



Japan  
Display  
Inc.  
Group

# **Third Quarter of FY 2019**

**(October 1 to December 31, 2019)**

## **Consolidated Financial Results**

**Japan Display Inc.**  
**April 13, 2020**

# Q3-FY19 Summary and Outlook for Q4-FY19

## Q3 Results

- Sales ..... Lacking a strong demand for shipments of new smartphone products as in Q3 in the previous fiscal year, sales in the current period (Q3) decreased by 101 BJPY YoY (down approx. 40%)
- Op. Income... Although sales decreased significantly YoY, as a result of structural reforms and further cost reductions, an operating profit was achieved in Q3

## Q4 Outlook

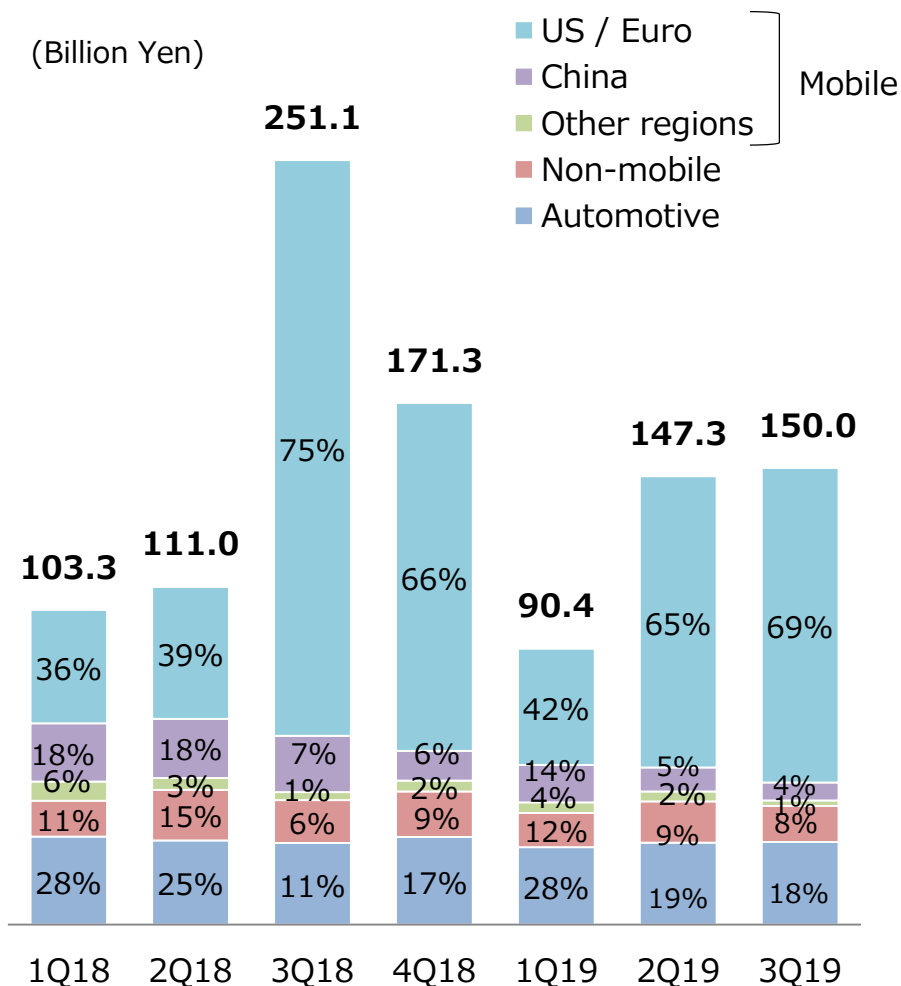
- Sales ..... Due to seasonal factors and the spread of Covid-19, sales are expected to decrease by approx. 25% compared to Q3. For the full year, a YoY decrease of about 20% (500 BJPY) is predicted
- Op. Income... Though positive operating income was achieved in Q3, the above factors made it difficult to achieve positive operating profit in Q4
- Net income... Including an extraordinary profit for the sale of shares, positive net income is assumed for the second half of FY19

(Billion Yen)

	Net sales	Op. income	Ordinary income	Net profit	Dep. & Amort.	R&D expense	FX rate (¥/US\$)
Q3-FY19	150.0	2.5	(3.3)	(6.7)	4.8	2.1	108.8
Q2-FY19	147.3	(8.1)	(12.1)	(25.2)	4.2	2.6	107.4
Q3-FY18	251.1	4.3	(0.3)	(2.8)	11.0	3.3	112.9

# Quarterly Sales by Region & Business Category

## Quarterly Sales Trend



## Sales Status per Category

### ■ Mobile Category

- The strong increase in demand for new products shown in Q3-FY18 did not materialize in the current period & together with the suspension of operations in the Hakusan plant, Q3-FY19 sales decreased significantly YoY

### ■ Automotive Category

- Impacted by the slowdown of the Chinese economy and its trade war with the US, automobile sales have been sluggish since the same period last year in major regions

### ■ Non-mobile Category

- Sales of digital cameras, and notebook PCs, which were also affected by the US-China trade frictions, declined. While the total percentage of sales is low, high-definition displays for VR were in strong demand

# Consolidated Operating Results

(Billion yen)

	Q3-FY19	Q3-FY18 revised	YoY Chg.	Q2-FY19 revised	QoQ Chg.	
Net sales	<b>150.0</b>	251.1	(101.0) -40.2%	147.3	+2.7	+1.8%
Cost of sales	<b>139.1</b>	234.8	(95.7) -40.8%	146.2	(7.1)	-4.9%
Gross profit (loss)	<b>10.9</b> 7.3%	16.2 6.5%	(5.3) -32.7%	1.1 0.8%	+9.8	+879.8%
SG&A	<b>8.4</b>	11.9	(3.5) -29.5%	9.2	(0.8)	-9.1%
Operating income (loss)	<b>2.5</b> 1.7%	4.3 1.7%	(1.8) -41.3%	(8.1) -5.5%	+10.6	-
Net non-op. income (expenses)	<b>5.8</b>	(4.6)	+10.4	4.0	+1.8	+45.2%
Ordinary income (loss)	<b>(3.3)</b> -2.2%	(0.3) -0.1%	(3.0)	(12.1) -8.2%	+8.8	-
Net extraordinary income (loss)	<b>(3.0)</b>	(1.9)	(1.1)	(12.0)	+9.0	-
Income (loss) before income taxes	<b>(6.3)</b> -4.2%	(2.1) -0.9%	(4.2)	(24.1) -16.3%	+17.8	-
Income taxes	<b>0.4</b>	0.6	(0.1)	1.0	(0.5)	
Net income (loss) attributable to owners of the parent	<b>(6.7)</b> -4.5%	(2.8) -1.1%	(3.9)	(25.2) -17.1%	+18.5	-
EBITDA	<b>6.7</b> 4.5%	15.3 6.1%	(8.6) -55.9%	(4.1) -2.8%	+11	-
Avg. FX rate (JPY/USD)	<b>108.8</b>	112.9		107.4		
Q-End FX rate (JPY/USD)	<b>109.6</b>	111.0		107.9		

Q3-FY19 Non operating expenses : Share of loss of entities accounted for using the entity method 4.3 BJPY,  
loss related to typhoon "No.21" 0.3 BJPY

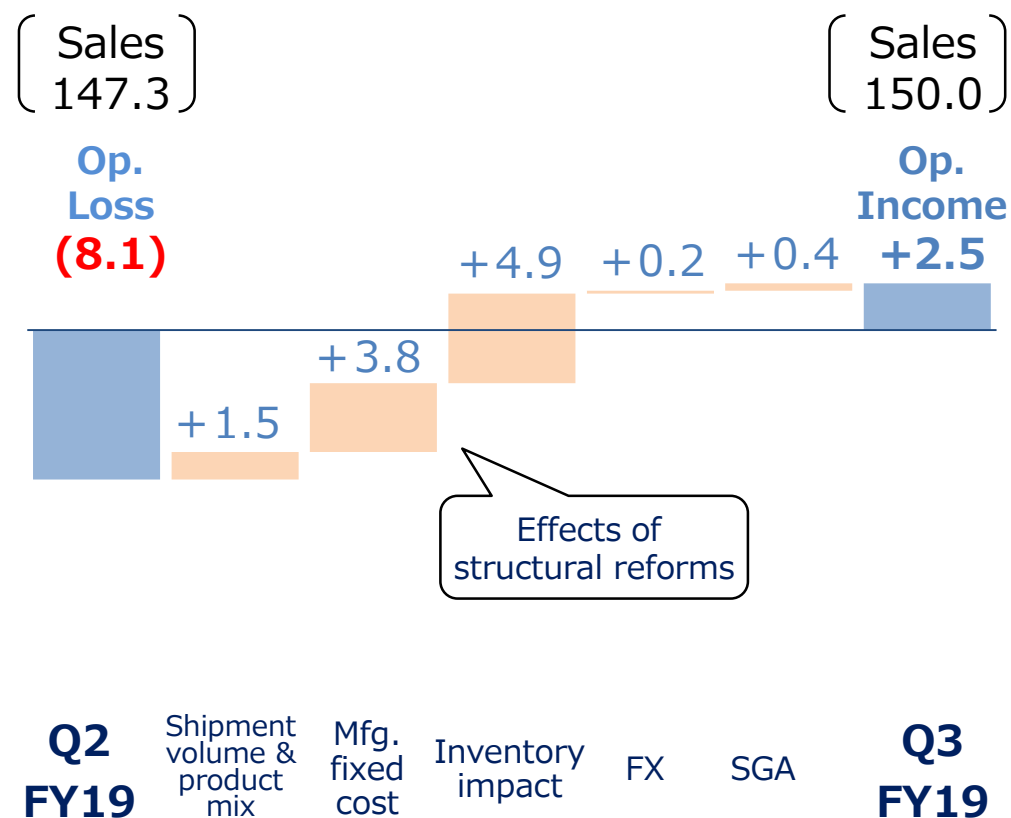
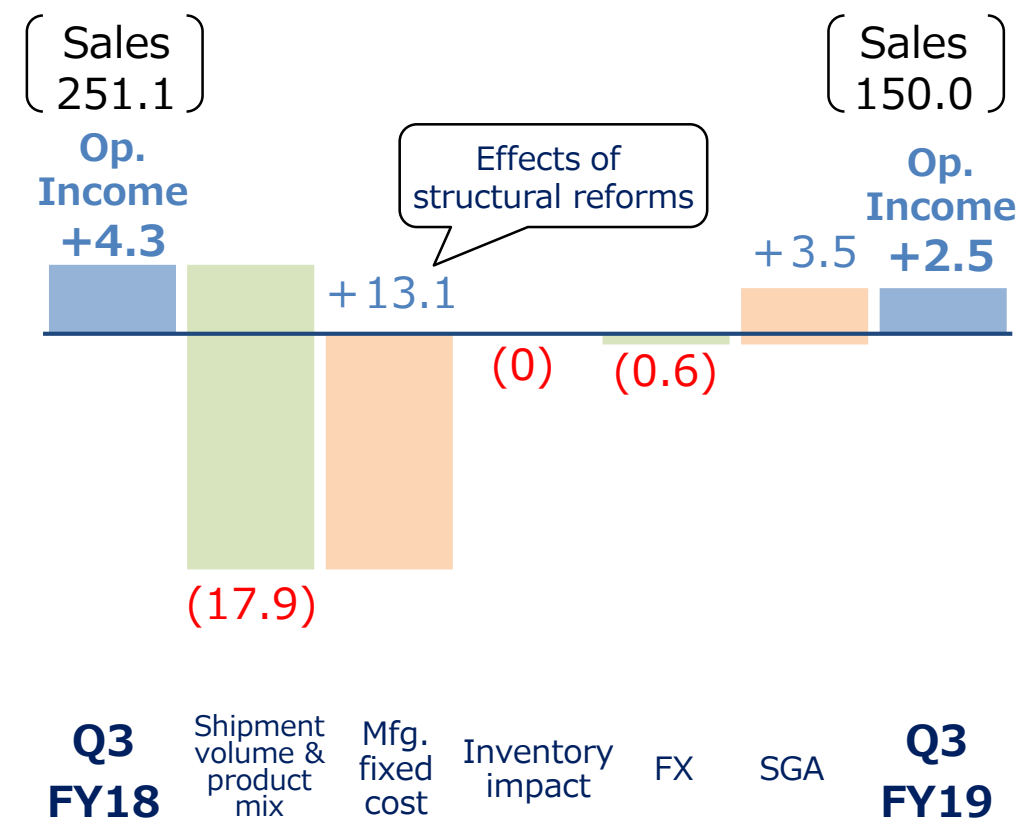
Extraordinary loss : Business restructuring expense 2.5 BJPY

# Consolidated Operating Profit Change Factors

Billion yen

## vs. Previous Year (Q3-FY18)

## vs. Previous Quarter (Q3-FY19)



# Consolidated Balance Sheet

(Billion yen)

	3/2019 revised	6/2019 revised	9/2019 revised	12/2019
Cash and deposits	69.0	43.7	56.8	<b>49.1</b>
Accounts receivable - trade	92.2	60.9	96.3	<b>78.0</b>
Accounts receivable - other	49.7	40.2	74.9	<b>64.8</b>
Inventories	70.9	58.6	45.5	<b>43.5</b>
Other	8.8	8.0	8.6	<b>8.7</b>
Total current assets	290.6	211.4	282.0	<b>244.2</b>
Total non-current assets	247.9	196.6	192.2	<b>183.6</b>
Total assets	538.5	408.0	474.3	<b>427.9</b>
Accounts payable - trade	178.4	124.4	169.0	<b>142.2</b>
Interest-bearing debt	185.8	208.2	248.1	<b>246.0</b>
Advances received	101.9	93.7	91.6	<b>90.3</b>
Other liabilities	71.5	60.7	68.8	<b>57.7</b>
Total liabilities	537.6	487.0	577.5	<b>536.1</b>
Total net assets	0.9	(79.0)	(103.3)	<b>(108.3)</b>
Shareholders' equity ratio	-0.2%	-19.9%	-22.3%	<b>-25.9%</b>
Net debt	116.9	164.5	191.3	<b>196.9</b>
Merchandise and finished goods	15	22	11	<b>9</b>
Work in process	12	20	7	<b>6</b>
Raw materials and supplies	10	16	9	<b>10</b>
Days in inventory	37	58	28	<b>26</b>

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

# Consolidated Cash Flows

(Billion yen)

	Q1-FY19	Q2-FY19	Q3-FY19	FY2019 1-3Q (nine-months)
Income before income taxes	(78.9)	(24.1)	(6.3)	(109.3)
Dep. & Amort.	7.1	4.2	4.8	16.1
Working capital	(2.8)	(12.9)	5.2	(10.5)
Advances received	(8.2)	(2.1)	(1.4)	(11.7)
Structural reform cost	47.7	12.0	2.5	62.2
Other	(1.6)	3.2	(4.5)	(2.9)
CF from operating activities	(36.7)	(19.6)	0.3	(56.0)
Acquisitions of P&E	(7.1)	(3.6)	(3.1)	(13.8)
Other	0.1	(1.8)	0.1	(1.6)
CF from investing activities	(7.0)	(5.3)	(3.0)	(15.3)
CF from financing activities	19.5	38.3	(4.4)	53.4
Ending balance, cash & equiv.	43.7	56.8	49.1	49.1
Free cash flow	(43.7)	(24.9)	(2.7)	(71.3)

# Status of Measures Addressing Major Issues of FY 2019

## Structural reforms, fundraising, elimination of negative net assets and steady progression towards profitability

### ✓ Strengthening the financial foundation

- Ensuring capital injection and refinancing
- Rebuilding trust relationships with suppliers and customers



- ✓ Fundraising of 50.4 BJPY through Ichigo Trust (March 26)
- ✓ Refinancing by INCJ (March 26)

### ✓ Implementing structural reforms



- ✓ Reduction of fixed costs by more than 25 BJPY in a 6-month period

※ Compared to 2<sup>nd</sup> half of FY18

### ✓ Faster response to a changing business environment

- Transformation of the product portfolio by investments in growth areas
- Preparations for negative risks such as Covid-19



### Expansion of fundraising options and OLED launch

- Fundraising through Ichigo Trust (Issuance of Class D Preferred Shares and the 12th stock acquisition rights)
- OLED display shipments

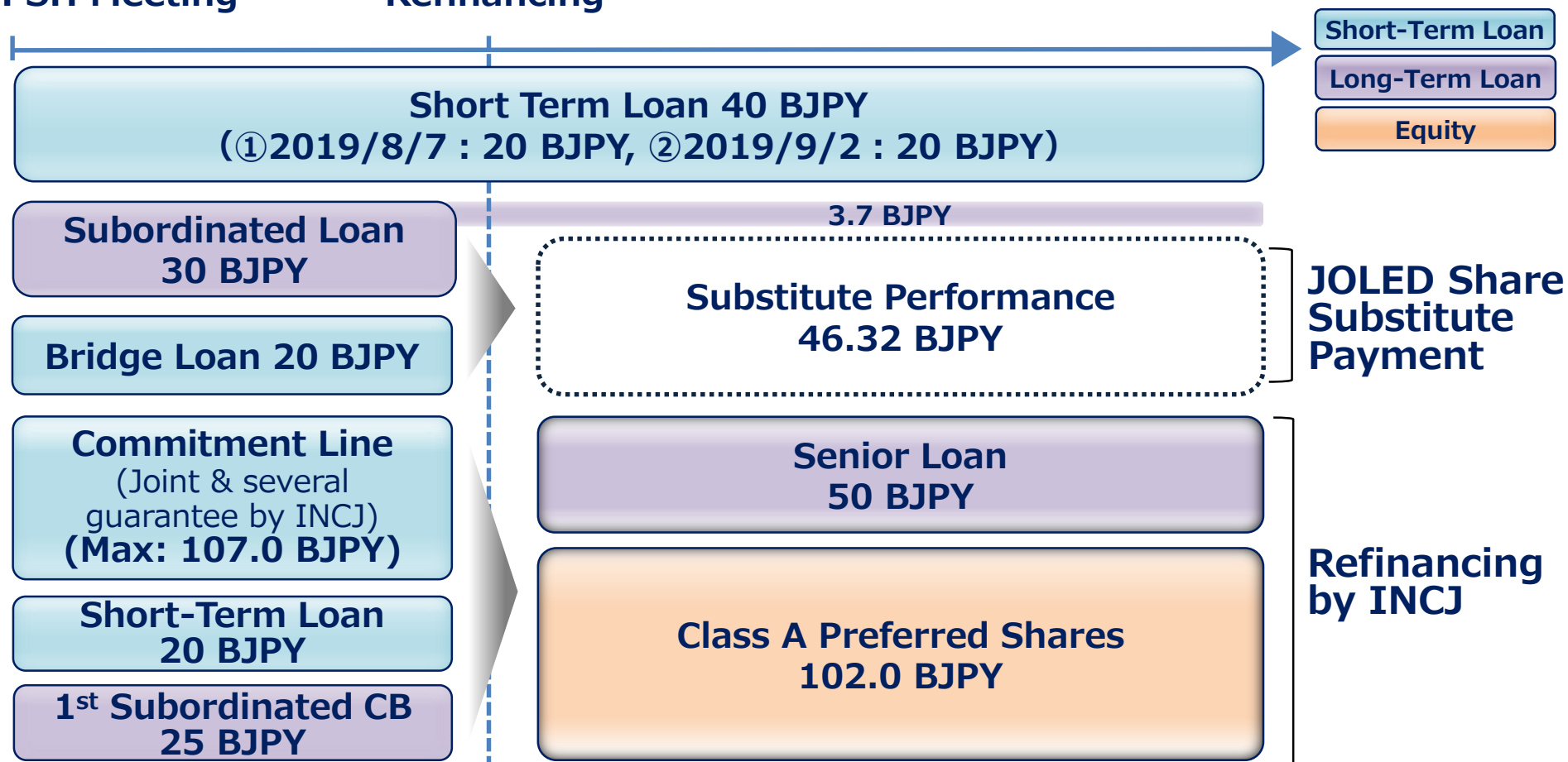


# Continued Support by INCJ (Refinancing)

Improving the financial structure by completing the refinancing with INCJ

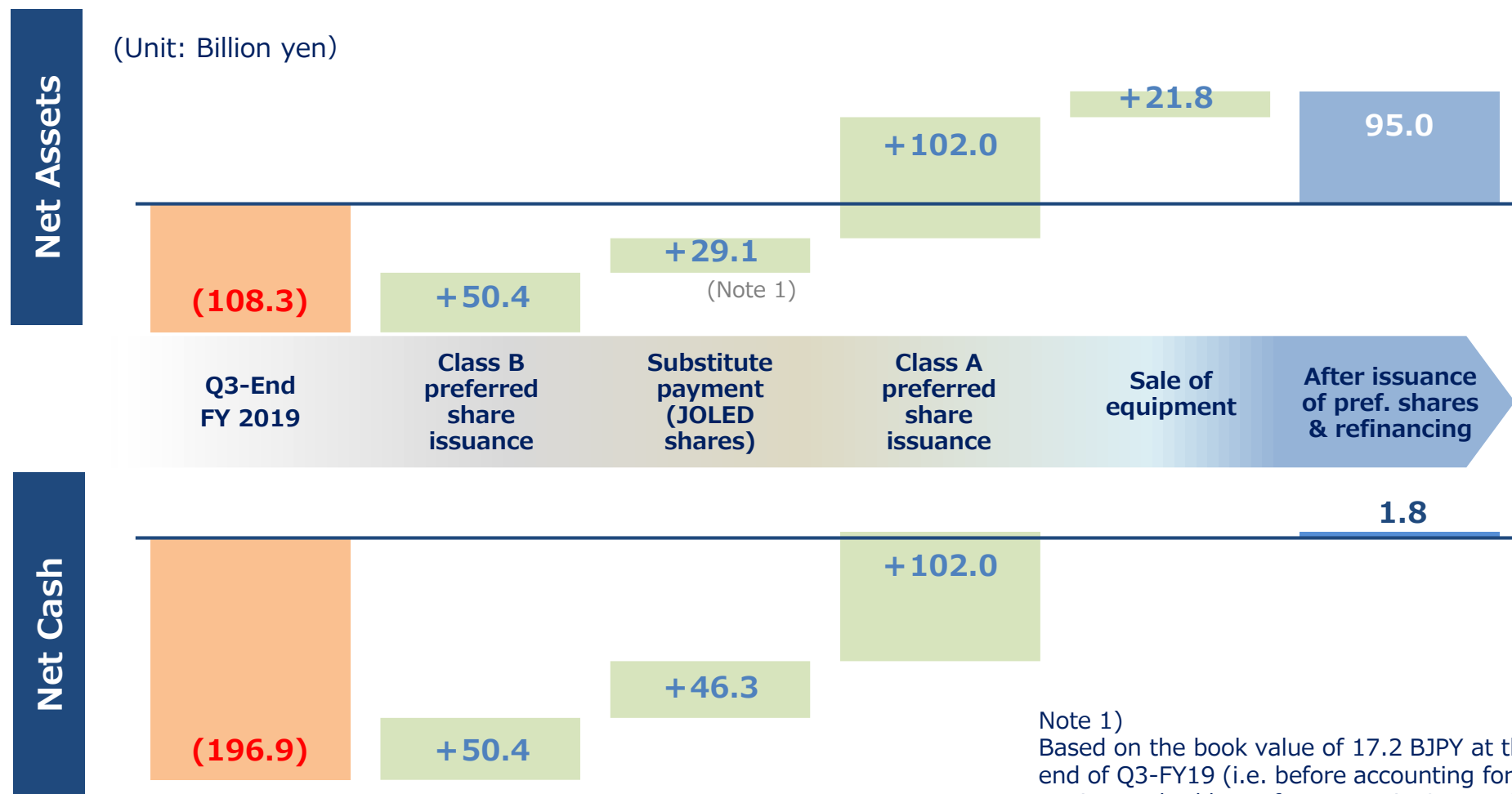
2020/03/25  
Extr. SH Meeting

2020/3/26  
Refinancing



# Strengthening the Financial Foundation

## Elimination of negative net **assets** and drastic reduction of interest bearing debt



Note 1)  
Based on the book value of 17.2 BJPY at the end of Q3-FY19 (i.e. before accounting for the equity method loss of 1.5 BJPY in Q4-FY19)

# Impact of Covid-19 and Countermeasures

**Focusing countermeasures on the risk of reduced demand & potential impact on production lines due to a global recession by continuing to:**

- ① minimize opportunity losses & excess inventories with flexible production**
- ② expand available fundraising options**

	Impact	Countermeasures
■ Production related	<ul style="list-style-type: none"><li>✓ Decreased supply from parts manufacturers</li><li>✓ Partial logistic delays</li><li>✓ Reduced production at overseas factories and partner companies</li></ul>	<ul style="list-style-type: none"><li>✓ Change of production areas, materials and manufacturers</li><li>✓ Flexible changes to supply routes</li><li>✓ Mfg. measures specific to each country, plus healthcare, human resource and logistic arrangements</li></ul>
■ Sales and profits related	<ul style="list-style-type: none"><li>✓ Following supply chain disruptions, sales and profitability worsen</li><li>✓ Decreased demand, mainly for automobiles, due to global recession</li></ul>	<ul style="list-style-type: none"><li>✓ Flexible production that reduces the risk of losing opportunities and holding excess inventory</li></ul>
■ Financing related	<ul style="list-style-type: none"><li>✓ Deterioration of cash balance due to reduced demand</li></ul>	<ul style="list-style-type: none"><li>✓ Current cash level is not an issue</li><li>✓ However, to prepare for the risk of further worsening of business conditions, seek more fundraising options</li></ul>

# Tasks and Strategies Aimed at Sustainable Growth

Enhancing efficiency and cost competitiveness to enable the transformation into the No. 1 company in target markets

## Tasks

- ✓ **Securing the top line**  
Strengthen the business that sustains the company
- ✓ **Strengthen cost competitiveness**  
Improve the cost base
- ✓ **Revamp technology development skills**  
Technology that support sales and reduce costs
- ✓ **Enhance company wide functions**

## Overall Strategy

1

### Total strengthening of business profitability

Turnaround in the first year

- Asset optimization, improve variable costs, enhance productivity

2

### Commercialization of high-value added technologies

Propose new services to create new markets

- Expand the sensor business, commercialize related technologies

3

### Accelerate alliances

Buy time to make the impossible possible

- Active use of alliances with various partners



**Forward Looking Statement:**

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