

Consolidated Financial Results for the First Half, Fiscal 2016

- I . Consolidated Financial Results for the First Half, Fiscal 2016
 - II . Consolidated Earnings Forecast for Fiscal 2016
 - III . Transitioning to Growth
 - IV . Supplementary Data
-
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SHARP CORPORATION

November 1, 2016

Forward-Looking Statements

This presentation contains certain statements about the future plans, strategies, and performance of Sharp Corporation and its consolidated subsidiaries (“the Company” or “Sharp”). Statements not based on historical or present facts are assumptions and estimates based on information available at the time. Future plans, strategies, and performance are subject to known and unknown risks, uncertainties, and other factors. Actual performance, business activities, and financial position may differ materially from the assumptions and estimates provided herein due to risks, uncertainties, and other factors. Sharp is under no obligation to update these forward-looking statements in light of new information, future events, or other factors. Risks, uncertainties, and other matters that could affect actual results include, but are not limited to, the following factors:

- (1) The economic conditions in which Sharp operates
- (2) Sudden, rapid fluctuations in demand for Sharp products and services, as well as intensified price competition
- (3) Exchange rate fluctuations (particularly between the yen and the U.S. dollar, the euro, and other currencies)
- (4) Regulations, including trade restrictions with 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, etc.

*Amounts less than 100 million yen shown in this presentation material have been rounded down.
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I . Consolidated Financial Results for the First Half, Fiscal 2016

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1

Consolidated Financial Results for the First Half, Fiscal 2016

- Net sales for the first half of fiscal 2016 amounted to 919.6 billion yen, down 28.1% year on year. This result was mainly due to lower sales of small and medium-sized LCDs and camera modules to major customers, the shift to a brand licensing business for LCD TVs in the Americas, and a downturn in the Japanese smartphone market.
- Structural reform initiatives have resulted in significant improvements in earnings and a swing from operating loss to operating income

(Billions of Yen)

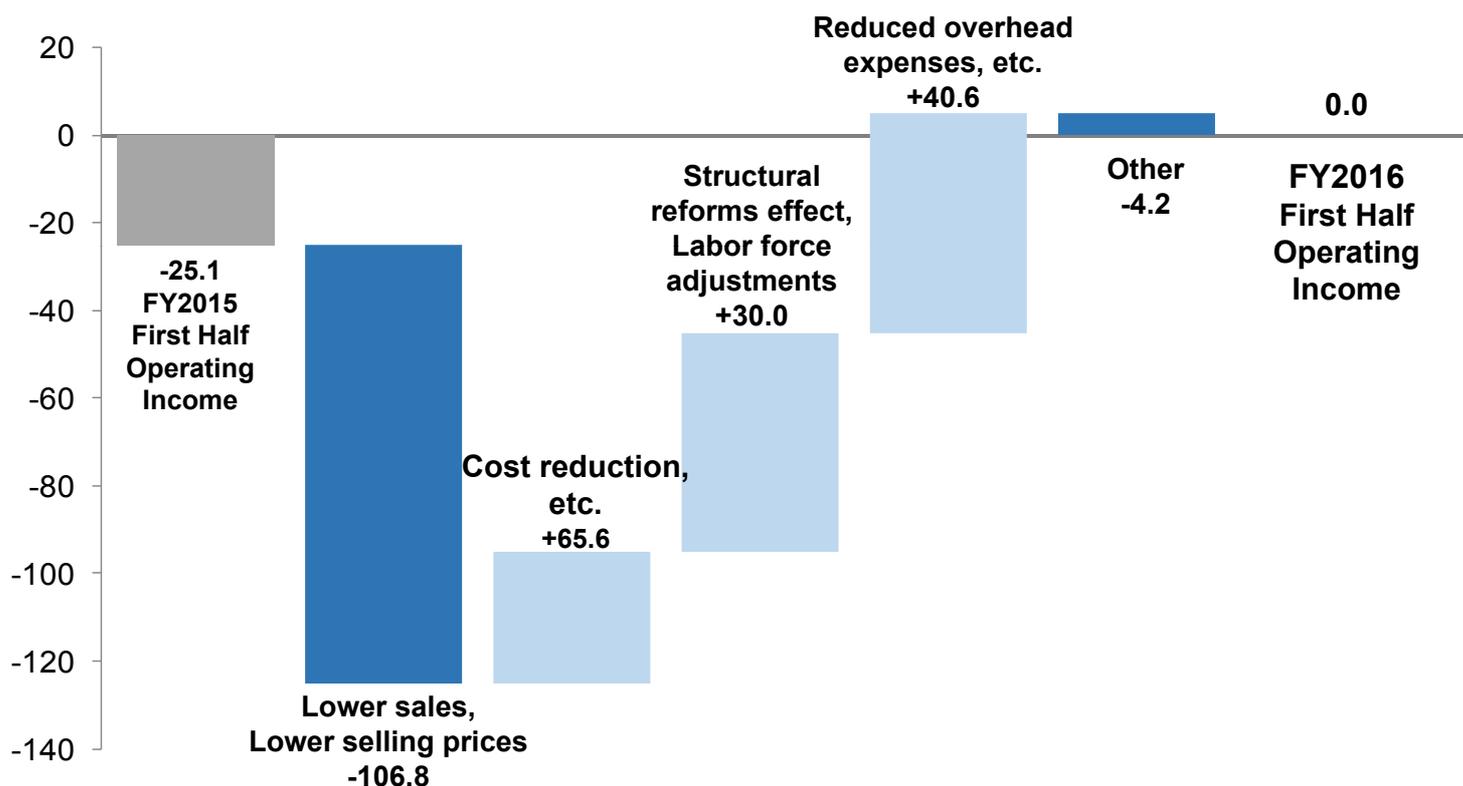
	FY2015	FY2016	
	First Half	First Half	Y on Y
Net Sales	1,279.6	919.6	-28.1%
Operating Income (margin)	-25.1 (-2.0%)	0.0 (0.0%)	-
Profit Attributable to Owners of Parent (margin)	-83.6 (-6.5%)	-45.4 (-4.9%)	-

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2

Operating Income Analysis (Y on Y) for the First Half, Fiscal 2016

(Billions of Yen)



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3

Consolidated Financial Results for the Second Quarter, Fiscal 2016

- Net sales for the second quarter of fiscal 2016 amounted to 496.2 billion yen, a quarter-on-quarter increase of 17.2%. This result was mainly due to increased sales of camera modules and displays.
- Structural reform initiatives resulted in earnings improvements.

(Billions of Yen)

	FY2016		
	1Q	2Q	Q on Q
Net Sales	423.3	496.2	+17.2%
Operating Income (margin)	-2.5 (-0.6%)	2.5 (0.5%)	-
Profit Attributable to Owners of Parent (margin)	-27.4 (-6.5%)	-17.9 (-3.6%)	-

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4

Sales by Segment

(Billions of Yen)

	FY2015	FY2016			
	First Half	1Q	2Q	First Half	Y on Y
IoT Communications	117.6	35.2	37.1	72.3	-38.5%
Health and Environment Systems	150.5	67.8	71.1	139.0	-7.7%
Business Solutions	172.3	77.5	82.1	159.6	-7.3%
Camera Modules	121.8	32.6	51.0	83.7	-31.3%
Electronic Components and Devices	129.3	42.3	51.0	93.4	-27.8%
Energy Solutions	78.7	21.8	30.4	52.2	-33.6%
Display Devices	558.5	167.1	190.3	357.5	-36.0%
Subtotal	1,329.0	444.7	513.3	958.0	-27.9%
Adjustments	-49.3	-21.3	-17.0	-38.3	-
Total	1,279.6	423.3	496.2	919.6	-28.1%

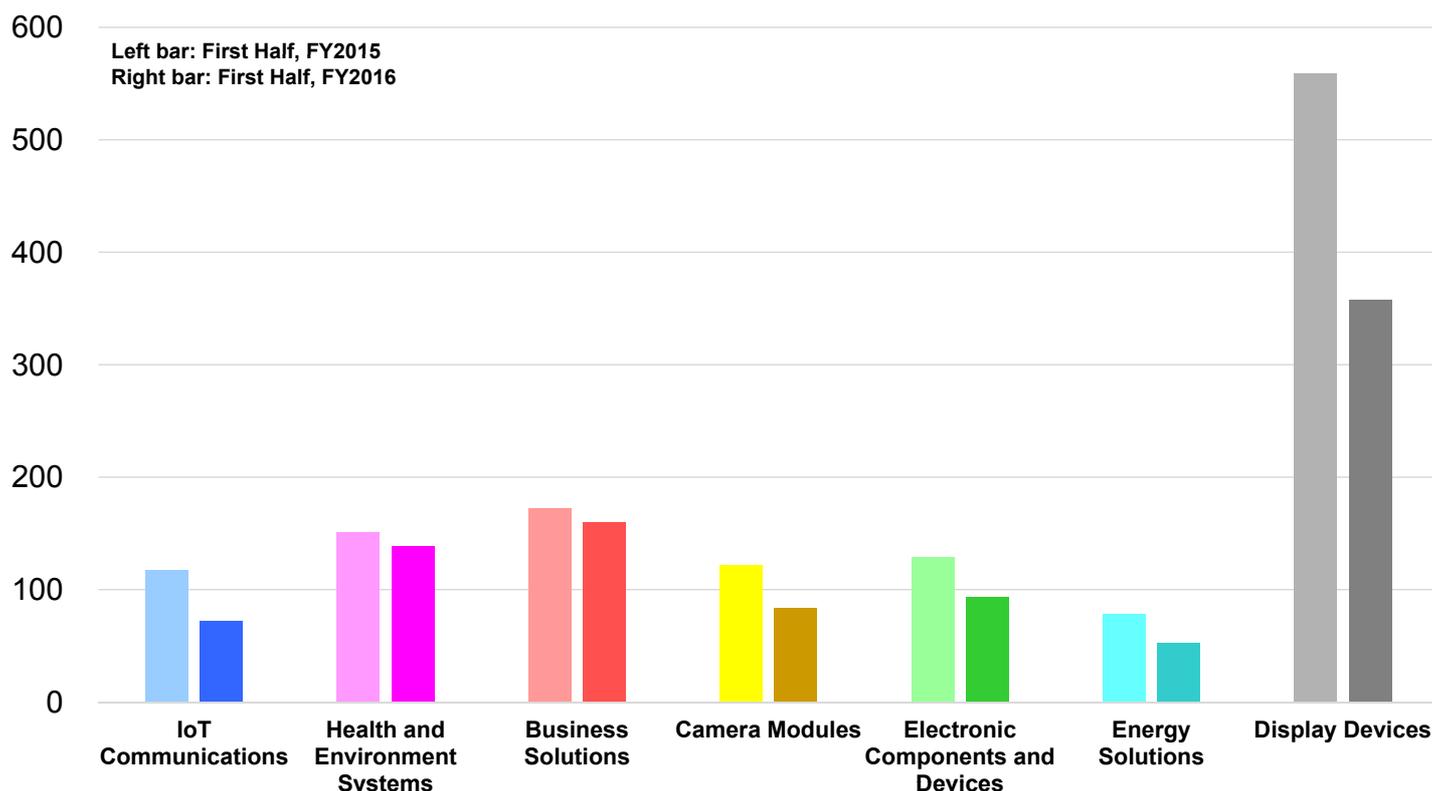
*Sales include inter-segment sales and transfers.

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5

Sales by Segment

(Billions of Yen)



*Sales include inter-segment sales and transfers.

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6

Operating Income by Segment

(Billions of Yen)

	FY2015	FY2016			
	First Half	1Q	2Q	First Half	Y on Y
IoT Communications	10.5 (8.9%)	2.0 (5.8%)	4.1 (11.1%)	6.1 (8.5%)	-41.2%
Health and Environment Systems	2.5 (1.7%)	6.5 (9.7%)	6.5 (9.2%)	13.1 (9.5%)	5.2-fold
Business Solutions	16.7 (9.7%)	5.9 (7.7%)	5.2 (6.4%)	11.2 (7.0%)	-32.9%
Camera Modules	8.2 (6.8%)	0.1 (0.4%)	-1.3 (-2.6%)	-1.1 (-1.4%)	-
Electronic Components and Devices	-0.2 (-0.2%)	0.3 (0.9%)	-0.6 (-1.4%)	-0.3 (-0.4%)	-
Energy Solutions	-2.6 (-3.4%)	-6.3 (-28.8%)	1.4 (4.9%)	-4.8 (-9.2%)	-
Display Devices	-41.5 (-7.4%)	-6.8 (-4.1%)	-7.8 (-4.1%)	-14.6 (-4.1%)	-
Subtotal	-6.3 (-0.5%)	1.9 (0.4%)	7.6 (1.5%)	9.5 (1.0%)	-
Adjustments	-18.8	-4.4	-5.0	-9.4	-
Total	-25.1 (-2.0%)	-2.5 (-0.6%)	2.5 (0.5%)	0.0 (0.0%)	-

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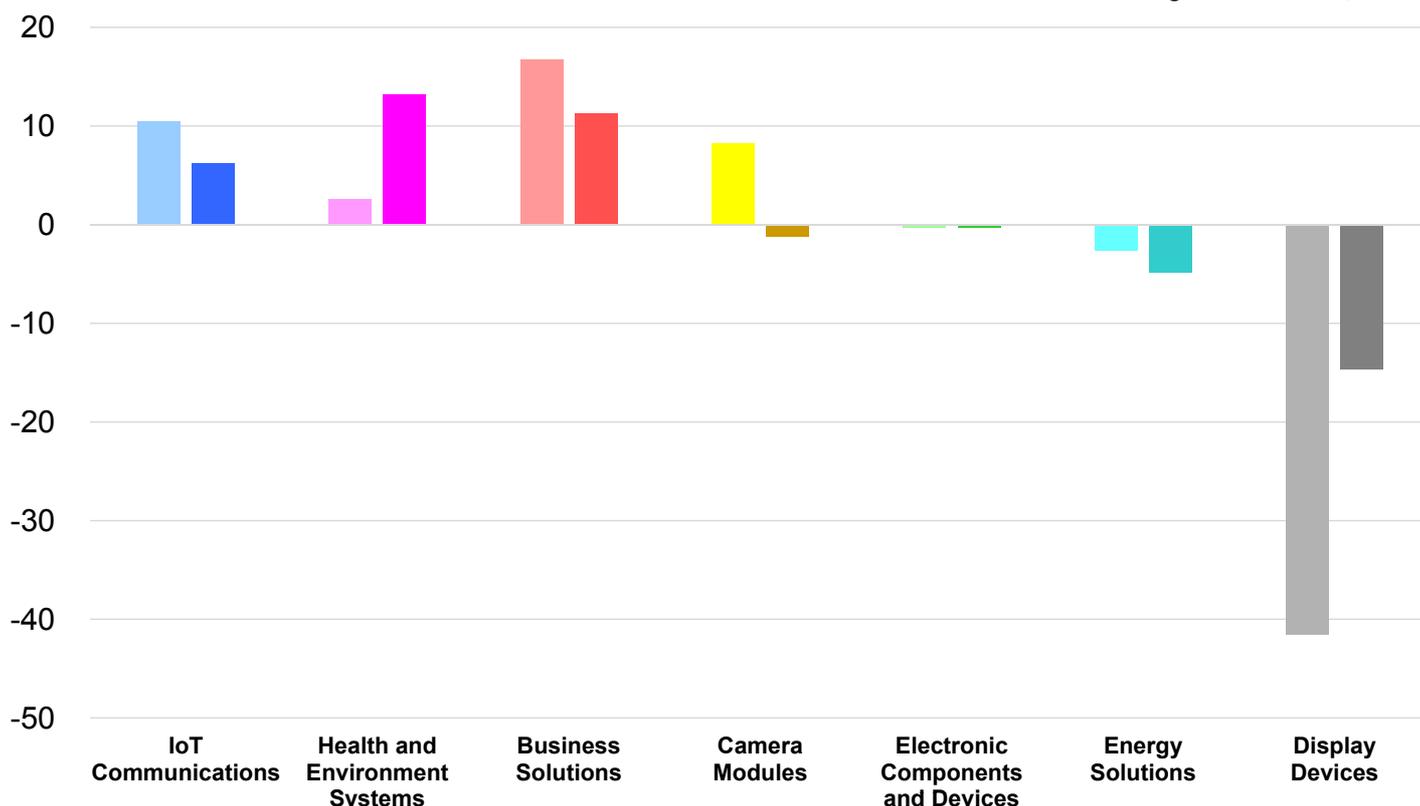
*Figures within parentheses indicate operating margin.

7

Operating Income by Segment

(Billions of Yen)

Left bar: First Half, FY2015
Right bar: First Half, FY2016



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8

Other Income (Expenses)

(Billions of Yen)

	FY2015	FY2016				Difference (Y on Y)
	First Half	1Q	2Q	First Half		
Operating Income	-25.1	-2.5	+2.5	0.0	+25.2	
Other Income (Expenses)	-50.0	-20.8	-13.7	-34.6	+15.4	
Equity in earnings of affiliates	+3.0	-	-	-	-3.0	
Gain on sales of investment securities	+1.8	-	+1.3	+1.3	-0.4	
Reversal of provision for loss on litigation	+2.0	-	-	-	-2.0	
Receipt of settlement package	+7.1	-	-	-	-7.1	
Interest expense	-9.9	-2.4	-1.5	-4.0	+5.9	
Equity in losses of affiliates	-	-11.0	-8.1	-19.1	-19.1	
Impairment loss	-11.1	-1.5	-4.2	-5.7	+5.3	
Restructuring charges	-35.3	-	-	-	+35.3	
Pretax Income	-75.2	-23.3	-11.1	-34.5	+40.6	
Income Taxes, etc.	-8.3	-4.0	-6.7	-10.8	-2.5	
Profit Attributable to Owners of Parent	-83.6	-27.4	-17.9	-45.4	+38.1	

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9

Consolidated Balance Sheets

- Cash, time deposits, and restricted cash amounted to 473.9 billion yen as of September 30, 2016, an increase of 234.6 billion yen compared to June 30, 2016
- Equity ratio increased from -6.0% as of June 30, 2016 to 15.3%, resolving the capital deficit situation

(Billions of Yen)

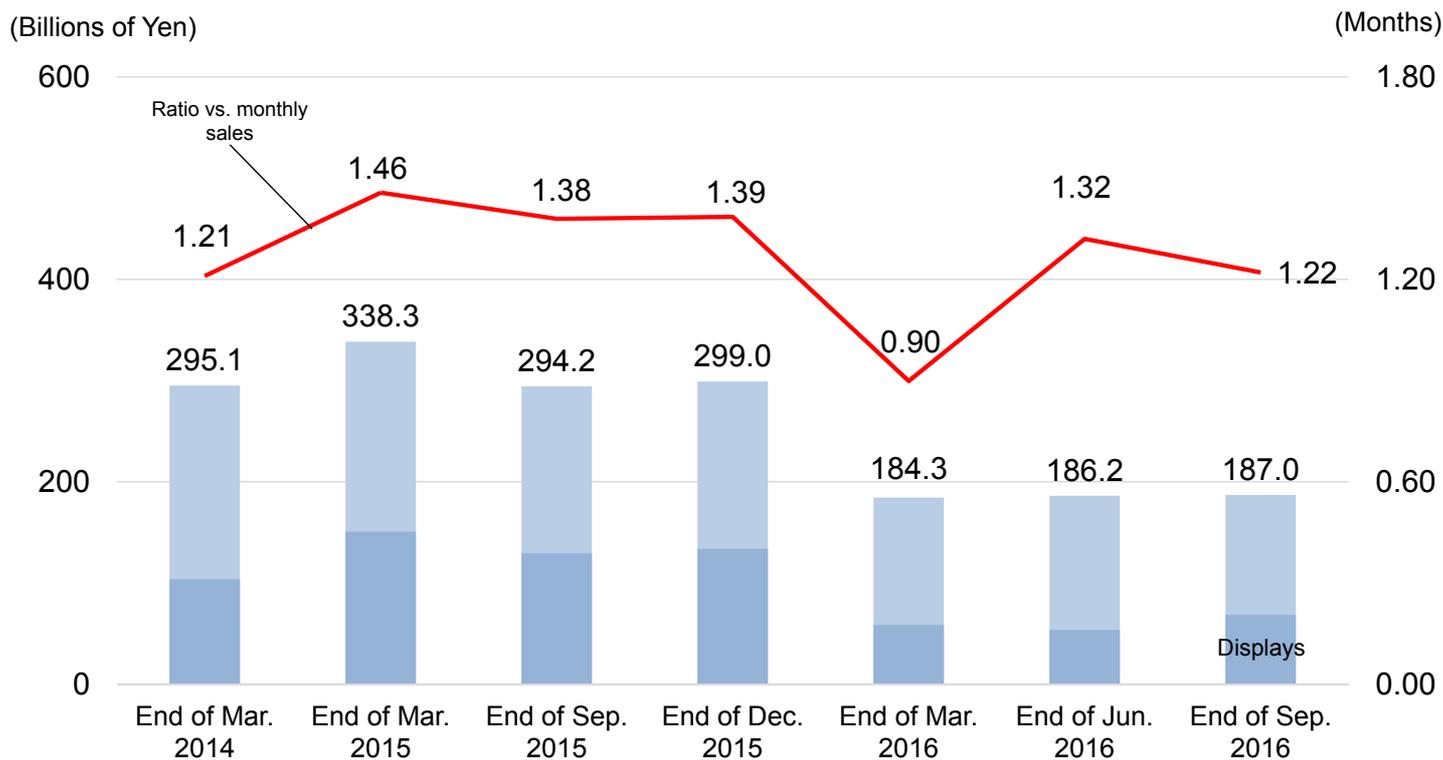
	FY2015	FY2016			FY2015	FY2016	
	End of Mar. 2016	End of Jun. 2016	End of Sep. 2016		End of Mar. 2016	End of Jun. 2016	End of Sep. 2016
Cash, time deposits, and restricted cash	275.3	239.3	473.9	Short-term borrowings	638.7	172.0	140.8
Notes and accounts receivable	430.0	327.6	362.4	Notes and accounts payable	312.6	267.3	318.6
Inventories	184.3	186.2	187.0	Other current liabilities	423.4	381.0	280.9
Other current assets	76.2	78.6	75.8	Current Liabilities	1,374.8	820.4	740.5
Current Assets	965.9	831.8	1,099.3	Long-term Liabilities	227.0	667.9	664.3
Plant and Equipment	351.2	345.6	346.0	Total Liabilities	1,601.8	1,488.4	1,404.8
Investments and Other Assets	253.4	235.9	224.3	Net Assets	-31.2	-75.0	264.9
Deferred Assets	0.0	0.0	0.0	Total Liabilities and Net Assets	1,570.6	1,413.4	1,669.8
Total Assets	1,570.6	1,413.4	1,669.8	Equity Ratio	-2.7%	-6.0%	15.3%

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10

Inventory Trends

- Inventory amounted to 187.0 billion yen, essentially level with June 30, 2016
- The Company intends to maintain appropriate inventory levels reflecting sales plans for the third quarter and beyond.

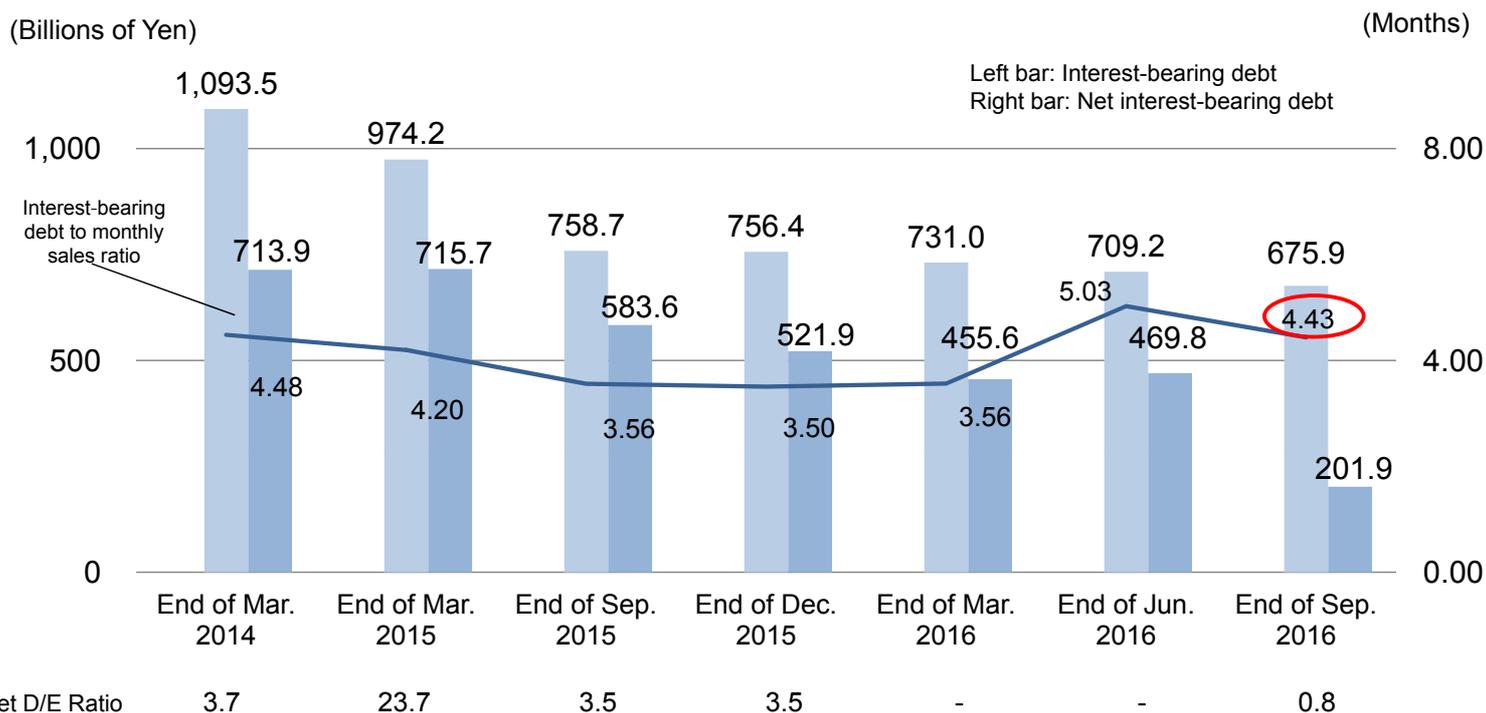


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11

Interest-Bearing Debt Trends

- Interest-bearing debt as of September 30, 2016 decreased 33.2 billion yen compared to June 30, 2016; interest-bearing debt to monthly sales ratio changed from 5.03 months to 4.43 months
- Net interest-bearing debt* decreased from 469.8 billion yen as of June 30, 2016 to 201.9 billion yen as of September 30, 2016



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*Net interest-bearing debt: interest-bearing debt – cash, time deposits, and restricted cash

12

II. Consolidated Earnings Forecast for Fiscal 2016

Consolidated Earnings Forecast for Fiscal 2016

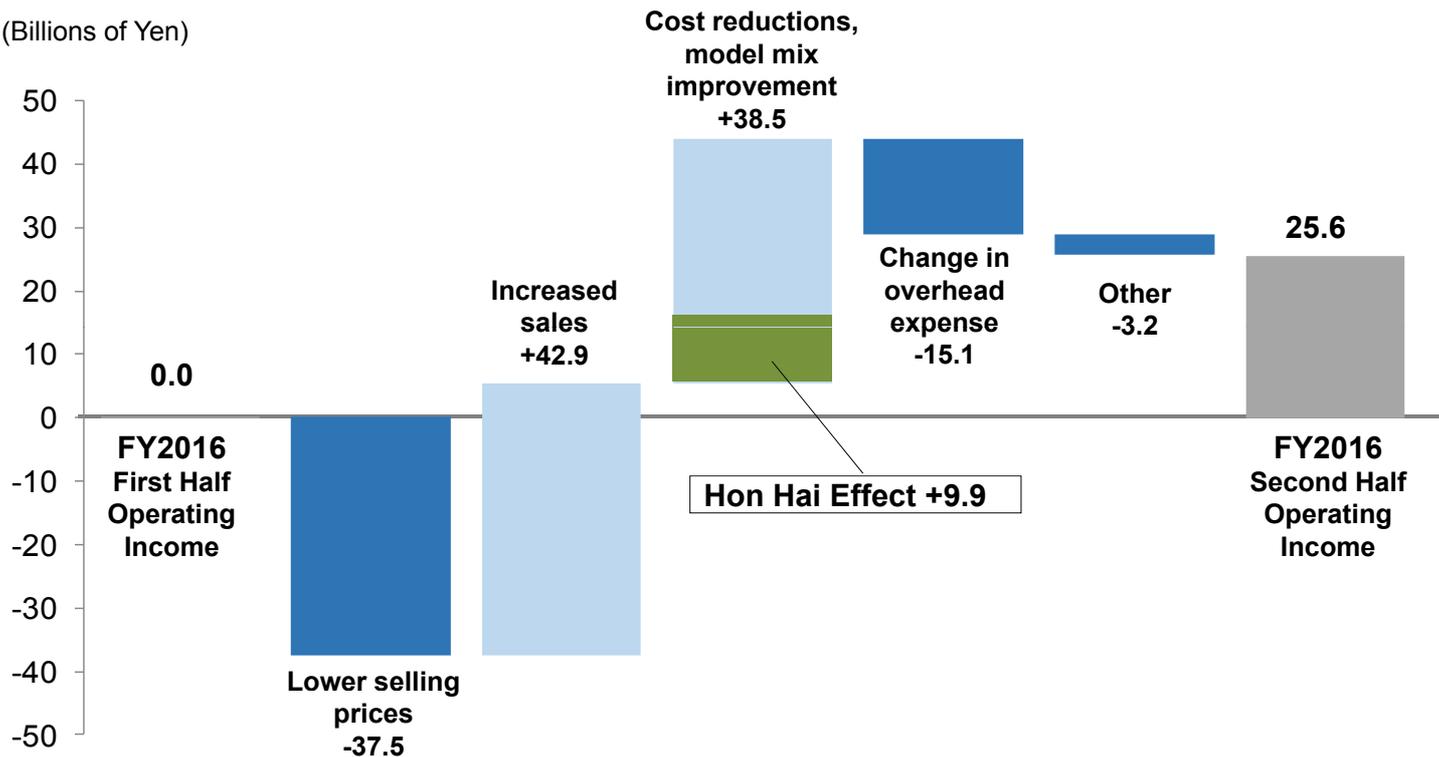
- Fiscal 2016 net sales is projected to be 2 trillion yen, down 18.8% compared to the prior year, mainly due to lower sales of display devices
- Operating income is projected to improve significantly, swinging to 25.7 billion yen in income, mainly due to ongoing structural reform and synergies with the Hon Hai Group.
- Profit attributable to owners of parent also projected to swing positive during the second half of the year

(Billions of Yen)

	FY2016			
	First Half	Second Half Forecast	Fiscal Year Forecast	Y on Y
Net Sales	919.6	1,080.3	2,000.0	-18.8%
Operating Income (margin)	0.0 (0.0%)	25.6 (2.4%)	25.7 (1.3%)	-
Profit Attributable to Owners of Parent (margin)	-45.4 (-4.9%)	3.6 (0.3%)	-41.8 (-2.1%)	-

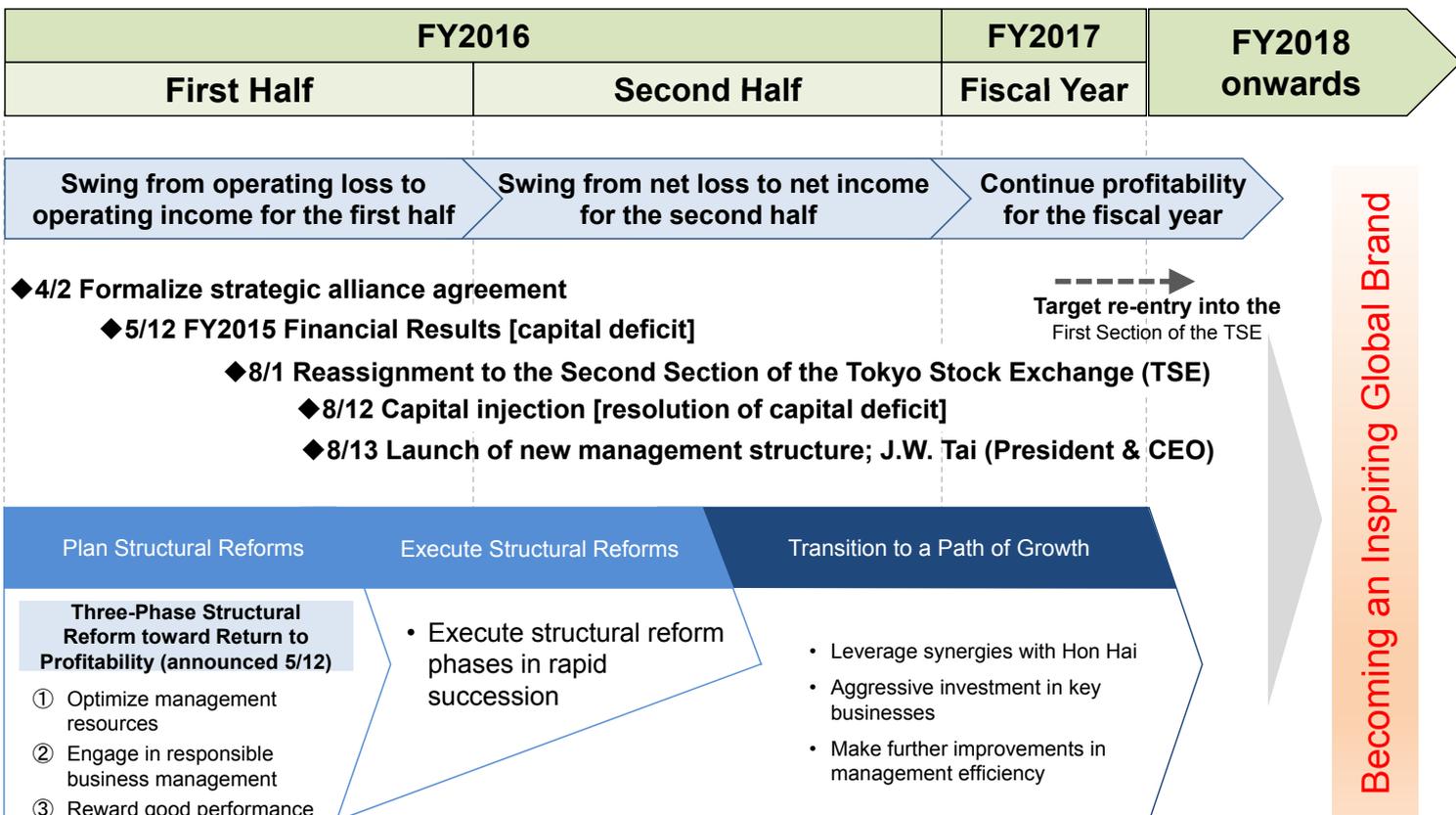
Operating Income Analysis (vs. First Half) for the Second Half, Fiscal 2016

(Billions of Yen)



III. Transitioning to Growth

The Path to Becoming an Inspiring Global Brand



Becoming an Inspiring Global Brand

Execute Structural Reforms ① Optimize Management Resources

[◎: Completed ○: In Progress]

Priorities	Progress
Optimize Operating Bases	<ul style="list-style-type: none"> ◎ Move HQ to Sakai Base (7/1) ◎ Move Tokyo (Shibaura) office to Makuhari Building (9/30) ○ Continue to optimize business, operating bases
Reorganize Subsidiaries	<ul style="list-style-type: none"> ◎ Hong Kong: Dissolve joint venture with Roxy Group (9/26) ◎ Taiwan: Revise sales structure (9/1) ◎ Japan: Absorption-type merger with SMS (resolution on 11/1; scheduled merger on 1/1) ○ Reorganize domestic/overseas subsidiaries
Optimize Labor Force	<ul style="list-style-type: none"> ◎ Move HQ functions, personnel under divisions (8/27) ○ Revise overseas temporary transfers, assignments ○ Reassignments (sales shift, etc.), move external subcontracting in-house, etc.
Capital Policy	<ul style="list-style-type: none"> ◎ Purchase and cancel Class B shares (9/30) ◎ Establish commitment line (300 billion yen) (8/12) ○ Reduce interest expense by revising loan portfolio

Execute Structural Reforms ② Engage in Responsible Business Management

[◎: Completed ○: In Progress]

Priorities	Progress
Decentralize Management	<ul style="list-style-type: none"> ◎ Reorganize into 20 business units; clarify responsibility for earnings (8/21) ◎ Transition R&D division to a profit center (8/27) ○ Clarify responsibility for earnings at overseas plants
Establish Subsidiaries	<ul style="list-style-type: none"> ◎ Make intellectual property division a subsidiary (ScienBiziP Japan; 10/3) ◎ Make logistics division a subsidiary (Sharp JUSDA Logistics Corporation; 10/3) ○ Make subsidiaries out of health, medical, and other businesses
Restructure Supply Chain	<ul style="list-style-type: none"> ◎ Establish central purchasing organization; advance central purchasing (11/1) ○ Revise brokerage transactions for purchasing/sales ○ Consolidate, make product and component distribution more efficient
Strengthen Controls	<ul style="list-style-type: none"> ◎ Reduce number of directors to exercise more agile decision-making (8/12) ◎ Strictly define decision-making authority (8/21) ○ Strengthen management of inventory, accounts receivable, and noncurrent assets

Execute Structural Reforms ③ Reward Good Performance

[◎: Completed ○: In Progress]

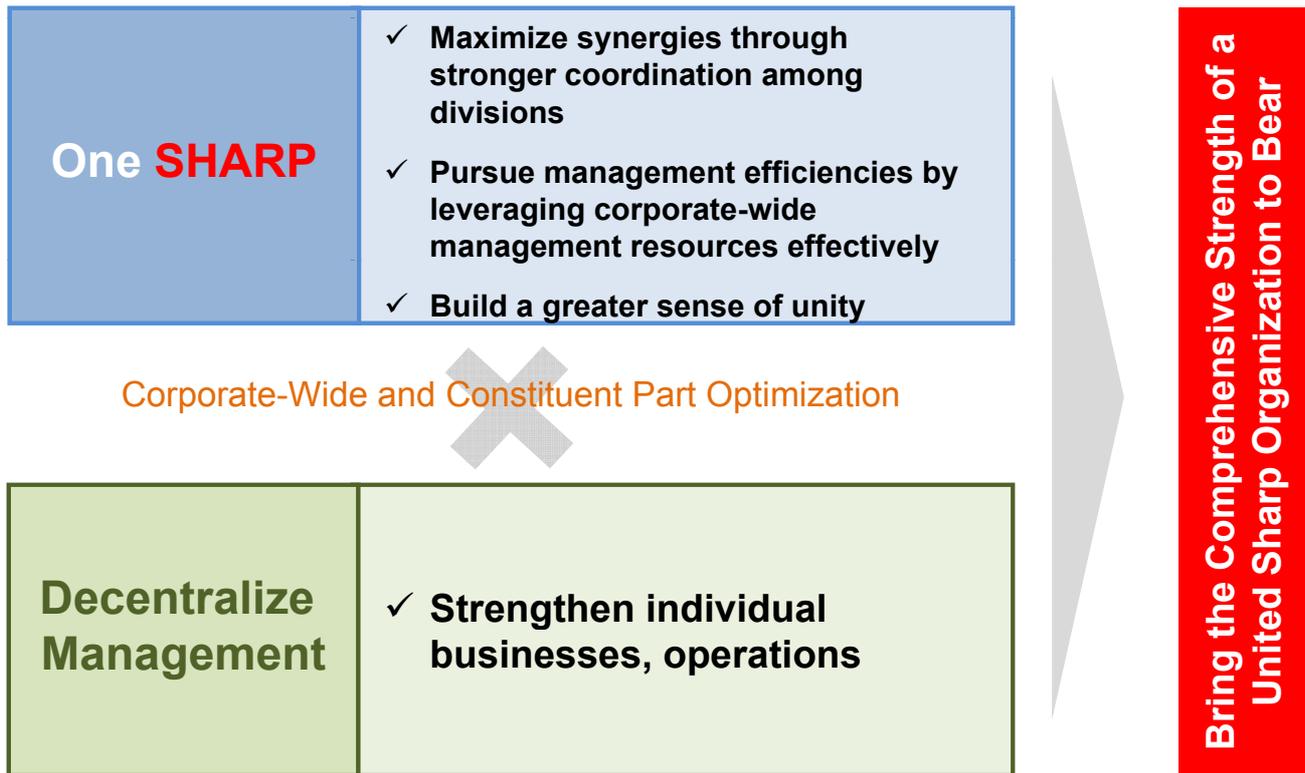
Priorities	Progress
Reward Good Performance	<p><u>Role-based compensation (discontinue seniority system)</u></p> <ul style="list-style-type: none"> ○ Adopt role-grade compensation among general employees (already adopted for manager-class employees) <p><u>Flexible compensation system</u></p> <ul style="list-style-type: none"> ◎ Pay salary using funds freed up from payroll decreases (9/23) ◎ Trial adoption of sales incentive system (10/1) ○ Adopt incentives for technological development ○ Move to an evaluation system that reflects performance more directly ○ Adopt a stock option plan <p><u>Fair HR evaluations</u></p> <ul style="list-style-type: none"> ◎ Establish an HR evaluation committee (8/26) ◎ Adopt a manager demotion system (11/1)
Seek Expertise	<ul style="list-style-type: none"> ○ Abolish the uniform rotation system ○ Engage in hiring that focuses on expertise sought after by divisions

Transition to a Path of Growth

[◎: Completed ○: In Progress]

Priorities	Progress
Invest in Growth Businesses	<ul style="list-style-type: none"> ◎ Invest in an OLED display pilot line (resolution on 9/30) ○ Expand product line; develop competitive core devices ○ Build partnerships to create new business models
Take Initiative to Strengthen Key Technologies	<ul style="list-style-type: none"> ◎ Purchase production equipment from subcontractors (10/14 agreement) <ul style="list-style-type: none"> → Acquire production equipment for smartphone electronic components, accumulate manufacturing expertise and improve yields to strengthen competitiveness ○ Exercise consistent control of supply chain via equity investments and in-house production
Strengthen Our Brand	<ul style="list-style-type: none"> ○ Strengthen business ties with TV brand license partner (UMC) in Europe <ul style="list-style-type: none"> → Consider investing capital to strengthen relationships, expand business in the European market ○ Rebuild brand in other regions, businesses
Develop Employees to Lead Strategic Businesses	<ul style="list-style-type: none"> ◎ Repurchase Tanabe Bldg. (former HQ district) (9/28 agreement) <ul style="list-style-type: none"> → Use favorable location in Osaka City to secure talented staff ○ Promote mid-career hires with expertise and the ability to contribute immediately ○ Promote return-hires/rehires

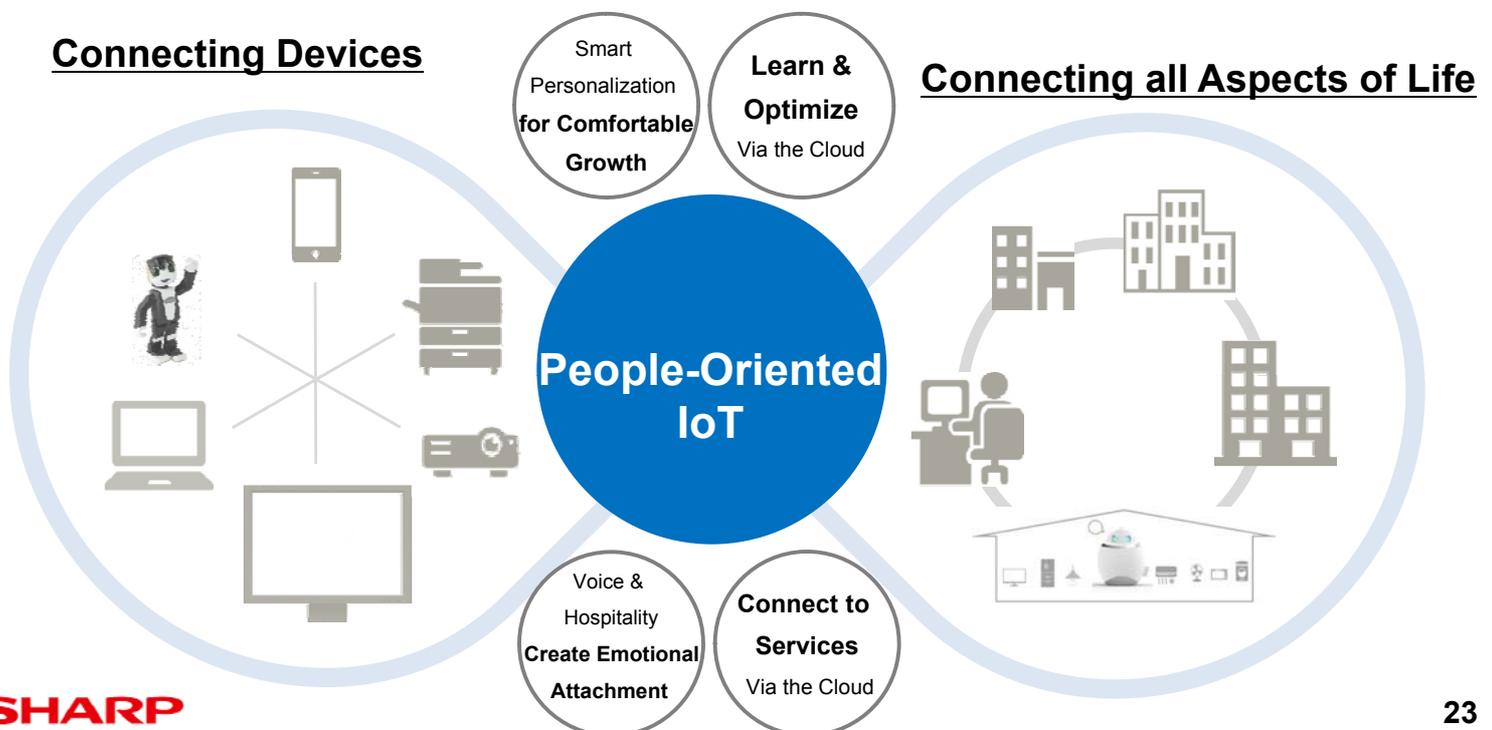
Bring the Comprehensive Strength of the Sharp Organization to Bear



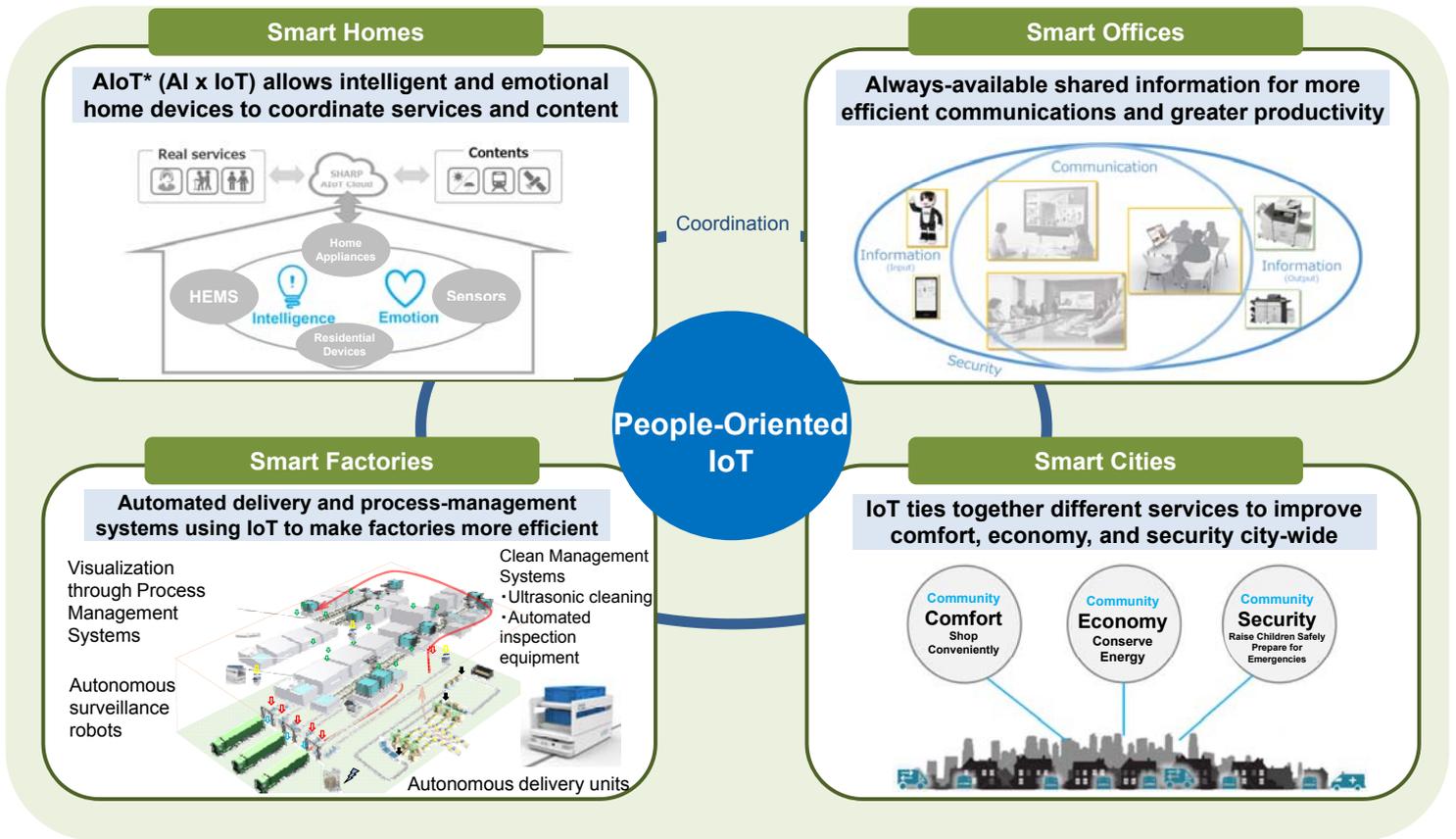
Business Direction: *People-Oriented IoT*

Connecting everyday devices, creating ways to meet customer needs and to enable them to enjoy the convenience that technology offers.

— The world of IoT, only from Sharp. —



The Smart Society, realized through a People-Oriented IoT



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*AIoT is a registered trademark of Sharp Corporation

24

New Corporate Motto: *Be Original.*

Be Original. to Serve as a Trusted Partner



From the beginning, SHARP has been driven by originality.
 We originate technologies that enhance lifestyles,
 Inspire innovations that support individual expression,
 And create products that let you be you.
 There is only one Sharp.
 There is only one you.

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25

IV. Supplementary Data

Quarterly Sales by Segment

(Billions of Yen)

	FY2015				FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q
IoT Communications	56.8	60.8	36.3	43.4	35.2	37.1
Health and Environment Systems	74.7	75.8	74.0	73.5	67.8	71.1
Business Solutions	80.6	91.7	88.8	93.9	77.5	82.1
Camera Modules	75.7	46.0	78.3	44.8	32.6	51.0
Electronic Components and Devices	60.8	68.5	68.0	47.5	42.3	51.0
Energy Solutions	36.8	41.8	34.5	43.5	21.8	30.4
Display Devices	258.2	300.3	320.0	208.0	167.1	190.3
Subtotal	643.9	685.1	700.3	554.9	444.7	513.3
Adjustments	-25.6	-23.7	-36.9	-36.3	-21.3	-17.0
Total	618.3	661.3	663.3	518.5	423.3	496.2

Quarterly Operating Income by Segment

(Billions of Yen)

	FY2015				FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q
IoT Communications	4.9 (8.7%)	5.5 (9.1%)	3.1 (8.7%)	0.8 (1.9%)	2.0 (5.8%)	4.1 (11.1%)
Health and Environment Systems	0.7 (1.0%)	1.8 (2.4%)	4.7 (6.4%)	4.4 (6.1%)	6.5 (9.7%)	6.5 (9.2%)
Business Solutions	6.8 (8.4%)	9.9 (10.8%)	7.1 (8.0%)	11.9 (12.7%)	5.9 (7.7%)	5.2 (6.4%)
Camera Modules	4.2 (5.6%)	3.9 (8.6%)	1.0 (1.3%)	-0.1 (-0.4%)	0.1 (0.4%)	-1.3 (-2.6%)
Electronic Components and Devices	-1.4 (-2.4%)	1.2 (1.8%)	0.9 (1.4%)	-8.3 (-17.6%)	0.3 (0.9%)	-0.6 (-1.4%)
Energy Solutions	-3.9 (-10.7%)	1.3 (3.2%)	-5.0 (-14.7%)	-10.7 (-24.6%)	-6.3 (-28.8%)	1.4 (4.9%)
Display Devices	-31.0 (-12.0%)	-10.4 (-3.5%)	-11.0 (-3.5%)	-124.6 (-59.9%)	-6.8 (-4.1%)	-7.8 (-4.1%)
Subtotal	-19.7 (-3.1%)	13.3 (2.0%)	0.8 (0.1%)	-126.6 (-22.8%)	1.9 (0.4%)	7.6 (1.5%)
Adjustments	-9.0	-9.7	-4.7	-6.2	-4.4	-5.0
Total	-28.7 (-4.7%)	3.5 (0.5%)	-3.8 (-0.6%)	-132.9 (-25.6%)	-2.5 (-0.6%)	2.5 (0.5%)

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*Figures within parentheses indicate operating margin.

28

Sales of Main Products

(Billions of Yen)

	FY2015			FY2016
	First Half	Second Half	Fiscal Year	First Half
LCD TVs	154.6	129.5	284.2	89.9
Unit (million units)	2.99	2.83	5.82	2.16
Mobile Phones	83.5	62.8	146.3	56.2
Unit (million units)	2.26	1.44	3.71	1.25
Refrigerators	48.2	42.5	90.8	44.3
Air Conditioners	36.0	21.6	57.6	30.4
Copiers / Printers	78.2	58.8	137.0	57.8

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29

Quarterly Sales of Main Products

(Billions of Yen)

	FY2015				FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q
LCD TVs	64.1	90.5	81.8	47.7	44.4	45.4
Unit (million units)	1.41	1.58	1.72	1.10	1.00	1.15
Mobile Phones	44.1	39.4	27.4	35.3	26.5	29.6
Unit (million units)	1.01	1.25	0.54	0.89	0.57	0.68
Refrigerators	23.0	25.1	21.1	21.4	20.8	23.4
Air Conditioners	20.6	15.3	8.2	13.4	16.5	13.8
Copiers / Printers	37.2	40.9	25.0	33.7	26.8	30.9

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30

Capital Investment/Depreciation and Amortization

(Billions of Yen)

	FY2015			FY2016		
	First Half	Second Half	Fiscal Year	First Half	Second Half Forecast	Fiscal Year Forecast
Capital Investment	20.9	24.3	45.2	27.4	122.5	150.0
Displays	8.9	13.9	22.8	12.7	80.2	93.0
Depreciation and Amortization	33.7	34.2	68.0	27.4	32.5	60.0
R&D Expenditures	68.6	61.4	130.1	55.8	74.1	130.0

(Yen)

Exchange Rate	FY2015			FY2016	
	First Half	Second Half	Fiscal Year	First Half	Second Half Forecast
US Dollar	120.80	117.50	119.15	104.30	102.00
Euro	133.57	128.59	131.08	116.66	111.00

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31

Quarterly Capital Investment and Depreciation, etc.

(Billions of Yen)

	FY2015				FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q
Capital Investment	9.7	11.1	8.2	16.0	10.2	17.2
Displays	3.8	5.1	4.9	8.9	5.6	7.0
Depreciation and Amortization	18.0	15.7	17.0	17.2	13.5	13.8
R&D Expenditures	36.3	32.3	33.5	27.9	29.7	26.1

(Yen)

Exchange Rate	FY2015				FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q
US Dollar	120.37	121.24	120.51	114.49	107.16	101.44
Euro	132.66	134.48	131.46	125.71	120.53	112.78

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32

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Be Original.

