

# Consolidated Financial Results for the Second Quarter Ended September 30, 2021

November 4, 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  
 Contact person: Hiroyuki Murase, General Manager, Head of Accounting Division, Finance and Administration Office, Corporate Strategic Planning and Control Group  
 Tel. +81 72 282 1221

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 Six Months Ended September 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
Six Months Ended September 30, 2021	1,218,212	+6.5%	39,021	+31.6%	50,870	+70.2%
Six Months Ended September 30, 2020	1,143,453	+2.4%	29,645	-15.6%	29,882	+1.6%

	Profit Attributable to Owners of Parent	Percent Change	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Six Months Ended September 30, 2021	42,516	+78.9%	69.61	-
Six Months Ended September 30, 2020	23,765	+8.6%	38.91	-

[Reference] Comprehensive income : September 30, 2021 ; 46,535 million yen +43.5%  
 September 30, 2020 ; 32,425 million yen +12.5%

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 September 30, 2021	1,895,512	392,020	20.0%
As of March 31, 2021	1,927,226	364,139	18.2%

[Reference] Equity: September 30, 2021 ; 379,335 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	-	0.00	/	/	/
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

Note1: 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 September 30, 2021 ;	611,952,858 shares
as of March 31, 2021 ;	611,952,858 shares
2. Number of shares of treasury stock as of September 30, 2021 ;	1,155,515 shares
as of March 31, 2021 ;	1,151,858 shares
3. Average number of shares outstanding during the six months ended September 30, 2021 ;	610,798,835 shares
during the six months ended September 30, 2020 ;	531,306,859 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 November 4, 2021. Financial materials distributed at the meeting will be posted on its website immediately after the announcement.
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 September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	341,917	261,559
Notes and accounts receivable - trade	457,649	-
Notes and accounts receivable - trade, and contract assets	-	461,043
Inventories	263,066	311,677
Other	130,098	122,263
Allowance for doubtful accounts	(3,961)	(2,296)
Total current assets	1,188,770	1,154,248
Non-current assets		
Property, plant and equipment		
Buildings and structures	675,865	686,132
Machinery, equipment and vehicles	1,162,607	1,177,749
Tools, furniture and fixtures	190,705	184,355
Other	164,149	160,196
Accumulated depreciation	(1,754,840)	(1,764,871)
Total property, plant and equipment	438,486	443,562
Intangible assets	45,114	43,573
Investments and other assets		
Investment securities	164,181	164,012
Other	90,673	90,116
Total investments and other assets	254,855	254,128
Total non-current assets	738,456	741,264
<b>Total assets</b>	<b>1,927,226</b>	<b>1,895,512</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	361,825	359,528
Electronically recorded obligations - operating	34,597	44,110
Short-term borrowings	163,028	82,470
Provision for bonuses	18,573	22,876
Provision for product warranties	18,897	17,528
Other provisions	17,437	18,067
Other	271,223	279,193
Total current liabilities	885,582	823,776
Non-current liabilities		
Long-term borrowings	561,893	569,425
Provisions	5,804	5,808
Retirement benefit liability	83,558	79,139
Other	26,248	25,342
Total non-current liabilities	677,505	679,715
<b>Total liabilities</b>	<b>1,563,087</b>	<b>1,503,492</b>

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	109,126	108,908
Retained earnings	289,551	313,743
Treasury shares	(14,053)	(14,059)
Total shareholders' equity	389,624	413,593
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,617	16,515
Deferred gains or losses on hedges	1,086	(851)
Foreign currency translation adjustment	(39,362)	(37,922)
Remeasurements of defined benefit plans	(17,617)	(11,999)
Total accumulated other comprehensive income	(39,275)	(34,258)
Share acquisition rights	297	303
Non-controlling interests	13,493	12,381
<b>Total net assets</b>	364,139	392,020
<b>Total liabilities and net assets</b>	1,927,226	1,895,512

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

## - Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	1,143,453	1,218,212
Cost of sales	953,413	1,007,941
Gross profit	190,040	210,270
Selling, general and administrative expenses	160,394	171,249
Operating profit	29,645	39,021
Non-operating income		
Interest income	1,460	1,355
Dividend income	932	1,221
Rental income from non-current assets	1,764	1,748
Foreign exchange gains	3,656	6,927
Share of profit of entities accounted for using equity method	-	6,659
Other	8,093	5,700
Total non-operating income	15,907	23,613
Non-operating expenses		
Interest expenses	2,808	2,541
Share of loss of entities accounted for using equity method	3,519	-
Other	9,342	9,222
Total non-operating expenses	15,669	11,763
Ordinary profit	29,882	50,870
Extraordinary income		
Gain on sales of non-current assets	2,895	518
Gain on sales of investment securities	12	-
Gain on sales of shares of subsidiaries and associates	167	-
Gain on bargain purchase	-	182
Gain on receipt of donated non-current assets	-	1,245
Total extraordinary income	3,074	1,946
Extraordinary losses		
Loss on sales and retirement of non-current assets	450	108
Impairment loss	998	-
Loss on valuation of investment securities	2,034	-
Loss on sale of investment securities	-	7
Loss on sale of shares of subsidiaries and associates	-	268
Total extraordinary losses	3,483	385
Profit before income taxes	29,474	52,431
Income taxes - current	6,072	10,654
Income taxes - deferred	(614)	360
Total income taxes	5,457	11,014
Profit	24,016	41,417
Profit (loss) attributable to non-controlling interests	251	(1,098)
Profit attributable to owners of parent	23,765	42,516

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	24,016	41,417
Other comprehensive income		
Valuation difference on available-for-sale securities	2,392	(106)
Deferred gains or losses on hedges	(2,081)	(2,011)
Foreign currency translation adjustment	1,485	1,376
Remeasurements of defined benefit plans, net of tax	6,560	5,603
Share of other comprehensive income of entities accounted for using equity method	50	256
Total other comprehensive income	8,408	5,118
Comprehensive income	32,425	46,535
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	32,003	47,533
Comprehensive income attributable to non-controlling interests	422	(997)

### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	29,474	52,431
Depreciation	33,610	34,782
Interest and dividend income	(2,393)	(2,577)
Interest expenses	2,808	2,541
Share of loss (profit) of entities accounted for using equity method	3,519	(6,659)
Loss (gain) on sale and retirement of non-current assets	(2,444)	(410)
Gain on receipt of donated non-current assets	-	(1,245)
Loss (gain) on sale of investment securities	(12)	7
Loss (gain) on sale of shares of subsidiaries and associates	(167)	268
Gain on bargain purchase	-	(182)
Impairment loss	998	-
Loss (gain) on valuation of investment securities	2,034	-
Decrease (increase) in trade receivables	(50,844)	-
Decrease (increase) in notes and accounts receivable - trade and contract assets	-	(682)
Decrease (increase) in accounts receivable - other	(7,705)	5,637
Decrease (increase) in inventories	21,818	(36,076)
Increase (decrease) in trade payables	9,639	8,117
Increase (decrease) in accrued expenses	4,684	12,289
Increase (decrease) in advances received	(586)	-
Increase (decrease) in contract liabilities	-	5,726
Increase (decrease) in valuation reserve for inventory purchase commitments	(17,133)	-
Other, net	(7,768)	(33,989)
Subtotal	19,532	39,980
Interest and dividends received	6,077	4,374
Interest paid	(2,814)	(2,521)
Income taxes refund (paid)	(2,089)	(12,085)
<b>Net cash provided by (used in) operating activities</b>	<b>20,705</b>	<b>29,747</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(40,799)	(49,377)
Proceeds from withdrawal of time deposits	46,998	52,651
Purchase of property, plant and equipment	(20,263)	(24,160)
Proceeds from sales of property, plant and equipment	6,244	1,862
Purchase of intangible assets	(8,473)	(8,076)
Purchase of investment securities	(3,613)	(6,992)
Proceeds from sale of investment securities	765	1,734
Other, net	7,122	15,381
<b>Net cash provided by (used in) investing activities</b>	<b>(12,019)</b>	<b>(16,977)</b>

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	13,994	(73,066)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(6,875)	(216)
Dividends paid	(10,974)	(18,303)
Other, net	(4,321)	(2,632)
<b>Net cash provided by (used in) financing activities</b>	<b>(8,176)</b>	<b>(94,219)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>591</b>	<b>4,350</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,100</b>	<b>(77,099)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>170,323</b>	<b>292,792</b>
<b>Cash and cash equivalents at end of period</b>	<b>171,423</b>	<b>215,693</b>



(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 first quarter of the current consolidated fiscal year, 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 consolidated fiscal year.

As a result, the impact of this change on consolidated earnings for the cumulative second 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 16,525 million yen, a decrease in other current assets of 13,336 million yen, and an increase in other current liabilities of 3,188 million yen as of the end of the second 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 first quarter of the current consolidated fiscal year.

As a result, operating profit, ordinary profit, and profit before income taxes have each decreased 2,049 million yen for the cumulative second quarter of the current consolidated fiscal year under the new amortization period of 9 years compared to the prior amortization period of 10 years.