



Japan
Display
Inc.
Group

Financial Results Fourth Quarter & Full Year of Fiscal Year 2019

Japan Display Inc.
June 30, 2020

Summary of 4Q & 2H of FY19 Results

- Though 2H-FY19 sales fell sharply YoY (down Y156.1bn), a **significantly improved BEP enabled by structural reforms** in the 1H **reduced the operating loss by Y12.1bn** to Y3.3bn.
- Due in part to an extraordinary gain on the transfer of JOLED shares, the 2H **finished in the black**.
- **Covid-19 pandemic hurt** sales by Y21.2bn and operating income by Y7.1bn.
- The March capital investment from Ichigo Trust and INCJ refinancing **erased negative net worth**.

(Billion Yen)

	FY18	FY19		FY18		FY19		
	2H	1H	2H	3Q	4Q	3Q	4Q	4Q incl. Covid-19 impact
Net sales	422.3	237.7	266.2	251.0	171.3	150.0	116.2	137.4
Op. income	(15.4)	(35.1)	(3.3)	4.3	(19.8)	2.5	(5.9)	1.2
Net income	(99.5)	(104.1)	2.7	(2.7)	(96.7)	(6.7)	9.4	16.5

Summary of FY19 Results

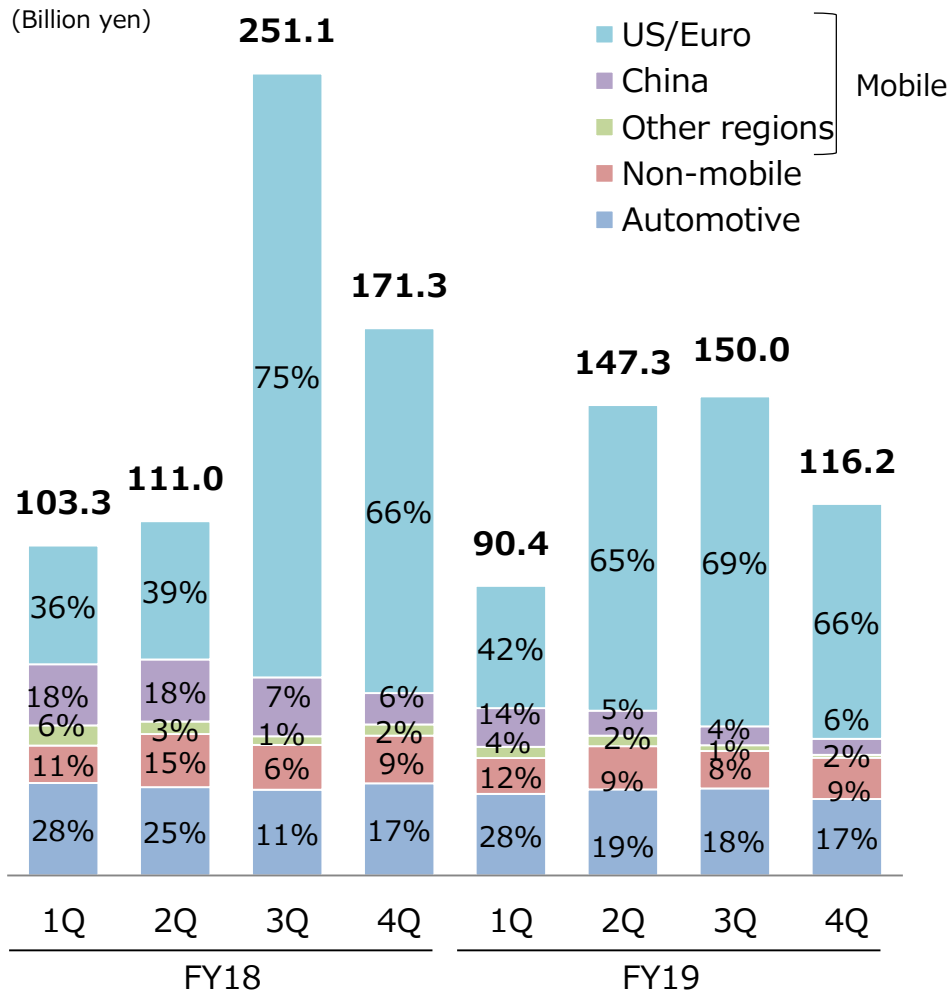
- Lack of 2H growth versus FY18 in smartphone display sales, withdrawal of unprofitable products and Covid-19 led FY19 sales to fall Y132.6bn YoY (-21%).
- Structural reforms to generate **Y50bn/yr in fixed cost reductions** were implemented in 1H, reducing costs by about Y30bn in FY19. Though the 1H operating loss was large and full-term losses grew vs. FY18, **2H losses were significantly lower** owing to the full impact of the reforms.
- 2H finished in the black, but sizeable 1H losses caused a full-term net loss of Y101.4bn.

(Billion Yen)

	FY18	FY19		
	Full year	1H	2H	Full year
Net sales	636.6	237.7	266.2	504.0
Op. income	(27.2)	(35.1)	(3.3)	(38.5)
Net income	(106.5)	(104.1)	2.7	(101.4)

Quarterly Sales by Region & Business Category

Quarterly Sales Trend



Sales Status per Category

Mobile Category

- FY19 sales fell 25% YoY due to lack of 2H growth vs. large FY18 sales & withdrawal of unprofitable products. Also, Covid-19 depressed 4Q demand.

Automotive Category

- Due to drop in global auto mfg. & 4Q mfg. disruptions triggered by Covid-19, FY19 sales fell 8% YoY.

Non-mobile Category

- Lower customer demand due to US-China trade frictions & reduced mfg. under Covid-19 led FY19 sales to fall 14% YoY. Display sales: Lower DSC & notebook PC, steady wearable & favorable VR.

Q4-FY19 Operating Results

(Billion yen)

	Q4-FY19	Q4-FY18	YoY Chg.		Q3-FY19	QoQ Chg.	
Net sales	116.2	171.3	(55.1)	-32.2%	150.0	(33.8)	-22.5%
Cost of sales	112.9	178.1	(65.2)	-36.6%	139.1	(26.2)	-18.8%
Gross profit (loss)	3.4 2.9%	(6.8)	+10.2	-	10.9	(7.6)	-69.3%
SG&A	9.3	13.0	(3.7)	-28.8%	8.4	+0.9	+10.7%
Operating income (loss)	(5.9) -5.1%	(19.8)	+13.9	-	2.5	(8.5)	-
Net non-op. income (expenses)	(5.2)	(3.8)	(1.5)	-	5.8	(11.1)	-
Ordinary income (loss)	(11.1) -9.6%	(23.6)	+12.4	-	(3.3)	(7.8)	-
Net extraordinary income (loss)	22.0	(73.5)	+95.5	-	(3.0)	+25.0	-
Income (loss) before income taxes	10.9 9.4%	(97.1)	+108.0	-	(6.3)	+17.2	-
Income taxes	1.5	(0.2)	+1.6	-	0.4	+1.0	-
Net income (loss) attributable to owners of the parent	9.5 8.1%	(96.8)	+106.2	-	(6.7)	+16.2	-
EBITDA	(2.0) -1.7%	(9.3)	+7.3	-	6.7	(8.7)	-
Avg. FX rate (JPY/USD)	108.7	0.0			108.8		
Q-End FX rate (JPY/USD)	108.8	0.0			109.6		

Q4-FY19

Non-operating expense: Share of loss of entities accounted for using the equity method ¥1.5bn, Plant maintenance cost ¥1.3bn, Share issuance cost ¥0.9bn
Extraordinary income: Gain on sales of investment securities ¥30.6bn
Extraordinary loss Business restructuring expenses (Impairment loss ¥3.2bn, Penalty for contract change ¥1.1bn, Plant restarting cost ¥0.8bn)
 Other (Costs related to improper accounting treatments ¥3.6bn)

FY2019 Operating Results

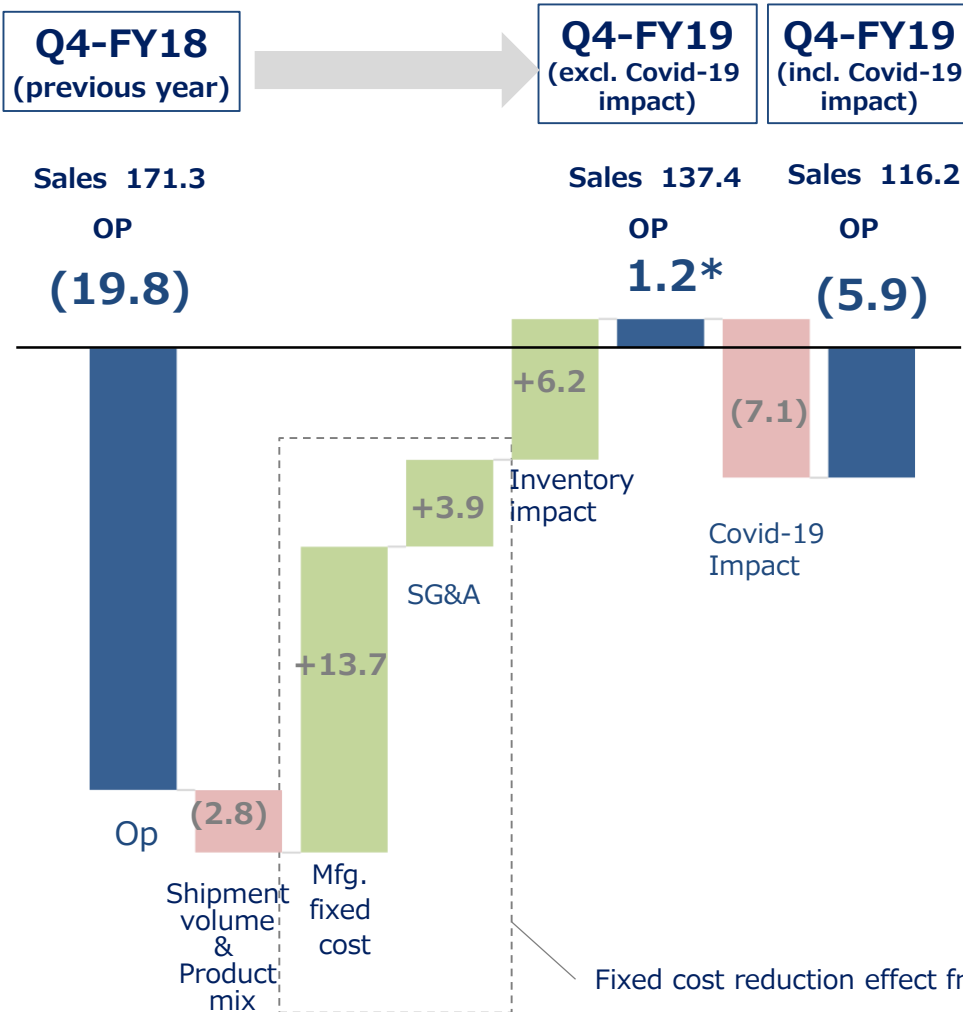
(Billion yen)

	FY19	FY18	YoY Chg.	
Net sales	504.0	636.7	(132.6)	-20.8%
Cost of sales	505.4	615.4	(110.0)	-17.9%
Gross profit	(1.4)	21.2	(22.6)	-
	-0.3%	3.3%		
SG&A	37.1	48.5	(11.3)	-23.4%
Operating income (loss)	(38.5)	(27.2)	(11.3)	-
	-7.6%	-4.3%		
Net non-op. income (expenses)	(19.2)	(13.1)	(6.1)	
Ordinary income (loss)	(57.8)	(40.4)	(17.4)	-
	-11.5%	-6.3%		
Net extraordinary income (loss)	(40.7)	(63.5)	+22.8	
Income (loss) before income taxes	(98.4)	(103.8)	+5.4	-
	-19.5%	-16.3%		
Income taxes	2.7	2.4		
Net income (loss) attributable to owners of the parent	(101.4)	(106.6)	+5.2	-
	-20.1%	-16.7%		
EBITDA	(19.5)	15.7	(35.3)	-
	-3.9%	2.5%		
Avg. FX rate (JPY/USD)	108.7	110.9		

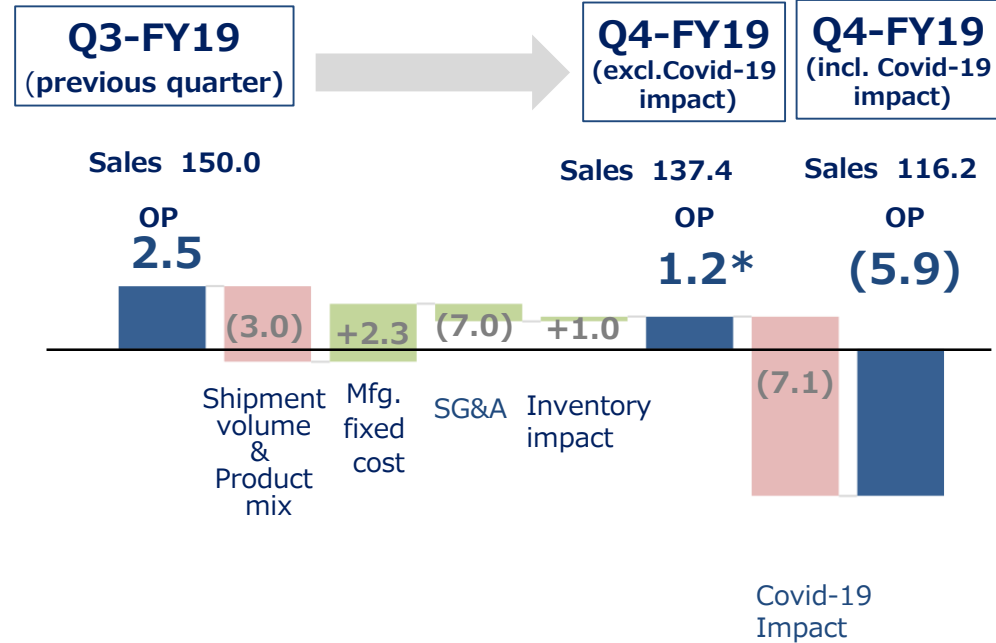
FY19 Non-operating expense: Share of loss of entities accounted for using the equity method ¥10.0bn
Extraordinary income : Gain on sales of investment securities ¥30.6bn
Extraordinary loss : Business restructuring expenses ¥67.2bn

Operating Profit Change Factors

vs. Previous Year (Q4-FY18)



vs. Previous Quarter (Q4-FY19)



*Theoretical figure

Consolidated Balance Sheet

	(Billion yen)		
	2019/3	2019/12	2020/3
Cash and deposits	69.0	49.1	66.7
Accounts receivable - trade	92.2	78.0	70.9
Accounts receivable - other	49.7	64.8	48.1
Inventories	70.9	43.5	39.1
Other	8.8	8.7	4.6
Total current assets	290.6	244.2	229.4
Total non-current assets	247.9	183.6	160.3
Total assets	538.5	427.9	389.7
Accounts payable - trade	178.4	142.2	89.3
Interest-bearing debt	185.8	246.0	98.0
Advances received	101.9	90.3	89.1
Other liabilities	71.5	57.7	59.9
Total liabilities	537.6	536.1	336.4
Total net assets	0.9	(108.3)	53.4
Shareholders' equity ratio	-0.2%	-25.9%	13.1%
Net debt	116.9	196.9	31.3
Merchandise and finished goods	15	9	8
Work in process	12	6	10
Raw materials and supplies	10	10	12
Days in inventory	37	26	30

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

Consolidated Cash Flows

(Billion yen)

	FY18	1H-FY19	2H-FY19	FY19
Income before income taxes	(103.8)	(103.0)	4.6	(98.4)
Dep. & Amort.	43.7	11.3	9.3	20.7
Working capital	31.2	(15.7)	(20.4)	(36.1)
Advances received	(26.3)	(10.3)	(2.5)	(12.8)
Business restructuring expenses	76.1	59.7	7.5	67.2
Other	(27.4)	1.7	(29.2)	(27.5)
CF from operating activities	(6.6)	(56.4)	(30.8)	(87.1)
Acquisitions of P&E	(43.8)	(10.7)	(5.4)	(16.1)
Proceeds from sales of investmet securities	-	-	46.3	46.3
Other	7.2	(1.6)	(0.5)	(2.1)
CF from investing activities	(36.6)	(12.3)	40.4	28.1
CF from financing activities	31.0	57.8	(0.1)	57.7
Ending balance, cash & equiv.	69.0	56.8	66.4	* 66.4
Free cash flow	(43.2)	(68.7)	9.6	(59.0)

*Difference in balance of cash & equivalent in Cash Flows and cash and deposits in Balance Sheet: ¥0.3bn in deposits paid

FY 2020: First Year of Turnaround

Minimize the impact of Covid-19 & rebuild earnings base to recoup earnings and grow

■ FY20 outlook

Sales: down 15-20% vs. FY19

- Impact of Covid-19:

Production: Some still affected, but almost all recovers

Demand: Smartphones & auto display demand are expected to decrease

Operating income: Strive to limit decline caused by Covid-19

- Cost reductions steadily continue. Based on the full impact of structural reforms in the year, we expect fixed costs to decline Y200bn vs. FY19.
- Aim to improve by building sales, executing measures to further reduce fixed/variable costs

■ Financial measures

- Additional funding announced March 13, 2020 is in final talks.

■ 1Q-FY20 Est.

(bn yen)

	Q1-FY19 (Actual)	Q1-FY20 (Est)
Net sales	90.4	85.0-89.0
Op.income (loss)	(27.1)	(7.0)-(9.0)

*Due to undetermined non-operating and extraordinary items, JDI is only providing estimates for net sales and operating income

■ Capex & R&D

(bn yen)

	FY19 (Act)	FY20 (Est)
Capex	16.1	13.9
Depreciation	20.7	18.2
R&D expenses	10.3	9.8*

*We are favorably considering increasing R&D expenditures based on our growth strategy

Carte Blanche Structural Reforms

Go back to basics, take pride as a "technology company"
& regain "added value"

Strengthen governance

Applying global best practices, increase internal awareness of governance priorities, transition to a company w/committees (nominating etc.) & strengthen internal controls

Rebuild the earnings base

Optimize assets, strengthen cost competitiveness, diversify the supply chain

From "capital investment" to "R&D" company

Strategic use of our rich IP resources*

*US registered patent holdings: 5,252 (as of June 1, 2020, including joint applications)

Establish the new revenue source

Venture into healthcare by engaging the current/post Covid-19 society

Break free from the "one-horse" display business, apply core technologies to the healthcare field and form unique product groups

Strengthen Governance

The Governance Improvement Committee, established in April 2020, thoroughly analyzes the causes of inappropriate accounting, prevents recurrence and improves governance; the Board of Directors implements resolutions based on Committee reports.

Important measures

(1) Change internal awareness regarding accounting & information disclosure

Top mgmt. frequently disseminate the importance of proper accounting by video and in writing. Make clear in the Code of Conduct that we adopt the most conservative accounting standards (under discussion).

(2) Transition to a company with committees (nominating etc.) *Subject to shareholder approval

Board of Directors pays utmost attention to the protection of minority shareholders and focuses on determining basic management policies and supervising business execution

(3) Strengthen accounting controls

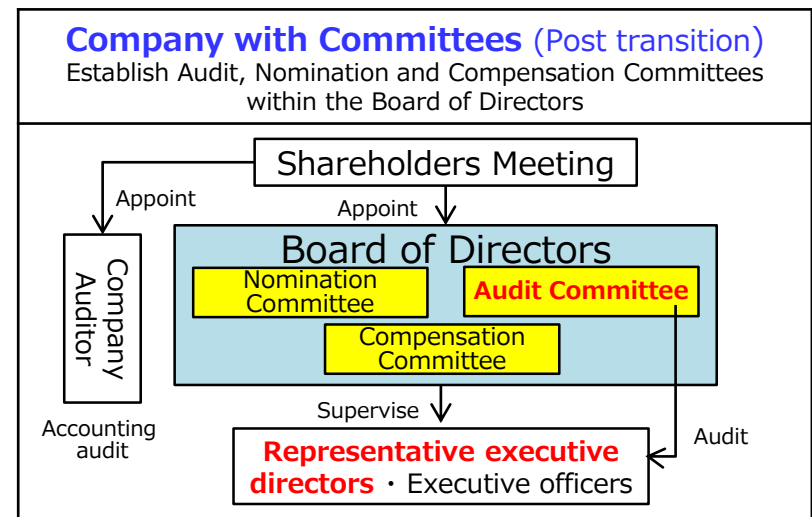
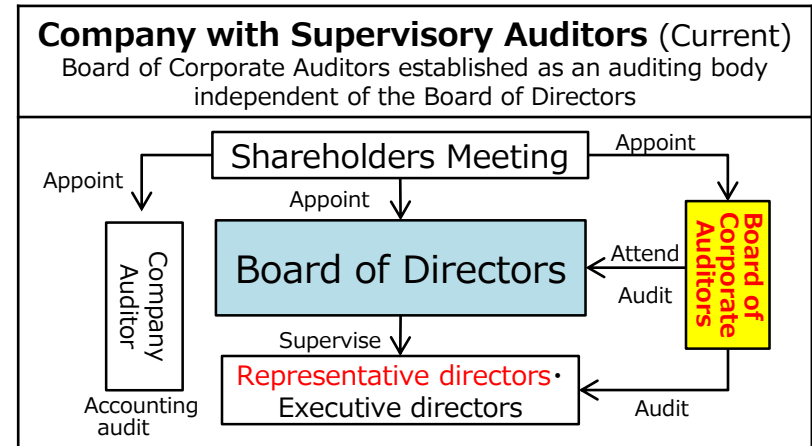
Formulate recurrence prevention measures for each inappropriate accounting cases based from the viewpoint of transparency of accounting, elimination of arbitrary interpretations, etc.

(4) Strengthen internal audit system

Upgrade the Internal Audit Office to an Audit Department, increase the number of personnel with accounting knowledge and establish a system that also enables auditing of accounting processes.

(5) Improve the whistleblowing system

Make the reporting channels transparent & broader, make the confidentiality/protection of whistleblowers stronger & fully enforced, strengthen supervision of the whistleblowing system, dig up reports, etc.



Rebuild the Earnings Base

■ Asset optimization

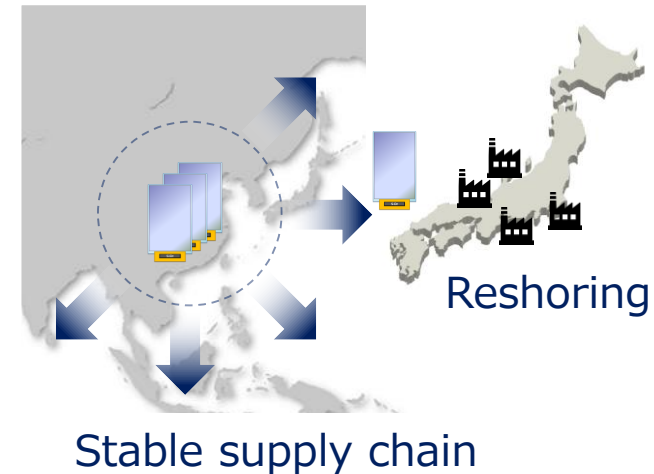
- Completed partial sale of Hakusan Plant
- Study further optimization

■ Strengthen cost competitiveness

- From "ultra high-specs" to "performance that customers truly want"
- Promote "commonization" & "high quality" by fully exploiting technological capabilities
- Further reduce costs through strong cooperation with partners

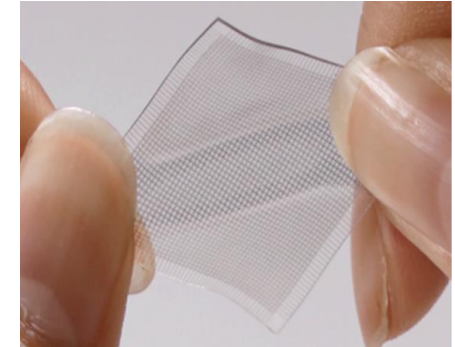
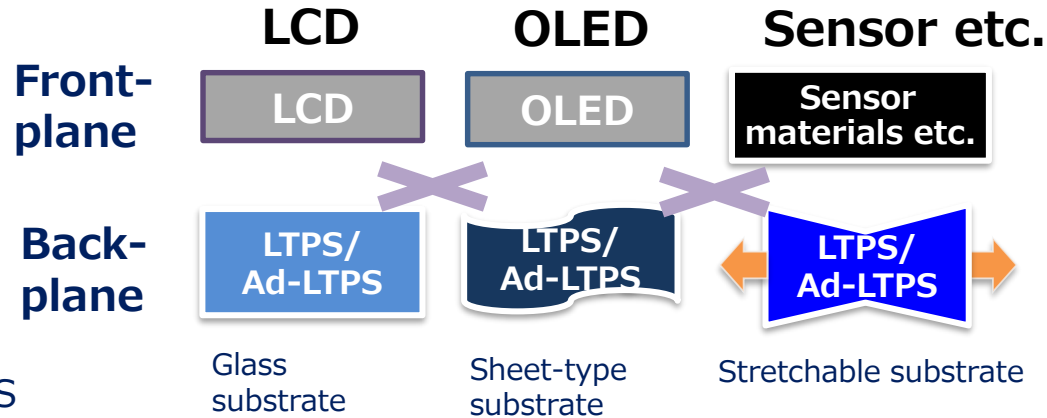
■ Diversify the supply chain

- Reduce geopolitical risk by utilizing Covid-19 economic measures
- Secure a stable product supply network for customers, including reshoring
- Minimize business opportunity losses when the supply chain is disrupted
- Build a low-cost, high-efficiency production system that can flexibly adapt to market changes



JDI Technology is a Door to the Future

- Evolving powerful backplane technology
- Able to offer diverse value by combining with frontplane technology



Further evolution of displays

- Ultra high-quality displays
- Transparent displays
- Micro LED



Developing new sensors

- Large-screen authentication sensors
- Hover sensors
- Biometric sensors



Various technologies can be applied to the healthcare field

Establish the New Revenue Source

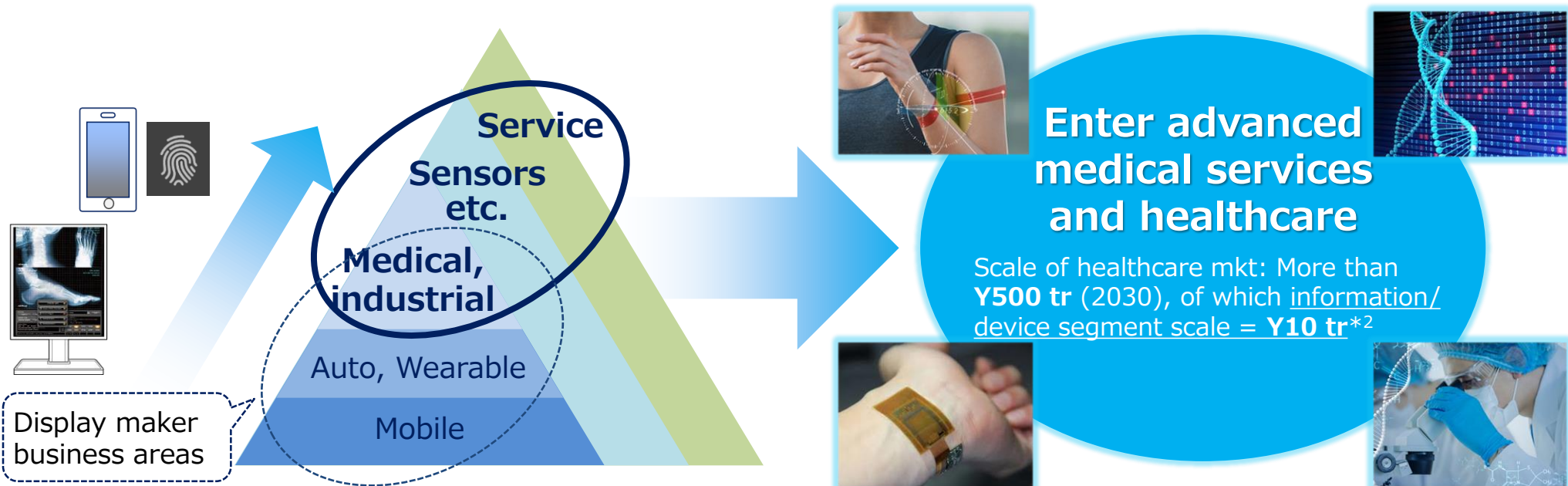
Venture into healthcare by engaging the current/post Covid-19 society

■ Application development using JDI core technology

- **Biometric sensors** that apply our highly developed display **backplane technology***1
- **Sensing displays** that support **hover operation** plus high image quality and low power consumption suitable for the medical field

■ Studying entry into the whole human genome analysis business

- Along with whole genome analysis, provide services that combine analytical data and biometric sensing data.



*1) Technology to fabricate integrated circuits on glass/plastic substrate. *2) JDI estimate



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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