

Consolidated Financial Results for the First Quarter Ended June 30, 2021

August 5, 2021

SHARP CORPORATION

Stock exchange listings: Tokyo
 Code number: 6753
 URL: <https://corporate.jp.sharp/> (English : <https://global.sharp/>)
 Representative: J.W. Tai, Chairman & 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, 2021

(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, 2021	611,569	+18.9%	18,368	+86.3%	25,652	+127.3%
Three Months Ended June 30, 2020	514,468	-0.0%	9,858	-25.4%	11,284	-5.8%

	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, 2021	21,666	+164.3%	35.47	-
Three Months Ended June 30, 2020	8,196	-6.5%	13.42	-

[Reference] Comprehensive income : June 30, 2021 ; 22,835 million yen +33.2%
 June 30, 2020 ; 17,147 million yen +143.7%

Note: Fully diluted net income per share is not provided. Although Sharp has dilutive shares, the shares in question have no dilutive effect.

(2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2021	1,912,638	368,329	18.5%
As of March 31, 2021	1,927,226	364,139	18.2%

[Reference] Equity: June 30, 2021 ; 354,750 million yen
 March 31, 2021 ; 350,348 million yen

2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2021	-	0.00	-	30.00	30.00
Year Ending March 31, 2022	-	/	/	/	/
Year Ending March 31, 2022 (Forecast)	/	-	-	-	-

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

Note2: The amount of dividend per share for the year ending March 31, 2022, has not been decided at the time of announcement.

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2022

(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)
Year Ending March 31, 2022	2,550,000	+5.1%	101,000	+21.5%	91,000	+44.0%	76,000	+42.7%	124.43

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

4. Other Information

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

Newly added : 1 company

Xia Yan Technology (ShanDong) Co., Ltd.

Excluded : -

(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

(Changes in Accounting Policies)" and "Consolidated Financial Statements (4) Notes to Consolidated Quarterly Financial Statements

(Change in Accounting Estimates)".

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury stock) as of June 30, 2021 ; 611,952,858 shares
as of March 31, 2021 ; 611,952,858 shares

2. Number of shares of treasury stock as of June 30, 2021 ; 1,154,126 shares
as of March 31, 2021 ; 1,151,858 shares

3. Average number of shares outstanding during the three months ended June 30, 2021 ; 610,799,684 shares
during the three months ended June 30, 2020 ; 531,307,306 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 5, 2021. 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.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
<u>Assets</u>		
Current assets		
Cash and deposits	341,917	266,002
Notes and accounts receivable - trade	457,649	-
Notes and accounts receivable - trade, and contract assets	-	502,434
Inventories	263,066	294,890
Other	130,098	116,459
Allowance for doubtful accounts	(3,961)	(3,157)
Total current assets	1,188,770	1,176,628
Non-current assets		
Property, plant and equipment		
Buildings and structures	675,865	686,012
Machinery, equipment and vehicles	1,162,607	1,173,565
Tools, furniture and fixtures	190,705	185,944
Other	164,149	157,710
Accumulated depreciation	(1,754,840)	(1,763,183)
Total property, plant and equipment	438,486	440,049
Intangible assets	45,114	45,055
Investments and other assets		
Investment securities	164,181	161,114
Other	90,673	89,790
Total investments and other assets	254,855	250,905
Total non-current assets	738,456	736,010
Total assets	1,927,226	1,912,638
<u>Liabilities</u>		
Current liabilities		
Notes and accounts payable - trade	361,825	380,046
Electronically recorded obligations - operating	34,597	36,252
Short-term borrowings	163,028	116,113
Provision for bonuses	18,573	13,420
Provision for product warranties	18,897	18,529
Other provisions	17,437	18,454
Other	271,223	290,367
Total current liabilities	885,582	873,184
Non-current liabilities		
Long-term borrowings	561,893	558,453
Provisions	5,804	5,779
Retirement benefit liability	83,558	81,790
Other	26,248	25,100
Total non-current liabilities	677,505	671,123
Total liabilities	1,563,087	1,544,308

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	109,126	108,908
Retained earnings	289,551	292,894
Treasury shares	(14,053)	(14,056)
Total shareholders' equity	389,624	392,746
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,617	15,819
Deferred gains or losses on hedges	1,086	(669)
Foreign currency translation adjustment	(39,362)	(38,050)
Remeasurements of defined benefit plans	(17,617)	(15,095)
Total accumulated other comprehensive income	(39,275)	(37,996)
Share acquisition rights	297	300
Non-controlling interests	13,493	13,279
Total net assets	364,139	368,329
Total liabilities and net assets	1,927,226	1,912,638

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

- Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	514,468	611,569
Cost of sales	428,572	506,921
Gross profit	85,896	104,647
Selling, general and administrative expenses	76,037	86,279
Operating profit	9,858	18,368
Non-operating income		
Interest income	639	674
Dividend income	712	745
Rental income from non-current assets	927	868
Foreign exchange gains	2,286	3,222
Share of profit of entities accounted for using equity method	-	4,302
Other	3,529	1,901
Total non-operating income	8,095	11,715
Non-operating expenses		
Interest expenses	1,264	1,349
Share of loss of entities accounted for using equity method	647	-
Other	4,757	3,082
Total non-operating expenses	6,670	4,431
Ordinary profit	11,284	25,652
Extraordinary income		
Gain on sales of non-current assets	2,832	113
Gain on bargain purchase	-	182
Gain on receipt of donated non-current assets	-	711
Total extraordinary income	2,832	1,008
Extraordinary losses		
Loss on sales and retirement of non-current assets	201	36
Impairment loss	871	-
Loss on valuation of investment securities	2,034	-
Loss on sale of shares of subsidiaries and associates	-	268
Total extraordinary losses	3,107	305
Profit before income taxes	11,009	26,355
Income taxes - current	3,585	4,694
Income taxes - deferred	(704)	311
Total income taxes	2,880	5,005
Profit	8,128	21,349
Loss attributable to non-controlling interests	(67)	(317)
Profit attributable to owners of parent	8,196	21,666

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	8,128	21,349
Other comprehensive income		
Valuation difference on available-for-sale securities	2,704	(799)
Deferred gains or losses on hedges	(1,135)	(1,827)
Foreign currency translation adjustment	4,517	1,544
Remeasurements of defined benefit plans, net of tax	3,225	2,506
Share of other comprehensive income of entities accounted for using equity method	(293)	62
Total other comprehensive income	9,018	1,486
Comprehensive income	17,147	22,835
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,963	22,946
Comprehensive income attributable to non-controlling interests	184	(110)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
<u>Cash flows from operating activities</u>		
Profit before income taxes	11,009	26,355
Depreciation	17,414	17,129
Interest and dividend income	(1,352)	(1,420)
Interest expenses	1,264	1,349
Share of loss (profit) of entities accounted for using equity method	647	(4,302)
Loss (gain) on sales and retirement of non-current assets	(2,631)	(77)
Gain on receipt of donated non-current assets	-	(711)
Loss (gain) on sale of shares of subsidiaries and associates	-	268
Gain on bargain purchase	-	(182)
Impairment loss	871	-
Loss (gain) on valuation of investment securities	2,034	-
Decrease (increase) in trade receivables	14,970	-
Decrease (increase) in notes and accounts receivable - trade and contract assets	-	(42,840)
Decrease (increase) in accounts receivable - other	(7,350)	2,723
Decrease (increase) in inventories	(8,806)	(19,263)
Increase (decrease) in trade payables	(12,264)	23,425
Increase (decrease) in accrued expenses	958	3,616
Increase (decrease) in advances received	(853)	-
Increase (decrease) in contract liabilities	-	8,688
Increase (decrease) in valuation reserve for inventory purchase commitments	(17,133)	-
Other, net	(11,815)	(9,319)
Subtotal	(13,036)	5,440
Interest and dividends received	3,122	2,801
Interest paid	(1,271)	(2,605)
Income taxes refund (paid)	(737)	(1,765)
Net cash provided by (used in) operating activities	(11,922)	3,870
<u>Cash flows from investing activities</u>		
Payments into time deposits	(31,852)	(14,643)
Proceeds from withdrawal of time deposits	28,919	15,739
Purchase of property, plant and equipment	(11,243)	(12,823)
Proceeds from sales of property, plant and equipment	6,340	305
Purchase of intangible assets	(4,161)	(4,727)
Purchase of investment securities	(3,613)	(1,873)
Proceeds from sale of investment securities	-	1,733
Other, net	3,812	7,270
Net cash provided by (used in) investing activities	(11,799)	(9,018)

	(Millions of yen)	
	Three months ended June 30, 2020	Three months ended June 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	48,243	(50,704)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(4,589)	(216)
Dividends paid	(10,245)	(17,757)
Other, net	(3,759)	(1,431)
Net cash provided by (used in) financing activities	29,649	(70,109)
Effect of exchange rate change on cash and cash equivalents	2,305	511
Net increase (decrease) in cash and cash equivalents	8,232	(74,747)
Cash and cash equivalents at beginning of period	170,323	292,792
Cash and cash equivalents at end of period	178,555	218,045

(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)

No applicable matters to report.

(Changes in Accounting Policies)

1. Adoption of revenue recognition and other accounting standards

At the beginning of the current consolidated first quarter, we adopted Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020)(“Revenue Recognition Standard,” below) and other standards. With the adoption of these standards, the company now recognizes revenue when the control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for said goods or services.

In the past, the company recognized the extinguishment of inventory assets for work-in-process and other inventory assets supplied to subcontractors for a fee, recording accounts receivable-other from the entity supplied. However, as the company is obligated to buy back processed products from the entity supplied, the company does not recognize the extinguishment of inventory assets. The company also records liabilities related to subcontract manufacturing for the obligation to buy back.

In adopting the change in question, the company follows the transitional treatment as prescribed in the proviso of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of applying the new accounting policy retrospectively for periods prior to the beginning of the first quarter of the current consolidated fiscal year has been added to or deducted from retained earnings at the beginning of the first quarter of the current consolidated fiscal year, and the new accounting policy has been applied beginning with the relevant beginning balance. The company has applied the method prescribed in Paragraph 86 of the Revenue Recognition Standard and has not applied the new accounting policy retrospectively to contracts in which essentially all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current fiscal year.

As a result, the impact of this change on consolidated earnings for the first quarter of the current consolidated fiscal year is minimal. In connection with the adoption of this accounting standard, the company recorded an increase in inventories of 15,440 million yen, a decrease in other current assets of 13,168 million yen, and an increase in other current liabilities of 2,272 million yen as of the end of the first quarter of the current consolidated fiscal year. There is no impact on the beginning balance of retained earnings.

As a result of the application of the Revenue Recognition Standard, *notes and accounts receivable - trade* presented under *current assets* in the consolidated balance sheet of the previous fiscal year is now included under *notes and accounts receivable - trade and contract assets* beginning with the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Standard, no reclassification has been made for the previous fiscal year using the new presentation method.

2. Adoption of fair value measurement accounting standard and other standards

We adopted Accounting Standard for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019) (“Fair Value Measurement Standard,” below) and other standards as of the beginning of the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), we will apply the new accounting policy provided in Fair Value Measurement Standard prospectively. As a result, publicly listed shares included in available-for-sale securities will be stated at fair value based on the market price as of the end of the quarter, effective as of the first quarter of the current consolidated fiscal year. In the past, the company had recorded these shares stated at fair value based on the average market price one month prior to the end of the quarter.

(Change in Accounting Estimates)

Sharp and certain domestic consolidated subsidiaries had been using a period of 10 years as the average employee remaining years of service over which to amortize actuarial differences for net defined benefit liabilities and prior service costs. However, due to a decrease in average employee remaining years of service, Sharp has used 9 years as the amortization period beginning with the current consolidated first quarter.

As a result, operating profit, ordinary profit, and profit before income taxes have each decreased 1,024 million yen for the current cumulative consolidated first quarter under the new amortization period of 9 years compared to the prior amortization period of 10 years.