

# Consolidated Financial Results for the Second Quarter Ended September 30, 2017

October 27, 2017

## 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)

(Six months ended September 30, 2016: Monetary amounts are rounded to the nearest million yen.)

(Except six months ended September 30, 2016: Monetary amounts are rounded down to the nearest million yen.)

## 1. Results for the Six Months Ended September 30, 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
Six Months Ended September 30, 2017	1,115,165	+21.3%	40,562	-	41,126	-
Six Months Ended September 30, 2016	919,685	-28.1%	79	-	( 32,076 )	-

	Profit (Loss) Attributable to Owners of Parent	Percent Change	Net Income (Loss) per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Six Months Ended September 30, 2017	34,739	-	52.43	42.56
Six Months Ended September 30, 2016	( 45,420 )	-	( 162.95 )	-

[Reference] Comprehensive income (loss): September 30, 2017 49,087 million yen - %  
 September 30, 2016 : (62,156) 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 September 30, 2017	1,888,932	357,790	18.2%
As of March 31, 2017	1,773,682	307,801	16.6%

[Reference] Equity: September 30, 2017 ; 343,461 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; Yes

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 : 1 company

S&O Electronics (Malaysia) Sdn. Bhd.

(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 September 30, 2017 ;    | 498,316,558 shares |
| as of March 31, 2017 ;   | 498,316,558 shares |
| 2. Number of shares of treasury stock as of September 30, 2017 ;                         | 1,059,436 shares   |
| as of March 31, 2017 ;   | 1,055,617 shares   |
| 3. Average number of shares outstanding during the six months ended September 30, 2017 ; | 497,257,619 shares |
| during the six months ended September 30, 2016 ;   | 262,837,421 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 October 27, 2017. 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 9,598 million yen as of September 30, 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 September 30, 2017
<b><u>Assets</u></b>		
Current assets		
Cash and deposits	482,117	435,464
Notes and accounts receivable - trade	375,564	478,967
Inventories	217,892	186,089
Other	126,697	140,588
Allowance for doubtful accounts	(8,562)	(8,802)
Total current assets	1,193,709	1,232,307
Non-current assets		
Property, plant and equipment		
Buildings and structures	625,139	620,416
Machinery, equipment and vehicles	1,155,188	1,175,542
Tools, furniture and fixtures	250,872	233,824
Other	165,096	205,992
Accumulated depreciation	(1,846,683)	(1,833,075)
Total property, plant and equipment	349,614	402,699
Intangible assets	42,359	45,116
Investments and other assets		
Investment securities	151,270	171,897
Other	36,691	36,880
Total investments and other assets	187,962	208,778
Total non-current assets	579,936	656,595
Deferred assets	36	29
<b>Total assets</b>	<b>1,773,682</b>	<b>1,888,932</b>
<b><u>Liabilities</u></b>		
Current liabilities		
Notes and accounts payable - trade	306,007	359,378
Electronically recorded obligations - operating	44,560	46,205
Short-term loans payable	113,534	115,784
Provision for bonuses	21,137	23,800
Provision for product warranties	18,930	19,597
Valuation reserve for inventory purchase commitments	48,618	37,318
Other provision	26,267	26,042
Other	222,581	232,009
Total current liabilities	801,637	860,136
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	490,333	490,249
Provision	482	432
Net defined benefit liability	110,074	107,615
Other	23,353	32,708
Total non-current liabilities	664,243	671,005
<b>Total liabilities</b>	<b>1,465,881</b>	<b>1,531,142</b>

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	576,792	577,221
Retained earnings	(148,597)	(113,662)
Treasury shares	(13,902)	(13,909)
Total shareholders' equity	419,292	454,649
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,474	16,974
Deferred gains or losses on hedges	39	(492)
Foreign currency translation adjustment	(44,355)	(38,003)
Remeasurements of defined benefit plans	(95,296)	(89,666)
Total accumulated other comprehensive income	(125,138)	(111,187)
Subscription rights to shares	-	41
Non-controlling interests	13,646	14,287
<b>Total net assets</b>	307,801	357,790
<b>Total liabilities and net assets</b>	1,773,682	1,888,932

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

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	919,685	1,115,165
Cost of sales	751,518	916,633
Gross profit	168,167	198,531
Selling, general and administrative expenses	168,088	157,968
Operating profit	79	40,562
Non-operating income		
Interest income	430	1,054
Dividend income	1,110	1,118
Rent income on non-current assets	1,716	2,306
Foreign exchange gains	442	5,715
Share of profit of entities accounted for using equity method	-	928
Other	2,399	2,668
Total non-operating income	6,097	13,792
Non-operating expenses		
Interest expenses	4,005	2,488
Share of loss of entities accounted for using equity method	19,147	-
Other	15,100	10,740
Total non-operating expenses	38,252	13,229
Ordinary profit (loss)	(32,076)	41,126
Extraordinary income		
Gain on sales of non-current assets	2,920	491
Gain on sales of investment securities	1,345	-
Gain on bargain purchase	-	856
Total extraordinary income	4,265	1,347
Extraordinary losses		
Loss on sales and retirement of non-current assets	999	583
Impairment loss	5,731	-
Loss on valuation of investment securities	12	-
Loss on step acquisitions	-	1,457
Total extraordinary losses	6,742	2,041
Profit (loss) before income taxes	(34,553)	40,433
Income taxes - current	9,337	6,737
Income taxes - deferred	1,348	(1,016)
Total income taxes	10,685	5,720
Profit (loss)	(45,238)	34,712
Profit (loss) attributable to non-controlling interests	182	(26)
Profit (loss) attributable to owners of parent	(45,420)	34,739

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit (loss)	(45,238)	34,712
Other comprehensive income		
Valuation difference on available-for-sale securities	(852)	2,499
Deferred gains or losses on hedges	730	(745)
Foreign currency translation adjustment	(22,316)	6,743
Remeasurements of defined benefit plans, net of tax	6,565	5,617
Share of other comprehensive income of entities accounted for using equity method	(1,045)	259
Total other comprehensive income	(16,918)	14,375
Comprehensive income	(62,156)	49,087
Comprehensive income attributable to owners of parent	(60,919)	48,647
Comprehensive income attributable to non-controlling interests	(1,237)	440

### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
<b><u>Cash flows from operating activities</u></b>		
Profit (loss) before income taxes	(34,553)	40,433
Depreciation	31,266	32,519
Interest and dividend income	(1,540)	(2,173)
Interest expenses	4,005	2,488
Loss (gain) on sales and retirement of non-current assets	(1,921)	92
Impairment loss	5,731	-
Loss (gain) on sales of investment securities	(1,345)	-
Loss (gain) on step acquisitions	-	1,457
Gain on bargain purchase	-	(856)
Share of (profit) loss of entities accounted for using equity method	19,147	(928)
Decrease (increase) in notes and accounts receivable - trade	50,108	(89,838)
Decrease (increase) in inventories	(16,189)	38,171
Increase (decrease) in notes and accounts payable - trade	23,607	32,643
Other, net	(39,411)	(18,444)
Subtotal	38,905	35,565
Interest and dividend income received	2,761	2,357
Interest expenses paid	(3,327)	(2,454)
Income taxes (paid) refund	(11,985)	(8,669)
<b>Net cash provided by (used in) operating activities</b>	<b>26,354</b>	<b>26,798</b>
<b><u>Cash flows from investing activities</u></b>		
Payments into time deposits	(21,593)	(29,230)
Proceeds from withdrawal of time deposits	23,917	37,728
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(4,878)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	1,606
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	537	-
Purchase of property, plant and equipment	(18,676)	(49,946)
Purchase of investment securities	(699)	(17,747)
Other, net	(2,154)	(2,542)
<b>Net cash provided by (used in) investing activities</b>	<b>(18,668)</b>	<b>(65,009)</b>

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
<b>Cash flows from financing activities</b>		
Payout of deposits received	(100,000)	-
Deposits of restricted withdrawals and restricted cash	100,000	-
Net increase (decrease) in short-term loans payable	(334,428)	(20,433)
Proceeds from long-term loans payable	328,674	20,000
Repayments of long-term loans payable	(18,719)	(26)
Redemption of bonds	(21,761)	-
proceeds from issuance of class shares	99,625	-
Proceeds from issuance of common stocks	287,499	-
Purchase of treasury shares	(29,976)	(3)
Other, net	(2,519)	(3,166)
<b>Net cash provided by (used in) financing activities</b>	<b>308,395</b>	<b>(3,628)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(14,956)</b>	<b>4,587</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>301,125</b>	<b>(37,252)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>149,533</b>	<b>453,477</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>-</b>	<b>(480)</b>
<b>Cash and cash equivalents at end of period</b>	<b>450,658</b>	<b>415,744</b>

(4) Going Concern Assumption  
None

(5) Significant Changes in Owners Equity  
None