

# Consolidated Financial Results for the Third Quarter Ended December 31, 2016

February 3, 2017

## SHARP CORPORATION

Stock exchange listings: Tokyo  
 Code number: 6753  
 URL: <http://www.sharp.co.jp/> (English : <http://www.sharp-world.com/>)  
 Representative: J.W. Tai, President & Chief Executive Officer  
 Contact person: Akihiko Kishi, Head of Accounting Division,  
 Finance and Administration Office  
 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 to the nearest million yen.)

## 1. Results for the Nine Months Ended December 31, 2016

### (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 Income (Loss)	Percent Change	Loss Attributable to Owners of Parent	Percent Change
Nine Months Ended December 31, 2016	1,491,278	-23.2%	18,938	-	( 41,164 )	-
Nine Months Ended December 31, 2015	1,943,027	-7.1%	( 29,037 )	-	( 108,328 )	-

[Reference] Comprehensive income (loss): December 31, 2016 ; (30,672) million yen - %

December 31, 2015 ; (105,156) million yen - %

	Net Loss per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Nine Months Ended December 31, 2016	( 11.59 )	-
Nine Months Ended December 31, 2015	( 66.24 )	-

### (2) Financial Position

Millions of Yen

	Total Assets	Net Assets	Equity Ratio
As of December 31, 2016	1,776,414	296,474	16.1%
As of March 31, 2016	1,570,672	( 31,211 )	-2.7%

[Reference] Equity: December 31, 2016 ; 285,148 million yen

March 31, 2016 ; (43,050) million yen

## 2. Dividends

	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2016	-	0.00	-	0.00	0.00
Year Ending March 31, 2017	-	0.00	-	/	/
Year Ending March 31, 2017 (Forecast)	/	/	/	0.00	0.00

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

Note2: Dividends noted above are on common shares. As for the status of dividends for Class Shares (unlisted) with different rights from those of common shares of Sharp Corporation, please see "(Reference) Dividends on Class Shares."

### **3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2017**

(The percentage figures represent the percentage of increase or decrease against the previous year.)

Millions of Yen

	Net Sales	Percent Change	Operating Income	Percent Change	Profit (loss) attributable to owners of parent	Percent Change	Net Income(Loss) per Share (Yen)
Year Ending March 31, 2017	2,050,000	-16.7%	37,300	-	( 37,200 )	-	( 9.65 )

Note: Revisions to forecast of financial results from the previous announce ; Yes

### **4. Other Information**

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

Excluded : Eurocopy Vehicle Leasing Limited, IOT Holdings PLC

(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

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury stock) as of December 31, 2016 ; 4,983,165,584 shares  
as of March 31, 2016 ; 1,701,214,887 shares

2. Number of shares of treasury stock as of December 31, 2016 ; 10,550,617 shares  
as of March 31, 2016 ; 10,536,390 shares

3. Average number of shares outstanding during the nine months ended December 31, 2016 ;3,331,647,005 shares  
during the nine months ended December 31, 2015 ;1,690,705,750 shares

#### Notes:

1. This financial release is not subject to audit procedures based on the Financial Instruments and Exchange Law in Japan.

At the time of disclosure, audit procedures of financial statements based on the Financial Instruments and Exchange Law have not been completed.

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.

For the assumptions and other related matters concerning financial results forecast, please refer to "(3) Qualitative Information Regarding Forecast of Consolidated Financial Results" of "1. Qualitative Information: Fiscal 2016 Third Quarter Financial Results" on page 5.

3. Sharp will hold a financial results meeting on February 3, 2017.

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.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically, in order to present them in a form which is more familiar to readers outside Japan.

### **(Reference) Dividends on Class Shares**

The following shows breakdown of dividends per share on Class Shares with different rights from those of common shares.

Class A Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2016	-	0.00	-	0.00	0.00
Year Ending March 31, 2017	-	0.00	-	/	/
Year Ending March 31, 2017 (Forecast)	/	/	/	-	-

Class B Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2016	-	0.00	-	0.00	0.00
Year Ending March 31, 2017	-	-	-	/	/
Year Ending March 31, 2017 (Forecast)	/	/	/	-	-

Class C Shares	Dividends per Share (Yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual
Year Ended March 31, 2016	-	-	-	-	-
Year Ending March 31, 2017	-	0.00	-	/	/
Year Ending March 31, 2017 (Forecast)	/	/	/	0.00	0.00

#### Notes:

1. Number of Class A Share issued are 200,000 shares. In accordance to the accumulation clause defined in the Company's Articles of Incorporation, the year-end dividends for the fiscal year ended March 31, 2016 have been accumulated. The amount is 4,215 million yen as of December 31, 2016.
2. Number of Class B Share issued were 25,000 shares. However, on August 12, 2016, the Company acquired all by the call option the consideration for which is cash on the Company's Articles of Incorporation. The acquisition amount is 29,974 million yen. Acquired shares were all cancelled by the Company on September 30, 2016.
3. The amount of dividend per share for the fiscal year ending March 31, 2017 for Class A share, has not been decided at the time of announcement.

## **1. Qualitative Information: Fiscal 2016 Third Quarter Financial Results**

### **(1) Qualitative Information regarding Consolidated Financial Results**

During the cumulative third quarter of fiscal 2016, the economy of Japan continued on a modest recovery, where improvements were seen in production and employment situation. In the overseas, overall economy including U.S, EU and China was on a recovery trend.

Under these circumstances, the Sharp Group has been taking initiatives to enhance the sales, showing uniqueness in creating such products as the innovative robot smartphone “RoBoHoN”<sup>\*1</sup>, a pen type scanner dictionary “Nazoru”, the world’s first mosquito-catching air purifier<sup>\*2</sup>, the “Ultrasonic Washer”<sup>\*3</sup> for a speedy spot washing by ultrasonic vibration, a new Healsio water grill oven<sup>\*4</sup> by super-heated steam and the 40-inch touchscreen "BIG PAD" LCD monitor suitable for small-group meetings.

On August 12, 2016, new shares were issued through third-party allotments in accordance with strategic alliance with Hon Hai Group. This resulted in a change of major shareholders including the largest shareholder.

Sharp Group’s net sales of the cumulative third quarter of fiscal 2016 has ended as 1,491.2 billion yen (down 23.2% year on year), mainly due to sales decline in Camera Modules and Display Devices. Operating income resulted as 18.9 billion yen (29.0 billion yen operating loss in the previous year), and loss attributable to owners of parent was 41.1 billion yen (108.3 billion yen loss attributable to owners of parent in the previous year), with improvements in Health and Environment Systems and Display Devices businesses.

Through structural reforms, profits in the third quarter of fiscal 2016 were positive with operating income of 18.8 billion yen and profit attributable to owners of parent of 4.2 billion yen.

The sales status of each business segment in the cumulative third quarter of fiscal 2016 was as follows.

#### **1. IoT Communications**

Sales resulted as 110.1 billion yen, down 28.4% year on year, due to sales decline for mobile phones.

#### **2. Health and Environment Systems**

Sales resulted as 208.9 billion yen, down 7.0% year on year, due to sales decline for air conditioners and refrigerators.

#### **3. Business Solutions**

Sales resulted as 232.0 billion yen, down 11.2% year on year, due to sales decline for MFPs.

#### **4. Camera Modules**

Sales resulted as 155.9 billion yen, down 22.1% year on year, due to sales decline for camera modules.

#### **5. Electronic Components and Devices**

Sales resulted as 161.7 billion yen, down 18.1% year on year, due to sales decline for sensor modules.

#### **6. Energy Solutions**

Sales resulted as 73.4 billion yen, down 35.2% year on year, due to sales decline for domestic market solar cells.

#### **7. Display Devices**

Sales resulted as 603.0 billion yen, down 31.4% year on year, due to sales decline in large-size LCD for TVs, small- and medium-size LCD for smartphone business, and LCD TVs.

## (2) Qualitative Information : Consolidated Statement of Financial Position

The total assets as of December 31, 2016, were 1,776.4 billion yen, up 205.7 billion yen from March 31, 2016. Cash, due to the increase in time deposits and restricted cash and inventories. On the other hand, the total liabilities were 1,479.9 billion yen, down 121.9 billion yen from March 31, 2016, due to the decrease in short-term borrowings and others despite the increase in long-term debts and notes and accounts payable. Total net assets were 296.4 billion yen, up 327.6 billion yen, as a result of the payment completion of new share issuance through third-party allotments.

Regarding cash flows, net cash provided by operating activities was 70.0 billion yen, and net cash used in investing activities was 71.5 billion yen. Net cash provided by financing activities was 271.3 billion yen. As a result, cash and cash equivalents at the end of the period were 423.1 billion yen, an increase of 273.5 billion yen from March 31, 2016.

## (3) Qualitative Information Regarding Forecast of Consolidated Financial Results

As a future outlook, it is expected that the Japanese economy will continue its steady recovery, as the effect of employment and income situation improvement and supports of various economic measures. For overseas, overall economy is expected to maintain a steady recovery, although attention must be paid to factors such as the trends of various U.S. policies, slowdown in growth of China and other Asian countries, heightened economic uncertainties due to the U.K. leaving the European Union.

Under such circumstances, Sharp Group will continue to improve management efficiency by executing structural reforms such as optimization of management resources and engaging in responsible business management. Moreover, we will transition to a path of growth to accomplish the management reconstruction.

In light of the financial results for the cumulative third quarter of fiscal 2016, as mentioned in (1) on page 4, and the business environment for the fourth quarter, we have made revision to the forecast of financial results for the year ending March 31, 2017, which was announced on November 1, 2016.

(Billions of Yen)

	Previous Forecast (November 1, 2016)	Revised Forecast	Increase Decrease
Net sales	2,000.0	2,050.0	+50.0
Operating income	25.7	37.3	+11.6
Loss attributable to owners of parent	( 41.8 )	( 37.2 )	+4.6

The above figures are based on an exchange rate of ¥110=US\$1.00 for the six months ending March 31, 2017.

Note: The aforementioned estimates of financial results are based on information available and deemed reasonable to the Sharp Group at the time of announcement and are not commitments made by the Sharp Group. Actual operating results may differ materially from the forecast due to various factors. 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)
- Regulations such as trade restrictions in other countries
- The progress of collaborations and alliances with other companies
- Litigation and other legal proceedings against the Sharp Group
- Rapid technological changes in products and services, etc.

- \*1 A small and easy portable robot-shaped smartphone. <http://www.sharp-world.com/corporate/news/160414.html>
- \*2 World's first air purifier with a mosquito-catching function by effective steps taking advantage of mosquito's habits. It is totally chemical free, by catching the mosquito on a unique sticky sheet attached to the Plasmacluster air purifier. <https://sharp.com.sg/mosquitocatcher/index.html>
- \*3 Sharp Ultrasonic Washer, a quick solution spot washing device for most common stains by ultrasonic vibration of 38,000 strokes per second. <https://sharp.com.sg/ultrasonic-washer/>
- \*4 Compact size grill oven using a super-heated steam, making your daily grill, fry and especially reheat into a delicious experience.

## **2. Summary Information**

### **(1) Changes in significant consolidated subsidiaries**

#### **(Changes in specified subsidiaries involving changes in scope of consolidation)**

The consolidated subsidiary Eurocopy Vehicle Leasing Limited has been excluded as the settlement has completed. This is effective from the consolidated second quarter of fiscal 2016. The consolidated subsidiary IOT Holdings PLC has been excluded as the settlement has completed. This is effective from the consolidated third quarter of fiscal 2016.

### **(2) Adoption of special accounting methods for preparation of quarterly financial statements**

None

### **(3) Changes in accounting policies and accounting estimates, and restatement**

#### **(Changes in accounting policies)**

Effective from the three months ended June 30, 2016, the Company adopted "Practical Solution on a change of depreciation method due to Tax Revision 2016" (ASBJ Practical Issues Task Force No. 32 on June 17, 2016) according to the revision of the Corporation Tax Act. The Company changed its accounting method to the straight-line method from declining-balance method for the depreciation method regarding building fixtures and constructions acquired from April 1, 2016 onwards.

This change had an immaterial impact on consolidated financial statements for the nine months ended December 31, 2016.

### **3. Outline of Material Events Related to Assumed Going Concern**

The Sharp Group recorded a loss attributable to owners of parent for the cumulative consolidated third quarter. This continues a pattern of losses from the prior consolidated fiscal year. These circumstances represent events or conditions that may cast a material doubt on Sharp's ability to continue as a going concern. Sharp Corporation ("the Company") believes that by implementing the various measures described below, the company will not have a material uncertainty as to its ability to continue as a going concern, and that no further disclosure under "(4) Going Concern Assumption" on page 12 is necessary.

In response to this situation, Sharp issued new shares via third-party allotment to Hon Hai Precision Industry Co., Ltd. and others on August 12, 2016. In conjunction with this share allotment, Sharp transitioned to a new management structure, naming J.W. Tai president and chief executive officer.

During the cumulative consolidated third quarter, we focused on executing three structural reforms to generate profits as quickly as possible. We described these structural reforms during the announcement of our financial results for the prior consolidated fiscal year: (1) Optimize management resources; (2) Engage in responsible business management; and (3) Reward good performance. As we adopt a new management structure, we have pivoted to initiatives for business expansion, leveraging synergies with the Hon Hai Group, investing aggressively in key businesses, and engaging in other measures. Moving forward, we intend to strengthen our competitiveness to launch a counteroffensive in the market. In so doing, we will pursue three strategies to swing to a profit for profit attributable to owners of parent over the second half of fiscal 2016 and in fiscal 2017: (1) Invest aggressively in technology; (2) Strengthen our global brand; and (3) Accelerate new businesses.

More specifically, in terms of investing aggressively in technology, we plan to expand our investments in developing technologies that will be future core components of 8K and IoT technologies. We also plan to create a fund to accelerate development of priority technologies, as well as to invest capital to attract greater numbers of technical professionals. Our goal is to once again be the unchallenged technological leader in our industry. To strengthen our global brand, we plan to re-enter the TV market in Europe, as well as engage in M&A and other alliances to expand our presence and brand recognition. We will restructure our expansion strategy in ASEAN and build effective systems for communicating with existing and future customers directly. Last, we intend to accelerate new businesses by spinning off our health and medical business units, and by promoting the commercialization of new technologies. We believe these initiatives will make us more competitive and transition us to a path of growth.

To secure operating funds, we issued a total of 388.8 billion yen in new shares via allotment to third parties. This issuance has resolved our capital deficit on both a consolidated and non-consolidated basis. On April 26, 2016, we renewed our syndicated loan agreement with our main banks, Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and other participating banks. On August 12, 2016, we established a syndicated commitment line of 300 billion yen in total with our two main banks.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

Millions of Yen

	As of March 31, 2016	As of December 31, 2016
<b>ASSETS</b>		
Current Assets:		
Cash, time deposits and restricted cash	275,399	451,797
Notes and accounts receivable, less allowance for doubtful receivables	430,033	447,322
Inventories	184,313	209,976
Other current assets	76,214	77,797
Total current assets	965,959	1,186,892
Plant and Equipment,		
Less Accumulated Depreciation	351,205	363,957
Investments and Other Assets	253,450	225,524
Deferred Assets	58	41
Total assets	1,570,672	1,776,414
<b>LIABILITIES</b>		
Current Liabilities:		
Short-term borrowings, including current portion of long-term debt	638,756	109,856
Notes and accounts payable	312,630	385,839
Other current liabilities	423,476	315,149
Total current liabilities	1,374,862	810,844
Long-term Liabilities	227,021	669,096
Total liabilities	1,601,883	1,479,940
<b>NET ASSETS</b>		
Owners' Equity:		
Capital stock	500	5,000
Capital surplus	222,457	576,793
Retained earnings	( 123,644 )	( 164,808 )
Less cost of treasury stock	( 13,899 )	( 13,901 )
Total owners' equity	85,414	403,084
Accumulated Other Comprehensive Income:		
Net unrealized holding gains (losses) on securities	11,634	14,054
Deferred gains (losses) on hedges	( 843 )	( 429 )
Foreign currency translation adjustments	( 38,456 )	( 40,105 )
Remeasurements of defined benefit plans	( 100,799 )	( 91,456 )
Total accumulated other comprehensive income	( 128,464 )	( 117,936 )
Non-controlling Interests	11,839	11,326
Total net assets	( 31,211 )	296,474
Total liabilities and net assets	1,570,672	1,776,414



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

Millions of Yen

	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
Net Sales	1,943,027	1,491,278
Cost of Sales	1,693,216	1,229,039
Gross profit	249,811	262,239
Selling, General and Administrative Expenses	278,848	243,301
Operating income (loss)	( 29,037 )	18,938
Other Income (Expenses)		
Interest income	694	769
Rent income on noncurrent assets	2,895	2,647
Foreign exchange gains	193	2,367
Equity in earnings of affiliates	2,874	—
Gain on sales of noncurrent assets	774	3,239
Gain on sales of investment securities	1,805	1,582
Reversal of provision for loss on litigation	2,046	—
Receipt of settlement package	8,563	6,204
Interest expense	( 14,543 )	( 5,385 )
Equity in losses of affiliates	—	( 19,656 )
Loss on sales and retirement of noncurrent assets	( 1,081 )	( 1,249 )
Impairment loss	( 13,867 )	( 17,809 )
Loss on valuation of investment securities	( 109 )	( 12 )
Restructuring charges	( 36,704 )	—
Provision for loss on litigation	( 2,036 )	—
Other, net	( 15,889 )	( 14,979 )
Loss before income taxes	( 64,385 )	( 42,282 )
Income Taxes		
Current	17,209	16,392
Deferred	( 4,520 )	973
	12,689	17,365
Net Loss	( 106,111 )	( 40,709 )
Profit attributable to non-controlling interests	2,217	455
Loss attributable to owners of parent	( 108,328 )	( 41,164 )

- Consolidated Statements of Comprehensive Income

Millions of Yen

	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
Net Loss	( 106,111 )	( 40,709 )
Other Comprehensive Income:		
Net unrealized holding gains (losses) on securities	2,643	2,417
Deferred gains (losses) on hedges	( 1,028 )	414
Foreign currency translation adjustments	( 11,014 )	( 1,628 )
Remeasurements of defined benefit plans	10,524	9,322
Share of other comprehensive income of affiliates accounted for using equity method	( 170 )	( 488 )
Total other comprehensive income	955	10,037
Comprehensive Loss	( 105,156 )	( 30,672 )
Comprehensive income (loss) attributable to non-controlling interests	1,752	( 36 )
Comprehensive loss attributable to owners of parent	( 106,908 )	( 30,636 )

## (3) Consolidated Statements of Cash Flows

Millions of Yen

	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
<b><u>Cash Flows from Operating Activities:</u></b>		
Loss before income taxes	( 93,422 )	( 23,344 )
adjustments to reconcile loss before income taxes to net cash provided by operating activities —		
Depreciation and amortization of properties and intangibles	57,573	49,691
Interest and dividend income	( 1,657 )	( 2,122 )
Interest expenses	14,543	5,385
(Gain) loss on sales and retirement of noncurrent assets, net	307	( 1,990 )
Impairment loss	13,867	17,809
Gain on sales of investment securities, net	( 1,805 )	( 1,582 )
Restructuring charges	36,704	-
Equity in losses (earnings) of affiliates	( 2,874 )	19,656
Provision for loss on litigation	2,036	-
Reversal of provision for loss on litigation	( 2,046 )	-
Receipt of settlement package	( 8,563 )	( 6,204 )
(Increase) decrease in notes and accounts receivable-trade	91,966	( 94,930 )
(Increase) decrease in inventories	29,379	( 23,334 )
Decrease in notes and accounts receivable-other	27,726	98,669
Increase (decrease) in payables	( 40,192 )	57,895
Decrease in accrued expenses	( 28,082 )	( 3,601 )
Other, net	( 23,588 )	( 3,962 )
Total	71,872	88,036
Interest and dividends received	2,305	3,477
Interest paid	( 14,399 )	( 5,337 )
Special extra retirement payments paid	( 22,556 )	-
Settlement package received	8,587	-
Settlement package paid	( 2,509 )	-
Income taxes paid	( 20,355 )	( 16,078 )
<b>Net cash provided by operating activities</b>	<b>22,945</b>	<b>70,098</b>
<b><u>Cash Flows from Investing Activities:</u></b>		
Purchase of time deposits	( 25,000 )	( 26,166 )
Proceeds from redemption of time deposits	22,396	23,918
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	1,409	543
Acquisitions of plant and equipment	( 34,993 )	( 57,541 )
Proceeds from sales of plant and equipment	4,668	3,388
Acquisitions of investment securities	( 401 )	( 11,139 )
Other, net	( 14,521 )	( 4,591 )
<b>Net cash used in investing activities</b>	<b>( 46,442 )</b>	<b>( 71,588 )</b>
<b><u>Cash Flows from Financing Activities:</u></b>		
Payout of deposits received	-	( 100,000 )
Proceeds from restricted withdrawals and restricted cash	-	100,000
Decrease in short-term borrowings, net	( 174,136 )	( 369,527 )
Proceeds from long-term debt	3,138	330,458
Repayments of long-term debt	( 48,880 )	( 45,801 )
Proceeds from issuance of class shares	224,606	99,624
Proceeds from issuance of common shares	-	287,496
Purchase of treasury stock	( 8 )	( 29,977 )
Other, net	341	( 969 )
<b>Net cash provided by financing activities</b>	<b>5,061</b>	<b>271,304</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>( 4,223 )</b>	<b>3,785</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>( 22,659 )</b>	<b>273,599</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>232,211</b>	<b>149,533</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>209,552</b>	<b>423,132</b>

(4) Going Concern Assumption

None

(5) Segment Information

1. Nine Months Ended December 31, 2015

i. Information regarding sales and income (loss) by reportable segment

		Millions of Yen
Sales		
IoT Communications		
Customers		153,926
Intersegment		60
Total		153,986
Health and Environment Systems		
Customers		223,569
Intersegment		1,057
Total		224,626
Business Solutions		
Customers		257,977
Intersegment		3,233
Total		261,210
Camera Modules		
Customers		197,827
Intersegment		2,394
Total		200,221
Electronic Components and Devices		
Customers		173,148
Intersegment		24,268
Total		197,416
Energy Solutions		
Customers		112,490
Intersegment		810
Total		113,300
Display Devices		
Customers		824,090
Intersegment		54,556
Total		878,646
Adjustments		( 86,378 )
The amount presented in Consolidated Statements of Income		1,943,027
Segment Income (Loss)		
IoT Communications		13,668
Health and Environment Systems		7,269
Business Solutions		23,888
Camera Modules		9,273
Electronic Components and Devices		744
Energy Solutions		( 7,714 )
Display Devices		( 52,590 )
Adjustments*1		( 23,575 )
The amount presented in Consolidated Statements of Income*2		( 29,037 )

Notes: 1. Adjustments of segment income (loss) of (23,575) million yen include elimination of intersegment transactions of (43) million yen and corporate expenses not allocated to each reportable segment of (23,042) million yen. Corporate expenses are mainly attributable to basic R&D expenses and expenses related to parent company's functional groups.

2. Adjustments were made to reconcile segment income (loss) to operating loss presented in Consolidated Statements of Income.

ii Information regarding impairment loss on noncurrent assets, goodwill, etc. by reportable segment

(Significant impairment loss on noncurrent assets)

In Electronic Components and Devices segment, the book value of business assets of the Company for the production structure to be reviewed and scheduled to be consolidated, and idle assets belonging to some consolidated subsidiaries were reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 1,266 million yen for the cumulative consolidated third quarter of the fiscal year ended March 2016.

In Energy Solutions segment, the book value of business assets of the Company with no prospect for recouping investment due to the decreasing profitability was reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 2,193 million yen for the cumulative consolidated third quarter of the fiscal year ended March 2016.

In Display Devices segment, the book value of business assets of the Company with no prospect for recouping investment due to the decreasing profitability and idle assets and business assets scheduled to be sold belonging to some consolidated subsidiaries and others were reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 10,408 million yen for the cumulative consolidated third quarter of the fiscal year ended March 2016.

2. Nine Months Ended December 31, 2016

i . Information regarding sales and income (loss) by reportable segment

Millions of Yen

Sales	
IoT Communications	
Customers	109,232
Intersegment	963
Total	110,195
Health and Environment Systems	
Customers	208,328
Intersegment	670
Total	208,998
Business Solutions	
Customers	225,917
Intersegment	6,133
Total	232,050
Camera Modules	
Customers	153,446
Intersegment	2,503
Total	155,949
Electronic Components and Devices	
Customers	145,478
Intersegment	16,248
Total	161,726
Energy Solutions	
Customers	72,574
Intersegment	857
Total	73,431
Display Devices	
Customers	576,303
Intersegment	26,703
Total	603,006
Adjustments	( 54,077 )
The amount presented in Consolidated Statements of Income	1,491,278
Segment Income (Loss)	
IoT Communications	9,529
Health and Environment Systems	20,739
Business Solutions	15,410
Camera Modules	834
Electronic Components and Devices	3,281
Energy Solutions	( 12,783 )
Display Devices	( 3,639 )
Adjustments <sup>*1</sup>	( 14,433 )
The amount presented in Consolidated Statements of Income <sup>*2</sup>	18,938

Notes: 1. Adjustments of segment income (loss) of (14,433) million yen include elimination of intersegment transactions of 1,153 million yen and corporate expenses not allocated to each reportable segment of (18,072) million yen. Corporate expenses are mainly attributable to basic R&D expenses and expenses related to parent company's functional groups.

2. Adjustments were made to reconcile segment income (loss) to operating loss presented in Consolidated Statements of Income.

ii . Changes in reportable segments

In the cumulative consolidated first quarter of the fiscal year ending March 2017, Sharp classified reportable segments into five reportable segments: (1) Consumer Electronics; (2) Energy Solutions; (3) Business Solutions; (4) Electronic Components and Devices; and (5) Display Devices.

However, in this consolidated second quarter, Sharp changed to segment information based on seven reportable segments: (1) IoT Communications; (2) Health and Environment Systems; (3) Business Solutions; (4) Camera Modules (5) Electronic Components and Devices; (6) Energy Solutions and (7) Display Devices.

This segmentation change results from the decentralize management for the significant organization restructure executed on August 27, 2016, under the new management. To become an inspiring global brand, Sharp aims to return to profitability as quickly as possible, and transition to a path of growth.

Subsequent to this change in classifications, Digital Information Equipments that had been included under Consumer Electronics segment are now included under the Display Devices, mobile phones and others now under IoT Communication segment, white goods such as refrigerator and others now under Health and Environment Systems. In addition, Electronic Components and Devices are now split into Camera Modules and Electronic Components and Devices.

The segment information of the cumulative consolidated third quarter of fiscal year 2015 is stated based on the 7 classifications under the new segmentation.

iii. Information regarding impairment loss on noncurrent assets, goodwill, etc. by reportable segment  
(Significant impairment loss on noncurrent assets)

In IoT Communications segment, the book value of idle assets of the Company with no prospect for any future usage was reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 153 million yen for the cumulative consolidated third quarter of the fiscal year ending March 2017.

In Business Solutions segment, the book value of idle assets of the Company with no prospect for any future usage was reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 196 million yen for the cumulative consolidated third quarter of the fiscal year ending March 2017.

In Electronic Components and Devices segment, the book value of idle assets belonging to the Company and to some consolidated subsidiaries with no prospect for any future usage and others were reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 2,340 million yen for the cumulative consolidated third quarter of the fiscal year ending March 2017.

In Energy Solutions segment, the book value of business assets of the Company with no prospect for recouping investment due to the decreasing profitability was reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 458 million yen for the cumulative consolidated third quarter of the fiscal year ending March 2017.

In Display Devices segment, the book value of business assets of the Company with no prospect for recouping investment due to the decreasing profitability and idle assets belonging to the Company and to some consolidated subsidiaries with no prospect for any future usage were reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 10,462 million yen for the cumulative consolidated third quarter of the fiscal year ending March 2017.

For other Company assets that do not belong to segments, the book value of idle assets of belonging to the Company and to some consolidated subsidiaries with no prospect for any future usage were reduced to an estimated recoverable amount. The reduced amount was recorded as an impairment loss of 4,200 million yen for the cumulative consolidated third quarter of the fiscal year ending March 2017.

(6) Significant Changes in Owners Equity

The Company issued common shares and Class C Shares by third-party allotment on August 12, 2016. As a result, the capital stock increased by 194,406 million yen, and the capital surplus increased by 194,406 million yen.

On the same date, the Company reduced capital stock and capital reserve pursuant to the provisions of Article 447, Paragraph 1 and Paragraph 3, and Article 448, Paragraph 1 and Paragraph 3, of the Companies Act. The full amount was then transferred to other capital surplus. Consequently, the capital stock decreased by 189,906 million yen and the capital surplus increased by 189,906 million yen.

In addition, the Company acquired all of Class B Shares on August 12, 2016, and cancelled all on September 30, 2016, pursuant to the provisions of Article 178 of the Companies Act. Resulting to this, the capital surplus decreased by 29,975 million yen.

Due mainly to this, the capital stock as of December 31, 2016, was 5,000 million yen, an increase of 4,500 million yen from March 31, 2016, and the capital surplus was 576,793 million yen, an increase of 354,336 million yen.