

## **[Qualitative Information and Financial Statement]**

### **1. Qualitative Information regarding Consolidated Financial Results and Financial Position**

During the first quarter ended June 30, 2007, the Japanese economy continued to recover steadily, supported mainly by a pickup in private consumption and an increase in corporate investment owing to improved earnings results. Overseas, the U.S. economy enjoyed steady growth, while the European and Asian economies showed solid recovery.

Under these circumstances, Sharp took assertive initiatives to further improve its competitiveness. In the product business, we worked to enhance the lineup of our unique products, such as full high-definition LCD color TVs and One-Seg-compatible mobile phones. In the device business, we made efforts to increase sales of proprietary devices, which support the creation of our distinctive products.

Consolidated financial results for the three months showed net sales of 796.0 billion yen, up 14.7% from the same period last year, operating income of 42.2 billion yen, up 4.5% and net income of 24.2 billion yen, up 1.4%.

Regarding cash flow, net cash provided by operating activities was 51.2 billion yen, while net cash used in investing activities was 35.0 billion yen. Net cash used in financing activities was 31.9 billion yen. As a result, cash and cash equivalents at the end of the period were 316.2 billion yen, a decrease of 13.0 billion yen from March 31, 2007.

Operating results by product group are as follows:

#### **Consumer/Information Products**

Sales of Audio-Visual and Communication Equipment were 408.0 billion yen, up 37.6% over the same period last year. Sales of LCD TVs, mainly for large-size models, and mobile phones expanded, leading to the overall sales increase.

Sales of Home Appliances were 64.3 billion yen, up 11.4%. Sales of air conditioners and refrigerators contributed to the growth.

Sales of Information Equipment were 102.4 billion yen, up 4.2%. Sales of copiers/printers, mainly digital full-color MFPs, increased, resulting in overall sales growth.

#### **Electronic Components**

Sales of LSIs were 37.0 billion yen, up 11.8% from the same period last year. Sales increased for major devices, including CCD/CMOS imagers, resulting in higher overall sales.

Sales of LCDs (sales to outside customers) were 119.3 billion yen, down 12.3%. However, sales including internal sales expanded, reflecting solid sales of TV panels for internal use.

Sales of Other Electronic Components were 64.8 billion yen, down 9.8%. Sales of devices for digital equipment increased, while a sales decline of solar cells led to an overall sales decrease.

### **2. Forecast of Financial Results for the Year Ending March 31, 2008 (Fiscal 2007)**

The following is the current forecast for fiscal 2007. There are no revisions to the forecast announced on April 25, 2007.

|                  |                     |                                       |
|------------------|---------------------|---------------------------------------|
| Net sales        | 3,400.0 billion yen | + 8.7 % over the previous fiscal year |
| Operating income | 190.0 billion yen   | + 1.9 % over the previous fiscal year |
| Net income       | 105.0 billion yen   | + 3.2 % 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

### **3. Other Information**

**(1) Changes in consolidated subsidiaries (Changes in specified subsidiaries involving changes in scope of consolidation)**

No change

**(2) Adoption of simplified accounting method**

Simplified method is applied in some cases, for example, measurement of inventories

**(3) Changes in accounting method**

No change