

# Consolidated Financial Results for the Third Quarter Ended December 31, 2018

January 30, 2019

## 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, Chairman, President & Chief Executive Officer  
 Contact person: Akihiko Kishi, Head of Accounting Division,  
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Scheduled dividend payment date: -  
 Supplementary material: Yes  
 Financial results meeting: Yes (targeted at institutional investors and analysts)

(Monetary amounts are rounded down to the nearest million yen.)

## 1. Results for the Nine Months Ended December 31, 2018

### (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	Percent Change
Nine Months Ended December 31, 2018	1,771,537	-3.2%	68,247	-3.0%	62,016	-12.8%
Nine Months Ended December 31, 2017	1,829,445	+22.7%	70,330	+271.4%	71,108	-

	Profit Attributable to Owners of Parent	Percent Change	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Nine Months Ended December 31, 2018	63,079	+13.9%	99.69	76.38
Nine Months Ended December 31, 2017	55,384	-	83.98	67.85

[Reference] Comprehensive income: December 31, 2018 ; 65,929 million yen -17.1%  
 December 31, 2017 ; 79,507 million yen - %

Note1: 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.

Note2: The board of directors meeting on October 30, 2018 resolved to acquire and cancel some Class A Shares. Net income per share reflect the effect of this acquisition and cancelation. As for details of the transaction, please see "(Reference) Dividends on Class Shares."

### (2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio
As of December 31, 2018	1,962,699	444,673	21.6%
As of March 31, 2018	1,908,461	401,713	19.8%

[Reference] Equity: December 31, 2018 ; 423,270 million yen  
 March 31, 2018 ; 378,340 million yen

## 2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2018	-	0.00	-	10.00	10.00
Year Ending March 31, 2019	-	0.00	-		
Year Ending March 31, 2019 (Forecast)				-	-

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

Note2: The amount of dividend per share for the year ending March 31, 2019, 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, 2019**

(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, 2019	2,500,000	+3.0%	107,000	+18.7%	96,000	+7.5%	90,000	+28.2%	142.62

Note1: Revisions to forecast of financial results in this quarter; Yes

Note2: The board of directors meeting on October 30, 2018 resolved to acquire and cancel some Class A Shares. Net income per share reflect the effect of this acquisition and cancelation. As for details of the transaction, please see "(Reference) Dividends on Class Shares."

### **4. Other Information**

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

Newly added : 6 companies

SAIGON STEC CO.,LTD., YANTAI XIAYE ELECTRONICS CO., LTD., Dynabook Inc.,

Toshiba Information Equipment (Hangzhou) Co., Ltd., Toshiba Client Solutions ANZ Pty. Ltd.,

Toshiba America Client Solutions, Inc.

Excluded : None

Note: Toshiba Client Solutions Co., Ltd. was renamed to Dynabook Inc. on January 1, 2019.

(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: Yes

2. Changes arising from other factors: None

3. Changes in accounting estimates: None

4. Restatement: None

Note: For more details, please see "Consolidated Financial Statements (4) Notes to Consolidated Quarterly Financial Statements (Changes in Accounting Policy)" on page.10.

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury stock) as of December 31, 2018 ;	532,416,558 shares
as of March 31, 2018 ;	498,316,558 shares
2. Number of shares of treasury stock as of December 31, 2018 ;	1,068,448 shares
as of March 31, 2018 ;	1,067,494 shares
3. Average number of shares outstanding during the nine months ended December 31, 2018 ;	517,709,818 shares
during the nine months ended December 31, 2017 ;	497,256,605 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 30, 2019. 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, 2018	-	0.00	-	74,916.50	74,916.50
Year Ending March 31, 2019	-	0.00	-		
Year Ending March 31, 2019 (Forecast)				-	-

Class C Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2018	-	0.00	-	1,000.00	1,000.00
Year Ending March 31, 2019	-	0.00	-		
Year Ending March 31, 2019 (Forecast)				-	-

### Notes:

- Number of Class A Share issued were 200,000 shares as of March 31, 2018. In accordance to the Company's Articles of Incorporation, Sharp made total 14,983 million yen of dividends on May 29, 2018. The amount included the year-end dividends for the fiscal year ended March 31, 2018 and the accumulated dividends for the fiscal years ended March 31, 2016 and 2017.  
Number of Class A Share issued are 108,000 shares as of January 30, 2019.  
The board of directors meeting on October 30, 2018 resolved to acquire and cancel 92,000 of 200,000 Class A Shares. Sharp signed share acquisition agreement with Class A Shareholders on the same day. Sharp acquired and canceled 92,000 Class A Shares on January 30, 2019.
- Number of Class C Share issued are 795,363 shares as of January 30, 2019. While the number as of March 31, 2018, were 1,136,363 shares, Sharp canceled 341,000 Class C shares after acquiring them with 34,100,000 common shares as consideration on July 23, 2018.  
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.
- The amount of dividend per share for the year ending March 31, 2019, has not been decided at the time of announcement.

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
<b><u>Assets</u></b>		
Current assets		
Cash and deposits	422,302	295,777
Notes and accounts receivable - trade	471,575	540,615
Inventories	219,714	278,358
Other	111,718	109,991
Allowance for doubtful accounts	(8,118)	(4,721)
Total current assets	1,217,193	1,220,020
Non-current assets		
Property, plant and equipment		
Buildings and structures	625,263	645,760
Machinery, equipment and vehicles	1,209,180	1,204,292
Tools, furniture and fixtures	235,418	226,107
Other	187,032	177,610
Accumulated depreciation	(1,828,299)	(1,833,815)
Total property, plant and equipment	428,595	419,955
Intangible assets	44,797	43,910
Investments and other assets		
Investment securities	172,061	186,362
Other	45,792	92,439
Total investments and other assets	217,854	278,801
Total non-current assets	691,247	742,668
Deferred assets	21	10
<b>Total assets</b>	<b>1,908,461</b>	<b>1,962,699</b>
<b><u>Liabilities</u></b>		
Current liabilities		
Notes and accounts payable - trade	384,966	423,494
Electronically recorded obligations - operating	44,511	43,996
Short-term loans payable	81,256	68,328
Current portion of bonds	10,000	40,000
Provision for bonuses	20,859	10,563
Provision for product warranties	18,135	19,622
Valuation reserve for inventory purchase commitments	21,369	16,265
Other provision	21,015	21,498
Other	231,353	201,222
Total current liabilities	833,467	844,992
Non-current liabilities		
Bonds payable	30,000	-
Long-term loans payable	507,027	528,647
Provision	1,514	2,909
Net defined benefit liability	101,101	101,289
Other	33,637	40,186
Total non-current liabilities	673,280	673,032
<b>Total liabilities</b>	<b>1,506,748</b>	<b>1,518,025</b>

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	295,332	293,830
Retained earnings	204,906	246,894
Treasury shares	(13,936)	(13,941)
Total shareholders' equity	491,302	531,782
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,876	13,139
Deferred gains or losses on hedges	(3,205)	(990)
Foreign currency translation adjustment	(47,302)	(48,765)
Remeasurements of defined benefit plans	(79,330)	(71,895)
Total accumulated other comprehensive income	(112,961)	(108,512)
Share acquisition rights	106	204
Non-controlling interests	23,265	21,199
<b>Total net assets</b>	<b>401,713</b>	<b>444,673</b>
<b>Total liabilities and net assets</b>	<b>1,908,461</b>	<b>1,962,699</b>

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

## - Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	1,829,445	1,771,537
Cost of sales	1,520,452	1,459,713
Gross profit	308,993	311,823
Selling, general and administrative expenses	238,663	243,576
Operating profit	70,330	68,247
Non-operating income		
Interest income	1,689	2,097
Dividend income	1,464	1,371
Rent income on non-current assets	3,521	3,438
Foreign exchange gains	7,232	-
Share of profit of entities accounted for using equity method	2,206	-
Other	3,194	12,670
Total non-operating income	19,310	19,577
Non-operating expenses		
Interest expenses	3,645	3,311
Foreign exchange losses	-	4,407
Share of loss of entities accounted for using equity method	-	5,202
Other	14,886	12,886
Total non-operating expenses	18,532	25,808
Ordinary profit	71,108	62,016
Extraordinary income		
Gain on sales of non-current assets	2,091	4,841
Gain on bargain purchase	856	3,936
Gain on change in equity	-	180
Total extraordinary income	2,948	8,958
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,087	629
Impairment loss	974	-
Restructuring charges	-	321
Loss on liquidation of subsidiaries and associates	-	91
Loss on step acquisitions	1,954	-
Total extraordinary losses	4,016	1,042
Profit before income taxes	70,039	69,933
Income taxes - current	11,207	10,417
Income taxes - deferred	2,884	(2,617)
Total income taxes	14,091	7,800
Profit	55,947	62,133
Profit (loss) attributable to non-controlling interests	563	(946)
Profit attributable to owners of parent	55,384	63,079

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	55,947	62,133
Other comprehensive income		
Valuation difference on available-for-sale securities	4,721	(3,745)
Deferred gains or losses on hedges	(278)	2,393
Foreign currency translation adjustment	9,754	(848)
Remeasurements of defined benefit plans, net of tax	8,707	7,420
Share of other comprehensive income of entities accounted for using equity method	654	(1,423)
Total other comprehensive income	23,559	3,795
Comprehensive income	79,507	65,929
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	77,804	67,528
Comprehensive income attributable to non-controlling interests	1,703	(1,599)

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
<b><u>Cash flows from operating activities</u></b>		
Profit before income taxes	70,039	69,933
Depreciation	54,112	58,656
Interest and dividend income	(3,154)	(3,469)
Interest expenses	3,645	3,311
Share of loss (profit) of entities accounted for using equity method	(2,206)	5,202
Impairment loss	974	-
Loss (gain) on sales and retirement of non-current assets	(1,003)	(4,212)
Gain on bargain purchase	(856)	(3,936)
Restructuring Charges	-	321
Loss (gain) on liquidation of subsidiaries and associates	-	91
Loss (gain) on step acquisitions	1,954	-
Loss (gain) on change in equity	-	(180)
Decrease (increase) in notes and accounts receivable - trade	(181,588)	(48,736)
Decrease (increase) in inventories	12,292	(34,085)
Increase (decrease) in notes and accounts payable - trade	127,051	18,239
Increase (decrease) in accrued expenses	(1,609)	(21,497)
Other, net	(20,231)	(2,282)
Subtotal	59,419	37,354
Interest and dividend income received	3,444	7,580
Interest expenses paid	(4,299)	(3,320)
Income taxes (paid) refund	(13,953)	(12,214)
<b>Net cash provided by (used in) operating activities</b>	<b>44,611</b>	<b>29,401</b>
<b><u>Cash flows from investing activities</u></b>		
Payments into time deposits	(34,708)	(54,574)
Proceeds from withdrawal of time deposits	43,662	44,761
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,629)	(1,945)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	3,280	13,485
Purchase of property, plant and equipment	(77,798)	(111,696)
Purchase of intangible assets	(10,404)	(11,893)
Purchase of investment securities	(27,927)	(33,033)
Other, net	9,317	4,835
<b>Net cash provided by (used in) investing activities</b>	<b>(99,207)</b>	<b>(150,061)</b>

	(Millions of yen)	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(34,741)	7,185
Proceeds from long-term loans payable	35,001	22,695
Repayments of long-term loans payable	(20,162)	(20,859)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(400)	(5,422)
Cash dividends paid	-	(21,074)
Proceeds from share issuance to non-controlling shareholders	-	2,255
Other, net	(3,948)	(1,328)
<b>Net cash provided by (used in) financing activities</b>	<b>(24,252)</b>	<b>(16,549)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>4,030</b>	<b>(408)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(74,818)</b>	<b>(137,618)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>453,477</b>	<b>404,001</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>(480)</b>	<b>1,373</b>
<b>Cash and cash equivalents at end of period</b>	<b>378,178</b>	<b>267,756</b>

#### (4) Notes to Consolidated Quarterly Financial Statements

##### (Notes Related to Going Concern Assumption)

No applicable matters to report.

##### (Notes Related to Significant Changes in Shareholders' Equity)

On April 26, 2018, the Board of Directors Meeting of the company resolved to pay total 21,092 million yen of dividends on Class A shares, common shares, and Class C shares of company stock. The Company resolved to pay 74,916.5 yen per Class A share (including amounts equal to accumulated unpaid dividends), 10 yen per common share, and 1,000 yen per Class C share. As a result, retained earnings at the end of December 31, 2018 were 246,894 million yen.

Resolution	Stock Type	Source of Dividends	Total Dividends (Millions of yen)	Dividend per Share (Yen)	Record Date	Effective Date
April 26, 2018 Board of Directors Meeting	Common Stock	Retained Earnings	4,972	10	March 31, 2018	May 30, 2018
April 26, 2018 Board of Directors Meeting	Class A	Retained Earnings	14,983	74,916.50	March 31, 2018	May 29, 2018
April 26, 2018 Board of Directors Meeting	Class C	Retained Earnings	1,136	1,000	March 31, 2018	May 30, 2018

##### (Changes in Accounting Policy)

With the exception of subsidiaries in the United States, Sharp Group overseas consolidated subsidiaries, etc., adopted IFRS No.15 (Revenues from Contracts with Customers) in the first quarter of the fiscal year ending March 2019.

The adoption of this accounting standard has no significant impact on our quarterly consolidated financial statements.

##### (Supplementary Information)

###### (Application of Partial Amendment to the *Accounting Standard for Tax Effect Accounting*)

Sharp adopted the Partial Amendment of the *Accounting Standard for Tax Effect Accounting* (ASBJ Statement No.28, February 16, 2018) and other accounting standards at the beginning of the first quarter of the fiscal year ending March 2019. Accordingly, deferred tax assets are now presented as a component of investments and other assets, while deferred tax liabilities are presented as a component of non-current liabilities.

This accounting standard has been applied retrospectively for presentation of the consolidated balance sheets of the prior consolidated fiscal year.