

Consolidated Financial Results for the Second Quarter Ended September 30, 2023

November 8, 2023

SHARP CORPORATION

Stock exchange listings: Tokyo
 Code number: 6753
 URL: <https://corporate.jp.sharp/> (English : <https://global.sharp/>)
 Representative: Po-Hsuan Wu, 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 Six Months Ended September 30, 2023

(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 (Loss)	Percent Change	Ordinary Profit	Percent Change
Six Months Ended September 30, 2023	1,158,279	-7.9%	(5,861)	-	3,027	-67.2%
Six Months Ended September 30, 2022	1,257,996	+3.3%	1,017	-97.4%	9,228	-81.9%

	Profit Attributable to Owners of Parent	Percent Change	Income per Share (Yen)	Fully Diluted Income per Share (Yen)
Six Months Ended September 30, 2023	4,963	-47.5%	7.64	-
Six Months Ended September 30, 2022	9,459	-77.8%	14.95	-

[Reference] Comprehensive income : September 30, 2023 ; 65,580 million yen +35.4%
 September 30, 2022 ; 48,417 million yen +4.0%

Note: Fully diluted income per share is not provided. Although Sharp has dilutive shares, the shares in question have no dilutive effect.

(2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2023	1,850,498	287,007	14.7%
As of March 31, 2023	1,772,961	222,362	11.8%

[Reference] Equity: September 30, 2023 ; 272,370 million yen
 March 31, 2023 ; 208,450 million yen

2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2023	-	0.00	-	0.00	0.00
Year Ending March 31, 2024	-	0.00	/	/	/
Year Ending March 31, 2024 (Forecast)	/	/	-	-	-

Note1: Revisions to forecast of dividends; None

Note2: The amount of dividend per share for the year ending March 31, 2024, has not been decided at the time of announcement.

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2024

(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	Income per Share (Yen)
Year Ending March 31, 2024	2,560,000	+0.5%	40,000	-	39,000	-	10,000	-	15.40

Note: Revisions to forecast of financial results; None

4. Other Information

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

Newly added : 2 companies

SHARP FRONTIER ELECTRONICS DEVICE PTE. LTD. (Former FIT ELECTRONICS DEVICE PTE. LTD.)

SHARP FIT Automotive Technology (Wuxi) Co., Ltd.

Excluded : -

Note: SHARP FIT Automotive Technology (Wuxi) Co., Ltd. changed the company name to Wuxi Sharp Optoelectronic Technology Co., LTD. on October 17, 2023.

(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: None

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, 2023 ; 650,406,538 shares
as of March 31, 2023 ; 650,406,538 shares

2. Number of shares of treasury stock as of September 30, 2023 ; 1,134,347 shares
as of March 31, 2023 ; 1,133,210 shares

3. Average number of shares outstanding during the six months ended September 30, 2023 ; 649,272,839 shares
during the six months ended September 30, 2022 ; 632,794,752 shares

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 November 8, 2023. Financial materials distributed at the meeting will be posted on its website immediately after the announcement.
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.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	262,058	249,033
Notes and accounts receivable - trade, and contract assets	438,057	485,038
Inventories	299,307	302,909
Other	90,713	89,402
Allowance for doubtful accounts	(3,049)	(2,916)
Total current assets	1,087,087	1,123,467
Non-current assets		
Property, plant and equipment		
Buildings and structures	695,180	707,488
Machinery, equipment and vehicles	1,181,932	1,192,905
Tools, furniture and fixtures	170,801	166,491
Other	158,802	162,536
Accumulated depreciation	(1,817,459)	(1,834,471)
Total property, plant and equipment	389,257	394,949
Intangible assets		
Goodwill	6,284	9,793
Other	29,560	28,070
Total intangible assets	35,845	37,863
Investments and other assets		
Investment securities	216,207	243,230
Other	44,563	50,987
Total investments and other assets	260,770	294,218
Total non-current assets	685,873	727,031
Total assets	1,772,961	1,850,498
Liabilities		
Current liabilities		
Notes and accounts payable - trade	328,899	387,134
Electronically recorded obligations - operating	42,973	39,052
Short-term borrowings	163,896	198,498
Provision for bonuses	15,791	19,946
Provision for product warranties	12,165	12,523
Other provisions	11,249	11,138
Other	307,587	311,401
Total current liabilities	882,563	979,695
Non-current liabilities		
Long-term borrowings	542,727	456,112
Provisions	8,564	8,470
Retirement benefit liability	72,019	69,757
Other	44,722	49,454
Total non-current liabilities	668,034	583,795
Total liabilities	1,550,598	1,563,490

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	148,929	148,929
Retained earnings	59,802	64,765
Treasury shares	(13,749)	(13,750)
Total shareholders' equity	199,982	204,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,469	37,608
Deferred gains or losses on hedges	475	736
Foreign currency translation adjustment	(2,266)	44,311
Remeasurements of defined benefit plans	(16,211)	(15,231)
Total accumulated other comprehensive income	8,467	67,425
Share acquisition rights	293	358
Non-controlling interests	13,618	14,278
Total net assets	222,362	287,007
Total liabilities and net assets	1,772,961	1,850,498

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

- Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	1,257,996	1,158,279
Cost of sales	1,078,816	985,627
Gross profit	179,180	172,651
Selling, general and administrative expenses	178,162	178,513
Operating profit (loss)	1,017	(5,861)
Non-operating income		
Interest income	1,154	2,116
Dividend income	1,158	1,290
Rental income from non-current assets	2,056	2,321
Foreign exchange gains	18,757	9,130
Share of profit of entities accounted for using equity method	-	3,825
Investment income	5,755	621
Other	3,296	2,789
Total non-operating income	32,179	22,094
Non-operating expenses		
Interest expenses	3,590	5,635
Share of loss of entities accounted for using equity method	12,074	-
Other	8,303	7,569
Total non-operating expenses	23,968	13,204
Ordinary profit	9,228	3,027
Extraordinary income		
Gain on sale of non-current assets	1,977	2,587
Gain on sale of investment securities	0	113
Gain on step acquisitions	12,422	1,312
Gain on change in equity	261	4,203
Gain on reversal of liabilities	-	4,863
Gain on reversal of share acquisition rights	2	1
Total extraordinary income	14,665	13,081
Extraordinary losses		
Loss on sale and retirement of non-current assets	512	713
Impairment losses	-	3,256
Business restructuring expenses	1,068	679
Provision for loss on litigation	2,267	-
Total extraordinary losses	3,848	4,649
Profit before income taxes	20,045	11,459
Income taxes - current	6,619	7,646
Income taxes - deferred	2,818	(1,367)
Total income taxes	9,438	6,278
Profit	10,607	5,181
Profit attributable to non-controlling interests	1,147	218
Profit attributable to owners of parent	9,459	4,963

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	10,607	5,181
Other comprehensive income		
Valuation difference on available-for-sale securities	8,286	11,134
Deferred gains or losses on hedges	(401)	261
Foreign currency translation adjustment	34,022	44,017
Remeasurements of defined benefit plans, net of tax	(29)	967
Share of other comprehensive income of entities accounted for using equity method	(4,067)	4,017
Total other comprehensive income	37,810	60,398
Comprehensive income	48,417	65,580
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	46,350	63,921
Comprehensive income attributable to non-controlling interests	2,067	1,658

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	20,045	11,459
Depreciation	41,159	32,167
Interest and dividend income	(2,313)	(3,407)
Interest expenses	3,590	5,635
Share of loss (profit) of entities accounted for using equity method	12,074	(3,825)
Investment expenses (income)	(5,755)	(621)
Loss (gain) on sale and retirement of non-current assets	(1,465)	(1,874)
Impairment losses	-	3,256
Loss (gain) on sale of investment securities	(0)	(113)
Loss (gain) on step acquisitions	(12,422)	(1,312)
Loss (gain) on change in equity	(261)	(4,203)
Gain on reversal of liabilities	-	(4,863)
Gain on reversal of share acquisition rights	(2)	(1)
Business restructuring expenses	1,068	679
Provision for loss on litigation	2,267	-
Decrease (increase) in notes and accounts receivable - trade and contract assets	(46,753)	(22,633)
Decrease (increase) in accounts receivable - other	(478)	769
Decrease (increase) in inventories	(27,999)	13,519
Increase (decrease) in trade payables	6,789	28,718
Increase (decrease) in provision for bonuses	2,742	3,563
Other, net	(22,597)	(2,700)
Subtotal	(30,313)	54,214
Interest and dividends received	4,179	5,889
Interest paid	(3,488)	(4,691)
Income taxes refund (paid)	105	(4,744)
Payments for business restructuring	-	(3,138)
Settlement paid	-	(3,588)
Net cash provided by (used in) operating activities	(29,517)	43,940
Cash flows from investing activities		
Payments into time deposits	(46,484)	(7,067)
Proceeds from withdrawal of time deposits	43,778	53,087
Purchase of property, plant and equipment	(21,753)	(18,055)
Proceeds from sale of property, plant and equipment	3,911	3,526
Purchase of intangible assets	(6,909)	(6,153)
Purchase of investment securities	(124)	(1,871)
Proceeds from sale of businesses	619	-
Other, net	7,016	4,577
Net cash provided by (used in) investing activities	(19,945)	28,044

	(Millions of yen)	
	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	24,280	28,032
Repayments of long-term borrowings	(3,635)	(84,793)
Dividends paid	(24,411)	(22)
Other, net	(3,821)	(5,847)
Net cash provided by (used in) financing activities	(7,588)	(62,630)
Effect of exchange rate change on cash and cash equivalents	20,617	22,008
Net increase (decrease) in cash and cash equivalents	(36,434)	31,362
Cash and cash equivalents at beginning of period	239,359	206,612
Increase in cash and cash equivalents resulting from share exchanges	2,099	-
Cash and cash equivalents at end of period	205,024	237,975

(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)

No applicable matters to report

(Material Events Related to the Going Concern Assumption)

Sharp recorded a loss attributable to owners of parent of 260,840 million yen in the previous fiscal year. This loss was mainly the result of impairment losses of 220,553 million yen due to deteriorating market conditions for large LCD panels, which reduced consolidated net assets significantly.

However, Sharp maintains good business relationships with our primary financial institutions and we do not foresee any significant cash flow concerns with respect to working capital and investment funds for the time being. Further, we recorded a profit attributable to owners of parent of 4,963 million yen in the cumulative second quarter of the current consolidated fiscal year, and the equity ratio at the end of the second quarter of the current consolidated fiscal year improved from 11.8% at the end of the previous consolidated fiscal year to 14.7%.

While certain events or circumstances may have given rise significant doubts in connection with the going concern assumption, there are no material uncertainties noted that are applicable to *Notes Related to Going Concern Assumption*.