

Japan Display Inc.

Consolidated Financial Results for the Six Months of Fiscal Year 2020 (Japanese GAAP)

Company name: Japan Display Inc. ("JDI")
 Security code: 6740
 Listing: Tokyo Stock Exchange (First Section)
 Website: <https://www.j-display.com/english/>
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(Figures in this report are rounded down to the nearest million yen.)

1. Consolidated results of operations for the six months ended September 30, 2020

(1) Results of operations (Millions of yen, except per share amounts)

	6 months ended Sep. 30, 2019	YoY (%)	6 months ended Sep. 30, 2020	YoY (%)
Net sales	237,762	11.0	199,795	(16.0)
Operating income (loss)	(35,169)	-	(9,879)	-
Ordinary income (loss).....	(43,330)	-	(15,195)	-
Net income (loss) attributable to owners of the parent	(104,159)	-	(36,286)	-
Net income (loss) per share				
-Basic (Yen)	(123.10)	-	(15.59)	
-Diluted (Yen).....	-	-	-	
(Reference) Comprehensive income (loss).....	(104,108)	-	(35,265)	-

(2) Financial position

	Mar. 31, 2020	Sep. 30, 2020
Total assets	389,746	315,402
Net assets	53,363	23,086
Shareholders' equity ratio (%)	13.1	6.6
(Reference) Shareholders' equity.....	51,103	20,690

2. Dividends

	1Q-end	2Q-end	3Q-end	FY-end	Total
Year ended March 31, 2020.....	-	0.00	-	0.00	0.00
Year ending March 31, 2021.....	-	0.00			
Year ending March 31, 2021 (forecast)·			-	0.00	0.00

Note 1. Changes from the most recently announced dividend forecast: None

Note 2. Above "2. Dividends" shows the status of dividends for common stock. See "(Reference) Dividends for class shares" below for dividends for class shares (unlisted) that have different rights from common stock issued by JDI.

3. Financial forecast for the first nine months of FY 2020 and full year of FY 2020

(Millions of yen)

	9 months of FY 2020 (ending December 31, 2020)		FY 2020 (full year)	
	Amount	YoY Change	Amount	YoY Change
Net sales	269,795	(30.4)%	330,000 - 350,000	(34.5)% - (30.6)%
Operating income	(19,879)	-	-	-

Note: Changes from the most recently announced financial forecast: Yes

Notes:

- (1) Changes in significant subsidiaries to scope of consolidation: None
 (Changes in specified subsidiaries resulting in the change of consolidation scope)
 Newly consolidated: None
 Removed from consolidation: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements:
 Yes
For details please see "(III) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements" in "(4) Notes on Quarterly Consolidated Financial Statements" in the attachment.
- (3) Changes in accounting policy, changes in accounting estimate and retrospective restatements
- | | |
|--|------|
| a) Changes in accounting policy in accordance with amendments to accounting standards: | None |
| b) Changes in accounting policy other than a) above: | None |
| c) Changes in accounting estimates: | None |
| d) Retrospective restatement: | None |
- (4) Number of shares outstanding

	Sep. 30, 2020	Mar. 31, 2020
a) Number of shares outstanding (incl. treasury shares)	2,538,166,300	2,538,165,800
b) Number of treasury shares.....	3	3
	6 months ended	6 months ended
	Sep. 30, 2020	Sep. 30, 2019
c) Average number of shares outstanding (quarterly cumulative)	2,327,837,600	846,165,797

Note: The Class A preferred shares, the Class B preferred shares and the Class D 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.

* Quarterly earnings reports are not subject to quarterly review procedures by independent auditors.

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 JDI at the time the document was prepared and on 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.

(Reference) Dividends for class shares

Dividends per share for class shares that have different rights to common stock is below.

Class A preferred share	1Q-end	2Q-end	3Q-end	FY-end	Total
Year ended March 31, 2020.....				0.00	0.00
Year ending March 31, 2021.....	-	0.00			
Year ending March 31, 2021 (forecast)			-	0.00	0.00

Class B preferred share	1Q-end	2Q-end	3Q-end	FY-end	Total
Year ended March 31, 2020.....				0.00	0.00
Year ending March 31, 2021.....	-	0.00			
Year ending March 31, 2021 (forecast)			-	0.00	0.00

Class D preferred share	1Q-end	2Q-end	3Q-end	FY-end	Total
Year ended March 31, 2020.....					
Year ending March 31, 2021.....			0.00		
Year ending March 31, 2021 (forecast)			-	0.00	0.00

Attachments

1. Quarterly Results Information

(1) Overview of Results of Operations

Consolidated Results of Operations for Six Months of FY 2020 (April 1 – September 30, 2020)

Year on year comparison

(Millions of yen)

	6 months ended Sep. 30 2019	6 months ended Sep. 30 2020	YoY	
			Change	(%)
Mobile Device Category	160,523	133,964	(26,559)	(16.5)
Automotive Category	52,411	38,819	(13,592)	(25.9)
Non-Mobile Device Category	24,827	27,011	2,184	8.8
Net sales	237,762	199,795	(37,967)	(16.0)
Gross profit	(15,669)	5,649	21,319	-
Operating income (loss)	(35,169)	(9,879)	25,290	-
Ordinary income (loss)	(43,330)	(15,195)	28,135	-
Net income (loss) attributable to owners of the parent	(104,159)	(36,286)	67,872	-
EBITDA*	(24,279)	(2,160)	22,119	-

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

The business environment surrounding JDI in the first six months of fiscal year 2020 remained difficult, as fierce competition in the small and medium-sized display industry continued and the impact of the global coronavirus pandemic and US-China trade frictions was felt. In the second quarter of fiscal year 2020, demand, which had fallen due to the impact of the coronavirus in the first quarter, improved in each of the company's business categories, but did not recover to the level of the same period of the previous year. As a result, sales in the first six months fell 16.0% year-on-year (YoY) to JPY 199,795 million.

While sales were down, structural reforms implemented in the first six months of fiscal year 2019 to reduce fixed costs, such as manufacturing costs and labor fixed costs, as well as various cost-reduction measures put gross profit in the black in the first six months of FY 2020 based on a YoY improvement of JPY 21,319 million. Similarly, operating losses improved by JPY 25,290 million to finish at JPY 9,879 million. An ordinary loss of JPY 15,195 million was recorded, an improvement of JPY 28,135 million YoY, as a share of loss of entities accounted for using the equity method recorded in the previous year was eliminated on the sale of shares of an equity-method affiliate, and interest costs were reduced due to refinancing implemented in the fourth quarter of the previous fiscal year. A net loss attributable to owners of the parent of JPY 36,286 million, which represents a reduction in losses of JPY 67,872 million YoY, was made possible by such factors as reductions in business restructuring expenses (an extraordinary loss).

Below is an overview of JDI's sales performance in each of its application categories in the first six months of fiscal year 2020.

Mobile Device Category

Sales in the mobile device category include displays for smartphones and tablets. Six-month sales were JPY 133,964 million, accounting for 67.1% of JDI's total sales. Shipments to Chinese smartphone makers increased in the second quarter of the year compared to the first quarter, but shipments to a major customer in US/Euro regions did not increase significantly, causing six-month sales to decrease by 16.5% YoY. Due to changes in customer needs in the smartphone display market and a more intense competitive environment, JDI sees no opportunity for a significant improvement in sales in this category for the foreseeable future. Consequently, in July 2019 the company suspended operations at its Hakusan Plant (Hakusan City, Ishikawa Prefecture), one of its manufacturing sites for smartphone displays, in order to reduce costs and improve the balance sheet. On October 1, 2020, the Plant was transferred to a third party.

Automotive Category

Sales in the automotive category center on automotive displays, such as instrument clusters and HUDs. Six-month sales were JPY 38,819 million, accounting for 19.4% of total sales. Demand for displays in this category saw an unprecedented decline in the first quarter due to production suspensions and adjustments by automobile manufacturers under the impact of the coronavirus pandemic. Sales significantly improved in the second quarter, but not to the level of the same period in the previous year. Over the first six months of the current year, sales decreased by 25.9% YoY.

Non-Mobile Category

The non-mobile category includes displays for digital still cameras, wearable devices and other consumer electronics, industrial devices such as medical equipment monitors and income from patents. Six-month sales were JPY 27,011 million, accounting for 13.5% of total net sales. As of the end of the second quarter of the current fiscal year, production restrictions due to the spread of the coronavirus at a back-end subsidiary in the Philippines, which affected shipments in the first quarter, were resolved. In the first six months of the year, shipments of digital cameras declined, while shipments of notebook PCs and VR devices increased, and shipments of OLED displays were also higher. As a result, total sales in this category rose by 8.8% YoY.

Consolidated Results of Operations for Second Quarter of FY 2020 (June 1 – September 30, 2020)

Year on year comparison

(Millions of yen)

	6 months ended Sep. 30 2019	6 months ended Sep. 30 2020	YoY	
			Change	(%)
Mobile Device Category	106,839	72,241	(34,598)	(32.4)
Automotive Category	26,892	24,050	(2,841)	(10.6)
Non-Mobile Device Category	13,609	15,504	1,895	13.9
Net sales	147,341	111,796	(35,545)	(24.1)
Gross profit	1,114	4,611	3,497	314.0
Operating income (loss)	(8,096)	(2,872)	5,223	-
Ordinary income (loss)	(12,122)	(6,395)	5,727	-
Net income (loss) attributable to owners of the parent	(25,246)	(20,000)	5,245	-
EBITDA*	(4,095)	1,048	5,143	-

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

(2) Overview of Financial Position

(a) Assets, liabilities and net assets

At the end of the second quarter of fiscal year 2020, JDI had total assets of JPY 315,402 million, a decrease of JPY 74,343 million from the end of the previous fiscal year (March 31, 2020). This was mainly due to a decrease in accounts receivable-trade and a decrease in accounts receivable-other following lower sales, and a decrease in cash and deposits. Liabilities fell by JPY 44,066 million from the end of the previous fiscal year to JPY 292,316 million, mainly because of a decrease in accounts payable-trade following a decline in purchases. Net assets decreased by JPY 30,277 million from the end of the previous fiscal year to JPY 23,086 million, as capital and capital reserves each increased by JPY 2,500 million due to the issuance of preferred shares in August 2020 while on the other hand a quarterly net loss attributable to owners of the parent of JPY 36,286 million was recorded.

For the purpose of compensating for the retained loss carried forward at the end of the previous fiscal year, ensuring the flexibility of capital policy and reducing the tax burden due to the decrease in the amount of capital reserve, as of August 26, 2020 JDI reduced the amount of capital reserves and appropriated its surplus.

As a result, the shareholders' equity ratio came to 6.6% at the end of the second quarter (compared with 13.1% at the end of the previous fiscal year).

(b) Overview of Cash Flows

Net cash used in operating activities in the first six months of fiscal year 2020 was JPY 13,563 million. This was due to an increase in working capital in line with the collection of accounts receivable, while on the other hand a loss before income taxes of JPY 35,483 million was recorded.

Net cash used in investing activities was JPY 4,622 million, mainly as a result of expenditures for testing operations related to production equipment and facilities involved in the transfer of the Hakusan Plant and expenditures for the acquisition of fixed assets.

Net cash provided by financing activities was JPY 1,265 million, mainly as a result of the proceeds from the issuance of preferred shares.

As a result, the balance of cash and cash equivalents at the end of the second quarter of fiscal year 2020 decreased by JPY 16,945 million to JPY 49,434 million relative to the end of fiscal year 2019. In addition, free cash flow, which is the sum of cash flow provided by operating activities and expenditures for the acquisition of fixed assets, saw an outflow of JPY 9,644 million.

(3) Note Concerning the Forecast of Consolidated Financial Results

JDI has revised its consolidated net sales forecast for FY 2020 announced on September 10, 2020 based on a new

customer demand forecast for the second half of the fiscal year 2020. In addition, JDI has announced net sales and operating income forecasts for nine months of the fiscal year 2020. Regarding the details of these forecasts, please see the "Notice Regarding Recording of Extraordinary Loss, Difference Between Consolidated Earnings Forecast and Actual Results for 2Q-FY2020, Revision of Sales Forecast for FY 2020 and Earnings Forecast for 3Q-FY2020" and the presentation slides for the second quarter of FY 2020 financial results released today (November 13, 2020).

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(Millions of Yen)	
	March 31, 2020	Sep. 30, 2020
<u>Assets</u>		
Current assets:		
Cash and deposits	66,672	49,782
Accounts receivable - trade	70,903	42,321
Accounts receivable - other	48,148	32,774
Merchandise and finished goods	10,131	17,212
Work in process	13,202	9,587
Raw materials and supplies	15,753	14,674
Other	4,699	5,845
Allowance for doubtful accounts	(81)	(84)
Total current assets	229,428	172,113
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	97,755	95,100
Machinery, equipment and vehicles, net	26,282	14,031
Land	10,014	9,985
Lease assets, net	1,688	1,588
Construction in progress	3,890	3,051
Other, net	3,176	2,934
Total property, plant and equipment	142,808	126,692
Intangible assets:		
Goodwill	7,263	6,537
Other	1,661	1,454
Total intangible assets	8,924	7,991
Investments and other assets:		
Other	9,276	9,294
Allowance for doubtful accounts	(692)	(689)
Total investments and other assets	8,584	8,605
Total non-current assets	160,318	143,289
Total assets	389,746	315,402

(Millions of Yen)

	March 31, 2020	Sep. 30, 2020
<u>Liabilities</u>		
Current liabilities:		
Accounts payable - trade	88,439	65,757
Electronically recorded obligations - operating	893	789
Short-term loans payable	42,055	21,548
Income taxes payable	2,587	1,939
Provision for bonuses	3,230	3,055
Advances received	89,099	81,542
Other	33,174	22,157
Total current liabilities	259,479	196,791
Non-current liabilities:		
Long-term loans payable	53,680	73,680
Net defined benefit liability	15,579	15,075
Other	7,642	6,768
Total non-current liabilities	76,902	95,524
Total liabilities	336,382	292,316
<u>Net assets</u>		
Shareholders' equity		
Share capital	190,562	193,062
Capital surplus	307,348	92,301
Retained earnings	(450,251)	(268,985)
Treasury shares	(0)	(0)
Total shareholders' equity	47,659	16,378
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	6,357	6,835
Remeasurements of defined benefit plans	(2,913)	(2,522)
Total accumulated other comprehensive income	3,444	4,312
Share acquisition rights	40	40
Non-controlling interests	2,219	2,355
Total net assets	53,363	23,086
Total liabilities and net assets	389,746	315,402

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

Consolidated Statement of Income

Statement of Income for Six Months of FY 2020 (April 1 – September 30, 2020)

	(Millions of Yen)	
	April 1, 2019 – Sep. 30, 2019	April 1, 2020 – Sep. 30, 2020
Net sales	237,762	199,795
Cost of sales	253,432	194,146
Gross profit (loss)	(15,669)	5,649
Selling, general and administrative expenses	19,499	15,528
Operating profit (loss)	(35,169)	(9,879)
Non-operating income		
Interest income	43	62
Foreign exchange gains	661	-
Rental income	279	277
Fiduciary obligation fee	591	526
Subsidy income	32	15
Other	358	414
Total non-operating income	1,967	1,296
Non-operating expenses		
Interest expenses	1,981	675
Share of loss of entities accounted for using equity method	4,167	-
Foreign exchange losses		971
Depreciation	433	960
Property maintenance expenses		2,168
Other	3,546	1,836
Total non-operating expenses	10,128	6,612
Ordinary income (loss)	(43,330)	(15,195)
Extraordinary income		
Reversal of business structure improvement expenses	-	657
Total extraordinary income	-	657
Extraordinary losses		
Business restructuring expenses	59,694	10,207
Impairment loss		10,499
Other	-	238
Total extraordinary losses	59,694	20,945
Income (loss) before income taxes	(103,025)	(35,483)
Income taxes	823	669
Net income (loss)	(103,848)	(36,152)
Net income attributable to non-controlling interests	310	133
Net income (loss) attributable to owners of the parent	(104,159)	(36,286)

Statement of Income for Second Quarter of FY 2020 (June 1 – September 30, 2020)

	(Millions of Yen)	
	July 1, 2019 – Sep. 30, 2019	July 1, 2020 – Sep. 30, 2020
Net sales	147,341	111,796
Cost of sales	146,227	107,184
Gross profit (loss)	1,114	4,611
Selling, general and administrative expenses	9,210	7,484
Operating profit (loss)	(8,096)	(2,872)
Non-operating income		
Interest income	33	22
Foreign exchange gains	851	—
Rental income	139	139
Fiduciary obligation fee	297	265
Subsidy income	32	14
Other	154	257
Total non-operating income	1,508	699
Non-operating expenses		
Interest expenses	1,165	341
Share of loss of entities accounted for using equity method	2,136	—
Foreign exchange losses	—	1,293
Depreciation	234	386
Property maintenance expenses	—	875
Other	1,998	1,325
Total non-operating expenses	5,535	4,222
Ordinary income (loss)	(12,122)	(6,395)
Extraordinary losses		
Business restructuring expenses	11,952	2,589
Impairment loss	—	10,499
Total extraordinary losses	11,952	13,088
Income (loss) before income taxes	(24,075)	(19,484)
Income taxes	955	390
Net income (loss)	(25,031)	(19,875)
Net income attributable to non-controlling interests	214	125
Net income (loss) attributable to owners of the parent	(25,246)	(20,000)

Consolidated Statement of Comprehensive Income

Statement of Comprehensive Income for Six Months of FY 2020 (April 1 – September 30, 2020)

	(Millions of Yen)	
	April 1, 2019 – Sep. 30, 2019	April 1, 2020 – Sep. 30, 2020
Net income (loss)	(103,848)	(36,152)
Other comprehensive income		
Valuation difference on available-for-sale securities	(11)	0
Foreign currency translation adjustment	(2,703)	495
Remeasurements of defined benefit plans, net of tax	2,455	391
Total other comprehensive income	(259)	887
Comprehensive income	(104,108)	(35,265)
Comprehensive income attributable to owners of the parent	(104,418)	(35,401)
Comprehensive income attributable to non-controlling interests	310	136

Statement of Comprehensive Income for Second Quarter of FY 2020 (June 1 – September 30, 2020)

	(Millions of Yen)	
	July 1, 2019 – Sep. 30, 2019	July 1, 2020 – Sep. 30, 2020
Net income (loss)	(25,031)	(19,875)
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	—
Foreign currency translation adjustment	(1,298)	667
Remeasurements of defined benefit plans, net of tax	2,112	197
Total other comprehensive income	809	865
Comprehensive income	(24,221)	(19,009)
Comprehensive income attributable to owners of the parent	(24,436)	(19,137)
Comprehensive income attributable to non-controlling interests	214	127

(3) Consolidated Statement of Cash Flows

	(Millions of Yen)	
	April 1, 2019 – Sep. 30, 2019	April 1, 2020 – Sep. 30, 2020
Cash flows from operating activities		
Income (loss) before income taxes	(103,025)	(35,483)
Depreciation	10,593	8,032
Amortization of goodwill	726	726
Impairment loss	-	10,499
Increase (decrease) in allowance for doubtful accounts	405	(2)
Interest expenses	1,981	675
Foreign exchange losses (gains)	1,212	597
Share of loss (profit) of entities accounted for using equity method	4,167	-
Subsidies received	(32)	(15)
Reversal of business structure improvement expenses	-	(657)
Business restructuring expenses	59,694	10,207
Decrease (increase) in trade receivable	(6,065)	27,878
Decrease (increase) in inventories	24,178	(3,050)
Increase (decrease) in trade payable	(8,634)	(22,411)
Decrease (increase) in accounts receivable - other	(25,226)	15,321
Increase (decrease) in accounts payable - other	(2,426)	(2,958)
Increase (decrease) in accrued expenses	606	(10,978)
Decrease (increase) in consumption taxes refund receivable	3,074	(825)
Decrease (increase) in advances paid	(1,842)	659
Increase (decrease) in advances received	(10,266)	(7,543)
Increase (decrease) in retirement benefit liability	(392)	(116)
Other	(2,623)	(2,237)
Subtotal	(53,894)	(11,683)
Interest and Dividends received	42	62
Interest paid	(1,575)	(641)
Income taxes paid	(932)	(1,301)
Cash flows from operating activities	(56,360)	(13,563)

	(Millions of Yen)	
	April 1, 2019 – Sep. 30, 2019	April 1, 2020 – Sep. 30, 2020
Cash flows from investing activities		
Purchase of investment securities	(1,624)	–
Purchase of non-current assets	(10,667)	(3,198)
Proceeds from sales of non-current assets	0	25
Payment for sales of non-current assets	-	(1,366)
Subsidies received	32	15
Other	(38)	(98)
Cash flows from investing activities	(12,297)	(4,622)
Cash flows from financing activities		
Repayments of installment payables	(911)	(2,705)
Net increase (decrease) in short-term borrowings	59,993	(517)
Repayments of lease obligations	(107)	(121)
Proceeds from issuance of preferred stock	-	4,909
Payments for borrowing fee	(1,180)	(300)
Cash flows from financing activities	57,794	1,265
Effect of exchange rate change on cash and cash equivalents	(1,336)	(25)
Net increase (decrease) in cash and cash equivalents	(12,199)	(16,945)
Cash and cash equivalents at beginning of period	68,988	66,380
Cash and cash equivalents at end of period	56,788	49,434

(4) Notes on Quarterly Consolidated Financial Statements

I. Notes on going concern assumption

The 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 recorded a significant operating loss and a loss attributable to owners of the parent in the first six months of the fiscal year ending March 31, 2021 ("FY 2020"), thereby raising significant doubt about JDI's ability to continue as a going concern.

To resolve this situation, JDI Group plans to further reduce its fixed costs through the transfers of the production equipment, land, building and ancillary facilities at the Hakusan Plant, which were announced on March 31, 2020 and August 28, 2020. The Group will implement an improvement plan to ensure a return to profitability by 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.

In addition, at the 18th annual general meeting of shareholders and the class meeting by common shareholders held on August 26, 2020, it was resolved that JDI to issue Japan Display Inc. class D preferred shares (the "Class D Preferred Shares") through third-party allotment to Ichigo Trust (the total procurement amount is JPY 5 billion), and Japan Display Inc. 12th series stock acquisition rights (the "12th Series Stock Acquisition Rights"), the underlying shares of which are Japan Display Inc. class E preferred shares (the "Class E Preferred Shares") through the third-party allotment to Ichigo Trust (the total procurement amount through the exercise of the stock acquisition rights will be up to JPY 55.4 billion). On August 28, 2020, the payment concerning the third-party allotment of Class D Preferred Shares was completed.

Furthermore, on August 6, 2020, JDI agreed with INCJ, Ltd. ("INCJ") to extend (i) the repayment due date of the short-term loan from INCJ 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 from INCJ dated September 2, 2019 (the total principal amount of which is JPY 20 billion) for two years. JDI will continue to implement appropriate financial measures and strive to enhance its capital by improving business performance to strengthen its financial position.

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 coronavirus may delay the stable improvement in business performance that JDI expects and may affect its cash flow. Considering this, there are significant uncertainties related to the going concern assumptions at this stage.

The quarterly 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.

II. Notes related to significant changes in shareholders' equity

First six months of FY 2019 (April 1, 2019 to September 30, 2019)

(1) Dividends

(i) Dividend payment amount: Not applicable.

(ii) Dividends whose record date falls in the first six months of FY 2019 and whose effective date comes after the end of the first six months of FY 2019: Not applicable.

(2) Significant changes in shareholders' equity: Not applicable.

First six months of FY 2020 (April 1, 2020 to September 30, 2020)

(1) Dividends

(i) Dividend payment amount: Not applicable.

(ii) Dividends whose record falls in the first six months of FY 2020 and whose effective date comes after the end of the first six months of FY 2020: Not applicable.

(2) Significant changes in shareholders' equity

With the effective date of August 26, 2020, JDI transferred the entire amount of the capital reserve (JPY 217,537 million) to other capital surplus pursuant to Article 448, paragraph (1) of the Companies Act, and the company transferred the amount of other capital surplus transferred from the capital reserve to retained loss carried forward pursuant to Article 452 of the Companies Act.

In addition, on August 28, 2020, JDI received the payment from Ichigo Trust for the third-party allotment of new shares.

As a result, amount of capital increased by 2,500 million yen and amount of capital surplus increased by 2,500 million yen during the first six months of FY 2020, and at the end of the period, amount of capital was 193,062 million yen and amount of capital surplus was 92,301 million yen.

III. Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements (Calculation of tax expenses)

An effective tax rate was reasonably estimated after applying tax effect accounting to income before income taxes for the fiscal year including the first six months of the current fiscal year, and tax expenses were calculated by multiplying quarterly income before income taxes by the effective tax rate.

IV. Additional information

(Accounting estimates concerning coronavirus pandemic)

There is no significant change in the outlook regarding the impact of the coronavirus pandemic described in the "Additional information" of "Consolidated Financial Results for Fiscal Year 2019" issued on June 30, 2020.

V. Significant subsequent events

(Transfer of significant assets)

JDI resolved at its board of directors meeting held on March 31, 2020, and August 28, 2020 to transfer its fixed assets at its Hakusan Plant and entered into a definitive agreement with JDI's customer on each day. Also, JDI resolved at its board of directors meeting held on August 28, 2020 to transfer other fixed assets at the Hakusan Plant and entered into a definitive agreement with Sharp Corporation. These transfers were completed on October 1, 2020.

1. Reason for the transfer

To use the management resources efficiently and improve the financial situation of JDI.

2. Details of the assets transferred

	(1) Transfer to JDI's customer	(2) Transfer to Sharp Corporation
Assets transferred	LCD production equipment at the Hakusan Plant	Land, building, ancillary facilities and other assets at the Hakusan Plant
Location	Hakusan City, Ishikawa Prefecture	Hakusan City, Ishikawa Prefecture
Transfer price (yen equivalent)	USD 285 million (USD 85 million out of USD 285 million) (Note1) (JPY 30,153 million) (Note 2)	USD 390 million (JPY 41,262 million) (Note 2)
Book value	JPY 211 million	JPY 49,867 million

(Note 1) USD 85 million out of the total transfer price of USD 285 million was agreed on August 28, 2020.

(Note 2) The amount in Japanese yen is calculated by converting the US-dollar-denominated contract transfer price based on a foreign exchange rate of USD 1 = JPY 105.8 as of September 30, 2020.

3. Schedule of the transfer

Delivery of the Hakusan Plant assets: October 1, 2020

4. Overview of the transferees

(1) JDI's customer

The transferee is an overseas corporation who is one of JDI's main customers. Due to a nondisclosure agreement JDI has with this transferee, details concerning the transferee cannot be disclosed. JDI has a business relationship with the transferee but has no capital or personnel relationship. In addition, the transferee is not JDI's related party.

(2) Sharp Corporation

(i)	Company name	Sharp Corporation	
(ii)	Head office	1 Takumi-cho Sakai-ku, Sakai City, Osaka, Japan	
(iii)	Name and title of representatives	Mr. Jeng-Wu Tai, Representative Director, Chairman & CEO Mr. Katsuaki Nomura, Representative Director, President & COO	
(iv)	Business description	Mainly manufacturing and sales of telecommunications equipment, electric and electronic application equipment, and electronic components.	
(v)	Capital stock	JPY 5 billion (As of March 31, 2020)	
(vi)	Date of incorporation	May 1935	
(vii)	Net assets	JPY 295,138 million (As of March 31, 2020)	
(viii)	Total assets	JPY 1,832,349 million (As of March 31, 2020)	
(ix)	Major shareholders and their shareholding ratio	HON HAI PRECISION INDUSTRY CO., LTD.	24.47%
		FOXCONN (FAR EAST) LIMITED	17.23%
		FOXCONN TECHNOLOGY PTE. LTD.	12.17%
(x)	Relationship with the listed company	Capital relationship	Not applicable
		Personnel relationship	Not applicable
		Business relationship	Not applicable
		Status of relationship with related parties	Not applicable

5. Future Outlook

Including the transfer of part of LCD production equipment located at the Hakusan Plant agreed on March 31, 2020 with its customer at the transfer price of USD 200 million, JDI expects to record a gain on sales of fixed assets of approximately JPY 21,336 million, a difference between book value and transfer price at the time of asset transfer, as an extraordinary income.

End