

[English Translation]

**Notice Concerning Transfer of Fixed Asset (Hakusan Plant),  
the Recording of Non-operating Income and Extraordinary Profit/Loss,  
and Discontinuation of a Plan to Convert JDI's In-House Mobile Company into a Subsidiary**

Japan Display Inc. ("JDI") hereby announces that it has resolved at its meeting of the board of directors held today to transfer land, building, ancillary facilities and other assets at its Hakusan Plant to Sharp Corporation (the "Transfer to Sharp") and has reached a definitive agreement to this effect with Sharp.

In addition, as announced in the disclosure dated March 31, 2020 titled "Notice Concerning Transfer of Fixed Assets at the Hakusan Plant" (the "March 31 Disclosure"), JDI resolved at a meeting of the board of directors held the same day as the disclosure to transfer part of the production equipment located at the Hakusan Plant (the "Transfer Dated March 31") to one of its customers (the "Customer") and entered into a definitive agreement regarding the transfer with the Customer. However, JDI resolved at the meeting of the board of directors held today to transfer additional production equipment at the Hakusan Plant to the Customer, separately from the Transfer Dated March 31 (the "Additional Transfer"; together with the Transfer Dated March 31, the "Transfer to the Customer"), and reached a supplementary new definitive agreement with the Customer. Details concerning these transactions are shown below.

In accordance with the Transfer to Sharp and the Transfer to the Customer, JDI expects to record profits of approximately JPY 26.8 billion and maximum losses of approximately JPY 11.6 billion.

(Note) The profits and losses noted above are approximate amounts calculated by converting the US-dollar-based contract transfer price into yen using a foreign exchange rate of USD 1 = JPY 105.7 as of August 21, 2020. Actual amounts may differ.

Furthermore, as stated in a December 20, 2019 disclosure titled "Notice Concerning Changes to Terms including Extension of Loan Agreements and Changes to Scheduled Timing of Making JDI's In-House Mobile Company its Subsidiary," JDI decided to change the plan to deliberate the subsidiarization of its in-house mobile company (currently its mobile division) by the end of December 2019, through an incorporation-type company split or other means, and to expedite the deliberation of the subsidiarization following the completion of funds procurement from investors (this procurement was under active consideration at that time). However, because JDI has determined that the original purpose of converting its in-house mobile company into a subsidiary has been achieved with the transfer of the Hakusan Plant as mentioned above, JDI hereby also announces that it has decided to discontinue the subsidiarization plan.

## **I. Transfer of the Fixed Assets**

### **1. Background of the Transfer**

In the March 31 Disclosure, JDI announced that it was considering transferring land, buildings and other fixed

assets related to the Hakusan Plant to a Japanese company. JDI has reached an agreement with Sharp Corporation to transfer the fixed assets in return for a payment of USD 390 million, and as of today has entered into a definitive agreement to that effect with Sharp.

In addition, the March 31 Disclosure stated that JDI had reached a definitive agreement with the Customer to transfer part of the production equipment at the Hakusan Plant to the Customer in exchange for USD 200 million (Transfer Dated March 31), with the transfer scheduled to take effect on March 31, 2020. However, separate from this Transfer Dated March 31, an agreement was reached with the Customer to transfer additional assets valued at USD 85 million, leading to a total transfer price of USD 285 million, and a supplemental new definitive agreement to that effect has been reached as of today.

Furthermore, the March 31 Disclosure stated that the delivery date of the assets related to the Transfer Dated March 31 was simultaneously scheduled for March 31, 2020. However, due to the impact of the expanding coronavirus pandemic and a delay in asset delivery procedures that included a change in the entity that bears the responsibility for asset management costs, the accounting requirements for the transfer of real control of the assets to be transferred were not satisfied as of June 30, 2020, the date of the announcement of FY 2019 financial results, and so the transfer of the assets was not completed. Thus, as stated in the June 30, 2020 disclosure titled “(Change in Disclosure) Partial Amendment of the ‘Notice Concerning Transfer of Fixed Assets at the Hakusan Plant’ (March 31, 2020),” JDI rescheduled the delivery of the property assets for a time within the period of July-September 2020. As of today, delivery of the assets related to the Transfer Dated March 31 has not been completed, and this delivery is now expected to occur on the same day as the delivery of assets scheduled under the Additional Transfer.

## **2. Reason for the Transfer**

On June 12, 2019, JDI announced a set of structural reforms containing measures to improve business performance and the company’s financial status. One of the reforms was the suspension of operations at the Hakusan Plant, which took effect the following July and JDI considered restarting plant operations based on trends in customer demand. During this time, the possibility of transferring a portion of the production equipment at the Hakusan Plant to the Customer emerged as part of the support provided by the Customer to JDI. Given this development, JDI began to consider the transfer of other fixed assets associated with the plant.

As a result, JDI determined that the transfer of the entire Hakusan Plant would (1) lead to lower maintenance costs for production equipment and facilities, which are incurred even during temporary suspensions of operations, and lower fixed property taxes, which contributes to improved business results, (2) enable repayment of advances received from the Customer when the plant was constructed and provide for improved future cash flow and (3) likely improve the balance sheet by reducing non-operating assets and liabilities and lead to an increase in JDI’s corporate value rather than continuing to maintain the plant in-house. On the other hand, there will be no change to JDI’s continued production of high value-added products based on LTPS technology, which is a company core competence. This high-value production is centered on the Mobara Plant (Mobara City, Chiba Prefecture), a key factory that has approximately twice the production capacity (Generation 6) of the Hakusan Plant, and is also an OLED production site. In addition, JDI has determined that by actively investing in human resources, research & development and equipment necessary to maintain and strengthen

competitiveness as a "technology-based company," it is possible to improve corporate value based on self-driven growth even after all Hakusan Plant assets are transferred. Based on these circumstances, JDI proceeded to hold discussions with the Customer, Sharp Corporation, business partners and others, which led to today's definitive agreements.

### 3. Details of the Assets to Be Transferred

#### (1) Transfer to Sharp

Assets to be transferred	Land, building, ancillary facilities and other assets at the Hakusan Plant
Location of the assets	Hakusan-City, Ichikawa Prefecture
Transfer price	USD 390 million (approx. JPY 41.2 billion) (Note)
Book value	JPY 50.0 billion
Current status of the assets to be transferred	Production at the Hakusan Plant has been suspended since July 2019, but the plant has been running test operations since the fourth quarter of FY 2019 in preparation for the transfer.

(Note) The amount in Japanese yen is calculated by converting the US-dollar-denominated contract transfer price based on a foreign exchange rate of USD 1 = JPY 105.7 as of August 21, 2020.

#### (2) Additional Transfer

Assets to be transferred	LCD production equipment at the Hakusan Plant
Location of the assets	Hakusan-City, Ichikawa Prefecture
Transfer price	USD 85 million (approx. JPY 9.0 billion) (Note)
Book value	JPY 80 million
Current status of the assets to be transferred	Production at the Hakusan Plant has been suspended since July 2019, but the plant has been running test operations since the fourth quarter of FY 2019 in preparation for the transfer.

(Note) The amount in Japanese yen is calculated by converting the contract transfer price based on a foreign exchange rate USD 1 = JPY 105.7 as of August 21, 2020. The total transfer price of the Transfer Dated March 31 and the Additional Transfer to the Customer is USD 285 million (approximately JPY 30.1 billion).

#### (Reference and correction)

##### Transfer Dated March 31

Assets to be transferred	LCD production equipment at the Hakusan Plant
Location of the assets	Hakusan-City, Ichikawa Prefecture
Transfer price	USD 200 million (approx. JPY 21.1 billion) (Note 1)
Book value	JPY 150 million (Note 2)

(Note 1) The amount in Japanese yen is calculated by converting the contract transfer price based on a foreign exchange rate USD 1 = JPY 105.7 as of August 21, 2020.

(Note 2) In the March 31 Disclosure the book value was noted as “0 yen.” However, a follow-up review resulted in a corrected book value of JPY 150 million.

#### 4. Overview of the Transferee

##### (1) Transfer to Sharp

###### Outline of the transferee

(1) Company name	Sharp Corporation	
(2) Head office	1 Takumi-cho Sakai-ku, Sakai City, Osaka, Japan	
(3) Name and title of representatives	Mr. Jeng-Wu Tai, Representative Director, Chairman & CEO Mr. Katsuaki Nomura, Representative Director, President & COO	
(4) Business description	Mainly manufacturing and sales of telecommunications equipment, electric and electronic application equipment, and electronic components.	
(5) Capital stock	50 million yen	
(6) Date of incorporation	May 1935	
(7) Net Assets	295,138 million yen (As of March 31, 2020)	
(8) Total Assets	1,832,349 million yen (As of March 31, 2020)	
(9) Major shareholders and their shareholding ratio	HON HAI PRECISION INDUSTRY CO., LTD.	24.47%
	FOXCONN (FAR EAST) LIMITED	17.23%
	FOXCONN TECHNOLOGY PTE. LTD.	12.17%
(10) Relationship with the listed company	Capital relationship	Not applicable
	Personnel relationship	Not applicable
	Business relationship	Not applicable
	Status of relationship with related parties	Not applicable

##### (2) Additional Transfer

The transferee, or the Customer, is an overseas corporation who is one of JDI's main customers. Due to a nondisclosure agreement JDI has with the transferee, details concerning the transferee cannot be disclosed.

###### Relationship between JDI and the transferee

Capital relationship	Not applicable
Personnel relationship	Not applicable
Business relationship	There are business transactions between JDI and the transferee. JDI manufactures and sells its display products to the transferee.
Relevant facts concerning related parties	Not applicable

## 5. Schedule of the Transfer

### (1) Transfer to Sharp

Board of Directors resolution	August 28, 2020
Conclusion of definitive agreement	August 28, 2020
Delivery of the Hakusan Plant assets	September to October 2020 (scheduled)

(Note) The date of the transfer may change depending on the progress of transfer procedures.

### (2) Additional Transfer

Board of Directors resolution	August 28, 2020
Conclusion of definitive agreement	August 28, 2020
Delivery of the Hakusan Plant assets	September to October 2020 (scheduled)

(Note) The date of the transfer may change depending on the progress of the procedure.

## 6. Future Outlook

The total amount of USD 675 million to be received from the Transfer to Sharp and the Transfer to the Customer will be used to repay the US dollar-denominated balance of the advances received of USD 702.5 million (as of August 27, 2020) from the Customer following delivery of the assets. The remaining balance of USD 27.5 million advances received after the partial repayment will be promptly paid as a lump-sum payment using JDI's own funds.

The table below shows the estimated non-operating income and extraordinary gains/losses that are expected to be recorded in connection with the Transfer to Sharp and the Transfer to the Customer. Actual amounts will be disclosed upon final confirmation.

[First quarter of FY 2020 (ending March 2021)]

Gain/Loss	Account Item	Content	Expected amount
Extraordinary loss	Business restructuring expenses	Contract cancellation costs with suppliers related to ancillary facilities and costs associated with test operations of production equipment and facilities at the Hakusan Plant.	JPY 8.3 bn (Maximum)

[Second quarter or third quarter of FY 2020 (ending March 2021)]

Gain/Loss	Account Item	Content	Expected amount
Non-operating income	Foreign exchange gain	Foreign exchange gains resulting from the difference in exchange rates at the time of receipt of the advances received and the offset	JPY 5.7 bn (Note)

Extraordinary income	Gain on sales of fixed assets	Difference between book value and transfer price at the time of asset transfer	JPY 21.1 bn (Note)
Extraordinary loss	Business restructuring expenses	Costs associated with test operations of production equipment and facilities at the Hakusan Plant.	JPY 3.3 bn (Maximum)

(Note) An approximate amount calculated by converting the US dollar-denominated contract transfer price to Japanese yen based on a foreign exchange rate of USD 1 = JPY 105.7 as of August 21, 2020. Actual amounts may differ.

## II. Discontinuation of Plan to Convert JDI's In-House Mobile Company into a Subsidiary

### 1. Reason for Discontinuation

In the May 30, 2019 disclosure titled "(Update and Progress of a Disclosure Matter) Concerning the Disclosure as of April 12 and 18, 2019," JDI announced that in response to support from INCJ, Ltd., it had decided to undertake a study of converting its in-house mobile company (currently its mobile division) into a subsidiary by the end of December 2019, through an incorporation-type company split or other means to (i) secure the stability of JDI's business base by separating the mobile device business from the automotive and non-mobile businesses, of which the risk profiles are different, and (ii) further clarify the execution authority and responsibility for the business performance of each business. Subsequently, in a July 12, 2019 disclosure titled "(Update and Progress of a Disclosure Matter) Concerning the Disclosure as of April 12, 2019," JDI announced that it was considering completion of the process of subsidiarization by the end of December 2019. However, in a later disclosure dated December 20, 2019 titled "Notice Concerning Changes to Terms including Extension of Loan Agreements and Changes to Scheduled Timing of Making JDI's In-House Mobile Company its Subsidiary," JDI announced that it had decided after consulting with INCJ to change the schedule for the conversion of its in-house mobile company into a subsidiary, and to expedite the conversion following the completion of the contemplated fund procurement from investors.

However, based on the decision to transfer the Hakusan Plant, which is one of the main production facilities for products handled by the mobile division, and the prospect of aggregate repayment of the advance payment, the future risk profile of the mobile business has changed. Since the clarification of executive authority and responsibility for the performance of each business have already been realized within the framework of the current organization, JDI has determined that the goals of subsidiarization have been achieved, and has decided to cancel the study.

### 2. Future Outlook

JDI has determined that the cancellation of the subsidiarization of the mobile company (currently the mobile division) will have no material impact on business results in FY 2020.

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