

November 21, 2019

[English Translation]

Notice Regarding Misconduct by a Former Employee

As reported by some media outlets, it was discovered last year that a former employee of Japan Display Inc. ("JDI") had fraudulently remitted money to companies that had no actual transactions with JDI and had illegally acquired revenue stamps. We sincerely regret this unfortunate incident and apologize for any anxiety caused to our shareholders, business partners and other stakeholders.

JDI has already disciplined and dismissed the employee and filed a criminal lawsuit. However, given the requirements of police investigation procedures, we have withheld information about this incident while working to determine the cause and preventing recurrences. In consultation with police authorities, JDI has been considering the timing of disclosing information about this incident upon making a determination that there would be no obstacles to the investigation.

1. Outline of the incident

From July 2014 to October 2018, a former employee of JDI's administrative division committed fraud by conducting transactions with companies that did not exist and had no business relationship with JDI and fraudulently acquiring company funds by transferring money falsely labelled as, for example, outsourcing expenses to these fictitious companies. This former employee also fraudulently acquired company funds by improperly obtaining revenue stamps, falsely claiming that the stamps would be affixed to contracts and other documents. As a result, the total amount of damage to JDI amounted to approximately JPY578 million.

2. Impact on results of operations

The amount of damage caused by this incident has already been factored into the settlement of accounts for the past fiscal years.

3. JDI's response

- (1) Following the discovery of this incident, JDI immediately formed an internal investigation committee, including external experts (lawyers and certified public accountants), and conducted an investigation. As a result, the particular facts of the above-mentioned misconduct were uncovered. Accordingly, JDI dismissed the employee on December 28, 2018 and filed a criminal lawsuit. JDI also investigated the possible existence of similar improprieties other than the particular misconduct already discovered but found nothing additional.

(2) Although JDI has worked to strengthen its system of internal controls, we sincerely regret that we were unable to more quickly identify the above-described misconduct. We take this incident very seriously and have implemented measures to prevent a recurrence after obtaining expert advice on issues related to internal controls that were identified by the investigation committee. Going forward, all JDI employees will continue to make concerted efforts to ensure full legal compliance and strengthen the system of internal controls.

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