

Consolidated Financial Results for the Second Quarter Ended September 30, 2016

November 1, 2016

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, 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 to the nearest million yen.)

1. Results for the Six Months Ended September 30, 2016

(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 Income (Loss)	Percent Change	Loss Attributable to Owners of Parent	Percent Change
Six Months Ended September 30, 2016	919,685	-28.1%	79	-	(45,420)	-
Six Months Ended September 30, 2015	1,279,683	-3.6%	(25,161)	-	(83,610)	-

[Reference] Comprehensive income (loss): September 30, 2016 ; (62,156) million yen — %
 September 30, 2015 ; (86,792) million yen — %

	Net Loss per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Six Months Ended September 30, 2016	(16.30)	-
Six Months Ended September 30, 2015	(50.54)	-

(2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2016	1,669,852	264,989	15.3%
As of March 31, 2016	1,570,672	(31,211)	-2.7%

[Reference] Equity: September 30, 2016 ; 254,867 million yen
 March 31, 2016 ; (43,050) million yen

2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2016	-	0.00	-	0.00	0.00
Year Ending March 31, 2017	-	0.00	/	/	/
Year Ending March 31, 2017 (Forecast)	/	/	-	0.00	0.00

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

Note2: 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, 2017

(The percentage figures represent the percentage of increase or decrease against the previous year.)

Millions of Yen

	Net Sales	Percent Change	Operating Income	Percent Change	Profit (loss) attributable to owners of parent	Percent Change	Net Income(Loss) per Share (Yen)
Year Ending March 31, 2017	2,000,000	-18.8%	25,700	-	(41,800)	-	(10.69)

Note: Revisions to forecast of financial results from the previous announce ; Yes

4. Other Information

- (1) Changes in significant consolidated subsidiaries (Changes in specified subsidiaries involving changes in scope of consolidation): Yes
Excluded : Eurocopy Vehicle Leasing Limited
- (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
- (4) Number of shares outstanding (common shares)
 1. Number of shares outstanding (including treasury stock) as of September 30, 2016 ; 4,983,165,584 shares
as of March 31, 2016 ; 1,701,214,887 shares
 2. Number of shares of treasury stock as of September 30, 2016 ; 10,545,400 shares
as of March 31, 2016 ; 10,536,390 shares
 3. Average number of shares outstanding during the six months ended September 30, 2016 ; 2,638,915,086 shares
during the six months ended September 30, 2015 ; 1,690,711,110 shares

Notes:

1. This financial release is not subject to audit procedures based on the Financial Instruments and Exchange Law in Japan.
At the time of disclosure, audit procedures of financial statements based on the Financial Instruments and Exchange Law have not been completed.
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.
For the assumptions and other related matters concerning financial results forecast, please refer to "(3) Qualitative Information Regarding Forecast of Consolidated Financial Results" of "1. Qualitative Information: Fiscal 2016 Second Quarter Financial Results" on page 5.
3. Sharp will hold a financial results meeting on November 1, 2016.
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.
In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically, in order to present them in a form which is more familiar to readers outside 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, 2016	-	0.00	-	0.00	0.00
Year Ending March 31, 2017	-	0.00	/	/	/
Year Ending March 31, 2017 (Forecast)	/	/	-	-	-

Class B Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2016	-	0.00	-	0.00	0.00
Year Ending March 31, 2017	-	-	/	/	/
Year Ending March 31, 2017 (Forecast)	/	/	-	-	-

Class C Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2016	-	-	-	-	-
Year Ending March 31, 2017	-	0.00	/	/	/
Year Ending March 31, 2017 (Forecast)	/	/	-	0.00	0.00

Notes:

1. Number of Class A Share issued are 200,000 shares. In accordance to the accumulation clause defined in the Company's Articles of Incorporation, the year-end dividends for the fiscal year ended March 31, 2016 have been accumulated. The amount is 4,188 million yen as of September 30, 2016.
2. Number of Class B Share issued were 25,000 shares. However, on August 12, 2016, the Company acquired all by the call option the consideration for which is cash on the Company's Articles of Incorporation. The acquisition amount is 29,974 million yen. Acquired shares were all cancelled by the Company on September 30, 2016.
3. The amount of dividend per share for the fiscal year ending March 31, 2017 for Class A share, has not been decided at the time of announcement.

1. Qualitative Information: Fiscal 2016 Second Quarter Financial Results

(1) Qualitative Information regarding Consolidated Financial Results

During the cumulative second quarter of fiscal 2016, the economy of Japan is heading towards a modest recovery, where improvements were seen in employment situation. In the overseas, despite the Chinese lower economic growth, overall such as U.S. and EU economies are gradually on the way to recovery.

Under these circumstances, Sharp Group has been taking initiative to enhance the sales, showing uniqueness in creating such products as an innovative robot smartphone “RoBoHoN”^{*1}, the world’s first mosquito-catching air purifier^{*2}, the “Ultrasonic Washer”^{*3} for a speedy spot washing by ultrasonic vibration and a new Healsio water grill oven^{*4} by super-heated steam.

On August 12, 2016, the payment completed for new shares issuance through third-party allotments, a total of 388.8 billion yen as an alliance with Hon Hai Group. This result for a change of major shareholders including the largest shareholder.

Sharp Group’s net sales of the cumulative second quarter of fiscal 2016 has ended as 919.6 billion yen (down 28.1% year on year), mainly due to sales decline in IoT Communication and Display Devices. Operating income resulted as 79 million yen (25.1 billion yen operating loss in the previous year), and loss attributable to owners of parent was 45.4 billion yen (83.6 billion yen loss attributable to owners of parent in the previous year), with improvements in Health and Environment Systems and Display Devices businesses.

The sales status of each business segment in the cumulative second quarter of fiscal 2016 are as follows. The sales include intersegments. From this second quarter, the business segment has changed from 5 segments to 7 segments below.

1. IoT Communication

Sales resulted as 72.3 billion yen, down 38.5% year on year, due to sales decline for mobile phones.

2. Health and Environment Systems

Sales resulted as 139.0 billion yen, down 7.7% year on year, due to sales decline for air conditioners and refrigerators.

3. Business Solutions

Sales resulted as 159.6 billion yen, down 7.3% year on year, due to sales decline for MFPs.

4. Camera Modules

Sales resulted as 83.7 billion yen, down 31.3% year on year, due to sales decline for camera modules.

5. Electronic Components and Devices

Sales resulted as 93.4 billion yen, down 27.8% year on year, due to sales decline for sensor modules.

6. Energy Solutions

Sales resulted as 52.2 billion yen, down 33.6% year on year, due to sales decline for domestic market solar cells.

7. Display Devices

Sales resulted as 357.5 billion yen, down 36.0% year on year, due to sales decline in large-size LCD for TVs and small- and medium-size LCD for smartphone business and LCD TVs.

(2) Qualitative Information : Consolidated Statement of Financial Position

The total assets as of September 30, 2016, were 1,669.8 billion yen, up 99.1 billion yen from March 31, 2016. Despite the decrease in notes and accounts receivable, cash, time deposits and restricted cash increased. On the other hand, the total liabilities were 1,404.8 billion yen, down 197.0 billion yen from March 31, 2016, due to the decrease in short-term borrowings and others despite the increase of long-term debts. Despite a decrease in foreign currency translation adjustments, total net assets were 264.9 billion yen, up 296.2 billion yen, as a result of the payment completion of new share issuance through third-party allotments.

Regarding cash flows, net cash provided by operating activities was 26.3 billion yen, and net cash used in investing activities was 18.6 billion yen. Net cash provided by financing activities was 308.3 billion yen. As a result, cash and cash equivalents at the end of the period were 450.6 billion yen, an increase of 301.1 billion yen from March 31, 2016.

(3) Qualitative Information Regarding Forecast of Consolidated Financial Results

As a future outlook, it is expected that the Japanese economy will continue its steady recovery, as the effect of employment situation improvement and supports of various economic policies. For overseas, overall economy is towards a steady recovery, although the increase of economic uncertainty from effects of lower growth of China, Asian emerging countries and resource rich countries, as well as the outcome of the U.K. vote in favor of leaving the European Union. Moreover, factors such as monetary, financial policies and others should be also brought to attention.

Under such circumstances, Sharp Group intends to maximize the synergy from the strategic alliance with Hon Hai Group, to execute the management reforms. Moreover, Sharp unveiled its new corporate motto, *Be Original.*, which embodies the company's drive to become an inspiring global brand. Sharp has always worked to develop its own originality. *Be Original.* reflects the corporate spirit "Sincerity and Creativity".

Sharp is committed to be a people-oriented company that continues to bring new value to its customers. As part of this goal, Sharp will introduce unique and innovative products and services, creating ways to meet customer needs and to enable them to enjoy the convenience that technology offers.

Under this corporate motto, Sharp strives to enhance the comprehensive strength as One SHARP and accomplish the management reconstruction.

The financial forecast for fiscal 2016 are as follows.

(Increase Decrease indicate the percentage vs previous year)

	Fiscal 2016 forecast	
	(Billions of Yen)	Increase Decrease
Net sales	2,000.0	-18.8%
Operating income	25.7	—
Loss attributable to owners of parent	(41.8)	—

The above figures are based on an exchange rate of ¥102=US\$ 1.00 for the six months ending March 31, 2017.

Sharp forecasts for a profit attributable to owners of parent for the second half of the fiscal 2016.

Note: The aforementioned estimates of financial results are based on information available and deemed reasonable to the Sharp Group at the time of announcement and are not commitments made by the Sharp Group. Actual operating results may differ materially from the forecast due to various factors. 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)
- Regulations such as trade restrictions in other countries
- The progress of collaborations and alliances with other companies
- Litigation and other legal proceedings against the Sharp Group
- Rapid technological changes in products and services, etc.

*1 A small and easy portable robot-shaped smartphone. <http://www.sharp-world.com/corporate/news/160414.html>

*2 World's first air purifier with a mosquito-catching function by effective steps taking advantage of mosquito's habits. It is totally chemical free, by catching the mosquito on a unique sticky sheet attached to the Plasmacluster air purifier. <https://sharp.com.sg/mosquitocatcher/index.html>

*3 Sharp Ultrasonic Washer, a quick solution spot washing device for most common stains by ultrasonic vibration of 38,000 strokes per second. <https://sharp.com.sg/ultrasonic-washer/>

*4 Compact size grill oven using a super-heated steam, making your daily grill, fry and especially reheat into a delicious experience.

2. Summary Information

(1) Changes in significant consolidated subsidiaries

(Changes in specified subsidiaries involving changes in scope of consolidation)

The consolidated subsidiary Eurocopy Vehicle Leasing Limited has been excluded as the settlement has completed. This is effective from the consolidated second quarter of fiscal 2016.

(2) Adoption of special accounting methods for preparation of quarterly financial statements

None

(3) Changes in accounting policies and accounting estimates, and restatement

(Changes in accounting policies)

Effective from the six months ended September 30, 2016, the Company adopted "Practical Solution on a change of depreciation method due to Tax Revision 2016" (ASBJ Practical Issues Task Force No. 32 on June 17, 2016) according to the revision of the Corporation Tax Act. The Company changed its accounting method to the straight-line method from declining-balance method for the depreciation method regarding building fixtures and constructions acquired from April 1, 2016 onwards.

This change had an immaterial impact on consolidated financial statements for the six months ended September 30, 2016.

3. Outline of Material Events Related to Assumed Going Concern

The Sharp Group recorded a loss attributable to owners of parent for the cumulative consolidated second quarter. This continues a pattern of losses from the prior consolidated fiscal year. These circumstances represent events or conditions that may cast a material doubt on Sharp's ability to continue as a going concern. Sharp Corporation ("the Company") believes that by implementing the various measures described below, the company will not have a material uncertainty as to its ability to continue as a going concern, and that no further disclosure under "(4) Going Concern Assumption" on page 12 is necessary.

In response to this situation, Sharp issued new shares via third-party allotment to Hon Hai Precision Industry Co., Ltd. and others on August 12, 2016. In conjunction with this share allotment, Sharp transitioned to a new management structure, naming J.W. Tai president and chief executive officer.

During the cumulative consolidated second quarter, we focused on executing three structural reforms to generate profits as quickly as possible. We described these structural reforms during the announcement of our financial results for the prior consolidated fiscal year: (1) Optimize management resources; (2) Engage in responsible business management; and (3) Reward good performance. As we adopt a new management structure, our goal is to transition to a path of growth, leveraging synergies with the Hon Hai Group, investing aggressively in key businesses, and engaging in other measures. Our goal in these efforts is to swing from a loss to a profit for the second half of this fiscal year and for fiscal 2017. Specifically, we intend to invest in an OLED pilot line and make other investments in growth businesses. We also intend to forge closer business ties with TV brand licensing partners in Europe and engage in other measures to strengthen the Sharp brand. Further, we intend to decentralize management decision-making to strengthen individual businesses and operations. At the same time, we will pursue a strategy of One SHARP. Here, our goal is to build corporate-wide optimization by maximizing the synergies among our businesses and creating management efficiencies through the effective allocation of corporate-wide management resources.

To secure operating funds, we issued a total of 388.8 billion yen in new shares via allotment to third parties. This issuance has resolved our capital deficit on both a consolidated and non-consolidated basis. On April 26, 2016, we renewed our syndicated loan agreement with our main banks, Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and other participating banks. On August 12, 2016, we established a syndicated commitment line of 300 billion yen in total with our two main banks.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

	As of March 31, 2016	As of September 30, 2016
ASSETS		
Current Assets:		
Cash, time deposits and restricted cash	275,399	473,979
Notes and accounts receivable, less allowance for doubtful receivables	430,033	362,473
Inventories	184,313	187,086
Other current assets	76,214	75,808
Total current assets	965,959	1,099,346
Plant and Equipment, Less Accumulated Depreciation	351,205	346,079
Investments and Other Assets	253,450	224,382
Deferred Assets	58	45
Total assets	1,570,672	1,669,852
LIABILITIES		
Current Liabilities:		
Short-term borrowings, including current portion of long-term debt	638,756	140,894
Notes and accounts payable	312,630	318,693
Other current liabilities	423,476	280,974
Total current liabilities	1,374,862	740,561
Long-term Liabilities	227,021	664,302
Total liabilities	1,601,883	1,404,863
NET ASSETS		
Owners' Equity:		
Capital stock	500	5,000
Capital surplus	222,457	576,793
Retained earnings	(123,644)	(169,064)
Less cost of treasury stock	(13,899)	(13,899)
Total owners' equity	85,414	398,830
Accumulated Other Comprehensive Income:		
Net unrealized holding gains (losses) on securities	11,634	10,782
Deferred gains (losses) on hedges	(843)	(113)
Foreign currency translation adjustments	(38,456)	(60,409)
Remeasurements of defined benefit plans	(100,799)	(94,223)
Total accumulated other comprehensive income	(128,464)	(143,963)
Non-controlling Interests	11,839	10,122
Total net assets	(31,211)	264,989
Total liabilities and net assets	1,570,672	1,669,852

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

- Consolidated Statements of Income

Millions of Yen

	Six Months Ended September 30, 2015	Six Months Ended September 30, 2016
Net Sales	1,279,683	919,685
Cost of Sales	1,106,871	751,518
Gross profit	172,812	168,167
Selling, General and Administrative Expenses	197,973	168,088
Operating income (loss)	(25,161)	79
Other Income (Expenses)		
Interest income	449	430
Rent income on noncurrent assets	1,931	1,716
Equity in earnings of affiliates	3,065	—
Gain on sales of noncurrent assets	300	2,920
Gain on sales of investment securities	1,806	1,345
Reversal of provision for loss on litigation	2,046	—
Receipt of settlement package	7,179	—
Interest expense	(9,968)	(4,005)
Equity in losses of affiliates	—	(19,147)
Loss on sales and retirement of noncurrent assets	(802)	(999)
Impairment loss	(11,121)	(5,731)
Loss on valuation of investment securities	(117)	(12)
Restructuring charges	(35,302)	—
Provision for loss on litigation	(578)	—
Other, net	(8,975)	(11,149)
Loss before income taxes	(75,248)	(34,553)
Income Taxes		
Current	12,214	9,337
Deferred	(4,177)	1,348
	8,037	10,685
Net Loss	(83,285)	(45,238)
Profit attributable to non-controlling interests	325	182
Loss attributable to owners of parent	(83,610)	(45,420)

- Consolidated Statements of Comprehensive Income

Millions of Yen

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2016
Net Loss	(83,285)	(45,238)
Other Comprehensive Income:		
Net unrealized holding gains (losses) on securities	(241)	(852)
Deferred gains (losses) on hedges	(1,852)	730
Foreign currency translation adjustments	(8,571)	(22,316)
Remeasurements of defined benefit plans	7,207	6,565
Share of other comprehensive income of affiliates accounted for using equity method	(50)	(1,045)
Total other comprehensive income	(3,507)	(16,918)
Comprehensive Loss	(86,792)	(62,156)
Comprehensive loss attributable to non-controlling interests	(81)	(1,237)
Comprehensive loss attributable to owners of parent	(86,711)	(60,919)

(3) Consolidated Statements of Cash Flows

Millions of Yen

	Six Months Ended September 30, 2015	Six Months Ended September 30, 2016
<u>Cash Flows from Operating Activities:</u>		
Loss before income taxes	(75,248)	(34,553)
adjustments to reconcile loss before income taxes to net cash provided by (used in) operating activities—		
Depreciation and amortization of properties and intangibles	38,375	31,266
Interest and dividend income	(1,220)	(1,540)
Interest expenses	9,968	4,005
(Gain) loss on sales and retirement of noncurrent assets, net	502	(1,921)
Impairment loss	11,121	5,731
Gain on sales of investment securities, net	(1,806)	(1,345)
Restructuring charges	35,302	-
Equity in losses (earnings) of affiliates	(3,065)	19,147
Reversal of provision for loss on litigation	(2,046)	-
Receipt of settlement package	(7,179)	-
Decrease in notes and accounts receivable-trade	21,838	50,108
(Increase) decrease in inventories	35,637	(16,189)
Increase in notes and accounts receivable-other	(890)	(21,603)
Increase (decrease) in payables	(51,891)	23,607
Other, net	(48,568)	(17,808)
Total	(39,170)	38,905
Interest and dividends received	1,609	2,761
Interest paid	(10,021)	(3,327)
Settlement package received	7,198	-
Settlement package paid	(2,147)	-
Income taxes paid	(16,613)	(11,985)
Net cash provided by (used in) operating activities	(59,144)	26,354
<u>Cash Flows from Investing Activities:</u>		
Purchase of time deposits	(24,163)	(21,593)
Proceeds from redemption of time deposits	21,344	23,917
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	1,409	537
Acquisitions of plant and equipment	(22,705)	(18,676)
Proceeds from sales of plant and equipment	4,213	2,940
Other, net	(8,217)	(5,793)
Net cash used in investing activities	(28,119)	(18,668)
<u>Cash Flows from Financing Activities:</u>		
Payout of deposits received	-	(100,000)
Proceeds from restricted withdrawals and restricted cash	-	100,000
Decrease in short-term borrowings, net	(187,695)	(334,428)
Proceeds from long-term debt	1,861	330,435
Repayments of long-term debt	(31,487)	(43,863)
Proceeds from issuance of class shares	224,606	99,625
Proceeds from issuance of common shares	-	287,499
Purchase of treasury stock	(7)	(29,976)
Other, net	2,666	(897)
Net cash provided by financing activities	9,944	308,395
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(4,818)	(14,956)
Net Increase (Decrease) in Cash and Cash Equivalents	(82,137)	301,125
Cash and Cash Equivalents at Beginning of Year	232,211	149,533
Cash and Cash Equivalents at End of Period	150,074	450,658

(4) Going Concern Assumption

None

(5) Segment Information

1. Six Months Ended September 30, 2015

i . Information regarding sales and income (loss) by reportable segment

	Millions of Yen
Sales	
IoT Communication	
Customers	117,662
Intersegment	2
Total	117,664
Health and Environment Systems	
Customers	150,557
Intersegment	0
Total	150,557
Business Solutions	
Customers	172,326
Intersegment	6
Total	172,332
Camera Modules	
Customers	120,560
Intersegment	1,297
Total	121,857
Electronic Components and Devices	
Customers	113,994
Intersegment	15,384
Total	129,378
Energy Solutions	
Customers	78,727
Intersegment	3
Total	78,730
Display Devices	
Customers	525,857
Intersegment	32,703
Total	558,560
Adjustments	(49,395)
The amount presented in Consolidated Statements of Income	1,279,683
Segment Income (Loss)	
IoT Communication	10,503
Health and Environment Systems	2,540
Business Solutions	16,758
Camera Modules	8,260
Electronic Components and Devices	(236)
Energy Solutions	(2,646)
Display Devices	(41,514)
Adjustments ^{*1}	(18,826)
The amount presented in Consolidated Statements of Income ^{*2}	(25,161)

Notes: 1. Adjustments of segment income (loss) of (18,826) million yen include elimination of intersegment transactions of (53) million yen and corporate expenses not allocated to each reportable segment of (17,751) million yen. Corporate expenses are mainly attributable to basic R&D expenses and expenses related to parent company's functional groups.

2. Adjustments were made to reconcile segment income (loss) to operating loss presented in Consolidated Statements of Income.

ii Information regarding impairment loss on noncurrent assets, goodwill, etc. by reportable segment

(Significant impairment loss on noncurrent assets)

In Electronic Components and Devices segment, the book value of business assets of the Company for the production structure to be reviewed and scheduled to be consolidated, and idle assets belonging to some consolidated subsidiaries were reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 1,273 million yen for the cumulative consolidated second quarter of the fiscal year ended March 2016.

In Energy Solutions segment, the book value of business assets with no prospect for recouping investment due to the decreasing profitability was reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 1,784 million yen for the cumulative consolidated second quarter of the fiscal year ended March 2016.

In Display Devices segment, the book value of business assets with no prospect for recouping investment due to the decreasing profitability and idle assets belonging to some consolidated subsidiaries were reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 8,064 million yen for the cumulative consolidated second quarter of the fiscal year ended March 2016.

2. Six Months Ended September 30, 2016

i . Information regarding sales and income (loss) by reportable segment

Millions of Yen	
Sales	
IoT Communication	
Customers	71,404
Intersegment	959
Total	72,363
Health and Environment Systems	
Customers	138,337
Intersegment	667
Total	139,004
Business Solutions	
Customers	153,558
Intersegment	6,131
Total	159,689
Camera Modules	
Customers	81,978
Intersegment	1,738
Total	83,716
Electronic Components and Devices	
Customers	84,960
Intersegment	8,495
Total	93,455
Energy Solutions	
Customers	51,431
Intersegment	862
Total	52,293
Display Devices	
Customers	338,017
Intersegment	19,493
Total	357,510
Adjustments	(38,345)
The amount presented in Consolidated Statements of Income	919,685
Segment Income (Loss)	
IoT Communication	6,175
Health and Environment Systems	13,149
Business Solutions	11,237
Camera Modules	(1,190)
Electronic Components and Devices	(333)
Energy Solutions	(4,831)
Display Devices	(14,652)
Adjustments ^{*1}	(9,476)
The amount presented in Consolidated Statements of Income ^{*2}	79

- Notes: 1. Adjustments of segment income (loss) of (9,476) million yen include elimination of intersegment transactions of 912 million yen and corporate expenses not allocated to each reportable segment of (12,613) million yen. Corporate expenses are mainly attributable to basic R&D expenses and expenses related to parent company's functional groups.
2. Adjustments were made to reconcile segment income (loss) to operating loss presented in Consolidated Statements of Income.

ii . Changes in reportable segments

In the cumulative consolidated first quarter of the fiscal year ending March 2017, Sharp classified reportable segments into five reportable segments: (1) Consumer Electronics; (2) Energy Solutions; (3) Business Solutions; (4) Electronic Components and Devices; and (5) Display Devices.

However, in this consolidated second quarter, Sharp changed to segment information based on seven reportable segments: (1) IoT Communications; (2) Health and Environment Systems; (3) Business Solutions; (4) Camera Modules (5) Electronic Components and Devices; (6) Energy Solutions and (7) Display Devices.

This segmentation change results from the decentralize management for the significant organization reconstruction executed on August 27, 2016, under the new management. To become an inspiring global brand, Sharp aims to return to profitability as quickly as possible, and transition to a path of growth.

Subsequent to this change in classifications, Digital Information Equipments that had been included under Consumer Electronics segment are now included under the Display Devices, mobile phones and others now under IoT Communication segment, white goods such as refrigerator and others now under Health and Environment Systems. In addition, Electronic Components and Devices are now split into Camera Modules and Electronic Components and Devices.

The segment information of the cumulative consolidated second quarter of fiscal year 2015 is stated based on the 7 classifications under the new segmentation.

iii. Information regarding impairment loss on noncurrent assets, goodwill, etc. by reportable segment
(Significant impairment loss on noncurrent assets)

In Business Solutions segment, the book value of idle assets of the Company with no prospect for any future usage was reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 196 million yen for the cumulative consolidated second quarter of the fiscal year ending March 2017.

In Electronic Components and Devices segment, the book value of idle assets belonging to some consolidated subsidiaries with no prospect for any future usage and others were reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 21 million yen for the cumulative consolidated second quarter of the fiscal year ending March 2017.

In Energy Solutions segment, the book value of business assets of the Company with no prospect for recouping investment due to the decreasing profitability was reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 351 million yen for the cumulative consolidated second quarter of the fiscal year ending March 2017.

In Display Devices segment, the book value of business assets of the Company with no prospect for recouping investment due to the decreasing profitability and idle assets belonging to some consolidated subsidiaries with no prospect for any future usage were reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 4,988 million yen for the cumulative consolidated second quarter of the fiscal year ending March 2017.

For other Company assets that do not belong to segments, the book value of idle assets of belonging to the Company and to some consolidated subsidiaries with no prospect for any future usage were reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 175 million yen for the cumulative consolidated second quarter of the fiscal year ending March 2017.

(6) Significant Changes in Owners Equity

The Company issued common shares and Class C Shares by third-party allotment on August 12, 2016. As a result, the capital stock increased by 194,406 million yen, and the capital surplus increased by 194,406 million yen.

On the same date, the Company reduced capital stock and capital reserve pursuant to the provisions of Article 447, Paragraph 1 and Paragraph 3, and Article 448, Paragraph 1 and Paragraph 3, of the Companies Act. The full amount was then transferred to other capital surplus. Consequently, the capital stock decreased by 189,906 million yen and the capital surplus increased by 189,906 million yen.

In addition, the Company acquired all of Class B Shares on August 12, 2016, and cancelled all on September 30, 2016, pursuant to the provisions of Article 178 of the Companies Act. Resulting to this, the capital surplus decreased by 29,975 million yen.

Due mainly to this, the capital stock as of September 30, 2016, was 5,000 million yen, an increase of 4,500 million yen from March 31, 2016, and the capital surplus was 576,793 million yen, an increase of 354,336 million yen.