November 8, 2017

Japan Display Inc.

Consolidated Financial Results for the Six Months of Fiscal Year 2017
(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)
Website:	http://www.j-display.com/
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Filing of 2Q-FY2017 quarterly securities report:	November 9, 2017
Commencement of dividend payments:	-
Supplementary materials for the 2Q-FY2017 earnings results:	Available
Briefing for 2Q-FY2017 results:	November 8, 2017

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

1. Consolidated results of operations for the six months ended September 30, 2017

(1) Results of operations

(Millions of yen, except per share amounts)

	6 mo. ended Sep. 30, 2017	YoY (%)	**6 mo. ended Sep. 30, 2016**	YoY (%)
Net sales	373,856	0.8	370,983	(27.0)
Operating income (loss)	(26,806)	-	(2,176)	-
Ordinary income (loss)	(40,178)	-	(20,557)	-
Profit (loss) attributable to owners of the parent	(68,033)	-	(16,701)	-
Net income (loss) per share				
-Basic	(113.12)		(27.77)	
-Diluted			-	
(Reference) Comprehensive income (loss)	(64,832)		(21,750)	-

(2) Financial position

(Millions of yen, except per share amounts)

	Sep. 30, 2017	**Mar. 31, 2017**
Total assets	841,063	915,631
Net assets	262,247	327,085
Shareholders' equity ratio (%)	30.8	35.5
(Reference) Shareholders' equity	259,193	324,860

2. Dividends

	Jun. 30	**Sep. 30**	**Dec. 31**	**FY-end**	**Total**
Year ended Mar. 31, 2017	-	0.00	-	0.00	0.00
Year ending Mar. 31, 2018	-	0.00			
Year ending Mar. 31, 2018 (forecast)			-	-	0.00

Notes: 1. Changes from the most recently announced dividend forecast: None

Notes:

(1) Changes to scope of consolidation: None

(2) Adoption of special accounting practices for quarterly consolidated financial statements: Yes

For details please see "(4) Application of special accounting methods to the preparation of quarterly consolidated financial statements" in "3. Summary information (notes)" included among the attachments.

(3) 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

(4) Number of shares outstanding (common shares)

	Sep. 30, 2017	Mar. 31, 2017
Number of shares outstanding (incl. treasury shares)·········	601,411,900	601,411,900
Number of treasury shares ·······································	-	-

	6 mo. ended Sep. 30, 2017	6 mo. ended Sep. 30, 2016
Average number of shares outstanding ························	601,411,900	601,411,900

* This financial statement is not subject to quarterly review 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. Quarterly Results Information

(1) Overview of Business Results

Consolidated Results for the six months of FY 2017(April 1, 2017 to September 30, 2017)

(Units: million yen)

	6 mo. ended Sept. 30, 2016	6 mo. Ended Sept. 30, 2017	YoY Change	YoY %
Mobile device category	298,813	300,418	1,605	0.5
Automotive & non-mobile device category	72,169	73,437	1,268	1.8
Net sales	370,983	373,856	2,873	0.8
Gross profit	21,496	3,094	(18,402)	(85.6)
Operating income (loss)	(2,176)	(26,806)	(24,630)	-
Ordinary income (loss)	(20,557)	(40,178)	(19,621)	-
Quarterly net income (loss)	(16,701)	(68,033)	(51,332)	-
EBITDA	35,297	13,968	(21,329)	(60.4)

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

In the first six month of FY 2017, the smartphone market, which greatly affects JDI's financial performance, saw product announcements of smartphones having display aspect ratios of 18:9, a shift from conventional 16:9 ratios. Also, announcements of OLED display high-end smartphones by several global smartphone makers had an impact on the small-medium display industry.

In this environment, JDI's mainstay mobile business category saw almost flat year-on-year (YoY) sales to the US/Europe regions and higher sales to the Asia region excluding China. However, sales to China declined YoY because smartphone makers were in a period of studying changes in display designs, major customers adopted OLED for use in high-end smartphones and competitors waged a price offensive. As a result, total company sales fell YoY.

JDI has formulated a medium-term management plan, announced on August 9, to achieve a recovery in financial results from next year onward. As part of this medium-term management plan, the company has decided to take such fundamental restructuring steps as ceasing production at the Nomi Plant, booking impairment losses for business assets and idle assets, shedding personnel and reorganizing subsidiaries to reduce fixed costs.

Based on the implementation of this restructuring plan, JDI expects to record approximately 170 billion yen in business restructuring improvement costs in the current fiscal year as an extraordinary loss. Together with the implementation of a company-wide campaign to lower variable costs, this will help JDI to disengage from its existing high-cost structure. Also, the company will accelerate establishing mass manufacturing technology to commercialize OLED displays and devoting more management resources to growth business areas to create higher value-added products in accordance with the medium-term management plan. Further, the plan supports efforts to maximize profits from earnings opportunities that are expected to be present in both the mobile and non-mobile business categories from the next fiscal year onward.

Below is an overview of JDI's performance in each of the company's application categories for the first six months of FY 2017.

Mobile Device Category

The Mobile Device Category includes displays for smartphones, tablets and conventional mobile phones. Six-months sales in this category were 300,418 million yen (up 0.5% YoY), accounting for 80.4% of total sales.

Sales to the US/Europe regions were almost flat YoY. However, sales to China were lower due to smartphone maker inventory adjustments and a lull stemming from customers observing smartphone display design trends and awaiting a change in market directionality. Sales to other parts of the Asia region rose YoY partly due to higher demand connected to winning new business.

Automotive and Non-Mobile Category

The Automotive and Non-Mobile Category includes displays for digital still cameras, wearable devices and other consumer electronics, industrial devices such as medical equipment monitors and income from patents. Six-months sales in this category were 73,437 million yen (up 1.8% YoY), accounting for 19.6% of total sales.

Automotive display sales rose partly because of growing display sizes but sales of displays for consumer electronics devices fell, resulting in overall flat sales YoY in this category.

In response to growth in the automotive display market and demand for higher resolution and higher value-added displays, JDI has begun volume production of automotive LTPS LCDs at its Ishikawa plant.

Based on these sales, JDI's six-months net sales were 373,856 million yen (up 0.8% YoY). An operating loss of 26,806 million yen (compared with an operating loss of 2,176 million yen in the same period a year ago) resulted from lower sales, greater fixed costs including mainly depreciation costs from operations at the Hakusan Plant and R&D expenses for OLED development. An ordinary loss of 40,178 million yen (versus an ordinary loss of 20,557 million yen a year earlier) was due partly to a non-operating loss of 6,455 million yen in share of loss of entities accounted for using equity method. Consequently, JDI finished with a six-months net loss attributable to owners of the parent of 68,033 million yen (versus a net loss of 16,701 million yen a year earlier) as a result of booking some of the above-described business structure improvement expenses as an extraordinary loss of 16,480 million yen.

Consolidated Results for the Second Quarter of FY 2017 (July 1, 2017 to September 30, 2017)

Year on year comparison (Millions of yen)

	2Q-FY 2016	2Q-FY 2017	YoY	
			Change	(%)
Mobile device category	158,569	148,026	(10,543)	(6.6)
Automotive & non-mobile device category	38,072	37,241	(831)	(2.2)
Net sales	196,641	185,268	(11,372)	(5.8)
Gross profit	13,093	2,054	(11,038)	(84.3)
Operating income (loss)	1,235	(12,364)	(13,599)	-
Ordinary income (loss)	(6,332)	(19,565)	(13,233)	-
Profit (loss) attributable to owners of the parent	(4,929)	(36,577)	(31,648)	-
EBITDA	20,321	5,850	(14,471)	(71.2)

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

Quarter on quarter comparison (Millions of yen)

	1Q-FY 2017	2Q-FY 2017	QoQ Change	QoQ (%)
Mobile device category	152,391	148,026	(4,365)	(2.9)
Automotive & non-mobile device category	36,196	37,241	1,045	2.9
Net sales	188,588	185,268	(3,320)	(1.8)
Gross profit	1,040	2,054	1,014	97.5
Operating income (loss)	(14,442)	(12,364)	2,078	-
Ordinary income (loss)	(20,613)	(19,565)	1,048	-
Profit (loss) attributable to owners of the parent	(31,456)	(36,577)	(5,121)	-
EBITDA	8,117	5,850	(2,267)	(27.9)

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

Below is an overview of JDI's performance in each of the company's application categories in the consolidated second quarter that ran from July 1, 2017 to September 30, 2017.

Mobile Device Category

The Mobile Device Category had second-quarter sales of 148,026 million yen (down 2.9% quarter on quarter or QoQ), accounting for 79.9% of total sales.

Sales to the US/Europe regions were higher QoQ, but sales to China were lower due to lower demand from some customers and a waiting period as Chinese smartphone makers observed smartphone trends that led to an adjustment of inventories, among other factors. Sales to other parts of Asia were solid. As a result, total sales were almost flat QoQ.

Also in the second quarter, JDI began mass production of FULL ACTIVE™ LCD, which supports 4-sides narrow edge designs adapted to an 18:9 aspect ratio, the new trend in smartphone display design.

Automotive and Non-Mobile Category

The Automotive and Non-Mobile Category had second-quarter sales of 37,241 million yen (up 2.9% QoQ), accounting for 20.1% of total sales.

In addition to robust automotive display sales, sales of displays for digital still cameras, wearable devices and other consumer electronics devices were also strong in the second quarter.

Based on these sales results, JDI’s second-quarter net sales were 185,268 million yen (down 5.8% YoY and down 1.8% QoQ). An operating loss for the quarter was 12,364 million yen compared with operating income of 1,235 million yen in the same period a year earlier mainly because of increased fixed costs due to the start of production at the Hakusan Plant. (An operating loss in the previous quarter was 14,442 million yen). An ordinary loss of 19,565 million yen (compared with an ordinary loss of 6,332 million yen a year earlier and a loss of 20,613 million yen in the previous quarter) was partly due to a non-operating loss of 3,644 million yen in share of loss of entities accounted for using the equity method. JDI finished the second quarter with a net loss attributable to owners of the parent of 36,577 million yen (compared with a net income loss of 4,929 million yen a year earlier and a loss of 31,456 million yen in the previous quarter) as a result of booking business structure improvement expenses of 13,827 million yen and other extraordinary losses.

(2) Financial Position
(i) Assets, liabilities and net assets

Assets

At the end of the second quarter of FY 2017 JDI had current assets of 363,382 million yen, a decrease of 54,777 million yen versus the end of FY 2016. The main factors were an increase of 11,826 million yen in merchandise and finished goods along with decreases of 15,407 million yen in cash and deposits, 28,788 million yen in accounts receivable and 8,138 million yen in other current assets. Noncurrent assets were 477,681 million yen, a decrease of 19,790 million yen versus the end of FY 2016, with the main factors being an increase of 2,590 million yen in investments and other assets along with decreases of 20,265 million yen in property, plant and equipment and 2,115 million yen in intangible fixed assets.

As a result, total assets at the end of the second quarter were 841,063 million yen, a decrease of 74,568 million yen versus the end of FY 2016.

Liabilities

At the end of the second quarter of FY 2017 JDI had current liabilities of 464,216 million yen, a decrease of 5,323 million yen relative to the end of FY 2016. The main factors were increases of 30,969 million yen in short-term borrowings and a decrease of 35,608 million yen in advance receipts. Noncurrent liabilities were 114,598 million yen, a decrease of 4,406 million yen versus the end of FY 2016.

As a result, total liabilities at the end of the second quarter were 578,815 million yen, a decrease of 9,730 million yen relative to the end of FY 2016.

Net assets

Total net assets at the end of second quarter of FY 2017 were 262,247 million yen, a decrease of 64,837 million yen versus the end of FY 2016. The main factor was a 68,033 million yen loss attributable to owners of the parent booked in the first six months of FY 2017.

As a result, JDI had a shareholders' equity ratio of 30.8% at the end of the second quarter (35.5% at the end of FY 2016).

(ii) Cash flows

At the end of the second quarter of FY 2017 JDI had cash and cash equivalents of 66,839 million yen, a decrease of 15,407 million yen compared with the end of FY 2016. Cash flows and contributing factors in the period under review are presented below.

Cash flows from operating activities

Net cash used in operating activities during the first six months of FY 2017 was 4,848 million yen (as compared to net cash provided by operating activities of 106,141 million yen during the same period in FY 2016). Key plus factors included 46,536 million yen in depreciation expenses, a 30,181 million yen decrease in accounts receivable, a 7,697 million yen increase in accounts receivable-other and a 4,669 million yen decrease in accounts payable-other, while key minus factors included a 58,126 million yen loss before income taxes and a 35,609 million yen decrease in advance receipts.

Cash flows from investing activities

Net cash used in investing activities during the first six months of FY 2017 was 30,035 million yen (as compared to net cash used in investing activities of 62,158 million yen during the same period in FY 2016), mainly consisting of 26,971 million yen used for the purchase of property, plant and equipment as part of capital investment.

Cash flows from financing activities

Net cash provided by financing activities during the first six months of FY 2017 was 18,472 million yen (as compared to net cash used in financing activities of 22,270 million yen during the same period in FY 2016). The major factors were an increase of 30,959 million yen in short-term borrowings and a 12,486 million yen repayment of lease obligations.

(3) A note about information regarding future expectations

At present the business environment surrounding JDI's main business, the smartphone display market, is experiencing extreme volatility, which introduces many indeterminate factors into sales expectations. Accordingly, JDI does not provide a financial forecast for fiscal year 2017.

JDI expects an increase in market share of OLED displays for smartphones and an increase in competition as production gets underway at LTPS LCD plants newly constructed by competitors. As a result, a decline of 15-25% in JDI's FY 2017 full-term sales is expected.

JDI has decided to implement fundamental restructuring measures in line with changes in the display market and its planned business strategy. The business structure improvement expenses associated with this restructuring is expected to result in an extraordinary loss of approximately 170 billion yen (with the cash expenditure portion of these costs to be approximately 30 billion yen) in FY 2017.

Information about JDI's restructuring plans and medium-term business policies can be found in two documents released on August 9, 2017: *Notice Concerning Structural Reforms, Extraordinary Losses (Business Structure Improvement Expenses)* and *Reversal of Deferred Tax Assets and Structural Reform & Outline of Medium-Term Management Plan* (presentation slides).

2. Material Events Related to Going Concern Assumptions

JDI is currently implementing the structural reforms announced on August 9, 2107. As a result, the recording of a portion of business structure improvement expenses and a net loss attributable to owners of the parent in the accounting of consolidated financial results for the second quarter of FY 2017 raises substantial doubt about the company's ability to continue as a going concern,

However, financial measures that will assure stable funds procurement and financing are being taken to improve cash flow. Also, based on revamping its manufacturing capabilities and streamlining of fixed assets, the selection and elimination of business activities and rebuilding of its organizational structure, JDI is making fundamental structural improvements to rationalize management that will support the transition to a more flexible and leaner corporate structure and bring other positive changes.

These actions are ultimately intended to lead to improvements in earnings. Furthermore, JDI is moving forward with accelerating the establishment of mass manufacturing technology to commercialize OLED displays and strengthening management resources in growth business areas in order to transform and improve its earnings structure. Based upon these observations and measures, JDI has concluded that there is no significant uncertainties related to going concern assumptions.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets:		
Cash and deposits	82,247	66,839
Accounts receivable - trade	128,636	99,847
Accounts receivable - other	91,999	84,558
Merchandise and finished goods	32,318	44,144
Work in process	51,764	46,907
Raw materials and supplies	16,815	14,862
Other	14,561	6,423
Allowance for doubtful accounts	(182)	(201)
Total current assets	418,159	363,382
Non-current assets:		
Property, plant and equipment		
Building and structures, net	143,681	140,694
Machinery, equipment and vehicles, net	185,054	166,704
Land	14,392	14,414
Lease assets, net	36,955	21,903
Construction in progress	54,781	72,255
Other, net	12,718	11,346
Total property, plant and equipment	447,584	427,319
Intangible assets		
Goodwill	15,903	14,868
Other	8,680	7,600
Total intangible assets	24,584	22,468
Investments and other assets		
Other	27,521	31,577
Allowance for doubtful accounts	(2,218)	(3,684)
Total investments and other assets	25,302	27,893
Total non-current assets	497,471	477,681
Total assets	915,631	841,063

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities:		
Accounts payable - trade	201,016	192,703
Short-term loans payable	25,700	56,669
Lease obligations	20,519	17,436
Income taxes payable	2,653	3,465
Provision for bonuses	5,521	5,232
Advances received	179,397	143,788
Other	34,732	44,919
Total current liabilities	469,540	464,216
Non-current liabilities:		
Bonds with subscription rights to shares	45,000	45,000
Long-term loans payable	30,000	30,000
Lease obligations	13,980	4,576
Net defined benefit liability	27,408	25,560
Other	2,616	9,461
Total non-current liabilities	119,005	114,598
Total liabilities	588,546	578,815
Net assets		
Shareholders' equity		
Capital stock	96,863	96,863
Capital surplus	256,386	213,648
Retained earnings	(28,788)	(54,083)
Total shareholders’ equity	324,461	256,427
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(42)	(154)
Foreign currency translation adjustment	9,368	11,230
Remeasurements of defined benefit plans	(8,927)	(8,309)
Total accumulated other comprehensive income	398	2,765
Subscription rights to shares	45	40
Non-controlling interests	2,179	3,014
Total net assets	327,085	262,247
Total liabilities & net assets	915,631	841,063

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	370,983	373,856
Cost of sales	349,486	370,762
Gross profit	21,496	3,094
Selling, general and administrative expenses	23,672	29,901
Operating profit (loss)	(2,176)	(26,806)
Non-operating income		
Interest income	36	58
Rent income	292	254
Fiduciary obligation fee	489	868
Subsidy income	877	69
Other	1,193	353
Total non-operating income	2,890	1,603
Non-operating expenses		
Interest expenses	1,103	1,342
Share of loss of entities accounted for using equity method	—	6,455
Foreign exchange loss	8,279	49
Depreciation	4,037	4,545
Other	7,850	2,582
Total non-operating expenses	21,271	14,974
Ordinary profit (loss)	(20,557)	(40,178)
Extraordinary losses		
Business structure improvement expenses	—	16,480
Provision of allowance for doubtful accounts	—	1,467
Early extra retirement payments	1,620	—
Total extraordinary losses	1,620	17,948
Income (loss) before income taxes	(22,177)	(58,126)
Income taxes	(5,984)	9,092
Net income (loss)	(16,193)	(67,219)
Net income attributable to non-controlling interests	508	814
Net income (loss) attributable to owners of the parent	(16,701)	(68,033)

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net income (loss)	(16,193)	(67,219)
Other comprehensive income		
Deferred gains or losses on hedges	—	(112)
Foreign currency translation adjustments	(5,891)	1,881
Remeasurements of defined benefit plans, net of tax	334	617
Total other comprehensive income	(5,557)	2,387
Comprehensive income	(21,750)	(64,832)
Comprehensive income attributable to non-controlling interests	(22,202)	(65,666)
Comprehensive income attributable to owners of the parent	451	834

(3) Consolidated Statement of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Income (loss) before income taxes	(22,177)	(58,126)
Depreciation expenses	40,327	46,536
Amortization of goodwill	1,183	1,035
Increase (decrease) in allowance for doubtful accounts	(57)	1,447
Increase (decrease) in net defined benefit liability	(1,607)	(1,308)
Interest expenses	1,103	1,342
Foreign exchange losses (gains)	13,788	(1,132)
Share of loss of entities accounted for using equity method	—	6,455
Decrease (increase) in notes and accounts receivable - trade	(10,199)	30,181
Decrease (increase) in inventories	(76)	(3,992)
Increase (decrease) in notes and accounts payable - trade	91,058	(8,839)
Decrease (increase) in accounts receivable - other	(45,487)	7,697
Increase (decrease) in accounts payable - other	(14,206)	4,669
Increase (decrease) in accrued expenses	613	(8,310)
Decrease in consumption taxes receivable	(1,314)	270
Increase in advances received	58,988	(35,609)
Subsidy income	(877)	(69)
Loss on reduction of non-current assets	395	—
Business structure improvement expense	—	16,480
Other, net	(3,242)	(1,507)
Subtotal	108,209	(2,780)
Interest and dividend income received	41	58
Interest expenses paid	(1,103)	(1,336)
Income taxes paid	(1,322)	(828)
Income taxes refund	316	38
Net cash provided by (used in) operating activities	106,141	(4,848)

	Six months ended September 30, 2016	Six months ended September 30, 2017
		(Millions of Yen)
Cash flows from investing activities		
Purchase of investment securities	−	(3,250)
Purchase of non-current assets	(66,062)	(26,971)
Proceeds from sales of non-current assets	3,168	79
Proceeds from subsidy income	766	69
Other, net	(32)	36
Net cash provided by (used in) investing activities	(62,158)	(30,035)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	4,103	30,959
Repayment of long-term loans payable	(4,404)	−
Repayment of lease obligations	(21,969)	(12,486)
Net cash provided by (used in) financing activities	(22,270)	18,472
Effect of exchange rate change on cash and cash equivalents	(4,074)	1,003
Net increase (decrease) in cash and cash equivalents	17,637	(15,407)
Cash and cash equivalents at beginning of period	55,077	82,247
Cash and cash equivalents at end of period	72,714	66,839

(4) Notes to the quarterly Consolidated Financial Statements

Notes on premise of a going concern

Not applicable

Notes on significant changes in shareholders' equity

Not applicable

Calculation of tax costs

Quarterly income taxes are calculated by multiplying the quarterly income before income taxes by a reasonable estimate of the effective tax rate after application of tax effect accounting for the estimated income before income taxes in the consolidated fiscal year, including the first half.