



Japan
Display
Inc.
Group

Second Quarter of FY 2019
(July 1 to September 30, 2019)
Consolidate Financial Results

Japan Display Inc.

November 13, 2019

2Q-FY2019 Summary

Sales: 2Q-FY19 sales increased QoQ and YoY due to the launch of major new products and advanced shipments of some other products.
For the 1H sales were up 11%.

Op. income: QoQ: Higher sales, write down effects and the effects of the Hakusan Plant production suspension reduced the operating loss to about ¥19bn.
YoY: Contribution of an inventory increase in the 1H of last year to operating profit is absent this year.

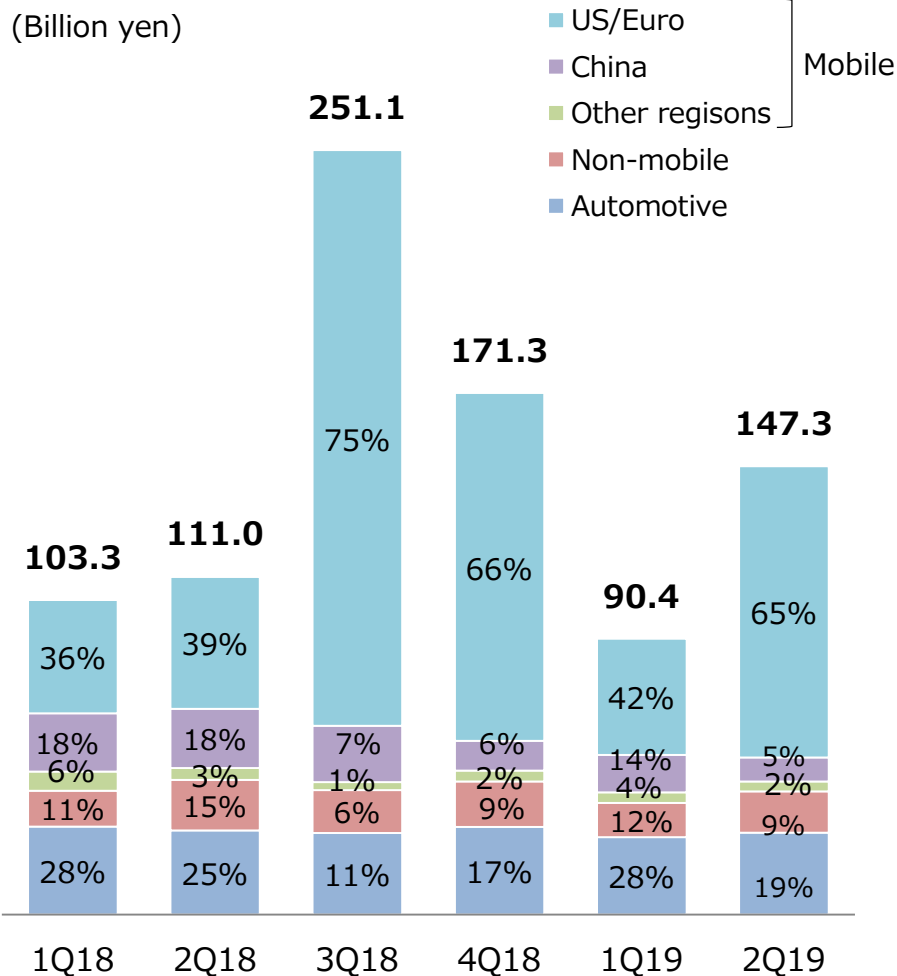
Major costs: Non-operating costs: Equity method investment loss of ¥2.1bn,
Typhoon No. 15-related costs of ¥600mn
Extraordinary losses: Business restructuring expenses of ¥12.1bn.

(Billion yen)

	Net sales	Operating income	Ordinary income	Net income	Dep. & Amort.	R&D expense	FX rate (¥/US\$)
2Q-FY19	147.3	(8.1)	(12.2)	(25.4)	4.3	2.6	107.4
1Q-FY19	90.4	(27.5)	(31.6)	(83.3)	7.5	2.8	109.9
2Q-FY18	111.0	(4.7)	(6.3)	(7.8)	11.0	2.8	110.3
1H-FY19	237.8	(35.6)	(43.8)	(108.7)	11.8	5.5	108.6

Quarterly Sales by Region & Business Category

Quarterly Sales Trends



2Q-FY19 Sales by Category

■ Mobile category

- Sales almost doubled QoQ due to the launch of new products and advanced shipments of some other products.

■ Automotive category

- Sales decreased 3% YoY due to sluggish automobile sales in many major countries. Sales were up 5% QoQ.

■ Non-mobile category

- Sales were up 21% QoQ due to an increase in displays for wearables and DSCs. Sales were down 18% YoY as wearable and VR-related sales increased but high-end notebook PC display sales fell likely due to the impact of US-China trade frictions.

Operating Results (Q2-FY19)

(Billion yen)

	Q2-FY19	Q2-FY18	YoY Chg.		Q1-FY19	QoQ Chg.	
Net sales	147.3	111.0	+36.4	+32.8%	90.4	+56.9	+62.9%
Cost of sales	146.3	103.6	+42.7	+41.2%	107.7	+38.7	+35.9%
Gross profit (loss)	1.0 0.7%	7.4 6.6%	(6.4)	-86.5%	(17.3) -19.1%	+18.3	-
SG&A	9.1	12.0	(2.9)	-24.0%	10.2	(1.1)	-10.4%
Operating income (loss)	(8.1) -5.5%	(4.7) -4.2%	(3.5)	-	(27.5) -30.4%	+19.3	-
Net non-op. income (expenses)	(4.0)	(1.6)	(2.4)	-	(4.1)	+0.1	-
Ordinary income (loss)	(12.2) -8.3%	(6.3) -5.7%	(5.9)	-	(31.6) -35.0%	+19.4	-
Net extraordinary income (loss)	(12.1)	0.0	(12.1)	-	(51.7)	+39.6	-
Income (loss) before income taxes	(24.2) -16.4%	(6.3) -5.7%	(17.9)	-	(83.3) -92.1%	+59.1	-
Income taxes	1.0	1.2	(0.2)		(0.1)	+1.1	
Net income (loss) attributable to owners of the parent	(25.4) -17.2%	(7.8) -7.0%	(17.6)	-	(83.3) -92.1%	+57.9	-
EBITDA	(4.1) -2.8%	6.2 5.6%	(10.3)	-	(20.2) -22.3%	+16.0	-
Avg. FX rate (JPY/USD)	107.4	110.3			109.9		
Q-End FX rate (JPY/USD)	107.9	113.6			107.8		

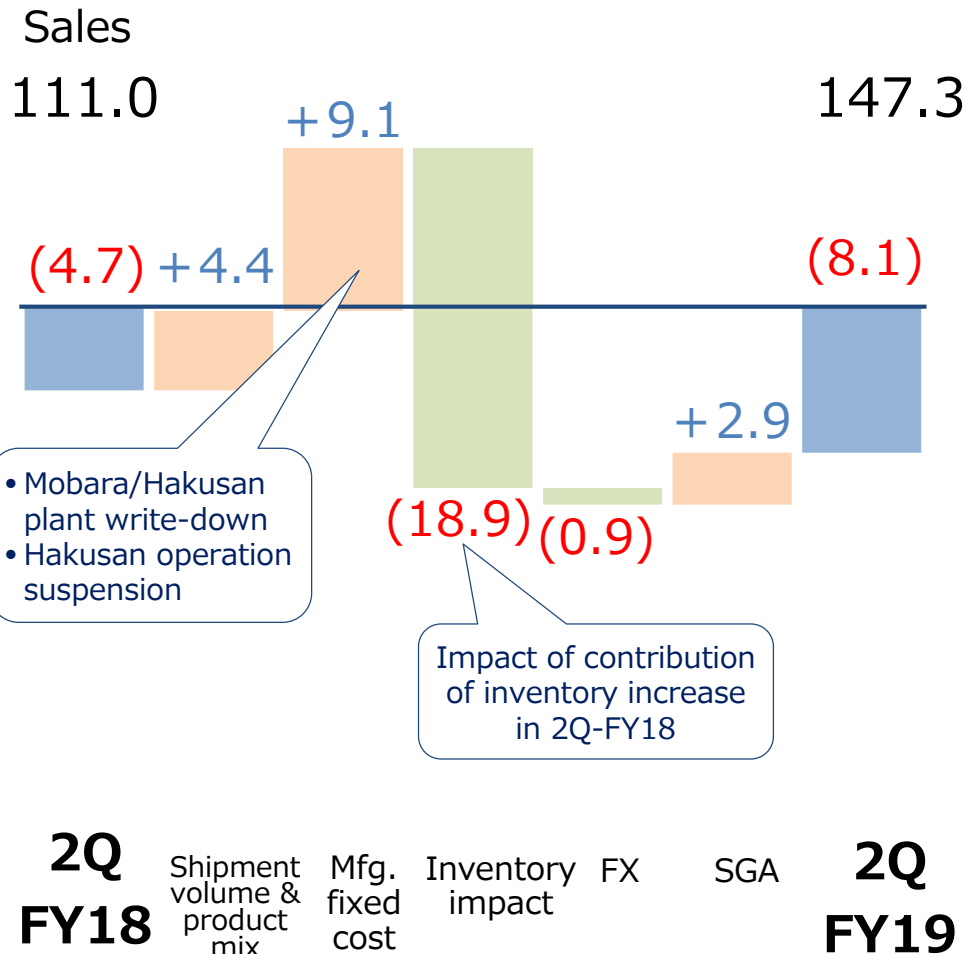
Operating Results (1H-FY19)

(Billion yen)

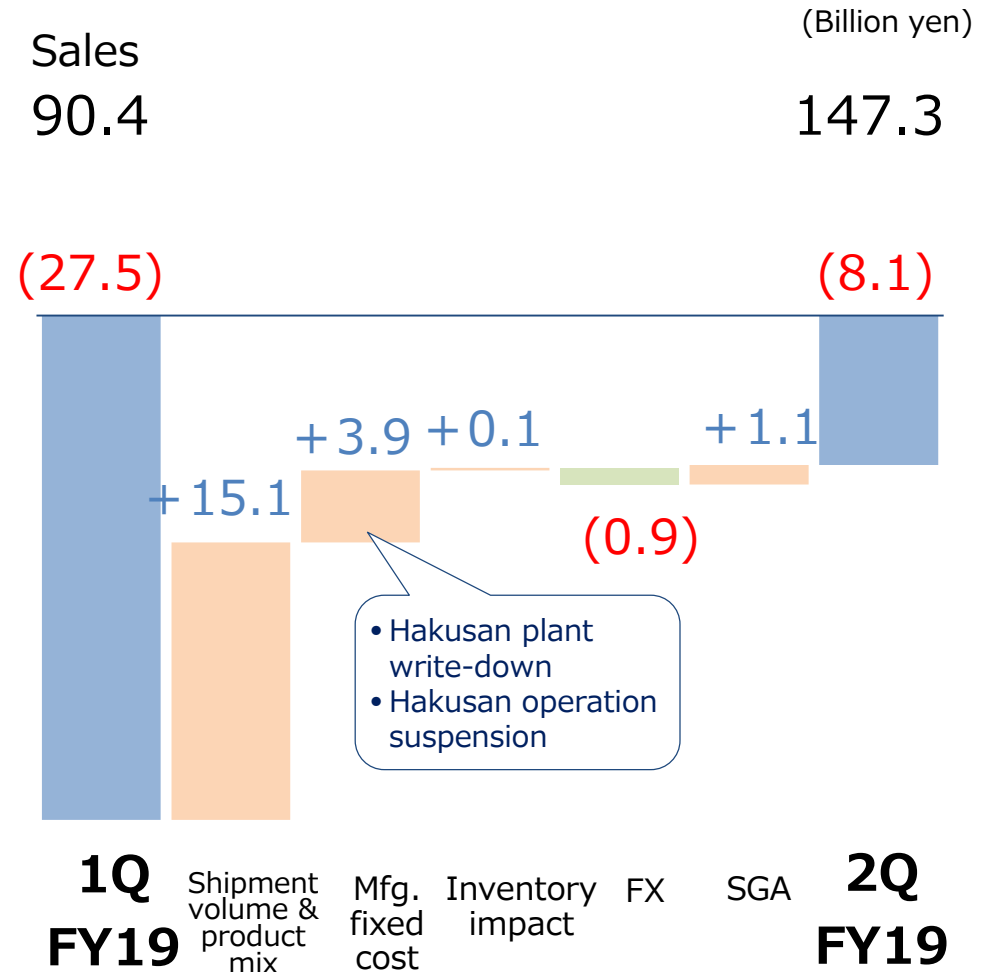
	1H-FY19	1H-FY18	YoY Chg.	
Net sales	237.8	214.3	+23.5	+11.0%
Cost of sales	254.0	205.7	+48.3	+23.5%
Gross profit (loss)	(16.3) -6.8%	8.6 4.0%	(24.8)	-
SG&A	19.3	23.0	(3.7)	-16.0%
Operating income (loss)	(35.6) -15.0%	(14.5) -6.8%	(21.1)	-
Net non-op. income (expenses)	(8.2)	(4.6)	(3.6)	
Ordinary income (loss)	(43.8) -18.4%	(19.0) -8.9%	(24.8)	-
Net extraordinary income (loss)	(63.7)	11.9	(75.7)	
Income (loss) before income taxes	(107.5) -45.2%	(7.1) -3.3%	(100.5)	-
Income taxes	0.8	2.0		
Net income (loss) attributable to owners of the parent	(108.7) -45.7%	(9.5) -4.4%	(99.1)	-
EBITDA	(24.3) -10.2%	8.3 3.9%	(32.5)	-
Avg. FX rate (JPY/USD)	108.6	110.3		

2Q-FY19 Operating Profit Change Factors

vs. Previous Year (2Q-FY18)



vs. Previous quarter (1Q-FY19)



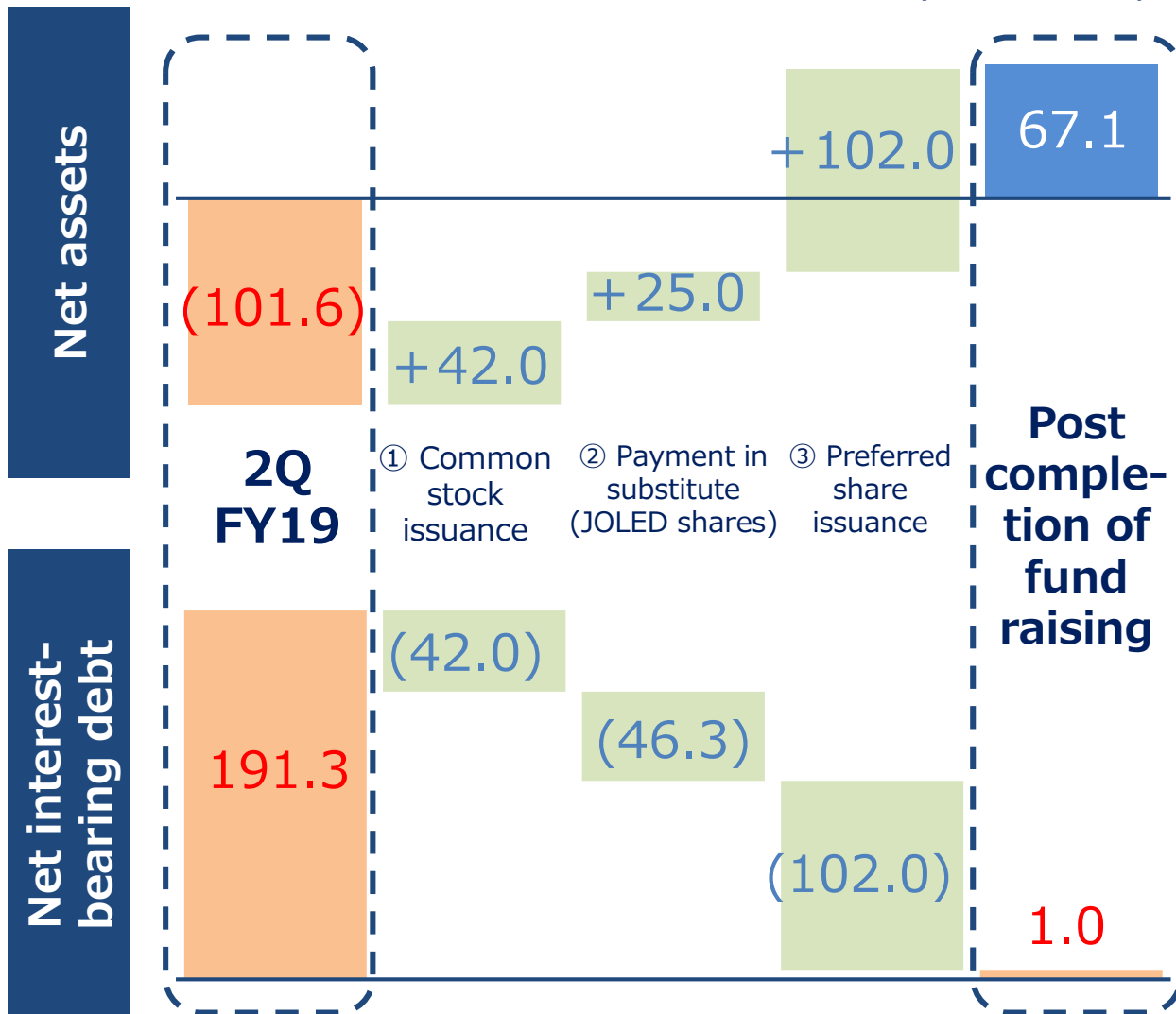
Balance Sheet

(Billion yen)

	9 / 2019	6 / 2019	3 / 2019
Cash and deposits	56.8	43.7	69.0
Accounts receivable - trade	96.3	60.9	92.2
Accounts receivable - other	74.9	40.2	49.7
Inventories	45.6	58.8	71.1
Other	8.6	8.1	8.9
Total current assets	282.1	211.6	290.9
Total non-current assets	194.5	198.9	254.5
Total assets	476.6	410.5	545.4
Accounts payable - trade	169.0	124.4	178.4
Interest-bearing debt	248.1	208.2	185.8
Advances received	91.6	93.7	101.9
Other liabilities	69.5	61.4	72.2
Total liabilities	578.2	487.8	538.4
Total net assets	(101.6)	(77.2)	7.0

Toward the Elimination of Negative Net Worth

(unit: billion yen)



(Note, unit: JPY)

Financial measures

- Common stock issuance 42.0 bn ①
- #2 CB issuance 8.0-18.0 bn
- #3 CB issuance 20.0-30.0 bn
- Preferred share issuance 102.0 bn ③
- Long-term borrowings fm INCJ 50.0 bn
- payment in substitute (JOLED shares) (46.3 bn, extraordinary profit of approx. 25.0 bn) ②

■ Equity ■ debt

- If implemented above financial measures as of September-end, 2019
- Net assets: 67.1bn
 - Shareholders equity : 12.8%
 - Net debt: decreased 191.3 bn to 1.0 bn

Cash Flows

(Billion yen)

	Q2-FY19	Q1-FY19	1H-FY19
Income before income taxes	(24.2)	(83.3)	(107.5)
Dep. & Amort.	4.3	7.5	11.8
Working capital	(12.9)	(2.7)	(15.6)
Advances received	(2.1)	(8.2)	(10.3)
Structural reform cost	12.1	51.7	63.7
Other	2.2	(1.7)	64.2
CF from operating activities	(20.7)	(36.7)	(57.4)
Acquisitions of P&E	(3.7)	(7.1)	(10.8)
Other	(1.8)	0.1	(1.7)
CF from investing activities	(5.5)	(7.0)	(12.5)
CF from financing activities	39.5	19.5	59.0
Ending balance, cash & equiv.	56.8	43.7	56.8
Free cash flow	(26.2)	(43.6)	(69.8)

Overview of FY 2019 Structural Reforms

Annual fixed cost reduction due to write downs, personnel cuts etc. is expected to be approx. ¥50bn

Reform	Description	Cost	Expected benefit
Personnel reductions (reduced personnel, wages etc.)	<ul style="list-style-type: none"> ■ Personnel reductions (completed in 2Q) <ul style="list-style-type: none"> ① Voluntary retirement: 1,266 ② Overseas subsidiary employees: 40 ③ Employee transfers to JOLED: 229 ■ Reduced executive compensation, managerial salaries, employee bonuses etc. are underway. 	<ul style="list-style-type: none"> • Early extra retirement payment: ¥7.8bn (2Q) 	<ul style="list-style-type: none"> • Cost reduction effect due to personnel reductions (expected personnel costs & costs associated with personnel): Annually ¥20bn
Downsize mobile business (asset write-down, suspended operations)	<ul style="list-style-type: none"> ■ Asset write-down mainly Hakusan Plant ■ Hakusan Plant operations temporarily suspended (from July 2019) <ul style="list-style-type: none"> - Will determine restart of operations by end-FY19 ■ Mobara Plant closed back-end line (Sep '19) ■ Mobile-related back-end mfg. assets sold 	<ul style="list-style-type: none"> • Impairment losses: ¥52.8bn (51.4/1Q, 1.4/2Q) • Other: ¥350mn (300/1Q, 50/2Q) 	<ul style="list-style-type: none"> • Lower depreciation on write downs in FY18 & 1H-FY19: ¥20bn (FY19) • Amount of effect due to plant shutdown & line closure (excl. labor costs): Annually ¥10bn
Other	<ul style="list-style-type: none"> ■ Costs for contracts change wit EMS ① ■ Refund of subsidies ② 	<ul style="list-style-type: none"> ① ¥2.0bn (2Q) ② ¥800mn (2Q) 	-
Total		¥63.7bn (51.7/1Q, 12.1/2Q)	Annually ¥50bn
Other possibilities	<ul style="list-style-type: none"> ■ Penalties & subsidies related to plant management etc. 	Maximum of ¥12bn	-

Outlook for 2H-FY2019

- Operating income and net income for October are in the black.
- 2H-FY19 sales are expected to increase sequentially, but for the full year sales are likely to fall YoY.
- Significant personnel reductions as part of restructuring and asset write downs, an improved product portfolio, rigorous selection of R&D and capital investments etc. are aimed at locking in a profit-making business structure from the 2H.
- Our first OLED display shipments are scheduled to begin in November.
- Relaxation of terms by customers & suppliers (up to ¥40bn of cash flow improvement effect) and short-term borrowings from INCJ Inc. (¥40bn) means cash flow is not a problem. We are focused on completion of a capital increase as soon as possible, including refinancing with INCJ.

	Cost & capital investment forecast (billion yen)	
	FY18 Act.	FY19 Est. Aug 9 est. ⇒ Current est.
Depreciation	45.9	23.0 ⇒ 23.0
R&D costs	15.1	13.0 ⇒ 11.5
Capital investment	45.0	21.0 ⇒ 18.5

FY19 forex assumption: 1US\$ = 108 yen

Major Events Post 1Q-FY19 Financial Announcement (Aug. 9)

August 27, 2019

Entered into an agreement with INCJ regarding refinancing.

Entered into an agreement with INCJ, under which JDI will transfer all JOLED shares to INCJ as substitute performance of repayment

September 3

Executed short-term borrowing of ¥20bn from INCJ (Total of ¥40bn together with a short-term borrowing in August)

September 13

Decided not to submit a proposal to appoint directors designated by Suwa at an extraordinary general meeting of shareholders scheduled on September 27

September 26

Received a notice from Harvest Tech stating their fund will withdraw from Suwa

Received a letter from a customer stating its intention to invest \$200mn in JDI through Suwa or by other means if Harvest Tech does not directly or indirectly invest in JDI.

September 27

Held an extraordinary general meeting of shareholders as scheduled on the assumption that an investment by Harvest Tech would be made. All proposals were approved and resolved as originally proposed.

October 23

Announced that a customer and business partners will alleviate payment terms for transactions with JDI & that a business partner indicated its intention to invest \$50 mn in JDI.

November 13 (today)

Continuing discussions with multiple companies (a customer & business partners) and financial investors.

January or February 2020 (tentatively planned)

Will hold an extraordinary general meeting of shareholders (if required)

JDI's First OLED Product (scheduled to start shipping in November)

- **Volume shipments of JDI's first OLED product will start soon**
 - ✓ Will use panels produced in the Mobarra Plant OLED line.
- **World's first OLED mass production with "vertical type evaporation equipment × high-resolution hybrid mask"**
 - ✓ Mask jointly developed with Maxell, Ltd.
- **Production efficiency & product performance**
 - ✓ Vertical evaporation equipment reduces footprint (approx. 30% less than conventional equipment).
 - ✓ Excellent performance certified by various manufacturing indices^[1].
 - ✓ Advanced-SBS^[2]/Advanced-LTPS^[3] technology enables higher resolution, lower power consumption & longer life.

1. Film thickness uniformity, material use efficiency, particle generation rate, etc.

2. OLED front plane (display) technology developed by JDI

3. Backplane (driving board) technology developed by JDI



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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