



Japan
Display
Inc.
Group

4Q and Fiscal Year 2014 Financial Results

May 13, 2015

Japan Display Inc.

1. 4Q and FY 2014 Financial Results

2. Outlook for 1Q-FY 2015 & Medium-term Management Goals

Summary of 4Q-FY 2014

- Solid display demand for high-end smartphones, mainly from our largest customer and China/other Asia, led to 2nd highest sales & op. income (1st was 3Q14). Although op. income remained above 10 billion yen, 4Q contribution margin improved less than expected due to product mix deterioration, putting earnings just under forecast.

Net sales	Y232.6bn (+76% YoY)
Operating income	Y10.7bn (+95% YoY)

- Mobara G6 & Nomi G5.5 continued to operate at almost full capacity; G6 has reached planned capacity of 50K sheets/mo.
- Sales ratio of Pixel Eyes™ to China/other Asia smartphone makers reached more than 60%. High-res WQHD shipments delayed for customer reasons (chip set & material delays).
- Free cash flow positive for 2nd consecutive quarter; continued net cash.
- Announced plan for new fab in Hakusan City, Ishikawa Prefecture, Japan.

Summary of 2H & Full Term FY 2014

■ 2H: Net sales	Y483.7bn
Operating income	Y25.4bn
Ordinary income	Y24.3bn
Net income	Y15.5bn

Net sales, operating income & ordinary income were best-ever for half-year results; V-shaped recovery from 1H losses

- Full term: net sales of Y769.3bn (up Y154.7bn or 25% YoY)
Big rise in shipments to major customer; sales to China customers up 2.4 times YoY to approx. Y160.0bn.
- Full term: op. income of Y5.1bn and ordinary income of Y1.9bn, but net loss of Y12.3bn due to loss on Fukaya Plant closure & extraordinary loss on provision for doubtful accounts/other.

4Q-FY 2014 Financial Results

(Billion yen)

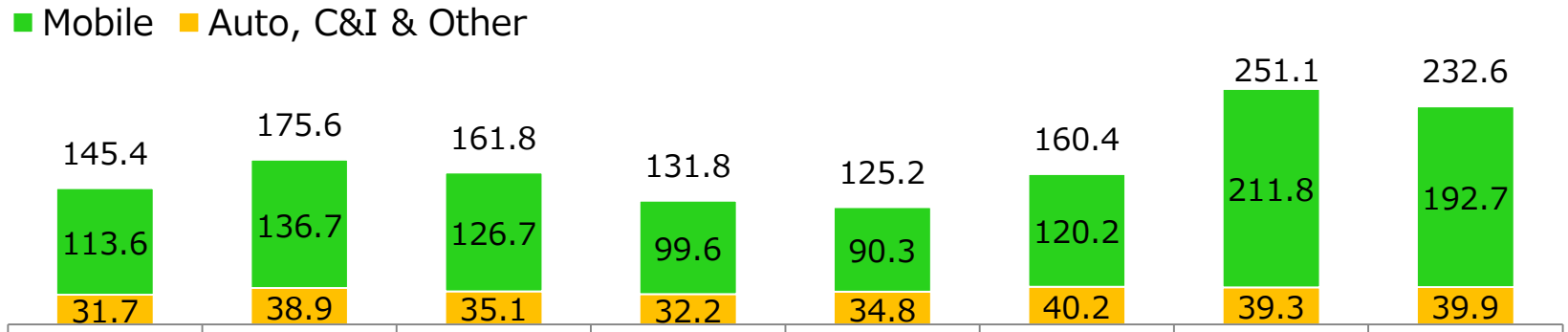
	4Q-FY14	4Q-FY13	YoY Chg.	3Q-FY14	QoQ Chg.
Net sales	232.6	131.8	+76.4%	251.1	-7.4%
Cost of sales	207.5	116.2		224.4	
Gross profit	25.1	15.7	+60.0%	26.7	-6.2%
	10.8%	11.9%		10.6%	
SG&A	14.4	10.2		12.0	
Operating income	10.7	5.5	+94.6%	14.7	-27.2%
	4.6%	4.2%		5.9%	
Non-operating profit (loss)	(4.7)	(5.1)		3.6	
Ordinary income	6.0	0.4	+1,281.0%	18.3	-67.1%
	2.6%	0.3%		7.3%	
Extraordinary income (loss)	(9.1)	0.0		1.1	
Net income (loss)	(3.6)	0.4	-	19.2	-
	-1.6%	0.3%		7.6%	
EBITDA	29.5	23.4	+26.0%	32.0	-7.7%
	12.7%	17.8%		12.7%	
Depreciation & amortization	18.9	18.0	4.7%	17.4	8.9%
R&D expenses	5.2	3.5	47.8%	3.3	56.8%
Avg. FX rate (JPY/USD)	119.2	102.8	-	114.4	-
Mobile Category sales ratio	82.8%	75.6%	-	84.4%	-
Unit shipments			48.0%		0.0%
Blended ASP			22.0%		-7.0%

Quarterly Results of Operations

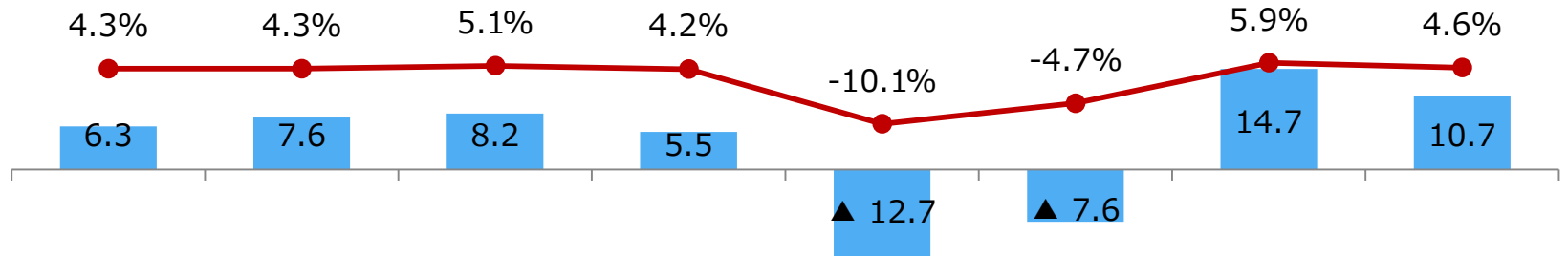
Quarterly Results

(Billion yen)

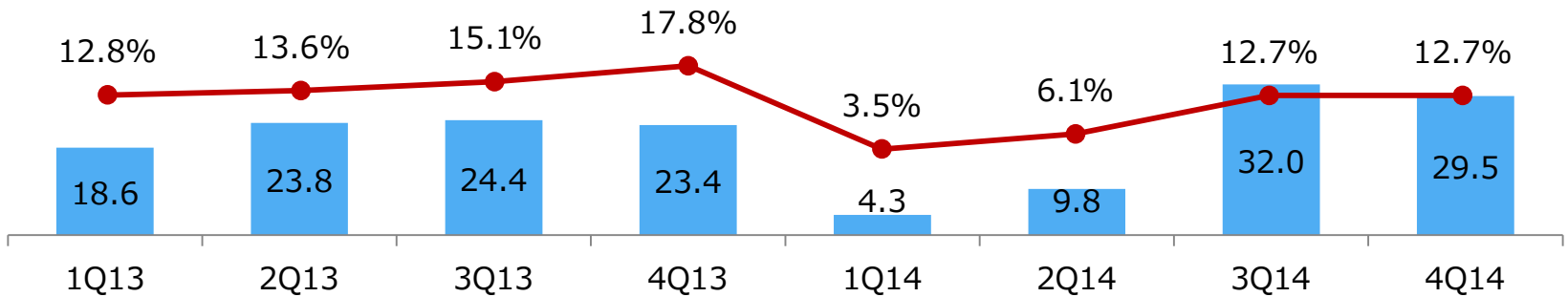
Net sales



Operating income



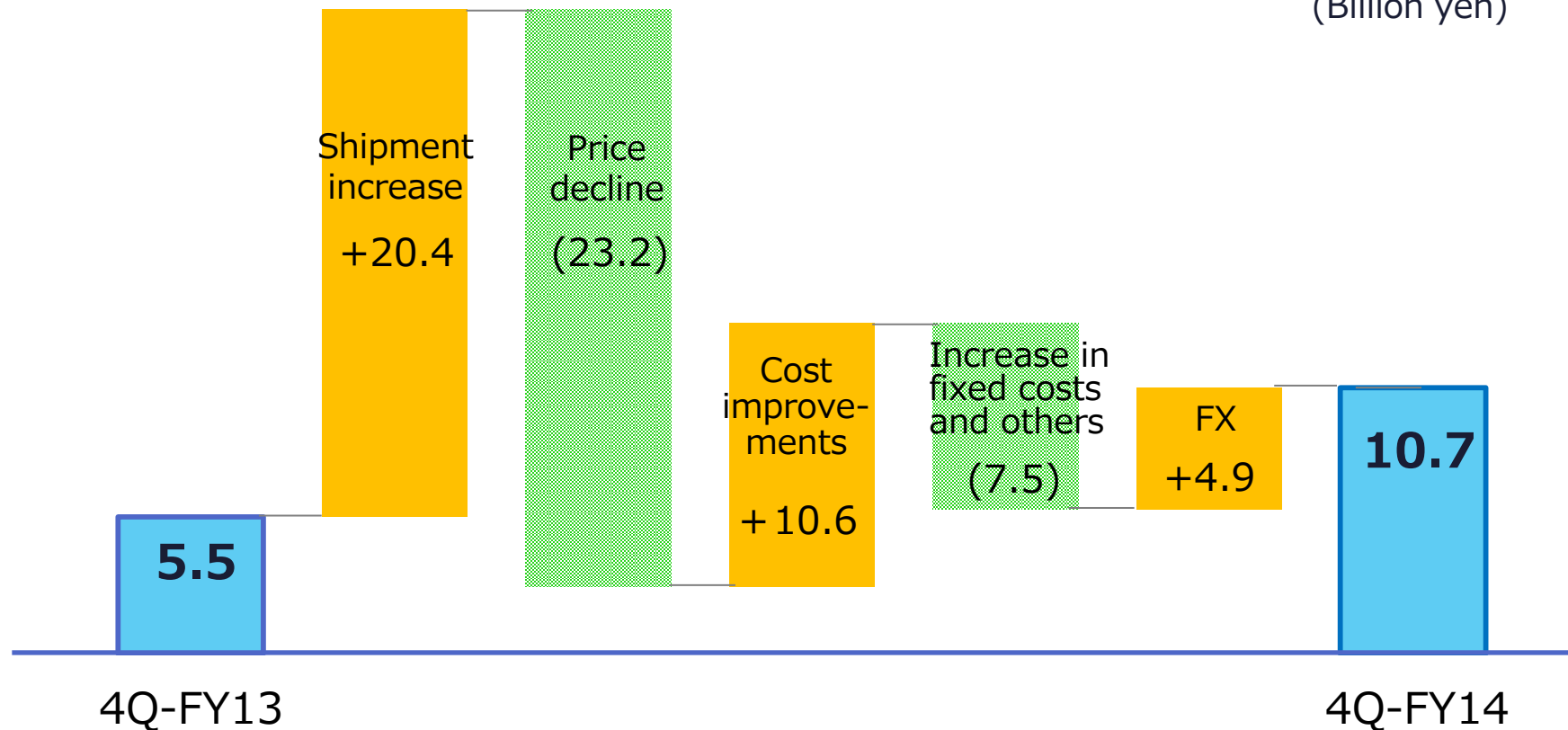
EBITDA



4Q-FY 2014 Operating Income Analysis

Operating Income Analysis (YoY)

(Billion yen)



Note: JDI's ASP rose YoY mainly due to higher shipments of larger size display panels and display modules with cover glass. However, a same-product comparison shows selling prices fell YoY in the 3Q, resulting in an overall negative earnings impact.

FY 2014 Financial Results (vs. Nov. 13 Forecast)

2H showed a V-shaped recovery from 1H: big jump in net sales, better product mix, Mobara G6 line reaching 50K sheets/mo., weak yen benefits etc.

(Billion yen)

	1H-FY14	2H-FY14	FY14	FY14 Forecast	Chg.
Net sales	285.6	483.7	769.3	740.0	+29.3
Operating income	(20.3)	25.4	5.1	6.5	(1.4)
Ordinary income	(22.5)	24.3	1.9	1.5	+0.4
Net income (loss)	(27.8)	15.5	(12.3)	(12.1)	(0.1)
EBITDA	14.2	61.5	75.7	77.1	(1.4)
R&D expenses	7.5	8.5	16.0	20.4	(4.4)
Depreciation & amortization	34.6	36.3	70.9	70.6	+0.3
Capital investment	48.2	60.2	108.4	95.0	+13.4
Avg. FX rate (JPY/USD)	103.0	116.7	109.8	105.0	
Mobile Category sales ratio	73.7%	83.6%	79.9%	81.0%	

Capex: Due to partial payment made for new Ishikawa Plant capex in 4Q14 the FY 2014 capex came in above the Nov. 13 forecast.

FY 2014 Consol. Financial Results (YoY)

Strong customer base led to larger sales. 2H was improved but 1H losses (due to demand & price declines, etc.) resulted in lower full-term earnings
(Billion yen)

	FY14	FY13	YoY Chg.	
Net sales	769.3	614.6	+154.7	+25.2%
Cost of sales	713.6	543.3	+170.3	
Gross profit	55.7	71.3	(15.6)	-21.8%
	7.2%	11.6%	-10.1%	
SG&A	50.6	43.7	+6.9	
Operating income	5.1	27.6	(22.5)	-81.4%
	0.7%	4.5%	-14.5%	
Non-operating profit (loss)	(3.3)	(8.6)	+5.3	
Ordinary income	1.9	19.1	(17.2)	-90.2%
	0.2%	3.1%	-11.1%	
Extraordinary income (loss)	(10.1)	(2.3)	(7.8)	
Net income	(12.3)	33.9	(46.2)	-
	-1.6%	5.5%	-29.8%	
EBITDA	75.7	90.3	(14.6)	-16.1%
	9.8%	14.7%	-9.4%	
R&D expenses	16.0	15.7	+0.2	1.5%
Depreciation & amortization	70.9	64.2	+6.7	10.4%
Capital expenditure	108.4	121.5	(13.0)	-10.7%
Avg. FX rate (JPY/USD)	109.8	100.2		-
Mobile Category sales ratio	79.9%	77.6%		-

Consolidated Balance Sheet

Net debt to equity ratio improved QoQ, days in inventory slightly increased

(Billion yen)

	3/2015	12/2014	3/2014
Cash and deposits	94.6	89.1	141.4
Accounts receivable	144.1	159.6	97.1
Other receivables	62.8	78.6	23.4
Inventories	113.4	109.7	90.6
Total current assets	436.7	463.4	378.5
Property, plant and equipment	348.9	356.4	343.8
Total assets	831.6	858.1	759.0
Accounts payable	197.1	221.2	101.6
Interest-bearing debt	83.5	86.6	102.5
Advance payments	65.3	52.1	66.8
Total liabilities	429.0	452.2	353.8
Total net assets	402.6	406.0	405.1
Shareholders' equity ratio	48.2%	47.1%	53.3%
Net debt to equity ratio	-2.8%	-0.6%	-9.6%
Merchandise and finished goods	12	12	17
Work in process	21	18	33
Raw materials and supplies	11	9	12
Days in inventory	44	39	62

Cash Flow

Free cash flow positive for 2nd consecutive quarter.
Partial receipts for Hakusan Plant capex in 4Q-FY14

(Billion yen)

	4Q-FY14	FY14	FY13
Income before income taxes	(3.1)	(8.3)	16.7
Depreciation and amortization	18.9	70.9	64.2
Working capital ⁽¹⁾	1.0	(1.5)	(15.8)
Decrease in advance receipts	13.2	(1.5)	(19.9)
Cash flow from operating activities	44.9	73.3	39.7
Acquisitions of property and equipment	(38.0)	(108.4)	(121.5)
Cash flow from investing activities	(33.9)	(96.3)	(122.9)
Cash flow from financing activities	(4.5)	(25.0)	152.0
Foreign currency exchange effect on cash and cash equivalents	(0.8)	1.2	2.8
Beginning balance, cash and equivalents	89.1	141.4	23.5
Increase in cash and equivalents	5.6	(46.7)	71.5
Increase in cash and equivalents resulting from merger	-	-	46.3
Ending balance, cash and equivalents	94.6	94.6	141.4
Free cash flow ⁽²⁾	11.0	(23.0)	(83.2)

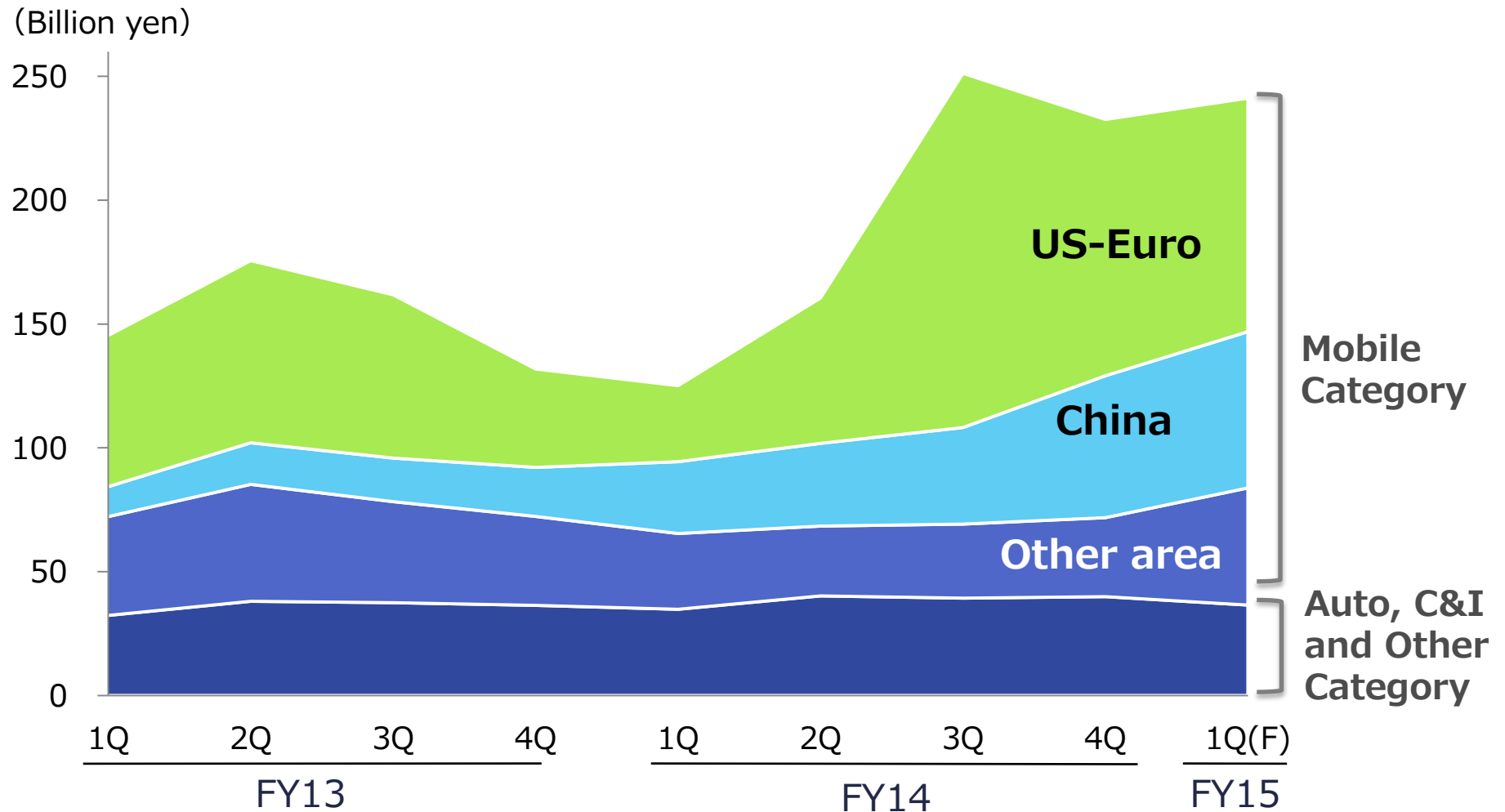
(1) Working capital = + Accounts receivable + Inventories + Accounts payable + Other receivables

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

1. 4Q and FY 2014 Financial Results

**2. Outlook for 1Q-FY 2015 &
Medium-term Management Goals**

Quarterly Sales by Product Category and Sales Region

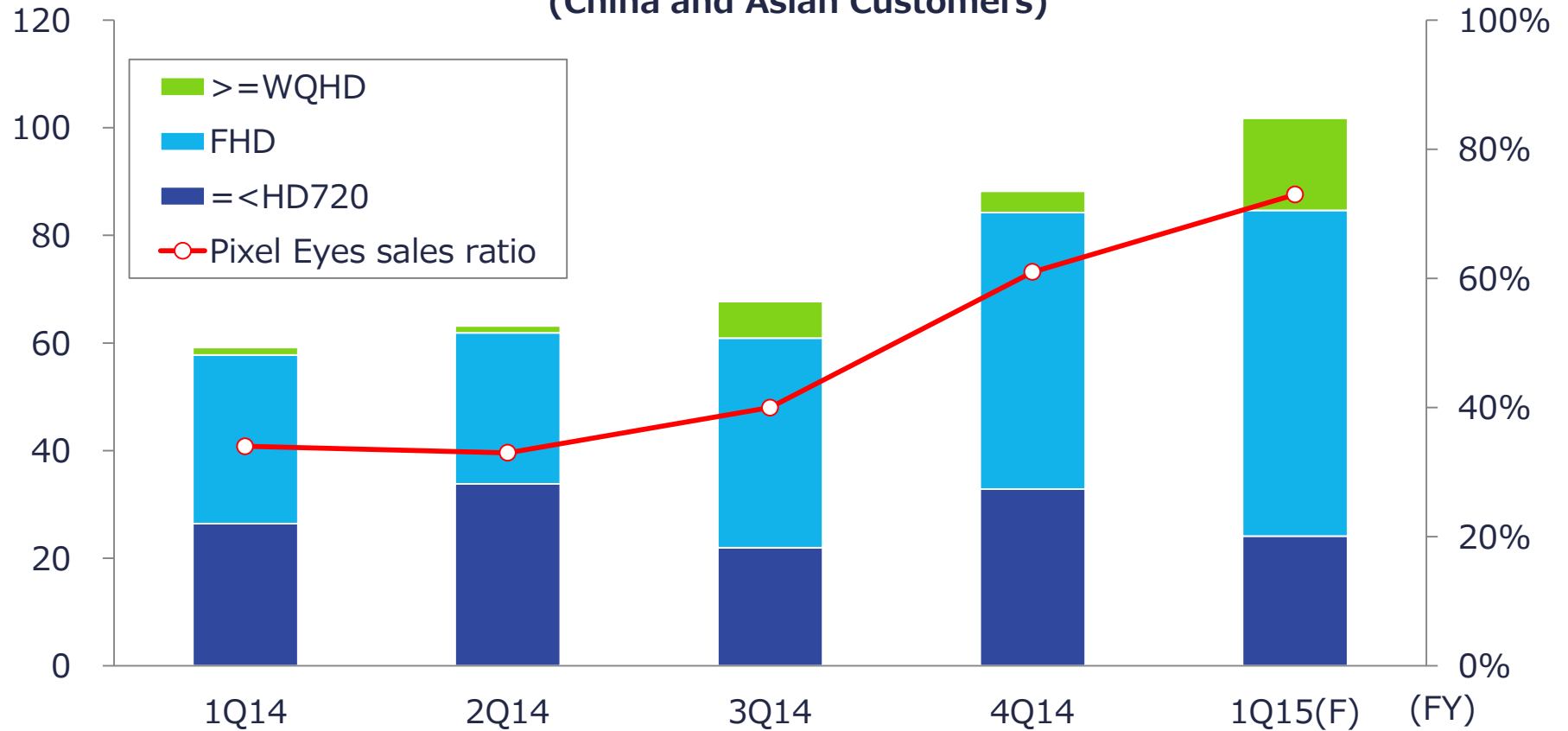


- FY 2014 sales to China up 2.4x YoY to ¥160.0bn. FY 2015 goal: up more than 1.5x.
- Demand from large customer and other regions expected to remain strong

Smartphone Display Sales to China/Asian by Resolution

(Billion yen)

Smartphone Display Sales by Resolution (China and Asian Customers)



- Planned 4Q14 WQHD product shipments postponed due to customer reasons
- Pixel Eyes™ ratio -- 4Q14: 60%+, 1Q15: 70%+ (forecast)

Sales Expectation by Resolution and Customer Region

		4Q14 Sales (actual)		1Q15 Sales	2Q15 demand
		vs. Feb.12 expectation	QoQ	QoQ expectation	QoQ expectation
WQHD	China/Asia				
Full-HD					
HD720	Largest customer				
	China/Asia				
Pixel Eyes™					

Financial forecast and revisions

As 80% of JDI sales depends on smartphone display market large fluctuations in customer demand make accurate sales forecasts difficult. From FY2015 JDI will issue quarter-to-quarter sales and op. income instead of full-year forecasts

1Q-FY15
forecast

(Billion yen)	Net sales	Op. income	Dep. & Amort	R&D expense	FX rate
1Q-FY15 Forecast	240.0	2.0	21.2	6.8	¥115.0/US\$
4Q-FY14 Results	232.6	10.7	18.9	5.2	¥119.2/US\$

- ✓ Sales same level as previous quarter due to strong demand for high-end smartphone displays
- ✓ Reasons why op. income expected to fall QoQ:
 - Marginal profit: Rising high-end sales but temporary increase in shipments of low-margin products means worse product mix, so only slightly up QoQ.
 - Higher fixed costs: depreciation costs, R&D expenses etc.
- ✓ Forex sensitivity: Almost no impact (due to increase in yen-dominated mobile displays)

FY 2015
forecast

- ✓ Higher sales and improved costs as of 2Q to boost marginal profit; forecast op. income levels similar to 2H-FY2014.
- ✓ FY 2015 forecast:
 - Depreciation and amortization: ¥85.0bn (+¥14.1bn YoY)
 - R&D expenses: ¥26.0bn (+¥10.0bn YoY)
 - Capex: ¥210.0bn (including amount allocated from receipts)

Medium-term management goals & dividend policy

Medium-term management goals

- In 3 years: Achieve an overwhelming leading position in the smartphone market
 - Steep ramp up, high yields at the new Hakusan Plant
 - Larger portfolio of powerful technologies
 - Lower costs by strengthening module assembly operations
- In 5 years: More than 30% of sales derived from non-mobile business (automotive, reflective LCD, OLED)
- Within 3 years: A solid base of growth-sustaining earnings
 - Margin goals via implementing above policies to grow sales, improve earnings
Op. margin: 10%, EBITDA margin: 20%, ROE: 10%+

Dividend policy

- End-year FY 2015 dividend planned as free cash flow is expected to improve. Dividend amount to depend on earnings (no mid-year dividend)
- Total return ratio of 30% as future goal for returning value to shareholders



Forward Looking Statement:

Any information related to market trends or industries mentioned in this document is based on information available at present and JDI does not guarantee that this information is accurate or complete.

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