

## Sharp Revises FY2022 Earnings Forecasts; Operating Income in the Red, Ordinary and Net Income Undecided— Watch for Impact of Structural Reforms on Business Performance and Financial Position

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Sharp Corporation (security code: 6753)'s revised earnings forecast for the fiscal year ending March 31, 2023.

- (1) On February 7, Sharp Corporation (the "Company") revised its earnings forecasts for the fiscal year ending March 31, 2023 (FY2022). The Company lowered its operating income forecast to a loss of 20 billion yen from the previous forecast of an operating income of 25 billion yen. This is mainly due to lower sales of small- and medium-sized LCD panels and the resulting lower factory utilization rate. In the background is the slowdown in demand for PCs and other products. On the other hand, the ordinary and net income forecasts were undecided, but losses are indicated. The Company says that it is currently working on drastic structural reforms to return to profitability in FY2023, making it difficult to reasonably calculate ordinary and net income forecasts.
- (2) Sakai Display Products Corporation (SDP), which became a wholly owned subsidiary in June 2022, was not a factor in the downward revision to the operating income this time. However, SDP, which handles large-sized LCD panels, has been a strong drag on the performance. The market for large-sized LCDs has been deteriorating for a long time, and a quick recovery of SDP's performance is currently difficult to forecast. Therefore, it should be noted that the Company may have to record a large amount of restructuring costs, including impairment losses on SDP's goodwill and fixed assets. JCR will closely monitor the details and effects of the restructuring measures that the Company is implementing, as well as the impact of the recording of restructuring expenses on the Company's business results and financial position.
- (3) For the Display Devices business, which is the Company's mainstay business, the business environment is becoming more difficult not only for large-sized LCD panels but also for small- and medium-sized LCD panels; SDP had planned to shift from large-sized LCD panels to medium-sized LCD panels, but such strategy is now becoming in doubt. JCR will also pay attention to the future business strategy of the Display Devices.

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<Reference>

Issuer: Sharp Corporation

Long-term Issuer Rating: BB+      Outlook: Stable

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