “I will develop into a company that creates good culture from one that changes culture.” I want Sharp to re-build a “good corporate culture” so it will be able to stay as “the kind of company that society needs”—for 10, 20, and even 100 years from today. I believe that achieving it is my role as a president.

Undoubtedly, these efforts have begun to change the consciousness of everyone at Sharp.

We should not only commit ourselves to tasks or issues faced right now, but also embrace challenges of five or ten years down the track, then we will be the engine for Sharp’s recovery and growth.

All of us stand united in our quest to achieve recovery and growth for Sharp.

July 2014

President

Welcome to SHARP Annual Report 2014

Re-growth on Track

Contents

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 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

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Presentation by the President

Progress Status of Medium-Term Management Plan

From Restructuring Stage to Re-growth Stage

Medium-Term Management Plan: Basic Strategies and Fiscal 2014 Objectives

Restructuring Stage

Phase I → Phase II

Re-growth Stage

FY2012 (2H)	FY2013	FY2014	FY2015
Operating income surplus (Accomplished)	Net income surplus (Accomplished)	Strengthen profitability	Operating income ratio 5%

Recovery and Growth
(Return to bond market)

Basic Strategies (Change implemented with the Medium-Term Management Plan)

1. **Shift to "advantageous markets and fields"**
2. **Exit closed innovation and aggressively utilized alliances**
3. **Strengthen execution capabilities through governance system innovation**

Medium-Term Management Plan

Sharp announced its Medium-Term Management Plan in May 2013, positioning fiscal 2013 as the Restructuring Stage and fiscal 2014 and 2015 as the Re-growth Stage.

Sharp will achieve recovery and growth by following the three basic strategies described above.

Fiscal 2014 Objectives

In fiscal 2014, the first year of the Re-growth Stage, Sharp will target "strengthening profitability." Guided by the three basic strategies, we will also continue implementing the following five strategic measures to achieve our objectives.

Five Strategic Measures

(1) Restructuring our business portfolio

(2) Improving the profitability of our LCD business

(3) Expanding overseas businesses focusing on the ASEAN market

(4) Reducing fixed costs by reforming our cost structure

(5) Improving our financial position

1 Restructuring our Business Portfolio

Product Business	**Digital Information Equipment**	• Narrow focus to businesses/regions with profit potential
	Communication Systems	• Strengthen collaboration with mobile phone operators and create new businesses
	Health and Environment Equipment	• Step up initiatives under new Asia-Pacific structure • Introduce new category products to create new markets
	Solar Cells	• Expedite shift to energy solution business (mega-solar design/procurement/construction, power generation, etc.)
	Business Solutions	• Facilitate transformation to office solutions business with the core MFPs and display equipment products
Device Business	**Display Devices (LCDs)**	• Stabilize incoming orders by acquiring new customers and strengthening relations with major clients • Improve earnings power by facilitating increase in small- and medium-size LCD production ratio at the Kameyama No. 2 Plant
	Electronic Devices	• Focus on No.1 categories, such as camera modules and sensors

In the digital information equipment business, despite delays in improving the profitability of LCD TV business in Europe, Sharp achieved successes in parts such as improving the profitability of its blu-ray disc recorder business. We are continuing with structural reform.

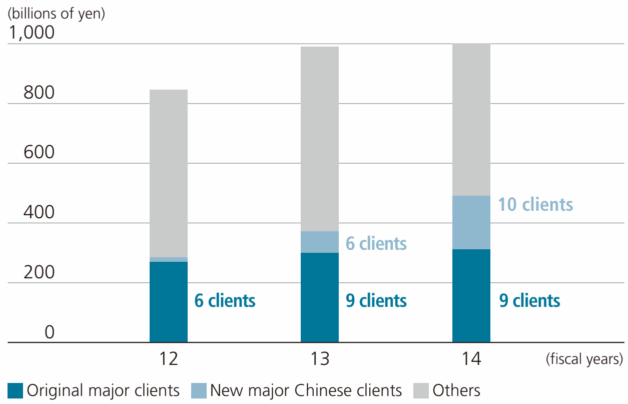
In communication system business, Sharp maintained its position of the No. 1 Japanese manufacturer in the domestic mobile phone market by launching various products. These included the EDGEST model of smartphones with thin-bezel design features and smartphones with IGZO LCDs that lowered power consumption. Conditions in the domestic market are becoming more difficult amid progressing commoditization and other factors. In response, Sharp will strengthen collaboration with mobile phone operators to launch distinctive devices, while developing new businesses.

In solar cell business, Sharp ceased production in Europe and the U.S. and further reformed its value chain. We expect business conditions to continue changing, with declining demand in Japan stemming from falling power buyback prices, as well as decreasing prices in general. In response, we will expedite the transition into an energy solutions provider offering design, procurement, construction, power generation, and other services.

In electronic devices business, Sharp worked to expand its business centered on mainstay camera modules. We will further continue focusing on No. 1 categories while offering customers solutions with combinations of LCDs and electronic devices.

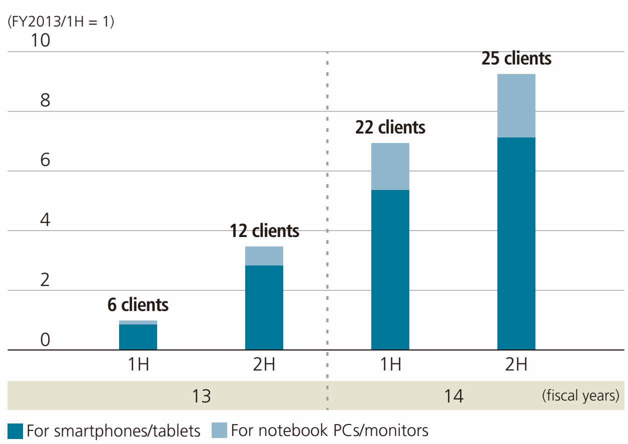
2 Improving the Profitability of our LCD Business

Sales of LCDs

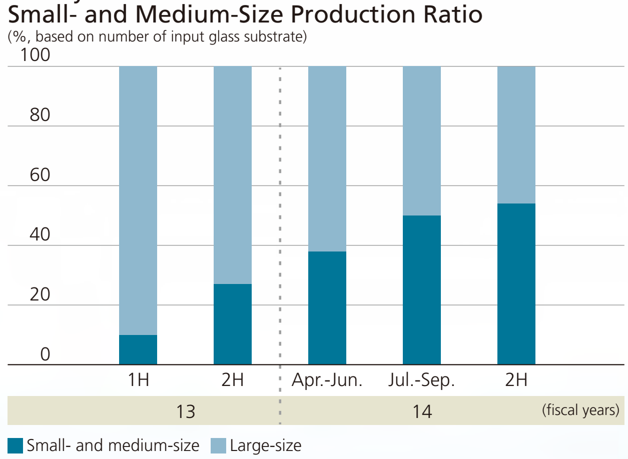


Sales* of IGZO LCDs

*Sales to outside customers



Kameyama No. 2 Plant: Small- and Medium-Size Production Ratio



Strengthen Relations with Major Clients

Sharp is working to enhance earnings: we will acquire customers of rapidly growing smartphone manufactures in China, reinforce the relationships with existing major clients, and shift our emphasis to the high-value-added zone, such as high-resolution LCDs. Thanks to these efforts, sales of our IGZO LCDs are expanding, buoyed by an increasing number of users.

Raise Small- and Medium-Size LCD Production Ratio at the Kameyama No. 2 Plant

To address flourishing demand from major clients, Sharp is working to raise small- and medium-size LCD production ratio at the Kameyama No. 2 Plant. In this way, Sharp will increase sales per unit of panel area.

Expanding Overseas Businesses Focusing on the ASEAN Market

Asia	Position as the top-priority region and allocate resources accordingly
Middle East & Africa	The high-priority market after Asia; build solid business foundation and expand business, especially in Sub-Saharan region
China	Improve profitability by changing sales channel mix and product mix
Europe & the U.S.	Step up initiatives with high-earnings business model in IT services business and solutions business

In Asia, Sharp particularly put its efforts to expand businesses. We fast-tracked the opening of a new plant in Indonesia, and expanded and reinforced its sales networks in newly emerging countries, such as Myanmar and Sri Lanka. We also made concentrated efforts to expand business, including through sales promotion campaigns using Japanese animation characters.

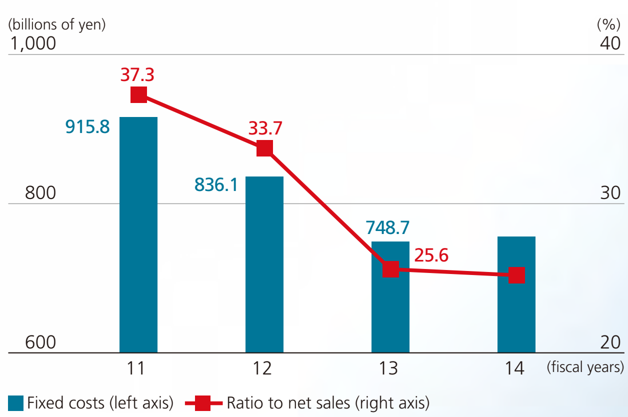
We will continue concentrating business resources in Asia while building solid business foundations and expanding our business in the Middle East and Africa, especially the Sub-Saharan region. In China, we will take advantage of strong demand for air purifiers to continue adjusting our sales channel mix and product mix and thus increase profitability.

Reducing Fixed Costs by Reforming our Cost Structure

By streamlining headquarters, lowering personnel expenses, reforming domestic and overseas operations, and working on other efforts, Sharp, in fiscal 2013, achieved a ¥167 billion fixed cost reduction from fiscal 2011.

In fiscal 2014, we will continue pursuing company-wide cost restructuring in order to reduce overall expenses.

Fixed Costs



Presentation by the President

5 Improving our Financial Position

Inventories

Thanks to rigorous company-wide reduction efforts, inventories at the end of fiscal 2013 stood at ¥295.1 billion, or ¥15.5 billion lower than a year earlier. This equates to an inventory ratio against monthly turnover of 1.21 months, down from 1.50 months in the previous year. In fiscal 2014, we will continue improving the accuracy of production, sales, and inventory management in order to optimize inventory levels.

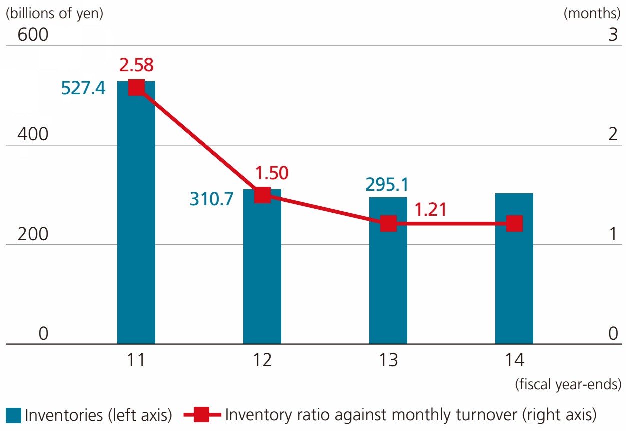
Capital Investment

In fiscal 2013, total capital investment was ¥49.4 billion, well below the initial target of ¥80.0 billion. Sharp achieved this reduction largely by limiting to outlays essential to production, such as molds and masks. We had also almost completed a round of investments to expand and streamline production at our LCD plants. In fiscal 2014, we will launch a new counteroffensive of investments in the Re-growth Stage of the Medium-Term Management Plan. This will entail strategic investments in LCD plants, as well as investments in development of new electronic devices.

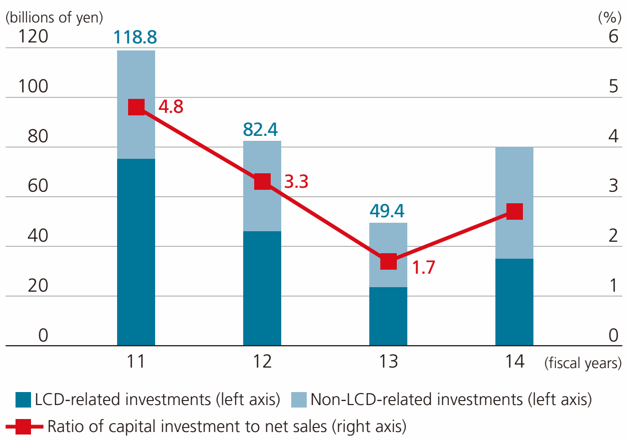
Interest-Bearing Debt

At the end of fiscal 2013, total interest-bearing debt stood at ¥1,093.5 billion, down ¥80.9 billion from a year earlier. The decline stemmed mainly from efforts to rationalize inventories and sell investment securities and other assets. Net interest-bearing debt (after deducting cash, time deposits and restricted cash) fell by ¥268.5 billion to ¥713.9 billion, owing largely to an increase in cash and cash equivalents accompanying a capital increase through public offering. Sharp will continue striving to improve cash flows and reduce interest-bearing debt.

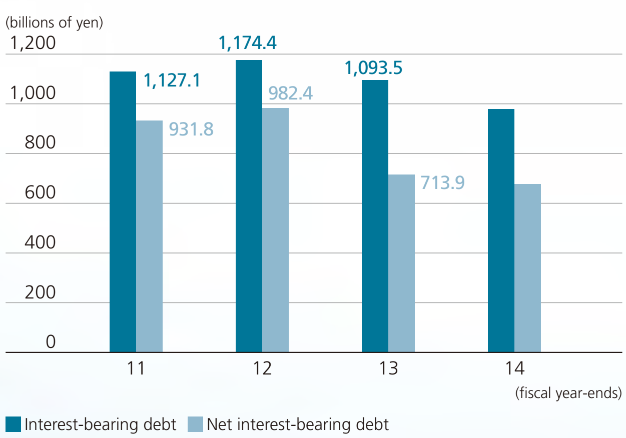
Inventories



Capital Investment



Interest-Bearing Debt and Net Interest-Bearing Debt



Presentation by the President

To implement five strategic measures:

Strengthening Corporate Governance

Fiscal 2013 Actions		Fiscal 2014 Initiatives
(1) Introduction of business group system (2) Establishment of Corporate Management Group and Structural Reform Group (3) Management participation from two main banks	Strengthen execution power	• **Further entrench business group system** Increase autonomy of business groups
	Strengthen operational control function	• **Strengthen management to expedite overseas business growth** Reinforce management systems for priority regions including ASEAN • **Reform Board of Directors** Increase outside directors (from 1 to 3)

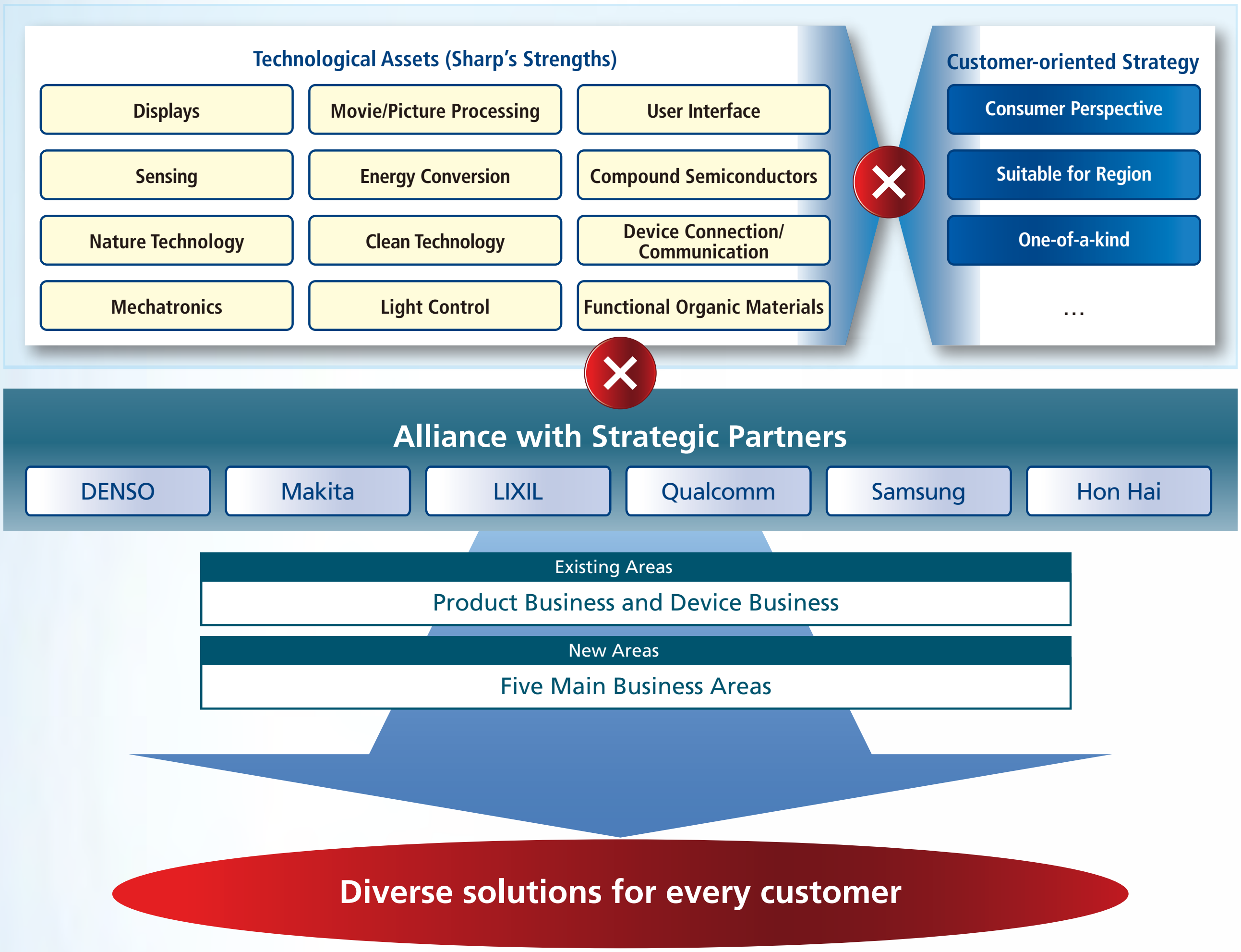
We will now discuss measures to strengthen corporate governance, which is essential to implementing the five strategic measures for achieving recovery and growth.

In fiscal 2013, Sharp focused on three vital actions: introduction of a business group system, establishment of Corporate Management Group and Structural Reform Group, and management participation from two main banks.

Through the year of operation, the new measures have achieved major results: product development, production, and sales are integrated under the business group system; the capability of processing structural reforms is secured; and decision making has become faster.

Key challenges for the future include raising the autonomy of business groups and reinforcing frameworks for overseas business expansion. In fiscal 2014, we will increase the number of outside directors while striving to strengthen our execution power and enhance the operational control function.

Towards Sustained Growth



Leveraging technological assets that constitute its strengths, Sharp adopts a rigorous customer-oriented approach to expand its existing businesses. By unleashing synergies between these assets and the sales channels and technologies of our business partners, we are working to broaden our presence in new fields.

We have identified five areas of focus: healthcare/medical services, robotics, smart home/mobility/office, safety and security of food/water/air, and education. In all of these areas, we have started reaping new business opportunities.

To foster these areas until future pillar of our operations, we established the New Business Development Division in May 2013 and the Market Development Division in April 2014. These entities will spearhead actions to generate values and offer them to customers.

Rather than adopting a limited approach to its business fields, Sharp's important challenge is to deploy its vast array of distinctive technologies to realize new levels of potential.

Sharp will improve and enhance its existing businesses in such areas as consumer electronics, solar cells, and devices, while pursuing initiatives in new areas of focus. In these ways, we will continue refining our technologies based on the customer's perspective, in our quest to become a company that provides diverse solutions of "good life" to every customer.

Challenge for Change

Continuously embracing challenges

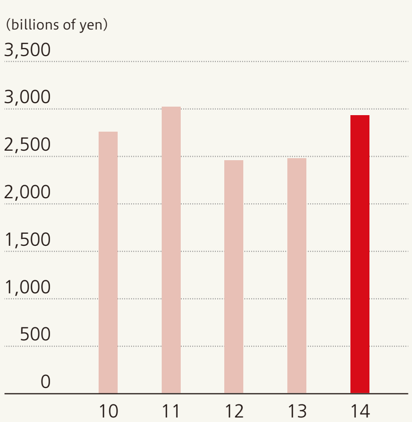
Financial Highlights

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31

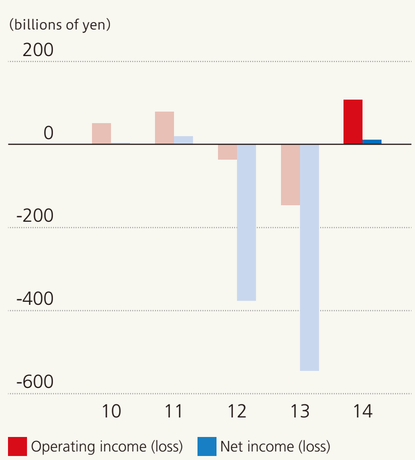
	Yen (millions)					U.S. Dollars (thousands)
	2010	2011	2012	2013	**2014**	**2014**
Net Sales	¥ 2,755,948	¥ 3,021,973	¥ 2,455,850	¥ 2,478,586	**¥ 2,927,186**	**$ 28,697,902**
Domestic sales	1,429,057	1,592,909	1,181,168	1,007,264	**1,150,091**	**11,275,402**
Overseas sales	1,326,891	1,429,064	1,274,682	1,471,322	**1,777,095**	**17,422,500**
Operating Income (Loss)	51,903	78,896	(37,552)	(146,266)	**108,560**	**1,064,314**
Income (Loss) before Income Taxes and Minority Interests	6,139	40,880	(238,429)	(466,187)	**45,970**	**450,686**
Net Income (Loss)	4,397	19,401	(376,076)	(545,347)	**11,559**	**113,323**
Net Assets	1,065,860	1,048,645	645,120	134,837	**207,173**	**2,031,108**
Total Assets	2,836,255	2,885,678	2,614,135	2,087,763	**2,181,680**	**21,389,020**
Capital Investment	215,781	172,553	118,899	82,458	**49,434**	**484,647**
R&D Expenditures	166,507	173,983	154,798	137,936	**132,124**	**1,295,333**
Per Share of Common Stock (yen and U.S. dollars)						
Net income (loss)	4.00	17.63	(341.78)	(489.83)	**8.09**	**0.08**
Cash dividends	17.00	17.00	10.00	0.00	**0.00**	**0.00**
Net assets	949.19	932.46	568.83	106.90	**115.43**	**1.13**
Return on Equity (ROE)	0.4%	1.9%	(45.5%)	(145.3%)	**7.2%**	—
Number of Shares Outstanding						
(thousands of shares)	1,100,414	1,100,346	1,100,324	1,166,224	**1,690,765**	—
Number of Employees	53,999	55,580	56,756	50,647	**50,253**	—

(Notes) 1. The translation into U.S. dollar figures is based on ¥102=U.S.$1.00, the approximate exchange rate prevailing on March 31, 2014. All dollar figures hereinafter refer to U.S. currency.
2. The amount of leased properties is included in capital investment.
3. The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during each fiscal year.
4. The number of shares outstanding is net of treasury stock.

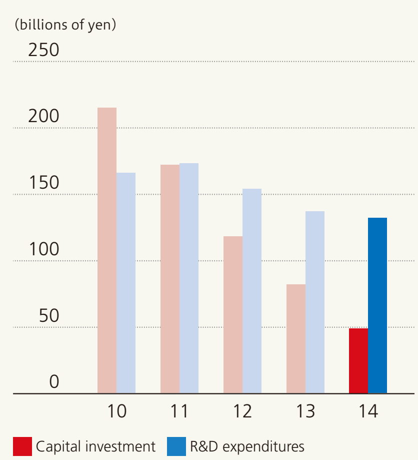
Net Sales



Operating Income (Loss)
Net Income (Loss)



Capital Investment
R&D Expenditures



Tetsuo Onishi
Representative Director and Executive Vice President
Group General Manager, Corporate Management Group
Chief Officer, Global Business Development

Performance

In fiscal 2013, ended March 31, 2014, the Japanese economy showed a rise in corporate earnings and business investment, driven by monetary easing and economic measures under the Abenomics scheme. Also, last-minute demand before the consumption tax hike stimulated personal consumption. In overseas markets, emerging economies faced stagnating growth, and the recovery in Europe slowed down. Overall conditions were solid, however, with moderate growth in the U.S. and China.

Amid these circumstances, Sharp worked to generate and strengthen sales of distinctive devices and original products. These items included Quattron Pro TVs incorporating full-HD panels with 4K-equivalent high-definition capability, as well as smartphones equipped with IGZO LCDs, solar cells, and small- and medium-size LCDs. We also took various measures on a company-wide basis to improve our business foundation, including inventory reduction, capital investment restriction, and a radical cut in overall costs.

As a result, consolidated net sales for the fiscal year totaled ¥2,927.1 billion, up 18.1% from the previous year, and operating income improved by ¥254.8 billion to ¥108.5 billion year on year. We returned to profitability, which was a commitment of the Medium-Term Management Plan, with net income of ¥11.5 billion, an improvement of ¥556.9 billion. Seeking to procure strategic investment capital to accomplish its Medium-Term Management Plan and strengthen its financial foundation, during the fiscal year Sharp raised a total of ¥143.7 billion through a public offering of new shares, a secondary offering due to over-allotment, and third-party allotments.

Future Initiatives

As for the future outlook, we anticipate a recovery in the Japanese economy thanks to increases in corporate earnings underpinned by various economic measures, as well as rising household incomes and improving employment conditions, despite an expected recoil in demand following the last-minute rush ahead of the consumption tax hike. Looking at the overseas business environment, we expect moderate overall economic recovery, however, the situation remains unpredictable, with uncertainty remaining about the economic outlook for China and emerging countries.

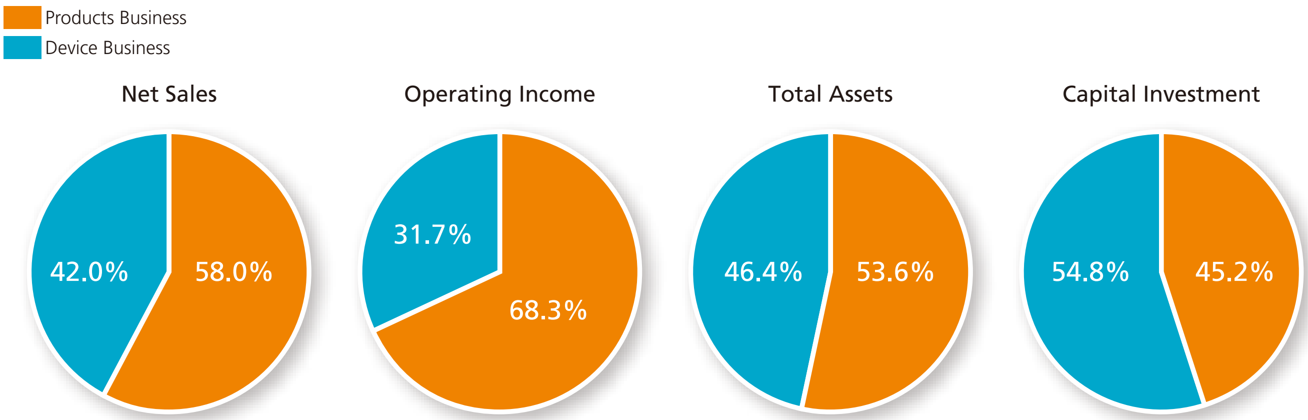
To address these challenges, Sharp will create innovative products and solutions that meet customer needs, as its progresses from the Restructuring Stage to the Re-growth Stage of its Medium-Term Management Plan. In the Product Business, we will broaden our lineup of distinctive products. At the same time, we will transform our solar cell business into an energy solutions business. We will also leverage our strengths in MFPs and display devices to reinforce our business in office solutions and services. In the Device Business, we will build a sales system based on customer perspectives to strengthen our solution-based consulting capabilities for LCDs and electronic devices. We will also make strategic advances into the Chinese smartphone market, which is growing rapidly. In addition to these efforts, we are continuing with organizational reforms. For example, we have established the new position of CEO for Asia, Middle East, and Africa, with the aim of strengthening partnerships across the regions and expanding our business. We will also cultivate a corporate culture that embraces new challenges and pursue measures to improve our business foundation, in order to achieve full "recovery and growth" for Sharp.

Dividends

For fiscal 2013, we passed a dividend, due to our low equity ratio and a loss on retained earnings carried forward in the non-consolidated financial statements. In fiscal 2014, as well, we regrettably do not plan to pay a dividend, reflecting the current financial situation.

Segment Outline

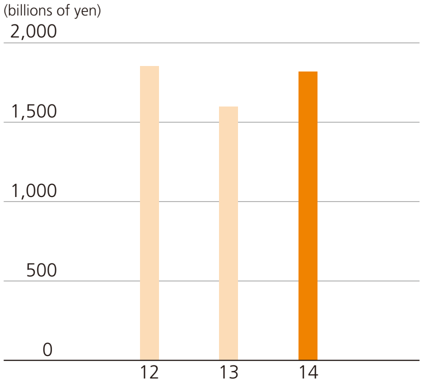
Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31



Product Business

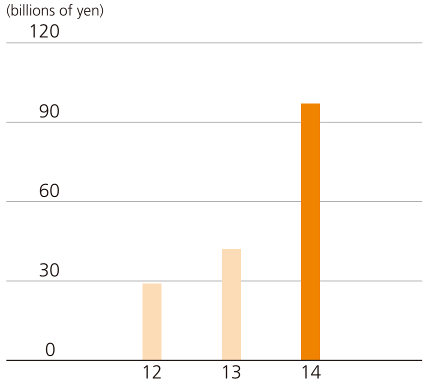
Net Sales

(billions of yen)



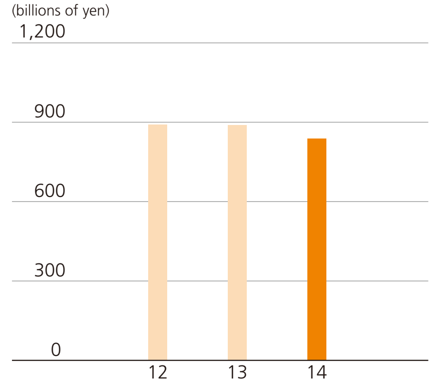
Operating Income

(billions of yen)



Total Assets

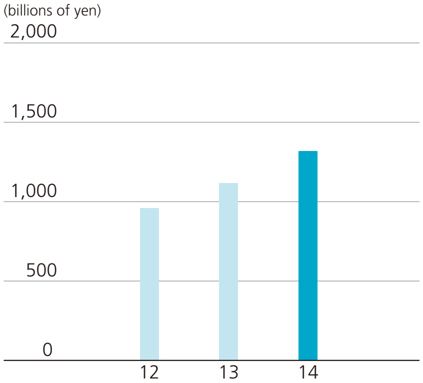
(billions of yen)



Device Business

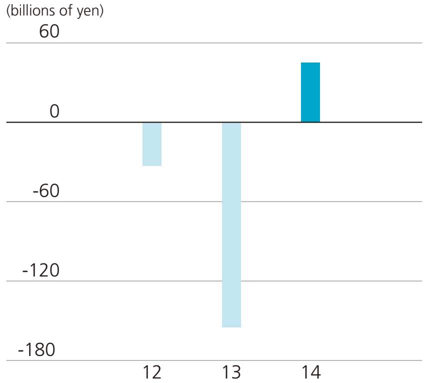
Net Sales

(billions of yen)



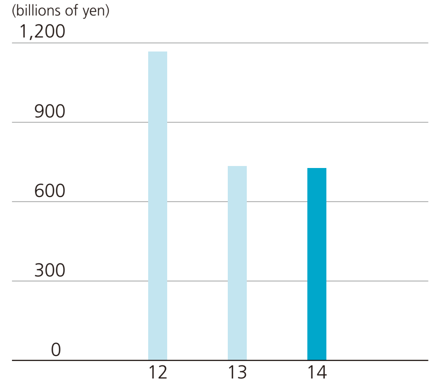
Operating Income

(billions of yen)



Total Assets

(billions of yen)



- Sales figures include internal sales between segments (Product Business and Device Business). The percentage of sales in the pie chart has been calculated accordingly.
- Operating income (loss) figures are the amounts before adjustments for intersegment trading. The percentage of operating income in the pie chart has been calculated accordingly.
- Total assets figures are the amounts before adjustments for intersegment trading. The percentage of total assets in the pie chart has been calculated accordingly.
- Capital investment figures include the amounts of leased properties, and do not include unallocated capital investments. The percentage of capital investment in the pie chart has been calculated accordingly.
- Effective for the year ended March 31, 2014, the Company has changed its segment classification. Figures for the previous years have been adjusted to reflect the new classification.

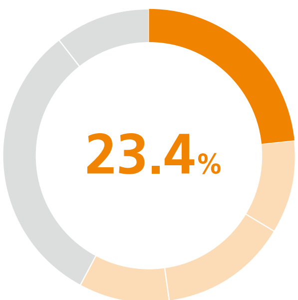
Fiscal 2013 Review by Product Group

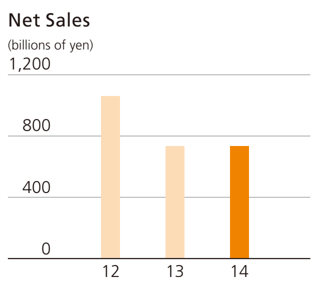
Sharp Corporation and Consolidated Subsidiaries for the Years ended March 31

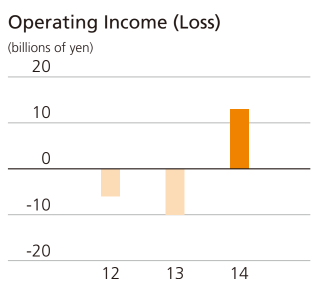
Product Business

Digital Information Equipment

Sales by Product Group







Despite a decline in sales of mobile phones, total sales in this product group were mostly unchanged thanks to growth of LCD TVs. This group also returned to profitability owing to cost-cutting and other restructuring efforts.

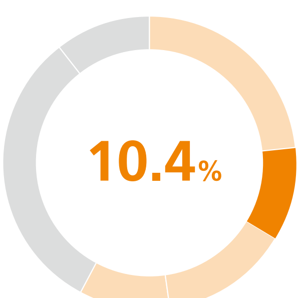
We will work to boost sales of the group through following initiatives. We will step up sales of high-resolution, large-screen TVs, such as the 4K AQUOS series. At the same time, we will launch distinctive smartphones such as the thin-bezel design EDGEST model, and tap the demand of feature phones, in order to recapture domestic market share for mobile phones.

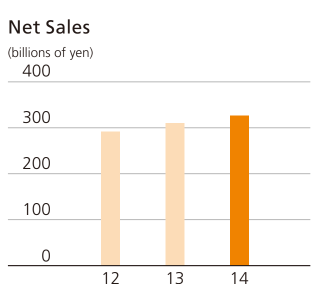
Main Products

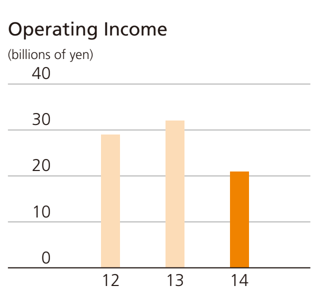
LCD color televisions, color televisions, projectors, Blu-ray Disc recorders, mobile phones, tablet terminals, electronic dictionaries, calculators, facsimiles, telephones

Health and Environmental Equipment

Sales by Product Group







This product group enjoyed an increase in sales due to solid performance for refrigerators and air-conditioners in Japan and healthy sales of air purifiers in China. However, operating income declined as the yen's continued depreciation caused the profitability of imported products for the domestic market to deteriorate.

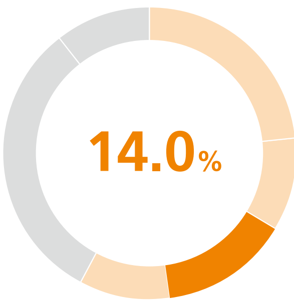
We will work to stimulate new demand in Japan by launching distinctive products, such as robotic home appliances and cooking appliances for health-conscious customers. We will also endeavor to broaden our overseas business by facilitating local production for local consumption, especially in ASEAN region, and minimize the impact of foreign exchange factors.

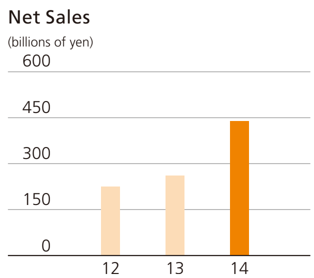
Main Products

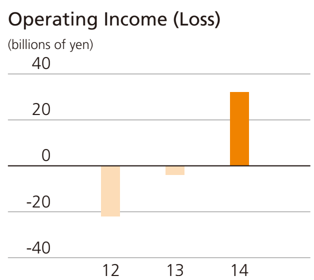
Refrigerators, superheated steam ovens, microwave ovens, small cooking appliances, air conditioners, washing machines, vacuum cleaners, air purifiers, electric fans, dehumidifiers, humidifiers, Plasmacluster Ion generators, electric heaters, beauty appliances, LED lights, network control units

Solar Cells

Sales by Product Group







This product group reported increased sales and operating income due to growth in domestic sales for residential applications and for mega-solar power generation and other industrial applications, as well as a solid performance by our solar developer business overseas.

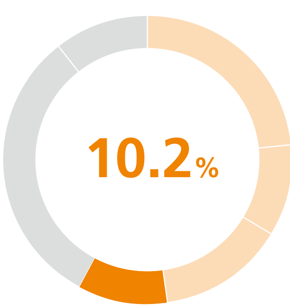
We will work to expand sales of home energy management systems (HEMS), including storage batteries. We will also build a solid income foundation by shifting our emphasis to the energy solutions business. This will entail increasing the sales ratio for our mega-solar engineering, procurement, and construction (EPC) business and strengthening our independent power producer (IPP) and operation and management (O&M) businesses.

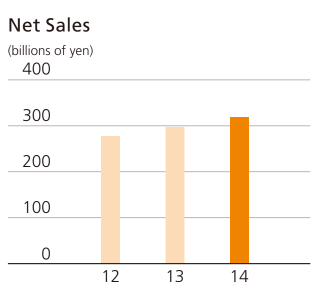
Main Products

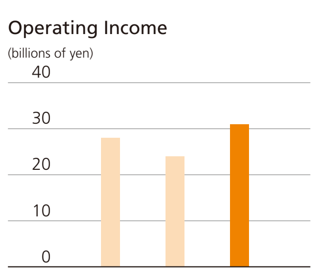
Crystalline solar cells, thin-film solar cells

Business Solutions

Sales by Product Group







This product group enjoyed increases in sales and operating income thanks to growth of MFPs overseas and solid performances by information displays in Japan and overseas.

We will work to expand sales of high-speed MFPs in developed countries while strengthening color MFP sales in emerging countries. At the same time, we will broaden and upgrade our lineup of information displays. We will also strive to develop new customers by proposing solutions that link together such products as MFPs, touchscreen displays, and tablet terminals, with the aim of expanding our business.

Main Products

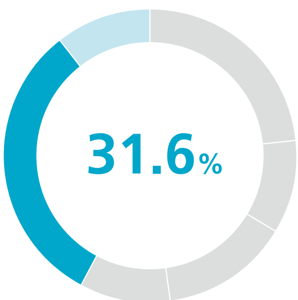
POS systems, handy data terminals, electronic cash registers, information displays, digital MFPs (multi-function printers), options and consumables, software, FA equipment, ultrasonic cleaners

- Sales figures shown on pages 17-19 include internal sales between segments (Product Business and Device Business). The percentage of sales in pie charts has been calculated accordingly.
- Operating income (loss) figures shown on pages 17-19 are the amounts before adjustments for intersegment trading.
- Effective for the year ended March 31, 2014, the Company has changed its segment classification. Figures for the previous years have been adjusted to reflect the new classification.

Device Business

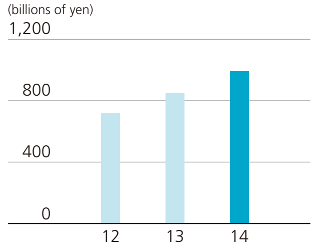
LCDs

Sales by Product Group



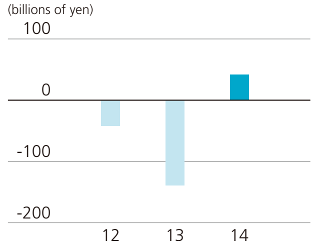
Net Sales

(billions of yen)



Operating Income (Loss)

(billions of yen)



This product group reported an increase in sales thanks to growth in small- and medium-size LCDs for smartphones, tablet terminals, and the like. It also returned to profitability, owing mainly to an improved product mix as we shifted our emphasis to small- and medium-size LCDs, as well as patent-related income.

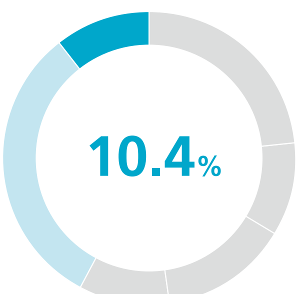
We will continue developing new customers while expanding business with existing major clients, in order to increase the sales ratio for small- and medium-size LCDs. For large-size LCDs, meanwhile, we will work to stabilize earnings by increasing the inch size of our offerings to 70-, 80-, and 90-inch classes.

Main Products

Amorphous silicon LCD modules, IGZO LCD modules, CG-Silicon LCD modules

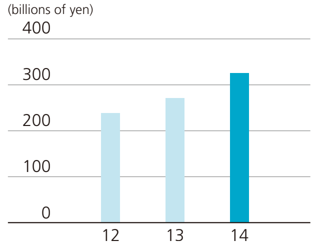
Electronic Devices

Sales by Product Group



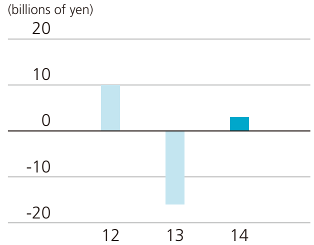
Net Sales

(billions of yen)



Operating Income (Loss)

(billions of yen)



This product group enjoyed increases in both sales and operating income thanks to growth in sales of camera modules for smartphones and other mobile devices as well as various sensors such as proximity sensors.

We will strive to further expand this business by boosting sales of distinctive devices. We will achieve this by differentiating application products, ranging from camera modules, optical and other sensors, touchscreen systems, power-related devices, monitoring devices, in-vehicle devices, and medical devices to LED devices.

Main Products

Camera modules, CCD/CMOS imagers, LSIs for LCDs, microprocessors, flash memory, analog ICs, components for satellite broadcasting, terrestrial digital tuners, RF modules, network components, laser diodes, LEDs, optical sensors, components for optical communications, regulators, switching power supplies

Shigeaki Mizushima
Chief Technology Officer
Executive Vice President & Representative Director

considerably smaller, which gives freedom when designing the shape of a display. We plan to enter the mass-production stage at the earliest possible date and work to create applications that need displays with sophisticated designs.

Development of Voice Communication Technology

Sharp developed cloud-based voice communication technology. We have already conducted verification tests to ascertain the effectiveness of the voice interface, conversation patterns among users and robotic appliances, and the usefulness of the information provided to users.*1 In the future, we aims to produce home appliances that offer users comfort. To accelerate the creation of this kind of new cloud-based service, in March 2014 we opened "Sharp Cloud Labs"*2 to serve as a vehicle for alliances with outside partners.

*1 Tests were held from April to December 2013 at the Stylio Shinagawa Nakanobu apartment building owned by TOKYU CORPORATION. Tenants used models of COCOROBO robotic appliances made especially for the verification tests.
*2 https://portal.cloudlabs.sharp.co.jp/portal/ (Japanese language only)

R&D Strategy

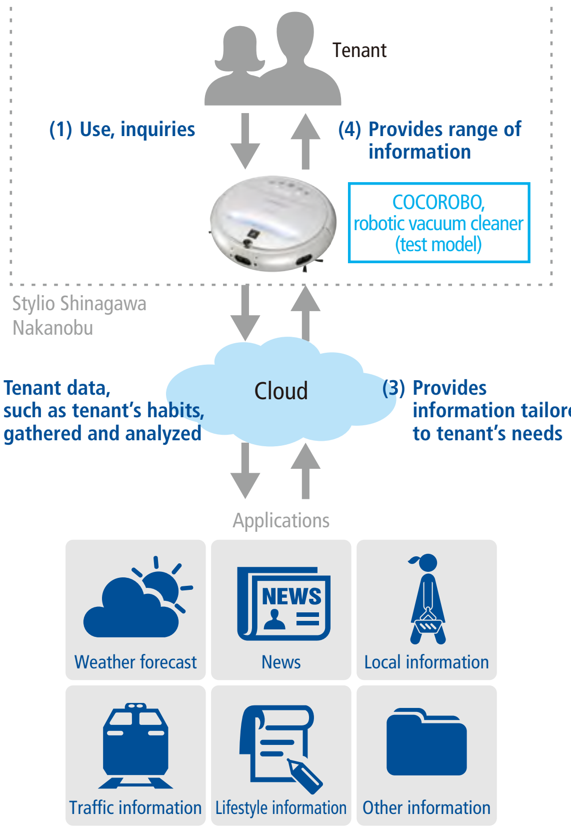
Sharp conducts R&D activities from the perspective of users with the goal of consistently delivering new levels of value and joy to people around the world. To accomplish these goals, we focus on two approaches to R&D. The first is to create original products by blending our many unique technologies. The second approach tackles fields of technology that are new to Sharp using open innovation and cooperation with partners. These approaches allow us to perform distinctive, speedy, as well as efficient R&D.

Free-Form Display

Sharp developed the Free-Form Display, which can be shaped to meet a wide range of user needs thanks to the incorporation of IGZO technology and proprietary circuit design methods. Conventional displays have a drive circuit called a gate driver around the perimeter of the screen's display area. These displays are usually rectangular because they require a certain width for the bezel to cover the gate driver. In the Free-Form Display, the gate driver's function is dispersed throughout the pixels on the display area. This allows the bezel to be

Free-Form Display (prototype)

Cloud-based services offered via COCOROBO test model



Launch of Microbe Sensor

Sharp released* a microbe sensor that quickly and automatically measures the amount of airborne microbes, such as bacteria and mold spores. Previously, a skilled technician measured airborne microbes manually after cultivating microbes over several days. But thanks to this new product, microbes can be measured automatically in as little as 10 minutes. When linked to a computer via network, the sensor can collaborate with an air quality control system and can be controlled remotely. The microbe sensor is particularly useful for food processing plants, pharmaceutical factories, and other facilities that need to maintain strict environmental standards.

* Released by Sharp Manufacturing Systems Corporation in October 2013 (BM-300C).

Microbe sensor

Intellectual Property Strategy

Sharp views its intellectual property strategy as one of its key management measures, promoting it in a coherent manner with business and R&D strategies. By aggressively targeting acquisition of patent rights, Sharp works to secure competitive edges in its Product Business and Device Business and thus reinforce its operational foundation. In advancing its intellectual property strategy in a consistent manner, Sharp's Intellectual Property Center, under the Corporate Research and Development Division, undertakes management of overall strategy and cooperates with patent-related entities within each Business Division and site. At the same time, the Center organizes various initiatives related to intellectual property through an approach of mutual cooperation. Sharp has clearly delineated the fields that are central to each business group to conduct strategic patent development* close to the front line. Sharp also obtains useful patents arising from alliance activities from collaboration with other companies or universities. As of March 31, 2014, Sharp had 18,925 patents in Japan and 24,033 overseas. Sharp utilizes these patents to reinforce its business earnings power.

Sharp is also working to obtain design and trademark registrations based on its brand strategy so as to increase the number of applications and registrations globally.

Sharp endeavors to make full use of its intellectual property in coordination with its business and R&D strategies. In addition, we take actions to protect our intellectual property rights, and we adopt an approach of respecting the intellectual property rights of other organizations. Our fundamental policy is to resolve infringement issues through dialogue. If other organizations fail to respect our intellectual property rights, however, we are fully prepared to enlist third parties, including courts, to obtain a judgment.

Sharp also works hard to reinforce the protection of trade secrets and to prevent leaks concerning its unique and important production technologies and know-how. Also, the impact of counterfeit Sharp products overseas has grown in recent years. In response, we have been promoting measures to clamp down on this practice in cooperation with the relevant authorities and industry associations.

* International patent applications (PCT applications) in 2013: Sharp ranked 6th worldwide among applications (WIPO data)

Topic

IEEE Milestone* Recognition

The 1988 release of Sharp's world-first 14-inch TFT-LCD for TVs was recognized as an IEEE Milestone. The IEEE Milestone recognizes the huge contribution made by Sharp to the development of the LCD industry with respect to the move from consumer CRT TVs to LCD TVs. The honor marks the third time that Sharp has been recognized, with previous milestones received for innovation in development of electronic calculators, as well as commercialization and industrialization of solar cells. It also marks the first time that an individual or organization in Japan has been recognized for three IEEE Milestones.

* The Institute of Electrical and Electronics Engineers (IEEE) is the world's largest professional association covering the electrical, electronic, information, and telecommunications engineering. IEEE Milestones honor innovations that have made important and historic contributions to society

Corporate Social Responsibility (CSR)

Business Philosophy and Business Creed

"Make products that others want to imitate." This message of Sharp's founder Tokuji Hayakawa encapsulates management's stance of aiming to become a trusted company by contributing to society as a manufacturer that is among the first to grasp the needs of the next era.

In 1973, Sharp codified the unchanging spirit of its founder in the Company's business philosophy and business creed. The business philosophy and business creed are clearly embodied in Sharp's present-day CSR aimed at achieving co-existence and mutual prosperity with society and stakeholders.

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.

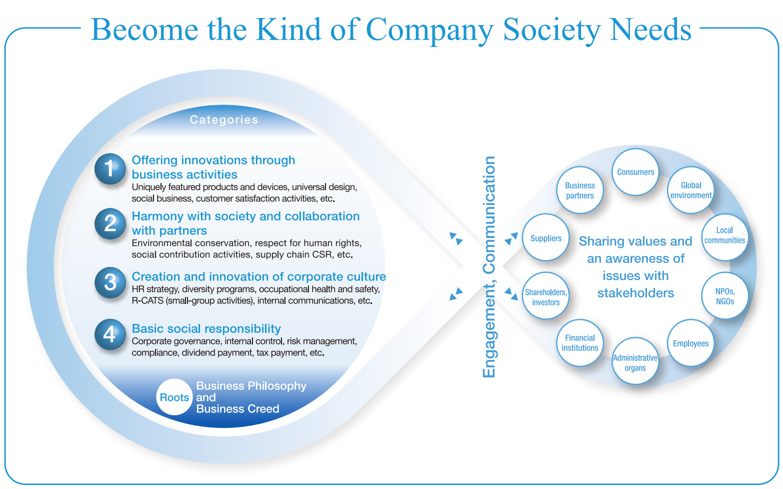
CSR Concept

Sharp embraces its business philosophy and business creed from a CSR-oriented standpoint. We pursue our CSR activities, broadly classified into four categories, while promoting engagement and communication with stakeholders.

Forming the foundation of our CSR activities are the Sharp Group Charter of Corporate Behavior and the Sharp Code of Conduct. These serve as a standard to ensure that all of us at Sharp act in an appropriate and sincere manner.

Sharp has striven to become "the kind of company society needs" based on the belief that it is our mission addressing the diverse social problems of the world through business activities and these activities in themselves are a demonstration of our CSR.

For more details on the Sharp Group Charter of Corporate Behavior and the Sharp Code of Conduct, please visit the website below:
http://www.sharp-world.com/corporate/info/charter/index.html



ISO 26000 and United Nations Global Compact

In light of ISO 26000, an international guidance on CSR, and the 10 principles of the United Nations Global Compact, Sharp has set targets for specific activities in the areas including human rights, labor, the environment, and anti-corruption. Sharp is promoting efforts toward these targets. We have been a participant in the Global Compact since June 2009.

Socially Responsible Investment (SRI) Recognition

Sharp has received recognition in Japan and overseas for its strong commitment to corporate citizenship. As of June 2014, Sharp was recognized by major SRI evaluating bodies and selected for SRI indices as noted below.

- FTSE4Good Global Index (U.K.)
- MSCI World ESG Index, MSCI Global Climate Index (U.S.A.)
- Morningstar Socially Responsible Investment Index (Japan)

Environmental Activities

Rapid economic development on a global scale has led to large-scale consumption of energy and natural resources that sustain our lifestyles. This has caused the balance of the global environmental system to break down, thus deepening the severity of core environmental issues, such as global warming, resource depletion, and ecosystem loss.

Committed to resolving these global environmental issues, Sharp does not only reduce the environmental impact of its own business activities but also deploys its accumulated eco-friendly technologies to foster the proliferation of energy-saving products and solar power generation. To clearly accentuate this approach, we have devised an environmental policy, entitled "Increasing Green Shared Value (GSV)."

Guided by its environmental policy, we will constantly strive to be a company whose positive impact through energy-saving and energy-creating products that reduce greenhouse gases in magnitudes exceeds the negative impact of emissions generated by our business activities, broadened to include our entire supply chain.

Examples of Initiatives

Product Development

Sharp makes a positive contribution to the environment by enhancing the environmental performance of its products and devices. We have introduced standards that we use to certify the environmental performance of our products. Products with a basic level of environmental performance are designated as Green Products (GPs), and products with extremely high levels of environmental performance are designated as Super Green Products (SGPs). Since fiscal 2013, we have revised these certification standards to increase the emphasis on energy-saving performance, an issue of growing worldwide interest. Going forward, we will proactively develop high-efficiency solar power generation systems and products that minimize power consumption.

Product Manufacture

Sharp works actively to raise the environmental performance of its plants in order to reduce the impact on the environment. We have introduced standards that we use to certify the environmental performance of our plants. Environmentally responsible plants are designated as Green Factories (GFs), and those with superior environmental performance are designated as Super Green Factories (SGFs). Because almost all of our domestic plants have achieved SGF certification with the highest point-level, since fiscal 2013 we have been promoting grass-roots activities overseas, with particular emphasis on raising the performances of our production bases in China and elsewhere in Asia.

Recycling

Since fiscal 2001, Sharp has used proprietary closed-loop material recycling technology to recover plastics from used consumer electronics and recycles these materials in new consumer electronics. We have made ongoing advancements to this technology to increase the number of materials that can be recycled. As a result, the amount of recycled plastics using the technology has increased steadily, reaching a cumulative total of 11,000 tons.

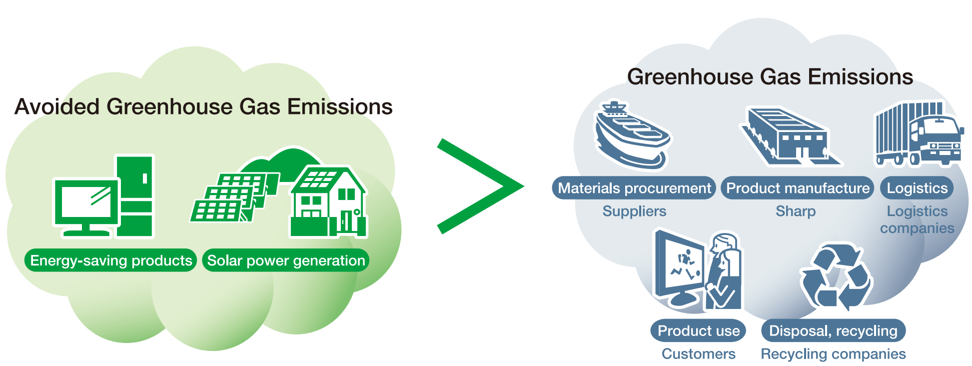
We are currently developing technology that will recycle waste LCD panels, which are expected to increase along with the proliferation of LCD TVs. Sharp is advancing the effective use of limited resources by encouraging development activities centered on these key environmentally friendly technologies.

Communication

Sharp uses a variety of means to inform its wide range of stakeholders about its environmental initiatives. We disclose information via the Social & Environmental Activities page on our website, as well as through social networking and other media. We strive to communicate with local communities about environmental issues through a range of measures, including plant reports produced by each manufacturing facility, factory tours, and special events at plants.

For more information about Sharp's CSR activities, please visit the website below:
http://sharp-world.com/corporate/eco/index.html

Efforts Aimed at Increasing Green Shared Value



Corporate Governance

Basic Concept Concerning Corporate Governance

Sharp's business philosophy contains a statement of "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 international, multi-faceted and compliance perspectives on wide-ranging issues, such as the social and economic environment, and the future direction of Sharp. In doing so, we strive to strengthen the decision-making functions within the Board of Directors and the functions for supervising directors' execution of duties. We also have the Executive Officer System, thereby dividing the supervisory and decision-making functions from the business execution functions, and creating a structure that steadily facilitates nimble, efficient business execution. In addition, we have introduced the Business Group system, which corresponds to the specific characteristics of our businesses. Under the system, we are making reforms aimed at creating a one-stop management structure that handles development, production and sales.

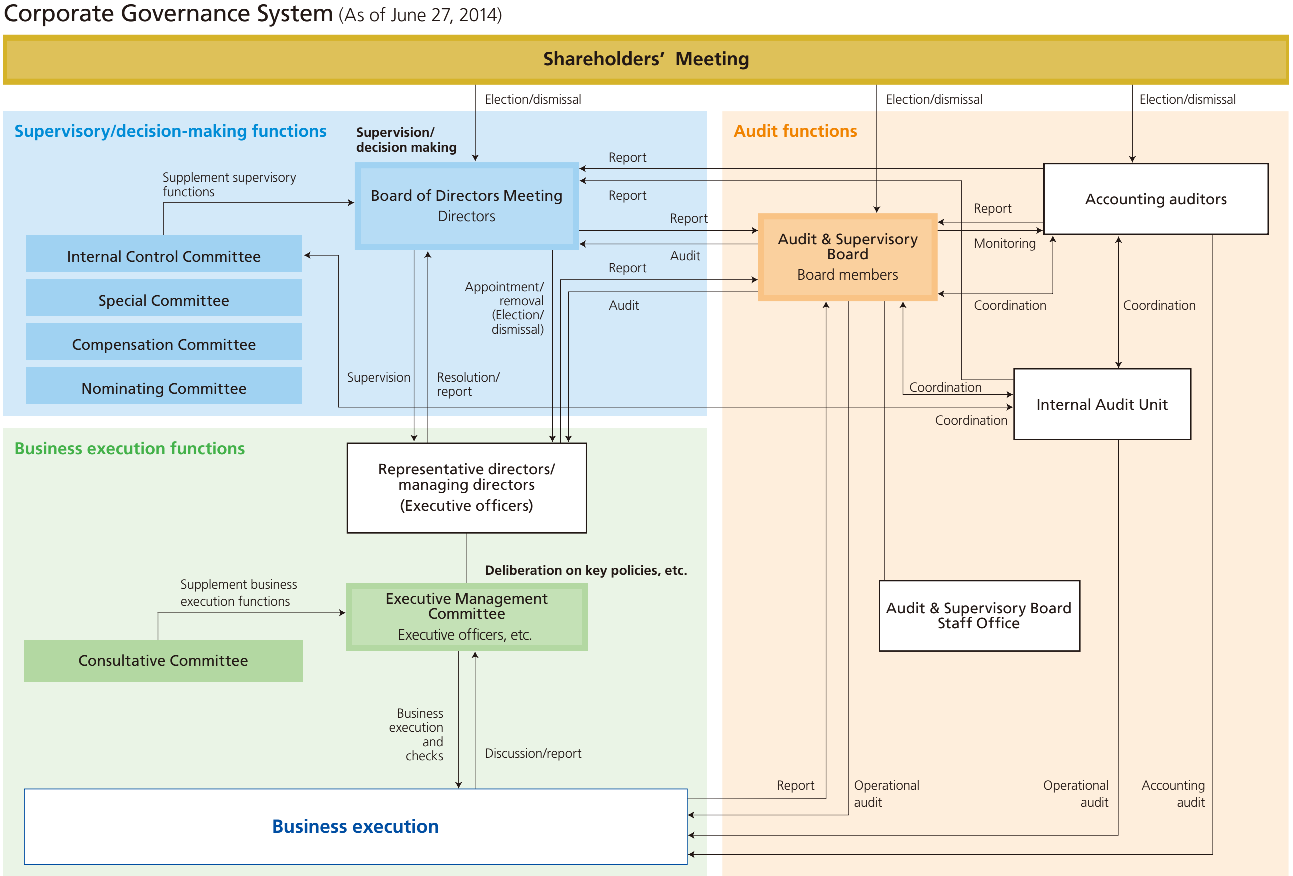
With respect to audit & supervisory board members ("corporate auditors") and the Audit & Supervisory Board, Sharp appoints outside independent corporate auditors in order to reinforce the monitoring and checking functions on the management and otherwise strengthen the corporate governance system.

Status of Corporate Governance System

Sharp's corporate governance system comprises the Board of Directors, which supervises directors' execution of duties, the Audit & Supervisory Board, which audits the business executions of directors, and the Executive Officer System, which divides the supervisory and decision-making functions from the business execution functions. By also appointing outside directors and setting up various committees to supplement the supervisory functions of the Board of Directors, Sharp believes that its corporate governance system is adequate in terms of transparency, objectivity and soundness.

The Board of Directors Meetings of Sharp Corporation are held on a monthly basis in principle to make decisions on matters stipulated by law and management-related matters of impor-

Corporate Governance System (As of June 27, 2014)



tance, and to supervise the state of business execution. To improve management agility and flexibility, and to clarify the responsibilities of the company management during each accounting period, the term of office for members of the Board of Directors is set at one year. As advisory bodies to the Board of Directors, the Company has the Internal Control Committee, the Special Committee, the Compensation Committee, and the Nominating Committee.

In addition to the Board of Directors, the Company has the Executive Management Committee, where matters of importance related to corporate management and business operation are discussed and reported once a month in principle. This committee facilitates prompt executive decision making.

The Audit & Supervisory Board is composed of five corporate auditors, three of whom are outside independent corporate auditors. Each corporate auditor meets regularly with the representative directors, the directors, the executive officers, the accounting auditors, the head of the Internal Audit Unit and others to exchange opinions and work to ensure that business is executed legally, appropriately and efficiently.

Ongoing Development of the Internal Control System

In May 2006, the Board of Directors passed a resolution to adopt a basic policy related to the development of systems necessary to ensure the properness of business (Basic Policy for Internal Control), which was partially amended in April 2013. This amended policy forms the basis for Sharp's ongoing development and implementation of its internal control system. The Internal Control Committee, which is an advisory body to the Board of Directors, deliberates on basic policies regarding internal controls and internal audits, and the state of development and implementation of initiatives related to the internal control system, then reports on and discusses important matters with the Board of Directors. The department promoting internal controls on a company-wide basis oversees the internal controls of the business execution departments. Meanwhile the Internal Audit Unit makes concrete 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, corporate auditors, executive officers 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. Based on the basic rules of compliance, Sharp is also developing a company-wide compliance promotion system. Meanwhile, Sharp is implementing thorough measures to prevent compliance breaches by distributing a Sharp Group Compliance Guidebook to all employees and implementing training based on the guidebook.

In order to comprehensively and systematically deal with diverse business risk, Sharp formulated the Business Risk Management Guideline to achieve prevention of and swift responses to risk.

Plan Regarding Large-Scale Purchases of Sharp Corporation Shares (Takeover Defense Plan)

Sharp believes that determining whether to accept large-scale share purchases aimed at a takeover should be ultimately entrusted to the shareholders. However, Sharp also believes that it is not appropriate for any party that conducts an inappropriate purchase, such as one that clearly harms the corporate value and common interests of shareholders and/or puts undue pressure on shareholders to sell shares, to take control over Sharp, and that it is necessary to take reasonable countermeasures against such purchases.

In order to prevent purchasing activity that could potentially cause significant harm to corporate value and common interests of shareholders—including in the medium and long terms—the Company has adopted the prior warning type of defense measures called the Plan Regarding Large-Scale Purchases of Sharp Corporation Shares (Takeover Defense Plan) ("the Plan").

The Plan provides rules for enabling shareholders to reach a proper decision, by requiring large-scale purchasers of the Company's shares who intend to obtain 20% or more of the voting rights of the Company to provide sufficient information and give an adequate assessment period.

If a large-scale purchaser does not follow the rules, or although the large-scale purchaser complies with these rules, the large-scale purchase is deemed to be harmful to corporate value and common interests of shareholders, the Board of Directors of Sharp will make a decision concerning the implementation of countermeasures after fully taking into consideration the advice and recommendations of the Special Committee consisting of three or more persons who remain independent of Sharp's management. In case the Special Committee has placed a reserve that confirmation of the shareholders' intent with respect to a consideration of taking countermeasures shall be obtained, or in case the Board of Directors of Sharp considers it is necessary to take countermeasures, Sharp shall convene the Shareholders' Intent Confirmation Meeting to seek whether countermeasures shall be taken or not.

The effective term of the Plan is until the conclusion of the 123rd Ordinary General Meeting of Shareholders, which will be held by June 2017.

* For more details of the Plan, please visit the website below:
http://sharp-world.com/corporate/ir/topics/pdf/140512-1.pdf
* For profiles of the Special Committee members, please visit the website below:
http://sharp-world.com/corporate/ir/topics/pdf/140625-1.pdf

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, 2014 (or June 25, 2014 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. Sharp faces various risks in its overseas business as well. These include 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 restrictions; political instability and business uncertainty; changes in political and economic relations with Japan; social turmoil; rising personnel costs; and labor issues. Any of these factors 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 51.9% in fiscal 2011, 59.4% in fiscal 2012, and 60.7% in fiscal 2013. In addition, Sharp sells products made overseas in 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) Consolidated Financial Results Forecasts

On May 12, 2014, Sharp announced its consolidated performance forecasts for fiscal 2014. However, these forecasts are based on various assumptions concerning external factors, including customer demand for Sharp's products and services, foreign exchange rates, interest rates and the overall economic growth rate in Japan and abroad. Moreover, there is no guarantee that business initiatives outlined in the plan will be executed. In addition, business efficiency from business restructuring and cost reductions may not proceed as planned, and may be affected by market conditions and competitive restrictions even if they do proceed. Accordingly, it is possible that Sharp may not be able to achieve its forecasted targets. Moreover, enforcement of business restructuring may result in additional losses.

(4) Dependence on Certain Products and Clients

Sales of LCDs and digital information equipment account for more than half of Sharp's total net sales. Accordingly, Sharp's business results may be impacted due to reasons including a decline in customer demand for such products, falling product prices, the arrival of alternative or competing products of other companies, and intensified competition stemming from the entry of new companies into the market. Indeed, Sharp posted considerable operating losses in its LCD business in fiscal 2011 and 2012. Sales of Sharp's LCDs and mobile phones are dominated by only a small number of clients, who thus account for a considerable share of sales. 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. In addition, such clients may reduce the scale of transactions with Sharp or, if they have concerns about Sharp's financial position, and for certain products, may prioritize transactions with their own affiliated companies. Moreover, maintaining and developing business with such a small number of clients may lead to various limitations on Sharp's business operations.

(5) Strategic Alliances and Collaborations

Sharp implements strategic alliances and collaborations as well as capital alliances with other companies—including the Samsung Group and the Qualcomm Group—in order to enhance corporate competitiveness, to improve profitability and to bolster the development of new technologies and products in various business fields. Moreover, Sharp's policy is to continue actively pursuing such alliances. If, however, any strategic 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. In addition, limitations could be placed on alliances and collaborations with other companies in the same industry, or conditions could be placed on alliances and collaborations could restrict the freedom of Sharp's business. Also, shares issued under a capital alliance with a strategic partner could dilute the value of existing shares. For example, Sharp has an agreement with the Samsung Group giving Samsung preferential negotiating rights in the event that Sharp wishes to sell part of its business solutions business. (At present, Sharp has no intention of selling that business.) On March 27, 2012, Sharp Corporation entered into an agreement to execute capital and business alliance with four companies of the Hon Hai Group. However, subscription payment for shares to be issued under the agreement was not executed. Under the agreement, Sharp Corporation is to issue 121,649 thousand shares of common stock, to be purchased by the Hon Hai Group for ¥550.00 per share. The agreement is valid for three years and can be renewed. If certain conditions are fulfilled, including notification of the securities registration statement in Japan, and Sharp issues the aforementioned shares to the Hon Hai Group, Sharp's existing shares could be diluted. The Hon Hai Group has made an announcement to the effect that an agreement has been reached to change conditions for issuing the aforementioned shares, but Sharp believes this is not true.

(6) 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 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 a 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. Under agreements with certain clients, Sharp receives advanced payments for the trading value of its products. At present, the obligation to repay such advances is offset by Sharp's accounts receivable in connection with said clients. Depending on Sharp's financial circumstances, however, under the agreements with said clients, Sharp may be requested to repay a major portion of the advances. If a request for repayment of advances is made, this could have a negative effect on Sharp's operating cash flows.

(7) Other Factors Affected by 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, 2014, the balance of such debt was equivalent to 49.1% of total assets, and short-term borrowings accounted for 73.0% 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 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 income and net income 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. As necessary, Sharp consults with both banks about ways to improve its financial position and other matters. In June 2013, one of member of each bank was appointed as a director of Sharp. 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.

(8) 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. Depending on the outcome of fierce competition with other companies, Sharp may be forced to downsize or withdraw from existing businesses, which could incur additional costs. 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. Sharp has agreed to terminate a collaborative development agreement with Semiconductor Energy Laboratory Co., Ltd. (SEL) related to new IGZO technologies. The licensing arrangement from SEL may continue to endure as before, and Sharp may continue such technological development independently as previously planned. However, there is no guarantee that collaborative relationships with other companies can be terminated smoothly.

(9) 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. Alternatively, the formation of an alliance with said third party could result in Sharp's business becoming subject to new restrictions to which it had not previously been subject, the resolution of which may require Sharp to pay additional compensation. Moreover, the formation of such an alliance could result in claims for infringement of an existing licensing agreement with another third party, placing pressure on Sharp to cancel said alliance. 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 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.

(10) Long-Term Investments and Agreements

Sharp actively invests 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 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 23,312 tons of polysilicon (as of the end of March 2014) by the end of 2020 at a rate substantially higher than recent market prices (the weighted average price under the contracts exceeded the market price as of March 26, 2014 by around ¥2,200 per kilogram). Sharp's Medium-Term Management Plan, announced on May 14, 2013, incorporates the assumption that Sharp is obligated to purchase polysilicon at higher than market rates throughout the period covered by the plan. With respect to its solar cell operations at the Sakai Plant, meanwhile, Sharp has long-term contractual agreements in place with suppliers covering the supply of electricity necessary to produce 480MW of solar cells annually. Due to market conditions, however, the actual production volume at the Sakai Plant is only 160MW per year, which is incurring excessive production costs.

(11) 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.

(12) 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.

(13) 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. Sharp is subject to investigations conducted by the Directorate-General for Competition of the European Commission, etc., with respect to its TFT LCD business. In addition, civil lawsuits seeking monetary damages resulting from alleged anticompetitive behavior have been filed in North America and elsewhere against Sharp. With respect to the result of these proceedings and litigation, Sharp has made a reasonable estimate of potential future losses and provided a reserve in the amount deemed necessary. However, it is difficult to predict or estimate all results at this stage. In addition to proceedings already under way, new investigations by regulatory authorities or civil litigations may be filed in the future. Any adverse results could affect Sharp's business results and financial position.

(14) 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.

(15) Large-Scale Natural Disasters

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

(16) Risks Accompanying the Nuclear Power Plant Disaster

Electric power generation problems, caused by the nuclear power plant accident accompanying the Great East Japan Earthquake, have had various adverse effects on both Japanese and overseas markets, which is affecting Sharp's business results and financial position. The Japanese government has signaled its intention to reinstate nuclear power generation following cabinet approval of a basic energy plan defining nuclear as an "important baseload power source." In the absence of a timeframe for reinstatement, however, power generation problems remain unsolved at the present time. Any possible future restrictions on electricity usage or hikes in electricity prices stemming from electricity shortages 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 future growth and development. However, since demand for talented personnel in various fields exceeds supply, competition to secure human resources is intensifying. In the event that Sharp is unable to attract new personnel or prevent the departure of existing employees, or is unable to improve the skills of key personnel engaged in business management, 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.

(19) Outline of Significant Events Relating to Assumed Going Concern

Sharp has been working hard to create and strengthen sales of distinctive devices and original products, including high-resolution 4K AQUOS TVs; high-resolution, high-picture-quality Quattron Pro TVs with 4K-equivalent Full HD panels; smartphones with IGZO LCDs; solar cells for the domestic market where demand is flourishing; and small- and medium-size LCDs for mobile devices. In addition, Sharp has pursued various company-wide measures to improve operations, such as reducing inventories, restraining capital investment, and rigorously cutting overall costs. Accordingly, in fiscal 2013 Sharp achieved an 18.1% year-on-year increase in net sales. Sharp also returned to profitability with respect to operating income and net income and generated positive operating cash flows. In the previous two years through fiscal 2012, however, Sharp consecutively posted large operating losses and net losses, as well as negative operating cash flows. Under these circumstances, interest-bearing debt increased, and the short-term portion of such debt reached a high level. Sharp's short-term debt includes unsecured straight bonds and a syndicated loan with financial covenants. Although there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, we believe that these conditions will not cast a material uncertainty about Sharp's ability to continue as a going concern, due to implementation of various measures to resolve these and other major issues as described below. Therefore, no further disclosure for the "Going Concern Assumption" in the notes to the consolidated financial statements is necessary.

In fiscal 2013, Sharp returned to profitability in terms of operating income and net income, and also generated positive operating cash flows. These results underscore the steady progress of Sharp's Medium-Term Management Plan, announced on May 14, 2013. In addition, Sharp has received continued support and cooperation from financial institutions. Under these arrangements, the agreement pertaining to its ¥360.0 billion syndicated loan was amended, and another agreement was reached to obtain an additional borrowing facility of ¥150.0 billion. Sharp also completed the redemption of 20th unsecured convertible bonds with subscription rights to shares due in September 2013, and its 22nd unsecured straight bonds due in March 2014. In addition, Sharp issued new shares through a public offering and a secondary offering due to over-allotment, as well as a third-party allotment under a strategic alliance in a new business field that leverages Sharp's strengths in manufacturing. In these and other ways, Sharp is securing capital with a focus on strategic investment areas while at the same time reinforcing its financial foundation. Going forward, Sharp will steadily implement measures under its Medium-Term Management Plan, with the aim of creating a "new Sharp" that achieves stable income growth and generates sound cash flows.

Directors, Audit & Supervisory Board Members and Executive Officers (As of August 1, 2014)

Directors

Representative Director
President
Kozo Takahashi

Representative Director
Shigeaki Mizushima

Representative Director
Tetsuo Onishi

Representative Director
Norikazu Hohshi

Representative Director
Fujikazu Nakayama

Director
Yoshihiro Hashimoto

Director
Yumiko Ito

Director
Akihiro Hashimoto

Director
Makoto Kato*1

Director
Shigeo Ohyagi*1

Director
Mikinao Kitada*1

Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Members

Junzo Ueda
Yujiro Nishio

Audit & Supervisory Board Members

Shinji Hirayama*2
Yoichiro Natsuzumi*2
Masuo Okumura*2

*1 Outside Directors
*2 Outside Audit & Supervisory Board Members

Executive Officers

President

Kozo Takahashi

Executive Vice Presidents

Shigeaki Mizushima
Tetsuo Onishi

Senior Executive Managing Officers

Norikazu Hohshi
Fujikazu Nakayama
Noboru Fujimoto

Executive Managing Officers

Yoshisuke Hasegawa
Moriyuki Okada
Yoshihiro Hashimoto
Toshihiko Fujimoto
Nobuyuki Taniguchi
Kazushi Mukai
Yumiko Ito
Akihiro Hashimoto

Executive Officers

Masayuki Mohri
Ryutaro Egawa
Akira Atarashi
Mototaka Taneya
Toshiyuki Osawa
Satoshi Sakakibara
Junichi Kodama
Akihiko Imaya
Hiroshi Kataoka
Masahiro Okitsu
Shinichi Niihara
Shogo Fukahori
Hiroshi Sasaoka
Masakazu Wada
Ryoichi Miyanaga
Tsutomu Handa

Financial Section

Contents

Five-Year Financial Summary

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31

	Yen (millions)					U.S. Dollars (thousands)
	2010	2011	2012	2013	**2014**	**2014**
Net Sales	¥ 2,755,948	¥ 3,021,973	¥ 2,455,850	¥ 2,478,586	**¥ 2,927,186**	**$ 28,697,902**
Domestic sales	1,429,057	1,592,909	1,181,168	1,007,264	**1,150,091**	**11,275,402**
Overseas sales	1,326,891	1,429,064	1,274,682	1,471,322	**1,777,095**	**17,422,500**
Operating Income (Loss)	51,903	78,896	(37,552)	(146,266)	**108,560**	**1,064,314**
Income (Loss) before Income Taxes and Minority Interests	6,139	40,880	(238,429)	(466,187)	**45,970**	**450,686**
Net Income (Loss)	4,397	19,401	(376,076)	(545,347)	**11,559**	**113,323**
Net Assets	1,065,860	1,048,645	645,120	134,837	**207,173**	**2,031,108**
Total Assets	2,836,255	2,885,678	2,614,135	2,087,763	**2,181,680**	**21,389,020**
Capital Investment*[1]	215,781	172,553	118,899	82,458	**49,434**	**484,647**
Depreciation and Amortization	277,257	289,602	269,020	197,880	**132,401**	**1,298,049**
R&D Expenditures	166,507	173,983	154,798	137,936	**132,124**	**1,295,333**

	Yen					U.S. Dollars
Per Share of Common Stock						
Net income (loss)	¥ 4.00	¥ 17.63	¥ (341.78)	¥ (489.83)	**¥ 8.09**	**$ 0.08**
Diluted net income	3.78	16.47	—	—	**7.87**	**0.08**
Cash dividends	17.00	17.00	10.00	0.00	**0.00**	**0.00**
Net assets	949.19	932.46	568.83	106.90	**115.43**	**1.13**
Other Financial Data						
Return on equity (ROE)	0.4%	1.9%	(45.5%)	(145.3%)	**7.2%**	—
Return on assets (ROA)	0.2%	0.7%	(13.7%)	(23.2%)	**0.5%**	—
Equity ratio	36.8%	35.6%	23.9%	6.0%	**8.9%**	—

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

	Yen (millions)					U.S. Dollars (thousands)
	2010	2011	2012	2013	**2014**	**2014**
Net Sales	¥ 2,755,948	¥ 3,021,973	¥ 2,455,850	¥ 2,478,586	**¥ 2,927,186**	**$ 28,697,902**
Sales by Product Group*2 (Sales to Outside Customers)						
Audio-Visual and Communication Equipment	1,332,129	1,426,243	1,060,770	732,017	—	—
Health and Environmental Equipment	244,090	269,845	292,224	309,613	—	—
Information Equipment	266,920	273,900	277,561	296,787	—	—
Consumer/Information Products	1,843,139	1,969,988	1,630,555	1,338,417	—	—
LCDs	508,630	614,373	420,226	650,847	—	—
Solar Cells	208,732	265,492	223,869	259,895	—	—
Other Electronic Devices	195,447	172,120	181,200	229,427	—	—
Electronic Components	912,809	1,051,985	825,295	1,140,169	—	—
Total	2,755,948	3,021,973	2,455,850	2,478,586	—	—
Digital Information Equipment	—	—	—	732,017	**733,317**	**7,189,383**
Health and Environmental Equipment	—	—	—	309,613	**326,896**	**3,204,863**
Solar Cells	—	—	—	259,895	**439,028**	**4,304,196**
Business Solutions	—	—	—	296,787	**318,856**	**3,126,039**
Product Business	—	—	—	1,598,312	**1,818,097**	**17,824,481**
LCDs	—	—	—	650,847	**814,718**	**7,987,431**
Electronic Devices	—	—	—	229,427	**294,371**	**2,885,990**
Device Business	—	—	—	880,274	**1,109,089**	**10,873,421**
Total	—	—	—	2,478,586	**2,927,186**	**28,697,902**
Sales by Region						
Japan	1,429,057	1,592,909	1,181,168	1,007,264	**1,150,091**	**11,275,402**
The Americas	283,641	302,021	288,380	355,288	**468,473**	**4,592,873**
Europe	336,642	367,962	282,606	174,381	**144,804**	**1,419,647**
China	422,881	516,977	483,298	667,933	**925,348**	**9,072,039**
Other	283,727	242,104	220,398	273,720	**238,470**	**2,337,941**
Total	2,755,948	3,021,973	2,455,850	2,478,586	**2,927,186**	**28,697,902**

*2 Effective for the year ended March 31, 2014, the segment classification has been changed. In this regard, Sales by Product Group for the year ended March 31, 2013, has been restated based on a new classification.

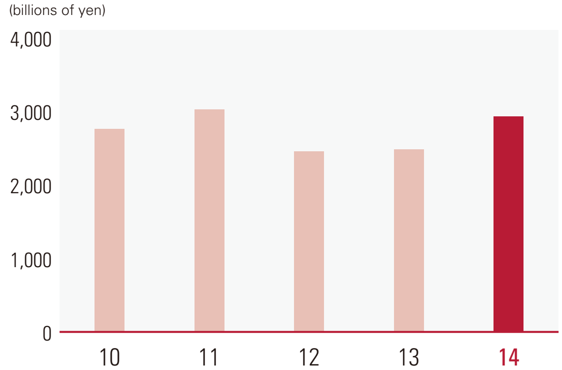
Financial Review

Sharp Corporation and Consolidated Subsidiaries

Operations

Consolidated net sales for the year ended March 31, 2014 amounted to ¥2,927,186 million, up 18.1% from the previous year.

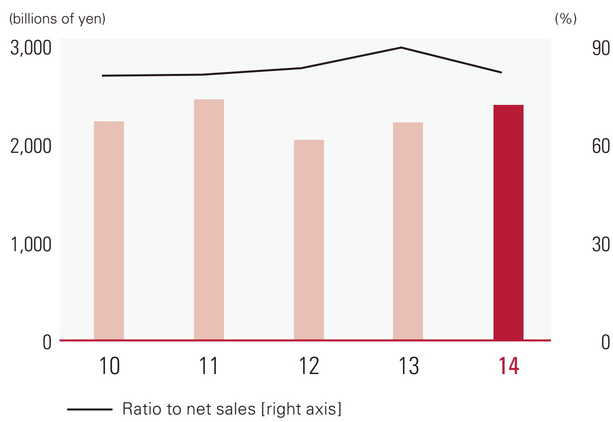
Net Sales



Financial Results

Cost of sales increased by ¥178,341 million to ¥2,396,344 million, but the cost of sales ratio declined from 89.5% to 81.9%.

Cost of Sales



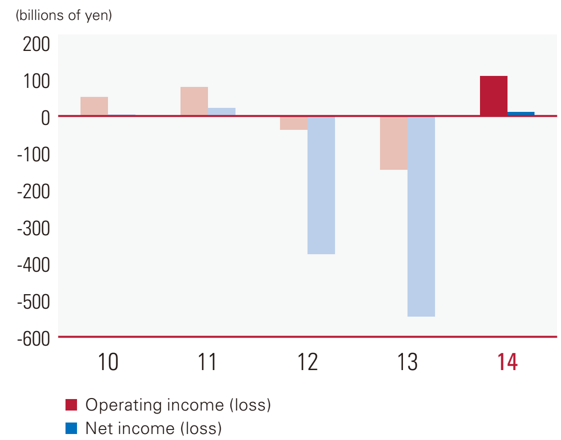
Selling, general and administrative (SG&A) expenses rose ¥15,433 million to ¥422,282 million, but the ratio of SG&A expenses against net sales fell from 16.4% to 14.4%, compared with the previous year. SG&A expenses included R&D expenditures of ¥33,295 million and employees' salaries and other benefits expenses of ¥119,593 million.

As a result, operating income amounted to ¥108,560 million, compared with an operating loss of ¥146,266 million in the previous year.

Other expenses, net of other income, resulted in a net loss position and amounted to ¥62,590 million.

Accordingly, income before income taxes and minority interests totaled ¥45,970 million, compared with the loss of ¥466,187 million in the previous year, and net income was ¥11,559 million, up from a net loss of ¥545,347 million in the previous year. Net income per share of common stock was ¥8.09.

Operating Income (Loss)/Net Income (Loss)

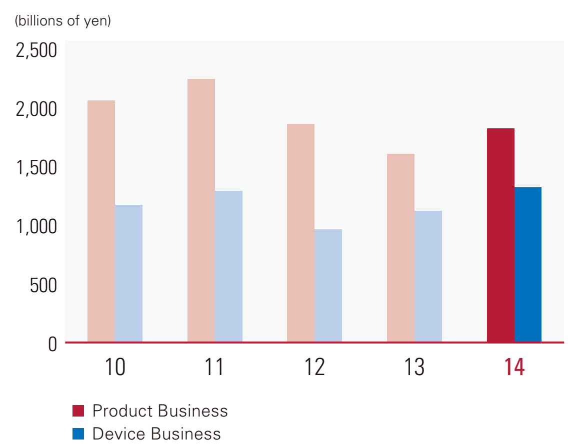


Segment Information

Sales in the Product Business segment increased by 13.7% to ¥1,818,168 million, and the operating income jumped 129.4% to ¥96,802 million from the previous year.

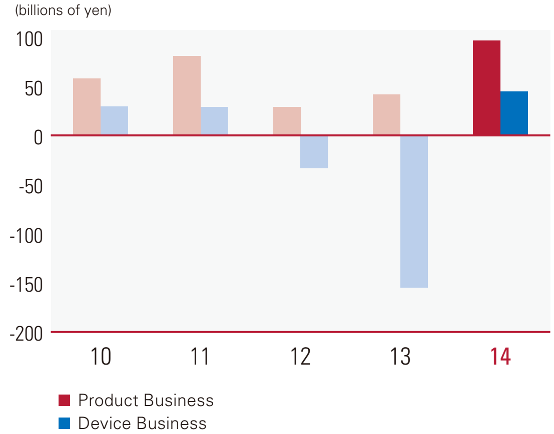
Sales in the Device Business segment increased by 17.9% to ¥1,317,467 million, and the operating income was ¥44,853 million, compared with an operating loss of ¥154,510 million in the previous year.

Sales



Operating Income (Loss)

(billions of yen)



[Reference Information]

Information by Product Group

Product Business

Digital Information Equipment

In this product group, sales edged up 0.1% to ¥733,361 million, and operating income totaled ¥12,840 million, up from an operating loss of ¥9,858 million in the previous year.

Although demand was weak in the Americas and Europe, sales of LCD TVs increased year on year, buoyed by growth in Japan, China, emerging countries and elsewhere. Sales of mobile phones declined due to severe competition with overseas manufacturers.

Health and Environmental Equipment

Sales in this group grew by 5.6% to ¥326,890 million, owing mainly to healthy sales of air conditioners and refrigerators in Japan and air purifiers in China. Operating income declined by 34.7% to ¥21,018 million.

Solar Cells

Sales in this group jumped by 68.9% to ¥439,040 million, due mainly to an increase in domestic sales for residential use as well as industrial use, including for mega-solar power generation projects. Operating income totaled ¥32,400 million, compared with an operating loss of ¥4,497 million in the previous year.

Business Solutions

Sales in this group climbed by 7.4% to ¥318,877 million, thanks to robust sales of monochrome MFPs overseas and growth in sales of information displays in Japan and the United States. Operating income rose 25.5% to ¥30,544 million.

Device Business

LCDs

Sales in this group rose 17.0% to ¥991,074 million. This was due mainly to increased sales of small- and medium-size LCDs for smartphones and tablet terminals as well as healthy sales of large-size LCDs. Operating income totaled ¥41,588 million, compared with an operating loss of ¥138,991 million in the previous year.

Sales by Product Group

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Digital Information Equipment	¥ 1,061,082	¥ 732,645	**¥ 733,361**	**$ 7,189,814**
Health and Environmental Equipment	292,297	309,664	**326,890**	**3,204,804**
Solar Cells	223,878	259,903	**439,040**	**4,304,314**
Business Solutions	277,594	296,993	**318,877**	**3,126,245**
Product Business	1,854,851	1,599,205	**1,818,168**	**17,825,177**
LCDs	721,042	846,879	**991,074**	**9,716,412**
Electronic Devices	238,147	270,666	**326,393**	**3,199,931**
Device Business	959,189	1,117,545	**1,317,467**	**12,916,343**
Adjustments	(358,190)	(238,164)	**(208,449)**	**(2,043,618)**
Total	2,455,850	2,478,586	**2,927,186**	**28,697,902**

Electronic Devices

Sales in this group increased by 20.6% from the previous year to ¥326,393 million, thanks mainly to increased sales of various sensors such as camera modules and proximity sensors for smartphones. Operating income amounted to ¥3,265 million, compared with an operating loss of ¥15,519 million in the previous year.

Capital Investment and Depreciation

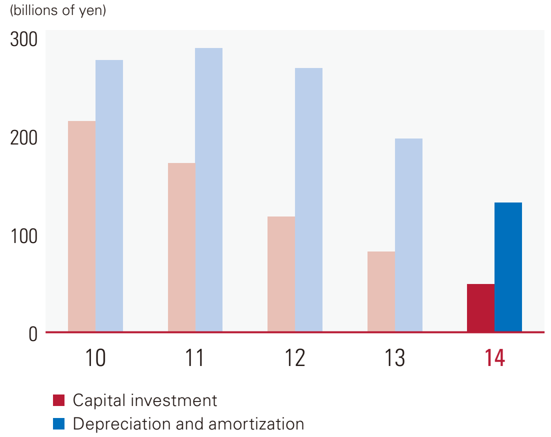
Capital investment totaled ¥49,434 million, down 40.0% from the previous year. Much of this investment was allocated to expansion and improvement of production lines for small- and medium-size LCDs, in order to meet flourishing demand for LCDs for mobile devices such as smartphones and tablet terminals.

By business segment, capital investment was ¥21,262 million for the Product Business and ¥25,822 million for the Device Business. Unallocated capital investment amounted to ¥2,350 million.

Depreciation and amortization declined by 33.1% to ¥132,401 million.

Capital Investment/ Depreciation and Amortization

(billions of yen)



Assets, Liabilities and Net Assets

Total assets amounted to ¥2,181,680 million, up ¥93,917 million from the end of the previous year.

Assets

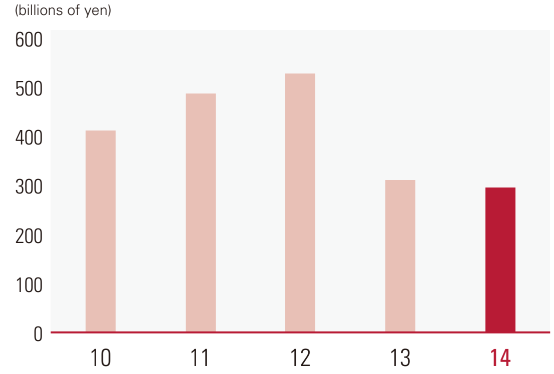
Current assets amounted to ¥1,374,244 million, up ¥152,409 million. This was due mainly to a ¥162,768 million increase in cash and cash equivalents. Inventories declined by ¥15,583 million to ¥295,126 million. Included in inventories, finished products increased ¥3,087 million to ¥160,460 million; work in process declined ¥14,295 million to ¥76,136 million; and raw materials and supplies were down ¥4,375 million to ¥58,530 million.

Property, plant and equipment, at cost, declined by ¥43,998 million to ¥519,701 million since the end of the previous year.

Investments and other assets amounted to ¥287,735 million, down ¥14,494 million. This was due mainly to a decrease in other assets, which outweighed an increase in investments in securities.

Inventories

(billions of yen)



Liabilities

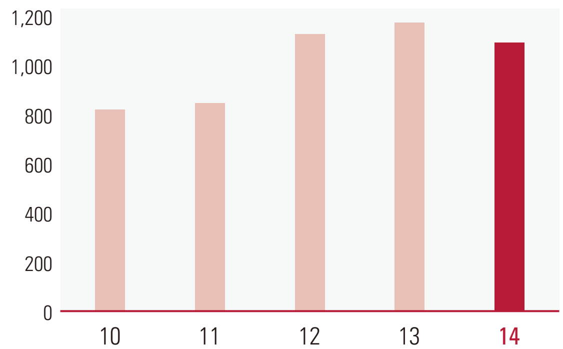
Current liabilities declined by ¥115,908 million to ¥1,551,625 million from the previous year. Short-term borrowings fell ¥130,915 million to ¥793,198 million. This stemmed from a ¥147,189 million decline in current portion of long-term debt to ¥166,670 million, which was partially offset by a ¥16,274 million increase in bank loans to ¥626,528 million. Notes and accounts payable increased by ¥4,289 million to ¥409,913 million.

Long-term liabilities rose ¥137,489 million to ¥422,882 million. This was due mainly to a ¥50,011 million increase in long-term debt and recording of net defined benefit liability of ¥101,383 million.

Interest-bearing debt at the year-end stood at ¥1,093,519 million, down ¥80,904 million from the previous year.

Interest-Bearing Debt

(billions of yen)

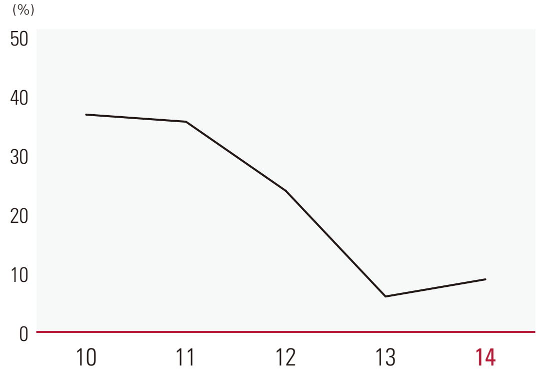


Net Assets

Net assets amounted to ¥207,173 million, an increase of ¥72,336 million, although remeasurements of defined benefit plans were recorded. This was due mainly to new share issuances through a public offering and third-party allotments. The equity ratio was 8.9%.

Equity Ratio

(%)



Cash Flows

Cash and cash equivalents at the end of the fiscal year stood at ¥350,634 million, up ¥162,768 million from the previous year, as combined cash inflows from operating and financing activities exceeded cash outflows from investing activities.

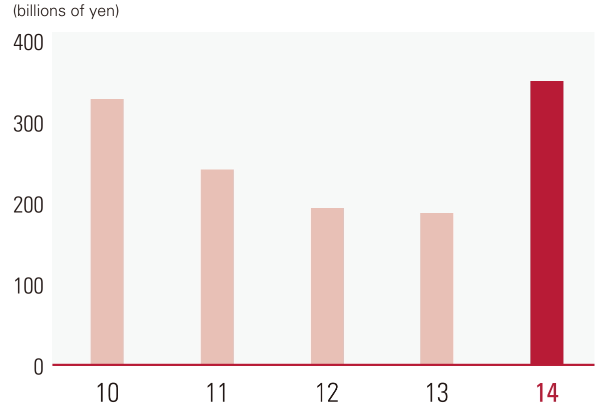
Net cash provided by operating activities amounted to ¥198,984 million, compared with ¥81,075 million in net cash used in such activities in the previous year. The main reason for this turnaround was the posting of income before income taxes and minority interests following a loss before income taxes and minority interests in the previous year. By contrast, the decrease in inventories was ¥201,810 million lower than the previous year.

Net cash used in investing activities totaled ¥84,940 million, compared with ¥7,110 million in net cash provided by such activities in the previous year. The main factors included a ¥20,885 million year-on-year increase in payments into time deposits, a ¥23,393 million increase in purchase of investment securities and investments in nonconsolidated subsidiaries and affiliates, and the absence of proceeds from sales of stocks of subsidiaries and affiliates resulting in change in scope of consolidation, which amounted to ¥65,143 million in the previous year. By contrast, there was a ¥15,752 million year-on-year decline in purchase of property, plant and equipment.

Net cash provided by financing activities was ¥32,753 million, down ¥18,884 million from the previous year. The main factors included a ¥238,141 million increase in repayments of long-term debt and an ¥83,223 million year-on-year decline in net increase in short-term borrowings, which contrasted with a ¥159,025 million increase in proceeds from long-term debt and a ¥127,445 million increase in proceeds from issuance of common stock.

Cash and Cash Equivalents

(billions of yen)



Notes: 1. Effective for the year ended March 31, 2014, the Company has changed its segment classification. Figures for the previous years have been adjusted to reflect the new classification.
2. Sales figures by segment and product group shown in “Segment Information” include internal sales between segments (Consumer/Information Products and Electronic Components). Operating income (loss) 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, 2012, 2013 and 2014

	Yen (millions)			U.S. Dollars (thousands)
ASSETS	2012	2013	2014	2014
Current Assets:				
Cash and cash equivalents (Note 7)	¥ 193,772	¥ 187,866	¥ 350,634	$ 3,437,588
Time deposits (Note 7)	1,341	74	20,768	203,608
Restricted cash (Note 7)	212	4,001	8,194	80,333
Notes and accounts receivable (Note 7) —				
Trade	368,561	416,107	423,552	4,152,471
Other	76,730	122,499	130,538	1,279,784
Nonconsolidated subsidiaries and affiliates	12,164	24,882	20,612	202,078
Allowance for doubtful receivables	(4,407)	(5,259)	(5,850)	(57,353)
Inventories (Note 3)	527,483	310,709	295,126	2,893,392
Deferred tax assets (Note 4)	90,394	19,369	23,733	232,676
Other current assets	154,875	141,587	106,937	1,048,403
Total current assets	1,421,125	1,221,835	1,374,244	13,472,980
Property, Plant and Equipment, at Cost (Note 6):				
Land	98,840	94,448	92,784	909,647
Buildings and structures	841,205	713,657	718,606	7,045,157
Machinery, equipment, vehicles and others	2,030,081	1,726,978	1,719,244	16,855,333
Construction in progress	81,245	22,874	21,415	209,951
	3,051,371	2,557,957	2,552,049	25,020,088
Less accumulated depreciation	(2,178,929)	(1,994,258)	(2,032,348)	(19,924,980)
	872,442	563,699	519,701	5,095,108
Investments and Other Assets:				
Goodwill	23,129	21,064	11,103	108,853
Investments in securities (Notes 2 and 7)	58,859	49,666	61,593	603,853
Investments in nonconsolidated subsidiaries and affiliates (Note 7)	40,547	106,790	112,418	1,102,137
Bond issue cost	1,458	610	137	1,343
Other assets	196,575	124,099	102,484	1,004,746
	320,568	302,229	287,735	2,820,932
	¥ 2,614,135	¥ 2,087,763	¥ 2,181,680	$ 21,389,020

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

Financial Section

LIABILITIES AND NET ASSETS	Yen (millions) 2012	2013	2014	U.S. Dollars (thousands) 2014
Current Liabilities:				
Short-term borrowings, including current portion of long-term debt (Notes 5 and 7)	¥ 597,997	¥ 924,113	**¥ 793,198**	**$ 7,776,451**
Notes and accounts payable (Note 7) —				
Trade	384,322	341,351	**347,175**	**3,403,676**
Construction and other	47,804	40,616	**35,892**	**351,882**
Nonconsolidated subsidiaries and affiliates	4,447	23,657	**26,846**	**263,196**
Accrued expenses	195,506	240,394	**235,203**	**2,305,912**
Income taxes (Note 4)	5,963	6,206	**22,056**	**216,235**
Other current liabilities (Note 4)	155,041	91,196	**91,255**	**894,658**
Total current liabilities	1,391,080	1,667,533	**1,551,625**	**15,212,010**
Long-term Liabilities:				
Long-term debt (Notes 5 and 7)	529,160	250,310	**300,321**	**2,944,324**
Allowance for severance and pension benefits (Note 11)	6,000	6,501	**—**	**—**
Net defined benefit liability (Note 11)	—	—	**101,383**	**993,951**
Deferred tax liabilities (Note 4)	29,304	14,044	**10,904**	**106,902**
Other long-term liabilities	13,471	14,538	**10,274**	**100,725**
	577,935	285,393	**422,882**	**4,145,902**
Contingent Liabilities (Note 10)				
Net Assets (Note 8):				
Common stock:				
Authorized — 2,500,000 thousand shares				
Issued — 1,110,699 thousand shares in 2012, 1,176,623 thousand shares in 2013, and 1,701,214 thousand shares in 2014	204,676	212,337	**121,885**	**1,194,951**
Capital surplus	268,528	276,179	**95,950**	**940,686**
Retained earnings (accumulated deficits)	259,937	(290,912)	**135,096**	**1,324,471**
Less cost of treasury stock:				
10,375 thousand shares, 10,399 thousand shares and 10,449 thousand shares in 2012, 2013 and 2014	(13,876)	(13,872)	**(13,889)**	**(136,167)**
Net unrealized holding gains (losses) on securities	5,610	6,062	**6,851**	**67,167**
Deferred gains (losses) on hedges	(5,749)	(25)	**(160)**	**(1,569)**
Foreign currency translation adjustments	(90,305)	(61,467)	**(41,206)**	**(403,980)**
Pension liability adjustment of foreign subsidiaries	(2,927)	(3,631)	**—**	**—**
Remeasurements of defined benefit plans	—	—	**(109,367)**	**(1,072,226)**
Minority interests	19,226	10,166	**12,013**	**117,775**
Total net assets	645,120	134,837	**207,173**	**2,031,108**
	¥ 2,614,135	¥ 2,087,763	**¥ 2,181,680**	**$ 21,389,020**

Consolidated Statements of Operations

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2012, 2013 and 2014

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Net Sales	¥ 2,455,850	¥ 2,478,586	**¥ 2,927,186**	**$ 28,697,902**
Cost of Sales	2,043,842	2,218,003	**2,396,344**	**23,493,569**
Gross profit	412,008	260,583	**530,842**	**5,204,333**
Selling, General and Administrative Expenses	449,560	406,849	**422,282**	**4,140,019**
Operating income (loss)	(37,552)	(146,266)	**108,560**	**1,064,314**
Other Income (Expenses):				
Interest and dividends income	2,730	2,278	**2,388**	**23,412**
Interest expenses	(8,646)	(13,170)	**(20,726)**	**(203,196)**
Subsidy income	10,000	—	**—**	**—**
Impairment loss (Note 13)	(6,656)	(47,396)	**(11,770)**	**(115,392)**
Loss on valuation of investment securities	—	(3,782)	**(2,162)**	**(21,196)**
Loss on sales of stocks of subsidiaries and affiliates	—	(3,583)	**—**	**—**
Loss on quality compensation	(11,500)	—	**—**	**—**
Loss on suspension of large size LCD plant operation (Note 14)	(25,887)	—	**—**	**—**
Restructuring charges (Note 15)	(117,110)	(143,397)	**—**	**—**
Settlement package	(18,857)	(17,899)	**(67)**	**(657)**
Provision for loss on litigation	—	(32,321)	**(1,135)**	**(11,128)**
Loss on charge in equity	—	(705)	**—**	**—**
Other, net	(24,951)	(59,946)	**(29,118)**	**(285,471)**
	(200,877)	(319,921)	**(62,590)**	**(613,628)**
Income (loss) before income taxes and minority interests	(238,429)	(466,187)	**45,970**	**450,686**
Income Taxes (Note 4):				
Current	19,617	17,607	**38,962**	**381,980**
Deferred	115,523	59,972	**(5,980)**	**(58,627)**
	135,140	77,579	**32,982**	**323,353**
Income (loss) before minority interests	(373,569)	(543,766)	**12,988**	**127,333**
Minority Interests in Income of Consolidated Subsidiaries	(2,507)	(1,581)	**(1,429)**	**(14,010)**
Net income (loss)	¥ (376,076)	¥ (545,347)	**¥ 11,559**	**$ 113,323**

	Yen			U.S. Dollars
	2012	2013	**2014**	**2014**
Per Share of Common Stock (Note 8):				
Net income (loss)	¥ (341.78)	¥ (489.83)	**¥ 8.09**	**$ 0.08**
Diluted net income	—	—	**7.87**	**0.08**
Cash dividends	10.00	0.00	**0.00**	**0.00**

The accompanying notes to the consolidated financial statements are an integral part of these statements.
Diluted net loss per share computation for the years ended March 31, 2012 and 2013 are not presented since net loss were recorded.

Consolidated Statements of Comprehensive Income

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2012, 2013 and 2014

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Income (Loss) before Minority Interests	¥ (373,569)	¥ (543,766)	¥ 12,988	$ 127,333
Other Comprehensive Income:				
Net unrealized holding gains (losses) on securities	(515)	451	787	7,716
Deferred gains (losses) on hedges	(4,725)	5,915	(364)	(3,569)
Foreign currency translation adjustments	(5,137)	30,150	21,178	207,627
Pension liability adjustment of foreign subsidiaries	(1,112)	(703)	298	2,922
Share of other comprehensive income of affiliates accounted for using equity method	178	75	409	4,010
Total Other Comprehensive Income	(11,311)	35,888	22,308	218,706
Comprehensive Income	(384,880)	(507,878)	35,296	346,039
Comprehensive income attributable to:				
Owners of the parent	(387,418)	(511,037)	32,772	321,294
Minority interests	2,538	3,159	2,524	24,745

Consolidated Statements of Changes in Net Assets

Sharp Corporation and Consolidated Subsidiaries for the Years Ended March 31, 2012, 2013, and 2014

	(thousands)	Yen (millions)									
	Number of Shares	Common stock (Note 8)	Capital surplus (Note 8)	Retained earnings (accumulated deficits) (Note 8)	Treasury stock	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Pension liability adjustment of foreign subsidiaries	Minority interests	Total
Balance at beginning of fiscal 2012	1,110,699	¥ 204,676	¥ 268,530	¥ 648,935	¥ (13,863)	¥ 5,915	¥ (1,028)	¥ (85,317)	¥ (1,815)	¥ 22,612	¥ 1,048,645
Net loss				(376,076)							(376,076)
Dividends from surplus				(13,204)							(13,204)
Change of scope of consolidation				113							113
Change of scope of equity method				169							169
Purchase of treasury stock					(18)						(18)
Disposal of treasury stock			(2)		5						3
Net changes of items other than shareholders' equity						(305)	(4,721)	(4,988)	(1,112)	(3,386)	(14,512)
Balance at end of fiscal 2012	1,110,699	¥ 204,676	¥ 268,528	¥ 259,937	¥ (13,876)	¥ 5,610	¥ (5,749)	¥ (90,305)	¥ (2,927)	¥ 19,226	¥ 645,120

	(thousands)	Yen (millions)									
	Number of Shares	Common stock (Note 8)	Capital surplus (Note 8)	Retained earnings (accumulated deficits) (Note 8)	Treasury stock	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Pension liability adjustment of foreign subsidiaries	Minority interests	Total
Balance at beginning of fiscal 2013	1,110,699	¥ 204,676	¥ 268,528	¥ 259,937	¥ (13,876)	¥ 5,610	¥ (5,749)	¥ (90,305)	¥ (2,927)	¥ 19,226	¥ 645,120
Net loss				(545,347)							(545,347)
Dividends from surplus				(5,502)							(5,502)
Issuance of new shares	65,924	7,661	7,661								15,322
Purchase of treasury stock					(10)						(10)
Disposal of treasury stock			(10)		14						4
Net changes of items other than shareholders' equity						452	5,724	28,838	(704)	(9,060)	25,250
Balance at end of fiscal 2013	1,176,623	¥ 212,337	¥ 276,179	¥ (290,912)	¥ (13,872)	¥ 6,062	¥ (25)	¥ (61,467)	¥ (3,631)	¥ 10,166	¥ 134,837

	(thousands)	Yen (millions)										
	Number of Shares	Common stock (Note 8)	Capital surplus (Note 8)	Retained earnings (accumulated deficits) (Note 8)	Treasury stock	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Pension liability adjustment of foreign subsidiaries	Remeasurements of defined benefit plans	Minority interests	Total
Balance at beginning of fiscal 2014	1,176,623	¥ 212,337	¥ 276,179	¥ (290,912)	¥ (13,872)	¥ 6,062	¥ (25)	¥ (61,467)	¥ (3,631)	¥ —	¥ 10,166	¥ 134,837
Net income				11,559								11,559
Issuance of new shares	524,591	71,885	71,885									143,770
Transfer to capital surplus from common stock		(162,337)	162,337									—
Deficit disposition			(414,449)	414,449								—
Purchase of treasury stock					(19)							(19)
Disposal of treasury stock			(2)		2							0
Net changes of items other than shareholders' equity						789	(135)	20,261	3,631	(109,367)	1,847	(82,974)
Balance at end of fiscal 2014	1,701,214	¥ 121,885	¥ 95,950	¥ 135,096	¥ (13,889)	¥ 6,851	¥ (160)	¥ (41,206)	¥ —	¥ (109,367)	¥ 12,013	¥ 207,173

	(thousands)	U.S. Dollars (thousands)										
	Number of Shares	Common stock (Note 8)	Capital surplus (Note 8)	Retained earnings (accumulated deficits) (Note 8)	Treasury stock	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Pension liability adjustment of foreign subsidiaries	Remeasurements of defined benefit plans	Minority interests	Total
Balance at beginning of fiscal 2014	1,176,623	$ 2,081,735	$ 2,707,637	$ (2,852,078)	$ (136,000)	$ 59,431	$ (245)	$ (602,618)	$ (35,598)	$ —	$ 99,667	$ 1,321,931
Net income				113,324								113,324
Issuance of new shares	524,591	704,755	704,755									1,409,510
Transfer to capital surplus from common stock		(1,591,539)	1,591,539									—
Deficit disposition			(4,063,225)	4,063,225								—
Purchase of treasury stock					(186)							(186)
Disposal of treasury stock			(20)		20							0
Net changes of items other than shareholders' equity						7,735	(1,324)	198,637	35,598	(1,072,225)	18,108	(813,471)
Balance at end of fiscal 2014	1,701,214	$ 1,194,951	$ 940,686	$ 1,324,471	$ (136,166)	$ 67,166	$ (1,569)	$ (403,981)	$ —	$ (1,072,225)	$ 117,775	$ 2,031,108

The accompanying notes to the 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, 2012, 2013 and 2014

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Cash Flows from Operating Activities:				
Income (loss) before income taxes and minority interests	¥ (238,429)	¥ (466,187)	¥ 45,970	$ 450,686
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities —				
Depreciation and amortization of properties and intangibles	248,425	177,765	123,776	1,213,490
Interest and dividends income	(2,730)	(2,278)	(2,388)	(23,412)
Interest expenses	8,646	13,170	20,726	203,196
Foreign exchange gains	(1,268)	(1,684)	(1,469)	(14,402)
Loss on sales and retirement of noncurrent assets	5,950	15,612	1,621	15,892
Subsidy income	(10,000)	—	—	—
Impairment loss	6,656	78,922	11,770	115,392
Loss on valuation of investment securities	—	3,782	2,162	21,196
Loss on sales of stocks of subsidiaries and affiliates	—	3,583	—	—
Loss on quality compensation	11,500	—	—	—
Special extra retirement payments	—	25,496	—	—
Settlement package	18,857	17,899	67	657
Provision for loss on litigation	—	32,321	1,135	11,128
Decrease (increase) in notes and accounts receivable	149,905	(41,176)	25,577	250,755
Decrease (increase) in inventories	(48,686)	228,510	26,700	261,765
Decrease in payables	(147,162)	(89,765)	(15,840)	(155,294)
Other, net	(89,976)	(19,721)	11,043	108,265
Total	(88,312)	(23,751)	250,850	2,459,314
Interest and dividends income received	3,169	2,656	2,981	29,226
Interest expenses paid	(8,572)	(13,028)	(20,845)	(204,363)
Subsidy income received	—	10,000	—	—
Special extra retirement payments paid	—	(25,289)	(201)	(1,971)
Settlement package paid	(18,622)	(16,894)	(13,712)	(134,431)
Income taxes paid	(30,965)	(14,769)	(20,089)	(196,951)
Net cash provided by (used in) operating activities	(143,302)	(81,075)	198,984	1,950,824
Cash Flows from Investing Activities:				
Payments into time deposits	(603)	(101)	(20,986)	(205,745)
Proceeds from withdrawal of time deposits	443	718	34	334
Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation	(4,405)	(366)	(1,898)	(18,608)
Proceeds from sales of stocks of subsidiaries and affiliates resulting in change in scope of consolidation	—	65,143	—	—
Purchase of property, plant and equipment	(118,168)	(61,459)	(45,707)	(448,108)
Proceeds from sales of property, plant and equipment	2,547	21,826	8,920	87,451
Purchase of investment securities and investments in nonconsolidated subsidiaries and affiliates	(3,326)	(1,935)	(25,328)	(248,314)
Proceeds from sales of investment securities and investments in nonconsolidated subsidiaries and affiliates	22	10,359	17,508	171,647
Other, net	(36,067)	(27,075)	(17,483)	(171,402)
Net cash (used in) provided by investing activities	(159,557)	7,110	(84,940)	(832,745)
Cash Flows from Financing Activities:				
Deposits of restricted cash	(131)	(5,080)	(25,117)	(246,245)
Proceeds from withdrawal of restricted cash	5,369	1,330	20,970	205,588
Net increase in short-term borrowings	305,595	85,413	2,190	21,471
Proceeds from long-term debt	13,286	23,417	182,442	1,788,647
Repayments of long-term debt	(53,462)	(51,338)	(289,479)	(2,838,029)
Proceeds from issuance of common stock	—	15,028	142,473	1,396,794
Cash dividends paid	(13,237)	(5,500)	(37)	(363)
Other, net	(1,039)	(11,633)	(689)	(6,755)
Net cash provided by financing activities	256,381	51,637	32,753	321,108
Effect of Exchange Rate Change on Cash and Cash Equivalents	(1,080)	16,418	15,971	156,578
Net Increase (Decrease) in Cash and Cash Equivalents	(47,558)	(5,910)	162,768	1,595,765
Cash and Cash Equivalents at Beginning of Year	241,110	193,772	187,866	1,841,823
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiary	220	4	—	—
Cash and Cash Equivalents at End of Year	¥ 193,772	¥ 187,866	¥ 350,634	$ 3,437,588

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

Notes to the 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") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law 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 application and disclosure requirements from 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"), and partially reflect the adjustments which are necessary to conform with Japanese GAAP.

The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosures) 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 Law. Certain supplementary information included in the Japanese language statutory consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014, which was ¥102 to U.S. $1.00. The translations should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 84 significant companies over which the Company has power of control through majority voting right or the existence of certain other conditions evidencing control by the Company. Investments in 1 nonconsolidated subsidiary and 23 affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for under the equity method.

In the elimination of investments in consolidated subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

Material intercompany balances, transactions and unrealized profits have been eliminated in consolidation.

(c) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at current rates at each balance sheet date, and the resulting translation gains or losses are charged to income.

Assets and liabilities are translated at current rates at each balance sheet date, net assets accounts are translated at historical rates, and revenues and expenses are translated at average rates prevailing during the year. The resulting foreign currency translation adjustments are shown as a separate component in net assets.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits on demand placed with banks and highly liquid investments with insignificant risk of changes in value which have maturities of three months or less when purchased.

(e) Investments in securities

Investments in securities consist principally of marketable and nonmarketable equity securities.

The Company and its domestic consolidated subsidiaries categorize those securities as "other securities," which, in principle, include all securities other than trading securities and held-to-maturity securities.

Other 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. Unrealized holding gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed principally using average cost.

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

If the fair market value of other securities declines significantly, such securities are stated at fair market value and the difference between the fair market value and the carrying amount is recognized as loss in the period of decline. If the net asset value of other securities with no available fair market values declines significantly, the securities are written down to the net asset value and charged to income. In these cases, the fair market value or the net asset value is carried forward to the next year.

(f) 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 an impairment is determined inventories impairment is computed using net realizable value). For overseas consolidated subsidiaries, inventories are measured at the lower of moving average cost and net realizable value.

(g) Depreciation and amortization

For the Company and its domestic consolidated subsidiaries, depreciation of plant and equipment other than lease assets is computed using the declining-balance method, except for machinery and equipment at the LCD plants in Mie and Kameyama and the buildings (excluding attached structures) acquired by the Company and its domestic consolidated subsidiaries on and after April 1, 1998; all of which are depreciated using the straight-line method over the estimated useful life of the asset. Properties at overseas consolidated subsidiaries are depreciated using the straight-line method.

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Amortization of intangible assets except for lease assets is computed using the straight-line method.

Software costs are included in other assets. 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 lease assets under finance leases that do not transfer ownership is computed using the straight-line method, using the lease period as the depreciable life and the residual value as zero. Lease payments are recognized as expenses for finance leases of the Company and its domestic consolidated subsidiaries that do not transfer ownership for which the starting date of the lease transaction is on and before March 31, 2008.

(h) Accrued bonuses

The Company and its domestic consolidated subsidiaries accrue estimated amounts of employees' bonuses based on the estimated amounts to be paid in the subsequent period.

(i) Provision for loss on litigation

Out of possible future loss on litigation, the Company and its domestic consolidated subsidiaries accrue estimated amounts for possible future loss on litigation in amounts considered necessary.

(j) Income taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(k) Retirement benefits

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.

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated to each service year based mainly on points.

Past service costs are amortized primarily using the straight-line method over the average of the estimated remaining service years (15 years) commencing with the current period. Actuarial gains and losses are primarily amortized using the straight-line method over the average of the estimated remaining service years (15 years) commencing with the following period.

(l) Research and development expenses

Research and development expenses are charged to income as incurred. The research and development expenses charged to income amounted to ¥154,798 million, ¥137,936 million and ¥132,124 million ($1,295,333 thousand) for the years ended March 31, 2012, 2013 and 2014, respectively.

(m) Derivative financial instruments

The Company and some of its consolidated subsidiaries use derivative financial instruments, including foreign exchange forward contracts in order to hedge the risk of fluctuations in foreign currency exchange rates associated with assets and liabilities denominated in foreign currencies.

All derivative financial instruments are stated at fair value and recorded on the balance sheets. The deferred method is used for recognizing gains or 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 on risk control. The risks of fluctuations in foreign currency exchange 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.

The credit risk of such derivatives is assessed as being low because the counterparties of these transactions have good credit ratings with financial institutions.

(n) Method and Period for Amortization of Goodwill

Goodwill for which the effective term is possible to be estimated is amortized evenly over the estimated terms, while the other is amortized evenly over 5 years. However, if the amount is minor, the entire amount is amortized during the period of occurrence.

(o) Changes in accounting policies

Effective from the year ended March 31, 2014, the Company adopted the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Statement No. 25 on May 17, 2012), except for paragraph 35 of the Standard and paragraph 67 of the Guidance. Under the new standard, plan assets are deducted from benefit obligations and the net amount is recognized as net defined benefit liability, and previously unrecognized actuarial gain/loss and unrecognized past services costs are recorded as net defined benefits liability.

In accordance with transitional accounting as stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits, the effect of the changes in accounting policies arising from initial application is recognized in remeasurements of defined benefit plans within accumulated other comprehensive income in the net asset section, as of March 31, 2014.

As a result, net defined benefit liability of ¥101,383 million was recorded and accumulated other comprehensive income decreased by ¥106,034 million as of March 31, 2014.

(p) Changes in accounting estimates

The Company and its domestic consolidated subsidiaries previously amortized actuarial gain/loss and past service costs on the severance and pension benefits over 16 years. Effective from the year ended March 31, 2014, the amortization period has been changed to 15 years because the average of the estimated remaining service years decreased.

This change had an immaterial impact on financial statements for the year ended March 31, 2014.

(q) Reclassifications

Certain account balances in the financial statements and accompanying footnotes for the years ended March 31, 2012 and 2013 have been reclassified to conform to the presentation for the fiscal year ended March 31, 2014.

2. Investments in Securities

The following is a summary of other securities with available fair market values as of March 31, 2012, 2013 and 2014:

	Yen (millions)			
				2014
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	**¥ 25,834**	**¥ 12,261**	**¥ (1,646)**	**¥ 36,449**
	¥ 25,834	**¥ 12,261**	**¥ (1,646)**	**¥ 36,449**

	U.S. Dollars (thousands)			
				2014
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	**$ 253,275**	**$ 120,206**	**$ (16,138)**	**$ 357,343**
	$ 253,275	**$ 120,206**	**$ (16,138)**	**$ 357,343**

	Yen (millions)			
				2013
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 34,880	¥ 12,075	¥ (2,661)	¥ 44,294
	¥ 34,880	¥ 12,075	¥ (2,661)	¥ 44,294

	Yen (millions)			
				2012
	Acquisition cost	Unrealized gains	Unrealized losses	Fair market value
Equity securities	¥ 39,715	¥ 15,428	¥ (6,735)	¥ 48,408
	¥ 39,715	¥ 15,428	¥ (6,735)	¥ 48,408

The proceeds from sales of other securities were ¥13 million, ¥4,358 million, and ¥12,590 million ($123,431 thousand) for the years ended March 31, 2012, 2013 and 2014, respectively. The gross realized gains on those sales were ¥8 million, ¥307 million and ¥3,542 million ($34,725 thousand), respectively. The gross realized losses on those sales were ¥0 million, ¥0 million and ¥376 million ($3,686 thousand), respectively.

3. Inventories

Inventories as of March 31, 2012, 2013 and 2014 were as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Finished products	¥ 194,220	¥ 157,373	**¥ 160,460**	**$ 1,573,137**
Work in process	264,577	90,431	**76,136**	**746,431**
Raw materials and supplies	68,686	62,905	**58,530**	**573,824**
	¥ 527,483	¥ 310,709	**¥ 295,126**	**$ 2,893,392**

For the years ended March 31, 2012, 2013, and 2014, the write-offs of the inventory are ¥98,147 million and ¥46,925 million and ¥(18,808) million ($(184,392) thousand), respectively.

4. 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 40.6% for the year ended March 31, 2012, and approximately 37.9% for the year ended March 31, 2013 and 2014.

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

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statements purposes for the year ended March 31, 2014:

	2012	2013	2014
Statutory tax rate	—	—	**37.9%**
Foreign withholding tax	—	—	**13.6**
Expenses not deductible for tax purposes	—	—	**10.4**
Income taxes for prior periods	—	—	**15.7**
Differences in normal tax rates of overseas subsidiaries	—	—	**(8.0)**
Other	—	—	**2.1**
Effective tax rate	—	—	**71.7%**

The differences between the statutory tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2012 and 2013 are not disclosed because loss before income taxes and minority interests were recorded.

Significant components of deferred tax assets and deferred tax liabilities as of March 31, 2012, 2013 and 2014 were as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Deferred tax assets:				
Inventories	¥ 70,797	¥ 73,924	**¥ 42,240**	**$ 414,118**
Accrued expenses	20,047	15,997	**19,165**	**187,892**
Accrued bonuses	8,372	4,310	**9,635**	**94,461**
Provision for loss on litigation	—	12,249	**7,691**	**75,402**
Net defined benefit liability	—	—	**35,463**	**347,676**
Buildings and structures	962	12,255	**11,712**	**114,824**
Machinery, equipment and vehicles	1,466	10,577	**7,986**	**78,294**
Software	17,113	14,961	**9,183**	**90,029**
Long-term prepaid expenses	14,104	21,914	**21,319**	**209,010**
Loss carried forward	161,893	247,570	**278,536**	**2,730,745**
Other	37,482	52,463	**51,266**	**502,608**
Gross deferred tax assets	332,236	466,220	**494,196**	**4,845,059**
Valuation allowance	(197,223)	(427,832)	**(448,022)**	**(4,392,373)**
Total deferred tax assets	135,013	38,388	**46,174**	**452,686**
Deferred tax liabilities:				
Retained earnings appropriated for tax allowable reserves	(42,445)	(3,258)	**(2,342)**	**(22,961)**
Net unrealized holding gains (losses) on securities	(3,087)	(3,339)	**(3,770)**	**(36,961)**
Other	(16,985)	(15,238)	**(11,156)**	**(109,372)**
Total deferred tax liabilities	(62,517)	(21,835)	**(17,268)**	**(169,294)**
Net deferred tax assets	¥ 72,496	¥ 16,553	**¥ 28,906**	**$ 283,392**

Net deferred tax assets as of March 31, 2012, 2013 and 2014 were included in the consolidated balance sheets as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Deferred tax assets (Current Assets)	¥ 90,394	¥ 19,369	¥ 23,733	$ 232,676
Other assets (Investments and Other Assets)	11,421	11,571	16,173	158,559
Other current liabilities	(15)	(343)	(96)	(941)
Deferred tax liabilities (Long-term Liabilities)	(29,304)	(14,044)	(10,904)	(106,902)
Net deferred tax assets	¥ 72,496	¥ 16,553	¥ 28,906	$ 283,392

According to the promulgation of "The Act for Partial Amendment of the Income Tax Act, etc," (Act No. 10 of 2014) on March 31, 2014, the special corporate tax for reconstruction is not imposed from the fiscal year which starts from April 1, 2014.

By this promulgation, the effective tax rate which the Company used for the calculation of deferred tax assets and deferred tax liabilities that are expected to be settled in FY2014 has been changed from 37.9% to 35.5%. This change had an immaterial impact on financial statements for the year ended March 31, 2014.

5. Short-term Borrowings and Long-term Debt

Short-term borrowings including current portion of long-term debt as of March 31, 2012, 2013 and 2014 consisted of the following:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Bank loans	¥ 199,085	¥ 610,254	¥ 626,528	$ 6,142,431
Commercial paper	351,000	—	—	—
Current portion of long-term debt	47,912	313,859	166,670	1,634,020
	¥ 597,997	¥ 924,113	¥ 793,198	$ 7,776,451

The weighted average interest rates of short-term borrowings as of March 31, 2012, 2013 and 2014 were 0.5%, 1.8% and 2.2%, respectively.

Long-term debt as of March 31, 2012, 2013 and 2014 consisted of the following:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
0.0%–9.1% loans principally from banks, due 2012 to 2031	¥ 126,188	¥ 137,774	**¥ 284,508**	**$ 2,789,294**
0.970% unsecured straight bonds, due 2012	20,000	—	**—**	**—**
1.423% unsecured straight bonds, due 2014	30,000	30,000	**—**	**—**
2.068% unsecured straight bonds, due 2019	10,000	10,000	**10,000**	**98,039**
0.846% unsecured straight bonds, due 2014	100,000	100,000	**100,000**	**980,392**
1.141% unsecured straight bonds, due 2016	20,000	20,000	**20,000**	**196,079**
1.604% unsecured straight bonds, due 2019	30,000	30,000	**30,000**	**294,118**
0.000% unsecured convertible bonds with subscription rights to shares, due 2013	201,068	200,354	**—**	**—**
0.250%–1.177% unsecured Euroyen notes issued by a consolidated subsidiary, due 2012 to 2013	6,996	5,000	**—**	**—**
0.500% unsecured Pound discount notes issued by a consolidated subsidiary, due 2012 to 2014	130	—	**340**	**3,333**
Lease obligations	32,690	31,041	**22,143**	**217,088**
	577,072	564,169	**466,991**	**4,578,343**
Less—Current portion included in short-term borrowings	(47,912)	(313,859)	**(166,670)**	**(1,634,019)**
	¥ 529,160	¥ 250,310	**¥ 300,321**	**$ 2,944,324**

The aggregate annual maturities of long-term debt as of March 31, 2014 were as follows:

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2016	¥ 180,546	$ 1,770,059
2017	35,464	347,687
2018	22,613	221,696
2019	30,645	300,441
2020 and thereafter	31,053	304,441
	¥ 300,321	$ 2,944,324

6. Leases

Finance leases

With regards to finance leases that do not transfer ownership and commenced on or before March 31, 2008, lease payments are recognized as expenses.

Information relating to finance leases that do not transfer ownership and commenced on or before March 31, 2008, as of, and for the years ended March 31, 2012, 2013 and 2014, were as follows:

As lessee

(1) Future minimum lease payments

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Future minimum lease payments:				
Due within one year	¥ 5,527	¥ 1,617	**¥ 331**	**$ 3,245**
Due after one year	2,036	436	**103**	**1,010**
	¥ 7,563	¥ 2,053	**¥ 434**	**$ 4,255**

(2) Lease payments, reversal of allowance for impairment loss on leased assets

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Lease payments	¥ 10,116	¥ 5,502	**¥ 1,540**	**$ 15,098**
Reversal of allowance for impairment loss on leased assets	512	—	**—**	**—**

Operating leases

(a) As lessee

Future minimum lease payments for only non-cancelable contracts as of March 31, 2012, 2013 and 2014 were as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Due within one year	¥ 31,444	¥ 6,812	**¥ 3,657**	**$ 35,853**
Due after one year	16,647	8,854	**8,361**	**81,971**
	¥ 48,091	¥ 15,666	**¥ 12,018**	**$ 117,824**

(b) As lessor

Future minimum lease receipts for only non-cancelable contracts as of March 31, 2012, 2013 and 2014 were as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Due within one year	¥ 1,777	¥ 1,583	**¥ 2,044**	**$ 20,039**
Due after one year	1,877	2,878	**2,963**	**29,049**
	¥ 3,654	¥ 4,461	**¥ 5,007**	**$ 49,088**

7. 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 has business relations globally and therefore are exposed to foreign currency risk. Notes and accounts payable (excluding other accounts payable) are payable 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 offsets foreign currency denominated notes and accounts receivable with notes and accounts payable, and uses forward exchange contracts to hedge foreign currency risk exposure.

Other securities are held for the long term to construct better business alliances and relations with Company customers and suppliers. Other securities are exposed to market price fluctuation risk. Long-term borrowings (included in long-term debt) and bonds (included in short-term borrowings and long-term debt) are mainly in preparation for capital investments. The longest redemption date for bonds is five and a half years after March 31, 2014.

Derivative transactions consist primarily of forward exchange contracts, and currency swap contracts are used to hedge foreign currency risk exposure. Interest swap contracts are used to hedge interest rate risk exposure. For hedging instruments, hedged items, hedging policies and assessment methods of effectiveness of hedging instruments, please see Note 1.

(3) Risk management of financial instruments

[1] 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 irrecoverable risks, due to deteriorating financial conditions or other factors at an early stage. The Company's consolidated subsidiaries also follow the same monitoring and administration process.

[2] Management of market risk

The Company decides basic policy 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 Unit of Corporate Management Group executes transactions and reports the result of such transactions to the Accounting and Control Unit of Corporate Management Group on a daily basis. The Accounting and Control Unit has set up a specialized section for transaction results and position management and reports the result of transactions to the Chief officer of Accounting and Cost Structural Reform, Corporate Management Group on a daily basis.

In addition, the Finance Unit reports the result of transactions to the Foreign Exchange Administration Committee and the Finance Administration Committee on a periodic 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 interest swap contracts and currency swap contracts, its consolidated subsidiaries execute transactions after the

Company approves.

For other securities and investments in capital, The Company regularly monitors prices and the issuer's financial position, and continually reviews the possession by taking these indices as well as the relationship with issuers into consideration.

[3] Management of liquidity risk in financing activities

The Finance Unit manages liquidity risk by making and updating financial plans based on reports from each section, and maintains 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 the active market, but in case a market price is not available, reasonably estimated prices are included in fair value. As variable factors are incorporated in the determination of this reasonably estimated price, it may vary depending on different assumptions. The contract amount related to derivative transactions has nothing to do with the market risk related to the derivative transactions.

(b) Fair values of financial instruments

The consolidated balance sheet amounts, fair values and differences between the two as of March 31, 2012, 2013 and 2014 are included in the tables below. Financial instruments of which fair values are considered to be too difficult to be estimated are not included in the tables. Refer to (Note 2) for the details of such financial instruments.

	Yen (millions)		
			2014
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and cash equivalents, Time deposits, and Restricted cash	¥ 379,596	¥ 379,596	¥ —
(2) Notes and accounts receivable	574,702	572,769	(1,933)
(3) Investments in securities			
1) Shares of nonconsolidated subsidiaries and affiliates	382	610	228
2) Other securities	36,449	36,449	—
Total Assets	991,129	989,424	(1,705)
(4) Notes and accounts payable (excluding other accounts payable)	374,470	374,470	—
(5) Bank loans and Current portion of long-term borrowings (included in short-term borrowings)	681,557	681,557	—
(6) Straight bonds (included in short-term borrowings and long-term debt)	160,340	154,520	(5,820)
(7) Long-term borrowings (included in long-term debt)	229,479	231,671	2,192
Total of Liabilities	1,445,846	1,442,218	(3,628)
(8) Derivative transactions*	310	(63)	(373)

	U.S. Dollars (thousands)		
			2014
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and cash equivalents, Time deposits, and Restricted cash	$ 3,721,529	$ 3,721,529	$ —
(2) Notes and accounts receivable	5,634,334	5,615,383	(18,951)
(3) Investments in securities			
1) Shares of nonconsolidated subsidiaries and affiliates	3,745	5,980	2,235
2) Other securities	357,343	357,343	—
Total Assets	9,716,951	9,700,235	(16,716)
(4) Notes and accounts payable (excluding other accounts payable)	3,671,275	3,671,275	—
(5) Bank loans and Current portion of long-term borrowings (included in short-term borrowings)	6,681,931	6,681,931	—
(6) Straight bonds (included in short-term borrowings and long-term debt)	1,571,961	1,514,902	(57,059)
(7) Long-term borrowings (included in long-term debt)	2,249,794	2,271,284	21,490
Total of Liabilities	14,174,961	14,139,392	(35,569)
(8) Derivative transactions*	3,039	(618)	(3,657)

	Yen (millions)		
			2013
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and cash equivalents, Time deposits, and Restricted cash	¥ 191,941	¥ 191,941	¥ —
(2) Notes and accounts receivable	563,488	559,611	(3,877)
(3) Investments in securities			
1) Shares of nonconsolidated subsidiaries and affiliates	1,419	1,433	14
2) Other securities	44,294	44,294	—
Total Assets	801,142	797,279	(3,863)
(4) Notes and accounts payable (excluding other accounts payable)	365,121	365,121	—
(5) Bank loans and Current portion of long-term borrowings (included in short-term borrowings)	674,941	674,941	—
(6) Straight bonds (included in short-term borrowings and long-term debt)	195,000	156,441	(38,559)
(7) Bonds with subscription rights to shares (included in long-term debt)	200,354	175,897	(24,457)
(8) Long-term borrowings (included in long-term debt)	73,087	73,749	662
Total of Liabilities	1,508,503	1,446,149	(62,354)
(9) Derivative transactions*	1,508	1,914	406

	Yen (millions)		
			2012
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Cash and cash equivalents, Time deposits, and Restricted cash	¥ 195,325	¥ 195,325	¥ —
(2) Notes and accounts receivable	457,455	450,568	(6,887)
(3) Investments in securities			
1) Shares of nonconsolidated subsidiaries and affiliates	3,357	2,101	(1,256)
2) Other securities	48,408	48,408	—
Total Assets	704,545	696,402	(8,143)
(4) Notes and accounts payable (excluding other accounts payable)	389,484	389,484	—
(5) Bank loans and Current portion of long-term borrowings (included in short-term borrowings)	212,321	212,321	—
(6) Straight bonds (included in short-term borrowings and long-term debt)	217,126	220,966	3,840
(7) Bonds with subscription rights to shares (included in long-term debt)	201,068	196,997	(4,071)
(8) Long-term borrowings (included in long-term debt)	112,952	115,055	2,103
Total of Liabilities	1,132,951	1,134,823	1,872
(9) Derivative transactions*	(6,881)	(8,051)	(1,170)

*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 cash equivalents, Time deposits, and Restricted cash
The fair value of time deposits and Restricted cash approximates their book value, due to their short maturity periods.

(2) Notes and accounts receivable
The fair value of notes and accounts receivable 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) Investments in securities
The fair value of investments in securities is based on average quoted market prices for the last month of the fiscal year.

(4) Notes and accounts payable (excluding other accounts payable)
The fair value of notes and accounts payable (excluding other accounts payable) approximates their book value due to their short maturity periods.

(5) Bank loans and current portion of long-term borrowings (included in short-term borrowings)
The fair value of bank loans and current portion of long-term borrowings approximates their book value due to their short maturity periods.

(6) Straight bonds (included in short-term borrowings and long-term debt)
The fair value of marketable straight bonds is determined by the over-the-counter market price.

(7) Long-term borrowings (included in long-term debt)
The fair value of long-term borrowings is determined by the total amount of the principal and interest using the rate which would apply if similar borrowings were newly made.

(8) Derivative transactions
The fair value of currency swap contracts and interest swap contracts is based on quoted prices from financial institutions. The fair value of forward exchange contracts are based on forward exchange rate.

(Note 2) Financial instruments of which fair values are considered to be too difficult to be estimated are unlisted stocks of ¥37,364 million as of March 31, 2012, ¥103,671 million as of March 31, 2013 and ¥110,308 million ($1,081,451 thousand) as of March 31, 2014 and other investments of ¥10,277 million as of March 31, 2012, ¥7,071 million as of March 31, 2013 and ¥26,871 million ($263,441 thousand) as of March 31, 2014. Since there are no quoted market prices and it is too difficult to estimate the fair values, they are not included in "(3)Investments in securities."

(Note 3) Maturity analysis for Cash and cash equivalents, Time deposits, and Restricted cash, and Notes and accounts

	Yen (millions)	
		2014
	Due in one year or less	Due after one year
Cash and cash equivalents, Time deposits, and Restricted cash	¥ 379,596	¥ —
Notes and accounts receivable	542,630	32,072
Total	¥ 922,226	¥ 32,072

	U.S. Dollars (thousands)	
		2014
	Due in one year or less	Due after one year
Cash and cash equivalents, Time deposits, and Restricted cash	$ 3,721,529	$ —
Notes and accounts receivable	5,319,902	314,432
Total	$ 9,041,431	$ 314,432

	Yen (millions)	
		2013
	Due in one year or less	Due after one year
Cash and cash equivalents, Time deposits, and Restricted cash	¥ 191,941	¥ —
Notes and accounts receivable	522,486	41,002
Total	¥ 714,427	¥ 41,002

	Yen (millions)	
		2012
	Due in one year or less	Due after one year
Cash and cash equivalents, Time deposits, and Restricted cash	¥ 195,325	¥ —
Notes and accounts receivable	408,715	48,740
Total	¥ 604,040	¥ 48,740

8. Net Assets and Per Share Data

Under the Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of legal earnings reserve and additional paid-in capital must be set aside as legal earnings reserve or additional paid-in capital. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

As of March 31, 2014, the total amount of legal earnings reserve and additional paid-in capital exceeded 25% of the common stock, therefore, no additional provision is required.

Legal earnings reserve and additional paid-in capital may not be distributed as dividends. By the resolution of shareholders' meeting, legal earnings reserve and additional paid-in capital may be transferred to other retained earnings and capital surplus, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law.

Year end cash dividends are approved by the shareholders after the end of each fiscal year, and semiannual interim cash dividends are declared by the Board of Directors after the end of each interim six-month period. Such dividends are payable to shareholders of record at the end of each fiscal year or interim six-month period. In accordance with the Law, final cash dividends and the related appropriations of retained earnings have not been reflected in the financial statements at the end of such fiscal year. However, cash dividends per share shown in the accompanying consolidated statements of operations reflect dividends applicable to the respective period.

At the annual shareholders' meeting held on June 25, 2014 a resolution of no dividend to shareholders of record as of March 31, 2014 was approved.

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each period.

9. Collateral Assets and Liabilities of the Collateral

Collateral asset and liabilities of the collateral as of March 31, 2012, 2013 and 2014 were as follows:

(1) Collateral Assets

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Time deposits	¥ —	¥ —	**¥ 21,600**	**$ 211,765**
Restricted cash	212	316	**952**	**9,333**
Notes and accounts receivable				
Trade	1,732	74,604	**78,638**	**770,961**
Nonconsolidated subsidiaries and affiliates	—	4,518	**1,400**	**13,725**
Inventories	1,249	188,868	**176,111**	**1,726,578**
Other current assets	—	19,212	**—**	**—**
Land	—	88,032	**86,704**	**850,039**
Buildings and structures	—	237,285	**223,152**	**2,187,765**
Machinery and equipment	—	40,290	**32,693**	**320,520**
Investments in securities	—	42,316	**33,591**	**329,324**
Investments in nonconsolidated subsidiaries and affiliates	7,798	2,684	**886**	**8,686**
Other assets	8,412	—	**—**	**—**
	¥ 19,403	¥ 698,125	**¥ 655,727**	**$ 6,428,696**

(2) Liabilities of the Collateral

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Short-term borrowings	¥ 1,275	¥ 333,183	**¥ 339,475**	**$ 3,328,186**
Long-term debt	2,378	2,613	**159,254**	**1,561,314**
	¥ 3,653	¥ 335,796	**¥ 498,729**	**$ 4,889,500**

As of March 31, 2014, time deposits of ¥19,799 million is pledged as collateral for opening a standby letter of credit. ¥7,798 million, ¥2,684 million, and ¥886 million ($8,686 thousand) investments in nonconsolidated subsidiaries and affiliates for the years ended March 31, 2012, 2013 and 2014, respectively, are pledged as collateral of ¥20,117 million, ¥20,393 million, and ¥18,796 million ($184,275 thousand) long-term borrowings of affiliates.

In addition, a part of the shares of the consolidated subsidiary, which is subject to elimination of intra-company transactions, is pledged as collateral of short-term borrowings.

10. Contingent Liabilities

As of March 31, 2012, 2013 and 2014, the Company and its consolidated subsidiaries had contingent liabilities as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Loans guaranteed	¥ 27,349	¥ 23,103	**¥ 19,874**	**$ 194,843**
Trade payables guaranteed	—	—	**150**	**1,471**
	¥ 27,349	¥ 23,103	**¥ 20,024**	**$ 196,314**

As of March 31, 2014, in relation to TFT-LCD business, the Company and some of its subsidiaries are currently subject to the investigations being conducted by the Directorate General for Competition of the European Commission etc., and civil lawsuits seeking monetary damages resulting from the alleged anticompetitive behavior have been filed against the Company and some of its subsidiaries in North America, etc.

11. Retirement Benefits

Allowance for severance and pension benefits of the Company and its domestic consolidated subsidiaries as of March 31, 2012 and 2013 consisted of the following:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Projected benefit obligation	¥ 348,986	¥ 329,085	¥ —	$ —
Less—fair value of plan assets	(268,758)	(224,509)	—	—
Less—unrecognized actuarial losses	(129,560)	(145,344)	—	—
Unrecognized past service costs	23,122	20,059	—	—
Prepaid pension cost	27,975	22,377	—	—
Allowance for severance and pension benefits	¥ 1,765	¥ 1,668	¥ —	$ —

In addition, allowances for severance and pension benefits of ¥4,235 million as of March 31 2012, and ¥4,833 million as of March 31, 2013, respectively, were provided by certain overseas consolidated subsidiaries.

Expenses for severance and pension benefits of the Company and its domestic consolidated subsidiaries for the years ended March 31, 2012 and 2013 consisted of the following:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Service costs	¥ 12,398	¥ 11,672	¥ —	$ —
Interest costs on projected benefit obligation	8,832	8,438	—	—
Expected return on plan assets	(10,458)	(7,951)	—	—
Actuarial losses	11,814	12,888	—	—
Past service costs	(3,017)	(3,015)	—	—
Expenses for severance and pension benefits	¥ 19,569	¥ 22,032	¥ —	$ —

In addition, for the year ended March 31, 2013, voluntary retirement of employees cost of ¥25,496 million was included in restructuring charges.

The discount rate used by the Company and its domestic consolidated subsidiaries for the years ended March 31, 2012 and 2013 was 2.5% and 1.5%, respectively.

The rate of expected return on plan assets used by the Company and its domestic consolidated subsidiaries for the years ended March 31, 2012 and 2013 was 3.7% and 3.1%, respectively.

Reconciliation of the defined benefit obligations of the Company and its consolidated subsidiaries as of March 31, 2014 consisted of the following:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Benefit obligation at beginning of year	¥ —	¥ —	¥ 367,680	$ 3,604,706
Service cost	—	—	12,489	122,441
Interest cost	—	—	6,712	65,804
Actuarial gains	—	—	(257)	(2,520)
Benefits paid	—	—	(16,418)	(160,961)
Other	—	—	2	20
Foreign currency exchange rate changes	—	—	5,516	54,079
Benefit obligation at end of year	¥ —	¥ —	¥ 375,724	$ 3,683,569

Reconciliation of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2014 consisted of the following:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Fair value of plan assets at beginning of year	¥ —	¥ —	¥ 253,542	$ 2,485,706
Expected return on plan assets	—	—	8,107	79,480
Actuarial gains	—	—	6,920	67,843
Employer contribution	—	—	17,067	167,324
Benefits paid	—	—	(16,103)	(157,873)
Other	—	—	(71)	(696)
Foreign currency exchange rate changes	—	—	4,879	47,834
Fair value of plan assets at end of year	¥ —	¥ —	¥ 274,341	$ 2,689,618

Reconciliation 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, 2014 consisted of the following:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Funded benefit obligation at end of year	¥ —	¥ —	¥ 370,832	$ 3,635,608
Fair value of plan assets at end of year	—	—	(274,341)	(2,689,618)
Funded status at the end of year	—	—	96,491	945,990
Unfunded benefit obligation at end of year	—	—	4,892	47,961
Total net defined liability (asset)	¥ —	¥ —	¥ 101,383	$ 993,951
Net defined benefit liability	—	—	101,383	993,951
Net defined benefit asset	—	—	—	—
Total net defined liability (asset)	¥ —	¥ —	¥ 101,383	$ 993,951

Expenses for net defined benefit liability of the Company and its consolidated subsidiaries for the year ended March 31, 2014 consisted of the following:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Service costs	¥ —	¥ —	¥ 12,489	$ 122,441
Interest costs	—	—	6,712	65,804
Expected return on plan assets	—	—	(8,107)	(79,480)
Amortization of actuarial loss	—	—	17,810	174,608
Amortization of past service cost	—	—	(3,512)	(34,431)
Other	—	—	(17)	(167)
Expenses for severance and pension benefits	¥ —	¥ —	¥ 25,375	$ 248,775

Amounts recognized in remeasurements of defined benefit plans (Accumulated other comprehensive income) as of March 31, 2014 before the effect of income taxes consisted of the following:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Past service costs	¥ —	¥ —	¥ (16,502)	$ (161,784)
Actuarial losses	—	—	131,951	1,293,637
Total	¥ —	¥ —	¥ 115,449	$ 1,131,853

Classification of the fair value of plan assets of the Company and its consolidated subsidiaries as of March 31, 2014 consisted of the following:

	2012	2013	2014	2014
Bonds	—	—	35%	—
Equity securities	—	—	23	—
Cash and cash equivalents	—	—	9	—
Life insurance company general accounts	—	—	18	—
Other	—	—	15	—
Total	—	—	100%	—

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.

The discount rate used by the Company and its domestic consolidated subsidiaries for the year ended March 31, 2014 was 1.5%.

The Long-term expected rate of return used by the Company and its domestic consolidated subsidiaries for the year ended March 31, 2014 was 3.0%.

In addition, for the year ended March 31, 2014, the amount of cost recognized for defined contribution pension plans was ¥1,279 million ($12,539 thousand).

12. Segment Information

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.

The Group's reportable segments consist of the Product Business segment and the Device Business segment.

The Company Group's reportable segments were Consumer/Information Products and Electronic Components in the year ended March 31, 2013. Due to a reform of the organization on April 1, 2013, the Consumer/Information Products segment changed to the Product Business segment and the Electronic Components segment changed to the Device Business segment in the year ended March 31, 2014. The Solar Cells business which was previously included in the Electronic Components segment is included in the Product Business segment.

The Product Business segment includes digital information equipment, health and environmental equipment, solar cells and business solutions products.

The Device Business segment includes LCDs and electronic device products.

Information about reported segment income or loss, segment assets and other material items for the years ended March 31, 2012, and 2013 is described based on the new segment classifications.

Basis of measurement of reported segment 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 current market prices.

Segment profit and loss is determined as operating profit less basic research and development costs and administrative expenses related to the Company's corporate headquarters.

Depreciable assets of sales and distribution groups of the Company's headquarters and the sales subsidiaries depreciable assets not directly allocated to product groups are not allocated to reportable segments. On the other hand, depreciation and amortization of these assets are allocated to reportable segments based on mainly sales of each reportable segment.

Information about reported segment income or loss, segment assets and other material items

Segment information as of and for the years ended March 31, 2012, 2013 and 2014 was as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Net Sales:				
Product Business:				
Customers	¥ 1,854,424	¥ 1,598,312	¥ 1,818,097	$ 17,824,481
Intersegment	427	893	71	696
Total	1,854,851	1,599,205	1,818,168	17,825,177
Device Business:				
Customers	601,426	880,274	1,109,089	10,873,421
Intersegment	357,763	237,271	208,378	2,042,922
Total	959,189	1,117,545	1,317,467	12,916,343
Eliminations	(358,190)	(238,164)	(208,449)	(2,043,618)
Consolidated Net Sales	¥ 2,455,850	¥ 2,478,586	¥ 2,927,186	$ 28,697,902
Segment Income (Loss):				
Product Business	¥ 29,026	¥ 42,198	¥ 96,802	$ 949,039
Device Business	(32,717)	(154,510)	44,853	439,736
Adjustments	(33,861)	(33,954)	(33,095)	(324,461)
Consolidated operating (loss) income	¥ (37,552)	¥ (146,266)	¥ 108,560	$ 1,064,314
Segment Assets:				
Product Business	¥ 890,878	¥ 889,353	¥ 839,474	$ 8,230,137
Device Business	1,166,429	735,238	726,209	7,119,696
Adjustments	556,828	463,172	615,997	6,039,187
Consolidated Assets	¥ 2,614,135	¥ 2,087,763	¥ 2,181,680	$ 21,389,020
Other Material Items				
Depreciation and Amortization:				
Product Business	¥ 85,950	¥ 72,323	¥ 38,605	$ 378,480
Device Business	153,577	104,171	81,667	800,657
Adjustments	7,563	4,518	4,311	42,265
The amount presented in Consolidated Financial Statements	¥ 247,090	¥ 181,012	¥ 124,583	$ 1,221,402
Amortization of Goodwill:				
Product Business	¥ 5,066	¥ 4,614	¥ 4,072	$ 39,922
Device Business	—	—	—	—
Adjustments	121	116	65	637
The amount presented in Consolidated Financial Statements	¥ 5,187	¥ 4,730	¥ 4,137	$ 40,559
Investments in Nonconsolidated Subsidiaries and Affiliates accounted for using the equity methods:				
Product Business	¥ 9,759	¥ 7,034	¥ 6,529	$ 64,010
Device Business	1,550	70,755	75,217	737,421
Adjustments	22,807	25,245	28,310	277,549
The amount presented in Consolidated Financial Statements	¥ 34,116	¥ 103,034	¥ 110,056	$ 1,078,980
Increase in Plant, Equipment and Intangible Assets:				
Product Business	¥ 76,102	¥ 55,454	¥ 45,356	$ 444,667
Device Business	115,111	66,409	30,436	298,392
Adjustments	13,493	8,142	6,308	61,843
The amount presented in Consolidated Financial Statements	¥ 204,706	¥ 130,005	¥ 82,100	$ 804,902

Adjustments of segment income or loss were ¥(33,861) million, ¥(33,954) million and ¥(33,095) million ($(324,461) thousand) for the years ended March 31, 2012, 2013 and 2014, respectively, and comprised elimination of intersegment transactions and corporate expenses not allocated to each reportable segment. The elimination of intersegment transactions was ¥1,061 million ¥1,117 million and ¥228 million ($2,235 thousand), respectively. Corporate expenses not allocated to each reportable segment were ¥(35,704) million, ¥(36,306) million and ¥(33,049) million ($(324,010) thousand), for the years ended March 31, 2012, 2013 and 2014, 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 ¥556,828 million, ¥463,172 million and ¥615,997 million ($6,039,186 thousand) as of March 31, 2012, 2013 and 2014, respectively, and comprised elimination of intersegment transactions and corporate assets not allocated to each reportable segment. The elimination of intersegment transactions was ¥(19,296) million, ¥(11,217) million and ¥(10,545) million ($(103,382) thousand), respectively. Corporate assets not allocated to each reportable segment were ¥576,124 million, ¥474,389 million and ¥626,542 million ($6,142,569 thousand), as of March 31, 2012, 2013 and 2014, respectively. Corporate assets not allocated to each reportable segment were mainly attributable to cash and cash equivalents, the Company's investments in securities, and depreciable assets related to the Company's R&D groups as well as the administrative, sales and distribution groups of the Company's headquarters.

Adjustments of investments in nonconsolidated subsidiaries and affiliates accounted for using the equity method were ¥22,807 million ¥25,245 million and ¥28,310 million ($277,549 thousand), as of March 31, 2012, 2013 and 2014, respectively, and mainly comprised investments in Sharp Finance Corporation.

Adjustments of increase in plant, equipment and intangible assets were ¥13,493 million, ¥8,142 million and ¥6,308 million ($61,843 thousand) for the years ended March 31, 2012, 2013 and 2014, respectively, and mainly comprised increase in the Company's R&D groups and the administrative, sales and distribution groups of the Company's headquarters.

Depreciation and amortization includes the amortization of long-term prepaid expenses.

Increase in plant, equipment and intangible assets includes the increase in long-term prepaid expenses.

Related information

Sales by product/service for the years ended March 31, 2012, 2013 and 2014 were as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Sales to outside customers:				
LCDs	¥ 420,226	¥ 650,847	**¥ 814,718**	**$ 7,987,431**
LCD Color TVs	581,357	388,436	**413,887**	**4,057,716**
Others	1,454,267	1,439,303	**1,698,581**	**16,652,755**
Total	¥ 2,455,850	¥ 2,478,586	**¥ 2,927,186**	**$ 28,697,902**

Sales by region/country for the years ended March 31, 2012, 2013 and 2014 were as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Sales:				
Japan	¥ 1,181,168	¥ 1,007,264	**¥ 1,150,091**	**$ 11,275,402**
China	483,298	667,933	**925,348**	**9,072,039**
U.S.A.	240,668	263,777	**354,546**	**3,475,941**
Others	550,716	539,612	**497,201**	**4,874,520**
Total	¥ 2,455,850	¥ 2,478,586	**¥ 2,927,186**	**$ 28,697,902**

Sales are classified according to regions or countries where customers are located.

Plant and Equipment by region/country as of March 31, 2012, 2013 and 2014 were as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	**2014**	**2014**
Plant and Equipment, at cost less accumulated depreciation:				
Japan	¥ 780,396	¥ 461,539	**¥ 415,276**	**$ 4,071,333**
Others	92,046	102,160	**104,425**	**1,023,775**
Total	¥ 872,442	¥ 563,699	**¥ 519,701**	**$ 5,095,108**

Impairment Loss of fixed assets by reportable segment

Impairment Loss of fixed assets by reportable segment for the years ended March 31, 2012, 2013 and 2014 were as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Impairment Loss:				
Product Business	¥ 5,979	¥ 41,225	¥ 11,742	$ 115,118
Device Business	677	37,188	28	274
Corporate Assets and Elimination	—	509	—	—
Total	¥ 6,656	¥ 78,922	¥ 11,770	$ 115,392

Amortization of goodwill and unamortized balance by reportable segment

Amortization of goodwill and unamortized balance by reportable segment as of and for the years ended March 31, 2012, 2013 and 2014 were as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2012	2013	2014	2014
Amortization of Goodwill:				
Product Business	¥ 5,066	¥ 4,614	¥ 4,072	$ 39,922
Device Business	—	—	—	—
Corporate Assets and Elimination	121	116	65	637
Total	¥ 5,187	¥ 4,730	¥ 4,137	$ 40,559
Balance at end of period:				
Product Business	¥ 22,783	¥ 20,991	¥ 11,092	$ 108,745
Device Business	—	—	—	—
Corporate Assets and Elimination	346	73	11	108
Total	¥ 23,129	¥ 21,064	¥ 11,103	$ 108,853

13. Impairment Loss

(Impairment Loss)

With regards to application of accounting for impairment assets, the Company and its consolidated subsidiaries identifies cash generating units in consideration of business characteristics and business operation. As a result, idle assets are identified as respective cash generating units.

The Company and its consolidated subsidiaries reduced the book value of idle and unused-in-the-future production equipment of thin-film solar cells in the Katsuragi Plant etc. to recoverable amount, and recognized the decreased amount of ¥6,656 million as impairment loss for the year ended March 31, 2012.

Details are as follows: ¥4,547 million for lease assets; ¥1,167 million for machinery and vehicles; ¥942 million for other.

The Company reduced the book value of production equipment of LCD panels and audio-visual equipment to an estimated recoverable amount due to the decreasing profitability and the unlikelihood of recouping investment, and recognized the decreased amount of ¥47,396 million as impairment loss for the year ended March 31, 2013.

Details are as follows: ¥13,527 million for buildings and structures; ¥16,416 million for machinery, equipment and vehicles; ¥13,137 million for long-term prepaid expense; ¥4,316 million for other.

The recoverable amount of those impaired assets was measured using their net realizable values, and net realizable values of impaired assets that are not expected to be sold are regarded as zero.

The Company and its consolidated subsidiaries reduced the book value of production equipment of Digital Information Appliances to an estimated recoverable amount due to the decreasing profitability and the unlikelihood of recouping investment, and recognized the decreased amount of ¥3,080 million ($30,196 thousand) as impairment loss for the year ended March 31, 2014.

Details are as follows: ¥1,068 million ($10,471 thousand) for molds, equipment and vehicles; ¥1,851 million ($18,147 thousand) for long-term prepaid expenses; ¥161 million ($1,578 thousand) for other.

The estimated recoverable amount is evaluated at zero due to the unlikelihood of cash flow in the future, although this amount is normally evaluated in accordance with use value.

In addition, The Company and its consolidated subsidiaries reduced the value of goodwill and recognized the decreased amount of ¥8,690 million ($85,196 thousand) as impairment loss due to the unlikelihood of an estimated profitability to be generated by a part of consolidated subsidiaries for the year ended March 31, 2014.

The estimated recoverable amount is evaluated in accordance with use value and the discount rate is 14.7%.

14. Loss on Suspension of Large Size LCD Plant Operation

This loss for the year ended March 31, 2012 comprises extraordinary operating expenses caused by the temporary suspension of production of large-size LCD panels in the Company and its consolidated subsidiary, Sharp Display Products Corporation (its corporate name was changed to Sakai Display Products Corporation on July 17, 2012).

15. Restructuring Charges

These restructuring charges for the year ended March 31, 2012 are related to the LCD business restructuring, etc. Those mainly comprise depreciation and maintenance charges of ¥37,717 million concerning plants that were suspended in the Company and its consolidated subsidiary, Sharp Display Products Corporation (its corporate name was changed to Sakai Display Products Corporation on July 17, 2012) to improve production to meet the increasing demand for high value-added products, and costs of ¥68,125 million incurred to reinforce business foundations (inventory write-down, etc.) in preparation for promoting establishment of strategic vertical integration of the large-size LCD business.

These restructuring charges for the year ended March 31, 2013 are as follows:

(a) This concerns LCD business and comprises costs of ¥12,056 million incurred for maintenance of inactive fixed assets caused in the Company and its consolidated subsidiary, Sharp Display Products Corporation (its corporate name was changed to Sakai Display Products Corporation on July 17, 2012), along with improving production to meet the increasing demand for high value-added products.

(b) This mainly concerns reduction of production of the Company's Large-size LCD panels and comprises the loss on valuation of inventories of ¥53,468 million.

(c) This mainly concerns a structural switch of Solar Cells business and comprises costs of ¥31,526 million incurred to impairment loss on fixed assets.

The Company and its consolidated subsidiaries categorizes assets for business use in view of business facility, type of business and others in a comprehensive manner. Idle assets are categorized by each asset.

The Company and its consolidated subsidiaries reduced the book value of idle and unused-in-the-future production equipment of thin-film solar cells to an estimated recoverable amount, and recognized the decreased amount of ¥31,526 million as a restructuring charge included in other expenses.

Details are as follows: ¥17,568 million, for buildings and structures; ¥4,963 million, for machinery, equipment and vehicles; ¥4,007 million, for lease assets; ¥2,247 million, for long-term prepaid expenses; ¥2,741 million, for other.

(d) This comprises the loss on cancellation of lease contracts, etc. by structural switch of Solar Cells business, of ¥14,249 million.

(e) This comprises the costs of restructuring of consolidated subsidiaries of, ¥6,602 million.

(f) This comprises the costs of the voluntary retirement program for employees of the Company and its domestic consolidated subsidiaries, of ¥25,496 million.

16. Significant Subsequent Events

Conclusion of a share transfer agreement

The Company's board of directors has resolved as below on June 10, 2014, that the Company will transfer all of its shares of Renesas SP Drivers Inc., which is a Sharp-affiliated company accounted for by the equity-method, to Synaptics Holding GmbH, which is a subsidiary of Synaptics Incorporated in the United States of America. In addition, the Company and Synaptics Holding GmbH have entered into a share purchase agreement as of June 11, 2014.

The Company has determined to transfer the shares since it will contribute to the improvement of the Company's financial position, which is a major plan of the Medium-Term Management Plan.

Outline of transfer is as follows:

(a) Schedule of transfer

(1) Resolution of the board of directors	June 10, 2014
(2) Closing date of the share transfer	The third quarter of the fiscal year ending March 31, 2015 (planned)

(b) Outline of the affiliated company accounted for by the equity-method, whose shares are to be transferred

(1) Name	Renesas SP Drivers Inc.
(2) Business	Design, development, sales and marketing of LCD drivers and controllers for small- and medium-size LCD panels
(3) Transaction details with the Company	Purchase of small- and medium-size LCD panels, etc.

(c) The number of shares to be transferred and the status of the shares before and after the transfer

(1) Number of shares before the transfer	25,000 shares (ratio of shareholding: 25.0%)
(2) Number of shares to be transferred	25,000 shares (ratio of shareholding: 25.0%)
(3) Number of shares after the transfer	— share (ratio of shareholding: —%)

The amount of the transfer and surplus to be acquired by the transfer have not been decided at this time.

Independent Auditor's Report

To the Board of Directors of Sharp Corporation:

We have audited the accompanying consolidated financial statements of Sharp Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014, 2013 and 2012, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sharp Corporation and its consolidated subsidiaries as at March 31, 2014, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.(a) to the consolidated financial statements.

KPMG AZSA LLC

June 25, 2014
Osaka, Japan

Consolidated Subsidiaries*1

Domestic:

Sharp Electronics Marketing Corporation
Sharp Manufacturing Systems Corporation
Sharp Engineering Corporation
Sharp Business Solutions Corporation
Sharp Energy Solutions Corporation
Sharp Niigata Electronics Corporation
Sharp Trading Corporation
Sharp Business Computer Software Inc.
Sharp Yonago Corporation
Sharp Mie Corporation
iDeep Solutions Corporation
Sharp Support & Service Corporation

Overseas:
<Countries and Areas>

Sharp Electronics Corporation <New Jersey, U.S.A.>
Sharp Laboratories of America, Inc. <Washington, U.S.A.>
Sharp Electronics Manufacturing Company of America, Inc. <California, U.S.A.>
Sharp US Holding Inc. <California, U.S.A.>
Recurrent Energy, LLC <California, U.S.A.>*2
Sharp Electronics of Canada Ltd. <Ontario, Canada>
Sharp Electronica Mexico S.A. de C.V. <Baja California, Mexico>
Sharp Corporation Mexico, S.A. de C.V. <Mexico City, Mexico>
Sharp Brasil Comércio e Distribuiçáo de Artigos Eletrônicos Ltda. <San Paulo, Brazil>
Sharp Electronics (Europe) GmbH <Hamburg, Germany>
Sharp Devices (Europe) GmbH <Munich, Germany>
Sharp Electronics GmbH <Hamburg, Germany>
Sharp Electronics (Europe) Limited <London,U.K.>
Sharp Electronics (U.K.) Ltd. <Middlesex, U.K.>
Sharp Laboratories of Europe, Ltd. <Oxford, U.K.>
Sharp International Finance (U.K.) Plc. <Middlesex, U.K.>
Sharp Electronics (Schweiz) AG <Rüschlikon, Switzerland>
Sharp Electronics (Nordic) AB <Bromma, Sweden>
Sharp Electronics France S.A. <Paris, France>
Sharp Manufacturing France S.A. <Soultz, France>
Sharp Electronics (Italia) S.p.A. <Milano, Italy>
Sharp Electronics Benelux B.V. <Houten, The Netherlands>
Sharp Manufacturing Poland Sp. z o. o. <Torun, Poland>
Sharp Electronics Russia LLC. <Moscow, Russia>
Sharp Electronic Components (Taiwan) Corporation <Taipei, Taiwan>
Sharp (Phils.) Corporation <Manila, Philippines>
Sharp-Roxy Sales (Singapore) Pte., Ltd. <Singapore>
Sharp Electronics (Singapore) Pte., Ltd. <Singapore>
Sharp Manufacturing Corporation (M) Sdn. Bhd. <Johor, Malaysia>
Sharp Electronics (Malaysia) Sdn. Bhd. <Selangor, Malaysia>
Sharp Appliances (Thailand) Ltd. <Chachoengsao, Thailand>
Sharp Manufacturing (Thailand) Co., Ltd. <Nakornpathom, Thailand>
Sharp Business Systems (India) Ltd. <New Delhi, India>
Shanghai Sharp Electronics Co., Ltd. <Shanghai, China>
Sharp Office Equipments (Changshu) Co., Ltd. <Changshu, China>
Wuxi Sharp Electronic Components Co., Ltd. <Wuxi, China>
Nanjing Sharp Electronics Co., Ltd. <Nanjing, China>
Sharp Electronics (Shanghai) Co., Ltd. <Shanghai, China>
Sharp Technical Components (Wuxi) Co., Ltd. <Wuxi, China>
Sharp Electronics Sales (China) Co., Ltd. <Shanghai, China>
Sharp Electronics Research & Development (Nanjing) Co., Ltd. <Nanjing, China>
Sharp Laboratories of China Co., Ltd. <Shanghai, China>
Sharp (China) Investment Co., Ltd. <Beijing, China>
P.T. Sharp Electronics Indonesia <Jakarta, Indonesia>
P.T. Sharp Semiconductor Indonesia <West Java, Indonesia>
Sharp Electronics (Vietnam) Company Limited <Ho Chi Minh City, Vietnam>
Sharp Corporation of Australia Pty. Ltd. <New South Wales, Australia>
Sharp Corporation of New Zealand Ltd. <Auckland, New Zealand>
Sharp Middle East FZE <Dubai, U.A.E.>

*1: In addition to the companies listed above, there are 23 consolidated subsidiaries.
*2: Although all of the Recurrent Energy, LLC-owned 180 subsidiaries related to solar power generation plants are included in the scope of consolidation, in counting consolidated subsidiaries of the Company, they and Recurrent Energy, LLC are considered as one company in consideration of the fact that it is a solar project developer.

Investor Information

(As of March 31, 2014)

Shareholders

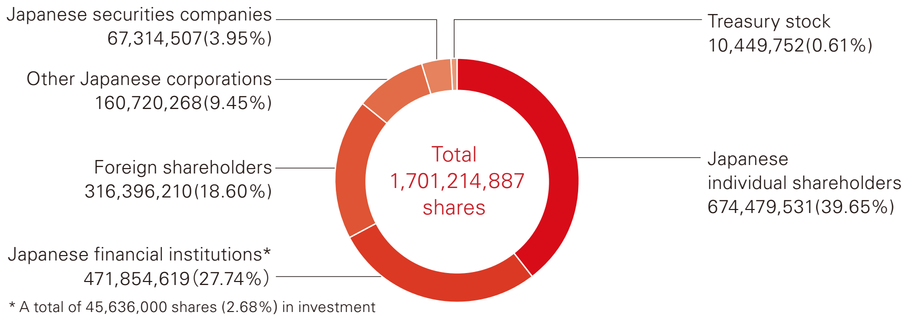
Number of Shareholders 196,447

Principal Shareholders

	Number of shares held	Percentage of total shares (%)
Nippon Life Insurance Company	51,492,384	3.03
Meiji Yasuda Life Insurance Company	45,781,000	2.69
Qualcomm Incorporated	41,988,000	2.47
Mizuho Bank, Ltd.	41,910,469	2.46
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	41,678,116	2.45
Makita Corporation	35,842,000	2.11
Samsung Electronics Japan Co., Ltd.	35,804,000	2.10
Japan Trustee Services Bank, Ltd. (Trust Account)	28,525,000	1.68
SHARP Employee Share-Holding Association	27,034,636	1.59
Mitsui Sumitomo Insurance Company, Limited	24,658,022	1.45

Notes: 1. Percentage of total shares is calculated by the number of shares issued (including 10,449,752 treasury shares).
2. Aside from the above, a total of 6,000,000 shares in Mizuho Bank, Ltd. have been set up as trust assets related to the employee pension trust.

Share Distribution (Proportion of total issued shares)



* A total of 45,636,000 shares (2.68%) in investment trusts and pension trust funds are included in shares held by Japanese financial institutions.

Stock Exchange Listings

Tokyo

Transfer Agent

Mizuho Trust & Banking Co., Ltd.
Stock Transfer Agency Department, Head Office
1-2-1, Yaesu, Chuo-ku, Tokyo 103-8670, Japan

Investor Relations

Sharp Corporation Investor Relations

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Websites:
(English) http://sharp-world.com/corporate/ir/index.html
(Japanese) http://www.sharp.co.jp/corporate/ir/index.html

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