JDI Japan Display Inc.

Japan Display Announces the Recording of Business Restructuring and Non-Operating (Foreign Exchange, Equity-Method Losses, Depreciation) Expenses and Restructuring Actions (Workforce Reductions etc.)

May 15, 2018 (Tokyo, Japan) - Japan Display Inc. (JDI) today announced that it has recorded business structure improvement expenses related to business restructuring measures and non-operating expenses (foreign exchanges losses, equity-method losses and deprecation) in the fourth quarter of FY 2017 (January 1, 2018 to March 31, 2018). It also released information about streamlining of overseas back-end (display module assembly) manufacturing subsidiaries that are a part of company business restructuring activities.

***

I. Recording of business structure improvement expenses

As indicated in the "Notice Concerning Structural Reforms, Extraordinary Losses (Business Structure Improvement Expenses) and Reversal of Deferred Tax Assets" (hereafter, "business restructuring announcement") announcement released on August 9, 2017 JDI has streamlined its business operations through a series of fundamental restructuring measures in FY 2017 in order to improve earnings.

JDI originally anticipated that an extraordinary loss of approximately 170 billion yen would result from this business restructuring. However, as indicated in the "Notice Concerning Transactions and Update on Structural Reforms" published on March 30, 2018 the restructuring expense total was less than expected due to the transfer of the Nomi Plant which ceased production in December 2017 plus a better understanding of changes in the business environment.

The majority of the restructuring costs (business structure improvement expenses) was recorded in the fourth quarter of FY 2017 as an extraordinary loss of 111,068 million yen. Details of the business structure improvement expenses are described below.

Details of business structure improvement expenses

4Q-FY 2017 (January 1, 2018 to March 31, 2018)	
	(million yen)
Expense items	Amount
(1) Impairment loss on current assets	88,895
(2) Loss on restructuring of subsidiaries	15,467
(3) Removal cost of facilities	4,265
(4) Cost of production transfer	1,134
(5) Subsidy return loss	700
(6) Other	605
Total	111,068

FY 2017 (April 1, 2017 to March 31, 2018)	
	(million yen)
Expense items	
(1) Impairment loss on current assets	103,824
(2) Loss on restructuring of subsidiaries	15,467
(3) Loss on valuation of inventories	11,628
(4) Removal cost of facilities	5,050
(5) Early extra retirement payments	2,435
(6) Cost of production transfer	1,134
(7) Subsidy return loss	700
(8) Loss on sale of current assets	621
(9) Other	1,397
Total	142,260

The booking of the planned business structure improvement expenses described in the business restructuring announcement was completed in FY 2017. The restructuring implemented in FY 2017 (April 1, 2017 to March 31, 2018) is expected to generate a cost improvement benefit of approximately 50 billion yen in FY 2018.

II. Streamlining of overseas back-end manufacturing subsidiaries through the transfer of shares

One of the restructuring measures JDI considered was the consolidation of back-end (display module assembly) manufacturing subsidiaries. In this connection, JDI transferred the shares of Shenzhen JDI Inc., a subsidiary based in China, to a Chinese company and has reached an agreement with another Chinese company on the transfer of shares of one other JDI manufacturing subsidiary. As a result, JDI recorded a loss on restructuring of subsidiaries of 15,467 million yen.

Based on the share transfers of these back-end manufacturing subsidiaries and consolidation of the manufacturing lines at the Philippines-based subsidiary Nanox Philippines Inc. JDI expects to reduce its overseas subsidiary workforce by approximately 3,500 employees relative to end-March 2017.

III. Non-operating expenses (foreign exchange losses, equity-method losses, depreciation)

Due to fluctuations in the foreign currency exchange market JDI recorded a foreign exchange loss of 3,273 million yen as a non-operating expense in the fourth quarter of FY 2017. Based on this total foreign exchange losses in FY 2017 came to 3,219 million yen. The foreign exchange losses were the result of differences in financial value for sales and purchases between the time of transaction and the time of settlement as well as valuation of foreign currency-denominated monetary assets and liabilities JDI group held based on the foreign exchange rate as of the last day of the accounting period.

Also, JDI recorded a share of loss of entities accounted for using the equity method of 4,130 million yen as a non-operating expense in the fourth quarter of FY 2017 based on the financial results reported by the equity-method affiliate JOLED Inc. Based on this the total amount of share of loss of entities in FY 2017 accounted for using the equity method was 14,162 million yen.

Further, depreciation of 3,292 million yen in connection with non-operating assets was recorded as a non-operating expense in the fourth quarter. The total of depreciation recorded as non-operating expenses in FY 2017 was 9,903 million yen.

###