

Consolidated Financial Results for the Second Quarter, Fiscal 2017

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SHARP CORPORATION

October 27, 2017

Forward-Looking Statements

This presentation contains certain statements about the future plans, strategies, and performance of Sharp Corporation and its consolidated subsidiaries (“the Company” or “Sharp”). Statements not based on historical or present facts are assumptions and estimates based on information available at the time. Future plans, strategies, and performance are subject to known and unknown risks, uncertainties, and other factors. Actual performance, business activities, and financial position may differ materially from the assumptions and estimates provided herein due to risks, uncertainties, and other factors. Sharp is under no obligation to update these forward-looking statements in light of new information, future events, or other factors. Risks, uncertainties, and other matters that could affect actual results include, but are not limited to, to the following factors:

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- (2) Sudden, rapid fluctuations in demand for Sharp products and services, as well as intensified price competition
- (3) Exchange rate fluctuations (particularly between the yen and the U.S. dollar, the euro, and other currencies)
- (4) Regulations, including trade restrictions with other countries
- (5) The progress of collaborations and alliances with other companies
- (6) Litigation and other legal proceedings against Sharp
- (7) Rapid technological changes in products and services, etc.

*Amounts less than 100 million yen shown in this presentation material have been rounded down.

**I . Consolidated Financial Results
for the First Half, Fiscal 2017
Consolidated Financial Results
Forecast for Fiscal 2017**

Consolidated Financial Results for the First Half, Fiscal 2017 (1)

- Net sales and profit results outperform first-half forecasts announced on May 26
- Net sales up sharply, more than 20% year on year
- Profits show significant improvement year on year; all profit figures in positive territory
- Profit attributable to owners of parent back to pre-Lehman levels

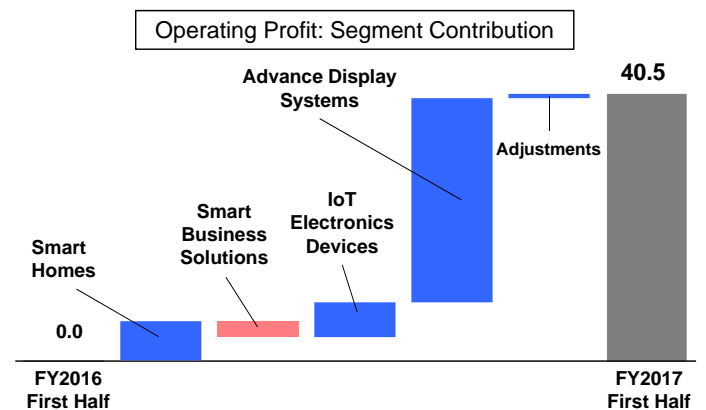
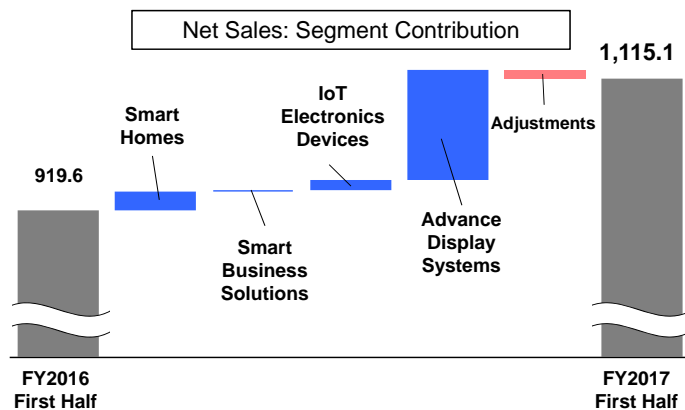
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- First, let's take a look at consolidated earnings for the first half of fiscal 2017.
- Net sales and profit results outperformed the first-half forecasts we announced on May 26.
- Net sales continued to perform well, up more than 20% year on year.
- Profits showed significant improvement over the prior year, advancing favorably.
- In particular, profit attributable to owners of parent outperformed first-half forecasts by a wide margin, breaking above results for the first half of fiscal 2008, which was pre-Lehman.

Consolidated Financial Results for the First Half, Fiscal 2017 (2)

	(Billions of Yen)			
	FY2016	FY2017		FY2017 First Half Forecast
	First Half	First Half	Y on Y	
Net Sales	919.6	1,115.1	+21.3%	1,100.0
Operating Profit	0.0	40.5	516.3-fold	37.0
Ordinary Profit	-32.0	41.1	-	33.0
Profit Attributable to Owners of Parent	-45.4	34.7	-	25.0
Avg. Exchange Rate				
USD/JPY	104.30	110.07		110.00
Euro/JPY	116.66	124.79		114.00

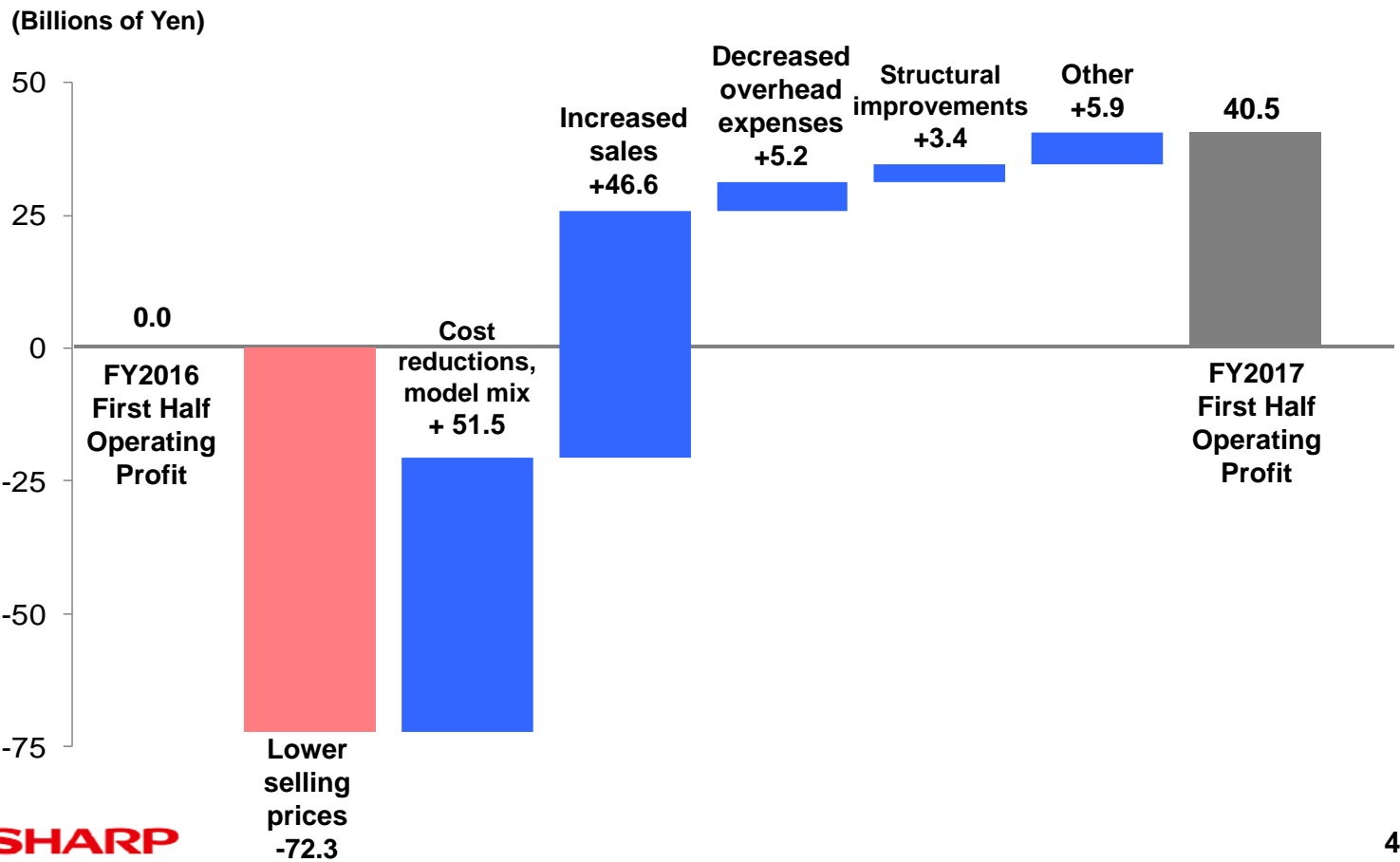


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- Please turn to the next slide. This slide summarizes consolidated figures for the first half of fiscal 2017.
- Net sales rose for Advance Display Systems and every other segment, up 21.3% at 1,115.1 billion yen.
- Operating profit was 40.5 billion yen, a significant improvement, driven mainly by large gains in Advance Display Systems sales.
- Profit figures were both in positive territory, improving widely year on year. Ordinary profit amounted to 41.1 billion yen, pushed higher by the improvement in non-operating income. Profit attributable to owners of the parent was 34.7 billion yen.

Operating Profit Analysis: Y on Y Change Factors, First Half FY2017



- This graph shows our analysis of year-on-year change factors affecting operating profit.

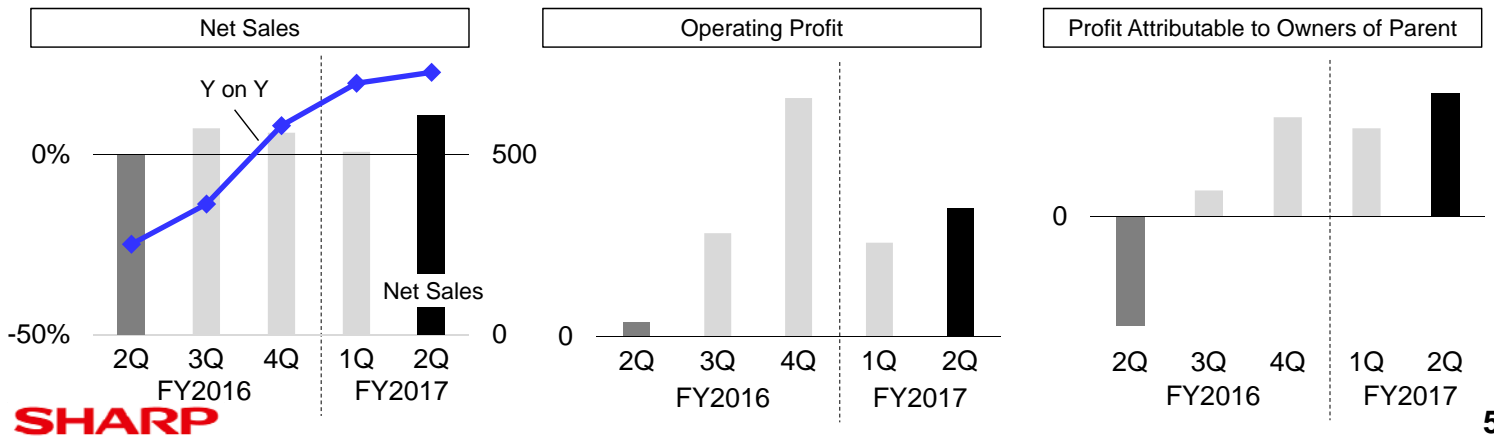
As you can see, operating profit for the first half of the year outperformed prior year by a wide margin, reaching 40.5 billion yen.
- While lower selling prices had a negative impact of 72.3 billion yen on profits, 51.5 billion yen in cost reductions, 46.6 billion yen in increased sales, and other positive factors combined to ensure significant profit growth year on year.

Consolidated Financial Results for the Second Quarter, Fiscal 2017

- Net sales for the second quarter up year on year and vs. prior quarter; profits also improved significantly.

(Billions of Yen)

	FY2016	FY2017		
	2Q	1Q	2Q	Y on Y
Net Sales	496.2	506.4	608.7	+22.7%
Operating Profit	2.5	17.1	23.4	9.0-fold
Ordinary Profit	-9.7	17.1	23.9	
Profit Attributable to Owners of Parent	-17.9	14.4	20.2	
Avg. Exchange Rate				
USD/JPY	101.44	110.10	110.04	
Euro/JPY	112.78	120.69	128.88	



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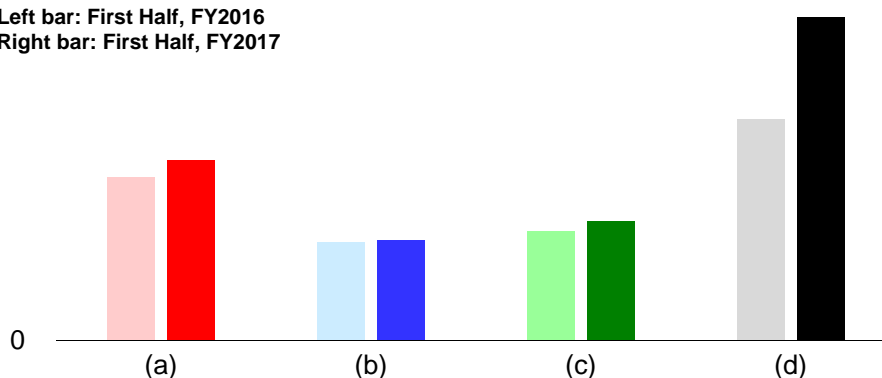
- Next, let's take a look at consolidated earnings for the second quarter of fiscal 2017.
- Net sales were 608.7 billion yen, an increase of 22.7% year on year and 20.2% compared to the prior quarter.
- Profits advanced favorably. Owing to widely higher revenues and other factors, operating profit was up 9.0-fold year on year to 23.4 billion yen. Ordinary profit amounted to 23.9 billion yen, while profit attributable to owners of parent was 20.2 billion yen.

Sales by Segment

(Billions of Yen)

	FY2016	FY2017			Y on Y
	First Half	1Q	2Q	First Half	
(a) Smart Homes	263.6	130.2	160.4	290.6	+10.2%
(b) Smart Business Solutions	159.6	72.1	90.5	162.7	+1.9%
(c) IoT Electronics Devices	177.1	83.2	109.0	192.2	+8.5%
(d) Advance Display Systems	357.5	249.6	271.9	521.6	+45.9%
Subtotal	958.0	535.3	631.9	1,167.2	+21.8%
Adjustments	-38.3	-28.8	-23.1	-52.0	-
Total	919.6	506.4	608.7	1,115.1	+21.3%

Left bar: First Half, FY2016
Right bar: First Half, FY2017



*Sales include inter-segment sales and transfers.

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- This next slide shows sales by segment. As you can see, every segment outperformed the same period in the prior fiscal year.
- Smart Homes sales for the first half of the year were up 10.2% to 290.6 billion yen. Sales of our flagship AQUOS R and other mobile phones were higher, as were sales of our RACTIVE Air cordless vacuum cleaner and other vacuum cleaners. We also saw favorable growth in PCI and washing machine sales. Our Energy Solutions segment reported firm results in EPC and other sales.
- The Smart Business Solutions segment reported year-on-year growth of 1.9%, recording sales of 162.7 billion yen. This result was mainly due to favorable performance in signage sales, as well as sales improvements for multi-function printers overseas in response to investments to expand sales channels.
- The IoT Electronics Devices segment reported sales of 192.2 billion yen, up 8.5% year on year. This was mainly due to expanded sales of camera modules for smartphones, as well as sales increases among our unique devices including semiconductors and lasers.
- Our Advance Display Systems segment recorded significantly higher sales year on year at 521.6 billion yen, up 45.9%.

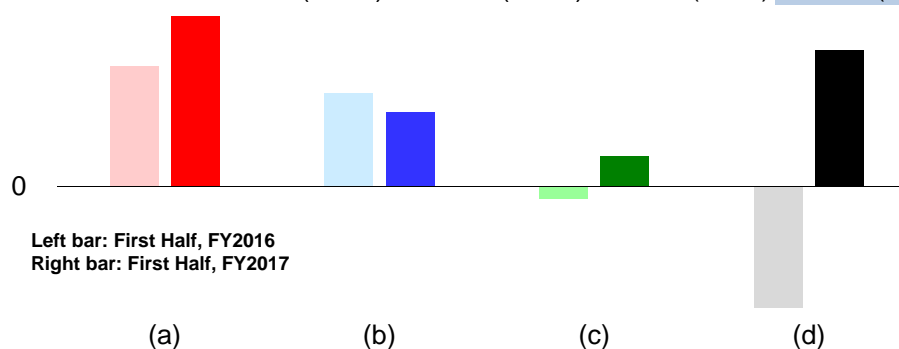
The LCD TV business reported higher revenues, mainly due to significant growth in China, as well as higher revenues in Europe and Asia.

Our display business recorded widely improved sales year on year. The segment experienced solid sales of medium-size panels for tablets and panels for smartphones to major manufacturers. Sales were also higher for panels used in automotive applications and games.

Operating Profit by Segment

*Figures within parentheses indicate operating margin. (Billions of Yen)

	FY2016	FY2017			Y on Y
	First Half	1Q	2Q	First Half	
(a) Smart Homes	14.4 (5.5%)	9.9 (7.6%)	10.5 (6.6%)	20.4 (7.0%)	+41.2%
(b) Smart Business Solutions	11.2 (7.0%)	3.0 (4.2%)	5.8 (6.5%)	8.9 (5.5%)	-20.8%
(c) IoT Electronics Devices	-1.5 (-0.9%)	1.7 (2.1%)	1.8 (1.7%)	3.6 (1.9%)	-
(d) Advance Display Systems	-14.6 (-4.1%)	6.7 (2.7%)	9.6 (3.5%)	16.3 (3.1%)	-
Subtotal	9.5 (1.0%)	21.4 (4.0%)	27.8 (4.4%)	49.3 (4.2%)	5.2-fold
Adjustments	-9.4	-4.3	-4.4	-8.7	-
Total	0.0 (0.0%)	17.1 (3.4%)	23.4 (3.9%)	40.5 (3.6%)	516.3-fold



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- Next, let's look at operating profit by segment. Each segment continued to report operating profits in the black.
- Smart Homes segment operating profit grew 41.2% year on year to 20.4 billion yen. Profits improved significantly, mainly due to the revenue improvements related to the introduction of new and unique products, as well as from building our product lineup, and initiatives in cost and overhead expense reductions.
- While the Smart Business Solutions underperformed prior year due to the impact of price reductions, the segment secured 8.9 billion yen in operating profits through initiatives in cost and overhead expense reductions.
- The IoT Electronics Devices segment swung to a profit of 3.6 billion yen, compared to an operating loss of 1.5 billion yen in the same period of the prior fiscal year. This improvement was mainly due to higher sales, model mix improvements, and cost reductions.
- Our Advance Display Systems segment saw profit of 16.3 billion yen, which was a major improvement compared to segment operating losses for the same period in the prior fiscal year.

While the LCD TV business experienced selling price reductions, the business reported operating profits. This result was mainly due to favorable sales in China and other countries.

Our display business reported wide improvements in operating profit. These improvements were driven mainly by higher sales of medium-size panels and panels for automotive applications, an overall shift toward sales to these categories, and progress in cost reduction measures.

Non-operating Income (Expenses) / Extraordinary Income (Losses)

(Billions of Yen)

	FY2016	FY2017			
	First Half	1Q	2Q	First Half	Difference (Y on Y)
Operating Profit	0.0	17.1	23.4	40.5	+40.4
Non-operating Income (Expenses)	-32.1	+0.0	+0.4	+0.5	+32.7
Foreign exchange gains	+0.4	+2.3	+3.3	+5.7	+5.2
Interest expenses	-4.0	-1.2	-1.2	-2.4	+1.5
Share of profit (loss) of entities accounted for using equity method	-19.1	+0.5	+0.3	+0.9	+20.0
Ordinary Profit	-32.0	17.1	23.9	41.1	+73.2
Extraordinary Income (Losses)	-2.4	-0.7	+0.0	-0.6	+1.7
Gain on sales of investment securities	+1.3	-	-	-	-1.3
Loss on step acquisitions	-	-0.9	-0.5	-1.4	-1.4
Impairment loss	-5.7	-	-	-	+5.7
Pretax Profit	-34.5	16.4	23.9	40.4	+74.9
Income Taxes, etc.	-10.8	-1.9	-3.7	-5.6	+5.1
Profit Attributable to Owners of Parent	-45.4	14.4	20.2	34.7	+80.1

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- The next slide addresses non-operating income, and extraordinary income.
- Non-operating income for the first half of fiscal 2017 improved significantly year on year. This result was mainly due to increased foreign exchange gains, lower interest expense associated with effective structural reforms, and share of profit (from major loss) of entities accounted for using the equity method.
- We saw improvements in extraordinary income, despite loss on step acquisitions. This improvement was due to the fact that we recorded no impairment loss this half, as opposed to impairment losses recorded in the year-ago half.

Consolidated Balance Sheets

- Net assets as of September 30, 2017 amounted to 357.7 billion yen, compared to 331.8 billion yen as of June 30, 2017.
- Equity ratio improved to 18.2%.

	FY2016		FY2017		FY2016		FY2017	
	End of Mar.	End of Jun.	End of Jun.	End of Sep.	End of Mar.	End of Jun.	End of Sep.	
Cash and deposits	482.1	466.0	466.0	435.4	Notes and accounts payable - trade	350.5	376.0	405.5
Notes and accounts receivable - trade	375.5	414.1	414.1	478.9	Short-term loans payable	113.5	114.5	115.7
Inventories	217.8	219.6	219.6	186.0	Current portion of bonds payable	0.0	0.0	0.0
Other current assets	118.1	116.7	116.7	131.7	Other current liabilities	337.5	312.7	338.7
Current Assets	1,193.7	1,216.5	1,216.5	1,232.3	Current Liabilities	801.6	803.3	860.1
Property, plant and equipment	349.6	358.2	358.2	402.6	Bonds payable	40.0	40.0	40.0
Intangible assets	42.3	42.2	42.2	45.1	Long-term loans payable	490.3	490.2	490.2
Investments and other assets	187.9	191.1	191.1	208.7	Other non-current liabilities	133.9	142.8	140.7
Non-current Assets	579.9	591.7	591.7	656.5	Non-current liabilities	664.2	673.0	671.0
Deferred Assets	0.0	0.0	0.0	0.0	Net Assets	307.8	331.8	357.7
Total Assets	1,773.6	1,808.3	1,808.3	1,888.9	Total Liabilities and Net Assets	1,773.6	1,808.3	1,888.9
Exchange Rate, End of Period					Equity Ratio	16.6%	17.5%	18.2%
USD/JPY	111.20	111.00	111.00	111.74				
Euro/JPY	118.28	126.45	126.45	131.31				

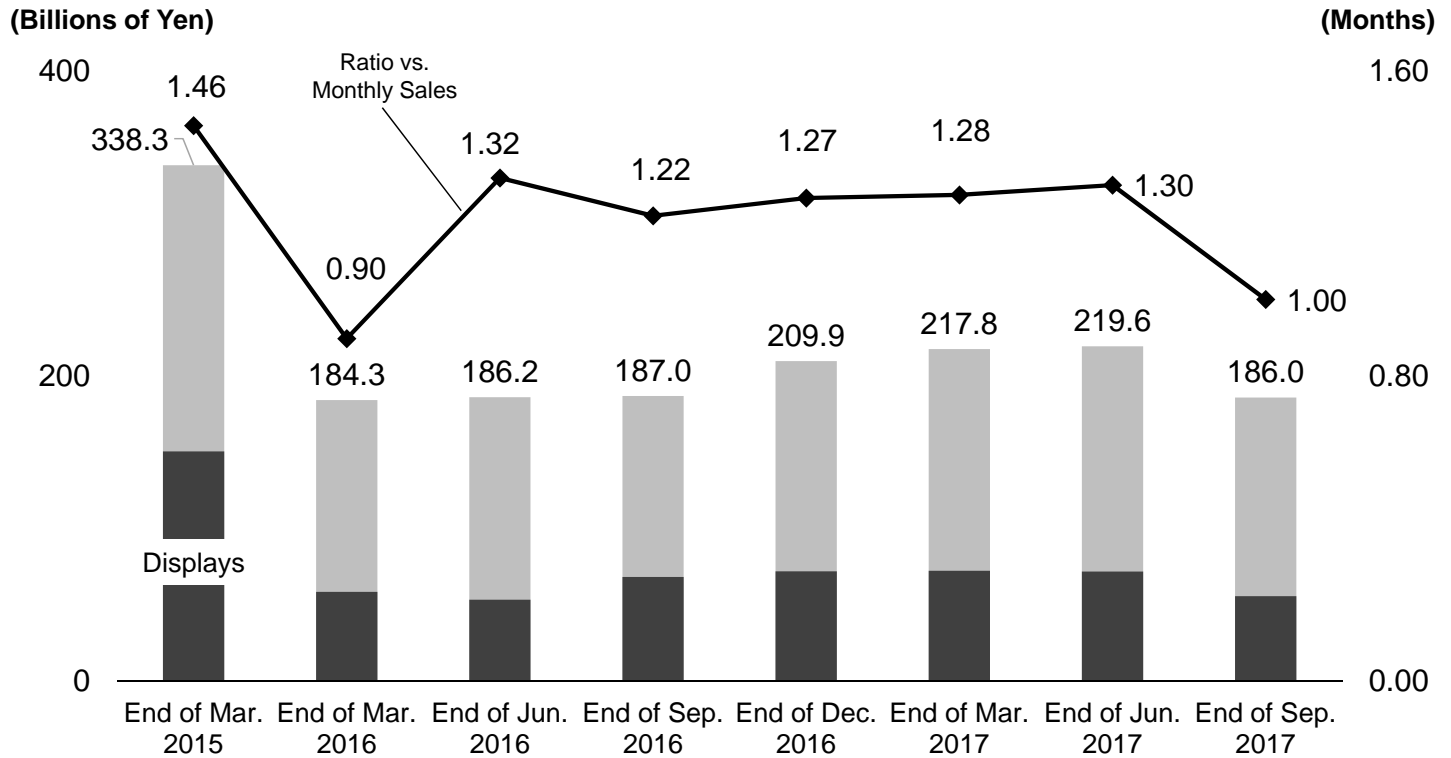
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- The next slide provides information about our balance sheets.
- Cash and deposits decreased to 435.4 billion yen at the end of the second quarter, compared to 466.0 billion yen at the end of the first quarter. While profits have been recovering, this decrease was primarily due to investments for business expansion.
- Net assets as of the end of the second quarter of fiscal 2017 amounted to 357.7 billion yen, an increase of 25.9 billion yen compared to the end of the first quarter. This result was mainly due to profit attributable to owners of parent.
- Our equity ratio improved, moving from 17.5% at the end of the first quarter to 18.2% at the end of the second quarter.

Inventory Trends

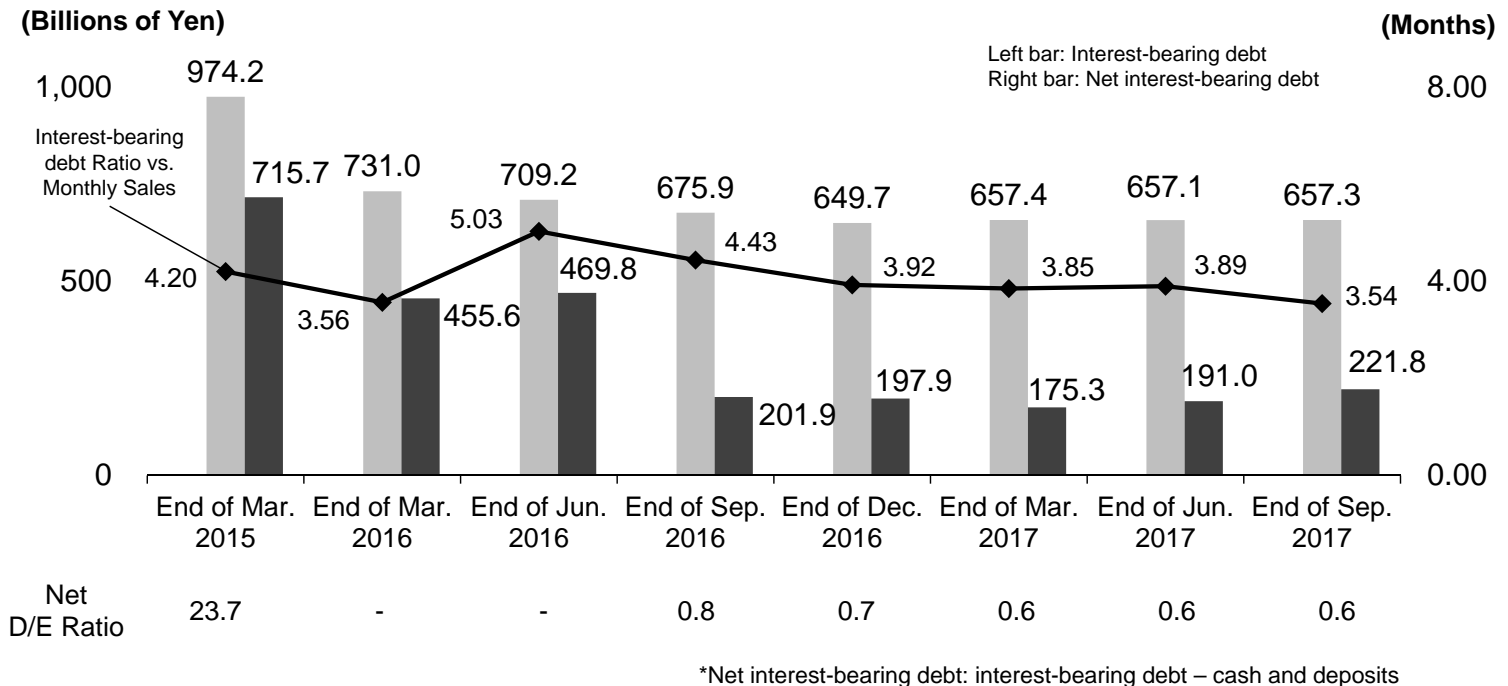
- Inventory amounted to 186.0 billion yen as of September 30, 2017, compared to a balance of 219.6 billion yen as of June 30, 2017.
- The Company will continue to maintain appropriate levels of inventory in response to our sales plans.



- The next slide discusses our inventory trends.
- Inventory at the end of the second fiscal quarter amounted to 186.0 billion yen compared to a balance of 219.6 billion yen for the first quarter. The ratio of inventory to monthly sales fell 0.30 months to 1.00 month.
- We intend to maintain appropriate inventory levels reflecting demand trends and sales risks for the third quarter and beyond.

Interest-Bearing Debt Trends

- Interest-bearing debt as of September 30, 2017 amounted to 657.3 billion yen, nearly level with the balance as of June 30, 2017.
- Interest-bearing debt to monthly sales ratio decreased from 3.89 months to 3.54 months.
- Net interest-bearing debt* increased from 191.0 billion yen to 221.8 billion yen.



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- Next, let's take a look at interest-bearing debt.
- Interest-bearing debt at the end of the second fiscal quarter was 657.3 billion yen, slightly higher, but essentially unchanged from the first quarter. We did see some impact of foreign currency translation on increasing the yen value of foreign currency-denominated debt after converting to the yen.
Net interest-bearing debt was 221.8 billion yen, up 30.8 billion yen, mainly due to the decrease in cash and deposits.
- We will continue to optimize inventories and invest more efficiently in equipment to improve cash flows.

Consolidated Financial Results Forecast for Fiscal 2017

- We have revised our fiscal 2017 forecast in response to our first-half results.
- Upward revisions for forecasts of operating profit, ordinary profit, and profit attributable to owners of parent.

(Billions of Yen)

	FY2017				FY2017 (5/26)		
	First Half	Second Half Forecast	Fiscal Year Forecast	Y on Y	First Half Forecast	Second Half Forecast	Fiscal Year Forecast
Net Sales	1,115.1	1,394.8	2,510.0	+22.4%	1,100.0	1,410.0	2,510.0
Operating Profit (margin)	40.5 (3.6%)	52.4 (3.8%)	93.0 (3.7%)	+48.9%	37.0 (3.4%)	53.0 (3.8%)	90.0 (3.6%)
Ordinary Profit (margin)	41.1 (3.7%)	45.8 (3.3%)	87.0 (3.5%)	3.5-fold	33.0 (3.0%)	46.0 (3.3%)	79.0 (3.1%)
Profit Attributable to Owners of Parent (margin)	34.7 (3.1%)	34.2 (2.5%)	69.0 (2.7%)	-	25.0 (2.3%)	34.0 (2.4%)	59.0 (2.4%)

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- Please turn to the next slide.
We have revised our fiscal year earnings forecasts based on our first half results.
- Considering economic trends and other uncertainties, we have left our net sales forecast as originally announced at 2,510.0 billion yen, or a 22.4% increase compared to the prior fiscal year.
- However, given our first half results, we have made upward revisions for operating profit, ordinary profit, and profit attributable to owners of parent at 93.0 billion yen, 87.0 billion yen, and 69.0 billion yen, respectively.
- We plan to continue on this path, expanding our business and achieving our full-year forecasts. At the same time, we will work to improve our earnings capacity even more, generating profit margin that outperform our first half results.

II . Supplementary Data

- As supplementary data, we have provided you with sales and operating profit by segment and other information, which you can look over at your leisure.
- Thank you for your attention.

Consolidated Financial Results

(Billions of Yen)

	FY2016			FY2017		
	First Half	Second Half	Fiscal Year	First Half	Second Half Forecast	Fiscal Year Forecast
Net Sales	919.6	1,130.9	2,050.6	1,115.1	1,394.8	2,510.0
Operating Profit	0.0	62.3	62.4	40.5	52.4	93.0
(margin)	(0.0%)	(5.5%)	(3.0%)	(3.6%)	(3.8%)	(3.7%)
Ordinary Profit	-32.0	57.1	25.0	41.1	45.8	87.0
(margin)	(-3.5%)	(5.1%)	(1.2%)	(3.7%)	(3.3%)	(3.5%)
Profit Attributable to Owners of Parent	-45.4	20.5	-24.8	34.7	34.2	69.0
(margin)	(-4.9%)	(1.8%)	(-1.2%)	(3.1%)	(2.5%)	(2.7%)

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Consolidated Quarterly Financial Results

(Billions of Yen)

	FY2016				FY2017	
	1Q	2Q	3Q	4Q	1Q	2Q
Net Sales	423.3	496.2	571.5	559.3	506.4	608.7
Operating Profit	-2.5	2.5	18.8	43.5	17.1	23.4
(margin)	(-0.6%)	(0.5%)	(3.3%)	(7.8%)	(3.4%)	(3.9%)
Ordinary Profit	-22.3	-9.7	16.7	40.3	17.1	23.9
(margin)	(-5.3%)	(-2.0%)	(2.9%)	(7.2%)	(3.4%)	(3.9%)
Profit Attributable to Owners of Parent	-27.4	-17.9	4.2	16.2	14.4	20.2
(margin)	(-6.5%)	(-3.6%)	(0.7%)	(2.9%)	(2.9%)	(3.3%)

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Sales by Segment

	FY2016			(Billions of Yen)
				FY2017
	First Half	Second Half	Fiscal Year	First Half
Smart Homes	263.6	286.9	550.6	290.6
Smart Business Solutions	159.6	158.0	317.7	162.7
IoT Electronics Devices	177.1	236.4	413.6	192.2
Advance Display Systems	357.5	484.5	842.0	521.6
Subtotal	958.0	1,166.0	2,124.0	1,167.2
Adjustments	-38.3	-35.0	-73.4	-52.0
Total	919.6	1,130.9	2,050.6	1,115.1

*Sales include inter-segment sales and transfers.

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Operating Profit by Segment

	FY2016			(Billions of Yen)
				FY2017
	First Half	Second Half	Fiscal Year	First Half
Smart Homes	14.4 (5.5%)	33.9 (11.8%)	48.4 (8.8%)	20.4 (7.0%)
Smart Business Solutions	11.2 (7.0%)	11.2 (7.1%)	22.5 (7.1%)	8.9 (5.5%)
IoT Electronics Devices	-1.5 (-0.9%)	9.5 (4.1%)	8.0 (1.9%)	3.6 (1.9%)
Advance Display Systems	-14.6 (-4.1%)	18.2 (3.8%)	3.5 (0.4%)	16.3 (3.1%)
Subtotal	9.5 (1.0%)	73.0 (6.3%)	82.5 (3.9%)	49.3 (4.2%)
Adjustments	-9.4	-10.6	-20.1	-8.7
Total	0.0 (0.0%)	62.3 (5.5%)	62.4 (3.0%)	40.5 (3.6%)

*Figures within parentheses indicate operating margin.

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Quarterly Sales by Segment

	(Billions of Yen)					
	FY2016				FY2017	
	1Q	2Q	3Q	4Q	1Q	2Q
Smart Homes	125.0	138.6	128.9	157.9	130.2	160.4
Smart Business Solutions	77.5	82.1	72.3	85.7	72.1	90.5
IoT Electronics Devices	75.0	102.1	140.5	95.9	83.2	109.0
Advance Display Systems	167.1	190.3	245.4	239.0	249.6	271.9
Subtotal	444.7	513.3	587.3	578.6	535.3	631.9
Adjustments	-21.3	-17.0	-15.7	-19.3	-28.8	-23.1
Total	423.3	496.2	571.5	559.3	506.4	608.7

*Sales include inter-segment sales and transfers.

Quarterly Operating Profit by Segment

	(Billions of Yen)					
	FY2016				FY2017	
	1Q	2Q	3Q	4Q	1Q	2Q
Smart Homes	2.3 (1.9%)	12.1 (8.8%)	2.9 (2.3%)	30.9 (19.6%)	9.9 (7.6%)	10.5 (6.6%)
Smart Business Solutions	5.9 (7.7%)	5.2 (6.4%)	4.1 (5.8%)	7.1 (8.3%)	3.0 (4.2%)	5.8 (6.5%)
IoT Electronics Devices	0.5 (0.7%)	-2.0 (-2.0%)	5.6 (4.0%)	3.9 (4.1%)	1.7 (2.1%)	1.8 (1.7%)
Advance Display Systems	-6.8 (-4.1%)	-7.8 (-4.1%)	11.0 (4.5%)	7.1 (3.0%)	6.7 (2.7%)	9.6 (3.5%)
Subtotal	1.9 (0.4%)	7.6 (1.5%)	23.8 (4.1%)	49.1 (8.5%)	21.4 (4.0%)	27.8 (4.4%)
Adjustments	-4.4	-5.0	-4.9	-5.6	-4.3	-4.4
Total	-2.5 (-0.6%)	2.5 (0.5%)	18.8 (3.3%)	43.5 (7.8%)	17.1 (3.4%)	23.4 (3.9%)

*Figures within parentheses indicate operating margin.

Capital Investment/Depreciation and Amortization, etc.

(Billions of Yen)

	FY2016			FY2017		
	First Half	Second Half	Fiscal Year	First Half	Second Half Forecast	Fiscal Year Forecast
Capital Investment	27.4	50.3	77.7	73.2	66.7	140.0
Displays	12.7	21.4	34.1	16.7	43.2	60.0
Depreciation and Amortization	27.4	32.3	59.7	28.8	51.1	80.0
R&D Expenditures	55.8	50.2	106.1	50.2	69.7	120.0

(Yen)

Avg. Exchange Rate	FY2016			FY2017	
	First Half	Second Half	Fiscal Year	First Half	Second Half Forecast
US Dollar	104.30	110.48	107.39	110.07	110.00
Euro	116.66	117.93	117.29	124.79	128.00

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Quarterly Capital Investment and Depreciation, etc.

(Billions of Yen)

	FY2016				FY2017	
	1Q	2Q	3Q	4Q	1Q	2Q
Capital Investment	10.2	17.2	35.4	14.8	18.8	54.4
Displays	5.6	7.0	14.1	7.2	3.2	13.5
Depreciation and Amortization	13.5	13.8	16.2	16.1	14.1	14.6
R&D Expenditures	29.7	26.1	29.3	20.8	28.7	21.5

(Yen)

Avg. Exchange Rate	FY2016				FY2017	
	1Q	2Q	3Q	4Q	1Q	2Q
US Dollar	107.16	101.44	108.32	112.64	110.10	110.04
Euro	120.53	112.78	116.29	119.58	120.69	128.88

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Be Original.

