

Consolidated Financial Results for the Third Quarter Ended December 31, 2019

February 4, 2020

Revised on February 13, 2020

SHARP CORPORATION

Stock exchange listings: Tokyo
 Code number: 6753
 URL: <https://corporate.jp.sharp/> (English : <https://global.sharp/>)
 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 Nine Months Ended December 31, 2019

(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, 2019	1,755,574	-0.9%	66,377	-2.7%	64,119	+3.4%
Nine Months Ended December 31, 2018	1,771,537	-3.2%	68,247	-3.0%	62,016	-12.8%

	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, 2019	52,441	-16.9%	85.85	82.58
Nine Months Ended December 31, 2018	63,079	+13.9%	99.69	76.38

[Reference] Comprehensive income : December 31, 2019 ; 78,864 million yen +19.6 %
 December 31, 2018 ; 65,929 million yen -17.1 %

Note: Sharp completed the acquisition and cancellation of 200,000 Class A shares issued (92,000 shares on January 30, 2019 and 108,000 shares on June 21, 2019). The figures for the net income per share and the fully diluted net income per share are calculated considering the effect of this transaction.

(2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio
As of December 31, 2019	<u>1,930,485</u>	335,722	<u>16.3%</u>
As of March 31, 2019	1,866,349	372,471	18.8%

[Reference] Equity: December 31, 2019 ; 313,711 million yen
 March 31, 2019 ; 350,630 million yen

2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2019	-	0.00	-	20.00	20.00
Year Ending March 31, 2020	-	0.00	-	/	/
Year Ending March 31, 2020 (Forecast)	/	/	/	-	-

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

Note2: The amount of dividend per share for the year ending March 31, 2020, 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, 2020

(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, 2020	2,450,000	+2.1%	100,000	+18.8%	95,000	+37.7%	80,000	+7.8%	130.97

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

Note2: Sharp completed the acquisition and cancellation of 108,000 Class A shares on June 21, 2019.

The figures for the net income per share are calculated considering the effect of this transaction.

4. Other Information

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

Newly added : 3 companies

Dynabook Technology (Taiwan) Co., Ltd., SHARP Manufacturing Vietnam CO.,LTD.,
Aurora Telecom Corporation

Excluded : 2 companies

Sharp Trading Corporation, Sharp Electronics France S.A.

(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: Yes

4. Restatement: None

Note: For more details, please see "Consolidated Financial Statements (4) Notes to Consolidated Quarterly Financial Statements (Changes in Accounting Policy)" and "Consolidated Financial Statements (4) Notes to Consolidated Quarterly Financial Statements (Change in Accounting Estimates)".

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury stock) as of December 31, 2019 ;	532,416,558 shares
as of March 31, 2019 ;	532,416,558 shares
2. Number of shares of treasury stock as of December 31, 2019 ;	1,107,818 shares
as of March 31, 2019 ;	1,104,951 shares
3. Average number of shares outstanding during the nine months ended December 31, 2019 ;	531,310,201 shares
during the nine months ended December 31, 2018 ;	517,709,818 shares

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 February 4, 2020. 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, 2019	-	0.00	-	26,263.60	26,263.60
Year Ending March 31, 2020	-				

Class C Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2019	-	0.00	-	2,000.00	2,000.00
Year Ending March 31, 2020	-	0.00	-		
Year Ending March 31, 2020 (Forecast)				-	-

Notes:

1. The amount of dividend for Class A shares for the year ended March 31, 2019, was calculated in accordance to the Company's Articles of Incorporation.
2. Number of Class A Share issued was 108,000 shares as of March 31, 2019. As Sharp acquired and cancelled 108,000 Class A shares on June 21, 2019, the amount of dividend for the year ending March 31, 2020 are not mentioned.
3. 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 Class C share for the year ending March 31, 2020, has not been decided at the time of announcement.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
<u>Assets</u>		
Current assets		
Cash and deposits	266,648	215,995
Notes and accounts receivable - trade	539,927	511,926
Inventories	243,849	<u>298,307</u>
Other	94,944	134,117
Allowance for doubtful accounts	(4,000)	(5,889)
Total current assets	<u>1,141,369</u>	<u>1,154,458</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	645,074	653,619
Machinery, equipment and vehicles	1,188,148	1,162,340
Tools, furniture and fixtures	218,694	198,977
Other	176,961	170,670
Accumulated depreciation	(1,823,840)	(1,762,503)
Total property, plant and equipment	<u>405,038</u>	<u>423,105</u>
Intangible assets	39,695	44,615
Investments and other assets		
Investment securities	185,782	212,903
Other	94,456	95,402
Total investments and other assets	<u>280,239</u>	<u>308,305</u>
Total non-current assets	<u>724,972</u>	<u>776,027</u>
Deferred assets	6	-
Total assets	<u>1,866,349</u>	<u>1,930,485</u>
<u>Liabilities</u>		
Current liabilities		
Notes and accounts payable - trade	372,166	<u>350,644</u>
Electronically recorded obligations - operating	38,149	42,070
Short-term borrowings	81,446	237,091
Current portion of bonds	30,000	-
Provision for bonuses	20,639	11,478
Provision for product warranties	19,903	16,951
Valuation reserve for inventory purchase commitments	17,123	15,751
Other provisions	18,992	19,112
Other	214,714	228,330
Total current liabilities	<u>813,136</u>	<u>921,429</u>
Non-current liabilities		
Long-term borrowings	538,205	539,037
Provisions	2,517	2,288
Retirement benefit liability	106,636	99,838
Other	33,381	32,170
Total non-current liabilities	<u>680,740</u>	<u>673,333</u>
Total liabilities	<u>1,493,877</u>	<u>1,594,762</u>

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	208,725	108,911
Retained earnings	258,040	296,190
Treasury shares	(13,987)	(13,991)
Total shareholders' equity	457,778	396,111
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,531	16,922
Deferred gains or losses on hedges	(220)	847
Foreign currency translation adjustment	(44,251)	(45,207)
Remeasurements of defined benefit plans	(76,208)	(54,961)
Total accumulated other comprehensive income	(107,148)	(82,399)
Share acquisition rights	235	284
Non-controlling interests	21,605	21,726
Total net assets	372,471	335,722
Total liabilities and net assets	1,866,349	<u>1,930,485</u>

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

- Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	1,771,537	1,755,574
Cost of sales	1,459,713	1,421,889
Gross profit	311,823	333,685
Selling, general and administrative expenses	243,576	267,307
Operating profit	68,247	66,377
Non-operating income		
Interest income	2,097	2,207
Dividend income	1,371	1,328
Rental income from non-current assets	3,438	2,563
Foreign exchange gains	-	1,195
Other	12,670	7,291
Total non-operating income	19,577	14,586
Non-operating expenses		
Interest expenses	3,311	3,647
Foreign exchange losses	4,407	-
Share of loss of entities accounted for using equity method	5,202	3,277
Other	12,886	9,919
Total non-operating expenses	25,808	16,844
Ordinary profit	62,016	64,119
Extraordinary income		
Gain on sales of non-current assets	4,841	1,005
Gain on sales of investment securities	-	244
Gain on bargain purchase	3,936	-
Gain on reversal of share acquisition rights	-	0
Gain on change in equity	180	-
Gain on step acquisitions	-	188
Total extraordinary income	8,958	1,440
Extraordinary losses		
Loss on sales and retirement of non-current assets	629	312
Impairment loss	-	316
Restructuring charges	321	334
Loss on liquidation of subsidiaries and associates	91	-
Total extraordinary losses	1,042	962
Profit before income taxes	69,933	64,597
Income taxes - current	10,417	8,496
Income taxes - deferred	(2,617)	1,645
Total income taxes	7,800	10,142
Profit	62,133	54,455
Profit (loss) attributable to non-controlling interests	(946)	2,014
Profit attributable to owners of parent	63,079	52,441

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	62,133	54,455
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,745)	3,390
Deferred gains or losses on hedges	2,393	1,044
Foreign currency translation adjustment	(848)	(1,838)
Remeasurements of defined benefit plans, net of tax	7,420	21,261
Share of other comprehensive income of entities accounted for using equity method	(1,423)	551
Total other comprehensive income	3,795	24,409
Comprehensive income	65,929	78,864
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	67,528	77,189
Comprehensive income attributable to non-controlling interests	(1,599)	1,675

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
<u>Cash flows from operating activities</u>		
Profit before income taxes	69,933	64,597
Depreciation	58,656	54,202
Interest and dividend income	(3,469)	(3,536)
Interest expenses	3,311	3,647
Share of loss (profit) of entities accounted for using equity method	5,202	3,277
Impairment loss	-	316
Loss (gain) on sales and retirement of non-current assets	(4,212)	(693)
Loss (gain) on sales of investment securities	-	(244)
Gain on bargain purchase	(3,936)	-
Loss (gain) on liquidation of subsidiaries and associates	91	-
Loss (gain) on step acquisitions	-	(188)
Loss (gain) on change in equity	(180)	-
Decrease (increase) in trade receivables	(48,736)	21,488
Decrease (increase) in accounts receivable - other	8,353	(25,789)
Decrease (increase) in inventories	(34,085)	<u>(55,324)</u>
Increase (decrease) in trade payables	18,239	<u>(10,271)</u>
Increase (decrease) in accrued expenses	(21,497)	1,467
Other, net	(10,315)	231
Subtotal	<u>37,354</u>	<u>53,180</u>
Interest and dividends received	7,580	6,952
Interest paid	(3,320)	(3,649)
Income taxes (paid) refund	(12,214)	(11,849)
Net cash provided by (used in) operating activities	<u>29,401</u>	<u>44,633</u>
 <u>Cash flows from investing activities</u>		
Payments into time deposits	(54,574)	(100,476)
Proceeds from withdrawal of time deposits	44,761	85,432
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,945)	(1,855)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	13,485	338
Purchase of property, plant and equipment	(111,696)	(62,622)
Purchase of intangible assets	(11,893)	(16,420)
Purchase of investment securities	(33,033)	(31,580)
Other, net	4,835	12,600
Net cash provided by (used in) investing activities	<u>(150,061)</u>	<u>(114,582)</u>

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,185	156,626
Proceeds from long-term borrowings	22,695	1,804
Repayments of long-term borrowings	(20,859)	(1,157)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5,422)	(8,668)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	5,904
Redemption of bonds	-	(30,000)
Purchase of treasury shares	(11)	(97,076)
Dividends paid	(21,074)	(15,024)
Proceeds from share issuance to non-controlling shareholders	2,255	17
Other, net	(1,316)	(6,352)
Net cash provided by (used in) financing activities	(16,549)	6,073
Effect of exchange rate change on cash and cash equivalents	(408)	(732)
Net increase (decrease) in cash and cash equivalents	(137,618)	(64,608)
Cash and cash equivalents at beginning of period	404,001	228,798
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	1,373	-
Cash and cash equivalents at end of period	267,756	164,189

(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)

1. Dividend payment

Resolution	Stock Type	Source of Dividends	Total Dividends (Millions of yen)	Dividend per Share (Yen)	Record Date	Effective Date
May 9, 2019 Board of Directors Meeting	Common Stock	Retained Earnings	10,626	20	March 31, 2019	June 5, 2019
May 9, 2019 Board of Directors Meeting	Class A	Retained Earnings	2,836	26,263.60	March 31, 2019	June 4, 2019
May 9, 2019 Board of Directors Meeting	Class C	Retained Earnings	1,590	2,000	March 31, 2019	June 5, 2019

2. Purchase and cancellation of Class A shares

At meeting held on June 11, 2019, the Sharp board of directors resolved to purchase and cancel all Class A shares. Based on this resolution, Sharp purchased and canceled all shares of Class A shares on June 21, 2019.

As a result, capital surplus decreased 97,072 million yen compared to the end of the previous consolidated fiscal year.

(Change in Accounting Policy)

1. U.S. Accounting Standard Revenue From Contracts With Customers (Topic 606)

Beginning with the first quarter of the current consolidated fiscal year, Sharp has applied the U.S. accounting standard Revenue From Contracts With Customers (Topic 606) to overseas consolidated subsidiaries and other affiliates to which U.S. accounting standards are applied.

The impact of the adoption of this accounting standard on quarterly consolidated financial statements is minor.

2. IFRS No. 16 Leases

Beginning with the first quarter of the current consolidated fiscal year, Sharp has applied IFRS No. 16 Leases to overseas consolidated subsidiaries and other affiliates except those located in the U.S.

With the adoption of this accounting standard lessees in lease transactions recognize right-of-use assets and lease liabilities, while recording depreciation expense for right-of-use assets and interest payments related lease liabilities. Short-term leases or leases involving minor amounts are not recognized as right-of-use assets or lease liabilities. In accordance with transitional treatment, Sharp has recognized the impact of this accounting standard cumulatively for balances as of the date of adoption.

In connection with the adoption of this accounting standard, Sharp recorded increases of 7,167 million yen in property, plant and equipment, 2,055 million yen in other under current liabilities, and 5,555 million yen in other under non-current liabilities.

The impact of the adoption of this accounting standard on profit and loss for the third quarter of the cumulative consolidated fiscal year is minor.

(Change in Accounting Estimates)

Sharp and certain domestic consolidated subsidiaries had been using a period of 13 years as the average remaining years of service for employees over which to amortize actuarial differences for net defined benefit liabilities and prior service costs. However, due to a decrease in average remaining years of service, Sharp will use 12 years as the amortization period beginning with the first quarter of the current consolidated fiscal year.

As a result, operating profit, ordinary profit, and profit before income taxes have each decreased 7,644 million yen for the third quarter of the cumulative consolidated fiscal year when compared to the prior amortization period.