

Operating Results and Financial Position

1. Review of the Three Months Ended June 30, 2005

During the past three months, the Japanese economy continued to recover at a moderate pace, supported by gradual increases in corporate investment and a pickup in private consumption, while some signs of stagnation were seen in exports and production. Overseas, the US economy continued a steady expansion. Economies in Europe and Asia have been growing strongly.

Under these circumstances, Sharp took assertive initiatives to further improve our competitiveness. In the product business, we strove to enhance such unique products as LCD color TVs. In the device business, we increased sales of proprietary devices that include LCDs and solar cells.

As a result, consolidated financial results for the three months showed net sales of 616.3 billion yen, up 2.5% from the same period last year, operating income of 35.5 billion yen, up 0.5% and net income of 19.4 billion yen, down 0.8%.

Regarding cash flow, net cash provided by operating activities was 16.2 billion yen, while net cash used in investing activities was 41.9 billion yen. Net cash provided by financing activities was 15.4 billion yen. As a result, cash and cash equivalents at the end of the period were 286.3 billion yen, decreases of 8.9 billion yen from March 31, 2005.

Operating results by product group are as follows:

Consumer/Information Products

Sales of Audio-Visual and Communication Equipment were 238.9 billion yen, up 10.9% over the same period last year. Sales of LCD color TVs, mainly for large-size models, and mobile phones increased, contributing to the overall sales increase.

Sales of Home Appliances were 57.6 billion yen, up 6.1% over the same period last year. Sales expansion of our distinctive products that incorporate our proprietary technologies contributed to the growth.

Sales of Information Equipment were 103.4 billion yen, up 3.4% over the same period last year. Solid sales were recorded for copier/printers centering on digital color copiers.

Electronic Components

Sales of ICs were 30.0 billion yen, down 24.9% from the same period last year. Sales of flash memory, as well as CCD and CMOS imagers, decreased due to a fall in price, resulting in lower overall sales.

Sales of LCDs were 123.4 billion yen, down 6.1% from the same period last year. Due to expansion of the LCD color TV market, sales of LCD color TV panels for both in-house production and other TV manufacturers increased. However, sales of LCD panels for mobile equipment decreased, resulting in lower overall sales.

Sales of Other Electronic Components were 62.7 billion yen, up 4.8% over the same period last year. Sales of solar cells recorded an increase, which offset sales decline of laser diodes.

2. Forecast for Fiscal 2005

There are no revisions to the fiscal 2005 financial result forecast announced on April 26, 2005.

Net sales	2,750.0 billion yen	+ 8.3 % over the previous fiscal year
Operating income	160.0 billion yen	+ 5.9 % over the previous fiscal year
Net income	87.0 billion yen	+ 13.2 % over the previous fiscal year

Note : The above estimates of financial results are based on certain assumptions that Sharp Corporation deemed reasonable at the time they were prepared, and actual operating results may differ significantly from these estimates. The following factors may influence the figures for final reported financial results.

- Significant changes in the political and economic situation in major markets (Europe, North America, Asia and Japan)
- Sudden, rapid fluctuations in product supply or demand in major markets
- Large swings in foreign exchange markets (particularly in the yen/U.S. dollar and euro markets)
- Significant fluctuations in valuation in capital markets
- Sudden, rapid changes in technology, etc.