

First Quarter of Fiscal Year 2006

Quarterly Financial Review (consolidated)

SHARP CORPORATION
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Financial Review for the First Quarter Ended June 30, 2006

Millions of Yen

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Percent Change
Net Sales	693,720	616,360	% + 12.6
Operating Income (Percentage vs. Sales)	40,430 (5.8%)	35,559 (5.8%)	+ 13.7
Income before Income Taxes and Minority Interests (Percentage vs. Sales)	39,458 (5.7%)	31,821 (5.2%)	+ 24.0
Net Income (Percentage vs. Sales)	23,892 (3.4%)	19,414 (3.1%)	+ 23.1
Net Income per Share (Yen)	21.90	17.79	-

Note: 1. Number of consolidated subsidiaries : 50 companies

(3 companies increased in comparison to March 31, 2006)

Number of nonconsolidated subsidiaries and affiliates on the equity method : 11 companies

2. Published figures have not been subjected to an accounting audit by an auditing firm.

3. Monetary amounts are rounded to the nearest million yen.

CONSOLIDATED FINANCIAL RESULTS

Results for the Three Months Ended June 30, 2006

(1) Results of Operation

Millions of Yen

	Net Sales	Percent Change	Operating Income	Percent Change
Three Months Ended June 30, 2006	693,720	+12.6%	40,430	+13.7%
Three Months Ended June 30, 2005	616,360	+2.5%	35,559	+0.5%
Year Ended March 31, 2006	2,797,109		163,710	

	Net Income (Millions of Yen)	Percent Change	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Three Months Ended June 30, 2006	23,892	+23.1%	21.90	-
Three Months Ended June 30, 2005	19,414	-0.8%	17.79	-
Year Ended March 31, 2006	88,671		80.85	-

Note: The percentage figures for net sales, operating income and net income represent the percentage of increase or decrease against the same period of the previous year.

(2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share (Yen)
As of June 30, 2006	2,623,354	1,114,762	42.2%	1,014.10
As of June 30, 2005	2,437,308	1,011,792	41.5%	927.35
As of March 31, 2006	2,560,299	1,098,910	42.9%	1,006.91

(3) Summary of Consolidated Cash Flows

Millions of Yen

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents Ending Balance
Three Months Ended June 30, 2006	25,294	(15,906)	(12,396)	298,759
Three Months Ended June 30, 2005	16,257	(41,958)	15,432	286,365
Year Ended March 31, 2006	263,753	(229,386)	(33,760)	299,466

(Forecast for the year ending March 31, 2007)

There are no revisions to the fiscal 2006 financial result forecast announced on April 26, 2006.

Operating Results and Financial Position

1. Review of the Three Months Ended June 30, 2006

During the past three months, the Japanese economy continued to recover steadily, supported mainly by an increase in private consumption and corporate investment owing to improved earnings results. Overseas, the U.S. and Asian economies enjoyed steady growth, while the European economy showed solid recovery.

Under these circumstances, Sharp took assertive initiatives to further improve its competitiveness. In the product business, we strove to enhance such unique products as LCD color TVs. In the device business, we increased sales of proprietary devices, including LCDs and solar cells.

As a result, consolidated financial results for the three months showed net sales of 693.7 billion yen, up 12.6% from the same period last year, operating income of 40.4 billion yen, up 13.7% and net income of 23.8 billion yen, up 23.1%.

Regarding cash flow, net cash provided by operating activities was 25.2 billion yen, while net cash used in investing activities was 15.9 billion yen. Net cash used in financing activities was 12.3 billion yen. As a result, cash and cash equivalents at the end of the period were 298.7 billion yen, a decrease of 0.7 billion yen from March 31, 2006.

Operating results by product group are as follows:

Consumer/Information Products

Sales of Audio-Visual and Communication Equipment were 296.5 billion yen, up 24.1% over the same period last year. Sales of LCD color TVs, mainly for large-size models, and mobile phones expanded, contributing to the overall sales increase.

Sales of Home Appliances were 57.7 billion yen, up 0.2% over the same period last year. Sales increased for our distinctive products, such as superheated steam ovens, which offset a sales decline of air conditioners due to unseasonable weather.

Sales of Information Equipment were 98.2 billion yen, down 5.0% over the same period last year. A decline in sales of PCs led to the overall sales decrease.

Electronic Components

Sales of LSIs were 33.1 billion yen, up 15.1% from the same period last year. Sales increased for major devices, including CCD/CMOS imagers, resulting in higher overall sales.

Sales of LCDs were 136.0 billion yen, up 10.2% from the same period last year. The solid growth in sales of LCD panels for large-size LCD color TVs and mobile equipment contributed to an overall sales increase.

Sales of Other Electronic Components were 71.8 billion yen, up 12.2% over the same period last year. Sales of solar cells recorded an increase, leading to the overall sales gains.

2. Forecast for Fiscal 2006

There are no revisions to the fiscal 2006 financial result forecast announced on April 26, 2006.

Net sales	3,000.0 billion yen	+ 7.3 % over the previous fiscal year
Operating income	180.0 billion yen	+ 10.0 % over the previous fiscal year
Net income	100.0 billion yen	+ 12.8 % over the previous fiscal year

Note:

The above estimates of operating results are based on certain assumptions that Sharp Corporation deemed reasonable at the time they were prepared, and actual operating results may differ significantly from these estimates. The factors that may influence the figures for final reported business results include, but are not limited to:

- The economic situation in which the Sharp Group operates
- Sudden, rapid fluctuations in demand for products and services, as well as intense price competition
- Changes in exchange rates (particularly between the yen and the U.S. dollar, the euro and other currencies)
- Sharp's ability to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products and services
- Regulations such as trade restrictions in other countries

CONSOLIDATED SALES BY PRODUCT GROUP

Millions of Yen

	Three Months Ended June 30, 2006		Three Months Ended June 30, 2005		Increase Decrease	Percent Change
	Amount	Ratio	Amount	Ratio		
		%		%		%
Audio - Visual and Communication Equipment	296,597	42.7	238,988	38.8	+ 57,609	+ 24.1
Home Appliances	57,755	8.3	57,632	9.3	+ 123	+ 0.2
Information Equipment	98,279	14.2	103,454	16.8	- 5,175	- 5.0
Consumer/Information Products	452,631	65.2	400,074	64.9	+ 52,557	+ 13.1
LSIs	33,123	4.8	28,769	4.7	+ 4,354	+ 15.1
LCDs	136,093	19.6	123,451	20.0	+ 12,642	+ 10.2
Other Electronic Components	71,873	10.4	64,066	10.4	+ 7,807	+ 12.2
Electronic Components	241,089	34.8	216,286	35.1	+ 24,803	+ 11.5
Total	693,720	100.0	616,360	100.0	+ 77,360	+ 12.6
Domestic	354,167	51.1	328,007	53.2	+ 26,160	+ 8.0
Overseas	339,553	48.9	288,353	46.8	+ 51,200	+ 17.8

Note: Starting from the previous year, the IC group was renamed the LSI group and some items previously included in ICs were allocated to Other Electronic Components. Accordingly, results of the three months ended June 30, 2005 have been reclassified.

CONSOLIDATED STATEMENTS OF INCOME

Millions of Yen

	Three Months Ended June 30, 2006		Three Months Ended June 30, 2005		Increase Decrease	Percent Change
	Amount	Ratio	Amount	Ratio		
		%		%		%
Net Sales	693,720	100.0	616,360	100.0	+ 77,360	+ 12.6
Cost of Sales	530,897	76.5	475,445	77.1	+ 55,452	+ 11.7
Gross profit	162,823	23.5	140,915	22.9	+ 21,908	+ 15.5
Selling, General and Administrative Expenses	122,393	17.7	105,356	17.1	+ 17,037	+ 16.2
Operating income	40,430	5.8	35,559	5.8	+ 4,871	+ 13.7
Other Income (Expenses), net	(972)	0.1	(3,738)	0.6	+ 2,766	- 74.0
Income before income taxes and minority interests	39,458	5.7	31,821	5.2	+ 7,637	+ 24.0
Income Taxes	15,489	2.3	12,373	2.1	+ 3,116	+ 25.2
Minority Interests in Income of Consolidated Subsidiaries	(77)	0.0	(34)	0.0	- 43	+ 126.5
Net income	23,892	3.4	19,414	3.1	+ 4,478	+ 23.1

CONSOLIDATED BALANCE SHEETS

Millions of Yen

	As of June 30, 2006	As of March 31, 2006	Increase Decrease
ASSETS			
Current Assets:			
Cash, Time deposits, and Short-term investments	336,686	376,298	- 39,612
Notes and accounts receivable, less-Allowance for doubtful receivables	574,687	578,699	- 4,012
Inventories	376,813	336,344	+ 40,469
Other current assets	117,686	103,532	+ 14,154
Total current assets	1,405,872	1,394,873	+ 10,999
Plant and Equipment, less Accumulated depreciation	958,669	896,913	+ 61,756
Investments and Other Assets	258,813	268,513	- 9,700
Total assets	2,623,354	2,560,299	+ 63,055

CONSOLIDATED BALANCE SHEETS

Millions of Yen

	As of June 30, 2006	As of March 31, 2006	Increase Decrease
LIABILITIES			
Current Liabilities:			
Short-term borrowings, including current portion of long-term debt	333,083	280,995	+ 52,088
Notes and accounts payable	762,200	691,756	+ 70,444
Other current liabilities	210,263	222,303	- 12,040
Total current liabilities	1,305,546	1,195,054	+ 110,492
Long-term Liabilities	203,046	257,601	- 54,555
Total liabilities	1,508,592	1,452,655	+ 55,937
MINORITY INTERESTS			
Minority Interests	-	8,734	- 8,734
SHAREHOLDERS' EQUITY			
Shareholders' Equity:			
Common stock	-	204,676	- 204,676
Capital surplus	-	262,288	- 262,288
Retained earnings	-	668,687	- 668,687
Net unrealized holding gains on securities	-	27,992	- 27,992
Foreign currency translation adjustments	-	(38,352)	+ 38,352
Less-Cost of treasury stock	-	(26,381)	+ 26,381
Total shareholders' equity	-	1,098,910	- 1,098,910
Total liabilities, minority interests and shareholders' equity	-	2,560,299	- 2,560,299
NET ASSETS			
Owners' Equity:			
Common stock	204,676	-	+ 204,676
Capital surplus	262,289	-	+ 262,289
Retained earnings	680,467	-	+ 680,467
Less-Cost of treasury stock	(26,444)	-	- 26,444
Total owners' equity	1,120,988	-	+ 1,120,988
Valuation and Translation Adjustments:			
Net unrealized holding gains on securities	23,707	-	+ 23,707
Deferred losses on hedges	(473)	-	- 473
Foreign currency translation adjustments	(37,973)	-	- 37,973
Total valuation and translation adjustments	(14,739)	-	- 14,739
Minority Interests	8,513	-	+ 8,513
Total net assets	1,114,762	-	+ 1,114,762
Total liabilities and net assets	2,623,354	-	+ 2,623,354

Note: A new description of the net assets section, based on "Accounting Standards for Presentation of Net Assets in the Balance Sheet" issued by the Accounting Standards Board of Japan, is being applied from this period.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of Yen

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Increase Decrease
<u>Cash Flows from Operating Activities:</u>			
Income before income taxes and minority interests	39,458	31,821	+ 7,637
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities –			
Depreciation and amortization of properties and intangibles	46,262	42,403	+ 3,859
Decrease in notes and accounts receivable	15,336	5,358	+ 9,978
Increase in inventories	(37,694)	(44,047)	+ 6,353
Increase in payables	18,355	48,316	- 29,961
Other, net	(56,423)	(67,594)	+ 11,171
Net cash provided by operating activities	25,294	16,257	+ 9,037
<u>Cash Flows from Investing Activities:</u>			
Acquisitions of plant and equipment	(55,310)	(66,303)	+ 10,993
Other, net	39,404	24,345	+ 15,059
Net cash used in investing activities	(15,906)	(41,958)	+ 26,052
<u>Cash Flows from Financing Activities:</u>			
Increase (decrease) in short-term borrowings, net	7,132	(10,364)	+ 17,496
Proceeds from long-term debt	3,000	81,644	- 78,644
Repayments of long-term debt	(11,010)	(46,613)	+ 35,603
Dividends paid	(11,354)	(9,103)	- 2,251
Other, net	(164)	(132)	- 32
Net cash (used in) provided by financing activities	(12,396)	15,432	- 27,828
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(291)	1,168	- 1,459
Net Decrease in Cash and Cash Equivalents	(3,299)	(9,101)	+ 5,802
Cash and Cash Equivalents at Beginning of Year	299,466	295,312	+ 4,154
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	2,583	0	+ 2,583
Cash and Cash Equivalents Increased by Merger	9	154	- 145
Cash and Cash Equivalents at End of Period	298,759	286,365	+ 12,394

SEGMENT INFORMATION

Millions of Yen

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005
Net Sales		
Consumer/Information Products		
Customers	452,631	400,074
Intersegment	3,189	3,206
Total	455,820	403,280
Electronic Components		
Customers	241,089	216,286
Intersegment	114,142	64,129
Total	355,231	280,415
Elimination	(117,331)	(67,335)
Consolidated	693,720	616,360
Operating Income		
Consumer/Information Products	16,299	15,182
Electronic Components	24,256	20,675
Elimination	(125)	(298)
Consolidated	40,430	35,559

Note: Segmentation of business areas is based on commonality in manufacturing and marketing methods of products.

SUPPLEMENTARY DATA

Information by Product Group

[Sales by Product Group include internal sales between segments (Consumer/Information Products and Electronic Components). Starting from the previous year, the IC group was renamed the LSI group and some items previously included in ICs were allocated to Other Electronic Components. Accordingly, results of the three months ended June 30, 2005 have been reclassified.]

(Net Sales)

Millions of Yen

	Three Months Ended June 30, 2006		Three Months Ended June 30, 2005		Percent Change
	Amount	Ratio	Amount	Ratio	
Audio-Visual and Communication Equipment	296,667	42.8	239,243	38.8	+ 24.0
Home Appliances	57,762	8.3	57,641	9.3	+ 0.2
Information Equipment	101,391	14.6	106,396	17.3	- 4.7
Consumer/Information Products	455,820	65.7	403,280	65.4	+ 13.0
LSIs *	46,306	6.7	42,642	6.9	+ 8.6
LCDs	231,717	33.4	169,206	27.5	+ 36.9
Other Electronic Components	77,208	11.1	68,567	11.1	+ 12.6
Electronic Components	355,231	51.2	280,415	45.5	+ 26.7
Sub Total	811,051	116.9	683,695	110.9	+ 18.6
Elimination	(117,331)	-16.9	(67,335)	-10.9	-
Total	693,720	100.0	616,360	100.0	+ 12.6

* The LSI group's sales do not include internal sales to the LCD group and the Other Electronic Components group (LSIs for LCD, etc : 5,307 million yen for the three months ended June 30, 2006 and 7,742 million yen for the three months ended June 30, 2005).

(Operating Income)

Millions of Yen

	Three Months Ended June 30, 2006		Three Months Ended June 30, 2005		Percent Change
	Amount	Ratio	Amount	Ratio	
Audio-Visual and Communication Equipment	9,576	23.7	8,632	24.3	+ 10.9
Home Appliances	572	1.4	1,177	3.3	- 51.4
Information Equipment	6,151	15.2	5,373	15.1	+ 14.5
Consumer/Information Products	16,299	40.3	15,182	42.7	+ 7.4
LSIs	1,639	4.1	2,312	6.5	- 29.1
LCDs	16,141	39.9	13,043	36.7	+ 23.8
Other Electronic Components	6,476	16.0	5,320	14.9	+ 21.7
Electronic Components	24,256	60.0	20,675	58.1	+ 17.3
Sub Total	40,555	100.3	35,857	100.8	+ 13.1
Elimination	(125)	- 0.3	(298)	- 0.8	-
Total	40,430	100.0	35,559	100.0	+ 13.7