



Japan Display Inc.

# FY21/3 Full Year Corporate Presentation

May 14, 2021

Japan Display Inc.



Japan Display Inc.

# FY21/3 Overview

- ✓ Managed through Covid Crisis, Maintaining Manufacturing Systems & Shipments
- ✓ Progressed New Technology R&D & Began Mass Production of 76 New Products (+9% vs. FY19/3 70 New Products)
- ✓ Cut Fixed & Variable Costs, Generated Positive Gross Profit, & Significantly Reduced Operating Loss
- ✓ Reinforced Capital via Large-Scale Equity Financing with Ichigo Trust
- ✓ Significantly Strengthened Governance & Established Systems to Prevent Recurrence of Inappropriate Accounting

## Significant Cost Reductions, Business Transformation, & Robust New Product Development while Responding to Covid

### Mobile

- Significant decrease in sales due to a drop in demand for smartphone LCD from a major customer
- Significant cut in fixed costs, including the sale of Hakusan Plant
- Strong sales of smartphone LCD for Chinese customers supported by strong demand

### Automotive

- Impacted by Covid, Q1 sales plummeted. However, recovered from 2Q and 4Q increased year on year.
- Orders for new products are firm

### Non-Mobile

- Strong sales of OLED for wearables and LCD for ultra-high-resolution VR for major customers
- Began sample shipping of 30.2-inch 8K4K LCD with world-class performance
- Started mass production of Federal Bureau of Investigation (FBI) PIV\* certified capacitive glass fingerprint sensors

\*PIV (Personal Identity Verification) image-quality standard for acquiring a imprint sensor device

## R&D

- **Steady progress in development of JDI differentiated new technologies**
- **Received the Minister of State for Science and Technology Policy Award at the 3rd Japan Open Innovation Awards for the development of sheet-type image sensors that can simultaneously measure biometrics and vital signs**

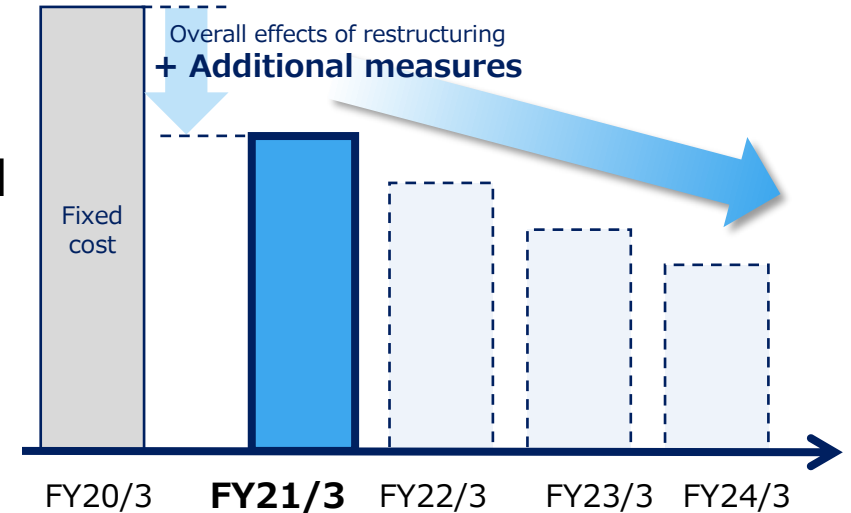
## Company-Wide

- **Managed procurement & production to minimize the impact of Covid, trade conflicts, & tightening of global semiconductor supply & demand**

## Driving Low-Cost, High-Profit Structure through Cost Reductions & Productivity Improvements

### ■ Reduced Fixed Costs: FY21/3: JPY -27.5bn vs. FY20/3

- **Power:** Optimized energy use and contracts
- **Maintenance:** Optimized maintenance efficiency and revised contracts
- **Manufacturing:** Maximized throughput by improving productivity and optimized assets
- **Head Office:** Minimized SG&A and indirect expenses, Optimized common operations



### ■ Improved Variable Cost Ratio: FY21/3 -3% (Variable Cost Reduction: >JPY -10 bn/yr vs. FY20/3)

- **Materials:** Restructured supply chain from the viewpoint of cost competitiveness, standardized parts and materials, and improved material efficiency
- **Outsourcing:** Revised contracts, reduced man-hours
- **Defects (Yield Loss):** Acceleration of cross-site defective cost reduction project

## Strengthened Governance & Completed TSE Improvement Submissions Strengthened Financial Base & Progressed Building New Businesses

Measures

### Strengthen Governance

- Completed submission of improvement status reports to TSE and implemented measures to prevent recurrence
- Transitioned to stronger Board of Director governance systems & strengthened internal audit system
- Promoted employee compliance awareness

### Rebuild Financial Base

- Optimized asset profile via Hakusan Plant sale
- Equity financing with Ichigo Trust
- Strengthened business profitability

### Build New Businesses

- Progress in development of display and new device technologies
- Progress in product development for healthcare sector
- Strengthen IP strategy (Strategic use of intellectual property)

## TSE Improvement Submissions Complete Also Completed Implementation of Improvement Plan

Main Activities

**(1) Raise employee consciousness vis-à-vis accounting treatment & information disclosure**

- Delivered senior management messages during compliance enhancement month. Accounting Education and Hazard Prediction Training were also conducted and penetrated
- Revised the Ethical Code (JDI Ethics). Provided application for the most conservative and transparent accounting treatment.

**(2) Strengthen Governance - Nominating, Audit and Compensation Committees**

- Approved by the General Meeting of Shareholders on Aug 26, 2020

**(3) Strengthen accounting controls**

- Introduced cycle inventory system for WIP to verify existence of inventory assets.
- Implemented accounting operation systematization & 3rd-party monitoring expansion.
- Prevention of power centralization. Periodic report of cancellation slips, etc. to CFO and audit committee.

**(4) Strengthen internal auditing system**

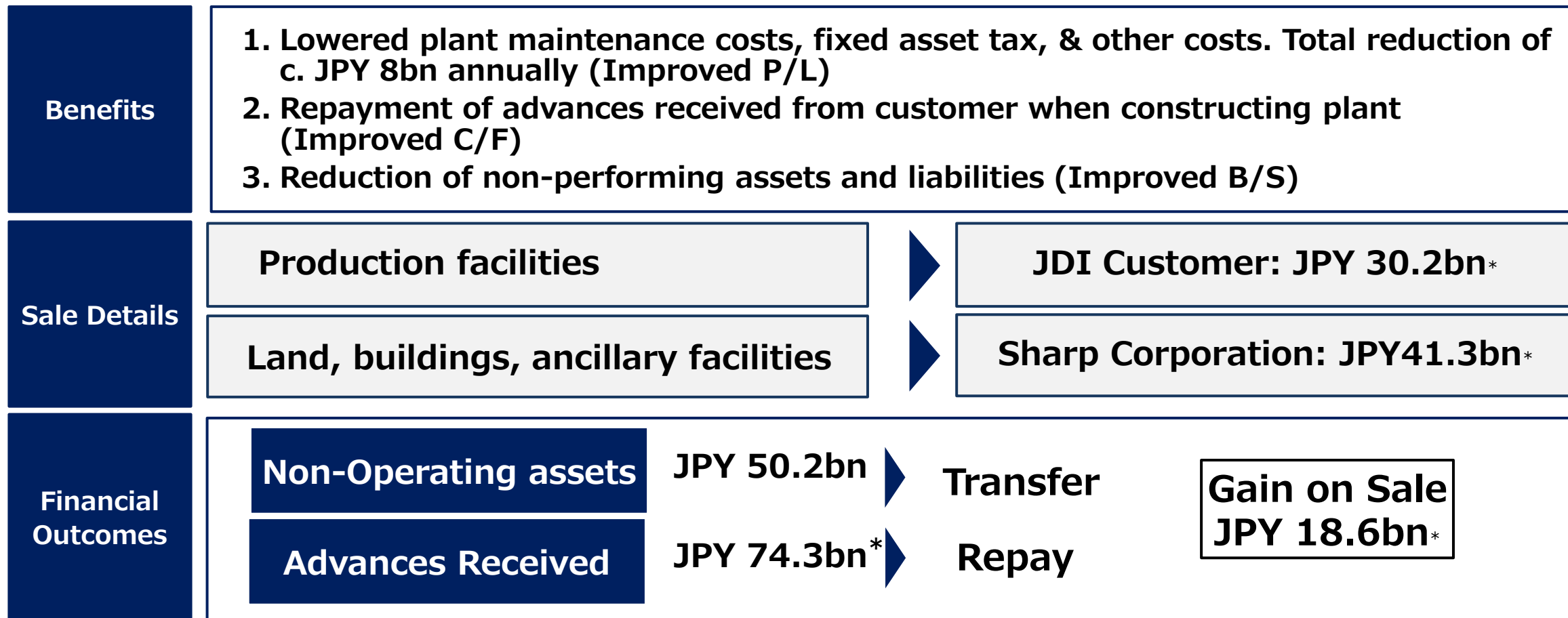
- Increased Internal Audit Department staff and conducted audits of the improvement and correction efforts in accounting operations.
- Continued to conduct internal audits of expense processing risks
- Independence of J-SOX operation secured, and operational auditing implemented.

**(5) Strengthen internal reporting system**

- Introduced global internal reporting system. Installed a contact point for direct reporting from subsidiaries to the head office
- Confirmed problems through semi-annual employee questionnaires. Conducted surveys in the same way above.



## Reduced Annual Costs by JPY 8bn & Strengthened Balance Sheet Continuing Manufacturing of High Value-Add Products at Mobarra Plant



\*Based on US\$1 = JPY105.8

# Ichigo Trust Equity Financing (Exercise of 12th stock acquisition rights)



## Partial Exercise, Unexercised Amount JPY 36bn

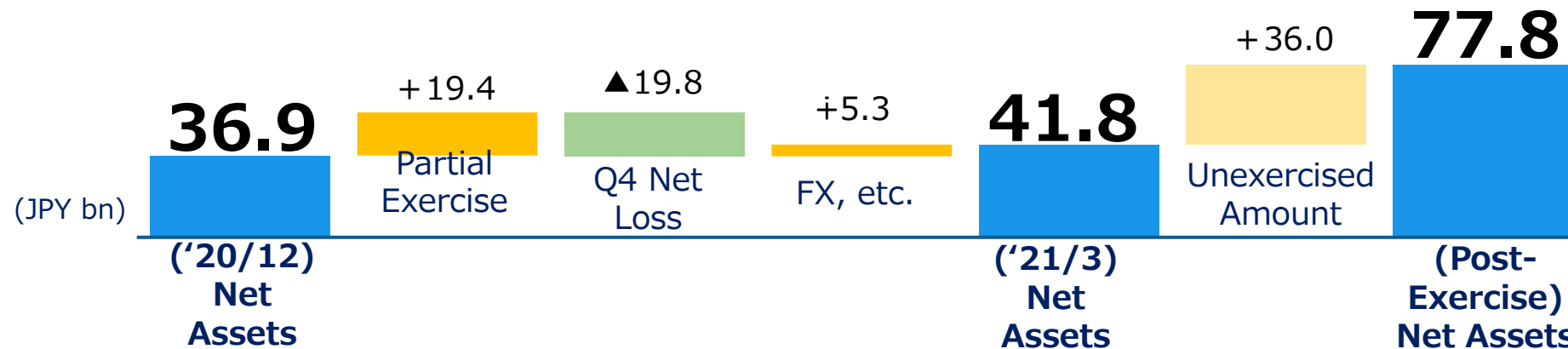
### ◆ Exercise Details

Total amount	<b>JPY 55.4bn</b>
Exercise date	2021/3/25
Exercise price	JPY 10mn/share
Exercised amount	<b>JPY 19.4 bn</b>
Class of shares issued	Class E preferred shares
Unexercised amount	<b>JPY 36.0bn</b>

### ◆ Ichigo Trust

Outstanding Shares	Number of Shares (unit: K)	Number of Voting rights (unit: K)	Ichigo Trust Ownership
Common	846,166	8,461	N/A
Class B preferred	672,000	6,720	Yes
Class D preferred	0.5	0	Yes
Class E preferred	2	0	Yes
<b>Total</b>		<b>15,181</b>	

Ratio of Voting Right	44.26%
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Note: (Post-Exercise) Net Assets in the left graph does not include P&L and thus could be materially different from actual net assets.



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21/3 Earnings Review  
22/3 Forecast

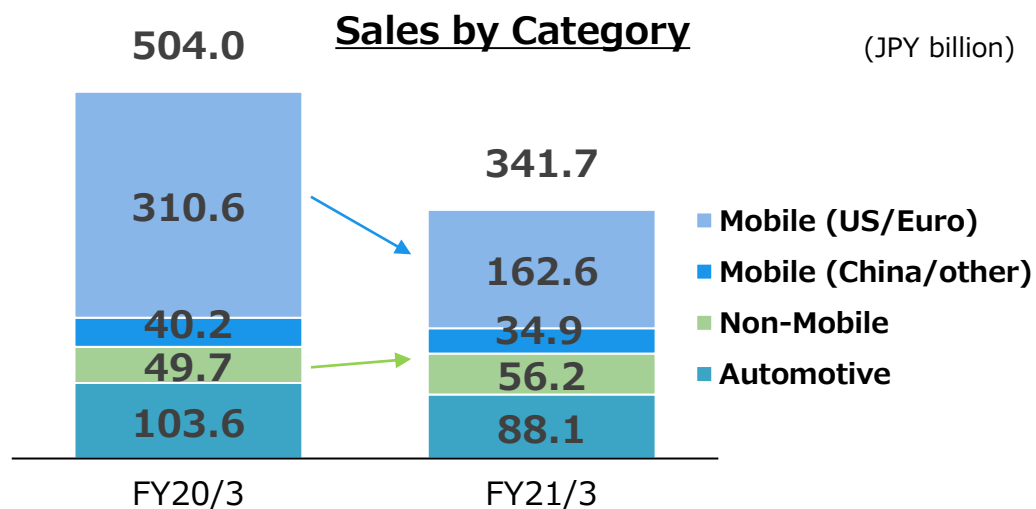
# FY21/3 Financial Results Summary

**Despite a significant decrease in sales, cost reductions helped turn a gross profit and reduced operating loss & EBITDA loss**

(JPY billion)	FY20/3	FY21/3	YoY
<b>Net sales</b>	<b>504.0</b>	<b>341.7</b>	<b>-162.3</b>
<b>Gross profit (loss)</b>	<b>(1.4)</b>	<b>5.1</b>	<b>+6.5</b>
<b>Operating income (loss)</b>	<b>(38.5)</b>	<b>(26.2)</b>	<b>+12.3</b>
<b>Net income (loss)</b>	<b>(101.4)</b>	<b>(42.7)</b>	<b>+58.7</b>
<b>EBITDA</b>	<b>(19.5)</b>	<b>(12.5)</b>	<b>+7.0</b>

## Sales

- Mobile sales dropped sharply due to lower demand for smartphone LCDs.
- **Non-Mobile increased** due to expansion of OLEDs for wearables and ultra-high-resolution LCDs for VR. **Automotive** was down sharply in 1Q due to Covid19 but **recovered from 2Q & rose in 4Q YoY.**
- **Nearly in line with the Feb. 10 fcst (JPY 342.5bn)**

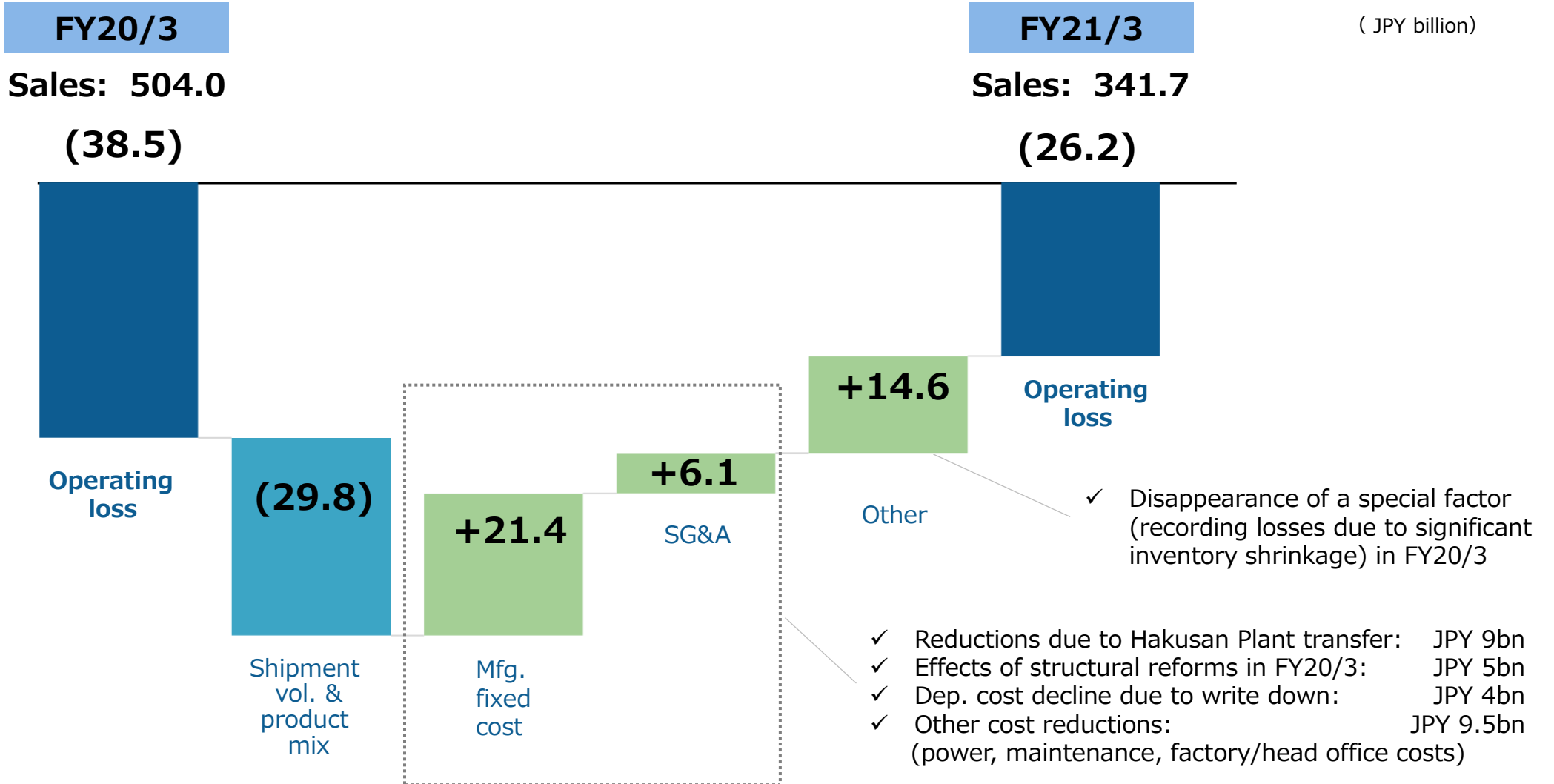


## Profit/Loss

- Transfer of Hakusan Plant, effects of structural reforms in FY20/3 and other cost reductions led to a **gross profit, improvements to op. income & EBITDA.**
  - ✓ Fixed costs: Approx. JPY 28bn reduction YoY
  - ✓ Variable cost rate: Approx. 3 pts. better YoY
- **Net loss shrunk by JPY 58.7bn** (no repeat equity-method loss as in FY20/3, lower structural reform costs)
- Based on continued cost reductions, **op. loss was less than the Feb. 10 forecast of 29.6bn by JPY 3.4bn.**

# FY21/3 Operating Income Change Factors (YoY)

Decreased op. losses by reducing fixed mfg. costs (e.g., transferring the Hakusan Plant) and implementing other cost reductions



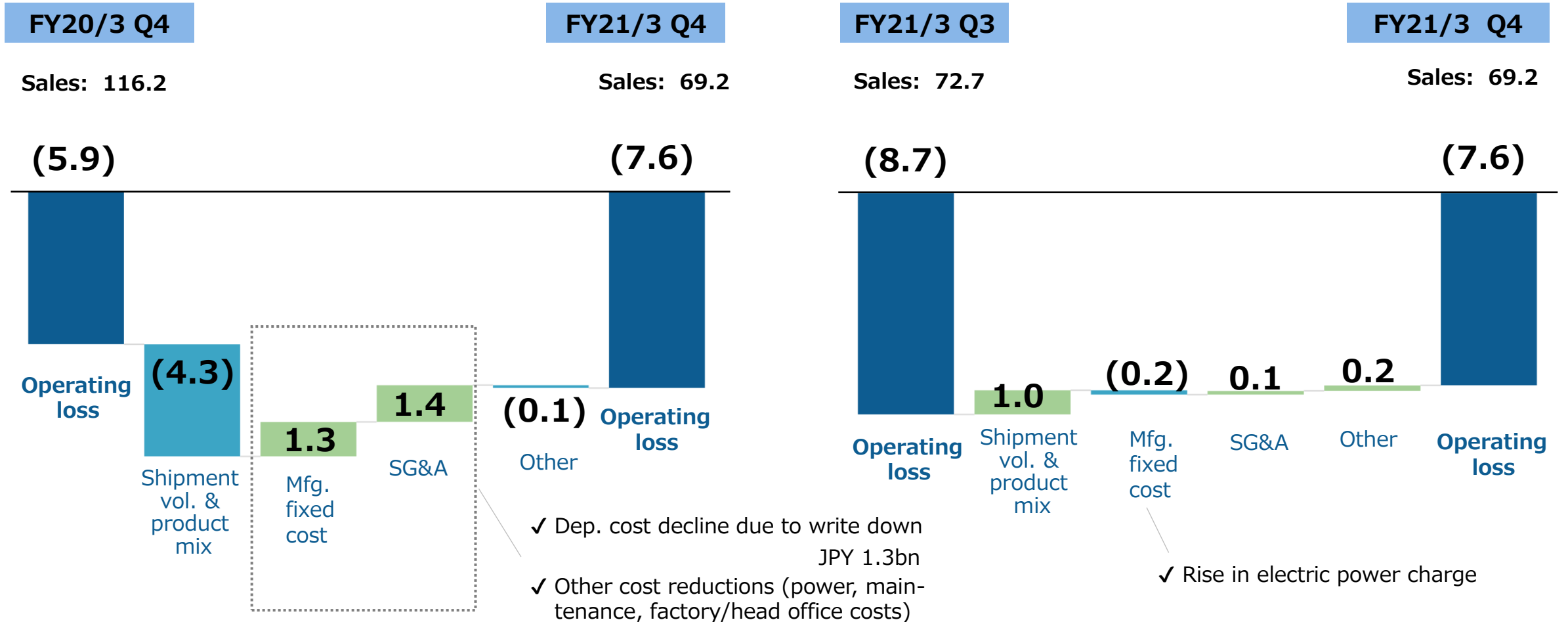
# FY21/3 Q4 Operating Income Change Factors



vs. FY20/3 Q4 (YOY)

vs. FY21/3 Q3 (QOQ)

(JPY billion)



# Consolidated Balance Sheet



**Reduced fixed assets and related liabilities thru Hakusan Plant transfer and streamlined B/S. Equity ratio increased 4.5 pts versus end of FY20/3 due to issuance of preferred shares etc.**

(JPY billion)	FY20/3 Q4	FY21/3 Q3	FY21/3 Q4
Cash and deposits	66.7	54.2	55.7
Accounts receivable - trade	70.9	27.9	31.2
Accounts receivable - other	48.1	19.2	15.3
Inventories	39.1	40.7	39.7
Other	4.6	2.2	4.3
Total current assets	229.4	144.2	146.3
Total non-current assets	160.3	92.5	78.7
<b>Total assets</b>	<b>389.7</b>	<b>236.7</b>	<b>225.0</b>
Accounts payable - trade	89.3	46.9	37.4
Interest-bearing debt	98.0	97.2	97.1
Advances received	89.1	2.3	1.9
Other liabilities	59.9	53.3	46.7
<b>Total liabilities</b>	<b>336.4</b>	<b>199.8</b>	<b>183.2</b>
<b>Total net assets</b>	<b>53.4</b>	<b>36.9</b>	<b>41.8</b>
Shareholders' equity ratio	13.1%	14.5%	17.6%

Note. Difference in balances of "cash & equivalent" in cash flow statement and "cash and deposits" in balance sheet as of the end of FY21/3 Q3 is 0.3 billion yen in deposits paid.

# Consolidated Cash Flow



**FY21/3 free cash flow greatly improved due to a reduced net loss and improved working capital**

(JPY billion)	FY20/3	FY21/3
Income before income taxes	(98.4)	(41.7)
Dep. & Amort.	20.7	14.7
Working capital	(36.1)	20.6
Advances received	(12.8)	(10.3)
Structural reform cost	67.2	10.5
Other	(27.7)	(16.9)
<b>Cash flow from operating activities</b>	<b>(87.1)</b>	<b>(23.1)</b>
Purchase of non-current assets	(16.1)	(7.0)
Other	44.2	(2.1)
<b>Cash flow from investing activities</b>	<b>28.1</b>	<b>(9.1)</b>
<b>Cash flow from financing activities</b>	<b>57.7</b>	<b>20.2</b>
Ending balance, cash & equiv.	66.4	55.3
<b>Free cash flow</b>	<b>(103.2)</b>	<b>(30.2)</b>

Notes:

1. "Free cash flow" is the sum of "operating cash flow" and "expenditures on the acquisition of fixed assets".
2. With the transfer of the Hakusan Plant in October 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.



## Annual

(JPY billion)	FY21/3 (ACT)	FY22/3 (FCST)	YoY
<b>Sales</b>	341.7	<b>254.0</b>	<b>-26%</b>
Mobile (US/Euro)	162.6	47.0	-71%
Mobile (China/other)	34.9	34.0	-3%
Automotive	88.1	103.0	17%
Non-Mobile	56.2	70.0	25%
<b>Sales excl. Mobile(US/Euro)</b>	179.1	<b>207.0</b>	<b>16%</b>

## Q1

(JPY billion)	FY20/3 Q1	FY20/3 Q4	FY22/3 Q1	YoY	QoQ
<b>Sales</b>	88.0	69.2	<b>64.0</b>	<b>-27%</b>	<b>-8%</b>
Mobile (US/Euro)	55.4	18.7	18.0	-68%	-4%
Mobile (China/other)	6.3	11.0	9.0	43%	-18%
Automotive	14.8	25.3	24.0	62%	-5%
Non-Mobile	11.5	14.2	13.0	13%	-8%
<b>Op. income (loss)</b>	(7.0)	(7.7)	<b>(8.8)</b>		
<b>Op. income excl. semi shortage impact</b>	(7.0)	(6.8)	<b>(6.5)</b>		

## Sales

- ✓ Full year forecast: JPY254bn, Q1 forecast: JPY64bn
- ✓ Sales of LCDs for smartphones to EU/US regions continue to decline, but sales excluding EU/US are expected to grow YoY.
- ✓ Full-year sales in the Automotive and Non-Mobile categories (wearable OLEDs for a major customer, VR LCDs etc.) are expected to increase due to higher demand.

## Profits

- ✓ Q1 op. loss is expected to worsen QoQ by JPY1.1bn (impact of semiconductor shortage is -2.3bn yen).
- ✓ Looking to achieve EBITDA profitability in FY22/3 Q4 by reducing costs and increasing OLED sales, etc.



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# JDI Strategy

# GAME CHANGE

# JDI Is Different

# PersonalTech

## Strategic Focus

### 1) Strengthen Existing Businesses

- Rethink, Reposition, & Rebuild JDI
  - ✓ Delegate Authority, Move Quickly
  - ✓ Strengthen Sales & Marketing
- Massively Increase Profitability
  - ✓ Strengthen Competitiveness by Radically Cutting Costs & Liquidating Unprofitable Businesses
  - ✓ Win with the Customer: Superior Products & Superior Technology

### 2) Build New Businesses

- Go Beyond Our Existing Business Models & Go Direct to the Customer
  - ✓ Drive New Business Growth
  - ✓ Monetize Our R&D
- Commercialize High Value-Add Technologies that Address Key Customer Needs

## KPI

- EBITDA Positive in FY22/3 Q4

- Leveraging Our Key Device Technologies, Launch Multiple Service, Solution, Platform Businesses This Year

## 1. 3 Bigs

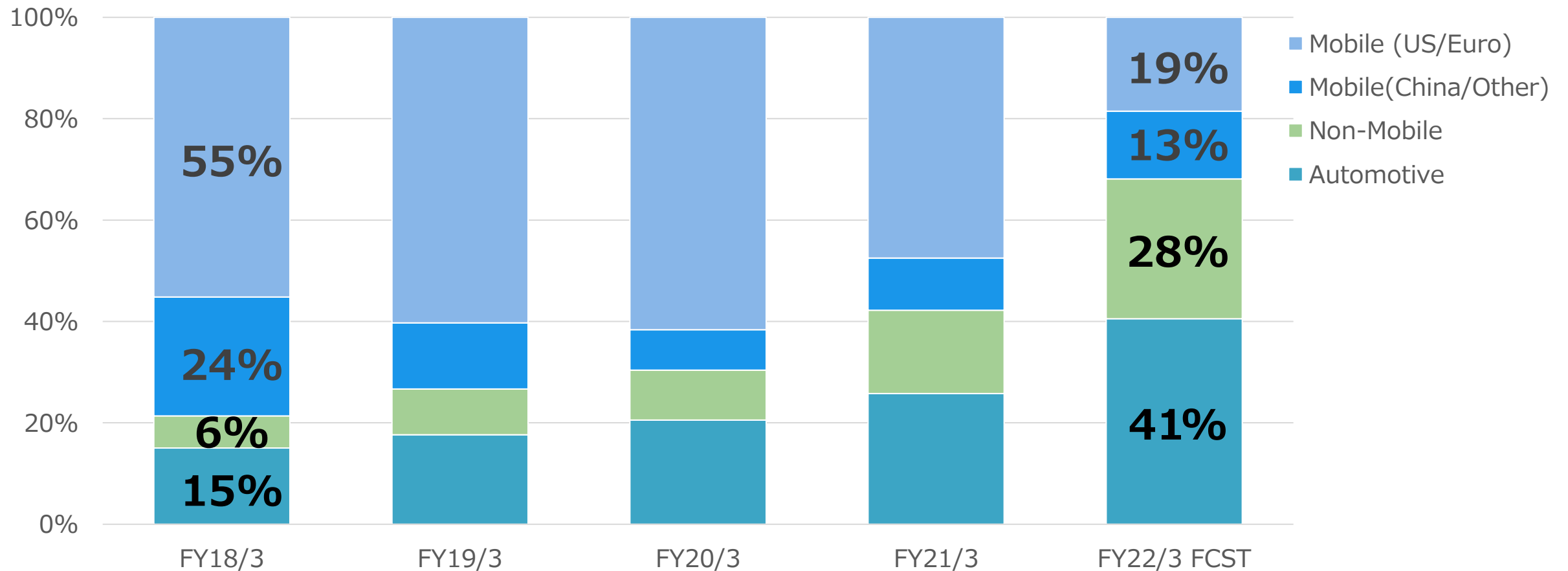
Big Need, Big Market, Big Impact

## 2. JDI Is Different

## 3. Highly Profitable Business Model

## More Diverse & More Stable Earnings Driven by Shift from Mobile to Automotive & Non-Mobile

Sales Breakdown by Sector (Mobile, Automotive, Non-Mobile)





## Upside Earnings Opportunities

- ✓ Higher OLED Sales Supported by FY22/3 H2 Back-End Expansion
- ✓ Improvements in Pricing & Product Mix
- ✓ Greater Pricing Power from Global Tightness in Display Supply

## Downside Earnings Risk

- ✓ Semiconductor Shortage Impact on Production & Orders

## ◆ OLED

- Significant improvement in profitability due to scale expansion
- Maintain Technological Superiority in Existing-Generation OLED
- Dominate Next-Generation OLED

## ◆ Sensors

- Build New Revenue Stream
- Expand Value Chain
- Market Entry in System Solutions

## ◆ Automotive

- Provide New Technologies to the Integrated Cockpit
- Mass Production of Sensor-Integrated Products
- Establish Technological superiority in EVs & Autonomous Vehicles

## ◆ Industrial, Healthcare, New Biz

- High-Performance Displays for Medical & Broadcasting Applications
- Expand Solutions Business
- Transparent Displays & Other New Businesses

## VR Market 27% CAGR – Maintain & Grow JDI Competitive Advantage in Ultra-High-Resolution LCD VR Displays

### VR

- Realizing Natural & Precise Video Representations
- Providing Real World-Like Experience & Inspiration through Ultra-High-Resolution VR Displays



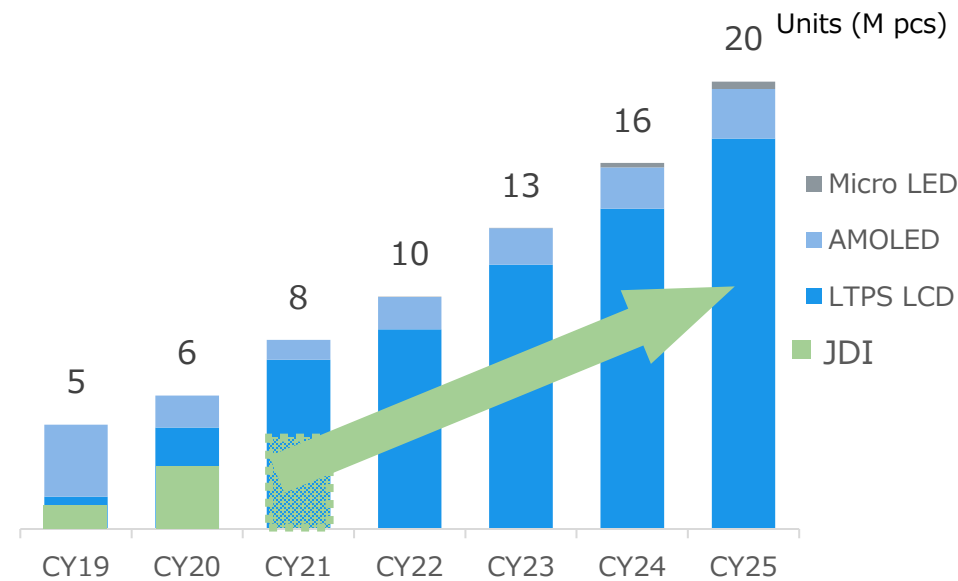
High-Quality Graphics



Broad Color Reproduction

### VR Display Market Growth

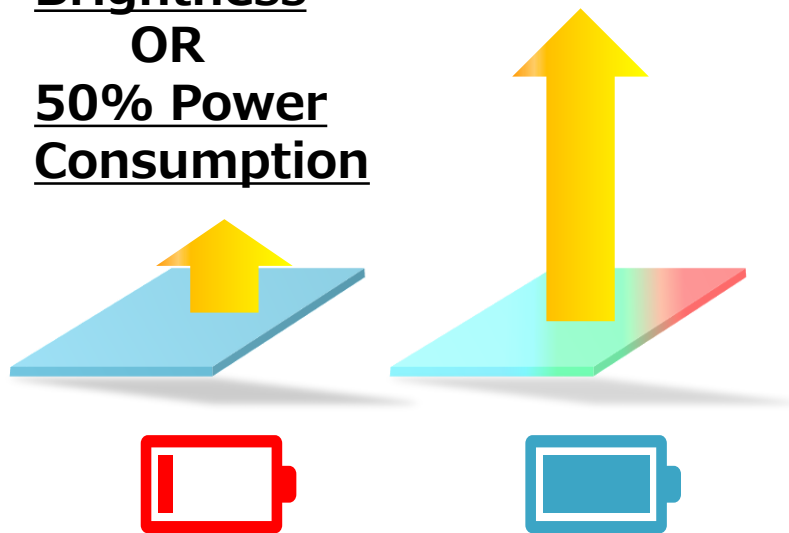
- As VR Expands Beyond Current Applications, Building Tightly-Coupled Hardware/Software Essential



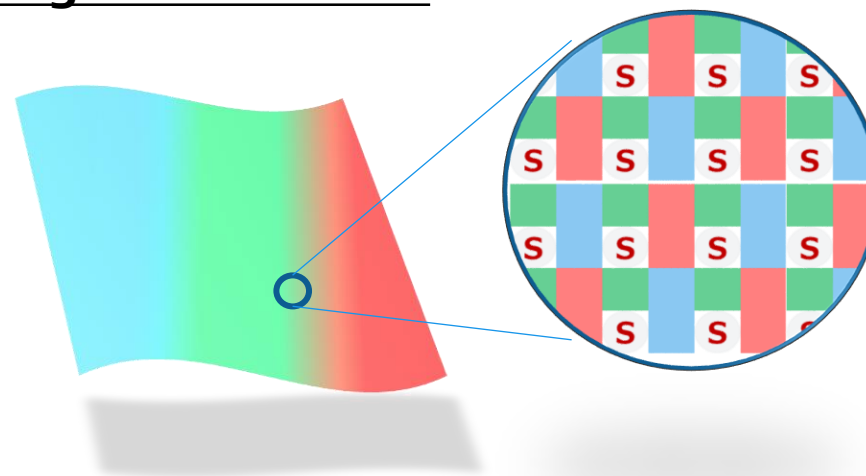
Source (market data): OMDIA (April 2021)

## JDI Next-Generation Ultra High-Brightness & Ultra-High-Resolution OLED – Far Superior to Existing-Generation OLED

2X Display  
Brightness  
OR  
50% Power  
Consumption



High-Definition, Flexible,  
Integrated Sensors



**Deploy JDI Display Capabilities to Sensors, Solutions, Services**



**Develop & Commercialize High Value-Add Technologies & Expand into New Business Domains**



**Expand Businesses in AOI in Preparation for Future Business Expansion**

Note: Subject to shareholder approval at June 26 AGM



# PersonalTech For A Better World



Japan Display Inc.

# Appendix

# Consolidated Operating Results



(JPY billion)	FY20/3	FY21/3	Chg	FY20/3 Q4	FY21/3 Q3	FY21/3 Q4	YoY Chg	QoQ Chg
<b>Net sales</b>	<b>504.0</b>	<b>341.7</b>	<b>-162.3</b>	<b>116.2</b>	<b>72.7</b>	<b>69.2</b>	<b>-47.1</b>	<b>-3.6</b>
Cost of sales	505.4	336.6	-168.9	112.9	73.5	68.9	-44.0	-4.6
Gross profit (loss)	(1.4)	5.1	+6.5	3.4	(0.8)	0.2	-3.1	+1.0
SG&A	37.1	31.4	-5.8	9.3	8.0	7.8	-1.4	-0.1
<b>Operating income (loss)</b>	<b>(38.5)</b>	<b>(26.2)</b>	<b>+12.3</b>	<b>(5.9)</b>	<b>(8.7)</b>	<b>(7.6)</b>	<b>-1.7</b>	<b>+1.1</b>
Net non-op. income (expenses)	(19.3)	(6.4)	+12.9	(5.2)	(2.0)	0.9	+6.1	+2.9
Ordinary income (loss)	(57.9)	(32.7)	+25.2	(11.1)	(10.8)	(6.7)	+4.4	+4.1
Net extraordinary income (loss)	(40.6)	(9.1)	+31.5	22.0	24.2	(13.0)	-35.0	-37.2
Income (loss) before income taxes	(98.4)	(41.7)	+56.7	10.9	13.4	(19.7)	-30.6	-33.1
<b>Net income (loss) attributable to owners of the parent</b>	<b>(101.4)</b>	<b>(42.7)</b>	<b>+58.7</b>	<b>9.5</b>	<b>13.4</b>	<b>(19.8)</b>	<b>-29.2</b>	<b>-33.1</b>
<b>EBITDA</b>	<b>(19.5)</b>	<b>(12.5)</b>	<b>+7.0</b>	<b>(2.0)</b>	<b>(5.7)</b>	<b>(4.7)</b>	<b>-2.7</b>	<b>+1.0</b>
Avg. FX rate (JPY/USD)	108.7	106.1		108.9	104.5	106.1		
Q-End FX rate (JPY/USD)	108.8	110.7		108.8	103.5	110.7		

## <Major changes in non-operating & extraordinary items >

(JPY billion)	FY20/3	FY21/3
Equity method investment loss (non-op. expense)	-10.0	-
Restructuring expenses & impairment losses (extraord loss)	-67.2	-34.5
Gains on sale of assets & FX gain (extraord. gain)	+0.1	+24.7
Gain on sale of investment securities (extraord.gain)	+30.6	-

(JPY billion)	FY20/3 Q4	FY21/3 Q4
Equity method investment loss (non-op. expense)	-1.5	-
Commission expense (non-operating expense)	-3.0	-0
Restructuring expenses & impairment losses (extraord. loss)	-5.0	-13.1
Gain on sale of investment securities (extraord. gain)	+30.6	-





# THANK YOU