

## **Operating Results and Financial Position**

### **1. Review of the Nine Months Ended December 31, 2004**

In Japan, the past nine-month period started with a number of positive factors with regard to the economy. Increased exports as well as demand for digital products and related components brought moderate improvement to the economy. However, towards the end of the period, a slow down in the economy began to be evident, with weakening exports and production adjustments.

Overseas economies continued to expand steadily in the United States and Asia. Economies in Europe showed solid recovery.

In such circumstances, 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 camera-equipped mobile phones. As for devices, we focused efforts on the expansion of such proprietary device businesses as System LCDs and photovoltaic power systems.

As a result, the nine months recorded net sales of 1,907.7 billion yen, up 13.9% from the same period last year, operating income of 114.0 billion yen, up 24.9% and net income of 60.1 billion yen, up 31.7%.

Regarding cash flow, net cash provided by operating activities was 118.4 billion yen, while net cash used in investing activities was 189.8 billion yen. Net cash provided by financing activities was 83.2 billion yen. As a result, cash and cash equivalents at the end of the period were 288.6 billion yen, increases of 10.9 billion yen compared to March 31, 2004.

Operating results by product group are as follows:

#### **Audio-Visual and Communication Equipment**

Sales of LCD color TVs, centering on large-size models, and camera-equipped mobile phones increased, resulting in net sales of 737.0 billion yen, up 18.0% from the same period last year.

#### **Home Appliances**

Negative factors, such as intensified competition and continuing price declines were more than offset by sales increases of original Sharp products with our proprietary technologies, resulting in net sales of 160.6 billion yen, up 0.9% from the same period last year.

#### **Information Equipment**

Sales of digital copier/printers increased, resulting in net sales of 308.0 billion yen, up 6.9% from the same period last year.

#### **ICs**

Sales of flash memory decreased due to price declines, resulting in net sales of 109.4 billion yen, down 14.5% from the same period last year.

#### **LCDs**

Sales of high-value-added LCDs especially for TVs and mobile phones increased, resulting in net sales of 405.4 billion yen, up 32.2% over the same period last year.

#### **Other Electronic Components**

Sales of solar cells for photovoltaic power systems, the business pillar of the group, increased, resulting in net sales of 187.0 billion yen, up 11.7% from the same period last year.

## **2. Forecast for Fiscal 2004**

There are no revisions to the fiscal 2004 financial result forecast announced on October 27, 2004.

Net sales	2,530.0 billion yen	+ 12.1 % over the previous fiscal year
Operating income	150.0 billion yen	+ 23.3 % over the previous fiscal year
Net income	75.0 billion yen	+ 23.5 % over the previous fiscal year

Note: The above estimates of financial 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 following factors may influence the figures for final reported business results.

- Significant changes in the political and economic situation in major markets (Europe, North America, Asia and Japan)
- Sudden, rapid fluctuations in product supply or demand in major markets
- Large swings in foreign exchange markets (particularly in the yen/US dollar and euro markets)
- Significant fluctuations in valuation in capital markets
- Sudden, rapid changes in technology, etc.