

Consolidated Financial Results for the First Quarter Ended June 30, 2019

August 1, 2019

SHARP CORPORATION

Stock exchange listings: Tokyo
 Code number: 6753
 URL: <https://corporate.jp.sharp/> (English : <http://www.sharp-world.com/>)
 Representative: J.W. Tai, Chairman, President & Chief Executive Officer
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Scheduled dividend payment date: -
 Supplementary material: Yes
 Financial results meeting: Yes (targeted at institutional investors and analysts)

(Monetary amounts are rounded down to the nearest million yen.)

1. Results for the Three Months Ended June 30, 2019

(1) Financial Results

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

	Net Sales	Percent Change	Operating Profit	Percent Change	Ordinary Profit	Percent Change
Three Months Ended June 30, 2019	514,992	-3.5%	14,613	-41.1%	13,938	-34.5%
Three Months Ended June 30, 2018	533,858	+5.4%	24,801	+45.0%	21,286	+23.9%

	Profit Attributable to Owners of Parent	Percent Change	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Three Months Ended June 30, 2019	12,543	-34.7%	20.53	19.75
Three Months Ended June 30, 2018	19,202	+32.6%	30.21	23.25

[Reference] Comprehensive income : June 30, 2019 ; 8,644 million yen -63.6%
 June 30, 2018 ; 23,752 million yen +4.5%

Note: Sharp completed the acquisition and cancellation of 200,000 Class A shares issued (92,000 shares on January 30, 2019 and 108,000 shares on June 21, 2019). The figures for the net income per share and the fully diluted net income per share are calculated considering the effect of this transaction.

(2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2019	1,846,463	267,378	13.5%
As of March 31, 2019	1,866,349	372,471	18.8%

[Reference] Equity: June 30, 2019 ; 248,707 million yen
 March 31, 2019 ; 350,630 million yen

2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2019	-	0.00	-	20.00	20.00
Year Ending March 31, 2020	-	/	/	/	/
Year Ending March 31, 2020 (Forecast)	/	-	-	-	-

Note1: Revisions to forecast of dividends in this quarter; None

Note2: The amount of dividend per share for the year ending March 31, 2020, has not been decided at the time of announcement.

Note3: 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 Fiscal Year Ending March 31, 2020

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

Millions of Yen

	Net Sales	Percent Change	Operating Profit	Percent Change	Ordinary Profit	Percent Change	Profit Attributable to Owners of Parent	Percent Change	Net Income per Share (Yen)
Six Months Ending September 30, 2019	1,200,000	+6.3%	44,000	-6.4%	42,000	-2.8%	37,000	-9.6%	60.57
Year Ending March 31, 2020	2,650,000	+10.4%	100,000	+18.8%	95,000	+37.7%	80,000	+7.8%	130.97

Note1: Revisions to forecast of financial results in this quarter; None

Note2: Sharp completed the acquisition and cancellation of 200,000 Class A shares issued (92,000 shares on January 30, 2019 and 108,000 shares on June 21, 2019). The figures for the net income per share are calculated considering the effect of this transaction.

4. Other Information

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

Newly added : 1 company

Dynabook Technology (Taiwan) Co., Ltd

Excluded : 1 company

Sharp Trading Corporation

(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: Yes

4. Restatement: None

Note: For more details, please see "Consolidated Financial Statements (4) Notes to Consolidated Quarterly Financial Statements

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury stock) as of June 30, 2019 ; 532,416,558 shares
as of March 31, 2019 ; 532,416,558 shares

2. Number of shares of treasury stock as of June 30, 2019 ; 1,105,965 shares
as of March 31, 2019 ; 1,104,951 shares

3. Average number of shares outstanding during the three months ended June 30, 2019 ; 531,311,220 shares
during the three months ended June 30, 2018 ; 497,251,125 shares

Notes:

1. This financial release is not subject to audit.
2. This financial release contains certain statements about the future, which are based on information available and deemed reasonable to the Sharp Group at the time of announcement and are not the commitments made by Sharp. Actual operating results may differ materially from the forecast due to various factors.
3. Sharp will hold a financial results meeting on August 1, 2019. 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.

(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, 2019	-	0.00	-	26,263.60	26,263.60
Year Ending March 31, 2020	-				

Class C Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2019	-	0.00	-	2,000.00	2,000.00
Year Ending March 31, 2020	-				
Year Ending March 31, 2020 (Forecast)		-	-	-	-

Notes:

1. The amount of dividend for Class A shares for the year ended March 31, 2019, was calculated in accordance to the Company's Articles of Incorporation.
2. Number of Class A Share issued are 108,000 shares as of March 31, 2019. As Sharp acquired and cancelled 108,000 Class A shares on June 21, 2019, the amount of dividend for the year ending March 31, 2020 are not mentioned.
3. Dividend priority of Class C Shares is equal to common shares. In accordance to the dividend clause defined in the Company's Articles of Incorporation, the amount of dividend per Class C Share is equal to the amount of dividend for 100 common shares.
4. The amount of dividend per Class C share for the year ending March 31, 2020, has not been decided at the time of announcement.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
<u>Assets</u>		
Current assets		
Cash and deposits	266,648	238,480
Notes and accounts receivable - trade	539,927	497,106
Inventories	243,849	271,986
Other	94,944	116,285
Allowance for doubtful accounts	(4,000)	(5,950)
Total current assets	1,141,369	1,117,907
Non-current assets		
Property, plant and equipment		
Buildings and structures	645,074	642,676
Machinery, equipment and vehicles	1,188,148	1,177,803
Tools, furniture and fixtures	218,694	216,022
Other	176,961	191,782
Accumulated depreciation	(1,823,840)	(1,822,473)
Total property, plant and equipment	405,038	405,811
Intangible assets	39,695	39,370
Investments and other assets		
Investment securities	185,782	188,439
Other	94,456	94,930
Total investments and other assets	280,239	283,369
Total non-current assets	724,972	728,552
Deferred assets	6	3
Total assets	1,866,349	1,846,463
<u>Liabilities</u>		
Current liabilities		
Notes and accounts payable - trade	372,166	345,109
Electronically recorded obligations - operating	38,149	34,178
Short-term borrowings	81,446	205,960
Current portion of bonds	30,000	30,000
Provision for bonuses	20,639	12,332
Provision for product warranties	19,903	18,489
Valuation reserve for inventory purchase commitments	17,123	17,608
Other provisions	18,992	18,697
Other	214,714	221,535
Total current liabilities	813,136	903,912
Non-current liabilities		
Long-term borrowings	538,205	537,785
Provisions	2,517	2,259
Retirement benefit liability	106,636	103,912
Other	33,381	31,215
Total non-current liabilities	680,740	675,172
Total liabilities	1,493,877	1,579,085

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	208,725	111,647
Retained earnings	258,040	256,298
Treasury shares	(13,987)	(13,988)
Total shareholders' equity	457,778	358,957
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,531	12,522
Deferred gains or losses on hedges	(220)	(1,508)
Foreign currency translation adjustment	(44,251)	(52,334)
Remeasurements of defined benefit plans	(76,208)	(68,929)
Total accumulated other comprehensive income	(107,148)	(110,249)
Share acquisition rights	235	255
Non-controlling interests	21,605	18,414
Total net assets	372,471	267,378
Total liabilities and net assets	1,866,349	1,846,463

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

- Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	533,858	514,992
Cost of sales	431,174	412,436
Gross profit	102,683	102,555
Selling, general and administrative expenses	77,882	87,941
Operating profit	24,801	14,613
Non-operating income		
Interest income	624	762
Dividend income	779	747
Rental income from non-current assets	1,039	800
Foreign exchange gains	-	179
Other	5,358	2,630
Total non-operating income	7,802	5,121
Non-operating expenses		
Interest expenses	1,161	1,261
Foreign exchange losses	4,638	-
Share of loss of entities accounted for using equity method	2,304	947
Other	3,213	3,588
Total non-operating expenses	11,317	5,797
Ordinary profit	21,286	13,938
Extraordinary income		
Gain on sales of non-current assets	893	113
Total extraordinary income	893	113
Extraordinary losses		
Loss on sales and retirement of non-current assets	34	78
Total extraordinary losses	34	78
Profit before income taxes	22,145	13,972
Income taxes - current	6,005	3,516
Income taxes - deferred	(1,804)	(1,849)
Total income taxes	4,201	1,667
Profit	17,943	12,305
Loss attributable to non-controlling interests	(1,258)	(238)
Profit attributable to owners of parent	19,202	12,543

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	17,943	12,305
Other comprehensive income		
Valuation difference on available-for-sale securities	(481)	(1,008)
Deferred gains or losses on hedges	2,883	(1,313)
Foreign currency translation adjustment	1,269	(6,950)
Remeasurements of defined benefit plans, net of tax	2,618	7,283
Share of other comprehensive income of entities accounted for using equity method	(481)	(1,671)
Total other comprehensive income	5,808	(3,660)
Comprehensive income	23,752	8,644
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	25,082	9,442
Comprehensive income attributable to non-controlling interests	(1,330)	(797)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
<u>Cash flows from operating activities</u>		
Profit before income taxes	22,145	13,972
Depreciation	18,969	16,826
Interest and dividend income	(1,403)	(1,510)
Interest expenses	1,161	1,261
Share of loss (profit) of entities accounted for using equity method	2,304	947
Loss (gain) on sales and retirement of non-current assets	(858)	(34)
Decrease (increase) in trade receivables	31,307	30,692
Decrease (increase) in accounts receivable - other	(6,820)	(13,927)
Decrease (increase) in inventories	(23,138)	(32,703)
Increase (decrease) in trade payables	(45,651)	(17,192)
Increase (decrease) in accrued expenses	(15,420)	(1,366)
Increase (decrease) in provision for bonuses	(8,076)	(8,219)
Other, net	(2,904)	922
Subtotal	(28,387)	(10,331)
Interest and dividends received	3,929	2,541
Interest paid	(1,169)	(1,256)
Income taxes (paid) refund	(6,731)	(6,521)
Net cash provided by (used in) operating activities	(32,358)	(15,568)
<u>Cash flows from investing activities</u>		
Payments into time deposits	(6,728)	(26,471)
Proceeds from withdrawal of time deposits	5,906	13,867
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	441	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,931)	(138)
Purchase of property, plant and equipment	(49,627)	(13,248)
Purchase of intangible assets	(3,526)	(4,718)
Purchase of investment securities	(5,521)	(7,487)
Other, net	(5,384)	2,979
Net cash provided by (used in) investing activities	(66,371)	(35,217)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
<u>Cash flows from financing activities</u>		
Net increase (decrease) in short-term borrowings	2,419	125,512
Purchase of treasury shares	(4)	(97,073)
Dividends paid	(21,011)	(13,660)
Other, net	(2,147)	(2,005)
Net cash provided by (used in) financing activities	(20,743)	12,772
Effect of exchange rate change on cash and cash equivalents	319	(2,536)
Net increase (decrease) in cash and cash equivalents	(119,154)	(40,549)
Cash and cash equivalents at beginning of period	404,001	228,798
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	1,315	-
Cash and cash equivalents at end of period	286,162	188,248

(4) Notes to Consolidated Quarterly Financial Statements

(Notes Related to Going Concern Assumption)

No applicable matters to report.

(Notes Related to Significant Changes in Shareholders' Equity)

1. Dividend payment

Resolution	Stock Type	Source of Dividends	Total Dividends (Millions of yen)	Dividend per Share (Yen)	Record Date	Effective Date
May 9, 2019 Board of Directors Meeting	Common Stock	Retained Earnings	10,626	20	March 31, 2019	June 5, 2019
May 9, 2019 Board of Directors Meeting	Class A	Retained Earnings	2,836	26,263.60	March 31, 2019	June 4, 2019
May 9, 2019 Board of Directors Meeting	Class C	Retained Earnings	1,590	2,000	March 31, 2019	June 5, 2019

2. Purchase and cancellation of Class A shares

At meeting held on June 11, 2019, the Sharp board of directors resolved to purchase and cancel all Class A shares. Based on this resolution, Sharp purchased and canceled all shares of Class A shares on June 21, 2019.

As a result, retained earnings decreased 97,072 million yen compared to the end of the previous consolidated fiscal year.

(Change in Accounting Policy)

1. U.S. Accounting Standard Revenue From Contracts With Customers (Topic 606)

Beginning with the first quarter of the current consolidated fiscal year, Sharp has applied the U.S. accounting standard Revenue From Contracts With Customers (Topic 606) to overseas consolidated subsidiaries and other affiliates to which U.S. accounting standards are applied.

The impact of the adoption of this accounting standard on quarterly consolidated financial statements is minor.

2. IFRS No. 16 Leases

Beginning with the first quarter of the current consolidated fiscal year, Sharp has applied IFRS No. 16 Leases to overseas consolidated subsidiaries and other affiliates except those located in the U.S.

With the adoption of this accounting standard lessees in lease transactions recognize right-of-use assets and lease liabilities, while recording depreciation expense for right-of-use assets and interest payments related lease liabilities. Short-term leases or leases involving minor amounts are not recognized as right-of-use assets or lease liabilities. In accordance with transitional treatment, Sharp has recognized the impact of this accounting standard cumulatively for balances as of the date of adoption.

In connection with the adoption of this accounting standard, Sharp recorded increases of 5,881 million yen in property, plant and equipment, 1,524 million yen in other under current liabilities, and 4,791 million yen in other under non-current liabilities.

The impact of the adoption of this accounting standard on profit and loss for the first quarter of the current consolidated fiscal year is minor.

(Change in Accounting Estimates)

Sharp and certain domestic consolidated subsidiaries had been using a period of 13 years as the average remaining years of service for employees over which to amortize actuarial differences for net defined benefit liabilities and prior service costs. However, due to a decrease in average remaining years of service, Sharp will use 12 years as the amortization period beginning with the first quarter of the current consolidated fiscal year.

As a result, operating profit, ordinary profit, and profit before income taxes have each decreased 2,548 million yen for the first quarter of the cumulative consolidated fiscal year when compared to the prior amortization period.