



Consolidated Financial Results for the Third Quarter, Fiscal 2016

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Consolidated Earnings Forecast for Fiscal 2016
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SHARP CORPORATION

February 3, 2017

Forward-Looking Statements

This presentation contains certain statements about the future plans, strategies, and performance of Sharp Corporation and its consolidated subsidiaries (“the Company” or “Sharp”). Statements not based on historical or present facts are assumptions and estimates based on information available at the time. Future plans, strategies, and performance are subject to known and unknown risks, uncertainties, and other factors. Actual performance, business activities, and financial position may differ materially from the assumptions and estimates provided herein due to risks, uncertainties, and other factors. Sharp is under no obligation to update these forward-looking statements in light of new information, future events, or other factors. Risks, uncertainties, and other matters that could affect actual results include, but are not limited to, the following factors:

- (1) The economic conditions in which Sharp operates
- (2) Sudden, rapid fluctuations in demand for Sharp products and services, as well as intensified price competition
- (3) Exchange rate fluctuations (particularly between the yen and the U.S. dollar, the euro, and other currencies)
- (4) Regulations, including trade restrictions with other countries
- (5) The progress of collaborations and alliances with other companies
- (6) Litigation and other legal proceedings against Sharp
- (7) Rapid technological changes in products and services, etc.

*Amounts less than 100 million yen shown in this presentation material have been rounded down.

**I . Consolidated Financial Results for the
Third Quarter, Fiscal 2016
Consolidated Earnings Forecast for Fiscal
2016**

Consolidated Financial Results for the Third Quarter, Fiscal 2016

- Net sales for the third quarter of fiscal 2016 amounted to 571.5 billion yen, down 13.8% year on year. This result was mainly due to the shift to a brand licensing business for LCD TVs in the Americas and a downturn in demand for LCD panels and camera modules among major smartphone customers.
- Structural reform initiatives have resulted in significant improvements in earnings and a second consecutive quarter of operating income. Profit attributable to owners of parent swung to a profit for the quarter.

(Billions of Yen)

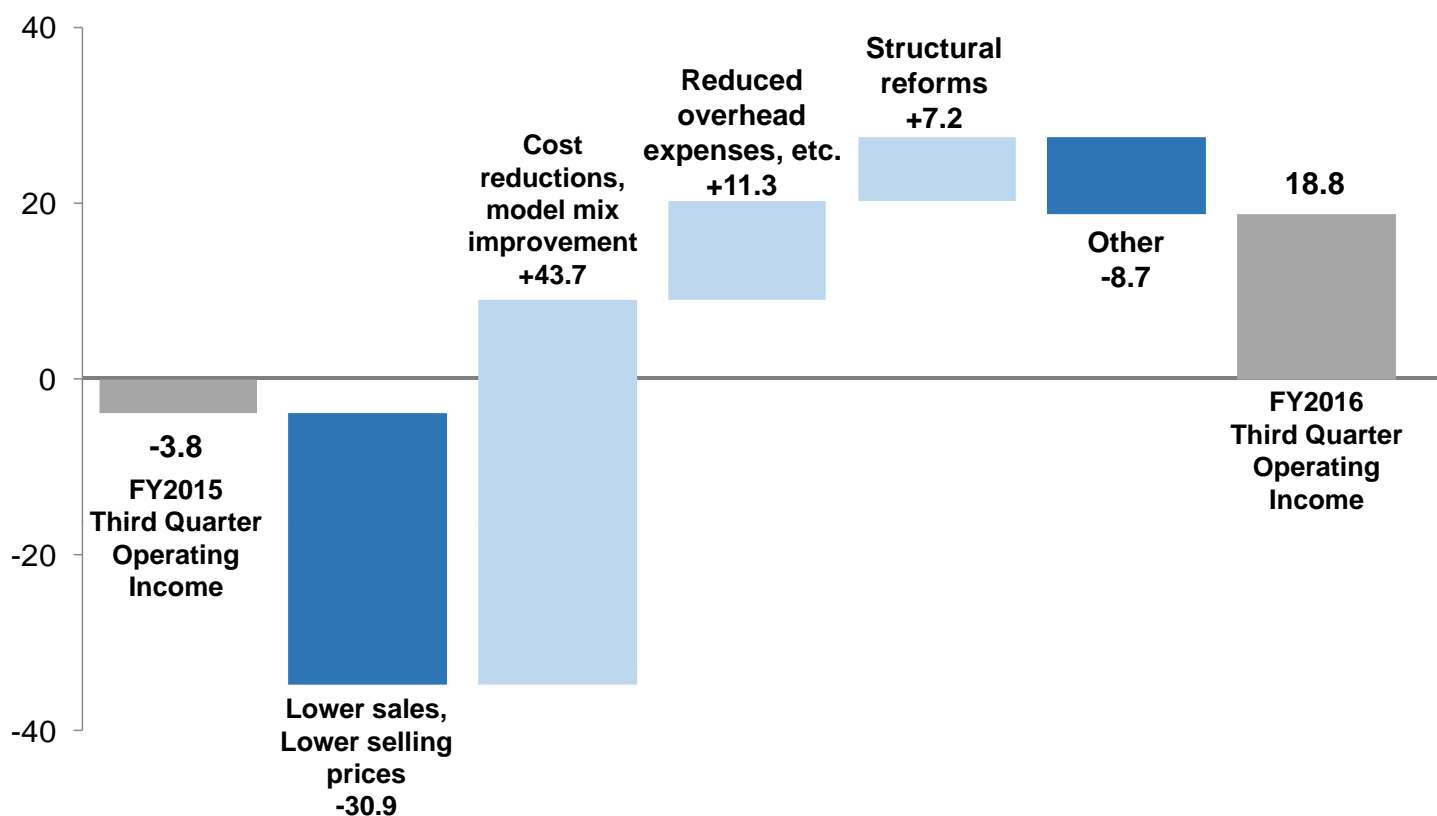
	FY2015	FY2016					
	3Q	1Q	2Q	3Q	Y on Y	1Q to 3Q Cumulative Total	Y on Y
Net Sales	663.3	423.3	496.2	571.5	-13.8%	1,491.2	-23.2%
Operating Income (margin)	-3.8 (-0.6%)	-2.5 (-0.6%)	2.5 (0.5%)	18.8 (3.3%)	-	18.9 (1.3%)	-
Profit Attributable to Owners of Parent (margin)	-24.7 (-3.7%)	-27.4 (-6.5%)	-17.9 (-3.6%)	4.2 (0.7%)	-	-41.1 (-2.8%)	-

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Operating Income Analysis (Y on Y) for the Third Quarter, Fiscal 2016

(Billions of Yen)



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Sales by Segment

(Billions of Yen)

	FY2015	FY2016					
	3Q	1Q	2Q	3Q	Y on Y	1Q to 3Q Cumulative Total	Y on Y
IoT Communications	36.3	35.2	37.1	37.8	+4.2%	110.1	-28.4%
Health and Environment Systems	74.0	67.8	71.1	69.9	-5.5%	208.9	-7.0%
Business Solutions	88.8	77.5	82.1	72.3	-18.6%	232.0	-11.2%
Camera Modules	78.3	32.6	51.0	72.2	-7.8%	155.9	-22.1%
Electronic Components and Devices	68.0	42.3	51.0	68.2	+0.3%	161.7	-18.1%
Energy Solutions	34.5	21.8	30.4	21.1	-38.9%	73.4	-35.2%
Display Devices	320.0	167.1	190.3	245.4	-23.3%	603.0	-31.4%
Subtotal	700.3	444.7	513.3	587.3	-16.1%	1,545.3	-23.9%
Adjustments	-36.9	-21.3	-17.0	-15.7	-	-54.0	-
Total	663.3	423.3	496.2	571.5	-13.8%	1,491.2	-23.2%

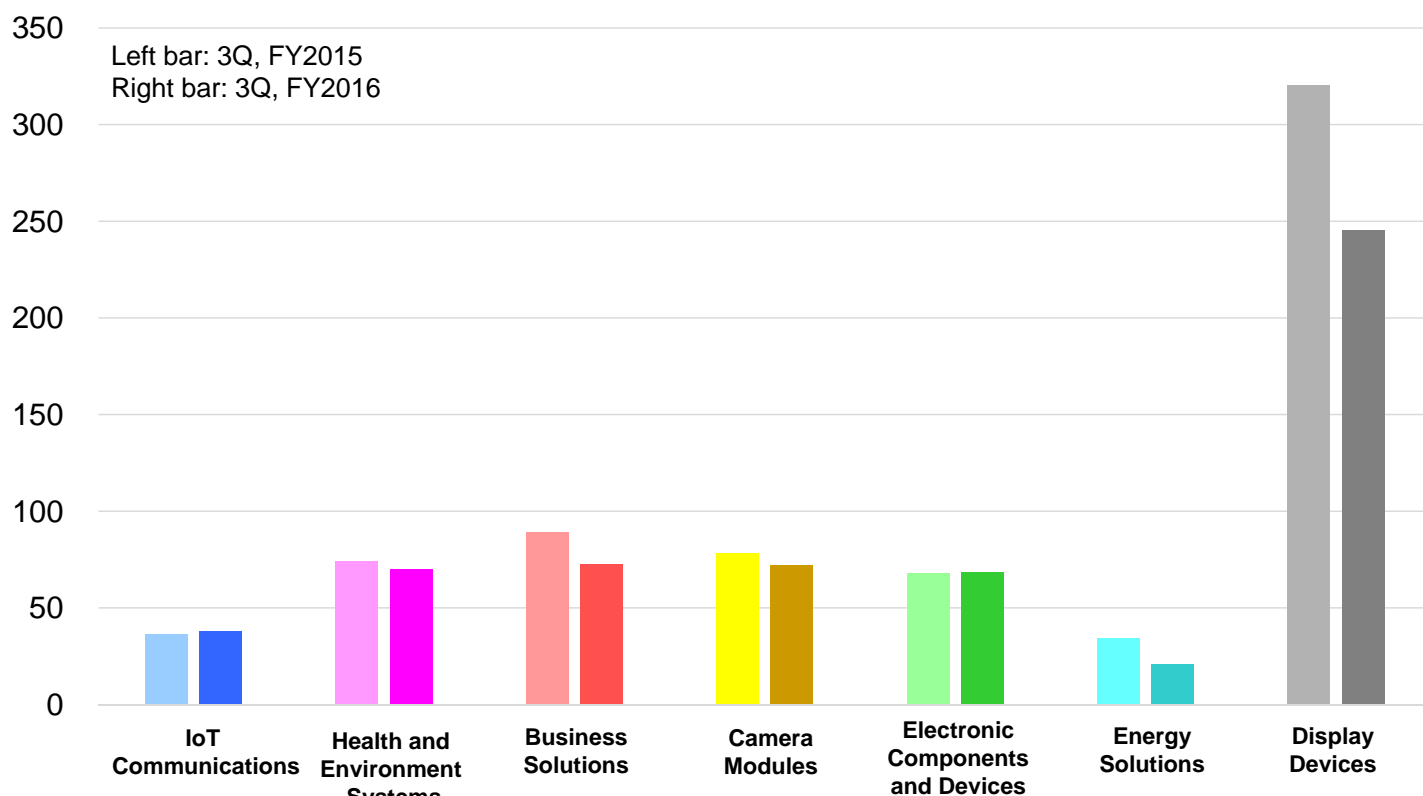
*Sales include inter-segment sales and transfers.

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Sales by Segment

(Billions of Yen)



*Sales include inter-segment sales and transfers.

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Operating Income by Segment

(Billions of Yen)

	FY2015	FY2016					
	3Q	1Q	2Q	3Q	Y on Y	1Q to 3Q Cumulative Total	Y on Y
IoT Communications	3.1 (8.7%)	2.0 (5.8%)	4.1 (11.1%)	3.3 (8.9%)	+6.0%	9.5 (8.6%)	-30.3%
Health and Environment Systems	4.7 (6.4%)	6.5 (9.7%)	6.5 (9.2%)	7.5 (10.8%)	+60.5%	20.7 (9.9%)	2.9-fold
Business Solutions	7.1 (8.0%)	5.9 (7.7%)	5.2 (6.4%)	4.1 (5.8%)	-41.5%	15.4 (6.6%)	-35.5%
Camera Modules	1.0 (1.3%)	0.1 (0.4%)	-1.3 (-2.6%)	2.0 (2.8%)	+99.8%	0.8 (0.5%)	-91.0%
Electronic Components and Devices	0.9 (1.4%)	0.3 (0.9%)	-0.6 (-1.4%)	3.6 (5.3%)	3.7-fold	3.2 (2.0%)	4.4-fold
Energy Solutions	-5.0 (-14.7%)	-6.3 (-28.8%)	1.4 (4.9%)	-7.9 (-37.6%)	-	-12.7 (-17.4%)	-
Display Devices	-11.0 (-3.5%)	-6.8 (-4.1%)	-7.8 (-4.1%)	11.0 (4.5%)	-	-3.6 (-0.6%)	-
Subtotal	0.8 (0.1%)	1.9 (0.4%)	7.6 (1.5%)	23.8 (4.1%)	27.3-fold	33.3 (2.2%)	-
Adjustments	-4.7	-4.4	-5.0	-4.9	-	-14.4	-
Total	-3.8 (-0.6%)	-2.5 (-0.6%)	2.5 (0.5%)	18.8 (3.3%)	-	18.9 (1.3%)	-

Added reserve for purchase contracts due to weakening yen -7.6

*Figures within parentheses indicate operating margin.

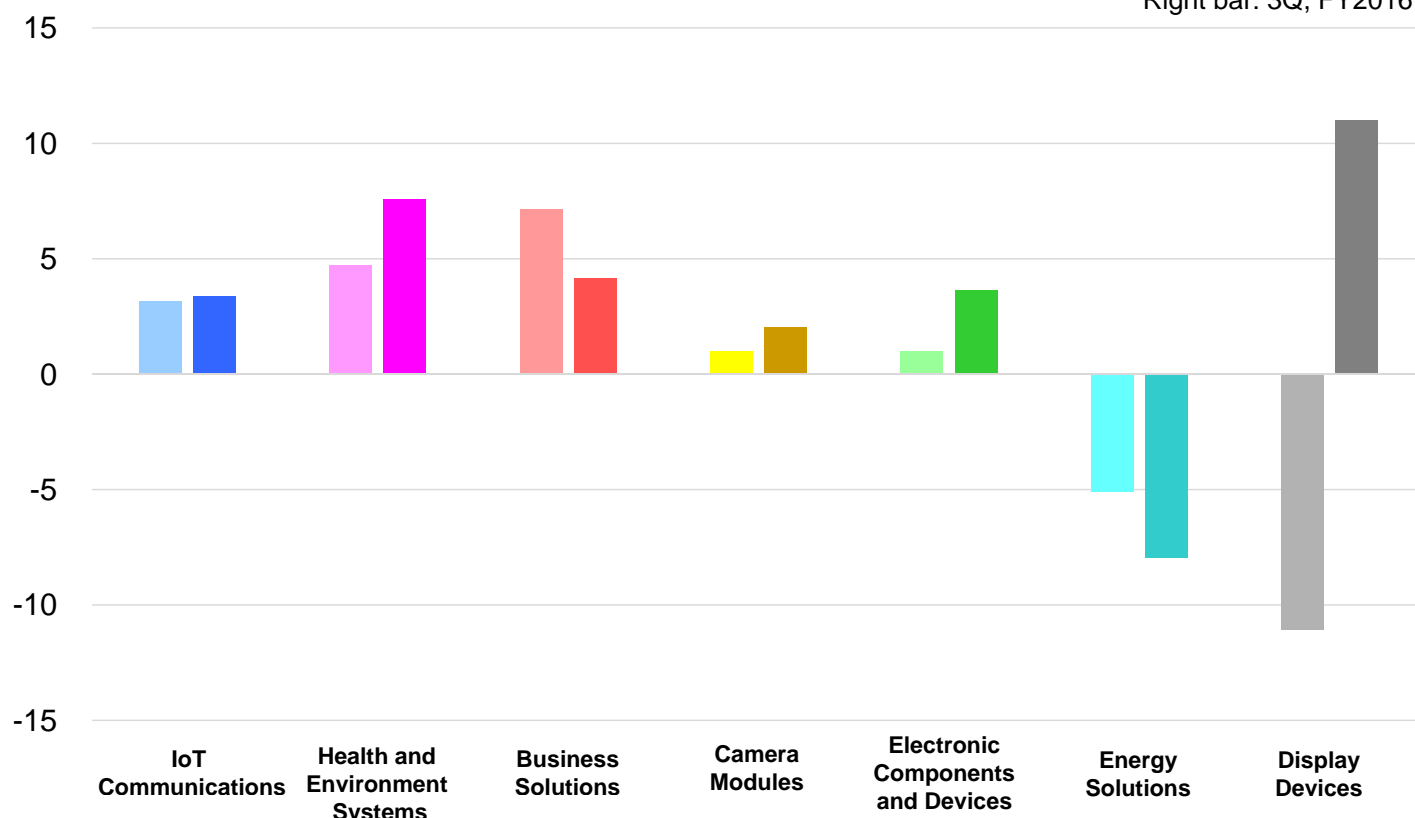
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Operating Income by Segment

(Billions of Yen)

Left bar: 3Q, FY2015
Right bar: 3Q, FY2016



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Other Income (Expenses)

(Billions of Yen)

	FY2015	FY2016					
	3Q	1Q	2Q	3Q	Difference (Y on Y)	1Q to 3Q Cumulative Total	Difference (Y on Y)
Operating Income	-3.8	-2.5	2.5	18.8	+22.7	18.9	+47.9
Other Income (Expenses)	-14.2	-20.8	-13.7	-7.6	+6.6	-42.2	+22.1
Gain on sales of investment securities	-0.0	-	+1.3	+0.2	+0.2	+1.5	-0.2
Reversal of provision for loss on litigation	-	-	-	-	-	-	-2.0
Receipt of settlement package	+1.3	-	-	+6.2	+4.8	+6.2	-2.3
Interest expense	-4.5	-2.4	-1.5	-1.3	+3.1	-5.3	+9.1
Equity in losses of affiliates	-0.1	-11.0	-8.1	-0.5	-0.3	-19.6	-22.5
Impairment loss (structural reforms)	-	-	-	-6.3	-6.3	-6.3	-6.3
Impairment loss (others)	-2.7	-1.5	-4.2	-5.7	-2.9	-11.4	+2.3
Restructuring charges	-1.4	-	-	-	+1.4	-	+36.7
Pretax Income	-18.1	-23.3	-11.1	11.2	+29.3	-23.3	+70.0
Income Taxes, etc.	-6.5	-4.0	-6.7	-6.9	-0.4	-17.8	-2.9
Profit Attributable to Owners of Parent	-24.7	-27.4	-17.9	4.2	+28.9	-41.1	+67.1
				Tanabe Bldg. : -4.0			
				Mihara Plant : -2.3			

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Consolidated Balance Sheets

- Net assets as of December 31, 2016 amounted to 296.4 billion yen, an increase of 31.4 billion yen compared to September 30, 2016.
- Equity ratio was 16.1% as of December 31, 2016.

(Billions of Yen)

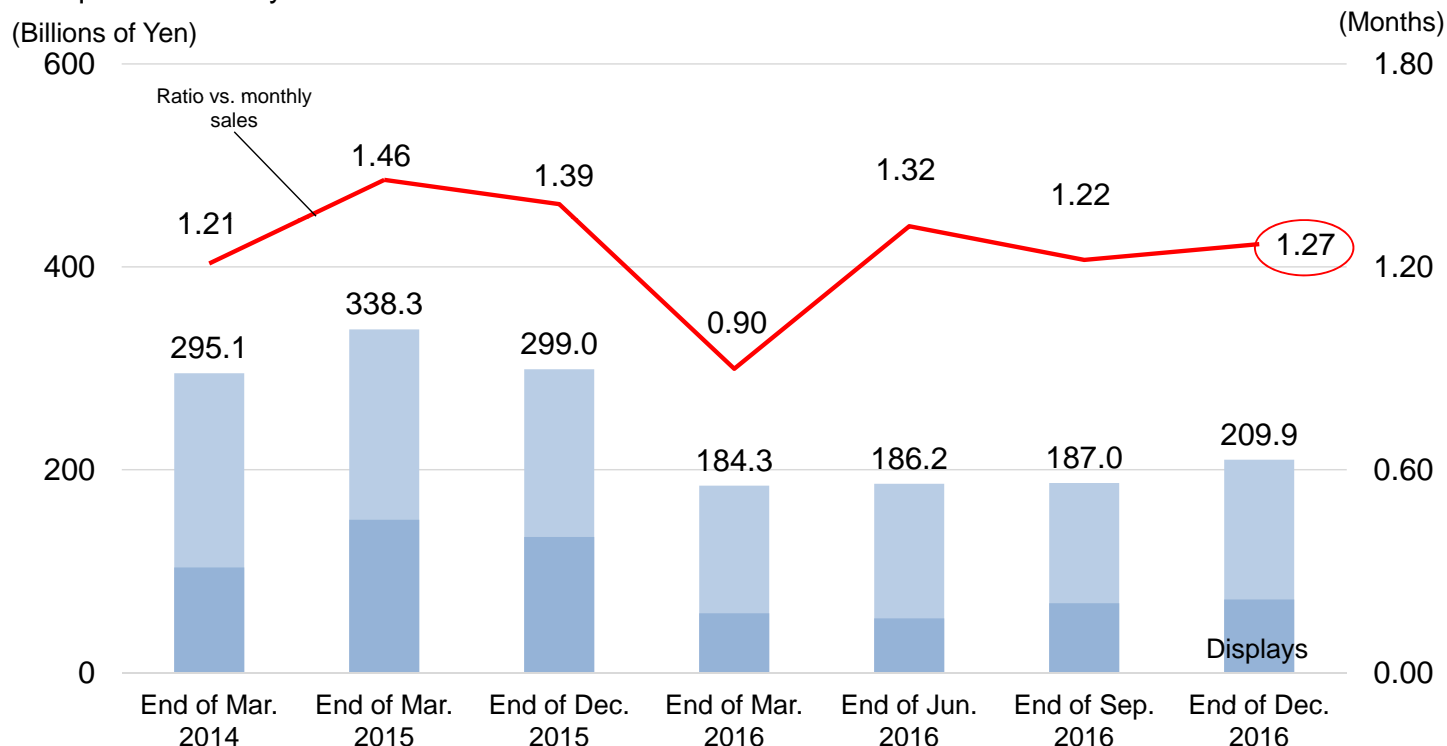
	FY2015	FY2016			FY2015	FY2016	
	End of Mar. 2016	End of Sep. 2016	End of Dec. 2016		End of Mar. 2016	End of Sep. 2016	End of Dec. 2016
Cash, time deposits, and restricted cash	275.3	473.9	451.7	Short-term borrowings	638.7	140.8	109.8
Notes and accounts receivable	430.0	362.4	447.3	Notes and accounts payable	312.6	318.6	385.8
Inventories	184.3	187.0	209.9	Other current liabilities	423.4	280.9	315.1
Other current assets	76.2	75.8	77.7	Current Liabilities	1,374.8	740.5	810.8
Current Assets	965.9	1,099.3	1,186.8	Long-term Liabilities	227.0	664.3	669.0
Plant and Equipment	351.2	346.0	363.9	Total Liabilities	1,601.8	1,404.8	1,479.9
Investments and Other Assets	253.4	224.3	225.5	Net Assets	-31.2	264.9	296.4
Deferred Assets	0.0	0.0	0.0	Total Liabilities and Net Assets	1,570.6	1,669.8	1,776.4
Total Assets	1,570.6	1,669.8	1,776.4	Equity Ratio	-2.7%	15.3%	16.1%

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Inventory Trends

- Inventory amounted to 209.9 billion yen, an increase of 22.8 billion yen compared to September 30, 2016.
- The Company intends to maintain appropriate inventory levels reflecting sales plans for the fourth quarter and beyond.

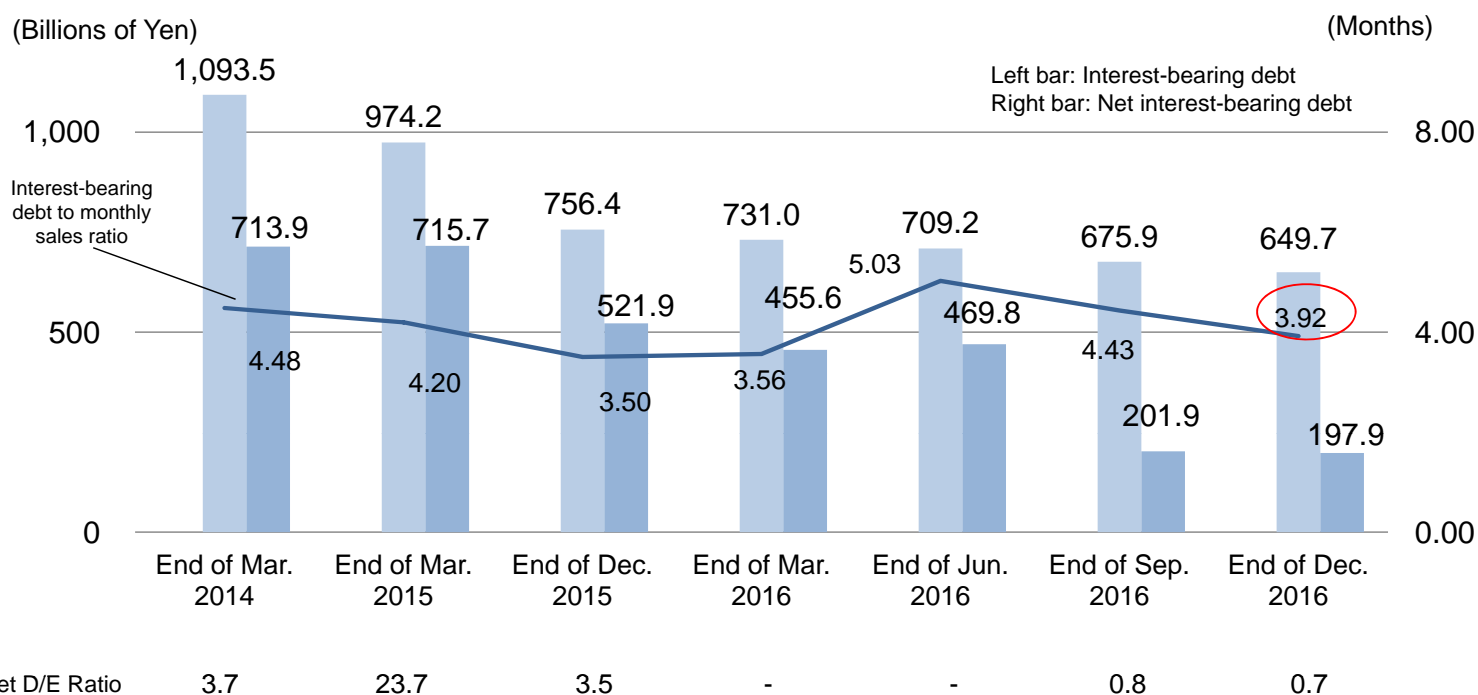


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Interest-Bearing Debt Trends

- Interest-bearing debt as of December 31, 2016 decreased 26.1 billion yen compared to September 30, 2016; interest-bearing debt to monthly sales ratio changed from 4.43 months to 3.92 months.
- Net interest-bearing debt* decreased from 201.9 billion yen as of September 30, 2016 to 197.9 billion yen as of December 31, 2016.



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*Net interest-bearing debt: interest-bearing debt – cash, time deposits, and restricted cash

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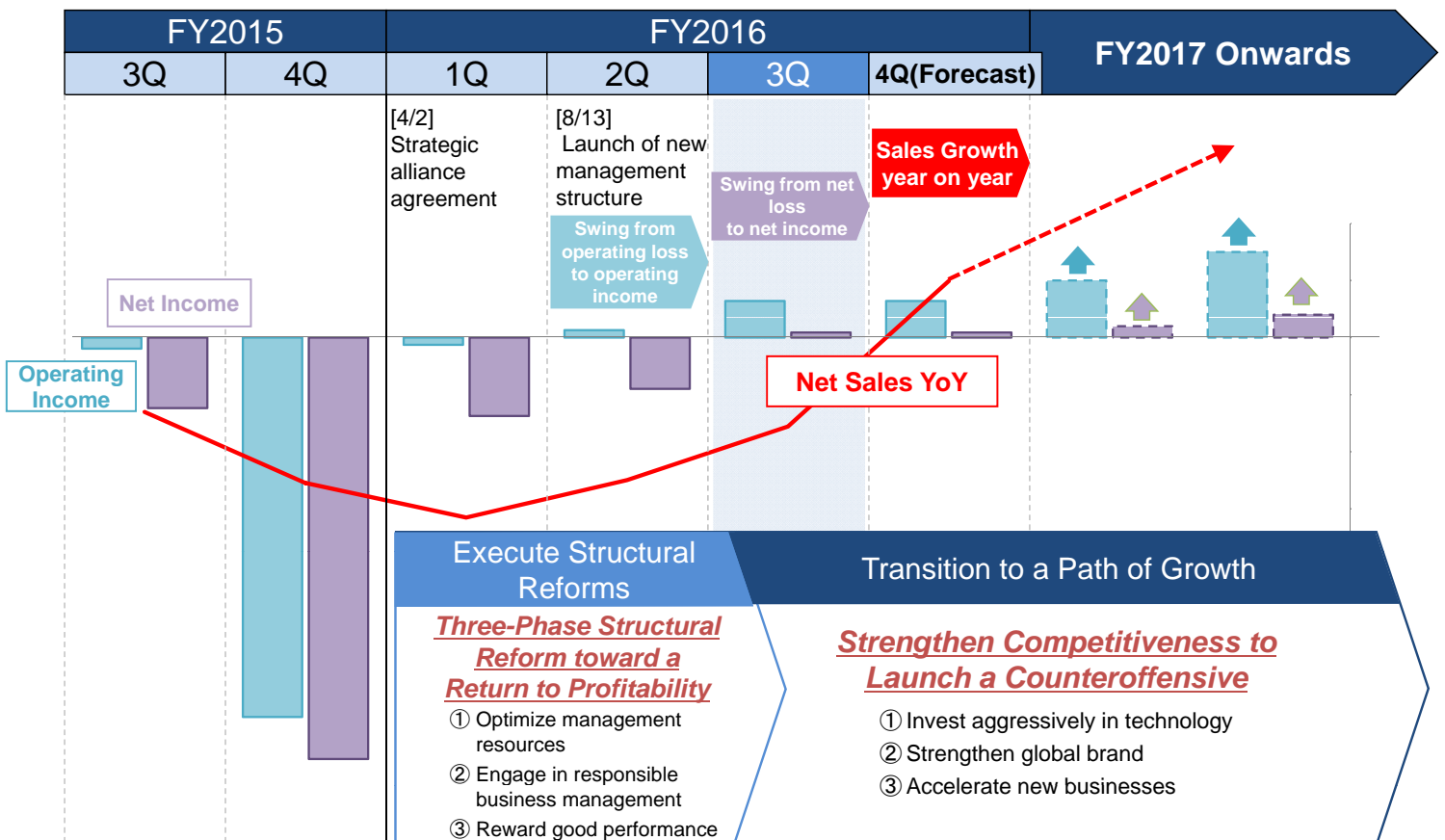
Consolidated Earnings Forecast for Fiscal 2016

We have made an upward revision in our full-year earnings forecast for both net sales and profits. This upward revision reflects our cumulative results through the third quarter and consideration of the expected business environment through the fourth quarter.

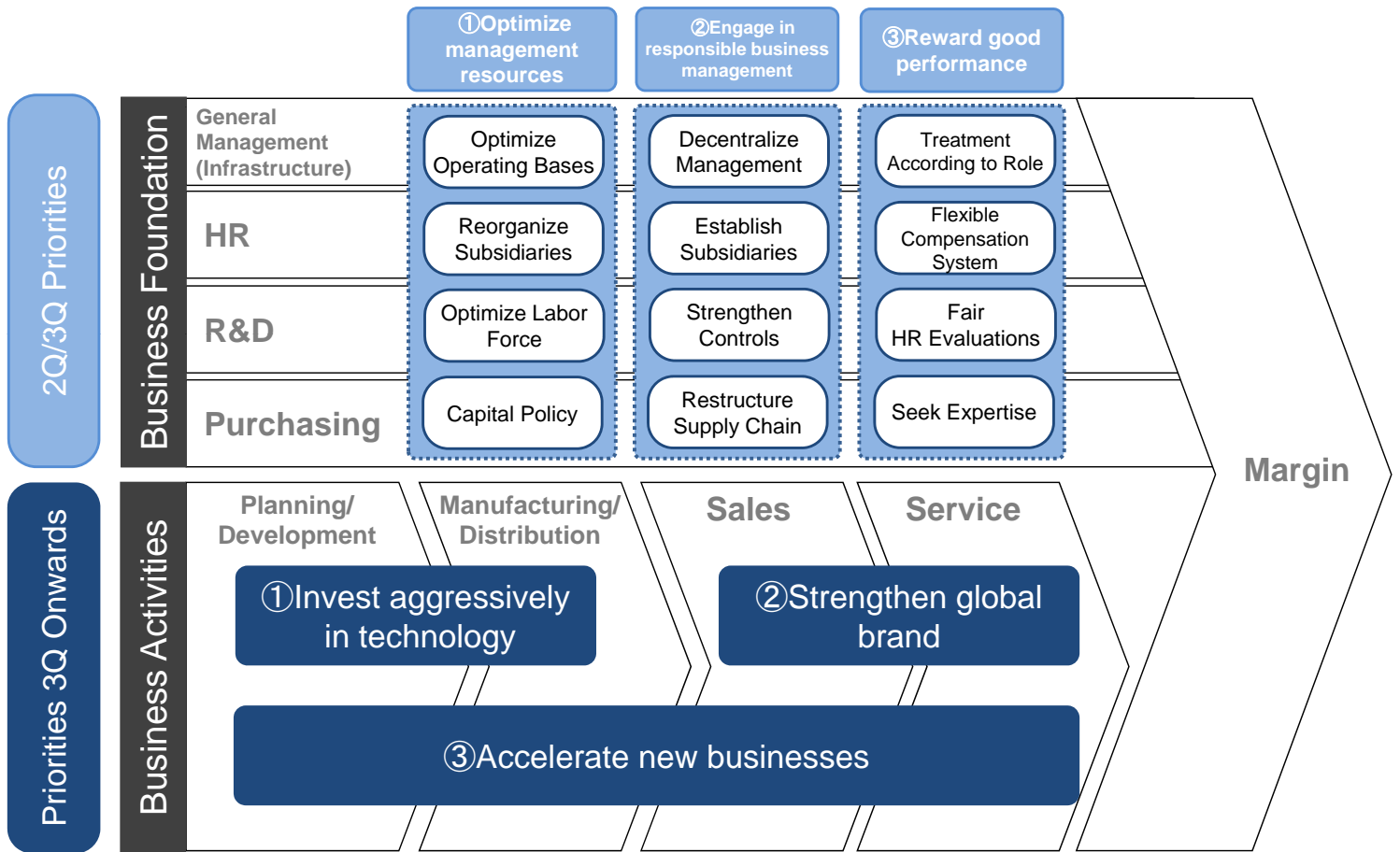
	FY2016			Revision	(Billions of Yen)
	1Q to 3Q Cumulative Total	Fiscal Year Forecast	Y on Y		FY2016 Previous(11/1) Fiscal Year Forecast
Net Sales	1,491.2	2,050.0	-16.7%	+50.0	2,000.0
Operating Income (margin)	18.9 (1.3%)	37.3 (1.8%)	-	+11.6	25.7 (1.3%)
Profit Attributable to Owners of Parent (margin)	-41.1 (-2.8%)	-37.2 (-1.8%)	-	+4.6	-41.8 (-2.1%)

II . Transitioning to Growth

Transitioning to a Path of Growth ~From Structural Reform to Business Expansion~



Overview: Restructure the Value Chain to Accelerate Business Expansion



Execute Structural Reforms

[◎: Completed ○: In Progress]

Priorities	Progress	
① Optimize Management Resources	Optimize Operating Bases	○ Move Mihara Base ○ Optimize sales/manufacturing bases
	Reorganize Subsidiaries	◎ Absorption-type merger with Sharp Manufacturing Systems Corporation (January) ◎ Share transfer of Sharp Business Computer Software Inc. (January) ◎ Establish Sharp Universal Technology (SZ) Co., Ltd. (December)
	Optimize Labor Force	○ Reassignments, move external subcontracting in-house
	Capital Policy	◎ Reduce interest expense by revising loan portfolio (December)
② Engage in Responsible Business Management	Decentralize Management	◎ Spin off intellectual property division and logistics division (October) ○ Institute revenue management on a sub-business unit level
	Restructure Supply Chain	○ Advance central purchasing (November, established central purchasing organization)
③ Reward Good Performance	Reward Good Performance (Treatment/Compensation/Evaluation)	◎ Adopt a manager demotion system (November) ◎ Payment, future expansion of special bonus (December) ◎ Adopt role-grade compensation among all employees (January) ○ Further expansion of sales and technology development incentives
	Seek Expertise	○ Revise, restart training programs ○ Accelerate return-hires, new-grad hires, experienced hires

Strengthen Competitiveness to Launch a Counteroffensive (1/2)

[◎: Completed ○: In Progress]

Priorities

Progress

①

Invest Aggressively
in Technology

Expand Investment in Core Technologies of the Future

- Develop technology to structure an 8K ecosystem
- Develop voice-interactive and other technologies related to IoT
- Move forward with a 4.5G OLED production line

Accelerate Development of Priority Technologies

- Create the President's Fund

Strengthen Key Technologies through Capital Injection/Bringing In-House

- ◎ Acquire production facility for smartphone electronic components (November)
- ◎ Invest in camera component development/manufacturing companies (December)

Invest in Technical Personnel

- Hire personnel with advanced expertise through business-unit driven hiring activities
- Expand technology development incentives, including greater compensation for patents

Strengthen Competitiveness to Launch a Counteroffensive (2/2)

[◎: Completed ○: In Progress]

Priorities

Progress

②

Strengthen Global
Brand

Expand Brand through M&A and Alliances

- ◎ Re-enter the TV market in Europe (December, Resolution to convert SKYTEC UMC LTD to a subsidiary)
- ◎ Launch smartphone rental service for hotel guests (January, established joint venture)
- Accelerate acquisitions of MFP dealers

Restructure Expansion Strategy in ASEAN

- ◎ Establish R&D center for home appliances for China/ASEAN (January)
- Strengthen marketing structure
- Restructure sales subsidiary organization, refine sales promotion policies

Create Customer Membership Organizations

- Improve platforms, beginning with the SHARP i CLUB member site

③

Accelerate new
businesses

- Spin off health and medical business units
- Create TEKION LAB (new business using heat storage materials)
- Create a fund to support commercialization of technologies in new fields

III. Supplementary Data

Quarterly Sales by Segment

(Billions of Yen)

	FY2015				FY2016		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
IoT Communications	56.8	60.8	36.3	43.4	35.2	37.1	37.8
Health and Environment Systems	74.7	75.8	74.0	73.5	67.8	71.1	69.9
Business Solutions	80.6	91.7	88.8	93.9	77.5	82.1	72.3
Camera Modules	75.7	46.0	78.3	44.8	32.6	51.0	72.2
Electronic Components and Devices	60.8	68.5	68.0	47.5	42.3	51.0	68.2
Energy Solutions	36.8	41.8	34.5	43.5	21.8	30.4	21.1
Display Devices	258.2	300.3	320.0	208.0	167.1	190.3	245.4
Subtotal	643.9	685.1	700.3	554.9	444.7	513.3	587.3
Adjustments	-25.6	-23.7	-36.9	-36.3	-21.3	-17.0	-15.7
Total	618.3	661.3	663.3	518.5	423.3	496.2	571.5

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*Sales include inter-segment sales and transfers.

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Quarterly Operating Income by Segment

(Billions of Yen)

	FY2015				FY2016		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
IoT Communications	4.9 (8.7%)	5.5 (9.1%)	3.1 (8.7%)	0.8 (1.9%)	2.0 (5.8%)	4.1 (11.1%)	3.3 (8.9%)
Health and Environment Systems	0.7 (1.0%)	1.8 (2.4%)	4.7 (6.4%)	4.4 (6.1%)	6.5 (9.7%)	6.5 (9.2%)	7.5 (10.8%)
Business Solutions	6.8 (8.4%)	9.9 (10.8%)	7.1 (8.0%)	11.9 (12.7%)	5.9 (7.7%)	5.2 (6.4%)	4.1 (5.8%)
Camera Modules	4.2 (5.6%)	3.9 (8.6%)	1.0 (1.3%)	-0.1 (-0.4%)	0.1 (0.4%)	-1.3 (-2.6%)	2.0 (2.8%)
Electronic Components and Devices	-1.4 (-2.4%)	1.2 (1.8%)	0.9 (1.4%)	-8.3 (-17.6%)	0.3 (0.9%)	-0.6 (-1.4%)	3.6 (5.3%)
Energy Solutions	-3.9 (-10.7%)	1.3 (3.2%)	-5.0 (-14.7%)	-10.7 (-24.6%)	-6.3 (-28.8%)	1.4 (4.9%)	-7.9 (-37.6%)
Display Devices	-31.0 (-12.0%)	-10.4 (-3.5%)	-11.0 (-3.5%)	-124.6 (-59.9%)	-6.8 (-4.1%)	-7.8 (-4.1%)	11.0 (4.5%)
Subtotal	-19.7 (-3.1%)	13.3 (2.0%)	0.8 (0.1%)	-126.6 (-22.8%)	1.9 (0.4%)	7.6 (1.5%)	23.8 (4.1%)
Adjustments	-9.0	-9.7	-4.7	-6.2	-4.4	-5.0	-4.9
Total	-28.7 (-4.7%)	3.5 (0.5%)	-3.8 (-0.6%)	-132.9 (-25.6%)	-2.5 (-0.6%)	2.5 (0.5%)	18.8 (3.3%)

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*Figures within parentheses indicate operating margin.

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Sales of Main Products

(Billions of Yen)

	FY2015			FY2016
	First Half	Second Half	Fiscal Year	First Half
LCD TVs	154.6	129.5	284.2	89.9
Unit (million units)	2.99	2.83	5.82	2.16
Mobile Phones	83.5	62.8	146.3	56.2
Unit (million units)	2.26	1.44	3.71	1.25
Refrigerators	48.2	42.5	90.8	44.3
Air Conditioners	36.0	21.6	57.6	30.4
Copiers / Printers	78.2	58.8	137.0	57.8

Quarterly Sales of Main Products

(Billions of Yen)

	FY2015				FY2016		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
LCD TVs	64.1	90.5	81.8	47.7	44.4	45.4	54.2
Unit (million units)	1.41	1.58	1.72	1.10	1.00	1.15	1.38
Mobile Phones	44.1	39.4	27.4	35.3	26.5	29.6	31.1
Unit (million units)	1.01	1.25	0.54	0.89	0.57	0.68	0.94
Refrigerators	23.0	25.1	21.1	21.4	20.8	23.4	19.0
Air Conditioners	20.6	15.3	8.2	13.4	16.5	13.8	6.5
Copiers / Printers	37.2	40.9	25.0	33.7	26.8	30.9	24.1

Capital Investment/Depreciation and Amortization

(Billions of Yen)

	FY2015			FY2016		
	First Half	Second Half	Fiscal Year	First Half	Second Half Forecast	Fiscal Year Forecast
Capital Investment	20.9	24.3	45.2	27.4	82.5	110.0
Displays	8.9	13.9	22.8	12.7	43.2	56.0
Depreciation and Amortization	33.7	34.2	68.0	27.4	32.5	60.0
R&D Expenditures	68.6	61.4	130.1	55.8	74.1	130.0

(Yen)

Exchange Rate	FY2015			FY2016	
	First Half	Second Half	Fiscal Year	First Half	Second Half Forecast
US Dollar	120.80	117.50	119.15	104.30	110.00
Euro	133.57	128.59	131.08	116.66	114.00

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Quarterly Capital Investment and Depreciation, etc.

(Billions of Yen)

	FY2015				FY2016		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Capital Investment	9.7	11.1	8.2	16.0	10.2	17.2	35.4
Displays	3.8	5.1	4.9	8.9	5.6	7.0	14.1
Depreciation and Amortization	18.0	15.7	17.0	17.2	13.5	13.8	16.2
R&D Expenditures	36.3	32.3	33.5	27.9	29.7	26.1	29.3

(Yen)

Exchange Rate	FY2015				FY2016		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
US Dollar	120.37	121.24	120.51	114.49	107.16	101.44	108.32
Euro	132.66	134.48	131.46	125.71	120.53	112.78	116.29

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