

Consolidated Financial Results for the Second Quarter Ended September 30, 2018

October 30, 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, Chairman, President & Chief Executive Officer
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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 Six Months Ended September 30, 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
Six Months Ended September 30, 2018	1,129,035	+1.2%	47,002	+15.9%	43,212	+5.1%
Six Months Ended September 30, 2017	1,115,165	+21.3%	40,562	-	41,126	-

	Profit Attributable to Owners of Parent	Percent Change	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Six Months Ended September 30, 2018	40,930	+17.8%	62.62	49.56
Six Months Ended September 30, 2017	34,739	-	52.43	42.56

[Reference] Comprehensive income: September 30, 2018 ; 49,696 million yen +1.2%
 September 30, 2017 ; 49,087 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, 2018	1,878,179	431,702	21.7%
As of March 31, 2018	1,908,461	401,713	19.8%

[Reference] Equity: September 30, 2018 ; 408,089 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	2,690,000	+10.8%	112,000	+24.3%	101,000	+13.1%	90,000	+28.2%	138.66

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

4. Other Information

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

Newly added : 2 companies

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

Excluded : None

(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 September 30, 2018 ;	532,416,558 shares
as of March 31, 2018 ;	498,316,558 shares
2. Number of shares of treasury stock as of September 30, 2018 ;	1,067,408 shares
as of March 31, 2018 ;	1,067,494 shares
3. Average number of shares outstanding during the six months ended September 30, 2018 ;	511,864,696 shares
during the six months ended September 30, 2017 ;	497,257,619 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 30, 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, 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:

1. Number of Class A Share issued are 200,000 shares. 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.
2. Number of Class C Share issued are 795,363 shares as of October 30, 2018. 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.
3. 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 September 30, 2018
<u>Assets</u>		
Current assets		
Cash and deposits	422,302	294,349
Notes and accounts receivable - trade	471,575	512,795
Inventories	219,714	232,693
Other	111,718	115,818
Allowance for doubtful accounts	(8,118)	(6,803)
Total current assets	1,217,193	1,148,853
Non-current assets		
Property, plant and equipment		
Buildings and structures	625,263	637,381
Machinery, equipment and vehicles	1,209,180	1,199,881
Tools, furniture and fixtures	235,418	225,841
Other	187,032	193,518
Accumulated depreciation	(1,828,299)	(1,831,421)
Total property, plant and equipment	428,595	425,202
Intangible assets	44,797	45,321
Investments and other assets		
Investment securities	172,061	167,872
Other	45,792	90,914
Total investments and other assets	217,854	258,787
Total non-current assets	691,247	729,311
Deferred assets	21	13
Total assets	1,908,461	1,878,179
<u>Liabilities</u>		
Current liabilities		
Notes and accounts payable - trade	384,966	359,866
Electronically recorded obligations - operating	44,511	40,743
Short-term loans payable	81,256	68,648
Current portion of bonds	10,000	40,000
Provision for bonuses	20,859	20,872
Provision for product warranties	18,135	18,806
Valuation reserve for inventory purchase commitments	21,369	15,682
Other provision	21,015	20,202
Other	231,353	191,194
Total current liabilities	833,467	776,016
Non-current liabilities		
Bonds payable	30,000	-
Long-term loans payable	507,027	529,057
Provision	1,514	1,765
Net defined benefit liability	101,101	98,097
Other	33,637	41,539
Total non-current liabilities	673,280	670,459
Total liabilities	1,506,748	1,446,476

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	295,332	295,346
Retained earnings	204,906	224,745
Treasury shares	(13,936)	(13,940)
Total shareholders' equity	491,302	511,150
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,876	14,594
Deferred gains or losses on hedges	(3,205)	(262)
Foreign currency translation adjustment	(47,302)	(42,616)
Remeasurements of defined benefit plans	(79,330)	(74,777)
Total accumulated other comprehensive income	(112,961)	(103,061)
Share acquisition rights	106	165
Non-controlling interests	23,265	23,448
Total net assets	401,713	431,702
Total liabilities and net assets	1,908,461	1,878,179

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

- Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	1,115,165	1,129,035
Cost of sales	916,633	922,023
Gross profit	198,531	207,012
Selling, general and administrative expenses	157,968	160,009
Operating profit	40,562	47,002
Non-operating income		
Interest income	1,054	1,231
Dividend income	1,118	1,108
Rent income on non-current assets	2,306	2,094
Foreign exchange gains	5,715	-
Share of profit of entities accounted for using equity method	928	-
Other	2,668	9,125
Total non-operating income	13,792	13,560
Non-operating expenses		
Interest expenses	2,488	2,180
Foreign exchange losses	-	3,646
Share of loss of entities accounted for using equity method	-	3,279
Other	10,740	8,243
Total non-operating expenses	13,229	17,350
Ordinary profit	41,126	43,212
Extraordinary income		
Gain on sales of non-current assets	491	2,341
Gain on bargain purchase	856	-
Total extraordinary income	1,347	2,341
Extraordinary losses		
Loss on sales and retirement of non-current assets	583	570
Restructuring charges	-	318
Loss on liquidation of subsidiaries and associates	-	91
Loss on step acquisitions	1,457	-
Total extraordinary losses	2,041	980
Profit before income taxes	40,433	44,573
Income taxes - current	6,737	7,119
Income taxes - deferred	(1,016)	(2,330)
Total income taxes	5,720	4,789
Profit	34,712	39,783
Loss attributable to non-controlling interests	(26)	(1,146)
Profit attributable to owners of parent	34,739	40,930

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	34,712	39,783
Other comprehensive income		
Valuation difference on available-for-sale securities	2,499	(2,292)
Deferred gains or losses on hedges	(745)	3,233
Foreign currency translation adjustment	6,743	5,182
Remeasurements of defined benefit plans, net of tax	5,617	4,543
Share of other comprehensive income of entities accounted for using equity method	259	(755)
Total other comprehensive income	14,375	9,912
Comprehensive income	49,087	49,696
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	48,647	50,830
Comprehensive income attributable to non-controlling interests	440	(1,133)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<u>Cash flows from operating activities</u>		
Profit before income taxes	40,433	44,573
Depreciation	32,519	38,105
Interest and dividend income	(2,173)	(2,340)
Interest expenses	2,488	2,180
Share of loss (profit) of entities accounted for using equity method	(928)	3,279
Loss (gain) on sales and retirement of non-current assets	92	(1,770)
Gain on bargain purchase	(856)	-
Restructuring charges	-	318
Loss (gain) on liquidation of subsidiaries and associates	-	91
Loss (gain) on step acquisitions	1,457	-
Decrease (increase) in notes and accounts receivable - trade	(89,838)	(35,805)
Decrease (increase) in inventories	38,171	(990)
Increase (decrease) in notes and accounts payable - trade	32,643	(35,090)
Increase (decrease) in accrued expenses	(8,147)	(18,609)
Other, net	(10,296)	2,756
Subtotal	35,565	(3,302)
Interest and dividend income received	2,357	5,463
Interest expenses paid	(2,454)	(2,188)
Income taxes (paid) refund	(8,669)	(7,429)
Net cash provided by (used in) operating activities	26,798	(7,456)
<u>Cash flows from investing activities</u>		
Payments into time deposits	(29,230)	(41,063)
Proceeds from withdrawal of time deposits	37,728	23,795
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,878)	(1,939)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,606	441
Purchase of property, plant and equipment	(49,946)	(91,558)
Purchase of intangible assets	(6,565)	(7,551)
Purchase of investment securities	(17,747)	(9,282)
Other, net	4,023	(1,283)
Net cash provided by (used in) investing activities	(65,009)	(128,442)

	(Millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(20,433)	6,558
Proceeds from long-term loans payable	20,000	22,694
Repayments of long-term loans payable	(26)	(20,595)
Cash dividends paid	-	(21,071)
Proceeds from share issuance to non-controlling shareholders	-	2,255
Other, net	(3,170)	(2,826)
Net cash provided by (used in) financing activities	(3,628)	(12,984)
Effect of exchange rate change on cash and cash equivalents	4,587	2,686
Net increase (decrease) in cash and cash equivalents	(37,252)	(146,197)
Cash and cash equivalents at beginning of period	453,477	404,001
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(480)	1,315
Cash and cash equivalents at end of period	415,744	259,119

(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 September 30, 2018 were 224,745 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.