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FY24/3 Q1 Earnings

August 9, 2023

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

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Supplemental Explanatory Materials for Earnings Results: Available

Earnings Results Briefing: August 9, 2023 (for institutional investors and analysts)

1. FY24/3 Q1 Consolidated Financial Results (April 1, 2023 to June 30, 2023)

(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	
FY24/3 Q1	52,996	-7.2%	-12,165	-	-13,883	-	-12,080	-	-12,248	-
FY23/3 Q1	57,099	-13.4%	-4,711	-	-6,872	-	-4,324	-	-5,074	-

EBITDA = Operating Profit + Depreciation + Goodwill amortization

(Reference) Comprehensive Income FY24/3 Q1: JPY -10,964M FY23/3 Q1: JPY -1,733M

	EPS (Basic, JPY)	EPS (Diluted, JPY)
FY24/3 Q1	-1.98	-
FY23/3 Q1	-1.08	-

(2) Consolidated Financial Position

	Total Assets (JPY M)	Net Assets (JPY M)	Shareholders' Equity Ratio
FY24/3 Q1	223,566	113,466	50.6%
FY23/3	222,696	124,431	55.8%

(Reference) Shareholders' Equity FY24/3 Q1: JPY 113,226M FY23/3: JPY 124,190M

(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)
FY24/3 Q1	-9,707	-7,215	11,804	21,887
FY23/3 Q1	-11,355	-3,249	-106	39,375

2. Dividends

	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY23/3	–	0.00	–	0.00	0.00
FY24/3	–				
FY24/3 (Forecast)		0.00	–	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. FY24/3 Full-Year (April 1, 2023 to March 31, 2024) and Half-Year (April 1, 2023 to September 30, 2023) Consolidated Earnings Forecast

	Sales		EBITDA		Operating Profit	
	(JPY M)	YoY	(JPY M)	YoY	(JPY M)	YoY
FY24/3 H1	111,400	-19.4%	-26,100	–	-29,100	–
FY24/3 Full Year	240,000	-11.4%	-34,000	–	-40,400	–

	Recurring Profit		Net Income		EPS
	(JPY M)	YoY	(JPY M)	YoY	(JPY)
FY24/3 H1	-29,900	–	-32,200	–	-5.20
FY24/3 Full Year	-43,200	–	-47,800	–	-7.72

- Note Changes from the most recently announced earnings forecast: None

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
FY24/3 Q1: 3,880,393,562
FY23/3: 3,880,393,562
- (ii) Number of treasury shares at period-end
FY24/3 Q1: 67
FY23/3: 67
- (iii) Average number of shares outstanding (excluding treasury shares) during the period
FY24/3 Q1: 6,188,721,284
FY23/3 Q1: 4,715,379,062

Note All preferred shares outstanding have the same rights as common shares with regard to rights to receive dividends, and are therefore included in the number of shares outstanding at period-ends and the average number of shares outstanding during periods.

(5) Dividends for Preferred Shares

Class E Preferred Shares	Dividend per Share (JPY)				
	Q1	Q2	Q3	Q4	Total
FY23/3	–	0.00	–	0.00	0.00
FY24/3	–				
FY24/3 (Forecast)		0.00	–	0.00	0.00

(6) Note on Appropriate Use of Forecast

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.

5. Forward Outlook

The business environment continues to be unpredictable, but based on the Q1 results and current customer demand, JDI maintains its consolidated earnings forecast for H1 and full year announced on May 12, 2023. The FX assumption used in the forecast for the nine months from Q2 onwards is USD/JPY 130.

6. Consolidated Financial Statements

Consolidated Balance Sheet (FY24/3 Q1)

(JPY million)

	FY23/3 (Mar 31, 2023)	FY24/3 Q1 (June 30, 2023)
Assets		
Current Assets		
Cash and deposits	26,220	22,410
Accounts receivable – trade	40,900	36,842
Accounts receivable – other	18,323	16,218
Finished products and goods	18,635	20,802
Work in process	11,802	12,152
Raw materials and supplies	29,881	31,378
Other	5,339	6,196
Allowance for doubtful accounts	-249	-262
Total Current Assets	150,853	145,739
Non-Current Assets		
Property, Plant, and Equipment		
Buildings and structures, net	39,640	38,943
Machinery, equipment, and vehicles, net	3,692	4,120
Land	6,552	6,552
Lease assets, net	843	869
Construction in progress	5,293	10,907
Other, net	1,349	1,640
Total Property, Plant, and Equipment	57,371	63,033
Intangible assets		
Goodwill	275	240
Other	841	766
Total Intangible Assets	1,117	1,007
Investments and Other Assets		
Other	13,356	13,788
Allowance for doubtful accounts	-1	-3
Total Investments and Other Assets	13,354	13,785
Total Non-Current Assets	71,843	77,826
Total Assets	222,696	223,566

(JPY million)

	FY23/3 (Mar 31, 2023)	FY24/3 Q1 (June30, 2023)
Liabilities		
Current Liabilities		
Accounts payable – trade	44,616	44,626
Electronically recorded obligations – operating	606	689
Short-term loans payable	—	12,000
Income taxes payable	60	57
Provision for bonuses	2,703	1,438
Advances received	3,188	2,797
Provision for business restructuring	1,977	1,809
Provision for contract losses	4,277	6,758
Other	25,731	25,371
Total Current Liabilities	83,162	95,549
Non-Current Liabilities		
Provision for business restructuring	725	725
Net defined benefit pension liability	8,213	8,475
Other	6,164	5,349
Total Non-Current Liabilities	15,102	14,549
Total Liabilities	98,265	110,099
Net Assets		
Shareholders' Equity		
Capital	100	100
Capital reserve	141,205	141,205
Retained earnings	-22,129	-34,378
Treasury shares	-0	-0
Total Shareholders' Equity	119,175	106,927
Accumulated Other Comprehensive Income		
Valuation difference on other securities	0	1
Foreign currency translation adjustment	3,901	5,627
Adjusted value of defined benefit pension	1,112	669
Total Accumulated Other Comprehensive Income	5,014	6,298
Share Acquisition Rights	240	240
Total Net Assets	124,431	113,466
Total Liabilities & Net Assets	222,696	223,566

Consolidated Income Statement (FY24/3 Q1)

(JPY million)

	FY23/3 Q1 (Apr 1, 2022 to June 30, 2022)	FY24/3 Q1 (Apr 1, 2023 to June 30, 2023)
Sales	57,099	52,996
Cost of Goods Sold	56,973	60,349
Gross Profit (Loss)	126	-7,353
SG&A	6,999	6,529
Operating Profit (Loss)	-6,872	-13,883
Non-Operating Income		
Interest income	11	23
Foreign exchange gains	2,773	1,269
Rental income	138	124
Business services income	112	876
Other	119	453
Total Non-Operating Income	3,155	2,746
Non-Operating Expenses		
Interest expense	293	34
Property maintenance expenses	—	696
Other	314	213
Total Non-Operating Expenses	607	944
Recurring Profit (Loss)	-4,324	-12,080
Extraordinary Income		
Gain on sale of non-current assets	5	3
Reversal of business restructuring expenses	1,041	—
Total Extraordinary Income	1,046	3
Extraordinary Losses		
Impairment loss	1,119	9
Total Extraordinary Losses	1,119	9
Pre-Tax Income (Loss)	-4,397	-12,085
Income Taxes	676	162
Pre-Minority Interest Net Income (Loss)	-5,074	-12,248
Net Income (Loss)	-5,074	-12,248

Consolidated Statement of Comprehensive Income (FY24/3 Q1)

(JPY million)

	FY23/3 Q1 (Apr 1, 2022 to June 30, 2022)	FY24/3 Q1 (Apr 1, 2023 to June 30, 2023)
Net Income (Loss)	-5,074	-12,248
Other Comprehensive Income		
Valuation difference on other securities	0	0
Foreign currency translation adjustment	3,283	1,725
Adjusted value of defined benefit pension, net of tax	56	-442
Total Other Comprehensive Income	3,340	1,283
Comprehensive Income	-1,733	-10,964
of which, Comprehensive income attributable to owners of the parent	-1,733	-10,964

Consolidated Cash Flow Statement (FY24/3 Q1)

(JPY million)

	FY23/3 Q1 (Apr 1, 2022 to June 30, 2022)	FY24/3 Q1 (Apr 1, 2023 to June 30, 2023)
Cash Flows from Operations		
Pre-Tax Income (loss)	-4,397	-12,085
Depreciation	2,141	1,701
Goodwill amortization	34	34
Impairment loss	1,119	9
Increase (decrease) in allowance for doubtful accounts	-1	-1
Interest expense	293	34
Foreign exchange losses (gains)	-1,208	-561
Loss (gain) on sale of non-current assets	-5	-3
Reversal of business restructuring expenses	-1,041	—
Decrease (increase) in trade receivables	16,890	6,913
Decrease (increase) in inventories	-8,233	-2,846
Increase (decrease) in trade payables	-16,203	-3,151
Decrease (increase) in accounts receivable – other	7,202	2,237
Decrease (increase) in consumption tax refunds receivable	-170	109
Increase (decrease) in accounts payable – other	-373	225
Increase (decrease) in accrued expenses	-123	-349
Increase (decrease) in advances received	-577	-408
Increase (decrease) in retirement benefit liability	-209	-180
Other	-5,759	-1,099
Subtotal	-10,624	-9,423
Interest and dividends received	11	23
Interest paid	-369	-18
Income taxes paid	-372	-289
Net Cash from (Used for) Operations	-11,355	-9,707

(JPY million)

	FY23/3 Q1 (Apr 1, 2022 to June 30, 2022)	FY24/3 Q1 (Apr 1, 2023 to June 30, 2023)
Cash Flows from Investments		
Purchase of non-current assets	-2,718	-7,000
Proceeds from sale of non-current assets	6	0
Decrease (increase) in time deposit	871	-57
Payments of leasehold and guarantee deposits	-1,442	-46
Other	34	-111
Net Cash from (Used for) Investments	-3,249	-7,215
Cash Flows from Financing		
Net increase (decrease) in short-term borrowings	—	12,000
Repayments of lease obligations	-106	-195
Net Cash from (Used for) Financing	-106	11,804
Effect of Exchange Rate change on Cash & Cash Equivalents	3,147	1,251
Net Increase (Decrease) in Cash & Cash Equivalents	-11,564	-3,866
Cash & Cash Equivalents at Beginning of Period	50,939	25,754
Cash & Cash Equivalents at End of Period	39,375	21,887

Significant Subsequent Event

(Significant Business Acquisition)

JDI decided at its board of directors meeting held on May 30, 2023 that its consolidated subsidiary JDI Design and Development G.K. (JDIDD), which was established on May 25, 2023, will acquire JOLED Inc.'s OLED technology development business and all related operations ("JOLED OLED Business"). JDI, JOLED, and JDIDD signed the acquisition agreement on May 31, 2023 and the acquisition was completed on July 18, 2023.

JDI has reached a firm conviction that acquiring JOLED's talent and OLED IP and know-how will drive JDI customer and shareholder value growth.

1. JOLED Overview

Name	JOLED Inc.
Address	3-23 Kandnishiki-cho, Chiyoda-ku, Tokyo
Business Description	Research, development, manufacturing, and sales activities for OLED displays
Capital	JPY 5,150 million

2. JDIDD Overview

Name	JDI Design and Development G.K.
Address	3-7-1 Nishi-Shinbashi, Minato-ku, Tokyo
Business Description	Planning, research, development, and design of display devices, related products, and parts.
Capital	JPY 1 (JDI owns 100%)

3. JOLED OLED Business Details

The JOLED OLED Business encompasses JOLED's OLED development business and all related operations, including IP and employees, with c. 100 JOLED employees employed by JDIDD.

Cash payment of JPY 1 billion was made to acquire JOLED OLED Business. JDIDD does not acquire any liabilities.

4. Details of Assets and Liabilities Acquired

(1) Assets

The main assets received are intangible fixed assets. The amount of their recognition is currently under review and has not been determined at this time.

(2) Liabilities

No liabilities were acquired.

5. Schedule

JDI Board Resolution Date	May 30, 2023
Acquisition Agreement Signing Date	May 31, 2023
Acquisition Date	July 18, 2023

6. Other

The acquisition was subject to the approval of the supervisory court in JOLED's civil rehabilitation proceedings, the court's permission based on Article 42-1 (2) of the Civil Rehabilitation Act, and the acquisition of necessary permits or approvals from other judicial and administrative authorities. Those approvals and permissions had been obtained by the acquisition date.

(New Loan)

Based on the resolution of the board of directors held on May 30, 2023, JDI has entered into a new loan with Ichigo Trust as below to secure temporary working capital.

Short-Term Loan Agreement as of July 28, 2023

Lender	Ichigo Trust
Loan Amount	JPY 4 billion
Loan Execution Date	July 28, 2023
Repayment Date	October 31, 2023 (early repayment allowed)
Interest Rate	TIBOR plus spread (fixed rate)
Collateralized	Yes (part of JDI's Intellectual Property Rights)

(Production End at Significant Business Area)

JDI decided at its board of directors meeting held on August 2, 2023 to end production of LCD panels at its Tottori Fab (Tottori City, Tottori Prefecture) by March 2025.

1. Reason for Production End

Tottori Fab primarily produces automotive LCD panels using older amorphous silicon (a-Si) technology. Given that a-Si is less capable of producing the high-performance displays manufactured using the more advanced low-temperature polysilicon (LTPS) technology used at JDI's other fabs, a-Si panels are experiencing declining customer demand. This is in contrast to growing customer demand for LTPS panels. Tottori's G4 line also has lower productivity and cost competitiveness relative to larger G6 lines. Therefore, JDI has decided to end production at Tottori in order to better respond to customer needs, strengthen JDI's competitiveness, and drive higher profitability.

2. Tottori Fab Overview

Name	Tottori Fab (G4 LCD line)
Location	Minami-Yoshikata, Tottori City, Tottori Prefecture
Business	Development, design, and production of a-Si LCD panels
Number of Employees	499

3. Schedule

Production End	March 2025 (expected)
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4. Earnings Impact

The Tottori production end will have minimal impact on its FY24/3 earnings. JDI expects to record expenses associated with the production end in FY25/3, but the specific amounts have yet to be determined.

5. Other

After production end, Tottori will continue as a strategic operating center for JDI, leading the development, design, and quality control functions within JDI's AutoTech Business. Also, JDI will offer on-going employment opportunities to Tottori employees within JDI.

Supplemental Information (Quarterly Consolidated Data)

(1) Consolidated Earnings

(JPY million)	FY23/3				FY24/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Automotive	26,878	39,659	33,074	34,943	29,122			
Non-Mobile	14,492	19,309	14,315	12,383	15,810			
Mobile	15,728	22,227	22,345	15,387	8,062			
Sales	57,099	81,196	69,735	62,714	52,996			
EBITDA ¹	-4,711	-2,774	-8,516	-20,196	-12,165			
Operating Profit	-6,872	-4,906	-10,600	-22,006	-13,883			
Recurring Profit	-4,324	-4,077	-12,586	-21,936	-12,080			
Net Income	-5,074	-6,559	-5,750	-8,433	-12,248			
EPS (Basic)	-1.08	-1.39	-1.22	-1.77	-1.98			
USD/JPY (Avg)	129.7	138.3	141.4	132.4	137.5			
USD/JPY (Q-End)	136.7	144.8	132.7	133.5	145.0			

¹ EBITDA = Operating Profit + Depreciation + Goodwill amortization

(2) Financial Position

(JPY million)	FY23/3				FY24/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Assets	238,541	277,551	261,123	222,696	223,566			
Liabilities	167,507	212,544	215,630	98,265	110,099			
Net Assets	71,034	65,006	45,493	124,431	113,466			
Shareholder Equity Ratio	29.8%	23.4%	17.4%	55.8%	50.6%			
Operating CF	-11,355	-2,854	-23,359	-28,096	-9,707			
Investing CF	-3,249	-3,078	-5,245	21,350	-7,215			
Financing CF	-106	12,877	14,880	35	11,804			
Ending Cash Bal.	39,375	47,232	32,213	25,754	21,887			
Free Cash Flow	-14,073	-5,918	-25,051	-29,252	-16,707			

(3) R&D, Capex, & Depreciation

(JPY million)	FY23/3				FY24/3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
R&D	2,275	2,377	2,344	2,459	2,364			
Capex	2,647	3,611	1,056	1,109	7,200			
Depreciation	2,176	2,147	2,109	1,825	1,736			