



Japan
Display
Inc.
Group

Third Quarter of FY 2017 Consolidated Financial Results

Japan Display Inc.

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3Q-FY17 Results & FY 2017 Guidance

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Chief Financial Officer

3Q-FY17 Topics

- In Q3, due to lower demand for smartphone panels etc. sales saw a large drop of ¥80bn YoY. As for operating income, despite the drop in sales along with higher fixed costs for Hakusan fab operations, continuous cuts* in operational costs kept the loss to a minimum.
- Inventory adjustments continue based on business structure reforms & inventory reductions*.
- Recorded ¥14.7bn business restructure expense as extraordinary loss & equity method investment loss of ¥3.6bn as non-operating cost.
- Production at Nomi Plant ended on Dec. 27, 2017; JOLED's possible use of Nomi under discussion.

(Billion Yen)

	Net sales	Operating income	Ordinary income	Net income	Dep. & Amort.	R&D expense	FX rate (¥/US\$)
3Q-FY17	191.7	(12.1)	(18.4)	(32.6)	22.3	3.8	113.0
2Q-FY17	185.3	(12.4)	(19.6)	(36.6)	22.8	5.3	111.0
3Q-FY16	273.2	12.7	11.5	7.3	23.5	3.0	109.4

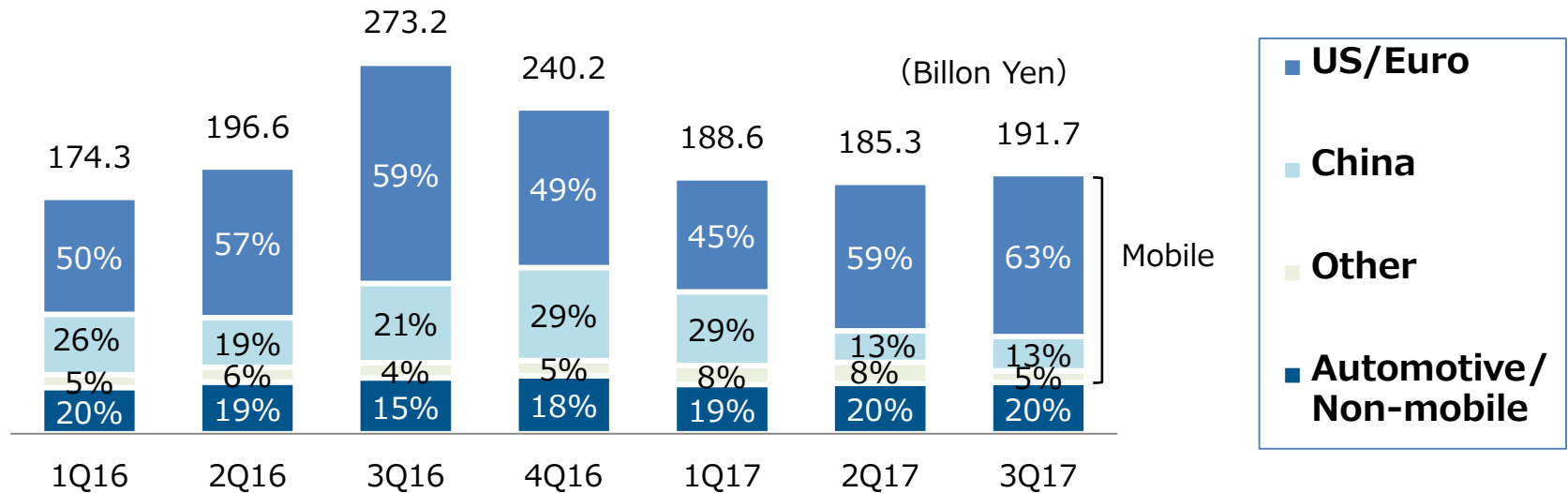
*Implementing a company-wide project (cross-functional team work) aimed at improving all operations.

Business Conditions

Biz Conditions

- **Mobile:** 3Q sales typically higher compared with 2Q but due to major customers adopting more OLED displays, a slowdown in smartphone shipments in China, greater competition in display mkt etc. 3Q-FY17 sales were flat QoQ.
- **Non-mobile:** Sales of some consumer product displays fell but sales of automotive, wearable & DSC displays were strong.
- **Strong inquiries regarding FULL ACTIVE™ from customers ahead of FY 2018.**

JDI Sales



Operating Results (3 mo. ended Dec. 31, 2017)

(Billion yen)

	Q3-FY17	Q3-FY16	YoY Chg.		Q2-FY17	QoQ Chg.	
Net sales	191.7	273.2	(81.5)	-29.8%	185.3	+6.5	+3.5%
Cost of sales	189.5	246.5	(57.0)		183.2	+6.3	
Gross profit	2.2	26.7	(24.4)	-91.7%	2.1	+0.2	+7.8%
	1.2%	9.8%			1.1%		
SG&A	14.3	14.0	+0.3	+2.1%	14.4	(0.1)	-0.8%
Operating income	(12.1)	12.7	(24.7)	-	(12.4)	+0.3	-
	-6.3%	4.6%			-6.7%		
Net non-operating loss	(6.3)	(1.1)	(5.1)	-	(7.2)	+0.9	-
Ordinary income (loss)	(18.4)	11.5	(29.9)	-	(19.6)	+1.2	-
	-9.6%	4.2%			-10.6%		
Net extraordinary income (loss)	(14.7)	0.0	(14.7)	-	(15.3)	+0.6	-
Income (loss) before tax	(33.1)	11.5	(44.6)	-	(34.9)	+1.8	-
	-17.2%	4.2%			-18.8%		
Income taxes	0.3	3.6	(3.3)	-90.8%	1.2	(0.9)	-72.5%
Income (loss) attributable to owners of the parent	(32.6)	7.3	(39.9)	-	(36.6)	+4.0	-
	-17.0%	2.7%			-19.7%		
EBITDA	10.3	33.8	(23.5)	-69.4%	5.9	+4.5	+76.8%
	5.4%	12.4%			3.2%		
Avg. FX rate (JPY/USD)	113.0	109.4			111.0		
Q-End FX rate (JPY/USD)	113.0	116.5			112.7		

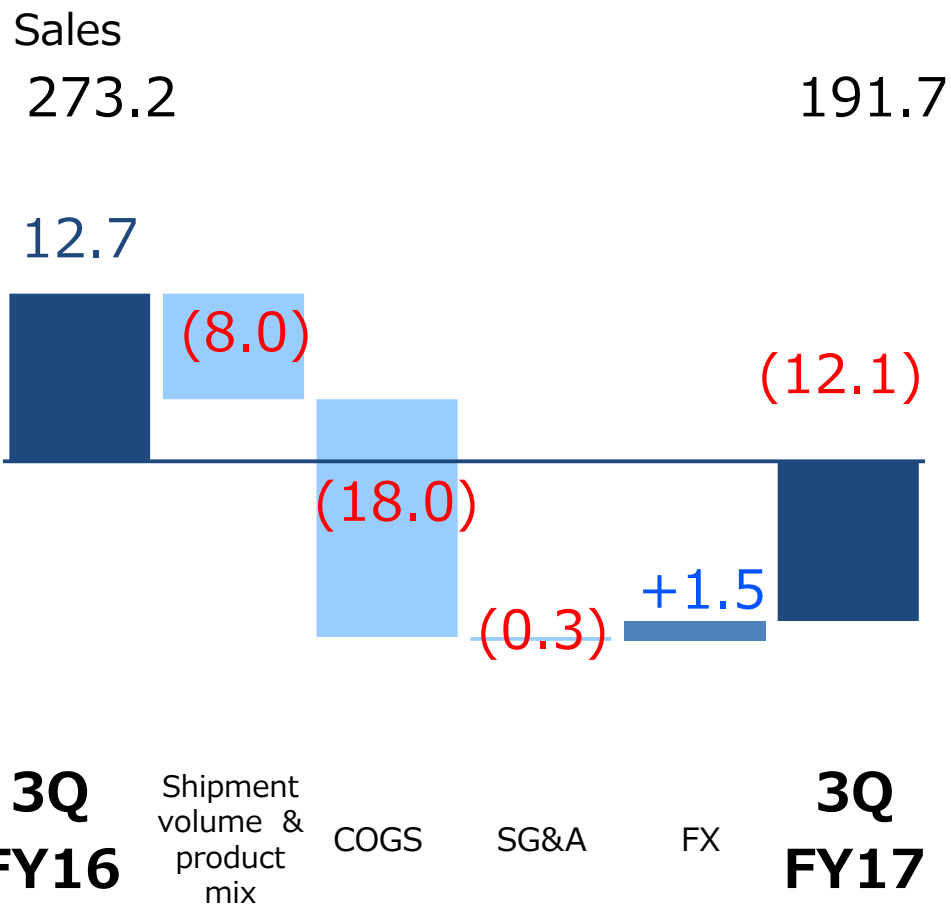
Operating Results (9 mo. ended Dec. 31, 2017)

(Billion yen)

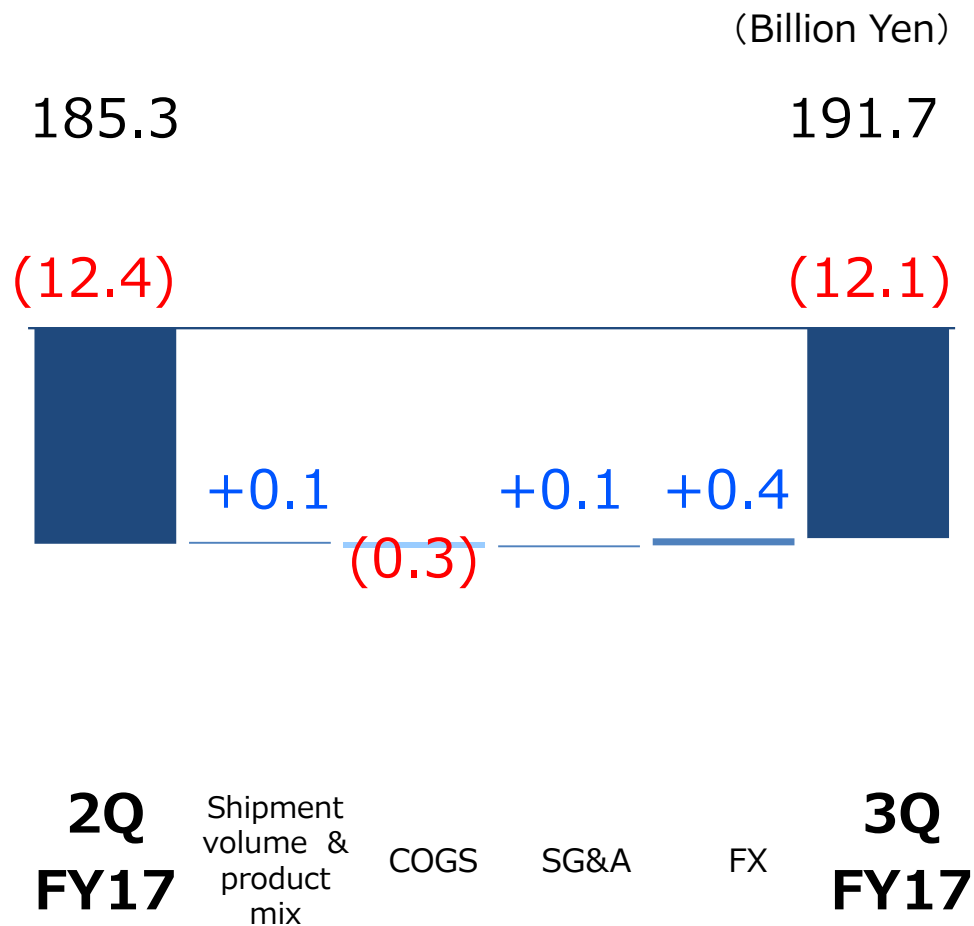
	9 mo. ended Dec.31, 2017	9 mo. ended Dec.31, 2016	YoY Chg.
Net sales	565.6	644.2	(78.6) -12.2%
Cost of sales	560.3	596.0	(35.8)
Gross profit	5.3 0.9%	48.2 7.5%	(42.8) -89.0%
SG&A	44.2	37.7	+6.5
Operating income	(38.9) -6.9%	10.5 1.6%	(49.4) -
Net non-operating loss	(19.6)	(19.5)	(0.1)
Ordinary income (loss)	(58.5) -10.3%	(9.1) -1.4%	(49.5) -
Net extraordinary loss	(32.7)	(1.6)	(31.0)
Income (loss) before tax	(91.2) -16.1%	(10.7) -1.7%	(80.5) -
Income taxes	9.4	(2.3)	+11.8 -
Income (loss) attributable to owners of parent	(100.6) -17.8%	(9.4) -1.5%	(91.2) -
EBITDA	24.3 4.3%	69.1 10.7%	(44.8) -64.8%
Avg. FX rate (JPY/USD)	111.7	106.6	

Operating Profit Change Factors

vs. Previous Year (3Q-FY16)



vs. Previous quarter



Balance Sheet

(Billion yen)

	12/2017	9/2017	3/2017
Cash and deposits	60.4	66.8	82.2
Accounts receivable	100.7	99.8	128.6
Other receivables	62.7	84.6	92.0
Inventories	80.9	105.9	100.9
Others	7.8	6.2	14.4
Total current assets	312.5	363.4	418.2
Non-current assets	450.7	477.7	497.5
Total assets	763.2	841.1	915.6
Accounts payable	153.0	192.7	201.0
Interest-bearing debt	164.4	153.7	135.2
Advance receipts	136.0	143.8	179.4
Other liabilities	79.9	88.6	72.9
Total liabilities	533.3	578.8	588.5
Total net assets	229.9	262.2	327.1
Shareholders' equity ratio	29.8%	30.8%	35.5%
Net debt	104.0	86.8	53.0
Merchandise and finished goods	13	21	12
Work in process	19	23	19
Raw materials and supplies	7	7	6
Days in inventory	38	51	38

*Days in inventory = Inventory / Cost of goods sold × 90days

Cash Flows

■ Financial Report: JGAAP

(advance receipts are included in Operating CF)

	(Billion yen)		
	9 mo. ended Dec.31, '17	9 mo. ended Dec.31, '16	Incr./ Decr.
Income bef. income taxes	(91.2)	(10.7)	(80.5)
Dep. & Amort.	69.8	65.0	4.8
Working capital ⁽¹⁾	33.0	33.8	(0.8)
Advance receipts	(43.4)	52.5	(96.0)
Other	22.5	(2.6)	25.2
CF from operating activities	(9.2)	138.0	(147.2)
Acquisitions of P&E	(38.7)	(116.6)	77.9
Other	(4.7)	(11.3)	6.7
CF from investing activities	(43.4)	(127.9)	84.6
CF from financing activities	292	14.0	15.2
Ending bal., cash & equiv.	60.4	82.2	(21.8)
Free cash flow ⁽²⁾	(52.6)	10.1	(62.6)

■ Internal business administration

(advance receipts are regarded as long-term liabilities & included in CF)

	(Billion yen)		
	9 mo. ended Dec.31, '17	9 mo. ended Dec.31, '16	Incr./ Decr.
Income bef. income taxes	(91.2)	(10.7)	(80.5)
Dep. & Amort.	69.8	65.0	4.8
Working capital ⁽¹⁾	33.0	33.8	(0.8)
Other	22.5	(2.6)	25.2
CF from operating activities	34.2	85.5	(51.3)
Acquisitions of P&E	(38.7)	(116.6)	77.9
Other	(4.7)	(11.3)	6.7
CF from investing activities	(43.4)	(127.9)	84.6
Advance receipts	(43.4)	52.5	(96.0)
Other	29.2	14.0	15.2
CF from financing activities	(14.2)	66.5	(80.7)
Ending bal., cash & equiv.	60.4	82.2	(21.8)
Free cash flow ⁽²⁾	(9.1)	(42.5)	33.3

Note: JDI views "Advance receipts" as equivalent to long-term liabilities and manages them internally by situating them in cash flow from financing activities.

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

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

Restructuring Progress

Restructuring Action	Progress	Restructuring Costs
Partial shutdown of Japan front-end line	Nomi Plant production ended in Dec 2017; discussing use of facilities & some mfg equip by JOLED	<p>Estimated total restructuring costs:</p> <p>Now expect less than ¥170bn (under review)</p> <p>Already booked amounts:</p> <p>1Q : ¥2.7bn 2Q : ¥13.8bn 3Q : ¥14.7bn</p>
Consolidation of overseas back-end subsidiaries	Holding constructive talks with relevant parties	
Write down of business & idle assets	Assessing impairment loss asset targets (¥14.9bn write-down of some assets by 3Q)	
OLED pilot line consolidation	Integration of R&D sources into Mobara finished	
Inventory assets valuation	Recorded valuation losses of ¥11.6bn on retained inventory in 2Q	
Personnel reductions, remuneration/salary cuts	290 accepted early retirement offer (originally expected 240); recorded ¥2.4bn in early retirement payments in 3Q	

FY 2017 Guidance

- Estimate full-year net sales of ¥710bn (down 20% YoY)
- Capex: ¥15bn less than previous estimate due to more selective investment choices etc.
- FY 2017 business restructuring extraordinary losses: Based on changes in business environment, now expected to fall below previous estimate of ¥170bn
- Negotiations continue in regard to building partnerships with global companies, but pace is slower than initially envisioned.

(Billion yen)	FY16 Actual	FY17 Est. (announced 11/8)	FY17 Est. (Current)
Net sales	884.4	Down 15-25% YoY	Approx. ¥710bn
Depreciation	90.2	89.0	89.0
R&D Costs	14.7	25.0	25.0
Capex	133.4	65.0	50.0



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.

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