

Operating Results and Financial Position

1. Review of the Nine Months Ended December 31, 2006

During the past nine-month period, the Japanese economy continued to recover, supported by an increase in export and corporate investment due to improved earning results. Overseas, economies continued to grow steadily in the U.S., led by strong domestic demand. The European and Asian economies as a whole showed solid expansion.

In such circumstances, the Sharp Group took assertive initiatives to further improve our competitiveness. In the product business, we worked to enhance our unique products, such as LCD color TVs and mobile phones. As for devices, we focused efforts on the expansion of such proprietary devices as LCDs.

As a result, the nine months recorded net sales of 2,285.8 billion yen, up 10.6% over the same period last year, operating income of 139.4 billion yen, up 17.3% and net income of 75.0 billion yen, up 19.6%.

Regarding cash flow, net cash provided by operating activities was 160.6 billion yen, while net cash used in investing activities was 213.1 billion yen. Net cash provided by financing activities was 65.3 billion yen. As a result, cash and cash equivalents at the end of the period were 315.2 billion yen, increases of 15.8 billion yen compared to March 31, 2006.

Operating results by product group are as follows:

Consumer/Information Products

Sales of Audio-Visual and Communication Equipment were 990.2 billion yen, up 19.6% over the same period last year. Sales of LCD color TVs, mainly large-size models, and mobile phones expanded, leading to the overall sales increase.

Sales of Home Appliances were 179.1 billion yen, up 6.1%. Our uniquely-featured products contributed to the growth.

Sales of Information Equipment were 316.8 billion yen, up 2.3%. Sales of copier/printers, mainly digital full-color MFPs, increased, resulting in overall sales growth.

Electronic Components

Sales of LSIs were 104.3 billion yen, up 6.1% from the same period last year. Sales of CCD/CMOS imagers increased, contributing to the growth.

Sales of LCDs were 469.9 billion yen, up 4.3%. Strong sales of LCD panels to overseas led to the overall sales gains.

Sales of Other Electronic Components were 225.2 billion yen, up 6.4%. Sales increased for major devices, including those for Audio-Visual equipment.

2. Forecast for Fiscal 2006

There are no revisions to the fiscal 2006 financial result forecast announced on October 25, 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