JDI Japan Display Inc.

May 15, 2014

Japan Display Inc.

Consolidated Financial Results for Fiscal Year 2013 (Japanese GAAP)

Company name:	Japan Display Inc. ("JDI")
Security code:	6740
Listing:	Tokyo Stock Exchange (First Section)
Website:	http://www.j-display.com/english/
Representative:	Shuichi Otsuka, President and Chief Executive Officer
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Annual general meeting of shareholders:	June 24, 2014
Filing of FY 2013 securities report:	June 24, 2014
Commencement of dividend payments:	-
Supplementary materials for the FY 2013 earnings results:	Available
Briefing for FY 2013 results:	May 15, 2014

(Figures in this earnings report are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the FY 2013 (April 1, 2013 to March 31, 2014)

(1) Results of operations (Millions of yen, except per share amounts)

	FY 2013	YoY Chg.	FY 2012	YoY Chg.
Net sales	614,567	272.1%	165,144	-
Operating income	27,624	173.4%	10,106	-
Ordinary income	19,072	123.1%	8,549	-
Net income	33,918	853.9%	3,555	-
Net income per share				
-Basic (yen)	135.09	-	29.61	-
-Diluted (yen)	133.19	-	-	-
Return on equity (%)	16.9%	-	-	-
Ordinary income to total assets (%)	4.4%	-	2.0%	-
Operating income to net sales (%)	4.5%	-	6.1%	-
Comprehensive income	38,267	284.8%	9,944	-
Equity in net income of affiliates	-	-	-	-

Note1: On April 1, 2013, Japan Display Inc. ("former JDI") was merged with its wholly-owned subsidiaries Japan Display East Inc. ("JDE"), Japan Display West Inc., Japan Display Central Inc., and Japan Display East Products, Co., Ltd. JDE was the surviving entity, and all other entities merged into JDE were dissolved after the merger. JDE subsequently changed its name to Japan Display, Inc. ("JDI"). The financial results for FY2012 noted above are the consolidated financial results of the pre-merger JDE, not the results of former JDI.

Note2: On January 28, 2014, the Company split its common stock at a ratio of 1:100. The calculations of net income per share are based on the assumption that the share split occurred as of the beginning of each period presented.

(2) Financial position (Millions of yen, except per share amounts)

	Mar 31, 2014	Mar 31, 2013
Total assets	758,975	115,034
Net assets	405,144	(3,481)
Shareholders' equity ratio (%)	53.3%	(3.0%)
Net assets per share	673.28	(29.93)
(Reference) Shareholders' equity	404,489	(3,594)

Note1: On January 28, 2014, the Company split its common stock at a ratio of 1:100. The calculations of net income per share are based on the assumption that the share split occurred as of the beginning of each period presented.

(3) Cash Flow (Millions of yen)

	Mar 31, 2014	Mar 31, 2013
Net cash provided by operating activities	39,707	14,132
Net cash used in investing activities	(122,915)	(8,608)
Net cash used in financing activities	151,990	6,311
Cash and cash equivalents at end of year	141,390	23,524

2. Dividends

(yen)

	June 30	Sep 30	Dec 31	FY-end	Total	Dividend ratio (consolidated)	% of dividends to net assets (consolidated)
FY 2012	-	-	-	0.00	0.00	-	--
FY 2013	-	0.00	-	0.00	0.00	-	-
FY 2014 (forecast)	-	-	-	-		-	-

Note1: Under JDI's articles of incorporation September 30 and the final day of the fiscal year are stipulated as the dates of record for dividends. However, at present no dividends are planned for these dates of record for the FY 2014.

3. Earnings forecast for the FY 2014

(Millions of yen, except per share amounts)

	1H-FY2014	YoY Chg.	FY 2014	YoY Chg.
Net sales	310,000	(3.4%)	750,000	22.0%
Operating income	1,000	(92.8%)	40,000	44.8%
Ordinary income	(3,200)	-	31,500	65.2%
Net income	(3,200)	-	26,800	(21.0%)
Net income per share (yen)	(5.33)	-	44.61	-

Notes:

(1) Accounting changes in consolidated financial statements.

a) Changes in accounting policy in accordance with amendments to accounting standards: Yes
b) Changes in accounting policy other than (a) above: None
c) Changes in accounting estimates: None
d) Retrospective restatement: None

(2) Number of shares outstanding (common shares)

	Mar 31, 2014	Mar 31, 2013
Number of shares outstanding (incl. treasury shares)	601,387,900	120,980,000
Number of treasury shares	609,500	-
Average number of shares outstanding	251,078,550	120,980,000

Note1: On January 28, 2014, the Company split its common stock at a ratio of 1:100. The calculations of net income per share are based on the assumption that the share split occurred as of the beginning of each period presented.

(Reference) Overview of the Non-consolidated Financial Results

1. Non-Consolidated Financial Results for the FY 2013 (April 1, 2013 to March 31, 2014)

(1) Results of operations (Millions of yen, except per share amounts)

	FY 2013	YoY Chg.	FY 2012	YoY Chg.
Net sales	590,880	442.6%	108,907	-
Operating income	13,913	228.4%	4,236	-
Ordinary income	7,565	62.9%	4,642	-
Net income	30,395	-	(6,624)	-
Net income per share				
-Basic (yen)	121.06	-	(55.16)	-
-Diluted (yen)	119.36	-	-	-

Note1: On January 28, 2014, the Company split its common stock at a ratio of 1:100. The calculations of net income per share are based on the assumption that the share split occurred as of the beginning of each period presented.

(2) Financial position (Millions of yen, except per share amounts)

	Mar 31, 2014	Mar 31, 2013
Total assets	704,890	80,512
Net assets	352,401	(30,949)
Shareholders' equity ratio (%)	50.0%	(38.4%)
Net assets per share	586.57	(257.70)
(Reference) Shareholders' equity	352,401	(30,949)

Note1. On April 1, 2013, Japan Display Inc. ("former JDI") was merged with its wholly-owned subsidiaries Japan Display East Inc. ("JDE"), Japan Display West Inc., Japan Display Central Inc., and Japan Display East Products, Co., Ltd. JDE was the surviving entity, and all other entities merged into JDE were dissolved after the merger. JDE subsequently changed its name to Japan Display, Inc. ("JDI"). The financial results for FY 2012 noted above are the non-consolidated financial results of the pre-merger JDE, not the results of former JDI.

Note2. On January 28, 2014, the Company split its common stock at a ratio of 1:100. The calculations of net income per share are based on the assumption that the share split occurred as of the beginning of each period presented.

* Disclosure related to implementation of quarterly review procedures
This earnings report is exempt from the consolidated financial statements review procedures set forth in Japan's Financial Instruments and Exchange Law. However, at the time of this earnings report, consolidated financial statements review procedures pursuant to the Financial Instruments and Exchange Law had not been completed.

Proper use of earnings forecasts and other matters warranting special mention

Forward-looking information such as earnings forecasts in this document is based on information available to the Company at the time the document was prepared and management's reasonable assumptions. Such information should not be interpreted as a guarantee of future performance or results. Furthermore, forward-looking information is necessarily subject to a number of factors that may cause actual results to differ materially from those results implied by the expectations suggested by such information.

Attachments

1. Analysis of results of operations and financial conditions

On April 1, 2013, Japan Display Inc. (“former JDI”) was merged with its wholly-owned subsidiaries Japan Display East Inc. (“JDE”), Japan Display West Inc., Japan Display Central Inc., and Japan Display East Products, Co., Ltd. JDE was the surviving entity, and all other entities merged into JDE were dissolved after the merger. JDE subsequently changed its name to Japan Display, Inc. (“JDI”).

For this reason "(1) Analysis of results of operations" shown below does not include a comparison with results from the previous consolidated fiscal year.

For reference, below is a comparison of “former JDI’s” FY 2012 financial results with JDI’s FY2013 financial results.

(Reference)

The following table includes consolidated financial data and EBITDA of the pre-merger parent company “former JDI" for FY 2012 and the Company FY 2013:

Consolidated results (Millions of yen)

	FY 2013 (post-merger JDI)			FY 2012 (pre-merger former JDI)	
	amount	% to net sales	YoY Chg	amount	% to net sales
Net Sales	614,567	100.0%	34.4%	457,378	100.0%
Operating Income	27,624	4.5%	－	1,783	0.4%
Ordinary Income	19,072	3.1%	244.1%	5,542	1.2%
Net income	33,918	5.5%	772.2%	3,889	0.9%
Net income per share (Yen)	135.09			19.44	
EBITDA	90,279	14.7%	133.4%	38,705	8.5%

Note1: EBITDA＝Operating income + depreciation and amortization (operating) + amortization of goodwill
EBITDA is not subject to auditing under Article 2, section 1 of the Financial Instruments and Exchange Law.

Note2: The calculation of net income per share for FY 2012 and FY 2013 is based on the average number of shares outstanding during the fiscal period. On January 28, 2014, the Company split its common stock at a ratio of 1:100. The calculations of net income per share are based on the assumption that the share split occurred as of the beginning of each period presented.

Note3: The year-on-year comparisons for FY 2013 are based on comparisons with the former JDI's FY 2012 consolidated financial results.

(1) Analysis of Operating Results

1) FY 2013 financial performance

Consolidated results for FY 2013 (April 1, 2013 to March 31, 2014) (Millions of yen)

	1Q-FY13	2Q-FY13	3Q-FY13	4Q-FY13	Total
Mobile device	113,632	136,720	126,670	99,594	476,616
Automotive electronics, C&I and other	31,740	38,872	35,1083	32,230	137,951
Net Sales	145,372	175,592	161,778	131,824	614,567
Gross Profit	17,452	18,760	19,413	15,660	71,258
Operating Income	6,313	7,612	8,196	5,502	27,624
Ordinary Income	4,739	4,918	8,979	435	19,072
Income before income taxes	4,739	2,588	8,979	435	16,742
Net income	24,361	2,174	6,948	434	33,918

The small-medium display market was robust in FY 2013 due to an expansion in the market for smartphone and tablet devices. The smartphone market saw higher demand for larger-size high-resolution low-temperature polysilicon (LTPS) LCD displays, such as 5-inch Full HD (1920 x 1080 pixels) modules. China in particular continued to show notable smartphone market growth, as low-price smartphones become more popular and expansion in the country's high-speed telecommunications infrastructure has encouraged greater need for larger-display high-resolution smartphones and led to the introduction of numerous high-end display smartphones by Chinese domestic device makers. Also, tablets started to use high-resolution displays, with 7-inch and larger 300 ppi displays entering the market. Further, in the area of automobile displays an increasing number of displays installed per vehicle is resulting in higher demand.

Given this business environment, JDI enjoyed strong shipments owing to higher customer demand for smartphone displays and the start of new business with customers in China demanding high-resolution displays. Another positive was the second-quarter start of shipments of high-resolution LTPS LCD displays for tablet devices. Because of this higher demand for high-resolution displays, from June 2013 JDI began operation of its first G6 (mother glass size: 1500mm x 1850mm) LTPS manufacturing line at the company's Mobara Plant and started shipments from this line in the second quarter. In addition, as part of our strategy to improve the performance of our automotive electronics display business we have concentrated production of auto displays in our Tottori Plant and in March 2014 closed the G3 a-Si line at our Ishikawa Plant.

As a result, FY 2013 net sales were 614, 567 million yen, operating profit was 27,624 million yen and ordinary profit was 19,072 million yen. Also, because we recognized an income tax benefit of 17,527 million yen due mainly to recognizing deferred tax assets related to tax losses carried forward, net income was 33,918 million yen.

JDI consists of a single operating segment, as that term is defined under Japanese GAAP. As a result the company has decided to represent its sales by product application category, as shown below.

Mobile device category

The mobile device category includes display panels for smartphones, tablets and conventional mobile phones. FY 2013 consolidated sales in this category were 476,616 million yen, accounting for 77.6% of total sales.

FY 2013 recorded strong growth in sales of 5-inch Full HD (1920 x 1080 pixels, 441ppi) and other panels that utilize JDI's advanced high-resolution LTPS LCD display technology. Also, we began shipment of LTPS displays for tablets in the second quarter. The fourth quarter, however, experienced lower sales due to seasonal factors. This quarter was also affected by shipment interruptions, due in part to reduced customer purchase requests and reduced purchases of certain products owing to price negotiations made difficult by a decline in market prices for medium price-range smartphones.

Automotive electronics, C&I and other category

The automotive electronics, C&I and other category includes display panels for automotive electronics, consumer electronics devices such as digital cameras and game consoles and industrial equipment such as medical devices. Income from patents is also included. FY 2013 consolidated sales in this category were 137,951 million yen, accounting for 22.4% of total sales.

In FY 2013, strong automobile sales in the US and China along with an increase in the number of display panels installed per vehicle led to favorable sales of automotive electronics displays. Conversely, shrinkage in the markets for digital cameras and game consoles due to expansion of the smartphone market resulted in reduced sales of C&I displays, year-on-year.

2) FY 2014 Outlook

Financial forecast for FY 2014 (April 1, 2014 to March 31, 2015) (Millions of yen)

	FY 2014	% to net sales	YoY Chg.
Net sales	750,000	100.0%	22.0%
Operating income	40,000	5.3%	44.8%
Ordinary income	31,500	4.2%	65.2%
Net income	26,800	3.6%	(21.0%)
Net income per share (yen)	44.61		
EBITDA*	118,400	15.8	31.2%

*EBITDA = operating profit + depreciation (operating costs) + amortization of goodwill

In FY 2014 we believe the market for small-medium displays will remain favorable due to the continued global growth of smartphone shipments, larger display sizes and higher display resolutions.

Given this outlook, we aim to boost our share of the market for high-end displays used in smartphones. Also, we plan to initiate sales of LTPS LCD displays in China's medium price-range smartphone market via our Taiwan Display Inc. subsidiary. Further, in response to higher market demand, the monthly production capacity of JDI's Nomi G5.5 (glass substrate size: 1300mm x 1500mm) LTPS line has been increased to 25,500 sheets and will be increased to 50,000 sheets on the Mobara G6 LTPS line.

In the consolidated first quarter of FY 2014 we forecast an operating loss due to lower sales for seasonal and other reasons, but from the second quarter onward we expect demand to recover.

JDI's current forecast for FY 2014 appears above. Our assumed currency exchange rate for FY 2014 is 101 yen to the dollar.

(2) Basic policy concerning the distribution of profits and dividends for the year under review and the subsequent year

JDI recognizes that returning value to shareholders is an important priority for management. For the current year under review, the company's focus on investments in R&D and continuous capital investments in manufacturing lines will result in there being no year-end dividend. With regard to FY 2014 (ending March 2015), JDI believes it will be important to assess the necessity of continued capital investment in capacity expansion and, as a result, the importance of achieving a good balance between profit distribution and investment needs will require the company to take into consideration market trends, the timing of strategic investment, the company's financial conditions and other applicable factors when determining dividend payments.

(3) Business risks

The following events may influence JDI's business results, financial condition, share price performance or other matters related to the company:

- Economic conditions
- Trends in the small-medium display market
- Adverse conditions in the competitive environment
- Product sales price declines
- Market conditions or seasonal factors
- Rapid changes in technology
- Changes in consumer preferences
- Possible failed investments in research and development
- The impact of the manufacturing line capacity utilization rate, yields or product quality
- Dependence on specific product types or customers
- Possible failed business alliances, strategic partnerships or company acquisitions
- Lawsuits or other legal actions

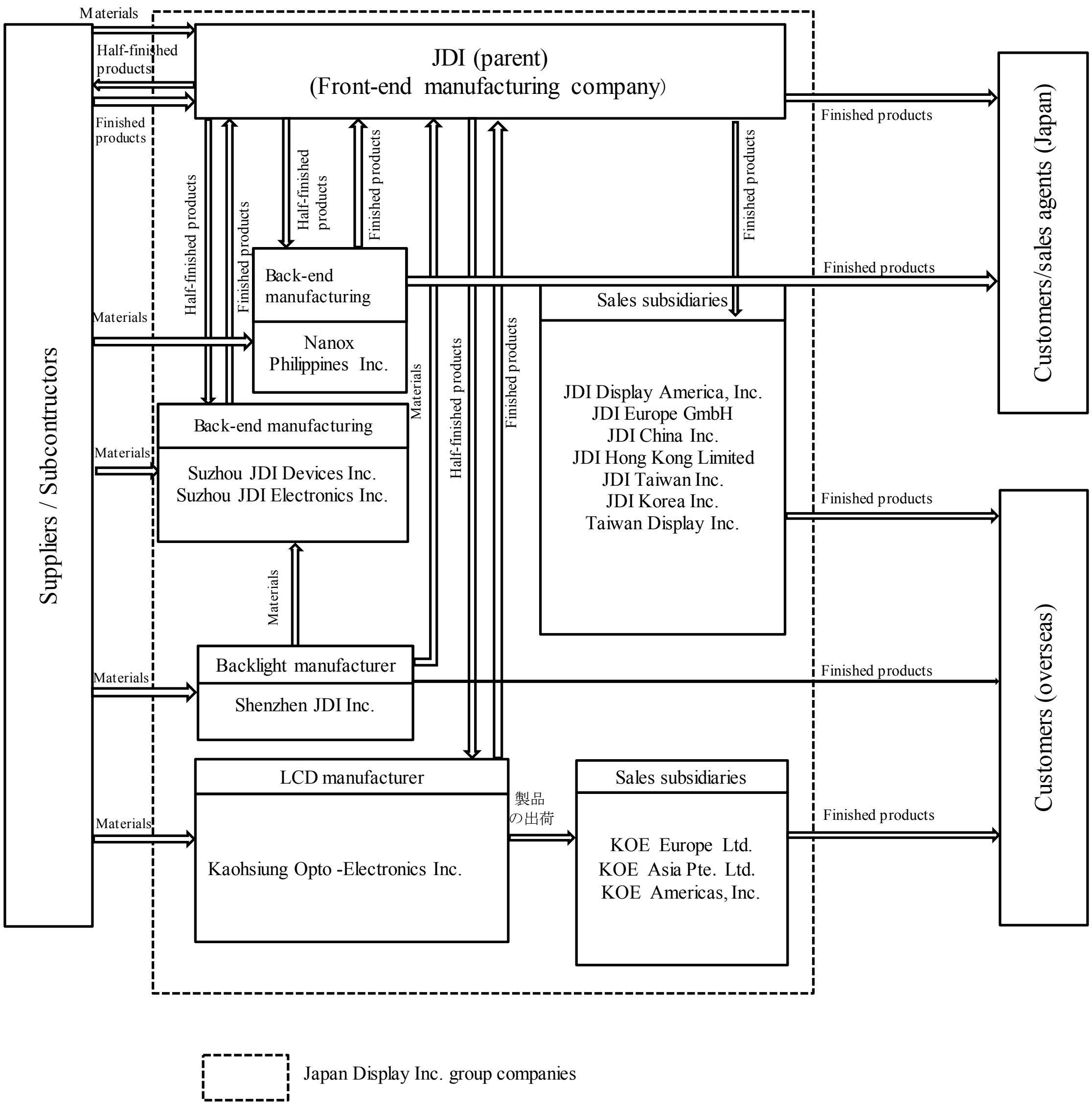
- Changes in intentions or condition of Innovation Network Corporation of Japan (INCJ), JDI's primary shareholder
- Foreign currency exchange trends
- Delays in acquiring, denial of access to, a decline in quality or price hikes of raw materials & parts (subcontracted products), along with a steep rise in energy costs
- Manufacturing or sales, important to overseas business development, are hindered by the local legal or business environment
- Events that might have adverse consequences for the procurement of financing
- Unavoidable fixed asset impairment losses
- Difficulties hiring highly skilled employees or management personnel
- Malfunctions in internal management controls that affect financial reporting
- Unauthorized disclosure of private or other confidential information
- Issues affecting intellectual property rights
- Changes in environmental or other legal regulations
- A determination that deferred tax assets cannot be recovered
- Accidents or disasters

2. Group companies

The JDI group of companies primarily engages in the development, manufacture and sale of small- to medium-sized displays. Group operations consist of the JDI parent and 15 consolidated subsidiaries.

In Japan, the JDI parent handles technology intensive front-end manufacturing[1]. The group's labor-intensive back-end manufacturing[2]are mainly handled by five overseas manufacturing subsidiaries and by subcontracting manufacturers. The JDI parent and 10 overseas subsidiaries are responsible for sales.

Below is a diagram of JDI group company operations (current as of March 31, 2014).



1 Front-end manufacturing: Liquid crystal material is dropped on TFT (thin-film transistor) substrates processed on a mother glass and fitted with color-filter substrates.

2 Back-end manufacturing: The sandwiched substrate produced in front-end manufacturing is cut into individual product segments, fitted with polarizer film and then mounted with LCD driver ICs, back-light units and other components.

3. Management policies

(1) Basic Management Policies

JDI started business in April 1, 2012 as a specialized maker of small-medium displays and was created as a result of the merger of Sony Mobile Display, Inc., Toshiba Mobile Display, Inc. and Hitachi Displays, Inc.
JDI is able to utilize the world-leading display technology possessed by Sony Mobile Display, Inc., Toshiba Mobile Display, Inc., and Hitachi Displays, Inc. New manufacturing lines, cutting-edge technology and economies of scale provide JDI with superior advantages relative to the global competition. We are pushing forward with the development of our business in order to make our position as a worldwide leading company in the small-medium display business even stronger.

JDI"s management policies are stated below.

Management policies

1) Pursue high-end display technology: JDI is seeking to leverage Japan's strength as a developer of a large amount of small-medium display technology and to lead the industry in new technology development.
2) Maintain a large manufacturing capacity: JDI has one of the largest manufacturing capacities in the small-medium display industry, which we intend to leverage to meet global customer demand for high-performance displays.
3) Cost cutting that meets global standards: JDI is making maximum cost-cutting efforts because we recognize that achieving the most competitive cost base will enable us to deliver high-quality small-medium displays at the most satisfactory prices for our customers.

(2) Financial performance benchmark goals

In an effort to expand our business operations in the continuously growing small-medium display market and increase corporate value through higher earnings, JDI has the following financial performance benchmark goals:

1) Financial performance benchmarks to achieve in the near term
   ・Operating margin: More than 10%
   ・EBITDA margin*: More than 20%
   * EBITDA margin =
   (Operating profit + depreciation (operating) + amortization of goodwill) / net sales

2) Sustainable financial performance benchmarks
   ・Net cash
   ・Equity ratio of 50% or higher

(3) Medium to long-term company management policies

JDI was founded with the purpose of becoming a leading global company in the small-medium display industry. Along with leveraging the technology, manufacturing and employee assets of our former parent companies, Sony Corporation, Toshiba Corporation and Hitachi Ltd., we have undertaken a number of business endeavors that will help us to rise above the competition.

In particular, JDI aims to strengthen its market position and expand the LTPS market by promoting a broader scope of applications of its leading-edge LTPS LCDs. Also, we are taking a more robust approach to strengthening our automobile market-related business, which promises steady growth.

We are pursuing superior technological capabilities through investment in R&D. We strive to become a global leader in the small-medium display industry through our enterprising R&D activities for high value-added technology that can drive the creation of innovative next-generation technologies.

At the same time we have a highly disciplined approach to capital investment that is based on careful observation of supply-demand trends in order to avoid the issues that have troubled the large-sized display market, in which excess competition and excess supply capacity have led to downward product prices. Our goal is to encourage the development of an "LTPS World" where pricing behaves like an expanding oligopoly.

(4) Important issues for the company

Our goals in the small-medium display market are to maintain a competitive edge, sustainable growth and strong earnings. To accomplish this JDI is focused on implementing the following major policies:

1) Capture market share

The small-medium display market continues to experience steady annual growth, especially in the area of high-resolution displays. In this area JDI is aiming for steady earnings and higher market share. The key to capturing greater market share in the growing small-medium display industry is a strategy of sustainable growth driven by accelerated returns on R&D investment and capital investment as well as continuous reinvestment.

JDI's strategy is to broaden the scope of the LTPS market to gain share in the small-medium display market using the following approach: applying a business model that focuses on small-medium display manufacturing and not end-product manufacturing, which makes it easier to tap into a large base of customers, and outshining the competition by establishing new LTPS capacity capable of using our cutting-edge LTPS technology. In taking this approach we provide our global customers with prompt, comprehensive service via our expanding direct-sales network of domestic and overseas sales subsidiaries and marketing teams in major geographic market areas. This enables us to provide enhanced technology services to customers, which in turn leads to attracting new customers, greater design-in and higher levels of customer satisfaction.

As we look forward, we have added important new elements to our strategy: seizing opportunities in the booming Chinese market for smartphones; promoting, in addition to smartphones, the use of high-resolution display applications in tablet devices; and strengthening our business involvement in the automotive market, which is likely to see a greater use of displays installed per vehicle. In particular, in the Chinese market JDI is promoting greater use of LTPS displays in medium price-range smartphones, a volume zone in the China market. In November 2013 JDI created a Taiwan subsidiary called Taiwan Display Inc. that will oversee the expansion of JDI's marketing, design and quality maintenance operations in China.

2) Investment in advanced manufacturing facilities

As the small-medium display market expands, JDI needs to develop advanced technology and invest in highly productive manufacturing lines in order to both meet customer demand and achieve earnings that can grow.

JDI began mass production in June 2012 at its G5.5 Nomi Plant in Ishikawa Prefecture and in June 2013 on the new line at its G6 Mobara Plant in Chiba Prefecture. As a result we now have the world's largest(1) LTPS LCD manufacturing capacity. The construction of the new Mobara line was funded by a 200 billion yen capital contribution from the Innovation Network Corporation of Japan (INCJ). The new line hosts the world's largest LTPS manufacturing capacity using G6 mother glass (glass size: 1500mm x 1850mm). Compared with G4.5 glass size (730mm x 920mm), the surface area of G6 glass is four times larger. As a result the number of glass substrates for display panels yielded per sheet of G6 mother glass is considerably larger, resulting in lower costs per glass substrate unit. Also, as operational experience is gained with the advanced manufacturing equipment installed on production lines, higher yields, shorter cycle times and lower costs, as well as greater technological progress and higher quality products should result.

The Mobara G6 line started operations in June 2013 with an originally planned production capacity of 24,000 sheets per month. Currently, however, the line is being expanded to achieve capacity of 50,000 sheets per month in the current fiscal year. By investing in the most advanced manufacturing facilities ahead of the competition, we are preparing to rollout competitive products on a timely basis. In addition, if we foresee any further growth in demand that might suggest opportunities for new capital investment, JDI may consider adding another line.

3) Investment in research & development

As electronic devices achieve higher levels of performance, demand is rising in the small-medium display industry for multiple high-end technologies that enable high-resolution, low-power consumption, thin profile and other advanced features. Technology innovations are currently underway that are leading to new materials and

Note:
(1) Source : NPD DisplaySearch (January 2014)

manufacturing technology that can support development of these advanced devices. In this environment the ability to continuously respond to the needs of an evolving market requires display makers to possess advanced technology and a relentless devotion to pursuing technological breakthroughs. As a result success more and more on depends on a powerful commitment to investment in R&D.

JDI's basic R&D policy is to pursue the development of innovative technology that can move the market in new directions as well as continuous development of cutting-edge LTPS LCD technology. This is supported by cooperation among the company's Research & Development, Manufacturing, Mobile Business and Automotive/C&I Business divisions. Our R&D investment activities are committed to carefully selected areas of research directly related to the company's immediate earnings performance and to pursue research that can contribute to solid future earnings. Furthermore, our R&D operations are staffed by the finest professionals.

In particular, JDI is working to leverage its strength in LTPS LCD technologies for high-resolution, low power and thin profile features. We continue to aggressively invest in the development of the kind of technology that separates us from the competition. At the same time, we are monitoring the evolution of technology in the display industry through our R&D investment in OLED and oxide semiconductor display technology. In the field of OLED technology, JDI's R&D is focused on possibilities for sheet displays, for which we recently built a pilot line for OLED displays at our Ishikawa site. Looking ahead, we are participating in joint R&D into basic technologies and next-generation technologies with universities, government research facilities, material and equipment makers, technology ventures and other partners. We strive to translate this participation into further new advanced technology applications.

4) Strengthening cost competitiveness

In the small-medium display industry, the strength of each company's capital resources and the host country's manufacturing and currency policies affect the global competitive environment. In the case of JDI, it is vitally important to become cost competitive against competitors in countries with low labor and infrastructure costs in order to remain competitive in the global market. Also, since the market for displays in mobile and other consumer devices is prone to demand fluctuations, we are well aware of the business importance of lowering the break-even capacity utilization rate.
After JDI commenced its business operations in April 2012 we began to pursue company-wide cost-reduction measures. We have been making major efforts to reduce costs in manufacturing, materials procurement and corporate administrative costs. In addition our management regularly monitors cost conditions in all areas of the company. As a result JDI's ratio of SG&A to net sales has declined since we began operations, as have our material procurement costs. Also, benchmarking among our manufacturing lines has led to higher manufacturing yields on our existing lines and lower manufacturing costs relative to the beginning of JDI operations.

In the future we plan to achieve an even lower manufacturing cost base through the expansion of manufacturing capacity and higher yields on the Mobara G6 line, greater internal production of parts, reduced parts use (by, for example, integrating multiple chips via one-chip solutions) as well as full utilization of Japan-based back-end automated-manufacturing lines and other manufacturing innovations. In addition, older manufacturing lines may be integrated or closed in accordance with demand trends. As examples of facility streamlining, in FY 2012 production was suspended on the Mobara Plant’s a-Si line while in FY 2013 the a-Si line at our Ishikawa site has been shutdown.

4.Consolidated Financial Statements

Consolidated Balance Sheet
March 31, 2014

		(Millions of Yen)
Assets		
Current assets:		
Cash and deposits	23,524	141,390
Notes and accounts receivable	27,199	97,146
Allowance for doubtful accounts	(16)	(177)
Merchandise and finished goods	4,051	25,340
Work in process	7,702	48,340
Raw materials and supplies	4,863	16,903
Other receivables	2,913	23,403
Deferred tax assets	30	20,211
Other current assets	1,064	5,925
Total current assets	71,333	378,484
Property, plant and equipment:		
Land	2,986	11,091
Building and structures	56,918	171,564
Machinery, equipment and vehicles	131,657	407,926
Lease assets	14,451	93,414
Construction in progress	539	36,724
Production supplies, tools and others	24,003	58,599
	230,558	779,318
Less: accumulated depreciation	(189,273)	(435,538)
Property, plant and equipment, net	41,284	343,780
Intangible assets:		
Goodwill, net	11	22,115
Other intangible assets, net	1,763	12,843
Intangible assets, net	1,775	34,958
Investments and other assets	641	1,751
Total assets	115,034	758,975

Consolidated Balance Sheet
March 31, 2014

Liabilities		
Current liabilities:		
Notes and accounts payable	30,050	101,581
Short-term debt	—	4,524
Short-term debt to subsidiaries and associates	28,866	—
Current portion of long-term debt	7,000	8,552
Current portion of lease obligations	2,846	23,454
Income tax payable and others	418	709
Accrued bonuses	1,243	5,212
Advance receipts	2,079	66,780
Other current liabilities	11,429	44,087
Total current liabilities	83,935	254,902
Long-term debt, excluding current portion	20,985	17,354
Retirement benefit obligations	9,211	—
Net defined benefit liability	—	31,232
Lease obligations, excluding current portion	3,977	48,635
Other liabilities	407	1,704
Total noncurrent liabilities	34,581	98,927
Total liabilities	118,516	353,830
Net assets		
Shareholders' equity		
Common stock	35,274	96,857
Capital surplus	62,258	257,053
Retained earnings	(104,990)	49,192
Treasury stock	—	(304)
Total shareholders’ equity	(7,457)	402,798
Accumulated other comprehensive income	3,862	1,690
Noncontrolling interest	113	655
Total net assets	(3,481)	405,144
Total liabilities and net assets	115,034	758,975

Consolidated Statement of Income
For the Year Ended March 31, 2014

(Millions of Yen)

Sales, net	165,144	614,567
Cost of sales	143,117	543,282
Gross profit	22,026	71,285
Selling, general and administrative expenses	11,920	43,660
Operating income	10,106	27,624
Other income		
Interest income	163	104
Subsidy income	6	1,015
Rent income	21	469
Operations consignment fee	—	753
Other income	243	636
Total other income	434	2,979
Other expenses		
Interest expense	665	2,815
Foreign exchange loss, net	242	1,939
Depreciation expense for idle assets	—	1,539
Impairment loss	2,538	—
Loss on abolishment of retirement benefit plan	8,825	—
Loss from inventory revaluation	—	2,330
Other expenses	1,083	5,237
Total other expenses	13,354	13,862
Income before income taxes	5,661	16,742
Income tax expense-current	2,164	2,938
Income tax benefit-deferred	(75)	(20,466)
Total income taxes	2,089	(17,527)
Net income	3,572	34,269
Less: net income attributable to noncontrolling interest	(16)	(351)
Net income attributable to Japan Display Inc.	3,555	33,918

Consolidated Statement of Comprehensive Income
March 31, 2014

		(Millions of Yen)
Net income	3,572	34,269
Other comprehensive income – foreign currency translation adjustments	6,372	3,997
Total Comprehensive income	9,944	38,267
Comprehensive income attributable to noncontrolling interest	9,908	364
Comprehensive income attributable to Japan Display Inc.	35	37,903

Consolidated Statement of Changes in Net Assets
For the Year Ended March 31, 2014

(Millions of Yen)

Common stock		
Beginning balance	35,274	35,274
Changes during the year		
Issuance of common stock	—	61,582
Total changes during the year	—	61,582
Ending balance	35,274	96,857
Capital surplus		
Beginning balance	62,258	62,258
Changes during the year		
Issuance of common stock	—	61,582
Increase by merger	—	133,160
Disposal of treasury stock	—	51
Total changes during the year	—	194,794
Ending balance	62,258	257,053
Retained earnings		
Beginning balance	(108,546)	(104,990)
Changes during the year		
Increase by merger	—	120,264
Net income	3,555	33,918
Net change during the year	3,555	154,183
Ending balance	(104,990)	49,192
Treasury stock		
Beginning balance	—	—
Changes during the year		
Increase by merger	—	(548)
Disposal of treasury stock	—	243
Total changes during the year	—	(304)
Ending balance	—	(304)

Consolidated Statement of Changes in Net Assets
For the Year Ended March 31, 2014

Total change in shareholders' equity		
Beginning balance	(11,013)	(7,457)
Changes during the year		
Issuance of common stock	—	123,165
Increase by merger	—	252,877
Net income	3,555	33,918
Disposal of treasury stock	—	294
Total changes during the year	3,555	410,255
Ending balance	(7,457)	402,798
Accumulated other comprehensive income		
Beginning balance	(2,490)	3,862
Changes during the year	6,353	(2,171)
Ending balance	3,862	1,690
Noncontrolling interest		
Beginning balance	77	113
Changes during the year	35	542
Net changes	35	542
Total changes during the year	35	542
Ending balance	113	655
Total net assets	(3,481)	405,144
Beginning balance	(13,426)	(3,481)
Changes during the year		
Issuance of common stock	—	123,165
Increase by merger	—	252,877
Net income	3,555	33,918
Disposal of treasury stock	—	294
Net change in other comprehensive income and noncontrolling interest	6,389	(1,629)
Total changes during the year	9,944	408,626
Ending balance	(3,481)	405,144

Consolidated Statement of Cash Flows
For the Year Ended March 31, 2014

		(Millions of Yen)
Cash flow from operating activities		
Income before income taxes	5,681	16,742
Adjustment to reconcile income before income taxes to net cash used in operating activities;		
Depreciation expenses	8,813	62,126
Amortization of goodwill	277	2,068
Impairment loss	2,538	—
Loss from inventory revaluation	—	2,330
Loss on abolishment of retirement benefit plan	8,825	—
Negative goodwill	(7,741)	—
Reversal of provision for loss on business liquidation	(734)	—
Interest expense	665	2,815
Foreign exchange gain, net	2,290	(9,343)
Decrease in retirement benefit obligations	(168)	(22,541)
Increase in net defined benefit liability	—	22,236
Decrease in notes and accounts receivable	10,671	7,000
Increase in inventories	(787)	(22,797)
Decrease in notes and accounts payable	1,386	(22,007)
Decrease in other accounts receivable	(1,042)	21,999
Decrease in other accounts payable	916	(7,549)
Decrease in accrued expenses	(3,430)	(4,326)
Decrease in consumption taxes refund	380	12,718
Decrease in advances receipts	(1,312)	(19,883)
Other, net	(138)	6,541
Dividends and interest received	162	97
Interest paid	(652)	(2,809)
Extra retirement payments	(5,811)	—
Income and other taxes paid	(2,168)	(4,466)
Income and other taxes refund	—	837
Settlement amount paid for litigation	(4,469)	(2,083)
Net cash used in operating activities	14,132	39,707

Consolidated Statement of Cash Flows
For the Year Ended March 31, 2014

Cash flow from investing activities		
Acquisitions of property and equipment	(6,781)	(121,477)
Payments for retirement of property and equipment	(343)	(396)
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation	(2,394)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(1,101)
Other, net	911	59
Net cash used in investing activities	(8,608)	(122,915)
Cash flow from financing activities		
Net increase in short-term debt	16,070	4,254
Repayment of long-term debt	(7,000)	(8,834)
Repayment of lease obligations	(3,302)	(19,609)
Proceeds from sale and leaseback of machinery and equipment	543	57,713
Proceeds from issuance of common stock	—	122,733
Proceed from sales of treasury stock	—	288
Other, net	—	(4,556)
Net cash provided by financing activities	6,311	151,990
Foreign currency exchange effect on cash and cash equivalents	2,057	2,752
Net increase in cash and cash equivalents	13,892	71,534
Beginning balance, cash and cash equivalents	9,631	23,524
Increase in cash and cash equivalents resulting from merger	—	46,331
Ending balance, cash and cash equivalents	23,524	141,390

5. Others

(1) Proposed Changes in Directors and Auditors

1) Changes in Representative Corporate Director: None

2) Changes in Directors/ Auditor

a) Retiring Director:
Haruyasu Asakura, Director (Part-time)

b) Nominees for Auditor:
Yukihiro Sato, Auditor (Current Executive Officer)

3) Effective date: June 24, 2014

(2) Organization of Executive Officers (Effective from July 1, 2014)

Executive Officer	Shuichi Otsuka*
Executive Officer	Shuji Aruga*
Executive Officer	Hideya Sakaida
Executive Officer	Yoneharu Takubo
Executive Officer	Yoshiyuki Tsukizaki (Newly‐appointed)
Executive Officer	Kazutaka Nagaoka (Newly‐appointed)
Executive Officer	Yasuhiro Nishi
Executive Officer	Sadahiro Numazawa (Newly‐appointed)
Executive Officer	Isao Fukui
Executive Officer	Takao Yasuda

(* To serve concurrently on the Board of Directors)

Note: The Company will make a separate announcement regarding the official appointment of these executive officers.