



Japan
Display
Inc.
Group

Third Quarter of FY 2019

(October 1 to December 31, 2019)

Consolidated Financial Results

Japan Display Inc.

April 13, 2020

Q3-FY19 Summary and Outlook for Q4-FY19

Q3 Results

- Sales Lacking a strong demand for shipments of new smartphone products as in Q3 in the previous fiscal year, sales in the current period (Q3) decreased by 101 BJPY YoY (down approx. 40%)
- Op. Income... Although sales decreased significantly YoY, as a result of structural reforms and further cost reductions, an operating profit was achieved in Q3

Q4 Outlook

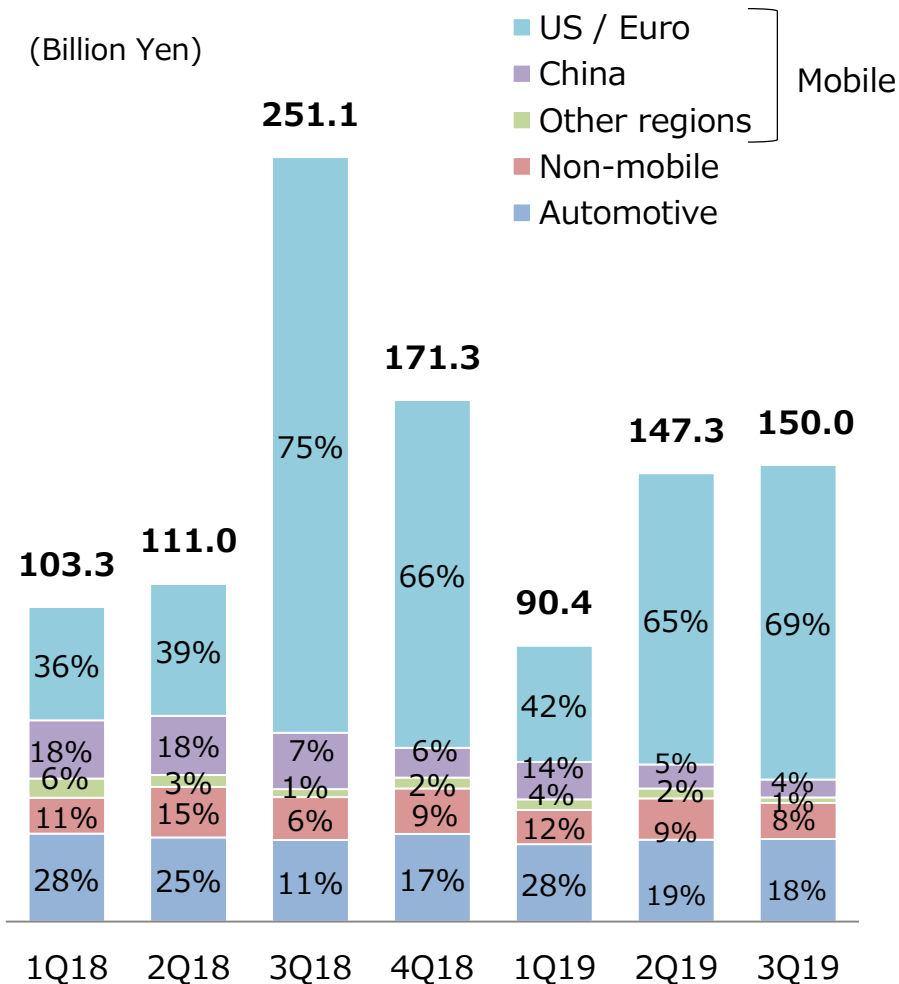
- Sales Due to seasonal factors and the spread of Covid-19, sales are expected to decrease by approx. 25% compared to Q3. For the full year, a YoY decrease of about 20% (500 BJPY) is predicted
- Op. Income... Though positive operating income was achieved in Q3, the above factors made it difficult to achieve positive operating profit in Q4
- Net income... Including an extraordinary profit for the sale of shares, positive net income is assumed for the second half of FY19

(Billion Yen)

| | Net sales | Op. income | Ordinary income | Net profit | Dep. & Amort. | R&D expense | FX rate (¥/US\$) |
|---------|-----------|------------|-----------------|------------|---------------|-------------|------------------|
| Q3-FY19 | 150.0 | 2.5 | (3.3) | (6.7) | 4.8 | 2.1 | 108.8 |
| Q2-FY19 | 147.3 | (8.1) | (12.1) | (25.2) | 4.2 | 2.6 | 107.4 |
| Q3-FY18 | 251.1 | 4.3 | (0.3) | (2.8) | 11.0 | 3.3 | 112.9 |

Quarterly Sales by Region & Business Category

Quarterly Sales Trend



Sales Status per Category

■ Mobile Category

- The strong increase in demand for new products shown in Q3-FY18 did not materialize in the current period & together with the suspension of operations in the Hakusan plant, Q3-FY19 sales decreased significantly YoY

■ Automotive Category

- Impacted by the slowdown of the Chinese economy and its trade war with the US, automobile sales have been sluggish since the same period last year in major regions

■ Non-mobile Category

- Sales of digital cameras, and notebook PCs, which were also affected by the US-China trade frictions, declined. While the total percentage of sales is low, high-definition displays for VR were in strong demand

Consolidated Operating Results

(Billion yen)

| | Q3-FY19 | Q3-FY18 revised | YoY Chg. | | Q2-FY19 revised | QoQ Chg. | |
|--|-----------------------|--------------------|----------|--------|--------------------|----------|---------|
| Net sales | 150.0 | 251.1 | (101.0) | -40.2% | 147.3 | +2.7 | +1.8% |
| Cost of sales | 139.1 | 234.8 | (95.7) | -40.8% | 146.2 | (7.1) | -4.9% |
| Gross profit (loss) | 10.9 7.3% | 16.2 6.5% | (5.3) | -32.7% | 1.1 0.8% | +9.8 | +879.8% |
| SG&A | 8.4 | 11.9 | (3.5) | -29.5% | 9.2 | (0.8) | -9.1% |
| Operating income (loss) | 2.5 1.7% | 4.3 1.7% | (1.8) | -41.3% | (8.1) -5.5% | +10.6 | - |
| Net non-op. income (expenses) | 5.8 | (4.6) | +10.4 | - | 4.0 | +1.8 | +45.2% |
| Ordinary income (loss) | (3.3) -2.2% | (0.3) -0.1% | (3.0) | - | (12.1) -8.2% | +8.8 | - |
| Net extraordinary income (loss) | (3.0) | (1.9) | (1.1) | - | (12.0) | +9.0 | - |
| Income (loss) before income taxes | (6.3) -4.2% | (2.1) -0.9% | (4.2) | - | (24.1) -16.3% | +17.8 | - |
| Income taxes | 0.4 | 0.6 | (0.1) | | 1.0 | (0.5) | |
| Net income (loss) attributable to owners of the parent | (6.7) -4.5% | (2.8) -1.1% | (3.9) | - | (25.2) -17.1% | +18.5 | - |
| EBITDA | 6.7 4.5% | 15.3 6.1% | (8.6) | -55.9% | (4.1) -2.8% | +11 | - |
| Avg. FX rate (JPY/USD) | 108.8 | 112.9 | | | 107.4 | | |
| Q-End FX rate (JPY/USD) | 109.6 | 111.0 | | | 107.9 | | |

Q3-FY19 Non operating expenses : Share of loss of entities accounted for using the entity method 4.3 BJPY, loss related to typhoon "No.21" 0.3 BJPY

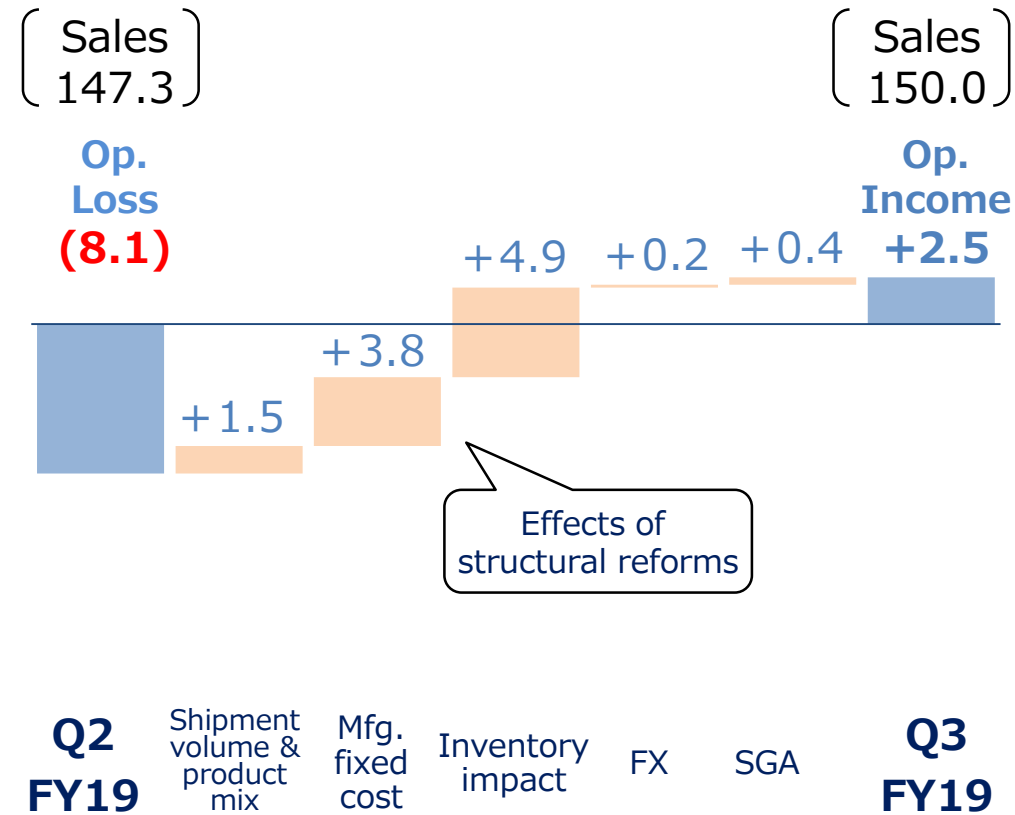
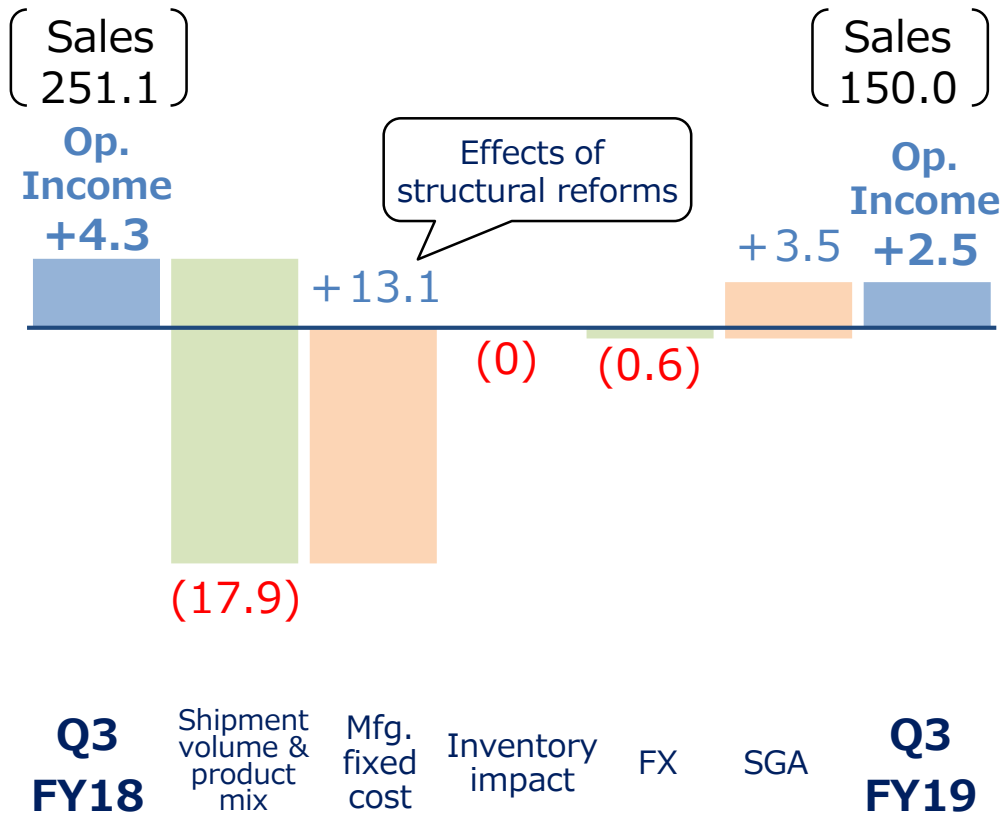
Extraordinary loss : Business restructuring expense 2.5 BJPY

Consolidated Operating Profit Change Factors

Billion yen

vs. Previous Year (Q3-FY18)

vs. Previous Quarter (Q3-FY19)



Consolidated Balance Sheet

(Billion yen)

| | 3/2019 revised | 6/2019 revised | 9/2019 revised | 12/2019 |
|--------------------------------|-------------------|-------------------|-------------------|----------------|
| Cash and deposits | 69.0 | 43.7 | 56.8 | 49.1 |
| Accounts receivable - trade | 92.2 | 60.9 | 96.3 | 78.0 |
| Accounts receivable - other | 49.7 | 40.2 | 74.9 | 64.8 |
| Inventories | 70.9 | 58.6 | 45.5 | 43.5 |
| Other | 8.8 | 8.0 | 8.6 | 8.7 |
| Total current assets | 290.6 | 211.4 | 282.0 | 244.2 |
| Total non-current assets | 247.9 | 196.6 | 192.2 | 183.6 |
| Total assets | 538.5 | 408.0 | 474.3 | 427.9 |
| Accounts payable - trade | 178.4 | 124.4 | 169.0 | 142.2 |
| Interest-bearing debt | 185.8 | 208.2 | 248.1 | 246.0 |
| Advances received | 101.9 | 93.7 | 91.6 | 90.3 |
| Other liabilities | 71.5 | 60.7 | 68.8 | 57.7 |
| Total liabilities | 537.6 | 487.0 | 577.5 | 536.1 |
| Total net assets | 0.9 | (79.0) | (103.3) | (108.3) |
| Shareholders' equity ratio | -0.2% | -19.9% | -22.3% | -25.9% |
| Net debt | 116.9 | 164.5 | 191.3 | 196.9 |
| Merchandise and finished goods | 15 | 22 | 11 | 9 |
| Work in process | 12 | 20 | 7 | 6 |
| Raw materials and supplies | 10 | 16 | 9 | 10 |
| Days in inventory | 37 | 58 | 28 | 26 |

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

Consolidated Cash Flows

(Billion yen)

| | Q1-FY19 | Q2-FY19 | Q3-FY19 | FY2019 1-3Q (nine-months) |
|-------------------------------|---------|---------|---------|------------------------------|
| Income before income taxes | (78.9) | (24.1) | (6.3) | (109.3) |
| Dep. & Amort. | 7.1 | 4.2 | 4.8 | 16.1 |
| Working capital | (2.8) | (12.9) | 5.2 | (10.5) |
| Advances received | (8.2) | (2.1) | (1.4) | (11.7) |
| Structural reform cost | 47.7 | 12.0 | 2.5 | 62.2 |
| Other | (1.6) | 3.2 | (4.5) | (2.9) |
| CF from operating activities | (36.7) | (19.6) | 0.3 | (56.0) |
| Acquisitions of P&E | (7.1) | (3.6) | (3.1) | (13.8) |
| Other | 0.1 | (1.8) | 0.1 | (1.6) |
| CF from investing activities | (7.0) | (5.3) | (3.0) | (15.3) |
| CF from financing activities | 19.5 | 38.3 | (4.4) | 53.4 |
| Ending balance, cash & equiv. | 43.7 | 56.8 | 49.1 | 49.1 |
| Free cash flow | (43.7) | (24.9) | (2.7) | (71.3) |

Status of Measures Addressing Major Issues of FY 2019

Structural reforms, fundraising, elimination of negative net assets and steady progression towards profitability

✓ Strengthening the financial foundation

- Ensuring capital injection and refinancing
- Rebuilding trust relationships with suppliers and customers



- ✓ Fundraising of 50.4 BJPY through Ichigo Trust (March 26)
- ✓ Refinancing by INCJ (March 26)

✓ Implementing structural reforms



- ✓ Reduction of fixed costs by more than 25 BJPY in a 6-month period
- ※ Compared to 2nd half of FY18

✓ Faster response to a changing business environment

- Transformation of the product portfolio by investments in growth areas
- Preparations for negative risks such as Covid-19



Expansion of fundraising options and OLED launch

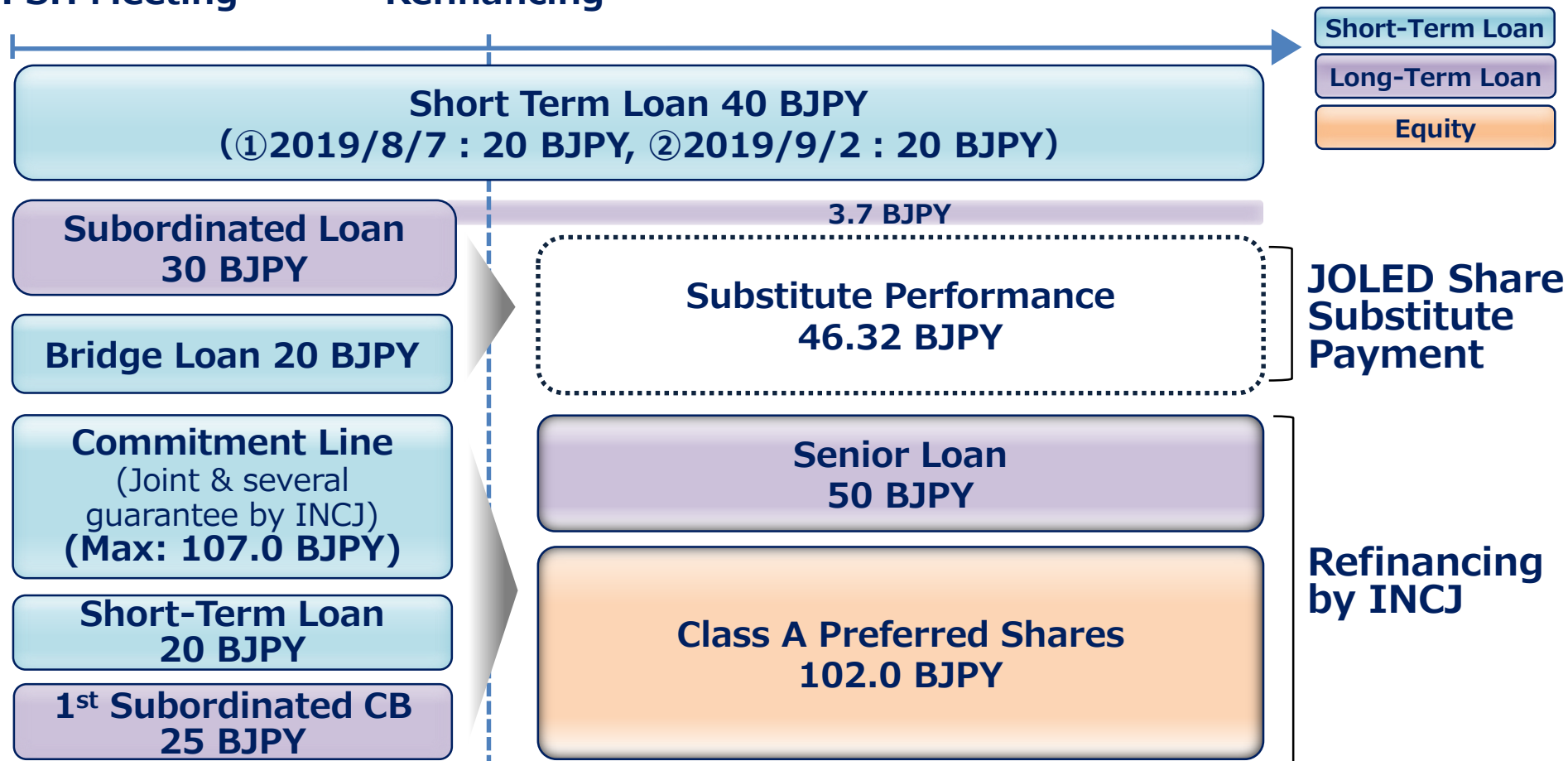
- Fundraising through Ichigo Trust (Issuance of Class D Preferred Shares and the 12th stock acquisition rights)
- OLED display shipments

Continued Support by INCJ (Refinancing)

Improving the financial structure by completing the refinancing with INCJ

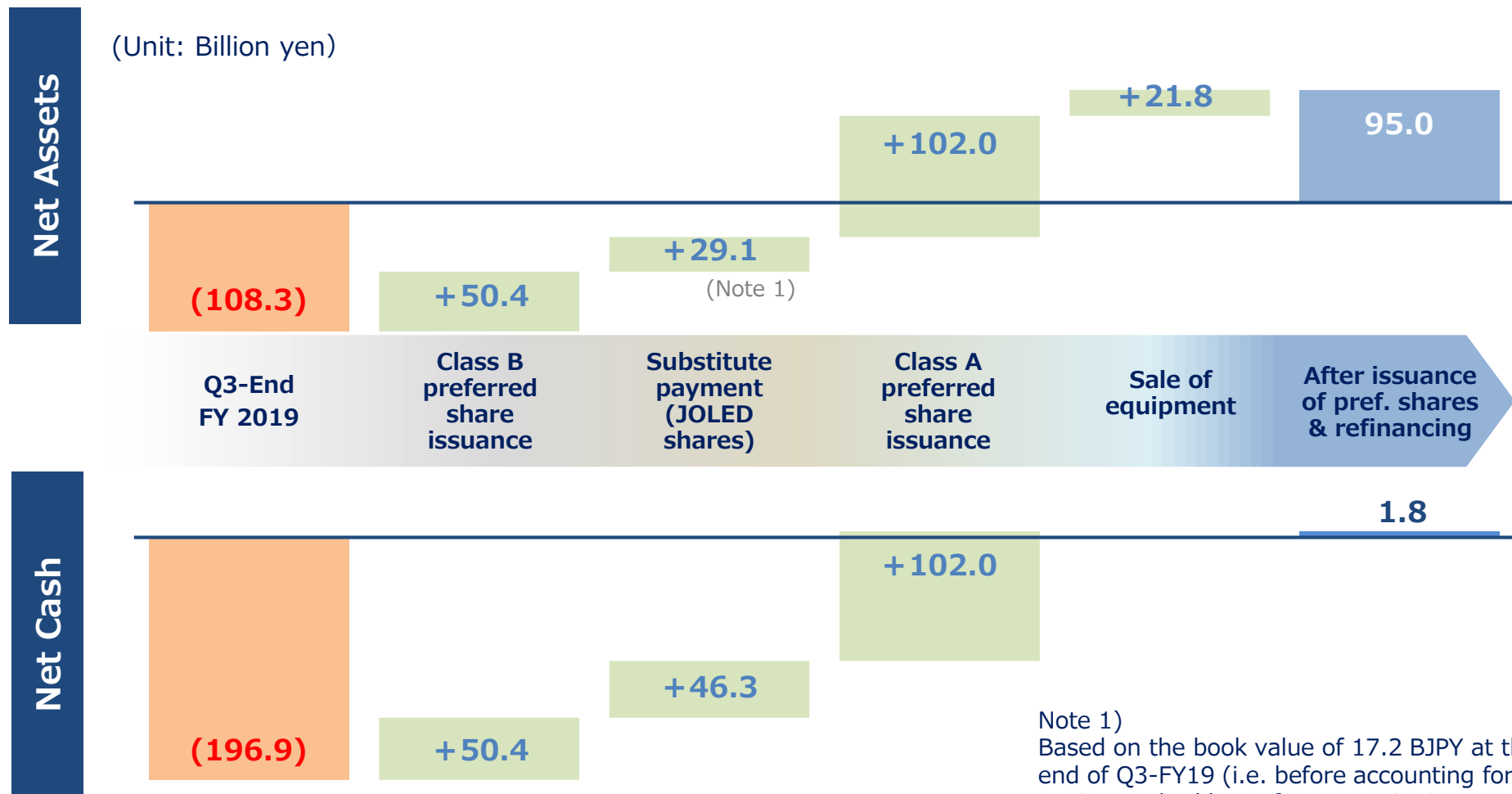
2020/03/25
Extr. SH Meeting

2020/3/26
Refinancing



Strengthening the Financial Foundation

Elimination of negative net assets and drastic reduction of interest bearing debt



Note 1)
Based on the book value of 17.2 BJPY at the end of Q3-FY19 (i.e. before accounting for the equity method loss of 1.5 BJPY in Q4-FY19)

Impact of Covid-19 and Countermeasures

Focusing countermeasures on the risk of reduced demand & potential impact on production lines due to a global recession by continuing to:

- ① minimize opportunity losses & excess inventories with flexible production
- ② expand available fundraising options

| | Impact | Countermeasures |
|-----------------------------|--|---|
| ■ Production related | <ul style="list-style-type: none">✓ Decreased supply from parts manufacturers✓ Partial logistic delays✓ Reduced production at overseas factories and partner companies | <ul style="list-style-type: none">✓ Change of production areas, materials and manufacturers✓ Flexible changes to supply routes✓ Mfg. measures specific to each country, plus healthcare, human resource and logistic arrangements |
| ■ Sales and profits related | <ul style="list-style-type: none">✓ Following supply chain disruptions, sales and profitability worsen✓ Decreased demand, mainly for automobiles, due to global recession | <ul style="list-style-type: none">✓ Flexible production that reduces the risk of losing opportunities and holding excess inventory |
| ■ Financing related | <ul style="list-style-type: none">✓ Deterioration of cash balance due to reduced demand | <ul style="list-style-type: none">✓ Current cash level is not an issue✓ However, to prepare for the risk of further worsening of business conditions, seek more fundraising options |

Tasks and Strategies Aimed at Sustainable Growth

Enhancing efficiency and cost competitiveness to enable the transformation into the No. 1 company in target markets

Tasks

- ✓ **Securing the top line**
Strengthen the business that sustains the company
- ✓ **Strengthen cost competitiveness**
Improve the cost base
- ✓ **Revamp technology development skills**
Technology that support sales and reduce costs
- ✓ **Enhance company wide functions**

Overall Strategy

- 1 Total strengthening of business profitability**
Turnaround in the first year
 - Asset optimization, improve variable costs, enhance productivity
- 2 Commercialization of high-value added technologies**
Propose new services to create new markets
 - Expand the sensor business, commercialize related technologies
- 3 Accelerate alliances**
Buy time to make the impossible possible
 - Active use of alliances with various partners



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.