

# Consolidated Financial Results for the First Quarter Ended June 30, 2015

July 31, 2015

## SHARP CORPORATION

Stock exchange listings: Tokyo  
 Code number: 6753  
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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 Three Months Ended June 30, 2015

### (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 Attributable to Sharp Corporation	Percent Change
Three Months Ended June 30, 2015	618,301	-0.2%	( 28,760 )	-	( 33,982 )	-
Three Months Ended June 30, 2014	619,726	+1.9%	4,668	+55.0%	( 1,788 )	-

[Reference] Comprehensive income (loss): June 30, 2015 ; (25,330) million yen — %  
 June 30, 2014 ; 3,591 million yen — %

	Net Loss per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Three Months Ended June 30, 2015	( 20.11 )	-
Three Months Ended June 30, 2014	( 1.06 )	-

### (2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2015	1,869,954	243,055	12.3%
As of March 31, 2015	1,961,909	44,515	1.5%

[Reference] Equity: June 30, 2015 ; 229,172 million yen  
 March 31, 2015 ; 30,166 million yen

## 2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2015	-	0.00	-	0.00	0.00
Year Ending March 31, 2016	-	/	/	/	/
Year Ending March 31, 2016 (Forecast)	/	0.00	-	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 Year Ending March 31, 2016**

(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	Percent Change	Net Income (Loss) Attributable to Sharp Corporation	Percent Change	Net Income per Share (Yen)
Six Months Ending September 30, 2015	1,300,000	-2.1%	10,000	-65.8%	-	-	-
Year Ending March 31, 2016	2,800,000	+0.5%	80,000	-	-	-	-

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

Sharp Group intends to announce the forecast of net income (loss) attributable to Sharp Corporation and net income (loss) per share, once it becomes possible to make a reasonable estimate of the impact on consolidated financial statements arising from completion of a voluntary retirement program and materialization of structural reform currently under consideration or in progress, including reform of LCD TV business in the Americas.

### **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: 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 June 30, 2015 ; 1,701,214,887 shares  
as of March 31, 2015 ; 1,701,214,887 shares
2. Number of shares of treasury stock as of June 30, 2015 ; 10,503,372 shares  
as of March 31, 2015 ; 10,480,945 shares
3. Average number of shares outstanding during the three months ended June 30, 2015 ; 1,690,719,078 shares  
during the three months ended June 30, 2014 ; 1,690,761,715 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 First Quarter Financial Results." on page 5.
3. Sharp will hold a financial results meeting on July 31, 2015. 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, 2015	-	-	-	-	-
Year Ending March 31, 2016	-	/	/	/	/
Year Ending March 31, 2016 (Forecast)	/	0.00	-	-	-

Class B Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2015	-	-	-	-	-
Year Ending March 31, 2016	-	/	/	/	/
Year Ending March 31, 2016 (Forecast)	/	0.00	-	-	-

Note: The amount of dividend per share for the year ending March 31, 2016, has not been decided at the time of announcement.

## **1. Qualitative Information Regarding the First Quarter Financial Results**

### **(1) Qualitative Information Regarding Consolidated Financial Results**

During the three months ended June 30, 2015, the Japanese economy was on a mild recovery path, with a pickup in private consumption and improving employment situation. Overseas, the overall economy remained brisk as well, along with an ongoing recovery in the U.S. and an upswing in the Eurozone, although China showed stagnation of growth.

Amid these circumstances, the Sharp Group has worked to create and strengthen sales of original products and distinctive devices, such as “AQUOS 4K NEXT”<sup>\*1</sup> LCD TVs, Ocha-Presso, a household tea machine, IGZO LCDs,<sup>\*2</sup> and daylight film<sup>\*3</sup> that enables users to reduce electricity for lighting. In addition, the Sharp Group has started mass production of in-cell type touch displays.<sup>\*4</sup> Also, we pushed ahead with the three key strategies of the “Medium-Term Management Plan for Fiscal 2015 through 2017,” —1. Restructure business portfolio, 2. Reduce fixed costs, and 3. Reorganize and strengthen corporate/governance systems— to establish management foundation in a timely manner.

The Sharp Group recorded net sales of 618.3 billion yen for the three months ended June 30, 2015, down 0.2% compared to the same period of the previous year, an operating loss of 28.7 billion yen (4.6 billion yen operating income in the previous year), and a net loss attributable to Sharp Corporation of 33.9 billion yen (1.7 billion yen net loss attributable to Sharp Corporation in the previous year). This result was mainly due to a sales decline in LCD TVs and solar cells.

On the funding side, Sharp Corporation issued preferred shares totaling 225.0 billion yen to strengthen its capital to ensure implementation of the Medium-Term Management Plan, and to secure investment funds for growth business area.

Effective from the three months ended June 30, 2015, product group information that is reference information is disclosed in the form of 5 groups. Operating results by product group are as follows:

#### **Product Business**

Sales of Consumer Electronics for the three months ended June 30, 2015, were 201.9 billion yen, down 19.3% compared to the same period of the previous year, due to a sales decline in LCD TVs, mobile phones and air purifiers.

Sales of Energy Solutions were 36.8 billion yen, down 46.6%, due to decreased sales of solar cells.

Sales of Business Solutions were 80.6 billion yen, up 0.8%, as sales of MFPs increased overseas.

As a result, sales of Product Business were 319.4 billion yen, down 20.0%.

#### **Device Business**

Sales of Electronic Components and Devices were 126.8 billion yen, up 145.9%, due mainly to a sales increase in camera modules.

Sales of Display Devices were 171.9 billion yen, up 1.8%, due mainly to increased sales of large-size LCDs. This was despite a sales decrease in small- and medium-size LCDs for smartphones.

As a result, sales of Device Business were 298.8 billion yen, up 35.5%.

### **(2) Qualitative Information Regarding Consolidated Financial Position**

Total assets as of June 30, 2015 were 1,869.9 billion yen, down 91.9 billion yen from March 31, 2015. This was due mainly to inventories remaining at the same level and a decrease in cash and time deposits as well as notes and accounts receivable. Total liabilities were 1,626.8 billion yen, down 290.4 billion yen. This was due mainly to a decrease in short-term borrowings and notes and accounts payable. Total net assets were 243.0 billion yen, up 198.5 billion yen, due mainly to an issuance of preferred shares.

Regarding cash flows, net cash used in operating activities was 51.4 billion yen, and net cash used in investing activities was 18.1 billion yen. Net cash provided by financing activities was 20.6 billion yen. As a result, cash and cash equivalents at the end of the period were 188.2 billion yen, a decrease of 43.9 billion yen from March 31, 2015.

### (3) Qualitative Information Regarding Forecast of Consolidated Financial Results

As for the future outlook, we expect the Japanese economy to continue its moderate recovery, with improvement in the employment situation and income environment, supported by various economic measures. Overseas, attention should be given to several factors, including the U.S. monetary policy, the outlook for the Chinese market, the situation in Greece as well as the Middle East, and the price trend of resources such as crude oil. However, the overall economy is expected to be steady.

Under such circumstances, the Sharp Group is making efforts to create products and solutions that meet our customers' needs and stimulate new demand. Also, we will establish a stable earnings foundation through fundamental structural reform and continuously implement three key strategies based on our Medium-Term Management Plan. As a strategy of 1. Restructure business portfolio, we will work to establish business structure according to customers and business attributes in five product group. Efforts include expanding sales ratio of BtoBtoB business in Display Devices business to reduce volatility in sales volume. As a strategy of 2. Reduce fixed costs, we will reduce workforce and cut salaries and bonuses, reform our business structure and bases, and sell our head office. As a strategy of 3. Reorganize and strengthen corporate/governance systems, we will push ahead with new framework creation, including fundamental reform of the personnel system, to realize both corporate governance and autonomy under the company-system scheduled to be introduced on October 1, 2015.

The following is the forecast of financial results for the year ending March 31, 2016, unchanged from the previously announced figure on May 14, 2015.

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

Billions of Yen

	Six months ending September 30, 2015	Increase Decrease	Six months ending March 31, 2016	Increase Decrease	Year ending March 31, 2016	Increase Decrease
Net sales	1,300.0	-2.1%	1,500.0	+2.8%	2,800.0	+0.5%
Operating income	10.0	-65.8%	70.0	-	80.0	-

The above figures are based on an exchange rate of ¥115=US\$ 1.00 for the year ending March 31, 2016. Sharp Group intends to announce the forecast of net income (loss) attributable to Sharp Corporation once it becomes possible to make a reasonable estimate of the impact on consolidated financial statements arising from completion of a voluntary retirement program and materialization of structural reform currently under consideration or in progress, including reform of LCD TV business in the Americas.

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 4K LCD TVs with 8K resolution, employing four primary color technology.

\*2 Developed jointly for mass production by Sharp and Semiconductor Energy Laboratory Co., Ltd. This display incorporates transparent oxide semiconductor.

\*3 Daylight film applying optical control technology which was cultivated in the development of LCDs.

\*4 The touch sensor function is built into the LCD. For more details, please see “Sharp Begins Mass-Production of In-Cell Type Touch Displays for Smartphones” announced on June 17, 2015.  
<http://www.sharp-world.com/corporate/news/150617.html>

## **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**

(Changes in accounting policies)

Effective from the three months ended June 30, 2015, the Company adopted the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21 on September 13, 2013, hereinafter “Business Combinations Accounting Standard”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 on September 13, 2013, hereinafter “Consolidation Accounting Standard”), and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7 on September 13, 2013, hereinafter “Business Divestitures Accounting Standard”). The Company changed its accounting method to recording the difference arising from changes in equities in its controlled subsidiaries as capital surplus, and to recording expenses relating to acquisition as an expense in consolidated fiscal year in which they are incurred. Also, the Company changed its accounting method to reflecting adjustments to the amount allocated to acquisition cost under provisional accounting treatment in the consolidated quarterly period in which the business combinations become effective. This is applied to the business combinations occurring on or after the beginning of the three months ended June 30, 2015. In addition, net income was restated and minority interests were restated to non-controlling interests. Consolidated financial statements for the three months ended June 30, 2014, and for the year ended March 31, 2015, were restated to reflect this change.

In consolidated statements of cash flows for the three months ended June 30, 2015, cash flows of purchase or sales of investments in subsidiaries without change in scope of consolidation were included in cash flows from financing activities, and cash flows of expenses relating to purchase of investments in subsidiaries resulting in change in scope of consolidation, and expenses relating to purchase or sales of investments in subsidiaries without change in scope of consolidation were included in cash flows from operating activities.

The Business Combination Accounting Standard and other standards were applied in accordance with the transitional treatment set forth in paragraph 58-2 (4) of the Business Combinations Accounting Standard, paragraph 44-5 (4) of the Consolidation Accounting Standard and paragraph 57-4 (4) of the Business Divestitures Accounting Standard. The Company applied this accounting standard prospectively from the beginning of the three months ended June 30, 2015.

This change had no impact on consolidated financial statements for the three months ended June 30, 2015.

## **3. Outline of Material Events Relating to Assumed Going Concern**

For the year ended March 31, 2015, the consolidated financial performance of Sharp Group resulted in substantial operating loss and net loss attributable to Sharp Corporation, and made it difficult for Sharp to achieve the Medium-Term Management Plan. Also, consolidated net assets declined significantly, to levels infringing on financial covenants of the syndicated loan agreement.

To address such situations, on May 14, 2015, Sharp formulated a new Medium-Term Management Plan for Fiscal 2015 through 2017, as a corporate strategy to establish a stable earnings foundation through fundamental structural reform. On June 30, 2015, Sharp issued preferred shares totaling 200.0 billion yen to two main

banks—Mizuho Bank, Ltd. and The Bank of Tokyo-Mitsubishi UFJ, Ltd.—in order to reinforce deteriorated capital base. Sharp also issued preferred shares totaling 25.0 billion yen to Japan Industrial Solutions Fund I, managed by Japan Industrial Solutions Co., Ltd., to raise investment capital. These issuances are based on approval at the 121st Ordinary General Meeting of Shareholders and consent on reconciliation among financial institutions. As a result, consolidated net assets increased to a level not infringing on financial covenants of the syndicated loan agreement.

But consolidated financial performance for the three months ended June 30, 2015, resulted in an operating loss and a net loss attributable to Sharp Corporation, as well as negative cash flows from operating activities. In addition, the term of the syndicated loan expires on March 31, 2016. Under such circumstances, there exist events or conditions that may cast a material uncertainty about Sharp's ability to continue as a going concern.

However, by implementing various measures as described below, we believe that Sharp will not have a material uncertainty about its ability to continue as a going concern, and that no further disclosure under the “(4) Going Concern Assumption” on page 12 is necessary.

To overcome these events and conditions, Sharp Group is steadily implementing a new Medium-Term Management Plan with three key strategies—1. Restructure business portfolio, 2. Reduce fixed costs 3. Reorganize and strengthen corporate/governance systems—to build a stable earnings structure. Also, Sharp has gained consensus from the financial institutions that they will continue supporting Sharp during the period of the new Medium-Term Management Plan. Accordingly, Sharp is able to avoid the risk of capital inadequacy and, thanks to the continued support of financial institutions, is currently implementing specific measures outlined in its new Medium-Term Management Plan.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

Millions of Yen

	As of March 31, 2015	As of June 30, 2015
<b>ASSETS</b>		
Current Assets:		
Cash, time deposits and restricted cash	258,493	214,257
Notes and accounts receivable, less allowance for doubtful receivables	605,671	557,173
Inventories	338,300	344,228
Other current assets	96,731	97,765
Total current assets	1,299,195	1,213,423
Plant and Equipment, Less Accumulated Depreciation	400,592	390,907
Investments and Other Assets	262,039	265,547
Deferred Assets	83	77
Total assets	1,961,909	1,869,954
<b>LIABILITIES</b>		
Current Liabilities:		
Short-term borrowings, including current portion of long-term debt	848,947	661,542
Notes and accounts payable	468,020	422,323
Other current liabilities	369,987	326,172
Total current liabilities	1,686,954	1,410,037
Long-term Liabilities	230,440	216,862
Total liabilities	1,917,394	1,626,899
<b>NET ASSETS</b>		
Owners' Equity:		
Capital stock	121,885	500
Capital surplus	95,945	222,548
Retained earnings	( 87,448 )	98,350
Less cost of treasury stock	( 13,893 )	( 13,896 )
Total owners' equity	116,489	307,502
Accumulated Other Comprehensive Income:		
Net unrealized holding gains (losses) on securities	10,569	12,859
Deferred gains (losses) on hedges	780	( 27 )
Foreign currency translation adjustments	( 18,106 )	( 15,145 )
Remeasurements of defined benefit plans	( 79,566 )	( 76,017 )
Total accumulated other comprehensive income	( 86,323 )	( 78,330 )
Non-controlling Interests	14,349	13,883
Total net assets	44,515	243,055
Total liabilities and net assets	1,961,909	1,869,954



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

Millions of Yen

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2015
Net Sales	619,726	618,301
Cost of Sales	510,883	547,791
Gross profit	108,843	70,510
Selling, General and Administrative Expenses	104,175	99,270
Operating income (loss)	4,668	( 28,760 )
Other Income (Expenses)		
Interest income	399	260
Equity in earnings of affiliates	2,384	1,700
Gain on sales of noncurrent assets	79	167
Gain on sales of investment securities	166	1,709
Reversal of provision for loss on litigation	19,234	2,046
Receipt of settlement package	-	6,288
Interest expense	( 6,059 )	( 5,540 )
Loss on sales and retirement of noncurrent assets	( 125 )	( 278 )
Impairment loss	( 813 )	( 6,521 )
Loss on sales of investment securities	( 33 )	-
Provision for loss on litigation	-	( 378 )
Settlement	( 14,382 )	-
Other, net	( 6,858 )	( 1,020 )
	( 6,008 )	( 1,567 )
Loss before income taxes	( 1,340 )	( 30,327 )
Income Taxes		
Current	( 871 )	5,586
Deferred	823	( 2,450 )
	( 48 )	3,136
Net Loss	( 1,292 )	( 33,463 )
Less net income attributable to non-controlling interests	( 496 )	( 519 )
Net loss attributable to Sharp Corporation	( 1,788 )	( 33,982 )

- Consolidated Statements of Comprehensive Income

Millions of Yen

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2015
Net Loss	( 1,292 )	( 33,463 )
Other Comprehensive Income:		
Net unrealized holding gains (losses) on securities	1,272	2,288
Deferred gains (losses) on hedges	( 10 )	( 807 )
Foreign currency translation adjustments	( 4,069 )	3,042
Remeasurements of defined benefit plans	7,793	3,546
Share of other comprehensive income of affiliates accounted for using equity method	( 103 )	64
Total other comprehensive income	4,883	8,133
Comprehensive Income (Loss)	3,591	( 25,330 )
Less comprehensive income attributable to non-controlling interests	( 142 )	( 659 )
Comprehensive income (loss) attributable to Sharp Corporation	3,449	( 25,989 )

## (3) Consolidated Statements of Cash Flows

Millions of Yen

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2015
<b><u>Cash Flows from Operating Activities:</u></b>		
Loss before income taxes	( 1,340 )	( 30,327 )
Adjustments to reconcile loss before income taxes to net cash used in operating activities—		
Depreciation and amortization of properties and intangibles	26,073	20,330
Interest and dividend income	( 930 )	( 723 )
Interest expenses	6,059	5,540
Loss on sales and retirement of noncurrent assets, net	46	111
Impairment loss	813	6,521
Gain on sales of investment securities, net	( 133 )	( 1,709 )
Provision for loss on litigation	-	378
Reversal of provision for loss on litigation	( 19,234 )	( 2,046 )
Settlement	14,382	-
Receipt of settlement package	-	( 6,288 )
Decrease in notes and accounts receivable-trade	37,388	37,798
Increase in inventories	( 22,728 )	( 3,092 )
Decrease in payables	( 8,220 )	( 43,583 )
Decrease in provision for bonuses	( 17,719 )	( 6,328 )
Other, net	5,966	( 11,470 )
Total	20,423	( 34,888 )
Interest and dividends received	1,125	1,060
Interest paid	( 5,663 )	( 5,397 )
Settlement package received	-	3,418
Settlement package paid	( 2,185 )	-
Income taxes paid	( 15,935 )	( 15,601 )
<b>Net cash used in operating activities</b>	<b>( 2,235 )</b>	<b>( 51,408 )</b>
<b><u>Cash Flows from Investing Activities:</u></b>		
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	-	1,409
Acquisitions of plant and equipment	( 11,943 )	( 14,325 )
Other, net	( 3,757 )	( 5,192 )
<b>Net cash used in investing activities</b>	<b>( 15,700 )</b>	<b>( 18,108 )</b>
<b><u>Cash Flows from Financing Activities:</u></b>		
(Decrease) increase in short-term borrowings, net	3,336	( 180,156 )
Proceeds from long-term debt	1,019	911
Repayments of long-term debt	( 4,991 )	( 24,749 )
Proceeds from issuance of class shares	-	224,606
Other, net	1,812	55
<b>Net cash provided by financing activities</b>	<b>1,176</b>	<b>20,667</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>( 1,797 )</b>	<b>4,882</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>( 18,556 )</b>	<b>( 43,967 )</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>350,634</b>	<b>232,211</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>332,078</b>	<b>188,244</b>

(4) Going Concern Assumption

None

(5) Segment Information

1. Three Months Ended June 30, 2014

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

Millions of Yen

Net Sales	
Product Business	
Customers	399,129
Intersegment	1
Total	399,130
Device Business	
Customers	220,597
Intersegment	45,311
Total	265,908
Adjustments	( 45,312 )
The amount presented in Consolidated Statements of Income	619,726
Segment Income (Loss)	
Product Business	13,711
Device Business	( 1,391 )
Adjustments*1	( 7,652 )
The amount presented in Consolidated Statements of Income*2	4,668

Notes: 1. Adjustments of segment income (loss) of (7,652) million yen include elimination of intersegment transactions of (6) million yen and corporate expenses not allocated to each reportable segment of (7,516) 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 income 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 Product Business segment, the book value of production facility for Digital Information Equipment was reduced to an estimated recoverable amount, due to the decreasing profitability and the unlikelihood of recouping investment, and the reduced amount was recorded as an impairment loss. The impairment loss was 813 million yen for the three months ended June 30, 2014.

## 2. Three Months Ended June 30, 2015

### i . Information regarding sales and loss by reportable segment

Millions of Yen

Net Sales	
Product Business	
Customers	319,446
Intersegment	4
Total	319,450
Device Business	
Customers	298,855
Intersegment	20,763
Total	319,618
Adjustments	( 20,767 )
The amount presented in Consolidated Statements of Income	618,301
Segment Loss	
Product Business	( 8,855 )
Device Business	( 10,871 )
Adjustments*1	( 9,034 )
The amount presented in Consolidated Statements of Income*2	( 28,760 )

- Notes: 1. Adjustments of segment loss of (9,034) million yen include elimination of intersegment transactions of 35 million yen and corporate expenses not allocated to each reportable segment of (8,444) 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 . Information regarding impairment loss on noncurrent assets, goodwill, etc. by reportable segment

#### (Significant impairment loss on noncurrent assets)

In the Product Business segment, the book value of business assets of Digital Information Equipment and Energy Solutions with no prospect for recouping investment due to the decreasing profitability, and business assets scheduled to be sold belonging to some consolidated subsidiaries was reduced to an estimated recoverable amount, and the reduced amount was recorded as an impairment loss. The impairment loss was 4,472 million yen for the three months ended June 30, 2015.

In Device Business segment, the book value of business assets, etc. of Display Devices was reduced to an estimated recoverable amount, due to the decreasing profitability and the unlikelihood of recouping investment, and the reduced amount was recorded as an impairment loss. The impairment loss was 2,049 million yen for the three months ended June 30, 2015.

### (6) Significant Changes in Owners Equity

The Company issued Class A Shares and Class B Shares by third-party allotment with the subscription payment date on June 30, 2015. As a result, the capital stock increased by 112,500 million yen and the capital surplus increased by 112,500 million yen.

In addition, based on a resolution of the General Meeting of Shareholders held on June 23, 2015, on June 30, 2015, the Company reduced capital stock and capital 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. As a result, the capital stock decreased by 233,885 million yen and the capital surplus increased by 14,104 million yen.

Due mainly to this, the capital stock as of June 30, 2015, was 500 million yen, a decrease of 121,385 million yen from March 31, 2015, and the capital surplus was 222,548 million yen, an increase of 126,603 million yen.

## (7) Significant Subsequent Events

### (Voluntary Retirement Program)

The Company made decision to put out a call for voluntary retirement at the board meeting held on May 14, 2015. After reaching an agreement with the company labor union on June 17, 2015, about the decision, it started to call for the voluntary retirement on July 27, 2015.

#### 1. Backgrounds to calling for voluntary retirement

Sharp is currently engaged in business reinforcement measures and improving its balance sheet to recover the business performance. As examples of such efforts, the company aims to introduce company-system to strengthen adaptation to clients and business criteria to realize independent management, and also to establish the basis for stable profitability by downsizing of bases, streamlining headquarter, and adjusting employment to an appropriate level. Under this circumstance, the company has decided to offer a voluntary retirement program with sufficient financial support and re-employment assistance to employees who would seek working opportunities outside Sharp.

#### 2. Outline of voluntary retirement program

- (1) Applied companies: Sharp Corporation and its major consolidated subsidiaries in Japan
- (2) Number of accepting application: approx. 3,500 personnel
- (3) Application period: From July 27, 2015, to August 4, 2015
- (4) Date of retirement: September 30, 2015

#### 3. Outline of voluntary retirement program

The company estimates the expense for the voluntary retirement program as total of approx. 35 billion yen among Sharp Group in Japan.

### (Structural Reforms of the LCD Television Business in the Americas including the Transfer of a Subsidiary)

The company, at its board of directors meeting held on July 31, 2015, passed resolutions to form a business alliance with Hisense International (Hong Kong) America Investment Co., Limited (“Hisense HK”), a subsidiary of Hisense Co., Ltd, a major Chinese consumer electronics company (“Hisense”) for the LCD television business that Sharp operates in the Americas under its own brand where the company will license its brands to the LCD televisions offered by Hisense HK in the Americas and to transfer all shares in Sharp Electronica Mexico S.A. de C.V. (“SEMEX”), a consolidated manufacturing subsidiary of the company in Mexico, to Hisense’s subsidiaries, Hisense Electric Co., Ltd (“Hisense Electric”) and Hisense USA Corporation (“Hisense USA”) (the “Business Structural Reforms”), and the company also entered into a legally binding agreement with Hisense HK, Hisense Electric and Hisense USA on July 31, 2015.

#### 1. Backgrounds to the Business Structural Reforms

Since entering the North American LCD television market in 2001, Sharp has expanded its lineup of LCD televisions by increasing their size and introduced products with special features such as the AQUOS Quattron televisions using four primary colors, and has both created the LCD television market and led the expansion of this market. In recent years, however, the company has not been able to fully adapt to the intensifying market competition, which led to significantly lower profits compared to the initial projections for the previous fiscal year, and has been suffering from poor earnings performance.

Under such circumstances, the company announced in its “Medium-Term Management Plan for Fiscal 2015 through 2017” released on May 14, 2015, with regard to the LCD television business in the Americas, it would conduct a fundamental review of the manufacturing and sales value chain, undertake structural reforms including alliances, and target the LCD television business to be profitable by the second half of fiscal 2015.

The company has now decided with regard to its LCD television business in the Americas that it will form a business

alliance with Hisense HK (a subsidiary of Hisense), shift to a business where it will license its brands to the LCD televisions offered by Hisense HK in the Americas market, and transfer its shares in SEMEX, etc. to Hisense Electric and Hisense USA. The shift to the new business model is expected to take place in January 2016. Through the transfer of such shares, Sharp will be withdrawing from the manufacturing and selling of LCD televisions in the Americas. Sharp will continue to sell LCD televisions for corporate use.

## 2. Overview of SEMEX

1. Description of business	Manufacturing and sales of home electrical appliances and electronic components
2. Transactional relationship	Sharp outsources manufacturing and sales of LCD televisions, LCD modules and information displays
3. Sales for the year ended March 31, 2015	US\$ 38,023,000 (4,573 million yen)*

\* The yen amount was converted at an exchange rate of US\$ 1.00 = ¥ 120.27

## 3. Transfer of SEMEX shares etc.

1. Number of shares to be transferred	600,021,098 shares
2. Purchase price	US\$ 21,674,500 (2,709 million yen)*
3. Ownership ratio after transfer	0.0%

\* The total transfer amount including production equipment is US\$ 23,700,000 (2,963 million yen).

The yen amount of the purchase price was converted at an exchange rate of US\$ 1.00 = ¥ 125.00.

## 4. Schedule

1. Date of the board resolution	July 31, 2015
2. Execution date of business alliance agreement	July 31, 2015
3. Execution of share transfer agreement	July 31, 2015
4. Effective date of business alliance	January 6, 2016 (expected)
5. Completion date of share transfer	January 6, 2016 (expected)

## 5. Recording of extraordinary item in other expenses

With regard to the losses that will be incurred as a result of the Business Structural Reforms, impairment losses of 2,337 million yen on consolidated basis regarding the assets such as buildings of SEMEX have been posted as extraordinary item in other expenses in the first quarter of the fiscal year ending March 2016. In addition, in relation to the consolidated financial results for fiscal year ending March 2016, expenses of 7,300 million yen on consolidated basis including the profit/loss from sale of stocks and the costs for rightsizing the workforce and shifting to the new value chain is also expected to be posted as extraordinary item in other expenses on or after the second quarter.

## 5. Supplementary Data

### (1) Consolidated Sales by Product Group

Millions of Yen

	Three Months Ended June 30, 2014		Three Months Ended June 30, 2015		Increase Decrease	Percent Change
	Amount	Ratio	Amount	Ratio		
		%		%		%
Digital Information Equipment	97,895	15.8	70,369	11.4	- 27,526	-28.1
Communications	70,145	11.3	56,860	9.2	- 13,285	-18.9
Health and Environmental Equipment	82,108	13.3	74,724	12.1	- 7,384	-9.0
Consumer Electronics	250,148	40.4	201,953	32.7	- 48,195	-19.3
Energy Solutions	69,049	11.1	36,888	6.0	- 32,161	-46.6
Business Solutions	79,932	12.9	80,605	13.1	+ 673	+0.8
Product Business	399,129	64.4	319,446	51.8	- 79,683	-20.0
Electronic Components and Devices	51,598	8.3	126,866	20.5	+ 75,268	+145.9
Display Devices	168,999	27.3	171,989	27.7	+ 2,990	+1.8
Device Business	220,597	35.6	298,855	48.2	+ 78,258	+35.5
Total	619,726	100.0	618,301	100.0	- 1,425	-0.2
Domestic	241,999	39.0	187,308	30.3	- 54,691	-22.6
Overseas	377,727	61.0	430,993	69.7	+ 53,266	+14.1

#### Notes:

- The above figures indicate sales to outside customers.
- Effective from the three months ended June 30, 2015, the sub total of "Digital Information Equipment," "Communications," and "Health and Environmental Equipment" is shown as "Consumer Electronics." Also, the "LCDs" product group was renamed the "Display Devices" and the "Electronic Devices" product group was renamed the "Electronic Components and Devices."
- Effective from the three months ended June 30, 2015, some items have been reclassified between "Digital Information Equipment" and "Communications" and between "Digital Information Equipment" and "Business Solutions." In this connection, figures for the three months ended June 30, 2014, have been restated to conform with the three months ended June 30, 2015.



## (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

	Three Months Ended June 30, 2014		Three Months Ended June 30, 2015		Percent Change
	Amount	Ratio	Amount	Ratio	
		%		%	%
Digital Information Equipment	97,898	15.8	70,370	11.4	-28.1
Communications	70,150	11.3	56,861	9.2	-18.9
Health and Environmental Equipment	82,107	13.3	74,722	12.1	-9.0
Consumer Electronics	250,155	40.4	201,953	32.7	-19.3
Energy Solutions	69,039	11.1	36,890	6.0	-46.6
Business Solutions	79,936	12.9	80,607	13.0	+0.8
Product Business	399,130	64.4	319,450	51.7	-20.0
Electronic Components and Devices	58,931	9.5	131,745	21.3	+123.6
Display Devices	206,977	33.4	187,873	30.4	-9.2
Device Business	265,908	42.9	319,618	51.7	+20.2
Sub Total	665,038	107.3	639,068	103.4	-3.9
Adjustments	( 45,312 )	-7.3	( 20,767 )	-3.4	-
Total	619,726	100.0	618,301	100.0	-0.2

〈Segment Income (Loss)〉

Millions of Yen

	Three Months Ended June 30, 2014		Three Months Ended June 30, 2015		Percent Change
	Amount	Ratio	Amount	Ratio	
		%		%	%
Digital Information Equipment	( 5,324 )	-114.1	( 17,359 )	-	-
Communications	7,949	170.3	4,941	-	-37.8
Health and Environmental Equipment	3,168	67.9	717	-	-77.4
Consumer Electronics	5,793	124.1	( 11,701 )	-	-
Energy Solutions	183	3.9	( 3,965 )	-	-
Business Solutions	7,735	165.7	6,811	-	-11.9
Product Business	13,711	293.7	( 8,855 )	-	-
Electronic Components and Devices	( 3,502 )	-75.0	2,835	-	-
Display Devices	2,111	45.2	( 13,706 )	-	-
Device Business	( 1,391 )	-29.8	( 10,871 )	-	-
Sub Total	12,320	263.9	( 19,726 )	-	-
Adjustments	( 7,652 )	-163.9	( 9,034 )	-	-
Total	4,668	100.0	( 28,760 )	-	-

Notes:

- Effective from the three months ended June 30, 2015, the sub total of "Digital Information Equipment," "Communications," and "Health and Environmental Equipment" is shown as "Consumer Electronics." Also, the "LCDs" product group was renamed the "Display Devices" and the "Electronic Devices" product group was renamed the "Electronic Components and Devices."
- Effective from the three months ended June 30, 2015, some items have been reclassified between "Digital Information Equipment" and "Communications" and between "Digital Information Equipment" and "Business Solutions." In this connection, figures for the three months ended June 30, 2014, have been restated to conform with the three months ended June 30, 2015.