



Japan
Display
Inc.
Group

First Quarter of FY 2016 Consolidated Financial Results

Japan Display Inc.

August 9, 2016

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Note:

The depreciation costs noted in this document include amortization of goodwill and non-operating depreciation.
The R&D costs noted in this document are the total of the amounts included in costs of goods sold and SG&A.

1Q16 Results & 2Q16 Forecast

Keiichi Yoshida
Chief Financial Officer

1Q-FY16 Topics

- Shipments lower than May 12 forecast & drop in China ASP, changes to US/Euro product mix etc. results in sales & operating income below forecast.
- Big sales drop YoY but mgmt reforms / structural reforms from FY15 minimized operating income decline.
- Non-op expense: Forex loss of ¥6.7bn.
- Development of Flexible OLED mass mfg on schedule.

(Billion Yen)

	Net sales	Operating income	Ordinary income	Net income	Dep. & Amort.	R&D expense	FX rate (¥/US\$)
1Q-FY16 (A)	174.3	(3.4)	(14.2)	(11.8)	20.0	3.4	108.0
1Q-FY16 (F)	195.0	1.0	-	-	21.3	4.7	110.0
1Q-FY15 (A)	246.1	2.2	(0.1)	(0.5)	20.3	6.1	121.4

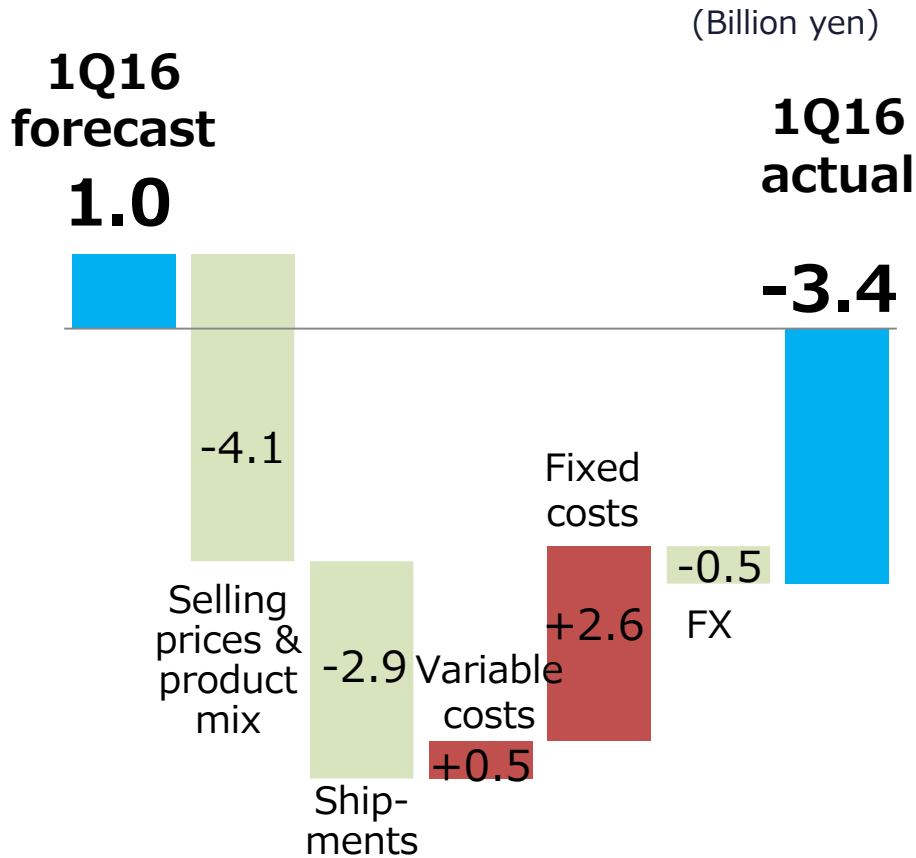
Operating Results

(Billion yen)

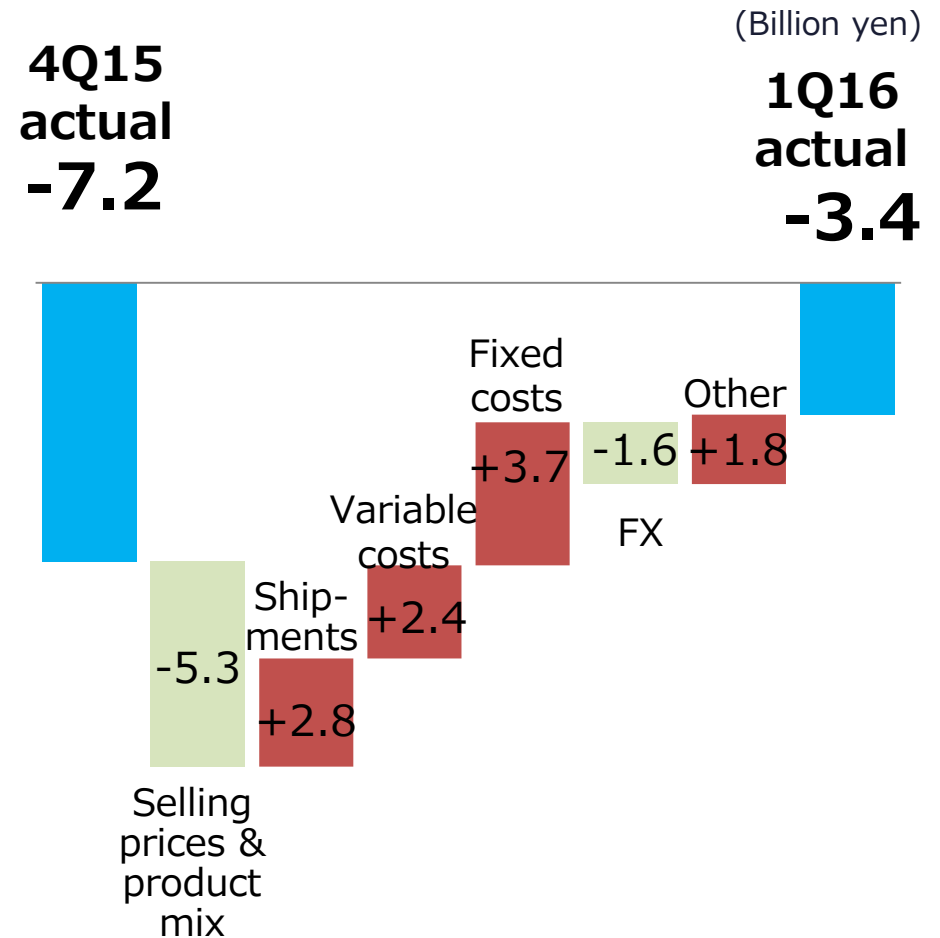
	Q1-FY16	Q1-FY15	YoY Chg.		Q4-FY15	QoQ Chg.	
Net sales	174.3	246.1	(71.8)	-29.2%	176.3	(2.0)	-1.1%
Cost of sales	165.9	228.3	(62.4)		168.1	(2.2)	
Gross profit	8.4	17.9	(9.5)	-53.0%	8.2	+0.2	+2.4%
	4.8%	7.3%			4.7%		
SG&A	11.8	15.6	(3.8)		15.4	(3.6)	
Operating income	(3.4)	2.2	(5.6)	-	(7.2)	+3.8	-
	-2.0%	0.9%			-4.1%		
Non-operating profit (loss)	(10.8)	(2.4)	(8.4)		(15.6)	+4.8	
Ordinary income	(14.2)	(0.1)	(14.1)	-	(22.8)	+8.6	-
	-8.2%	0.0%			-12.9%		
Extraordinary income (loss)	(1.6)	0.0	(1.6)		(13.9)	+12.3	
Income (loss) before tax	(15.8)	(0.1)	(15.7)	-	(36.8)	+21.0	-
	-9.1%	0.0%			-20.9%		
Net income (loss)	(11.8)	(0.5)	(11.3)	-	(36.3)	+24.5	-
	-6.8%	-0.2%			-20.6%		
EBITDA	15.0	22.5	(7.5)	-33.4%	9.9	+5.1	+52.0%
	8.6%	9.1%			5.6%		
Avg. FX rate (JPY/USD)	108.0	121.4			115.4		
Q-End FX rate (JPY/USD)	102.9	122.5			112.7		

Operating Profit Change Factors

vs. May 12 forecast



vs. Previous quarter



Balance Sheet

	(Billion yen)	
	6/2016	3/2016
Cash and deposits	63.6	55.1
Accounts receivable	115.2	80.7
Other receivables	49.8	57.1
Inventories	108.3	114.1
Others	27.3	15.8
Total current assets	364.2	322.8
Non-current assets	519.1	491.0
Total assets	883.3	813.9
Accounts payable	144.5	138.1
Interest-bearing debt	98.0	77.3
Advance payments	191.9	131.9
Other liabilities	100.0	101.3
Total liabilities	534.4	448.6
Total net assets	348.9	365.2
Shareholders' equity ratio	39.2%	44.6%
Net debt to equity ratio	34.4	22.2
Merchandise and finished good	20	28
Work in process	26	21
Raw materials and supplies	10	10
Days in inventory	56	58

Cash Flows

	(Billion yen)		
	Q1-FY16	Q1-FY15	Increase/ Decrease
Income before income taxes	(15.8)	(0.1)	(15.7)
Depreciation and amortization	20.0	20.3	(0.3)
Working capital ⁽¹⁾	(26.4)	(7.0)	(19.4)
Advance receipts	60.0	7.4	52.6
Other	(4.7)	(10.3)	5.6
Cash flow from operating activities	33.1	10.3	22.8
Acquisitions of property and equipment	(42.2)	(32.5)	(9.7)
Other	0.5	1.8	(1.3)
Cash flow from investing activities	(41.7)	(30.7)	(11.0)
Cash flow from financing activities	20.5	(8.9)	29.4
Ending balance, cash and equivalents	63.6	66.4	(2.8)
Free cash flow ⁽²⁾	(8.5)	(20.4)	11.9

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

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

FY16-2Q Financial Forecast

2Q-FY16 Forecast

- Sales: 20% decline YoY but expect approx. 20% increase QoQ to ¥210bn with help from new product intros.
- Product mix & strong yen impacts plus higher expenses, but forecast op. income of ¥1bn in black.

(Billion Yen)

	Net sales	Operating income	Ordinary income	Net income	Dep. & Amort.	R&D expense	FX rate (¥/US\$)
2Q-FY16 (F)	210.0	1.0	-	-	21.0	4.6	105.0
1Q-FY16 (A)	174.3	(3.4)	(14.2)	(11.8)	20.0	3.4	108.0
2Q-FY15 (A)	261.7	8.3	1.8	0.1	20.2	6.5	122.3

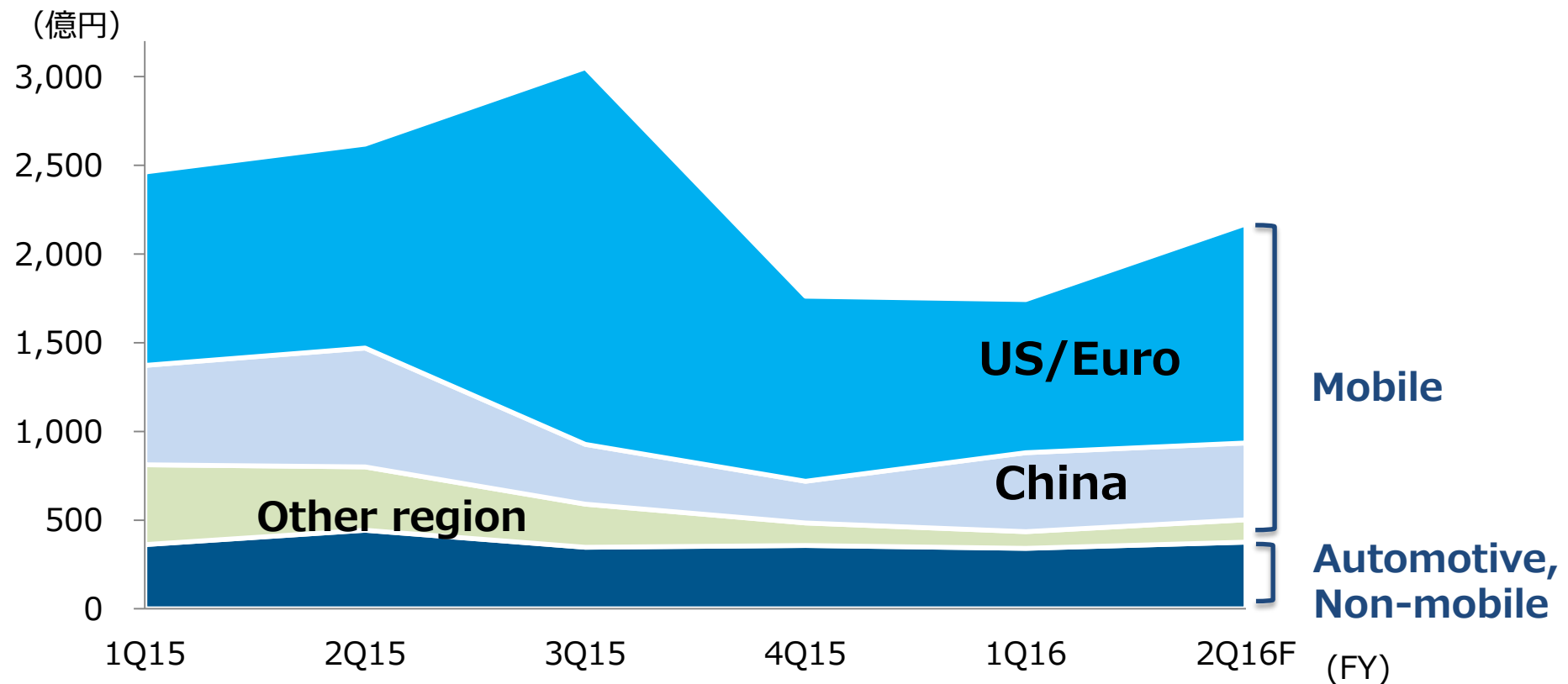
※2Q-FY16 forex impact per ¥1 movement against \$US1 = ¥300mn operating income/quarter

Sales Trends and JDI's Action

Shuji Aruga

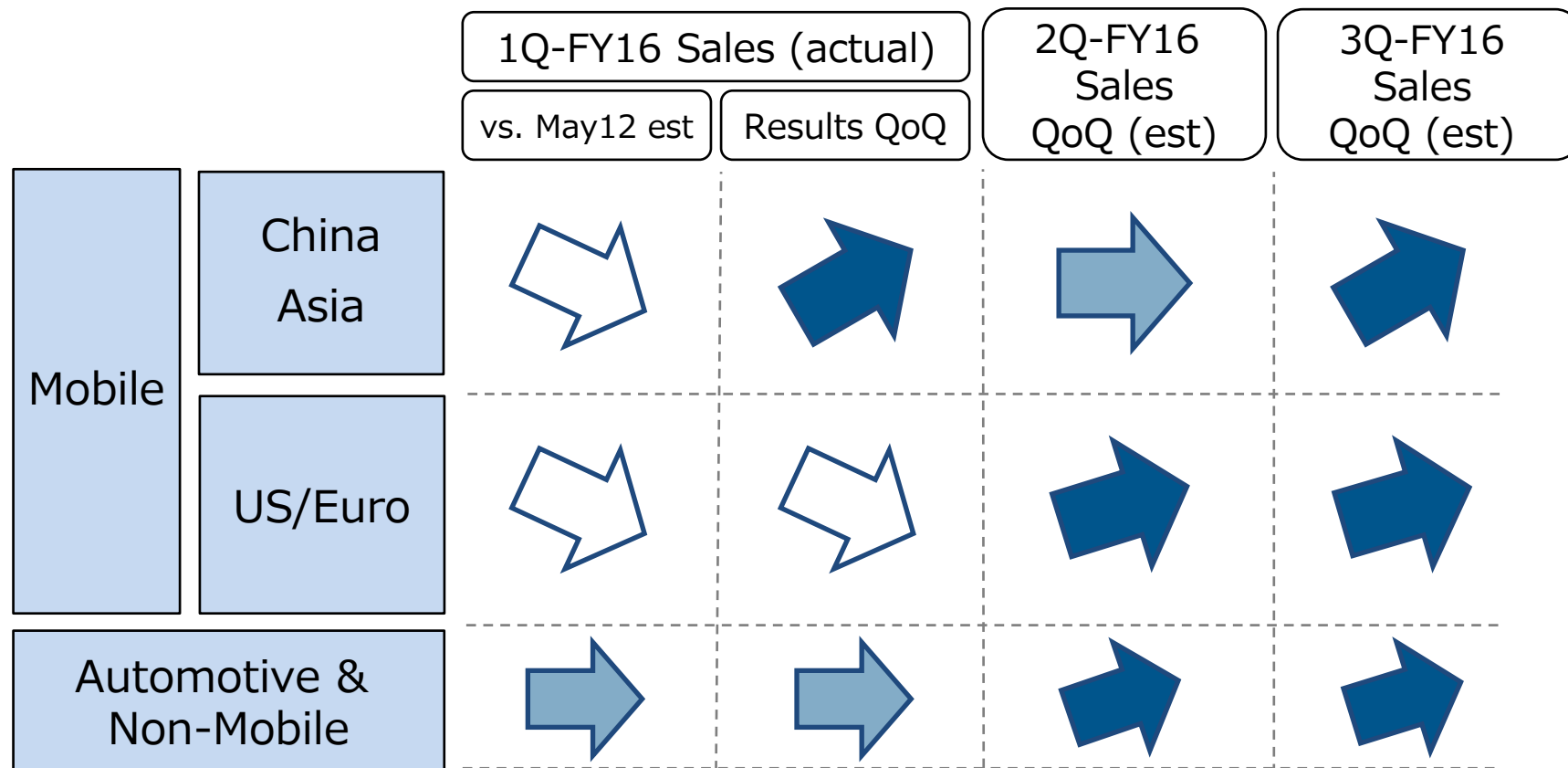
President & Chief Operating Officer

Quarterly Sales by Product Category and Region



- 1Q16 sales: Sales to China increased (esp. Full-HD) but US/Euro and other region sales fell; total sales flat QoQ.
- 2Q16 sales: Higher sales to US/Euro backed by launch of new products; flat sales to China.

Sales Trend Outlook



- 3Q: Forecast higher sales on seasonal increase, China share recovery & expanded distribution channels.
- Automotive & Non-Mobile to grow steadily; FY16 Automotive goal: Y100bn.
- Pixel Eyes™ sales: Reached 85% of China & Asia sales for smartphones.

Review of 1Q; 2Q and Beyond

Leveraging technology capabilities & expanded sales channels in response to squeeze by OLED & rising China-related makers

Review of 1Q

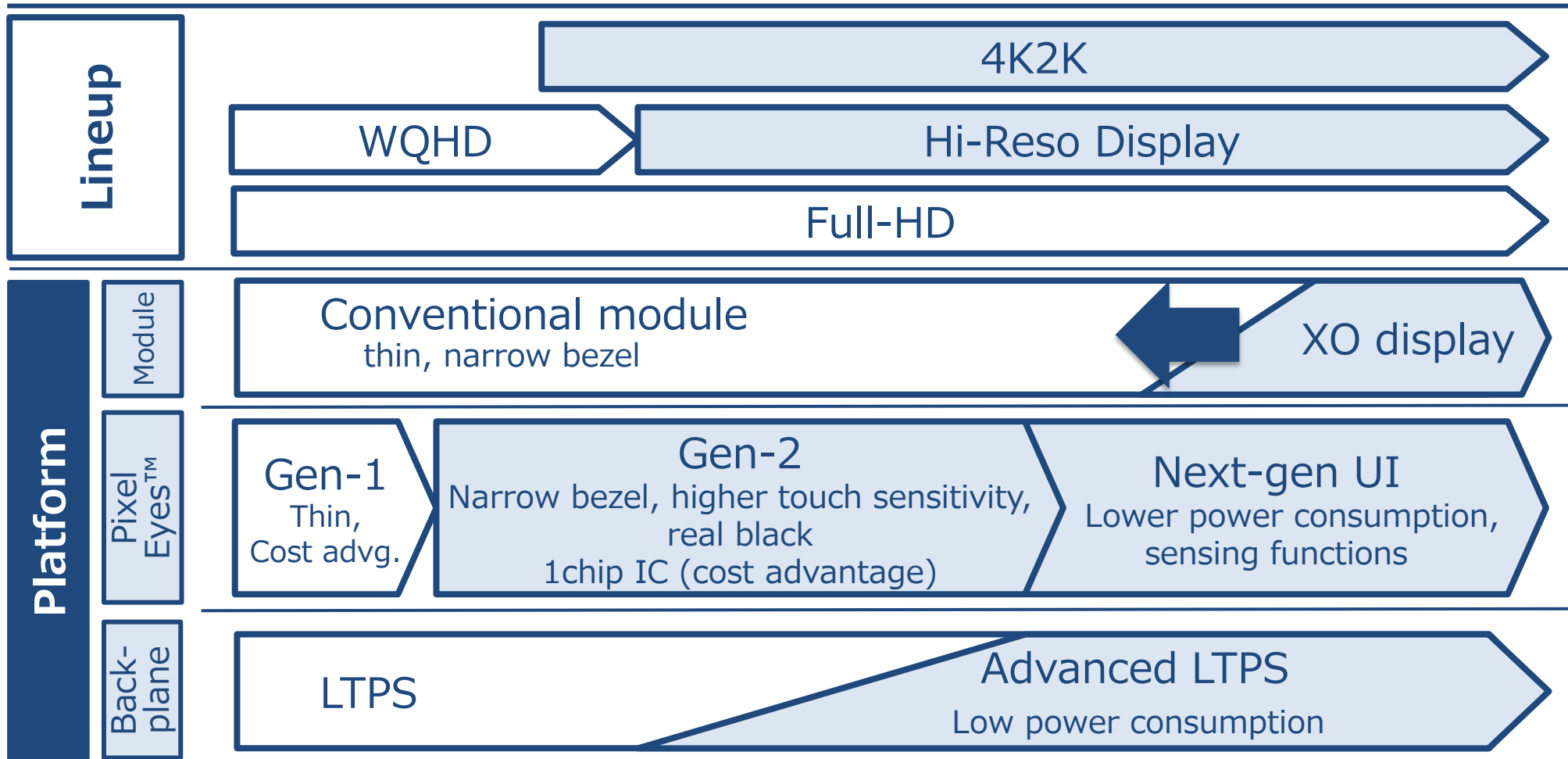
- OLED penetration in premium price smartphone market
- Rise of Chinese LCD makers brings greater Full-HD price competition

Actions in 2Q and beyond

- Develop thin LCD
- Accelerate market intro of XO displays
- Strengthen competitiveness in China mkt by expanding sales channels
- Faster expansion of ratio of Non-mobile business (13.3" 4K2K display shipments start in 4Q-FY16)

Winning Product Roadmap

Accelerate launch of "XO display"



Flexible OLED Development Update

- Side-by-side 5.5-in Real FHD (400ppi)
Advanced-LTPS flexible OLED sampling ready
- Setup of OLED pilot line designed for mass mfg in Mobarra G6 fab on schedule
- FY18-1H: Planned start of mass mfg.



Management Challenges

Mitsuru Homma

Chairman and Chief Executive Officer

Management Challenges

	Challenges	Actions
Structural reform	Reduction in fixed costs ¥15.5bn restructuring cost & ¥42bn projected benefit over 3 years for structural reform	<ul style="list-style-type: none"> •Structural reform early retirement completed •Front-end mfg.: Partial closure of Higashiura in Apr. 2016, closure of Mobara G4.5 in Dec. 2016 •Back-end mfg.: Site consolidation in progress => Negotiation of sale of 1 site done, another underway
Yen appreciation	Increased forex losses	<ul style="list-style-type: none"> • Better manage/strengthen total company forex risk controls.
Sales recovery & improved marginal profit	Due to lower customer demand, mkt share & prices, sales and marginal profit to shrink in 4Q15 & 1Q16	<ul style="list-style-type: none"> •New products intros in US/EUR from Aug. & share recovery in China from 3Q => sales recovery trend. •Aiming for improved marginal profit ratio based on faster mkt intro of XO display, 4K2K etc. high-value added products & greater cost mgmt
Accelerated business restructuring	Overemphasis on Mobile increases earnings volatility	<ul style="list-style-type: none"> •Accelerate growth ratio of Non-mobile biz. •Accelerate sales expansion for auto, note PCs, VR.
Fund acquisition for investment in OLED & unique tech.	Large capex needed for mass mfg.	<ul style="list-style-type: none"> •OLED development on track. •Careful discussions from a medium/long-term view with customers & a major shareholder over funding of capex in unique technologies/OLED .



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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