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FY22/3 Q3 Earnings

February 10, 2022

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Supplemental Explanatory Materials for Earnings Results: Available

Earnings Results Briefing: February 10, 2022 (for institutional investors and analysts)

1. FY22/3 Q3 Consolidated Financial Results (April 1, 2021 to December 31, 2021)

(1) Consolidated Financial Results

	Sales		EBITDA		Operating Profit		Recurring Profit		Net Income	
	(JPY M)	YoY	(JPY M)	YoY	(JPY M)	YoY	(JPY M)	YoY	(JPY M)	YoY
FY22/3 Q3	209,518	-23.1	-3,688	-	-10,117	-	-10,073	-	-6,330	-
FY21/3 Q3	272,542	-29.7	-7,812	-	-18,627	-	-25,964	-	-22,926	-

EBITDA = Operating Profit + Depreciation + Goodwill amortization

(Reference) Comprehensive Income FY22/3 Q3: JPY -5,001M FY21/3 Q3: JPY -21,461M

	EPS	EPS
	(Basic, JPY)	(Diluted, JPY)
FY22/3 Q3	-1.70	-
FY21/3 Q3	-9.72	-

(2) Consolidated Financial Position

	Total Assets (JPY M)	Net Assets (JPY M)	Shareholders' Equity Ratio
FY22/3 Q3	239,281	60,369	25.2%
FY21/3	224,998	41,829	17.6%

(Reference) Shareholders' Equity FY22/3 Q3: JPY 60,329M FY21/3: JPY 39,511M

(3) Consolidated Cash Flows

	Cash Flows from Operations (JPY M)	Cash Flows from Investments (JPY M)	Cash Flows from Financing (JPY M)	Cash and Cash Equivalents at Period-End (JPY M)
FY22/3 Q3	-6,209	3,427	3,870	57,445
FY21/3 Q3	-5,763	-7,788	1,154	53,872

2. Dividends

	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY21/3	–	0.00	–	0.00	0.00
FY22/3 Q1-Q3	–	0.00	–		
FY22/3 (Forecast)				0.00	0.00

Note 1 Changes from the most recently announced dividend forecast: None

2 The above shows dividends for common shares. For preferred shares, please see "4. Other Information (5) Dividends for Preferred Shares" below.

3. FY22/3 Full-Year Consolidated Earnings Forecast (April 1, 2021 to March 31, 2022)

	Sales (JPY M)	EBITDA (JPY M)	Operating Profit (JPY M)	Recurring Profit (JPY M)	Net Income (JPY M)	EPS (JPY)
FY22/3	291,018	-2,588	-11,317	-11,773	-8,430	-2.16
YoY	-14.8%	–	–	–	–	–

(Reference) Q4 Forecast

Sales: JPY 81,500M EBITDA: JPY 1,100M Operating Profit: JPY -1,200M

Notes: Changes from the most recently announced financial forecast: Yes

JDI revised upward its FY22/3 full-year earnings forecast today. For details, please see "1. Overview of Financial Results (3) Forward Outlook" on page 6.

4. Other Information

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation: Yes

– Newly included: None

– Excluded: Yes (Kaohsiung Opto-Electronics Inc.)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Accounting policy changes based on amendments to accounting standards: Yes

(ii) Accounting policy changes other than (i) above: None

(iii) Accounting estimate changes: None

(iv) Restatement: None

(4) Number of shares outstanding

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

FY22/3 Q3: 2,538,170,732

FY21/3: 2,538,168,239

(ii) Number of treasury shares at period-end

FY22/3 Q3: 67

FY21/3: 4

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

FY22/3 Q3: 3,732,448,770

FY21/3 Q3: 2,359,818,524

Note All preferred shares outstanding have the same rights as common shares in regard to rights to receive dividends, 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.

(5) Dividends for Preferred Shares

Class A Preferred Shares	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY21/3	–	0.00	–	0.00	0.00
FY22/3	–	0.00	–		
FY22/3 (Forecast)				0.00	0.00

Class B Preferred Shares	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY21/3	–	0.00	–	0.00	0.00
FY22/3	–	0.00	–		
FY22/3 (Forecast)				0.00	0.00

Class D Preferred Shares	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY21/3	–	0.00	–	0.00	0.00
FY22/3	–	0.00	–		
FY22/3 (Forecast)				0.00	0.00

Class E Preferred Shares	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY21/3	–	0.00	–	0.00	0.00
FY22/3	–	0.00	–		
FY22/3 (Forecast)				0.00	0.00

(6) Notes

Please note that quarterly earnings reports are not subject to independent auditor review.

Note on Appropriate Use of Forecasts

Forward-looking statements contained in these materials are based on judgements regarding information available to JDI as of the announcement date. However, these statements involve risk and uncertainties, and actual earnings may differ significantly from the indicated forecasts.

1. Overview of Financial Results

(1) Consolidated Earnings

FY22/3 Q3 Consolidated Earnings (April 1, 2021 to December 31, 2021)

Year-on-Year Comparison

(JPY million)

	FY21/3 Q3	FY22/3 Q3	YoY	
			Change	(%)
Mobile	167,729	88,033	-79,696	-47.5%
Automotive	62,774	71,180	+8,406	+13.4%
Non-Mobile	42,038	50,304	+8,266	+19.7%
Sales	272,542	209,518	-63,024	-23.1%
EBITDA	-7,812	-3,688	+4,123	-
Operating Profit (Loss)	-18,627	-10,117	+8,509	-
Recurring Profit (Loss)	-25,964	-10,073	+15,891	-
Net Income (Loss)	-22,926	-6,330	+16,596	-

Note EBITDA = Operating Profit + Depreciation + Goodwill amortization

The business environment during FY22/3 Q3 continued to be difficult. Fierce competition in the small and medium-sized display market continues, while demand for smartphone LCDs is declining. In addition, tight global supply and soaring prices for semiconductor chips and other parts and materials had a major impact.

Under these circumstances, JDI has focused on rebuilding existing businesses and strengthening profitability to achieve the goal of FY22/3 Q4 EBITDA profitability. Moreover, JDI has worked to enhance competitiveness and achieve business growth through establishing new business models and commercializing high value-add technologies. As part of these efforts, JDI sold all shares of its subsidiary, Kaohsiung Opto-Electronics (KOE), to Taiwan's Wistron Group in FY22/3 Q3 to drive higher cost competitiveness. In response to tight supplies of parts and materials, JDI concluded long-term contracts with major semiconductor vendors and worked to improve profitability by passing through higher parts and materials costs to JDI selling prices.

As a result, total sales declined 23.1% year on year (YoY) to JPY 209,518 million.

While sales fell sharply, a significantly lowered break-even point made possible by improvements in the product mix, cost reduction effects, and higher selling prices held the EBITDA loss to JPY 3,688 million (JPY +4,123 million YoY) and reduced the operating loss by JPY 8,509 million to JPY 10,117 million. A recurring loss of JPY 10,073 million, an improvement of JPY 15,891 million YoY, was driven by a lower operating loss, lower Hakusan Plant maintenance costs following its sale, and the impact of more favorable FX. A net loss of JPY 6,330 million (a decrease of JPY 16,596 million YoY) was supported by lower business restructuring expenses of JPY 10,512 million and impairment losses of JPY 10,006 million, as well as recording a gain on the KOE sale of JPY 5,378 million, despite the disappearance of an extraordinary gain of JPY 24,707 million related to the Hakusan Plant sale recorded in FY21/3 Q3.

FY22/3 Q3 Sales by Product

Mobile

Mobile sales, which include displays for smartphones and tablets, decreased by 47.5% YoY to JPY 88,033 million, as demand from US/Euro regions for LCDs continued to decline while sales for China increased due to shipment volume and price increase. Mobile's share of total sales fell from 61.6% in FY21/3 Q3 to 42.0%.

Automotive

Automotive sales increased 13.4% YoY to JPY 71,180 million, and Automotive's share of total sales rose from 23.0% in FY21/3 Q3 to 34.0%. Automotive was strongly affected by the shortage of parts and material supplies, but continued strong demand supported the sales increase.

Non-Mobile

Non-Mobile includes displays for wearable devices and VR-HMD and other consumer electronics, and industrial devices such as medical equipment monitors and income from patents. Due to greater sales of OLED displays for wearable devices and ultra-high-resolution LCD for VR, Non-Mobile sales increased by 19.7% YoY to JPY 50,304 million. Non-Mobile's share of total sales increased from 15.4% in FY21/3 Q3 to 24.0%. The supply shortage of parts and materials also had an impact.

(2) Consolidated Financial Position

(a) Assets, Liabilities, and Net Assets

(JPY million)

	FY21/3	FY22/3 Q3	Change
Total Assets	224,998	239,281	+14,282
Total Liabilities	183,168	178,911	-4,257
Net Assets	41,829	60,369	+18,539
Shareholders' Equity Ratio	17.6%	25.2%	+7.6 points

Total assets increased by JPY 14,282 million from the end of FY21/3 to JPY 239,281 million due in part to an increase in inventories driven by production adjustments at JDI and customers and higher parts and material costs as well as a strategic inventory buildup against tight parts and material supply.

Total liabilities decreased by JPY 4,257 million from the end of FY21/3 to JPY 178,911 million. Accounts payable – trade grew due to removal of KOE from the scope of JDI's consolidation, higher parts and material costs and inventory buildup, while JPY 20,000 million in borrowings from INCJ, Ltd. was repaid in Q2.

Total net assets increased by JPY 18,539 million to JPY 60,369 million. Retained earnings were lower due to the recording of a net loss in Q3, while the capital and capital reserve each increased by JPY 12,465 million owing to the exercise of stock acquisition rights by Ichigo Trust. The capital reserve also increased by JPY 2,055 million as a result of an additional share purchase of JDI's manufacturing subsidiary, Nanox Philippines Inc. .

As a result, the shareholders' equity ratio increased to 25.2%, an improvement of 7.6% from 17.6% from the end of FY21/3.

(b) Cash Flows

(JPY million)

	FY21/3 Q3	FY22/3 Q3	Change
Cash Flows from Operations	-5,763	-6,209	-445
Cash Flows from Investments	-7,788	3,427	+11,216
Cash Flows from Financing	1,154	3,870	+2,716
Cash & Cash Equivalents at End of Period	53,872	57,445	+3,573
Free Cash Flow	-11,825	-11,067	+757

Note: Free Cash Flow = Cash Flows from Operations minus Capex

Net cash used in operations in Q3 was JPY 6,209 million due in part to a pre-tax net loss of 5,173 million. Relative to FY21/3 Q3, cash outflows increased slightly, partly as a result of inventory increase offsetting a JPY 16,862 million shrinkage in the pre-tax net loss.

Net cash provided by investments was JPY 3,427 million, mainly due to a JPY 7,630 million inflow from the sale of KOE shares while expenditures of JPY 4,858 million on the acquisition of fixed assets. Compared to FY21/3 Q3, cash inflows increased by JPY 11,216 million owing to KOE share sale.

As a result, free cash flow was negative JPY 11,067 million, an improvement of JPY 757 million YoY.

Net cash provided by financing was JPY 3,870 million. While there was a JPY 20,000 million loan repayment to INCJ, Ltd., JPY 24,842 million was gained from the share issuance associated with the exercise of stock acquisition rights by Ichigo Trust. Compared to FY21/3 Q3, cash used for loan repayment increased by JPY 19,618 million, while income from the issuance of shares increased by JPY 19,933 million, resulting in an increase in net cash provided.

As a result, cash and cash equivalents at the end of FY22/3 Q3 were JPY 57,445 million, an increase of JPY 2,098 million from the end of FY21/3.

(3) Forward Outlook

JDI has revised down its FY22/3 Q4 and full-year sales forecast and revised up its FY22/3 Q4 and full-year earnings forecast announced on November 12, 2022 in light of the above-forecast FY22/3 Q3 results and its recent business outlook.

For details, please refer to "Full-Year Earnings Forecast Revision (Downward Sales Revision/Upward Earnings Revision) & Difference Between FY22/3 Q3 Earnings Forecast and Actual Results" released today.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet (FY22/3 Q3)

	(JPY million)	
	FY21/3 (Mar 31, 2021)	FY22/3 Q3 (Dec 31, 2021)
Assets		
Current Assets		
Cash and deposits	55,705	57,820
Accounts receivable – trade	31,213	32,275
Accounts receivable – other	15,332	18,292
Merchandise and finished goods	15,452	20,836
Work in process	11,047	14,345
Raw materials and supplies	13,248	15,803
Other	4,382	5,097
Allowance for doubtful accounts	-79	-79
Total Current Assets	146,304	164,392
Non-Current Assets		
Property, plant, and equipment:		
Buildings and structures, net	44,565	43,430
Machinery, equipment, and vehicles, net	9,904	9,881
Land	6,661	6,663
Lease assets, net	1,458	479
Construction in progress	3,795	2,596
Other, net	2,090	2,164
Total property, plant, and equipment	68,475	65,215
Intangible assets:		
Goodwill	550	447
Other	1,230	1,069
Total intangible assets	1,780	1,516
Investments and other assets:		
Other	8,441	8,159
Allowance for doubtful accounts	-2	-2
Total investments and other assets	8,438	8,156
Total Non-Current Assets	78,694	74,888
Total Assets	224,998	239,281

(JPY million)

	FY21/3 (Mar 31, 2021)	FY22/3 Q3 (Dec 31, 2021)
<u>Liabilities</u>		
Current Liabilities		
Accounts payable – trade	36,567	48,492
Electronically recorded obligations – operating	844	954
Short-term loans payable	21,424	—
Current portion of long-term loans payable	—	20,000
Lease obligations	367	231
Income taxes payable	2,161	890
Provision for bonuses	1,675	1,623
Advances received	1,884	5,296
Other	24,437	30,000
Total Current Liabilities	89,361	107,489
Non-Current Liabilities		
Long-term loans payable	73,680	53,680
Lease obligations	1,672	1,028
Net defined benefit pension liability	13,247	12,151
Other	5,207	4,561
Total Non-Current Liabilities	93,807	71,422
Total Liabilities	183,168	178,911
<u>Net Assets</u>		
Shareholders' Equity		
Capital	202,757	215,222
Capital reserve	101,996	116,516
Retained earnings	-275,400	-282,739
Treasury shares	-0	-0
Total Shareholders' Equity	29,353	48,999
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	2	—
Foreign currency translation adjustment	9,804	10,479
Adjusted value of defined benefit pension	352	849
Total Accumulated Other Comprehensive Income	10,158	11,329
Share Acquisition Rights	40	40
Minority Interests	2,277	—
Total Net Assets	41,829	60,369
Total Liabilities & Net Assets	224,998	239,281

(2) Consolidated Income Statement (FY22/3 Q3)

	(JPY million)	
	FY21/3 Q3 (Apr 1, 2020 to Dec 31, 2020)	FY22/3 Q3 (Apr 1, 2021 to Dec 31, 2021)
Sales	272,542	209,518
Cost of Goods Sold	267,647	197,369
Gross Profit (Loss)	4,894	12,148
SG&A	23,522	22,266
Operating Profit (Loss)	-18,627	-10,117
Non-Operating Income		
Interest income	80	47
Foreign exchange gains	—	616
Rental income	412	392
Income from provision of business services	790	339
Subsidy income	90	104
Recoveries of written-off receivables	—	391
Other	482	504
Total Non-Operating Income	1,856	2,397
Non-Operating Expenses		
Interest expenses	1,022	990
Foreign exchange losses	1,922	—
Depreciation	973	41
Property maintenance expenses	2,168	—
Other	3,107	1,320
Total Non-Operating Expenses	9,193	2,352
Recurring Profit (Loss)	-25,964	-10,073
Extraordinary Income		
Gain on sale of non-current assets	19,078	417
Gain on sale of subsidiary shares	—	5,378
Foreign exchange gains	5,629	—
Reversal of business restructuring expenses	824	—
Other	36	—
Total Extraordinary Income	25,568	5,796
Extraordinary Losses		
Business restructuring expenses	10,512	—
Impairment loss	10,888	882
Other	238	13
Total Extraordinary Losses	21,639	895
Pre-Tax Income (Loss)	-22,036	-5,173
Income Taxes	637	999
Pre-Minority Interest Net Income (Loss)	-22,673	-6,172
Net Income Attributable to Minority Interests	252	157
Net Income (Loss)	-22,926	-6,330

Consolidated Income Statement (FY22/3 Q3 Stand-Alone)

(JPY million)

	FY21/3 Q3 (Oct 1, 2020 to Dec 31, 2020)	FY22/3 Q3 (Oct 1, 2021 to Dec 31, 2021)
Sales	72,747	71,657
Cost of Goods Sold	73,501	66,981
Gross Profit (Loss)	-754	4,676
SG&A	7,993	7,761
Operating Profit (Loss)	-8,747	-3,084
Non-Operating Income		
Interest income	17	24
Foreign exchange gains	—	376
Rental income	134	133
Income from provision of business services	263	118
Subsidy income	74	82
Recoveries of written-off receivables	—	391
Other	83	289
Total Non-Operating Income	574	1,416
Non-Operating Expenses		
Interest expenses	346	300
Foreign exchange losses	950	—
Depreciation	12	12
Compensation expenses	583	—
Other	687	521
Total Non-Operating Expenses	2,581	835
Recurring Profit (Loss)	-10,754	-2,502
Extraordinary Income		
Gain on sale of non-current assets	19,062	380
Gain on sale of subsidiary shares	—	5,378
Foreign exchange gains	5,629	—
Gain on reversal of business restructuring expenses	166	—
Other	36	—
Total Extraordinary Income	24,895	5,759
Extraordinary Losses		
Business restructuring expenses	304	—
Impairment loss	389	406
Other	—	13
Total Extraordinary Losses	694	420
Pre-Tax Income (Loss)	13,447	2,835
Income taxes	-32	413
Pre-Minority Interest Net Income (Loss)	13,479	2,422
Net Income Attributable to Minority Interests	118	—
Net Income (Loss)	13,360	2,422

Consolidated Statement of Comprehensive Income (FY22/3 Q3)

	(JPY million)	
	FY21/3 Q3 (Apr 1, 2020 to Dec 31, 2020)	FY22/3 Q3 (Apr 1, 2021 to Dec 31, 2021)
Net Income (Loss)	-22,673	-6,172
Other Comprehensive Income		
Valuation difference on available-for-sale securities	0	-2
Foreign currency translation adjustment	1,139	675
Adjusted value of defined benefit pension, net of tax	72	497
Total Other Comprehensive Income	1,212	1,170
Comprehensive Income	-21,461	-5,001
of which, Comprehensive income attributable to owners of the parent	-21,714	-5,159
of which, Comprehensive income attributable to minority interests	253	157

Consolidated Statement of Comprehensive Income (FY 22/3 Q3 Stand-Alone)

	(JPY million)	
	FY21/3 Q3 (Oct 1, 2020 to Dec 31, 2020)	FY22/3 Q3 (Oct 1, 2021 to Dec 31, 2021)
Net Income (Loss)	13,479	2,422
Other Comprehensive Income		
Valuation difference on available-for-sale securities	0	-2
Foreign currency translation adjustment	643	73
Adjusted value of defined benefit pension, net of tax	-318	364
Total Other Comprehensive Income	325	435
Comprehensive Income	13,804	2,858
of which, Comprehensive income attributable to owners of the parent	13,686	2,858
of which, Comprehensive income attributable to minority interests	117	—

(3) Consolidated Cash Flow Statement (FY22/3 Q3)

	(JPY million)	
	FY21/3 Q3 (Apr 1, 2020 to Dec 31, 2020)	FY22/3 Q3 (Apr 1, 2021 to Dec 31, 2021)
Cash Flows from Operations		
Income (loss) before income taxes	-22,036	-5,173
Depreciation	10,698	6,367
Goodwill amortization	1,089	103
Impairment loss	10,888	882
Increase (decrease) in allowance for doubtful accounts	-4	49
Interest expenses	1,022	990
Foreign exchange losses (gains)	-4,302	136
Subsidies received	-90	-104
Loss (gain) on sale of non-current assets	-19,055	-409
Loss (gain) on sale of subsidiary shares	—	-5,378
Reversal of business structure improvement expenses	-824	—
Business restructuring expenses	10,512	—
Decrease (increase) in trade receivables	42,073	-5,255
Decrease (increase) in inventories	-2,225	-17,101
Increase (decrease) in trade payables	-41,883	17,396
Decrease (increase) in accounts receivable – other	28,879	-3,192
Decrease (increase) in consumption tax refunds receivable	3,710	-458
Increase (decrease) in accounts payable – other	729	2,643
Increase (decrease) in accrued expenses	-10,999	-2,992
Increase (decrease) in advances received	-9,750	3,147
Increase (decrease) in retirement benefit liability	-153	-651
Other	-1,560	4,941
Subtotal	-3,282	-4,059
Interest and dividends received	80	48
Interest paid	-987	-988
Income taxes paid	-1,574	-1,209
Net Cash from (Used for) Operations	-5,763	-6,209

	(JPY million)	
	FY21/3 Q3 (Apr 1, 2020 to Dec 31, 2020)	FY22/3 Q3 (Apr 1, 2021 to Dec 31, 2021)
Cash Flows from Investments		
Purchase of non-current assets	-6,061	-4,858
Proceeds from sales of non-current assets	503	434
Payments for sale of non-current assets	-2,235	—
Proceeds from sale of subsidiary shares resulting in change in scope of consolidation	—	7,630
Subsidies received	90	104
Other	-85	116
Net Cash from (Used for) Investments	-7,788	3,427
Cash Flows from Financing		
Net increase (decrease) in short-term borrowings	-517	-20,136
Proceeds from issuance of preferred stock	4,909	24,842
Purchase of subsidiary shares not resulting in change in scope of consolidation	—	-380
Repayments of installment payables	-2,705	—
Repayments of lease obligations	-232	-455
Debt financing fees	-300	—
Other	—	-0
Net Cash from (Used for) Financing	1,154	3,870
Effect of Exchange Rate change on Cash & Cash Equivalents	-109	1,010
Net Increase (Decrease) in Cash & Cash Equivalents	-12,508	2,098
Cash & Cash Equivalents at Beginning of Period	66,380	55,347
Cash & Cash Equivalents at End of Period	53,872	57,445

(3) Consolidated Cash Flow Statement (FY 22/3 Q3 Stand-Alone)

(JPY million)

	FY21/3 Q3 (Oct 1, 2020 to Dec 31, 2020)	FY22/3 Q3 (Oct 1, 2021 to Dec 31, 2021)
Cash Flows from Operations		
Income (loss) before income taxes	13,447	2,835
Depreciation	2,666	2,134
Goodwill amortization	363	34
Impairment loss	389	406
Increase (decrease) in allowance for doubtful accounts	-1	54
Increase (decrease) in retirement benefit liability	-36	-217
Interest expenses	346	300
Foreign exchange losses (gains)	-4,900	146
Subsidies received	-74	-82
Loss (gain) on sale of non-current assets	-19,058	-371
Loss (gain) on sale of subsidiary shares	—	-5,378
Reversal of business structure improvement expenses	-166	—
Business restructuring expenses	304	—
Decrease (increase) in trade receivables	14,194	-6,802
Decrease (increase) in inventories	824	-6,735
Increase (decrease) in trade payables	-19,472	11,807
Decrease (increase) in accounts receivable – other	13,558	1,184
Decrease (increase) in consumption tax refunds receivable	4,536	-616
Increase (decrease) in accounts payable – other	3,687	3,099
Increase (decrease) in accrued expenses	-21	-666
Increase (decrease) in advances received	-2,206	-1,500
Other	21	1,627
Subtotal	8,400	1,260
Interest and dividends received	17	24
Interest paid	-345	-374
Income taxes paid	-272	-316
Net Cash from (Used for) Operations	7,799	593

	(JPY million)	
	FY21/3 Q3 (Oct 1, 2020 to Dec 31, 2020)	FY22/3 Q3 (Oct 1, 2021 to Dec 31, 2021)
Cash Flows from Investments		
Purchase of non-current assets	-2,863	-415
Proceeds from sales of non-current assets	478	395
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	7,630
Payments for sale of non-current assets	-869	—
Subsidies received	74	82
Other	13	16
Net Cash from (Used for) Investments	-3,166	7,709
Cash Flows from Financing		
Repayments of lease obligations	-111	-125
Purchase of subsidiary shares not resulting in change in scope of consolidation	—	-380
Net Cash from (Used for) Financing	-111	-505
Effect of Exchange Rate Change on Cash & Cash Equivalents	-84	662
Net Increase (Decrease) in Cash & Cash Equivalents	4,437	8,459
Cash & Cash Equivalents at Beginning of Period	49,434	48,986
Cash & Cash Equivalents at End of Period	53,872	57,445

(4) Notes to the Quarterly Consolidated Financial Statements

A. Changes in Accounting Policies

(i) Accounting Standard for Revenue Recognition

The "Revenue Recognition Accounting Standard" (ASBJ Statement No. 29, March 31, 2020) and other standards are applied from the beginning of FY22/3 Q1 to recognize revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services.

For fee-based supply transactions, JDI previously derecognized the inventory at the time of supply of parts for fee. Based on the new standard, JDI has changed the method to continue to recognize the inventory assets assuming the fee-based supply transaction as a financial transaction and recognize the year-end balance of the supplied parts remaining at the recipient as a financial liability.

With regard to the application of the Revenue Recognition Accounting Standard, JDI is following the transitional treatment stipulated in the provisions of paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retrospectively applying the new accounting policy prior to the beginning of FY22/3 Q1 is added to or deducted from retained earnings at the beginning of the FY22/3 Q1 to apply the new accounting policy from the beginning balance of FY22/3.

As a result, sales for FY22/3 Q3 (9M) decreased by JPY 144 million, cost of sales decreased by JPY 527 million, and operating profit, recurring profit, and pre-tax income decreased by JPY 382 million each. In addition, the balance of retained earnings at the beginning of FY22/3 decreased by JPY 1,008 million.

In accordance with the transitional treatment stipulated in paragraph 28-15 of the Accounting Standard for Quarterly Financial Statements (March 31, 2020) of paragraph 89-2 of the Revenue Recognition Accounting Standards, JDI does not present information disaggregating revenue arising from contracts with customers for the FY22/3 Q3 (9M).

(ii) Accounting Standard for Fair Value Measurement

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other standards have been applied from the beginning of FY22/3 Q1, and in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement will continue to be applied into the future. There is no impact on the quarterly consolidated financial statements.

B. Significant Subsequent Events

Capital Reduction and Surplus Appropriation

At the Board of Directors meeting held on January 12, 2022, JDI decided to hold an extraordinary general meeting of shareholders (EGM) to be held on March 26, 2022 to reduce its capital and capital reserve (the "Capital Reduction") and make an appropriation of surplus capital (the "Surplus Appropriation").

(a) Purpose

Restore the financial soundness of JDI's balance sheet by eliminating accumulated losses and secure funds to invest for sustainable growth.

(b) Capital Reduction

Pursuant to Article 447 (1) of the Companies Act, JPY 215,122 million of JPY 215,222 million of capital as of January 12, 2022 will be reduced, and the entire amount of the

reduction will be transferred to other capital surplus. As a result of the reduction, capital will be JPY 1 million.

If stock acquisition rights issued by JDI are exercised by March 31, 2022, the amount equal to the amount of capital to be increased by the new share issuance upon exercise of the stock acquisition rights will be reduced, and such reduced amount will be transferred to other capital surplus.

(c) Capital Reserve Reduction

Pursuant to Article 448 (1) of the Companies Act, the entire amount of JPY 24,660 million of the capital reserve as of January 12, 2022 will be reduced and transferred to other capital surplus. As a result of the reduction, the capital reserve will be JPY 0.

If stock acquisition rights issued by JDI are exercised by March 31, 2022, the amount equal to the amount of capital reserve to be increased by the new share issuance upon exercise of the stock acquisition rights will be reduced, and such reduced amount will be transferred to other capital surplus.

(d) Surplus Appropriation

Pursuant to Article 452 of the Companies Act, other capital surplus of JPY 288,193 million will be transferred to retained earnings carried forward to eliminate accumulated losses, subject to the reduction of the capital in (ii) above and the reduction of the capital reserve in (iii) above. As a result of the transfer, other capital surplus will be JPY 24,899 million and retained earnings carried forward will be JPY 0.

(e) Schedule

Board of Directors Resolution	January 12, 2022
Start of Creditor Objection Period	February 1, 2022
End of Creditor Objection Period	March 1, 2022 (expected)
EGM	March 26, 2022 (expected)
Effective Date	March 31, 2022 (expected)

(f) Other

The Capital Reduction and Surplus Appropriation are subject to approval at the EGM.

3. Supplemental Information (Quarterly Consolidated Data)

(1) Consolidated Earnings

(JPY million)	FY21/3				FY22/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Mobile	61,723	72,241	33,765	29,747	30,107	32,054	25,870	
Automotive	14,769	24,050	23,955	25,277	20,881	23,874	26,424	
Non-Mobile	11,506	15,504	15,026	14,127	14,972	15,969	19,362	
Sales	87,999	111,796	72,747	69,152	65,961	71,898	71,657	
EBITDA	-3,209	1,048	-5,651	-4,690	-3,716	955	-927	
Operating Profit	-7,006	-2,872	-8,747	-7,599	-5,872	-1,160	-3,084	
Recurring Profit ¹	-8,800	-6,410	-10,754	-6,691	-6,358	-1,212	-2,502	
Net Income	-16,286	-20,000	13,360	-19,770	-6,992	-1,760	2,422	
EPS (Basic)	-7.06	-8.52	5.52	-8.00	-2.68	-0.47	0.57	

JPY/USD (Avg)	107.6	106.2	104.5	106.1	109.5	110.1	113.7	
JPY/USD (Q-End)	107.7	105.8	103.5	110.7	110.6	111.9	115.0	

¹ FY21/3 Q1 & Q2 Recurring Profit have been adjusted for consistency to reflect a change in accounting treatment in FY21/3 Q3.

(2) Financial Position

(JPY million)	FY21/3				FY22/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Assets	330,763	315,402	236,687	224,998	223,167	230,045	239,281	
Liabilities	293,638	292,316	199,779	183,168	188,742	172,154	178,911	
Net Assets	37,125	23,086	36,908	41,829	34,425	57,890	60,369	
Shareholder Equity Ratio	10.5%	6.6%	14.5%	17.6%	14.3%	24.1%	25.2%	

Operating CF	-15,045	1,481	7,799	-17,358	-8,688	1,884	593	
Investing CF	-3,142	-1,480	-3,166	-1,357	-2,172	-2,108	7,709	
Financing CF	-3,267	4,533	-111	19,076	-322	4,699	-505	
Ending Cash Bal.	44,945	49,434	53,872	55,347	44,385	48,986	57,445	
Free Cash Flow	-17,254	492	4,936	-18,335	-11,017	-228	178	

(3) R&D, Capex, & Depreciation

(JPY million)	FY21/3				FY22/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
R&D	1,879	1,854	1,775	2,459	2,350	2,458	2,528	
Capex	1,042	794	2,062	2,342	2,196	960	2,182	
Depreciation	4,371	4,307	3,108	2,923	2,172	2,128	2,169	