

**Offering of 1st Series Unsecured Subordinated Convertible Bonds
with Stock Acquisition Rights to be Issued through Third-Party Allotment
and Fund Raising through Subordinated Loan**

Japan Display Inc. (“JDI”) hereby announces that it has resolved, at its meeting of the board of directors as of December 21, 2016, to conduct (i) an offering of Japan Display Inc. 1st series unsecured subordinated convertible bonds with stock acquisition rights (hereinafter referred to as the “Bonds with Stock Acquisition Rights” with the stock acquisition rights portion thereof referred to as the “Stock Acquisition Rights” and the bond portion thereof referred to as the “Bonds”) to be issued through a third-party allotment (the “Third-Party Allotment”) to Innovation Network Corporation of Japan (“INCJ”) and (ii) fund raising through a subordinated loan from INCJ (the “Subordinated Loan”), as set forth below.

1. Purpose of and Reason for Fund Raising

The JDI group was established under an agreement between INCJ, Sony Corporation, Toshiba Corporation and Hitachi, Ltd. with the aim of establishing its status as a global leading company with both technological and production capabilities in the field of small- to medium-sized displays. Its main business activities are development, design, production and sale of small- to medium-sized display devices and related products. In order to (i) enhance supply capacity and cost competitiveness by making large investments to increase production capabilities for high resolution displays, based on INCJ’s mission “to make impactful, global and long-term investments to grow next-generation businesses nationwide”, and (ii) secure an advantage over overseas competitors, a Memorandum of Understanding with respect to the integration of the small- to medium-sized display businesses of Sony Corporation, Toshiba Corporation and Hitachi, Ltd. was signed on August 31, 2011, and based on such Memorandum of Understanding, Japan Display Integration Preparatory Inc. was established on September 13, 2011. Subsequently, Japan Display Integration Preparatory Inc. acquired all shares of display business subsidiaries of Sony Corporation, Toshiba Corporation and Hitachi, Ltd. and began its business activities on April 1, 2012. After the merger into Japan Display East Inc., which was one of the subsidiaries of Japan Display Integration Preparatory Inc., the company name was changed to Japan Display Inc. in April 2013 and the company continues to the present.

With the aim of achieving sustainable growth and maximizing profits, the JDI group has endeavored to strengthen its technological capabilities and to enhance and renew its production capabilities, and

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has made capital expenditures, etc. into ongoing research and development activities and production lines that secure such capabilities. On the other hand, in the small- to medium-sized display industry to which the JDI group belongs, particularly in the product market for smartphones, which is the core business category of the JDI group, the competitive environment has intensified due to a Korean manufacturer's active marketing for organic light emitting diode ("OLED") displays, as well as improvements in manufacturers' technological capabilities and establishment of new G6 LTPS (low temperature poly-silicon) plants in China and Taiwan. In addition, the volatility of quarterly earnings is significant due to large seasonal changes in demand in the product market for smartphones.

Currently, sales of the JDI group's mobile device category focusing on the products for smartphones, for which the competitive environment is intense and the volatility is significant as described above, account for approximately 80% of the JDI group's total sales, and this affects maintaining stable profits. In order to improve such situation and to increase continuously its corporate value, the JDI group aims to increase the ratio of non-mobile applications, establish a stable management foundation, and further enhance its competitiveness through technological innovation.

Specifically, the JDI group is working on the enhancement of its automotive category, which is expected to grow in the future, and the early launch of a new business, and is promoting the increase of the percentage of sales of the non-mobile business. Especially in the new business, the JDI group aims to expand its business by accelerating the development of (i) displays for 2-in-1 notebook PCs which have a high resolution, low power consumption and narrow bezel design, (ii) ultra-high resolution displays for VR (virtual reality) devices which make use of the characteristics of LTPS, (iii) reflective-type displays with features of high outdoor visibility and ultra-low power consumption and (iv) new displays in various fields such as avionics (aviation-related field), healthcare and education.

As for the enhancement of competitiveness, the JDI group seeks to maintain and improve its competitive advantage by developing and supplying products and platforms with competitive advantage that are based on LTPS technology, which is the JDI group's strength. Among them, the "FULL ACTIVE" display, which is an LCD display that has a narrow bezel design on all four display sides, allows the size of a device to be nearly the same as the display size and greatly enhance the designability of the user interface, and thereby meets the needs of customers. A great demand from smartphone manufacturers for this display, as a new value-added product, is expected. This new product, shipment of which for smartphones is scheduled to start in the fourth quarter of 2016, can also be used in the above-described new business, and the JDI group aims to expand the application thereof in the future.

While advancing the development of this "FULL ACTIVE" display in terms of points such as higher resolution, narrower bezel design and lower power consumption, the JDI group will also focus on the development of flexible displays. By using plastic, instead of glass, for their substrate, flexible displays will have characteristics such as an ultra-thin structure, a light weight and a bendable and an unbreakable structure, and will enable the JDI group to produce displays with good design. Such displays are expected to be used in various applications such as not only for mobile products but also for tablets, notebook PCs and automotive displays.

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JOLED Inc. (“JOLED”), 15% of the voting rights of which are currently held by JDI, is working on the development of medium-resolution OLED displays that use the printing method (*Note) to differentiate from high resolution small-sized OLED displays that use the vapor deposition method. It is considered that the printing method can reduce production costs more significantly compared with other production methods of OLED displays and many companies have engaged in development regarding the printing method; however, at present, no company mass-produces OLED displays that use the printing method. Under such circumstances, JDI considers that JOLED will be able to achieve early commercialization of OLED displays that use the printing method since it engages in leading-edge technological development regarding the printing method. Therefore, today, JDI has executed a basic agreement among INCJ and JOLED to proceed with transferring a part of the shares of JOLED from INCJ to JDI during the first half of Fiscal 2017 (April 1, 2017 to September 30, 2017) and increasing JDI’s voting rights holding ratio in JOLED to 51% from the current 15% to make JOLED become JDI’s consolidated subsidiary. By making JOLED become JDI’s subsidiary, the JDI group aims to further accelerate the commercialization of OLED displays that use the printing method. Furthermore, if the JDI group and JOLED, as one group, promote in an integrated manner the development of technologies such as oxide semiconductor technology and flexible technology, which each of the JDI group and JOLED currently engages in separately, it is considered that it will be possible to accelerate product development and then to promote early commercialization. In addition, the printing method can demonstrate its strength in the production of medium- to large-sized displays, which are difficult to produce using the vapor deposition method. Thus, JDI considers that making JOLED become JDI’s subsidiary will (i) add, to the JDI group’s product lineup, displays such as monitors for healthcare or industrial application and (ii) contribute to the further expansion of the non-mobile business, which will thereby stabilize the JDI group’s business and increase the JDI group’s corporate value.

The JDI group considers that it is necessary to raise long-term and stable funds in addition to the current cash reserves in order to promote the above-described measures for its sustainable growth and the further improvement of its corporate value in the current business environment. Therefore, the JDI group has determined to issue the Bonds with Stock Acquisition Rights through the Third-Party Allotment to INCJ and to raise fund through the Subordinated Loan.

(Note) The printing method is one of the methods to produce OLED displays by making liquid light-emitting materials form films onto a substrate by spraying such materials. Another production method is the vapor deposition method, which makes light-emitting materials form films onto a substrate by evaporating such materials with heat.

2. Use of Funds of the Bonds with Stock Acquisition Rights

44,915 million yen of the estimated net proceeds to be raised upon the issuance of the Bonds with Stock Acquisition Rights will be appropriated for the research and development expenses for OLED displays that use the printing method. Specifically, under the research and development consignment agreement, by infusing development funds into JOLED, 15% of the voting rights of which are currently held by JDI, and which will be made to become JDI’s consolidated subsidiary through JDI’s voting rights holding ratio being increased to 51% during the first half of Fiscal 2017

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(April 1, 2017 to September 30, 2017), JDI aims to achieve early commercialization of medium- to large-sized OLED displays that use the printing method to enable low-cost mass production. JDI considers that OLED displays that use the printing method are expected to be installed in various applications and will achieve early increase in the ratio of JDI's non-mobile business and contribute to stability of JDI's business.

3. Use of Funds of the Subordinated Loan

With regard to the use of funds of the Subordinated Loan, JDI will appropriate them for the research and development expenses for OLED displays that use the vapor deposition method. JDI considers that OLED displays that use the vapor deposition method can not only provide smartphones, which is JDI's area of expertise, with new added value, but also be applied to various applications such as tablets, notebook PCs and automotive displays, which will thereby produce JDI's sustainable growth and improve JDI's corporate value.

4. Summary of Bonds with Stock Acquisition Rights

(1)	Launch Date	December 21, 2016
(2)	Issue Date	January 11, 2017
(3)	Face Value of Bonds	45,000,000,000 yen
(4)	Issue Price	100.00% of the face value of the Bonds
(5)	Aggregate Issue Price	45,000,000,000 yen
(6)	Coupon	Zero
(7)	Maturity Date	January 11, 2024
(8)	Redemption Price	100.00% of the face value of the Bonds
(9)	Conversion Price	430 yen
(10)	Exercise Period	From January 11, 2019 to December 27, 2023
(11)	Others	In JDI's bankruptcy proceedings, the Subordinated Loan shall be subordinated to JDI's senior indebtedness.

5. Summary of Subordinated Loan

(1)	Aggregate Loan Amount	30,000,000,000 yen
(2)	Execution Date of Loan Agreement	December 21, 2016
(3)	Scheduled Disbursement Date	December 22, 2016
(4)	Interest Rate	4.23%
(5)	Final Repayment Date	December 22, 2023
(6)	Others	In JDI's bankruptcy proceedings, the Subordinated Loan shall be subordinated to JDI's senior indebtedness; provided, however, that during the period for which no senior indebtedness (limited to financial indebtedness the balance of which is 1,000,000,000 yen or more) exits or all such senior indebtedness is accelerated, the Subordinated

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	Loan may be accelerated, and, in such case, JDI will be required to repay the Subordinated Loan in full.
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6. Outlook

JDI will achieve stable and long-term growth of its business and will improve its stock value attributable to its shareholders by way of the fund raising through the Third-Party Allotment and the Subordinated Loan.

The impacts of the fund raising through the Third-Party Allotment and the Subordinated Loan on the earnings of JDI are under review. If it becomes likely that it would have a material impact, JDI will promptly make an announcement.

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About JDI

Japan Display Inc. (JDI) is the leading global manufacturer of advanced small- and medium-sized LTPS LCDs. JDI leverages advanced technologies and the world's largest LTPS LCD production capacity to provide high resolution, low power consumption and ultrathin displays for smartphones, tablets, automotive electronics, digital cameras, medical equipment and other electronic devices. JDI was established in April 2012 following consolidation of the display panel businesses of Sony, Hitachi and Toshiba. The company listed on the First Section of the Tokyo Stock Exchange in March 2014 (securities code: 6740). For more information about JDI please visit: <http://www.j-display.com/english/>.

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