

# Consolidated Financial Results for the First Quarter Fiscal 2016

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SHARP CORPORATION

July 29, 2016

## Forward-Looking Statements

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- (3) Changes in exchange rates (particularly between the yen and the U.S. dollar, the euro, and other currencies);
- (4) Regulations such as trade restrictions in 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.

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# I . Financial Results for 1Q Fiscal 2016

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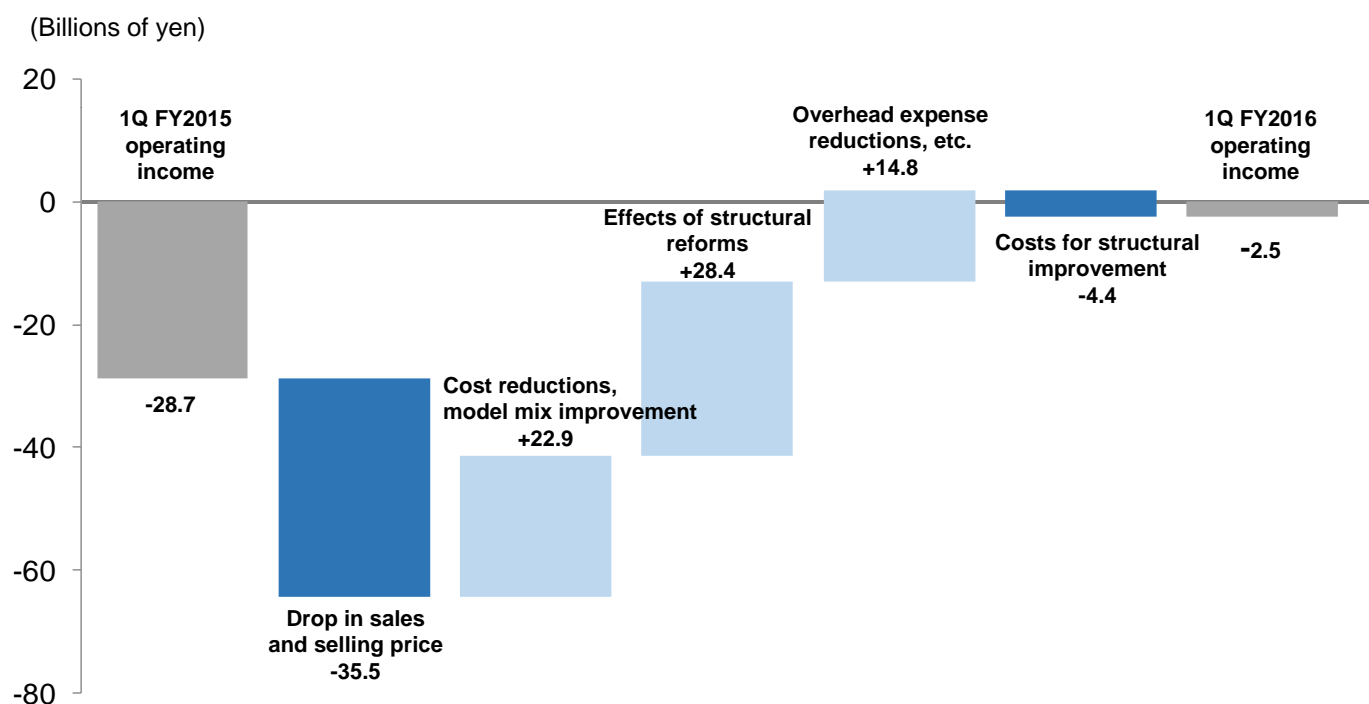
# Financial Results for 1Q Fiscal 2016

- Net sales in 1Q FY2016 were down 31.5% from the same period last year, due to factors such as sales decline of camera modules and small- and medium-size LCDs for major clients and a shift to a brand licensing business for LCD TVs in the Americas.
- Though net sales were down, deficits were reduced through structural reforms.

(Billions of Yen)

|  | FY2015                  | FY2016                  |        |
|--|-------------------------|-------------------------|--------|
|  | 1Q                      | 1Q                      | Y on Y |
| <b>Net Sales</b>   | <b>618.3</b>            | <b>423.3</b>            | -31.5% |
| <b>Operating Income</b><br>(margin)                        | <b>-28.7</b><br>(-4.7%) | <b>-2.5</b><br>(-0.6%)  | -      |
| <b>Profit Attributable to Owners of Parent</b><br>(margin) | <b>-33.9</b><br>(-5.5%) | <b>-27.4</b><br>(-6.5%) | -      |

## Breakdown of Operating Income (Year-on-Year)



# Sales by Segment

(Billions of Yen)

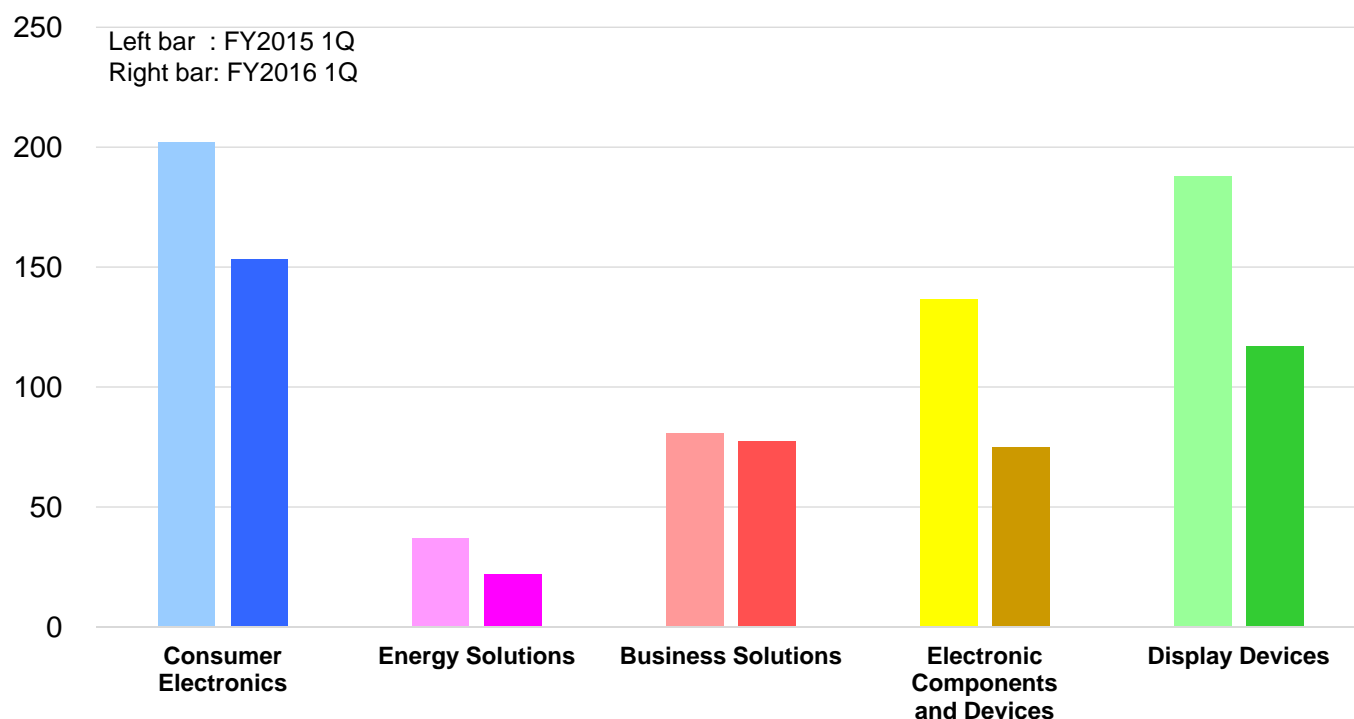
|                                   | FY2015       | FY2016       |               |
|-----------------------------------|--------------|--------------|---------------|
|                                   | 1Q           | 1Q           | Y on Y        |
| Consumer Electronics              | 201.9        | 153.2        | -24.1%        |
| Energy Solutions                  | 36.8         | 21.8         | -40.7%        |
| Business Solutions                | 80.6         | 77.5         | -3.8%         |
| Electronic Components and Devices | 136.6        | 75.0         | -45.1%        |
| Display Devices                   | 187.8        | 117.0        | -37.7%        |
| <b>Subtotal</b>                   | <b>643.9</b> | <b>444.7</b> | <b>-30.9%</b> |
| <b>Adjustments</b>                | <b>-25.6</b> | <b>-21.3</b> | <b>-</b>      |
| <b>Total</b>                      | <b>618.3</b> | <b>423.3</b> | <b>-31.5%</b> |



\*Sales include internal sales between segments.

# Sales by Segment

(Billions of Yen)



\*Sales include internal sales between segments.

# Operating Income by Segment

(Billions of Yen)

|                                   | FY2015           | FY2016           |        |
|-----------------------------------|------------------|------------------|--------|
|                                   | 1Q               | 1Q               | Y on Y |
| Consumer Electronics              | -11.7<br>(-5.8%) | 12.5<br>(8.2%)   | -      |
| Energy Solutions                  | -3.9<br>(-10.7%) | -6.3<br>(-28.8%) | -      |
| Business Solutions                | 6.8<br>(8.4%)    | 5.9<br>(7.7%)    | -12.8% |
| Electronic Components and Devices | 2.8<br>(2.1%)    | 0.5<br>(0.7%)    | -82.3% |
| Display Devices                   | -13.7<br>(-7.3%) | -10.7<br>(-9.2%) | -      |
| Subtotal                          | -19.7<br>(-3.1%) | 1.9<br>(0.4%)    | -      |
| Adjustments                       | -9.0             | -4.4             | -      |
| Total                             | -28.7<br>(-4.7%) | -2.5<br>(-0.6%)  | -      |

\*Figures within parentheses indicate operating margin.

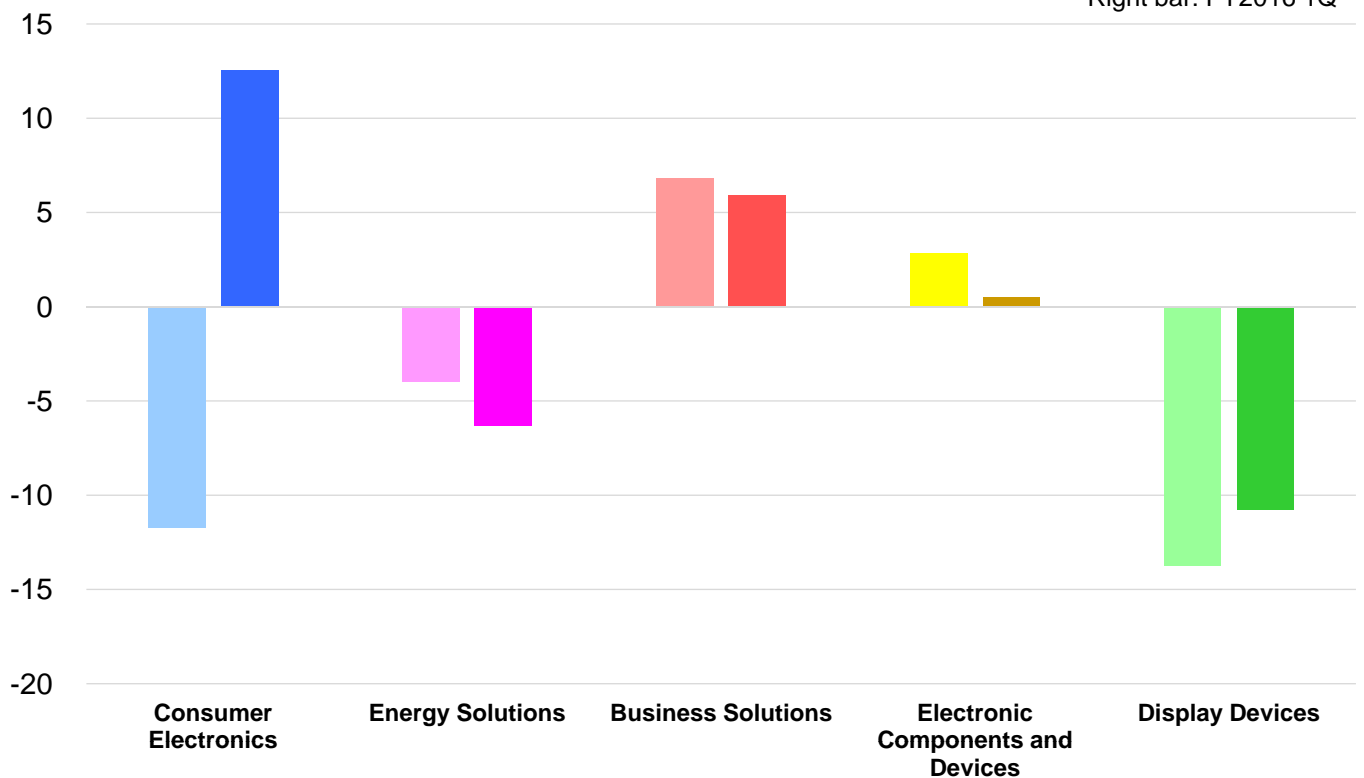
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# Operating Income by Segment

(Billions of Yen)

Left bar : FY2015 1Q  
Right bar: FY2016 1Q



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# Other Income (Expenses)

(Billions of Yen)

|  | FY2015       | FY2016       |                     |
|--|--------------|--------------|---------------------|
|  | 1Q           | 1Q           | Difference (Y on Y) |
| <b>Operating Income</b>                        | <b>-28.7</b> | <b>-2.5</b>  | <b>+26.2</b>        |
| <b>Other Income (Expenses)</b>                 | <b>-1.5</b>  | <b>-20.8</b> | <b>-19.2</b>        |
| Equity in earnings of affiliates               | +1.7         | -            | -1.7                |
| Gain on sales of investment securities         | +1.7         | -            | -1.7                |
| Reversal of provision for loss on litigation   | +2.0         | -            | -2.0                |
| Receipt of settlement package                  | +6.2         | -            | -6.2                |
| Interest expense                               | -5.5         | -2.4         | +3.0                |
| Equity in losses of affiliates                 | -            | -11.0        | -11.0               |
| Impairment loss                                | -6.5         | -1.5         | +5.0                |
| <b>Pretax Income</b>                           | <b>-30.3</b> | <b>-23.3</b> | <b>+6.9</b>         |
| <b>Income Taxes, etc.</b>                      | <b>-3.6</b>  | <b>-4.0</b>  | <b>-0.4</b>         |
| <b>Profit Attributable to owners of parent</b> | <b>-33.9</b> | <b>-27.4</b> | <b>+6.5</b>         |

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# Consolidated Balance Sheets

- Cash, time deposits, and restricted cash decreased by 36.0 billion yen from the end of March 2016 to 239.3 billion yen.
- The equity ratio decreased from -2.7% at the end March 2016 to -6.0%.
- Short-term borrowings were replaced with long-term debt, due to the renewal of a syndicated loan.

(Billions of Yen)

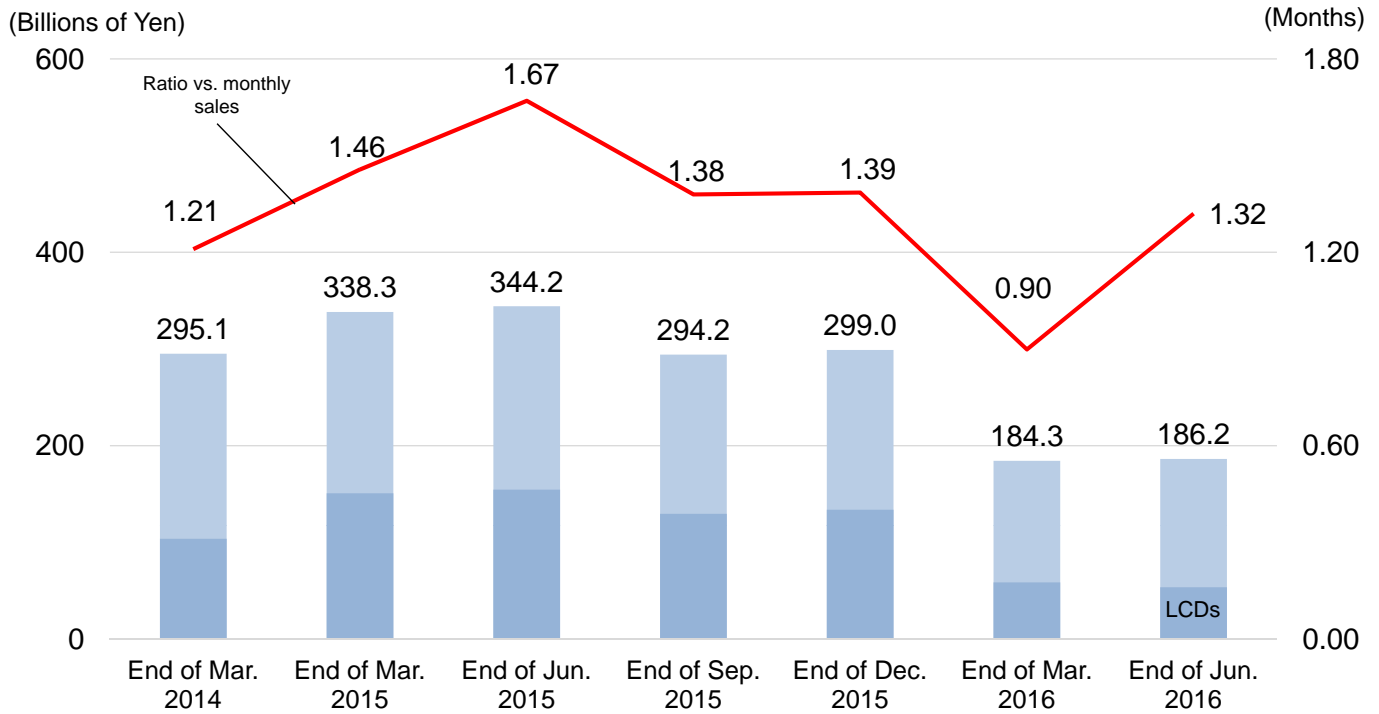
|  | FY2015           |                  | FY2016           |   | FY2015           |                  | FY2016           |  |
|--|------------------|------------------|------------------|---|------------------|------------------|------------------|--|
|  | End of Dec. 2015 | End of Mar. 2016 | End of Jun. 2016 |   | End of Dec. 2015 | End of Mar. 2016 | End of Jun. 2016 |  |
| Cash, time deposits, and restricted cash | 234.5            | 275.3            | 239.3            | Short-term borrowings                   | 664.6            | 638.7            | 172.0            |  |
| Notes and accounts receivable            | 469.3            | 430.0            | 327.6            | Notes and accounts payable              | 404.6            | 312.6            | 267.3            |  |
| Inventories                              | 299.0            | 184.3            | 186.2            | Other current liabilities               | 310.2            | 423.4            | 381.0            | Assumed increase in value of net assets resulting from strategic alliance with Hon Hai |
| Other current assets                     | 97.9             | 76.2             | 78.6             | <b>Current Liabilities</b>              | <b>1,379.6</b>   | <b>1,374.8</b>   | <b>820.4</b>     |  |
| <b>Current Assets</b>                    | <b>1,100.8</b>   | <b>965.9</b>     | <b>831.8</b>     | <b>Long-term Liabilities</b>            | <b>191.4</b>     | <b>227.0</b>     | <b>667.9</b>     | • Common shares 288.8  |
| Plant and Equipment                      | 368.4            | 351.2            | 345.6            | <b>Total Liabilities</b>                | <b>1,571.0</b>   | <b>1,601.8</b>   | <b>1,488.4</b>   | • Class C shares 99.9  |
| Investments and Other Assets             | 261.9            | 253.4            | 235.9            | <b>Net Assets</b>                       | <b>160.2</b>     | <b>-31.2</b>     | <b>-75.0</b>     | Increase in value of net assets 388.8  |
| Deferred Assets                          | 0.0              | 0.0              | 0.0              | <b>Total Liabilities and Net Assets</b> | <b>1,731.3</b>   | <b>1,570.6</b>   | <b>1,413.4</b>   |  |
| <b>Total Assets</b>                      | <b>1,731.3</b>   | <b>1,570.6</b>   | <b>1,413.4</b>   | <b>Equity Ratio</b>                     | <b>8.6%</b>      | <b>-2.7%</b>     | <b>-6.0%</b>     |  |

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# Transition of Inventory

- Inventory was 186.2 billion yen, up 1.9 billion yen compared to the end of March 2016.
- Inventory remained almost unchanged from the end of March 2016, despite a strategic production increase of LCDs, air conditioners, and other products for the high-demand season for the second quarter onwards and summer sales season.

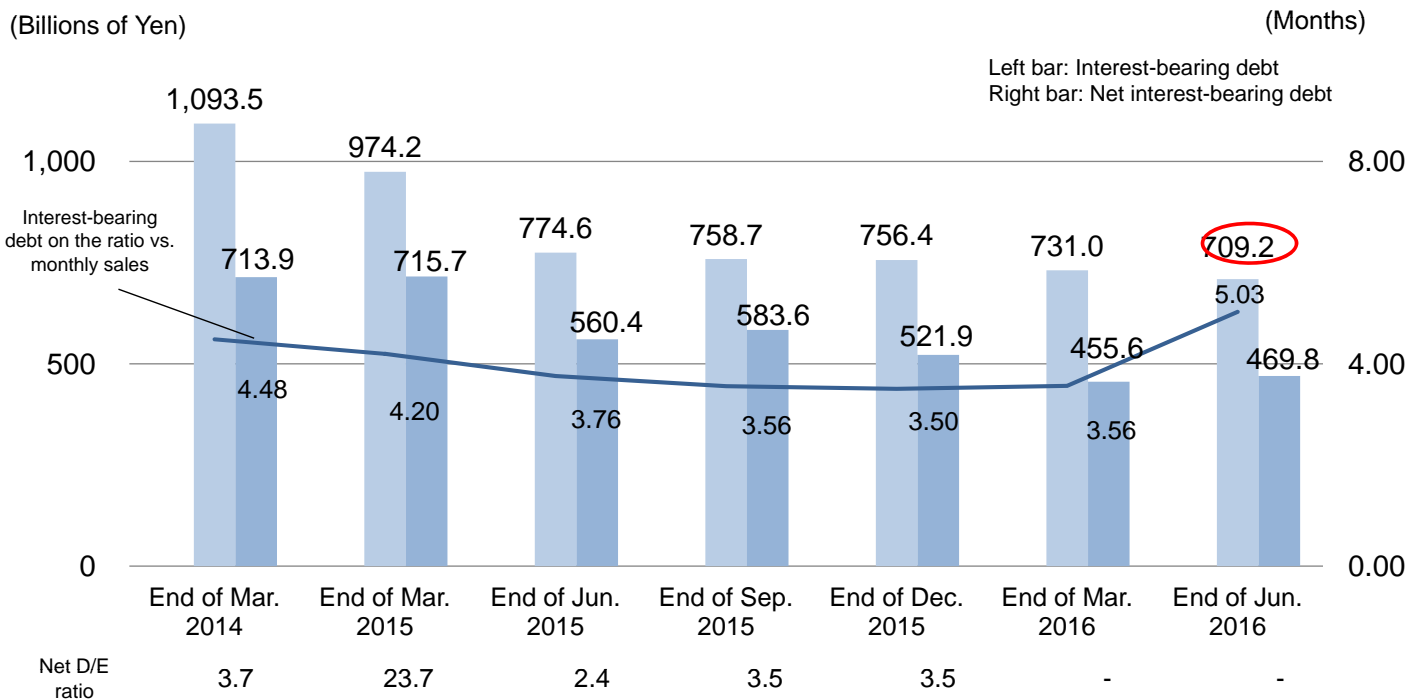


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# Transition of Interest-Bearing Debt

- Interest-bearing debt at the end of June 2016 declined by 21.8 billion yen in comparison to the end of March 2016.
- Net interest-bearing debt\* increased from 455.6 billion yen at the end of March 2016 to 469.8 billion yen



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

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## II . Information by Segment

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### Consumer Electronics

(Billions of Yen)

|                         | FY2015  | FY2016 |                    |
|-------------------------|---------|--------|--------------------|
|                         | 1Q      | 1Q     | Change<br>(Y on Y) |
| <b>Sales</b>            | 201.9   | 153.2  | -24.1%             |
| <b>Operating Income</b> | -11.7   | 12.5   | -                  |
| (margin)                | (-5.8%) | (8.2%) |                    |

\*Sales include internal sales between segments

| FY2016 1Q Results (Y on Y)  |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Sales : 24.1% decrease</li> <li>• Operating income: 24.2 billion yen increase</li> </ul> | <ul style="list-style-type: none"> <li>• Returning LCD TV business to profitability through structural reforms</li> </ul> |

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# Energy Solutions

(Billions of Yen)

|                         | FY2015   | FY2016   |                 |  |   |                 |
|-------------------------|----------|----------|-----------------|--|---|-----------------|
|                         | 1Q       | 1Q       | Change (Y on Y) | Costs for structural improvement in 1Q       | 1Q (Before calculation of costs for structural improvement) | Change (Y on Y) |
| <b>Sales</b>            | 36.8     | 21.8     | -40.7%          |  | 21.8  | -40.7%          |
| <b>Operating Income</b> | -3.9     | -6.3     | -               | Additional valuation reserve for polysilicon | -4.4  | -1.8            |
| (margin)                | (-10.7%) | (-28.8%) |                 |  |   | (-8.4%)         |

## FY2016 1Q Results (Y on Y)

- Sales: 40.7% decrease
- Operating income: 2.3 billion yen decrease
- Allocated an additional valuation reserve for polysilicon to improve the structure and enhance competitiveness

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# Business Solutions

(Billions of Yen)

|                         | FY2015 | FY2016 |                 |
|-------------------------|--------|--------|-----------------|
|                         | 1Q     | 1Q     | Change (Y on Y) |
| <b>Sales</b>            | 80.6   | 77.5   | -3.8%           |
| <b>Operating Income</b> | 6.8    | 5.9    | -12.8%          |
| (margin)                | (8.4%) | (7.7%) |                 |

\*Sales include internal sales between segments

## FY2016 1Q Results (Y on Y)

- Sales: 3.8% decrease
- Operating income: 12.8% decrease

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# Electronic Components and Devices

(Billions of Yen)

|                         | FY2015       | FY2016      |                 |
|-------------------------|--------------|-------------|-----------------|
|                         | 1Q           | 1Q          | Change (Y on Y) |
| <b>Sales</b>            | <b>136.6</b> | <b>75.0</b> | <b>-45.1%</b>   |
| <b>Operating Income</b> | <b>2.8</b>   | <b>0.5</b>  | <b>-82.3%</b>   |
| (margin)                | (2.1%)       | (0.7%)      |                 |

\*Sales include internal sales between segments

| FY2016 1Q Results (Y on Y)  |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Sales: 45.1% decrease</li> <li>• Operating income: 82.3% decrease</li> </ul> | <ul style="list-style-type: none"> <li>• Sales growth in lasers, automotive cameras, and sensors</li> </ul> |

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# Display Devices

(Billions of Yen)

|                         | FY2015       | FY2016       |                 |
|-------------------------|--------------|--------------|-----------------|
|                         | 1Q           | 1Q           | Change (Y on Y) |
| <b>Sales</b>            | <b>187.8</b> | <b>117.0</b> | <b>-37.7%</b>   |
| <b>Operating Income</b> | <b>-13.7</b> | <b>-10.7</b> | <b>-</b>        |
| (margin)                | (-7.3%)      | (-9.2%)      |                 |

\*Sales include internal sales between segments

| FY2016 1Q Results (Y on Y)   |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Sales: 37.7% decrease</li> <li>• Operating income: 2.9 billion yen improvement</li> </ul> |  |

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### III. Strategic Alliance with Hon Hai Group

## Strategic Alliance with Hon Hai Group

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Following Hon Hai Group's capital injection, a new management structure will push the alliance forward.



Resolution of capital deficit and strengthen financial foundations

Reorganization of virtual companies to boost business efficiency

Maximizing synergies



- ✓ Open up new markets in IoT by offering competitive products and services
- ✓ Implement necessary growth investments

## IV. Supplementary Data

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### Quarterly Sales by Segment

(Billions of Yen)

|                                   | FY2015 |       |       |       | FY2016 |
|-----------------------------------|--------|-------|-------|-------|--------|
|                                   | 1Q     | 2Q    | 3Q    | 4Q    | 1Q     |
| Consumer Electronics              | 201.9  | 233.6 | 204.2 | 170.8 | 153.2  |
| Energy Solutions                  | 36.8   | 41.8  | 34.5  | 43.5  | 21.8   |
| Business Solutions                | 80.6   | 91.7  | 88.8  | 93.9  | 77.5   |
| Electronic Components and Devices | 136.6  | 114.6 | 146.4 | 92.3  | 75.0   |
| Display Devices                   | 187.8  | 203.3 | 226.2 | 154.1 | 117.0  |
| Subtotal                          | 643.9  | 685.1 | 700.3 | 554.9 | 444.7  |
| Adjustments                       | -25.6  | -23.7 | -36.9 | -36.3 | -21.3  |
| Total                             | 618.3  | 661.3 | 663.3 | 518.5 | 423.3  |

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\*Sales include internal sales between segments.

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## Quarterly Operating Income by Segment

(Billions of Yen)

|  | FY2015                  |                         |                         |                           | FY2016                  |
|--|-------------------------|-------------------------|-------------------------|---------------------------|-------------------------|
|  | 1Q                      | 2Q                      | 3Q                      | 4Q                        | 1Q                      |
| <b>Consumer Electronics</b>              | <b>-11.7</b><br>(-5.8%) | <b>9.7</b><br>(4.2%)    | <b>7.5</b><br>(3.7%)    | <b>-27.4</b><br>(-16.0%)  | <b>12.5</b><br>(8.2%)   |
| <b>Energy Solutions</b>                  | <b>-3.9</b><br>(-10.7%) | <b>1.3</b><br>(3.2%)    | <b>-5.0</b><br>(-14.7%) | <b>-10.7</b><br>(-24.6%)  | <b>-6.3</b><br>(-28.8%) |
| <b>Business Solutions</b>                | <b>6.8</b><br>(8.4%)    | <b>9.9</b><br>(10.8%)   | <b>7.1</b><br>(8.0%)    | <b>11.9</b><br>(12.7%)    | <b>5.9</b><br>(7.7%)    |
| <b>Electronic Components and Devices</b> | <b>2.8</b><br>(2.1%)    | <b>5.1</b><br>(4.5%)    | <b>1.9</b><br>(1.4%)    | <b>-8.5</b><br>(-9.2%)    | <b>0.5</b><br>(0.7%)    |
| <b>Display Devices</b>                   | <b>-13.7</b><br>(-7.3%) | <b>-12.7</b><br>(-6.3%) | <b>-10.7</b><br>(-4.7%) | <b>-91.9</b><br>(-59.6%)  | <b>-10.7</b><br>(-9.2%) |
| <b>Subtotal</b>                          | <b>-19.7</b><br>(-3.1%) | <b>13.3</b><br>(2.0%)   | <b>0.8</b><br>(0.1%)    | <b>-126.6</b><br>(-22.8%) | <b>1.9</b><br>(0.4%)    |
| <b>Adjustments</b>                       | <b>-9.0</b>             | <b>-9.7</b>             | <b>-4.7</b>             | <b>-6.2</b>               | <b>-4.4</b>             |
| <b>Total</b>                             | <b>-28.7</b><br>(-4.7%) | <b>3.5</b><br>(0.5%)    | <b>-3.8</b><br>(-0.6%)  | <b>-132.9</b><br>(-25.6%) | <b>-2.5</b><br>(-0.6%)  |

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\*Figures within parentheses indicate operating margin. **22**

## Quarterly Sales of Main Products

(Billions of Yen)

|                           | FY2015      |             |             |             | FY2016      |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
|                           | 1Q          | 2Q          | 3Q          | 4Q          | 1Q          |
| <b>LCD TVs</b>            | <b>64.1</b> | <b>90.5</b> | <b>81.8</b> | <b>47.7</b> | <b>44.4</b> |
| Unit (million units)      | 1.41        | 1.58        | 1.72        | 1.10        | 1.00        |
| <b>Mobile Phones</b>      | <b>44.1</b> | <b>39.4</b> | <b>27.4</b> | <b>35.3</b> | <b>26.5</b> |
| Unit (million units)      | 1.01        | 1.25        | 0.54        | 0.89        | 0.57        |
| <b>Refrigerators</b>      | <b>23.0</b> | <b>25.1</b> | <b>21.1</b> | <b>21.4</b> | <b>20.8</b> |
| <b>Air Conditioners</b>   | <b>20.6</b> | <b>15.3</b> | <b>8.2</b>  | <b>13.4</b> | <b>16.5</b> |
| <b>Copiers / Printers</b> | <b>37.2</b> | <b>40.9</b> | <b>25.0</b> | <b>33.7</b> | <b>26.8</b> |
| <b>Camera Modules</b>     | <b>76.0</b> | <b>47.2</b> | <b>75.1</b> | <b>43.6</b> | <b>32.6</b> |

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# Quarterly Capital Investment and Depreciation, etc.

|                                      | (Billions of Yen) |      |      |      |        |
|--------------------------------------|-------------------|------|------|------|--------|
|                                      | FY2015            |      |      |      | FY2016 |
|                                      | 1Q                | 2Q   | 3Q   | 4Q   | 1Q     |
| <b>Capital Investment</b>            | 9.7               | 11.1 | 8.2  | 16.0 | 10.2   |
| LCDs                                 | 3.8               | 5.1  | 4.9  | 8.9  | 5.6    |
| <b>Depreciation and Amortization</b> | 18.0              | 15.7 | 17.0 | 17.2 | 13.5   |
| <b>R&amp;D Expenditures</b>          | 36.3              | 32.3 | 33.5 | 27.9 | 29.7   |

|                      | (Yen)  |        |        |        |        |
|----------------------|--------|--------|--------|--------|--------|
|                      | FY2015 |        |        |        | FY2016 |
|                      | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     |
| <b>Exchange Rate</b> |        |        |        |        |        |
| <b>US Dollar</b>     | 120.37 | 121.24 | 120.51 | 114.49 | 107.16 |
| <b>Euro</b>          | 132.66 | 134.48 | 131.46 | 125.71 | 120.53 |