

# Consolidated Financial Results for the First Half, Fiscal 2016

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**SHARP CORPORATION**

November 1, 2016

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# **I . Consolidated Financial Results for the First Half, Fiscal 2016**

## Consolidated Financial Results for the First Half, Fiscal 2016

- Net sales for the first half of fiscal 2016 amounted to 919.6 billion yen, down 28.1% year on year. This result was mainly due to lower sales of small and medium-sized LCDs and camera modules to major customers, the shift to a brand licensing business for LCD TVs in the Americas, and a downturn in the Japanese smartphone market.
- Structural reform initiatives have resulted in significant improvements in earnings and a swing from operating loss to operating income

(Billions of Yen)

	FY2015	FY2016	
	First Half	First Half	Y on Y
<b>Net Sales</b>	<b>1,279.6</b>	<b>919.6</b>	-28.1%
<b>Operating Income</b> (margin)	<b>-25.1</b> (-2.0%)	<b>0.0</b> (0.0%)	-
<b>Profit Attributable to Owners of Parent</b> (margin)	<b>-83.6</b> (-6.5%)	<b>-45.4</b> (-4.9%)	-

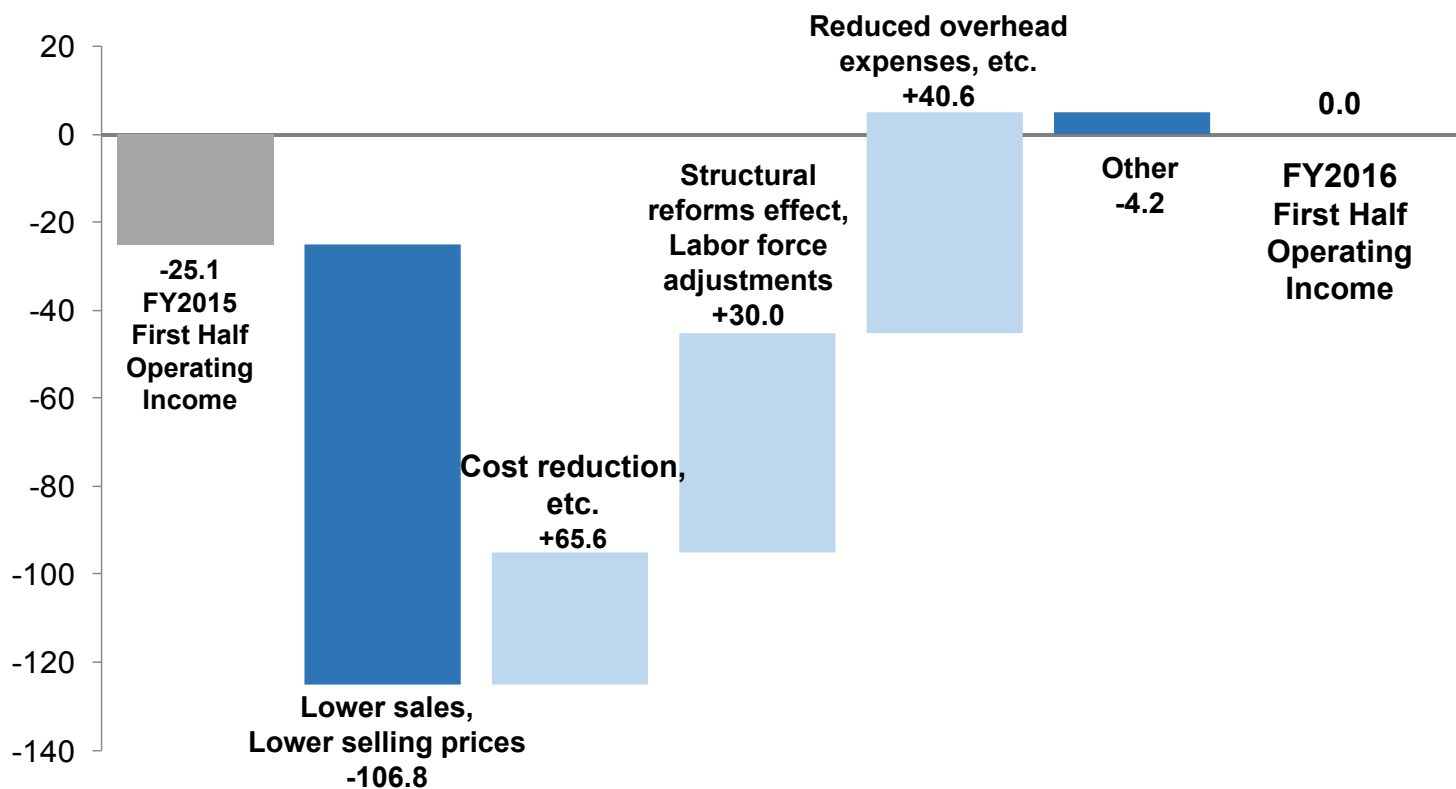
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- First, let's look at our consolidated financial results for the first half of fiscal 2016.
- Net sales were lower year on year, down 28.1% to 919.6 billion yen. Operating income amounted to 70 million yen. Loss attributable to owners of parent amounted to 45.4 billion yen.
- While net sales decreased significantly compared to the same period in the prior fiscal year, operating loss swung to operating income. This result was mainly due to structural improvements in our LCD TV business and in our LCD businesses in China, as we reduced fixed assets.

# Operating Income Analysis (Y on Y) for the First Half, Fiscal 2016

(Billions of Yen)



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- This graph shows our analysis of year-on-year changes in operating income. As you can see, operating income improved considerably over the previous year.
- Normally, we would have seen profit decreases caused by lower sales due to lower selling prices. However, we successfully compensated by adopting cost-reduction measures, introducing model mix improvements, and gaining the benefit of structural reform initiatives during fiscal 2015.
- Overhead expense reductions are likewise producing steady results.

## Consolidated Financial Results for the Second Quarter, Fiscal 2016

- Net sales for the second quarter of fiscal 2016 amounted to 496.2 billion yen, a quarter-on-quarter increase of 17.2%. This result was mainly due to increased sales of camera modules and displays.
- Structural reform initiatives resulted in earnings improvements.

	(Billions of Yen)		
	FY2016		
	1Q	2Q	Q on Q
<b>Net Sales</b>	423.3	496.2	+17.2%
<b>Operating Income</b> (margin)	-2.5 (-0.6%)	2.5 (0.5%)	-
<b>Profit Attributable to Owners of Parent</b> (margin)	-27.4 (-6.5%)	-17.9 (-3.6%)	-

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- Next, let's look at consolidated earnings for the second quarter of fiscal 2016.
- Net sales increased quarter on quarter by 17.2%, reaching 496.2 billion yen. Operating income amounted to 2.5 billion yen. Loss attributable to owners of parent amounted to 17.9 billion yen.
- Structural improvements, mainly in Energy Solutions and Display Devices, led to improved profits and a swing from operating loss to operating income.

# Sales by Segment

(Billions of Yen)

	FY2015	FY2016			
	First Half	1Q	2Q	First Half	Y on Y
IoT Communications	117.6	35.2	37.1	72.3	-38.5%
Health and Environment Systems	150.5	67.8	71.1	139.0	-7.7%
Business Solutions	172.3	77.5	82.1	159.6	-7.3%
Camera Modules	121.8	32.6	51.0	83.7	-31.3%
Electronic Components and Devices	129.3	42.3	51.0	93.4	-27.8%
Energy Solutions	78.7	21.8	30.4	52.2	-33.6%
Display Devices	558.5	167.1	190.3	357.5	-36.0%
Subtotal	1,329.0	444.7	513.3	958.0	-27.9%
Adjustments	-49.3	-21.3	-17.0	-38.3	-
Total	1,279.6	423.3	496.2	919.6	-28.1%

\*Sales include inter-segment sales and transfers.

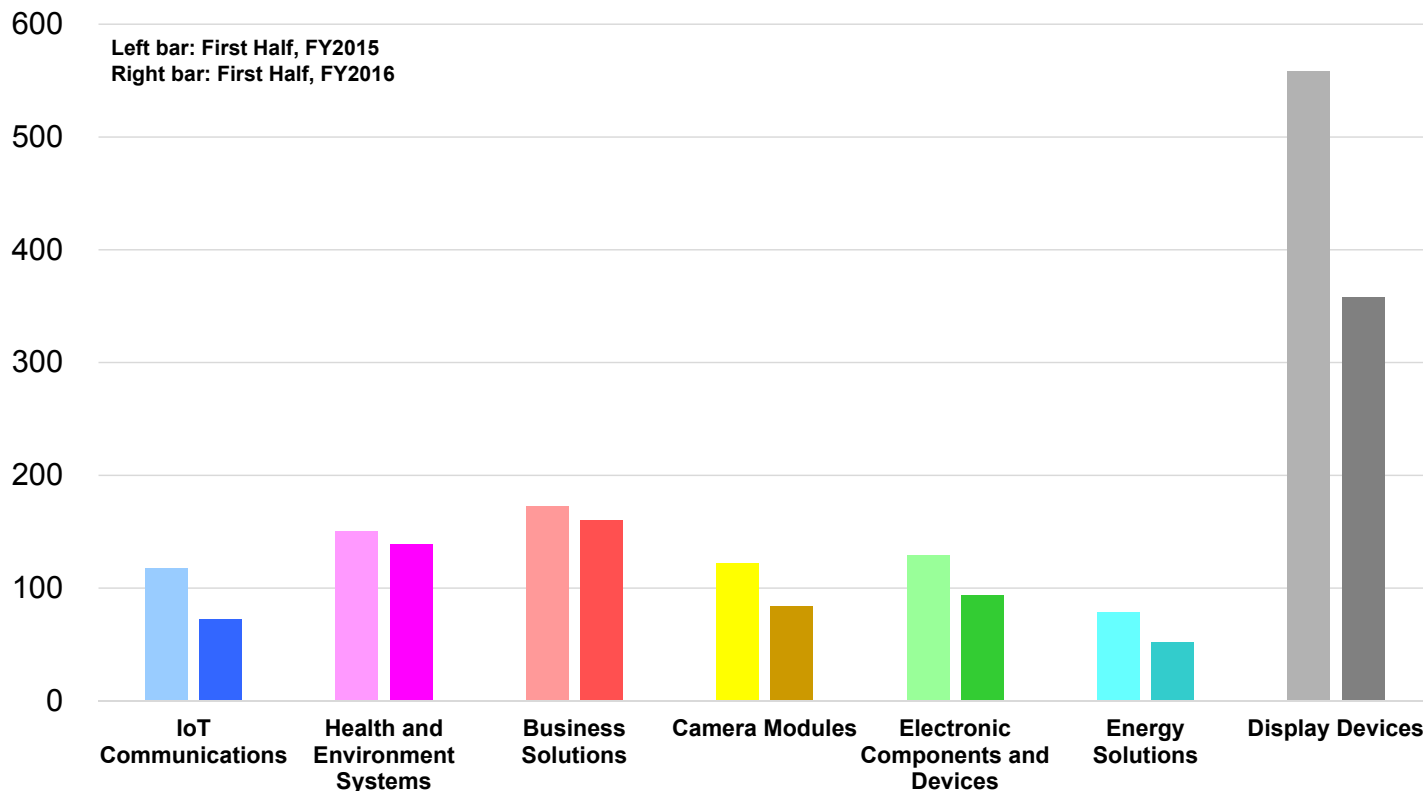
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- This next slide shows net sales by segment.
- Our IoT Communications segment reported 72.3 billion yen in sales, down 38.5% year on year. This decrease was mainly due to weakness in the Japanese smartphone market and a resulting decrease in sales.
- The Health and Environment Systems segment reported 139.0 billion yen in sales, which was a 7.7% decline year on year. Despite strong sales of our mosquito-catching air purifier, foreign exchange fluctuations and unseasonable weather had a negative impact on sales.
- Our Business Solutions segment reported a 7.3% year-on-year sales decrease to 159.6 billion yen. While the color multi-function printer systems introduced in Japan last year performed well, channel inventory corrections overseas resulted in a temporary decrease in sales, negatively affecting performance.
- Intending for business growth, Camera Modules have been separated from Electronic Components and Devices for reporting. Sales in the Camera Modules segment amounted to 83.7 billion yen, representing a 31.3% year-on-year decrease. This result was mainly due to a drop in demand for camera modules by major smartphone customers, as well as to foreign exchange fluctuations.

# Sales by Segment

(Billions of Yen)



\*Sales include inter-segment sales and transfers.

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- The Electronic Components and Devices segment reported net sales of 93.4 billion yen, a decrease of 27.8% compared to the same period in the prior fiscal year. This result was mainly due to falling demand for sensor modules by smartphone customers, despite growth in automotive cameras, lasers.
- Our Energy Solutions segment reported net sales of 52.2 billion yen, down 33.6%. While we experienced EPC business growth in Asia, falling demand for residential and commercial products in Japan affected our performance negatively.
- We incorporated our existing digital information appliances into our Display Devices segment. The objective behind this vertical integration is to put the Sharp name back at the top of the global display market, by the contribution of synergies with Hon Hai Group. This segment reported first-half net sales down 36.0%, amounting to 357.5 billion yen. This result was mainly due to falling demand for smartphone panels by major customers.

# Operating Income by Segment

(Billions of Yen)

	FY2015	FY2016			
	First Half	1Q	2Q	First Half	Y on Y
<b>IoT Communications</b>	<b>10.5</b> (8.9%)	<b>2.0</b> (5.8%)	<b>4.1</b> (11.1%)	<b>6.1</b> (8.5%)	-41.2%
<b>Health and Environment Systems</b>	<b>2.5</b> (1.7%)	<b>6.5</b> (9.7%)	<b>6.5</b> (9.2%)	<b>13.1</b> (9.5%)	5.2-fold
<b>Business Solutions</b>	<b>16.7</b> (9.7%)	<b>5.9</b> (7.7%)	<b>5.2</b> (6.4%)	<b>11.2</b> (7.0%)	-32.9%
<b>Camera Modules</b>	<b>8.2</b> (6.8%)	<b>0.1</b> (0.4%)	<b>-1.3</b> (-2.6%)	<b>-1.1</b> (-1.4%)	-
<b>Electronic Components and Devices</b>	<b>-0.2</b> (-0.2%)	<b>0.3</b> (0.9%)	<b>-0.6</b> (-1.4%)	<b>-0.3</b> (-0.4%)	-
<b>Energy Solutions</b>	<b>-2.6</b> (-3.4%)	<b>-6.3</b> (-28.8%)	<b>1.4</b> (4.9%)	<b>-4.8</b> (-9.2%)	-
<b>Display Devices</b>	<b>-41.5</b> (-7.4%)	<b>-6.8</b> (-4.1%)	<b>-7.8</b> (-4.1%)	<b>-14.6</b> (-4.1%)	-
<b>Subtotal</b>	<b>-6.3</b> (-0.5%)	<b>1.9</b> (0.4%)	<b>7.6</b> (1.5%)	<b>9.5</b> (1.0%)	-
<b>Adjustments</b>	<b>-18.8</b>	<b>-4.4</b>	<b>-5.0</b>	<b>-9.4</b>	-
<b>Total</b>	<b>-25.1</b> (-2.0%)	<b>-2.5</b> (-0.6%)	<b>2.5</b> (0.5%)	<b>0.0</b> (0.0%)	-

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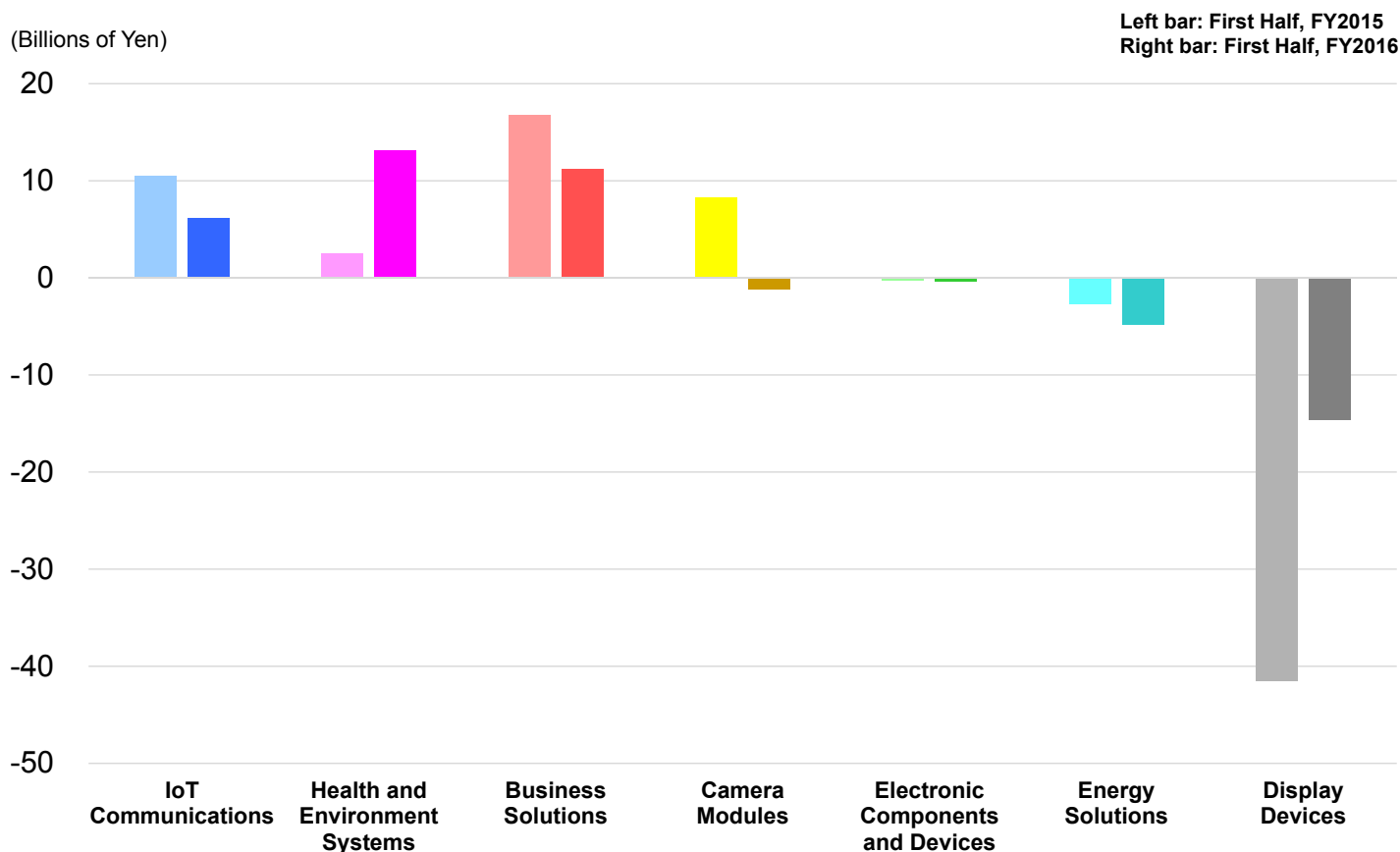
\*Figures within parentheses indicate operating margin.

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- Let's turn to the next slide, which shows operating income by segment.
- Our IoT Communications segment reported first-half operating income of 6.1 billion yen. A more streamlined organization and efficient development process combined to minimize the impact of declining sales.
- The Health and Environment Systems segment reported operating income of 13.1 billion yen an increase of 5.2 times compared to the same period in the prior fiscal year. This result was mainly due to expanded sales of PCI-equipped products, Healsio series products, and other value-added products, in addition expense reductions.
- The Business Solutions segment recorded 11.2 billion yen in operating income, down 32.9% despite efforts to reduce business expenses. However, this segment continued to provide stable earnings, despite weak market conditions.
- In our Camera Modules segment, we worked to reduce costs and overhead expenses across the board. However, lower sales resulted in the segment reporting an operating loss of 1.1 billion yen.



# Operating Income by Segment



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- Our Electronic Components and Devices segment made comprehensive cuts in costs and business expenses. Despite these efforts, the segment recorded an operating loss of 300 million yen, mainly due to lower sales.
- The Energy Solutions segment reported an operating loss of 4.8 billion yen. Second-quarter revenues, cumulative cost-reduction efforts, and reduced business expenses combined as positive factors to improve profits. However, the company recorded an additional reserve on valuation of inventory purchase commitments as a structural improvement measure during the first quarter.
- The Display Devices segment reported an operating loss of 14.6 billion yen, mainly due a decrease in utilization at our plants. However, this loss has narrowed in comparison with the same period in the prior fiscal year. This narrowed loss is the result of structural reforms implemented at the end of the prior year and initiatives to reduce business expenses. Despite lower selling prices, earnings for digital information appliances swung from a loss to a profit for the first half mainly due to an aggressive push for sales of 4K TVs in Japan.

# Other Income (Expenses)

(Billions of Yen)

	FY2015	FY2016				Difference (Y on Y)
	First Half	1Q	2Q	First Half		
<b>Operating Income</b>	<b>-25.1</b>	<b>-2.5</b>	<b>+2.5</b>	<b>0.0</b>	<b>+25.2</b>	
<b>Other Income (Expenses)</b>	<b>-50.0</b>	<b>-20.8</b>	<b>-13.7</b>	<b>-34.6</b>	<b>+15.4</b>	
Equity in earnings of affiliates	+3.0	-	-	-	-3.0	
Gain on sales of investment securities	+1.8	-	+1.3	+1.3	-0.4	
Reversal of provision for loss on litigation	+2.0	-	-	-	-2.0	
Receipt of settlement package	+7.1	-	-	-	-7.1	
Interest expense	-9.9	-2.4	-1.5	-4.0	+5.9	
Equity in losses of affiliates	-	-11.0	-8.1	-19.1	-19.1	
Impairment loss	-11.1	-1.5	-4.2	-5.7	+5.3	
Restructuring charges	-35.3	-	-	-	+35.3	
<b>Pretax Income</b>	<b>-75.2</b>	<b>-23.3</b>	<b>-11.1</b>	<b>-34.5</b>	<b>+40.6</b>	
<b>Income Taxes, etc.</b>	<b>-8.3</b>	<b>-4.0</b>	<b>-6.7</b>	<b>-10.8</b>	<b>-2.5</b>	
<b>Profit Attributable to Owners of Parent</b>	<b>-83.6</b>	<b>-27.4</b>	<b>-17.9</b>	<b>-45.4</b>	<b>+38.1</b>	

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- The next slide addresses other income and expense.
- The company recorded lower interest expense and impairment loss as well as no further occurrence of restructuring charges, during the first half of fiscal 2016. However, equity in losses of affiliates related to Sakai Display Products Corporation resulted in increased other expenses.

# Consolidated Balance Sheets

- Cash, time deposits, and restricted cash amounted to 473.9 billion yen as of September 30, 2016, an increase of 234.6 billion yen compared to June 30, 2016
- Equity ratio increased from -6.0% as of June 30, 2016 to 15.3%, resolving the capital deficit situation

(Billions of Yen)

	FY2015	FY2016			FY2015	FY2016	
	End of Mar. 2016	End of Jun. 2016	End of Sep. 2016		End of Mar. 2016	End of Jun. 2016	End of Sep. 2016
Cash, time deposits, and restricted cash	275.3	239.3	473.9	Short-term borrowings	638.7	172.0	140.8
Notes and accounts receivable	430.0	327.6	362.4	Notes and accounts payable	312.6	267.3	318.6
Inventories	184.3	186.2	187.0	Other current liabilities	423.4	381.0	280.9
Other current assets	76.2	78.6	75.8	<b>Current Liabilities</b>	<b>1,374.8</b>	<b>820.4</b>	<b>740.5</b>
<b>Current Assets</b>	<b>965.9</b>	<b>831.8</b>	<b>1,099.3</b>	<b>Long-term Liabilities</b>	<b>227.0</b>	<b>667.9</b>	<b>664.3</b>
<b>Plant and Equipment</b>	<b>351.2</b>	<b>345.6</b>	<b>346.0</b>	<b>Total Liabilities</b>	<b>1,601.8</b>	<b>1,488.4</b>	<b>1,404.8</b>
<b>Investments and Other Assets</b>	<b>253.4</b>	<b>235.9</b>	<b>224.3</b>	<b>Net Assets</b>	<b>-31.2</b>	<b>-75.0</b>	<b>264.9</b>
<b>Deferred Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>Total Liabilities and Net Assets</b>	<b>1,570.6</b>	<b>1,413.4</b>	<b>1,669.8</b>
<b>Total Assets</b>	<b>1,570.6</b>	<b>1,413.4</b>	<b>1,669.8</b>	<b>Equity Ratio</b>	<b>-2.7%</b>	<b>-6.0%</b>	<b>15.3%</b>

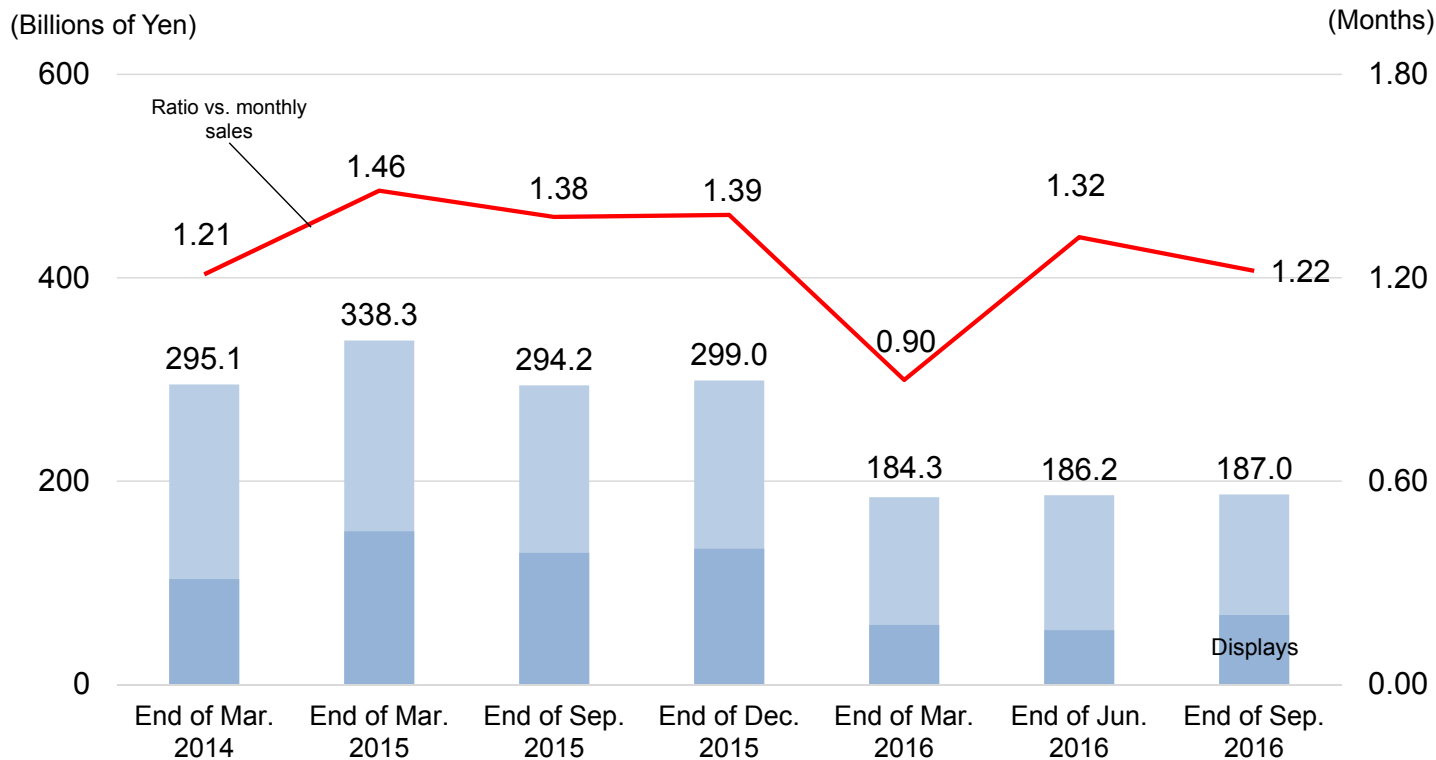
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- The next slide provides information about our balance sheets.
- The capital injection from the Hon Hai Group resolved our capital deficit situation. Net assets as of the second quarter of fiscal 2016 amounted to 264.9 billion yen, an increase of 340 billion yen compared to the end of the first quarter. Our equity ratio likewise improved, rising to 15.3% compared to a negative 6.0% at the end of the first quarter.

# Inventory Trends

- Inventory amounted to 187.0 billion yen, essentially level with June 30, 2016
- The Company intends to maintain appropriate inventory levels reflecting sales plans for the third quarter and beyond.



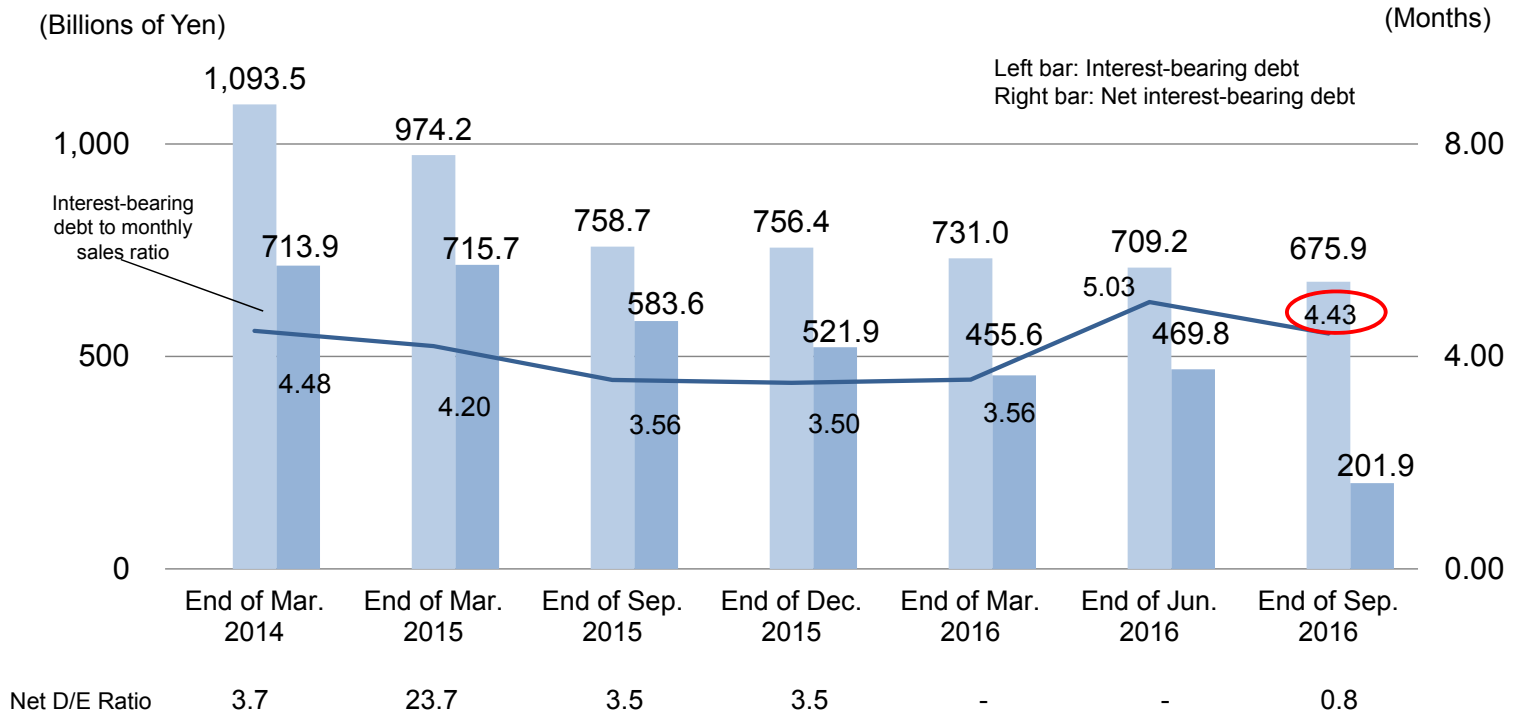
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- The next slide discusses our inventory trends.
- Inventories as of the second quarter of fiscal 2016 were essentially level with the first quarter, and down 0.1-months as a ratio versus monthly sales.

# Interest-Bearing Debt Trends

- Interest-bearing debt as of September 30, 2016 decreased 33.2 billion yen compared to June 30, 2016; interest-bearing debt to monthly sales ratio changed from 5.03 months to 4.43 months
- Net interest-bearing debt\* decreased from 469.8 billion yen as of June 30, 2016 to 201.9 billion yen as of September 30, 2016



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\*Net interest-bearing debt: interest-bearing debt – cash, time deposits, and restricted cash

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- Next, let's take a look at interest-bearing debt.
- Interest-bearing debt as of the second quarter of fiscal 2016 amounted to 675.9 billion yen, down 33.2 billion compared to the first quarter. Net interest-bearing debt improved 267.9 billion yen, amounting to 201.9 billion yen.
- We will continue to optimize inventories and invest more efficiently in equipment to improve cash flows.

## II. Consolidated Earnings Forecast for Fiscal 2016

- Next, I will discuss our consolidated earnings forecast for fiscal 2016.

# Consolidated Earnings Forecast for Fiscal 2016

- Fiscal 2016 net sales is projected to be 2 trillion yen, down 18.8% compared to the prior year, mainly due to lower sales of display devices
- Operating income is projected to improve significantly, swinging to 25.7 billion yen in income, mainly due to ongoing structural reform and synergies with the Hon Hai Group.
- Profit attributable to owners of parent also projected to swing positive during the second half of the year

(Billions of Yen)

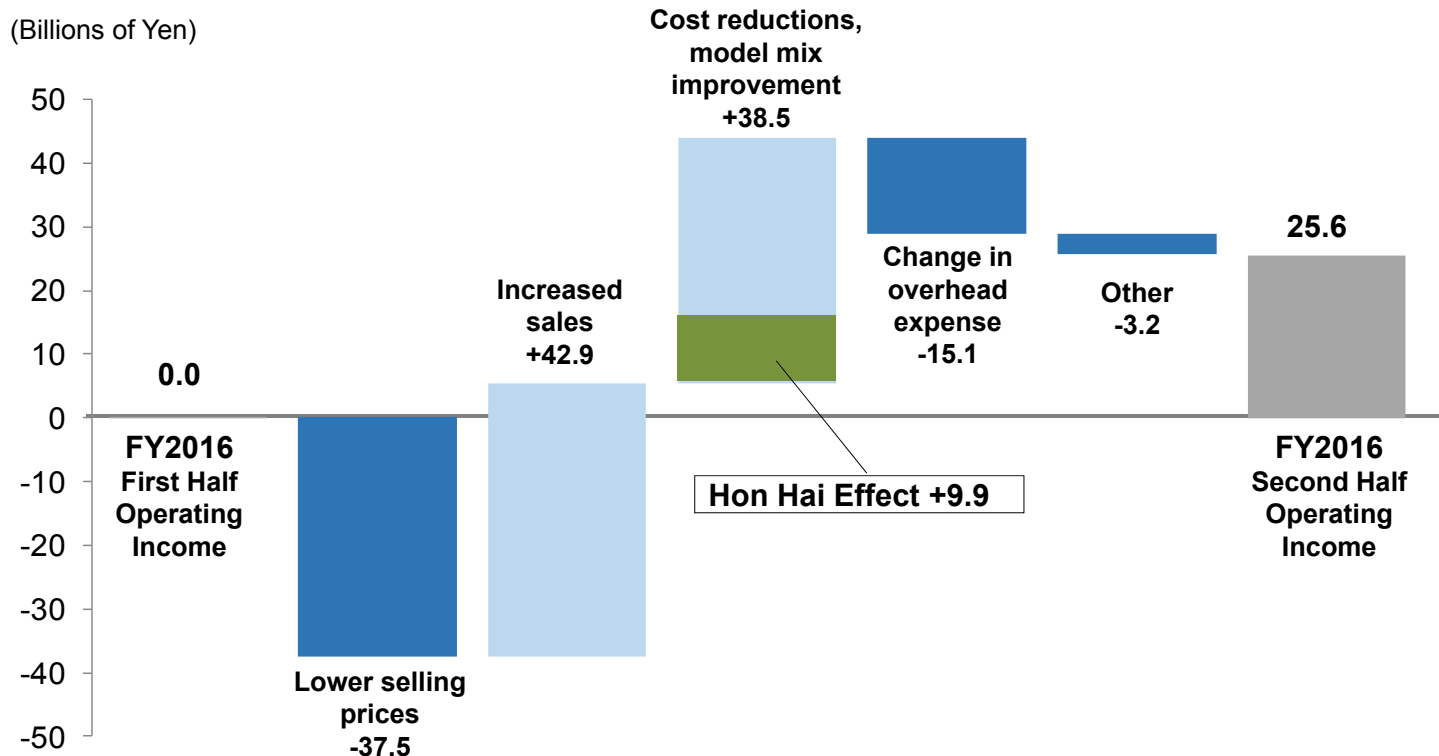
	FY2016			
	First Half	Second Half Forecast	Fiscal Year Forecast	Y on Y
<b>Net Sales</b>	<b>919.6</b>	<b>1,080.3</b>	<b>2,000.0</b>	<b>-18.8%</b>
<b>Operating Income</b>	<b>0.0</b>	<b>25.6</b>	<b>25.7</b>	<b>-</b>
(margin)	(0.0%)	(2.4%)	(1.3%)	
<b>Profit Attributable to Owners of Parent</b>	<b>-45.4</b>	<b>3.6</b>	<b>-41.8</b>	<b>-</b>
(margin)	(-4.9%)	(0.3%)	(-2.1%)	

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- Please turn to the next slide.
- We plan for fiscal 2016 net sales of 2 trillion yen, which represents a 18.8% year-on-year decrease.  
We forecast operating income of 25.7 billion yen,  
Loss attributable to owners of parent is projected to be 41.8 billion yen.
- For the second half of the fiscal year, we expect to see loss attributable to owners of parent to swing to a profit, reflecting the progress of management structural reforms and the synergistic effects of our strategic alliance with the Hon Hai Group.

# Operating Income Analysis (vs. First Half) for the Second Half, Fiscal 2016



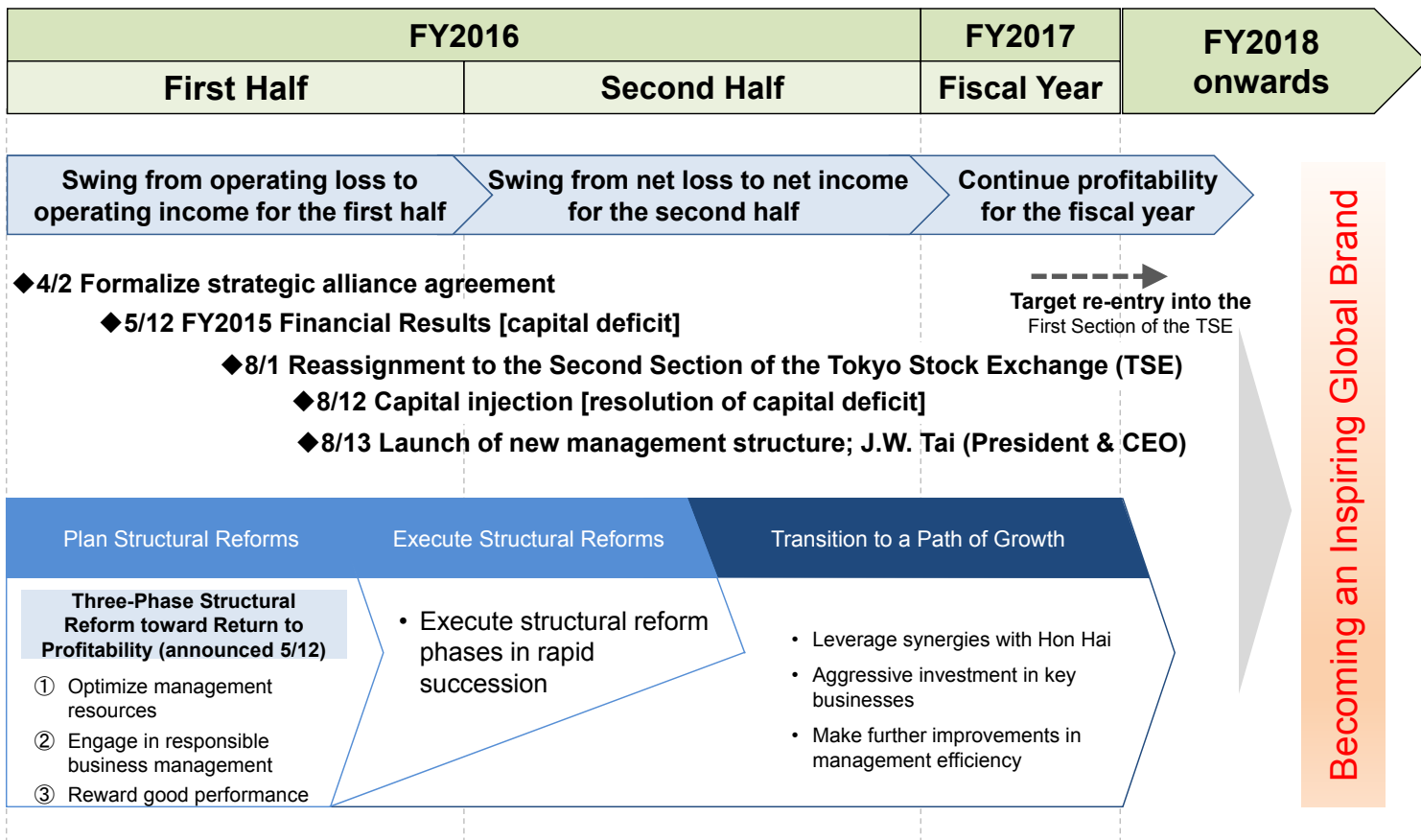
- This graph shows an analysis of changes in operating income for the second half of the year compared to the first half. As you can see, we plan for significant improvement in operating income.
- While we will feel the impact of lower selling prices, we also expect to see revenue growth. This, combined with cost reductions due to our synergetic effect with the Hon Hai Group, will lead to a gradual improvements in profits.



## III. Transitioning to Growth

- Next, allow me to discuss our initiatives to transition to a path of growth.

# The Path to Becoming an Inspiring Global Brand



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- On April 2, we agreed to a strategic alliance with Hon Hai. We received an injection of capital from Hon Hai on August 12. On August 13, we launched our new management structure.
- During the first half of the fiscal year, we focused on implementing those tasks called for under a Three-Phase Structural Reform for a return to profitability as quickly as possible. We announced this structural reform plan when we published our fiscal 2015 financial results.  
Our goal during the second half of the year is to transition to a growth path, pivoting to revenue growth as we rely on synergies with Hon Hai and invest aggressively in our key businesses.
- We believe these initiatives will help us requalify for the First Section of the Tokyo Stock Exchange by fiscal 2018 at the latest. At the same time, these initiatives will dramatically transform Sharp into an inspiring global brand.

# Execute Structural Reforms ① Optimize Management Resources

[◎: Completed ○: In Progress]

Priorities	Progress
Optimize Operating Bases	<ul style="list-style-type: none"><li>◎ Move HQ to Sakai Base (7/1)</li><li>◎ Move Tokyo (Shibaura) office to Makuhari Building (9/30)</li><li>○ Continue to optimize business, operating bases</li></ul>
Reorganize Subsidiaries	<ul style="list-style-type: none"><li>◎ Hong Kong: Dissolve joint venture with Roxy Group (9/26)</li><li>◎ Taiwan: Revise sales structure (9/1)</li><li>◎ Japan: Absorption-type merger with SMS (resolution on 11/1; scheduled merger on 1/1)</li><li>○ Reorganize domestic/overseas subsidiaries</li></ul>
Optimize Labor Force	<ul style="list-style-type: none"><li>◎ Move HQ functions, personnel under divisions (8/27)</li><li>○ Revise overseas temporary transfers, assignments</li><li>○ Reassignments (sales shift, etc.), move external subcontracting in-house, etc.</li></ul>
Capital Policy	<ul style="list-style-type: none"><li>◎ Purchase and cancel Class B shares (9/30)</li><li>◎ Establish commitment line (300 billion yen) (8/12)</li><li>○ Reduce interest expense by revising loan portfolio</li></ul>

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- Next, allow me to address the progress of specific initiatives.  
The first item is to execute our structural reform plan by optimizing our management resources
- We have seen tremendous results in cost savings due to several initiatives. We have optimized our business centers, including moving our HQ and the Shibaura Office. We have dissolved joint ventures and reorganized subsidiaries. We have also optimized our labor force and implemented new capital policies.

## Execute Structural Reforms ②Engage in Responsible Business Management

[◎: Completed ○: In Progress]

Priorities	Progress
Decentralize Management	<ul style="list-style-type: none"> <li>◎ Reorganize into 20 business units; clarify responsibility for earnings (8/21)</li> <li>◎ Transition R&amp;D division to a profit center (8/27)</li> <li>○ Clarify responsibility for earnings at overseas plants</li> </ul>
Establish Subsidiaries	<ul style="list-style-type: none"> <li>◎ Make intellectual property division a subsidiary (ScienBiziP Japan; 10/3)</li> <li>◎ Make logistics division a subsidiary (Sharp JUSDA Logistics Corporation; 10/3)</li> <li>○ Make subsidiaries out of health, medical, and other businesses</li> </ul>
Restructure Supply Chain	<ul style="list-style-type: none"> <li>◎ Establish central purchasing organization; advance central purchasing (11/1)</li> <li>○ Revise brokerage transactions for purchasing/sales</li> <li>○ Consolidate, make product and component distribution more efficient</li> </ul>
Strengthen Controls	<ul style="list-style-type: none"> <li>◎ Reduce number of directors to exercise more agile decision-making (8/12)</li> <li>◎ Strictly define decision-making authority (8/21)</li> <li>○ Strengthen management of inventory, accounts receivable, and noncurrent assets</li> </ul>

- To engage in responsible business management, we instituted decentralized management with clearly defined earnings responsibilities. We have turned functional divisions into subsidiaries, restructured our supply chain through centralized purchasing, and instituted stronger controls to accomplish structural reform goals.

# Execute Structural Reforms ③ Reward Good Performance

[◎: Completed ○: In Progress]

Priorities	Progress
Reward Good Performance	<p><u>Role-based compensation (discontinue seniority system)</u></p> <ul style="list-style-type: none"> <li>○ Adopt role-grade compensation among general employees (already adopted for manager-class employees)</li> </ul> <p><u>Flexible compensation system</u></p> <ul style="list-style-type: none"> <li>◎ Pay salary using funds freed up from payroll decreases (9/23)</li> <li>◎ Trial adoption of sales incentive system (10/1)</li> <li>○ Adopt incentives for technological development</li> <li>○ Move to an evaluation system that reflects performance more directly</li> <li>○ Adopt a stock option plan</li> </ul> <p><u>Fair HR evaluations</u></p> <ul style="list-style-type: none"> <li>◎ Establish an HR evaluation committee (8/26)</li> <li>◎ Adopt a manager demotion system (11/1)</li> </ul>
Seek Expertise	<ul style="list-style-type: none"> <li>○ Abolish the uniform rotation system</li> <li>○ Engage in hiring that focuses on expertise sought after by divisions</li> </ul>

- To reward good performance, we have moved forward in creating a specific performance-based system. At the same time, we have reconsidered our rotation systems and hiring practices to strengthen the competitive stature of our businesses and raise the level of staff expertise in each business unit.

# Transition to a Path of Growth

[◎: Completed ○: In Progress]

Priorities	Progress
Invest in Growth Businesses	<ul style="list-style-type: none"> <li>◎ Invest in an OLED display pilot line (resolution on 9/30)</li> <li>○ Expand product line; develop competitive core devices</li> <li>○ Build partnerships to create new business models</li> </ul>
Take Initiative to Strengthen Key Technologies	<ul style="list-style-type: none"> <li>◎ Purchase production equipment from subcontractors (10/14 agreement)                             <ul style="list-style-type: none"> <li>→ Acquire production equipment for smartphone electronic components, accumulate manufacturing expertise and improve yields to strengthen competitiveness</li> </ul> </li> <li>○ Exercise consistent control of supply chain via equity investments and in-house production</li> </ul>
Strengthen Our Brand	<ul style="list-style-type: none"> <li>○ Strengthen business ties with TV brand license partner (UMC) in Europe                             <ul style="list-style-type: none"> <li>→ Consider investing capital to strengthen relationships, expand business in the European market</li> </ul> </li> <li>○ Rebuild brand in other regions, businesses</li> </ul>
Develop Employees to Lead Strategic Businesses	<ul style="list-style-type: none"> <li>◎ Repurchase Tanabe Bldg. (former HQ district) (9/28 agreement)                             <ul style="list-style-type: none"> <li>→ Use favorable location in Osaka City to secure talented staff</li> </ul> </li> <li>○ Promote mid-career hires with expertise and the ability to contribute immediately</li> <li>○ Promote return-hires/rehires</li> </ul>

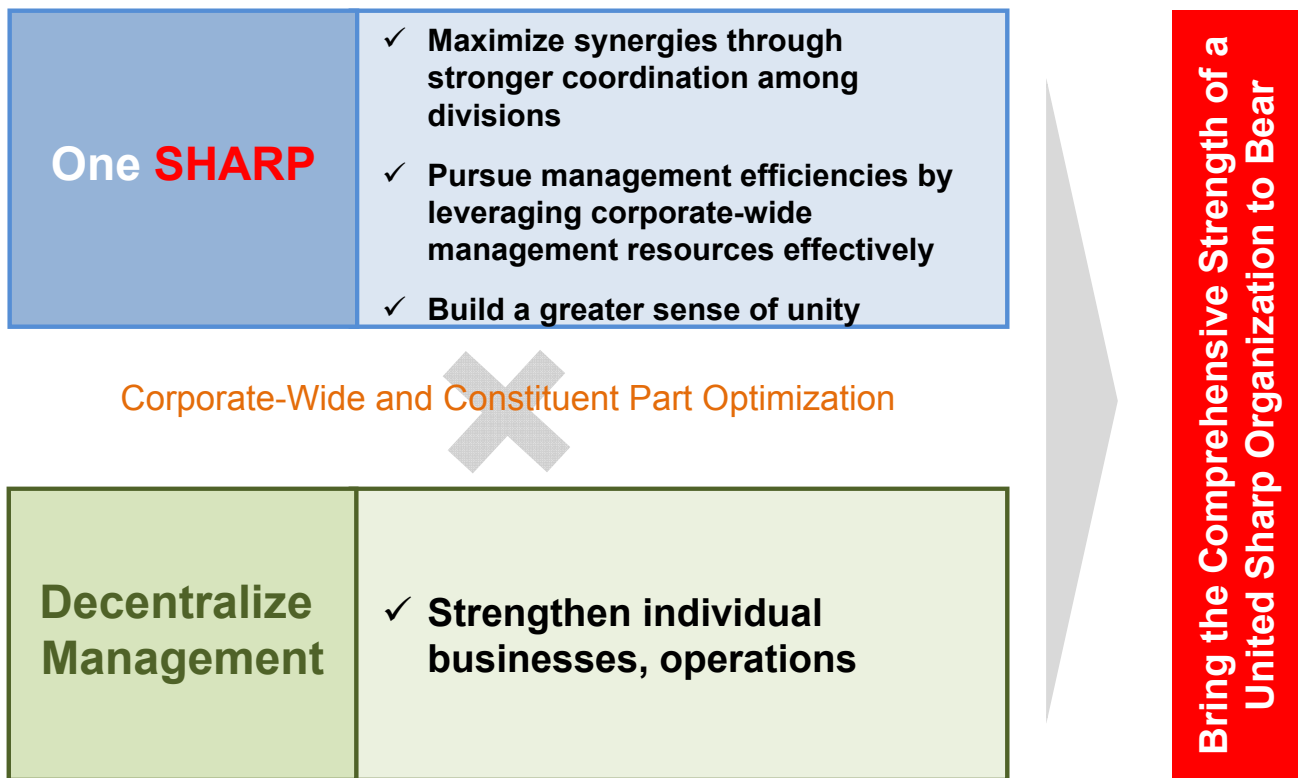


- In addition to these structural reform initiatives, we have started other initiatives to transition Sharp to a path of growth.

More specifically, we plan to invest in growth businesses, including investment in an OLED pilot line and in product line expansion. Further, we plan to take steps to strengthen our own key technologies, purchasing production equipment from subcontractors, making equity investments, moving production in-house, and engaging in other measures to exercise consistent control over our supply chain.

We will also engage in activities to strengthen our brand and to secure human resources who will lead future growth for our company.

# Bring the Comprehensive Strength of the Sharp Organization to Bear



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- It is important that we gather together our businesses and employees into a unified whole, bringing the comprehensive strength of the Sharp organization to bear.

Specifically, we plan to strengthen individual businesses and operations through decentralized management. At the same time, we will act as One SHARP to pursue company-wide optimization, maximizing synergies between and among businesses, while making the most effective use of corporate-wide management resources.

# Business Direction: *People-Oriented IoT*

Connecting everyday devices, creating ways to meet customer needs and to enable them to enjoy the convenience that technology offers.

— The world of IoT, only from Sharp. —

## Connecting Devices

Smart  
Personalization  
for Comfortable  
Growth

Learn &  
Optimize  
Via the Cloud

## Connecting all Aspects of Life

People-Oriented  
IoT

Voice &  
Hospitality  
Create Emotional  
Attachment

Connect to  
Services  
Via the Cloud

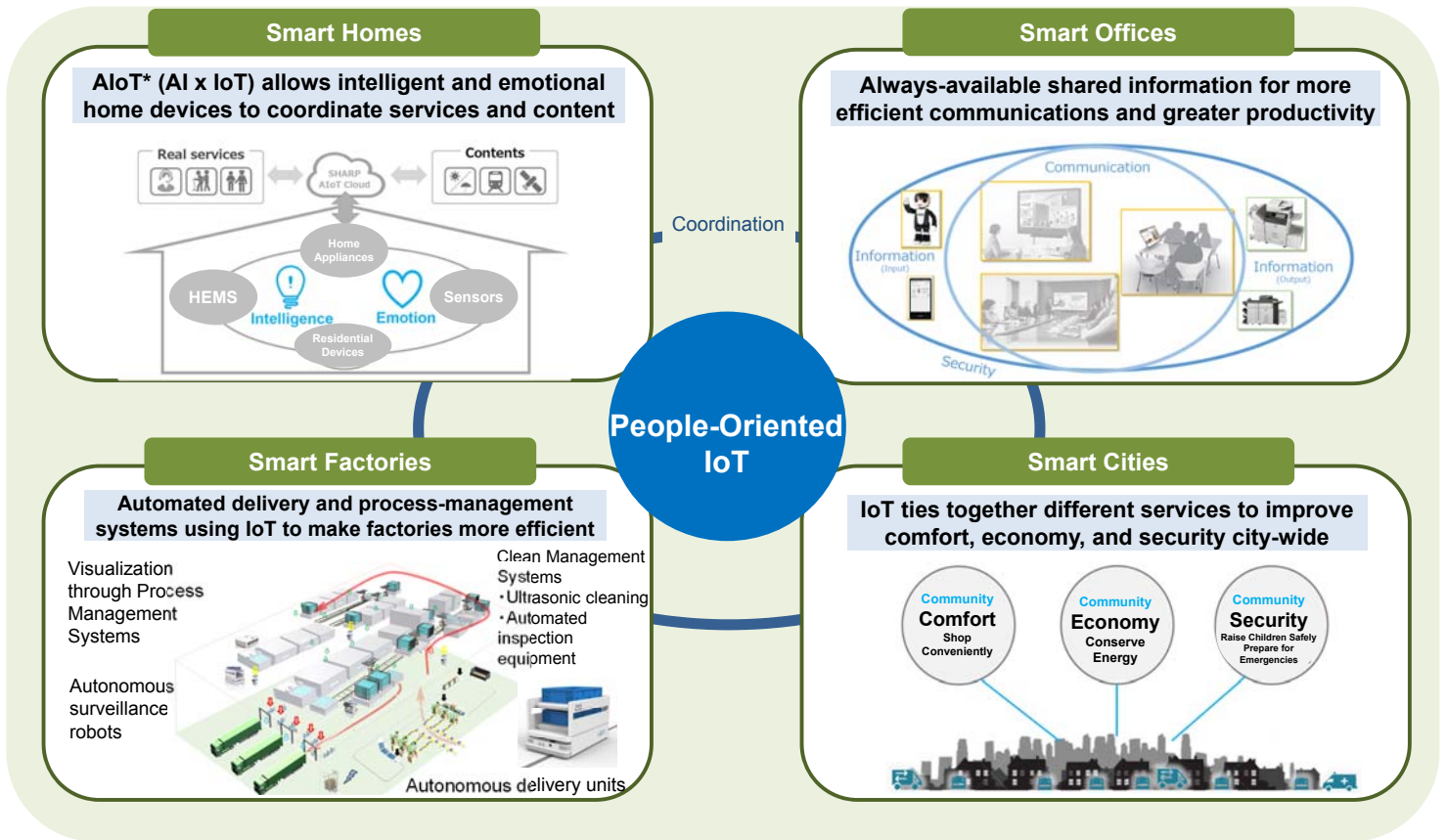
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- Next, I will discuss the direction of our business over the medium term.
- We plan to embody a uniquely Sharp approach to creating a more People-Oriented IoT, leveraging our comprehensive strengths, which include wide-ranging businesses and technology, as well as our capacity for creative product development.
- Specifically, we will concentrate on technologies and related services that focus on people, including voice interaction, behavior analysis, and learning. These everyday devices will create a stronger emotional bond with each use, connected through the cloud and providing a more People-Oriented IoT in all aspects of life.



# The Smart Society, realized through a People-Oriented IoT



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\*AIoT is a registered trademark of Sharp Corporation

- At Sharp, our goal is to create smart societies by coordinating Smart Homes (connected services and content) equipped with intelligent and emotional home devices, Smart Offices (communications and productivity), Smart Factories, and Smart Cities.

In order to create such smart societies, products and technologies from a wide range of fields is required to create this type of smart society, including services, apps, platforms, networks, and devices. Sharp is ready to take advantage of our numerous strengths in AIoT technology (integrating AI and IoT), AIoT product lines, robotics technologies, wireless communications technologies, sensors and displays, and more.

# New Corporate Motto: *Be Original.*

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***Be Original. to Serve as a Trusted Partner***



From the beginning, SHARP has been driven by originality.  
We originate technologies that enhance lifestyles,  
Inspire innovations that support individual expression,  
And create products that let you be you.  
There is only one Sharp.  
There is only one you.

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- Today, Sharp unveiled its new corporate motto: *Be Original.*
- This motto encompasses two meanings. The first pays tribute to Sharp as heir to a legacy of unchanging “Sincerity and Creativity” as a true Original. The second meaning is a reminder to our company to be a more People-Oriented company, continuing to offer unique products and services to our customers that allow them to be their true selves.
- Today, I stand here and promise that every employee at Sharp will build greater levels of “Sincerity and Creativity” into their work.
- By producing highly creative products, services, and devices used and valued by our customers, we will chart a new path of revenue growth and build a stable foundation for profitability.
- As our actions speak for themselves, we will work to build relationships of trust as rapidly as possible, recreating SHARP as an inspiring global brand. I ask for your continued support as we work toward this future.

## IV. Supplementary Data

- As always, we have provided sales and operating income by segment, sales by major product, and other information as supplementary materials for your reference.
- Thank you for your attention.

# Quarterly Sales by Segment

(Billions of Yen)

	FY2015				FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q
IoT Communications	56.8	60.8	36.3	43.4	35.2	37.1
Health and Environment Systems	74.7	75.8	74.0	73.5	67.8	71.1
Business Solutions	80.6	91.7	88.8	93.9	77.5	82.1
Camera Modules	75.7	46.0	78.3	44.8	32.6	51.0
Electronic Components and Devices	60.8	68.5	68.0	47.5	42.3	51.0
Energy Solutions	36.8	41.8	34.5	43.5	21.8	30.4
Display Devices	258.2	300.3	320.0	208.0	167.1	190.3
Subtotal	643.9	685.1	700.3	554.9	444.7	513.3
Adjustments	-25.6	-23.7	-36.9	-36.3	-21.3	-17.0
Total	618.3	661.3	663.3	518.5	423.3	496.2

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\*Sales include inter-segment sales and transfers.

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# Quarterly Operating Income by Segment

(Billions of Yen)

	FY2015				FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q
IoT Communications	4.9 (8.7%)	5.5 (9.1%)	3.1 (8.7%)	0.8 (1.9%)	2.0 (5.8%)	4.1 (11.1%)
Health and Environment Systems	0.7 (1.0%)	1.8 (2.4%)	4.7 (6.4%)	4.4 (6.1%)	6.5 (9.7%)	6.5 (9.2%)
Business Solutions	6.8 (8.4%)	9.9 (10.8%)	7.1 (8.0%)	11.9 (12.7%)	5.9 (7.7%)	5.2 (6.4%)
Camera Modules	4.2 (5.6%)	3.9 (8.6%)	1.0 (1.3%)	-0.1 (-0.4%)	0.1 (0.4%)	-1.3 (-2.6%)
Electronic Components and Devices	-1.4 (-2.4%)	1.2 (1.8%)	0.9 (1.4%)	-8.3 (-17.6%)	0.3 (0.9%)	-0.6 (-1.4%)
Energy Solutions	-3.9 (-10.7%)	1.3 (3.2%)	-5.0 (-14.7%)	-10.7 (-24.6%)	-6.3 (-28.8%)	1.4 (4.9%)
Display Devices	-31.0 (-12.0%)	-10.4 (-3.5%)	-11.0 (-3.5%)	-124.6 (-59.9%)	-6.8 (-4.1%)	-7.8 (-4.1%)
Subtotal	-19.7 (-3.1%)	13.3 (2.0%)	0.8 (0.1%)	-126.6 (-22.8%)	1.9 (0.4%)	7.6 (1.5%)
Adjustments	-9.0	-9.7	-4.7	-6.2	-4.4	-5.0
Total	-28.7 (-4.7%)	3.5 (0.5%)	-3.8 (-0.6%)	-132.9 (-25.6%)	-2.5 (-0.6%)	2.5 (0.5%)

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\*Figures within parentheses indicate operating margin.

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# Sales of Main Products

(Billions of Yen)

	FY2015			FY2016
	First Half	Second Half	Fiscal Year	First Half
<b>LCD TVs</b>	<b>154.6</b>	<b>129.5</b>	<b>284.2</b>	<b>89.9</b>
Unit (million units)	2.99	2.83	5.82	2.16
<b>Mobile Phones</b>	<b>83.5</b>	<b>62.8</b>	<b>146.3</b>	<b>56.2</b>
Unit (million units)	2.26	1.44	3.71	1.25
<b>Refrigerators</b>	<b>48.2</b>	<b>42.5</b>	<b>90.8</b>	<b>44.3</b>
<b>Air Conditioners</b>	<b>36.0</b>	<b>21.6</b>	<b>57.6</b>	<b>30.4</b>
<b>Copiers / Printers</b>	<b>78.2</b>	<b>58.8</b>	<b>137.0</b>	<b>57.8</b>

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# Quarterly Sales of Main Products

(Billions of Yen)

	FY2015				FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q
<b>LCD TVs</b>	<b>64.1</b>	<b>90.5</b>	<b>81.8</b>	<b>47.7</b>	<b>44.4</b>	<b>45.4</b>
Unit (million units)	1.41	1.58	1.72	1.10	1.00	1.15
<b>Mobile Phones</b>	<b>44.1</b>	<b>39.4</b>	<b>27.4</b>	<b>35.3</b>	<b>26.5</b>	<b>29.6</b>
Unit (million units)	1.01	1.25	0.54	0.89	0.57	0.68
<b>Refrigerators</b>	<b>23.0</b>	<b>25.1</b>	<b>21.1</b>	<b>21.4</b>	<b>20.8</b>	<b>23.4</b>
<b>Air Conditioners</b>	<b>20.6</b>	<b>15.3</b>	<b>8.2</b>	<b>13.4</b>	<b>16.5</b>	<b>13.8</b>
<b>Copiers / Printers</b>	<b>37.2</b>	<b>40.9</b>	<b>25.0</b>	<b>33.7</b>	<b>26.8</b>	<b>30.9</b>

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# Capital Investment/Depreciation and Amortization

(Billions of Yen)

	FY2015			FY2016		
	First Half	Second Half	Fiscal Year	First Half	Second Half Forecast	Fiscal Year Forecast
Capital Investment	20.9	24.3	45.2	27.4	122.5	150.0
Displays	8.9	13.9	22.8	12.7	80.2	93.0
Depreciation and Amortization	33.7	34.2	68.0	27.4	32.5	60.0
R&D Expenditures	68.6	61.4	130.1	55.8	74.1	130.0

(Yen)

Exchange Rate	FY2015			FY2016	
	First Half	Second Half	Fiscal Year	First Half	Second Half Forecast
US Dollar	120.80	117.50	119.15	104.30	102.00
Euro	133.57	128.59	131.08	116.66	111.00

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## Quarterly Capital Investment and Depreciation, etc.

(Billions of Yen)

	FY2015				FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q
Capital Investment	9.7	11.1	8.2	16.0	10.2	17.2
Displays	3.8	5.1	4.9	8.9	5.6	7.0
Depreciation and Amortization	18.0	15.7	17.0	17.2	13.5	13.8
R&D Expenditures	36.3	32.3	33.5	27.9	29.7	26.1

(Yen)

Exchange Rate	FY2015				FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q
US Dollar	120.37	121.24	120.51	114.49	107.16	101.44
Euro	132.66	134.48	131.46	125.71	120.53	112.78

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