SHARP

Let Us Overcome the Headwinds And Move Forward Toward Growth!

President CEO
Tetsuji (Ted) Kawamura

Q1 Financial Results

On August 7, we announced our first-quarter financial results. Net sales declined due to the impact of our asset-light strategy. Profit also decreased as a result of rising component costs, including memory, as well as the significant depreciation of the Japanese yen, which weakened by approximately 15 yen compared with the previous year.

Nevertheless, through company-wide efforts to reflect higher costs in selling prices and reduce expenses, we were able to maintain overall profitability. In addition, our equity ratio, an important indicator of financial soundness, has recovered to above 20%, which was one of our key benchmarks. I would like to once again express my sincere appreciation for everyone's hard work and dedication during this period.

At the same time, rising resin and fuel prices stemming from the situation in the Middle East are beginning to have a significant impact on our performance. Furthermore, exchange rates have continued to weaken beyond the assumptions made at the beginning of the fiscal year. As a result, we revised our full-year forecast downward to reflect these changes in the external environment, which were difficult to foresee at the start of the fiscal year.

That said, we have not given up on our goal of achieving year-on-year profit growth. The revised forecast represents our current outlook based on the conditions we can reasonably anticipate today. With more than six months remaining in the fiscal year, we still have ample opportunities to exceed our expectations. Strong-performing businesses and regions may generate results beyond our assumptions, while businesses and regions that are currently facing challenges may achieve a faster-than-expected recovery. In addition, external factors, including crude oil prices, may improve.

In other words, there remains considerable potential to deliver results that surpass our current outlook. Let us continue to respond swiftly and decisively to changes in the business environment, work together as one team, and aggressively turn every opportunity into profit. By doing so, we can achieve even stronger results and further enhance our performance. Let’s overcome the headwinds and move forward toward growth.

Accelerating New Businesses

As explained in our earnings announcement, preparations for the launch of the AI server business, one of our new growth initiatives, have entered their final stage. The selection and coordination of the product lineup are now largely complete, and we are currently working closely with Hon Hai and other partners to finalize the business framework and operating conditions. We intend to complete these preparations as quickly as possible and hold an external briefing on the business launch in September, marking the start of full-scale business operations.

In addition, the AI Server Business Promotion Center, the organization responsible for driving this business, had previously been preparing for commercialization under Corporate Headquarters. However, as we now enter the full-scale launch phase, the organization was transferred to the SBS Business Group on August 16.

Going forward, we will further strengthen collaboration with all related divisions and move swiftly to launch and expand this business. By leveraging our collective expertise and executing with a strong sense of urgency, we will work to establish a solid presence in the rapidly growing AI infrastructure market.

Meanwhile, our efforts to strengthen collaboration with Hon Hai in new business areas are steadily progressing. Since assuming the role of President and CEO, I have personally visited Taiwan twice in May to hold discussions with Hon Hai executives and to see firsthand the technological assets and capabilities they possess. In June, we signed a Memorandum of Understanding on Strategic Collaboration in New Business Areas, which will serve as the platform for future cooperation between our two companies. Furthermore, we plan to establish a new base in Taiwan in October to accelerate these collaborative efforts even further.

In addition, HHTD26 (Hon Hai Tech Day) will be held in Taiwan over two days beginning on October 30, and Sharp will exhibit eight items at the event. HHTD provides a valuable opportunity to experience in one place the technological assets, innovations, and latest initiatives of the Hon Hai Group. I also plan to attend the event in person. I encourage everyone involved in new business development to take advantage of this opportunity to experience cutting-edge technologies and business initiatives firsthand. I hope it will serve as a catalyst for creating new business opportunities and expanding collaboration with our partners. By deepening our partnership with Hon Hai and leveraging each other's strengths, we will continue to accelerate the creation of new businesses that will drive Sharp's future growth.

In addition, to advance these new businesses with speed and agility, it is essential not only for the business promotion teams but also for related departments to provide support and create an environment that enables business growth. Let us bring together the full strength of Sharp as one team to put these new businesses, which will drive the Company's future growth, on a solid footing as quickly as possible and nurture them into major growth engines. By working together across organizational boundaries and acting with a strong sense of urgency, we can accelerate the creation of new value and build a stronger future for Sharp.

End Note

Since May, I have been visiting our various sites and holding town hall meetings as opportunities to speak directly with employees about myself and the future direction of the Company, while also listening to your views and concerns. To date, more than 1,300 employees have participated in sessions held in Yao, Hiroshima, Makuhari, Kameyama, and Honmachi. I have received a great number of valuable questions and comments from participants.

This weekend, I will hold a town hall meeting in Shibaura, followed by sessions in the United States, the United Kingdom, Tenri, and Nara. I am also considering opportunities for communication with employees in the ASEAN region in late October. Through these activities, I have once again come to appreciate the importance of face-to-face communication. Rather than ending these town hall meetings after one round of visits to each site, I would like to continue holding them on an ongoing basis and create more opportunities to communicate directly with all of you. For those who have not yet had the chance to participate, I hope you will join when an opportunity arises.

As I mentioned at the beginning of this message, the business environment remains extremely challenging, and uncertainty continues to cloud the outlook. However, it is precisely in times like these that close collaboration across the Company becomes even more important. By working together and combining our strengths, we can tackle challenges more effectively and find new opportunities for growth. I am fully committed to doing everything in my power to support these efforts. Let us come together as One Sharp, overcome these headwinds, and achieve the growth that lies beyond them. Together, let’s turn challenges into opportunities and build a stronger future for Sharp.