



Japan
Display
Inc.
Group

Financial Results

Fourth Quarter & Full Year
Fiscal 2017

Japan Display Inc.

May 15, 2018

4Q-FY17 Results & FY 18 Guidance

Takanobu Oshima
Chief Financial Officer

4Q-FY17 Topics

- Due to lower demand for smartphone displays 4Q sales fell 37% YoY, full-year sales down 19% YoY. Lower gross profit on lower sales led to enlarged operating loss.
- Non-operating: Equity method losses of ¥4.1bn, forex losses of ¥3.3bn, depreciation costs of ¥3.3bn
Extraordinary losses: ¥111.1bn (full term: ¥142.3bn) for business structure reforms
- Structural reforms proceeded as planned; reduced fixed costs to contribute to earnings from FY18
- March 30: Announced capital procurement of ¥55bn (3rd-party allotment & transfer of Nomi Plant); proceeds to be used to increase output of FULL ACTIVE™
- Announced JOLED subsidiarization policy change; cooperation with JOLED centered on auto biz will continue and be strengthened. JDI to distribute JOLED products thru its sales channels.

(Billion Yen)

	Net sales	Operating income	Ordinary income	Net income	Dep. & Amort.	R&D expense	FX rate (¥/US\$)
4Q-FY17	151.9	(22.9)	(35.1)	(146.6)	21.4	4.5	108.2
3Q-FY17	191.7	(12.1)	(18.4)	(32.6)	22.2	3.8	113.0
4Q-FY16	240.2	8.0	0.2	(22.3)	25.3	4.7	113.6
FY17 (A)	717.5	(61.7)	(93.7)	(247.2)	91.2	19.2	110.8
FY16 (A)	884.4	18.5	(8.9)	(31.7)	90.2	14.7	108.4

Business Conditions

Biz Conditions

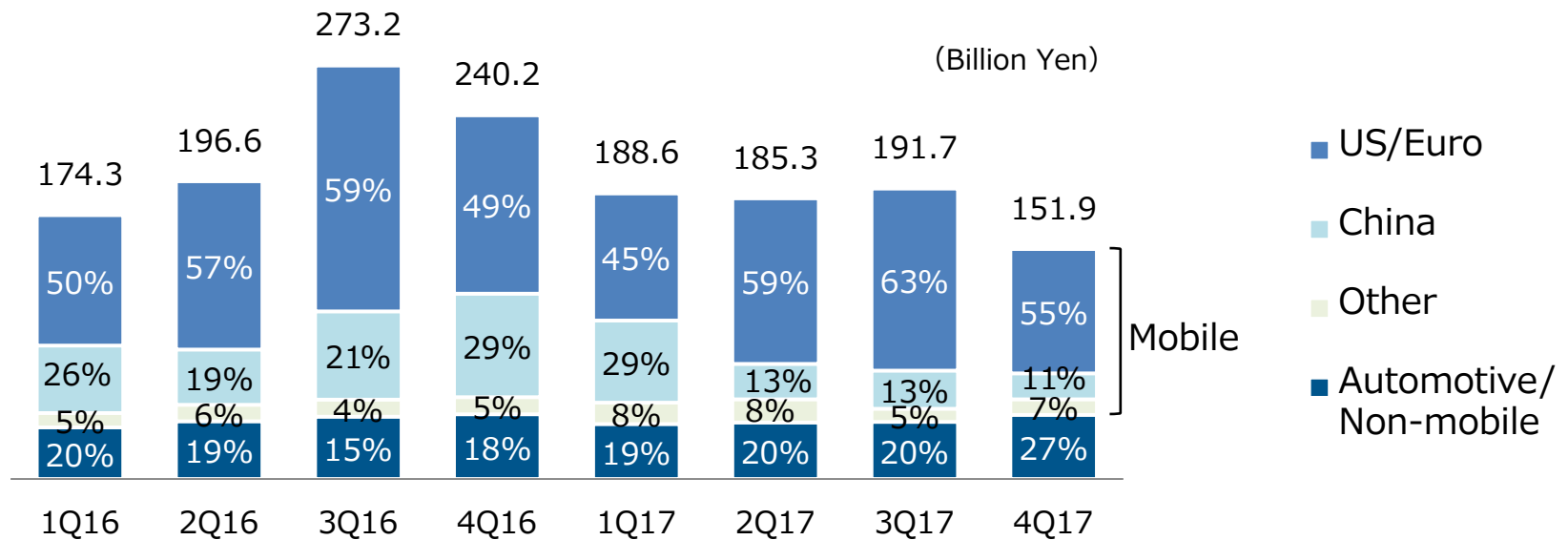
■ Mobile Category

- 4Q sales: Large decline due to major customer adopting OLED, weak smartphone shipments in China, tougher competition in display mkt and seasonal factors.
- FY18 1H sales likely to remain weak but expect FULL ACTIVE™ shipments to quickly grow as of 2H

■ Non-Mobile Category

- Strong automotive sales. Quarterly sales showing record YoY growth. Double-digit sales growth expected in FY18

JDI Sales



Operating Results (3 mo. ended Mar. 31, 2018)

(Billion yen)

	Q4-FY17	Q4-FY16	YoY Chg.		Q3-FY17	QoQ Chg.	
Net sales	151.9	240.2	(88.3)	-36.8%	191.7	(39.8)	-20.8%
Cost of sales	159.9	220.0	(60.1)	-27.3%	189.5	(29.6)	-15.6%
Gross profit	(7.9)	20.2	(28.2)	-	2.2	(10.2)	-
	-5.2%	8.4%			1.2%		
SG&A	14.9	12.2	+2.7	+22.0%	14.3	+0.6	+4.3%
Operating income	(22.9)	8.0	(30.9)	-	(12.1)	(10.8)	-
	-15.0%	3.3%			-6.3%		
Net non-operating profit (loss)	(12.3)	(7.8)	(4.4)	-	(6.3)	(6.0)	-
Ordinary income (loss)	(35.1)	0.2	(35.3)	-	(18.4)	(16.8)	-
	-23.1%	0.1%			-9.6%		
Net extraordinary income (loss)	(111.1)	(0.7)	(110.3)	-	(14.7)	(96.4)	-
Income (loss) before tax	(146.2)	(0.6)	(145.6)	-	(33.1)	(113.1)	-
	-96.2%	-0.2%			-17.2%		
Income taxes	0.4	21.9	(21.5)	-98.0%	0.3	+0.1	+28.4%
Income (loss) attributable to owners of the parent	(146.6)	(22.3)	(124.4)	-	(32.6)	(114.0)	-
	-96.5%	-9.3%			-17.0%		
EBITDA	(4.7)	31.7	(36.4)	-	8.1	(12.8)	-
	-3.1%	13.2%			4.2%		
Avg. FX rate (JPY/USD)	108.2	113.6			113.0		
Q-End FX rate (JPY/USD)	106.2	112.2			113.0		

FY 2017 Operating Results

(Billion yen)

	FY2017	FY2016	YoY Chg.	
Net sales	717.5	884.4	(166.9)	-18.9%
Cost of sales	720.2	816.0	(95.9)	-11.7%
Gross profit	(2.6)	68.4	(71.0)	-
	-0.4%	7.7%		
SG&A	59.1	49.9	+9.2	+18.5%
Operating income	(61.7)	18.5	(80.3)	-
	-8.6%	2.1%		
Net non-operating profit (loss)	(31.9)	(27.4)	(4.5)	
Ordinary income (loss)	(93.7)	(8.9)	(84.8)	-
	-13.1%	-1.0%		
Net extraordinary income (loss)	(143.7)	(2.4)	(141.4)	
Income (loss) before tax	(237.4)	(11.2)	(226.2)	-
	-33.1%	-1.3%		
Income taxes	9.9	19.6	(9.7)	-49.7%
Income (loss) attributable to owners of parent	(247.2)	(31.7)	(215.6)	-
	-34.5%	-3.6%		
EBITDA	19.6	100.8	(81.2)	-80.6%
	2.7%	11.4%		
Avg. FX rate (JPY/USD)	110.8	108.4		

FY17 Extraordinary loss:

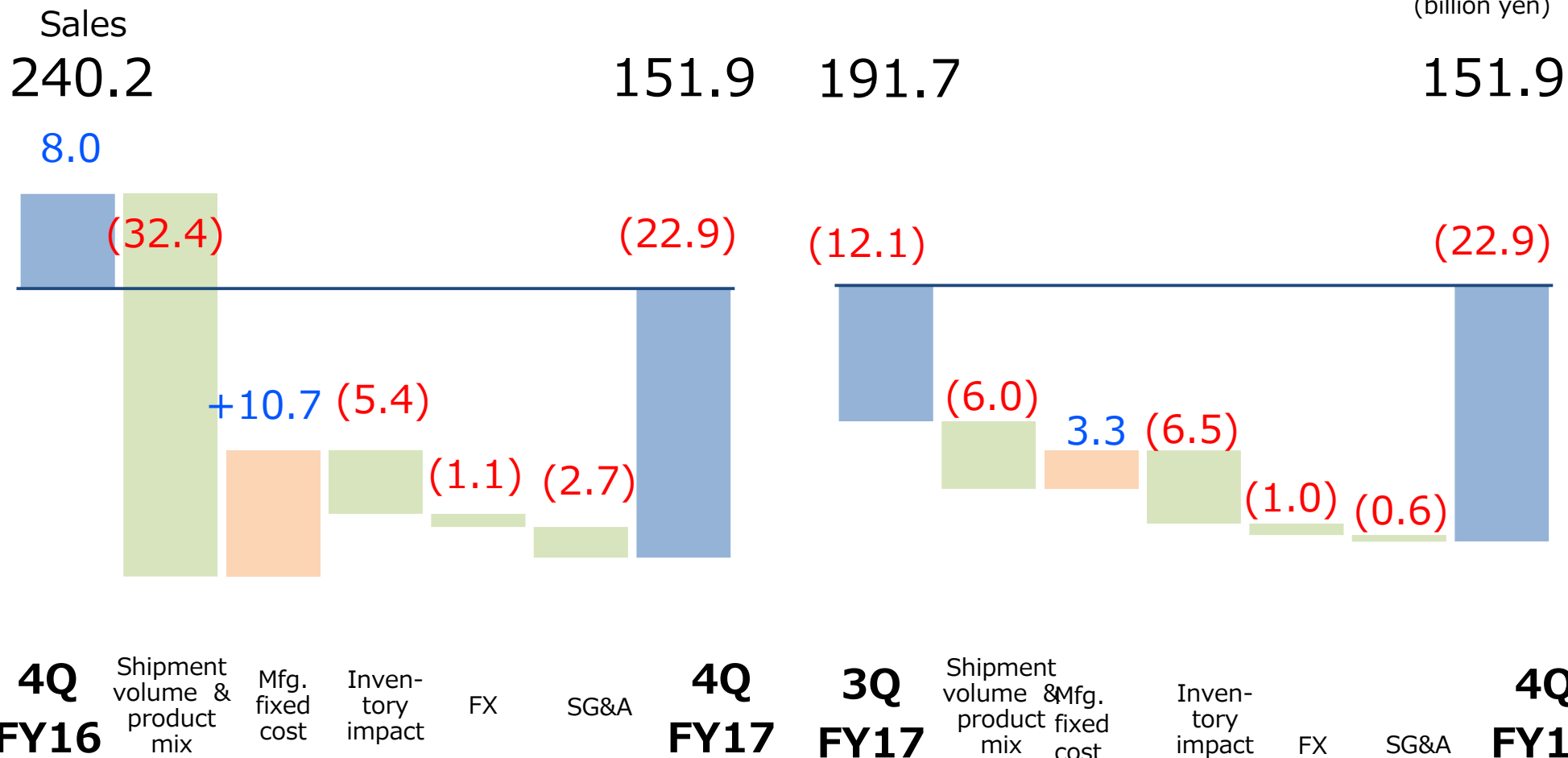
- Biz structure improvement expenses: ¥142.3bn
- Allowance for doubtful account : ¥1.5bn

Operating Income Change Factors

vs. Previous year (4Q-FY16)

vs. Previous quarter (3Q-FY17)

(billion yen)



Balance Sheet

(Billion yen)

	3/2018	12/2017	3/2017
Cash and deposits	80.9	60.4	82.2
Accounts receivable	82.9	100.7	128.6
Other receivables	42.8	62.7	92.0
Inventories	58.2	80.9	100.9
Others	6.4	7.8	14.4
Total current assets	271.0	312.5	418.2
Non-current assets	343.7	450.7	497.5
Total assets	614.7	763.2	915.6
Accounts payable	117.8	153.0	201.0
Interest-bearing debt	188.1	164.4	135.2
Advance receipts	128.3	136.0	179.4
Other liabilities	98.5	79.9	72.9
Total liabilities	532.6	533.3	588.5
Total net assets	82.0	229.9	327.1
Shareholders' equity ratio	13.1%	29.8%	35.5%
Net debt	107.2	104.0	53.0
Merchandise and finished goods	10	13	13
Work in process	15	19	21
Raw materials and supplies	8	7	7
Days in inventory*	33	38	41

Note: Reflects 3rd-party allotment (¥35bn) implemented April 25;
 - Net assets: ¥110.7bn
 - Equity ratio: 17.8%

*Days in inventory = Inventory / Cost of goods sold × 90days

Cash Flows

■ Financial Report: JGAAP

(advance receipts are included in Operating CF)

	FY2017	FY2016
Income bef. income taxes	(237.4)	(11.2)
Dep. & Amort.	91.2	90.2
Working capital ⁽¹⁾	53.9	(13.6)
Advance receipts	(51.1)	47.5
Structural reform cost	142.3	0.0
Other	0.3	(0.9)
CF from operating activities	(0.8)	112.0
Acquisitions of P&E	(49.5)	(133.4)
Other	(3.7)	(9.2)
CF from investing activities	(53.2)	(142.6)
CF from financing activities	52.9	55.7
Ending bal., cash & equiv.	80.9	82.2
Free cash flow ⁽²⁾	(53.9)	(30.6)

(1) Working capital = A/R + Inventories + A/P + Other receivables

(2) Free cash flow = CF from operating activities + CF from investing activities

■ Internal business administration

(advance receipts are regarded as long-term liabilities & included in CF)

	FY2017	FY2016
Income bef. income taxes	(237.4)	(11.2)
Dep. & Amort.	91.2	90.2
Working capital ⁽¹⁾	53.9	(13.6)
Structural reform cost	142.3	0.0
Other	0.3	(0.9)
CF from operating activities	50.4	64.5
Acquisitions of P&E	(49.5)	(133.4)
Other	(3.7)	(9.2)
CF from investing activities	(53.2)	(142.6)
Advance receipts	(51.1)	47.5
Other	52.9	55.7
CF from financing activities	1.8	103.2
Ending bal., cash & equiv.	80.9	82.2
Free cash flow ⁽²⁾	(2.8)	(78.1)

Note: JDI views "Advance receipts" as equivalent to long-term liabilities and manages them internally by situating them in cash flow from financing activities.

Structural Reforms Results

Structural reforms proceeded as planned.
Contribution to operating profit improvement: approx. ¥50bn

Reforms	Main Results	Costs & Effects
Partial shutdown of Japan front-end line	Nomi Plant mfg shut down in Dec. 2017 (the plant will be used by JOLED)	Structural reform extraordinary losses 1Q : 2.7 2Q : 13.8 3Q : 14.7 4Q : 111.1 ----- FY17 : ¥142.3bn Benefits – Operating income improvements Non-cash (dep.): ¥20bn Cash (labor cost, etc.): ¥30bn ----- Total: approx ¥50bn
Consolidation of Overseas back-end subsidiaries	<ul style="list-style-type: none"> Share transfer of back-end China sub. (Shenzhen JDI Inc.) completed. Share transfer of another sub. is planned. Booked loss on restructuring of subsidiaries = ¥15.5bn Back-end sub. (Nanox Philippines Inc.) mfg. line consolidated 	
Write-down of business & idle assets	Plant etc. asset write-down = ¥103.8bn	
OLED pilot line integration	Finished integrating development resources with Mobara	
Inventory valuation	Valuation losses on retained stock	
Personnel cuts, Remuneration/salary cuts	Workforce reductions: Domestic approx. 300, overseas approx. 3,500	

FY 2018 Guidance

- 1Q: Sales expected to fall approx. 30% QoQ; operating losses to shrink QoQ based on structural reforms lowering fixed costs & other cost improvements.
- Full-term sales to bottom in 1Q, sales jump in 2H to lift annual sales by 10-20%
- Higher sales & structural reform benefits to greatly improve FY18 operating income.
- Lower non-operating losses on reduced equity-method losses, non-op depreciation decline etc.; planning to achieve full-term positive net profit.
- Capex to slightly increase due to investment in FULL ACTIVE™ back-end mfg & capex slippage from FY17 (also some structural reform cost payments to appear in FY18)

(Billion yen)	FY16 Actual	FY17 Actual	FY18 Est.
Net sales	884.4	717.5	YoY up 10-20%
Operating income	18.5	(61.7)	OP Margin 2-3%
Depreciation	90.2	91.2	54.0
R&D Costs	14.7	19.2	20.0
Capex	133.4	49.5	67.0

FY18 FX assumption : 1UD\$ = JPY105

Status of Business Reforms

Nobuhiro Higashiiriki
Chief Executive Officer & Chairman

Today's Briefing

■ Basic Policies of Business Reforms

(Aug. 9 2017 briefing)

■ FY 2017 Actions

- CFT* 2017 earnings structure improvement actions
- Strengthened Mobile business
- Strengthened Growth businesses (Automotive & new business)

■ FY 2018 Basic Policies

*CFT (Cross Functional Team): Created to develop and achieve company-wide business improvement activities.

End the downward business spiral based on
"Scrap & Build" with nothing off limit

Scrap & Build

- **Structural & Financial Reform**
- **Drastic reform of earnings structure**
- **Shift resources to growth areas**
- **OLED mfg. technology & commercialization**



Generate sustainable earnings & free cash flow
Founding of "New JDI"

FY 2017 Specific Actions

Simultaneously moved on structural reform (scrap) & transforming earnings structure (build)

Tough structural and financial reforms

- Cut fixed costs by ¥50bn, optimized excess mfg capacity
- Capital procurement of ¥55bn from 3rd-party allotment & Nomi plant transfer

CFT 2017 earnings structure improvement actions

- Operating income improvement impact: ¥20bn (vs. company internal plan)
- Global strategy enhancement: Created technology strategy dept. & global marketing strategy dept.

Shift of resources to growth areas

- Strengthened Automotive/Industrial devices & new business
- Introduced market-specific in-house company system

Development Verification of OLED for mass mfg

- Evaporation OLED tech. verified & printing OLED mass mfg. tech. established
Actions taken for strategic global alliance (to be continued in FY 2018)

FY17 Action: CFT 2017 Earnings Reform Actions

CFT (Cross Functional Team) 2017 actions enabled major cost cuts

CFT 2017 Actions

Organized **11 CFTs** directly concerned with business issues

1. Organizational streamlining
2. Inventory reduction
3. Cash flow mgmt
4. Sales reforms
5. Productivity improvement
6. Procurement cost reductions
7. Product development reforms
8. Marketing improvement
9. Brand value improvement
10. Product quality reforms
11. Indirect cost reductions

Primary reform benefits*

*Relative to company internal plan

Inventory reduction

Days in inventory
down **20%**

Mfg cost reduction

Mfg costs
down **5%**

Indirect cost reduction

Indirect costs
down **20%**

FY17 Action: Strengthened Mobile Business

Launch of FULL ACTIVE™ & evaporation OLED development proceeded as planned

**Steady launch
of FULL ACTIVE™**



**FULL ACTIVE™
Quick ramp-up**

LCD Innovation
(incl. cooperation with supply chain)

**Evaporation OLED
Development verification
Completed**

⇒ Next: establishing mass mfg.
technology

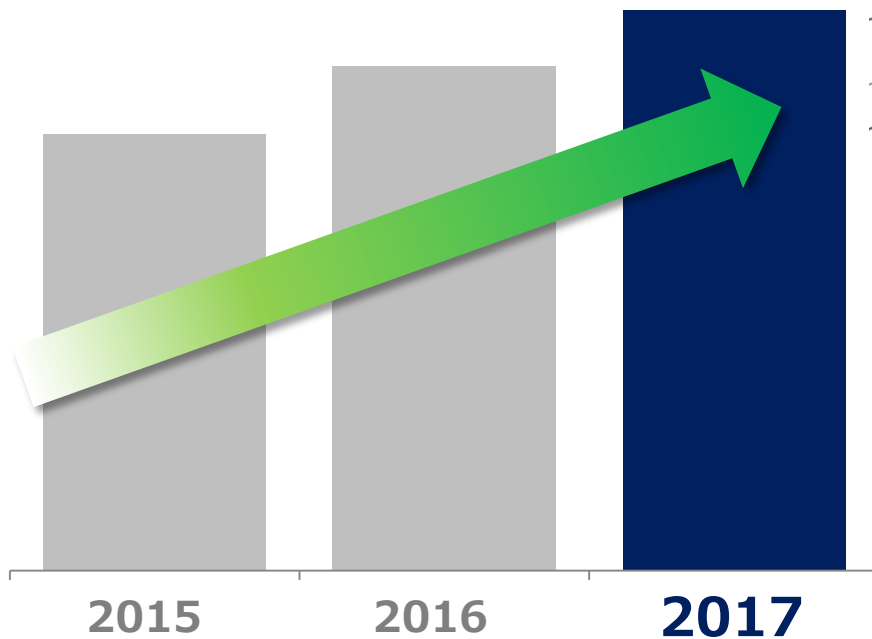
2017

2018

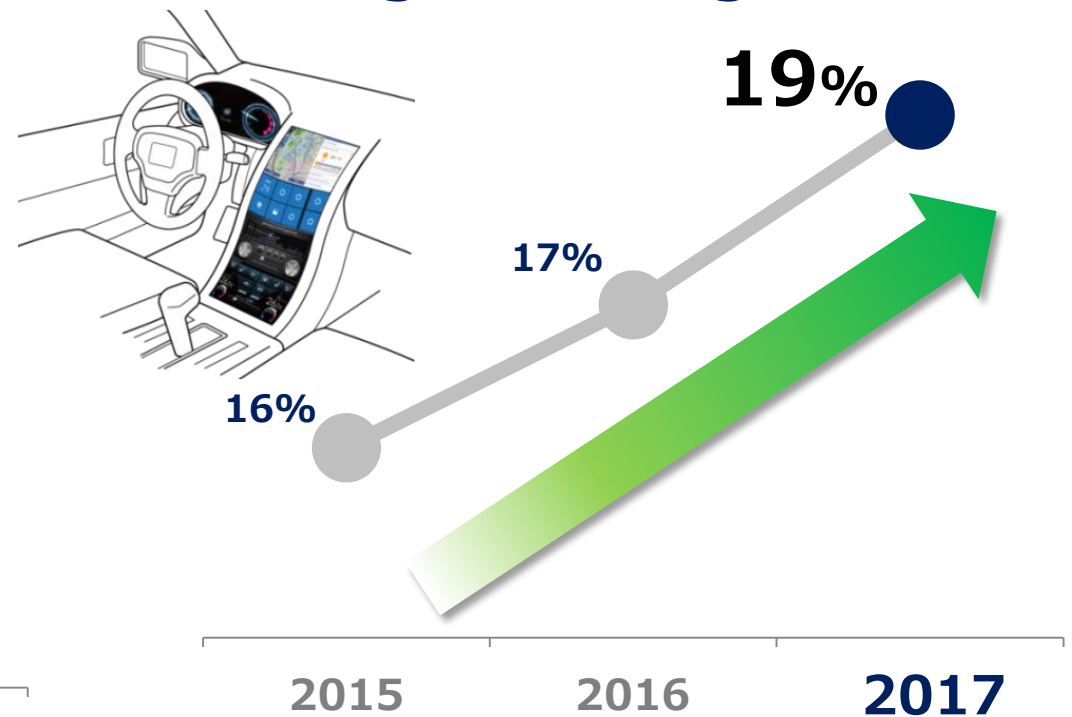
FY17 Action: Strengthened Automotive Business

Automotive display biz expanded further by injecting more resources

JDI's automotive display sales exceeded ¥100bn



World's No.1 share* Expanded Further growth targeted



*Automotive Active FPD market share, value terms
Source : IHS Markit (Apr. 2018)

FY17 Action: Strengthened New Business

Larger new product sales & rebuilding organization of new biz

Wearables

Sales up **100%** (vs. FY2016)



New Framework to enhance new business

Aiming to not only make products but also create markets

VR-HMD

High resolution LCD

Market Launch



Marketing Innovation & Communication

Solutions Planning

Creative Marketing

FY 2018 Basic Policies

Become profit-making company thru further earnings structural reforms & accelerated growth strategies

FY 2018 Goals

Sales (YoY)	OPM	Net income
<u>up 10-20%</u>	<u>2-3%</u>	<u>Black</u>

Push growth strategy

- Boost Mobile biz competitiveness
 - Ramp up FULL ACTIVE™
 - Further enhancement of LCD (incl. cooperation with supply chain)

Accelerate earnings structural reform

- CFT 2018 Actions
- Commitment mgmt
- Improve global sales operations

- Shift resources to growth areas
 - Strengthen Auto/industrial & new biz
 - Fully realize joint cooperation with JOLED (JOLED: development/mfg., JDI: sales)

- Secure evaporation OLED mass mfg. technology



Forward Looking Statement:

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