

Japan Display Inc.

Consolidated Financial Results for Fiscal Year 2019 (Japanese GAAP)

(This is an English translation of an original Japanese-language document.)

Company name: Japan Display Inc. (“JDI”)
 Security code: 6740
 Listing: Tokyo Stock Exchange (First Section)
 Website: <https://www.j-display.com/english>
 Representative: Minoru Kikuoka, President and CEO
 Contact: Akihito Okochi, Executive Officer and CFO
 Phone: +81-3-6732-8100

Annual general meeting of shareholders: August 26, 2020
 Filing of FY 2019 securities report: August 26, 2020
 Commencement of dividend payments: -
 Supplementary materials for FY 2019 earnings results: Available
 Briefing for FY 2019 results: June 30, 2020 (for security analysts)

(Figures in this earnings report are rounded down to the nearest million yen.)

1. Consolidated Financial Results for FY 2019 (April 1, 2019 to March 31, 2020)

(1) Results of operations	(Millions of yen, except per share amounts, %)			
	FY 2019	YoY Chg.	FY 2018	YoY Chg.
Net sales	504,022	(20.8%)	636,661	(11.5%)
Operating profit (loss)	(38,536)	-	(27,230)	-
Ordinary profit (loss)	(57,758)	-	(40,367)	-
Net income (loss) attributable to owners of the parent...	(101,417)	-	(106,585)	-
Net income (loss) per share				
-Basic (yen)	(116.05)	-	(128.41)	-
-Diluted (yen)	-	-	-	-
Return on equity (%)	(406.1%)	-	(303.8%)	-
Ordinary income (loss) to total assets (%)	(12.4%)	-	(7.1%)	-
Operating income (loss) to net sales (%)	(7.6%)	-	(4.3%)	-
Comprehensive income	(99,886)	-	(107,181)	-
Share of loss of entities accounted for using equity method	(10,007)	-	(8,862)	-

(2) Financial position	(Millions of yen, except per share amounts, %)	
	Mar 31, 2020	Mar 31, 2019
Total assets.....	389,746	538,502
Net assets	53,363	862
Shareholders' equity ratio (%).....	13.1%	(0.2%)
Net assets per share	(39.91)	(1.37)
(Reference) Shareholders' equity	(51,103)	(1,162)

(3) Cash flows

(Millions of yen)

	Mar 31, 2020	Mar 31, 2019
Cash flows from operating activities	(87,111)	(6,604)
Cash flows from investing activities	28,069	(36,614)
Cash flows from financing activities	57,682	30,968
Cash and cash equivalents at end of period.....	66,380	68,988

2. Dividends

(Yen, except %)

	June 30	Sep 30	Dec 31	FY-end	Total	Dividend ratio (consolidated)	% of dividends to net assets (consolidated)
FY 2018	-	0.00	-	0.00	0.00	-	-
FY 2019	-	0.00	-	0.00	0.00	-	-
FY 2020 (forecast)	-	0.00	-	0.00	0.00	-	-

3. Earnings forecast for 1Q-FY 2020 (April 1, 2020 – June 30, 2020)

Consolidated net sales for FY 2020 are expected to be down by approximately 15% - 20% YoY. For details, please refer to the attached “1. Fiscal Year Results Information (4) Business Prospects.”

(Millions of yen, except %)

	1Q-FY2020	QoQ Change
Sales	85,000 ~ 89,000	(6.0) ~ (1.6)
Operating Profit	(7,000) ~ (9,000)	-

Notes:

(1) Changes in significant subsidiaries to scope of consolidation: None

Newly consolidated: -

Removed from consolidation: -

(2) Accounting changes in consolidated financial statements.

a) Changes in accounting policy in accordance with amendments to accounting standards: Yes

b) Changes in accounting policy other than (a) above: None

c) Changes in accounting estimates: None

d) Retrospective restatement: None

(3) Number of shares outstanding

	Mar 31, 2020	Mar 31, 2019
Number of shares outstanding (incl. treasury shares)·	2,538,165,800	846,165,800
Number of treasury shares.....	3	3
Average number of shares outstanding	870,114,649	830,072,391

Note: The Class A preferred shares and the Class B preferred shares have the same rights as common shares in regard to rights to receive dividends of surplus, and are therefore included in the number of shares outstanding at the end of periods and the average number of shares outstanding during the periods.

(Reference) Overview of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for FY 2019 (April 1, 2019 to March 31, 2020)

(1) Results of operations	(Millions of yen, except per share amounts, %)			
	FY 2019	YoY Chg.	FY 2018	YoY Chg.
Net sales	481,316	(24.1%)	633,893	(9.2%)
Operating income (loss)	(49,084)	-	(38,236)	-
Ordinary income (loss)	(56,280)	-	(42,615)	-
Net income (loss)	(114,965)	-	(119,586)	-
Net income (loss) per share				
- Basic (yen)	(131.55)	-	(144.07)	-
- Diluted (yen)	-	-	-	-

(2) Financial position	(Millions of yen, except per share amounts, %)	
	Mar 31, 2020	Mar 31, 2019
Total assets	360,392	516,395
Net assets	8,761	(28,662)
Shareholders' equity ratio (%)	2.4%	(5.6%)
Net assets per share	(56.61)	(33.94)
(Reference) Shareholders' equity	8,720	(28,715)

Note 1.

This financial report is not subject to audit procedures.

Note 2.

Proper use of earnings forecasts and other matters warranting special mention

Forward-looking information such as earnings forecasts in this document is based on information available to the company at the time the document was prepared and management's reasonable assumptions. Such information should not be interpreted as a guarantee of future performance or results. Furthermore, forward-looking information is necessarily subject to a number of factors that may cause actual results to differ materially from those results implied by the expectations suggested by such information.

How to access and obtain the contents of a briefing of FY2019 results

JDI plan to hold a briefing session of financial results for securities analysts and the video streaming of the briefing will be posted on JDI's website on same day or the next day.

The materials of the briefing will be released on TDnet and JDI's website on June 30, 2020

Attachments

1. Fiscal Year Results Information

(1) Overview of Results of Operations

Consolidated Results of Operations for FY 2019 (April 1, 2019 to March 31, 2020)

(Millions of yen, except per share amounts, %)

Fiscal year	FY 2018 (April 1, 2018 to March 31, 2019)		FY 2019 (April 1, 2019 to March 31, 2020)		YoY Change (%)
	Amount	% of net sales	Amount	% of net sales	
Mobile Device Category	466,873	73.3%	350,802	69.6%	(24.9%)
Automotive Category	112,313	17.6%	103,562	20.5%	(7.8%)
Non-Mobile Device Category	57,475	9.0%	49,656	9.9%	(13.6%)
Net sales	636,661	100.0%	504,022	100.0%	(20.8%)
Operating income (loss)	(27,230)		(38,536)	-	-
Ordinary income (loss)	(40,367)		(57,758)	-	-
Net income (loss) attributable to owners of the parent	(106,585)		(101,417)	-	-
Net income (loss) per share (Yen)	(128.41)		(116.05)	-	-
EBITDA*	15,732	2.5%	(19,549)	-	-

Notes: *. EBITDA = Operating profit + Depreciation (operating costs) + Amortization of goodwill

The business environment surrounding Japan Display Inc. (“JDI”) remained difficult in FY 2019 due to sluggish growth in the smartphone market, increased adoption of OLED displays by customers and intensified competition from display manufacturers in China. In addition, the novel coronavirus disease (Covid-19) pandemic caused disruptions in the global supply chain and a rapid drop in consumer spending during the fourth-quarter accounting period. JDI’s manufacturing volume suffered a decline due to a temporary suspension of production and lower capacity utilization at overseas back-end manufacturing facilities, including its manufacturing subsidiaries and EMS companies.

In response to this situation, JDI implemented structural reforms that included a significant reduction of its Japan workforce by more than 30%, a suspension of operations at the Hakusan Plant (Hakusan City, Ishikawa Prefecture), closure of the Mobara Plant back-end manufacturing line (V2) and a write-down of smartphone display production equipment (mainly business assets at the Hakusan Plant), in order to reduce fixed costs in the first half of the fiscal year. The effects of these structural reform began to be fully realized in the second half of the FY 2019, resulting in the reduction of fixed costs by approximately JPY 30 billion for the full year. It is expected that fixed costs will be additionally reduced by about JPY 20 billion in FY 2020. In December 2019, JDI started mass production shipments of its first OLED displays. Although the contribution of these displays to sales in FY 2019 was limited, a contribution to an expansion of the business portfolio from FY 2020 can be expected. Under the impact of the novel coronavirus pandemic, JDI made attempts to restart production at its overseas manufacturing facilities as quickly as possible and regain capacity utilization. However, the recovery of capacity utilization at its back-end manufacturing subsidiary in the Philippines, a country that imposed a prolonged quarantine on urban areas, was delayed, and this in particular had a major impact on display module production in the non-mobile product category.

As a result, JDI’s net sales for FY 2019 decreased by 20.8% year-on-year (YoY) to JPY 504,022 million. Despite the reduction in fixed costs due to the structural reforms described above, an operating loss of JPY 38,536 million was recorded owing to the decrease in sales (in the previous fiscal year a JPY 27,230 million loss was recorded). In addition, the company recorded an share of loss of entities accounted for using equity method of JPY 10,007 million

as a non-operating loss in relation to JOLED Inc., a former equity-method affiliate, leading to an ordinary loss of JPY 57,758 million (a loss of JPY 40,367 million in the previous year). A net loss attributable to owners of the parent of JPY 101,417 million was recorded (a loss of JPY 106,585 million in the previous year) after accounting for an extraordinary loss of JPY 67,178 million in business restructuring expenses that included an impairment loss on fixed assets mainly in connection with the Hakusan Plant and early retirement benefits, and also a gain on the sale of investment securities of JPY 30,594 million from the transfer all shares held in JOLED Inc.

Below is an overview of sales in each of JDI's application categories in FY 2019.

Mobile Device Category

The Mobile Device Category includes displays for smartphones, tablets and other devices. Sales in FY 2019 in this category were JPY350,802 million (down 24.9% YoY) and accounted for 69.6% of company net sales.

As competition intensified due to sluggish growth in the smartphone market, the increased adoption of OLED displays by customers and increased production by competing manufacturers in China, JDI withdrew from unprofitable products and suspended operations at the Hakusan Plant. In addition, the impact of the Covid-19 pandemic led to restrictions on overseas back-end manufacturing and reduced demand from customers, leading to sales in the fourth quarter falling by 37.8% YoY to JPY79,319 million.

Automotive Category

This category contains sales of automotive displays such as cluster and head-up displays. FY 2019 sales in this category were JPY103,562 million (down 7.8% YoY), accounting for 20.5% of company net sales.

While demand for auto displays was stagnant under the impact of sluggish automobile sales in major regions due to China's economic slowdown and trade friction between the United States and China, back-end manufacturing was delayed partly due to the Covid-19 pandemic interrupting the supply of parts. For the fourth quarter, sales fell 17.0% YoY to JPY23,946 million.

Non-Mobile Category

This category includes displays for digital still cameras, wearable devices and other consumer electronics, industrial devices such as medical equipment monitors and income from patents. FY 2019 sales in this category were JPY49,656 million (down 13.6% YoY), accounting for 9.9% of net sales.

Sales of ultra-high-definition VR displays increased and sales of displays for wearable devices remained strong, but sales of displays for digital still cameras, which have a high ratio of sales, and notebook PCs, which were affected by US-China trade frictions, decreased. The back-end manufacturing of displays in the non-mobile category is mainly handled by JDI's manufacturing subsidiary in the Philippines. However, the prolonged quarantine of communities in the Philippines in response to the Covid-19 pandemic resulted in manufacturing continuing at a low operating rate even after production restarted. For the fourth quarter, sales decreased 13.5% YoY to JPY12,980 million.

Business Results for the Fourth Quarter

JDI's net sales for the fourth quarter of FY 2019 were JPY 116,246 million, a decline of JPY 55,084 million YoY that was due to lower demand in smartphone displays and the Covid-19 pandemic. While sales decreased sharply, the operating loss improved by JPY 13,896 million from the same period of the previous year to a loss of JPY 5,911 million, due to the effect of the structural reforms implemented in the first half of the FY 2019. An ordinary loss of JPY 11,125 million was recorded due to an share of loss of entities accounted for using equity method of JPY 1,495 million and maintenance costs of JPY 1,293 million for the Hakusan Plant, which was under a production suspension. In addition, JPY 4,954 million in business restructuring expenses and JPY 3,638 million in costs related to improper accounting treatments were recorded, while a gain on the sale of investment securities due to the transfer of JOLED Inc. shares of JPY 30,594 million result was recorded as extraordinary income. As a result, net income attributable to owners of the parent was JPY 9,468 million.

Quarterly Consolidated Results of Operations

FY 2018 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	1Q	2Q	3Q	4Q	FY 2018
Mobile Device Category	62,576	66,682	210,147	127,466	466,873
Automotive Category	28,935	27,694	26,830	28,852	112,313
Non-Mobile Device Category	11,769	16,614	14,080	15,011	57,475
Net sales	103,281	110,991	251,058	171,330	636,661
Gross profit (loss)	2,859	8,962	16,217	(6,801)	21,237
Operating income (loss)	(8,422)	(3,338)	4,337	(19,807)	(27,230)
Ordinary income (loss)	(11,415)	(5,126)	(254)	(23,571)	(40,367)
Net income (loss) attributable to owners of the parent	(474)	(6,561)	(2,778)	(96,771)	(106,585)

FY 2019 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	1Q	2Q	3Q	4Q	FY 2019
Mobile Device Category	53,683	106,839	110,959	79,319	350,802
Automotive Category	25,519	26,892	27,204	23,946	103,562
Non-Mobile Device Category	11,217	13,609	11,849	12,980	49,656
Net sales	90,421	147,341	150,013	116,246	504,022
Gross profit (loss)	(16,784)	1,114	10,915	3,354	(1,399)
Operating income (loss)	(27,073)	(8,096)	2,545	(5,911)	(38,536)
Ordinary income (loss)	(31,207)	(12,122)	(3,302)	(11,125)	(57,758)
Net income (loss) attributable to owners of the parent	(78,913)	(25,246)	(6,726)	9,468	(101,417)

(2) Overview of Financial Position

Assets, liabilities and net assets

At the end of FY 2019 (March 31, 2020), total assets were JPY 389,746 million, a decrease of JPY 148,756 million from the end of the previous fiscal year. This was mainly due to decreases of JPY 21,322 million in accounts receivable-trade, JPY 31,781 million in inventories due to inventory adjustments, JPY 60,061 million in property, plant and equipment based on the write-down of manufacturing equipment mainly at the Hakusan Plant and JPY 24,108 million in investments in securities due to the sale of JOLED Inc. shares. Liabilities were JPY 336,382 million, a decrease of JPY 201,257 million from the end of the previous fiscal year. This was mainly due to decreases of JPY 87,481 million in interest-bearing debt based on the refinancing with INCJ, Inc., JPY 87,153 million in accounts payable-trade and JPY 12,823 million in advances received. Net assets increased JPY 52,500 million to JPY 53,363 million at the end of the fiscal year. Despite a net loss attributable to owners of the parent of JPY 101,417 million, shareholders' equity increased by JPY 50,982 million from the end of the previous fiscal year as a result of the third-party allotments to Ichigo Trust and INCJ Inc. As a result, the shareholders' equity ratio was 13.1% (-0.2% at the end of the previous fiscal year).

(3) Overview of Cash Flows

At the end of the FY 2019 JDI had cash and cash equivalents of JPY 66,380 million, a decrease of JPY 2,608 million relative to the end of the previous fiscal year. Net cash used in operating activities in FY 2019 was JPY 87,111 million yen after accounting for losses before income, working capital expenditures and other items. Net cash generated from investing activities in FY 2019 was JPY 28,069 million, partly due to gains from sales of investment securities. As a result, free cash flow was reduced by JPY 59,042 million. Net cash provided by financing activities was JPY 57,682 million as a result of capital financing by issuing new shares and refinancing.

(4) Business Prospects

Net sales for FY 2020 (ending March 31, 2021) are expected to decline by 15-20% compared to FY 2019 due to the Covid-19 pandemic causing a drop in demand for smartphone and automobile displays. While profits will see an unavoidable decline due to the decrease in net sales, FY 2020 fixed costs are expected to decline by about JPY 20 billion YoY as the effects of the structural reforms implemented in the first half of FY 2019 will be spread over the next fiscal year. JDI will continue to work on boosting sales and further reducing fixed and variable costs in order to minimize the impact of the Covid-19 pandemic and improve its business performance.

The estimate for consolidated net sales and operating income for the first quarter of the FY 2020 (April 1, 2020 to June 30, 2020), which ends today, is shown below. Due to undetermined non-operating and extraordinary items, JDI is only providing estimates for net sales and operating income.

(Unit: billion yen)

	1Q-FY 2020 (Estimate)	1Q-FY 2019 (Actual)
Net sales	85.0-89.0	90.4
Operating income	(7.0)-(9.0)	(27.1)

(5) Basic policy concerning the distribution of profits, and dividends for FY 2019 and FY 2020

JDI recognizes that returning profits to shareholders is an important management priority. However, in FY 2019 (ended March 31, 2020), the company recorded a net loss attributable to owners of the parent company, and retained earnings, which is the source of dividends, were negative. Therefore, it regrets that it will not distribute a dividend, a decision that was previously disclosed. Also, no dividends will be distributed for Class A preferred shares and Class B preferred shares.

In addition, in FY 2020 JDI will continue to make efforts to improve its business performance and financial condition, but owing to the considerable time needed to restore retained earnings, the company will continue to not pay a dividend.

JDI wishes to convey its deepest apologies to all of its shareholders, and will strive to improve its business performance as quickly as possible in order to meet shareholder expectations..

(6) Material Events Related to Going Concern Assumptions

JDI Group has recorded an operating loss and significant impairment losses for three consecutive fiscal years, along with a net loss attributable to owners of the parent for six consecutive fiscal years, in the consolidated fiscal year ended March 31, 2020 (FY 2019). Also, the Group had negative net worth at the end of the first three quarters in FY 2019. Thereby raising significant doubts about assumptions concerning JDI's ability to continue as a going concern.

JDI will take measures necessary to urgently resolve this situation. Please refer to our presentation slides for the financial results of the fourth quarter and full year of fiscal year 2019.

Details are shown in "3. Consolidated Financial Statements (5) Notes pertaining to the Consolidated Financial Statements a) Note related to going concern assumptions"

2. Basic views on selection of accounting standards

JDI currently applies Japanese accounting standards (JGAAP) to its consolidated financial statements for the purpose of making possible comparisons of these statements across fiscal years.

When appropriate the company will consider applying International Financial Reporting Standards (IFRS) depending on international data comparability conditions and other factors.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of Yen)

	March 31, 2019	March 31, 2020
<u>Assets</u>		
Current assets:		
Cash and deposits	68,988	66,672
Accounts receivable - trade	92,225	70,903
Accounts receivable - other	49,699	48,148
Merchandise and finished goods	29,088	10,131
Work in process	23,167	13,202
Raw materials and supplies	18,612	15,753
Other	8,939	4,699
Allowance for doubtful accounts	(103)	(81)
Total current assets	290,618	229,428
Non-current assets:		
Property, plant and equipment		
Buildings and structures	196,776	192,880
Accumulated depreciation	(90,229)	(95,124)
Buildings and structures, net	105,546	97,755
Machinery, equipment and vehicles	438,468	407,970
Accumulated depreciation	(374,469)	(381,687)
Machinery, equipment and vehicles, net	63,999	26,282
Land	10,186	10,014
Lease assets	1,590	3,634
Accumulated depreciation	(1,590)	(1,946)
Lease assets, net	0	1,688
Construction in progress	18,687	3,890
Others	43,100	39,943
Accumulated depreciation	(38,651)	(36,766)
Others, net	4,448	3,176
Total property, plant and equipment	202,870	142,808
Intangible assets:		
Goodwill	8,716	7,263
Other	3,190	1,661
Total intangible assets	11,906	8,924
Investments and other assets:		
Investment securities	24,395	31
Deferred tax assets	361	318
Other	8,932	8,926
Allowance for doubtful accounts	(581)	(692)
Total investments and other assets	33,107	8,584
Total non-current assets	247,884	160,318
Total assets	538,502	389,746

(Millions of Yen)

	March 31, 2019	March 31, 2020
<u>Liabilities</u>		
Current liabilities:		
Accounts payable - trade	175,592	88,439
Electronically recorded obligations - operating	2,817	893
Short-term borrowings	130,843	42,055
Lease obligations	0	455
Income taxes payable	1,445	2,587
Provision for bonuses	4,345	3,230
Advances received	101,923	89,099
Other	35,945	32,718
Total current liabilities	452,914	259,479
Non-current liabilities:		
Bonds with share acquisition rights	25,000	—
Long-term borrowings	30,000	53,680
Lease obligations	—	1,810
Net defined benefit liability	20,052	15,579
Other	9,673	5,832
Total non-current liabilities	84,725	76,902
Total liabilities	537,639	336,382
Net assets		
Shareholders' equity		
Share capital	114,362	190,562
Capital surplus	231,148	307,348
Retained earnings	(348,833)	(450,251)
Treasury shares	(0)	(0)
Total shareholders' equity	(3,322)	47,659
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1)	(0)
Foreign currency translation adjustment	8,916	6,357
Remeasurements of defined benefit plans	(6,754)	(2,913)
Total accumulated other comprehensive income	2,160	3,444
Share acquisition rights	53	40
Non-controlling interests	1,972	2,219
Total net assets	862	53,363
Total liabilities and net assets	538,502	389,746

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**Consolidated Statement of Income**

	(Millions of Yen)	
	April 1, 2018 - March 31, 2019	April 1, 2019 - March 31, 2020
Net sales	636,661	504,022
Cost of sales	615,423	505,421
Gross profit (loss)	21,237	(1,399)
Selling, general and administrative expenses	48,468	37,136
Operating profit (loss)	(27,230)	(38,536)
Non-operating income		
Interest income	146	92
Foreign exchange gains	1,765	1,420
Subsidy income	832	113
Rental income	487	556
Fiduciary obligation fee	1,239	1,184
Other	1,425	1,628
Total non-operating income	5,896	4,996
Non-operating expenses		
Interest expenses	2,789	4,196
Share of loss of entities accounted for using equity method	8,862	10,007
Depreciation	782	1,674
Other	6,598	8,340
Total non-operating expenses	19,032	24,219
Ordinary income (loss)	(40,367)	(57,758)
Extraordinary income		
Gain on change in equity	12,656	—
Gain on sales of investment securities	—	30,594
Total extraordinary income	12,656	30,594
Extraordinary losses		
Business restructuring expenses	—	67,178
Impairment loss	76,128	—
Other	—	4,103
Total extraordinary losses	76,128	71,282
Income (loss) before income taxes	(103,839)	(98,446)
Income taxes - current	2,654	3,038
Income taxes - deferred	(218)	(315)
Total income taxes	2,436	2,722
Net income (loss)	(106,276)	(101,169)
Net income (loss) attributable to non-controlling interests	309	247
Net income (loss) attributable to owners of the parent	(106,585)	(101,417)

Consolidated Statement of Comprehensive Income

	(Millions of Yen)	
	April 1, 2018 - March 31, 2019	April 1, 2019 - March 31, 2020
Net income (loss)	(106,276)	(101,169)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	1
Foreign currency translation adjustment	(1,880)	(2,559)
Remeasurements of defined benefit plans, net of tax	976	3,840
Total other comprehensive income	(905)	1,283
Comprehensive income	(107,181)	(99,886)
Comprehensive income attributable to owners of the parent	(107,491)	(100,133)
Comprehensive income attributable to non-controlling interests	309	246

(3) Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2019

(Millions of Yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	96,863	213,648	(242,247)	—	68,263
Changes of items during period					
Issuance of common stock	17,499	17,499			34,999
Net income (loss) attributable to owners of the parent			(106,585)		(106,585)
Acquisition of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	17,499	17,499	(106,585)	(0)	(71,586)
Balance at end of current period	114,362	231,148	(348,833)	(0)	(3,322)

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	—	10,797	(7,731)	3,065	47	1,662	73,039
Changes of items during period							
Issuance of common stock							34,999
Net income (loss) attributable to owners of the parent							(106,585)
Acquisition of treasury shares							(0)
Net changes of items other than shareholders' equity	(1)	(1,880)	976	(905)	6	309	(589)
Total changes of items during period	(1)	(1,880)	976	(905)	6	309	(72,176)
Balance at end of current period	(1)	8,916	(6,754)	2,160	53	1,972	862

For the fiscal year ended March 31, 2020

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	114,362	231,148	(348,833)	(0)	(3,322)
Changes of items during period					
Issuance of common stock	76,200	76,200			152,400
Net income (loss) attributable to owners of the parent			(101,417)		(101,417)
Acquisition of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	76,200	76,200	(101,417)	—	50,982
Balance at end of current period	190,562	307,348	(450,251)	(0)	47,659

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(1)	8,916	(6,754)	2,160	53	1,972	862
Changes of items during period							
Issuance of common stock							152,400
Net income (loss) attributable to owners of the parent							(101,417)
Acquisition of treasury shares							—
Net changes of items other than shareholders' equity	1	(2,559)	3,841	1,283	(12)	246	1,518
Total changes of items during period	1	(2,559)	3,841	1,283	(12)	246	52,500
Balance at end of current period	(0)	6,357	(2,913)	3,444	40	2,219	53,363

(4) Consolidated Statement of Cash Flows

	(Millions of Yen)	
	April 1, 2018 - March 31, 2019	April 1, 2019 - March 31, 2020
Cash flows from operating activities		
Income (loss) before income taxes	(103,839)	(98,446)
Depreciation	41,756	19,208
Amortization of goodwill	1,990	1,452
Impairment loss	76,128	—
Increase (decrease) in allowance for doubtful accounts	(3,093)	387
Increase (decrease) in retirement benefit liability	(3,027)	(453)
Interest expenses	2,789	4,196
Foreign exchange losses (gains)	(2,749)	(116)
Subsidies received	(832)	(113)
Share of loss (profit) of entities accounted for using equity method	8,862	10,007
Gain on sale of investment securities	—	(30,594)
Gain on change in equity	(12,656)	—
Loss on reduction of non-current assets	432	—
Business restructuring expenses	—	67,178
Other extraordinary loss (income)	—	4,103
Decrease (increase) in trade receivable	(6,544)	19,980
Decrease (increase) in accounts receivable - other	(10,152)	1,521
Decrease (increase) in inventories	(16,436)	30,945
Decrease (increase) in consumption taxes refund receivable	(3,081)	2,724
Increase (decrease) in trade payable	64,285	(88,592)
Increase (decrease) in accounts payable - other	(28)	(2,569)
Increase (decrease) in accrued expenses	(10,521)	(8,193)
Increase (decrease) in advances received	(26,344)	(12,815)
Other	1,342	6,602
Subtotal	(1,722)	(73,586)
Interest and Dividends received	147	91
Interest paid	(2,783)	(4,207)
Income taxes paid	(2,414)	(2,086)
Income taxes refunded	169	85
Extra retirement payments	—	(7,408)
Cash flows from operating activities	(6,604)	(87,111)

	(Millions of Yen)	
	April 1, 2018 - March 31, 2019	April 1, 2019 - March 31, 2020
Cash flows from investing activities		
Purchase of non-current assets	(43,793)	(16,075)
Proceeds from sales of non-current assets	19,134	101
Purchase of investment securities	(8,413)	(1,624)
Proceeds from sales of investment securities	—	46,320
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(4,931)	—
Subsidies received	1,232	113
Other	156	(765)
Cash flows from investing activities	<u>(36,614)</u>	<u>28,069</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	31,776	(88,758)
Increase of long-term borrowings	—	50,000
Decrease of long-term borrowings	—	(26,320)
Redemption of bonds	(20,000)	(25,000)
Proceeds from issuance of shares	34,999	151,469
Repayments of installment payables	(1,038)	(1,838)
Repayments of lease obligations	(13,980)	(208)
Payments for borrowing fee	(788)	(1,661)
Cash flows from financing activities	<u>30,968</u>	<u>57,682</u>
Effect of exchange rate change on cash and cash equivalents	373	(1,248)
Net increase (decrease) in cash and cash equivalents	<u>(11,877)</u>	<u>(2,608)</u>
Cash and cash equivalents at beginning of period	<u>80,866</u>	<u>68,988</u>
Cash and cash equivalents at end of period	<u>68,988</u>	<u>66,380</u>

(5) Notes pertaining to the Consolidated Financial Statements

(a) Note related to going concern assumptions

JDI Group has recorded an operating loss and significant impairment losses for three consecutive fiscal years, along with a net loss attributable to owners of the parent for six consecutive fiscal years, in the consolidated fiscal year ended March 31, 2020 ("FY 2019"). Also, the Group had excessive liabilities at the end of the first three quarters in FY 2019. Thereby raising significant doubts about assumptions concerning JDI's ability to continue as a going concern.

To resolve this situation, JDI Group implemented a structural reform including reviewing its business portfolio and downsizing personnel. In addition, in 2018 JDI started to find a sponsor who can provide JDI with support including a large scale equity capital injection, in order to fundamentally improve its cash flow and to ensure a proper level of net asset amount as a listed company. JDI had multiple contacts and held multiple discussions with several financial investor candidates, JDI's customer and business partners, working together with INCJ, Ltd ("INCJ"). Consequently, JDI obtained cooperation from the customer and two or more business partners of JDI by relaxing transaction terms, which contributed to the improvement of JDI's cash flow. Additionally, on December 12, 2019, JDI entered into a basic agreement regarding fund procurement with Ichigo Trust, Pte. Ltd.

Subsequently, JDI (i) resolved, at its board of directors meeting held on January 31, 2020 (the "Board of Directors Meeting"), to implement the fund procurement by issuing Japan Display Inc. class B preferred shares (the "Class B Preferred Shares") to Ichigo Trust through third-party allotment (the total procurement amount of which is JPY 50.4 billion), Japan Display Inc. 11th stock acquisition rights (the "11th Stock Acquisition Rights"), the underlying shares of which are Japan Display Inc. class C preferred shares (the "Class C Preferred Shares") to Ichigo Trust through third-party allotment (together with the issuance of the Class B Preferred Shares, the "Ichigo Trust Third-party Allotment"); and (ii) entered into a capital alliance agreement with Ichigo Trust on January 31, 2020. Also, pursuant to the resolution made by the Board of Directors Meeting, JDI newly entered into a Preferred Shares Subscription Agreement with INCJ regarding the issuance of class A preferred shares (the "Class A Preferred Shares") to INCJ through third-party allotment (the total procurement amount is JPY 102 billion, the "Third-party Allotment of Class A Preferred Shares") which is subject to the condition that the Ichigo Trust Third-party Allotment is implemented, and entered into (i) an Amended and Restated Senior Facility Agreement regarding the borrowing of funds from INCJ (the total amount of which is JPY 50 billion) (the "Senior Loan"); and (ii) a Memorandum of Amendment regarding the transfer of all of the shares of JOLED, Inc. held by JDI to INCJ as a substitute performance (the "Substitute Performance," and together with the Senior Loan and the Third-party Allotment of Class A Preferred Shares", the "Refinance") in order to partially amend the announcements made on August 27, 2019.

The extraordinary general meeting of shareholders held on March 25, 2020 resolved the implementation of the Ichigo Trust Third-party Allotment and the Third-party Allotment of Class A Preferred Shares, and each payment for the investments was completed on March 26, 2020. Also, the Refinance was implemented on March 26, 2020, and as the performance of the Amended and Restated Senior Facility Agreement was completed, the borrowing amount of JDI decreased by approximately JPY 148.3 billion. Furthermore, JDI recorded a gain on sales of shares along with the Substitute Performance of approximately JPY 30.6 billion. Consequently, at the end of FY 2019, excessive liabilities has been eliminated.

Based on the basic agreement entered into on March 13, 2020, JDI continues to proceed with discussions with Ichigo Trust to enter into the definitive agreement to complete issuing Japan Display Inc. class D preferred shares (the "Class D Preferred Shares") to Ichigo Trust through third-party allotment (the total procurement amount will be approximately JPY 5 billion), and Japan Display Inc. 12th series stock acquisition rights the underlying shares of which are Japan Display Inc. class E preferred shares (the total procurement amount through the exercise of the class E preferred shares will be up to JPY 55.4

billion and all of the 11th Stock Acquisition Rights which aims to procure funds of up to JPY 50.4 billion will be waived).

JDI has received a notice from INCJ stating that if JDI requests, INCJ is ready to extend (i) the repayment due date of the short-term loan dated August 7, 2019 (the total principal amount of which is JPY 20 billion) for one year, and (ii) the repayment due date of the short-term loan dated September 2, 2019 (the total principal amount of which is JPY 20 billion) for up to two years. Through the above-mentioned measures, JDI will ensure the long-term stability of funds, enhance its equity ratio, and continue to improve its financial structure.

Furthermore, JDI will implement an improvement plan to ensure a return to profitability by selling production equipment located in the Hakusan Plant which was announced on March 31, 2020 to further lower fixed costs, making capital investments targeted at growing markets, and improving product portfolio through promotion of commercialization of high value-added products using LTPS and Advanced-LTPS technology as common technical basis. On the other hand, sales decline as a result of reduced consumer spending and supply chain disruption that may be repeated due to the effects of the novel Covid-19 may delay the stable improvement in business performance that JDI expects and may affect its mid- to long-term cash flow. Considering this, there are significant uncertainties related to the going concern assumptions at this stage.

The consolidated financial statements have been prepared assuming a going concern, and do not reflect the impact of significant uncertainties related to such going concern assumptions.

(b) Application of IFRS No. 16 "Leases"

Subsidiaries of the JDI Group that apply international accounting standards have applied the International Financial Reporting Standard No. 16 "Leases" ("IFRS No. 16") from the first quarter of the current fiscal year.

As a result, the lessee of a lease generally recognizes all leases as assets and liabilities in the balance sheet. In applying IFRS No. 16, the cumulative effect of a change in accounting policy was recognized by JDI in retained earnings in the first quarter of the current fiscal year in accordance with specific transitional provisions.

As a result, lease assets in property, plant and equipment at the end of FY 2019 increased by JPY 1,688 million, lease obligations in current liabilities increased by JPY 455 million and lease obligations in non-current liabilities increased by JPY 1,810 million. The impact of this change on profits and losses in FY 2019 is immaterial.

(c) Additional information

In assessing the impairment loss on fixed assets, JDI is making a determination about the impact of the illness caused by the Covid-19 pandemic on corporate activities and how that becomes reflected in future cash flow. That determination is based on the assumption that the impact of the pandemic will fade in the first half of fiscal year 2020

and that a recovery will take hold from the second half of the fiscal year, followed by the expectation that fiscal year 2021 will represent a typical demand year.

If the above assumption proves invalid due to the uncertainty of the timing of the fading of the Covid-19 pandemic, the impairment loss on fixed assets may increase in the future.

(d) Notes to the consolidated statement of income

(i) Gain on change in equity.

FY2018 (April 1, 2018 to March 31, 2019)

Resulted from a capital increase at JDI's equity-method affiliate JOLED Inc. through third-party allotment of new shares.

FY 2019 (April 1, 2019 to March 31, 2020)

Not applicable.

(ii) Gain on sale of investment securities

FY2018 (April 1, 2018 to March 31, 2019)

Not applicable.

FY 2019 (April 1, 2019 to March 31, 2020)

JDI transferred all of its shares held in JOLED as a substitute performance and recorded a gain on sales of investment securities.

(iii) Business structure improvement expenses

FY2018 (April 1, 2018 to March 31, 2019)

Not applicable.

FY 2019 (April 1, 2019 to March 31, 2020)

JDI is implementing fundamental structural reforms to improve its earnings. The expenses for the structural reforms have been booked as business restructuring expenses.

Details are as follows:

Impairment loss on non-current assets (Note 1)	54,176	millions of yen
Cost related to early retirement program (Note 2)	7,793	
Penalty for contract change	3,148	
Ancillary expenses related to the expected transfer of Hakusan Plant	827	
Return of subsidy	800	
Other	431	
Total	67,178	

Note 1: The details of the impairment loss on non-current assets are as follows:

Purpose	Type	Location	Impairment loss (millions of yen)
Business assets	Buildings and structures, Machinery, equipment and vehicles, Land, Construction in progress, Other tangible assets, and Other intangible assets	Mobara Plant Mobara-shi, Chiba	2,291
	Buildings and structures, Machinery, equipment and vehicles, Land, Construction in progress, Other tangible assets, and Other intangible assets	Ishikawa Plant Kawakita-machi, Nomi-gun, Ishikawa	1,081
	Buildings and structures, Machinery, equipment and vehicles, Construction in progress, Other tangible assets, and Other intangible assets	Higashiura Plant Higashiura-machi Chita-gun, Aichi	1,698
	Buildings and structures, Machinery, equipment and vehicles, Land, Construction in progress, Other tangible assets, and Other intangible assets	Hakusan Plant Hakusan-shi, Ishikawa	46,096
	Machinery, equipment and vehicles, Construction in progress, Other tangible assets	Philippines	672
Idle assets	Buildings and structures, and Other tangible assets	Headquarters, Minato-ku, Tokyo	13
	Buildings and structures, and Other intangible assets	Nishi nippon office Osaka-shi, Osaka	0
	Buildings and structures, Machinery, equipment and vehicles, Construction in progress, Other tangible assets, Other intangible assets	Mobara Plant Mobara-shi, Chiba	1,740
	Buildings and structures, Machinery, equipment and vehicles, Construction in progress, and Other intangible assets	Ishikawa Plant Kawakita-machi, Nomi-gun, Ishikawa	486
	Buildings and structures, Construction in progress, Other tangible assets	Tottori Plant Tottori-shi, Tottori	95
Total			54,176

JDI in principle classifies business assets based on management accounting classification and groups them by adding relevance in manufacturing processes. Regarding idle assets, JDI individually groups them as units that generate cash flows independently from other asset groups.

-Business assets:

In JDI's mainstay mobile business category intensified because of sluggish growth in the smartphone market, the increased adoption of OLED displays by customers and increased production by competing manufacturers in China and JDI recognized that profitability of a portion of JDI's production facilities has decreased. As a result, the book value of the business asset group that decreased its profitability has been revised downward to the recoverable amount. This downward revision amount was JPY 51,840 million (mainly consisting of machinery, equipment and vehicles of JPY 45,738 million), and recorded as extraordinary losses.

The recoverable amount of business assets is calculated by the net realizable value, and the net realizable value is evaluated by the appraisals by third parties.

-Idle Assets:

The book value of the idle asset group has been revised downward to the recoverable amount because the assets in that group are not expected to be used in the future. This downward revision amount was JPY 2,336 million, mainly consisting of machinery, equipment and vehicles (JPY 1,699 million), and recorded as extraordinary losses.

The recoverable amount of idle assets is calculated at zero.

Note 2: Early extra retirement payments are mainly due to premium severance payment of early retirement, etc.

(iv) Other extraordinary loss

FY2018 (April 1, 2018 to March 31, 2019)

Not applicable.

FY 2019 (April 1, 2019 to March 31, 2020)

Costs related to improper accounting treatments JPY 3,845 million and a valuation loss on investment in securities JPY 258 million

(e) Notes to the Consolidated Statement of Cash Flows

Cash and cash equivalents can be specified as follows

	(millions of yen)	
	FY 2018	FY 2019
	(April 1, 2018 -March 31, 2019)	(April 1, 2019 -March 31, 2020)
Cash and deposits	68,988	66,672
Deposit with a period of more than 3 months	—	(292)
Cash and cash equivalents	68,988	66,380

(f) Segment information

FY 2018 (April 1, 2018 to March 31, 2019)

Since JDI's small-medium display business is a single segment, information on reportable segment is not stated.

FY 2019 (April 1, 2019 to March 31, 2020)

Since JDI's small-medium display business is a single segment, information on reportable segment is not stated.

(g) Per share information

	FY 2018 (April 1, 2018 -March 31, 2019)	FY 2019 (April 1, 2019 -March 31, 2020)
Net assets per share (yen)	(1.37)	(39.91)
Net income (loss) per share (yen)	(128.41)	(116.05)

Note 1. Despite the existence of dilutive shares, diluted net income per share is not presented because net loss per share was posted for the periods above.

Note 2. Net assets per share were calculated on the following basis:

	FY 2018 (March 31, 2019)	FY 2019 (March 31, 2020)
Total net assets (millions of yen)	862	53,363
Amount deducted from total net assets (millions of yen)	2,025	154,660
(of which, paid in amount for shares prioritized over ordinary shares (millions of yen)	—	(152,400)
(of which, stock acquisition rights) (millions of yen)	(53)	(40)
(of which, non-controlling interests) (millions of yen)	(1,972)	(2,219)
Term-end net assets for ordinary shares (millions of yen)	(1,162)	(101,296)
Number of term-end ordinary shares used to calculate net assets per share (shares)	846,165,797	2,538,165,797

Note: Class A preferred share and class B preferred share have both Priority rights and equivalent rights to common stock on distribution of residual assets and therefore are included in common stock for calculation of Net assets per share.

Note 3: Net income (loss) per share and diluted net income per share were calculated on the following basis:

	FY 2018 (April 1, 2018 – March 31, 2019)	FY 2019 (April 1, 2019 – March 31, 2020)
Net income (loss) attributable to owners of the parent (millions of yen)	(106,585)	(101,417)
Amount not attributable to ordinary shareholders (millions of yen)	—	—
Net income (loss) attributable to ordinary shareholders of the parent (millions of yen)	(106,585)	(101,417)
Average number of shares outstanding during the period (shares)	830,072,391	873,903,501
Class A Preferred Shares (share)	—	(16,721,311)
Class B Preferred Shares (share)	—	(11,016,393)

Note: Class A preferred share and class B preferred share have equivalent rights to common stock on dividend of surplus and therefore are included in common stock for calculation of Net income (loss) per share.

(h) Significant subsequent events

Not applicable.