

Consolidated Financial Results for the Third Quarter Ended December 31, 2017

January 31, 2018

SHARP CORPORATION

Stock exchange listings: Tokyo
 Code number: 6753
 URL: <http://www.sharp.co.jp/> (English : <http://www.sharp-world.com/>)
 Representative: J.W. Tai, President & Chief Executive Officer
 Contact person: Akihiko Kishi, Head of Accounting Division,
 Finance and Administration Office
 Tel. +81 72 282 1221

Scheduled dividend payment date: -
 Supplementary material: Yes
 Financial results meeting: Yes (targeted at institutional investors and analysts)

(Nine months ended December 31, 2016: Monetary amounts are rounded to the nearest million yen.)

(Except nine months ended December 31, 2016: Monetary amounts are rounded down to the nearest million yen.)

1. Results for the Nine Months Ended December 31, 2017

(1) Financial Results

(The percentage figures represent the percentage of increase or decrease against the same period of the previous year.) Millions of Yen

	Net Sales	Percent Change	Operating Profit	Percent Change	Ordinary Profit (Loss)	Percent Change
Nine Months Ended December 31, 2017	1,829,445	+22.7%	70,330	+271.4%	71,108	-
Nine Months Ended December 31, 2016	1,491,278	-23.2%	18,938	-	(15,299)	-

	Profit (Loss) Attributable to Owners of Parent	Percent Change	Net Income (Loss) per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Nine Months Ended December 31, 2017	55,384	-	83.98	67.85
Nine Months Ended December 31, 2016	(41,164)	-	(115.92)	-

[Reference] Comprehensive income (loss): December 31, 2017 ; 79,507 million yen - %

December 31, 2016 ; (30,672) million yen - %

Note: Sharp carried out a share consolidation of common shares as well as Class C shares at a ratio of 10 shares to 1 share on October 1, 2017. Therefore, the figures for the net income per share and the fully diluted net income per share are calculated on the assumption that Sharp conducts this consolidation on the beginning of the previous fiscal year.

(2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio
As of December 31, 2017	1,997,973	389,512	18.7%
As of March 31, 2017	1,773,682	307,801	16.6%

[Reference] Equity: December 31, 2017 ; 372,651 million yen

March 31, 2017 ; 294,154 million yen

2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2017	-	0.00	-	0.00	0.00
Year Ending March 31, 2018	-	0.00	-	/	/
Year Ending March 31, 2018 (Forecast)	/	/	/	-	-

Note1: Revisions to forecast of dividends in this quarter; None

Note2: The amount of dividend per share for the year ending March 31, 2018, has not been decided at the time of announcement.

Note3: Dividends noted above are on common shares. As for the status of dividends for Class Shares (unlisted) with different rights from those of common shares of Sharp Corporation, please see "(Reference) Dividends on Class Shares."

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2018

(The percentage figures represent the percentage of increase or decrease against the previous year.)

Millions of Yen

	Net Sales	Percent Change	Operating Profit	Percent Change	Ordinary Profit	Percent Change	Profit Attributable to Owners of Parent	Percent Change	Net Income per Share (Yen)
Year Ending March 31, 2018	2,510,000	+22.4%	93,000	+48.9%	87,000	+247.0%	69,000	-	104.06

Note1: Revisions to forecast of financial results in this quarter; None

Note2: Sharp carried out a share consolidation of common shares as well as Class C shares at a ratio of 10 shares to 1 share on October 1, 2017.

Therefore, the figure for the net income per share forecasts for the year ending March 31, 2018 is calculated considering the effect of this consolidation.

4. Other Information

(1) Changes in significant consolidated subsidiaries (Changes in specified subsidiaries involving changes in scope of consolidation): Yes

Newly added : 2 companies

S&O Electronics (Malaysia) Sdn. Bhd.

Sharp Thai Company Ltd.

Excluded : 1 company

Sharp Electronics Marketing Corporation

(2) Adoption of special accounting methods for preparation of quarterly financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatement

1. Changes in accounting policies arising from revision of accounting standards: None

2. Changes arising from other factors: None

3. Changes in accounting estimates: None

4. Restatement: None

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury stock) as of December 31, 2017 ; 498,316,558 shares
as of March 31, 2017 ; 498,316,558 shares

2. Number of shares of treasury stock as of December 31, 2017 ; 1,066,200 shares
as of March 31, 2017 ; 1,055,617 shares

3. Average number of shares outstanding during the nine months ended December 31, 2017 ; 497,256,605 shares
during the nine months ended December 31, 2016 ; 333,164,699 shares

Note: Sharp carried out a share consolidation of common shares at a ratio of 10 shares to 1 share on October 1, 2017.

Therefore, the numbers of shares mentioned above are calculated on the assumption that Sharp conducts this consolidation on the beginning of the previous fiscal year.

Notes:

1. This financial release is not subject to audit.
2. This financial release contains certain statements about the future, which are based on information available and deemed reasonable to the Sharp Group at the time of announcement and are not the commitments made by Sharp. Actual operating results may differ materially from the forecast due to various factors.
3. Sharp will hold a financial results meeting on January 31, 2018. Financial materials distributed at the meeting will be posted on its website immediately after the meeting.
4. The accompanying consolidated financial statements are a translation of the consolidated financial statements of Sharp, which were prepared in accordance with accounting principles and practices generally accepted in Japan.

(Reference) Dividends on Class Shares

The following shows breakdown of dividends per share on Class Shares with different rights from those of common shares.

Class A Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2017	-	0.00	-	0.00	0.00
Year Ending March 31, 2018	-	0.00	-		
Year Ending March 31, 2018 (Forecast)				-	-

Class B Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2017	-	0.00	-	-	0.00
Year Ending March 31, 2018	-	-	-		
Year Ending March 31, 2018 (Forecast)				-	-

Class C Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2017	-	0.00	-	0.00	0.00
Year Ending March 31, 2018	-	0.00	-		
Year Ending March 31, 2018 (Forecast)				-	-

Notes:

1. Number of Class A Share issued are 200,000 shares. In accordance to the accumulation clause defined in the Company's Articles of Incorporation, the year-end dividends for the fiscal years ended March 31, 2016 and 2017 have been accumulated. The amount is 9,668 million yen as of December 31, 2017.
2. Number of Class B Share issued were 25,000 shares. However, on August 12, 2016, the Company acquired all by the call option the consideration for which is cash on the Company's Articles of Incorporation. The acquisition amount is 29,974 million yen. Acquired shares were all cancelled by the Company on September 30, 2016.
3. Sharp carried out a share consolidation of Class C shares at a ratio of 10 shares to 1 share on October 1, 2017. Number of Class C Share issued are 1,136,363 shares. Dividend priority of Class C Shares is equal to common shares. In accordance to the dividend clause defined in the Company's Articles of Incorporation, the amount of dividend per Class C Share is equal to the amount of dividend for 100 common shares.
4. The amount of dividend per share for the year ending March 31, 2018, has not been decided at the time of announcement.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
<u>Assets</u>		
Current assets		
Cash and deposits	482,117	397,687
Notes and accounts receivable-trade	375,564	578,890
Inventories	217,892	214,470
Other	126,697	132,760
Allowance for doubtful accounts	(8,562)	(9,093)
Total current assets	1,193,709	1,314,714
Non-current assets		
Property, plant and equipment		
Buildings and structures	625,139	621,009
Machinery, equipment and vehicles	1,155,188	1,197,264
Tools, furniture and fixtures	250,872	224,967
Other	165,096	184,755
Accumulated depreciation	(1,846,683)	(1,808,954)
Total property, plant and equipment	349,614	419,042
Intangible assets	42,359	43,576
Investments and other assets		
Investment securities	151,270	185,303
Other	36,691	35,309
Total investments and other assets	187,962	220,613
Total non-current assets	579,936	683,232
Deferred assets	36	25
Total assets	1,773,682	1,997,973
<u>Liabilities</u>		
Current liabilities		
Notes and accounts payable-trade	306,007	455,611
Electronically recorded obligations-operating	44,560	54,865
Short-term loans payable	113,534	79,248
Provision for bonuses	21,137	13,812
Provision for product warranties	18,930	20,327
Valuation reserve for inventory purchase commitments	48,618	30,525
Other provision	26,267	25,537
Other	222,581	243,805
Total current liabilities	801,637	923,732
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	490,333	505,217
Provision	482	562
Net defined benefit liability	110,074	105,650
Other	23,353	33,297
Total non-current liabilities	664,243	684,728
Total liabilities	1,465,881	1,608,460

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	576,792	295,331
Retained earnings	(148,597)	189,680
Treasury shares	(13,902)	(13,934)
Total shareholders' equity	419,292	476,077
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,474	19,196
Deferred gains or losses on hedges	39	(98)
Foreign currency translation adjustment	(44,355)	(35,209)
Remeasurements of defined benefit plans	(95,296)	(87,314)
Total accumulated other comprehensive income	(125,138)	(103,425)
Subscription rights to shares	-	70
Non-controlling interests	13,646	16,790
Total net assets	307,801	389,512
Total liabilities and net assets	1,773,682	1,997,973

(2) Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

- Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	1,491,278	1,829,445
Cost of sales	1,229,039	1,520,452
Gross profit	262,239	308,993
Selling, general and administrative expenses	243,301	238,663
Operating profit	18,938	70,330
Non-operating income		
Interest income	769	1,689
Dividend income	1,353	1,464
Rent income on non-current assets	2,647	3,521
Foreign exchange gains	2,367	7,232
Share of profit of entities accounted for using equity method	-	2,206
Other	4,347	3,194
Total non-operating income	11,483	19,310
Non-operating expenses		
Interest expenses	5,385	3,645
Share of loss of entities accounted for using equity method	19,656	-
Other	20,679	14,886
Total non-operating expenses	45,720	18,532
Ordinary profit (loss)	(15,299)	71,108
Extraordinary income		
Gain on sales of non-current assets	3,239	2,091
Gain on sales of investment securities	1,582	-
Gain on bargain purchase	-	856
Settlement received	6,204	-
Total extraordinary income	11,025	2,948
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,249	1,087
Impairment loss	17,809	974
Loss on valuation of investment securities	12	-
Loss on step acquisitions	-	1,954
Total extraordinary losses	19,070	4,016
Profit (loss) before income taxes	(23,344)	70,039
Income taxes-current	16,392	11,207
Income taxes-deferred	973	2,884
Total income taxes	17,365	14,091
Profit (loss)	(40,709)	55,947
Profit (loss) attributable to non-controlling interests	455	563
Profit (loss) attributable to owners of parent	(41,164)	55,384

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit (loss)	(40,709)	55,947
Other comprehensive income		
Valuation difference on available-for-sale securities	2,417	4,721
Deferred gains or losses on hedges	414	(278)
Foreign currency translation adjustment	(1,628)	9,754
Remeasurements of defined benefit plans, net of tax	9,322	8,707
Share of other comprehensive income of entities accounted for using equity method	(488)	654
Total other comprehensive income	10,037	23,559
Comprehensive income	(30,672)	79,507
Comprehensive income attributable to owners of parent	(30,636)	77,804
Comprehensive income attributable to non-controlling interests	(36)	1,703

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
<u>Cash flows from operating activities</u>		
Profit (loss) before income taxes	(23,344)	70,039
Depreciation	49,691	54,112
Interest and dividend income	(2,122)	(3,154)
Interest expenses	5,385	3,645
Loss (gain) on sales and retirement of non-current assets	(1,990)	(1,003)
Impairment loss	17,809	974
Loss (gain) on sales of investment securities	(1,582)	-
Loss (gain) on step acquisitions	-	1,954
Gain on bargain purchase	-	(856)
Share of (profit) loss of entities accounted for using equity method	19,656	(2,206)
Decrease (increase) in notes and accounts receivable-trade	(94,930)	(181,588)
Decrease (increase) in inventories	(23,334)	12,292
Decrease (increase) in accounts receivable-other	98,669	(18,424)
Increase (decrease) in notes and accounts payable-trade	57,895	127,051
Other, net	(13,767)	(3,415)
Subtotal	88,036	59,419
Interest and dividend income received	3,477	3,444
Interest expenses paid	(5,337)	(4,299)
Income taxes (paid) refund	(16,078)	(13,953)
Net cash provided by (used in) operating activities	70,098	44,611
<u>Cash flows from investing activities</u>		
Payments into time deposits	(26,166)	(34,708)
Proceeds from withdrawal of time deposits	23,918	43,662
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(4,629)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	3,280
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	543	-
Purchase of property, plant and equipment	(57,541)	(77,798)
Purchase of investment securities	(11,139)	(27,927)
Other, net	(1,203)	(1,086)
Net cash provided by (used in) investing activities	(71,588)	(99,207)

	(Millions of yen)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from financing activities		
Payout of deposits received	(100,000)	-
Proceeds from withdrawal of restricted deposits	100,000	-
Net increase (decrease) in short-term loans payable	(369,527)	(34,741)
Proceeds from long-term loans payable	328,675	35,001
Repayments of long-term loans payable	(19,090)	(20,162)
Redemption of bonds	(21,783)	-
Proceeds from issuance of common stocks	287,496	-
proceeds from issuance of class shares	99,624	-
Purchase of treasury shares	(29,977)	(29)
Other, net	(4,114)	(4,319)
Net cash provided by (used in) financing activities	271,304	(24,252)
Effect of exchange rate change on cash and cash equivalents	3,785	4,030
Net increase (decrease) in cash and cash equivalents	273,599	(74,818)
Cash and cash equivalents at beginning of period	149,533	453,477
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	(480)
Cash and cash equivalents at end of period	423,132	378,178

(4) Going Concern Assumption
None

(5) Significant Changes in Owners Equity

On December 26, 2017, the board of directors meeting resolved to reclassify other capital surplus to retained earnings brought forward and Sharp made the account classification to cover the deficit in retained earnings.

As a result, capital surplus as of December 31, 2017 decreased 281,947 million yen from March 31, 2017 and retained earnings increased 281,947 million yen.