

Sharp's Resolution to Sell Part of Sakai Plant—If Realized, It will Support Creditworthiness to a Certain Extent

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Sharp Corporation (security code: 6753)'s announcement on "Notice Regarding Transfer of Fixed Assets."

- (1) On December 20, Sharp Corporation (the "Company") resolved at the board of directors' meeting to transfer the land and buildings of the Sakai Plant, which had been handling the production of large-sized LCD panels, to SoftBank Corp. for approximately 100 billion yen. On the same day, SoftBank also announced that its board of directors has resolved to acquire the land and buildings, on the condition that it would receive the necessary power supply to build and operate a large-scale AI data center. The transfer will include approximately 450,000 square meters of land and buildings with a total floor area of approximately 840,000 square meters, which will become part of the Sakai Plant. The Sakai Plant has already stopped production of liquid crystal panels.
- (2) The Company is promoting the asset-light strategy for its display device business, including liquid crystal panels, and this transaction is part of that strategy. As of the end of September 2024, the Company's equity capital was 129.9 billion yen, and the equity ratio was 8.4%, which is undercapitalized. In this situation, if the sale of the Sakai Plant, for which impairment losses on buildings and other assets were almost fully recorded in the fiscal year ended March 2023 (FY2022), there is a strong possibility that recording of a gain on the sale will lead to an improvement in the financial structure. There is also a possibility that it will contribute to a reduction in future utility costs for the Sakai Plant. For this reason, if the sale realizes, it is expected to provide a certain degree of support for the Company's creditworthiness.
- (3) Given that the Company's forecast for the operating income for FY2024 is 10 billion yen (20.3 billion yen loss for FY2023), the Company continues to face the challenge of strengthening its earnings power, and it is possible that additional structural reform costs will be recorded in the second half of FY2024. JCR will watch for the outcome of the sale and future performance and financial trends.

Akihisa Motonishi, Hiroaki Sekiguchi

<Reference>

Issuer: Sharp Corporation

Long-term Issuer Rating: BB- Outlook: Negative

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)