

# Consolidated Financial Results for the Third Quarter Ended December 31, 2021

February 8, 2022

## 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  
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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 Nine Months Ended December 31, 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
Nine Months Ended December 31, 2021	1,894,044	+4.2%	63,887	+3.0%	84,628	+93.0%
Nine Months Ended December 31, 2020	1,816,860	+3.8%	62,011	+0.4%	43,851	-26.6%

	Profit Attributable to Owners of Parent	Percent Change	Income per Share (Yen)	Fully Diluted Income per Share (Yen)
Nine Months Ended December 31, 2021	70,839	+72.2%	115.98	-
Nine Months Ended December 31, 2020	41,146	-10.8%	67.36	-

[Reference] Comprehensive income : December 31, 2021 ; 89,048 million yen +68.1 %  
 December 31, 2020 ; 52,969 million yen -26.5 %

Note: Fully diluted 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 December 31, 2021	1,968,206	434,537	21.4%
As of March 31, 2021	1,927,226	364,139	18.2%

[Reference] Equity: December 31, 2021 ; 421,282 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)	/	/	/	40.00	40.00

Note: Revisions to forecast of dividends in this quarter; Yes

### 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	Income per Share (Yen)
Year Ending March 31, 2022	2,520,000	+3.9%	92,000	+10.7%	110,000	+74.1%	85,000	+59.6%	139.16

Note: Revisions to forecast of financial results in this quarter; Yes

### 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 : 1 company

Lianyungang Kantatsu Fine Technology Co., Ltd.

(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 December 31, 2021 ; 611,952,858 shares  
as of March 31, 2021 ; 611,952,858 shares

2. Number of shares of treasury stock as of December 31, 2021 ; 1,156,353 shares  
as of March 31, 2021 ; 1,151,858 shares

3. Average number of shares outstanding during the nine months ended December 31, 2021 ; 610,798,216 shares  
during the nine months ended December 31, 2020 ; 531,305,725 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 February 8, 2022. 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.

(Revision of Forecast of Financial Results for the Fiscal Year Ending March 31, 2022)

We revised our full-year forecast for net sales and operating profit downward by 30,000 million yen and 9,000 million yen, respectively, due to supply chain disruptions and soaring semiconductor prices, raw materials prices, and logistics costs. Further, we made an upward revision to ordinary profit and profit attributable to owners of parent of 19,000 million yen and 9,000 million yen to reflect performance through the third quarter and recent conditions.

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	341,917	243,306
Notes and accounts receivable - trade	457,649	-
Notes and accounts receivable - trade, and contract assets	-	553,598
Inventories	263,066	316,461
Other	130,098	125,163
Allowance for doubtful accounts	(3,961)	(2,624)
Total current assets	1,188,770	1,235,904
Non-current assets		
Property, plant and equipment		
Buildings and structures	675,865	686,424
Machinery, equipment and vehicles	1,162,607	1,187,619
Tools, furniture and fixtures	190,705	176,827
Other	164,149	149,874
Accumulated depreciation	(1,754,840)	(1,766,383)
Total property, plant and equipment	438,486	434,362
Intangible assets	45,114	42,652
Investments and other assets		
Investment securities	164,181	165,478
Other	90,673	89,808
Total investments and other assets	254,855	255,286
Total non-current assets	738,456	732,301
<b>Total assets</b>	<b>1,927,226</b>	<b>1,968,206</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	361,825	410,344
Electronically recorded obligations - operating	34,597	48,754
Short-term borrowings	163,028	73,098
Provision for bonuses	18,573	12,505
Provision for product warranties	18,897	16,636
Other provisions	17,437	19,522
Other	271,223	273,790
Total current liabilities	885,582	854,653
Non-current liabilities		
Long-term borrowings	561,893	570,892
Provisions	5,804	6,098
Retirement benefit liability	83,558	76,737
Other	26,248	25,285
Total non-current liabilities	677,505	679,014
<b>Total liabilities</b>	<b>1,563,087</b>	<b>1,533,668</b>

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	109,126	108,908
Retained earnings	289,551	342,067
Treasury shares	(14,053)	(14,060)
Total shareholders' equity	389,624	441,915
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,617	17,684
Deferred gains or losses on hedges	1,086	(669)
Foreign currency translation adjustment	(39,362)	(28,642)
Remeasurements of defined benefit plans	(17,617)	(9,005)
Total accumulated other comprehensive income	(39,275)	(20,633)
Share acquisition rights	297	304
Non-controlling interests	13,493	12,950
<b>Total net assets</b>	<b>364,139</b>	<b>434,537</b>
<b>Total liabilities and net assets</b>	<b>1,927,226</b>	<b>1,968,206</b>

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

## - Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	1,816,860	1,894,044
Cost of sales	1,512,524	1,571,418
Gross profit	304,335	322,625
Selling, general and administrative expenses	242,324	258,738
Operating profit	62,011	63,887
Non-operating income		
Interest income	2,157	2,009
Dividend income	1,229	1,532
Rental income from non-current assets	2,616	2,612
Foreign exchange gains	4,468	12,462
Share of profit of entities accounted for using equity method	-	5,358
Other	7,401	10,843
Total non-operating income	17,873	34,819
Non-operating expenses		
Interest expenses	4,144	3,650
Share of loss of entities accounted for using equity method	18,821	-
Other	13,068	10,427
Total non-operating expenses	36,033	14,077
Ordinary profit	43,851	84,628
Extraordinary income		
Gain on sales of non-current assets	5,514	2,842
Gain on sales of investment securities	14	628
Gain on sales of shares of subsidiaries and associates	167	-
Gain on bargain purchase	-	182
Gain on liquidation of subsidiaries and associates	27	-
Gain on receipt of donated non-current assets	6,129	1,245
Gain on sale of businesses	-	5,931
Gain on reversal of share acquisition rights	5	-
Total extraordinary income	11,858	10,829
Extraordinary losses		
Loss on sales and retirement of non-current assets	499	467
Impairment loss	1,124	7,708
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
Settlement package	-	2,763
Total extraordinary losses	3,658	11,215
Profit before income taxes	52,051	84,243
Income taxes - current	8,626	13,400
Income taxes - deferred	1,511	1,061
Total income taxes	10,137	14,462
Profit	41,913	69,781
Profit (loss) attributable to non-controlling interests	767	(1,058)
Profit attributable to owners of parent	41,146	70,839

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	41,913	69,781
Other comprehensive income		
Valuation difference on available-for-sale securities	2,044	1,062
Deferred gains or losses on hedges	(4,564)	(1,826)
Foreign currency translation adjustment	3,094	10,326
Remeasurements of defined benefit plans, net of tax	10,020	8,643
Share of other comprehensive income of entities accounted for using equity method	461	1,061
Total other comprehensive income	11,055	19,267
Comprehensive income	52,969	89,048
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	51,835	89,482
Comprehensive income attributable to non-controlling interests	1,133	(433)

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
<b><u>Cash flows from operating activities</u></b>		
Profit before income taxes	52,051	84,243
Depreciation	52,262	53,220
Interest and dividend income	(3,387)	(3,541)
Interest expenses	4,144	3,650
Share of loss (profit) of entities accounted for using equity method	18,821	(5,358)
Loss (gain) on sales and retirement of non-current assets	(5,014)	(2,375)
Gain on receipt of donated non-current assets	(6,129)	(1,245)
Loss (gain) on sales of investment securities	(14)	(620)
Loss (gain) on valuation of investment securities	2,034	-
Loss (gain) on sales of shares of subsidiaries and associates	(167)	268
Gain on bargain purchase	-	(182)
Impairment loss	1,124	7,708
Loss (gain) on sale of businesses	-	(5,931)
Settlement package	-	2,763
Decrease (increase) in trade receivables	(70,499)	-
Decrease (increase) in notes and accounts receivable - trade and contract assets	-	(86,701)
Decrease (increase) in accounts receivable - other	(8,219)	6,417
Decrease (increase) in inventories	37,315	(37,066)
Increase (decrease) in trade payables	52,239	45,232
Increase (decrease) in accrued expenses	16,745	13,388
Increase (decrease) in advances received	(13,137)	-
Increase (decrease) in valuation reserve for inventory purchase commitments	(17,133)	-
Other, net	(12,626)	(37,640)
Subtotal	<u>100,409</u>	<u>36,228</u>
Interest and dividends received	8,196	6,714
Interest paid	(4,588)	(4,180)
Income taxes refund (paid)	(4,986)	(20,330)
Settlement package paid	-	(2,742)
<b>Net cash provided by (used in) operating activities</b>	<u>99,030</u>	<u>15,690</u>
<b><u>Cash flows from investing activities</u></b>		
Payments into time deposits	(88,078)	(62,793)
Proceeds from withdrawal of time deposits	92,405	67,904
Purchase of property, plant and equipment	(29,849)	(35,258)
Proceeds from sales of property, plant and equipment	10,252	5,085
Purchase of intangible assets	(12,072)	(11,465)
Purchase of investment securities	(3,910)	(7,859)
Proceeds from sale of investment securities	777	1,734
Proceeds from sale of businesses	-	3,657
Other, net	9,924	19,478
<b>Net cash provided by (used in) investing activities</b>	<u>(20,551)</u>	<u>(19,515)</u>

	(Millions of yen)	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(54,070)	(82,613)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(6,875)	(216)
Dividends paid	(10,978)	(18,308)
Other, net	28,625	(3,126)
<b>Net cash provided by (used in) financing activities</b>	<b>(43,298)</b>	<b>(104,264)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>2,941</b>	<b>14,445</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>38,122</b>	<b>(93,644)</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>208,446</b>	<b>199,148</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 third 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 12,209 million yen, a decrease in other current assets of 9,993 million yen, and an increase in other current liabilities of 2,216 million yen as of the end of the third 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 3,074 million yen for the cumulative third quarter of the current consolidated fiscal year under the new amortization period of 9 years compared to the prior amortization period of 10 years.