

Consolidated Financial Results for the First Quarter Ended June 30, 2018

July 31, 2018

SHARP CORPORATION

Stock exchange listings: Tokyo
 Code number: 6753
 URL: <http://www.sharp.co.jp/> (English : <http://www.sharp-world.com/>)
 Representative: J.W. Tai, Chairman, 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 Three Months Ended June 30, 2018

(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
Three Months Ended June 30, 2018	533,858	+5.4%	24,801	+45.0%	21,286	+23.9%
Three Months Ended June 30, 2017	506,427	+19.6%	17,108	-	17,183	-

	Profit Attributable to Owners of Parent	Percent Change	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Three Months Ended June 30, 2018	19,202	+32.6%	29.22	23.25
Three Months Ended June 30, 2017	14,477	-	21.52	17.74

[Reference] Comprehensive income : June 30, 2018 ; 23,752 million yen +4.5%
 June 30, 2017 ; 22,735 million yen - %

Note: Sharp carried out a share consolidation of common shares as well as Class C shares at a ratio of 10 shares to 1 share on October 1, 2017. Therefore, the figures for the net income per share and the fully diluted net income per share are calculated on the assumption that Sharp conducts this consolidation on the beginning of the previous fiscal year.

(2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2018	1,833,762	403,617	20.9%
As of March 31, 2018	1,908,461	401,713	19.8%

[Reference] Equity: June 30, 2018 ; 382,345 million yen
 March 31, 2018 ; 378,340 million yen

2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2018	-	0.00	-	10.00	10.00
Year Ending March 31, 2019	-	/	/	/	/
Year Ending March 31, 2019 (Forecast)	/	-	-	-	-

Note1: Revisions to forecast of dividends in this quarter; None

Note2: The amount of dividend per share for the year ending March 31, 2019, has not been decided at the time of announcement.

Note3: Dividends noted above are on common shares. As for the status of dividends for Class Shares (unlisted) with different rights from those of common shares of Sharp Corporation, please see "(Reference) Dividends on Class Shares."

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2019

(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	Net Income per Share (Yen)
Six Months Ending September 30, 2018	1,300,000	+16.6%	46,000	+13.4%	43,000	+4.6%	36,000	+3.6%	54.52
Year Ending March 31, 2019	2,890,000	+19.1%	110,000	+22.1%	100,000	+12.0%	80,000	+13.9%	122.26

Note: Revisions to forecast of financial results in this quarter; None

4. Other Information

(1) Changes in significant consolidated subsidiaries (Changes in specified subsidiaries involving changes in scope of consolidation): Yes

Newly added : 1 company

SAIGON STEC CO.,LTD.

Excluded : None

(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: Yes

2. Changes arising from other factors: None

3. Changes in accounting estimates: None

4. Restatement: None

Note: For more details, please see "Consolidated Financial Statements (4) Notes to Consolidated Quarterly Financial Statements (Changes in Accounting Policy)" on page.10.

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury stock) as of June 30, 2018 ; 498,316,558 shares
as of March 31, 2018 ; 498,316,558 shares

2. Number of shares of treasury stock as of June 30, 2018 ; 1,065,639 shares
as of March 31, 2018 ; 1,067,494 shares

3. Average number of shares outstanding during the nine months ended June 30, 2018 ; 497,251,125 shares
during the nine months ended June 30, 2017 ; 497,257,884 shares

Note: Sharp carried out a share consolidation of common shares at a ratio of 10 shares to 1 share on October 1, 2017.

Therefore, the numbers of shares mentioned above are calculated on the assumption that Sharp conducts this consolidation on the beginning of the previous fiscal year.

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 July 31, 2018. Financial materials distributed at the meeting will be posted on its website immediately after the meeting.
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.

(Reference) Dividends on Class Shares

The following shows breakdown of dividends per share on Class Shares with different rights from those of common shares.

Class A Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2018	-	0.00	-	74,916.50	74,916.50
Year Ending March 31, 2019	-				
Year Ending March 31, 2019 (Forecast)		-	-	-	-

Class C Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2018	-	0.00	-	1,000.00	1,000.00
Year Ending March 31, 2019	-				
Year Ending March 31, 2019 (Forecast)		-	-	-	-

Notes:

1. Number of Class A Share issued are 200,000 shares. In accordance to the Company's Articles of Incorporation, Sharp made total 14,983 million yen of dividends on May 29, 2018. The amount included the year-end dividends for the fiscal year ended March 31, 2018 and the accumulated dividends for the fiscal years ended March 31, 2016 and 2017.
2. Number of Class C Share issued are 795,363 shares as of July 31, 2018. While the number as of March 31, 2018, were 1,136,363 shares, Sharp canceled 341,000 Class C shares after acquiring them with 34,100,000 common shares as consideration on July 23, 2018.
Dividend priority of Class C Shares is equal to common shares. In accordance to the dividend clause defined in the Company's Articles of Incorporation, the amount of dividend per Class C Share is equal to the amount of dividend for 100 common shares.
3. The amount of dividend per share for the year ending March 31, 2019, has not been decided at the time of announcement.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
<u>Assets</u>		
Current assets		
Cash and deposits	422,302	305,269
Notes and accounts receivable - trade	471,575	442,121
Inventories	219,714	252,086
Other	111,718	128,772
Allowance for doubtful accounts	(8,118)	(7,904)
Total current assets	1,217,193	1,120,345
Non-current assets		
Property, plant and equipment		
Buildings and structures	625,263	636,057
Machinery, equipment and vehicles	1,209,180	1,203,114
Tools, furniture and fixtures	235,418	232,489
Other	187,032	185,786
Accumulated depreciation	(1,828,299)	(1,834,716)
Total property, plant and equipment	428,595	422,731
Intangible assets	44,797	45,849
Investments and other assets		
Investment securities	172,061	172,477
Other	45,792	72,339
Total investments and other assets	217,854	244,816
Total non-current assets	691,247	713,398
Deferred assets	21	17
Total assets	1,908,461	1,833,762
<u>Liabilities</u>		
Current liabilities		
Notes and accounts payable - trade	384,966	347,361
Electronically recorded obligations - operating	44,511	38,011
Short-term loans payable	81,256	83,229
Current portion of bonds	10,000	10,000
Provision for bonuses	20,859	12,877
Provision for product warranties	18,135	17,826
Valuation reserve for inventory purchase commitments	21,369	18,541
Other provision	21,015	20,263
Other	231,353	202,777
Total current liabilities	833,467	750,889
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	507,027	506,791
Provision	1,514	1,596
Net defined benefit liability	101,101	99,548
Other	33,637	41,317
Total non-current liabilities	673,280	679,254
Total liabilities	1,506,748	1,430,144

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Net assets		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	295,332	295,346
Retained earnings	204,906	203,016
Treasury shares	(13,936)	(13,936)
Total shareholders' equity	491,302	489,426
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,876	16,418
Deferred gains or losses on hedges	(3,205)	(516)
Foreign currency translation adjustment	(47,302)	(46,276)
Remeasurements of defined benefit plans	(79,330)	(76,707)
Total accumulated other comprehensive income	(112,961)	(107,081)
Share acquisition rights	106	134
Non-controlling interests	23,265	21,138
Total net assets	401,713	403,617
Total liabilities and net assets	1,908,461	1,833,762

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

- Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	506,427	533,858
Cost of sales	413,860	431,174
Gross profit	92,566	102,683
Selling, general and administrative expenses	75,457	77,882
Operating profit	17,108	24,801
Non-operating income		
Interest income	517	624
Dividend income	700	779
Rent income on non-current assets	1,092	1,039
Foreign exchange gains	2,352	-
Share of profit of entities accounted for using equity method	582	-
Other	1,041	5,358
Total non-operating income	6,287	7,802
Non-operating expenses		
Interest expenses	1,248	1,161
Foreign exchange losses	-	4,638
Share of loss of entities accounted for using equity method	-	2,304
Other	4,964	3,213
Total non-operating expenses	6,212	11,317
Ordinary profit	17,183	21,286
Extraordinary income		
Gain on sales of non-current assets	352	893
Total extraordinary income	352	893
Extraordinary losses		
Loss on sales and retirement of non-current assets	169	34
Loss on step acquisitions	931	-
Total extraordinary losses	1,101	34
Profit before income taxes	16,434	22,145
Income taxes - current	2,957	6,005
Income taxes - deferred	(728)	(1,804)
Total income taxes	2,229	4,201
Profit	14,205	17,943
Loss attributable to non-controlling interests	(272)	(1,258)
Profit attributable to owners of parent	14,477	19,202

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	14,205	17,943
Other comprehensive income		
Valuation difference on available-for-sale securities	2,367	(481)
Deferred gains or losses on hedges	(674)	2,883
Foreign currency translation adjustment	4,085	1,269
Remeasurements of defined benefit plans, net of tax	2,828	2,618
Share of other comprehensive income of entities accounted for using equity method	(76)	(481)
Total other comprehensive income	8,530	5,808
Comprehensive income	22,735	23,752
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,901	25,082
Comprehensive income attributable to non-controlling interests	(166)	(1,330)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
<u>Cash flows from operating activities</u>		
Profit before income taxes	16,434	22,145
Depreciation	15,941	18,969
Interest and dividend income	(1,218)	(1,403)
Interest expenses	1,248	1,161
Loss (gain) on sales and retirement of non-current assets	(182)	(858)
Loss (gain) on step acquisitions	931	-
Share of loss (profit) of entities accounted for using equity method	(582)	2,304
Decrease (increase) in notes and accounts receivable - trade	(32,575)	31,307
Decrease (increase) in inventories	834	(23,138)
Increase (decrease) in notes and accounts payable - trade	8,767	(45,651)
Increase (decrease) in accrued expenses	(9,529)	(15,420)
Increase (decrease) in provision for bonuses	(8,377)	(8,076)
Other, net	13,388	(9,725)
Subtotal	5,079	(28,387)
Interest and dividend income received	1,366	3,929
Interest expenses paid	(1,884)	(1,169)
Income taxes (paid) refund	(4,908)	(6,731)
Net cash provided by (used in) operating activities	(345)	(32,358)
<u>Cash flows from investing activities</u>		
Payments into time deposits	(13,162)	(6,728)
Proceeds from withdrawal of time deposits	4,270	5,906
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,308	441
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,931)
Purchase of property, plant and equipment	(14,179)	(49,627)
Purchase of intangible assets	(2,879)	(3,526)
Purchase of investment securities	116	(5,521)
Other, net	1,105	(5,384)
Net cash provided by (used in) investing activities	(23,420)	(66,371)

	(Millions of yen)	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(871)	2,419
Repayments of long-term loans payable	(25)	(325)
Cash dividends paid	-	(21,011)
Other, net	(1,569)	(1,826)
Net cash provided by (used in) financing activities	(2,465)	(20,743)
Effect of exchange rate change on cash and cash equivalents	1,792	319
Net increase (decrease) in cash and cash equivalents	(24,440)	(119,154)
Cash and cash equivalents at beginning of period	453,477	404,001
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(480)	1,315
Cash and cash equivalents at end of period	428,557	286,162

(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)

On April 26, 2018, the Board of Directors Meeting of the company resolved to pay dividends on Class A shares, common shares, and Class C shares of company stock. The Company resolved to pay 74,916.5 yen per Class A share (including amounts equal to accumulated unpaid dividends), 10 yen per common share, and 1,000 yen per Class C share. As a result, retained earnings decreased 21,092 million yen compared to the end of the prior consolidated fiscal year.

Resolution	Stock Type	Source of Dividends	Total Dividends (Millions of yen)	Dividend per Share (Yen)	Record Date	Effective Date
April 26, 2018 Board of Directors Meeting	Common Stock	Retained Earnings	4,972	10	March 31, 2018	May 30, 2018
April 26, 2018 Board of Directors Meeting	Class A	Retained Earnings	14,983	74,916.50	March 31, 2018	May 29, 2018
April 26, 2018 Board of Directors Meeting	Class C	Retained Earnings	1,136	1,000	March 31, 2018	May 30, 2018

(Changes in Accounting Policy)

With the exception of subsidiaries in the United States, Sharp Group overseas consolidated subsidiaries, etc., adopted IFRS No.15 (Revenues from Contracts with Customers) in the first quarter of the fiscal year ending March 2019.

The adoption of this accounting standard has no significant impact on our quarterly consolidated financial statements.

(Supplementary Information)

(Application of Partial Amendment to the *Accounting Standard for Tax Effect Accounting*)

Sharp adopted the Partial Amendment of the *Accounting Standard for Tax Effect Accounting* (ASBJ Statement No.28, February 16, 2018) and other accounting standards at the beginning of the first quarter of the fiscal year ending March 2019. Accordingly, deferred tax assets are now presented as a component of investments and other assets, while deferred tax liabilities are presented as a component of non-current liabilities.

This accounting standard has been applied retrospectively for presentation of the consolidated balance sheets of the prior consolidated fiscal year.