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FY23/3 H1 Earnings

November 10, 2022

Japan Display Inc. (Tokyo Stock Exchange Prime Market, 6740)

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Supplemental Explanatory Materials for Earnings Results: Available

Earnings Results Briefing: November 10, 2022 (for institutional investors and analysts)

1. FY23/3 H1 Consolidated Financial Results (April 1, 2022 to September 30, 2022)

(1) Consolidated Financial Results

	Sales (JPY M) YoY		EBITDA (JPY M) YoY		Operating Profit (JPY M) YoY		Recurring Profit (JPY M) YoY		Net Income (JPY M) YoY	
FY23/3 H1	138,296	0.3%	-7,485	-	-11,779	-	-8,401	-	-11,633	-
FY22/3 H1	137,860	-31.0%	-2,761	-	-7,033	-	-7,570	-	-8,753	-

EBITDA = Operating Profit + Depreciation + Goodwill amortization

(Reference) Comprehensive Income FY23/3 H1: JPY -7,761M FY22/3 H1: JPY -7,860M

	EPS (Basic, JPY)	EPS (Diluted, JPY)
FY23/3 H1	-2.47	-
FY22/3 H1	-2.96	-

(2) Consolidated Financial Position

	Total Assets (JPY M)	Net Assets (JPY M)	Shareholders' Equity Ratio
FY23/3 H1	277,551	65,006	23.4%
FY22/3	258,275	72,768	28.2%

(Reference) Shareholders' Equity FY23/3 H1: JPY 64,966M FY22/3: JPY 72,727M

(3) Consolidated Cash Flows

	Cash Flows from Operations (JPY M)	Cash Flows from Investments (JPY M)	Cash Flows from Financing (JPY M)	Cash and Cash Equivalents at Period-End (JPY M)
FY23/3 H1	-14,209	-6,327	12,770	47,232
FY22/3 H1	-6,803	-4,281	4,376	48,986

2. Dividends

	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY22/3	–	0.00	–	0.00	0.00
FY23/3	–	0.00			
FY23/3 (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 "4. Other Information (5) Dividends for Preferred Shares" below.

3. FY23/3 Full-Year Consolidated Earnings Forecast (April 1, 2022 to March 31, 2023)

	Sales (JPY M)	EBITDA (JPY M)	Operating Profit (JPY M)	Recurring Profit (JPY M)	Net Income (JPY M)	EPS (JPY)
FY23/3	280,000	-26,400	-34,900	-32,000	-35,800	-7.59
YoY	-5.4%	–	–	–	–	–

Note Changes from the most recently announced financial forecast: Yes

As a result of reviewing FY23/3 H1 and the future outlook, JDI has revised down its FY23/3 Q3, Q4 and full-year sales and earnings forecast announced on May 13, 2022. For details, please see "Difference Between FY23/3 H1 Earnings Forecast and Actual Results & Downward Revision of Full-Year Earnings Forecast" announced today.

4. Other Information

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

- Newly included: None
- Excluded: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatements

- (i) Accounting policy changes based on amendments to accounting standards: None
- (ii) Accounting policy changes other than (i) above: None
- (iii) Accounting estimate changes: None
- (iv) Restatements: None

(4) Number of shares outstanding

- (i) Number of shares outstanding (including treasury shares) at period-end
 FY23/3 H1: 2,688,171,840
 FY22/3: 2,688,171,840
- (ii) Number of treasury shares at period-end
 FY23/3 H1: 67
 FY22/3: 67
- (iii) Average number of shares outstanding (excluding treasury shares) during the period
 FY23/3 H1: 4,715,379,062
 FY22/3 H1: 2,955,670,166

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.

(5) Dividends for Preferred Shares

Class A Preferred Shares	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY22/3	–	0.00	–	0.00	0.00
FY23/3	–	0.00			
FY23/3 (Forecast)			–	0.00	0.00

Class B Preferred Shares	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY22/3	–	0.00	–	0.00	0.00
FY23/3	–	0.00			
FY23/3 (Forecast)			–	0.00	0.00

Class D Preferred Shares	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY22/3	–	0.00	–	0.00	0.00
FY23/3	–	0.00			
FY23/3 (Forecast)			–	0.00	0.00

Class E Preferred Shares	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY22/3	–	0.00	–	0.00	0.00
FY23/3	–	0.00			
FY23/3 (Forecast)			–	0.00	0.00

(6) 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.

1. Consolidated Financial Statements

(1) Consolidated Balance Sheet (FY23/3 H1)

(JPY million)

	FY22/3 (Mar 31, 2022)	FY23/3 H1 (Sep 30, 2022)
Assets		
Current Assets		
Cash and deposits	52,247	47,689
Accounts receivable - trade	56,341	50,803
Accounts receivable - other	23,508	27,266
Merchandise and finished goods	19,418	25,947
Work in process	13,218	17,462
Raw materials and supplies	16,415	27,510
Other	5,472	5,547
Allowance for doubtful accounts	-92	-93
Total Current Assets	186,529	202,133
Non-Current Assets		
Property, Plant, and Equipment		
Buildings and structures, net	42,710	41,630
Machinery, equipment, and vehicles, net	8,326	7,325
Land	6,663	6,664
Lease assets, net	536	646
Construction in progress	1,836	5,335
Other, net	2,105	1,846
Total Property, Plant, and Equipment	62,179	63,449
Intangible assets		
Goodwill	412	343
Other	1,016	825
Total Intangible Assets	1,429	1,169
Investments and Other Assets		
Other	8,138	10,801
Allowance for doubtful accounts	-2	-1
Total Investments and Other Assets	8,136	10,799
Total Non-Current Assets	71,745	75,418
Total Assets	258,275	277,551

(JPY million)

	FY22/3 (Mar 31, 2022)	FY23/3 H1 (Sep 30, 2022)
Liabilities		
Current Liabilities		
Accounts payable – trade	58,266	68,101
Electronically recorded obligations - operating	691	583
Short-term loans payable	—	13,000
Current portion of long-term loans payable	20,000	20,000
Income taxes payable	764	895
Provision for bonuses	2,906	2,880
Advances received	3,330	4,010
Other	28,851	32,250
Total Current Liabilities	114,811	141,722
Non-Current Liabilities		
Long-term loans payable	53,680	53,680
Net defined benefit pension liability	10,060	9,513
Other	6,954	7,628
Total Non-Current Liabilities	70,695	70,822
Total Liabilities	185,507	212,544
Net Assets		
Shareholders' Equity		
Capital	100	100
Capital reserve	54,525	54,525
Retained earnings	3,688	-7,945
Treasury shares	-0	-0
Total Shareholders' Equity	58,314	46,680
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	0	1
Foreign currency translation adjustment	13,552	17,312
Adjusted value of defined benefit pension	859	971
Total Accumulated Other Comprehensive Income	14,413	18,286
Share Acquisition Rights	40	40
Total Net Assets	72,768	65,006
Total Liabilities & Net Assets	258,275	277,551

(2) Consolidated Income Statement (FY23/3 H1)

(JPY million)

	FY22/3 H1 (Apr 1, 2021 to Sep 30, 2021)	FY23/3 H1 (Apr 1, 2022 to Sep 30, 2022)
Sales	137,860	138,296
Cost of Goods Sold	130,388	135,482
Gross Profit (Loss)	7,472	2,813
SG&A	14,505	14,593
Operating Profit (Loss)	-7,033	-11,779
Non-Operating Income		
Interest income	23	37
Foreign exchange gains	240	4,138
Rental income	258	283
Income from provision of business services	221	232
Subsidy income	22	40
Other	215	262
Total Non-Operating Income	980	4,995
Non-Operating Expenses		
Interest expenses	690	590
Depreciation	29	29
Other	798	998
Total Non-Operating Expenses	1,517	1,618
Recurring Profit (Loss)	-7,570	-8,401
Extraordinary Income		
Gain on sale of non-current assets	37	5
Reversal of business restructuring expenses	—	1,041
Total Extraordinary Income	37	1,046
Extraordinary Losses		
Impairment loss	475	1,206
Total Extraordinary Losses	475	1,206
Pre-Tax Income (Loss)	-8,009	-8,561
Income Taxes	586	3,072
Pre-Minority Interest Net Income (Loss)	-8,595	-11,633
Net Income Attributable to Minority Interests	157	—
Net Income (Loss)	-8,753	-11,633

Consolidated Statement of Income (FY23/3 Q2 Stand-Alone)

(JPY million)

	FY22/3 Q2 (Jul 1, 2021 to Sep 30, 2021)	FY23/3 Q2 (Jul 1, 2022 to Sep 30, 2022)
Sales	71,898	81,196
Cost of Goods Sold	65,818	78,509
Gross Profit (Loss)	6,080	2,687
SG&A	7,241	7,594
Operating Profit (Loss)	-1,160	-4,906
Non-Operating Income		
Interest income	13	26
Foreign exchange gains	318	1,364
Rental income	129	144
Income from provision of business services	114	120
Subsidy income	13	7
Other	130	176
Total Non-Operating Income	719	1,840
Non-Operating Expenses		
Interest expenses	346	297
Depreciation	12	14
Other	412	698
Total Non-Operating Expenses	771	1,010
Recurring Profit (Loss)	-1,212	-4,077
Extraordinary Income		
Gain on sale of non-current assets	2	—
Total Extraordinary Income	2	—
Extraordinary Losses		
Impairment loss	125	86
Total Extraordinary Losses	125	86
Pre-Tax Income (Loss)	-1,335	-4,164
Income Taxes	377	2,395
Pre-Minority Interest Net Income (Loss)	-1,712	-6,559
Net Income Attributable to Minority Interests	47	—
Net Income (Loss)	-1,760	-6,559

Consolidated Statement of Comprehensive Income (FY23/3 H1)

	(JPY million)	
	FY22/3 H1 (Apr 1, 2021 to Sep 30, 2021)	FY23/3 H1 (Apr 1, 2022 to Sep 30, 2022)
Net Income (Loss)	-8,595	-11,633
Other Comprehensive Income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	601	3,760
Adjusted value of defined benefit pension, net of tax	132	112
Total Other Comprehensive Income	735	3,872
Comprehensive Income	-7,860	-7,761
of which, Comprehensive income attributable to owners of the parent	-8,018	-7,761
of which, Comprehensive income attributable to minority interests	157	—

Consolidated Statement of Comprehensive Income (FY23/3 Q2 Stand-Alone)

	(JPY million)	
	FY22/3 Q2 (Jul 1, 2021 to Sep 30, 2021)	FY23/3 Q2 (Jul 1, 2022 to Sep 30, 2022)
Net Income (Loss)	-1,712	-6,559
Other Comprehensive Income		
Valuation difference on available-for-sale securities	0	-0
Foreign currency translation adjustment	202	476
Adjusted value of defined benefit pension, net of tax	45	55
Total Other Comprehensive Income	248	532
Comprehensive Income	-1,464	-6,027
of which, Comprehensive income attributable to owners of the parent	-1,512	-6,027
of which, Comprehensive income attributable to minority interests	47	—

(3) Consolidated Cash Flow Statement (FY23/3 H1)

	(JPY million)	
	FY22/3 H1 (Apr 1, 2021 to Sep 30, 2021)	FY23/3 H1 (Apr 1, 2022 to Sep 30, 2022)
Cash Flows from Operations		
Pre-Tax Income (loss)	-8,009	-8,561
Depreciation	4,232	4,254
Goodwill amortization	68	68
Impairment loss	475	1,206
Increase (decrease) in allowance for doubtful accounts	-5	-1
Interest expenses	690	590
Foreign exchange losses (gains)	-9	-1,486
Subsidies received	-22	-40
Loss (gain) on sale of non-current assets	-37	-5
Reversal of business structure improvement expenses	—	-1,041
Decrease (increase) in trade receivables	1,546	12,360
Decrease (increase) in inventories	-10,366	-19,868
Increase (decrease) in trade payable	5,589	1,555
Decrease (increase) in accounts receivable - other	-4,376	-2,554
Decrease (increase) in consumption tax refunds receivable	157	-356
Increase (decrease) in accounts payable - other	-456	-432
Increase (decrease) in accrued expenses	-2,325	71
Increase (decrease) in advances received	4,647	343
Increase (decrease) in retirement benefit liability	-434	-434
Other	3,314	2,371
Subtotal	-5,320	-11,959
Interest and dividends received	23	37
Interest paid	-613	-585
Income taxes paid	-892	-1,702
Net Cash from (Used for) Operations	-6,803	-14,209

(JPY million)

	FY22/3 H1 (Apr 1, 2021 to Sep 30, 2021)	FY23/3 H1 (Apr 1, 2022 to Sep 30, 2022)
Cash Flows from Investments		
Purchase of non-current assets	-4,442	-5,782
Proceeds from sales of non-current assets	38	6
Decrease (increase) in time deposit	—	850
Payments of leasehold and guarantee deposits	-19	-1,443
Subsidies received	22	40
Other	119	0
Net Cash from (Used for) Investments	-4,281	-6,327
Cash Flows from Financing		
Net increase (decrease) in short-term borrowings	-20,136	13,000
Proceeds from issuance of preferred stock	24,842	—
Repayments of lease obligations	-329	-229
Other	-0	—
Net Cash from (Used for) Financing	4,376	12,770
Effect of Exchange Rate change on Cash & Cash Equivalents	348	4,059
Net Increase (Decrease) in Cash & Cash Equivalents	-6,360	-3,706
Cash & Cash Equivalents at Beginning of Period	55,347	50,939
Cash & Cash Equivalents at End of Period	48,986	47,232

Consolidated Cash Flow Statement (FY23/3 Q2 Stand-Alone)

	(JPY million)	
	FY22/3 Q2 (Jul 1, 2021 to Sep 30, 2021)	FY23/3 Q2 (Jul 1, 2022 to Sep 30, 2022)
Cash Flows from Operations		
Pre-Tax Income (loss)	-1,335	-4,164
Depreciation	2,094	2,112
Goodwill amortization	34	34
Impairment loss	125	86
Increase (decrease) in allowance for doubtful accounts	-5	-0
Interest expenses	346	297
Foreign exchange losses (gains)	40	-278
Subsidies received	-13	-7
Loss (gain) on sale of non-current assets	-2	—
Decrease (increase) in trade receivables	2,923	-4,529
Decrease (increase) in inventories	-5,773	-11,634
Increase (decrease) in trade payable	568	17,759
Decrease (increase) in accounts receivable - other	-901	-9,756
Decrease (increase) in consumption tax refunds receivable	79	-185
Increase (decrease) in accounts payable - other	1,180	-58
Increase (decrease) in accrued expenses	-670	194
Increase (decrease) in advances received	1,631	921
Increase (decrease) in retirement benefit liability	-242	-225
Other	2,265	8,097
Subtotal	2,344	-1,334
Interest and dividends received	13	26
Interest paid	-266	-216
Income taxes paid	-207	-1,329
Net Cash from (Used for) Operations	1,884	-2,854

(JPY million)

	FY22/3 Q2 (Jul 1, 2021 to Sep 30, 2021)	FY23/3 Q2 (Jul 1, 2022 to Sep 30, 2022)
Cash Flows from Investments		
Purchase of non-current assets	-2,113	-3,064
Proceeds from sales of non-current assets	4	—
Decrease (increase) in time deposit	—	-20
Payments of leasehold and guarantee deposits	-16	-0
Subsidies received	13	7
Other	3	-0
Net Cash from (Used for) Investments	-2,108	-3,078
Cash Flows from Financing		
Net increase (decrease) in short-term borrowings	-20,005	13,000
Proceeds from issuance of preferred stock	24,842	—
Repayments of lease obligations	-138	-122
Net Cash from (Used for) Financing	4,699	12,877
Effect of Exchange Rate change on Cash & Cash Equivalents	125	912
Net Increase (Decrease) in Cash & Cash Equivalents	4,601	7,857
Cash & Cash Equivalents at Beginning of Period	44,385	39,375
Cash & Cash Equivalents at End of Period	48,986	47,232

(4) Notes to the Consolidated Financial Statements

Significant Subsequent Events

Sale of Shares of Significant Subsidiary

JDI decided to sell all shares of its LCD module manufacturing subsidiary Suzhou JDI Electronics Inc. (SE) to Suzhou Dongshan Precision Manufacturing Co., Ltd. (DSBJ), and signed a share purchase agreement (SPA) with DSBJ on October 28, 2022.

Upon completion of the sale, SE will no longer be a consolidated subsidiary of JDI.

(a) Purpose of the Sale

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	Suzhou JDI Electronics Inc.
(2) Headquarters	No.168 Jin Feng Road, Suzhou New District, Suzhou, 215011, PRC
(3) Business Description	LCD module manufacturing
(4) Relationship with JDI	JDI outsources display module manufacturing to SE

(c) Schedule

(1) JDI Board Resolution Date	October 28, 2022
(2) SPA Signing Date	October 28, 2022
(3) SPA Execution Date	January to March 2023 (expected)

Note: Execution of the SPA will occur immediately after the approvals of the relevant authorities are obtained.

(d) Overview of the Buyer

(1) Name	Suzhou Dongshan Precision Manufacturing Co., Ltd.
(2) Headquarters	No.88 Tangdong Road, Wuzhong Economic Development Zone, Suzhou, PRC
(3) Business Description	Metal precision processing, and PCB and LCD module manufacturing
(4) Relationship with JDI	N/A

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

(1) Shareholding Before the Sale	100%
(2) Percentage of Shares Being Sold	100%
(3) Sale Price	JPY 20,500 million
(4) Shareholding After the Sale	0%

Note: The sale price is provisional and subject to change depending upon the finalization of SE's books and records.

(f) Earnings Impact

The impact of the sale on FY23/3 earnings is under review.

Supplemental Information (Quarterly Consolidated Data)

(1) Consolidated Earnings

(JPY million)	FY22/3				FY23/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Mobile	30,107	32,054	25,870	29,599	15,728	22,227		
Automotive	20,881	23,874	26,424	35,738	26,878	39,659		
Non-Mobile	14,972	15,969	19,362	21,089	14,492	19,309		
Sales	65,961	71,898	71,657	86,427	57,099	81,196		
EBITDA ¹	-3,716	955	-927	3,850	-4,711	-2,774		
Operating Profit	-5,872	-1,160	-3,084	1,540	-6,872	-4,906		
Recurring Profit	-6,358	-1,212	-2,502	2,109	-4,324	-4,077		
Net Income	-6,992	-1,760	2,422	-1,765	-5,074	-6,559		
EPS (Basic)	-2.68	-0.47	0.57	-0.40	-1.08	-1.39		
JPY/USD (Avg)	109.5	110.1	113.7	116.3	129.7	138.3		
JPY/USD (Q-End)	110.6	111.9	115.0	122.4	136.7	144.8		

¹ EBITDA = Operating Profit + Depreciation + Goodwill amortization

(2) Financial Position

(JPY million)	FY22/3				FY23/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Assets	223,167	230,045	239,281	258,275	238,541	277,551		
Liabilities	188,742	172,154	178,911	185,507	167,507	212,544		
Net Assets	34,425	57,890	60,369	72,768	71,034	65,006		
Shareholder Equity Ratio	14.3%	24.1%	25.2%	28.2%	29.8%	23.4%		
Operating CF	-8,688	1,884	593	-15,463	-11,355	-2,854		
Investing CF	-2,172	-2,108	7,709	-3,331	-3,249	-3,078		
Financing CF	-322	4,699	-505	10,898	-106	12,877		
Ending Cash Bal.	44,385	48,986	57,445	50,939	39,375	47,232		
Free Cash Flow	-11,017	-228	178	-17,768	-14,073	-5,918		

(3) R&D, Capex, & Depreciation

(JPY million)	FY22/3				FY23/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
R&D	2,350	2,458	2,528	2,292	2,275	2,377		
Capex	2,132	723	3,380	1,264	2,647	3,611		
Depreciation	2,172	2,128	2,169	2,321	2,176	2,147		