

Consolidated Financial Results for FY21/3 (Japanese GAAP)

May 14, 2021

Japan Display Inc.

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Commencement of dividend payments: –

Supplemental materials for earnings results: Available

Results briefing: May 14, 2021 (for institutional investors and analysts)

(Figures in this report are rounded down to the nearest million yen.)

1. FY21/3 Consolidated Business Results (April 1, 2020 to March 31, 2021)

(1) Consolidated Results of Operations

(JPY million, except per share amounts)

	FY20/3	YoY	FY21/3	YoY
Net sales	504,022	(20.8)%	341,694	(32.2)%
Operating income (loss)	(38,536)	–	(26,226)	–
Ordinary income (loss)	(57,854)	–	(32,656)	–
Net income (loss) attributable to owners of the parent	(101,417)	–	(42,696)	–
Net income (loss) per share				
-Basic (Yen)	(116.56)	–	(17.93)	–
-Diluted (Yen)	–	–	–	–
Return on equity	(406.1)%	–	(94.2)%	–
Ordinary income (loss) to total assets	(12.5)%	–	(10.6)%	–
Operating income (loss) to net sales	(7.6)%	–	(7.7)%	–
Comprehensive income	(99,886)	–	(35,923)	–
Share of loss of entities accounted for using equity method	(10,007)	–	–	–

Note: The ordinary income (loss) for FY20/3 presented in the table above reflects the effect of an accounting reclassification due to a reclassification in FY21/3 that resulted from a change in JDI's presentation policy for "gain on sale of fixed assets."

(2) Consolidated Financial Condition

(JPY million)

	FY20/3	FY21/3
Total assets	389,746	224,998
Net assets	53,363	41,829
Shareholders' equity ratio	13.1%	17.6%
Net assets per share	(43.91)	(42.70)

(Reference) Shareholders' equity	51,103	39,511
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Note: "Net assets per share" for FY21/3 and FY20/3 is calculated by deducting the distribution amount of residual assets related to preferred shares with differing rights from common shares issued by JDI.

(3) Consolidate Cash Flow

(JPY million)		
	FY20/3	FY21/3
Cash flows from operating activities	(87,111)	(23,121)
Cash flows from investing activities	28,069	(9,145)
Cash flows from financing activities	57,682	20,230
Cash and cash equivalents at end of period.....	66,380	55,347

2. Dividends

	Dividend per share (JPY)					Total dividend (JPY million)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	Q1	Q2	Q3	Q4	Total			
FY20/3	—	0.00	—	0.00	0.00	—	—	—
FY21/3	—	0.00	—	0.00	0.00	—	—	—
FY22/3 (forecast)	—	0.00	—	0.00	0.00		—	

Note: Above "2. Dividends" shows the status of dividends for common shares. See "(Reference) Dividends for Preferred Shares" below for dividends for preferred shares (unlisted) that have different rights from common shares issued by JDI.

3. FY22/3 Q1 Consolidated Operating Results Forecast

(% show YoY change)

	FY22/3 Q1		FY22/3 Full-Year	
Net sales	JPY 64,000 million	(27.3)%	JPY 254,000 million	(25.7)%
Operating income (loss)	JPY (8,800) million	—	—	—

For details, please see "(4) Forecast of Operating Results" on page 8.

4. Other Information

(1) Changes in significant consolidated subsidiaries

(material changes in scope of consolidation) :	None
New subsidiaries:	None
Subsidiaries removed from consolidation:	None

(2) Changes in accounting policy, changes in accounting estimates, and revisions to previous financial statements

(i) Changes in accounting policy in accordance with amendments to accounting standards:	None
(ii) Changes in accounting policy other than (i) above:	None
(iii) Changes in accounting estimates:	Yes
(iv) Revisions to previous financial statements:	None

(3) Number of shares outstanding

(i) Number of shares outstanding (including treasury shares) at period-end

FY21/3: 2,538,168,239

FY20/3: 2,538,165,800

(ii) Number of treasury shares at period-end

FY21/3: 4

FY20/3: 3

(iii) Average number of shares outstanding (excluding treasury shares) during the period

FY21/3: 2,381,718,171

FY20/3: 870,114,649

Note: All preferred shares outstanding have the same rights as common shares in regard to rights to receive dividends of surplus, and are therefore included in the number of shares outstanding at the end of periods and the average number of shares outstanding during the periods.

Reference: Unconsolidated Business Results

FY21/3 Unconsolidated Business Results (April 1, 2020 to March 31, 2021)

(1) Unconsolidated Results of Operations

(JPY million)

	FY20/3	YoY (%)	FY21/3	YoY (%)
Net sales	481,316	(24.1)	331,174	(31.2)
Operating income (loss)	(49,084)	-	(33,048)	-
Ordinary income (loss)	(56,371)	-	(36,778)	-
Net income (loss)	(114,965)	-	(33,040)	-
Net income (loss) per share				
-Basic (Yen)	(132.13)	-	(13.87)	-
-Diluted (Yen)	-	-	-	-

(2) Unconsolidated Financial Condition

(JPY million)

	FY20/3	FY21/3
Total assets	360,392	205,820
Net assets	8,761	112
Shareholders' equity ratio	2.4%	0.0%
Net assets per share	(62.28)	(54.97)
(Reference) Shareholders' equity	8,720	71

This financial report is not subject to audit procedures.

Proper use of earnings forecasts and other special remarks.

Forward-looking information, such as earnings forecasts in this document, is based on information available to JDI at the time the document was prepared and on management's reasonable assumptions. Such information should not be interpreted as a guarantee of future performance or results. Furthermore, forward-looking information is necessarily subject to a number of factors that may cause actual results to differ materially from those results implied by the expectations suggested by such information.

Reference: Dividends for Preferred Shares

Dividend per share for preferred shares that have different rights to common shares is shown below.

Class A preferred share	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY20/3				0.00	0.00
FY21/3	-	0.00	-	0.00	0.00
FY22/3 (forecast)	-	0.00	-	0.00	0.00

Class B preferred share	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY20/3				0.00	0.00
FY21/3	-	0.00	-	0.00	0.00
FY22/3 (forecast)	-	0.00	-	0.00	0.00

Class D preferred share	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY21/3		0.00	-	0.00	0.00
FY22/3 (forecast)	-		-	0.00	0.00

Class E preferred share	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY21/3				0.00	0.00
FY22/3 (forecast)	-	0.00	-	0.00	0.00

Attachments

1. Consolidated Business Results

(1) FY21/3 Consolidated Results of Operations

FY 21/3 Consolidated Results of Operations (April 1, 2020 to Mar 31, 2021)

(JPY million)

Fiscal year	FY20/3 (Apr. 1, 2019 to Mar. 31, 2020)		FY21/3 (Apr. 1, 2020 to Mar. 31, 2021)		
	Amount	% of net sales	Amount	% of net sales	YoY (%)
Mobile Device Category	350,802	69.6%	197,476	57.8%	(43.7)%
Automotive Category	103,562	20.5%	88,052	25.8%	(15.0)%
Non-Mobile Device Category	49,656	9.9%	56,165	16.4%	13.1%
Net sales	504,022	100.0%	341,694	100.0%	(32.2)%
Operating income (loss)	(38,536)	—	(26,226)	—	—
Ordinary income (loss) (Note 1)	(57,854)	—	(32,656)	—	—
Net income (loss) attributable to owners of the parent	(101,417)	—	(42,696)	—	—
Net income (loss) per share	(116.56)	—	(17.93)	—	—
EBITDA (Note 2)	(19,549)	—	(12,502)	—	—

Note 1. The ordinary income (loss) for FY20/3 presented in the table above reflects the effect of an accounting reclassification due to a reclassification in FY21/3 that resulted from a change in JDI's presentation policy for "gain on sale of fixed assets."

Note 2. EBITDA = Operating profit + Depreciation (operating costs) + Amortization of goodwill

The business environment surrounding JDI in FY21/3 remained difficult, as fierce competition continued in the small and medium-sized display industry while the shift to OLED displays by smartphone manufacturers, which are our main customers, led to a sharp fall in orders for LCD displays. In addition, in the first half of the fiscal year restrictions placed on overseas production facilities due to coronavirus pandemic-related lockdowns in urban areas and supply chain disruptions, and in the second half a global shortage of semiconductors, had an impact on JDI's order intake and production.

Under these circumstances, JDI continued to make broad-based cost reductions to improve its business performance. The company completed a transfer sale of the Hakusan Plant (Hakusan City, Ishikawa Prefecture) on October 1, 2020 to reduce fixed costs by about JPY 8 billion annually, and combined with the effects of structural reforms implemented in FY20/3, fixed costs in FY21/3 were reduced by about JPY 28 billion versus FY20/3. JDI also lowered variable costs through improved production yields and other actions amid rising procurement prices for ICs and other components, and improved its variable cost rate by three percentage points. The transfer sale of the Hakusan Plant resulted in a JPY 18.6 billion gain on fix assets sold, and the consideration for the transfer of the plant was used to repay advances received from a customer (partly offset by accounts receivable), thus reducing debt by JPY 74.3 billion.

Regarding sales, sales of non-mobile products, which are important for JDI's business development, increased, such as OLED displays for wearable devices (these displays began shipping in FY20/3) and ultra-high-resolution LCDs for rapidly growing VR devices. However, orders for smartphone displays, which account for the largest proportion of company sales, decreased significantly, and sales of automotive displays also fell year-on-year (YoY) due to the coronavirus pandemic and tight supply and demand for semiconductors. As a result, FY21/3 sales were well below FY20/3.

As a result of the above, net sales in FY21/3 were JPY 341,694 million, a decline of JPY 162,327 million or 32.2% YoY.

An operating loss of JPY 26,226 million yen was recorded, a reduction of 12,309 million YoY, as the impact of cost reductions cancelled the impact of lower sales. An ordinary loss of JPY 32,656 million, a decrease of JPY 25,198 million YoY, in part resulted from the ending of an equity-method investment loss in FY21/3 that was due to the transfer of shares of an affiliated company in March 2020, and a decrease in interest payment costs due to the reduction of interest-bearing debt that resulted from refinancing in that same month. The net loss attributable to owners of the parent was JPY 42,696 million, a reduction of JPY 58,720 million YoY, as a gain on transfer of fixed assets associated with the transfer of the Hakusan Plant was recorded and business restructuring expenses were lower.

Overview of JDI's sales in each of its application categories in FY21/3.

Mobile Device Category

Sales in the Mobile Device Category include displays for smartphones and tablets. FY21/3 sales were JPY 197,476 million (down 43.7% YoY), accounting for 57.8% of total company sales. Orders for LCDs decreased significantly due to the shift to OLED displays by smartphone manufacturers that are major JDI customers, resulting in lower YoY sales. In addition to the maturing of the smartphone market, changes in customer needs for smartphone displays and fierce competition are highly unlikely to lead to significantly better sales in this category in the future. As a consequence, JDI executed a transfer sale of its Hakusan Plant, its main factory for the production of smartphone displays, on October 1, 2020.

Automotive Category

Sales in the Automotive Category consist of automotive displays, such as instrument clusters and HUDs. Sales in FY21/3 were JPY 88,052 million (down 15.0% YoY), accounting for 25.8% of total sales.

Compared to the first quarter, when the coronavirus pandemic caused a major decline in sales, demand improved significantly from the second quarter onward. However, automobile sales in major countries except China continued to fall below the same period of FY20/3 through to the third quarter, and JDI and some of its customers had to make production adjustments due to a shortage of semiconductors. As a result, sales in this category saw a YoY decline.

Non-Mobile Category

The Non-Mobile Device Category includes displays for digital still cameras, wearable devices and other consumer electronics, industrial devices such as medical equipment monitors and income from patents. FY21/3 sales were JPY 56,165 million (up 13.1% YoY), 16.4% of total sales. Sales of displays for digital still cameras, which represent a large proportion of sales in this category, and for notebook PCs, which were affected by US-China trade tensions, decreased. However, despite the effects of the semiconductor shortage, sales of OLED displays for wearable devices and ultra-high-resolution LCDs for VR equipment remained strong, leading to a YoY rise in category sales.

FY21/3 Q4 Consolidated Results of Operations

JDI's net sales in the fourth quarter were JPY 69,152 million, a decrease of JPY 47,093 million or down 40.5% YoY. Sales in the quarter were the result of a decrease in demand for smartphone displays and tight supply-demand conditions for semiconductors, which affected JDI's order intake and production. Though sales declined sharply, the operating loss was JPY 7,599 million (compared to a loss of JPY 5,911 million in FY20/3 Q4), owing to the effect of cost reductions. An ordinary loss of JPY 6,691 million was recorded (a loss of JPY 11,130 million in FY20/3 Q4), partly the result of a foreign exchange gain of JPY 1,474 million. A quarterly net loss attributable to owners of the parent of JPY 19,770 million (compared to a profit of JPY 9,468 million in FY20/3 Q4) was partly due to an impairment loss of JPY 13,087 million

Quarterly Consolidated Results of Operations

FY21/3 Consolidated Results of Operations (April 1, 2020 to March 31, 2021)

(JPY million)

	Q1	Q2	Q3	Q4	FY 21/3
Mobile Device Category	61,723	72,241	33,765	29,747	197,476
Automotive Category	14,769	24,050	23,955	25,277	88,052
Non-Mobile Device Category	11,506	15,504	15,026	14,127	56,165
Net sales	87,999	111,796	72,747	69,152	341,694
Gross profit (loss)	1,037	4,611	(754)	246	5,141
Operating income (loss)	(7,006)	(2,872)	(8,747)	(7,599)	(26,226)
Ordinary income (loss)	(8,800)	(6,410)	(10,754)	(6,691)	(32,656)
Net income (loss) attributable to owners of the parent	(16,286)	(20,000)	13,360	(19,770)	(42,696)

FY20/3 Consolidated Results of Operations (April 1, 2019 to March 31, 2020)

(JPY million)

	Q1	Q2	Q3	Q4	FY 20/3
Mobile Device Category	53,683	106,839	110,959	79,319	350,802
Automotive Category	25,519	26,892	27,204	23,946	103,562
Non-Mobile Device Category	11,217	13,609	11,849	12,980	49,656
Net sales	90,421	147,341	150,013	116,246	504,022
Gross profit (loss)	(16,784)	1,114	10,915	3,354	(1,399)
Operating income (loss)	(27,073)	(8,096)	2,545	(5,911)	(38,536)
Ordinary income (loss)	(31,214)	(12,127)	(3,381)	(11,130)	(57,854)
Net income (loss) attributable to owners of the parent	(78,913)	(25,246)	(6,726)	9,468	(101,417)

Note: The ordinary income (loss) for FY20/3 presented in the table above (quarterly and full term) reflects the effect of an accounting reclassification due to a reclassification in FY21/3 that resulted from a change in JDI's presentation policy for "gain on sale of fixed assets."

(2) Overview of Financial Position

Assets, liabilities and net assets

At the end of the FY21/3, JDI had total assets of JPY 224,998 million, a decrease of JPY 164,747 million compared to the end of FY20/3. The change was mainly due to a decrease in non-current assets resulting from the transfer sale of the

Hakusan Plant, lower accounts receivable-trade in response to lower sales and lower accounts receivable-other (a decrease in fees for panels supplied to subcontractors). Liabilities were JPY 183,168 million, a decline of JPY 153,213 million from the end of FY20/3, mainly a result of a repayment of advances received from a customer and a decrease in accounts payable-trade due to a decline in orders. Net assets were JPY 41,829 million, a decrease of JPY 11,534 million from the end of FY20/3. While there was an increase in shareholders' equity of JPY 24,390 million due to the issuance of preferred shares through third-party allotment and the exercise of stock acquisition rights, a net loss of JPY 42,696 million attributable to owners of the parent was recorded. As a result, JDI ended FY21/3 with a shareholders' equity ratio of 17.6% (versus 13.1% at the end of FY20/3).

Effective August 26, 2020, JDI reduced the amount of its capital reserve and disposed of its other capital surplus to achieve flexible and expeditious capital policies in the future and lower its tax burden through a reduced amount of capital reserve, and to cover the deficit of retained earnings carried forward from the end of FY20/3.

(3) Overview of Cash Flows

Net cash used in operating activities in FY21/3 was JPY 23,121 million (versus JPY 87,111 million used in FY20/3) and was due in part to the recording of a net loss before taxes and changes in working capital. Net cash used in investing activities was JPY 9,145 million (versus JPY 28,069 million received in FY20/3), mainly due to the acquisition of fixed assets. As a result, free cash flow (the sum of cash flow provided by operating activities and expenditures for the acquisition of fixed assets) registered an outflow of JPY 30,161 million. Net cash provided by financing activities was JPY 20,230 million (versus JPY 57,682 million provided in FY20/3), partly the result of income received from the issuance of preferred stock and expenditures for the repayment of installment obligations. As a result of the above and foreign exchange effects, the balance of cash and cash equivalents at the end of FY21/3 was JPY 55,347 million, a decrease of JPY 11,033 million relative to the end of FY20/3.

(4) Forecast of Operating Results

In FY22/3 Q1 (April 1, 2021 to June 30, 2021), net sales in the Automotive and Non-Mobile Device categories are expected to be higher YoY, while net sales in the Mobile Device category, which is seeing fewer LCD orders for smartphones from a major customer, are expected to decline significantly. In addition, due to a shortage of semiconductor chips and some other components, which has forced JDI to make production adjustments for some products, and a lower order intake from customers grappling with their own production adjustments, total sales are expected to be JPY 64,000 million (down 27% YoY). In terms of profits, although costs will decrease due to continued cost-reduction efforts, the decrease in sales will have a significant impact. As a result, an operating loss of JPY 8,800 million is expected, an increase in losses of JPY 1,794 million. Excluding the impact of a shortage of semiconductor chips and other components, the operating loss is expected to be approximately JPY 6,500 million.

For the full fiscal year (April 1, 2021 to March 31, 2022), sales in the Mobile Device category are expected to decline significantly, and total sales are expected to decrease 25% YoY to JPY 254,000 million. On the other hand, due to the recovery of global automobile sales, sales in the Automotive category are expected to increase by 17% YoY, and in the Non-Mobile category, by 25% YoY due to growth in wearable OLED displays and LCDs for VR. This forecast factors in the risk of a decrease in sales due to a shortage of semiconductor chips and other components.

Currently, JDI is working on broad-based management reforms aimed at achieving profitability as soon as possible.

FY22/3 Q1 Consolidated Forecast

(JPY million)

	FY21/3 Q1 (Actual)	FY22/3 Q1 (Forecast)	YoY %
Net sales	87,999	64,000	(27.3)%
Operating income (loss)	(7,006)	(8,800)	-

FY22/3 Full-Year Consolidated Forecast

(JPY million)

	FY21/3 (Actual)	FY22/3 (Forecast)	YoY %
Net sales	341,694	254,000	(25.7)%

(5) Basic Policy Concerning the Distribution of Profits

JDI recognizes that returning profits to shareholders is one of the important management issues. However, in FY21/3, the company recorded a net loss attributable to owners of the parent company, and retained earnings, which is the source of dividends, were negative. Therefore, JDI regrets that it will not distribute a dividend, a decision that was previously announced. Also, no dividends will be distributed for Class A preferred shares, Class B preferred shares, Class D preferred shares, and Class E preferred shares.

In addition, in FY22/3 JDI will continue to make efforts to improve its business performance and financial condition, but owing to the considerable time needed to restore retained earnings, the company will continue to not pay a dividend. JDI wishes to convey its deepest apologies to all of its shareholders, and will strive to improve its business performance as quickly as possible in order to meet shareholder expectations.

(6) Material Events Related to Going Concern Assumptions

In the consolidated FY21/3, JDI has recorded an operating loss and significant impairment losses for the fourth consecutive fiscal year and a net loss attributable to owners of the parent for the seventh consecutive fiscal year, thereby raising significant doubt about the company's ability to continue as a going concern.

Details regarding going concern assumptions are presented in "3. Consolidated Financial Statements and Important Notes (5) Notes to the Consolidated Financial Statements (Notes Related to Going Concern Assumptions)".

2. Basic Views on Selection of Accounting Standards

JDI currently applies Japanese accounting standards (JGAAP) to its consolidated financial statements for the purpose of making possible comparisons of consolidated financial statements across fiscal years.

When appropriate the company will consider applying International Financial Reporting Standards (IFRS) depending on international data comparability conditions and other factors.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

	(JPY million)	
	FY20/3 (March 31, 2020)	FY21/3 (March 31, 2021)
<u>Assets</u>		
Current assets:		
Cash and deposits	66,672	55,705
Accounts receivable - trade	70,903	31,213
Accounts receivable - other	48,148	15,332
Merchandise and finished goods	10,131	15,452
Work in process	13,202	11,047
Raw materials and supplies	15,753	13,248
Other	4,699	4,382
Allowance for doubtful accounts	(81)	(79)
Total current assets	229,428	146,304
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	192,880	134,365
Accumulated depreciation	(95,124)	(89,800)
Buildings and structures, net	97,755	44,565
Machinery, equipment and vehicles	407,970	346,666
Accumulated depreciation	(381,687)	(336,762)
Machinery, equipment and vehicles, net	26,282	9,904
Land	10,014	6,661
Lease assets	3,634	2,426
Accumulated depreciation	(1,946)	(967)
Lease assets, net	1,688	1,458
Construction in progress	3,890	3,795
Other	39,943	33,586
Accumulated depreciation	(36,766)	(31,496)
Other, net	3,176	2,090
Total property, plant and equipment	142,808	68,475
Intangible assets:		
Goodwill	7,263	550
Other	1,661	1,230
Total intangible assets	8,924	1,780
Investments and other assets:		
Investment securities	31	33
Deferred tax assets	318	405
Other	8,926	8,001
Allowance for doubtful accounts	(692)	(2)
Total investments and other assets	8,584	8,438
Total non-current assets	160,318	78,694
Total assets	389,746	224,998

(JPY million)

	FY20/3 (March.31,2020)	FY21/3 (March. 31, 2021)
<u>Liabilities</u>		
Current liabilities:		
Accounts payable - trade	88,439	36,567
Electronically recorded obligations - operating	893	844
Short-term loans payable	42,055	21,424
Accounts payable - other	15,172	13,748
Income taxes payable	2,587	2,161
Provision for bonuses	3,230	1,675
Advances received	89,099	1,884
Other	18,002	11,055
Total current liabilities	259,479	89,361
Non-current liabilities:		
Long-term loans payable	53,680	73,680
Net defined benefit liability	15,579	13,247
Other	7,642	6,879
Total non-current liabilities	76,902	93,807
Total liabilities	336,382	183,168
<u>Net assets</u>		
Shareholders' equity		
Share capital	190,562	202,757
Capital surplus	307,348	101,996
Retained earnings	(450,251)	(275,400)
Treasury shares	(0)	(0)
Total shareholders' equity	47,659	29,353
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	2
Foreign currency translation adjustment	6,357	9,804
Remeasurements of defined benefit plans	(2,913)	352
Total accumulated other comprehensive income	3,444	10,158
Share acquisition rights	40	40
Non-controlling interests	2,219	2,277
Total net assets	53,363	41,829
Total liabilities and net assets	389,746	224,998

(2) Consolidated Statement of Income and Comprehensive Income

Consolidated Statement of Income

	(JPY million)	
	FY20/3	FY21/3
	(April 1, 2019 to March. 31, 2020)	(April 1, 2020 to March. 31, 2021)
Net sales	504,022	341,694
Cost of sales	505,421	336,553
Gross profit (loss)	(1,399)	5,141
Selling, general and administrative expenses	37,136	31,368
Operating profit (loss)	(38,536)	(26,226)
Non-operating income		
Interest income	92	92
Foreign exchange gains	1,420	—
Fiduciary obligation fee	1,184	1,009
Rental income	556	543
Subsidy income	113	93
Other	1,533	647
Total non-operating income	4,900	2,387
Non-operating expenses		
Interest expenses	4,196	1,351
Share of loss of entities accounted for using equity method	10,007	—
Foreign exchange losses	—	447
Depreciation	1,674	987
Outsourcing expenses	1,270	1,104
Property maintenance expenses	1,293	2,168
Compensation expenses	—	1,119
Other	5,775	1,637
Total non-operating expenses	24,219	8,816
Ordinary income (loss)	(57,854)	(32,656)
Extraordinary income		
Gain on sale of non-current assets	95	19,097
Gain on sale of investment securities	30,594	—
Foreign exchange gains	—	5,629
Reversal of business restructuring expenses	—	934
Other	—	36
Total extraordinary income	30,689	25,697
Extraordinary losses		
Business restructuring expenses	67,178	10,543
Impairment loss	—	23,976
Other	4,103	238
Total extraordinary losses	71,282	34,758
Income (loss) before income taxes	(98,446)	(41,716)
Income taxes - current	3,038	960
Income taxes - deferred	(315)	(38)
Total income taxes	2,722	922
Net income (loss)	(101,169)	(42,639)
Net income attributable to non-controlling interests	247	57
Net income (loss) attributable to owners of the parent	(101,417)	(42,696)

	(JPY million)	
	FY20/3	FY21/3
	(April 1, 2019 to March. 31, 2020)	(April 1, 2020 to March. 31, 2021)
Net income (loss)	(101,169)	(42,639)
Other comprehensive income		
Valuation difference on available-for-sale securities	1	2
Foreign currency translation adjustment	(2,559)	3,446
Remeasurements of defined benefit plans, net of tax	3,840	3,266
Total other comprehensive income	1,283	6,715
Comprehensive income	(99,886)	(35,923)
of which, Comprehensive income attributable to owners of the parent	(100,133)	(35,982)
of which, Comprehensive income attributable to non-controlling interests	246	58

(3) Consolidated Statement of Changes in Equity

FY20/3 (April 1, 2019 to March 31, 2020)

(JPY million)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	114,362	231,148	(348,833)	(0)	(3,322)
Changes of items during period					
Issuance of common shares	76,200	76,200			152,400
Deficit disposition					—
Net income (loss) attributable to owners of the parent			(101,417)		(101,417)
Acquisition of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	76,200	76,200	(101,417)	—	50,982
Balance at end of current period	190,562	307,348	(450,251)	(0)	47,659

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accum. other comprehensive income			
Balance at beginning of current period	(1)	8,916	(6,754)	2,160	53	1,972	862
Changes of items during period							
Issuance of common shares							152,400
Deficit disposition							—
Net income (loss) attributable to owners of the parent							(101,417)
Acquisition of treasury shares							—
Net changes of items other than shareholders' equity	1	(2,559)	3,841	1,283	(12)	246	1,518
Total changes of items during period	1	(2,559)	3,841	1,283	(12)	246	52,500
Balance at end of current period	(0)	6,357	(2,913)	3,444	40	2,219	53,363

(JPY million)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	190,562	307,348	(450,251)	(0)	47,659
Changes of items during period					
Issuance of common shares	12,195	12,195			24,390
Deficit disposition		(217,547)	217,547		—
Net income (loss) attributable to owners of the parent			(42,696)		(42,696)
Acquisition of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	12,195	(205,352)	174,850	(0)	(18,306)
Balance at end of current period	202,757	101,996	(275,400)	(0)	29,353

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accum. other comprehensive income			
Balance at beginning of current period	(0)	6,357	(2,913)	3,444	40	2,219	53,363
Changes of items during period							
Issuance of common shares							24,390
Deficit disposition							—
Net income (loss) attributable to owners of the parent							(42,696)
Acquisition of treasury shares							(0)
Net changes of items other than shareholders' equity	2	3,446	3,265	6,714	(0)	58	6,772
Total changes of items during period	2	3,446	3,265	6,714	(0)	58	(11,534)
Balance at end of current period	2	9,804	352	10,158	40	2,277	41,829

(4) Consolidated Statement of Cash Flows

	(JPY million)	
	FY20/3 (April 1, 2019 to March. 31, 2020)	FY21/3 (April 1, 2020 to March. 31, 2021)
Cash flows from operating activities		
Income (loss) before income taxes	(98,446)	(41,716)
Depreciation	19,208	13,258
Amortization of goodwill	1,452	1,452
Impairment loss	—	23,976
Increase (decrease) in allowance for doubtful accounts	387	(13)
Increase (decrease) in retirement benefit liability	(453)	912
Interest expenses	4,196	1,351
Foreign exchange losses (gains)	(116)	(5,014)
Subsidies received	(113)	(93)
Share of loss (profit) of entities accounted for using equity method	10,007	—
Loss (gain) on sale of investment securities	(30,594)	—
Loss (gain) on sale of non-current assets	(95)	(19,074)
Reversal of business structure improvement expenses	—	(934)
Business restructuring expenses	67,178	10,543
Other extraordinary loss (gain)	4,103	201
Decrease (increase) in trade receivable	19,980	40,233
Decrease (increase) in accounts receivable - other	1,521	32,804
Decrease (increase) in inventories	30,945	(243)
Decrease (increase) in consumption taxes refund receivable	2,724	(2,937)
Increase (decrease) in trade payable	(88,592)	(52,200)
Increase (decrease) in accounts payable - other	(2,569)	1,314
Increase (decrease) in accrued expenses	(8,193)	(12,708)
Increase (decrease) in advances received	(12,815)	(10,262)
Other	6,698	(655)
Subtotal	(73,586)	(19,804)
Interest and Dividends received	91	92
Interest paid	(4,207)	(1,319)
Income taxes paid	(2,086)	(2,009)
Income taxes refund	85	—
Extra retirement payments	(7,408)	(81)
Cash flows from operating activities	(87,111)	(23,121)

	(JPY million)	
	FY20/3 April 1, 2019 – March. 31, 2020	FY21/3 April 1, 2020 – March. 31, 2021
Cash flows from investing activities		
Purchase of non-current assets	(16,075)	(7,039)
Proceeds from sales of non-current assets	101	523
Purchase of investment securities	(1,624)	—
Proceeds from sale of investment securities	46,320	—
Payments for sale of non-current assets	(364)	(2,556)
Subsidies received	113	93
Other	(400)	(167)
Cash flows from investing activities	28,069	(9,145)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(88,758)	(700)
Proceeds from long-term borrowings	50,000	—
Repayments of long-term borrowings	(26,320)	—
Redemption of bonds	(25,000)	—
Proceeds from issuance of shares	151,469	24,234
Repayments of installment payables	(1,838)	(2,705)
Repayments of lease obligations	(208)	(298)
Payments for borrowing fee	(1,661)	(300)
Cash flows from financing activities	57,682	20,230
Effect of exchange rate change on cash and cash equivalents	(1,248)	1,004
Net increase (decrease) in cash and cash equivalents	(2,608)	(11,033)
Cash and cash equivalents at beginning of period	68,988	66,380
Cash and cash equivalents at end of period	66,380	55,347

(5) Notes to the Consolidated Financial Statements

A) Notes Related to Going Concern Assumptions

JDI has recorded an operating loss and significant impairment losses for four consecutive fiscal years, along with a net loss attributable to owners of the parent for seven consecutive fiscal years, in the consolidated FY21/3, thereby raising significant doubt about JDI's ability to continue as a going concern.

In order to resolve this situation, JDI will further reduce its costs, such as by optimizing business resources that includes making broad-based changes to its business structure, improving productivity and facility operating efficiency, optimizing the scale of assets and reexamining the supply chain. In addition, JDI plans to achieve profitability by making capital investments targeting growth market and promoting the commercialization of high-value added products based on backplane technology such as LTPS and Advanced-LTPS as well as liquid crystal and OLED technologies that share a common base. Along with this, the product and business portfolio will be reorganized through new development of software services and other businesses related to its high-value added products.

On the financial side, on August 6, 2020 JDI reached an agreement with INCJ, Inc. ("INCJ") to extend repayment of a loan (total principal: JPY 20 billion) received from INCJ on August 7, 2019 by one year from August 8, 2020 to August 8, 2021 and to extend repayment of a loan (total principal: JPY 20 billion) received on September 2, 2019 by two years from September 3, 2020 to September 3, 2022. Also, based on third-party allotments to Ichigo Trust, Class D preferred shares were issued on August 28, 2020 to increase capital by JPY 5 billion and Class E preferred shares were issued following the partial exercise of the 12th series stock acquisition rights on March 25, 2021 to increase capital by about JPY 19.4 billion. In the future as well, JDI will take timely and appropriate financing measures to strengthen the company's financial position. In response to JDI's funding needs, the unexercised portion of the 12th series stock acquisition rights (a residual investment equal to JPY 36 billion) held by Ichigo Trust will be exercised, which would increase capital through the additional issuance of Class E preferred shares.

However, due to such factors as constraints on the procurement of components in view of global tight supply-demand conditions for semiconductors and fluctuations in customer demand, achieving profitability based on an early-term recovery in business performance may be delayed, which may have a substantial impact on company cash flow. In light of this, there are significant uncertainties regarding going concern assumptions at this time.

The consolidated financial statements have been prepared assuming a going concern, and do not reflect the impact of significant uncertainties related to such going concern assumptions.

B) Changes in Accounting Estimates

Changes in past service costs and the amortization period of actuarial gains and losses in accounting for retirement benefits

Previously, JDI had set the past service costs and the amortization period of actuarial gains and losses in accounting for retirement benefits to 10 years. However, since the average remaining service life of employees has been reduced, as of FY21/3 the amortization period has become eight years.

As a result of this change, in FY21/3 the operating loss, ordinary loss and pre-tax net loss each increased by JPY 1,145 million compared to previous amortization periods.

C) Notes to Consolidated Income Statement

(1) Gain on Sale of Non-current Assets

FY20/3 (April 1, 2019 to March 31, 2020)

The gain mainly came from the transfer of rental equipment.

FY 21/3 (April 1, 2020 to March 31, 2021)

The gain mainly came from the transfer of assets related to the Hakusan Plant.

(2) Gain on Sale of Investment Securities

FY20/3 (April 1, 2019 to March 31, 2020)

The gain came from the transfer of all of the shares of JOLED Inc. held by JDI to INCJ, Ltd. as substitute performance.

FY 21/3 (April 1, 2020 to March 31, 2021)

N/A

(3) Foreign Exchange Gains

FY20/3 (April 1, 2019 to March 31, 2020)

N/A

FY 21/3 (April 1, 2020 to March 31, 2021)

The foreign exchange gain arose from the transfer of assets related to the Hakusan Plant in exchange for the reduction of advances received in foreign currency.

(4) Gain on Reversal of Business Restructuring Expenses

FY20/3 (April 1, 2019 to March 31, 2020)

N/A

FY 21/3 (April 1, 2020 to March 31, 2021)

The gain came from the reversal of JPY 657 million due to the extinguishment of compensation liability, and the reversal of JPY 276 million due to the reduction of expenses related to the removal of facilities and preparation for sale of the Hakusan Plant.

(5) Other Extraordinary Gain

FY20/3 (April 1, 2019 to March 31, 2020)

N/A

FY 21/3 (April 1, 2020 to March 31, 2021)

The gain arose from the reversal of the difference between the estimated amount and the final determination of the administrative monetary penalty by the authority.

(6) Business Restructuring Expenses

FY20/3 (April 1, 2019 to March 31, 2020)

JDI Group aims to improve profitability by streamlining management through the implementation of fundamental restructuring. Expenses associated with the fundamental restructuring have been recorded as business restructuring expenses.

The breakdown of the business restructuring expenses is as follows.

Impairment losses on non-current assets (Note 1)	JPY 54,176	Million
Cost related to early retirement program (Note 2)	7,793	
Penalty for contract change	3,148	
Ancillary expenses related to the transfer of Hakusan Plant	827	
Return of subsidy	800	
Other	431	
Total	67,178	

Note 1: The details of the impairment losses on non-current assets are as follows:

Use	Object	Location	Impairment losses (JPY million)
Business assets	Buildings and structures, Machinery, equipment and vehicles, Land, Construction in progress, Other tangible assets, and Other intangible assets	Mobara Plant Mobara-shi, Chiba	2,291
	Buildings and structures, Machinery, equipment and vehicles, Land, Construction in progress, Other tangible assets, and Other intangible assets	Ishikawa Plant Kawakita-machi, Nomi-gun, Ishikawa	1,081
	Buildings and structures, Machinery, equipment and vehicles, Construction in progress, Other tangible assets, and Other intangible assets	Higashiura Plant Higashiura-machi Chita-gun, Aichi	1,698
	Buildings and structures, Machinery, equipment and vehicles, Land, Construction in progress, Other tangible assets, and Other intangible assets	Hakusan Plant Hakusan-shi, Ishikawa	46,096
	Machinery, equipment and vehicles, Construction in progress, Other tangible assets and Other intangible assets	Philippines	672
Idle assets	Buildings and structures, and Other tangible assets	Headquarters, Minato-ku, Tokyo	13
	Buildings and structures, and Other intangible assets	Nishi nippon office Osaka-shi, Osaka	0
	Buildings and structures, Machinery, equipment and vehicles, Construction in progress, Other tangible assets, and Other intangible assets	Mobara Plant Mobara-shi, Chiba	1,740
	Buildings and structures, Machinery, equipment and vehicles, Construction in progress, Other tangible assets	Ishikawa Plant Kawakita-machi, Nomi-gun, Ishikawa	486
	Buildings and structures, Construction in progress, Other tangible assets	Tottori Plant Tottori-shi, Tottori	95
Total			54,176

In principle, business assets are grouped based on management accounting classifications and taking into account the relevance of the manufacturing process, etc., while idle assets are grouped individually as units that generate cash flows independent of other asset groups.

With regard to business assets, small-medium display industry continued to face fierce competition against the backdrop of stagnant growth in the smartphone market and an expansion in the adoption of OLED displays

by customers. As a result, the book value of some production facilities was reduced to the recoverable amount, and this reduction of JPY 51,840 million (mainly machinery, equipment and vehicles of JPY 45,738 million) was recorded as extraordinary loss.

The recoverable amount of business assets is measured by the net selling price, and the net selling price is mainly evaluated by the appraisal value.

As idle assets are no longer expected to be used in the future, the book value has been reduced to the recoverable amount, and this reduction of JPY 2,336 million (mainly machinery, equipment and vehicles JPY 1,699 million) was recorded as extraordinary loss.

The recoverable amount of idle assets is set at zero.

Note 2: Early extra retirement payments are mainly due to additional severance payments for early retirement.

FY 21/3 (April 1, 2020 to March 31, 2021)

JDI Group aims to improve profitability by streamlining management through the implementation of fundamental restructuring. Expenses associated with the fundamental restructuring have been recorded as business restructuring expenses.

The breakdown of the business restructuring expenses is as follows.

Contract cancellation costs related to ancillary facilities	JPY 6,351 million
Costs related to preparation for sale of the Hakusan Plant	3,757
Other	434
Total	10,543

(7) Impairment Losses

FY20/3 (April 1, 2019 to March 31, 2020)

Details regarding the impairment losses are shown in "3. Consolidated Financial Statements and Important Notes" (6) Business Restructuring Expenses"

FY 21/3 (April 1, 2020 to March 31, 2021)

At JDI, impairment losses were recorded for the following asset groups.

Use	Object	Location	Impairment losses (JPY million)
Business assets	Buildings and structures, Machinery, equipment and vehicles, Construction in progress, Other tangible assets, and Other intangible assets	Mobara Plant Mobara-shi, Chiba	10,278
	Buildings and structures, Machinery, equipment and vehicles, Construction in progress, Other tangible assets, and Other intangible assets	Higashiura Plant Higashiura-machi Chita-gun, Aichi	273
	Buildings and structures, Machinery, equipment and vehicles, Land, Construction in progress, Other tangible assets, and Other intangible assets	China	4,481
	Buildings and structures, Machinery, equipment and vehicles, and Other tangible assets	Taiwan	2,354
	Buildings and structures	Philippines	744
Idle assets	Buildings and structures, Machinery, equipment and vehicles, and Other tangible assets	Tottori Plant Tottori-shi, Tottori	255

	Construction in progress	Higashiura Plant Higashiura-machi Chita-gun, Aichi	111
	Machinery, equipment and vehicles, Construction in progress, and Other tangible assets	Mobara Plant Mobara-shi, Chiba	71
	Construction in progress, and Other tangible assets	Ishikawa Plant Kawakita-machi, Nomi-gun, Ishikawa	16
	Machinery, equipment and vehicles, and Other tangible assets	China	126
	Machinery, equipment and vehicles	Taiwan	1
—	Goodwill	Minato-ku, Tokyo	5,260
Total			23,976

In principle, business assets are grouped based on management accounting classifications and taking into account the relevance of the manufacturing process, etc., while idle assets are grouped individually as units that generate cash flows independent of other asset groups. Goodwill is grouped in larger units, including related business assets.

With regard to business assets and goodwill, small-medium display industry continued to face fierce competition against the backdrop of stagnant growth in the smartphone market and an expansion in the adoption of OLED displays by customers. As a result, the book value of some production facilities was reduced to the recoverable amount, and this reduction of JPY 23,393 million (mainly machinery, equipment and vehicles of JPY 13,721 million and good will of JPY 5,260 million yen) was recorded as extraordinary loss.

The recoverable amount of business assets is measured by the net selling price, and the net selling price is mainly evaluated by the appraisal value. The recoverable amount of a larger unit, including goodwill, is measured by the value in use based on discounted future cash flows (the discount rate is 7.8%).

As idle assets are no longer expected to be used in the future, the book value has been reduced to the recoverable amount, and this reduction of JPY 582 million (mainly machinery, equipment and vehicles JPY 320 million) was recorded as extraordinary loss.

The recoverable amount of idle assets is set at zero.

(8) Other Extraordinary Losses

FY20/3 (April 1, 2019 to March 31, 2020)

Expenses related to the past improper accounting of JPY3,845 million and a loss on devaluation of investment securities of JPY 258 million were recorded.

FY 21/3 (April 1, 2020 to March 31, 2021)

Investigation costs of JPY 238 million related to the past improper accounting discovered in the previous year were recorded.

D) Notes to Consolidated Cash Flow Statement

The relationship between the ending balances of "cash and deposits" in the consolidated Cash Flow Statement and "cash and cash equivalents" in the Consolidated Balance Sheet

	FY20/3 (April 1, 2019 to March 31, 2020)	FY 21/3 (April 1, 2020 to March 31, 2021)
Cash and deposits	JPY 66,672 million	JPY 55,705 million
Deposits with maturities of more than 3 months	(292)	(357)
Cash and cash equivalents at end of period	66,380	55,347

E) Important non-cash transactions

With the transfer of the Hakusan Plant on October 1, 2020, the amount equivalent to income from the sale of the fixed assets of US\$675mn and the amount equivalent to advances received excluding forex effects of US\$675mn have been offset. Since this dollar denominated transaction was a non-cash transaction, there is no cash balance on the consolidated cash flow statement.

F) Segment Information**FY20/3 (April 1, 2019 to March 31, 2020)**

Segment information is omitted as JDI Group operates in a single business segment of small-medium display business.

FY 21/3 (April 1, 2020 to March 31, 2021)

Segment information is omitted as JDI Group operates in a single business segment of small-medium display business.

G) Per Share Information

	FY20/3 (Apr. 1, 2019 to March 31, 2020)	FY 21/3 (April 1, 2020 to March 31, 2021)
Net assets per share (JPY)	(43.91)	(42.70)
Net income (loss) per share (JPY)	(116.56)	(17.93)

Note 1. Despite the existence of dilutive shares, diluted net income per share is not presented because net loss per share was posted for the periods above.

Note 2. Net assets per share is calculated on the following basis:

(JPY million, except number of shares)

	FY20/3 (March 31, 2020)	FY21/3 (March 31, 2021)
Total net assets	53,363	41,829
Amount deducted from total net assets	154,660	179,108
of which, paid in amount for shares prioritized over ordinary shares	(152,400)	(176,790)
of which, stock acquisition rights	(40)	(40)
of which, non-controlling interests	(2,219)	(2,277)
Term-end net assets for ordinary shares	(101,296)	(137,278)
Number of term-end ordinary shares used to calculate net assets per share	2,307,045,797 shares	3,214,962,461 shares

Note: Since Class A preferred shares, Class B preferred shares, Class D preferred shares and Class E preferred shares have preference over common shares on distribution of residual assets, the residual assets to be distributed in preference to those preferred shares are excluded from the total net assets in the calculation of net assets per share.

In addition, because Class A preferred shares, Class B preferred shares, Class D preferred shares and Class E preferred shares rank pari passu with the common shares with respect to the distribution of residual assets after distribution in preference of residual assets, the number of common shares equivalents is included in the number of common shares at the end of fiscal years for purpose of calculating net assets per share.

Note 3: Net income (losses) per share is calculated on the following basis:

(JPY million, except number of shares)

	FY20/3 (April 1, 2019 to March 31, 2020)	FY 21/3 (April 1, 2020 to March 31, 2021)
Net income (loss) attributable to owners of the parent	(101,417)	(42,696)
Amount not attributable to ordinary shareholders	—	—
Net income (loss) attributable to ordinary shareholders of the parent	(101,417)	(42,696)
Average number of shares outstanding during the period	870,114,649 shares	2,381,718,171 shares
of which, Class A preferred shares	7,424,262 shares	452,880,000 shares
of which, Class B preferred shares	16,524,590 shares	1,008,000,000 shares
of which, Class D preferred shares	—	59,178,082 shares
of which, Class E preferred shares	—	15,494,292 shares

Note: Class A preferred shares, Class B preferred shares, Class D preferred shares and Class E preferred shares have equivalent rights to common shares in regard to rights to receive dividends of surplus, and are therefore included in the average number of shares outstanding during the periods in calculating profit (loss) per share.

H) Significant Subsequent Events

N/A