

# Consolidated Financial Results for the Second Quarter Ended September 30, 2019

November 1, 2019

## 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  
 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 Six Months Ended September 30, 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
Six Months Ended September 30, 2019	1,120,665	-0.7%	36,957	-21.4%	33,107	-23.4%
Six Months Ended September 30, 2018	1,129,035	+1.2%	47,002	+15.9%	43,212	+5.1%

	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, 2019	27,397	-33.1%	44.85	43.14
Six Months Ended September 30, 2018	40,930	+17.8%	64.61	49.56

[Reference] Comprehensive income : September 30, 2019 ; 34,423 million yen -30.7%  
 September 30, 2018 ; 49,696 million yen +1.2%

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 September 30, 2019	1,865,294	293,129	14.7%
As of March 31, 2019	1,866,349	372,471	18.8%

[Reference] Equity: September 30, 2019 ; 273,812 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	2,650,000	+10.4%	100,000	+18.8%	95,000	+37.7%	80,000	+7.8%	130.97

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

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 : 1 company

Dynabook Technology (Taiwan) Co., Ltd

Excluded : 1 company

Sharp Trading 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: 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 September 30, 2019 ;	532,416,558 shares
as of March 31, 2019 ;	532,416,558 shares
2. Number of shares of treasury stock as of September 30, 2019 ;	1,106,816 shares
as of March 31, 2019 ;	1,104,951 shares
3. Average number of shares outstanding during the six months ended September 30, 2019 ;	531,310,665 shares
during the six months ended September 30, 2018 ;	511,864,696 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 November 1, 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, 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 September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	266,648	211,790
Notes and accounts receivable - trade	539,927	510,040
Inventories	243,849	268,111
Other	94,944	126,499
Allowance for doubtful accounts	(4,000)	(5,708)
Total current assets	1,141,369	1,110,734
Non-current assets		
Property, plant and equipment		
Buildings and structures	645,074	640,007
Machinery, equipment and vehicles	1,188,148	1,124,227
Tools, furniture and fixtures	218,694	201,995
Other	176,961	197,164
Accumulated depreciation	(1,823,840)	(1,752,565)
Total property, plant and equipment	405,038	410,829
Intangible assets	39,695	43,372
Investments and other assets		
Investment securities	185,782	204,087
Other	94,456	96,271
Total investments and other assets	280,239	300,358
Total non-current assets	724,972	754,560
Deferred assets	6	-
<b>Total assets</b>	<b>1,866,349</b>	<b>1,865,294</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	372,166	343,715
Electronically recorded obligations - operating	38,149	35,777
Short-term borrowings	81,446	219,218
Current portion of bonds	30,000	-
Provision for bonuses	20,639	20,687
Provision for product warranties	19,903	17,429
Valuation reserve for inventory purchase commitments	17,123	17,794
Other provisions	18,992	16,836
Other	214,714	228,124
Total current liabilities	813,136	899,584
Non-current liabilities		
Long-term borrowings	538,205	537,347
Provisions	2,517	2,266
Retirement benefit liability	106,636	101,874
Other	33,381	31,091
Total non-current liabilities	680,740	672,580
<b>Total liabilities</b>	<b>1,493,877</b>	<b>1,572,165</b>

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	208,725	111,647
Retained earnings	258,040	271,148
Treasury shares	(13,987)	(13,989)
Total shareholders' equity	457,778	373,805
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,531	14,023
Deferred gains or losses on hedges	(220)	255
Foreign currency translation adjustment	(44,251)	(52,383)
Remeasurements of defined benefit plans	(76,208)	(61,888)
Total accumulated other comprehensive income	(107,148)	(99,993)
Share acquisition rights	235	272
Non-controlling interests	21,605	19,044
<b>Total net assets</b>	<b>372,471</b>	<b>293,129</b>
<b>Total liabilities and net assets</b>	<b>1,866,349</b>	<b>1,865,294</b>

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

## - Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	1,129,035	1,120,665
Cost of sales	922,023	905,772
Gross profit	207,012	214,893
Selling, general and administrative expenses	160,009	177,936
Operating profit	47,002	36,957
Non-operating income		
Interest income	1,231	1,550
Dividend income	1,108	1,041
Rental income from non-current assets	2,094	1,468
Other	9,125	4,117
Total non-operating income	13,560	8,179
Non-operating expenses		
Interest expenses	2,180	2,346
Foreign exchange losses	3,646	530
Share of loss of entities accounted for using equity method	3,279	2,563
Other	8,243	6,588
Total non-operating expenses	17,350	12,028
Ordinary profit	43,212	33,107
Extraordinary income		
Gain on sales of non-current assets	2,341	676
Gain on sales of investment securities	-	244
Gain on reversal of share acquisition rights	-	0
Total extraordinary income	2,341	921
Extraordinary losses		
Loss on sales and retirement of non-current assets	570	195
Restructuring charges	318	546
Loss on liquidation of subsidiaries and associates	91	-
Total extraordinary losses	980	742
Profit before income taxes	44,573	33,286
Income taxes - current	7,119	6,539
Income taxes - deferred	(2,330)	(1,398)
Total income taxes	4,789	5,141
Profit	39,783	28,145
Profit (loss) attributable to non-controlling interests	(1,146)	747
Profit attributable to owners of parent	40,930	27,397

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	39,783	28,145
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,292)	491
Deferred gains or losses on hedges	3,233	438
Foreign currency translation adjustment	5,182	(9,074)
Remeasurements of defined benefit plans, net of tax	4,543	14,330
Share of other comprehensive income of entities accounted for using equity method	(755)	91
Total other comprehensive income	9,912	6,278
Comprehensive income	49,696	34,423
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	50,830	34,552
Comprehensive income attributable to non-controlling interests	(1,133)	(128)

### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
<b><u>Cash flows from operating activities</u></b>		
Profit before income taxes	44,573	33,286
Depreciation	38,105	34,343
Interest and dividend income	(2,340)	(2,592)
Interest expenses	2,180	2,346
Share of loss (profit) of entities accounted for using equity method	3,279	2,563
Loss (gain) on sales and retirement of non-current assets	(1,770)	(480)
Loss (gain) on sales of investment securities	-	(244)
Restructuring charges	318	546
Loss (gain) on liquidation of subsidiaries and associates	91	-
Decrease (increase) in trade receivables	(35,805)	12,086
Decrease (increase) in accounts receivable - other	(5,111)	(25,779)
Decrease (increase) in inventories	(990)	(30,274)
Increase (decrease) in trade payables	(35,090)	(9,785)
Increase (decrease) in accrued expenses	(18,609)	764
Other, net	7,867	9,373
Subtotal	(3,302)	26,154
Interest and dividends received	5,463	4,392
Interest paid	(2,188)	(2,348)
Income taxes (paid) refund	(7,429)	(8,629)
<b>Net cash provided by (used in) operating activities</b>	<b>(7,456)</b>	<b>19,568</b>
 <b><u>Cash flows from investing activities</u></b>		
Payments into time deposits	(41,063)	(69,209)
Proceeds from withdrawal of time deposits	23,795	49,518
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,939)	(1,854)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	441	-
Purchase of property, plant and equipment	(91,558)	(32,234)
Purchase of intangible assets	(7,551)	(11,672)
Purchase of investment securities	(9,282)	(27,417)
Other, net	(1,283)	9,841
<b>Net cash provided by (used in) investing activities</b>	<b>(128,442)</b>	<b>(83,029)</b>

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	6,558	139,212
Proceeds from long-term borrowings	22,694	-
Repayments of long-term borrowings	(20,595)	(819)
Redemption of bonds	-	(30,000)
Purchase of treasury shares	(9)	(97,074)
Dividends paid	(21,071)	(13,807)
Proceeds from share issuance to non-controlling shareholders	2,255	17
Other, net	(2,816)	(4,808)
<b>Net cash provided by (used in) financing activities</b>	<b>(12,984)</b>	<b>(7,279)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>2,686</b>	<b>(3,134)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(146,197)</b>	<b>(73,874)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>404,001</b>	<b>228,798</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation</b>	<b>1,315</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	<b>259,119</b>	<b>154,923</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)

##### 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 5,846 million yen in property, plant and equipment, 1,594 million yen in other under current liabilities, and 4,636 million yen in other under non-current liabilities.

The impact of the adoption of this accounting standard on profit and loss for the second 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 5,096 million yen for the second quarter of the cumulative consolidated fiscal year when compared to the prior amortization period.