



Japan
Display
Inc.
Group

First Quarter of FY 2019

Consolidated Financial Results

Japan Display Inc.

August 9, 2019

Summary of 1Q-FY19

- Q1 sales were only ¥90.4bn yen due to a continued severe competitive environment, customer inventory adjustments and reduced demand seen as the result of US-China trade tensions.
- Behind the operating loss of ¥27.5bn was a worse cost ratio due to a decline in sales and a decline in plant utilization stemming from less demand. (In the 1H of FY18, plant utilization was high due to production brought forward in anticipation of a large increase in 2H demand, which had a positive effect on operating income.)
- Equity-method investment loss of ¥2.03bn related to JOLED (non-operating expenses). In view of customer demand trends, ¥51.7bn in business structural improvement expenses was recorded as an extraordinary loss, incl. an impairment loss of ¥51.4bn on assets related to the Hakusan Plant.
- Due to these factors, at the end of the Q1 liabilities exceeded assets (minus ¥77.2bn yen).

(Billion yen)

	Net sales	Operating income	Ordinary income	Net income	Dep. & Amort.	R&D expense	FX rate (¥/US\$)
Q1-FY19	90.4	(27.5)	(31.6)	(83.3)	7.5	2.8	109.9
Q4-FY18	171.3	(20.4)	(24.4)	(98.6)	11.4	4.8	110.2
Q1-FY18	103.3	(9.8)	(12.7)	(1.8)	12.1	4.1	109.1

Quarterly Sales by Region & Business Category

Sales Status

■ Mobile

- Sales down sharply QoQ in Q1 due to reduced demand for smartphone displays, considered to be the result of customer inventory adjustments and US-China trade tensions.
- JDI decides to downsize the mobile business due to no prospect of a significant recovery in future demand (announced June 12)

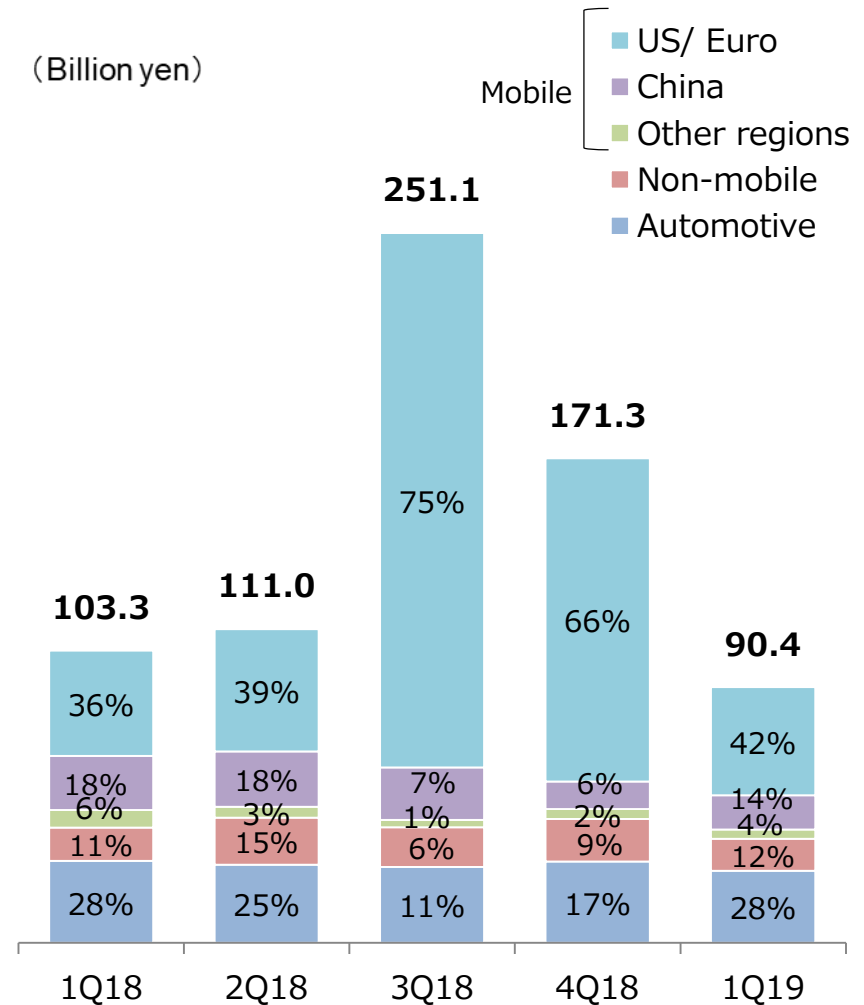
■ Automotive

- Car sales continue to fall YoY in Q1, led by China, but also in US /Europe, so JDI sales also fell.
- The same trend continues in Q2, but improvement looks possible from Q3 onward.

■ Non-mobile

- Lower sales for high-end notebook PCs in Q1 due to US-China trade tensions; DSC also weak.
- Focus on launching new businesses from 2H.

Quarterly Sales Development



1Q-FY19 Operating Results

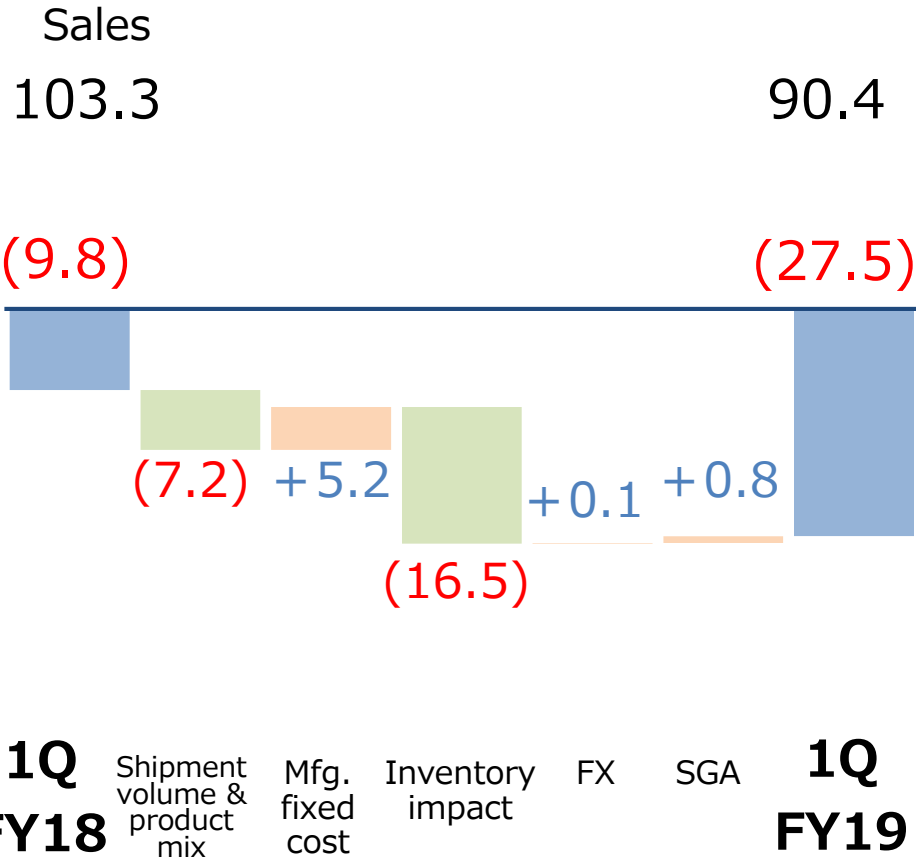
(Billion yen)

	Q1-FY19	Q1-FY18	YoY Chg.		Q4-FY18	QoQ Chg.	
Net sales	90.4	103.3	(12.9)	-12.5%	171.3	(80.9)	-47.2%
Cost of sales	107.7	102.1	+5.6	+5.5%	178.9	(71.3)	-39.8%
Gross profit (loss)	(17.3) -19.1%	1.2 1.2%	(18.5)	-	(7.6) -4.4%	(9.7)	-
SG&A	10.2	11.0	(0.8)	-7.3%	12.7	(2.5)	-19.9%
Operating income (loss)	(27.5) -30.4%	(9.8) -9.5%	(17.7)	-	(20.4) -11.9%	(7.1)	-
Net non-op. income (expenses)	(4.1)	(2.9)	(1.2)	-	(4.1)	(0.1)	-
Ordinary income (loss)	(31.6) -35.0%	(12.7) -12.3%	(18.9)	-	(24.4) -14.3%	(7.2)	-
Net extraordinary income (loss)	(51.7)	11.9	(63.6)	-	(74.5)	+22.8	-
Income (loss) before income taxes	(83.3) -92.1%	(0.8) -0.7%	(82.5)	-	(98.9) -57.7%	+15.6	-
Income taxes	(0.1)	0.9	(1.0)		(0.2)	+0.0	
Net income (loss) attributable to owners of the parent	(83.3) -92.1%	(1.8) -1.7%	(81.5)	-	(98.6) -57.5%	+15.3	-
EBITDA	(20.2) -22.3%	2.0 2.0%	(22.2)	-	(9.3) -5.5%	(10.8)	-
Avg. FX rate (JPY/USD)	109.9	109.1			110.2		
Q-End FX rate (JPY/USD)	107.8	110.5			111.0		

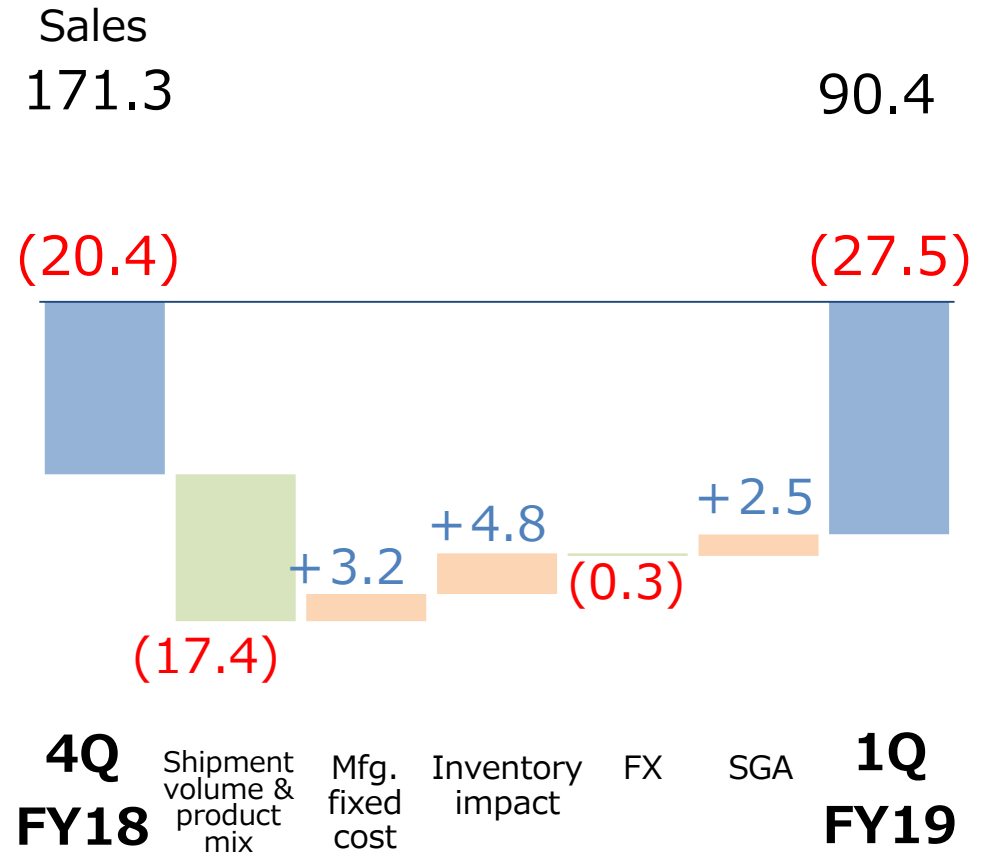
1Q-FY19 Operating Profit Change Factors

(billion yen)

vs. Previous year (1Q-FY18)



vs. Previous quarter (4Q-FY18)



Balance Sheet

	(Billion yen)	
	6/2019	3/2019
Cash and deposits	43.7	69.0
Accounts receivable - trade	60.9	92.2
Accounts receivable - other	40.2	49.7
Inventories	58.8	71.1
Other	8.1	8.9
Total current assets	211.6	290.9
Total non-current assets	198.9	254.5
Total assets	410.5	545.4
Accounts payable - trade	124.4	178.4
Interest-bearing debt	208.2	185.8
Advances received	93.7	101.9
Other liabilities	61.4	72.2
Total liabilities	487.8	538.4
Total net assets	(77.2)	7.0
Shareholders' equity ratio	-19.3%	0.9%
Net debt	164.5	116.9
Merchandise and finished goods	19	15
Work in process	16	12
Raw materials and supplies	14	9
Days in inventory*	49	36

Days in inventory = Inventory / Cost of good sold x 90 days

(Note, unit:JPY)

Items of financial measures

- Common stocks issuance (42 bn)
- #2 CB issuance (8 bn)
- #3 CB issuance (30 bn)
- Pref. share issuance (102 bn)
- Long term borrowings fr. INCJ (50 bn)
- Payment in kind by JOLED stock (44.7Bn, extra ordinary profit approx. 20 bn)

■ Equity ■ Debt

Assumed to implement above financial measures as of June-end '19

- Net assets : 87.4 bn
- Shareholders' equity ratio : 17.5%

Reflecting the above, net debt 164.5 bn becomes net cash 24.2 bn

Cash Flows

	(Billion yen)	
	Q1-FY19	Q1-FY18
Income bef. income taxes	(83.3)	(0.8)
Dep. & Amort.	7.5	12.1
Working capital	(2.7)	(5.3)
Advances received	(8.2)	(7.3)
Structural reform cost	51.7	0.0
Other	(1.7)	(23.9)
CF from operating activities	(36.7)	(25.1)
Acquisitions of P&E	(7.1)	(11.6)
Other	0.1	11.3
CF from investing activities	(7.0)	(0.3)
CF from financing activities	19.4	22.9
Ending bal., cash & equiv.	43.7	78.9
Free cash flow	(43.6)	(25.4)

Overview of Structural Reform

Estimated FY19 fixed cost reductions of ¥50bn due to impairment effects & employee reductions

Reform	Contents	Costs & benefits
Reduction in employees, wage bill etc.	<ul style="list-style-type: none"> ■ Personnel reductions <ol style="list-style-type: none"> ① Voluntary retirement in Japan: 1,200 people (retirement date: Sept. 30, 2019) ② Reduce overseas sales subsidiary employees by dozens ③ Transfer employees to affiliated JOLED ■ Reduce executive compensation, managerial salaries, employee bonuses, etc. 	<ul style="list-style-type: none"> • Higher early retirement costs of approx. ¥9bn to be recorded as extraordinary loss (Q2-FY19) • Cost benefit (wage costs & personnel-related costs) from workforce reductions expected to be approx. ¥9bn in FY19 (approx. ¥20bn annually)
Downsizing mobile business Impairment of mobile business assets	<ul style="list-style-type: none"> ■ Hakusan Plant suspension (July-Sep 2019): Depending on future customer demand decide restart by end-Sept. ■ Close Mobara Plant back-end line (Sep. 2019) ■ Disposal of mobile back-end mfg equip't ■ In addition to FY18 impairment (¥75.2bn), impaired assets in 1Q-FY 19 mainly Hakusan Plant (¥51.4bn) 	<ul style="list-style-type: none"> • Improve profitability by reducing mobile LCDs, which have been sluggish due to the slowdown in smartphone market & intensifying competition • Additional impairment charges and other restructuring costs recorded in Q1-FY19 as business restructuring costs of ¥51.7bn • Taken together with FY18 impairment, depreciation in FY19 to be reduced by approx. ¥20bn (approx. ¥23bn annually)
Curve out of mobile company	<ul style="list-style-type: none"> ■ Curve out mobile company and organize as a subsidiary by Dec 2019 ■ Consider accepting capital participation in the subsidiary from business investors 	<ul style="list-style-type: none"> • Divide up businesses with different risk profiles to ensure stability of the parent main business • Clarify executive authority /responsibility for business performance • Aim for further development of OLED at the subsidiary

FY 2019 Guidance

- 1H-FY19 sales have upside contrary to the May 15, 2019 forecast of a "10% YoY decline" and are now expected to be unchanged YoY.
- In the 2H, sales are expected to grow HoH due to the launch of new products including OLED displays but full-year sales will likely decline YoY.
- Aim to reach profitability in the 2H through the implementation of structural reforms and the effects of asset impairment incl. additional impairment of Hakusan Plant. R&D expenses and CAPEX will also be reduced along with the decision to downsize the mobile business.
- An extraordinary general meeting of shareholders scheduled for September 27, 2019 to consider an investment from Suwa and refinancing from INCJ.

Cost estimates

	FY18 Act.	FY19 Est. May 15 est. ⇒ Current est.
Depreciation	45.9	35.0 ⇒ 23.0
R&D costs	15.1	14.0 ⇒ 13.0
Capex	45.0	25.0 ⇒ 21.0

FY19 forex assumption: 1US\$ = 108円

Capital Injection from Suwa & Refinancing by INCJ

Capital injection from Suwa

1st Closing (Note 1) (¥50.0bn)

Common stock

(Note 2)

- (1) Gross proceeds: 42.0 billion yen
- (2) New shares to be issued: 840 million shares
- (3) Issue price: 50 yen per share

2nd series CB

(Note 2, 3)

- (1) Gross proceeds : 8.0 billion yen
- (2) Total no. of stock acquisition rights: 80
- (3) Fully diluted new shares: 160 million shares
- (4) Conversion price: 50 yen per share

3rd series CB

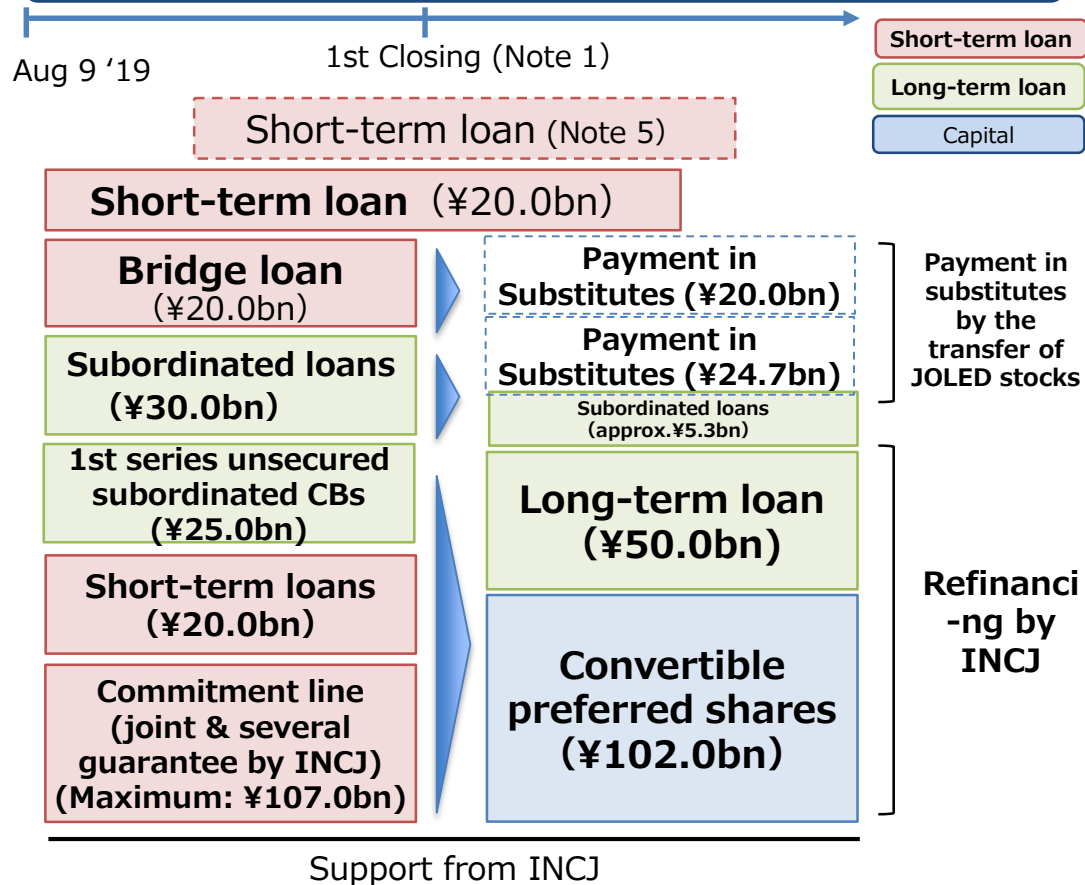
(Note 2, 3)

- (1) Gross proceeds: 30.0 billion yen
 - (2) Total no. of stock acquisition rights: 300
 - (3) Fully diluted new shares: 600 million shares
 - (4) Conversion price: 50 yen per share
- *JDI to determine the necessity of the issuance based on the funding needs (Note 4)

Note 1. JDI and Suwa have agreed that on the later of (i) October 31, 2019, (ii) the fifth business day immediately following the day on which all the Conditions Precedent are satisfied, or (iii) any other date as JDI and Suwa separately agree, the allotment of the New Shares and the 2nd Series CBs will take place.

Note2. (1) Common stocks and CBs above will be allotted to Suwa Investment Holdings, LLC through third-party allotment.
 (2) Payment period: August 29, 2019 to August 28, 2020
 (3) Completion of payment may be delayed depending on the status of Japanese/overseas government permissions & approvals.

Refinancing by INCJ



Note 3. Other conditions include the following:

- (a) Coupon: Zero
- (b) Maturity date: The date after 5 years from the date of allotment of the 2nd series CB
- (c) Exercise period: From 6 months to 5 years after the allotment.

Note 4. Issuance is on condition that Suwa has completed raising the fund.

Note 5. Loans to meet JDI's funding needs

Schedule

September 27, 2019 (plan)

Extraordinary General Meeting of Shareholders, following agenda to be approved

1. Proposals relating to the Third Party Allotment and the Preferred Shares Issuance
2. Proposal for partial amendment to the Articles of Incorporation for the increase in the total number of authorized shares and the issuance of preferred shares
3. Proposal for new appointment of directors including ones to be designated by Suwa

1st Closing (Note 1)

1st closing (the completion of payment for common stocks & 2nd series CBs) (Note 2)

Completion of refinancing by INCJ (at the same time with the 1st closing)

New management team incl. directors designated by Suwa to be formed

By end of December 2019(plan)

Carve out of in-house mobile company as a subsidiary

The date as JDI and Suwa separately agree (during FY2019 - plan)

2nd closing (the completion of payment for 3rd series CBs (Note 2,3) ※at JDI's discretion depending on funding needs)

- Note 1.
- 1st closing will be taken place on the date whichever comes later (i) October 31, 2019 or (ii) the fifth business day immediately following the day on which all CPs are satisfied, or be taken place on any other date as JDI and Suwa separately agree.
 2. The timing of the payment depends on domestic and overseas regulatory approvals.
 3. Under the assumption Suwa has prepared the fund.

Management Strategy

Directors after the Third-party Allotment (partial)

Name	Current Position
Takahisa Hashimoto	Outside director
Minoru Kikuoka (Note 1)	Senior Managing Officer, CFO
Nobuyuki Nakano	Outside director, Managing Executive Officer of INCJ Ltd.
Ryosuke Kuwada	Outside director
Winston Henry Lee (Note 1,2)	CEO, Suwa Investment Holdings, LLC

Note 1. Subject to the approval at the extraordinary general meeting of shareholders

2. JDI has agreed with Suwa that the number of directors of JDI after the 1st Closing will be nine, and the number of directors designated by Suwa will be five. Mr. Winston Henry Lee is one of the director candidates designated Suwa. Remaining 4 director candidates of the board will be disclosed promptly upon decision.

Strategy under the New Management Structure 1

First,

◆ Strengthen financial foundation

- Implement capital raising and refinancing without fail
- Recover/strengthen relationship with suppliers/customers

◆ Carve out mobile business

- Carve out business with different risk profile
- Efficient allocation of limited resources
- Growth thru cooperation with important customers & strategic partner(s)

◆ Complete both structural reform & alliance with Suwa

- Leverage alliance with Suwa for speedy & flexible organization mgmt
- Reform of employee awareness and of the corporate culture to be voluntary

**Stabilize
business
&
Achieve
profitable
business**

Further,

◆ Enhance business competitiveness

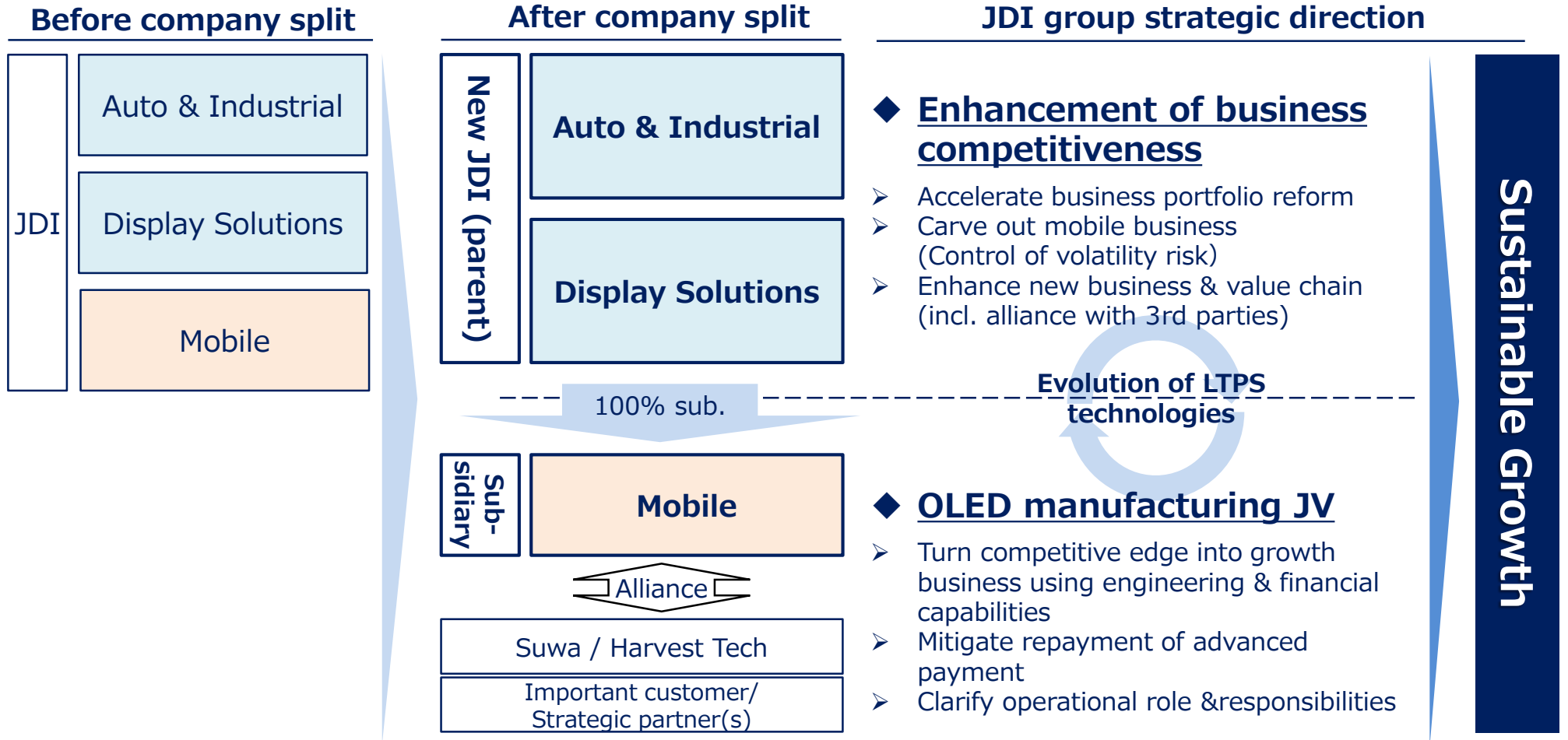
- Strengthen China business (Leverage Suwa's network for auto business, etc.)
- Smooth shift to non-mobile & OLED centered business portfolio through M&A and partnership

◆ Start feasibility studies for OLED JV launch

**Refer to
next page**

Strategy under the New Management Structure 2

“Enhancement of biz competitiveness & OLED Biz” lead to sustainable growth



⇒ Conduct regrowth scenario through structural reforms, financial enhancement and management system renewal

August 9, 2019

Announcement Regarding Suwa Investment Holdings’ Amended and Restated Capital and Business Alliance with Japan Display Inc.

Suwa Investment Holdings LLC (“Suwa”) announces the execution of the Amended and Restated Capital and Business Alliance with Japan Display Inc. (TSE 6740) (“JDI”) dated as of August 7, 2019.

Suwa is very pleased about the progress to date regarding our partnership with JDI. We have been impressed with the high quality of JDI staff and the deep commitment by its key stakeholders to support JDI long-term. Combining this with the synergies that Suwa and its partners would bring, we are more convinced than ever that we are not far away from a faster growing, more profitable and self-sufficient JDI.

Suwa is firmly committed to a partnership with JDI’s key stakeholders and existing shareholders and lenders to transition JDI to a new period of long-term growth. Over the past several months we have worked tirelessly with JDI stakeholders to lay new foundations for long-term sustainability. As disclosed previously by JDI, the balance sheet will be fundamentally reconstructed upon closing. While JDI was previously burdened with high levels of short-term debt, most of which will be either replaced with preferred shares or long-term, low cost deferrals. Based on the current understanding of the situation, if combined with Suwa’s investment, JDI shall enjoy a very healthy equity base and near-term cash flow relief which will allow for spending on new growth initiatives.

Equally important is the formulation of a powerful new technology roadmap. JDI’s LTPS technology is industry leading technology and will be the bridge to an exciting new OLED strategy. Suwa will be assisting in the creation of multiple OLED capacity expansion strategies which we believe will position JDI as a global OLED leader sooner than expected while minimizing capital outlays. Our work on other important issues, such as new product development and marketing initiatives, will also be contributing to the enhancement of JDI’s value.

Suwa is appreciative to JDI stakeholders, valued customers, and staff for their patience during the formation of this exciting new partnership between JDI and Suwa. We will continue to fully comply with Japanese laws, sincerely respect what has been achieved by all JDI staff and strive to honor JDI’s accumulated cutting edge technology with a better future.

Winston H. Lee
Chief Executive Officer
Suwa Investment Holdings, LLC



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.