



Japan
Display
Inc.
Group

First Quarter of FY 2017 Consolidated Financial Results

Japan Display Inc.

August 9, 2017

- **1Q-FY17 Results & 2017 Guidance**
- **Commitment Line Agreement**

Takanobu Oshima
Chief Financial Officer

Topics in Q1-FY 2017

- Total net sales modestly exceeded the forecast, with an increase in shipment to the US/EUR regions covering the slowdown to China. Operating loss due to product mix was in line with the forecast.
- Though net sales increased YoY, operating loss expanded reflecting an increase in fixed costs due to accelerated OLED development & operation start of Hakusan Plant
- Extraordinary loss (a portion of restructuring cost) recognized : JPY2.7bn
Write-off of deferred tax assets: JPY7.5bn
- Nobuhiro Higashiiriki was appointed as CEO, Representative Director and Chairman on June 21.

(Billion Yen)

	Net sales	Operating income	Ordinary income	Net income	Dep. & Amort.	R&D expense	FX rate (¥/US\$)
1Q-FY17 (A)	188.6	(14.4)	(20.6)	(31.5)	24.8	5.6	111.1
1Q-FY17 (F)	180.0	(15.0)	-	-	25.4	7.1	110.0
1Q-FY16 (A)	174.3	(3.4)	(14.2)	(11.8)	20.0	3.4	108.0

Operating Results

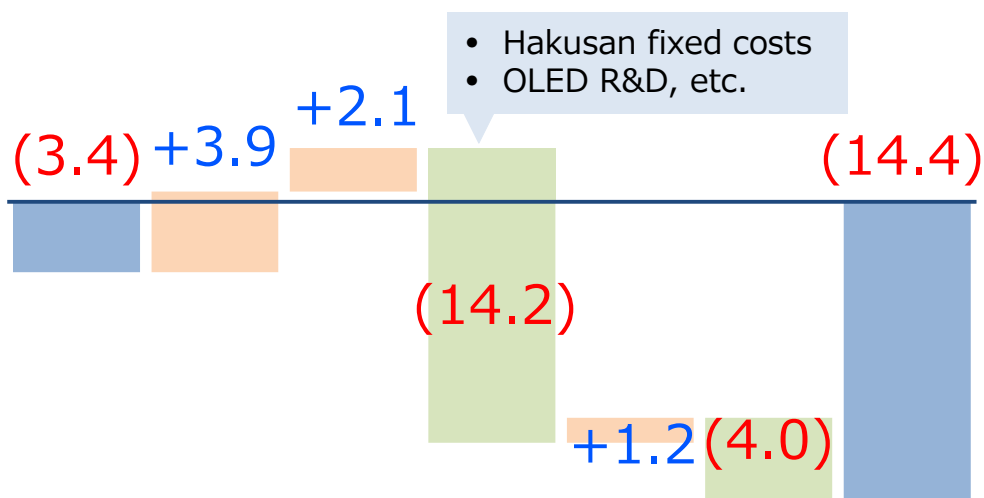
(Billion yen)

	Q1-FY17	Q1-FY16	YoY Chg.		Q4-FY16	QoQ Chg.	
Net sales	188.6	174.3	+14.3	+8.2%	240.2	(51.6)	-21.5%
Cost of sales	187.5	165.9	+21.6		220.0	(32.5)	
Gross profit	1.0	8.4	(7.4)	-87.6%	20.2	(19.2)	-94.9%
	0.6%	4.8%			8.4%		
SG&A	15.5	11.8	+3.7	+31.0%	12.2	+3.3	+26.7%
Operating income	(14.4)	(3.4)	(11.0)	-	8.0	(22.4)	-
	-7.7%	-2.0%			3.3%		
Net non-operating loss	(6.2)	(10.8)	+4.6	-	(7.8)	+1.6	-
Ordinary income (loss)	(20.6)	(14.2)	(6.4)	-	0.2	(20.8)	-
	-10.9%	-8.2%			0.1%		
Net extraordinary income (loss)	(2.7)	(1.6)	(1.1)	-	(0.7)	(2.0)	-
Income (loss) before tax	(23.3)	(15.8)	(7.5)	-	(0.6)	(22.7)	-
	-12.3%	-9.1%			-0.2%		
Income taxes	7.9	(4.2)	+12.1	-	21.9	(14.0)	-64.1%
Income (loss) attributable to owners of the parent	(31.5)	(11.8)	(19.7)	-	(22.3)	(9.2)	-
	-16.7%	-6.8%			-9.3%		
EBITDA	8.1	15.0	(6.9)	-45.8%	31.7	(23.6)	-74.4%
	4.3%	8.6%			13.2%		
Avg. FX rate (JPY/USD)	111.1	108.0			113.6		
Q-End FX rate (JPY/USD)	112.0	102.9			112.2		

Operating Profit Change Factors

vs. 1Q-FY16

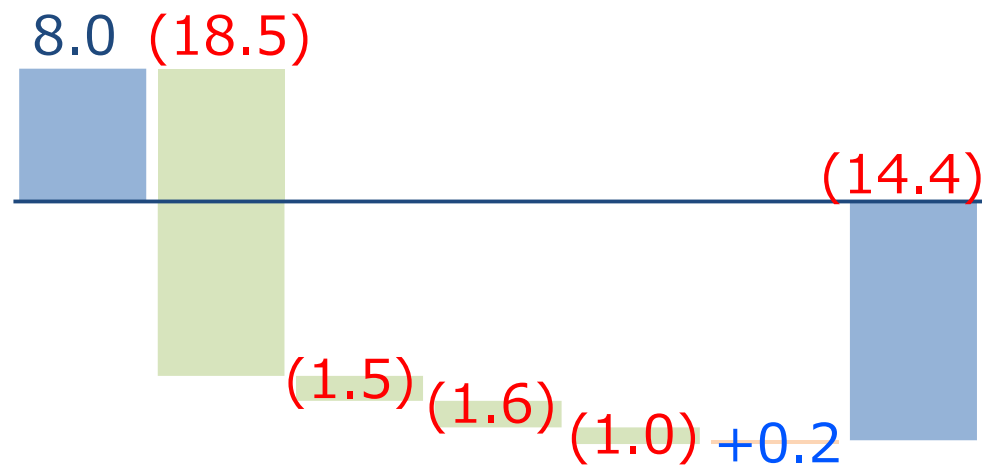
(Billion yen)



1Q FY16 Shipments & product mix Variable costs Fixed costs FX Other **1Q FY17**

vs. Previous quarter

(Billion yen)



4Q FY16 Shipments & product mix Variable costs Fixed costs FX Other **1Q FY17**

Balance Sheet

(Billion yen)

	6/2017	3/2017
Cash and deposits	60.9	82.2
Accounts receivable	110.7	128.6
Other receivables	116.9	92.0
Inventories	105.5	100.9
Others	8.8	14.4
Total current assets	402.9	418.2
Non-current assets	493.1	497.5
Total assets	896.0	915.6
Accounts payable	219.2	201.0
Interest-bearing debt	135.3	135.2
Advance receipts	161.5	179.4
Other liabilities	83.3	72.9
Total liabilities	599.2	588.5
Total net assets	296.8	327.1
Shareholders' equity ratio	32.8%	35.5%
Net debt	74.3	53.0
Merchandise and finished goods	15	12
Work in process	28	19
Raw materials and supplies	8	6
Days in inventory	50	38

Cash Flows

	(Billion yen)		
	Q1-FY17	Q1-FY16	Increase/ Decrease
Income before income taxes	(23.3)	(15.8)	(7.4)
Depreciation and amortization	24.8	20.0	4.8
Working capital ⁽¹⁾	7.4	(26.4)	33.7
Advance receipts	(17.9)	60.0	(77.9)
Other	5.1	(4.7)	9.8
Cash flow from operating activities	(3.9)	33.1	(37.0)
Acquisitions of property and equipment	(16.2)	(42.2)	26.0
Other	(1.5)	0.5	(2.0)
Cash flow from investing activities	(17.7)	(41.7)	24.0
Cash flow from financing activities	0.0	20.5	(20.4)
Ending balance, cash and equivalents	60.9	63.6	(2.7)
Free cash flow ⁽²⁾	(21.6)	(8.5)	(13.1)

(1) Working capital = Accounts receivable + Inventories + Accounts payable + Other receivables

(2) Free cash flow = Cash flow from operating activities + Cash flow from investing activities

Condition of the Market and JDI

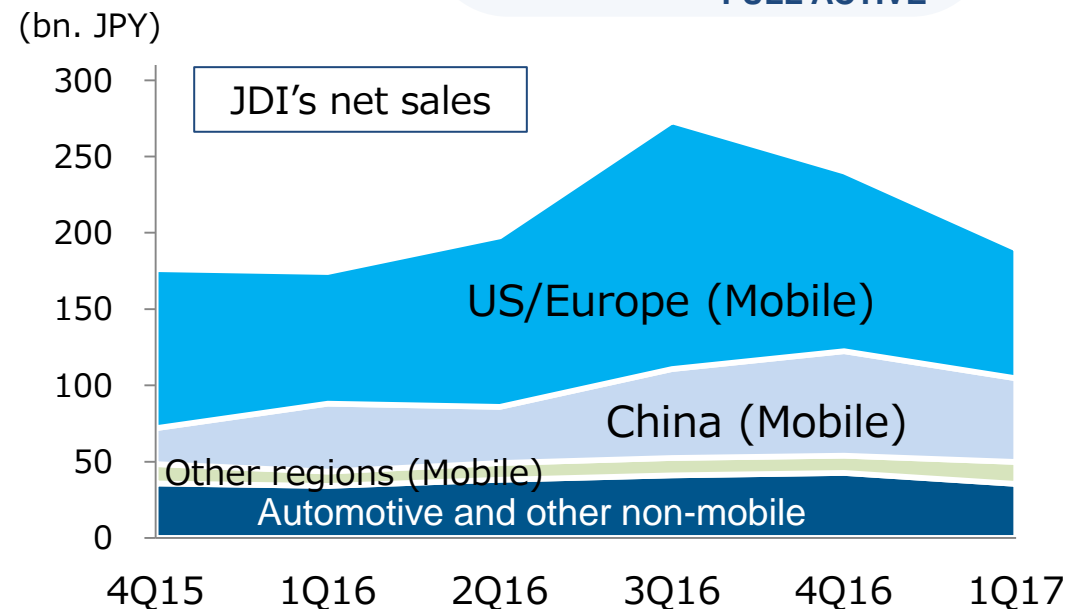
Market condition

- Though shipment of smartphones is generally strong, demand for panels is weak from Chinese smartphone makers due to their wait-and-see stance for the upcoming launch of new global brand smartphones.
- Demand rapidly shifting toward 18 : 9 aspect ratio, demand for 16 : 9 is decreasing.



JDI's condition

- Q1 sales weak due to seasonality & customers' above wait-and-see stance.
- Due to major customers' OLED adoption & severe price competition, sales for smartphone panels expected to be stagnant for immediate future.
- FULL ACTIVE™ sales projected to expand significantly from FY18.
- Automotive is strong. Automotive LTPS panel shipments started.



FY2017 Guidance

- Sales: Possibly declining by 15-25% YoY.
- R&D expense: Higher mainly for OLED.
- Capex: Cut by half
- Extraordinary loss: Approx. JPY170bn as business structure improvement expenses estimated
- Disclosures of quarterly forecasts will not be made for a while due to uncertain market & business environment.

(bn. yen)	FY16 actual	FY17 outlook
Depreciation	90.2	89.0
R&D expense	14.7	25.0
Capex	133.4	70.0

Depreciation expenses may decrease further with impairment of assets accompanying structural reforms.

Commitment Line Agreement

Operating funds secured by expanded credit facility enables smooth business operations

	Outline
Execution date	August 9, 2017
Lenders	Mizuho Bank, Ltd. (Arranger) Sumitomo Mitsui Banking Corporation (Arranger) Sumitomo Mitsui Trust Bank, Limited (Co-Arranger)
Commitment line	107 billion yen
Use of funds	Operating funds
Commitment period	One (1) year
Security	Unsecured
Guarantee	<p>If certain events including the followings occur, INCJ may cancel the guarantee entrustment agreement (provided, however, that guarantee obligations assumed before the cancellation shall not be exempted):</p> <ul style="list-style-type: none">- the Lenders request INCJ to perform its guarantee obligations upon a breach by JDI of any of its obligations under the Commitment Line Agreements;- JDI suspends payment of its debts, JDI becomes unable to pay its debts, JDI's liabilities exceed its assets, or a petition for commencement of a bankruptcy proceeding is filed with respect to JDI; or- a change of control event occurs with respect to JDI.

(Note) In order to secure the reimbursement from JDI in the case of INCJ's performing its joint and several guarantee obligations and the existing subordinated loan (the aggregate principal amount is 30 billion yen), a security interest is granted on assets of JDI.



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.

Any plan, estimation, calculation, quotation, evaluation, prediction, expectation or other forward-looking information in this document is based on the current assumptions and beliefs of JDI in light of the information currently available to it, and involves known and unknown risks, uncertainties, and other factors. Such risks, uncertainties and other factors may cause JDI's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, without limitation: economic conditions and individual consumption trends in Japan and overseas, currency exchange rate movements, trends in the market for smartphones and other electronic equipment, the management policies of our major business partners and fluctuations in the price of raw materials.