

Japan Display Inc.

Consolidated Financial Results for Fiscal Year 2016 (Japanese GAAP)

(This is an English translation of an original Japanese-language document.)

Company name: Japan Display Inc. (“JDI”)
 Security code: 6740
 Listing: Tokyo Stock Exchange (First Section)
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Annual general meeting of shareholders: June 21, 2017
 Filing of FY 2016 securities report: June 21, 2017
 Commencement of dividend payments: -
 Supplementary materials for FY 2016 earnings results: Available
 Briefing for FY 2016 results: May 10, 2017

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

1. Consolidated Financial Results for FY 2016 (April 1, 2016 to March 31, 2017)

| (1) Results of operations | (Millions of yen, except per share amounts) | | | |
|---|---|----------|----------|----------|
| | FY 2016 | YoY Chg. | FY 2015 | YoY Chg. |
| Net sales | 884,440 | (10.6%) | 989,115 | 28.6% |
| Operating income | 18,502 | 10.7% | 16,710 | 224.7% |
| Ordinary income | (8,871) | - | (12,934) | - |
| Net income attributable to owners of the parent | (31,664) | - | (31,840) | - |
| Net income per share | | | | |
| -Basic (yen) | (52.65) | - | (52.94) | - |
| -Diluted (yen) | - | - | - | - |
| Return on equity (%) | (9.2%) | - | (8.3%) | - |
| Ordinary income to total assets (%) | (1.0%) | | (1.6%) | - |
| Operating income to net sales (%) | 2.1% | | 1.7% | - |
| Comprehensive income | (36,321) | - | (37,478) | - |
| Equity in net income of affiliates | (2,094) | - | - | - |

(2) Financial position

(Millions of yen, except per share amounts)

| | Mar 31, 2017 | Mar 31, 2016 |
|--|--------------|--------------|
| Total assets | 915,631 | 813,861 |
| Net assets | 327,085 | 365,249 |
| Shareholders' equity ratio (%) | 35.5% | 44.6% |
| Net assets per share | 540.16 | 603.83 |
| (Reference) Shareholders' equity | 324,860 | 363,148 |

(3) Cash Flow

(Millions of yen)

| | Mar 31, 2017 | Mar 31, 2016 |
|---|--------------|--------------|
| Net cash provided by operating activities | 112,004 | 151,442 |
| Net cash used in investing activities | (142,592) | (181,156) |
| Net cash used in financing activities | 55,663 | (6,098) |
| Cash and cash equivalents at end of year | 82,247 | 55,077 |

2. Dividends

(yen)

| | June 30 | Sep 30 | Dec 31 | FY-end | Total | Dividend ratio (consolidated) | % of dividends to net assets (consolidated) |
|--------------------|---------|--------|--------|--------|-------|-------------------------------|---|
| FY 2015 | - | 0.00 | - | 0.00 | 0.00 | - | -- |
| FY 2016 | - | 0.00 | - | 0.00 | 0.00 | - | - |
| FY 2017 (forecast) | - | 0.00 | - | - | | - | - |

Note: 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 the amount of the FY17 year-end dividend is not yet determined.

3. Earnings forecast for the first quarter of FY 2017

(Millions of yen)

| | 1Q-FY2017 | YoY Chg. |
|-------------------------------|-----------|----------|
| Net sales | 180,000 | 3.2% |
| Operating income (loss) | (15,000) | - |

Notes:

(1) Changes to scope of consolidation: None

(2) Accounting changes in consolidated financial statements.

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

(3) Number of shares outstanding (common shares)

| | Mar 31, 2017 | Mar 31, 2016 |
|--|--------------|--------------|
| Number of shares outstanding (incl. treasury shares) | 601,411,900 | 601,411,900 |
| Number of treasury shares | - | - |
| Average number of shares outstanding | 601,411,900 | 601,407,553 |

(Reference) Overview of Non-Consolidated Financial Results**1. Non-Consolidated Financial Results for FY 2016 (April 1, 2016 to March 31, 2017)****(1) Results of operations**

(Millions of yen, except per share amounts)

| | FY 2016 | YoY Chg. | FY 2015 | YoY Chg. |
|---|----------|----------|---------|----------|
| Net sales | 851,660 | (14.1) | 991,739 | 32.1% |
| Operating income | 9,428 | (24.5) | 12,487 | - |
| Ordinary income | (15,510) | - | 473 | - |
| Net income attributable to owners of the parent | (33,048) | - | (9,690) | - |
| Net income per share | | | | |
| -Basic (yen) | (54.95) | - | (16.11) | - |
| -Diluted (yen) | - | - | - | - |

(2) Financial position

(Millions of yen, except per share amounts)

| | Mar 31, 2017 | Mar 31, 2016 |
|--|--------------|--------------|
| Total assets | 899,083 | 783,357 |
| Net assets | 294,023 | 327,087 |
| Shareholders' equity ratio (%) | 32.7% | 41.8% |
| Net assets per share | 488.81 | 543.83 |
| (Reference) Shareholders' equity | 293,978 | 327,068 |

* This financial statement is not subject to audit procedures.

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. Fiscal Year Financial Results and Financial Position

(1) Overview of Fiscal Year Financial Results

Consolidated Results for FY 2016 (April 1, 2016 to March 31, 2017)

(Units: million yen except per share amounts, %)

| Fiscal year | | FY 2015 (Apr. 1, 2015 to Mar. 31, 2016) | | FY 2016 (Apr. 1, 2016 to Mar. 31, 2017) | | |
|--|--|--|----------------|--|----------------|---------|
| | | Amount | % of net sales | Amount | % of net sales | YoY (%) |
| | Mobile device category | 838,143 | 84.7 | 728,641 | 82.4 | (13.1) |
| | Automotive & Non-mobile device category ² | 150,971 | 15.3 | 155,798 | 17.6 | 3.2 |
| Net sales | | 989,115 | 100.0 | 884,440 | 100.0 | (10.6) |
| Operating income | | 16,710 | 1.7 | 18,502 | 2.1 | 10.7 |
| Ordinary income | | (12,934) | - | (8,871) | - | - |
| Net income attributable to owner of the parent | | (31,840) | - | (31,664) | - | - |
| Net income (loss) per share | | (52.94) | - | (52.65) | - | - |
| EBITDA | | 93,661 | 9.5 | 100,836 | 11.4 | 7.7 |

Notes: 1. EBITDA = Operating income + depreciation (operating costs) + amortization of goodwill

EBITDA is not one of the subjects audited pursuant to Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

2. As of FY 2016 the heretofore "Automotive Electronics, C&I and Other category" has been renamed the "Automotive & Non-Mobile Device category".

Quarterly Results

Consolidated Results for FY 2016 (April 1, 2016 to March 31, 2017) by quarter

(Units: million yen)

| | | 1Q | 2Q | 3Q | 4Q | FY 2016 |
|--|---|----------|---------|---------|----------|----------|
| | Mobile device category | 140,244 | 158,569 | 232,162 | 197,666 | 728,641 |
| | Automotive & Non-mobile device category | 34,097 | 38,072 | 41,047 | 42,582 | 155,798 |
| Net sales | | 174,342 | 196,641 | 273,208 | 240,248 | 884,440 |
| Gross profit | | 8,403 | 13,093 | 26,660 | 20,248 | 68,405 |
| Operating income (loss) | | (3,411) | 1,235 | 12,651 | 8,026 | 18,502 |
| Ordinary income (loss) | | (14,225) | (6,332) | 11,507 | 179 | (8,871) |
| Net income (loss) attributable to owners of the parent | | (11,772) | (4,929) | 7,298 | (22,261) | (31,664) |

During the FY 2016 period under review, growth in the small-medium display market continued to be low compared to FY 2015 given the now widespread use of smartphones around the world. At the same time, however, smartphones equipped with Full-HD (1080 x 1920 pixels) and higher resolution displays demonstrated a high rate of growth above the overall smartphone market growth rate as user replacement demand saw a switch to higher-resolution displays. New models launched by smartphone makers used high-resolution displays in a number of mid-class and higher end models. As a result demand grew for organic light-emitting diode (OLED) displays manufactured by competitors as well as JDI's leading low-temperature polysilicon (LTPS) LCD displays.

In FY 2016 JDI experienced higher sales of smartphone displays delivered to Chinese customers mainly because of expanded demand for high-end resolution displays and a recovery of its share of the China market. However, sales to customers in the US/Europe region and other Asian countries declined, resulting in a YoY drop in overall net sales.

Below is an overview of JDI's sales performance in each of the company's application categories for FY 2016.

Mobile Device Category

The Mobile Device Category includes displays for smartphones, tablets and mobile phone devices. Full-term sales in this category were 728,641 million yen (down 13.1% YoY), accounting for 82.4% of total sales.

Full-term sales fell owing mainly to the impact of a stronger yen relative to FY 2015. By region, sales in China increased due in part to a recovery of market share. However, sales in the US/Europe region fell YoY largely because a change in the product mix led to a decline in blended average selling prices. In other regions the absence of a major order in FY 2016 compared with the previous fiscal year contributed to a drop in sales.

Automotive and Non-Mobile Category

The Automotive and Non-Mobile Category includes displays for automotive applications, consumer electronics (digital cameras, game consoles, etc.) and industrial devices (such as medical equipment monitors) as well as income from patents and other sources. Full-term sales in this category were 155,798 million yen (up 3.2% YoY), accounting for 17.6% of total sales.

FY 2016 automotive display sales were higher YoY helped by strong automobile sales in the US/Europe. However, total sales in this category declined YoY due to lower sales of digital camera and other consumer electronic displays.

In order to improve operating income, JDI continues to pursue business reforms in support of greater market competitiveness. The company moved forward with policies to achieve such goals as lowering the break-even point, improving cash flow, changing the mindset of the company workforce and enhancing CRM to build stronger customer relationships. In addition, a set of structural reforms designed to boost competitiveness have been implemented consisting of: a partial shutdown of a front-end line (liquid crystal panel production) in Japan, consolidation of back-end operations (assembly) in China and introduction of an early-retirement support program. As a result uncompetitive assets have been streamlined and fixed costs reduced.

Also, JDI believes it needs to lessen its reliance on the mobile devices business, which accounts for more than 80% of company sales but is subject to demand volatility. The company has addressed this issue through business structural reforms that consist of expanding its automotive business, developing new application business and commercial opportunities, and strengthening its technology portfolio. An example of such reforms is JDI's March 2017 decision to expand automotive panel production capacity and install an automated assembly line for development and pilot production of advanced modules at its Tottori Plant, which is the company's largest manufacturing site for automotive displays. This decision was made in anticipation of greater demand for automotive display applications.

In FY 2016, JDI procured funds for the purpose of assuring steady, long-term business growth to thereby enhance shareholder value. The company issued 45 billion yen in unsecured subordinated convertible bonds with stock acquisition rights to be issued through third-party allotment to the Innovation Network Corporation of Japan (INCJ) and received 30 billion yen through subordinated loans from INCJ, for a total of 75 billion yen. The funding from the unsecured subordinated convertible bonds will be used for research and development of printing OLED while the subordinated loan will be directed to evaporation OLED research and development.

JDI understands the need for additional changes in business structure and cost structure in line with changes in the display market for smartphones brought on by today's accelerating use of OLED displays. Accordingly, it has been planning new policies that include structural reforms that are intended to strengthen its focus on reducing uncertainties in business and improve profit performance. Based on a consideration of the effects of these policies in conjunction with a medium-term financial plan currently under review, the company undertook a careful examination of the recoverability of deferred tax assets. In the fourth quarter it acted to reverse deferred tax assets in the amount of 20,943 million yen and to account for this sum as a corporate income tax adjustment.

As a result of the above category sales, JDI's FY 2016 net sales were 884,440 million yen, down 10.6% YoY. Operating income was 18,502 million yen, up 10.7% YoY, helped by a series of beneficial business reforms. An ordinary loss of 8,871 million yen was recorded (versus an ordinary loss of 12,934 million yen a year earlier) after accounting for such non-operating factors as a foreign exchange loss of 11,211 million yen on payment of long-term debt recorded during an earlier period of a very strong yen and rapid appreciation of the yen in the first half of FY 2016, along with a share of the loss in JOLED accounted for using the equity method.. A full-term net loss attributable to owners of the parent of 31,664 million yen was booked (versus a net loss of 31,840 million yen a year earlier) after accounting for the reversal of deferred tax assets described above.

Consolidated Results for the Fourth Quarter of FY 2016 (January 1, 2017 to March 31, 2017)

Year on year comparison

(Millions of yen)

| | 4Q-FY 2015 | 4Q-FY 2016 | YoY | |
|---|------------|------------|--------|-------|
| | | | Change | (%) |
| Mobile device category | 140,532 | 197,666 | 57,134 | 40.7 |
| Automotive & Non-Mobile Device category | 35,743 | 42,582 | 6,839 | 19.1 |
| Net sales | 176,275 | 240,248 | 63,973 | 36.3 |
| Gross profit | 8,203 | 20,248 | 12,045 | 146.8 |
| Operating income | (7,198) | 8,026 | 15,224 | - |
| Ordinary income | (22,820) | 179 | 22,999 | |
| Net income attributable to owners of the parent | (36,251) | (22,261) | 13,989 | - |
| EBITDA | 9,850 | 31,719 | 21,869 | 222.0 |

Note: EBITDA = operating income + depreciation (operating costs) + amortization of goodwill

Quarter on quarter comparison

(Millions of yen)

| | 3Q-FY 2016 | 4Q-FY 2016 | QoQ | |
|---|------------|------------|----------|--------|
| | | | Change | (%) |
| Mobile device category | 232,162 | 197,666 | (34,496) | (14.9) |
| Automotive & Non-Mobile Device category | 41,047 | 42,582 | 1,535 | 3.7 |
| Net sales | 273,208 | 240,248 | (32,960) | (12.1) |
| Gross profit | 26,660 | 20,248 | (6,412) | (24.1) |
| Operating income | 12,651 | 8,026 | (4,625) | (36.6) |
| Ordinary income | 11,507 | 179 | (11,328) | (98.4) |
| Net income (loss) attributable to owners of the | 7,298 | (22,261) | (29,559) | - |
| EBITDA | 33,820 | 31,719 | (2,101) | (6.2) |

Note: EBITDA = operating income + depreciation (operating costs) + amortization of goodwill

In the fourth quarter (January 1, 2017 to March 31, 2017) the Mobile Device Category saw an adjustment in demand in the US/Europe region due to seasonal factors, but demand in China was robust.

Fourth quarter sales net sales were 240,248 million yen (up 36.3% YoY but down 12.1% QoQ) and operating income was 8,026 million yen (compared with an operating loss of 7,198 million yen in the FY 2015 fourth quarter and down 36.6% QoQ). Ordinary income was 179 million yen (compared with an ordinary loss of 22,820 million yen a year earlier and down 98.4% QoQ). A full-term net loss attributable to owners of the parent came to 22,261 million yen (versus a net loss of 36,251 million yen a year earlier and net income of 7,298 million yen in the previous quarter).

Below is an overview of JDI's sales performance in each of the company's application categories in the fourth quarter of FY 2016.

Mobile Device Category

Sales for the quarter in this category were 197,666 million yen (down 14.9% QoQ), accounting for 82.3% of total sales.

Sales in China set a new record backed by vigorous demand from Chinese customers. However, sales in the US/Europe region were affected by a decline in demand due to seasonal factors. As a result total sales in this category decreased QoQ.

Automotive and Non-Mobile Category

Sales in this category were 42,582 million yen (up 3.7% QoQ), accounting for 17.7% of total sales.

Seasonal and other factors caused sales of consumer electronics displays to decline QoQ but higher QoQ sales of automotive displays resulted in total sales in this category that were roughly the same as third-quarter sales.

(2) Financial Position

Assets, liabilities and net assets

Assets

As of the end of FY 2016 JDI had current assets of 418,159 million yen, an increase of 95,337 million yen relative to the end of FY 2015. The main factors affecting changes were increases of 27,170 million yen in cash and cash equivalents, 47,947 million yen in accounts receivable and 34,871 million yen in other receivables, while merchandise and finished goods decreased by 21,858 million yen. Noncurrent assets were 497,471 million yen, an increase of 6,432 million yen versus the end of FY 2015, with the main factor an increase of 10,799 million yen in tangible fixed assets related to investment in the new Hakusan Plant.

As a result, total assets at the end of FY 2016 were 915,631 million yen, an increase of 101,769 million yen relative to the end of FY 2015.

Liabilities

At the end of FY 2016 JDI had current liabilities of 469,540 million yen, an increase of 86,869 million yen relative to the end of FY 2015. The main factors were increases of 62,962 million yen in accounts payable, 25,700 million yen in short-term borrowings and 47,483 million yen in advance receipts. Lease obligations and Other declined by 15,221 million yen and 27,327 million yen, respectively. Noncurrent liabilities were 119,005 million, an increase of 53,064 million yen versus the end of FY 2015, with the main factors an increase of 45,000 million yen in unsecured subordinated convertible bonds with stock acquisition rights, 29,861 million yen in long-term borrowings and a decrease of 18,924 million yen in lease obligations.

As a result, total liabilities at the end of FY 2016 were 588,546 million yen, an increase of 139,934 million yen relative to the end of FY 2015.

Net assets

Total net assets at the end of FY 2016 were 327,085 million yen, a decrease of 38,164 million yen relative to the end of FY 2015. The main factors were a 31,664 million yen loss attributable to owners of the parent and a decrease of the foreign currency translation adjustment of 3,757 million yen.

As a result, JDI had a shareholders' equity ratio of 35.5% at the end of FY 2016 versus 44.6% at the end of FY 2015.

(3) Cash flows

At the end of FY 2016 JDI had cash and cash equivalents of 82,247 million yen, an increase of 27,170 million yen compared with the end of FY 2015. Cash flows and contributing factors in the period under review are presented below.

Cash flows from operating activities

Net cash provided by operating activities during FY 2016 was 112,004 million yen (as compared to a net cash provided by operating activities of 151,442 million yen during FY 2015). Key cash flow factors include 87,869 million yen in depreciation, a 59,880 million yen increase in accounts payable-trade and a 47,507 million yen increase in advance receipts, as well as an increase of 50,292 million yen in accounts receivable and a 34,457 million yen increase in other receivables.

Cash flows from investing activities

Net cash used in investing activities during FY 2016 was 142,592 million yen (as compared to net cash used in investing activities of 181,156 million yen during FY 2015), mainly comprised of 133,412 million yen used for the purchase of property, plant and equipment as part of capital investment in the Hakusan Plant.

Cash flows from financing activities

Net cash provided by financing activities in FY 2016 was 55,663 million yen (as compared to net cash used in financing activities of 6,098 million yen during FY 2015). The major cash flow factors were 30,000 million yen from long-term borrowings, 45,000 million yen from issuance of unsecured subordinated convertible bonds with stock acquisition rights and 35,772 million yen in repayment of lease obligations.

(4) Financial forecast

Consolidated financial forecast for the first quarter of FY 2017 (April 1, 2017 to June 30, 2017)

(Millions of yen)

| | Net sales | YoY change (%) | Operating income (loss) | YoY change (%) |
|---------------------------------|-----------|----------------|-------------------------|----------------|
| 1st quarter of FY 2017 | 180,000 | 3.2 | (15,000) | - |
| 1st quarter of FY 2016 (actual) | 174,342 | (29.2) | (3,411) | - |

JDI's business is in the small-medium display industry, which tends to exhibit highly volatile business conditions. Due to the difficulty in making accurate business forecasts for a full 12-month business period, JDI only provides sales and operating income forecasts on a quarterly basis. Also, because accurate financial predictions are difficult due to such non-operating factors as large foreign exchange losses or gains generated by the valuation of JDI's foreign currency-denominated monetary assets and liabilities at the end of each financial period, JDI does not provide financial forecasts for ordinary income and income attributable to owners of the parent.

The small-medium display market, which is currently JDI's core business area, is likely to continue to expand in FY 2017 centered around smartphones. However, the rate of smartphone display market growth is expected to moderate compared with recent years in light of the extensive spread of smartphones in developed countries and in China. At the same time, OLED displays are gaining greater market attention as there have been reports of a 2017 sales launch of a globally branded smartphone model equipped with an OLED display.

Given these market conditions, the first quarter of FY 2017 is expected to see the impact of seasonal factors and customer inventory adjustments for new smartphone model launches. Also, smartphone makers—especially China makers—appear to want to wait for clear trends to emerge regarding sales of the smartphone model with the OLED display. As a result, demand for smartphone displays from Chinese customers is expected to stagnate. In addition, seasonality & customer inventory adjustments for new model launches are also leading JDI to expect sales of 180 billion yen in the FY 2017 first quarter. Furthermore, while an equivalent level of sales compared to a year earlier is expected in the first quarter, a higher operating loss of 15 billion yen is expected for quarter given that depreciation costs for Hakusan Plant operations, OLED research and development costs and other factors will bring increased fixed costs.

In response to these market developments JDI has been planning new policies that include structural reforms. It is also accelerating development of evaporation OLED technology at a new OLED pilot line at its Mobara Plant that will take advantage of new highly efficient manufacturing methods.

Meanwhile, JDI is leveraging its leading LTPS display technology to continue to market LCDs for high-end smartphones. It is also strengthening its sales of automotive displays, high-resolution notebook displays, reflective-type displays and other displays in the non-mobile business category.

As for foreign exchange, the exchange rate assumed by JDI for the above first-quarter FY 2017 financial estimates is US\$1=110 yen.

JDI regards returning value to shareholders as an important obligation. In the event a profit was turned in FY 2016 the company had intended to issue an end-year dividend. Unfortunately, no dividend will be issued as JDI has recorded a fiscal year net loss. The company will strongly focus on improving earnings in FY 2017 and plans to issue a year-end dividend in the event it can record a net income. The amount of this dividend will be announced at a later date in accordance with financial performance.

2. Basic views on selection of accounting standards

JDI currently applies Japanese accounting standards (JGAAP) to its consolidated financial statements for the purpose of making possible comparisons of consolidated financial statements across fiscal years.

When appropriate the company will consider applying International Financial Reporting Standards (IFRS) depending on international data comparability conditions and other factors.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

| | (Millions of Yen) | |
|--|-------------------------|-------------------------|
| | As of March 31, 2016 | As of March 31, 2017 |
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and deposits | 55,077 | 82,247 |
| Accounts receivable – trade | 80,688 | 128,636 |
| Other receivables | 57,127 | 91,999 |
| Merchandise and finished goods | 54,176 | 32,318 |
| Work in process | 41,090 | 51,764 |
| Raw materials and supplies | 18,861 | 16,815 |
| Deferred tax assets | 7,251 | 7,757 |
| Other | 8,731 | 6,804 |
| Allowance for doubtful accounts | (182) | (182) |
| Total current assets | 322,822 | 418,159 |
| Noncurrent assets: | | |
| Tangible fixed assets: | | |
| Building and structures | 170,431 | 229,185 |
| Accumulated depreciation | (91,870) | (85,504) |
| Building and structures, net | 78,560 | 143,681 |
| Machinery, equipment and vehicles | 408,209 | 566,766 |
| Accumulated depreciation | (317,753) | (381,711) |
| Machinery, equipment and vehicles, net | 90,455 | 185,054 |
| Land | 14,482 | 14,392 |
| Lease assets | 133,105 | 74,352 |
| Accumulated depreciation | (60,041) | (37,396) |
| Lease assets, net | 73,063 | 36,955 |
| Construction in progress | 167,642 | 54,781 |
| Others | 55,580 | 58,702 |
| Accumulated depreciation | (42,999) | (45,983) |
| Others, net | 12,580 | 12,718 |
| Total tangible fixed assets | 436,784 | 447,584 |
| Intangible fixed assets: | | |
| Goodwill, net | 19,000 | 15,903 |
| Other intangible assets, net | 10,664 | 8,680 |
| Total intangible fixed assets | 29,664 | 24,584 |

(1) Consolidated Balance Sheet

Investments and other assets:

| | | |
|------------------------------------|---------|---------|
| Investment securities | 2,763 | 19,915 |
| Net defined benefit asset | 46 | 47 |
| Deferred tax assets | 17,884 | 911 |
| Other | 6,089 | 6,646 |
| Allowance for doubtful accounts | (2,192) | (2,218) |
| Total investments and other assets | 24,590 | 25,302 |
| Total noncurrent assets | 491,039 | 497,471 |
| Total assets | 813,861 | 915,631 |

(1) Consolidated Balance Sheet

| | (Millions of Yen) | |
|---|-------------------------|-------------------------|
| | As of March 31, 2016 | As of March 31, 2017 |
| <u>Liabilities</u> | | |
| Current liabilities: | | |
| Accounts payable - trade | 138,053 | 201,016 |
| Short-term loans payable | — | 25,700 |
| Current portion of long-term debt | 8,543 | — |
| Current portion of lease obligations | 35,740 | 20,519 |
| Income tax payable and others | 1,255 | 2,653 |
| Accrued bonuses | 5,105 | 5,521 |
| Advance receipts | 131,913 | 179,397 |
| Other | 62,060 | 34,732 |
| Total current liabilities | 382,671 | 469,540 |
| Noncurrent liabilities: | | |
| Bonds with subscription rights to shares | — | 45,000 |
| Long-term debt, excluding current portion | 138 | 30,000 |
| Lease obligations, excluding current portion | 32,904 | 13,980 |
| Net defined benefit liability | 32,058 | 27,408 |
| Other | 838 | 2,616 |
| Total noncurrent liabilities | 65,940 | 119,005 |
| Total liabilities | 448,612 | 588,546 |
| <u>Net assets</u> | | |
| Shareholders' equity | | |
| Common stock | 96,863 | 96,863 |
| Capital surplus | 257,040 | 256,386 |
| Retained earnings | 3,379 | (28,788) |
| Total shareholders' equity | 357,283 | 324,461 |
| Accumulated other comprehensive income | | |
| Deferred gains or losses on hedges | — | (42) |
| Translation adjustments | 13,126 | 9,368 |
| Accumulated adjustments for retirement benefits | (7,260) | (8,927) |
| Total accumulated other comprehensive income | 5,865 | 398 |
| Subscription rights to shares | 18 | 45 |
| Noncontrolling interest | 2,082 | 2,179 |
| Total net assets | 365,249 | 327,085 |
| Total liabilities and net assets | 813,861 | 915,631 |

(2) Consolidated Statement of Income

| | (Millions of Yen) | |
|---|-------------------|----------|
| | FY 2015 | FY 2016 |
| Sales, net | 989,115 | 884,440 |
| Cost of sales | 912,275 | 816,035 |
| Gross profit | 76,839 | 68,405 |
| Selling, general and administrative expenses | 60,129 | 49,902 |
| Operating income | 16,710 | 18,502 |
| Non-operating income | | |
| Interest income | 119 | 85 |
| Subsidy income | 5,026 | 2,526 |
| Rent income | 516 | 560 |
| Operations consignment fee | 723 | 1,118 |
| Other | 1,187 | 2,613 |
| Total non-operating income | 7,573 | 6,905 |
| Non-operating expenses | | |
| Interest expense | 2,385 | 2,761 |
| Share of loss of entities accounted for using equity method | — | 2,094 |
| Foreign exchange loss, net | 21,911 | 11,211 |
| Depreciation of inactive non-current assets | 3,901 | 7,915 |
| Loss on reduction of non-current assets | 3,507 | — |
| Other | 5,512 | 10,296 |
| Total non-operating expenses | 37,218 | 34,279 |
| Ordinary loss | (12,934) | (8,871) |
| Extraordinary losses | | |
| Impairment losses on non-current assets | 1,101 | 744 |
| Business structure improvement expenses | 13,933 | — |
| Early extra retirement payments | — | 1,620 |
| Total extraordinary losses | 15,034 | 2,365 |
| Net loss before income taxes | (27,969) | (11,236) |
| Income tax expense-current | 5,519 | 2,755 |
| Income tax benefit-deferred | (2,127) | 16,837 |
| Total income taxes | 3,391 | 19,593 |
| Net loss | (31,361) | (30,830) |
| Net income attributable to noncontrolling interest | 479 | 834 |
| Net loss attributable to Japan Display Inc. | (31,840) | (31,664) |

Japan Display Inc. and Subsidiaries
Consolidated Statement of Comprehensive Income
For the Year Ended March 31, 2017

| | (Millions of Yen) | |
|--|-------------------|----------|
| | FY 2015 | FY 2016 |
| Net loss | (31,361) | (30,830) |
| Other comprehensive income | | |
| Deferred gains or losses on hedges | — | (42) |
| Foreign currency translation adjustments | (6,763) | (3,782) |
| Remeasurements of defined benefit plans | 646 | (1,666) |
| Total other comprehensive income | (6,116) | (5,491) |
| Comprehensive income | (37,478) | (36,321) |
| Comprehensive loss attributable to owners of parent | (37,906) | (37,131) |
| Comprehensive income attributable to noncontrolling interest | 427 | 809 |

(3) Consolidated Statement of Changes in Net Assets

| | (Millions of Yen) | |
|---|-------------------|----------|
| | FY 2015 | FY 2016 |
| Common stock | | |
| Beginning balance | 96,857 | 96,863 |
| Cumulative effects of changes in accounting policies | — | — |
| Restated balance | 96,857 | 96,863 |
| Changes during the year | | |
| Issuance of common stock | 6 | — |
| Total changes during the year | 6 | — |
| Ending balance | 96,863 | 96,863 |
| Capital surplus | | |
| Beginning balance | 257,044 | 257,040 |
| Cumulative effects of changes in accounting policies | — | — |
| Restated balance | 257,044 | 257,040 |
| Changes during the year | | |
| Issuance of common stock | 6 | — |
| Disposal of treasury stock | (10) | — |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | — | (653) |
| Total changes during the year | (4) | (653) |
| Ending balance | 257,040 | 256,386 |
| Retained earnings | | |
| Beginning balance | 35,220 | 3,379 |
| Cumulative effects of changes in accounting policies | — | — |
| Restated balance | 35,220 | 3,379 |
| Changes during the year | | |
| Net loss | (31,840) | (31,664) |
| Change of scope of equity method | — | (503) |
| Net change during the year | (31,840) | (32,168) |
| Ending balance | 3,379 | (28,788) |

(3) Consolidated Statement of Changes in Net Assets

| | (Millions of Yen) | |
|---|-------------------|----------|
| | FY 2015 | FY 2016 |
| Treasury stock | | |
| Beginning balance | (70) | — |
| Cumulative effects of changes in accounting policies | — | — |
| Restated balance | (70) | — |
| Changes during the year | | |
| Increase by merger | — | — |
| Disposal of treasury stock | 70 | — |
| Total changes during the year | 70 | — |
| Ending balance | — | — |
| Total change in shareholders' equity | | |
| Beginning balance | 389,051 | 357,283 |
| Cumulative effects of changes in accounting policies | — | — |
| Restated balance | 389,051 | 357,283 |
| Changes during the year | | |
| Issuance of common stock | 12 | — |
| Net loss | (31,840) | (31,664) |
| Disposal of treasury stock | 60 | — |
| Change of scope of equity method | — | (503) |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | — | (653) |
| Total changes during the year | (31,768) | (32,822) |
| Ending balance | 357,283 | 324,461 |
| Accumulated other comprehensive income | | |
| Beginning balance | 11,930 | 5,865 |
| Cumulative effects of changes in accounting policies | — | — |
| Restated balance | 11,930 | 5,865 |
| Changes during the year | (6,065) | (5,466) |
| Ending balance | 5,865 | 398 |

(3) Consolidated Statement of Changes in Net Assets

| | (Millions of Yen) | |
|---|-------------------|----------|
| | FY 2015 | FY 2016 |
| Subscription rights to shares | | |
| Beginning balance | — | 18 |
| Cumulative effects of changes in accounting policies | — | — |
| Restated balance | — | — |
| Total changes during the year | 18 | 27 |
| Ending balance | 18 | 45 |
| Noncontrolling interest | | |
| Beginning balance | 1,643 | 2,082 |
| Cumulative effects of changes in accounting policies | — | — |
| Restated balance | 1,643 | 2,082 |
| Total changes during the year | 438 | 96 |
| Ending balance | 2,082 | 2,179 |
| Total net assets | | |
| Beginning balance | 402,626 | 365,249 |
| Cumulative effects of changes in accounting policies | — | — |
| Restated balance | 402,626 | 365,249 |
| Changes during the year | | |
| Issuance of common stock | 12 | — |
| Net loss | (31,840) | (31,664) |
| Disposal of treasury stock | 60 | — |
| Change of scope of equity method | — | (503) |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | — | (653) |
| Net change in other comprehensive income and noncontrolling interest | (5,608) | (5,342) |
| Total changes during the year | (37,376) | (38,164) |
| Ending balance | 365,249 | 327,085 |

(4) Consolidated Statement of Cash Flows

| | (Millions of Yen) | |
|---|-------------------|----------|
| | FY 2015 | FY 2016 |
| Cash flow from operating activities | | |
| Income loss before income taxes | (27,969) | (11,236) |
| Depreciation expenses | 78,326 | 87,869 |
| Amortization of goodwill | 2,509 | 2,379 |
| Increase (decrease) in allowance for doubtful accounts | 41 | (58) |
| Impairment losses on non-current assets | 1,101 | 744 |
| Subsidy income | (5,026) | (2,526) |
| Loss on reduction of non-current assets | 3,507 | 395 |
| Business structure improvement expenses | 13,933 | — |
| Interest expense | 2,385 | 2,761 |
| Foreign exchange loss, net | 9,272 | 3,318 |
| Decrease in net defined benefit liability | (2,201) | (3,344) |
| Share of loss of entities accounted for using equity method | — | 2,094 |
| Decrease (increase) in notes and accounts receivable | 56,413 | (50,292) |
| Decrease (increase) in inventories | (11,746) | 11,236 |
| Increase (decrease) in notes and accounts payable | (56,385) | 59,880 |
| Decrease (increase) in other accounts receivable | 5,354 | (34,457) |
| Increase (decrease) in other accounts payable | 11,839 | (7) |
| Increase (decrease) in accrued expenses | (5,680) | 560 |
| Decrease in consumption taxes refund | 14,451 | 105 |
| Increase in advances receipts | 66,671 | 47,507 |
| Other, net | 2,856 | 97 |
| Dividends and interest received | 123 | 121 |
| Interest paid | (2,395) | (2,792) |
| Income and other taxes paid | (6,682) | (2,788) |
| Income and other taxes refund | 740 | 435 |
| Net cash used in operating activities | 151,442 | 112,004 |

(4) Consolidated Statement of Cash Flows

| | (Millions of Yen) | |
|--|-------------------|-----------|
| | FY 2015 | FY 2016 |
| Cash flow from investing activities | | |
| Acquisitions of property and equipment | (186,353) | (133,412) |
| Proceeds from sales of property and equipment | 390 | 7,139 |
| Purchase of investment securities | (50) | (19,750) |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | — | 1,281 |
| Proceeds from subsidy income | 5,026 | 2,126 |
| Other, net | (168) | 22 |
| Net cash used in investing activities | (181,156) | (142,592) |
| Cash flow from financing activities | | |
| Net increase in short-term debt | — | 25,081 |
| Proceeds from long-term debt | 174 | 30,000 |
| Repayment of long-term debt | (8,993) | (8,671) |
| Proceeds from issuance of bonds | — | 45,000 |
| Repayment of lease obligations | (30,840) | (35,772) |
| Proceeds from sale and leaseback of machinery and equipment | 33,489 | 1,503 |
| Proceeds from issuance of common stock | 12 | — |
| Payment from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | — | (1,478) |
| Proceed from sales of treasury stock | 60 | — |
| Net cash provided by financing activities | (6,098) | 55,663 |
| Foreign currency exchange effect on cash and cash equivalents | (3,753) | 2,094 |
| Net increase (decrease) in cash and cash equivalents | (39,565) | 27,170 |
| Beginning balance, cash and cash equivalents | 94,643 | 55,077 |
| Ending balance, cash and cash equivalents | 55,077 | 82,247 |

(5) Notes pertaining to the consolidated financial statements

Note regarding ability to continue as going concern

Not applicable.

Notes to the consolidated statement of income

Impairment loss on noncurrent assets

FY 2015 (April 1, 2015 to March 31, 2016)

The company recognized loss on impairment for a group of assets as follows:

| Purpose | Type | Location | Impairment losses (million yen) | Classification |
|---|---|---|------------------------------------|---|
| Front-end production lines (Domestic) (Small-medium display manufacturing facilities) | Machinery and delivery equipment, leased assets, construction in progress, other property, plant and equipment, other intangible non-current assets | Mobara Plant Mobara City, Chiba Prefecture | 1,512 | Business structure improvement expenses |
| | Machinery and delivery equipment, leased assets, construction in progress | Higashiura Plant Higashiura, Chita District, Aichi Prefecture, | 1,426 | Business structure improvement expenses |
| Back-end production lines (Overseas) | Buildings and structures, machinery and delivery equipment, other property, plant and equipment | Zhuhai City, Guangdong Province, China | 3,292 | Business structure improvement expenses |
| | Machinery and delivery equipment, other property, plant and equipment | Suzhou City, Jiangsu Province, China | 1,101 | Impairment losses on non-current assets |
| Total | | | 7,333 | |

The Company in principle classifies assets into business assets and loan assets and individually groups idle assets as units that generate cash flows independently.

Among its four manufacturing sites in Japan JDI operates liquid crystal panel production lines that use mother glass substrates ranging from a relatively small G3.5 glass (size: 600mm x 720mm) up to a G6 glass (size: 1,500mm x 1,850mm), which is the largest glass in the industry used for LTPS TFT technology. As part of the structural reforms JDI determined to terminate production at two economically unproductive older generation manufacturing lines while retaining related property and equipment facilities. As a result, the book value of the asset group that relates to the front-end production lines (Small-medium display manufacturing facilities) has been revised downward to the recoverable amount. This downward revision amount of 2,536 million yen (of which 925 million yen pertains to buildings and structures and 1,295 million yen pertains to lease assets) and a removal cost of 403 million yen were recorded as extraordinary losses. Furthermore, in order to streamline its China-based back-end manufacturing operations JDI has been exploring the possibility of consolidating (including partial sale of) its China manufacturing subsidiaries. For the present an impairment loss were recorded concerning assets that have been in operation at a low utilization rate. As a result, the book value of the asset group that relates to the back-end production lines has been revised downward to the recoverable amount. This downward revision amount of 4,394 million yen (of which 2,911 million yen pertains to machinery and delivery equipment and 867 million yen pertains to other property, plant and equipment) were recorded as extraordinary losses.

Also, the recoverable amount of the front-end production lines (Small-medium display manufacturing facilities) is measured by the use-value. The discount rate has been disregarded because the short period to asset retirement results in little financial impact. The recoverable amount of the back-end production lines is measured by net realizable values. The net realizable value is calculated by subtracting the estimated costs of disposal from the estimated disposal value.

FY 2016 (April 1, 2016 to March 31, 2017)

The company recognized loss on impairment for a group of assets as follows:

| Purpose | Type | Location | Impairment losses (million yen) | Classification |
|---------|----------|----------------------------|------------------------------------|---|
| — | Goodwill | Taipei city TAIWAN(ROC) | 744 | Impairment losses on non-current assets |
| Total | | | 744 | |

The Company in principle classifies assets into business assets and loan assets and individually groups idle assets as units that generate cash flows independently.

The Company has booked goodwill in relation to acquire the share of Star World Technology Corp. (“STC”). However, STC sold their subsidiary’s stock(Morningstar Optronics Zhuhai Co., Ltd.), so the company cannot get income that was initially expected, the company booked impairment losses of full amount of goodwill in extraordinary losses.

In addition, the recoverable amount is measured by the use-value at zero in booking impairment loss.

Early extra retirement payments

FY 2015 (April 1, 2015 to March 31, 2016)

Not applicable.

FY 2016 (April 1, 2016 to March 31, 2017)

Early extra retirement payments are due to premium severance payment retirement.

Business structure improvement expenses

FY 2015 (April 1, 2015 to March 31, 2016)

Business restructuring charges are as follows:

| | | |
|---|--------|-------------|
| Impairment losses on non-current assets* | 6,231 | million yen |
| Loss on valuation of inventories | 3,530 | |
| Loss on disposal of inventories | 1,722 | |
| Cost of production transfer | 1,409 | |
| Early retirement support program employee costs | 1,040 | |
| Total | 13,933 | |

* The details of the impairment loss on non-current assets are described in “Impairment loss on non-current assets”.

FY 2016 (April 1, 2016 to March 31, 2017)

Not applicable.

Segment information

Segment information

FY 2015 (April 1, 2015 to March 31, 2016)

Since JDI's small-medium display business is a single segment other segment information is not stated.

FY 2016 (April 1, 2016 to March 31, 2017)

Since JDI's small-medium display business is a single segment other segment information is not stated.

Per share information

| | FY 2015 (April 1, 2015 to March 31, 2016) | FY 2016 (April 1, 2016 to March 31, 2017) |
|-----------------------------------|---|---|
| Net assets per share (yen) | 603.83 | 540.16 |
| Net income (loss) per share (yen) | (52.94) | (52.65) |

Note 1: Diluted net income per share is not presented because a net loss per share posted for the periods despite the existence of diluted shares:

2: Net assets per share were calculated on the following basis:

| | FY 2015 (as of March 31, 2016) | FY 2016 (as of March 31, 2017) |
|---|-----------------------------------|-----------------------------------|
| Total net assets (million yen) | 365,249 | 327,085 |
| Amount deducted from total net assets (million yen) | 2,101 | 2,225 |
| (of which subscription rights to shares) (million yen) | (18) | (45) |
| (of which noncontrolling interest) (million yen) | (2,082) | (2,179) |
| Term-end net assets related to common stock (million yen) | 363,148 | 324,860 |
| Number of end-term common stock used to calculate net income per share (shares) | 601,411,900 | 601,411,900 |

3. Net income per share and diluted net income per share were calculated on the following basis:

| | FY 2015 (April 1, 2015 to March 31, 2016) | FY 2016 (April 1, 2016 to March 31, 2017) |
|--|---|---|
| Net loss per share (yen) | | |
| Net income loss (million yen) | (31,840) | (31,664) |
| Amount not attributable to common stockholder equity (million yen) | — | — |
| Net loss attributable to common stock (million yen) | (31,840) | (31,664) |
| Average number of shares outstanding during the period (shares) | 601,407,553 | 601,411,900 |

Significant subsequent events

Not applicable.