

Consolidated Financial Results for the Second Quarter Ended September 30, 2013

October 31, 2013

SHARP CORPORATION

Stock exchange listings: Tokyo
 Code number: 6753
 URL: <http://www.sharp.co.jp/>
 Representative: Kozo Takahashi, President
 Contact person: Kohji Aoyama, Unit General Manager
 Accounting and Control Unit, Corporate Management Group
 Tel. +81 6 6621 1221

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, 2013

(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	Net Loss	Percent Change
Six Months Ended September 30, 2013	1,342,019	+21.5%	33,815	-	(4,330)	-
Six Months Ended September 30, 2012	1,104,166	-16.0%	(168,896)	-	(387,584)	-

[Reference] Comprehensive income: September 30, 2013 ; 6,348 million yen — %
 September 30, 2012 ; (400,440) million yen — %

	Net Loss per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Six Months Ended September 30, 2013	(3.69)	-
Six Months Ended September 30, 2012	(352.25)	-

(2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2013	2,115,565	146,611	6.4%
As of March 31, 2013	2,087,763	134,837	6.0%

[Reference] Equity : September 30, 2013 ; 135,738 million yen
 : March 31, 2013 ; 124,671 million yen

2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2013	-	0.00	-	0.00	0.00
Year Ending March 31, 2014	-	0.00	/	/	/
Year Ending March 31, 2014 (Forecast)	/	/	-	0.00	0.00

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

3. Forecast of Financial Results for the Year Ending March 31, 2014

(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	Net Income	Percent Change	Net Income per Share (Yen)
Year Ending March 31, 2014	2,700,000	+8.9%	80,000	-	5,000	-	3.50

Note: Revisions to forecast of financial results in this quarter; None

4. Other Information

(1) Changes in significant consolidated subsidiaries (Changes in specified subsidiaries involving changes in scope of consolidation): None

(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 (ordinary shares)

1. Number of shares outstanding (including treasury stock) as of September 30, 2013 ; 1,188,491,887 shares
as of March 31, 2013 ; 1,176,623,887 shares
2. Number of shares of treasury stock as of September 30, 2013 ; 10,417,688 shares
as of March 31, 2013 ; 10,399,220 shares
3. Average number of shares outstanding during the six months ended September 30, 2013 ; 1,174,125,604 shares
during the six months ended September 30, 2012 ; 1,100,320,074 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 Regarding the Second Quarter Financial Results" on page 4.
3. Sharp Corporation ("the Company") issued 408,000,000 ordinary shares through a public offering with the subscription payment date on October 15, 2013. Also, the Company is set to issue ordinary shares through a third-party allotment with the subscription payment on November 12, 2013, with Nomura Securities Co., Ltd. as the allottee to be taken in relation to the secondary offering due to over-allotment (the upper limit of shares: 42,000,000 shares). In addition, the Company issued 11,868,000 ordinary shares on June 24, 2013, and 62,723,000 ordinary shares on October 22, 2013, both through a third-party allotment. The net income per share in the Forecast of Financial Results for the Year Ending March 31, 2014, was recalculated based on number of shares including issued 408,000,000 shares through a public offering and issued 74,591,000 shares through third-party allotments, as well as 42,000,000 shares through a third-party allotment to be issued on November 12, 2013.
4. Sharp will hold a financial results meeting on October 31, 2013. Financial materials distributed at the meeting will be posted on its website immediately after the meeting.
5. 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.

1. Qualitative Information Regarding the Second Quarter Financial Results

(1) Qualitative Information Regarding Consolidated Financial Results

During the six months ended September 30, 2013, the Japanese economy was on a way to recovery with improved corporate earnings and signs of picking up in consumer spending, as well as corporate investment, supported by the economic policy and monetary measures under the Abenomics scheme.

Overseas, economies were on a moderate recovery path, with an upswing in the U.S. and Europe, along with the China starting to show steady growth, although emerging markets faced slowdown in their growth.

Amid these circumstances, the Sharp Group has worked to create and strengthen sales of distinctive devices and original products that meet our customers' needs. Efforts include reinforcing the lineup of smartphones equipped with IGZO^{*1} LCDs, enhancing sales of solar cells primarily for the booming market in Japan, and increasing sales of small- and medium-size LCDs and the high-performance camera modules for mobile devices. We have also taken various measures on a company-wide basis to improve our business foundations, including radical reductions in total costs and fixed costs centering on labor costs, as well as minimizing capital investment.

As a result, consolidated financial results for the six months recorded net sales of 1,342.0 billion yen, an increase of 21.5% compared to the same period in the previous year, operating income of 33.8 billion yen, and net loss of 4.3 billion yen.

Consolidated financial results for the three months ended September 30, 2013, recorded net sales of 734.1 billion yen, up 13.7% compared to the same period in the previous year, operating income of 30.8 billion yen, and net income of 13.6 billion yen, achieving a surplus both at the operating and the net level.

We secured the continuous support of the financial institution to extend the syndicated loan facilities of 360.0 billion yen and to provide an additional borrowing facility of 150.0 billion yen, and the 20th unsecured convertible bonds with subscription rights to shares due in September 2013 has been redeemed.

In addition, Sharp Corporation passed a resolution at its board of directors meeting held on September 18, 2013, on new shares issuance through a public offering, and a secondary offering due to over-allotment that enables Sharp to secure funds for strategic investment to accomplish the Medium-Term Management Plan and strengthen its financial foundation. The payment of 109.0 billion yen in total for the new shares issuance through a public offering was completed on October 15, 2013. The third-party allotment capital increase with Nomura Securities Co., Ltd. as the allottee to be undertaken in relation to the secondary offering due to over-allotment (payment date: November 12, 2013, the upper limit of total amount of proceeds: 11.2 billion yen) was resolved at the aforementioned board of directors meeting.

Also, its board of directors resolved on September 18 and October 7, 2013, to issue new shares through third-party allotments with DENSO CORPORATION, Makita Corporation, and LIXIL Corporation, and the payment of 17.4 billion yen in total was completed on October 22, 2013.

Operating results by product group are as follows:

Product Business

Sales of Digital Information Equipment for the six months ended September 30, 2013, were 334.5 billion yen, down 1.1% compared to the same period in the previous year. Sales of LCD TVs exceeded last year's figure due to healthy sales in Japan, China, and emerging countries, although sales in the Americas and Europe were sluggish. Sales of mobile phones, on the other hand, decreased due mainly to intensified competition with overseas manufacturers.

Sales of Health and Environmental Equipment were 159.8 billion yen, up 3.2%, due mainly to increased sales of air conditioners and refrigerators.

Sales of Solar Cells were 168.2 billion yen, an 80% increase. This was due mainly to a sales increase in Japan centering on residential use, as well as industrial use, such as mega-solar power generation projects.

Sales of Business Solutions were 158.4 billion yen, up 14.1% compared to the previous year. This was due mainly to robust sales of color MFPs in Japan and overseas as well as information displays in the U.S.

As a result, sales of these four product groups comprising Product Business were 821.1 billion yen, up 13.2%.

Device Business

Sales of LCDs were 393.8 billion yen, up 46.0% from the same period in the previous year. This was due mainly to increased sales of small- and medium-size LCDs for smartphones and tablet terminals, as well as healthy sales of large-size LCDs.

Sales of Electronic Devices were 126.9 billion yen, up 16.2%. This was due mainly to a sales increase in camera modules and sensors for smartphones, and LEDs.

As a result, sales of these two product groups comprising Device Business were 520.8 billion yen, up 37.4%.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of September 30, 2013 were 2,115.5 billion yen, up 27.8 billion yen from March 31, 2013. This was due mainly to an increase in notes and accounts receivable resulting from a sales expansion. Total liabilities were 1,968.9 billion yen, up 16.0 billion yen. This was due mainly to an increase in notes and accounts payable. Total net assets were 146.6 billion yen, up 11.7 billion yen. This was due mainly to the third-party allotment capital increase with Qualcomm Incorporated and foreign currency translation adjustments.

In order to cover the loss of retained earnings carried forward recorded at the end of the last fiscal year, and to prepare for mobile and flexible implementation of future capital policy, common stock, capital reserve and legal reserve were reduced and the surpluses were appropriated.

Regarding cash flows, net cash used in operating activities was 20.0 billion yen, and net cash used in investing activities was 46.0 billion yen. Net cash used in financing activities was 4.9 billion yen. As a result, cash and cash equivalents at the end of period were 123.8 billion yen, a decrease of 63.9 billion yen from March 31, 2013.

(3) Qualitative Information Regarding Forecast of Consolidated Financial Results

As for the future outlook, we expect the Japanese economy to continue a mild recovery, with growth of corporate earnings and increased personal income, supported by various economic measures. Nevertheless, the overseas business environment is anticipated to remain unpredictable, with some risk factors including the possibility that the U.S. quantitative easing could be pulled back and a slowdown in the growth in emerging countries.

To respond to such situation, Sharp will continue to push ahead with the Medium-Term Management Plan, aiming to become a new Sharp that achieves stable growth in profits and steady cash generation.

As for the “Product Business Group,” in Digital Information Equipment, we will make a vigorous effort to expand sales of large-size LCD TVs such as high-definition 4K^{*2} AQUOS and the “Quattron Pro,”^{*3} which incorporates a full HD panel with high-definition capability equivalent to 4K. We will also boost sales of LCD TVs in strategic regions, including emerging countries. In mobile phones, we intend to regain our market share in Japan primarily by increasing lineup of mobile phones and tablet terminals equipped with IGZO LCDs. In Health and Environmental Equipment, we will bolster sales of home appliances incorporating “COCORO-Engine”^{*4} that uses spoken words and lights to communicate with users, and provides them with information on convenient uses and functions. Also, we will work toward the launch of a new plant in Indonesia to enhance production capacity for washing machines and refrigerators, thus expanding business operations in ASEAN region. In Solar Cells, we will handle booming demand in the Japanese market, particularly for mega-solar power generation projects and for residential use. Concurrently, we will reinforce the business in a broad supply chain that encompasses system design, construction, power generation and maintenance. In Business Solutions, we will work hard to strengthen solution offering and services with a core of our distinctive products such as MFPs and display equipments.

As for the “Device Business Group,” in LCDs, we will strengthen sales activities of large-size LCDs and also strive to expand business with external customers in small- and medium-size LCDs centering on IGZO LCDs designed for smartphones, tablet terminals and note PCs. At the same time, we will work to secure stable plant operation by reinforcing the relationship with our business partners. In Electronic Devices, we will enhance sales of distinctive devices such as camera modules, touchscreen system, sensors, and power devices.

While further implementing company-wide structural reform and measures to reinforce business foundation, we will strive to improve our financial position and cash management through the efforts such as optimizing inventories and paring down noncurrent assets, in order to achieve a turnaround at the net level in fiscal 2013.

The following is the forecast of financial results for the year ending March 31, 2014, unchanged from the previously announced figure on May 14, 2013.

Billions of Yen		
	Year ending March 31, 2014	Increase Decrease
Net sales	2,700.0	+8.9%
Operating income	80.0	-
Net income	5.0	-

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

Note: The above estimates of financial results are based on information available and deemed reasonable to the Sharp Group at the time of announcement and are not the 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 Developed jointly for mass production by Sharp and Semiconductor Energy Laboratory Co., Ltd.

*2 4K×2K resolution (3,840×2,160 pixels), four times that of full HD (1,920×1,080 pixels).

*3 A new line of LCD TVs announced on October 22, 2013, in Japan.

*4 A trademark of Sharp.

2. Summary Information

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

None

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

None

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

None

3. Outline of Material Events Relating to Assumed Going Concern

Sharp has worked to create and strengthen sales of distinctive devices and original products that meet our customers' needs. Efforts includes reinforcing the lineup of smartphones equipped with IGZO LCDs, enhancing sales of solar cells primarily for the booming market in Japan, and increasing sales of small- and medium-size LCDs and high-performance camera modules for mobile devices. We have also taken various measures, including radical reductions in total costs and fixed costs centering on labor costs, as well as minimizing capital investment. As a result, net sales for the six months ended September 30, 2013, recorded an increase of 21.5% compared to the same period in the previous year, and operating result turned to profitability.

However, for the last two fiscal years in a row, consolidated financial performance resulted in a substantial operating and net losses as well as negative cash flows from operating activities. Under such circumstances, interest-bearing debt increased, and a proportion of short-term interest-bearing debt came to a significant level. Such short-term interest-bearing debt includes unsecured straight bonds and syndicated loan with financial covenants. Although the operating result has been surplus since the last third quarter, cash flows from operating activities have been negative.

Nevertheless, due to implementation of various measures as described below, we believe that these conditions will not cast a material uncertainty about Sharp's ability to continue as a going concern and that no further disclosure under the "(4) Going Concern Assumption" on page 11 is necessary.

In terms of business performances, we steadily implemented the Medium-Term Management Plan announced on May 14, 2013, and achieved surplus not only at the operating level but also at the net level for the three months ended September 30, 2013.

In terms of financial aspect, we secured the continuous support of the financial institution to extend the syndicated loan facilities of 360.0 billion yen as well as to provide an additional borrowing facility of 150.0 billion yen, and the 20th unsecured convertible bonds with subscription rights to shares due in September 2013 has been redeemed.

Additionally, Sharp Corporation issued new shares through a public offering that enables it to secure funds primarily for strategic investment and to reinforce financial foundation. Also, as a part of strategic alliances in new business fields where we can utilize our manufacturing advantages, Sharp Corporation bolstered corporate relations with DENSO CORPORATION, Makita Corporation, and LIXIL Corporation and issued new shares through third-party allotments with them as the allottee.

In order to become a new Sharp that achieves stable growth in profits and steady cash generation, we will continue to implement the Medium-Term Management Plan steadily and develop our profit structure to realize medium-term growth.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

	As of March 31, 2013	As of September 30, 2013
ASSETS		
Current Assets:		
Cash, time deposits and restricted cash	191,941	167,539
Notes and accounts receivable, less allowance for doubtful receivables	558,229	608,001
Inventories	310,709	317,538
Other current assets	160,956	189,911
Total current assets	1,221,835	1,282,989
Plant and Equipment, Less Accumulated Depreciation	563,699	535,255
Investments and Other Assets	301,619	297,134
Deferred Assets	610	187
Total assets	2,087,763	2,115,565
LIABILITIES		
Current Liabilities:		
Short-term borrowings, including current portion of long-term debt	924,113	874,055
Notes and accounts payable	405,624	449,350
Other current liabilities	337,796	289,602
Total current liabilities	1,667,533	1,613,007
Long-term Liabilities	285,393	355,947
Total liabilities	1,952,926	1,968,954
NET ASSETS		
Owners' Equity:		
Common stock	212,337	52,979
Capital surplus	276,179	27,045
Retained earnings	(290,912)	119,207
Less cost of treasury stock	(13,872)	(13,879)
Total owners' equity	183,732	185,352
Accumulated Other Comprehensive Income:		
Net unrealized holding gains (losses) on securities	6,062	7,682
Deferred gains (losses) on hedges	(25)	(238)
Foreign currency translation adjustments	(61,467)	(53,280)
Pension liability adjustment of foreign subsidiaries	(3,631)	(3,778)
Total accumulated other comprehensive income	(59,061)	(49,614)
Minority Interests	10,166	10,873
Total net assets	134,837	146,611
Total liabilities and net assets	2,087,763	2,115,565

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

Millions of Yen

	Six Months Ended September 30, 2012	Six Months Ended September 30, 2013
Net Sales	1,104,166	1,342,019
Cost of Sales	1,070,026	1,112,288
Gross profit	34,140	229,731
Selling, General and Administrative Expenses	203,036	195,916
Operating income (loss)	(168,896)	33,815
Other Income (Expenses)		
Interest income	522	627
Rent income on noncurrent assets	2,387	2,046
Gain on sales of noncurrent assets	3,871	3,021
Gain on sales of investment securities	311	1,640
Interest expense	(5,058)	(8,997)
Interest on commercial papers	(259)	0
Loss on sales and retirement of noncurrent assets	(8,308)	(1,155)
Loss on valuation of investment securities	(2,851)	(903)
Loss on sales of stocks of subsidiaries and affiliates	(3,346)	0
Restructuring charges	(98,689)	0
Settlement package	(15,857)	0
Provision for loss on litigation	0	(1,043)
Loss on change in equity	(705)	0
Other, net	(25,977)	(24,232)
	(153,959)	(28,996)
Income (loss) before income taxes and minority interests	(322,855)	4,819
Income Taxes		
Current	6,765	8,236
Deferred	57,132	228
	63,897	8,464
Loss before minority interests	(386,752)	(3,645)
Minority Interests in Income of Consolidated Subsidiaries	(832)	(685)
Net loss	(387,584)	(4,330)

- Consolidated Statements of Comprehensive Income

Millions of Yen

	Six Months Ended September 30, 2012	Six Months Ended September 30, 2013
Loss Before Minority Interests	(386,752)	(3,645)
Other Comprehensive Income:		
Net unrealized holding gains (losses) on securities	(5,066)	1,618
Deferred gains (losses) on hedges	5,561	(256)
Foreign currency translation adjustments	(13,991)	8,639
Pension liability adjustment of foreign subsidiaries	163	(147)
Share of other comprehensive income of affiliates accounted for using equity method	(355)	139
Total other comprehensive income	(13,688)	9,993
Comprehensive Income	(400,440)	6,348
Comprehensive income attributable to:		
Owners of the parent	(400,865)	5,118
Minority interests	425	1,230

(3) Consolidated Statements of Cash Flows

Millions of Yen

	Six Months Ended September 30, 2012	Six Months Ended September 30, 2013
<u>Cash Flows from Operating Activities:</u>		
Income (loss) before income taxes and minority interests	(322,855)	4,819
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash used in operating activities —		
Depreciation and amortization of properties and intangibles	95,028	63,665
Interest and dividend income	(1,658)	(1,429)
Interest expenses and interest on commercial papers	5,317	8,997
Gain on sales of noncurrent assets	(3,871)	(3,021)
Loss on sales and retirement of noncurrent assets	8,308	1,155
Impairment loss	30,136	0
Gain on sales of investment securities	(311)	(1,640)
Loss on sales of stocks of subsidiaries and affiliates	3,346	0
Settlement package	15,857	0
Increase in notes and accounts receivable	(52,239)	(19,582)
(Increase) decrease in inventories	190,838	(2,219)
Increase (decrease) in payables	(14,110)	32,491
Other, net	(42,971)	(81,540)
Total	(89,185)	1,696
Interest and dividends received	1,499	1,581
Interest paid	(5,242)	(8,998)
Subsidy income received	10,000	0
Settlement package paid	(15,857)	(6,752)
Income taxes paid	(4,995)	(7,569)
Net cash used in operating activities	(103,780)	(20,042)
<u>Cash Flows from Investing Activities:</u>		
Purchase of time deposits	(7)	(19,896)
Proceeds from redemption of time deposits	605	9
Proceeds from sales of investments in subsidiaries and affiliates resulting in change of scope of consolidation	65,143	0
Acquisitions of plant and equipment	(40,133)	(25,455)
Proceeds from sales of plant and equipment	12,099	6,740
Other, net	(10,678)	(7,417)
Net cash (used in) provided by investing activities	27,029	(46,019)
<u>Cash Flows from Financing Activities:</u>		
Deposits of restricted cash	(75)	(19,938)
Increase in short-term borrowings, net	155,536	59,046
Proceeds from long-term debt	12,872	180,794
Repayments of long-term debt	(41,398)	(230,054)
Dividends paid	(5,486)	(33)
Other, net	(10,418)	5,226
Net cash (used in) provided by financing activities	111,031	(4,959)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(7,147)	7,049
Net (Decrease) Increase in Cash and Cash Equivalents	27,133	(63,971)
Cash and Cash Equivalents at Beginning of Year	193,772	187,866
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	4	0
Cash and Cash Equivalents at End of Period	220,909	123,895

(4) Going Concern Assumption

None

(5) Segment information

[Information by business segment]

I Six Months Ended September 30, 2012

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

Millions of Yen

Net Sales	
Product Business	
Customers	725,116
Intersegment	530
Total	725,646
Device Business	
Customers	379,050
Intersegment	115,405
Total	494,455
Adjustments	(115,935)
The amount presented in Consolidated Statements of Income	1,104,166
Segment Loss	
Product Business	(9,194)
Device Business	(139,317)
Adjustments*1	(20,385)
The amount presented in Consolidated Statements of Income*2	(168,896)

Notes 1. Adjustments of segment loss of (20,385) million yen include elimination of intersegment transactions of 401 million yen and corporate expenses not allocated to each reportable segment of (20,359) 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 loss to operating loss presented in Consolidated Statements of Income.

II Six Months Ended September 30, 2013

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

Millions of Yen

Net Sales	
Product Business	
Customers	821,172
Intersegment	39
Total	821,211
Device Business	
Customers	520,847
Intersegment	105,578
Total	626,425
Adjustments	(105,617)
The amount presented in Consolidated Statements of Income	1,342,019
Segment Income	
Product Business	36,356
Device Business	13,919
Adjustments*1	(16,460)
The amount presented in Consolidated Statements of Income*2	33,815

Notes 1. Adjustments of segment income of (16,460) million yen include elimination of intersegment transactions of 84 million yen and corporate expenses not allocated to each reportable segment of (15,962) 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 to operating income presented in Consolidated Statements of Income.

2. Change of reportable segment

The Sharp Group's reportable segment was Consumer/Information Products and Electronic Components in the year ended March 31, 2013. Effective from the three months ended June 30, 2013, the name of Consumer/Information Products has been changed to Product Business and Electronic Components to Device Business, due to a reform of organization on April 1. Solar Cells which had been previously included in Electronic Components has been reclassified and included in Product Business. Segment Information for the six months ended September 30, 2012 is based on a new segment classification.

(6) Significant Changes in Owners Equity

Sharp Corporation issued new shares by third party allotment with the subscription payment date on June 24, 2013. Based on a resolution of the General Meeting of Shareholders held on June 25, 2013, it reduced common stock, capital reserve, and legal reserve pursuant to the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1, of the Companies Act, and then appropriated the surpluses pursuant to the provision of Article 452 of the Companies Act, in order to cover the deficit. Accordingly, the common stock at the end of September 30, 2013, was 52,979 million yen, a decrease of 159,358 million yen from the end of March 31, 2013, and the capital surplus was 27,045 million yen, a decrease of 249,134 million yen.

(7) Significant Subsequent Events

Issuance of new shares through a public offering and a third-party allotment

Sharp Corporation (“the Company”) passed a resolution at its board of directors meeting held on September 18, 2013, on new shares issuance through a public offering and secondary offering of the Company’s share. Also, the offer price and issue price etc. were determined as below on October 7, 2013. The payment for the issuance of new shares through a public offering was completed on October 15, 2013.

1. The issuance of new shares through a public offering (General Offering in Japan, Overseas Offering)

(1) Class and number of issued shares	Ordinary shares, 408,000,000 shares
(2) Offer price	279 yen per share
(3) Total amount of the offered price	113,832,000,000 yen
(4) Issue price	267.36 yen per share
(5) Total amount of proceeds (issue price)	109,082,880,000 yen
(6) Amount of increase in common stock and capital reserve	Common stock : 54,541,440,000 yen Capital reserve : 54,541,440,000 yen
(7) Payment date	October 15, 2013

2. The secondary offering of the Company’s share (due to over-allotment)

(1) Class and number of offered shares	Ordinary shares, 42,000,000 shares
(2) Offer price	279 yen per share
(3) Total amount of the offer price	11,718,000,000 yen
(4) Delivery date	October 16, 2013

3. The issuance of new shares through a third-party allotment (a third-party allotment to be undertaken in relation to the secondary offering of the Company’s ordinary shares (due to over-allotment), the “Third-Party Capital Increase”)

(1) Class and number of shares to be issued	Ordinary shares, 42,000,000 shares
(2) Issue price	267.36 yen per share
(3) Total amount of proceeds to be paid	11,229,120,000 yen (maximum)
(4) Amount of common stock and capital reserve to be increased	Common stock : 5,614,560,000 yen (maximum) Capital reserve : 5,614,560,000 yen (maximum)
(5) Payment date	November 12, 2013
(6) Allottee and number of shares to be allotted	Nomura Securities Co., Ltd., 42,000,000 shares

4. Purpose of use of funds

The maximum of total approximate proceeds of 119,137,000,000 yen consisting of approximate proceeds of 108,003,880,000 yen* from the General Offering in Japan and the Overseas Offering and the maximum of approximate proceeds of 11,133,120,000 yen* from the Third-Party Capital Increase, is planned to be entirely used for the capital investment by the end of March 2016. To be specific, 50,000,000,000 yen is planned to be used primarily for the capital investment on improvement of high-definition technology and production yields in the small- and medium-size LCD business in our Display Device business, 24,700,000,000 yen for the capital investment mainly on establishment and improvement of production bases in the ASEAN region in Health and Environmental Equipment, 13,000,000,000 yen for R&D with the aim of developing businesses in the five strategic business fields, and the amount of balance for capital investment excluding above in Product Business and Device Business.

*Approximate proceeds from the General Offering in Japan and the Overseas Offering are calculated by deducting issuance costs etc. from total amount of proceeds (issue price) of 109,082,880,000 yen from new shares issuance through a public offering. The maximum of approximate proceeds from the Third-Party Capital Increase is calculated by deducting issuance costs etc. from total amount of proceeds (maximum) of 11,229,120,000 yen.

The issuances of new shares through third-party allotments with DENSO CORPORATION, Makita Corporation, and LIXIL Corporation as the allottee

The Company passed resolutions at its board of directors meeting held on September 18, 2013, concerning the issuance of new shares through third-party allotments with DENSO CORPORATION, Makita Corporation, and LIXIL Corporation as the allottee (“Third-Party Capital Increases”). In addition, its board of directors meeting held on October 7, 2013, determined the issue price and the number of new shares etc., as described below. The payments for the Third-Party Capital Increases were completed on October 22, 2013.

1. The issuance of new shares through a third-party allotment with DENSO CORPORATION

(1) Class and number of issued shares	Ordinary shares, 8,960,000 shares
(2) Issue price	279 yen per share
(3) Total amount of proceeds	2,499,840,000 yen
(4) Amount of increase in common stock and capital reserve	Common stock : 1,249,920,000 yen Capital reserve : 1,249,920,000 yen
(5) Payment date	October 22, 2013
(6) Allottee and number of allotted shares	DENSO CORPORATION, 8,960,000 shares
(7) Purpose of use of funds	Development of a dedicated organization structure to undertake collaboration in the field of in-vehicle business and working capital for business operations including activity costs

2. The issuance of new shares through a third-party allotment with Makita Corporation

(1) Class and number of issued shares	Ordinary shares, 35,842,000 shares
(2) Issue price	279 yen per share
(3) Total amount of proceeds	9,999,918,000 yen
(4) Amount of increase in common stock and capital reserve	Common stock : 4,999,959,000 yen Capital reserve : 4,999,959,000 yen
(5) Payment date	October 22, 2013
(6) Allottee and number of allotted shares	Makita Corporation, 35,842,000 shares
(7) Purpose of use of funds	Investment in production equipment and development facilities as well as expenses incurred for technology development for the expansion of products in the field of electric power tools, home equipment, and OPE (Outdoor Power Equipment)

3. The issuance of new shares through a third-party allotment with LIXIL Corporation

(1) Class and number of issued shares	Ordinary shares, 17,921,000 shares
(2) Issue price	279 yen per share
(3) Total amount of proceeds	4,999,959,000 yen
(4) Amount of increase in common stock and capital reserve	Common stock : 2,499,979,500 yen Capital reserve : 2,499,979,500 yen
(5) Payment date	October 22, 2013
(6) Allottee and number of allotted shares	LIXIL Corporation, 17,921,000 shares
(7) Purpose of use of funds	Investment in production equipment and development facilities for joint development of new products merging home electrical appliance technologies and construction materials technologies, and other expenses incurred for achieving joint development and production of the developed products

5. Supplementary Data

(1) Consolidated Sales by Product Group

Millions of Yen

	Six Months Ended September 30, 2012		Six Months Ended September 30, 2013		Increase Decrease	Percent Change
	Amount	Ratio	Amount	Ratio		
		%		%		%
Digital Information Equipment	338,233	30.6	334,577	24.9	- 3,656	-1.1
Health and Environmental Equipment	154,939	14.0	159,895	11.9	+ 4,956	+3.2
Solar Cells	93,085	8.4	168,263	12.6	+ 75,178	+80.8
Business Solutions	138,859	12.6	158,437	11.8	+ 19,578	+14.1
Product Business	725,116	65.6	821,172	61.2	+ 96,056	+13.2
LCDs	269,772	24.5	393,849	29.3	+ 124,077	+46.0
Electronic Devices	109,278	9.9	126,998	9.5	+ 17,720	+16.2
Device Business	379,050	34.4	520,847	38.8	+ 141,797	+37.4
Total	1,104,166	100.0	1,342,019	100.0	+ 237,853	+21.5
Domestic	455,706	41.3	544,327	40.6	+ 88,621	+19.4
Overseas	648,460	58.7	797,692	59.4	+ 149,232	+23.0

Notes:

1. The above figures indicate sales to outside customers.
2. Effective from the three months ended June 30, 2013, the segment classification has been changed. In this regard, the Consolidated Sales by Product Group for the six months ended September 30, 2012, has been restated based on a new classification.

(2) Information by Product Group

The breakdown of the reportable segments, which consist of Product Business and Device Business, is presented for reference. Sales of each product group include internal sales between segments (Product Business and Device Business).

〈Net Sales〉

Millions of Yen

	Six Months Ended September 30, 2012		Six Months Ended September 30, 2013		Percent Change
	Amount	Ratio	Amount	Ratio	
		%		%	%
Digital Information Equipment	338,589	30.7	334,614	24.9	-1.2
Health and Environmental Equipment	154,988	14.0	159,885	11.9	+3.2
Solar Cells	93,090	8.4	168,265	12.6	+80.8
Business Solutions	138,979	12.6	158,447	11.8	+14.0
Product Business	725,646	65.7	821,211	61.2	+13.2
LCDs	368,042	33.3	478,565	35.7	+30.0
Electronic Devices	126,413	11.5	147,860	11.0	+17.0
Device Business	494,455	44.8	626,425	46.7	+26.7
Sub Total	1,220,101	110.5	1,447,636	107.9	+18.6
Adjustments	(115,935)	-10.5	(105,617)	-7.9	-
Total	1,104,166	100.0	1,342,019	100.0	+21.5

〈Operating Income〉

Millions of Yen

	Six Months Ended September 30, 2012		Six Months Ended September 30, 2013		Percent Change
	Amount	Ratio	Amount	Ratio	
		%		%	%
Digital Information Equipment	(21,185)	-	863	2.5	-
Health and Environmental Equipment	17,339	-	9,668	28.6	-44.2
Solar Cells	(12,319)	-	9,895	29.3	-
Business Solutions	6,971	-	15,930	47.1	+128.5
Product Business	(9,194)	-	36,356	107.5	-
LCDs	(115,559)	-	8,671	25.7	-
Electronic Devices	(23,758)	-	5,248	15.5	-
Device Business	(139,317)	-	13,919	41.2	-
Sub Total	(148,511)	-	50,275	148.7	-
Adjustments	(20,385)	-	(16,460)	-48.7	-
Total	(168,896)	-	33,815	100.0	-

Note: Effective from the three months ended June 30, 2013, the segment classification has been changed. In this regard, the Information by Product Group for the six months ended September 30, 2012, has been restated based on a new classification.