

First Quarter of Fiscal Year 2005

Quarterly Financial Review (consolidated)

SHARP CORPORATION
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Financial Review for the First Quarter Ended June 30, 2005

Millions of Yen

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Percent Change
Net Sales	616,360	601,247	% + 2.5
Operating Income (Percentage vs. Sales)	35,559 (5.8%)	35,378 (5.9%)	+ 0.5
Income before Income Taxes and Minority Interests (Percentage vs. Sales)	31,821 (5.2%)	32,919 (5.5%)	- 3.3
Net Income (Percentage vs. Sales)	19,414 (3.1%)	19,566 (3.3%)	- 0.8
Net Income per Share (Yen)	17.79	17.94	-
Fully Diluted Net Income per Share (Yen)	-	17.72	-

Note: 1. Number of consolidated subsidiaries : 47 companies

Number of nonconsolidated subsidiaries and affiliates on the equity method : 11 companies

2. Published figures have not been subjected to an accounting audit by an auditing firm.

3. Monetary amounts are rounded to the nearest million yen.

CONSOLIDATED FINANCIAL RESULTS

Results for the Three Months Ended June 30, 2005

(1) Results of Operation

Millions of Yen

	Net Sales	Percent Change	Operating Income	Percent Change
Three Months Ended June 30, 2005	616,360	+2.5%	35,559	+0.5%
Three Months Ended June 30, 2004	601,247	+17.5%	35,378	+22.1%
Year Ended March 31, 2005	2,539,859		151,020	

	Net Income	Percent Change	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Three Months Ended June 30, 2005	19,414	-0.8%	17.79	-
Three Months Ended June 30, 2004	19,566	+39.3%	17.94	17.72
Year Ended March 31, 2005	76,845		70.04	69.60

Note: The percentage figures for net sales, operating income and net income represent the percentage of increase or decrease against the same period of the previous year

(2) Financial Position

Millions of Yen

	Total Assets	Shareholders' Equity	Shareholders' Equity to Total Assets	Shareholders' Equity per Share (Yen)
As of June 30, 2005	2,437,308	1,011,792	41.5%	927.35
As of June 30, 2004	2,234,557	954,513	42.7%	875.16
As of March 31, 2005	2,385,026	1,004,326	42.1%	920.09

(3) Summary of Consolidated Cash Flows

Millions of Yen

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents Ending Balance
Three Months Ended June 30, 2005	16,257	(41,958)	15,432	286,365
Three Months Ended June 30, 2004	31,242	(26,782)	1,022	283,749
Year Ended March 31, 2005	219,198	(259,008)	57,541	295,312

(Forecast for the year ending March 31, 2006)

There are no revisions to the fiscal 2005 financial result forecast announced on April 26, 2005.

Operating Results and Financial Position

1. Review of the Three Months Ended June 30, 2005

During the past three months, the Japanese economy continued to recover at a moderate pace, supported by gradual increases in corporate investment and a pickup in private consumption, while some signs of stagnation were seen in exports and production. Overseas, the US economy continued a steady expansion. Economies in Europe and Asia have been growing strongly.

Under these circumstances, Sharp took assertive initiatives to further improve our competitiveness. In the product business, we strove to enhance such unique products as LCD color TVs. In the device business, we increased sales of proprietary devices that include LCDs and solar cells.

As a result, consolidated financial results for the three months showed net sales of 616.3 billion yen, up 2.5% from the same period last year, operating income of 35.5 billion yen, up 0.5% and net income of 19.4 billion yen, down 0.8%.

Regarding cash flow, net cash provided by operating activities was 16.2 billion yen, while net cash used in investing activities was 41.9 billion yen. Net cash provided by financing activities was 15.4 billion yen. As a result, cash and cash equivalents at the end of the period were 286.3 billion yen, decreases of 8.9 billion yen from March 31, 2005.

Operating results by product group are as follows:

Consumer/Information Products

Sales of Audio-Visual and Communication Equipment were 238.9 billion yen, up 10.9% over the same period last year. Sales of LCD color TVs, mainly for large-size models, and mobile phones increased, contributing to the overall sales increase.

Sales of Home Appliances were 57.6 billion yen, up 6.1% over the same period last year. Sales expansion of our distinctive products that incorporate our proprietary technologies contributed to the growth.

Sales of Information Equipment were 103.4 billion yen, up 3.4% over the same period last year. Solid sales were recorded for copier/printers centering on digital color copiers.

Electronic Components

Sales of ICs were 30.0 billion yen, down 24.9% from the same period last year. Sales of flash memory, as well as CCD and CMOS imagers, decreased due to a fall in price, resulting in lower overall sales.

Sales of LCDs were 123.4 billion yen, down 6.1% from the same period last year. Due to expansion of the LCD color TV market, sales of LCD color TV panels for both in-house production and other TV manufacturers increased. However, sales of LCD panels for mobile equipment decreased, resulting in lower overall sales.

Sales of Other Electronic Components were 62.7 billion yen, up 4.8% over the same period last year. Sales of solar cells recorded an increase, which offset sales decline of laser diodes.

2. Forecast for Fiscal 2005

There are no revisions to the fiscal 2005 financial result forecast announced on April 26, 2005.

Net sales	2,750.0 billion yen	+ 8.3 % over the previous fiscal year
Operating income	160.0 billion yen	+ 5.9 % over the previous fiscal year
Net income	87.0 billion yen	+ 13.2 % over the previous fiscal year

Note : The above estimates of financial results are based on certain assumptions that Sharp Corporation deemed reasonable at the time they were prepared, and actual operating results may differ significantly from these estimates. The following factors may influence the figures for final reported financial results.

- Significant changes in the political and economic situation in major markets (Europe, North America, Asia and Japan)
- Sudden, rapid fluctuations in product supply or demand in major markets
- Large swings in foreign exchange markets (particularly in the yen/U.S. dollar and euro markets)
- Significant fluctuations in valuation in capital markets
- Sudden, rapid changes in technology, etc.

CONSOLIDATED SALES BY PRODUCT GROUP

Millions of Yen

	Three Months Ended June 30, 2005		Three Months Ended June 30, 2004		Increase Decrease	Percent Change
	Amount	Ratio	Amount	Ratio		
		%		%		%
Audio - Visual and Communication Equipment	238,988	38.8	215,504	35.9	+ 23,484	+ 10.9
Home Appliances	57,632	9.3	54,342	9.0	+ 3,290	+ 6.1
Information Equipment	103,454	16.8	100,018	16.6	+ 3,436	+ 3.4
Consumer/Information Products	400,074	64.9	369,864	61.5	+ 30,210	+ 8.2
IC s	30,054	4.9	39,999	6.6	- 9,945	- 24.9
LCDs	123,451	20.0	131,483	21.9	- 8,032	- 6.1
Other Electronic Components	62,781	10.2	59,901	10.0	+ 2,880	+ 4.8
Electronic Components	216,286	35.1	231,383	38.5	- 15,097	- 6.5
Total	616,360	100.0	601,247	100.0	+ 15,113	+ 2.5
Domestic	328,007	53.2	311,340	51.8	+ 16,667	+ 5.4
Overseas	288,353	46.8	289,907	48.2	- 1,554	- 0.5

CONSOLIDATED STATEMENTS OF INCOME

Millions of Yen

	Three Months Ended June 30, 2005		Three Months Ended June 30, 2004		Increase Decrease	Percent Change
	Amount	Ratio	Amount	Ratio		
		%		%		%
Net Sales	616,360	100.0	601,247	100.0	+ 15,113	+ 2.5
Cost of Sales	475,445	77.1	463,334	77.0	+ 12,111	+ 2.6
Selling, General and Administrative Expenses	105,356	17.1	102,535	17.1	+ 2,821	+ 2.8
Operating income	35,559	5.8	35,378	5.9	+ 181	+ 0.5
Other Income (Expenses), net	(3,738)	0.6	(2,459)	0.4	- 1,279	+ 52.0
Income before income taxes and minority interests	31,821	5.2	32,919	5.5	- 1,098	- 3.3
Income Taxes	12,373	2.1	13,148	2.2	- 775	- 5.9
Minority Interests in Income of Consolidated Subsidiaries	(34)	0.0	(205)	0.0	+ 171	- 83.4
Net income	19,414	3.1	19,566	3.3	- 152	- 0.8

CONSOLIDATED BALANCE SHEETS

Millions of Yen

	As of June 30, 2005	As of March 31, 2005	Increase Decrease
ASSETS			
Current Assets:			
Cash, Time deposits, and Short-term investments	344,409	392,121	- 47,712
Notes and accounts receivable, less-Allowance for doubtful receivables	514,264	502,942	+ 11,322
Inventories	372,367	325,723	+ 46,644
Other current assets	108,160	99,827	+ 8,333
Total current assets	1,339,200	1,320,613	+ 18,587
Plant and Equipment, less Accumulated depreciation	867,733	833,882	+ 33,851
Investments and Other Assets	230,375	230,531	- 156
Total assets	2,437,308	2,385,026	+ 52,282
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term borrowings, including current portion of long-term debt	318,130	364,551	- 46,421
Notes and accounts payable	671,495	613,838	+ 57,657
Other current liabilities	175,328	201,132	- 25,804
Total current liabilities	1,164,953	1,179,521	- 14,568
Long-term Liabilities	251,505	192,291	+ 59,214
Total liabilities	1,416,458	1,371,812	+ 44,646
Minority Interests	9,058	8,888	+ 170
Shareholders' Equity:			
Common stock	204,676	204,676	0
Capital surplus	262,284	262,283	+ 1
Retained earnings	611,007	605,440	+ 5,567
Net unrealized holding gains on securities	13,026	13,333	- 307
Foreign currency translation adjustments	(53,102)	(55,346)	+ 2,244
Less-Cost of treasury stock	(26,099)	(26,060)	- 39
Total shareholders' equity	1,011,792	1,004,326	+ 7,466
Total liabilities, minority interests and shareholders' equity	2,437,308	2,385,026	+ 52,282

Note: The value of Investments in Securities included in Investments and Other Assets as of June 30, 2005 is based on the market value as of March 31, 2005.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of Yen

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Increase Decrease
<u>Cash Flows from Operating Activities:</u>			
Income before income taxes and minority interests	31,821	32,919	- 1,098
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities—			
Depreciation and amortization of properties and intangibles	42,403	37,160	+ 5,243
Decrease (increase) in notes and accounts receivable	5,358	(10,985)	+ 16,343
Increase in inventories	(44,047)	(32,707)	- 11,340
Increase in payable	48,316	68,247	- 19,931
Other, net	(67,594)	(63,392)	- 4,202
Net cash provided by operating activities	16,257	31,242	- 14,985
<u>Cash Flows from Investing Activities:</u>			
Acquisitions of plant and equipment	(66,303)	(66,858)	+ 555
Other, net	24,345	40,076	- 15,731
Net cash used in investing activities	(41,958)	(26,782)	- 15,176
<u>Cash Flows from Financing Activities:</u>			
(Decrease) increase in short-term borrowings, net	(10,364)	4,006	- 14,370
Proceeds from long-term debt	81,644	7,525	+ 74,119
Repayments of long-term debt	(46,613)	(960)	- 45,653
Dividends paid	(9,103)	(9,327)	+ 224
Other, net	(132)	(222)	+ 90
Net cash provided by financing activities	15,432	1,022	+ 14,410
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,168	(326)	+ 1,494
Net (Decrease) Increase in Cash and Cash Equivalents	(9,101)	5,156	- 14,257
Cash and Cash Equivalents at Beginning of Year	295,312	277,623	+ 17,689
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	0	970	- 970
Cash and Cash Equivalents Increased by Merger	154	0	+ 154
Cash and Cash Equivalents at End of Period	286,365	283,749	+ 2,616

SEGMENT INFORMATION

Millions of Yen

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004
Net Sales		
Consumer/Information Products		
Customers	400,074	369,864
Intersegment	3,206	2,992
Total	403,280	372,856
Electronic Components		
Customers	216,286	231,383
Intersegment	64,129	57,337
Total	280,415	288,720
Elimination	(67,335)	(60,329)
Consolidated	616,360	601,247
Operating Income		
Consumer/Information Products	15,182	13,402
Electronic Components	20,675	21,770
Elimination	(298)	206
Consolidated	35,559	35,378

Note: Segmentation of business areas is based on commonality in manufacturing and marketing methods of products.

SUPPLEMENTARY DATA

Information by Product Group

[Sales by Product Group include internal sales between segments (Consumer/Information Products and Electronic Components).]

〈Net Sales〉

Millions of Yen

	Three Months Ended June 30, 2005		Three Months Ended June 30, 2004		Percent Change
	Amount	Ratio	Amount	Ratio	
Audio-Visual and Communication Equipment	239,243	38.8	215,666	35.9	+ 10.9
Home Appliances	57,641	9.3	54,382	9.0	+ 6.0
Information Equipment	106,396	17.3	102,808	17.1	+ 3.5
Consumer/Information Products	403,280	65.4	372,856	62.0	+ 8.2
ICs *	44,648	7.2	57,451	9.5	- 22.3
LCDs	169,206	27.5	168,066	28.0	+ 0.7
Other Electronic Components	66,561	10.8	63,203	10.5	+ 5.3
Electronic Components	280,415	45.5	288,720	48.0	- 2.9
Sub Total	683,695	110.9	661,576	110.0	+ 3.3
Elimination	(67,335)	-10.9	(60,329)	-10.0	-
Total	616,360	100.0	601,247	100.0	+ 2.5

* The IC group's sales do not include internal sales to the LCD/Other Electronic Components group (LSIs for LCD, etc : 6,420 million yen for the three months ended June 30, 2005 and 10,726 million yen for the three months ended June 30, 2004).

〈Operating Income〉

Millions of Yen

	Three Months Ended June 30, 2005		Three Months Ended June 30, 2004		Percent Change
	Amount	Ratio	Amount	Ratio	
Audio-Visual and Communication Equipment	8,632	24.3	7,361	20.8	+ 17.3
Home Appliances	1,177	3.3	1,080	3.1	+ 9.0
Information Equipment	5,373	15.1	4,961	14.0	+ 8.3
Consumer/Information Products	15,182	42.7	13,402	37.9	+ 13.3
ICs	2,425	6.8	4,473	12.6	- 45.8
LCDs	13,043	36.7	12,124	34.3	+ 7.6
Other Electronic Components	5,207	14.6	5,173	14.6	+ 0.7
Electronic Components	20,675	58.1	21,770	61.5	- 5.0
Sub Total	35,857	100.8	35,172	99.4	+ 1.9
Elimination	(298)	- 0.8	206	0.6	-
Total	35,559	100.0	35,378	100.0	+ 0.5