



Japan Display Inc.

FY23/3 H1
Corporate Presentation

November 10, 2022



PersonalTech For A Better World



Japan Display Inc.

FY23/3 H1 Earnings Review

- H1 sales JPY 138.3B (JPY -16.4B vs. forecast), operating profit JPY -11.8B (JPY +4.9B vs. forecast)
- Sales came in at almost the same level as FY22/3 H1, with weak mobile demand (c. JPY -24.2B YOY) offset by strong automotive sales (c. JPY +21.8B YOY) & the positive effect of the yen's depreciation (c. JPY +26B)
- Operating profit worsened by JPY 4.7B YoY on inventory growth impacts & rising material, energy, & shipping costs
- In light of H1 results & expected weakened demand for H2, JDI is revising down its H2 & full-year forecasts

Despite below-forecast sales, losses shrank due to positive FX effects, & reductions in fixed & variable costs

(JPY billion)	FY23/3 H1 FCST	FY23/3 H1 ACT	Diff	Explanation
Sales	154.7	138.3	-16.4	<p>Mobile US/Euro: Expanded market share</p> <p>Mobile China/Other: Decrease in shipments due to lower-than-expected smartphone demand</p> <p>Automotive: Decrease due to restricted production at JDI & customers driven by Shanghai lockdown & prolonged material shortages</p> <p>Non-Mobile: Significant decrease in VR demand as key customer revised down sales plans</p>
Mobile (US/Euro)	21.9	28.6	+6.7	
Mobile (China/other)	13.5	9.4	-4.1	
Automotive	75.5	66.5	-9.0	
Non-Mobile	43.9	33.8	-10.1	
EBITDA	-11.9	-7.5	+4.4	<ul style="list-style-type: none"> • Lower fixed costs from reduced production • Aggressive cost cutting
Operating Profit	-16.7	-11.8	+4.9	
Recurring Profit	-17.3	-8.4	+8.9	Booked JPY 4.1B non-op. FX gain positive contributor to RP
Net Income	-17.2	-11.6	+5.6	<p>Positive: JPY 1B extraordinary gain on reversal of restructuring expenses</p> <p>Negative: JPY 1.2B extraordinary impairment loss. JPY 1B increase in income taxes of an overseas subsidiary</p>
FX (JPY/USD)	123.0	134.0		

Despite cost cuts & price increases, net loss widened as JDI was unable to cover sharp rise in input costs

(JPY billion)	FY22/3 H1 ACT	FY23/3 H1 ACT	Diff
Sales	137.9	138.3	+0.4
Mobile (US/Euro)	43.4	28.6	-14.8
Mobile (China/other)	18.8	9.4	-9.4
Automotive	44.8	66.5	+21.8
Non-Mobile	30.9	33.8	+2.9
EBITDA	-2.8	-7.5	-4.7
Operating Profit	-7.0	-11.8	-4.7
Recurring Profit	-7.6	-8.4	-0.8
Net Income	-8.8	-11.6	-2.9
FX (JPY/USD)	109.8	134.0	

Explanation

Mobile US/Euro: Continuing downward trend

Mobile China/Other: Lower shipments due to customers' inventory adjustments & lower smartphone sales

Automotive: Higher shipments due to strong demand despite impact of production adjustments by auto makers caused by continuing analog IC shortages

Non-Mobile: Increased due to yen depreciation despite slowdown in demand for consumer electronics

Cost increase due to higher material, energy, & transportation costs

JPY 3.9B increase in FX gain (non-operating income)

Positive: Increase of JPY 1B extraordinary gain on reversal of restructuring expenses

Negative: Increase of JPY 700M extraordinary impairment loss. Increase of JPY 1B income taxes of overseas subsidiary

Operating Profit Breakdown (vs. Forecast)

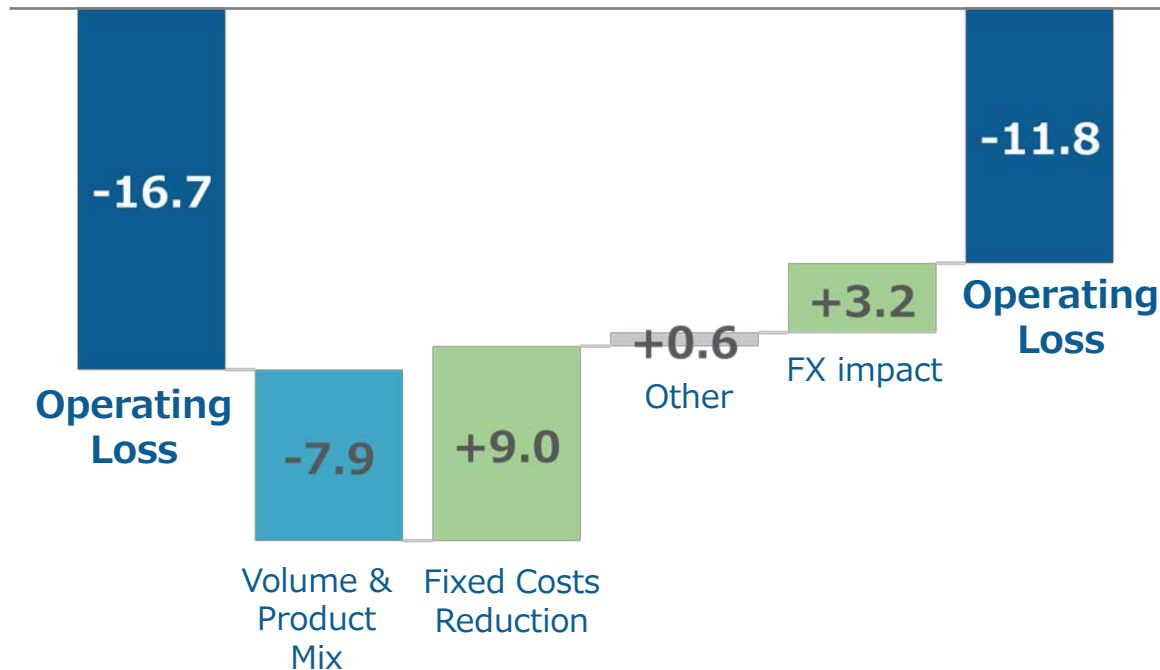
(JPY billion)

**FY23/3 H1
FCST**

Sales 154.7

**FY23/3 H1
ACT**

Sales 138.3



Operating Profit Breakdown (YoY)

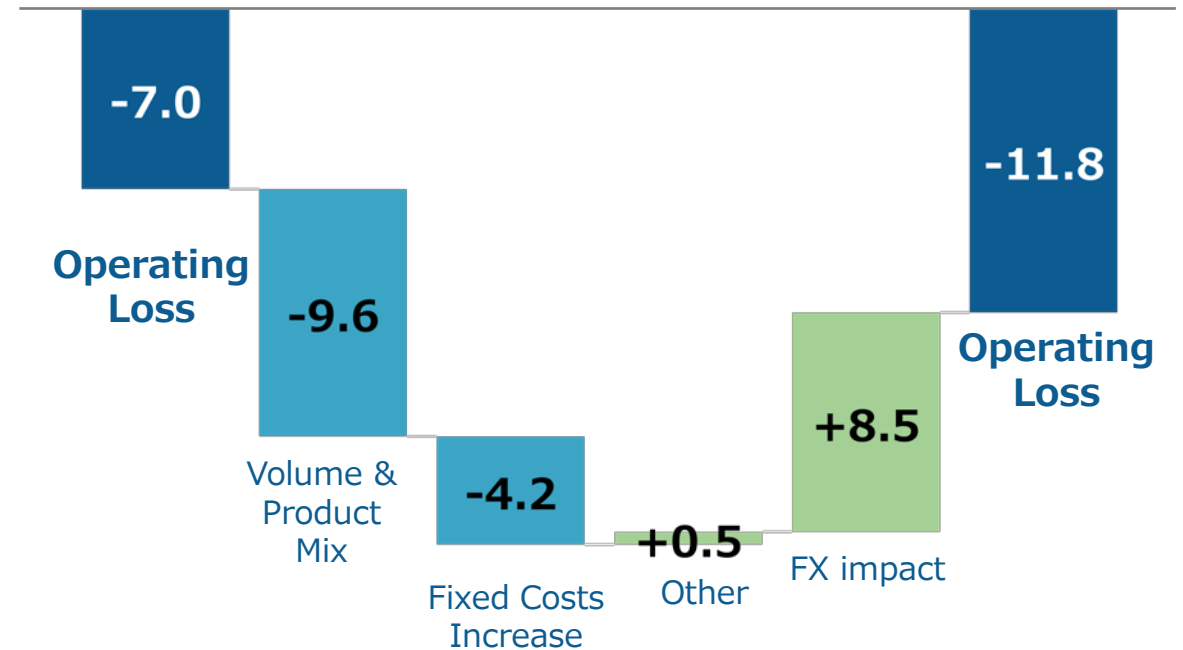
(JPY billion)

**FY22/3 H1
ACT**

Sales 137.9

**FY23/3 H1
ACT**

Sales 138.3



Main drivers are negative effects of inflation on consumer demand, continued shortage of analog ICs on auto maker production, & increase in JDI input & transportation costs

(JPY billion)	FY23/3 Previous FCST			FY23/3 Revised FCST			Change Full Year (b)-(a)
	Q3	Q4	Full Year (a)	Q3	Q4	Full Year (b)	
Sales	89.6	84.8	329.1	75.6	66.1	280.0	-49.1
Mobile (US/Euro)	10.0	10.0	41.9	20.7	4.6	53.9	+12.0
Mobile (China/other)	9.7	8.6	31.7	4.5	2.6	16.5	-15.2
Automotive	40.7	38.5	154.8	36.0	41.8	144.4	-10.4
Non-Mobile	29.1	27.7	100.7	14.4	17.1	65.3	-35.4
EBITDA	1.4	1.3	-9.2	-7.0	-11.9	-26.4	-17.2
Operating Profit	-1.2	-1.5	-19.4	-9.0	-14.1	-34.9	-15.4
Recurring Profit	-1.6	-1.9	-20.8	-9.3	-14.3	-32.0	-11.2
Net Income	-1.9	-2.3	-21.4	-9.6	-14.6	-35.8	-14.4

FY23/3 H2 FX assumption has been changed from USD/JPY 123 to USD/JPY 145

vs. Previous Forecast (May 13, 2022)

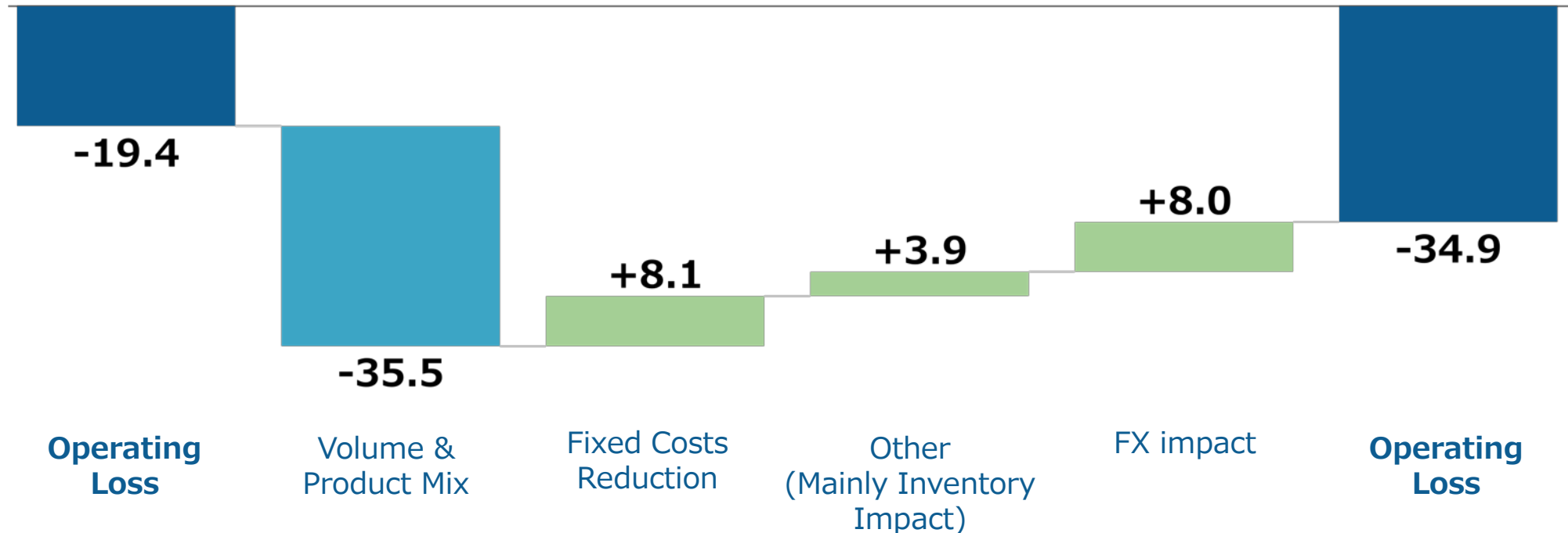
(JPY billion)

**FY23/3
Previous FCST**

Sales 329.1

**FY23/3
New FCST**

Sales 280.0



Significantly downsize commodity LCD smartphone business & concentrate JDI engineering resources on METAGROWTH 2026 growth drivers

	Business Environment	Countermeasures
Mobile	<ul style="list-style-type: none"> • US/Euro: ongoing gradual decline in demand • China/Other: customer smartphone inventory adjustments continuing 	<ul style="list-style-type: none"> • Aggressively reduce commodity LCD smartphone production capacity at Mobara fab
Auto-motive	<ul style="list-style-type: none"> • Demand remains strong, but production adjustments by automakers caused by the shortage of analog ICs are expected to continue • Potential decrease in demand caused by inflation and gas price hikes requires close monitoring 	<ul style="list-style-type: none"> • Maximizing shipment volumes backed by robust & reliable supply chain management
Non-Mobile	<ul style="list-style-type: none"> • Demand outlook for consumer products weakening on inflation impacts 	<ul style="list-style-type: none"> • Developing next-gen products with customers • Driving sales expansion of medical & other industrial products • Accelerating launches of new businesses
Overall	<ul style="list-style-type: none"> • Cost increases due to weak yen and inflation • Geopolitical risks continue to create potential weak-points in supply chain 	<ul style="list-style-type: none"> • Plant and subsidiary restructuring reduce fixed costs and strengthen cash management • Securing ample inventory of critical parts and building alternative robust supply chains



Japan Display Inc.

METAGROWTH 2026 Progress Update

METAGROWTH 2026 Core Strategy

**Global No. 1 Technology Leadership to
Best Serve Customers and Deliver
PersonalTech For A Better World**

METAGROWTH in Value Creation





META

**“Comprehensive, Overarching”
Underscores JDI’s Commitment to
Transformational Growth**

Metaverse Also a JDI Growth Driver



**Displays are a foundational technology for modern society
JDI has unmatched technological capabilities to deliver customer
and social value and improve people's lives**



①

**Global No. 1
Technology
Leadership**



②

**Market-Leading
Technology,
Transformational
Growth**



③

**GreenTech &
Sustainability**

eLEAP (NextGen OLED)

- **Sample shipments** started in August
- **Launched commercial projects & discussions with multiple customers**
- Continuing discussions with multiple potential technology partners for **technology licensing**

1

HMO (High Mobility Oxide)

- **Open strategy** to license & commercialize broadly
- Continuing discussions with multiple potential technology partners for **technology licensing**

2

Metaverse (Ultra High Resolution)

- Rise in inflation has reduced current demand, but **robust demand for next-generation products**
- Continuing discussions with multiple customers

3

AutoTech

- Despite the impact of component shortages, demand is strong due to low inventories
- High customer interest in **integrated cockpits & advanced HUDs**. JDI is pioneering **new applications**

4

Rælclear (Transparent Interface)

- Received **RFIs from major US tech companies** & in discussions about next steps
- **Global promotion** continuing with plans for exhibition at fairs like the Display Innovation China Expo

5

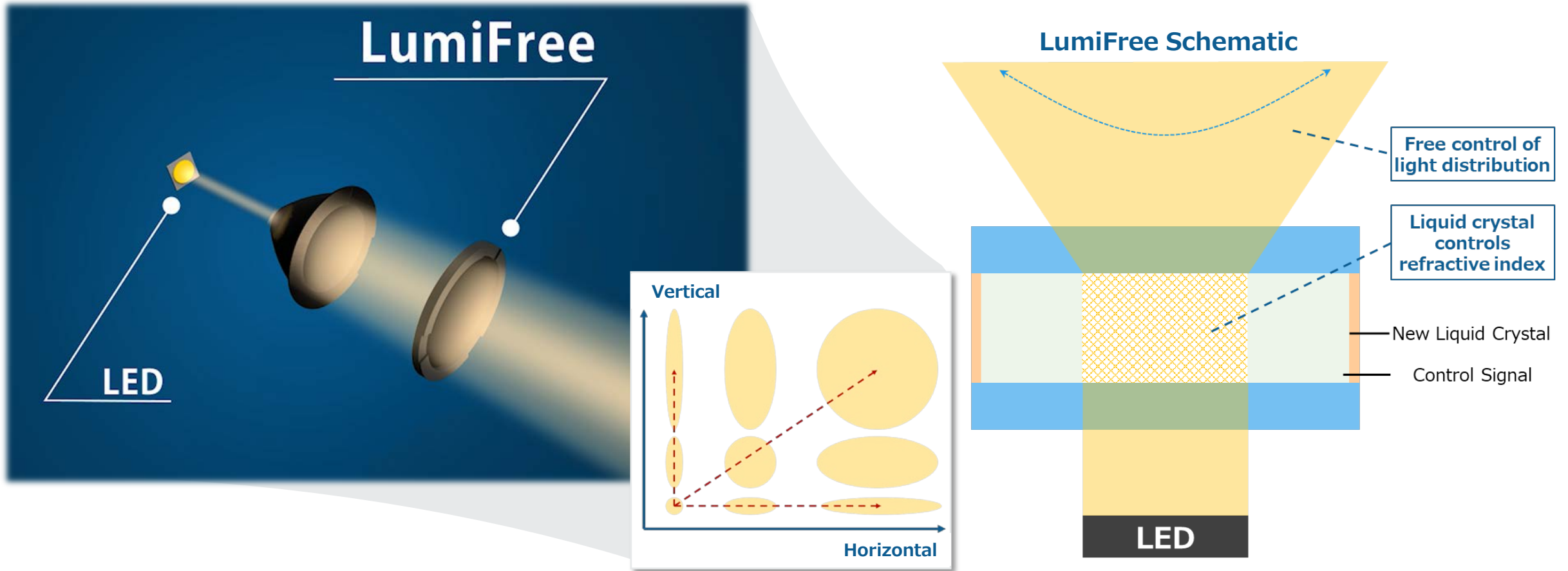
New Tech, Products, & Businesses

- Developed **world's first LED Free-Lighting LumiFree**
- Developed **world's first 3D imaging technology** deploying LCD panels

6

JDI developed LumiFree to address important societal & user needs

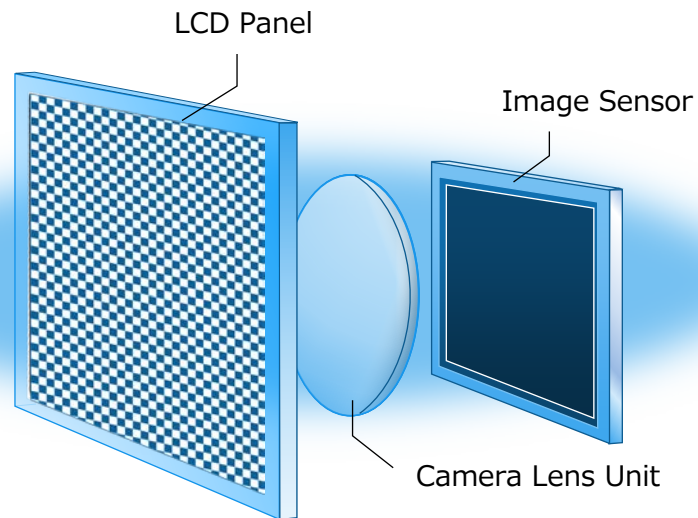
LumiFree allows for fully free & flexible control of light to improve how we experience illumination of people, places, & things & to tailor to diverse user needs & environments, while reducing energy consumption & light pollution



Enables unprecedented capture of both normal video & depth maps

Optical information can be extracted from captured images & turned into location data to generate depth maps

Configuration



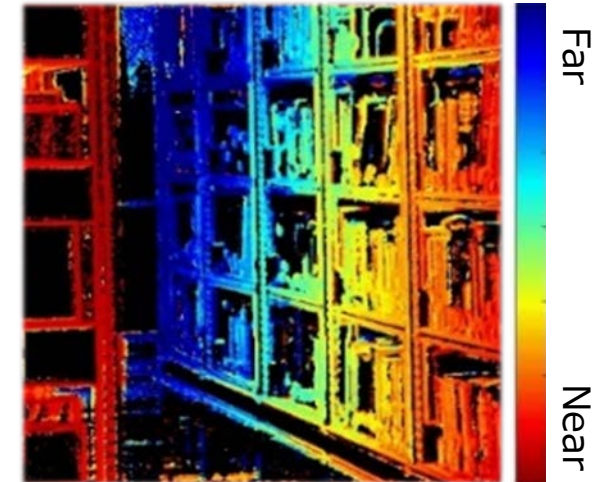
- ✓ Can capture both normal video & depth maps
- ✓ Technology breakthrough is result of bringing together JDI's LCD technology with Hitachi, Ltd. R&D Group's technology combining optics & image processing

Depth Map Capture

Object



Depth Map



Comparison with Other 3D Sensor Technologies

	New 3D Imaging	Stereo Camera	TOF
No. of Cameras/Sensors	1	2	1
Acquisition of Video & Color Data	Possible	Possible	Impossible
Depth Map Capture	Possible	Possible	Possible

New 3D Imaging Technology Application Areas

- ✓ JDI developing further performance improvements & miniaturization to drive wider use
 - ✓ Announced on Nov 7, 2022 – JDI customer engagements underway

Factory Automation & Automated Guided Vehicles



VR/AR



Drones



Surveillance Cameras



Automobiles



Smartphones



Asset-Light, Lower Fixed Costs, Increase Competitiveness & Profitability

■ Subsidiary

Suzhou JDI Electronics Inc.

■ Buyer

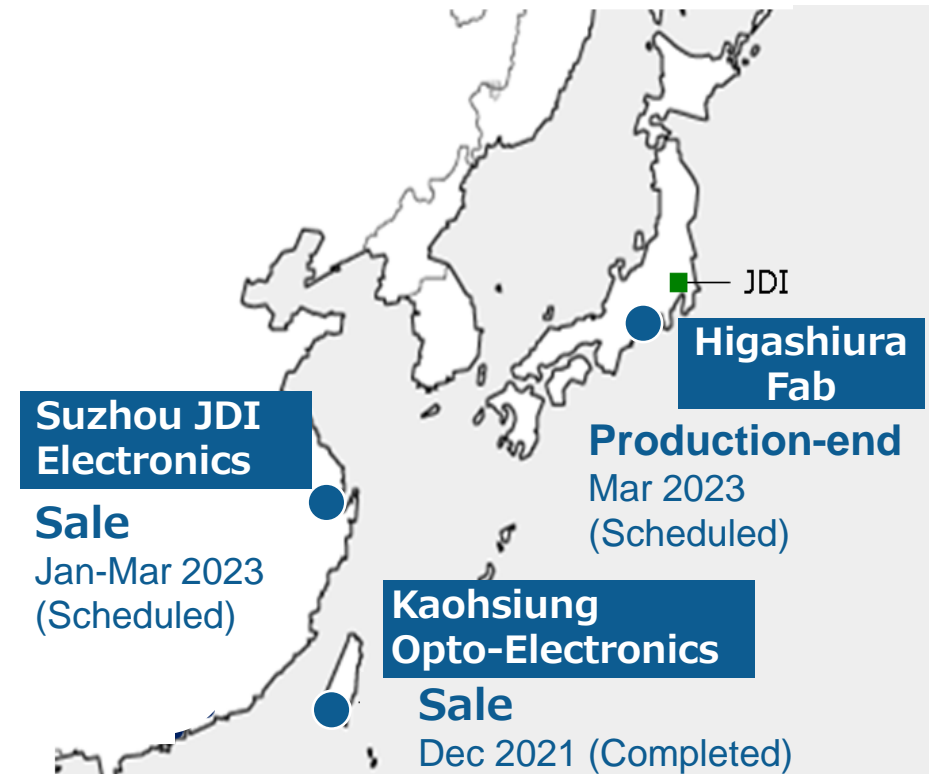
Suzhou Dongshan Precision Manufacturing Co., Ltd. (DSBJ)
Chinese LCD Module Manufacturer

■ Schedule

Share Purchase Agreement (SPA) : Oct 28,2022
SPA Execution (Scheduled) : Jan-Mar 2023

■ Financial Impact

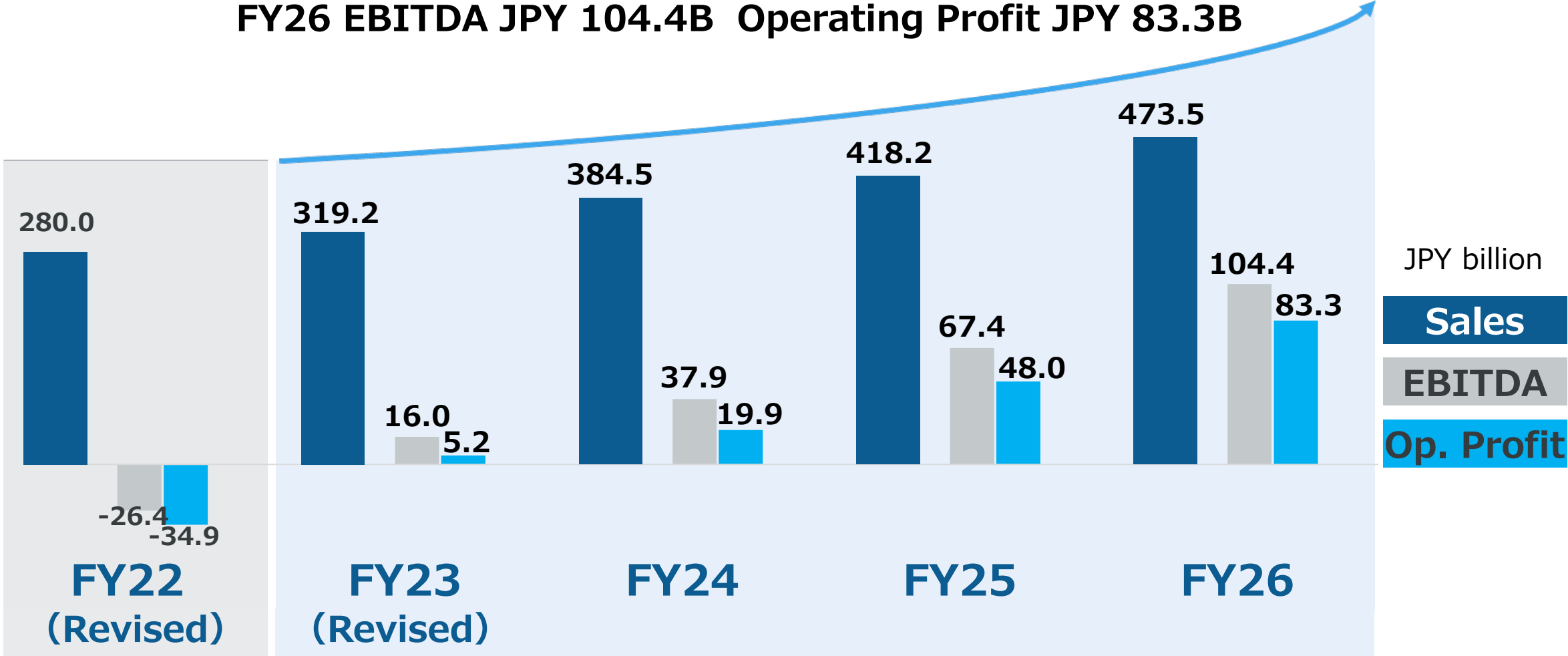
Sale Price: JPY 20.5B (estimated)
Cost of Sale: TBD
Fixed Cost Reduction: JPY 10B/year



**Total Fixed Cost Reduction:
JPY 25B/year**

Drive profitable growth by focusing on high-margin businesses where JDI has competitive advantages

FY26 EBITDA JPY 104.4B Operating Profit JPY 83.3B



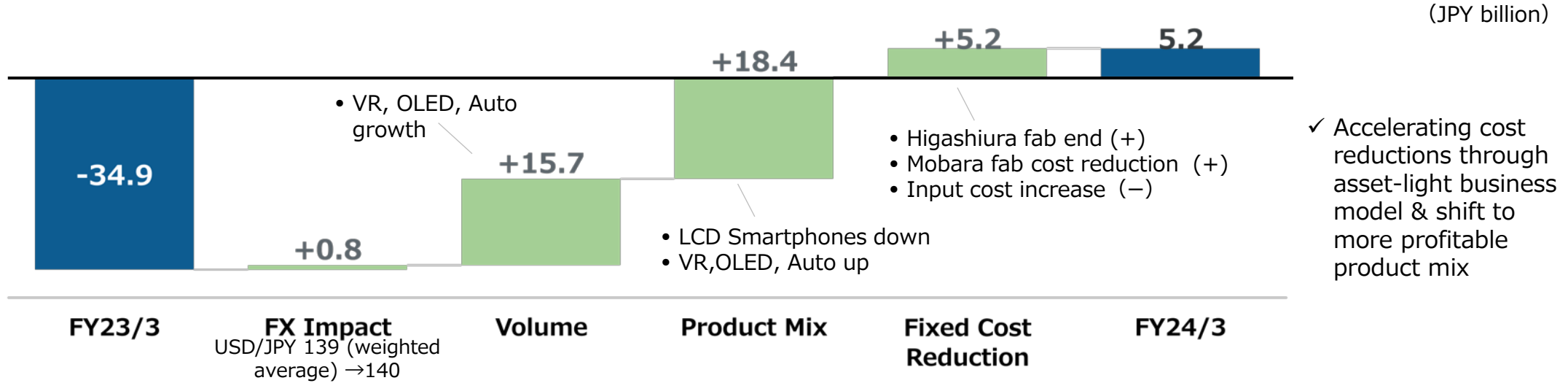
Note: the assumed rate is USD/JPY 140 for FY23 and USD/JPY 120 for FY24 and beyond

METAGROWTH 2026 FY24/3 Full-Year KPI Operating Profit Breakdown

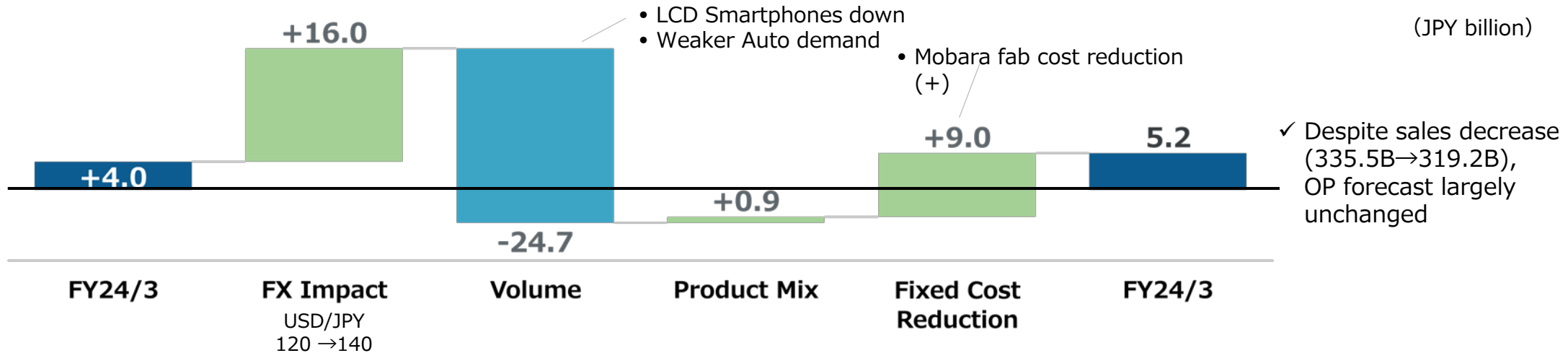


**Sales down vs. May 13, 2022 plan, but OP up on fixed cost reductions & positive FX
No change to FY24-26 plan**

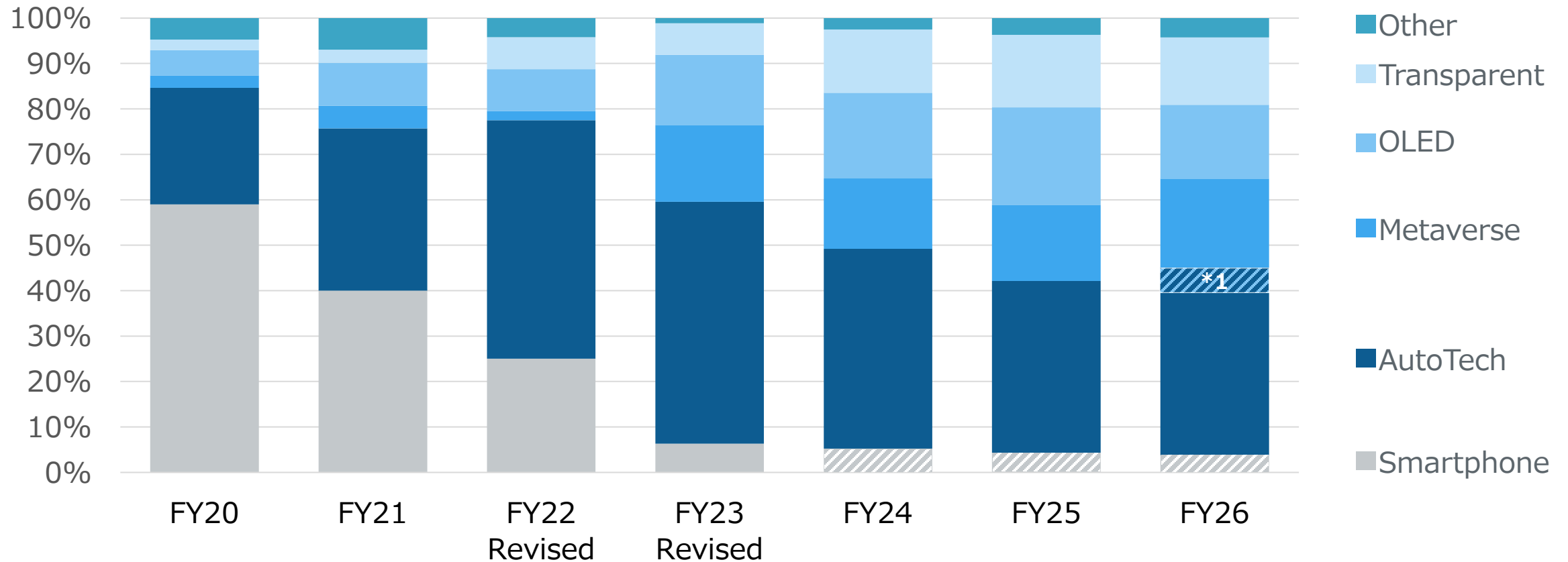
**YOY
Change
vs.
FY23/3
Forecast**



**Change
vs.
May 13
FY24/3
Plan**

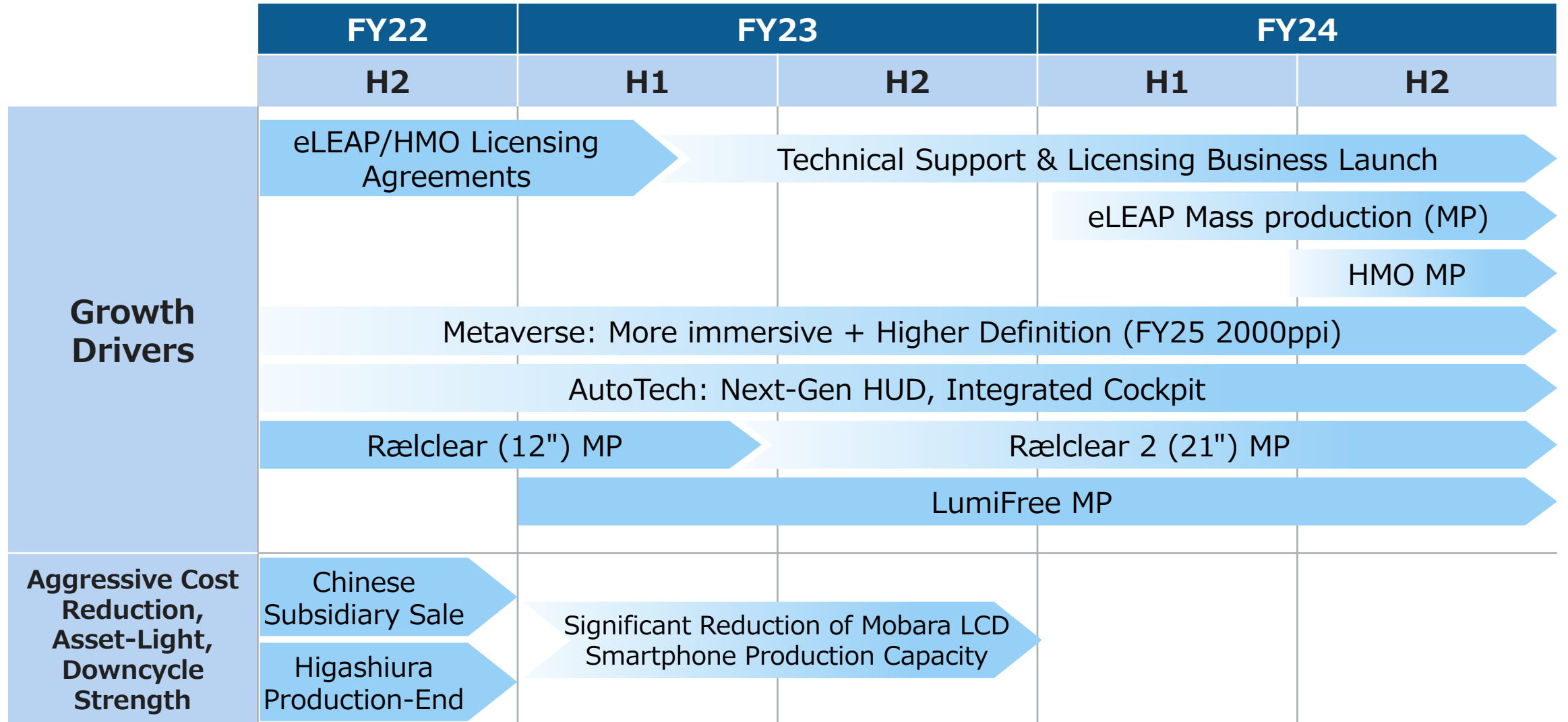


Generate structural profitability by shrinking low-margin businesses & diversifying & strengthening high-margin product portfolio



*1: In FY26, c. 5% of eLEAP (OLED) is included in AutoTech

*2: FY24 onward Smartphone estimates currently unchanged





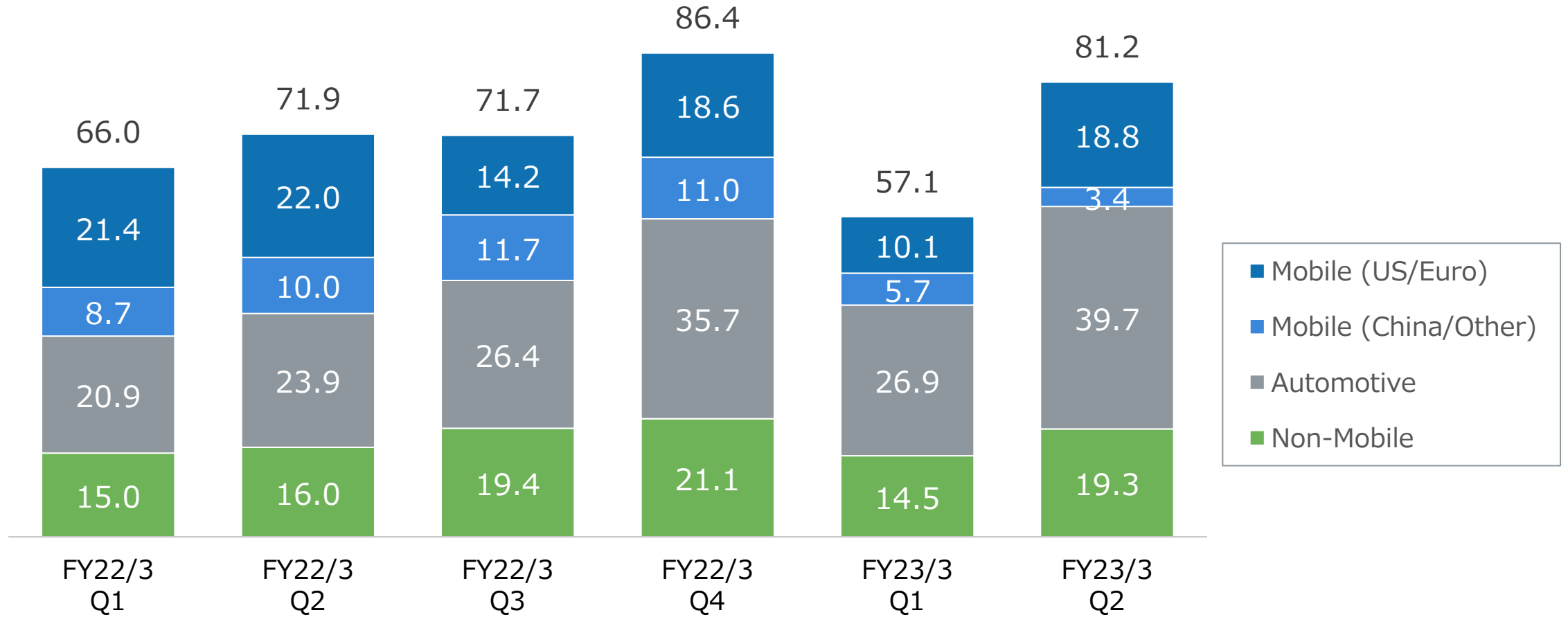
Japan Display Inc.

Appendix

Quarterly Sales Breakdown by Product Category



(JPY billion)



(JPY billion)	FY22/3 Q2	FY22/3 Q4	FY23/3 Q2	YoY	QoQ
Cash and deposits	49.3	52.2	47.7	-1.7	-4.6
Accounts receivable - trade	29.9	56.3	50.8	+20.9	-5.5
Accounts receivable - other	19.7	23.5	27.3	+7.5	+3.8
Inventories	49.5	49.1	70.9	+21.4	+21.9
Other	4.6	5.4	5.5	+0.8	+0.1
Total current assets	153.1	186.5	202.1	+49.1	+15.6
Total non-current assets	77.0	71.7	75.4	-1.5	+3.7
Total Assets	230.0	258.3	277.6	+47.5	+19.3
Accounts payable - trade	43.2	59.0	68.7	+25.4	+9.7
Interest-bearing debt	76.9	75.0	88.0	+11.1	+13.0
Advances received	6.6	3.3	4.0	-2.6	+0.7
Other liabilities	45.4	48.2	51.9	+6.5	+3.6
Total Liabilities	172.2	185.5	212.5	+40.4	+27.0
Total Net Assets	57.9	72.8	65.0	+7.1	-7.8
Shareholders Equity Ratio	24.1%	28.2%	23.4%	-0.7pts	-4.8pts

Note: Differences in balances of “cash and deposits” in B/S and cash & equivalents” in cash flow statement are “deposits”

(JPY billion)	FY22/3 Q2	FY23/3 Q1	FY23/3 Q2	YoY	QoQ
Sales	71.9	57.1	81.2	+9.3	+24.1
EBITDA	1.0	-4.7	-2.8	-3.7	+1.9
Operating Profit	-1.2	-6.9	-4.9	-3.7	+2.0
Non-Operating Income	0.7	3.2	1.8	+1.1	-1.3
Non-Operating Expenses	-0.8	-0.6	-1.0	-0.2	-0.4
Recurring Profit	-1.2	-4.3	-4.1	-2.9	+0.2
Extraordinary Income	0.0	1.0	0.0	+0.0	-1.0
Extraordinary Losses	-0.1	-1.1	-0.1	+0.0	+1.0
Income Before Income Taxes	-1.3	-4.4	-4.2	-2.8	+0.2
Net Income	-1.8	-5.1	-6.6	-4.8	-1.5
Avg. FX rate (JPY/USD)	110.1	129.7	138.3		
Q-End FX rate (JPY/USD)	111.9	136.7	144.8		

Consolidated Cash Flow Statement



(JPY billion)	FY23/3 Q1	FY23/3 Q2	FY22/3 H1	FY23/3 H1	YoY
Income before income taxes	-4.4	-4.2	-8.0	-8.6	-0.6
Depreciation & Amortization	2.2	2.1	4.3	4.3	+0.0
Working capital	-0.3	-8.2	-7.6	-8.5	-0.9
Advances received	-0.6	0.9	4.6	0.3	-4.3
Other	-8.2	6.4	-0.1	-1.8	-1.7
Cash Flow from Operating Activities	-11.4	-2.9	-6.8	-14.2	-7.4
Fixed asset investments	-2.7	-3.1	-4.4	-5.8	-1.4
Other	-0.5	0.0	0.1	-0.6	-0.7
Cash Flow from Investing Activities	-3.2	-3.1	-4.3	-6.3	-2.0
Proceeds from issuance of preferred shares	0.0	0.0	24.8	0.0	-24.8
Net increase/decrease in short-term borrowings	0.0	13.0	-20.1	13.0	+33.1
Other	-0.1	-0.1	-0.3	-0.2	+0.1
Cash Flow from Financing Activities	-0.1	12.9	4.4	12.8	+8.4
Ending Balance, Cash & Equiv.	39.4	47.2	49.0	47.2	-1.8
Free Cash Flow	-14.1	-5.9	-11.2	-20.0	-8.7

Free Cash Flow = Cash Flow from Operating Activities less Capex (Fixed asset investments)

Sharp drop in non-mobile demand. Op. profit fell short of forecast despite FX effect

Explanation

(JPY billion)	FY23/3 Q2 FCST	FY23/3 Q2 ACT	Diff
Sales	92.3	81.2	-11.1
Mobile (US/Euro)	13.9	18.8	+4.9
Mobile (China/other)	7.8	3.4	-4.4
Automotive	39.7	39.7	+0.0
Non-Mobile	30.9	19.3	-11.6
EBITDA	-1.7	-2.8	-1.1
Operating Profit	-4.2	-4.9	-0.7
Recurring Profit	-4.5	-4.1	+0.4
Net Income	-4.8	-6.6	-1.8
FX (JPY/USD)	123.0	138.3	

Mobile US/Euro: Expanded market share

Mobile China/Other: Customers' further inventory adjustments

Automotive: Impact of customers production adjustment due to chip shortages was offset by robust demand, push out from Q1 and weaker yen

Non-Mobile: Rapid demand decline for consumer device displays especially for VR-HMD due to inflation. Price hikes for consumer devices also a factor

EBITDA & operating loss worsened due to sluggish sales, but RP deterioration was minimized through cost reduction efforts and FX effects

Increase of JPY 1B non-op. FX gain

Increased of JPY 1B income taxes at a subsidiary

Sales driven up by weakening yen, profit driven down by increased input costs

Explanation

(JPY billion)	FY22/3 Q2 ACT	FY23/3 Q2 ACT	Chg
Sales	71.9	81.2	+9.3
Mobile (US/Euro)	22.0	18.5	-3.5
Mobile (China/other)	10.0	3.7	-6.3
Automotive	23.9	39.7	+15.8
Non-Mobile	16.0	19.3	+3.3
EBITDA	1.0	-2.8	-3.7
Operating Profit	-1.2	-4.9	-3.7
Recurring Profit	-1.2	-4.1	-2.9
Net Income	-1.8	-6.6	-4.8
FX (JPY/USD)	110.1	138.3	

Mobile US/Euro: Continuing downward trend

Mobile China/Other: Lower shipments due to customers' inventory adjustments & lower smartphone sales

Automotive: While customers' production adjustments reduced some shipments, sales increased due to robust demand and pushout of Shanghai lockdown affected shipments from Q1

Non-Mobile: Positive FX change covered decrease in VR shipment volume

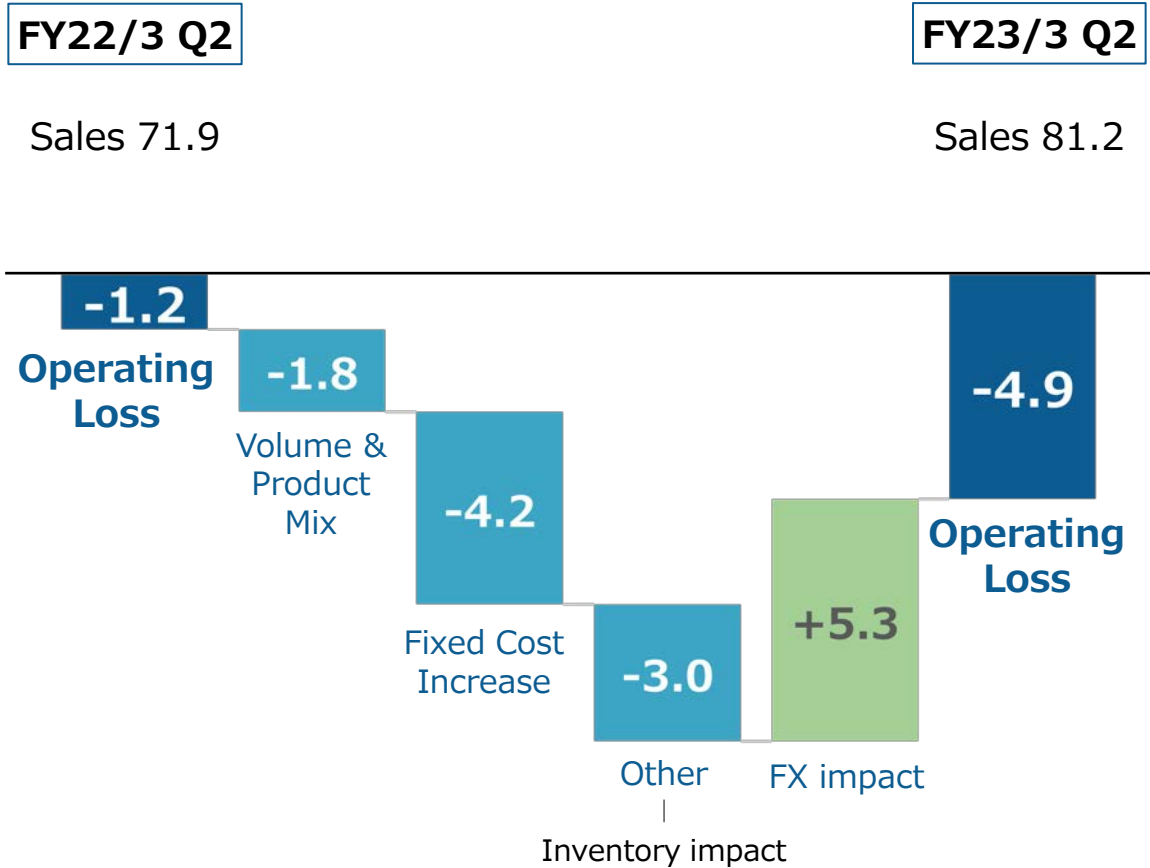
Reverse effect from the positive impact of inventory growth in Q1 and cost increases for parts, energy & transportation

Increase of JPY 1B non-op. FX gain

Increased of JPY 1B income taxes at a subsidiary

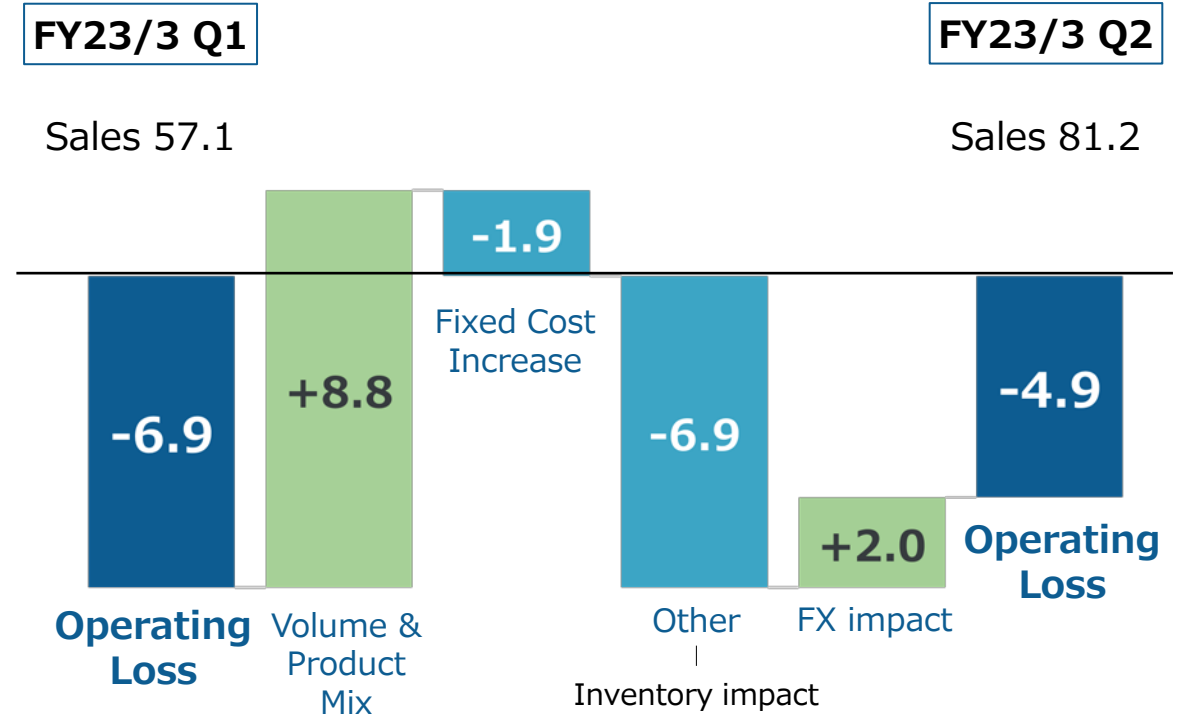
Operating Income Breakdown (YoY)

(JPY billion)



Operating Income Breakdown (QoQ)

(JPY billion)





Thank You!

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