

Consolidated Financial Results for the First Quarter Ended June 30, 2023

August 4, 2023

SHARP CORPORATION

Stock exchange listings: Tokyo
 Code number: 6753
 URL: <https://corporate.jp.sharp/> (English : <https://global.sharp/>)
 Representative: Po-Hsuan Wu, 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 Three Months Ended June 30, 2023

(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 (Loss)	Percent Change	Ordinary Profit (Loss)	Percent Change
Three Months Ended June 30, 2023	541,220	-3.7%	(7,057)	-	(538)	-
Three Months Ended June 30, 2022	562,174	-8.1%	6,115	-66.7%	17,481	-31.9%

	Profit Attributable to Owners of Parent	Percent Change	Income per Share (Yen)	Fully Diluted Income per Share (Yen)
Three Months Ended June 30, 2023	5,514	-79.5%	8.49	-
Three Months Ended June 30, 2022	26,926	+24.3%	43.40	-

[Reference] Comprehensive income : June 30, 2023 ; 51,210 million yen -5.1%
 June 30, 2022 ; 53,962 million yen +136.3%

Note: Fully diluted income per share is not provided. Although Sharp has dilutive shares, the shares in question have no dilutive effect.

(2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2023	1,754,385	272,594	14.7%
As of March 31, 2023	1,772,961	222,362	11.8%

[Reference] Equity: June 30, 2023 ; 258,392 million yen
 March 31, 2023 ; 208,450 million yen

2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2023	-	0.00	-	0.00	0.00
Year Ending March 31, 2024	-	/	/	/	/
Year Ending March 31, 2024 (Forecast)	/	-	-	-	-

Note1: Revisions to forecast of dividends; None

Note2: The amount of dividend per share for the year ending March 31, 2024, has not been decided at the time of announcement.

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2024

(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	Income per Share (Yen)
Year Ending March 31, 2024 (Forecast)	2,560,000	+0.5%	40,000	-	39,000	-	10,000	-	15.40

Note: Revisions to forecast of financial results; None

4. Other Information

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

Newly added : 2 companies

FIT ELECTRONICS DEVICE PTE. LTD.

SHARP FIT Automotive Technology (Wuxi) Co., Ltd.

Excluded : -

Note: FIT ELECTRONICS DEVICE PTE. LTD. changed the company name to SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. on July 27, 2023.

(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 June 30, 2023 ; | 650,406,538 shares |
| Number of shares outstanding (including treasury stock) as of March 31, 2023 ; | 650,406,538 shares |
| 2. Number of shares of treasury stock as of June 30, 2023 ; | 1,133,618 shares |
| Number of shares of treasury stock as of March 31, 2023 ; | 1,133,210 shares |
| 3. Average number of shares outstanding during the three months ended June 30, 2023 ; | 649,273,097 shares |
| Average number of shares outstanding during the three months ended June 30, 2022 ; | 620,434,952 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 August 4, 2023. 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.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
<u>Assets</u>		
Current assets		
Cash and deposits	262,058	209,039
Notes and accounts receivable - trade, and contract assets	438,057	425,666
Inventories	299,307	307,386
Other	90,713	97,815
Allowance for doubtful accounts	(3,049)	(2,988)
Total current assets	1,087,087	1,036,919
Non-current assets		
Property, plant and equipment		
Buildings and structures	695,180	706,606
Machinery, equipment and vehicles	1,181,932	1,196,392
Tools, furniture and fixtures	170,801	168,259
Other	158,802	160,121
Accumulated depreciation	(1,817,459)	(1,836,290)
Total property, plant and equipment	389,257	395,088
Intangible assets		
Goodwill	6,284	10,285
Other	29,560	29,649
Total intangible assets	35,845	39,934
Investments and other assets		
Investment securities	216,207	235,247
Other	44,563	47,195
Total investments and other assets	260,770	282,442
Total non-current assets	685,873	717,466
Total assets	1,772,961	1,754,385
<u>Liabilities</u>		
Current liabilities		
Notes and accounts payable - trade	328,899	335,949
Electronically recorded obligations - operating	42,973	36,420
Short-term borrowings	163,896	177,796
Provision for bonuses	15,791	11,754
Provision for product warranties	12,165	12,668
Other provisions	11,249	11,252
Other	307,587	300,414
Total current liabilities	882,563	886,256
Non-current liabilities		
Long-term borrowings	542,727	467,099
Provisions	8,564	8,556
Retirement benefit liability	72,019	71,387
Other	44,722	48,491
Total non-current liabilities	668,034	595,535
Total liabilities	1,550,598	1,481,791

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	148,929	148,929
Retained earnings	59,802	65,317
Treasury shares	(13,749)	(13,749)
Total shareholders' equity	199,982	205,497
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,469	34,356
Deferred gains or losses on hedges	475	1,114
Foreign currency translation adjustment	(2,266)	33,530
Remeasurements of defined benefit plans	(16,211)	(16,106)
Total accumulated other comprehensive income	8,467	52,895
Share acquisition rights	293	291
Non-controlling interests	13,618	13,909
Total net assets	222,362	272,594
Total liabilities and net assets	1,772,961	1,754,385

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

- Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	562,174	541,220
Cost of sales	471,099	462,481
Gross profit	91,075	78,738
Selling, general and administrative expenses	84,959	85,796
Operating profit (loss)	6,115	(7,057)
Non-operating income		
Interest income	696	1,058
Dividend income	906	987
Rental income from non-current assets	809	1,162
Foreign exchange gains	13,014	6,229
Share of profit of entities accounted for using equity method	-	1,370
Investment income	4,177	292
Other	1,326	1,388
Total non-operating income	20,931	12,490
Non-operating expenses		
Interest expenses	985	2,960
Share of loss of entities accounted for using equity method	5,147	-
Other	3,431	3,010
Total non-operating expenses	9,564	5,971
Ordinary profit (loss)	17,481	(538)
Extraordinary income		
Gain on sale of non-current assets	934	538
Gain on step acquisitions	12,422	1,312
Gain on change in equity	261	4,203
Gain on reversal of liabilities	-	4,863
Gain on reversal of share acquisition rights	-	1
Total extraordinary income	13,619	10,919
Extraordinary losses		
Loss on sale and retirement of non-current assets	13	154
Impairment losses	-	1,423
Provision for loss on litigation	1,400	-
Total extraordinary losses	1,414	1,578
Profit before income taxes	29,687	8,802
Income taxes - current	2,869	3,667
Income taxes - deferred	(82)	(477)
Total income taxes	2,786	3,190
Profit	26,900	5,612
Profit (loss) attributable to non-controlling interests	(26)	97
Profit attributable to owners of parent	26,926	5,514

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	26,900	5,612
Other comprehensive income		
Valuation difference on available-for-sale securities	6,124	7,882
Deferred gains or losses on hedges	723	638
Foreign currency translation adjustment	22,775	34,958
Remeasurements of defined benefit plans, net of tax	(118)	93
Share of other comprehensive income of entities accounted for using equity method	(2,443)	2,024
Total other comprehensive income	27,061	45,597
Comprehensive income	53,962	51,210
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	53,295	49,942
Comprehensive income attributable to non-controlling interests	666	1,267

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
<u>Cash flows from operating activities</u>		
Profit before income taxes	29,687	8,802
Depreciation	17,251	15,483
Interest and dividend income	(1,603)	(2,046)
Interest expenses	985	2,960
Share of loss (profit) of entities accounted for using equity method	5,147	(1,370)
Investment expenses (income)	(4,177)	(292)
Loss (gain) on sale and retirement of non-current assets	(921)	(383)
Impairment losses	-	1,423
Loss (gain) on step acquisitions	(12,422)	(1,312)
Loss (gain) on change in equity	(261)	(4,203)
Gain on reversal of liabilities	-	(4,863)
Gain on reversal of share acquisition rights	-	(1)
Provision for loss on litigation	1,400	-
Decrease (increase) in notes and accounts receivable - trade and contract assets	20,947	30,860
Decrease (increase) in accounts receivable - other	(2,356)	(1,107)
Decrease (increase) in inventories	(30,823)	6,190
Increase (decrease) in trade payables	(18,967)	(17,644)
Increase (decrease) in provision for bonuses	(6,004)	(4,474)
Other, net	(13,325)	(8,853)
Subtotal	(15,443)	19,165
Interest and dividends received	2,749	3,699
Interest paid	(1,483)	(2,562)
Income taxes refund (paid)	(4,233)	(5,432)
Payments for Business restructuring	-	(1,903)
Settlement paid	-	(3,588)
Net cash provided by (used in) operating activities	(18,410)	9,378
<u>Cash flows from investing activities</u>		
Payments into time deposits	(2,000)	(3,115)
Proceeds from withdrawal of time deposits	1,313	51,433
Purchase of property, plant and equipment	(11,495)	(7,741)
Proceeds from sale of property, plant and equipment	516	780
Purchase of intangible assets	(3,370)	(3,394)
Purchase of investment securities	(124)	(1,661)
Proceeds from sale of businesses	559	-
Other, net	5,146	1,988
Net cash provided by (used in) investing activities	(9,455)	38,289

	(Millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(115)	15,309
Repayments of long-term borrowings	(3,506)	(81,291)
Dividends paid	(23,634)	(19)
Other, net	(876)	(3,599)
Net cash provided by (used in) financing activities	(28,132)	(69,602)
Effect of exchange rate change on cash and cash equivalents	13,838	15,747
Net increase (decrease) in cash and cash equivalents	(42,160)	(6,186)
Cash and cash equivalents at beginning of period	239,359	206,612
Increase in cash and cash equivalents resulting from share exchanges	2,099	-
Cash and cash equivalents at end of period	199,297	200,426

(Notes Related to Going Concern Assumption)

No applicable matters to report.

(Notes Related to Significant Changes in Shareholders' Equity)

No applicable matters to report

(Material Events Related to the Going Concern Assumption)

Sharp recorded a loss attributable to owners of parent of 260,840 million yen in the previous fiscal year. This loss was mainly the result of impairment losses of 220,553 million yen due to deteriorating market conditions for large LCD panels, which reduced consolidated net assets significantly.

However, Sharp maintains good business relationships with our primary financial institutions and we do not foresee any significant cash flow concerns with respect to working capital and investment funds for the time being. Further, we recorded profit attributable to owners of parent of 5,514 million yen in the cumulative first quarter of the current consolidated fiscal year, and the equity ratio at the end of the first quarter of the current consolidated fiscal year improved from 11.8% at the end of the previous consolidated fiscal year to 14.7%.

While certain events or circumstances may have given rise significant doubts in connection with the going concern assumption, there are no material uncertainties noted that are applicable to *Notes Related to Going Concern Assumption*.