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FY22/3 H1 Earnings

November 12, 2021

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Supplemental Explanatory Materials for Earnings Results: Available

Earnings Results Briefing: November 12, 2021 (for institutional investors and analysts)

1. FY22/3 H1 Consolidated Financial Results (April 1, 2021 to September 30, 2021)

(1) Consolidated Financial Results

	FY21/3 H1		FY22/3 H1	
	(JPY million)	YoY	(JPY million)	YoY
Sales	199,795	-16.0%	137,860	-31.0%
EBITDA	(2,160)	—	(2,761)	—
Operating Profit (Loss)	(9,879)	—	(7,033)	—
Recurring Profit (Loss)	(15,210)	—	(7,570)	—
Net Income (Loss)	(36,286)	—	(8,753)	—
Net Income (Loss) per Share (JPY)	(15.59)	—	(2.96)	—
Diluted Net Income (Loss) per Share (JPY)	—	—	—	—
(Reference) Comprehensive Income (Loss)	(35,265)	—	(7,860)	—

Note 1 EBITDA = Operating Profit + Depreciation + Goodwill amortization

2 FY21/3 H1 Recurring Profit (Loss) has been adjusted to reflect a change in JDI accounting treatment in FY21/3 Q3 with respect to gains on sale of fixed assets.

(2) Consolidated Financial Position

	FY21/3	FY22/3 H1
	(JPY million)	(JPY million)
Total Assets	224,998	230,045
Net Assets	41,829	57,890
Shareholders' Equity Ratio	17.6%	24.1%
(Reference) Shareholders' Equity	39,511	55,415

2. Dividends

	Q1	Q2	Q3	Q4	Total
FY21/3	–	0.00	–	0.00	0.00
FY22/3	–	0.00			
FY22/3 (forecast)			–	0.00	0.00

- Note 1 Changes from the most recently announced dividend forecast: None
 2 The above shows dividends for common shares. For preferred shares, please see “(Reference) Dividends for Preferred Shares” below.

3. FY22/3 Q3 Full-Year Consolidated Earnings Forecast (April 1, 2021 to March 31, 2022)

	FY22/3 Full-Year	
	(JPY million)	YoY
Sales	297,000	-13.1%
EBITDA	(4,400)	–
Operating Profit (Loss)	(13,100)	–
Recurring Profit (Loss)	(14,500)	–
Net Income (Loss)	(18,400)	–
Net Income per Share	(4.77)	–

- Note Changes from the most recently announced financial forecast: Yes
 JDI revised upward its FY22/3 full-year sales forecast today. For details, please see "1. Overview of Financial Results (3) Forward Outlook" on page 9.

(Reference)

Q3 Forecast (JPY million):	Sales 73,000	EBITDA (2,000)	Operating Profit (4,000)
Q4 Forecast (JPY million):	Sales 86,000	EBITDA 300	Operating Profit (2,100)

4. Other Information

- (1) Changes in significant subsidiaries: None
 Material changes in scope of consolidation
 – New subsidiaries: None
 – Subsidiaries removed from consolidation: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policy, changes in accounting estimates, and revisions to previous financial statements
 (i) Accounting policy changes based on amendments to accounting standards: Yes
 (ii) Accounting policy changes other than (i) above: None
 (iii) Accounting estimate changes: None
 (iv) Revisions to previous financial statements: None

- (4) Number of shares outstanding
- (i) Number of shares outstanding (including treasury shares) at period-end
 FY22/3 H1: 2,538,170,732
 FY21/3: 2,538,168,239
- (ii) Number of treasury shares at period-end
 FY22/3 H1: 67
 FY21/3: 4
- (iii) Average number of shares outstanding (excluding treasury shares) during the period
 FY22/3 H1: 2,955,670,166
 FY21/3 H1: 2,327,837,600

Note: All preferred shares outstanding have the same rights as common shares in regard to rights to receive dividends, 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.

Please note that quarterly earnings reports are not subject to independent auditor review.

Note on Appropriate Use of Forecasts

Forward-looking statements contained in these materials are based on judgements regarding information available to JDI as of the announcement date. However, these statements involve risk and uncertainties, and actual earnings may differ significantly from the indicated forecasts.

(Reference)

Dividends for Preferred Shares

Dividends for preferred shares are shown below.

Class A preferred share	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY21/3	–	0.00	–	0.00	0.00
FY22/3	–	0.00			
FY22/3 (forecast)			–	0.00	0.00

Class B preferred share	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY21/3	–	0.00	–	0.00	0.00
FY22/3	–	0.00			
FY22/3 (forecast)			–	0.00	0.00

Class D preferred share	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY21/3	–	0.00	–	0.00	0.00
FY22/3	–	0.00			
FY22/3 (forecast)			–	0.00	0.00

Class E preferred share	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY21/3	–	0.00	–	0.00	0.00
FY22/3	–	0.00			
FY22/3 (forecast)			–	0.00	0.00

1. Overview of Financial Results

(1) Consolidated Earnings

FY22/3 H1 Consolidated Earnings (April 1, 2021 to September 30, 2021)

Year-on-Year Comparison

	FY21/3 H1	FY22/3 H1	YoY	
	(JPY million)	(JPY million)	Change	(%)
Mobile	133,964	62,162	(71,801)	-53.6 %
Automotive	38,819	44,756	5,936	+15.3 %
Non-Mobile	27,011	30,941	3,930	+14.5 %
Sales	199,795	137,860	(61,934)	-31.0 %
EBITDA	(2,160)	(2,761)	(600)	-
Operating Profit (Loss)	(9,879)	(7,033)	2,846	-
Recurring Profit (Loss)	(15,210)	(7,570)	7,639	-
Net Income (Loss)	(36,286)	(8,753)	27,533	-

Note 1 EBITDA = Operating Profit + Depreciation + Goodwill amortization

2 FY21/3 H1 Recurring Profit (Loss) has been adjusted to reflect a change in JDI accounting treatment in FY21/3 Q3 with respect to gains on sale of fixed assets.

The business environment during FY22/3 H1 continued to be difficult. Fierce competition in the small and medium-sized display market continues, while demand for smartphone LCDs is declining. In addition, tight global supply and soaring prices for semiconductor chips and other parts and materials had a major impact.

Under these circumstances, JDI has focused on rebuilding existing businesses and strengthening profitability to achieve the goal of FY22/3 Q4 EBITDA profitability. Moreover, JDI has worked to establish new business models and commercialize high value-add technologies to strengthen profitability. In response to tight supplies of parts and materials, JDI concluded long-term contracts with major semiconductor vendors and worked to improve profitability by passing through higher parts and materials costs to JDI selling prices.

As a result, total sales declined 31% year on year (YoY) to JPY 137,860 million, primarily due to a c. 50% drop in Mobile sales. In Automotive and Non-Mobile, sales increased due to strong demand despite production limitations caused by a shortage of parts and materials.

While sales fell sharply, a significantly lowered break-even point made possible by improvements in the product mix and cost reduction effects held the EBITDA loss to JPY 2,761 million (JPY -600 million YoY) and reduced the operating loss by JPY 2,846 million to JPY 7,033 million. A recurring loss of JPY 7,570 million, an improvement of JPY 7,639 million YoY, was driven by a lower operating loss and lower Hakusan Plant maintenance costs following its sale. A net loss of JPY 8,753 million (a decrease of JPY 27,533 million YoY) was supported by lower business restructuring expenses and impairment losses.

FY22/3 H1 Sales by Product

Mobile

Mobile sales, which include displays for smartphones and tablets, decreased by 53.6% YoY to JPY 62,162 million, as demand for LCD displays continued to decline. Mobile's share of total sales fell from 67.1% in FY21/3 H1 to 45.1%.

Mobile demand has continued to see significant year-on-year declines recently, but is expected to

follow a more gradual downward trend over the medium term, although there will be some short-term volatility.

Automotive

After a temporary plunge in Automotive sales due to the impact of COVID-19 in FY21/3 Q1, strong demand continues. Sales in H1 increased 15.3% YoY to JPY 44,756 million, and Automotive's share of total sales rose from 19.4% in FY21/3 H1 to 32.5%. On the other hand, Automotive was strongly affected by the shortage of parts and material supplies, preventing JDI from fully satisfying strong demand.

The impact of the supply shortage is expected to ease in H2 based on efforts to stabilize procurement. Also, strong demand continues. As a result, sales in FY22/3 H2 are expected to be higher YoY.

Non-Mobile

Non-Mobile includes displays for digital still cameras, wearable devices and other consumer electronics, and industrial devices such as medical equipment monitors and income from patents. Due to greater sales of OLED displays for wearable devices and ultra-high-resolution LCD for VR, category sales increased by 14.5% YoY to JPY 30,941 million. Non-Mobile's share of total sales increased from 13.5% in FY21/3 H1 to 22.4%. The supply shortage of parts and materials also had an impact.

In FY22/3 H2, the impact of parts and material shortages will present a greater risk for some products. However, sales are expected to surpass FY21/3 H2.

Quarterly Consolidated Earnings

FY21/3 Consolidated Earnings (April 1, 2020 to March 31, 2021)

(JPY million)

	Q1	Q2	Q3	Q4	FY 21/3
Mobile	61,723	72,241	33,765	29,747	197,476
Automotive	14,769	24,050	23,955	25,277	88,052
Non-Mobile	11,506	15,504	15,026	14,127	56,165
Sales	87,999	111,796	72,747	69,152	341,694
EBITDA	(3,209)	1,048	(5,651)	(4,690)	(12,502)
Operating Profit (Loss)	(7,006)	(2,872)	(8,747)	(7,599)	(26,226)
Recurring Profit (Loss)	(8,800)	(6,410)	(10,754)	(6,691)	(32,656)
Net Income (Loss)	(16,286)	(20,000)	13,360	(19,770)	(42,696)

Note 1 EBITDA = Operating Profit + Depreciation + Goodwill amortization

2 FY21/3 H1 Recurring Profit (Loss) has been adjusted to reflect a change in JDI accounting treatment in FY21/3 Q3 with respect to gains on sale of fixed assets.

FY22/3 Consolidated Earnings (April 1, 2021 to March 31, 2022)

(JPY million)

	Q1	Q2	Q3	Q4	FY 22/3
Mobile	30,107	32,054			
Automotive	20,881	23,874			
Non-Mobile	14,972	15,969			
Sales	65,961	71,898			
EBITDA	(3,716)	955			
Operating Profit (Loss)	(5,872)	(1,160)			
Recurring Profit (Loss)	(6,358)	(1,212)			
Net Income (Loss)	(6,992)	(1,760)			

Note 1 EBITDA = Operating Profit + Depreciation + Goodwill amortization

(2) Consolidated Financial Position

(a) Assets, Liabilities, and Net Assets

(JPY million)

	FY21/3	FY22/3 H1	Change
Total Assets	224,998	230,045	+5,046
Total Liabilities	183,168	172,154	(11,014)
Net Assets	41,829	57,890	+16,061
Shareholders' Equity Ratio	17.6%	24.1%	+6.5 points

Total assets increased by JPY 5,046 million from the end of FY21/3 to JPY 230,045 million due in part to an increase in inventories driven by greater production and higher parts and material costs.

Total liabilities decreased by JPY 11,014 million from the end of FY21/3 to JPY 172,154 million. Accounts payable-trade grew due to production expansion and an increase in advances received from customers, while JPY 20,000 million in borrowings from INCJ, Ltd. was repaid in Q2.

Total net assets increased by JPY 16,061 million to JPY 57,890 million. Retained earnings were lower due to the recording of a net loss in H1, while the capital and capital reserve each increased by JPY 12,465 million owing to the exercise of stock acquisition rights by Ichigo Trust.

As a result, the shareholders' equity ratio increased to 24.1%, an improvement of 6.5 points from the end of FY21/3.

(b) Cash Flows

(JPY million)

	FY21/3 H1	FY22/3 H1	Change
Cash Flows from Operating Activities	(13,563)	(6,803)	+6,760
Cash Flows from Investing Activities	(4,622)	(4,281)	+340
Cash Flows from Financing Activities	1,265	4,376	+3,110
Cash and Cash Equivalents at End of Period	49,434	48,986	(448)
Free Cash Flow	(16,761)	(11,246)	+5,515

Note: Free Cash Flow = Cash Flows from Operating Activities minus Capex

Net cash used in operating activities in H1 was JPY 6,803 million due in part to a pre-tax net loss. Cash flows increased due to an increase in trade payables and advances received, and decreased partly due to the recording of losses before income taxes and increases in inventories and accounts receivable-other.

Net cash used in investing activities was JPY 4,281 million, mainly due to expenditures of JPY 4,442 million on the acquisition of fixed assets. Compared to the same period of the previous year, expenditures on the acquisition of fixed assets increased by JPY 1,244 million, but this was largely offset by lower costs related to the Hakusan Plant sale (payments for sale of non-current assets) declining by JPY 1,366 million.

As a result, free cash flow was negative JPY 11,246 million, an improvement of JPY 5,515 million YoY.

Net cash provided by financing activities was JPY 4,376 million. While there was an expenditure of JPY 20,000 million due to the repayment of borrowings to INCJ, Ltd., income of JPY 24,842 million was gained from the share issuance associated with the exercise of stock acquisition rights by Ichigo Trust. Compared to FY21/3 H1, cash used for the repayment of borrowings increased by JPY 19,618 million, while income from the issuance of shares increased by JPY 19,933 million, resulting in an increase in net cash provided.

As a result, cash and cash equivalents at the end of H1 were JPY 48,986 million, a decrease of JPY 6,360 million from the balance of JPY 55,347 million at the end of FY21/3.

(3) Forward Outlook

While the impact of the tight supply of parts and materials is expected to continue in FY22/3 H2, it is expected to decrease relative to H1. Also, customer demand continues to be strong. As a result, JDI revised up today the full-year sales forecast announced on August 5, 2021, per the below. Also, JDI today newly announced forecasts for operating profit, recurring profit, and net income. For details, please see ["Difference between Earnings Forecast and Actual Earnings and Upward Revision of Full-Year Earnings Forecast"] announced today.

FY22/3 Q3, Q4, & Full-Year Consolidated Forecast

(JPY million, except per share amounts)

		Sales	EBITDA	Operating Profit (Loss)	Recurring Profit (Loss)	Net Income (Loss)	Net Income per Share
FY22/3 Forecast	Q3	73,000	(2,000)	(4,000)	(4,400)	(5,700)	(1.34)
	Q4	86,000	300	(2,100)	(2,600)	(4,000)	(0.94)
	Full-Year	297,000	(4,400)	(13,100)	(14,500)	(18,400)	(4.77)
(Reference) FY21/3 Actual	Q3	72,747	(5,651)	(8,747)	(10,754)	13,360	5.52
	Q4	69,152	(4,690)	(7,599)	(6,691)	(19,770)	(8.00)
	Full-Year	341,694	(12,502)	(26,226)	(32,656)	(42,696)	(17.93)

FX assumption: USD/JPY = 112.

A one yen change in the exchange rate translates into a gain or loss in sales of JPY 2.2 billion and operating profit of JPY 1 billion annually.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet (FY22/3 H1)

	(JPY million)	
	FY21/3 (Mar 31, 2021)	FY22/3 H1 (Sep 30, 2021)
<u>Assets</u>		
Current assets:		
Cash and deposits	55,705	49,349
Accounts receivable – trade	31,213	29,894
Accounts receivable – other	15,332	19,716
Merchandise and finished goods	15,452	18,790
Work in process	11,047	13,977
Raw materials and supplies	13,248	16,733
Other	4,382	4,691
Allowance for doubtful accounts	(79)	(74)
Total current assets	146,304	153,078
Non-current assets:		
Property, plant, and equipment:		
Buildings and structures, net	44,565	44,354
Machinery, equipment, and vehicles, net	9,904	10,683
Land	6,661	6,661
Lease assets, net	1,458	973
Construction in progress	3,795	2,209
Other, net	2,090	2,182
Total property, plant, and equipment	68,475	67,065
Intangible assets:		
Goodwill	550	481
Other	1,230	1,115
Total intangible assets	1,780	1,596
Investments and other assets:		
Other	8,441	8,307
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	8,438	8,304
Total non-current assets	78,694	76,966
Total assets	224,998	230,045

	(JPY million)	
	FY21/3 (Mar 31, 2021)	FY22/3 H1 (Sep 30, 2021)
<u>Liabilities</u>		
Current liabilities:		
Accounts payable – trade	36,567	42,517
Electronically recorded obligations – operating	844	721
Short-term loans payable	21,424	1,334
Current portion of long-term loans payable	—	20,000
Lease obligations	367	382
Income taxes payable	2,161	1,122
Provision for bonuses	1,675	1,578
Advances received	1,884	6,642
Other	24,437	25,534
Total current liabilities	89,361	99,834
Non-current liabilities:		
Long-term loans payable	73,680	53,680
Lease obligations	1,672	1,479
Net defined benefit pension liability	13,247	12,689
Other	5,207	4,470
Total non-current liabilities	93,807	72,319
Total liabilities	183,168	172,154
<u>Net assets</u>		
Shareholders' equity		
Capital	202,757	215,222
Capital reserve	101,996	114,461
Retained earnings	(275,400)	(285,162)
Treasury shares	(0)	(0)
Total shareholders' equity	29,353	44,521
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	2
Foreign currency translation adjustment	9,804	10,405
Adjusted value of defined benefit pension	352	484
Total accumulated other comprehensive income	10,158	10,893
Share acquisition rights	40	40
Non-controlling interests	2,277	2,435
Total net assets	41,829	57,890
Total liabilities and net assets	224,998	230,045

(2) Consolidated Statement of Income (FY22/3 H1)

	(JPY million)	
	FY21/3 H1 (Apr 1, 2020 to Sep 30, 2020)	FY22/3 H1 (Apr 1, 2021 to Sep 30, 2021)
Sales	199,795	137,860
Cost of goods sold	194,146	130,388
Gross profit (loss)	5,649	7,472
SG&A	15,528	14,505
Operating profit (loss)	(9,879)	(7,033)
Non-operating income		
Interest income	62	23
Foreign exchange gains	—	240
Rental income	277	258
Fiduciary obligation fee	526	221
Subsidy income	15	22
Other	398	215
Total non-operating income	1,281	980
Non-operating expenses		
Interest expenses	675	690
Foreign exchange losses	971	—
Depreciation	960	29
Property maintenance expenses	2,168	—
Other	1,836	798
Total non-operating expenses	6,612	1,517
Recurring profit (loss)	(15,210)	(7,570)
Extraordinary income		
Gain on sale of non-current assets	15	37
Reversal of business restructuring expenses	657	—
Total extraordinary income	673	37
Extraordinary losses		
Business restructuring expenses	10,207	—
Impairment loss	10,499	475
Other	238	—
Total extraordinary losses	20,945	475
Income (loss) before income taxes	(35,483)	(8,009)
Income taxes	669	586
Pre-minority interest net income (loss)	(36,152)	(8,595)
Net income attributable to minority interests	133	157
Net income (loss)	(36,286)	(8,753)

Consolidated Statement of Income (FY22/3 Q2)

	(JPY million)	
	FY21/3 Q2 (Jul 1, 2020 to Sep 30, 2020)	FY223 Q2 (Jul 1, 2021 to Sep 30, 2021)
Sales	111,796	71,898
Cost of goods sold	107,184	65,818
Gross profit (loss)	4,611	6,080
SG&A	7,484	7,241
Operating profit (loss)	(2,872)	(1,160)
Non-operating income		
Interest income	22	13
Foreign exchange gains	—	318
Rental income	139	129
Fiduciary obligation fee	265	114
Subsidy income	14	13
Other	243	130
Total non-operating income	685	719
Non-operating expenses		
Interest expenses	341	346
Foreign exchange losses	1,293	—
Depreciation	386	12
Property maintenance expenses	875	—
Other	1,325	412
Total non-operating expenses	4,222	771
Recurring profit (loss)	(6,410)	(1,212)
Extraordinary income		
Gain on sale of non-current assets	14	2
Total extraordinary income	14	2
Extraordinary losses		
Business restructuring expenses	2,589	—
Impairment loss	10,499	125
Total extraordinary losses	13,088	125
Income (loss) before income taxes	(19,484)	(1,335)
Income taxes	390	377
Pre-minority interest net income (loss)	(19,875)	(1,712)
Net income attributable to minority interests	125	47
Net income (loss)	(20,000)	(1,760)

Consolidated Statement of Comprehensive Income (FY22/3 H1)

	(JPY million)	
	FY21/3 H1 (Apr 1, 2020 to Sep 30, 2020)	FY22/3 H1 (Apr 1, 2021 to Sep 30, 2021)
Net income (loss)	(36,152)	(8,595)
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	495	601
Adjusted value of defined benefit pension, net of tax	391	132
Total other comprehensive income	887	735
Comprehensive income	(35,265)	(7,860)
of which, Comprehensive income attributable to owners of the parent	(35,401)	(8,018)
of which, Comprehensive income attributable to minority interests	136	157

Statement of Comprehensive Income (FY 22/3 Q2)

	(JPY million)	
	FY21/3 Q2 (Jul 1, 2020 to Sep 30, 2020)	FY22/3 Q2 (Jul 1, 2021 to Sep 30, 2021)
Net income (loss)	(19,875)	(1,712)
Other comprehensive income		
Valuation difference on available-for-sale securities	—	0
Foreign currency translation adjustment	667	202
Adjusted value of defined benefit pension, net of tax	197	45
Total other comprehensive income	865	248
Comprehensive income	(19,009)	(1,464)
of which, Comprehensive income attributable to owners of the parent	(19,137)	(1,512)
of which, Comprehensive income attributable to minority interests	127	47

(3) Consolidated Statement of Cash Flows

	(JPY million)	
	FY21/3 H1 (Apr 1, 2020 to Sep 30, 2020)	FY22/3 H1 (Apr 1, 2021 to Sep 30, 2021)
Cash flows from operating activities		
Income (loss) before income taxes	(35,483)	(8,009)
Depreciation	8,032	4,232
Goodwill amortization	726	68
Impairment loss	10,499	475
Increase (decrease) in allowance for doubtful accounts	(2)	(5)
Interest expenses	675	690
Foreign exchange losses (gains)	597	(9)
Subsidies received	(15)	(22)
Reversal of business structure improvement expenses	(657)	—
Business restructuring expenses	10,207	—
Decrease (increase) in trade receivable	27,878	1,546
Decrease (increase) in inventories	(3,050)	(10,366)
Increase (decrease) in trade payable	(22,411)	5,589
Decrease (increase) in accounts receivable - other	15,321	(4,376)
Decrease (increase) in consumption taxes refund receivable	(825)	157
Increase (decrease) in accounts payable - other	(2,958)	(456)
Increase (decrease) in accrued expenses	(10,978)	(2,325)
Increase (decrease) in advances received	(7,543)	4,647
Increase (decrease) in retirement benefit liability	(116)	(434)
Other	(1,578)	3,276
Subtotal	(11,683)	(5,320)
Interest and Dividends received	62	23
Interest paid	(641)	(613)
Income taxes paid	(1,301)	(892)
Cash flows from operating activities	(13,563)	(6,803)
Cash flows from investing activities		
Purchase of non-current assets	(3,198)	(4,442)
Proceeds from sales of non-current assets	25	38
Payments for sale of non-current assets	(1,366)	—
Subsidies received	15	22
Other	(98)	100
Cash flows from investing activities	(4,622)	(4,281)

	(JPY million)	
	FY21/3 H1 (Apr 1, 2020 to Sep 30, 2020)	FY22/3 H1 (Apr 1, 2021 to Sep 30, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(517)	(20,136)
Proceeds from issuance of preferred stock	4,909	24,842
Repayments of installment payables	(2,705)	—
Repayments of lease obligations	(121)	(329)
Payments for borrowing fee	(300)	—
Other	—	(0)
Cash flows from financing activities	1,265	4,376
Effect of exchange rate change on cash and cash equivalents	(25)	348
Net increase (decrease) in cash and cash equivalents	(16,945)	(6,360)
Cash and cash equivalents at beginning of period	66,380	55,347
Cash and cash equivalents at end of period	49,434	48,986

(4) Notes to the Quarterly Consolidated Financial Statements

A. Changes in Accounting Policies

(i) Accounting Standard for Revenue Recognition

The "Revenue Recognition Accounting Standard" (ASBJ Statement No. 29, March 31, 2020) and other standards are applied from the beginning of FY22/3 Q1 to recognize revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services.

For fee-based supply transactions, JDI previously derecognized the inventory at the time of supply of parts for fee. Based on the new standard JDI has changed the method to continue to recognize the inventory assets assuming the fee-based supply transaction as a financial transaction and recognize the year-end balance of the supplied parts remaining at the recipient as a financial liability.

With regard to the application of the Revenue Recognition Accounting Standard, JDI is following the transitional treatment stipulated in the provisions of paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retrospectively applying the new accounting policy prior to the beginning of FY22/3 Q1 is added to or deducted from retained earnings at the beginning of the FY22/3 Q1 to apply the new accounting policy from the beginning balance of FY22/3.

As a result, sales for FY22/3 H1 decreased by JPY 84 million, cost of sales decreased by JPY 356 million, and operating profit, recurring profit and income before income taxes decreased by JPY 271 million each. In addition, the balance of retained earnings at the beginning of FY22/3 decreased by JPY 1,008 million.

In accordance with the transitional treatment stipulated in paragraph 28-15 of the Accounting Standard for Quarterly Financial Statements (March 31, 2020) of paragraph 89-2 of the Revenue Recognition Accounting Standards, JDI does not present information disaggregating revenue arising from contracts with customers for the FY22/3 H1.

(ii) Accounting Standard for Fair Value Measurement

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other standards have been applied from the beginning of FY22/3 Q1, and in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement will continue to be applied into the future. There is no impact on the quarterly consolidated financial statements.

B. Significant Subsequent Events

Sale of Shares of Significant Subsidiary

JDI decided at its Board of Directors meeting held on October 5, 2021 to sell all shares of Kaohsiung Opto-Electronics Inc. ("KOE"), a wholly-owned subsidiary of JDI Taiwan Inc. ("JDIT"), a wholly-owned subsidiary of JDI. JDIT and Wise Cap have signed the share purchase agreement (SPA) as follows.

At the completion of the share sale, KOE will be excluded from the scope of consolidation of JDI.

(a) Purpose of the Share Sale

The purpose is to strengthen JDI's competitiveness and drive growth by optimizing its

asset profile, increasing its cost-competitiveness, and diversifying its supply chain.

(b) Overview of the Subsidiary Being Sold

(1) Name	Kaohsiung Opto-Electronics Inc.
(2) Headquarters	2 East 13th Street, Kaohsiung City, Kaohsiung Export Processing Zone, Taiwan
(3) Business Description	Design, manufacturing, and sale of LCD modules
(4) Relationship with JDI	JDI outsources display module manufacturing to KOE.

(c) Schedule

(1) Date of Resolution of Board of Directors Meeting Date of Signing of Term Sheet	July 8, 2021
(2) Date of Signing of SPA	October 5, 2021
(3) Date of Execution of SPA	November to December 2021 (forecast) (Immediately after the approvals of the relevant authorities are obtained.)

(d) Overview of the Buyer

(1) Name	Wise Cap Limited Company
(2) Headquarters	22F, No. 88, Section 1, Xintai 5th Road, Xizhi District, New Taipei City, Taiwan
(3) Business Description	Investment consulting, corporate business management consulting
(4) Relationship with JDI	JDI outsources display module manufacturing to Wistron Group

(e) Number and Price of Shares Being Sold and JDIT Share Ownership Before and After the Share Sale

(1) Number of Shares Before the Sale	8,878,300 shares (Ownership & voting rights held by JDIT: 100%)
(2) Number of Shares Being Sold	8,878,300 shares
(3) Sale Price	JPY 8.582 billion
(4) Number of Shares After the Sale	0 shares

(f) Impact of the Share Sale on FY22/3 Earnings

The impact of the share sale on FY22/3 earnings is under review and is not yet fixed this time.