

Consolidated Financial Results for the Third Quarter Ended December 31, 2023

February 6, 2024

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 Nine Months Ended December 31, 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	Percent Change	Ordinary Profit	Percent Change
Nine Months Ended December 31, 2023	1,764,718	-10.3%	(3,591)	-	6,580	-
Nine Months Ended December 31, 2022	1,967,087	+3.9%	(2,524)	-	(1,830)	-

	Profit Attributable to Owners of Parent	Percent Change	Income per Share (Yen)	Fully Diluted Income per Share (Yen)
Nine Months Ended December 31, 2023	2,021	-	3.11	-
Nine Months Ended December 31, 2022	(8,994)	-	(14.10)	-

[Reference] Comprehensive income : December 31, 2023 ; 46,482 million yen - %
 December 31, 2022 ; (9,513) million yen - %

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 December 31, 2023	1,747,927	268,129	14.5%
As of March 31, 2023	1,772,961	222,362	11.8%

[Reference] Equity: December 31, 2023 ; 253,846 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	-	0.00	-	/	/
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	2,350,000	-7.8%	0	-	4,000	-	(10,000)	-	(15.40)

Note: Revisions to forecast of financial results; 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

SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. (Former FIT ELECTRONICS DEVICE PTE. LTD.)

Wuxi Sharp Optoelectronic Technology Co., LTD. (Former SHARP FIT Automotive Technology (Wuxi) Co., Ltd.)

Excluded : 1 company

Pinghu Kantatsu Fine Technology Co., Ltd.

Note: While there are not applicable to the changes in specified subsidiaries, Kantatsu Co., Ltd., which was Sharp's consolidated subsidiary, was excluded from the scope of consolidation as Sharp's ownership decreased due to the transfer of shares on November 30, 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 December 31, 2023 ; 650,406,538 shares
as of March 31, 2023 ; 650,406,538 shares

2. Number of shares of treasury stock as of December 31, 2023 ; 1,104,627 shares
as of March 31, 2023 ; 1,133,210 shares

3. Average number of shares outstanding during the nine months ended December 31, 2023 ; 649,275,578 shares
during the nine months ended December 31, 2022 ; 637,738,495 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 6, 2024. Financial materials distributed at the meeting will be posted on its website immediately after the announcement.
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 December 31, 2023
Assets		
Current assets		
Cash and deposits	262,058	211,908
Notes and accounts receivable - trade, and contract assets	438,057	434,658
Inventories	299,307	302,323
Other	90,713	87,451
Allowance for doubtful accounts	(3,049)	(3,114)
Total current assets	1,087,087	1,033,226
Non-current assets		
Property, plant and equipment		
Buildings and structures	695,180	689,216
Machinery, equipment and vehicles	1,181,932	1,170,866
Tools, furniture and fixtures	170,801	144,965
Other	158,802	167,899
Accumulated depreciation	(1,817,459)	(1,781,959)
Total property, plant and equipment	389,257	390,987
Intangible assets		
Goodwill	6,284	8,615
Other	29,560	26,414
Total intangible assets	35,845	35,029
Investments and other assets		
Investment securities	216,207	238,968
Other	44,563	49,714
Total investments and other assets	260,770	288,682
Total non-current assets	685,873	714,700
Total assets	1,772,961	1,747,927
Liabilities		
Current liabilities		
Notes and accounts payable - trade	328,899	351,894
Electronically recorded obligations - operating	42,973	46,563
Short-term borrowings	163,896	171,220
Provision for bonuses	15,791	11,293
Provision for product warranties	12,165	12,258
Other provisions	11,249	11,172
Other	307,587	304,345
Total current liabilities	882,563	908,748
Non-current liabilities		
Long-term borrowings	542,727	446,419
Provisions	8,564	8,294
Retirement benefit liability	72,019	67,645
Other	44,722	48,690
Total non-current liabilities	668,034	571,049
Total liabilities	1,550,598	1,479,798

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	148,929	148,593
Retained earnings	59,802	61,823
Treasury shares	(13,749)	(13,387)
Total shareholders' equity	199,982	202,030
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,469	36,506
Deferred gains or losses on hedges	475	(239)
Foreign currency translation adjustment	(2,266)	29,651
Remeasurements of defined benefit plans	(16,211)	(14,101)
Total accumulated other comprehensive income	8,467	51,816
Share acquisition rights	293	559
Non-controlling interests	13,618	13,722
Total net assets	222,362	268,129
Total liabilities and net assets	1,772,961	1,747,927

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

- Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	1,967,087	1,764,718
Cost of sales	1,698,523	1,497,684
Gross profit	268,563	267,033
Selling, general and administrative expenses	271,088	270,624
Operating loss	(2,524)	(3,591)
Non-operating income		
Interest income	1,961	3,374
Dividend income	1,503	1,742
Rental income from non-current assets	3,204	3,455
Foreign exchange gains	17,602	9,587
Share of profit of entities accounted for using equity method	-	6,798
Investment income	6,651	952
Other	5,660	3,876
Total non-operating income	36,584	29,788
Non-operating expenses		
Interest expenses	6,556	8,153
Share of loss of entities accounted for using equity method	17,848	-
Other	11,485	11,463
Total non-operating expenses	35,889	19,616
Ordinary profit (loss)	(1,830)	6,580
Extraordinary income		
Gain on sale of non-current assets	6,679	3,268
Gain on sale of investment securities	17	113
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	2	1
Total extraordinary income	19,384	13,763
Extraordinary losses		
Loss on sale and retirement of non-current assets	1,174	1,201
Impairment losses	595	4,350
Loss on valuation of investment securities	38	-
Loss on sale of businesses	-	2,327
Business restructuring expenses	1,398	913
Provision for loss on litigation	1,976	-
Total extraordinary losses	5,184	8,793
Profit before income taxes	12,370	11,550
Income taxes - current	10,997	9,788
Income taxes - deferred	9,489	(318)
Total income taxes	20,486	9,470
Profit (loss)	(8,116)	2,079
Profit attributable to non-controlling interests	878	58
Profit (loss) attributable to owners of parent	(8,994)	2,021

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit (loss)	(8,116)	2,079
Other comprehensive income		
Valuation difference on available-for-sale securities	3,045	10,031
Deferred gains or losses on hedges	(5,109)	(719)
Foreign currency translation adjustment	10,252	30,732
Remeasurements of defined benefit plans, net of tax	(317)	2,145
Share of other comprehensive income of entities accounted for using equity method	(9,268)	2,213
Total other comprehensive income	(1,396)	44,403
Comprehensive income	(9,513)	46,482
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(10,163)	45,370
Comprehensive income attributable to non-controlling interests	650	1,112

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	12,370	11,550
Depreciation	65,550	49,176
Interest and dividend income	(3,465)	(5,116)
Interest expenses	6,556	8,153
Share of loss (profit) of entities accounted for using equity method	17,848	(6,798)
Investment expenses (income)	(6,651)	(952)
Loss (gain) on sale and retirement of non-current assets	(5,504)	(2,067)
Impairment losses	595	4,350
Loss (gain) on sale of investment securities	(17)	(113)
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)
Loss on sale of businesses	-	2,327
Gain on reversal of share acquisition rights	(2)	(1)
Business restructuring expenses	1,398	913
Provision for loss on litigation	1,976	-
Decrease (increase) in notes and accounts receivable - trade and contract assets	(32,253)	19,966
Decrease (increase) in accounts receivable - other	3,496	(2,987)
Decrease (increase) in inventories	(16,395)	9,827
Increase (decrease) in trade payables	4,566	9,905
Increase (decrease) in provision for bonuses	(7,283)	(4,833)
Other, net	(25,378)	803
Subtotal	4,721	83,725
Interest and dividends received	6,399	8,641
Interest paid	(6,909)	(7,683)
Income taxes refund (paid)	(8,883)	(9,036)
Payments for business restructuring	-	(3,976)
Settlement paid	(9,813)	(3,588)
Net cash provided by (used in) operating activities	(14,485)	68,082
Cash flows from investing activities		
Payments into time deposits	(53,618)	(10,658)
Proceeds from withdrawal of time deposits	47,405	59,424
Purchase of property, plant and equipment	(32,966)	(30,709)
Proceeds from sale of property, plant and equipment	9,868	4,616
Purchase of intangible assets	(10,358)	(8,850)
Purchase of investment securities	(1,359)	(1,871)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(364)
Proceeds from sale of businesses	619	-
Other, net	13,483	7,259
Net cash provided by (used in) investing activities	(26,926)	18,843

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	37,114	20,833
Repayments of long-term borrowings	(7,265)	(114,316)
Dividends paid	(24,419)	(24)
Other, net	(6,140)	(8,798)
Net cash provided by (used in) financing activities	(711)	(102,304)
Effect of exchange rate change on cash and cash equivalents	9,114	12,596
Net increase (decrease) in cash and cash equivalents	(33,009)	(2,782)
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	208,449	203,830

(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)

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 consolidated fiscal year, mainly the result of impairment losses of 220,553 million yen due to deteriorating market conditions for large LCD panels, and consolidated net assets were damaged significantly.

While Sharp recorded a profit attributable to owners of parent of 2,021 million yen in the cumulative third quarter of the current consolidated fiscal year, we forecast a net loss for the current consolidated fiscal year.

Under such circumstances, Sharp does not foresee any significant cash flow concerns with respect to working capital and investment funds for the time being as we take measures to improve management by strengthening ties with our major shareholder, Hon Hai Precision Industry Co., Ltd, and besides, we maintain good business relationships with our primary financial institutions.

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*.