



Japan Display Inc.

FY21/3 Full Year Corporate Presentation

May 14, 2021

Japan Display Inc.



Japan Display Inc.

FY21/3 Overview

- ✓ Managed through Covid Crisis, Maintaining Manufacturing Systems & Shipments
- ✓ Progressed New Technology R&D & Began Mass Production of 76 New Products (+9% vs. FY19/3 70 New Products)
- ✓ Cut Fixed & Variable Costs, Generated Positive Gross Profit, & Significantly Reduced Operating Loss
- ✓ Reinforced Capital via Large-Scale Equity Financing with Ichigo Trust
- ✓ Significantly Strengthened Governance & Established Systems to prevent Recurrence of Inappropriate Accounting

Significant Cost Reductions, Business Transformation, & Robust New Product Development while Responding to Covid

Mobile

- Significant decrease in sales due to a drop in demand for smartphone LCDs from a major customer
- Significant cut in fixed costs, including the sale of Hakusan Plant
- Strong sales of smartphone LCDs for Chinese customers supported by strong demand

Automotive

- Impacted by Covid, Q1 sales plummeted. However, recovered from 2Q and 4Q increased year on year.
- Orders for new products are firm

Non-Mobile

- Strong sales of OLED for wearables and LCDs for ultra-high-resolution VRs for major customers
- Began sample shipping of 30.2-inch 8K4K LCDs with world-class performance
- Started mass production of Federal Bureau of Investigation (FBI) PIV* certified capacitive glass fingerprint sensors

*PIV (Personal Identity Verification) image-quality standard for acquiring a imprint sensor device

R&D

- Steady progress in development of JDI differentiated new technologies
- Received the Minister of State for Science and Technology Policy Award at the 3rd Japan Open Innovation Awards for the development of sheet-type image sensors that can simultaneously measure biometrics and vital signs

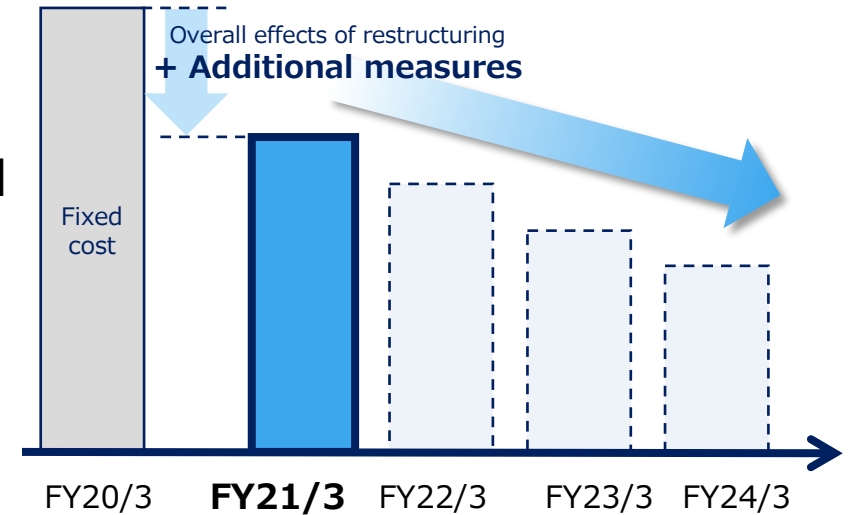
Company-Wide

- Managed procurement & production to minimize the impact of Covid, trade conflicts, & tightening of global semiconductor supply & demand

Driving Low-Cost, High-Profit Structure through Cost Reductions & Productivity Improvements

■ Reduced Fixed Costs: FY21/3: JPY -27.5bn vs. FY20/3

- **Power:** Optimized energy use and contracts
- **Maintenance:** Optimized maintenance efficiency and revised contracts
- **Manufacturing:** Maximized throughput by improving productivity and optimized assets
- **Head Office:** Minimized SG&A and indirect expenses, Optimized common operations



■ Improved Variable Cost Ratio: FY21/3 -3% (Variable Cost Reduction: >JPY -10 bn/yr vs. FY20/3)

- **Materials:** Restructured supply chain from the viewpoint of cost competitiveness, standardized parts and materials, and improved material efficiency
- **Outsourcing:** Revised contracts, reduced man-hours
- **Defects (Yield Loss):** Acceleration of cross-site defective cost reduction project

Strengthened Governance & Completed TSE Improvement Submissions Strengthened Financial Base & Progressed Building New Businesses

Measures

Strengthen Governance

- Completed submission of improvement status reports to TSE and implemented measures to prevent recurrence
- Transitioned to stronger Board of Director governance systems & strengthened internal audit system
- Promoted employee compliance awareness

Rebuild Financial Base

- Optimized asset profile via Hakusan Plant sale
- Equity financing with Ichigo Trust
- Strengthened business profitability

Build New Businesses

- Progress in development of display and new device technologies
- Progress in product development for healthcare sector
- Strengthen IP strategy (Strategic use of intellectual property)

TSE Improvement Submissions Complete Also Completed Implementation of Improvement Plan

Main Activities

(1) Raise employee consciousness vis-à-vis accounting treatment & information disclosure

- Delivered senior management messages during compliance enhancement month. Accounting Education and Hazard Prediction Training were also conducted and penetrated
- Revised the Ethical Code (JDI Ethics). Provided application for the most conservative and transparent accounting treatment.

(2) Strengthen Governance - Nominating, Audit and Compensation Committees

- Approved by the General Meeting of Shareholders on Aug 26, 2020

(3) Strengthen accounting controls

- Introduced cycle inventory system for WIP to verify existence of inventory assets.
- Implemented accounting operation systematization & 3rd-party monitoring expansion.
- Prevention of power centralization. Periodic report of cancellation slips, etc. to CFO and audit committee.

(4) Strengthen internal auditing system

- Increased Internal Audit Department staff and conducted audits of the improvement and correction efforts in accounting operations.
- Continued to conduct internal audits of expense processing risks
- Independence of J-SOX operation secured, and operational auditing implemented.

(5) Strengthen internal reporting system

- Introduced global internal reporting system. Installed a contact point for direct reporting from subsidiaries to the head office
- Confirmed problems through semi-annual employee questionnaires. Conducted surveys in the same way above.

Reduced Annual Costs by JPY 8bn & Strengthened Balance Sheet Continuing Manufacturing of High Value-Add Products at Mobara Plant

Benefits	<div>1. Lowered plant maintenance costs, fixed asset tax, & other costs. Total reduction of c. JPY 8bn annually (Improved P/L)</div> <div>2. Repayment of advances received from customer when constructing plant (Improved C/F)</div> <div>3. Reduction of non-performing assets and liabilities (Improved B/S)</div>			
Sale Details	Production facilities	▶	JDI Customer: JPY 30.2bn*	
	Land, buildings, ancillary facilities	▶	Sharp Corporation: JPY41.3bn*	
Financial Outcomes	Non-Operating assets	JPY 50.2bn	▶	Transfer Repay
	Advances Received	JPY 74.3bn*	▶	
				Gain on Sale JPY 18.6bn*

*Based on US\$1 = JPY105.8

Ichigo Trust Equity Financing (Exercise of 12th stock acquisition rights)



Partial Exercise, Unexercised Amount JPY 36bn

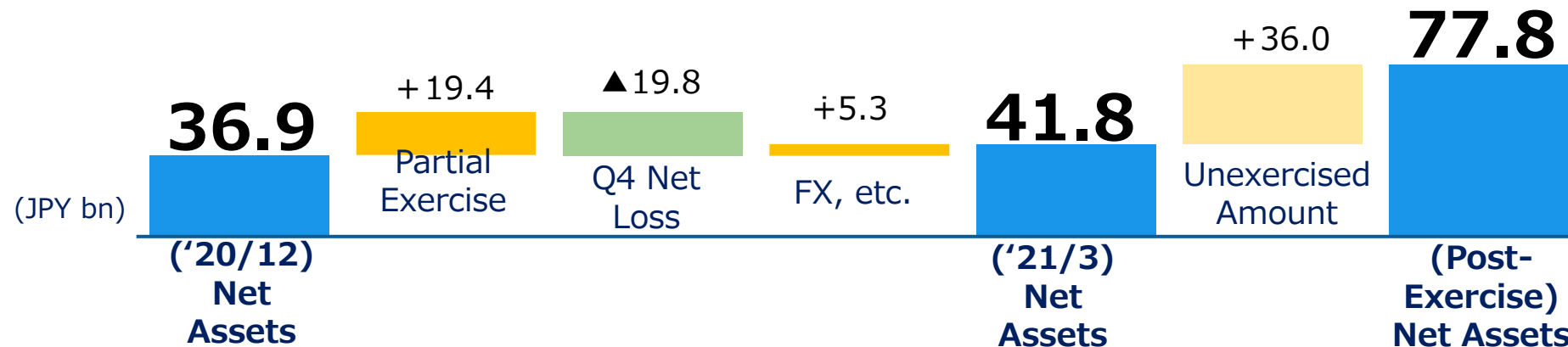
◆ Exercise Details

Total amount	JPY 55.4bn
Exercise date	2021/3/25
Exercise price	JPY 10mn/share
Exercised amount	JPY 19.4 bn
Class of shares issued	Class E preferred shares
Unexercised amount	JPY 36.0bn

◆ Ichigo Trust

Outstanding Shares	Number of Shares (unit: K)	Number of Voting rights (unit: K)	Ichigo Trust Ownership
Common	846,166	8,461	N/A
Class B preferred	672,000	6,720	Yes
Class D preferred	0.5	0	Yes
Class E preferred	2	0	Yes
Total		15,181	

Ratio of Voting Right	44.26%
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Note: (Post-Exercise) Net Assets in the left graph does not include P&L and thus could be materially different from actual net assets.



Japan Display Inc.

21/3 Earnings Review 22/3 Forecast

FY21/3 Financial Results Summary

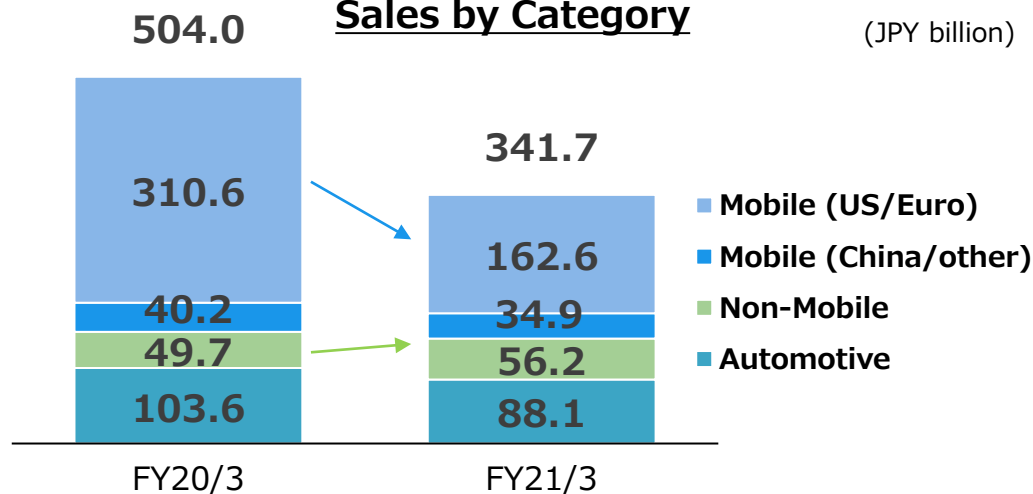
Despite a significant decrease in sales, cost reductions helped turn a gross profit and reduced operating loss & EBITDA loss

(JPY billion)	FY20/3	FY21/3	YoY
Net sales	504.0	341.7	-162.3
Gross profit (loss)	(1.4)	5.1	+6.5
Operating income (loss)	(38.5)	(26.2)	+12.3
Net income (loss)	(101.4)	(42.7)	+58.7
EBITDA	(19.5)	(12.5)	+7.0

Sales

- Mobile sales dropped sharply due to lower demand for smartphone LCDs.
- **Non-Mobile increased** due to expansion of OLEDs for wearables and ultra-high-resolution LCDs for VR. **Automotive** was down sharply in 1Q due to Covid19 but **recovered from 2Q & rose in 4Q YoY.**
- **Nearly in line with the Feb. 10 fcst (JPY 342.5bn)**

Sales by Category

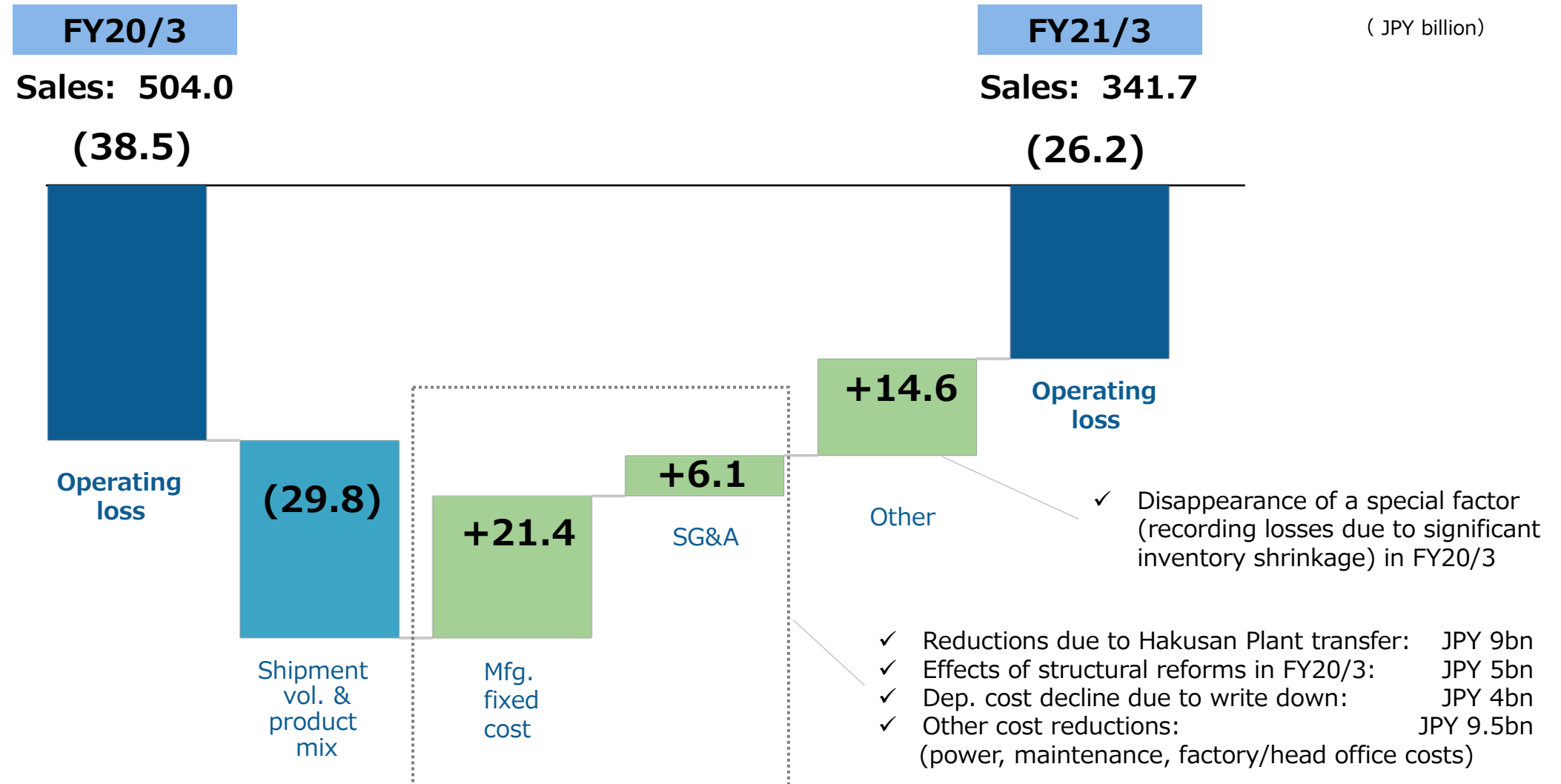


Profit/Loss

- Transfer of Hakusan Plant, effects of structural reforms in FY20/3 and other cost reductions led to a **gross profit, improvements to op. income & EBITDA.**
 - ✓ Fixed costs: Approx. JPY 28bn reduction YoY
 - ✓ Variable cost rate: Approx. 3 pts. better YoY
- **Net loss shrunk by JPY 58.7bn** (no repeat equity-method loss as in FY20/3, lower structural reform costs)
- Based on continued cost reductions, **op. loss was less than the Feb. 10 forecast of 29.6bn by JPY 3.4bn.**

FY21/3 Operating Income Change Factors (YoY)

Decreased op. losses by reducing fixed mfg. costs (e.g., transferring the Hakusan Plant) and implementing other cost reductions



FY21/3 Q4 Operating Income Change Factors

vs. FY20/3 Q4 (YOY)

vs. FY21/3 Q3 (QOQ)

(JPY billion)

FY20/3 Q4

FY21/3 Q4

FY21/3 Q3

FY21/3 Q4

Sales: 116.2

Sales: 69.2

Sales: 72.7

Sales: 69.2

(5.9)

(7.6)

(8.7)

(7.6)

Operating loss

(4.3)

Shipment vol. & product mix

1.3

Mfg. fixed cost

1.4

SG&A

(0.1)

Other

Operating loss

- ✓ Dep. cost decline due to write down JPY 1.3bn
- ✓ Other cost reductions (power, maintenance, factory/head office costs)

Operating loss

1.0

Shipment vol. & product mix

(0.2)

Mfg. fixed cost

0.1

SG&A

0.2

Other

Operating loss

- ✓ Rise in electric power charge

Consolidated Balance Sheet



Reduced fixed assets and related liabilities thru Hakusan Plant transfer and streamlined B/S. Equity ratio increased 4.5 pts versus end of FY20/3 due to issuance of preferred shares etc.

(JPY billion)	FY20/3 Q4	FY21/3 Q3	FY21/3 Q4
Cash and deposits	66.7	54.2	55.7
Accounts receivable - trade	70.9	27.9	31.2
Accounts receivable - other	48.1	19.2	15.3
Inventories	39.1	40.7	39.7
Other	4.6	2.2	4.3
Total current assets	229.4	144.2	146.3
Total non-current assets	160.3	92.5	78.7
Total assets	389.7	236.7	225.0
Accounts payable - trade	89.3	46.9	37.4
Interest-bearing debt	98.0	97.2	97.1
Advances received	89.1	2.3	1.9
Other liabilities	59.9	53.3	46.7
Total liabilities	336.4	199.8	183.2
Total net assets	53.4	36.9	41.8
Shareholders' equity ratio	13.1%	14.5%	17.6%

Note. Difference in balances of "cash & equivalent" in cash flow statement and "cash and deposits" in balance sheet as of the end of FY21/3 Q3 is 0.3 billion yen in deposits paid.

Consolidated Cash Flow



FY21/3 free cash flow greatly improved due to a reduced net loss and improved working capital

(JPY billion)	FY20/3	FY21/3
Income before income taxes	(98.4)	(41.7)
Dep. & Amort.	20.7	14.7
Working capital	(36.1)	20.6
Advances received	(12.8)	(10.3)
Structural reform cost	67.2	10.5
Other	(27.7)	(16.9)
Cash flow from operating activities	(87.1)	(23.1)
Purchase of non-current assets	(16.1)	(7.0)
Other	44.2	(2.1)
Cash flow from investing activities	28.1	(9.1)
Cash flow from financing activities	57.7	20.2
Ending balance, cash & equiv.	66.4	55.3
Free cash flow	(103.2)	(30.2)

Notes:

1. "Free cash flow" is the sum of "operating cash flow" and "expenditures on the acquisition of fixed assets".
2. With the transfer of the Hakusan Plant in October 2020, the amount equivalent to income from the sale of the fixed assets of US\$ 675mn and the amount equivalent to advances received excluding forex effects of US\$ 675mn have been offset. Since this dollar denominated transaction was a non-cash transaction, there is no cash balance on the consolidated cash flow statement.

FY22/3 Forecast



Annual

(JPY billion)	FY20/3 (ACT)	FY21/3 (FCST)	YoY
Sales	341.7	254.0	-26%
Mobile (US/Euro)	162.6	47.0	-71%
Mobile (China/other)	34.9	34.0	-3%
Automotive	88.1	103.0	17%
Non-Mobile	56.2	70.0	25%
Sales excl. Mobile(US/Euro)	179.1	207.0	16%

Q1

(JPY billion)	FY20/3 Q1	FY20/3 Q4	FY22/3 Q1	YoY	QoQ
Sales	88.0	69.2	64.0	-27%	-8%
Mobile (US/Euro)	55.4	18.7	18.0	-68%	-4%
Mobile (China/other)	6.3	11.0	9.0	43%	-18%
Automotive	14.8	25.3	24.0	62%	-5%
Non-Mobile	11.5	14.2	13.0	13%	-8%
Op. income (loss)	(7.0)	(7.7)	(8.8)		
Op. income excl. semi shortage impact	(7.0)	(6.8)	(6.5)		

Sales

- ✓ Full year forecast: JPY254bn, Q1 forecast: JPY64bn
- ✓ Sales of LCDs for smartphones to EU/US regions continue to decline, but sales excluding EU/US are expected to grow YoY.
- ✓ Full-year sales in the Automotive and Non-Mobile categories (wearable OLEDs for a major customer, VR LCDs etc.) are expected to increase due to higher demand.

Profits

- ✓ Q1 op. loss is expected to worsen QoQ by JPY1.1bn (impact of semiconductor shortage is -2.3bn yen).
- ✓ Looking to achieve EBITDA profitability in FY22/3 Q4 by reducing costs and increasing OLED sales, etc.



Japan Display Inc.

JDI Strategy

GAME CHANGE

JDI Is Different

PersonalTech

Strategic Focus

1) Strengthen Existing Businesses

- Rethink, Reposition, & Rebuild JDI
 - ✓ Delegate Authority, Move Quickly
 - ✓ Strengthen Sales & Marketing
- Massively Increase Profitability
 - ✓ Strengthen Competitiveness by Radically Cutting Costs & Liquidating Unprofitable Businesses
 - ✓ Win with the Customer: Superior Products & Superior Technology

2) Build New Businesses

- Go Beyond Our Existing Business Models & Go Direct to the Customer
 - ✓ Drive New Business Growth
 - ✓ Monetize Our R&D
- Commercialize High Value-Add Technologies that Address Key Customer Needs

KPI

- EBITDA Positive in FY22/3 Q4

- Leveraging Our Key Device Technologies, Launch Multiple Service, Solution, Platform Businesses This Year

1. 3 Bigs

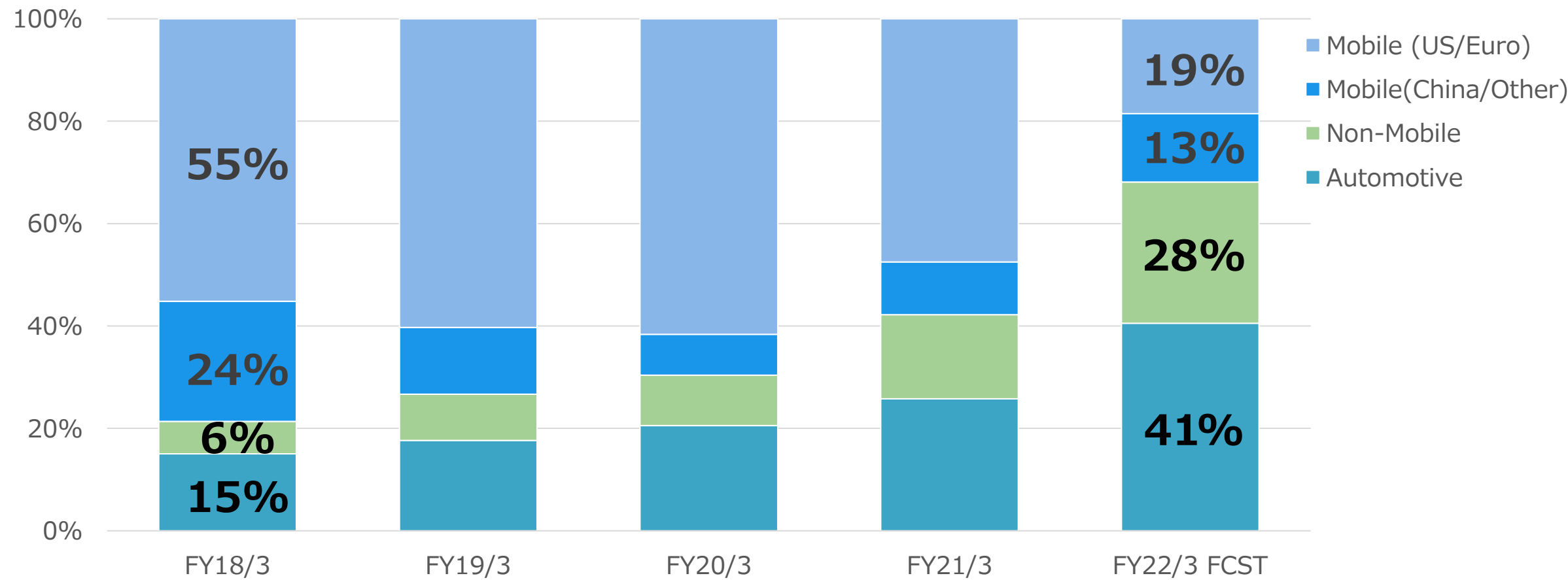
Big Need, Big Market, Big Impact

2. JDI Is Different

3. Highly Profitable Business Model

More Diverse & More Stable Earnings Driven by Shift from Mobile to Automotive & Non-Mobile

Sales Breakdown by Sector (Mobile, Automotive, Non-Mobile)



Upside Earnings Opportunities

- ✓ Higher OLED Sales Supported by FY22/3 H2 Back-End Expansion
- ✓ Improvements in Pricing & Product Mix
- ✓ Greater Pricing Power from Global Tightness in Display Supply

Downside Earnings Risk

- ✓ Semiconductor Shortage Impact on Production & Orders

◆ OLED

- Significant improvement in profitability due to scale expansion
- Maintain Technological Superiority in Existing-Generation OLED
- Dominate Next-Generation OLED

◆ Sensors

- Build New Revenue Stream
- Expand Value Chain
- Market Entry in System Solutions

◆ Automotive

- Provide New Technologies to the Integrated Cockpit
- Mass Production of Sensor-Integrated Products
- Establish Technological superiority in EVs & Autonomous Vehicles

◆ Industrial, Healthcare, New Biz

- High-Performance Displays for Medical & Broadcasting Applications
- Expand Solutions Business
- Transparent Displays & Other New Businesses

VR Market 27% CAGR – Maintain & Grow JDI Competitive Advantage in Ultra-High-Resolution LCD VR Displays

VR

- Realizing Natural & Precise Video Representations
- Providing Real World-Like Experience & Inspiration through Ultra-High-Resolution VR Displays



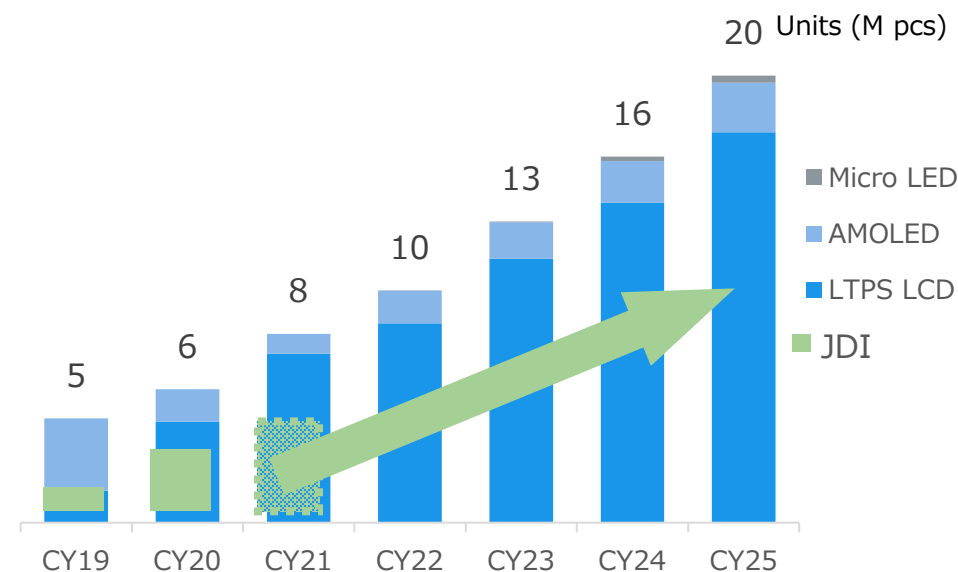
High-Quality Graphics



Broad Color Reproduction

VR Display Market Growth

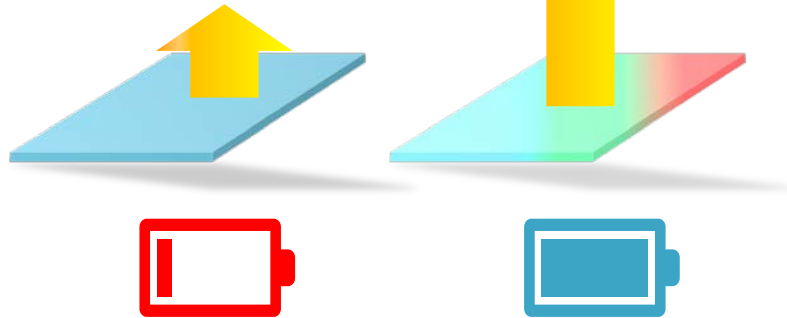
- As VR Expands Beyond Current Applications, Building Tightly-Coupled Hardware/Software Essential



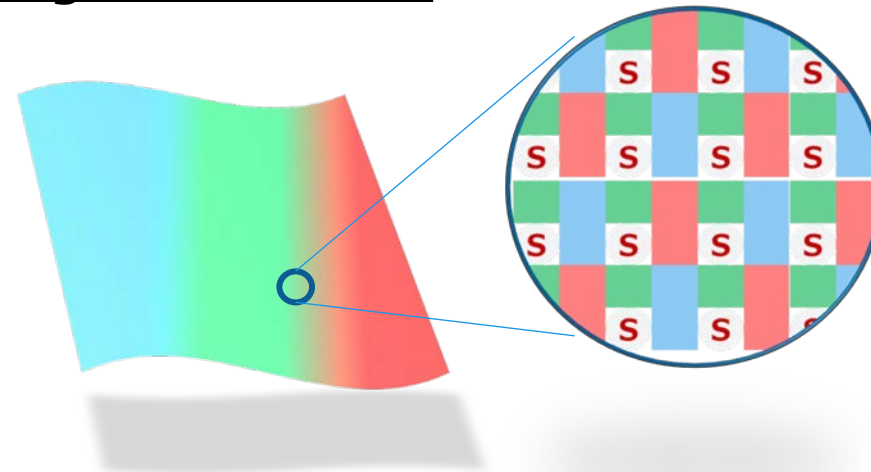
Source: OMDIA (April 2021)

JDI Next-Generation Ultra High-Brightness & Ultra-High-Resolution OLED – Far Superior to Existing-Generation OLED

2X Display
Brightness
OR
50% Power
Consumption



High-Definition, Flexible,
Integrated Sensors



Deploy JDI Display Capabilities to Sensors, Solutions, Services



Develop & Commercialize High Value-Add Technologies & Expand into New Business Domains



Expand Businesses in AOI in Preparation for Future Business Expansion

Note: Subject to shareholder approval at June 26 AGM



PersonalTech
For A Better World



Japan Display Inc.

Appendix

Consolidated Operating Results



(JPY billion)	FY20/3	FY21/3	Chg	FY20/3 Q4	FY21/3 Q3	FY21/3 Q4	YoY Chg	QoQ Chg
Net sales	504.0	341.7	-162.3	116.2	72.7	69.2	-47.1	-3.6
Cost of sales	505.4	336.6	-168.9	112.9	73.5	68.9	-44.0	-4.6
Gross profit (loss)	(1.4)	5.1	+6.5	3.4	(0.8)	0.2	-3.1	+1.0
SG&A	37.1	31.4	-5.8	9.3	8.0	7.8	-1.4	-0.1
Operating income (loss)	(38.5)	(26.2)	+12.3	(5.9)	(8.7)	(7.6)	-1.7	+1.1
Net non-op. income (expenses)	(19.3)	(6.4)	+12.9	(5.2)	(2.0)	0.9	+6.1	+2.9
Ordinary income (loss)	(57.9)	(32.7)	+25.2	(11.1)	(10.8)	(6.7)	+4.4	+4.1
Net extraordinary income (loss)	(40.6)	(9.1)	+31.5	22.0	24.2	(13.0)	-35.0	-37.2
Income (loss) before income taxes	(98.4)	(41.7)	+56.7	10.9	13.4	(19.7)	-30.6	-33.1
Net income (loss) attributable to owners of the parent	(101.4)	(42.7)	+58.7	9.5	13.4	(19.8)	-29.2	-33.1
EBITDA	(19.5)	(12.5)	+7.0	(2.0)	(5.7)	(4.7)	-2.7	+1.0
Avg. FX rate (JPY/USD)	108.7	106.1		108.9	104.5	106.1		
Q-End FX rate (JPY/USD)	108.8	110.7		108.8	103.5	110.7		

<Major changes in non-operating & extraordinary items >

(JPY billion)	FY20/3	FY21/3
Equity method investment loss (non-op. expense)	-10.0	-
Restructuring expenses & impairment losses (extraord loss)	-67.2	-34.5
Gains on sale of assets & FX gain (extraord. gain)	+0.1	+24.7
Gain on sale of investment securities (extraord.gain)	+30.6	-

(JPY billion)	FY20/3 Q4	FY21/3 Q4
Equity method investment loss (non-op. expense)	-1.5	-
Commission expense (non-operating expense)	-3.0	-0
Restructuring expenses & impairment losses (extraord. loss)	-5.0	-13.1
Gain on sale of investment securities (extraord. gain)	+30.6	-



THANK YOU