



Japan  
Display  
Inc.  
Group

# **First Quarter of FY 2015 Consolidated Financial Results**

**Japan Display Inc.**

**August 7, 2015**

- 1. FY2015-1Q Results & 2Q Guidance**
- 2. Market Trends & JDI Policy Actions**
- 3. Reforms Under the New Management Structure**

# **FY2015-1Q Results & 2Q Guidance**

**Keiichi Yoshida**  
**Chief Financial Officer**

# Summary of 1Q-FY 2015

- Net sales & op. income nearly in line with May 13 forecast
- Net sales up 97% YoY to Y246.1bn due to big increase in sales to major customer & China customers
- Op. income improved by Y14.9bn YoY to Y2.2bn, as a much larger sales volume outweighed higher fixed costs, lower prices and other factors squeezing earnings
- Weakness in market prices for smartphone displays, incl. Full-HD, had little effect due to a higher ratio of value-added products etc.

(Billion Yen)

	Net sales	Op. income	Dep. & Amort.	R&D expense	FX rate (¥/US\$)
1Q-FY15 (A)	246.1	2.2	20.3	6.1	121.4
1Q-FY15 (F)	240.0	2.0	21.2	6.8	115.0
1Q-FY14 (A)	125.2	(12.7)	17.1	3.5	102.2

# 1Q-FY 2015 Financial Results

(Billion yen)

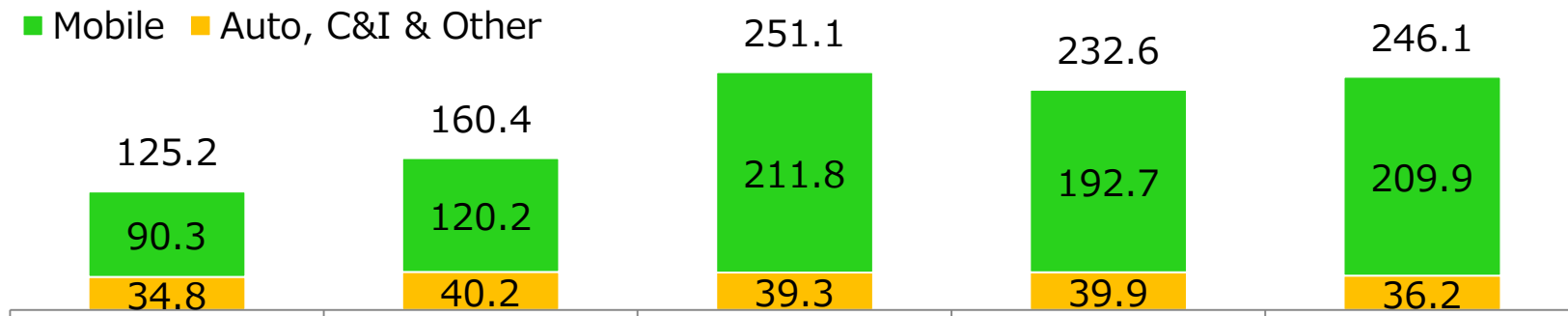
	Q1-FY15	Q1-FY14	YoY Chg.	Q4-FY14	QoQ Chg.
Net sales	246.1	125.2	+120.9	232.6	+13.5
Cost of sales	228.3	126.0	+102.3	207.5	+20.8
Gross profit	17.9 7.3%	(0.9) -0.7%	+18.8	25.1 10.8%	(7.2)
SG&A	15.6	11.8	+3.8	14.4	+1.2
Operating income	2.2 0.9%	(12.7) -10.1%	+14.9	10.7 4.6%	(8.5)
Non-operating profit (loss)	(2.4)	(4.2)	+1.8	(4.7)	+2.3
Ordinary income	(0.1) 0.0%	(16.9) -13.5%	+16.8	6.0 2.6%	(6.1)
Extraordinary income (loss)	0.0	0.0	+0.0	(9.1)	+9.1
Profit (loss) attributable to owners of the parent	(0.5) -0.2%	(16.8) -13.4%	+16.3	(3.6) -1.6%	+3.1
EBITDA	22.5 9.1%	4.3 3.5%	+18.2	29.5 12.7%	(7.0)
Depreciation & amortization	20.3	17.1	+3.2	18.9	+1.4
R&D expenses	6.1	3.5	+2.6	5.2	+0.9
Avg. FX rate (JPY/USD)	121.4	102.2		119.2	
Mobile Category sales ratio	85.3%	72.2%		82.8%	

# Quarterly Results of Operations

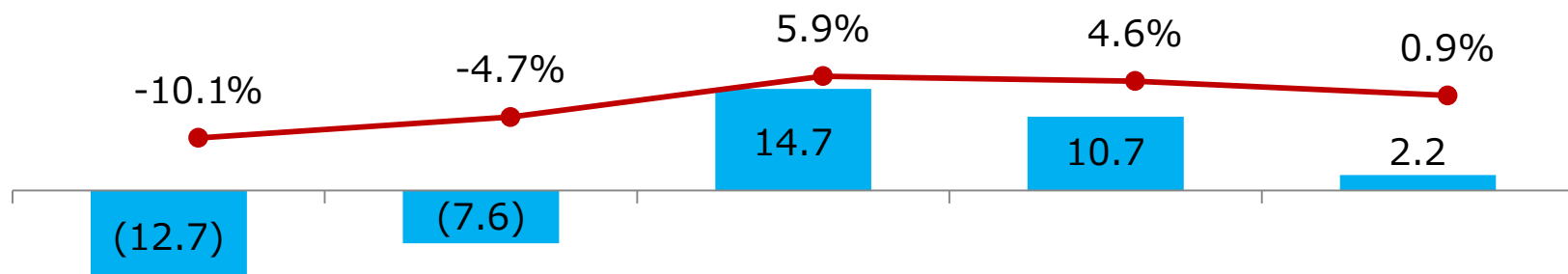
## Quarterly Results

(Billion Yen)

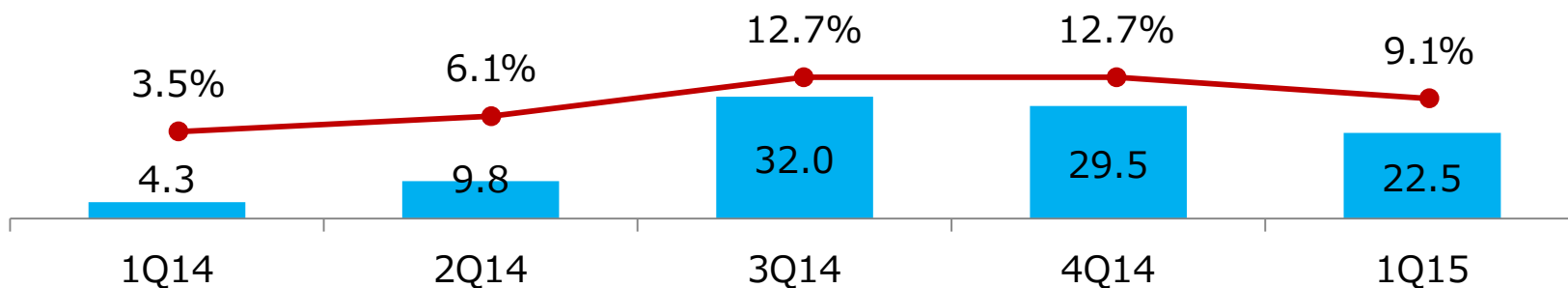
Net sales



Operating income



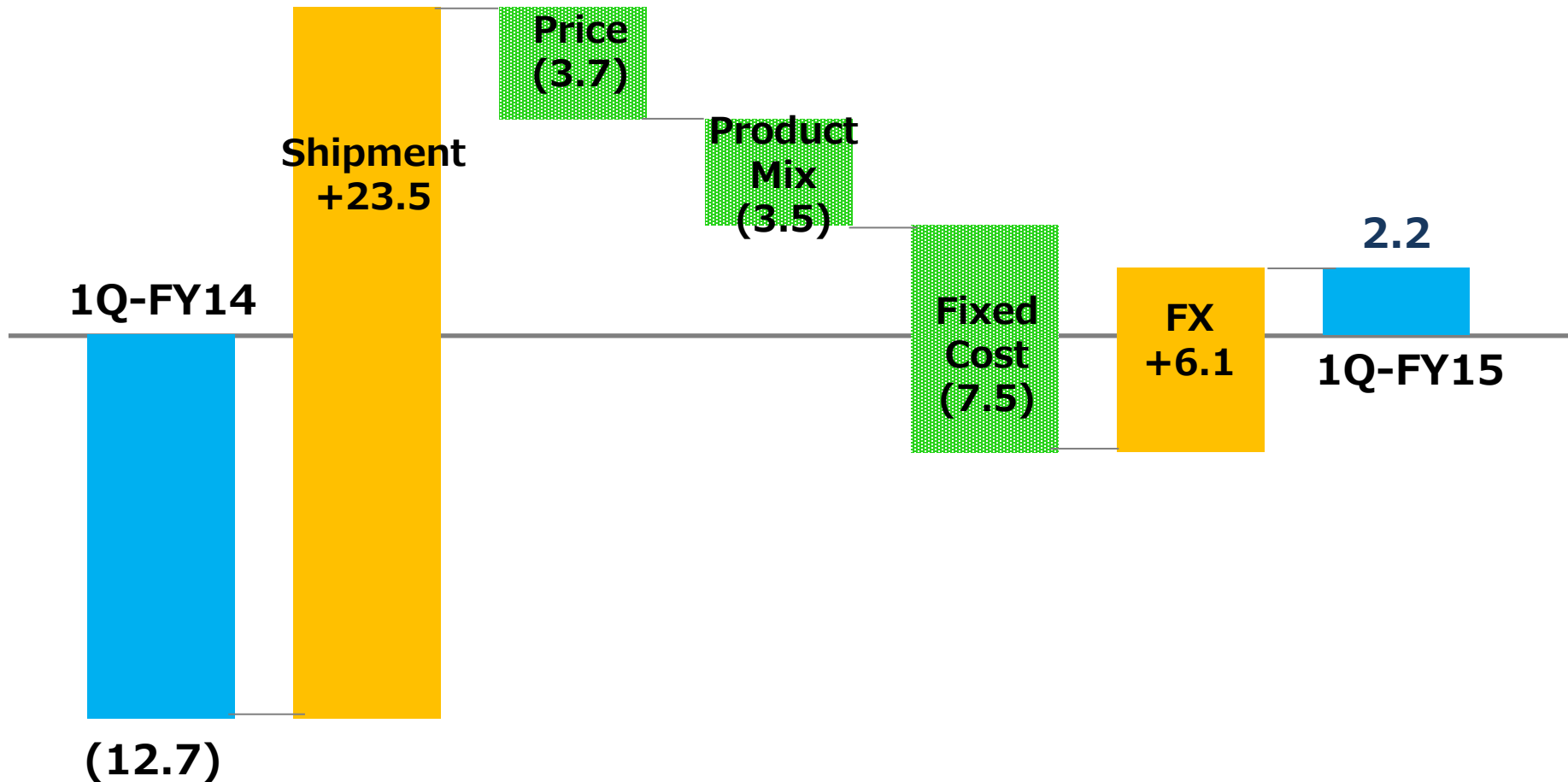
EBITDA



# 1Q-FY 2015 Operating Income Analysis

## Operating Income Analysis (YoY)

(Billion yen)



# 1Q-FY 2015 Balance Sheet

(Billion yen)

	6/2015	3/2015	6/2014
Cash and deposits	66.4	94.6	91.2
Accounts receivable	163.1	144.1	97.7
Other receivables	69.4	62.8	21.9
Inventories	117.0	113.4	99.9
Total current assets	440.4	436.7	339.4
Property, plant and equipment	357.5	348.9	354.9
<b>Total assets</b>	<b>843.8</b>	<b>831.6</b>	<b>731.0</b>
Accounts payable	216.7	197.1	100.3
Interest-bearing debt	74.5	83.5	91.2
Advance payments	72.7	65.3	61.6
<b>Total liabilities</b>	<b>439.8</b>	<b>429.0</b>	<b>344.5</b>
<b>Total net assets</b>	<b>404.0</b>	<b>402.6</b>	<b>386.5</b>
Shareholders' equity ratio	47.7%	48.2%	52.7%
Net debt to equity ratio	8.1	-11.1	0.0
Merchandise and finished goods	13	12	23
Work in process	19	21	34
Raw materials and supplies	10	11	14
<b>Days in inventory</b>	<b>43</b>	<b>44</b>	<b>72</b>



# 1Q-FY 2015 Cash Flow

	(Billion yen)	
	1Q-FY15	1Q-FY14
Income before income taxes	(0.1)	(16.9)
Depreciation and amortization	20.3	17.1
Working capital <sup>(1)</sup>	(7.0)	(10.6)
Increase (Decrease) in advance receipts	7.4	(5.2)
Cash flow from operating activities	10.3	(13.3)
Acquisitions of property and equipment	(32.5)	(23.6)
Cash flow from investing activities	(30.7)	(22.9)
Cash flow from financing activities	(8.9)	(13.5)
Foreign currency exchange effect on cash and cash equivalents	1.1	(0.4)
Beginning balance, cash and equivalents	94.6	141.4
Decrease in cash and equivalents	(28.2)	(50.2)
Ending balance, cash and equivalents	66.4	91.2
Free cash flow <sup>(2)</sup>	(20.4)	(36.2)

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

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

# 2Q-FY2015 Financial Forecast

## 2Q-FY15 forecast

- Sales: Switch to new products for major customer to lower shipments, shipment vol. down QoQ; but revised selling prices expected to lift sales QoQ
- Op. income: ¥8.0bn, up ¥5.8bn QoQ, due to revised selling prices etc. (up ¥15.6bn YoY)
- Risks: Delayed components procurement etc. may delay new product shipments

(Billion Yen)

	Net sales	Op. income	Dep. & Amort.	R&D expense	FX rate (¥/US\$)
2Q-FY15 (F)	260.0	8.0	21.8	6.4	120.0
1Q-FY15 (A)	246.1	2.2	20.3	6.1	121.4
2Q-FY14 (A)	160.4	(7.6)	17.5	4.0	103.8

- Forex trends to have little earnings impact

## FY15 costs forecast

- Dep & amort: ¥85.0bn (+¥14.1bn YoY)
- R&D costs: ¥26.0bn (+¥10.0bn YoY)
- Capex: ¥210.0bn (Including amount allocated from advance receipts)

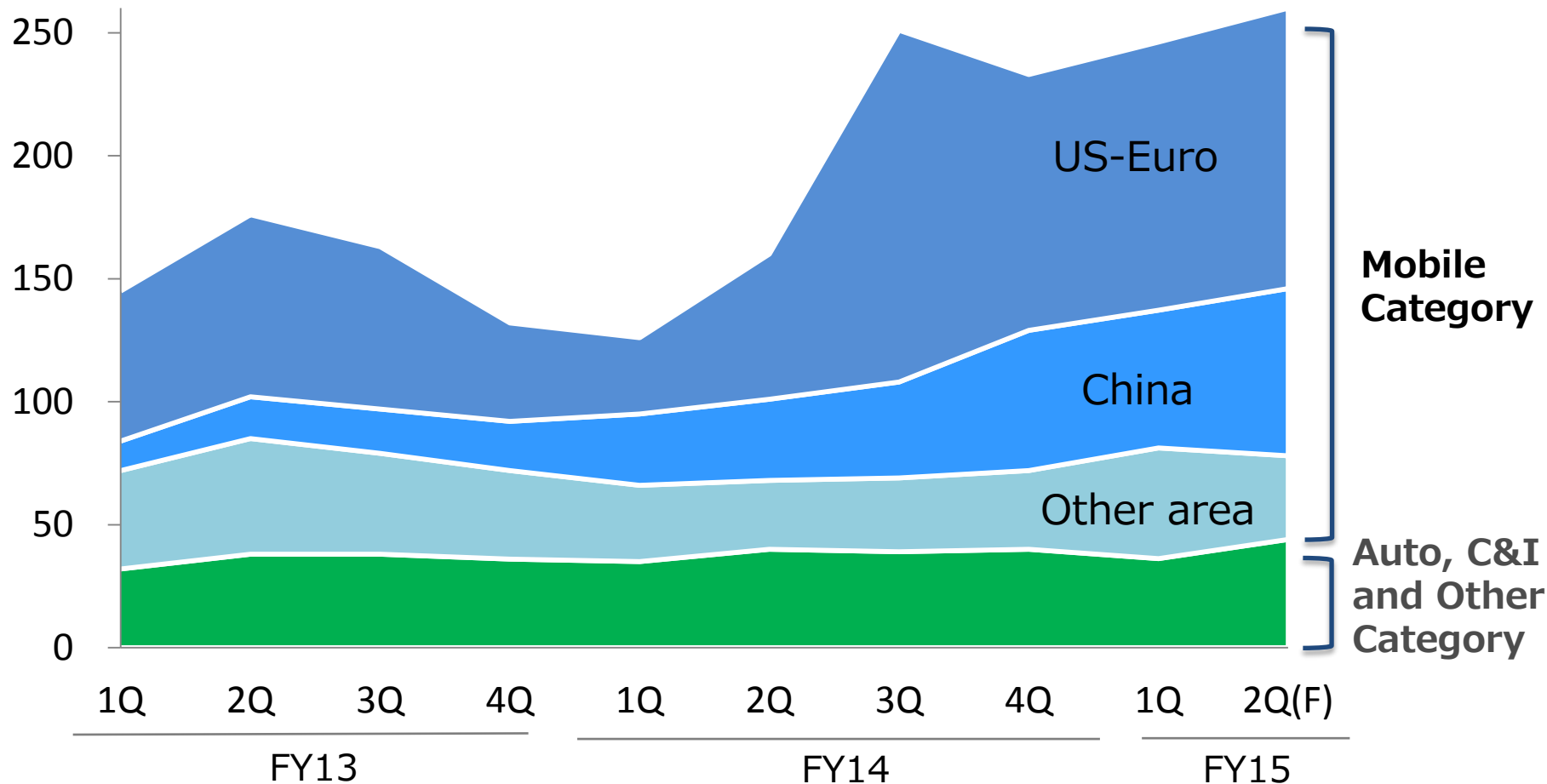
# Market Trends & JDI Policy Actions

**Shuji Aruga**

**President and Chief Operating Officer**

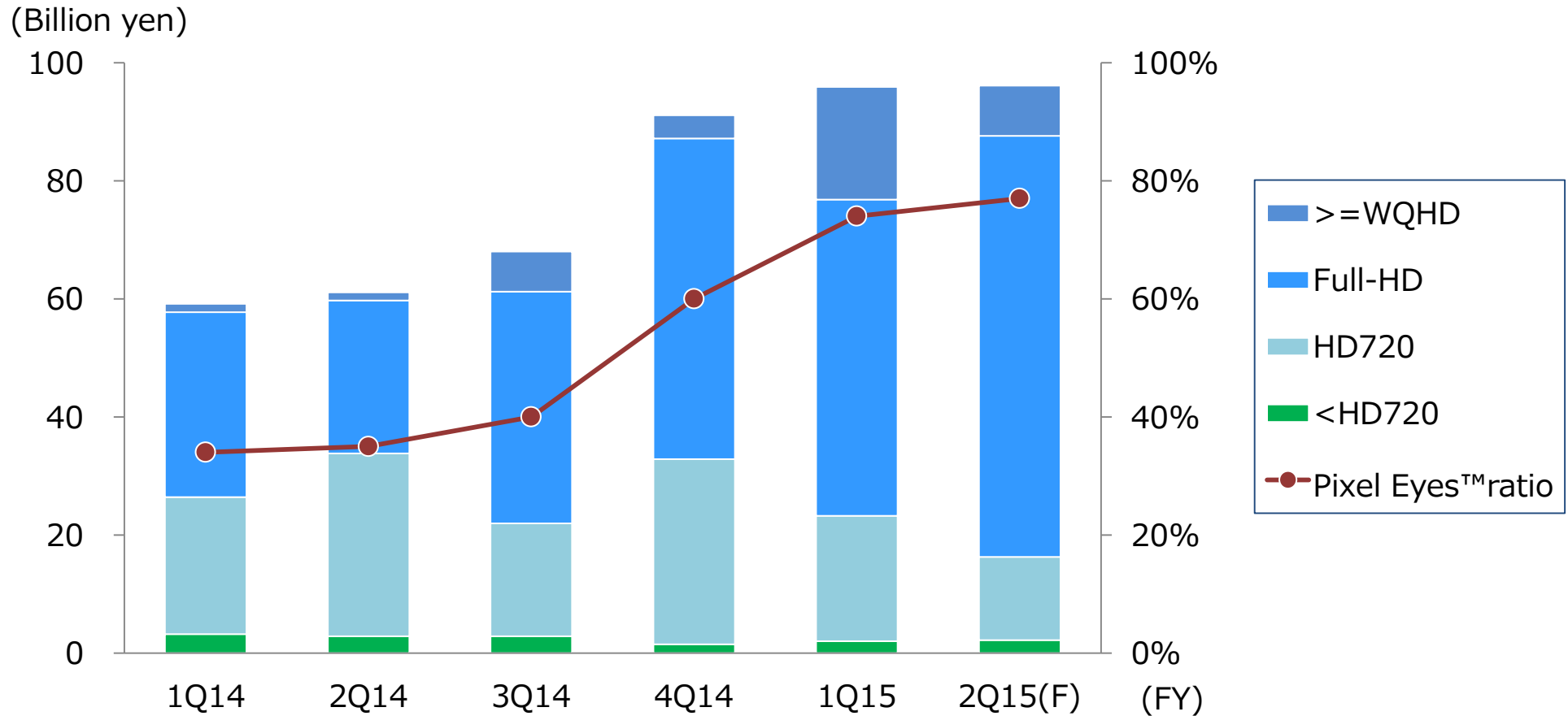
# Quarterly Sales by Product Category and Sales Region

(Billion Yen)



- 2Q-FY15 sales outlook (QoQ):  
 US-Euro – flat due to new product ramp-up, China – up, Other area (mobile) - down

# Sales of Smartphone Displays to China/Other Asia Customers



- WQHD product shipments up in 1Q15 but likely down in 2Q. But FHD continues to rise & ratio of high-res higher than FHD to expand.
- Pixel Eyes™ ratio -- 1Q15: As forecast above 70%; 2Q15 est: Just under 80%

# Sales Expectation by Resolution and Customer Region

		1Q15 Sales (A)		2Q15 Sales QoQ FCST	3Q15 Demand QoQ FCST
		vs. May 13 expectation	Results QoQ		
WQHD	China/Asia				
Full-HD					
	Largest customer				
HD720	China/Asia				
Pixel Eyes™					

# Market Forecast & JDI's Policy Actions

## Market forecast

- Smartphone demand in China slowing down.
- Smartphone maker mkt share undergoing big changes.
- Expect intensified competition due to expanded in-cell product sales by competitors & start-up of LTPS lines in Taiwan & China.
- Impact of decline in China's stock mkt on Chinese consumers requires caution.

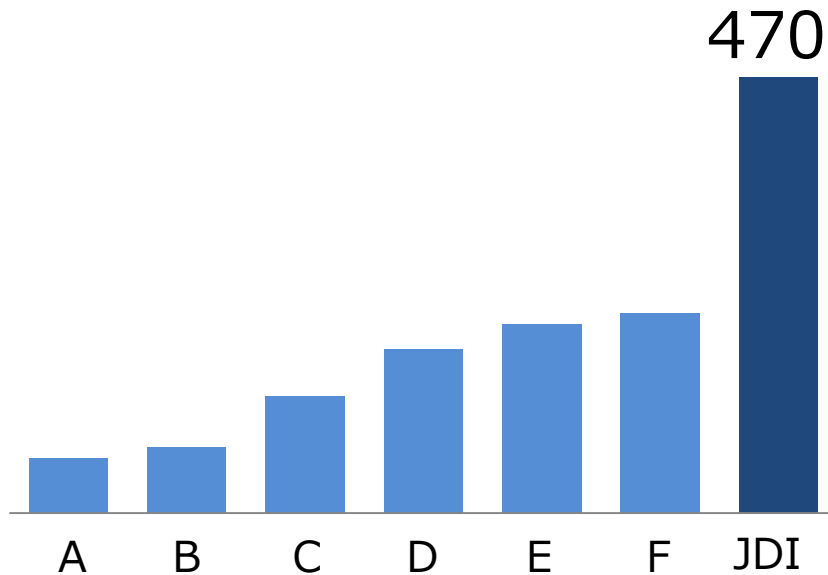
## JDI policies & goals

- Reforms promoted by new rep. directors to bolster competitiveness, maximize earnings
- Quick-to-mkt 2<sup>nd</sup>-gen Pixel Eyes™ & swift cost-reductions to strengthen our defense against the impact of mkt price declines.
- Current rise in fixed costs an investment in future earnings; aim for quick recovery.

# Establishing Competitive Advantages

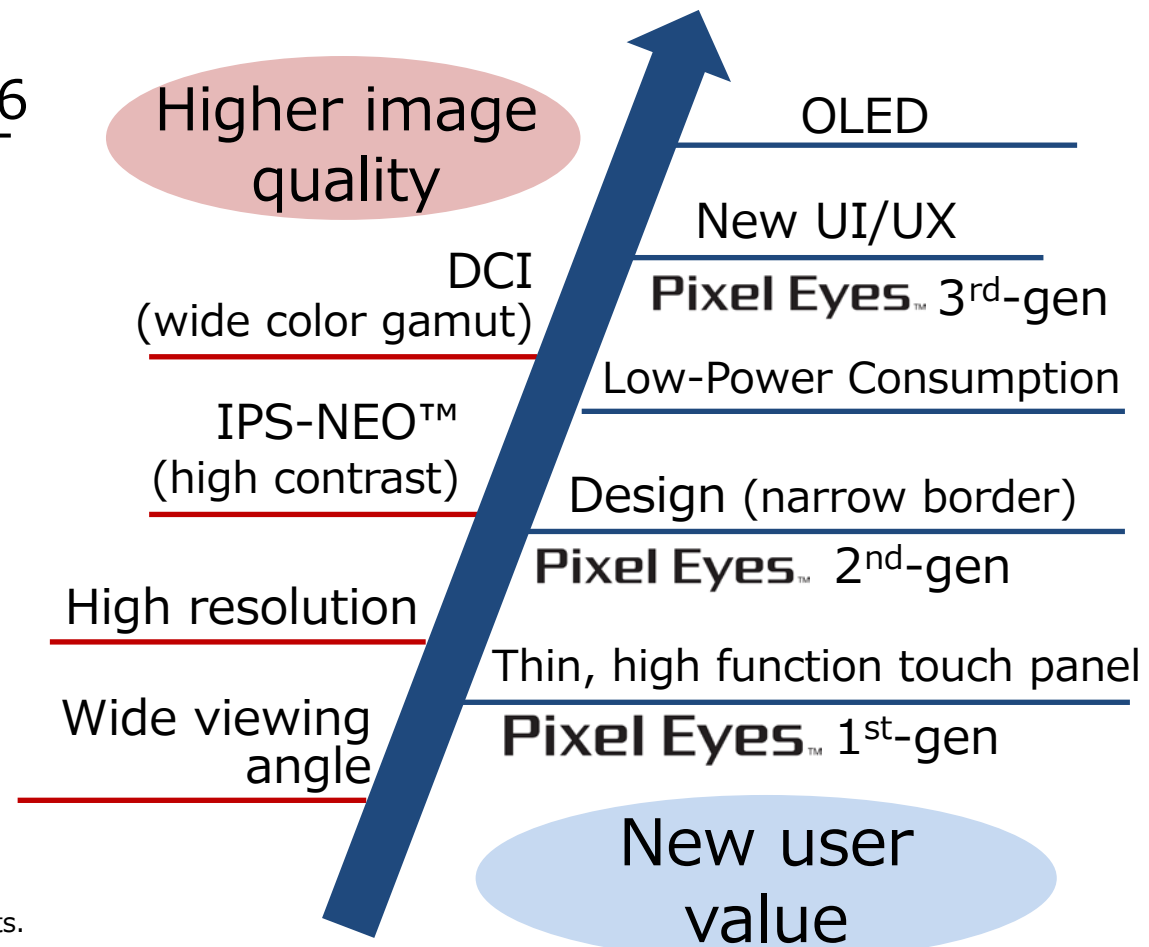
## World's largest CMOS-LTPS capacity

LTPS-LCD capacity as of end-FY16  
(K sheets/mo., G4.5 equiv.)



Source: JDI estimates by reference to research firms' reports.

## Quick-to-mkt new technology for higher user value



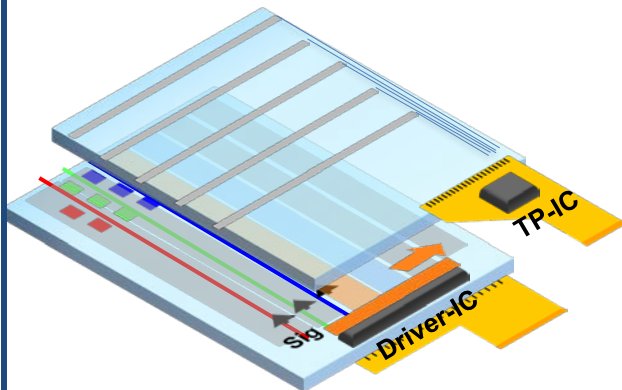


# Development of New Product Markets

Development of quick-to-mkt new value-added products, e.g. 2<sup>nd</sup>-gen Pixel Eyes™, curved displays, reflective displays

## Pixel Eyes™

2<sup>nd</sup>-gen for smartphones



- ✓ Narrow border
- ✓ Real black
- ✓ Water tracking
- ✓ High-res stylus

Curved displays for automobiles



- ✓ Pixel Eyes™ adapted to curved displays

Memory-in-pixel Reflective displays

Digital signage

ESL (Electric Shelf Label)



- ✓ Low power consumption
- ✓ Color display

# Reforms Under the New Management Structure

**Mitsuru Homma**

**Chairman and Chief Executive Officer**

# Mission of the New Representative Directors

## Mitsuru Homma

### Chairman, Representative Director & CEO

- Lead role in creating a corporate management foundation that can boost corporate value.
- Leverage experience/networks to strengthen relationships with key customers & expand customer base.

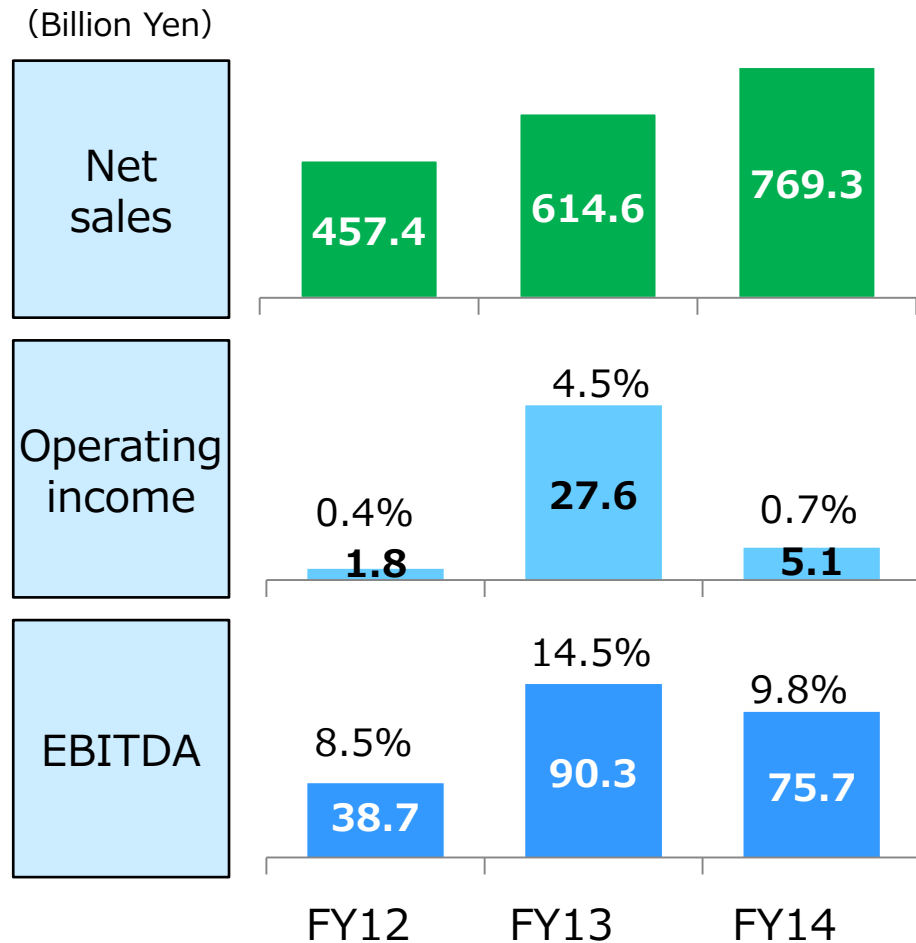
## Shuji Aruga

### President, Representative Director & COO

- Assume management of overall operations.
- Leverage experience in LCD industry to strengthen competitiveness in product development & manufacturing.

# JDI Phase I (from start-up to now) Issues

Since JDI's start Y300bn has been invested in mfg. capacity & new technology; sales have grown 1.7x but earnings have underperformed



- ✓ Various operational losses
- ✓ Cash flow: room to improve
- ✓ Limited sense of ownership

# Market, Customers, Competition, Current Company Situation

JDI has gained competitive advantage in the LTPS LCD industry but we must remain proactive. Need to become totally lean & rational to enhance business competitiveness.

## Customer

- Big changes in customer market share
- China smartphone market moving into saturation phase
- Shifting focus from resolution & panel size to design & low-power consumption

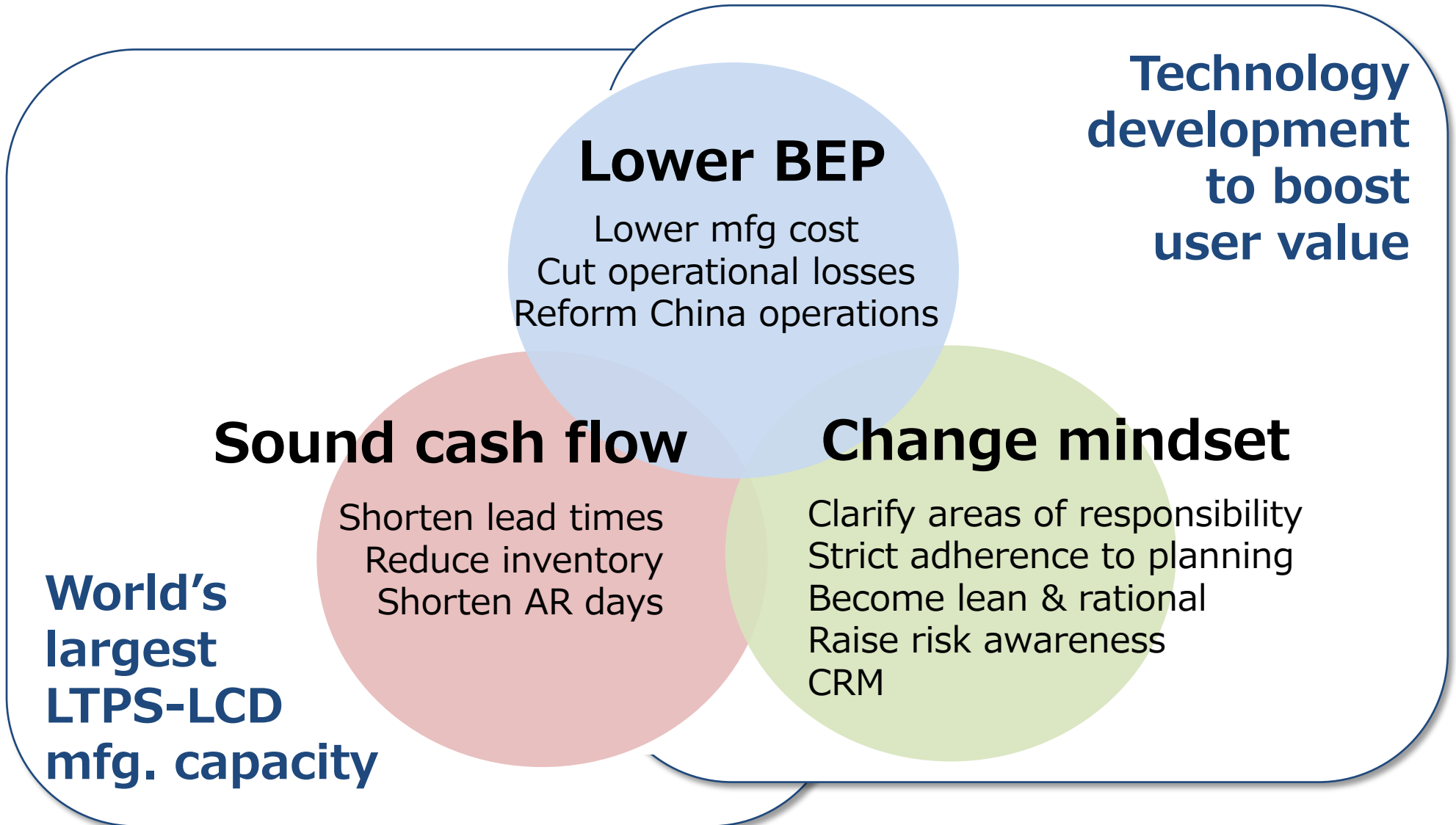
## Competitor

- Develop & start mass mfg. of in-cell products
- Expand sales of OLED to China customers
- Begin new G6 line operations in FY16

## Company

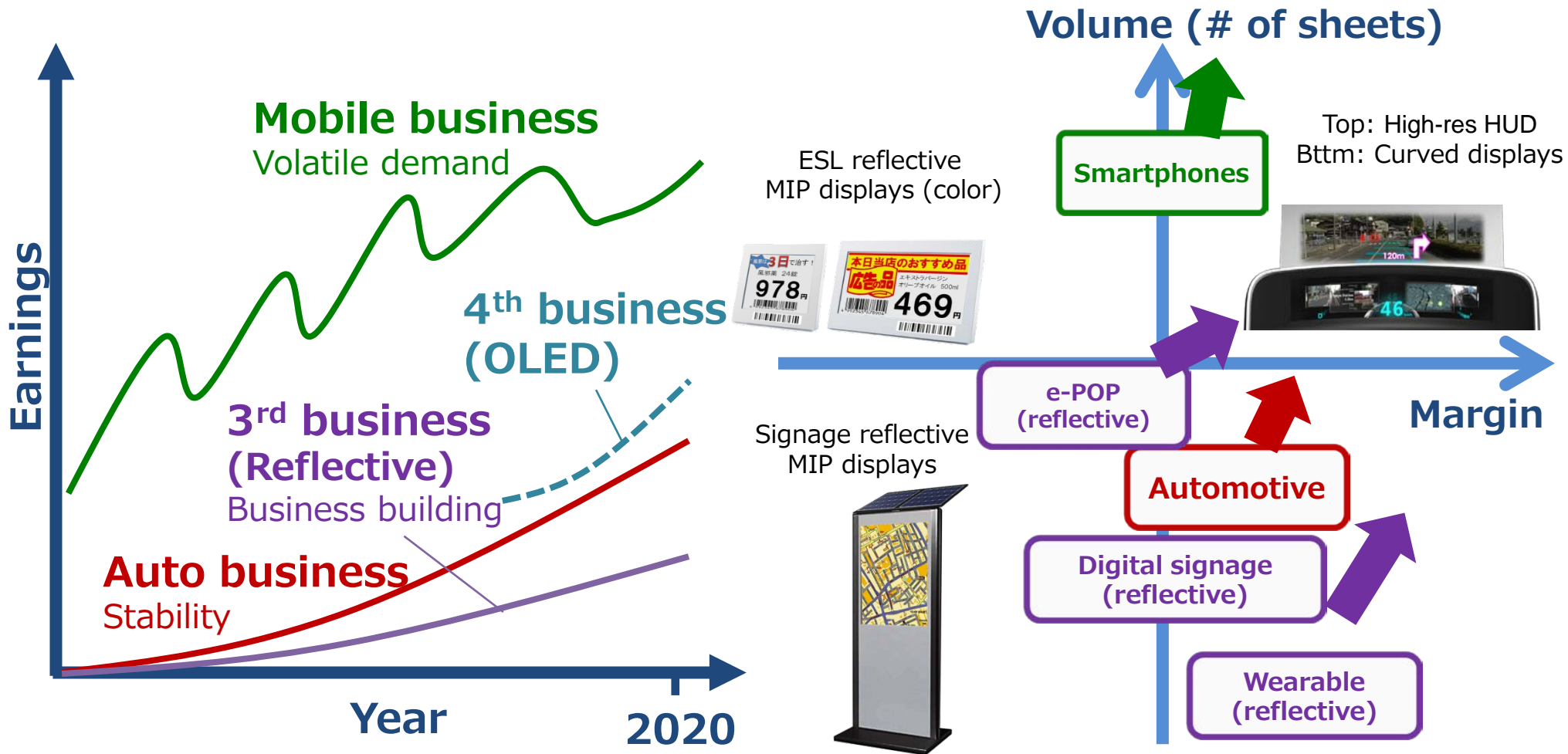
- World's largest LTPS-LCD mfg. capacity
- Greater sales of in-cell products
- Phase I operational losses

# JDI Phase II: Mgmt. Reforms to Boost Corporate Value



# Establish 3 Business Pillars for Sound Mgmt Foundation

Mobile business reaching maturity; grow auto business & nourish new 3rd pillar; move to 30% non-mobile sales ratio





## Reform & Speed

We will pursue reforms by fostering company-wide understanding of business challenges to maximize earnings not just sales.

Rapidly raise corporate value to meet all stakeholder expectations.





### **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.

Any plan, estimation, calculation, quotation, evaluation, prediction, expectation or other forward-looking information in this document is based on the current assumptions and beliefs of JDI in light of the information currently available to it, and involves known and unknown risks, uncertainties, and other factors. Such risks, uncertainties and other factors may cause JDI's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, without limitation: economic conditions and individual consumption trends in Japan and overseas, currency exchange rate movements, trends in the market for smartphones and other electronic equipment, the management policies of our major business partners and fluctuations in the price of raw materials.