

Consolidated Financial Results for the Third Quarter Ended December 31, 2022

February 7, 2023

SHARP CORPORATION

Stock exchange listings: Tokyo
 Code number: 6753
 URL: <https://corporate.jp.sharp/> (English : <https://global.sharp/>)
 Representative: Po-Hsuan Wu, 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 Nine Months Ended December 31, 2022

(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, 2022	1,967,087	+3.9%	286	-99.6%	156	-99.8%
Nine Months Ended December 31, 2021	1,894,044	+4.2%	63,887	+3.0%	84,628	+93.0%

	Profit Attributable to Owners of Parent	Percent Change	Income per Share (Yen)	Fully Diluted Income per Share (Yen)
Nine Months Ended December 31, 2022	(7,248)	-	(11.37)	-
Nine Months Ended December 31, 2021	70,839	+72.2%	115.98	-

[Reference] Comprehensive income : December 31, 2022 ; (7,735) million yen - %
 December 31, 2021 ; 89,048 million yen +68.1 %

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, 2022	2,132,669	477,009	21.6%
As of March 31, 2022	1,956,288	469,269	23.2%

[Reference] Equity: December 31, 2022 ; 461,609 million yen
 March 31, 2022 ; 454,268 million yen

2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2022	-	0.00	-	40.00	40.00
Year Ending March 31, 2023	-	0.00	-	/	/
Year Ending March 31, 2023 (Forecast)	/	/	/	-	-

Note1: Revisions to forecast of dividends; None

Note2: The amount of dividend per share for the year ending March 31, 2023, has not been decided at the time of announcement.

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2023

(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, 2023	2,550,000	+2.2%	(20,000)	-	-	-	-	-	-

Note1: Revisions to forecast of financial results; Yes

Note2: Consolidated financial results forecasts for ordinary profit, profit attributable to owners of parent, and income per share are difficult to calculate in a reasonable manner at this time. Therefore, forecasts for these figures have been left to be determined as of this time. For more information, please see "Notice Regarding Revision of Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023," published today (February 7, 2023).

4. Other Information

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

Newly added : 1 company

Sakai Display Products Corporation

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: None

4. Restatement: None

Note: For more details, please see "Consolidated Financial Statements (4) Notes to Consolidated Quarterly Financial Statements (Changes in Accounting Policies)".

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury stock) as of December 31, 2022 ;	650,406,538 shares
as of March 31, 2022 ;	611,952,858 shares
2. Number of shares of treasury stock as of December 31, 2022 ;	1,132,819 shares
as of March 31, 2022 ;	1,131,071 shares
3. Average number of shares outstanding during the nine months ended December 31, 2022 ;	637,738,495 shares
during the nine months ended December 31, 2021 ;	610,798,216 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 7, 2023. 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, 2022	As of December 31, 2022
<u>Assets</u>		
Current assets		
Cash and deposits	287,361	262,883
Notes and accounts receivable - trade, and contract assets	487,160	506,752
Inventories	310,283	357,880
Other	148,165	93,767
Allowance for doubtful accounts	(2,342)	(2,371)
Total current assets	1,230,628	1,218,911
Non-current assets		
Property, plant and equipment		
Buildings and structures	689,458	772,232
Machinery, equipment and vehicles	1,191,042	1,221,669
Tools, furniture and fixtures	177,359	173,702
Other	150,215	187,693
Accumulated depreciation	(1,789,815)	(1,807,371)
Total property, plant and equipment	418,260	547,925
Intangible assets		
Goodwill	8,439	51,303
Other	33,845	30,955
Total intangible assets	42,285	82,259
Investments and other assets		
Investment securities	171,392	232,431
Other	93,721	51,141
Total investments and other assets	265,114	283,572
Total non-current assets	725,660	913,758
Total assets	1,956,288	2,132,669
<u>Liabilities</u>		
Current liabilities		
Notes and accounts payable - trade	379,394	403,251
Electronically recorded obligations - operating	42,980	53,804
Short-term borrowings	54,300	133,975
Provision for bonuses	18,506	11,648
Provision for product warranties	19,750	12,488
Provision for loss on litigation	12,288	600
Other provisions	16,715	13,036
Other	264,260	321,928
Total current liabilities	808,198	950,733
Non-current liabilities		
Long-term borrowings	572,270	585,467
Provisions	3,239	8,498
Retirement benefit liability	73,630	66,012
Other	29,679	44,948
Total non-current liabilities	678,820	704,926
Total liabilities	1,487,018	1,655,660

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	108,623	148,929
Retained earnings	345,218	313,393
Treasury shares	(13,747)	(13,749)
Total shareholders' equity	445,094	453,574
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,169	23,214
Deferred gains or losses on hedges	1,835	(3,291)
Foreign currency translation adjustment	(9,085)	(8,059)
Remeasurements of defined benefit plans	(3,745)	(3,828)
Total accumulated other comprehensive income	9,173	8,035
Share acquisition rights	304	295
Non-controlling interests	14,696	15,104
Total net assets	469,269	477,009
Total liabilities and net assets	1,956,288	2,132,669

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

- Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	1,894,044	1,967,087
Cost of sales	1,571,418	1,696,866
Gross profit	322,625	270,220
Selling, general and administrative expenses	258,738	269,934
Operating profit	63,887	286
Non-operating income		
Interest income	2,009	1,961
Dividend income	1,532	1,503
Rental income from non-current assets	2,612	3,204
Foreign exchange gains	12,462	17,602
Share of profit of entities accounted for using equity method	5,358	-
Investment income	4,388	6,651
Other	6,455	5,660
Total non-operating income	34,819	36,584
Non-operating expenses		
Interest expenses	3,650	6,556
Share of loss of entities accounted for using equity method	-	18,559
Other	10,427	11,598
Total non-operating expenses	14,077	36,714
Ordinary profit	84,628	156
Extraordinary income		
Gain on sale of non-current assets	2,842	6,679
Gain on receipt of donated non-current assets	1,245	-
Gain on sale of investment securities	628	17
Gain on step acquisitions	-	12,422
Gain on change in equity	-	261
Gain on bargain purchase	182	-
Gain on sale of businesses	5,931	-
Gain on reversal of share acquisition rights	-	2
Total extraordinary income	10,829	19,384
Extraordinary losses		
Loss on sales and retirement of non-current assets	467	1,174
Impairment loss	7,708	595
Loss on valuation of investment securities	-	38
Loss on sale of investment securities	7	-
Loss on sale of shares of subsidiaries and associates	268	-
Business restructuring expenses	-	1,398
Settlement payments	2,763	-
Provision for loss on litigation	-	1,976
Total extraordinary losses	11,215	5,184
Profit before income taxes	84,243	14,357
Income taxes - current	13,400	10,997
Income taxes - deferred	1,061	9,729
Total income taxes	14,462	20,727
Profit (loss)	69,781	(6,370)
Profit (loss) attributable to non-controlling interests	(1,058)	878
Profit (loss) attributable to owners of parent	70,839	(7,248)

- Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	69,781	(6,370)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,062	3,045
Deferred gains or losses on hedges	(1,826)	(5,109)
Foreign currency translation adjustment	10,326	10,252
Remeasurements of defined benefit plans, net of tax	8,643	(317)
Share of other comprehensive income of entities accounted for using equity method	1,061	(9,236)
Total other comprehensive income	19,267	(1,365)
Comprehensive income	89,048	(7,735)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	89,482	(8,386)
Comprehensive income attributable to non-controlling interests	(433)	650

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
<u>Cash flows from operating activities</u>		
Profit before income taxes	84,243	14,357
Depreciation	53,220	62,852
Interest and dividend income	(3,541)	(3,465)
Interest expenses	3,650	6,556
Share of loss (profit) of entities accounted for using equity method	(5,358)	18,559
Investment expenses (income)	(4,388)	(6,651)
Loss (gain) on sale and retirement of non-current assets	(2,375)	(5,504)
Gain on receipt of donated non-current assets	(1,245)	-
Impairment losses	7,708	595
Loss (gain) on valuation of investment securities	-	38
Loss (gain) on sale of investment securities	(620)	(17)
Loss (gain) on step acquisitions	-	(12,422)
Loss (gain) on change in equity	-	(261)
Gain on reversal of share acquisition rights	-	(2)
Loss (gain) on sale of businesses	(5,931)	-
Business restructuring expenses	-	1,398
Settlement payments	2,763	-
Provision for loss on litigation	-	1,976
Decrease (increase) in notes and accounts receivable - trade and contract assets	(86,701)	(32,253)
Decrease (increase) in accounts receivable - other	6,417	3,496
Decrease (increase) in inventories	(37,066)	(16,395)
Increase (decrease) in trade payables	45,232	4,566
Other, net	(19,778)	(32,700)
Subtotal	36,228	4,721
Interest and dividends received	6,714	6,399
Interest paid	(4,180)	(6,909)
Income taxes refund (paid)	(20,330)	(8,883)
Settlement paid	(2,742)	(9,813)
Net cash provided by (used in) operating activities	15,690	(14,485)
<u>Cash flows from investing activities</u>		
Payments into time deposits	(62,793)	(53,618)
Proceeds from withdrawal of time deposits	67,904	47,405
Purchase of property, plant and equipment	(35,258)	(32,966)
Proceeds from sales of property, plant and equipment	5,085	9,868
Purchase of intangible assets	(11,465)	(10,358)
Purchase of investment securities	(7,859)	(1,359)
Proceeds from sale of investment securities	1,734	191
Proceeds from sale of businesses	3,657	619
Other, net	19,478	13,291
Net cash provided by (used in) investing activities	(19,515)	(26,926)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(82,613)	37,114
Proceeds from long-term borrowings	14,967	1
Repayments of long-term borrowings	(14,515)	(7,265)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(216)	-
Dividends paid	(18,308)	(24,419)
Other, net	(3,578)	(6,142)
Net cash provided by (used in) financing activities	(104,264)	(711)
Effect of exchange rate change on cash and cash equivalents	14,445	9,114
Net increase (decrease) in cash and cash equivalents	(93,644)	(33,009)
Cash and cash equivalents at beginning of period	292,792	239,359
Increase in cash and cash equivalents resulting from share exchanges	-	2,099
Cash and cash equivalents at end of period	199,148	208,449

(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)

Effective June 27, 2022, Sharp conducted a share exchange making Sharp the wholly owning parent company via share exchange and Sakai Display Products Corporation a wholly owned subsidiary via share exchange.

As a result, capital surplus increased by 40,337 million yen compared with the end of the previous fiscal year.

(Changes in Accounting Policies)

U.S. Accounting Standard ASC No. 842 Leases

Beginning with the first quarter of the current consolidated fiscal year, Sharp has applied the U.S. accounting standard ASC No. 842 Leases to overseas consolidated subsidiaries, etc. to which U.S. accounting standards are applied.

With the adoption of this accounting standard, lessees in lease transactions recognize right-of-use assets and lease liabilities. Short-term leases 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 for the cumulative third quarter of the current consolidated fiscal year of 7,413 million yen in property, plant and equipment, 1,479 million yen in other under current liabilities, and 6,342 million yen in other under non-current liabilities.

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