

Operating Results and Financial Position

1. Review of the Three Months Ended June 30, 2006

During the past three months, the Japanese economy continued to recover steadily, supported mainly by an increase in private consumption and corporate investment owing to improved earnings results. Overseas, the U.S. and Asian economies enjoyed steady growth, while the European economy showed solid recovery.

Under these circumstances, Sharp took assertive initiatives to further improve its 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, including LCDs and solar cells.

As a result, consolidated financial results for the three months showed net sales of 693.7 billion yen, up 12.6% from the same period last year, operating income of 40.4 billion yen, up 13.7% and net income of 23.8 billion yen, up 23.1%.

Regarding cash flow, net cash provided by operating activities was 25.2 billion yen, while net cash used in investing activities was 15.9 billion yen. Net cash used in financing activities was 12.3 billion yen. As a result, cash and cash equivalents at the end of the period were 298.7 billion yen, a decrease of 0.7 billion yen from March 31, 2006.

Operating results by product group are as follows:

Consumer/Information Products

Sales of Audio-Visual and Communication Equipment were 296.5 billion yen, up 24.1% over the same period last year. Sales of LCD color TVs, mainly for large-size models, and mobile phones expanded, contributing to the overall sales increase.

Sales of Home Appliances were 57.7 billion yen, up 0.2% over the same period last year. Sales increased for our distinctive products, such as superheated steam ovens, which offset a sales decline of air conditioners due to unseasonable weather.

Sales of Information Equipment were 98.2 billion yen, down 5.0% over the same period last year. A decline in sales of PCs led to the overall sales decrease.

Electronic Components

Sales of LSIs were 33.1 billion yen, up 15.1% from the same period last year. Sales increased for major devices, including CCD/CMOS imagers, resulting in higher overall sales.

Sales of LCDs were 136.0 billion yen, up 10.2% from the same period last year. The solid growth in sales of LCD panels for large-size LCD color TVs and mobile equipment contributed to an overall sales increase.

Sales of Other Electronic Components were 71.8 billion yen, up 12.2% over the same period last year. Sales of solar cells recorded an increase, leading to the overall sales gains.

2. Forecast for Fiscal 2006

There are no revisions to the fiscal 2006 financial result forecast announced on April 26, 2006.

Net sales	3,000.0 billion yen	+ 7.3 % over the previous fiscal year
Operating income	180.0 billion yen	+ 10.0 % over the previous fiscal year
Net income	100.0 billion yen	+ 12.8 % over the previous fiscal year

Note:

The above estimates of operating 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 factors that may influence the figures for final reported business results include, but are not limited to:

- The economic situation in which the Sharp Group operates
- Sudden, rapid fluctuations in demand for products and services, as well as intense price competition
- Changes in exchange rates (particularly between the yen and the U.S. dollar, the euro and other currencies)
- Sharp's ability to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products and services
- Regulations such as trade restrictions in other countries