

## Notice Concerning Transactions and Update on Structural Reforms

TOKYO, Japan, March 30, 2018 – Japan Display Inc. ("JDI") has decided to sell its Nomi Plant (Nomi City, Ishikawa Prefecture), which ceased production in December 2017, and related assets to Innovation Network Corporation of Japan ("INCJ"), JDI's largest shareholder, and plans to obtain financing in the amount of approximately 20 billion yen from INCJ in the first quarter of fiscal 2018 ending March 2019 ("FY 2018"). INCJ plans to make an in-kind contribution to JOLED Inc. of the Nomi Plant after purchasing it from JDI.

In addition, JDI adopted a resolution, at its meeting of the Board of Directors held today, to raise capital in the first quarter of FY 2018. The funds newly raised are to be used principally as working capital to respond to higher demand expected in the second half of FY 2018 for its LCD module FULL ACTIVE™ and for capital expenditures for FULL ACTIVE™ back-end manufacturing (module assembly). FULL ACTIVE™ was developed to make all four bezels of display narrow by leveraging JDI's leading LTPS technology and in collaboration with several Japanese LCD component suppliers. Shipments of FULL ACTIVE™ began in June 2017. Currently, multiple large Chinese smartphone makers, among others, use the product. FULL ACTIVE™ is highly valued by customers not only because of its performance on par with OLED displays, but also because of its price advantage over OLED. JDI is currently expecting increased demand, and plans to take full advantage of this greater expected demand by building inventories in the first half of FY 2018 in preparation for an increase in shipments in the second half of the FY 2018. The working capital needed for this production build-up and related back-end manufacturing capital expenditures will be the main uses of the funds.

Because burdensome fixed costs accumulated through previous large-scale capital expenditures have put its financial performance under pressure, JDI is focused on optimizing its cost structure by undertaking fundamental fixed-cost reductions and implementing structural reforms as part of its medium-term business plan announced in August 2017. The extraordinary losses that will be recorded as business structure improvement expenses (the amount of which is currently under review and is expected to be below the originally forecasted amount of 170 billion yen) and other factors will decrease shareholders' equity. However, JDI believes the increase in shareholders' equity achieved through the newly raised funds will enable it to withstand volatility in its financial performance resulting primarily from the seasonality of sales caused by certain characteristics of the smartphone market. JDI also believes that the increase in shareholders' equity through the newly raised funds will provide it with the financial flexibility needed in the current competitive environment that requires continuous capital investment as well as research and development. Furthermore, an impairment loss on the book value of the Nomi Plant and related assets to be sold to INCJ was already factored into JDI's current restructuring plan for fiscal 2017 ending March 31, 2018 ("Fiscal 2017"). Thus, not only will sale of these assets will allow JDI to raise new funds, but it will enable JDI to avert booking of impairment loss and maintain shareholders' equity at an amount equal to the sale price, in contrast to previous forecasts.

As indicated above, the cost of JDI's structural reforms in FY 2017 is expected to be below the originally forecasted amount of 170 billion yen when the impairment loss on operating plant assets associated with structural reforms and other factors are reexamined. The sale of the Nomi Plant and related assets will also further decrease these structural reform cost.

Based on its medium-term plan, JDI is planning to create alliances with global companies to bolster its OLED display mass manufacturing technology and accelerate commercialization. In addition to continuing to develop high-

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resolution OLED displays using its own evaporation-method, JDI is also currently holding ongoing consultations with possible OLED-related alliance candidates. However, the demand forecast for LCDs now appears more stable than JDI previously anticipated, and growth is also expected in non-smartphone LCD applications for automotive, virtual reality, wearable devices, etc. At the same time, contrary to previous expectations, the market growth rate for OLED displays is now expected to be slower. Thus, JDI will seek to maximize its corporate value by making further progress in those ongoing consultations upon ascertaining its strategies from a more medium- to long-term perspective.

JDI has a commitment line agreement of 107 billion yen with three banks guaranteed by INCJ. The capital raising announced today will not cause a change of control triggering cancellation of INCJ's guarantee, which will remain in effect. Also, since INCJ both approves the capital raising and as JDI's largest shareholder supports an increase in JDI's corporate value, INCJ indicated its intention to work closely with JDI toward the completion of JDI's current program of structural reform and the realization of JDI's business growth.

Although JDI expects a strong FULL ACTIVE™ order flow in the second half of FY 2018, the business environment during the first half of FY 2018 will remain challenging. However, the newly raised funds will help to build a foundation for JDI to be successful in the small-medium display industry while also carrying out structural reforms, which JDI believes will enable it improve its financial performance and financial base starting in FY 2018.

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