JDI Japan Display Inc.

April 30, 2020

Notice Regarding Release of the Full-Length Investigation Report by the Third-Party Committee

On April 13, 2020 Japan Display Inc. (JDI) issued an 18-page English-language summary of the Investigation Report on accounting improprieties produced by a third-party investigation committee (the original full report was written in Japanese). Today JDI is releasing a full-length English version of the investigation report (a total of 182 pages).

As was explained in the summary and can now be read in more detail in the full report, the investigation discovered accounting improprieties that occurred in previous fiscal years.

JDI offers its deepest apologies to all stakeholders in the company for the occurrence of these accounting improprieties. Moreover, as has been explained in recent company notices and will continue to be explained in future, we plan to institute important policy changes to our governance structure, accounting, audit and internal control systems in order to prevent the recurrence of any future improper financial actions.

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(Translation)

FOR REFERENCE PURPOSES ONLY

To Japan Display Inc.

Investigation Report

April 13, 2020

The Third-Party Committee for Japan Display Inc.

Chairman: Shiro Kuniya
Member: Ken Arahari
Member: Norihiro Sekiguchi

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Main Terms and Definitions

Definition Words	Formal Names or meanings	First appearance
CEO	Chief Executive Officer	Chapter IV.1(2)
CFO	Chief Financial Officer	Chapter IV.1(2)
COO	Chief Operating Officer	Chapter IV.1(2)
GM	General Manager	Chapter IV.4
INCJ	Collective name for Innovation Network Corporation of Japan, Japan Investment Corporation and INCJ, Ltd.	Chapter III.3
JDI	Japan Display Inc.	Chapter I.1
JOLED	JOLED Inc.	Chapter III.2
Nanox	Nanox Philippines Inc.	Chapter II.2(4)
OLED	Organic Light Emitting Diode	Chapter V.3
PSI	Production Sales Inventory	Chapter VI.2(2)b
SAP	SAP ECC6.0	Chapter VI.1(2)a
SD	Suzhou JDI Devices Inc.	Chapter III.3(2)
SE	Suzhou JDI Electronics Inc.	Chapter II.2(4)
SGM	Senior general Manager	Chapter IV.4

Definition Words	Formal Names or meanings	First appearance
Suwa	Suwa Investment Holdings, LLC	Chapter III.3(2)
TDI	Taiwan Display Inc.	Chapter III.3(2)
Ichigo Asset	Ichigo Asset Management, Ltd.	Chapter IV.1(1)
Ichigo Trust	Ichigo Trust	Chapter III.3(2)
Overseas EMS	Overseas electronics manufacturing service	Chapter I.2
Three Former Companies	Hitachi, Toshiba and Sony	Chapter III.3
Sony	Sony Corp.	Chapter III.3
The Investigation Period	The period from the inception of the business of JDI (April 2012) to September 2019JDI	Chapter I.2
The Committee	A third-party committee, consisting of neutral and fair external members independent of JDI, which JDI resolved to establish at the meeting of its board of directors on December 24, 2019	Chapter I.1
Toshiba	Toshiba Corp.	Chapter III.3
Hitachi	Hitachi Ltd.	Chapter III.3
Questionnaire Surveys	An online questionnaire survey and an paper-based questionnaire survey conducted by the Committee with personnel of JDI and all of its subsidiaries (including its overseas subsidiaries), inquiring about their involvement (or not) in the Suspected Misconduct, the details and cause thereof; and the existence (or not) of inappropriate transactions other than the Suspected Misconduct and the details thereof	Chapter II.2(4)
The External Auditor	KPMG AZSA LLC	Chapter II.2(2)

Definition Words	**Formal Names or meanings**	**First appearance**
The Accusation	A notification to JDI made by Mr. A on November 26, 2019, to the effect that he had performed inappropriate accounting treatment in settling of accounts of JDI for the past fiscal years in accordance with the instructions of the management	Chapter I.1
The Special Investigation Committee	A special investigation committee, consisting of one executive officer, one external attorney and one external certified public accountant, which JDI resolved to establish at the meeting of its board of directors on December 2, 2019	Chapter I.1
The Suspected Misconduct	The alleged inappropriate accounting treatment conducted in the past fiscal years as per the Accusation.	Chapter I.1
The Inappropriate Accounting Treatment	the inappropriate accounting treatments found by the Investigation	Chapter VII.1
The Investigation	The investigation conducted by the Committee from December 26, 2019 to April 13, 2020	Chapter II.2

I. Outline of the Investigation

1. Background on the establishment of the Third-Party Committee

On November 26, 2019, Japan Display Inc. ("JDI") was notified by its former Division Head of Accounting & Business Management, Mr. A, to the effect that he had performed inappropriate accounting treatment in accordance with instructions of management in settling accounts of JDI for the past fiscal years (the "Accusation").

In response thereto, at the December 2, 2019 board of directors meeting, JDI resolved to establish a special investigation committee (the "Special Investigation Committee"), consisting of one executive officer, one external attorney and one external certified public accountant, in order to implement a thorough, prompt, and highly transparent investigation of the alleged inappropriate accounting treatment (the "Suspected Misconduct") conducted in the past fiscal years as per the Accusation.

The Special Investigation Committee conducted interviews with relevant personnel in charge and preserved and examined accounting data and other relevant materials. During the investigation, they found specific suspicions relating to the Suspected Misconduct.

As JDI determined that it would be desirable to conduct further investigation under a more transparent framework, at its December 24, 2019 board of directors meeting, JDI resolved to establish a third-party committee (the "Committee"), consisting of neutral, fair and external members independent of JDI, in accordance with the "Guidelines for Third-Party Committees Relating to Corporate Scandals" (published on July 15, 2010; revised on December 17, 2010, the "Third-Party Committee Guidelines") of the Japan Federation of Bar Associations.

2. Purposes for establishing the Committee

The purposes for establishing the Committee are as follows:

(i) To investigate the facts relevant to the Suspected Misconduct,

(ii) To examine the existence of events similar to the Suspected Misconduct for the period from the inception of the business of JDI (April 2012) to September 2019 (the "Investigation Period"),

(iii) To calculate the amount of the impact of any inappropriate accounting treatment that may be found,

(iv) To analyze the causes and recommend measures to prevent a recurrence of the inappropriate accounting treatment if any such treatment is found, and

(v) Any other matters deemed necessary by the Committee.

The Suspected Misconduct consists of the following:

(i) Recording of fictitious inventories in the amount of JPY 10 billion

(ii) Avoidance of write-downs of slow-moving and excess inventories by using sales prospects and other data that did not reflect the actual condition

(iii) Manipulation of profits by reclassifying consumables to supplies that should otherwise have been recorded as expenses

(iv) Manipulation of profits by postponing or capitalizing expenses or losses that should have been recorded

(v) Recognition of sales subject to repurchase agreements involving distributors for overseas markets

(vi) Postponement of the recognition of expenses for product warranties sold to a major customer

(vii) Not recording and postponing allowances for losses in its overseas electronics manufacturing service ("Overseas EMS") and overseas manufacturing subsidiaries, which are attributable to JDI

(viii) Avoidance of impairment losses on fixed assets

(ix) A voidance of the recognition of impairment losses on an investment in an affiliate company and the recognition of allowance for investment losses in the affiliate company (Not Found)

(x) Recording profit by inappropriately recognizing additional deferred tax assets (Not Found)

(xi) Payment of dividends from deferred tax assets (Not Found)

(xii) Manipulation of restructuring losses to meet the figures on the management's announcements

(xiii) Realizing profit by capitalizing certain items as part of acquisition costs of fixed assets that should have been originally treated as expenses

(xiv) Avoidance of losses by reclassifying R&D expenses paid quarterly to an affiliate company as capital contributions

(xv) Overstatement of operating profits by inappropriately reclassifying expenses

(xvi) Preparation of unrealistic business plans upon the listing application (Not Found)

3. Investigation framework

(1) Structure of the Committee

The Committee consists of the following three members:

Chairman: Shiro Kuniya (Attorney-at-law, Oh-Ebashi LPC & Partners)
Member: Ken Arahari (Certified Public Accountant, EY Forensic & Integrity LLC)
Member: Norihiro Sekiguchi (Attorney-at-law, Oh-Ebashi LPC & Partners)

In light of the background described in Section 1 above, at the December 26, 2019 board of directors meeting, JDI resolved to select as members of the Committee Mr. Shiro Kuniya, attorney-at-law, Mr. Ken Arahari, certified public accountant, and Mr. Norihiro Sekiguchi, attorney-at-law who have no interest in the JDI Group, and appointed Shiro Kuniya, attorney-at-law as Chairman thereof.

The Committee appointed as assistants to the Committee Ms. Kayo Henmi, Mr. Hiroshi Kuramochi, Mr. So Miyamoto, Mr. Yuki Tsuchiya, Ms. Kochi Hashimoto, Ms. Mami Kadono, Ms. Aya Hiraoka, Ms. Yuka Minoda, Mr. Yuya Oyagi and Mr. Tatsuya Fukuda, attorneys-at-law of Oh-Ebashi LPC & Partners (Tokyo Office), and Mr. Naoki Taya, Ms. Takako Sogi, Mr. Toshiyuki Hioki, Mr. Yasuyuki Koshiyama and Mr. Takeshi Nakamura, public certified accountants, Ms. Mariko Higashi, Mr. Yuki Waguri, Mr. Kazuhiro Fuse in charge of digital forensic and another 148 members of Ernst & Young ShinNihon LLC as well as 4 members of Ernst & Young (China) Advisory Limited.

(2) Policy on the operation of the Committee

Members of the Committee were selected in accordance with the Third-Party Committee Guidelines, and have no special interest in JDI. The same applies to the assistants to the Committee. While Ernst & Young ShinNihon LLC, of which Mr. Ken Arahari, certified public accountant serves as partner, conducted the accounting audit on the financial statements (for the fiscal year ended March 2012) of Hitachi Displays, Ltd. and Japan Display Central Inc. pursuant to the provisions of Article 436, paragraph 2, item 1 of the Companies Act, and the financial audit on the financial statements (for the fiscal year ended March 2012) of Japan Display Central Inc., the merged company as described in the Securities Report for Initial Listing Application (Part I) and the Securities Registration Statement (at the initial public offering) pursuant to the provisions of Article 193-2, paragraph 1 of the financial Instruments and Exchange Act. Ernst & Young ShinNihon LLC did not conduct an accounting audit on financial statements of any of the JDI Group companies for any period included in the Investigation Period, from and after the fiscal year which ended March 2013, for which the JDI Group, which was substantially managed and owned by Japan Display Integration Preparatory Company Inc. (whose trade name was later changed to Japan Display Inc.: the company after the change of its trade name is hereinafter referred to as “Former JDI”), started operations and prepared its consolidated financial statements. Therefore, there are no conflicts of interest specified in the Third-Party Committee Guidelines between Mr. Ken Arahari, certified public accountant and Ernst & Young ShinNihon LLC, and JDI.

Additionally, Mr. Ken Arahari, certified public accountant, and some assistants to the Committee from Ernst & Young ShinNihon LLC served as members of or assistants to the Special Investigation Committee. Since it is desirable to smoothly share the investigation results of the Special Investigation Committee to complete the investigation under tight time pressure, it was decided they would continue to participate as members of or assistants to the Committee.

II. Outline of the Investigation Procedures

1. Investigation period

From December 26, 2019 to April 13, 2020

During this investigation period, the Committee held 13 committee meetings in total.

2. Outline of the procedures of the conducted investigation

The outline of the procedures of the investigation conducted by the Committee (the "Investigation") is as follows:

Since the investigation conducted by the Special Investigation Committee does not affect the neutrality and fairness of the Committee's investigation and its results, the Committee decided to take over their investigation.

(1) Inspection and review of relevant documents

The Committee inspected and reviewed, to the extent deemed necessary, JDI's internal rules and reports, minutes and meeting materials of each meeting body, accounting materials, contracts with lenders, suppliers and customers, summary report of the audit results and other relevant documents disclosed by JDI in connection with the Suspected Misconduct.

(2) Interview with relevant individuals

The Committee interviewed 98 relevant individuals in total including JDI's officers, employees, former officers and former employees. The details of the interviewees are as described in Exhibit 1.

In addition to the above, the Committee made inquiries with KPMG AZSA LLC, external auditor of JDI (the "External Auditor") in order to determine the amount of financial impact of the Suspected Misconduct and so on.

(3) Digital forensics

The Committee preserved JDI's data stored in a certain personal computer and the email server of 45 officers and employees as well as in certain shared folders, conducted data processing, and reviewed emails and electronic data. The period covered by the review is the entire period for which the relevant data was preserved in order to examine whether or not the Suspected Misconduct and similar events existed. Details of reviewees are as described in Exhibit 2.

After conducting data processing and uploading relevant data to the dedicated review platform, the Committee also narrowed down all the information (7,619,761 items) by running searches using specific keywords related to misconduct in general and the Suspected Misconduct, and uploaded 105,483 items for review.

The filtered target data were reviewed and tagged (with classification descriptions such as "Highly relevant" and "Relevant") by reviewers in accordance with the review protocol which specifies the classification policy and other criteria. As a result, 1767 items were extracted and identified as relevant to the Suspected Misconduct, and then important data were used as reference materials in the fact verification interviews conducted by the Committee.

(4) Questionnaire survey

The Committee conducted a web-based questionnaire survey and a paper-based questionnaire survey (collectively, the "Questionnaire Surveys") with personnel of JDI and all of its subsidiaries (including its overseas subsidiaries), inquiring about their involvement (or not) in the Suspected Misconduct, the details and cause thereof; and the existence (or not) of inappropriate transactions other than the Suspected Misconduct and the details thereof, and received responses as shown below.

	Company	Number of respondents
1	JDI	3394
2	JDI Display America, Inc. (“JDIDA”)	43
3	JDI Europe GmbH (“JDIE”)	52
4	JDI China Inc. (“JDIC”)	151
5	Suzhou JDI Electronics Inc. (“SE”)	672
6	JDI Hong Kong Limited. (“JDIHK”)	16
7	JDI Korea Inc. (“JDIK”)	10
8	Nanox Philippines Inc. (“Nanox”)	449
9	JDI Taiwan Inc.JDIT (“JDIT”)	28
10	Kaohsiung Opto-Electronics Inc. (“KOE”)	353
11	KOE-Asia Pte Ltd	5
	Number of responses collected (collection rate: 100%) Employees on long leave and the like are excluded from target respondents.	5173

As for responses to the Questionnaire Surveys that the Committee considered needed to be clarified, the Committee conducted follow-up interviews with the relevant respondents to ask for clarification, and found that there were suspicions relating to overstatement of supplies discussed in Chapter VI, 3 below.

(5) Collecting information by setting up the hotline

The Committee set up a hotline to collect extensive information from respondents to the Questionnaire Surveys. Consequently, the Committee obtained two pieces of information. However, information collected through the hotline did not lead to the discovery of any misconduct other than the Suspected Misconduct.

3. Assumptions

The Committee's investigation and its results have the following general restrictions and limitations:

- The Committee's investigation was conducted in cooperation with the JDI Group in good faith, but the Committee does not have compulsory investigative power. Accordingly, there were limitations to the Committee's investigation of facts, and the fact finding exercise conducted by the Committee had to rely on the voluntary statements of JDI Group officers and employees, as well as materials submitted by the JDI Group, which are not exhaustive of all past facts.
- Since Mr. A passed away on November 30, 2019 subsequent to the Accusation, the Committee was unable to conduct an interview with Mr. A on the specific contents of the Accusation and his previous actions.
- The purpose for establishing the Committee is as described in Chapter I, Section 2 above, and this investigation report is not intended to be used for any other purpose.
- The Committee's investigation was conducted for the JDI Group, entrusted by JDI, and the Committee has no responsibility to third parties other than the JDI group for the investigation and its results.
- The assumptions for Chapter VII below are listed therein.

III. Outline of JDI and the JDI Group

1. Outline of JDI

Business start: April 1, 2012[1]

Capital: JPY114.3 billion (as of September 30, 2019)

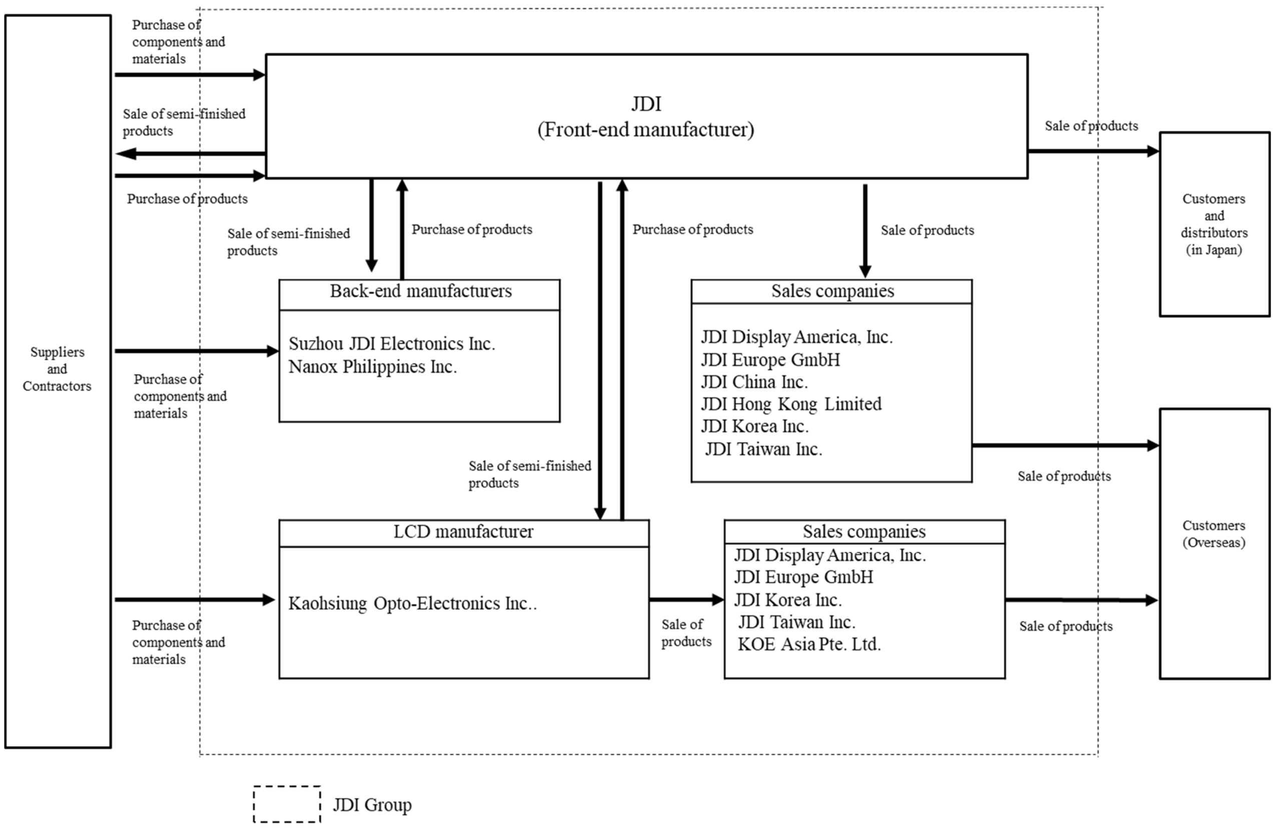
Headquarters: 7-1, Nishi-shinbashi 3-chome, Minato-ku, Tokyo

Employees: 9087 (consolidated, as of October 1, 2019)

Organization: JDI's organizational structure is as shown in Exhibit 3 "JDI's Organization Chart."

2. Structure of the JDI Group

As of the end of March 2019, the JDI Group consists of JDI which engages in development, design, manufacture and sale of small- and medium-sized display devices and related products, and 3 overseas manufacturing subsidiaries and 9 overseas sales subsidiaries. JDI's main business lines are development, design, manufacture and sale of small- and medium-sized display and related products. The JDI Group's business structure is shown in the following diagram (extracted from JDI's Annual Securities Report for the fiscal year ended March 2019).



[1] As described in 3 "History of the JDI Group" below, JDI started its business on April 1, 2012, while the former Japan Display East Inc. (previously Hitachi Displays, Ltd., "JDE"), the surviving company in the absorption-type merger effective April 1, 2013, was established on October 1, 2002.

The status of the JDI Group's main affiliates is as follows (extracted from Annual Securities Report of JDI for the fiscal year ended March 2019).

Company name	Location	Capital	Main business	Voting right holding ratio
(Consolidated subsidiaries) JDIDA	California, USA	USD 200,000	Sale of small- and medium-sized displays	100.0%
JDIE	München, Germany	EUR 5,000,000	Sale of small- and medium-sized displays	100.0%
JDIK	Seoul, South Korea	KRW 600,000,000	Sale of small- and medium-sized displays	100.0%
JDIC	Shanghai, China	USD 2,500,000	Sale of small- and medium-sized displays	100.0%
JDIHK	Hong Kong	HKD 1,500,000	Sale of small- and medium-sized displays	100.0%
SE	Suzhou, China	CNY 1,043,000,000	Back-end manufacture of TFT LCD modules	100.0%
KOE	Kaohsiung, Taiwan	NTD 887,000,000	Design and manufacture of LCD modules	100.0%[2]
Nanox	Philippines	JPY 954,000,000	Back-end manufacture of TFT LCD modules	81.0%
JDIT[3]	Taipei, Taiwan	NTD 3,570,000,000	Sale of small- and medium-sized displays	100.0%
(Equity method affiliate) JOLED Inc. ("JOLED")	Chiyoda-ku, Tokyo	JPY 76,912,000,000	Research, development, manufacture and sale of OLED display panels and their components, materials, manufacture equipment and related products	27.2%

[2] It is reported that the holding ratio of voting rights in respect of KOE represents the indirect ownership.
[3] It is reported that JDIT is an insolvent company and the value of its net liabilities is JPY8,556 million at the end of March 2019.

3. History of the JDI Group

As per the suggestion from Innovation Network Corporation of Japan ("INCJ")[4], JDI was established by merging the small- and medium-sized display businesses of the following three companies (the "Three Former Companies"): Hitachi Ltd. ("Hitachi"), Toshiba Corp. ("Toshiba") and Sony Corp. ("Sony"). After establishment of the Former JDI, pursuant to the Integration Agreement entered into among INCJ and the Three Former Companies, the Former JDI acquired all the shares in the subsidiaries wholly owned by the Three Former Companies, namely (i) Hitachi Displays, Ltd. (which later changed its trade name to Japan Display East Inc.; "JDE"), (ii) Toshiba Mobile Display Co., Ltd. (which later changed its trade name to Japan Display Central Inc.; "JDC"), and (iii) Sony Mobile Display Corporation (which later changed its trade name to Japan Display West Inc.; "JDW"), and undertook capital increase through third-party share issuance to INCJ and the Three Former Companies. Then the Former JDI, JDC, JDW and another company were merged and absorbed into JDE, which changed its trade name to Japan Display Inc. on the effective date of that merger.

(1) History up until the integration (descriptions mainly on JDE, the surviving company)

October, 2002	Hitachi Displays, Ltd. (later known as JDE), whose business purposes were development, design, manufacture and sale of small- and medium-sized LCD and related products, was established in Neribei-cho, Chiyoda-ku, Tokyo (with capital of JPY10 billion).
September, 2011	Japan Display Integration Preparatory Company Inc. (later known as the Former JDI), whose business purposes were development, design, manufacture and sale of small- and medium-sized display devices and related products, was established in Marunouchi, Chiyoda-ku, Tokyo (with capital of JPY15 million).
November, 2011	INCJ and the Three Former Companies entered into an agreement for integration of Hitachi Displays, Ltd. Toshiba Mobile Display Co., Ltd. and Sony Mobile Display Corporation.
March, 2012	Japan Display Integration Preparatory Company Inc. changed its trade name to the Former JDI, and relocated its headquarters to Nishi-shinbashi, Minato-ku, Tokyo. The Former JDI acquired from the Three Former Companies all the shares in Hitachi Displays, Ltd., Toshiba Mobile Display Co., Ltd. (which changed its trade name to JDC on the date of such acquisition) and Sony Mobile Display Corporation (which changed its trade name to JDW on the date of such acquisition). The former JDI undertook capital increase through third-party share issuance to INCJ and the Three Former Companies (share capital of JPY115 billion).

[4] Innovation Network Corporation of Japan changed its trade name to Japan Investment Corporation on September 25, 2018. The portfolio invested by Innovation Network Corporation of Japan was transferred to INCJ. Ltd., which became a subsidiary of Japan Investment Corporation via an incorporation-type company split. As of the date hereof, INCJ, Ltd. owns shares of JDI. In this report, Japan Investment Corporation and INCJ, Ltd. are collectively referred to as "INCJ" for convenience sake.

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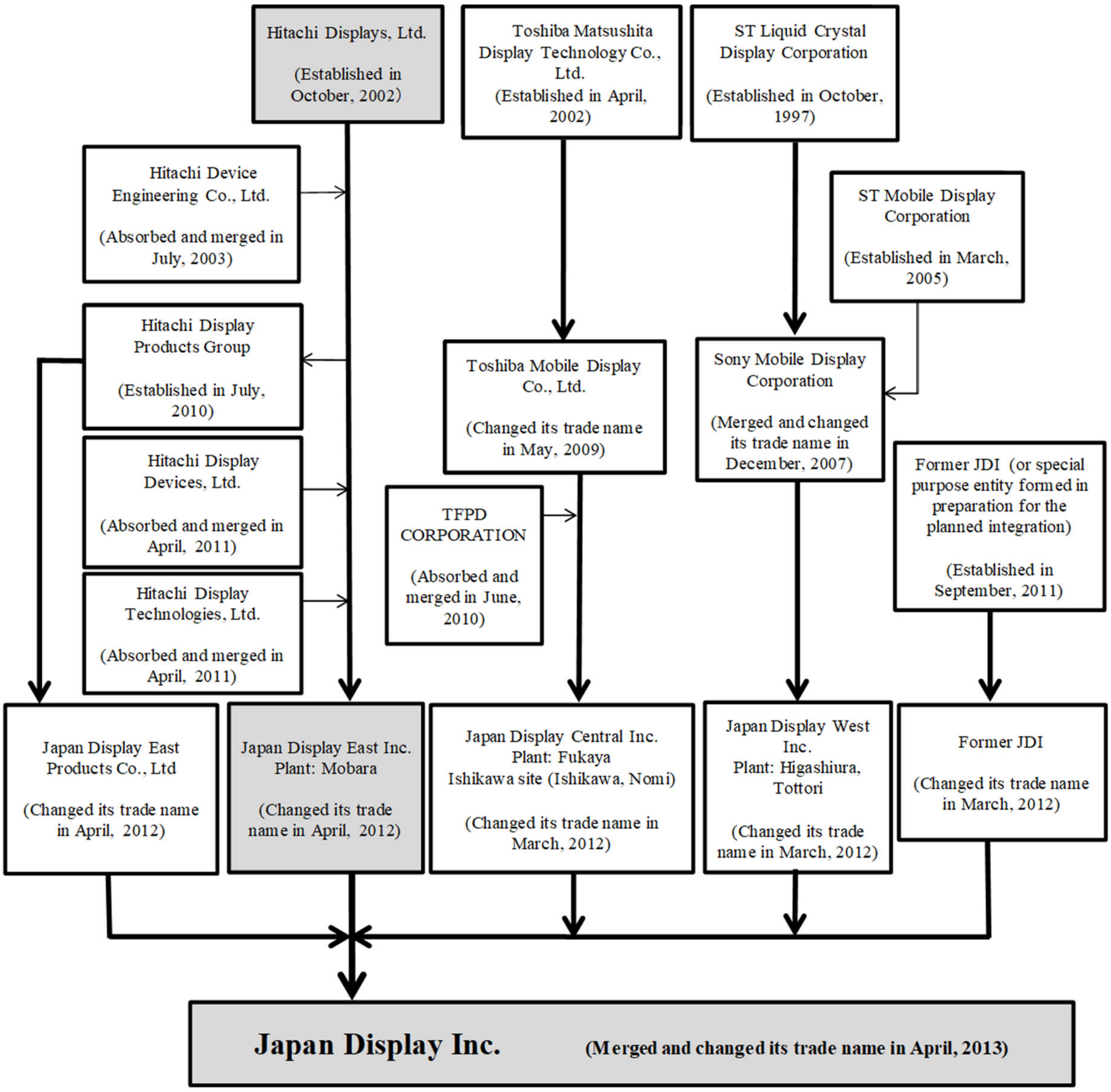
April, 2012	Hitachi Displays Ltd. changed its trade name to JDE (and started operations as JDI).
January, 2013	A merger agreement was entered into under which the Former JDI, JDC, JDW and another company would be merged and absorbed into JDE.
April, 2013	The aforementioned merger was implemented and JDE changed its trade name to JDI.

The history up until April, 2013 is shown in the following diagram (extracted from Annual Securities Report of JDI for the fiscal year ended March 2019).



(2) History of the JDI Group after the integration

June, 2013	JDI purchased an 81% stake in Nanox, a supplier of LCD modules from NANOX Corporation and Nanox was made into a subsidiary. JDI started mass manufacturing of its sixth generation[5] LTPS[6] LCD line at its Mobara Plant.
November, 2013	JDI established Taiwan Display Inc. ("TDI")
December, 2013	JDI decided to make Star World Technology Corporation ("STC"), a Taiwanese manufacturer of LCD modules, into a subsidiary of TDI (i.e., sub-subsidiary of JDI), by way of capital increase through third-party share issuance of approximately 80% of STC's outstanding common shares to TDI (100% subsidiary of JDI).
March, 2014	JDI was listed on the First Section of the Tokyo Stock Exchange. JDI ended manufacture at the third generation manufacturing line at its Ishikawa Plant, and completed the consolidation of automotive display businesses at its Tottori Plant.
April, 2014	JDI newly established TDI China Inc. as a subsidiary of TDI (i.e., sub-subsidiary of JDI) in Shenzhen, China.
July, 2014	JDI jointly with INCJ, Sony and Panasonic Corporation ("Panasonic") announced the establishment of JOLED.
April, 2016	JDI closed its Fukaya Plant.
October, 2016	JDI sold all its equity in its consolidated subsidiary, Morningstar Optronics Zhuhai Co., Ltd.
December, 2016	JDI resolved to acquire a part of the issued shares in JOLED from INCJ to increase its holding ratio in JOLED to 51%, and entered into a basic agreement with JOLED and INCJ. JDI started mass manufacturing at its Hakusan Plant. JDI ended manufacture of the fourth and fifth generation line at its Mobara Plant.
March, 2018	JDI transferred all its equity in its consolidated manufacturing subsidiary, Shenzhen JDI Inc. JDI resolved to cancel its policy on the acquisition of shares in JOLED (subsidiarization).
April, 2018	JDI undertook capital increase through third-party share issuance to overseas financial institutional investors (30 funds), and raised JPY30 billion. JDI undertook capital increase through third-party share issuance to Nichia Corporation, and raised JPY5 billion.
May, 2018	JDI transferred all its equity in its consolidated manufacturing subsidiary, Suzhou JDI Devices Inc. ("SD")
June, 2018	JDI transferred its Nomi Plant and the related assets to INCJ. JDI entered into a basic partnership agreement with JOLED.
April, 2019	JDI entered into CAPITAL AND BUSINESS ALLIANCE AGREEMENT with Suwa Investment Holdings, LLC ("Suwa").

[5] Sixth generation refers to the size of mother glass in the LCD industry. The younger generation means smaller glass in size. Manufacturers need different plants (buildings and lines) appropriate for different sizes of mother glass to be manufactured.

[6] LTPS is an abbreviation for Low-temperature Poly Silicon. The same applies hereinafter.

December, 2019	JDI entered into a basic agreement regarding fund procurement from Ichigo Trust Pte. Limited.
January, 2020	JDI terminated the CAPITAL AND BUSINESS ALLIANCE AGREEMENT with Suwa. JDI entered into a capital alliance agreement with Ichigo Trust ("Ichigo Trust").
March, 2020	JDI entered into a basic agreement regarding additional fund procurement from Ichigo Trust. JDI undertook capital increase through third-party share issuance to Ichigo Trust (total fund procured: JPY50.4 billion). Ichigo Trust became the largest shareholder with 44.26% stake instead of INCJ. JDI transferred a part of manufacturing equipment located at its Hakusan Plant to a certain customer.

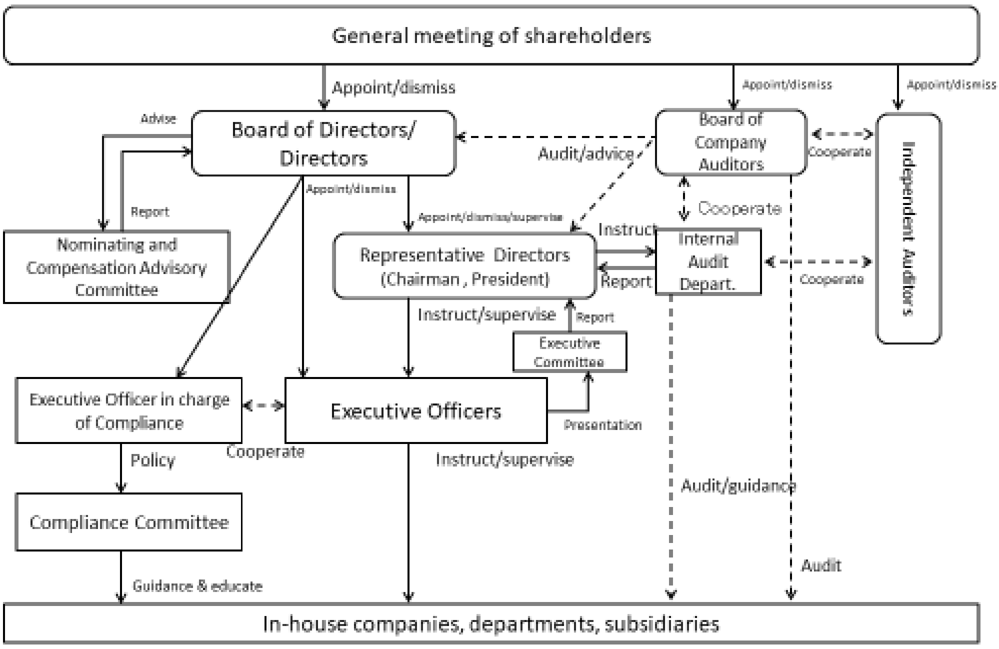
IV. Organization and Systems of JDI

1. Outline of corporate governance system

(1) Outline of JDI's corporate governance system

The outline of JDI's corporate governance system is shown in the following diagram (extracted from JDI's website[7]).

<Diagram of corporate governance and oversight system of internal control: version submitted in



JDI has a Board of Directors and a Board of Corporate Auditors. The Board of Directors, which holds monthly meetings, makes decisions about important management issues and supervises the execution of business. In addition, as a company with Board of Corporate Auditors, the Corporate Auditors and the Board of Corporate Auditors audit the status of business execution and other matters independently of the Board of Directors.

As of this report date, one out of five directors has dual roles as director and executive officer (the President and Representative Director), and the other four are non-executive directors, two of which serve as representative directors (the Chairman and the Vice Chairman), the other two are outside directors. The Chairman and Representative Director also serves as President and Representative Director of Ichigo Asset Management, Ltd. ("Ichigo Asset"), and one of the two outside directors also serves as executive officer of INCJ and outside director of JOLED.

Since the fiscal year that ended March 2012 until the date of this report, the External Auditor has been appointed as JDI's external auditor.

[7] https://www.j-display.com/english/ir/governance/index.html

Also, JDI has an Executive Officers System in order to make decisions related to business execution promptly and has established committees such as an Executive Committee which in principle holds meetings twice every month to discuss important business execution matters. Matters concerning business execution not resolved by the Board of Directors are delegated to the President and Representative Director and executive officers. Each executive officer executes business in his or her area of responsibility under the oversight of the Chairman and Representative Director and the President and Representative Director.

As of the date of this report, JDI has 8 executive officers, one of which also serves as director, i.e., President and Representative Director.

Furthermore, JDI has voluntary advisory committees created pursuant to resolutions of the Board of Directors to ensure management transparency, and which deliberate on and decide matters delegated by the Board of Directors.

As of the date of this report, JDI has the Nominating and Compensation Advisory Committee as an advisory body that deliberates on nomination and compensation of executive officers and directors. The Nominating and Compensation Advisory Committee consists of two internal directors and two outside directors, and is chaired by an outside director.

JDI has also established the Compliance Committee to ensure full compliance within the JDI Group, including subsidiaries.

(2) History of CEOs, COOs and CFOs

The Chief Executive Officers ("CEO(s)"), the Chief Operating Officers ("COO(s)") and the Chief Financial Officers ("CFO(s)") in the history of JDI are shown below.

A. CEO

Name	Representation and title	Term of office
Mr. B	President and Representative Director	(Japan Display Integration Preparatory Company Inc.[8]) From December 1, 2011 to March 31, 2013 (JDI) From April 1, 2013 to June 23, 2015
Mr. C	Chairman and Representative Director	From June 23, 2015 to June 21, 2017
Mr. D	Chairman and Representative Director	From June 21, 2017 to May 15, 2019
Mr. E	President and Representative Director	From May 16, 2019 to September 27, 2019
Mr. F	President and Representative Director	From September 27, 2019 to the present

B. COO

Name	Representation and title	Term of office
Mr. G	Director from November 1, 2013 President and Representative Director from June 23, 2015 President and Director from June 21, 2017	From July 1, 2014 to June 19, 2018
Mr. E	President and Representative Director from June 19, 2018	From June 19, 2018 to May 15, 2019
Mr. H	Senior Managing Representative Director from June 18, 2019	From May 16, 2019 to September 27, 2019
Mr. I		From October 1, 2019 to the present

[8] The Former JDI after the trade name change in March 2012.

C. CFO

Name	Term of office
Mr. J	(Former JDI) From March 30, 2012 to March 31, 2013 (JDI) From April 1, 2013 to June 30, 2015
Mr. K	From July 1, 2015 to June 30, 2017
Mr. L	From July 1, 2017 to May 15, 2019
Mr. F	From May 16, 2019 to September 27, 2019
Vacant	From September 28, 2019 to the present

2. Systems of internal control(organizations and systems related to compliance)

(1) Corporate Auditors and Board of Corporate Auditors

Since its establishment, JDI has had 3-4 Corporate Auditors (1-2 Full-time Corporate Auditor(s) and 2 outside Corporate Auditors) (as of the date of this report, 4 Corporate Auditors including 2 outside Corporate Auditors), and meetings of the Board of Corporate Auditors are in principle held once every month, and from time to time as necessary.

Full-time Corporate Auditors conduct Corporate Auditors' audits (field audits on 10 locations per year and theme audits) according to the audit plan developed by the Board of Corporate Auditors, prepare a report for each audit, and report it to the Board of Corporate Auditors. The Board of Corporate Auditors deliberates on what the above-mentioned report prepared by each Corporate Auditor says, and prepares a statutory audit report.

We are told that Full-time Corporate Auditors exchange opinions with the CEO almost every month, when they explain the results of their audits to the CEO, and that the Board of Corporate Auditors exchange opinions with the CEO approximately twice every year.

Full-time Corporate Auditors attend Executive Committee meetings and the Compliance Committee and other important meetings, and all Corporate Auditors attend Board of Directors meetings.

We are told that the Board of Corporate Auditors holds meetings with the External Auditor on a regular basis, where they receive explanation and exchange opinions with the External Auditor about the accounting audit plan for the applicable year and quarterly accounting review.

We are told that Full-time Corporate Auditors exchange opinions with the Internal Audit Department once every month, and together with outside Corporate Auditors twice every year (in the first and second half of the fiscal year) about their respective audit results and audit activities.

(2) Internal Audit Department

In April 2012, JDI established the Internal Audit Department directly under the CEO in order to ensure appropriate internal audits, and 2 to 5 personnel including the Head thereof have been assigned to the Department. The Internal Audit Department conducts audits for internal departments, plants and affiliate group companies with respect to their organization and systems, general business operations, accounting and finance matters, and information system. We are told that internal audits consist of regular audits according to the audit plan and occasional audits conducted on the instruction of the CEO, and are in principle conducted on site for each location by two or three auditors. The Internal Audit Department briefs their audit results to the CEO on a weekly basis, promptly complies the same in an internal audit report, reports to the Chairman and the President at least once every two to three months, and requires the heads of the audited departments to submit a remedial action plan to address the issues identified in the relevant audit, who must promptly take remedial actions and submit a remedial action plan which describes such remedial actions. The Internal Audit Department also communicates and coordinates with the Corporate Auditors and the External Auditor (certified public accountants and audit firm) to achieve an efficient audit.

The Internal Audit Department conducts audits for locations in Japan once every two years (or once every year for certain fiscal years), for overseas manufacturing subsidiaries once every year, for Overseas EMSs once every year and for overseas sales subsidiaries approximately once every two years (location-based audit), and also conducts audits with one or more specific theme(s) for each fiscal year (theme audit). The Internal Audit Department has not conducted a location-based audit for the headquarters since 2014, but conducted audits of important items related thereto as part of a theme audit.

As for accounting and finance matters, we are told that the Internal Audit Department conducts business operations audits to check compliance at each business company, and confirms with the Accounting and Finance Department of each business company whether or not an audit is conducted by the External Auditor, whether or not any issues are identified in the audit, and what remedial measures are taken to address any such issues, as well as whether the balance sheet, profit and loss statement and cash flow statement are reported to the headquarters, and whether payments of entertainment expenses and travel expenses and cash withdrawals (if a business company holds cash), payments to suppliers/vendors for transactions not through the Procurement Department (transactions out of the scope of the Procurement Department) are approved in accordance with the Company rules.

The Internal Audit Department cooperates with Corporate Auditors by holding information exchange meetings with Full-time Corporate Auditors once every month and with Non-Full-time Corporate Auditors approximately once every six months. The Internal Audit Department submits the above-mentioned internal audit report and explains the contents of the internal audits, to Corporate Auditors, and also receives from Corporate Auditors information about the status of Corporate Auditors' audit and contents of meetings of the Board of Directors and other important meetings.

The Internal Audit Department has information sharing meetings with the External Auditor with respect to the financial results for the preceding fiscal year once every year around in May.

(3) Compliance Committee

Since December 2012, JDI has had the Compliance Committee chaired by the executive officer in charge of compliance (the "Compliance Chairman"). Meetings of the Compliance Committee are attended by the Compliance Chairman, members selected from departments which work for developing compliance measures (such as the Intellectual Property Department, the Accounting Department, the Legal Department and HR & General Affairs Department), the Secretariat (HR & General Affairs Department and Legal Department, Compliance & Archives Section), and Full-time Corporate Auditors and the Internal Audit Department head (since FY2014) as observer. Compliance rules and measures to prevent recurrence of compliance breaches are deliberated.

The Compliance Committee has the Secretariat serving as an internal point of contact under the Whistle-blowing System. The Compliance Committee Secretariat appoints people in charge of addressing those reports (as described below), and whether or not there is any whistleblowing and how the investigation thereof is proceeding are reported at Compliance Committee meetings.

Compliance Committee meetings are held once every six months or from time to time as necessary, and have been held one to five times every year. The frequency of meetings of the Compliance Committee since its establishment is shown in the following table.

Fiscal year	2012	2013	2014	2015	2016	2017	2018	2019
Frequency of meeting	One	Two	Five	Two	One	One	Two	Two

Compliance administrators appointed by each division/department within the Group ensure full awareness of policies determined by the Compliance Committee.

(4) Compliance administrator

Each executive officer assigns a compliance administrator in each division/department designated by the Compliance Chairman in order to ensure full awareness and promotion of compliance measures among the employees in the division/department which he/she is in charge of.

Compliance administrators receive from the Compliance Committee Secretariat the results of deliberations by the Compliance Committee and necessary compliance related information, while the Compliance Committee Secretariat acquires understanding of compliance related requests from compliance administrators and the status of their efforts.

Compliance administrators understand the results of deliberations by the Compliance Committee and share compliance related information among them, at compliance administrators meetings.

(5) Legal Department (mainly Compliance Group) and HR Department

We are told that the Legal Department (or the Compliance Group (which later changed its name) of the Legal Department since October 1, 2014) conducts compliance related activities including compliance awareness activities to comply with competition laws and prevent insider transactions and bribery, and development and provision of compliance education (e.g., organizing educational sessions in the compliance month and creating and distributing e-learning contents in collaboration with the HR Department and other responsible departments). It is also in charge of managing workflows with respect to the Compliance Committee Secretariat and the Whistle-blowing System.

We are told that the HR Department, as discussed below, serves as an internal point of contact for whistleblowers, and is in charge of creating and distributing e-learning contents in the compliance month in collaboration with the Legal Department as explained above.

(6) Whistle-blowing System

We are told that JDI instituted a Whistle-blowing System under the Whistle-blowing Rules established on November 20, 2012, and it came into operation on December 20, 2012 when JDI emailed all employees informing them of the point of contact for the Whistle-blowing System.

The System had two points of contact: an in-house point of contact and an external point of contact, which accepts reports via post or email. The Compliance Chairman appoints an in-house point of contact from among the Compliance Committee Secretariat members. Currently the HR Department is appointed as the in-house point of contact, and an external law firm is appointed as an external point of contact. (We are told that employees are not informed of any details such as which Department a person in charge of addressing a report belongs to, except for the name of the law firm serving as an external point of contact, and are only notified of the email address and postal address exclusively for sending a report.)

When a point of contact person receives a report, he/she promptly reports to the Compliance Chairman. The Compliance Chairman then determines whether or not to conduct an investigation, and in principle, an investigation is conducted by the point of contact person (or if the Compliance Chairman considers necessary, a manager of the relevant division/department participates in part of the investigation, as well). The status of the investigation and the results thereof are reported to the Compliance Chairman. The point of contact person or the Compliance Chairman notifies a whistleblower of the results of the investigation and remedial measures. Reported issues which remedial measures have been taken to address are reported to the Compliance Committee as well. The same are reported to the Chairman (or President) and Representative Director by the Compliance Chairman.

3. Status of Accounting Department System

Although there are some changes in the organizational system, in principle, the Finance Department, Accounting Department and Business Management Department have been under the authority of the CFO. The Finance Department is responsible for raising and managing funds and foreign exchange related activities, and the Accounting Department and the Business Management Department are in charge of institutional accounting and management accounting, respectively.

In the days when the Accounting Department had Accounting Section 1, Accounting Section 2 and Cost Calculation Section (whose activities had been carried out in the Business Management Department before its establishment), Accounting Section 1, Accounting Section 2 and Cost Accounting Section were in charge of non-consolidated accounting, consolidated accounting and cost calculation, respectively.

The budgets were developed not by the Accounting Department, but the current Business Management Department (formerly known as the Management Planning Department).

4. Mr. A's position and embezzlement

Mr. A joined JDI in September 1, 2012 (mid-career hiring). He served initially as General Manager (the "GM") of the Accounting and Finance Department, as Senior General Manager (the "SGM") of the same Department from October 1, 2013, and as Head of Division of the Accounting Division from October 1, 2017. He had been in charge of accounting practices throughout his career at JDI and had the ultimate authority on decision making at the Company's Accounting Department after he was appointed as SGM.

On November 14, 2018, however, it was discovered that Mr. A was suspected of engaging in embezzlement as described below. As he admitted to the allegations, JDI immediately formed an internal investigation committee to conduct an investigation, and committee members included external experts (attorneys and certified public accountants). As a result, the following facts of the misconduct was uncovered.

According to Mr. A's statement and the investigation report dated February 13, 2019 by the in-house investigation committee, Mr. A set up shell companies and opened their bank accounts with the aid of his acquaintance in advance, and then arranged for 88 payments in total for fictitious transactions to be made to the shell companies from JDI between around July 2014 and October 2018, thereby defrauding JDI of approximately JPY549 million in total, and also illegally acquired revenue stamps worth approximately JPY29 million through 37 payments between around July 2017 and October 2018. (According to the investigation report and the Complaint filed by the attorneys representing the Complainant (JDI), there were 45 illegal acquisitions of revenue stamps between February 2014 and October 2018 and the total damage amounted to approximately JPY29.24 million.)

Since the above-mentioned facts were confirmed, Mr. A was disciplined and dismissed on December 28, 2018. This was not announced, even internally. However, in November 2019, some media outlets reported the misconduct committed by Mr. A. In response, JDI announced on November 21 that such misconduct was discovered and JDI had already disciplined and dismissed Mr. A and filed a criminal complaint. Then, as explained in I-1 above, on November 26, JDI was notified by Mr. A to the effect that he had performed inappropriate accounting treatment in settling of accounts of JDI for the past fiscal years in accordance with the instructions of the management. Mr. A passed away on November 30.

5. Status of INCJ's involvement and committees which formerly existed

INCJ, which proposed and led the establishment of JDI, had been the largest shareholder of JDI since JDI's start of operations until March 2020. After JDI's listing, INCJ held more than one third of all the issued and outstanding shares in JDI at least until the end of the fiscal year ended March 2018[9], and one or two officers (more specifically, executive officer and president and representative director) of INCJ have been appointed as JDI's outside director(s).

In its early days, JDI had voluntary committees, the Finance Committee and HR Committee,[10] both of which were attended by Mr. M, JDI's outside director sent from INCJ. Any accounting and finance matters had to be approved by Mr. M (and consequently by INCJ through Mr. M) at a Finance Committee meeting before proposing them at a Board of Directors meeting, and nominations and remuneration of officers with the rank of VP (Vice President) or higher (such as Directors and executive officers) were determined with approval by Mr. M (and consequently by INCJ through Mr. M) at a meeting of the HR Committee.

[9] INCJ's shareholding ratio, with respect to all the issued and outstanding shares in JDI, was 84.23% as of February 2014 and 35.58% as of March 31, 2014, and remained unchanged until March 31, 2018. However, as of March 31, 2019, their shareholding ratio was 25.29%.

[10] The internal official name was "HR Development Committee," but it was usually called "HR Committee," which is used in this report.

V. Transition of JDI's Business and Performance

1. General

JDI, whose main business activities are development, design, manufacture and sale of small- and medium-sized display devices and related products, started its operation in 2012 under an agreement between INCJ and the Three Former Companies with the aim of establishing its status as a global leading company with both technological and production capabilities in the field of small- and medium-sized displays. JDI has an advantage in the LTPS backplane technology that enables higher resolution imaging, lower power consumption and narrower bezel design. Supported by development and production of high-performance LCDs with this technology at its core, JDI's small- and medium-sized LCDs have been adopted by many customers, including manufacturers of smartphones, automotive devices and consumer equipment.

2. Business overview

JDI's business consists of three sections: mobile devices, automotive and non-mobile.

(1) Mobile device section

The mobile device section handles displays for smartphones and tablets. LCD manufacturing processes comprise the front-end manufacturing and the back-end manufacturing[11]. The main front-end manufacturing sites are the Hakusan Plant (whose operation has been suspended since September 2019), the Ishikawa Plant, the Mobara Plant (and the Nomi Plant until it was transferred in June 2018 as discussed below), and back-end manufacturing sites are overseas manufacturing subsidiaries and overseas EMSs. Sales from the mobile device sections accounts for a substantial portion of JDI's total sales - 73.3% of its consolidated sales in the fiscal year ended March 2019, and almost 80% of its consolidated sales in the preceding fiscal years. As discussed below, sales from the mobile device section depend largely on whether or not it wins orders from particular customer(s) and whether or not popular models sell successfully.

(2) Automotive and non-mobile sections

The automotive section handles displays for automotive applications, and the main manufacturing sites are the Tottori Plant, KOE and SE. Sales from the automotive section accounted for 17.7% of JDI's consolidated sales in the fiscal year ended March 2019.

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[11] LDC manufacturing processes are divided into (i) allay phase, (ii) cell phase and (iii) module phase, and (ii) cell phase is further divided into three steps. "Front-end" refers to processes up to the second step of the cell phase, while "back-end" refers to the third step of the cell phase and the subsequent phase.

The allay phase is a phase of creating a control device called TFT (Thin Film Transistor) using grass substrates (creating allay substrates). The first and second steps of the cell phase is a phase of pouring liquid crystal and laminating allay substrate with colored filter substrate. The third step of the cell phase is a phase of dicing substrates and laminating polarizers (creating liquid crystal cells). The module phase is a phase of assembling drive circuit and backlight and conducting final test on picture quality (creating liquid crystal modules).

The non-mobile section handles displays for consumer electronic products such as digital cameras, wearable devices and high-end laptop computers as well as displays for industrial use such as medical monitors, and the main manufacturing sites are the Higashiura Plant and Nanox. Sales from the non-mobile section accounted for 9.0% of JDI's consolidated sales in the fiscal year ended March 2019.

As the demand is expected to continue long range and stable, sales from the automotive and non-mobile sections are relatively stable compared to those from the mobile device sections.

3. Business environment

Since its establishment, JDI's main business area has been the mobile device section which handles displays for smartphones and tablets. JDI's main customer is Apple Inc. headquartered in California, USA, a developer and seller of internet related products. JDI has also been committed to trading with Chinese companies such as Company A group, Company B group and Company C group.

As for the mobile device section, JDI starts producing more components in process in the late second quarter, and assembles and finishes the products in the third quarter to gear up for year-end shopping season. Therefore, sales peak in the third quarter. In the fourth quarter, despite sales during the Chinese New Year and graduation and new entry season in Japan, sales gradually drop. In the first and second quarters, sales tend not to increase.

Sales of displays for smartphones and tablets depend largely on whether or not JDI's displays are adopted for popular products, whether or not new products sell successfully, when they are sold, and consumer spending levels in various regions affected by economic conditions. In particular, mobile device manufacturers undergo two or three model changes every year, and there is a huge gap between demand at peak periods (which only last a quarter of a fiscal year or shorter) and in slump periods, during which sales may go down by 30% or 50%. Sales from the mobile device section are volatile because: the mobile device market is highly competitive since there are many competitors including Chinese companies; sometimes orders are snatched away by competitors or successful negotiation results in a sudden large volume order; and in addition, due to intense price competition, sales in one transaction may easily fluctuate in the range of tens of billions of yen. As a result, it is difficult to timely manage product manufacturing to meet actual orders. Although advance production was necessary to prepare for sudden orders, any demand drop could lead to excess material inventory or semi-finished products as well as a lower fab utilization or missed business opportunities, which in turn had a negative effect on JDI's performance.

In addition, due to the rapid progress in technology by competing display manufacturers, intense price competition associated with expansion of production capabilities, and the effect of US-China trade friction, the business environment surrounding JDI is becoming increasingly severe year by year. Furthermore, in recent years JDI's weak performance was caused partly by the sluggish demand of LCDs due to the increasing adoption of Organic Light Emitting Diode ("OLED") displays by JDI's customers, i.e., smartphone manufacturers, the extended replacement cycle of mobile devices and the slowdown in the Chinese economy. JDI started development of OLED, and in particular on January 5, 2015, established JOLED together with INCJ to facilitate the commercialization of OLED business. However, it is undeniable that JDI has fallen behind other competitors in commercializing the business, and JDI has not compensated for the decreased demand of LCDs due to the increasing adoption of OLED displays by customers.

4. Business performance

JDI's consolidated performance results (before restatement of financial results for past fiscal years) after its listing are shown in the following table.

(million JPY)

Fiscal year	2014	2015	2016	2017	2018	2019
Sales	614,567	769,304	989,115	884,440	717,522	636,661
Operating profit	27,624	5,147	16,710	18,502	(61,749)	(30,989)
Ordinary profit	19,072	1,864	(12,934)	(8,871)	(93,658)	(44,153)
Net profit	33,918	(12,270)	(31,840)	(31,664)	(247,231)	(109,433)
Net assets	405,144	402,626	365,249	327,085	82,046	7,023
Dividends	—	—	—	—	—	—

While JDI increased its sales with the aim of expanding its scale from the fiscal year ended March 2014 (full year) during which it went public to the fiscal year ended March 2016 (full year), it did not generate operating income in line with the increased sales. In the fiscal year ended March 2017 (full year) and subsequent fiscal years, sales decreased due to rationalization of its management corresponding to the market changes (such as review of production systems and reduction of fixed costs, which JDI calls "business structural reforms" or "structural reforms" as discussed in 5 below). JDI recorded operating loss in the fiscal year ended March 2018 (full year) and the following fiscal year.

Due to the difficult business environment described in 3 above, JDI recorded net loss for the most recent consecutive five fiscal years, and ordinary loss for the most recent consecutive four fiscal years. In the first quarter of the fiscal year ended March 2020, JDI recorded capital deficit.

JDI repeated downward revisions to their full-year and quarterly earnings forecasts (which were disclosed until May 2017). In the fiscal year ended March 2014 (full year), JDI revised its forecast of consolidated operating profit of JPY30.4 billion disclosed at the time of its listing downward to JPY27.2 billion by JPY3.2 billion in the following month. For the fiscal year ended March 2015 (full year), while JDI forecasted in May 2014 that its consolidated operating profit would be JPY40 billion, it revised the forecast downward to JPY6.5 billion in October 2014. The actual operating results were JPY5,147 million. JDI's downward revisions to full year earnings forecasts from its listing to May 2017 are shown in the following table.

(million JPY)

Fiscal year	Initial operating profit forecast	Downward revision during the year	Operating profit (actual)
Fiscal year ended March 2014	30,400 (forecasted in March 2014)	27,200 (revised in April 2014)	27,624
Fiscal year ended March 2015	40,000 (forecasted in May 2014)	6,500 (revised in October 2014)	5,147
Fiscal year ended March 2016	22,000 (forecasted in February 2016)	16,710 (revised in May 2016)	16,710
Fiscal year ended March 2017	22,975 (forecasted in February 2017)	18,500 (revised on May 1, 2017)	18,502

5. Business structural reforms

In light of the severe business environment described in 3 above, JDI announced and implemented the following business structural reforms in August 2017 and June 2019.

(1) August 2017

To streamline company management and improve earnings by overhauling its manufacturing system to bring it in line with a changing market and reducing the level of fixed costs, JDI announced and implemented: (i) a shutdown of a front-end manufacturing line at the Nomi Plant (from December 2017), (ii) a consolidation of overseas back-end manufacturing subsidiaries, (iii) records of impairment on business assets and idle assets, (iv) an integration of the OLED pilot lines at the Ishikawa Plant into the Mobara Plant, and (v) workforce reductions. As a result, JDI posted the business structure improvement expense of JPY142.26 billion in total as extraordinary loss in the fiscal year ended March 2018 (before restatement of financial results for past fiscal years).

(2) June 2019

JDI announced that while continuing to strengthen automotive and non-mobile business, JDI would implement structural reforms by downsizing its mobile business and integrating and downscaling production equipment. More specifically, JDI announced (1) suspension of operation at the Hakusan Plant which manufactures displays for smartphones (from July 2019), (ii) closure of the back-end production line for the mobile business (V2 line) at the Mobara Plant, and (iii) workforce reductions, in order to further reduce fixed costs. As a result, JDI posted the business structure improvement expense of JPY51,693 million as extraordinary loss in the first quarter of the fiscal year ended March 2020 (before restatement of financial results for past fiscal years).

6. Progress on financing

(1) Financing from INCJ

Sales of JDI's mobile device section focusing on LCD products for smartphones had accounted for approximately 80% of its total sales since its listing on March 19, 2014. However, the competitive environment for the mobile device section was intense and the volatility was significant. Therefore, with the aim of facilitating research and development and accelerating the commercialization of OLED[12] displays using the printing method, which was expected to be the next generation display technology as well as further expanding its non-mobile business, on December 21, 2016, JDI raised funds of JPY75 billion in total by issuing first series unsecured subordinated convertible bonds with share options through a third-party allotment to INCJ and borrowing the subordinated loan from INCJ to fund research and development of OLED displays using the printing method.

On June 29, 2018, JDI agreed with INCJ to transfer the Nomi Plant and the related assets (plant operations were discontinued in December 2017) to INCJ in exchange for JPY20 billion and procure JPY20 billion in loans from INCJ.

After the announcement of a third-party allotment to Suwa as described in 7 below, JDI procured JPY60 billion in total to secure the operating funds necessary to continue its business by entering into a bridge loan agreement (borrowing JPY20 billion) on April 18, 2019 and short-term loan agreements (borrowing JPY20 million, each) on August 7 and September 2, 2019.

[12] The printing method is JOLED's unique technology. To utilize this technology, on the same date when the above-mentioned resolution was passed, JOLED and INCJ concluded a basic agreement under which JOLED would become JDI' subsidiary. In March 2018, JDI abandoned the idea of making JOLED its subsidiary, and determined to strengthen business alliance with JOLED through technical support and the like.

(2) Financing from overseas investors and other

On April 25, 2018, to secure the operating funds to meet increasing demand for LCD modules, FULL ACTIVE™ and the funds for new purchases of back-end manufacturing equipment for FULL ACTIVE™, JDI procured approximately JPY35 billion in total through third-party allotment to overseas financial institutional investors (approximately JPY30 billion) and Nichia Corporation (approximately JPY5 billion).

(3) Support from a customer

On June 28, 2019, JDI obtained financial support from its customer by agreeing with the customer to defer payments of three fourths of trade payables despite of past agreement (representing the balance after setting off the prepayment received from the customer to purchase new equipment to manufacture products for the customer against the amount receivable from the customer) over two years. On October 23, 2019, JDI announced that it obtained financial support that included a shortening of payment terms starting from November 2019, and obtained support from other business partners such as easing their respective payment terms. On March 31, 2020, JDI agreed with the customer to transfer part of the production equipment located at the Hakusan Plan at a price of USD200 million (approximately JPY21.5 billion) and set off the transfer price against the prepayment received from the customer.

7. Sponsor selection

As described in 3 above, the business environment surrounding JDI's core mobile business has not improved but was becoming more difficult year by year, and it was expected that the situation would remain that way. Under these circumstances, JDI considered that it was difficult to totally recover its eroded capital with the profits generated from its operations and that it needs substantial capital funds to ensure an appropriate net asset level as a listed company. Therefore, JDI sought to select new sponsors.

On April 12, 2019, JDI entered into a capital and business alliance agreement with Suwa (the "Suwa Capital and Business Alliance Agreement"), and announced (i) issuance of common shares and convertible bonds with share options of JDI to Suwa through a third-party allotment and (ii) a business alliance basic agreement with a company which formed a consortium with Suwa (the "Suwa Third-Party Allotment").

In June and September 2019, JDI received notices regarding the Suwa Third-Party Allotment from TPK Holding Co., Ltd., Harvest Tech Investment Management Co., Ltd. and Cosgrove Global Limited which formed a consortium with Suwa, stating that they would withdraw from the consortium. Given these notices, JDI determined to continue to contact and discuss with potential investors so that JDI could flexibly respond to situation even if the Suwa Third-Party Allotment was not implemented. On December 12, 2019, JDI entered into a legally non-binding memorandum of understanding with Ichigo Trust to agree that JID and Ichigo Trust would proceed with discussions toward concluding a definitive agreement under which JDI would procure funds of JPY80-90 billion from Ichigo Trust.

As the Suwa Third-Party Allotment was not implemented on or before December 31, 2019, JDI resolved at the meeting of the Board of Directors held on January 8, 2020 to cancel the Suwa Third-Party Allotment and terminate the Suwa Capital and Business Alliance Agreement.

On January 31, 2020, JDI entered into a capital alliance agreement with Ichigo Trust, and determined to issue preferred shares and share options to Ichigo Trust through a third-party allotment. Although there was a further change in the business environment due to global expansion of COVID-19 infection after the conclusion of the capital alliance agreement with Ichigo Trust, JDI entered into a basic agreement regarding the additional fund procurement with Ichigo Trust on March 13, 2020. JDI increased its capital through a third-party allotment to Ichigo Trust on March 26, 2020 with the approval of the extraordinary shareholders meeting held on March 25, 2020. Currently, JDI is operating with funds and other support (such as dispatch of officers) from Ichigo Trust.

VI. Investigation Results concerning Each Item of Suspected Misconduct

The results of the investigation by the Committee concerning each item of the Suspected Misconduct and other events similar thereto are as described below.

Japanese yen amounts stated in each item have been rounded down to the nearest Japanese million yen.(or billion yen.)

Note: The corresponding consolidated financial statements of JDI and its subsidiaries have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.)

1. Recording of fictitious inventories in the amount of JPY 10 billion

(1) Overview of inappropriate accounting treatment

In the 4th quarter of the fiscal year ended March 2014, JDI overstated JPY 3 billion in work-in-process in an attempt to avoid reporting an operating loss in the quarter immediately after its listing. This inappropriate accounting treatment was then reversed in the 1st quarter of the fiscal year ended March 2015.

Subsequently, in an attempt to achieve the level of profitability expected in the earnings forecast, fictitious work-in-process in the amount of JPY 10 billion was recognized from the 2nd quarter of the fiscal year ended March 2016 to the 1st quarter of the fiscal year ended March 2017. Such inappropriate recognition was reversed in a stepwise manner from the 1st quarter of the fiscal year ended March 2018 to the 2nd quarter of the fiscal year ended March 2019, and then completely eliminated in said quarterly period.

(2) Overstatement of work-in-process for the fiscal year ended March 2014 (full fiscal year)

a. Circumstance of inappropriate accounting treatment

At around the end of the first fiscal year after the JDI's listing (the 4th quarter of the fiscal year ended March 2014), JDI experienced a downturn in its mobile business and found itself in a severely challenging business position. Under such circumstances, on April 7, 2014, Mr. A told accounting personnel (managerial positions) that based on the figures in the settlement of accounts for the 4th quarter of the fiscal year ended March 2014 as of that date, a consolidated operating loss in the amount of JPY 533 million was expected. Explaining that such a figure represented the current conditions surrounding JDI after adjustments for write-downs and the like, he said that JDI could not disclose it, and directed the accounting personnel to consider various measures, including reviewing write-downs of inventories, closely examining amounts recorded under accounts payable, and postponing of the recognition of expenses to April or later (these instructions were shared with Mr. J who was CFO at that time).

After the merger of the Three Former Companies, JDI had determined that the process completion ratio (a factor used in calculating the work-in-process balance) at the end of the accounting term shall be 50%, and had calculated its work-in-process using a process completion ratio of 50% at all plants. Also, under the inventory management system of SAP ECC6.0 (hereafter, "SAP"), which was the main operation system (Enterprise Resources Planning (ERP)) introduced by JDI, the process completion ratio was automatically set to 50% to calculate work-in-process, and this ratio was fixed under said system. However, in response to the direction given by Mr. A, the accounting personnel proposed to Mr. A that they increase operating income by manipulating the process completion ratio of work-in-process, and Mr. A directed and carried out the overstatement of work-in-process by increasing the processing cost progress ratio of work-in-process, or by taking other measures, as described in Section B below.

b. Method of inappropriate accounting treatment

As described above, the process completion ratio of work-in-process was automatically set to 50% in the calculation under the inventory management system of SAP, and the calculation results are reflected in the SAP accounting system, which works in conjunction with the inventory management system. This process completion ratio was fixed in the inventory management system, and although quantities, item numbers or other items regarding inventories could be manually adjusted in the inventory management system, the accounting personnel were not authorized to enter data in the system.

Therefore, for the overstatement of work-in-process, the accounting personnel downloaded a breakdown of work-in-process from the inventory management system into an Excel sheet, instead of directly manipulating the data in the inventory management system, and fabricated the breakdown of the work-in-process where the unit prices of such work-in-process were overstated by replacing the unit price of part of the work-in-process (process completion ratio of 50%) with the unit price of semi-finished products (process completion ratio of 100%). Then, based on that breakdown, the following journal entry was manually created.

Work-in-process was overstated through the method described above.

(Period closing journal entry at the settlement of accounts in March 2014) (million JPY)

(Debit)	Work-in-process - Work-in-process - Manufacturing department	3,085	(Credit)	Cost of sales - Difference from receiving semi-finished product/Others	3,085

Thereafter, by manually inputting the following entries in April and June in 2014, the overstatement of work-in-process in the amount of approximately JPY 3 billion was completely eliminated during the 1st quarter of the fiscal year ended March 2015, which was the fiscal year subsequent to the overstatement.

(Period closing journal entry at the settlement of accounts in April 2014) (million JPY)

(Debit)	Cost of sales - Cost of sales of ordered products - General	2,799	(Credit)	Work-in-process - Work-in-process - Manufacturing department	2,799

(Period closing journal entry at the settlement of accounts in June 2014) (million JPY)

(Debit)	Foreign exchange gains - Realization	285	(Credit)	Work-in-process - Work-in-process - Manufacturing department	285

(3) Recognizing fictitious work-in-process in the 2nd quarter of the fiscal year ended March 2016

a. Circumstance of inappropriate accounting treatment

In the closing of accounts for the 2nd quarter of the fiscal year ended March 2016, which was the first quarter after Mr. C had assumed the position of CEO, Mr. A directed the accounting personnel on October 7, 2015 to make inventory adjustments by revising the processing cost progress ratio, because it was difficult to make adjustments in the valuation of inventories.

Then, the accounting personnel calculated the amount of the impact if the process completion ratio of work-in-process at the Mobara Plant was changed to a range of between 70% and 85%. Based on the result of such calculation, Mr. A decided to overstate inventories by approximately JPY 900 million, which was the difference from the calculation using process completion ratio of ordinal 50% and newly set at 70%.

It should be noted that, upon making this determination, Mr. A obtained the information from an accounting personnel through a person in charge of accounting at the Mobara Plant that the actual process completion ratio of work-in-process at the Mobara Plant was approximately 70%, which was confirmed with the Production Control Group. Therefore, Mr. A thought that, if the process completion ratio was approximately 70%, it would be possible to explain to the External Auditor that such ratio reflected the actual condition at the Mobara Plant, and he decided to recognize approximately JPY 900 million in additional inventories, which was the difference created in the calculation using 70% as the process completion ratio at the Mobara Plant.

However, while JDI had determined internally to evaluate work-in-process using a uniform process completion ratio of 50% throughout the entire company as described in Section (2)A, there are no reasonable grounds to change such process completion ratio to 70% solely based on the actual condition at the Mobara Plant. Moreover, JDI gave an explanation to the External Auditor that differed from the actual condition by using fictitious item numbers as described in the next section. Based on the supporting information, said recognition of fictitious work-in-process was identified as an inappropriate accounting treatment.

b. Method of inappropriate accounting treatment

As described in Section (2)B. above, the accounting personnel were not authorized to enter data in the inventory management system in making adjustments for the progressing cost ratio of the entire amount of work-in-process in the Mobara Plant to be 70%. As such, the accounting personnel downloaded a breakdown of the work-in-process from the inventory management system into an Excel sheet, instead of changing data directly in said system. On that Excel sheet, fictitious inventory item codes were fabricated from existing item codes and quantities and amounts (50% process completion ratio) were allocated to those created items so that the total fictitious work-in-process amounted to approximately JPY 900 million. Based on such a fabricated breakdown of work-in-process, the following journal entries were manually created.

The fictitious work-in-process was recognized through the method described above.

(Period closing journal entry at the settlement of accounts in September 2015) (million JPY)

(Debit)	Work-in-process Work-in-process - Manufacturing department	908	(Credit)	Cost of sales - Cost of sales of ordered products - General	908

(4) Recognizing fictitious work-in-process in the 3rd quarter of the fiscal year ended March 2016 and the 1st quarter of the fiscal year ended March 2017

a. Circumstance of inappropriate accounting treatment

Since actual operating income was less than the previously announced forecast amount in the 3rd quarter of the fiscal year ended March 2016 as well, and for other reasons, the accounting personnel recognized fictitious work-in-process additionally. In this instance, unlike in the 2nd quarter of the same fiscal year, fictitious work-in-process was recognized, irrespective of the actual process completion ratio of the relevant plant. As a result, JPY 3,573 million of additional fictitious work-in-process was recognized, corresponding to a process completion ratio of over 100%.

Subsequently, also in the 1st quarter of the fiscal year ended March 2017, an additional JPY

5,532 million was recognized fictitiously. As a result, total fictitious work-in-process exceeding approximately JPY 10 billion was recognized by the end of June 2016. Such a situation continued until the 4th quarter of the fiscal year ended March 2017, and then was reversed in a stepwise manner from the 1st quarter of the fiscal year ended March 2018 onwards.

b. Method of inappropriate accounting treatment

Recognition of the fictitious work-in-process in the 3rd quarter of the fiscal year ended March 2016 and the 1st quarter of the fiscal year ended March 2017 was carried out using the same method as in the 2nd quarter of the fiscal year ended March 2016. In the journal entries, JPY 908 million of fictitious work-in-process recognized in said quarter was once reversed, and then together with the additional fictitiously recorded amount, a total of JPY 4,481 million of fictitious work-in-process was recognized again. The same procedure was used in the 1st quarter of the fiscal year ended March 2017.

(Period closing journal entries at the closing of accounts in December 2015) (million JPY)

(Debit)	Cost of sales - Cost of sales of ordered products - General	908	(Credit)	Work-in-process - Work-in-process - Manufacturing department	908
(Debit)	Work-in-process - Work-in-process - Manufacturing department	4,481	(Credit)	Cost of sales - Cost of sales of ordered products - General	4,481

(Journal entries at the closing of accounts in June 2016) (million JPY)

(Debit)	Cost of sales - Cost of sales of ordered products - General	4,481	(Credit)	Work-in-process - Work-in-process - Manufacturing department	4,481
(Debit)	Work-in-process - Work-in-process - Manufacturing department	10,013	(Credit)	Cost of sales - Cost of sales of ordered products - General	10,013

(5) Reversal of the overstatement of work-in-process

a. Circumstance of reversal of inappropriate accounting treatment

Around the latter half of 2016, the accounting personnel felt a sense of guilt and stress concerning the aforementioned recognition of fictitious work-in-process. Mr. L had heard about such recognition of fictitious inventories even before he assumed the office of CFO through his conversations with the accounting personnel, and after he assumed the office, he stated that such inappropriate accounting treatment should stop completely, and proposed promptly reducing such fictitious balance. At the same time, a person in charge of accounting (managerial position) who was asked for advice by junior accounting personnel about the fictitious entries as instructed by Mr. A, also thought that such fictitious amount should not be remained in the book, and from April 2017 onwards, he reversed such fictitiously booked amount by JPY 200 million every month at his own discretion. In addition, Mr. A also separately directed the accounting personnel to reverse such fictitiously booked amount, in addition to the said amount reversed every month. Consequently, in the 4th quarter of the fiscal year ended March 2018 and the 2nd quarter of the fiscal year ended March 2019, a large reversal was made in conjunction with the recognition of significant business restructuring costs. As a result of these reversals, recognition of the fictitious work-in-process in the amount of approximately JPY10 billion was completely eliminated in said quarterly period.

b. Method of reversal

Unlike at the time of recognition, the reversal was entered as "(Debit) Cost of sales" / "(Credit) Work-in-process - Work-in-process - Manufacturing department," the following amounts indicated in Section C below were reversed.

With respect to the cost of sales account, not only was the account title of "Cost of sales - Cost of sales of ordered products - General" used upon initial recognition, but also the following account titles: "Cost of sales - Difference from receiving semi-finished product/Others," "Cost of sales - Difference from receiving finished goods," and "Cost of sales - Difference from indirect cost of manufacturing" were used.

c. Reversals

(million JPY)

	Reversal	Balance of fictitious work-in-process
April 2017	-199	9,814
May 2017	-199	9,614
June 2017	-200	9,414

	Reversal	Balance of fictitious work-in-process
July 2017	-200	9,214
August 2017	-199	9,014
September 2017	-200	8,813
October 2017	-200	8,613
November 2017	-202	8,410
December 2017	-201	8,209
January 2018	-1,850	6,358
February 2018	-1,421	4,936
March 2018	-1,888	3,048
June 2018	-400	2,647
July 2018	-1,850	797
August 2018	-201	595
September 2018	-595	-

(6) False explanations to the External Auditor and other matters

For testing the reliability of the breakdown of work-in-process submitted as materials used in the settlement of accounts, which included fictitious work-in-process made through the method described above, the External Auditor requested that JDI submit the original data generated from the inventory management system of SAP. The accounting personnel, however, falsified such original data to be submitted so as to be consistent with the breakdown of the work-in-process submitted as described above. Furthermore, when the External Auditor asked the accounting personnel about the details of inventories with fictitious item codes listed in the breakdown of work-in-process, the accounting personnel falsely represented that such fictitious item codes would be revised to regular item codes after proceed to the post-process. As a result of these actions, such misconduct was not discovered during the financial statement audit.

(7) Investigation into the existence of similar cases by the Committee

Overstatement or fictitious recognition of inventories was not made by using the breakdown of work-in-process generated from the inventory management system in SAP, but by manually creating journal entries based on the breakdown of work-in-process fabricated outside SAP. Therefore, the Committee investigated the existence of similar inappropriate accounting treatment and the amount of impact from the 1st quarter of the fiscal year ended March 2014 onwards of which period can be confirmed in SAP, by comparing the total amount of breakdown of inventory registered in the inventory management system of SAP to the balance of the inventories registered in the trial balance in the accounting system of SAP.

As a result of such investigation, except for the periods specified in Section (2) through (4) above, no overstatement or fictitious recognition of inventories was found.

2 Avoidance of write-downs of slow-moving and excess inventories by using sales prospects and other data that did not reflect the actual condition

(1) Overview of inappropriate accounting treatment

JDI engaged in inappropriate accounting treatment to avoid write-downs of slow-moving and excess inventories for the 4th quarter of the fiscal year ended March 2014, the 1st quarter of the fiscal year ended March 2015, from the 3rd quarter of the fiscal year ended March 2015 to the 1st quarter of the fiscal year ended March 2017, and the 1st quarter of the fiscal year ended March 2018 by using sales prospects and other data that did not reflect actual condition.

(2) Valuation of inventories in JDI

a. Provisions in the accounting standard for valuation of inventories

"Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (hereafter, "ASBJ") Statement No. 9) stipulates that, with respect to valuation of slow-moving inventories, "When it is difficult to obtain the selling value rationally calculated of slow-moving inventories which are out of the operating cycle or inventories expected to be disposed, the carrying amount of inventories shall be valued at an amount that reflects decreased profitability thereof by either of: (i) writing down the carry amount below its cost to the estimated disposal value (including "zero" or a memorandum value); or (ii) regularly writing down the carry amount when the inventories are held longer than a certain turnover period, as applicable for the relevant circumstances, instead of the method of writing them down to net selling value.

b. Outline of JDI's calculation method of loss on valuation on inventories

JDI conducts its valuation of inventories in accordance with its valuation policy described below (partially omitted). However, even when inventories fall under the category where write-downs become necessary under the following valuation method, if those inventories are expected to be sold, or for any other reasonable grounds, those inventory items are to be valued individually instead of applying the following valuation method.

Slow-moving inventories	For inventories for which no movement has occurred during the last three months, the carrying amount of those inventories shall be written down to zero, in principle.
Excess inventories	Inventory turnover period (months) is calculated based on sales prospects for next three months, and the carrying amount of the inventories held in excess shall

	be written down by: 30% for those turnover period is more than three months but within 12 months; 50% for those turnover period is more than 12 months but within 24 months; and 100% for those turnover period is more than 24 months.

The loss on valuation of slow-moving and excess inventories is calculated based on the inventory write-down calculation sheet which is prepared in the following manner: i) the accounting personnel obtains from the production management personnel the Production Sales Inventory ("PSI") data (demand forecast for the following two years) downloaded from the production management system; ii) the necessary data (mainly item numbers, item names and demand forecast for the following three months) is extracted from such PSI data to create an intermediate Excel file, and iii) the data from said intermediate Excel file is imported to SAP to perform the calculation.

In the inventory write-down calculation sheet, losses on valuation of slow-moving and excess inventories are calculated as described below.

Loss on valuation of slow-moving inventories	For inventories that have not moved during the last three months or longer, and not expected to be sold, the carrying amount is to be reduced to memorandum value.
Loss on valuation excess inventories	Firstly, the inventory turnover period (months) is calculated based on the expected demand for the following three months on average and the remaining quantity of inventories. The carrying amount is to be reduced based on said inventory turnover period (months).

After performing the calculation as described above, the accounting personnel interview the General Manager and person(s) in change at Strategic Business Planning & Sales Department and determine the corresponding loss on valuation of inventories by taking qualitative information into consideration together with the result of the loss calculation as described above.

With respect to the inventories excluded from the scope of slow-moving or excess inventories, classified as a result of interviews with personnel in the Strategic Business Planning & Sales Department by the accounting personnel, the comments from the personnel in the Strategic Business Planning & Sales Department such as the corresponding inventories were excluded from the scope of write-downs because they are expected to be sold or for any other reason must be documented in the inventory write-down calculation sheet.

(3) Circumstance of inappropriate accounting treatment

Based on interviews with the accounting personnel by the Special Investigation Committee, the method used by JDI to avoid write-downs of slow-moving and excess inventories was as follows. The accounting personnel redid the demand forecast for the following three months in the course of creating an intermediate Excel file by manipulating the "existence of sales prospects," which is a parameter used in estimating the valuation loss on slow-moving items and the "expected demand quantities for the following three months on average," which is a parameter for valuation loss on excess items so that the demand for inventories, which would have otherwise been within the scope of write-downs due to being slow-moving or in excess, appeared greater than the actual demand.

During the financial statement audit, the carrying amount of the inventories valued individually without applying the valuation method described in Section (2)b. above and excluded from the scope of write-downs were also examined. Therefore, JDI submitted to the External Auditor the inventory write-down calculation sheets in which the loss on the valuation of inventories was calculated by revising demand forecast for the following three months, so that it appeared as if no individual valuation of such inventories had been conducted. Such behavior suggests that JDI intentionally avoided writing down inventories.

The amounts of loss on valuation of inventories avoided through the method described above discovered in the course the Committee's investigation are as shown in the table below. These inappropriate accounting treatments were completely eliminated through reversal entries in subsequent quarterly consolidated accounting periods.

(million JPY)

Quarterly consolidated accounting period	**Unrecognized loss on valuation of inventories**	
For the fiscal year ended March 31, 2014	Q4	376
For the fiscal year ended March 31, 2015	Q1	438
	Q3	2,105
	Q4	2,523
For the fiscal year ended March 31, 2016	Q1	1,686
	Q2	2,107
	Q3	4,289
	Q4	2,892
For the fiscal year ended March 31, 2017	Q1	1,172
For the fiscal year ended March 31, 2018	Q1	813

(4) Investigation method of the Committee

As described above, the recognition of loss on valuation of inventories was avoided though manipulation of the intermediate Excel files created by the accounting personnel, and therefore the Committee checked whether the demand forecast for the following three months in the PSI data was accurately reflected in the inventory write-down calculation sheet, by comparing the demand forecast for the following three months in the PSI data downloaded from the production management system to the corresponding expected demand quantity for the following three months in average contained in the relevant inventory write-down calculation sheet.

a. Status of data preservation

(a) PSI data and the intermediate Excel files

With respect to PSI data downloadable from the production management system, only the data used in the preparation of the inventory write-down calculation sheets for the period from the 4th quarter of the fiscal year ended March 2016 to the most recent period were identified due to a system change.

With respect to the intermediate Excel files of PSI data processed by the accounting personnel, those were stored in the file server with their versions indicated in their file names so that the revision history can be seen. As such, the first and the final versions of the intermediate Excel files for the period from the 3rd quarter of the fiscal year ended March 2015 to the most recent period could be located. However, with respect to the 2nd quarter of the fiscal year ended March 2015 and earlier periods, such intermediate Excel files of PSI data were not preserved, and therefore the Committee could not identify the initial and the final versions of those files.

For this reason, the Committee used the PSI data in its investigation with respect to the period from the 4th quarter of the fiscal year ended March 2016 to the 2nd quarter of the fiscal year ended March 2020, and the intermediate Excel files processed by the accounting personnel with respect to the period from the 3rd quarter of the fiscal year ended March 2015 to the 3rd quarter of the fiscal year ended March 2016.

(b) Inventory write-down calculation sheet

With respect to the inventory write-down calculation sheets, since the files are stored with their versions indicated in their file names so that revision history can be viewed, the Committee could identify the initial and final versions of those files for the period from the 4th quarter of the fiscal year ended March 2014 to the 2nd quarter of the fiscal year ended March 2020. Therefore, the Committee used such files in its investigation with respect to the period from the 4th quarter of the fiscal year ended March 2014 to the second quarter of the fiscal year ended March 2020.

(c) Consistency between intermediate Excel files and inventory write-down calculation sheets

As it is necessary to create an intermediate Excel file in order to prepare an inventory write-down calculation sheet, the data in the saved intermediate Excel files and the corresponding inventory write-down calculation sheets with their versions indicated in their file names were matched with each other.

In addition, although the initial version of the intermediate Excel file was created based on relevant PSI data, the data in subsequent intermediate Excel files were revised, not in conformity with such PSI data.

b. Comparing inventory write-down calculation sheets with the original data

With respect to the period from the 4th quarter of the fiscal year ended March 2016 to the 2nd quarter of the fiscal year ended March 2020, the Committee checked if the demand forecasts for the following three months in PSI data matched the demand forecasts for the following three months in the first version of the inventory write-down calculation sheet stored in the file server, and confirmed that the demand forecast figures for the following three months in PSI data matched those in the first version of the inventory write-down calculation sheet for every quarterly period in such periods, except for the 1st quarter of the fiscal year ended March 2018 (to be described later).

With respect to the period from the 3rd quarter of the fiscal year ended March 2015 to the 3rd quarter of the fiscal year ended March 2016, PSI data could not be located. Therefore, the Committee checked if the demand forecast for the following three months in the initial version of the intermediate Excel file created by the accounting personnel and stored in the file server matched the demand forecast for the following three months in the first version of the inventory write-down calculation sheet stored in the file server, and confirmed that the demand forecast figures for the following three months matched for every quarterly period in those periods.

It should be noted that as a result of the procedure described above, it was found that, in the 1st quarter of the fiscal year ended March 2018, the demand forecast of June 2017 should have been input as the latest version of the demand forecast, but actually, data of May 2017 was included. Moreover, an Excel file was found in the file server, in which the forecast demand quantities in May and June 2017 were compared to each other to confirm that the demand forecast in May 2017 was greater. Accordingly, the understatement of loss on valuation of inventories due to slow-moving or excess quantities as a result of entering the May 2017 data in which the demand forecast was greater appeared to be committed intentionally, not by some procedural mistake.

c. Calculation of the impact

As a result of the procedure described above, the Committee confirmed that the demand forecast figures for the subsequent three months in PSI data or intermediate Excel files agreed with those of the initial version of inventory write-down calculation sheet stored in the file server. Then, the Committee compared the first version with the last version of the inventory write-down calculation sheet and calculated the impact amount by extracting the products for which the demand forecast figures for the subsequent three months had changed between the initial and the last files.

(5) Avoidance of recognition of loss on valuation of inventories identified as a result of the investigation in Section (4) above

As a result of the investigation, it was found that recognition of loss on valuation of slow-moving or excess inventories was avoided by revising the demand forecast for the following three months.

The amount of unrecognized loss on valuation of inventories was calculated as the difference between the amounts of write-downs of slow-moving or excess inventories calculated in the initial version file and the last version file of the inventory write-down calculation sheet when the loss amount in the first version became smaller or zero in the last version for the products of which the figures of the demand forecast for the following three months of the last file stored in the file server was larger than those in the initial file.

With respect to the period from the 3rd quarter of the fiscal year ended March 2015 to the 3rd quarter of the fiscal year ended March 2016, although PSI data, which is the source data for creating the intermediate Excel file, could not be located. However, during interviews with the accounting personnel conducted by the Special Investigation Committee, there was a statement that the intermediate Excel file was created based on the PSI data. Therefore, on the assumption that the initial intermediate Excel file was prepared based on the PSI data also in the period for which no PSI data remains, the understatement of the loss amount was calculated by comparing the demand forecast for the following three months of the initial inventory write-down calculation sheet which corresponds to the initial intermediate Excel file, with that in the last inventory write-down calculation sheet.

(6) Other incidents of avoidance of recognition of loss on valuation of inventories identified in the course of the investigation

In addition to the cases described above, the following facts were found through email reviews and comparison of the inventory write-down calculation sheets, although the comparison with

PSI data or intermediate files could not be conducted.

a. Avoidance of recognition of loss on valuation of inventories in the 4th quarter of the fiscal year ended March 2014

As described in Section 1(2)a above, after becoming a listed company, JDI experienced a downturn in its mobile business and found itself in a severely challenging business position. Mr. A told the accounting personnel (managerial position) on April 7, 2014 that JDI could not disclose the consolidated operating loss forecast in the amount of JPY 533 million in the final accounts for the 4th quarter of the fiscal year ended March 2014, and directed them to consider various measures, including revising write-downs of inventories, closely examining amounts recorded under accounts payable, and postponing the recognition of expenses to April or later. Under such circumstances, recognition of loss on valuation of inventories was avoided as described below.

With respect to write-downs of work-in-process at the Higashiura Plant, semi-finished products at SE and raw materials at SD, the accounting personnel prepared an inventory write-down calculation sheet that did not reflect the actual condition so that there was no loss on valuation of inventories for the top three item numbers at the Higashiura Plant, for the top one item number at SE, and for the top four item numbers at SD. The amount of the impact due to this avoidance of recognition of valuation loss was JPY 376 million.

b. Avoidance of recognition of loss on valuation of inventories in the 1st quarter of the fiscal year ended March 2015

On July 11, 2014, as the operating loss for the 1st quarter of the fiscal year ended March 2015 amounted to JPY 13.2 billion in the internal flash report, Mr. A directed the accounting personnel to, when submitting the said flash report, reduce such operating loss to JPY 12.8 billion by avoiding write-downs of inventories. In response to this instruction, the accounting personnel made adjustments to the inventory write-down calculation sheet to avoid recognition of valuation loss as directed by Mr. A.

With respect to write-downs of semi-finished products and materials at the headquarters plant, the accounting personnel prepared an inventory write-down calculation sheet that did not reflect the actual condition, so that the loss amount was zero for the top seven item codes of semi-finished products and top four item codes of raw materials. The amount of the impact due to this avoidance of recognition of loss on valuation of inventories was JPY 438 million.

(7) Investigation into the existence of similar cases by the Committee

In addition to the investigation method described in Section (4) above, the Committee investigated the existence of similar cases where recognition of valuation loss was avoided by using sales prospects and other data that did not reflect the actual condition of slow-moving and excessive inventories, through review of emails and interviews with persons in charge.

As a result of the investigation, no similar case was identified where recognition of valuation loss was avoided by using sales prospects and other data that did not reflect the actual condition of slow-moving and excess inventories, except for those periods mentioned above.

3 Manipulation of profit by reclassifying consumables to supplies that should otherwise have been recorded as expenses

(1) Overview of inappropriate accounting treatment

From the 4th quarter of the fiscal year ended March 2014 to the 2nd quarter of the fiscal year ended March 2020, some plant bases were requested to reduce fixed costs, and recorded part of supplies, which should otherwise have been treated as expenses, in order to reduce fixed manufacturing costs and achieve a certain target of profit or loss.

(2) Accounting treatment for recording supplies at JDI

JDI conducts inventory taking of supplies in the respective sections of each plant base, based on the "Implementation Guidelines for Inventory Taking of Unused Items" (hereafter, "Inventory Taking Guidelines"), which is provided on a quarterly basis by the accounting personnel of the headquarters to each plant base. Then, superiors in the respective sections submit their inventory taking data to the accounting section of the relevant base, and such accounting section inputs the balance of supplies at its own base in the accounting system. The accounting personnel of the headquarters receive a report on the total balance of supplies at each plant base as well as major reasons for any fluctuation thereof.

In accordance with the Inventory Taking Guidelines, items not normally classified as inventories (trial products for internal testing, defective products, etc.) are out of scope of inventory taking, and trial products in progress are also out of scope.

(3) Overbooking and fictitious recording of supplies at each plant base

a. Circumstanced of overbooking and fictitious recording of supplies

JDI controls its budget every month in preparation for the result of the end of each quarterly period. The COO or other corporate executive officers made requests for reduction of fixed costs to Executive Officers, Heads of Division, and Heads of Center by email or through meetings, in order to achieve the target operating income. Such requests for reduction of fixed manufacturing costs were also made regularly to each plant base.

Under such circumstances, based on the policy for reduction of fixed manufacturing costs provided by the relevant departments, the Chiefs, Senior Managers, etc., in some sections of the plant bases directed that items such as "trial products in progress" and "trial products/panels for internal evaluation," which are out of the scope of inventory taking under the Inventory Taking Guidelines, should be included in the inventory taking list, in order to reduce fixed manufacturing costs by recording more supplies.

This type of direction given at sections within a plant base started in around 2016, when business conditions were severe, and even after 2017 when the business restructuring of JDI was announced, overstatement and even fictitious recording of supplies were committed, although intermittently, in accordance with the instructions of Chiefs, Senior Managers, etc., in some sections of the plant bases. Meanwhile, overstatement of supplies was found even in the periods prior to 2016, when the aforementioned specific instructions for overstatement was given, and the amounts of overstatement identified through the Committee's investigation are as shown in the table in Section b. below.

It should be noted that the standard for determining whether or not a certain item of supplies should be subject to inventory taking tends to follow the standards used at the Three Former Companies prior to the establishment of JDI. Although JDI had its Inventory Taking Guidelines as its general corporate rule, which aimed to provide for uniform treatment across the entire company, full uniformity of company-wide treatment in JDI was not achieved during the investigation period in view of its impact on the accounting performance of each quarter.

b. Plant Base α

At Plant Base α, at the direction of Chiefs, etc., in some sections, items such as "trial products in progress" and "trial products/panels for internal evaluation," which are out of the scope of inventory taking under the Inventory Taking Guidelines, were also deemed to be in scope of inventory taking.

In addition, in some cases, when a person in charge of inventory taking prepared an inventory taking list, such person was instructed to add information regarding the category under which the item falls, such as "sample provided with charge, etc.," (white category), "sample provided free of charge, etc.," (gray category) or "disassembled modules, etc." (black category). Items which are out of the scope of inventory taking under the Inventory Taking Guidelines were categorized in the gray or black category. There was a case in which a person who gave the said instructions obtained the inventory taking list containing the information of the aforementioned categories from such person in charge of inventory taking, so that necessary adjustments could be made afterward, and depending on the requested amount of reduction of fixed manufacturing costs, such person who gave the said direction submitted to the accounting section of the relevant plant base a list which included items in the white category only, or a list which included items in the gray and/or black category(ies) as well to ensure that the list contained sufficient items to achieve the target amount of reduction of fixed manufacturing costs, while knowing that items in the gray and/or black category(ies) are out of scope of inventory taking under the Inventory Taking Guidelines.

In addition, when reduction of a large amount of fixed manufacturing costs was requested, in some cases, the higher of either the sales price or the repurchase unit price was adopted as the unit price of the subject item to be input.

The periods in which overstatements of supplies (including adjustment of unit price) were made additionally to achieve the target profit and the amounts of the impact are as described below. This inappropriate accounting treatment in each quarter was completely eliminated through the reversal of entries in the quarterly consolidated accounting period following such quarter.

(million JPY)

Quarterly consolidated accounting period		**Overstatement of supplies**
For the fiscal year ended March 31, 2014	Q4	12
For the fiscal year ended March 31, 2015	Q1	1
For the fiscal year ended March 31, 2016	Q4	13
For the fiscal year ended March 31, 2017	Q1	38
	Q2	114
	Q3	5
For the fiscal year ended March 31, 2018	Q1	17
	Q2	6
For the fiscal year ended March 31, 2019	Q2	112
	Q3	100
	Q4	134
For the fiscal year ended March 31, 2020	Q1	150
	Q2	61

c. Plant Base β

At Plant Base β, it was found that a fictitious recording of supplies was made, as late as the end of November 2019, in a certain section by padding the quantity of existing articles. At that time, inventories in the amount of JPY 1.1 billion was recorded as JPY 1.2 billion in inventories. However, the amount of such fictitious inventories had already been reversed by the end of February 2020, and therefore no such fictitious inventories exist at this report date.

Based on an interview with a related person, the recording of such fictitious entries had occurred since before September 2019, which was the end of the Investigation Period, and the amount of such fictitious entries had gradually increased. However, the Committee could not obtain related objective materials to confirm such fact. Therefore, the Committee could not objectively determine the specific amount fictitiously recorded in each quarter in the Investigation Period (until September 2019) in the course of its investigation.

(4) Investigation by the Committee into the existence of similar incidents

As the Committee received responses from multiple plant bases to the questionnaire concerning inventory taking of supplies, in addition to a follow-up review of such responses, the Committee performed procedures described below based on accounting data and inventory taking data of each plant base, as a part of its investigation into similar incidents:

- To understand quarterly changes in the balance of supplies at the headquarters, Plant Base α, Plant Base β, Plant Base γ, and Plant Base δ, and thereby confirm in which quarter such balance tended to increase by a large amount. At the same time, with respect to the plant bases having little change in such balance, to confirm the existence of a reasonable reason therefor.
- Based on the contents of the items stated in the inventory taking list of Plant Base α, Plant Base β and Plant Base γ, in which the balance of supplies tends to increase, i) to understand the transition of the balance of supplies, with respect to major items which occupy a large portion of the balance of supplies, or which increase only at a specific time or have any other unique feature, ii) to identify items which have significance in terms of the description of the items, quantity and unit price, and iii) to interview accounting personnel or other related persons of the relevant plant base concerning necessary matters such as the reason for recording of the relevant items.
- To understand quarterly change in the number of the variety of items at Plant Base α, Plant Base β and Plant Base γ, and then confirm the consistency between such change and the reason for an increase on a monetary basis.

In the scope of the procedure of investigation of similar incidents described above, as a result of the investigation of similar incidents, insofar as the Committee could receive answers, which were consistent with the actual condition of the relevant plant base at that time, from accounting personnel or other related persons at the headquarters, Plant Base α, Plant Base β and Plant Base γ, with respect to the cause of an increase during a quarter in which a temporary increase was observed in the balance of supplies or a period in which the balance of supplies continued to increase, the Committee did not find any answer suggesting overstatement or fictitious recording of supplies as described in Section (3) above.

4 Manipulation of profit by postponing or capitalizing expenses or losses that should have been recorded

(1) Overview of inappropriate accounting treatment

a. Postponement of expenses and losses

Both of the following were found as intentional postponement of the recognition of expenses: (i) expenses that were once recognized in the 4th quarter of the fiscal year ended March 2014 were withdrawn and recorded as expenses in the 1st quarter of the fiscal year ended March 2015; and (ii) a portion of the miscellaneous losses were not recorded in the 4th quarter of the fiscal year ended March 2015, but were recorded in the 2nd quarter of the fiscal year ended March 2016. The total amount resulting from the postponement described in (i) and (ii) above was JPY 1,718 million.

b. Manipulation of profit by capitalizing expenses

Both of the following were found as intentional capitalization of expenses: (i) expenses related to the modification of jigs were recorded as fixed assets in the 3rd quarter of the fiscal year ended March 2014, and (ii) purchase costs of photo masks for R&D purposes that should otherwise have been treated as expenses were recorded as fixed assets in the 3rd quarter ended March 2016. The total capitalization amount that should have been recorded as expenses resulting from (i) above, and other similar cases (including errors), and (ii) above was JPY 854 million.

All of the above postponement of expenses or capitalization were led by the accounting division of the headquarters.

(2) Postponement of expenses and losses

a. Accounting standards

Japanese accounting standards prescribe that, "All expenses and revenues shall be recognized based on their expenditures and income, and shall be properly allocated to the time period in which such expenses and revenues occurred." (Business Accounting Council, "Corporate Accounting Principles"). Any expense or loss, whether or not paid in cash, must be recorded during the time period in which the economic circumstance that resulted in such expense or loss occurred.

Each of the accounting treatments described in this section are considered inappropriate because expenses or losses that had been recorded in the appropriate time periods based on the occurrence of economic circumstances in accordance with the above principle were later withdrawn by the accounting personnel and thereby the recognition of expenses or losses was postponed.

b. Postponement of the recognition of expenses in the 4th quarter of the fiscal year ended

March 2014

(a) Circumstance of inappropriate accounting treatment

As stated above, around March 2014, which was JDI's first fiscal year-end after its listing, JDI was facing a slump in its mobile business. Therefore, JDI was performing poorly in the 4th quarter of the fiscal year ended March 2014. Mr. A notified the accounting personnel (managerial position) that consolidated operating losses of JPY 533 million were expected at the settlement of accounts for the 4th quarter of the fiscal year ended March 2014, and directed them to consider various measures including reviewing write-downs of inventories, closely examining amounts recorded under accounts payable, and postponing of the recognition of expenses to April or later.

The postponing of recognition of expenses in the 4th quarter of the fiscal year ended March 2014 was made for items (b) to (g) below. In all cases, expenses were recorded in the 1st quarter or later of the fiscal year ended March 2015 by the accounting personnel through withdrawing of expenses that had already been recorded as expenses based on information from relevant departments. Furthermore, each of the treatments by the accounting personnel was made on and after April 7, 2014, on which Mr. A sent the above-mentioned email. Based on such circumstances, it is considered that these expenses were intentionally postponed to achieve operating income target.

(b) Understatement of cost of goods sold in the fee-based raw material supply transactions with Nanox

With respect to certain transactions with Nanox, its overseas manufacturing subsidiary, JDI engages in transactions in which it supplies certain raw materials for a fee. In February 2014, the entry (i) below was made through the purchase ordering system with respect to some of such fee-based material supply transaction with Nanox. This entry was based on a mistake in over recording expenses through an erroneous registration of unit purchase price, whereby the cost of goods sold, which should have been recorded as JPY 533 million, was recorded as JPY 1,204 million.

(Journal entry through the purchase ordering system) (million JPY)

(i)	(Debit)	Cost of goods sold-Difference from receiving finished goods - Repurchase difference	1,204	(Credit)	Accounts payable - trade	1,204

Normally, such kind of error would be adjusted within the purchase ordering system. However, since no adjustment within the purchase ordering system could be made in time, the adjusting entry (ii) below was made manually in the same month. As a result, the cost of goods sold with respect to said transaction was recorded correctly in February 2014 on a single month basis.

(Adjusting journal entries manually) (million JPY)

(ii)	(Debit)	Account payable - Other Headquarters	671	(Credit)	Cost of goods sold -Difference from receiving finished goods - Repurchase difference	671

Furthermore, in March 2014, adjustments of the purchase unit price as stated above was cleared through the purchase ordering system by the adjusting entry (iii) below and the manual reversal entry (iv) below. Thereby, adjustment of the cost of goods sold with respect to such transaction was recorded.

(Adjusting journal entries through the purchase ordering system and manual reversal of adjusting entries) (million JPY)

(iii)	(Debit)	Accounts payable – trade	671	(Credit)	Cost of goods sold- Difference from receiving finished goods - Repurchase difference	671
(iv)	(Debit)	Cost of goods sold - Difference from receiving finished goods - Repurchase difference	671	(Credit)	Accounts payable - Other Headquarters	671

However, in order to improve operating results, on April 10, 2014, the accounting personnel manually recorded the reversal entry (v) to withdraw the above entry (iv) as of March 2014. As a result, the cost of goods sold for such transaction, which should have been zero in March 2014 on a single month basis, was understated in the amount of JPY 671 million.

(Withdrawal of reversal entry in the manual adjustment made by the headquarters accounting division)

(million JPY)

(v)	(Debit)	Accounts payable - Other Headquarters	671	(Credit)	Cost of goods sold - Difference from receiving finished goods - Repurchase difference	671

As a result of the above withdrawing entry (v), the balance of the accounts payable-other was negative. In order to conceal the above treatment, said balance was reclassified as provisional consumption tax paid, and ultimately, it was recorded as foreign exchange losses in June 2014.

(c) Postponement of return allowances for panel product returned from SE

With respect to defects in products that JDI has outsourced manufacturing to SE, a post-process manufacturing plant for liquid crystal modules, SE conducts quality checks and determines the allocation of responsibility between JDI and SE.

In March 2014, with respect to products that, as a result of a quality check by SE, were determined to be returned and disposed since they had been classified to be defective due to the condition of their panels, and for which it was determined that JDI was responsible, the entry (i) below was made and the relevant expenses were recorded as expense based on the "Allowance Necessity Check List" submitted by each of the Tottori Plant and the Higashiura Plant.

(Journal entry made based on requests from the personnel at the Tottori Plant and the Higashiura Plant)

(million JPY)

(i)	(Debit)	Cost of goods sold - Difference in receiving semi-finished products/Other	330	(Credit)	Accrued expenses - Other headquarters	330

However, on April 10, 2014, the accounting personnel made the entry (ii) by manually withdrawing the above treatment (i) as of March 2014. Thereafter, the relevant expense was treated as an expense at the time of disposal in the 1st quarter of the fiscal year ended March 2015.

(Withdrawal entry made manually by the accounting personnel) (million JPY)

(ii)	(Debit)	Accrued expenses - Other Headquarters	330	(Credit)	Cost of goods sold - Difference in receiving semi-finished products/ Other	330

(d) Postponement of losses related to disposal of work-in-process

With respect to certain parts arranged based on a production plan, particularly, residual parts that became non -moving inventories due to an unachieved production plan and changes to product specifications, a proposal was made to dispose those non-moving inventories. In March 2014, the entry (i) below was made based on the requests from the Module Planning and Module Production Control Department and based thereon the relevant expenses were recorded as an expense.

(Journal entry made based on the request from the Module Planning and Module Production Control Dept.) (million JPY)

(i)	(Debit)	Cost of goods sold - Loss on disposal loss - Work in process	6	(Credit)	Accrued expenses - Other headquarters	116
		Cost of goods sold - Loss on disposal - Materials	94			
		Cost of goods sold - Cost of sales of ordered products- General	16			

However, on April 10, 2014, the accounting personnel made the entry (ii) by manually to withdraw the journal entry (i) above as of March 2014. The non-moving inventories in question were expensed at the time of disposal thereof in the 1st quarter of the fiscal year ended March 2015.

(Withdrawing entry manually made by the accounting personnel) (million JPY)

(ii)	(Debit)	Accrued expenses - Other headquarters	116	(Credit)	Cost of goods sold – Loss on disposal - work in process	6
					Cost of goods sold - Loss on disposal -Materials	94
					Cost of goods sold - Cost of sales of ordered products - General	16

(e) Postponement of allowances for foreign exchange settlement with Company d

With respect to the settlement of losses or gains on foreign exchange differences arising from the fee-based material supply transaction in a foreign currency via Company d, the entry (i) below was made and the relevant expenses were recorded as an expense in March 2014 based on a notice of the amount of settlement of foreign exchange from Company d dated March 31, 2014.

(Journal entry made based on a request from the relevant department) (million JPY)

(i)	(Debit)	Cost of goods sold - Difference in material cost- Others	23	(Credit)	Accrued expenses – Other headquarters	23

However, on April 10, 2014, the accounting personnel made the entry (ii) by manually to withdraw the journal entry (i) above as of March 2014. Thereafter, on April 8, 2014, the relevant expenses were recognized as an expense based on an “Invoice” issued on April 3, 2014, which fell in the following fiscal year.

(Withdrawing journal entries manually made by the accounting personnel) (million JPY)

(ii)	(Debit)	Accrued expenses - Other headquarters	23	(Credit)	Cost of goods sold - Difference in material cost - Others	23

(f) Postponement of allowances for disposal costs of products

A proposal was made to dispose inventories that were unlikely to be used in the future due to a change in specifications, termination of maintenance, expiration of validity date or other reasons. Entry (i) below was made based on a request by the Module Planning and Module Production Control Department in March 2014, and the relevant amounts were recorded as an expense.

(Journal entry made based on a request from the relevant department) (million JPY)

(i)	(Debit)	Cost of goods sold - Loss on disposal - Products	9	(Credit)	Accrued expenses - Other headquarters	12
		Cost of goods sold - Loss on disposal - Materials	3			

However, on April 10, 2014, the accounting personnel manually made the entry (ii) to withdraw the journal entry (i) above as of March 2014. At the time of disposal in April 2014, the relevant expenses were recorded as an expense.

(Withdrawing journal entry manually made by the accounting personnel) (million JPY)

(ii)	(Debit)	Accrued expenses - Other headquarters	12	(Credit)	Cost of goods sold – Loss on disposal - products	9
					Cost of goods sold – Loss on disposal – materials	3

(g) Postponement of dispatched workers expense payable

In JDI, payment of salaries for dispatched workers to staffing agencies is arranged so that the accounts therefor close on the 20th day of each month and the salaries are paid at the end of the following month. The salaries for dispatched workers from the 21st to the last day of each month are recorded as an expense at an estimated amount based on a report of the approximate amount calculated by staffing agencies based on the number of working days and hourly rate for each relevant dispatched worker.

In March 2014, the entry (i) below was made based on the estimated amount reported by staffing agencies, and the relevant amounts were recorded as an expense.

(Journal entry made based on the estimated expense amount by the accounting personnel)

(million JPY)

(i)	(Debit)	Other expenses - Outsourcing expense - Expense for outsourcing dispatched workers	90	(Credit)	Accrued expenses - Other headquarters	90

However, on April 10, 2014, the accounting personnel made the entry (ii) by manually to withdraw the journal entry (i) above as of March 2014, and the expenses for the 21st to the last day of each month were unrecorded.

(Withdrawal of journal entries made manually by the accounting personnel) (million JPY)

(ii)	(Debit)	Accrued expenses - Other headquarters	90	(Credit)	Cost of goods sold - Difference in outsourced processing expense	65
					Sales, general and administrative expenses - Outsourcing expense	25

(h) Summary

As illustrated above, it was found that the expenses described in (b) to (g) above were postponed for the purpose of improving operating income, and the total amount thereof was JPY 1,245 million.

c. Partial postponement of allowances for Product V in the 4th quarter of the fiscal year ended March 2015

From December 2014, JDI started to manufacture Product V for Company c. Since it became clear that a part used in Product V had a fatal defect, Company c cancelled the project for Product V as a result. JDI was held fully responsible for a large volume of inventory arising from the above situation, and JDI was to pay settlement money therefor as a result. For such reason, the entry (i) below was made to record the allowance for loss on settlement payment in the amount of USD 9 million (JPY 1,073 million), based on “Status of Claim for Expenses for Product V” prepared by Business Unit 2 Sales & Marketing Department Sales Group 1.

(Journal entry made based on a request from Business Unit 2 Sales & Marketing Department)

(million JPY)

(i)	(Debit)	Miscellaneous loss - other	1,073	(Credit)	Accrued expenses Other headquarters	JPY 1,073 million

If the above amount claimed by Company c had been recorded in full, it would have exceeded 10% of the total amount of non-operating expenses on both a consolidated and non-consolidated basis. As any expense item that exceeds 10% of the total amount of non-operating expenses on both a consolidated and non-consolidated basis must be presented separately, the settlement money would have been required to be disclosed separately in the amount of JPY 1,073 million. Mr. A consulted with Mr. J on April 22, 2015 to reduce the amount to be recorded, and on April 24, 2015, the accounting personnel made the entry (ii) by manually to withdraw the above journal entry (i) and an entry (iii) to re-record a reduced amount of loss as of April 2015.

(Withdrawal and re-recording of journal entries made manually by the accounting personnel)

(million JPY)

(ii)	(Debit)	Accrued expenses unpaid - other headquarters	1,073	(Credit)	Miscellaneous loss – other	1,073
(iii)		Miscellaneous expenses – other	600		Accrued expenses - other headquarters	600

The loss of JPY 472 million, which was the difference between the amount (i) above that should have been treated as an expense and the amount (iii) above that was actually recorded, was treated as an expense in September 2015 based on the "SETTLEMENT AGREEMENT" executed on August 28, 2015.

d. Investigation into the existence of similar cases pertinent to postponement of expenses

Postponements of expenses were conducted by a method in which entries that had already been made to record the relevant expense as accounts payable-other or expenses unpaid at the end of each quarter or the fiscal year were withdrawn manually. Therefore, the Committee analyzed whether or not there was any inappropriate treatment similar to the abovementioned postponements by extracting entries for accounts payable-other and unpaid expenses from the SAP accounting system, and reviewing the entries that had been input manually.

As a result of this investigation, no postponement of expenses was detected, except for the abovementioned time periods.

(3) Manipulation of profit by capitalizing expenses

a. Capitalizing consumables expense (jigs) as fixed assets in the 3rd quarter of the fiscal year ended March 2014

(a) Circumstance of inappropriate accounting treatment

At the management committee held on October 22, 2013, a proposal for capital investment concerning "Investment in Switching 9 Lines Along with the Production of Product W" was submitted for discussion. The proposed investment included fixed asset investment of JPY 7 million, together with expenses in the amount of JPY 61 million, as the cost to modify testing instruments and assembling instruments (the "Jigs") for Product W.

Prior to such submission for discussion, an executive of the Mobile Business Division, who was the person who made the proposal, made an inquiry on the details of the accounting treatment to Mr. J and Mr. A. Specifically, the details of his inquiry were as follows: while the modification cost for the capital investment per Jig was small, the aggregate amount of the expense would be as much as JPY 40 million; under such circumstances, he wished to know whether such amount should be recorded as expenses or fixed assets. Many such modifications were less than JPY 100 thousand per Jig, and they were periodically replaced through repair work.

In responding to such inquiry, Mr. A expressed to Mr. J that in light of the characteristics of the Jigs, which were periodically repaired, it was a general rule to record such modifications as expenses. In addition, Mr. A expressed that it might be an idea to record it as an asset taking into consideration the situation of JDI, but such treatment would be irregular and therefore it would need a decision from the managements. In response, Mr. J presented a policy to record the same as an asset in the 3rd quarter of the fiscal year ended March 2014. Based on such policy, Mr. A instructed the accounting personnel to record the cost of the said investment proposal, including the expense portion, as a fixed asset to maximize operating income.

In response, the abovementioned executive of the Mobile Business Division made a further inquiry to Mr. J, who presented the above policy, regarding whether it was an appropriate accounting treatment to record such expense as an asset since the modification of the Jig in question was made by changing an attachment, which was a consumable. On behalf of Mr. J, Mr. A again presented the policy to record it as a fixed asset. In addition, Mr. A indicated his original interpretation that, it was a general rule under tax law to record such amount as an asset if its estimated useful life is more than one year even if it is valued at less than JPY 100 thousand, although such an interpretation did not exist in JDI's accounting rules and it disregarded the fact that the item was a consumable. Mr. A also explained that there was no issue in such recording it as a fixed asset under the accounting treatment. The details of the e-mail of Mr. A that presented such policy and interpretation was shared with Mr. J.

Based on such instruction by Mr. J and Mr. A, JPY 74 million was recorded in a construction in progress account under the job name[13] with respect to Product W by no later than December 2013. In December 2013, it was reclassified to the account for tangible fixed assets – jigs.

(b) JDI's fixed asset management rules serving as the basis of accounting for fixed assets

With respect to the scope of fixed assets that can be capitalized for accounting purposes, Article 1.2 of JDI's fixed asset management rules stipulate that "fixed assets are assets or the like of which the useful years or effective period is 1 year or longer and its acquisition cost is JPY 200 thousand or more."

(c) Inappropriate accounting treatments applied

For the purposes of corporate accounting, it is necessary to establish and consistently apply a certain accounting policy with respect to low-value depreciable assets. The method of accounting treatment that Mr. A explained to the executive of the Mobile Business Division in Section (a) above (the interpretation that it was a general rule to record such amount as an asset if its estimated useful life is one year or longer even if it is less than JPY 100 thousand) is an incorrect interpretation that is not consistent with JDI's fixed asset management rules, which define fixed assets as assets for which the acquisition cost is JPY 200 thousand or more. In addition, as stated in Section (a) above, the modification of the Jigs was a replacement of consumables that could not be used for more than one year. Thus, even if the said interpretation of Mr. A can be relied on, capitalizing the said amount as an asset cannot be recognized for accounting purposes, regardless of its amount.

Therefore, capitalizing the amount of JPY 74 million under the construction in progress account in the 3rd quarter of the fiscal year ended March 2014 and reclassification to the

[13] In JDI, order job numbers and job names are assigned to each capital investment project approved by the board of directors or other meeting bodies. Respective capital expenditures are managed by such job numbers, from recording the construction in progress account to recording fixed assets.

tangible fixed assets – jigs account in the same quarter were inappropriate accounting treatments.

(d) Investigation into the existence of similar cases by the Committee

As described above, while Mr. A indicated a view that was different from JDI's regulations for the management of fixed assets with respect to capitalizing consumable expenses as assets, the Committee obtained a statement from the accounting personnel to the effect that, taking the presentation of such view as an opportunity, there was a similar avoidance of treatment of expenses with respect to Jig X (a container that was used during testing in post-process to place a product on a testing line) in relation to testing equipment, although such jig was recognized to be a consumable. Therefore, the Committee conducted an investigation thereon as a similar incident.

As a result of extracting cases that include Jig X recorded as a construction in progress account, the capitalizing consumable expense in the amount of JPY 402 million and expenses for the development in the prototyping stage of Jig Y in the amount of JPY 111 million were found, as shown below.

Therefore, the accounting treatment involving the recording of Jig X as an asset in the total amount of JPY 513 million is also an inappropriate.

[Among construction in progress account, cases that include Jig X] (million JPY)

<table>
<tr><th colspan="2">Timing of capitalization as construction in progress account (quarterly consolidated accounting period)</th><th>Consumable expenses</th><th>Development expenses</th><th>Total</th></tr>
<tr><td rowspan="2">Fiscal year ended March 31, 2015</td><td>Q2</td><td>1</td><td>-</td><td>1</td></tr>
<tr><td>Q3</td><td>62</td><td>-</td><td>62</td></tr>
<tr><td rowspan="3">Fiscal year ended March 31, 2016</td><td>Q1</td><td>9</td><td>-</td><td>9</td></tr>
<tr><td>Q2</td><td>-</td><td>111</td><td>111</td></tr>
<tr><td>Q4</td><td>0</td><td>-</td><td>0</td></tr>
<tr><td rowspan="3">Fiscal year ended March 31, 2017</td><td>Q1</td><td>16</td><td>-</td><td>16</td></tr>
<tr><td>Q2</td><td>288</td><td>-</td><td>288</td></tr>
<tr><td>Q3</td><td>14</td><td>-</td><td>14</td></tr>
<tr><td>Fiscal year ended March 31, 2019</td><td>Q2</td><td>9</td><td>-</td><td>9</td></tr>
<tr><td colspan="2">Total</td><td>402 million</td><td>111 million</td><td>513 million</td></tr>
</table>

In addition, the Committee checked whether or not there were any instances of recording of jigs (less than JPY 200 thousand) as assets as other similar cases, and the total amount of JPY 223 million was identified, as shown below. However, the Committee's findings are that the corresponding accounting treatment was an error, because there was no clear evidence that shows this treatment was intentional.

[Among the detailed statement of tangible fixed assets, jigs that were recorded at less than JPY 200 thousand per unit (part for capital expenditures, such as improvements, was excluded)]

(million JPY)

Timing of capitalization in the breakdown of tangible fixed assets (Quarterly consolidated accounting period)		Jigs less than JPY 200 thousand
Fiscal year ended March 31, 2014	Q3	0
Fiscal year ended March 31, 2015	Q2	36
	Q3	7
	Q4	10
Fiscal year ended March 31, 2016	Q1	17
	Q2	4
	Q3	47
Fiscal year ended March 31, 2017	Q1	1
	Q2	17
	Q3	49
	Q4	0
Fiscal year ended March 31, 2019	Q2	29
	Q3	0
Total		223

b. Recording of photo masks for R&D purposes as fixed assets in the 3rd quarter of the fiscal year ended March 2016

At the settlement of accounts for the 3rd quarter of the fiscal year ended March 2016, when market conditions were deteriorating, an instruction to reduce the amount of fixed costs was issued from the accounting personnel to the respective departments, including the Research and Development Center, and a target for reduction was assigned to each of the respective departments. In order to achieve such a reduction target, personnel in the Research and Development Center proposed to the accounting personnel (managerial position) to record photo masks purchased in the amount of JPY 230 million as an R&D expense after April 2015 as an asset, and such proposal was authorized by Mr. K and Mr. A. Thereafter, in the 3rd quarter of the fiscal year ended March 2016, the photo mask representing an R&D expense for R&D purposes in the amount of JPY 42 million was reclassified as an asset.

Under relevant accounting standards, Article 5 of "Practical Guidelines for the Accounting Treatment of R&D Expenses and Software" ((Accounting Systems Committee Report No.12) stipulates that: "The cost of any machines, devices or patent rights or similar items which are acquired exclusively for a particular R&D purpose and cannot be used for any other purpose shall be treated as R&D expenses at the time of its acquisition." The photo mask in question could only be used one model that was the subject of the relevant R&D. In addition, the photo mask in question had no general versatility that would allow it to be used for R&D involving other models.

Therefore, such reclassification treatment of the photo mask in the amount of JPY 42 million, which represented an R&D expense, can be said to fall under the category of "the cost of any machines, devices or patent rights or similar items which are acquired exclusively for a particular R&D purpose and cannot be used for any other purpose." Therefore, the related accounting treatment in which ineligible items were capitalized for accounting purposes was inappropriate.

In addition, the Committee analyzed whether or not there were any similar cases with respect to recording of masks as assets by any other development division. As a result, it was found that, the expense for evaporation masks purchased by the Research and Development Center was included in the acquisition cost of fixed assets for machinery and equipment and other items in the OLED pilot line in the Ishikawa Plant. The specific details of the capitalization are described in Section 13(4) below.

5 Recognition of sales subject to repurchase agreements involving distributors for overseas markets

(1) Overview of inappropriate accounting treatment

From the 4th quarter of the fiscal year ended March 2017 to the 1st quarter of the fiscal year ended March 2018, JDI recorded sales in the amount of JPY 1,541 million to distributors for overseas markets. However, such recorded sales failed to meet revenue recognition because of the nature of terms and conditions under repurchase agreements and as otherwise agreed between the parties. Therefore, such revenue recognition at the time of the sales was inappropriate.

Moreover, recorded sales in the amount of JPY 109 million to a distributor for overseas markets during the 4th quarter of the fiscal year ended March 2016 also failed to meet revenue recognition requirements. Therefore, such revenue recognition at the time of the sales was also found to be inappropriate.

(2) Background of the sales subject to repurchase agreements with distributors for overseas markets in the 4th quarter of the fiscal year ended March 2017

a. JDI's business model in China

In 2017, respect to JDI's business in China, which was mainly led by JDIC, its overseas sales subsidiary, JDI had an opportunity to expand sales activities. As JDIC specialized in sales activities, the commercial distribution was as follows: the products manufactured by JDI were first sold to JDIHK, an overseas subsidiary that is a logistics hub, and then JDIC conducted sales activities to resell those inventories purchased by JDIHK.

In the 4th quarter of the fiscal year ended March 2017, sales transactions subject to repurchase agreements with Company e, a distributor of JDI for overseas markets, were entered into (hereafter, the "Transaction"). In the Transaction, JDI sold Product Z, which was a cell-kit product (a product in which a liquid crystal panel is connected with an IC driver) to JDIHK, and then JDIHK, with JDIC conducting sales activities on behalf of JDIHK, sold Product Z to Company e.

b. Background of the accounting treatment for Product Z as inventories

Product Z, the subject of the Transaction, was originally planned as a product to be sold to Company f. Company f was to assemble a liquid crystal module product incorporating Product Z, which Company f intended to sell to its end customers.

However, from the second half of October 2016, a problem arose in that the specification for a panel for Product Z required by Company f was not met. As a result, approximately 530 thousand units of Product Z that had been planned to be sold to Company f in November 2016 became impossible to sell. Moreover, due to such specification issue, demand from Company f sharply declined. Although plans to sell Product Z to another customer were considered, approximately 1.02 million units of Product Z, which were planned to be sold after January 2017, also could not be sold due to several factors, including a customer canceling a nearly-finalized deal on short notice.

With respect to the inventory of approximately 1.55 million units of Product Z arising from the above circumstances, negotiations were held with several prospective customers. Nevertheless, due to a deterioration in the mobile market in China, JDIHK was not able to sell any of Product Z outside the JDI group from December 2016 to March 2017, nor was JDIHK able to secure a buyer. Therefore, the prolonged accumulation of a large number of units of Product Z in inventory was considered a problem by JDIC, which was in charge of the sales of Product Z, and also by the sales department at JDI headquarters, which was in charge of the Chinese mobile business.

c. Background of sales negotiations with Company e

Under these circumstances, around March 2017, a business discussion on Product Z came up with Company e, a sales distributor, and JDIC started sales negotiations with Company e involving Product Z.

Thereafter, said negotiations with Company e progressed. On March 22, 2017, a pricing meeting, with respect to the sales price and other issues of Product Z was held in the presence of sales personnel and personnel in charge of this matter from Mobile Display Division in JDI as well as the president of JDIC. In said pricing meeting, the following matters were discussed: (i) requesting that Company E to hold Product Z as its own inventory in March; (ii) if sales by Company e did not meet a certain price, JDI would compensate the difference thereof; (iii) the sales activities of Company e with end customers would be conducted at the initiative of JDIC; and (iv) sales performance involving inventory of Company e would be managed by JDIC.

In the pricing meeting, it was reported that, there were eight ongoing opportunities for which demand was expected to arise around the period between July and August 2017 for end customers. However, one aspect of the Chinese mobile business was that expected transactions with customers would occasionally be cancelled any time up to the time a purchase order was issued. Furthermore, due to intense price competition and other factors, the business of selling cells, such as Product Z, became more difficult after March 2017, and it was also expected that such situation would continue after April 2017. Due to these circumstances, even if the eight opportunities above were progressing smoothly as of March 2017, it was uncertain as to whether these transactions would successfully be completed.

Under these circumstances, a three-party meeting involving Company e, JDI and JDIC was held on March 28, 2017. In regard to JDIHK's sale of a total of approximately 1.6 million units of Product Z to Company e for JPY 1,541 million, they reached an agreement on the conditions below:

[1] Target customers, and time of sales/ sales activities for the target product

With respect to the eight cases of sales negotiations held after June 2017, JDI will mainly conduct sales activities and promote the sales to the target customers.

[2] Deadline for the inventory

Inventory for which there was no expectation of future sales as of September 30, 2017 should be subject to sales return or repurchase.

[3] Sales price guarantee

If the sales price, at the time when sales with a target customer became effective, was lower than the amount of the sales price to Company e plus commission (2% of the sales price), JDI would compensate for the difference thereof.

[4] Others

Any sales price for a new customer should be determined with the consent of JDIC.

The sales performance should be summarized at the end of each month and provided to JDIC.

Condition [2] above was a condition that was presented from Company e for the first time at the above meeting held on March 28, 2017. Company e stated that it would not purchase Product Z unless such condition was accepted, so it was accepted by the sales personnel (managerial position) of JDI and the president of JDIC.

Thereafter, in March and April 2017, JDIHK delivered 1,560,070 units and 45,448 units, respectively, of Product Z to Company e. Company e then paid JPY 1,503 million and JPY 38 million, respectively, as the price thereof (JPY 1,541 million in total) to JDIHK.

d. Execution of repurchase

On August 24, 2017, a three-party meeting was held involving Company e, JDI and JDIC. In the presence of an executive of Company e, JDI management and the president of JDIC, it was agreed, pursuant to the above condition [2] that had been agreed on March 28, 2017, that all of Product Z that had been purchased by Company e would be returned (repurchased) from Company e to JDIHK for the same price as originally paid at time of delivery thereof. The repurchase was executed in September 2017.

(3) Issues in light of accounting

a. Accounting standards with respect to revenue recognition

JDIHK prepares its accounting reports for the consolidated settlement of accounts of JDI under International Financial Reporting Standards (“IFRS”). JDI, which adopts Japanese accounting standards, utilizes the financial statements of JDIHK prepared in compliance with IFRS as part of its process for the consolidated settlement of accounts (i.e., accounting treatment pursuant to “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements,” (Practical Issues Task Force No. 18, issued by ASBJ of Japan). Therefore, the accounting treatment by JDIHK referred to in this Investigation Report was conducted entirely on the basis of IFRS.

With respect to the accounting standard pertinent to revenue recognition as of March 2017, International Accounting Standard (“IAS”) 18 Revenue (“IAS 18”) was applied and “Revenue arising from the sale of goods” shall be recognized when all the following five conditions are met (IAS18.14):

(i) the seller has transferred to the buyer the significant risks and rewards of ownership of the goods;

(ii) the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(iii) the amount of revenue can be measured reliably;

(iv) it is probable that the economic benefits associated with the transaction will flow to the seller; and

(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

b. Accounting issue in the Transaction

1. "The entity has" not "transferred to the buyer the significant risks and rewards of ownership"(i)

In most cases, the transfer of the significant risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer. However, the transfer of risk and rewards of the ownership is not necessarily limited to the point in time when legal title, etc., is transferred. For accounting purposes, it should be judged based on the circumstances of the transaction as well (IAS18.15).

Further, if an entity retains significant risks related to the ownership, revenue is not recognized. As an example of situations in which an entity may retain the significant risks and rewards of ownership, it is indicated as follows: "when the buyer has the right to rescind the purchase for a reason specified in the sales contract and the entity is uncertain about the probability of return." (IAS18.16).

In the Transaction, pursuant to condition [2] above, it was prescribed that with respect to the inventory for which there was no expectation for future sales as of September 30, 2017, it should be subject to a sales reversal to JDIHK or should be resold by Company e. In addition, as stated in Section (2)b above, due to the deteriorating mobile market in China and other factors, JDIHK was unable to sell any of Product Z outside the JDI group from December 2016 to the time of the Transaction. Even if eight opportunities were progressing at the time of the Transaction as stated in Section (2)c above, the expected time for the demand was four or five months ahead of the Transaction. Considering the characteristics and situation of the Chinese mobile business at that time, where even a transaction that was considered to be highly possible could be occasionally aborted, there was uncertainty as to possibility of successfully completing these transactions. In light of such circumstances, since repurchasing was explicitly provided for in the transaction terms and conditions, Company e had the right to request repurchase under said agreement. Furthermore, considering the characteristics of the Chinese mobile business and the situation at that time, it can be said that JDIHK was unable to reasonably estimate the probability of the return of Product Z. Therefore, it can be said that this situation falls under a case where Company e, as the "buyer," "has the right to rescind the purchase for a reason specified in the sales contract and the entity is uncertain about the probability of return," and this represented a condition where "the entity retains significant risks and rewards of ownership" at the time of Transaction.

In addition to the above, the risk that the sales price would be lower than the purchase price should essentially be borne by the seller of the product. However, as shown in condition [3] above, it was prescribed that if the sales price to the target customer was lower than the total amount of the purchase price from JDIHK, plus commission, Company e was to enjoy a sales price guarantee with respect to the difference thereof. In other words, Company e did not assume any risk that might arise in the sales of this product. Based on these circumstances, it cannot be said that "significant risks of ownership" was transferred to Company e through the Transaction. Furthermore, it was agreed that, as stipulated in condition [1] above, JDI mainly conducted sales activities and acted to promote the sales. The majority of the major sales activities, such as continuous negotiation with customers and establishment of a sales plan, were conducted at the initiative of JDIC. Company e, who must have secured a purchaser, merely continued to wait for the shipment of the product, and was not able to sell the purchased product. In other words, Company e was not able to realize any profit. Judging from such terms of the agreement, the opportunity for Company e to earn revenue from the Transaction was extremely limited, whereby it cannot be said that the rewards of ownership were transferred.

Therefore, it cannot be said that "significant risks and rewards of ownership" were "transferred" to Company e through the Transaction, and requirement (i) was not met.

2. "The entity retains effective control over the goods sold" (ii)

In the Transaction, it was agreed that JDI should conduct sales activities after the product was sold to Company e (condition [1] above), and the sales price from Company e to a purchaser required the consent of JDIC, and sales performance should be reported to JDIC at the end of each month (condition [4] above). Considering from the above, even after the sales, it can be said that the seller (the JDI group) "retains effective control over the goods sold" with respect to Product Z that had been already sold. Therefore, requirement (ii) was not met, either.

3. Issues in the accounting treatment pertinent to the Transaction

As stated above, the Transaction, at the very least, did not meet the requirements for revenue recognition (i) and (ii) above, and in light of IAS 18, it cannot be said that any revenue (sales) in JDIHK was recognized by the Transaction. Therefore, it can be said that JPY 1,503 million in the 4th quarter of the fiscal year ended March 2017 and JPY 38 million in the 1st quarter of the fiscal year ended March 2018 should be treated as a financial transaction, and those amounts should not have been recorded as sales by JDIHK.

(4) Incentive for inappropriate accounting treatment related to the Transaction

In early November 2016, Company f was expected to be a purchaser of Product Z, which was the subject of the Transaction, however, it was later found to be impossible to sell Product Z to Company f due to a specification issue. In addition, although an alternative purchaser had been sought, it became impossible to find such purchaser due to conditions such as a sudden fluctuation in customer demand. Inventories were left unsold for a long period of time until March 2017, which was the time for the settlement of accounts. The desire to rectify such an inventory situation and to achieve the sales target at the year-end are considered to have been incentive for the inappropriate accounting treatment.

With respect to Product Z, the actual number of products sold as of March 2017 was less than half of the planned sales volume as of October 2016. Even if the sales volume of the Transaction had been included, the actual number of products sold was far below the planned volume. In such situation, at least according to JDIC, which was in charge of the sales of Product Z, there was an incentive to record sales for Product Z even for a small amount within the fiscal year ended March 2017.

Such incentives can be presumed from the fact that the Transaction was executed on March 28, 2017, which was just before the settlement of accounts for the fiscal year ended March 2017. In fact, the president of JDIC stated that he was willing to achieve any sales by the year-end, when considering the status of the above long-term inventory.

As described above, the pressures for resolving long-term inventory and achieving the sales target at the year-end are considered to have been incentives for the inappropriate accounting treatment above.

As a result of the investigation, there was no evidence to suggest the involvement of accounting personnel found with respect to the Transaction.

(5) Investigation into the existence of similar incidents by the Committee

In order to analyze whether there was any inappropriate accounting treatment in any transactions (other than the Transaction mentioned in (2) above) in which any product return (sales return) was made in the month following the end of the respective quarters or the settlement of accounts at the year end, the Committee extracted transactions that involved sales returns meeting a certain threshold[14] and analyzed the evidences that constituted the basis for such recording. In addition, the Committee conducted interviews with officers and employees who provided answers with respect to matters relating to transactions subject to a repurchase agreement and similar matters in a questionnaire conducted with officers and employees of the JDI group.

As a result of the investigation of such similar cases, it was identified that, with respect to the treatment of sales returns recorded by JDI headquarters, recognition of sales revenue in the amount of JPY 109 million recorded in the 4th quarter of the fiscal year ended March 2016 was inappropriate.

Under Japanese accounting standards, two factors, namely the "completion of transferring goods or rendering the services" and "acceptance of a consideration" for the forgoing, are understood as requirements for recognition of revenue (recognition of sales) "Research Report on Revenue Recognition in Japan" (Accounting Practice Committee Research Report No.13 interim report - considerations in light of IAS 18 'Revenue' issued by the JICPA). Furthermore, said research report states that, with respect to "the completion of transferring goods", "transfer of the significant risks and rewards of ownership" and other factors are taken into account.

In the similar case identified above, partly because of large customer demand at the time, the management at that time made serious inquiries to the Production Control Department on the number of units that could be shipped for each model. The Production Control Department replied the volume that exceeded the normal shipment capacity, and then, the department ε took action to complete the shipment of all such volume by March 31, 2016, in collaboration with the production site. However, due to the time limitation, only a small percentage of the total shipment underwent a simplified test instead the normal pre-shipment testing. This resulted in the shipment of products with a quality assurance level that differed from the normal criteria. With respect to said transaction, a prior discussion was held with personnel in Company g, the purchaser, regarding the steps to implement product returns for the products with a different quality assurance level. With respect to the implementation of the sales transaction dated March 31, 2016, Company g issued a debit note for product returns and a purchase order dated April 1, 2016, which was the day following the above transaction, to require the delivery of the same volume of substitute products. The shipment under such purchase order was made from middle to late April, 2016.

Considering such circumstances, among the sales volume for which the corresponding sales

[14] With respect to JDI headquarters, JPY 10 million or more sales returns for products sold to customers through a trading company, and JPY 1 billion or more sales return for products that JDI directly sold to customers. With respect to overseas sales subsidiaries of JDI, JPY 100 million or more sales returns for products sold to customers through a trading company and JPY 1 billion or more sales return for products that such overseas sales subsidiaries sold directly to customers.

were recorded as of March 31, 2016, those that had been already agreed to be subject to product returns at the point of sales, and for which such product return was implemented immediately after such sales, cannot be said to have been subject to the transfer of significant risks and rewards of ownership as of March 31, 2016. Therefore, such transaction is not considered to have satisfied revenue recognition requirements.

Based on interviews with those involved, at least the general manager and a person in charge (managerial position) at that time were aware of the treatment of sales return for said transaction.

As a result of the investigation into similar cases by the Committee, except for the abovementioned case, no other inappropriate accounting treatment of a material nature requiring any correction of financial statements was detected with respect to transactions subject to repurchase arrangements or the like.

6. Postponement of the recognition of expenses for product warranties sold to a major customer

(1) Overview of inappropriate accounting treatment

For the 4th quarter of the fiscal year ended March 2017 and the 3rd quarter of the fiscal year ended March 2018, with respect to product defect compensation expenses to be paid to a major customer (the "Product Defect Compensation Expenses"), which were once recorded as expenses (JPY 1 billion for the 4th quarter of the fiscal year ended March 2017 and JPY 672 million for the 3rd quarter of the fiscal year ended March 2018) pursuant to the agreement with the customer, JDI postponed the recognition of the Product Defect Compensation Expenses to the following respective quarters by cancelling the journal expenses.

(2) Outline of the Product Defect Compensation Expenses owed to a major customer and the method of recording such expense at JDI

Based on a product quality assurance agreement with major customers, JDI had an obligation to provide compensation for any product defects through refunding money to such customers with respect to defective products that JDI was found to be responsible for, among the products returned from market. The amount of money to be refunded by JDI to those major customers was determined based on the result of a process to identify who was responsible for defects of the products returned from the market, which was conducted on a quarterly basis.

If the amount of the refund was determined before the financial closing based on invoices issued from such major customer to JDI, JDI recorded such amount as an expense. However, determination of the responsibility for defects involved negotiations between JDI and the major customers. If such negotiations continued beyond the settlement of accounts period, the full amount of the refund would not be known. Therefore, at JDI, the probably amount for which JDI would most likely agreed to and be claimed by the major customers as of the settlement of accounts was recorded as expenses.

(3) Postponement of the Product Defect Compensation Expenses in the 4th quarter of the fiscal year ended March 2017

JDI received an invoice dated March 7, 2017 from a major customer for product defect compensation expenses. The entry below was made by the accounting personnel in March 2017 based on the "Allowance Request Application" submitted by the relevant department, and an expense was recognized.

(million JPY)

(Debit)	Other direct selling expense - Service expense	1,000	(Credit)	Accounts payable - Other Headquarters	1,000

However, as a measure for settlement of accounts for the fiscal year ending March 2017 (full fiscal year), the accounting personnel made the entry below manually to cancel said treatment as of March 2017 in order to postpone the recording as expenses until the 1st quarter of the fiscal year ended March 2018. As a result, said expense was treated as an expense at the time of payment in the next fiscal year, which resulted in the postponement of recognizing expenses.

(million JPY)

(Debit)	Accounts payable - Other Headquarters	1,000	(Credit)	Other direct selling expense - Service expense	1,000

As the External Auditor was examining whether any expenses incurred in March 2017 were not improperly recorded in April 2017 or later, measures were taken whereby payment authorization was not processed until immediately before the due date of the payment to the major customer for this transaction.

(4) Partial postponement of the product defect compensation expenses in the 4th quarter of the fiscal year ended March 2018

With respect to the product defect compensation expenses for a major customer, on December 14, 2017, personnel in the relevant department sent an e-mail to the accounting personnel which indicated that the amount was fixed through negotiations with the major customer. The entry below was made by the accounting personnel in December 2017 based on the “Allowance Request Application” submitted by the relevant department, and an expense was recognized.

(million JPY)

(Debit)	Other direct selling expense - Service expense	1,456	(Credit)	Accounts payable - Other Headquarters	1,456

However, as of December 2017, the accounting personnel cancelled said entry, and made the entry below manually to record part of such expense. As a result, part of the product defect compensation expenses were not recorded, and it was recorded as expenses at the time its payment in the next fiscal year. As such, a partial postponement of expenses was made.

(million JPY)

(Debit)	Accounts payable- Other headquarters	1,456	(Credit)	Other direct selling expense - Service expense	1,456
	Sales, general, and administrative expenses - Direct selling expense	784	(Credit)	Accounts payable – Other headquarters	784

(5) Investigation into the existence of similar cases by the Committee

As the expenses relating to product warranty were recorded as an “Other direct selling expense - Service expense” account, the Committee extracted the entries of “Other direct selling expense - Service expense” from the SAP accounting system and also obtained supporting documents for those entries. By confirming the timing of the recording, the Committee analyzed the corresponding amount of the inappropriate treatment.

As a result of this investigation, no unrecorded or postponed product warranty expenses were detected, except for in the abovementioned time periods.

7. Not recording and postponing allowances for losses in Overseas EMS and overseas manufacturing subsidiaries, which were attributable to JDI

(1) Overview of inappropriate accounting treatment

JDI did not record an allowance of JPY 2,534 million in total with respect to losses attributable to JDI in relation to its Overseas EMS and overseas manufacturing subsidiaries for the 4th quarter of the fiscal year ended March 2014, the 3rd quarter of the fiscal year ended March 2016, and the 3rd quarter of the fiscal year ended March 2017.

With respect to losses attributable to JDI in relation to its Overseas EMS that should have been recorded as expenses in the 4th quarter of the fiscal year ended March 2016, JDI postponed these losses (JPY 584 million) by recording them as a suspense payment in the 4th quarter of the fiscal year ended March 2016 and then, recording them as expenses in the 2nd quarter of the fiscal year ended March 2017.

(2) Treatment of spoilage costs with respect to losses in Overseas EMS and overseas manufacturing subsidiaries, which are attributable to JDI

a. Incurrence of spoilage costs

JDI has outsourced post-process manufacturing of small- and medium-sized displays and related products to its Overseas EMS and overseas manufacturing subsidiaries. During such manufacturing process, it is inevitable that a certain amount of spoilage occurs.

In case of spoilage that occurs during the manufacturing process of products, it is determined whether such spoilage was attributable to JDI, its Overseas EMS or overseas manufacturing subsidiaries at the meeting for determination of defective products, held twice a month (in the middle and around the end each month). As a result, with respect to the defective products, the spoilage of which is determined to be caused by JDI, the Overseas EMS or overseas manufacturing subsidiaries issue a Quality Confirmation and make a list of such products to notify JDI.

b. Treatment of hold products[15]

Products treated as hold products at the meeting for determination of defective products occasionally require time until it can be confirmed whether such products can be used as non-defective products or should be disposed of.

c. Treatment of spoilage costs

Upon receiving the Quality Confirmation and registering item numbers of the products with

[15] According to JDI, hold products are defined as the products that are determined as defective due to the failure to meet prescribed quality requirements but are not disposed of and are held as is, because there is a possibility that they will be used as non-defective products in the future.

spoilage which are to be returned, JDI summarizes relevant information in a “List of Products Subject to Spoilage Costs/Supporting documents for Basis of Allowance for Spoilage Costs” and recognizes allowances for the relevant spoilage costs (i.e., recognizes accrued expenses, in terms of accounting).

(3) Cancellation of recognition of allowance for spoilage costs for the 4th quarter of the fiscal year ended March 2014

As described before, bearing in mind that consolidated operating loss of JPY 533 million was expected in the 4th quarter of the fiscal year ended March 2014, on April 7, 2014, Mr. A directed accounting personnel (managerial position) to consider various measures including review of write-downs of inventories, close examination of the amounts recorded as unpaid expenses, and postponing of the recognition of expenses to April or later.

Furthermore, on the same day as such instruction was made, the recording of the allowance for spoilage costs of JPY 1,090 million was cancelled and the recognition of such allowance was postponed. The details of the journal entries are as follows.

Pursuant to a related document for “Allowances for Return products/Reversal of Allowances” which summarized the relevant information contained in the “Quality Confirmation” from the Overseas EMS, in March 2014, the following entry was made and the relevant costs were recognized as expenses.

(Journal entry based on requests from Plants) (million JPY)

(Debit)	Cost of goods sold - Difference in receiving semi-finished products - Other	1,090	(Credit)	Accrued expenses-Other headquarters	1,090

Thereafter, the following entry was made manually on April 7, 2014 by the accounting personnel to withdraw the above entry. The recognition of the expenses was postponed, as the relevant costs were expensed at the time of the disposal during the fiscal year ended March 2015 (full fiscal year).

(Journal entry of cancellation made by accounting personnel) (million JPY)

(Debit)	Accrued expenses - Others Headquarters	1,090	(Credit)	Cost of goods sold - Difference in receiving semi-finished products - Other		1,090

(4) Avoidance of recognition of allowance for spoilage costs for the 3rd quarter of the fiscal year ended March 2016

As a result of an investigation by the Committee, it was found that, with respect to spoilage costs incurred by SE and SD (which were overseas manufacturing subsidiaries of JDI) for the 3rd quarter of the fiscal year ended March 2016, the costs of the spoilage which were represented as attributable to JDI through the "Quality Confirmation" were not recorded in the "List of Products Subject to Spoilage Costs/Supporting documents for Basis of Allowance for Spoilage Costs".

The corresponding amounts were JPY 794 million, which was not recorded as an allowance for the spoilage costs of SE, and JPY 395 million, which was not recorded as an allowance for the spoilage costs of SD.

While such deferral of the recording was made by the accounting personnel, no evidence was found indicating this was done based on instructions by Mr. A.

(5) Postponement of capitalization of spoilage costs for the 4th quarter of the fiscal year ended March 2016

With respect to spoilage costs of materials that JDI supplied to Company i in October 2015, JDI paid the price of such materials at the end of March 2016 pursuant to a "Debit Note" issued on March 4, 2016. The accounting personnel did not record such costs as expenses on March 31, 2016 but recognized the same as suspense payments on that day. The details of the treatment are as follows:

(Journal entry made in March 2016 (million JPY)

(Debit)	Suspense payments	584	(Credit)	Accounts payables - withdrawal pending	584

Thereafter in September 2016 (the 2nd quarter of the fiscal year ended March 2017), the accounting personnel made the entry below and postponed the relevant expenses.

(Journal entry made in September 2016) (million JPY)

(Debit)	Miscellaneous losses	584	(Credit)	Suspense payments	584

(6) Avoidance of recognition of allowance for spoilage costs for the 3rd quarter of the fiscal year ended March 2017

It was found that, with respect to the spoilage costs incurred by SE for the 3rd quarter of the fiscal year ended March 2017, the costs of the spoilage which were represented as attributable to JDI through the "Quality Confirmation," were not recorded in the "List of Products Subject to Spoilage Costs/Supporting documents for Basis of Allowance for Spoilage Costs."

The corresponding amount was JPY 254 million, which was not recorded as an allowance for the spoilage costs of SE.

While such postponement of expenses was made by the accounting personnel, no evidence was found indicating this was done based on instructions from Mr. A.

(7) Investigation into the existence of similar cases by the Committee

The reason for the unrecognized allowance that should have been recorded for losses attributable to JDI in relation to the overseas manufacturing subsidiaries resulted from the fact that the "List of Products Subject to Spoilage Costs/Supporting documents for Basis of Allowance for Spoilage Costs" based on the "Quality Confirmation" were not comprehensively summarized. Therefore, the Committee compared the "Quality Confirmation" with the "List of Products Subject to Spoilage Costs/Supporting documents for Basis of Allowance for Spoilage Costs," and conducted email reviews and interviews with relevant personnel.

The unrecognized allowances that should have been recorded for losses attributable to JDI in relation to the Overseas EMS were due to the fact that the allowance for spoilage costs that had been recorded were cancelled, or not recorded as expenses but as suspense payments. Thus, the Committee conducted email reviews and interviews with relevant personnel.

As a result of the above investigations, except for the corresponding period above, no evidence was found related to unrecognized allowances that should have been recorded for losses in the Overseas EMS and overseas manufacturing subsidiaries, which were attributable to JDI.

8. Avoidance of impairment losses on fixed assets

(1) Overview of inappropriate accounting treatment

a. Avoidance of impairment losses on idle assets at the Mobara Plant in the 3rd quarter of the fiscal year ended March 2017

In the 3rd quarter of the fiscal year ended March 2017, JDI should have recorded impairment losses on idle assets at the Mobara plant that were not expected to be utilized in the future, but avoided recording such impairment losses by providing misleading representation to the External Auditor to the effect that related operations were expected to resume. This resulted in avoiding JPY 2,315 million in impairment losses.

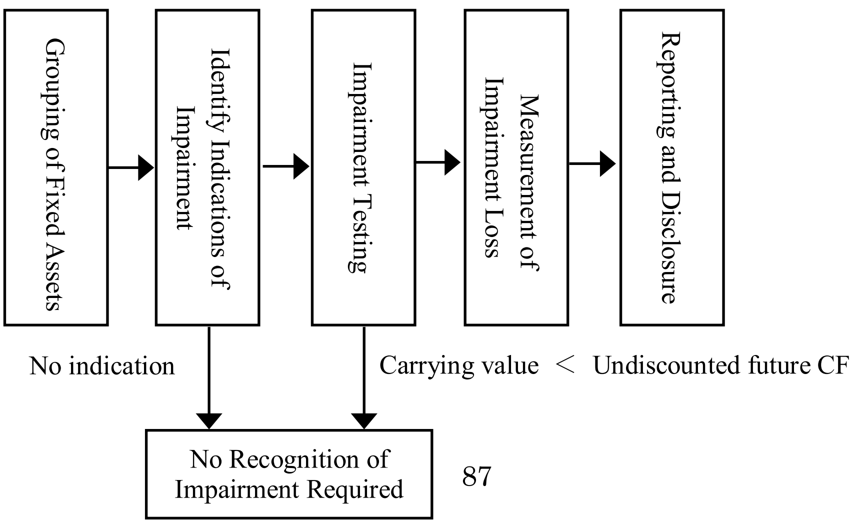
b. Attempt to avoid impairment losses at the Hakusan Plant in the 4th quarter of the fiscal year ended March 2018

In the 4th quarter of the fiscal year ended March 2018, JDI attempted to avoid impairment losses at the Hakusan Plant by manipulating the figures in the assessment materials (hereafter, "Impairment Assessment Materials") used in the impairment accounting process and by providing misleading representations that differed from the actual condition to the External Auditor. However, based on profit forecasts and other factors, no obvious indication of impairment was identified even if said materials had not been manipulated. As a result, no inappropriate accounting treatment was found.

(2) Accounting standard and treatment for impairment of fixed assets

a. Overview

Fixed assets are considered impaired when recovery of an investment cannot be expected due to a decline in the profitability of the underlying assets, and impairment accounting is the process of writing down the carrying amount to reflect the likelihood of recovery under certain conditions when impairment is deemed to have occurred. Impairment accounting is generally performed as follows.



b. Grouping of fixed assets

Under accounting for impairment, units are identified for recognizing and measuring impairment loss ("grouping"), which are the smallest identifiable group of assets that generate cash inflows that are largely independent of cash flows from other groups of assets (such minimum unit is a "group of assets").

c. Identifying indications of impairment

An indication of impairment is a condition that indicates there is a possibility that an asset or group of assets may be impaired, and when such indication of impairment exists, an assessment is conducted to test whether or not an impairment loss needs to be recognized for that asset or group of assets. Such a process was developed as conducting separate impairment tests for all significant assets would be too burdensome; however, if no indication of impairment exists, the following procedures described in Paragraph D below and thereafter are not required to be performed.

The "Accounting Standard for Impairment of Fixed Assets" ("Accounting Standard for Impairment of Fixed Assets") issued by the Business Accounting Council provides the following examples as indications of impairment.

① Profitability or cash flow arising from operating activities in which the asset or group of assets being used is continuously negative or expected to be continuously negative.

② Regarding the scope or method in which the asset or group of assets are being used, a change which would result in a significant decrease the recoverable value of the asset or group of assets has occurred or is expected to occur.

③ The business environment has significantly deteriorated or is expected to deteriorate in connection with the business in which the asset or group of assets are being used.

④ The market price of the asset or group of assets has significantly declined.

d. Impairment testing

If the total amount of undiscounted future cash flow for the asset or group of assets with indications of impairment is lower than the corresponding carrying amount, the asset is considered impaired and impairment loss shall be recognized. The estimated future cash flow used to determine whether or not an impairment loss must be recognized is calculated based on reasonable and predictable assumptions reflecting the specific circumstances for the entity.

e. Measurement of impairment loss

The carrying amount of the asset or group of assets that are identified as being impaired must be reduced to the recoverable value, and the difference recorded as impairment loss in profit or loss for the corresponding fiscal year.

(3) Avoidance of impairment losses on idle assets at the Mobara Plant in the 3rd quarter of the fiscal year ended March 2017

a. Company's operational rules for recognizing impairment losses on idle assets

In accordance with the Accounting Standard for Impairment of Fixed Assets, idle assets or a group of assets for which future usage is not expected shall be treated as having an indication of impairment. Impairment testing is then performed and impairment loss calculated. JDI established its operational rules stipulating "Definitions of idle, currently non-operating and operating assets" and assets for which future usage is expected are classified as currently non-operating assets while those assets for which no future usage is expected and planned to be disposed of are classified as idle assets and such idle assets are accounted for as impaired.

b. Treatment of idle assets at the Mobara Plant

In the 3rd quarter of the fiscal year ended March 2017, when preparing to respond to questions as part of the quarterly review from the External Auditor, accounting personnel at the Mobara Plant and accounting personnel (managerial position) in the Accounting Department discussed internally and judged that a part of MPU (Micro-processing unit) and processing machines for OLED next generation evaporation metal masks were surplus assets for which no future usage was expected. Considering the conclusions reached by the accounting personnel at the Mobara Plant and accounting personnel (managerial position) as reasonable, these assets should have been classified as idle assets and then subject to impairment testing in accordance with the operational rules since JDI had determined that said assets would not be used in the future. This led to an avoidance of impairment losses of JPY 2,315 million.

However, based on instructions from Mr. A, who was concerned about the impact on the financial results, accounting personnel (managerial position) and others concealed the actual condition of there being no plans for future usage by providing misleading representation to the External Auditor as if there were a plan to resume operations utilizing said assets.

(4) Attempt to avoid impairment losses at the Hakusan Plant in the 4th quarter of the fiscal year

ended March 2018

a. Circumstance of revelation regarding attempt to avoid impairment losses

The Committee decided to conduct its investigation into the possible existence of inappropriate accounting treatment in the 4th quarter of the fiscal year ended March 2018, based on the following: There was a statement in an email in August 2018 from Mr. A to his supervisor at the time saying, "Avoiding impairment recognition in the previous fiscal year is also not appropriate from accounting perspective"; and during the investigation by the Special Investigation Committee, a person stated that impairment losses at the Hakusan Plant should have been recognized in said quarter.

b. Methods for avoiding impairment losses

Since the 4th quarter of the fiscal year ended March 2018, when JDI introduced an inhouse company system, JDI has set the production line of each plant as a minimum unit (group of assets) in the grouping used to identify any indications of impairment, conduct impairment testing and measure impairment loss.

In preparing the Impairment Assessment Materials for the 4th quarter of the fiscal year ended March 2018, no indication of impairment at Hakusan Plant was identified, and therefore the plant was not subject to an impairment assessment. It is assumed that Mr. A was involved in misconduct involving the attempt to avoid impairment losses using the methods stated below.

i Explanations that differed from actual condition about likelihood of a return on investment

Based on the contract, the Hakusan Plant could not substantively recover the cost of investment if the plant's utilization ratio was below a certain level. Therefore, if there were only a limited number of orders and the plant's utilization ratio remained low, a loss would be incurred and there was a possibility that the investment made to build the Hakusan Plant would not be recoverable. In fact, the utilization ratio at the Hakusan Plant was around 60% in the fiscal year ended March 2018, meaning that operating profit would be negative after allocating fixed management costs of the headquarters. The Hakusan Plant was not able to generate income necessary to recover the invested amount.

However, when assessing asset impairment in the 4th quarter of the fiscal year ended March 2018, Mr. A misrepresented the actual condition stating that the investment amount was contractually designed to be recovered and explained to the External Auditor that no indication of impairment existed.

ii Overestimating operating profit by improperly decreasing depreciation cost for subsequent fiscal years

A specific amount of depreciation cost should be recorded as expense to reflect the decrease in asset's value over time for tangible fixed assets including manufacturing plants. When impairment losses are recorded, depreciation recognized from the following fiscal year will decrease.

Even though there was a scheme involving the avoidance of recognizing impairment losses at the Hakusan Plant in the 4th quarter of the fiscal year ended March 2018, Mr. A incorporated the impairment loss assumption based on the Impairment Assessment Materials in the profit or loss plan and provided the External Auditor with a business plan in which depreciation cost would decrease from the following fiscal year and thereafter thus ensuring that the operating profit forecast was overestimated.

iii Manipulation of fixed costs reflecting the investment plan with a low feasibility rating

Regarding consideration as to whether it is possible to reflect future cash flow generated as a result of future enhancement of equipment into each group of assets, Article 36 (1) of "Guidance on Accounting Standard for Impairment of Fixed Assets," (ASBJ Guidance No. 6) stipulates that it is necessary to consider a "reasonable usage plan" as the underlying assumption in estimating future cash flow, but including a plan that is not feasible is prohibited. Article 38 (1) of the same Guidance stipulates that, "When estimating future cash flow, current usage conditions of the assets or asset group and reasonable usage plan thereof shall be taken into consideration (Refer to Accounting Standard for Impairment of Fixed Assets 2 4 (2)). Therefore, future cash flow expected from unplanned future enhancements of equipment or as a result of unplanned business restructuring shall not be included in the estimate". Accordingly, whether or not the investment in an OLED line at the Hakusan Plant was considered "an unplanned future enhancement of equipment" should be examined.

When estimating future cash flow for the Impairment Assessment Materials, Mr. A requested that the person in charge at the business unit provide an estimate of the business profit or loss of the investment in the OLED line saying that it was necessary to prepare the figures based on the assumption that a financing arrangement was successfully concluded, even though the business unit originally considered that the investment could not be included in the plan due to the uncertainty about the financing arrangements. Mr. A then used those prepared figures and categorized the OLED line planned at the Hakusan Plant as a new group of assets. As a result, the future cash flow from the existing line at the Hakusan Plant was overestimated by re-allocating indirect cost to this new asset group and keeping the fixed costs attributable to the existing line low. Although the possibility of establishing such an OLED line had been contemplated by the business unit, they were still in the process of technical development for the mass production of OLED, and the feasibility was still quite low as there was no clear plan as to how to realize a significant portion of the financing for the technical development of mass production as well as the line establishment. In addition, the idea of an OLED line had not been approved by the board meeting as part of the company's mid-term plan. To summarize these circumstance, the investment in a new OLED line at the Hakusan Plant was not eligible for inclusion as part of the company's "plan" but was considered an "unplanned future enhancement of equipment".

Therefore, including the OLED line business plan in an assets group as future cash flow generated as a result of future enhancement of the facilities, and to allocate indirect cost such as fixed costs incurred for a whole Hakusan Plant to the OLED line were inappropriate.

c. Impact of the inappropriate accounting treatment

Based on emails identified and interviews with the persons involved, and an analysis of the Impairment Assessment Materials, the Committee considered that Mr. A manipulated the Impairment Assessment Materials attempting to avoid impairment losses and was involved in misconduct related to providing misleading representations to the External Auditor which differed from the actual condition. This is corroborated by the fact that Mr. A sent an email stating that avoiding impairment losses in the 4th quarter of the fiscal year ended March 2018 was not an appropriate accounting treatment.

The Committee also analyzed the impact of impairment assessment based on the information obtained from interviews with the persons involved and the situation at the company at that time as to if there had been no manipulation of the Impairment Assessment Materials. As a result, the Committee did not find that an indication of impairment had clearly been identified for the 4th quarter of the fiscal year ended March 2018 at the Hakusan Plant based on the profit forecast and other factors even if the Impairment Assessment Materials had not been manipulated. Therefore, no inappropriate accounting treatment was found.

(5) Investigation into the existence of similar cases by the Committee

a. Overview of the investigation

In order to investigate into the existence of smilar cases, the Committee conducted an investigation of accounting documents related to impairment of fixed assets, emails and other electronic data collected through digital forensic procedures, interviews with the persons involved, a survey, and it established a whistleblower hotline. As a result, the following issues were identified related to impairment accounting at the Hakusan Plant in the 3rd quarter of the fiscal year ended March 2019.

b. Issues related to impairment accounting at the Hakusan Plant in the 3rd quarter of the fiscal year ended March 2019.

In the 3rd quarter of the fiscal year ended March 2019, due to the decrease in number of orders from a major customer, an indication of impairment was identified, and impairment testing was conducted. As a prerequisite, it was necessary to calculate the economic remaining useful life when calculating the future undiscounted cash flow. The Committee identified an issue with the calculation method of this amount in the accounting for impairment of assets at the Hakusan Plant in said quarter.

When calculating the economic remaining useful life to estimate cash flow in the quarter, there are two possible calculation methods: 1) to calculate the economic remaining useful life on a quarterly basis by taking additional investments made during the fiscal year into consideration; and 2) shortening the economic remaining useful life set at the beginning of the fiscal year by one-fourth of one year in every quarter without taking into consideration additional investments made during the fiscal year. JDI's Impairment Assessment Materials can be read as allowing the use of either of the methods, but the economic remaining useful life would then differ depending on which method was adopted, which might affect the assessment result on whether or not to recognize impairment. JDI did not recognize impairment losses in the 3rd quarter of the fiscal year ended March 2019, but it was unclear as to how the internal rules should have been applied.

The Committee did not find that the assessment on impairment recognition was inappropriate, given that either calculation method could have been adopted in the situation described above. However, the Committee noted that, in relation to the internal rules regarding how to determine the economic remaining useful lives in each quarterly closing, this lack of clarity was an issue.

JDI recognized impairment loss in the 4th quarter of the fiscal year ended March 2019, three months after said 3rd quarter, by reducing the carrying amount of the assets of the Hakusan Plant to the recoverable amount based on value in use.

9. Avoidance of the recognition of impairment losses on an investment in an affiliate company and the recognition of allowance for investment losses in the affiliate company (Not Found)

(1) Investigation procedures

With respect to shares of an affiliate company which the actual value had significantly declined at the end of the each fiscal year ended March 2014 (full fiscal year) and the fiscal year ended March 2019 (full fiscal year), the Committee investigated the allegation about the avoidance of the recognition of impairment losses on an investment and the recognition of an allowance for investment losses pursuant to Articles 92 and 285 of the “Practical Guidelines on Accounting Standards for Financial Instruments” (Accounting Practice Committee Statement No. 14, issued by JICPA).

(2) Outline and results of investigation

The Committee found that the actual value of TDI (currently JDIT) , an affiliate company, had significantly declined, and conducted an investigation by reviewing e-mails, interviewing relevant personnel, and inspecting relevant materials that seemed to be related to the investment value in the above affiliate company. As a result of such investigation, and to the extent of such investigation, no evidence was found that constitutes a fact identifying that the recognition of the impairment losses on the investment in the affiliate company and recognition of allowance for investment losses in its affiliate company were being avoided.

10. Recording profit by inappropriately recognizing additional deferred tax assets (Not Found)

(1) Status of recording of deferred tax assets in the non-consolidated financial statements of JDI

JDI has recorded deferred tax assets since its listing in the fiscal year ended March 2014 (full fiscal year). The status of deferred tax assets as of the end of each fiscal year is as follows:

(million JPY)

	FYE March 2013	FYE March 2014	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019
Deferred tax assets	-	22,086	20,979	23,011	7,728	-	-
Length of estimated future periods to assess the recoverability of deferred tax assets	-	1 year	3 years	3 years	1 year	-	-

(2) Results of investigation

The Committee conducted an investigation by reviewing relevant materials and interviewing the relevant personnel with respect to the results of the assessment of the recoverability of deferred tax assets. As a result, to the extent of such investigation, no evidence was found that constitutes a fact identifying that deferred tax assets were recorded inappropriately.

11. **Payment of dividends from deferred tax assets (Not Found)**

(1) General introduction

Firstly, JDI did not pay any dividends during the Investigation Period. On the other hand, in the course of the Investigation, it was found that, during the fiscal year ended March 2016 (full fiscal year), a specific measure for payment of dividends in relation to the recognition of deferred tax assets was examined. The background and details of the examination are as described below.

(2) Possibility of payment of dividends for the fiscal year ended March 2016 (full fiscal year)

JDI recorded a net loss for the fiscal year ended March 2015 (full fiscal year); however, considering that such loss arose in the first half of the fiscal year and profit was recorded in the second half of the fiscal year due to a recovery in performance, as well as the fact that free cash flow was expected to further improve during the fiscal year ended March 2016 (full fiscal year), JDI stated on materials for the financial results briefing dated May 13, 2015 that a year-end dividend was scheduled to be paid for the fiscal year ended March 2016 (full fiscal year), and disclosed such materials on its website.

Furthermore, at the 13th Annual General Meeting of Shareholders held on June 23, 2015, a resolution was passed to approve a plan to offset the deficit by reclassifying the other capital surplus to retained earnings. Consequently, it was made possible for JDI to pay dividends from the retained earnings if JDI, on non-consolidated basis, reported net income for the fiscal year ended March 2016 (full fiscal year). At the said Annual General Meeting of Shareholders, Mr. J answered a question asked by a shareholder regarding the possibility of the payment of dividends. Based on Mr. C's memory of that time, Mr. J made a remark suggestion he had promised such payment.

(3) Examination regarding the payment of dividends for the fiscal year ended March 2016 (full fiscal year) (recording of deferred tax assets, etc.)

In the fiscal year ended March 2016 (full fiscal year), net income attributable to shareholders of JDI for the 3rd quarter of the cumulative period amounted to JPY 4.4 billion, and on non-consolidated basis, JDI also recorded net income for the same period. Nevertheless, in the latter half of the relevant fiscal year, foreign exchange losses increased due to material appreciation of the value of JPY against USD and business restructuring costs were recorded, whereby there was a possibility that, on non-consolidated basis, JDI's net income for the relevant full fiscal year would become negative.

While the JDI's performance remained weak as mentioned above, in February 2016, Mr. C requested that Mr. K (then-CFO) consider measures for the payment of dividends, saying, if possible, he wanted JDI to pay dividends in order to increase the market capitalization of its shares and meet the expectations of shareholders, but, if not, he would give up on the idea. Mr. C also told Mr. K that, although the shareholders would not expect to receive dividends under the abovementioned circumstances, Mr. C acknowledged that Mr. J had made a statement at the annual general meeting of shareholders held in June 2015 (when Mr. C assumed the position of CEO) suggesting that dividends would be paid (See (2) above).

Thereafter, JDI held a discussion regarding the payment of dividends of profit in February 2016. Examination was made on securing the sources for dividends, such as dividend from its subsidiaries and an increase in deferred tax assets, and in fact, measures were taken for the payment of dividends, such as recording of dividend income of JPY 16.5 billion from its overseas subsidiaries. Nevertheless, even at the time of the closing of accounts in April 2016 for the fiscal year ended March 2016 (full fiscal year), it remained uncertain if JDI could achieve net income on a standalone basis for the same full fiscal year.

In light of the abovementioned circumstances, Mr. K and Mr. A considered recognition of additional deferred tax assets as a measure for the payment of dividends and held several discussions therefor with the External Auditor, mainly led by Mr. A. However, in the end, the proposal to record additional deferred tax assets was rejected. When Mr. A reported to Mr. C, Mr. G and Mr. K that the External Auditor would not permit JDI to recognize additional deferred tax assets, Mr. C offered words of appreciation to Mr. A, without raising any objection.

In addition to the events described above, JDI attempted to postpone recognition of R&D expenses of JOLED for the fiscal year ended March 2016 (full fiscal year) as described herein. However, even considering these circumstances, in the end, JDI recorded a non-consolidated net loss of JPY 9.6 billion for the relevant year, and JDI was not in a position to pay any dividends.

(4) Summary

As described above, since JDI never paid any dividends during the Investigation Period in the first place, the question as to whether dividends were paid appropriately is not applicable. Further, considering communications made between the abovementioned management and Mr. A for the payment of dividends and the process through which JDI gave up the payment of dividends, it is difficult to determine whether measures for the payment of dividends, including the recording of deferred tax assets, were unreasonable.

12. Manipulation of restructuring losses to meet the figures on the management's announcements

(1) Overview

In August 2017, at the time of announcement of consolidated financial results for the 1st quarter of the fiscal year ended March 2018, JDI announced that a business restructuring plan was going to be implemented during the fiscal year ended March 2018 and thereby a total of approximately JPY 170 billion of extraordinary losses would arise. Internal documents have revealed that the extraordinary losses attributable to the business restructuring included impairment losses on fixed assets, such as manufacturing plants, and that impairment losses associated with the Hakusan Plant were initially planned to be recorded as a part of such extraordinary losses. However, at the time of the settlement of accounts for the 4th quarter of the fiscal year ended March 2018, it was anticipated that the losses associated with the restructuring would be larger than expected. Therefore, aiming to manipulate the figures so that they were in line with the approximately JPY 170 billion announced by management, there was an attempt to avoid recording the impairment losses of the Hakusan Plant and the manipulation as described in Section 8 above was conducted.

(2) Summary

As described in Section 8, Mr. A engaged in an inappropriate conduct by attempting to avoid recording impairment losses of the Hakusan Plant.

Nevertheless, as to the necessity of recognizing impairment losses at the Hakusan Plant in the 4th quarter of the fiscal year ended March 2018, based on the profit forecast and other factors, no obvious indication of impairment was identified even if there had not been any such manipulation. Therefore, although manipulating the figures related to losses on restructuring to match the figures announced by management was improper, no inappropriate accounting treatment was identified for impairment loss recognition at the Hakusan Plant.

13. Realizing profit by capitalizing certain items as part of acquisition costs of fixed assets that should have been originally treated as expenses

(1) Overview of inappropriate accounting treatment

a. Capitalization of start-up costs for the J1 6th generation line at the Mobara Plant[16]

In the 3rd and the 4th quarters of the fiscal year ended March 2013, the fiscal year prior to listing, JDI included a total of JPY 1,039 million of registration and license taxes and real estate acquisition taxes in acquisition costs for fixed assets, arising from start-up costs for the J1 6th generation line at the Mobara Plant. This accounting treatment was contrary to JDI’s regulations for the management of fixed assets (hereafter, “JDI’s Fixed Asset Management Rules”) as it disregarded the relevant provisions under such regulations. In this regard, the Committee found that the above accounting treatment was as an error because there was no evidence that this unusual accounting treatment was carried out intentionally with an understanding of the actual

[16] “J1” and “D3” refer to specific production lines of panel displays.

provisions included in the regulations at that time.

In addition, as to the D3 line at the Hakusan Plant, in the 1st quarter of the fiscal year ended March 2016 and the 3rd quarter of the fiscal year ended March 2018, a total of JPY 178 million of registration and license taxes and real estate acquisition taxes was inappropriately included in the acquisition costs of fixed assets. In this regard, the Committee found that corresponding accounting treatment was an error, because there was no clear evidence that such treatment was applied intentionally.

b. Capitalization of IT outsourcing expenses

From the 4th quarter of the fiscal year ended March 2016 to the 4th quarter of the fiscal year ended March 2018, for the purpose of reducing fixed costs, JDI inappropriately included a total of JPY 279 million as intangible fixed assets (software) in the acquisition costs of fixed assets, from expenses that should have been treated as outsourcing expenses under a project developed to enhance business management functions (hereafter, "4K PJ") that was being implemented at that time.

In addition, in the 3rd quarter of the fiscal year ended March 2018 and the 1st quarter of the fiscal year ended March 2019, JDI inappropriately included a total of JPY 13 million as intangible fixed assets (software) in the acquisition costs of fixed assets, from expenses that should have been treated as outsourcing expenses in relation to activities other than the 4K PJ. In this regard, the Committee found that the corresponding accounting treatment was an error because there was no clear evidence that such treatment was applied intentionally.

c. Capitalization of start-up costs for the OLED pilot line at the Ishikawa Plant

Around May 2016, an RGB-side-by-side (hereafter "SBS") evaporation system was added to the organic EL (Organic Light Emitting Diode; "OLED" herein) pilot line. However, from the 3rd quarter of the fiscal year ended March 2017 to the 1st quarter of the fiscal year ended March 2018, a total of JPY 877 million, which should have been treated as R&D expenses, was improperly capitalized for the purpose of reducing fixed costs.

d. Capitalization of start-up costs for the J1 OLED line at the Mobara Plant

From the 3rd quarter of the fiscal year ended March 2018 to the 2nd quarter of the fiscal year ended March 2020, the entire amount of expenses attributable to the OLED Business Development Division, including expenses unrelated to the start-up of the J1 OLED line at the Mobara Plant, were capitalized for the purpose of reducing fixed costs. As a result, JPY 2,224 million was inappropriately included in the acquisition costs of fixed assets.

e. Capitalization of the start-up costs for the D3 line at the Hakusan Plant

In the 3rd quarter of the fiscal year ended March 2017, for the purpose of reducing fixed costs, JDI capitalized expenses attributable to the Production Department of the Hakusan Plant, including depreciation expenses of JPY 932 million for buildings, machinery and equipment and the like at the Plant covering 22 days (December 1 to 22) prior to the start of mass production of the D3 line at the Hakusan Plant on December 23, 2016, as fictitious machinery and equipment.

(2) Capitalization of start-up costs for the J1 6th generation line at the Mobara Plant

a. Circumstance of inappropriate accounting

In December 2012, Mr. J asked Mr. A and others for advice on restoring profitability in terms of operating profit and ordinary income as well as net profit for the fiscal year ending in March 2013. Consideration was given to the idea of capitalizing expenses, such as removal costs of installed equipment in the J1 line and other expenses and reclassifying the expenses, which had been recorded as operating expenses, to non-operating expenses.

In response, Mr. A proposed capitalizing removal costs for J1 (costs incurred to remove the installed equipment no longer in use that was left in the plant building previously acquired from Company h for the start-up of the J1 6th generation line; hereafter, "J1 Removal Costs"), which had been recorded under non-operating expenses, and expenses incurred for the J1 line preparation office (hereafter, "J1 Preparation Office Expenses"), which had been recorded under selling, general and administrative (hereafter, "SG&A") expenses, in the acquisition costs of the J1 6th generation line at the Mobara Plant. A proposal for capitalizing R&D expenses (outsourcing expenses or labor cost for R&D etc.) was also made by a person in charge of finance. These proposals were shared by Mr. J to Mr. B, and Mr. B then instructed certain individuals to carry out the plan. Furthermore, Mr. B praised these proposals from Mr. A and others.

Subsequently, in accordance with instructions from Mr. A, JPY 528 million of J1 Removal Costs, which had been recorded under non-operating expenses and JPY 1,107 million of J1 Preparation Office Expenses, which had been recorded under SG&A expenses, for the period between April to November 2012, were reclassified to fixed assets by accounting personnel in the 3rd quarter of the fiscal year ended March 2013. Furthermore, JPY 346 million of registration and license tax, which had been recorded as an expense in July 2012, and JPY 692 million of real estate acquisition tax were capitalized in the 3rd quarter and the 4th quarter of the fiscal year ended March 2013, respectively.

b. Accounting standard for acquisition cost of fixed asset

Regarding the scope of acquisition cost of fixed assets, "Continuous Statement of Position on Adjustment of Corporate Accounting Principles and Related Laws and Regulations", (Continuous Statement of Position No.3) stipulates, "In case of purchasing fixed assets, acquisition cost is the purchase price plus ancillary expenses, such as commission fees, freight costs, cargo handling expenses, installation expenses and commissioning expenses".

On the other hand, Article 54 of "Order for Enforcement of the Corporation Tax Act" defines "acquisition cost of purchased depreciable assets" as the total amount of "the purchase price of the asset (freight costs, cargo handling expenses, transportation insurance premium, commission fee, customs duty […]) and other expenses required to purchase the asset" and "costs directly incurred in making the asset available for business use". Additionally, the Fundamental Directive on Corporate Tax Law, 7-3-3 (2), specifies real estate acquisition tax and registration and license tax as examples of expenses that are allowed to be excluded from the acquisition cost of an asset.

Further, Article 2.4.2 (2) of JDI's Fixed Assets Management Rule (issued on April 1, 2012) stipulates that, "even if those expenditures are paid in association with acquiring a fixed asset, real estate acquisition tax, automobile acquisition tax, expenses incurred for registration or enrollment, and other expenses that may be excluded from the acquisition cost shall not be included in the acquisition cost of the fixed asset."

c. The inappropriate accounting treatments applied

Based on the above mentioned accounting standards and regulations for accounting treatments, as these J1 Removal Costs, which were incurred for removing equipment installed in the purchased plant building, and the J1 Preparation Office Expenses, which were associated with the labor and other costs relating to start-up of the J1 6th generation line in the Mobara Plant, both of which were capitalized as an asset in the 3rd quarter of the fiscal year ended March 2013, may be classified as "costs directly incurred in making the asset available to for business use", the capitalization of those expenses as fixed assets may be deemed appropriate.

On the other hand, capitalizing JPY 346 million of registration and license tax and JPY 693 million of real estate acquisition tax on assets clearly violate JDI's Fixed Asset Management Rules, Article 2.4.2 (2), and hence, the accounting treatment related to the recognition of these expenses as part of the acquisition cost for fixed asset was inappropriate.

Although Mr. A, who was a GM in the Finance Department at that time, should have been aware of JDI's Fixed Asset Management Rules, which stipulates that registration and license tax and real estate acquisition tax shall not be included in the acquisition cost of a fixed asset, the rule was not well understood within the company and therefore, the practice of capitalizing registration and license tax and real estate acquisition tax continued unchecked. Accordingly, as it is uncertain as to whether or not this inappropriate accounting treatment was applied intentionally, the committee found that such accounting treatment was an error..

d. Investigation into the existence of similar cases by the Committee

In order to identify other cases involving the capitalization of registration and license tax or real estate acquisition tax as part of the acquisition cost of a fixed asset for start-up costs, other than J1 6th generation line at the Mobara Plant during the Investigation Period, the Committee analyzed the breakdown of the construction in progress account for the OLED pilot line at the Ishikawa Plant, the D3 line at the Hakusan Plant and the J1 OLED line at the Mobara Plant.

As a result, it was determined that JPY 31 million of registration and license tax and JPY146 million of real estate acquisition tax were capitalized under the construction in progress account as acquisition costs of the D3 line at the Hakusan Plant in the 1st quarter of the fiscal year ended March 2016 and the 3rd quarter of the fiscal year ended March 2018, respectively. In addition, they were reclassified to the acquisition of cost of land in the amount of JPY 31 million in the 1st quarter of the fiscal year ended March 2016, and the acquisition cost of land and building in the amounts of JPY 24 million and JPY121 million, respectively, in the 3rd quarter of the fiscal year ended March 2018. Despite the improper capitalization of such expenses as acquisition cost of fixed assets as it violated JDI's Fixed Asset Management Rules, the Committee found that such accounting treatment was an error since there was no clear evidence as to whether or not it was applied intentionally.

(3) Capitalization of IT outsourcing expenses

a. Circumstance of inappropriate accounting

Since October 2015, JDI had proceeded with a project called "Business management function transformation and information system transformation project" (hereafter, "Business Transformation PJ") to establish a foundation for the real-time identification of profit or loss and cash flow information. During April 2016, based on the issues identified in Business Transformation PJ, 4KPJ was established with the aim of enhancing management reporting and decision-making by accelerating the aggregation process, and enhancing data centralization, and visualization as well as standardizing data definitions. The investments in the implementation of IT systems, which would be deliverables under 4KPJ, were approved at the 183rd Management Committee held on July 26, 2016.

Regarding the outsourcing expenses to develop internal-use software, JDI had originally decided on the phase from which capitalization would commence based on the software development phases and to expense all project management expenses.

However, around March 2016, Mr. K requested that Mr. A and others consider capitalizing such outsourcing expenses. Subsequently, Mr. A discussed this with accounting personnel (

position) and another accounting personnel at that time and instructed them to reduce fixed costs due to the large amount of outsourcing fees related to the Business Transformation PJ. Based on such instructions from Mr. A and discussions, these individuals (both managerial position and non-managerial position) changed the accounting treatment for outsourcing expenses related to Business Transformation PJ from expensing all project management expenses to capitalizing them, as described in b below. The project management expenses related to Business Transformation PJ, which had already been incurred and recorded as expenses, were reclassified to the acquisition cost of fixed assets as intangible fixed assets (software) attributable to 4KPJ.

In addition, expenses incurred related to "user training", data "migration" and "initial responses" were also capitalized as part of the acquisition cost of 4KPJ.

b. Accounting standards prescribing the scope of the acquisition cost of fixed assets related to IT outsourcing expense

Article 12 of "Practical Guideline for Accounting Treatment of R&D Expenses and Software" (Accounting Systems Committee Report No.12, issued by the JICPA) stipulates that, "capitalization of software for internal use commences once future profit or cost reduction is probable based on supporting evidence."

In this regard, JDI classified the production stages of software developed for internal use as below. All costs incurred from Phase 5 "Designing overview and basics" to Phase 11 "Preparation of documents" are capitalized, and costs incurred from Phase 1 "Needs analysis" to Phase 3 "Basic planning" are recorded as expenses.

(Production stages of software development for internal use)

	Production Stages	Overview of work (outsourcing)
1.	Needs analysis	Verification of requests for user systemization. Provide know-how and advice for development
2.	Planning and concepts	Conducting the impact survey on current system and relevant systems. Identify obstacles for requested system
3.	Basic planning	Summarize the high-level definitions of requirement to understand what type of system is required. Identify and resolve obstacles for developing the system
(Internal proposal / Investment proposal and approval)		
4.	Project management	Project management activities, such as resolving problems / issues / schedules / costs / internal and external resource arrangements
5.	Designing overview and basics	Defining external specifications of system to satisfy the requirement definitions (consider and decide how to develop

	(specification and requirement definition)	functions required)
6.	Designing details	Specific work to implement functions, operations, display method, etc. in the system as defined in basic design (designing overview),
7.	Coding	Document computer-readable code based on detailed designs
8.	Unit testing	Test whether the targeted modules meet the required function and performance required under specification, and debug support
9.	Combined testing	Test whether interfaces (contacts) and jobs between multiple modules function well, and debug support
10.	Integrated testing	User verification work, including verification of system operation in accordance with required specification in an environment which is close to actual, whether installed functions are sufficient or not
11.	Preparation of documents (completed specification and deliverables)	Summarize system specification, prepare documents
12.	User training	Creation of system operating manuals, and providing the training to actual users
13.	Migration	Data migration, system and operation migration and conversion
14.	Initial responses	Correspondence to inquiries related to system operations

As for Phase 4 “Project management” above, this generally occurs throughout the project period, however, as stated in Section a above, based on instructions from Mr. A and discussions with accounting personnel in charge (both managerial and non-managerial positions), JDI decided to capitalize such costs in 4KPJ only, even though those had been expensed in the past according to the internal material.

In addition, regarding other necessary implementation expenses to use the software, Article 16 of the above mentioned Practical Guideline stipulates that “data migration costs” and “training costs” should be recognized as expenses in the fiscal year in which they are incurred (Phase 13 “Migration” and Phase 12 “User training,” respectively, in the above table would fall under such expenses).

c. The inappropriate accounting treatments applied

i Capitalization of outsourcing expenses (project management expenses) in Business Transformation PJ

As mentioned in a above, the policy regarding capitalization of project management expenses was revised around March 2016. From the 4th quarter of the fiscal year ended March 2016 to the 2nd quarter of the fiscal year ended March 2017, total amount of JPY 169 million of outsourcing expenses (project management expenses) for Business Transformation PJ were capitalized as follows.

As mentioned above, project management for software development generally occurs continuously throughout the project by project managers in the System Department or IT development vendor. Thus, such "project management expenses" included as capitalization of development cost for internal-use software would be appropriate.

However, according to the personnel in-charge of the information system, the capitalized amount, JPY 169 million, of outsourcing expenses represented project management expenses for Business Transformation PJ, which was the predecessor project of 4KPJ, that had been incurred on several times since October 2015. In addition, the related activities of the Business Transformation PJ involved clarifying issues and creating basic planning for 4KPJ. Therefore, said expenses correspond to the following phases: "Needs analysis", "Planning and concepts" and "Basic planning" for 4KPJ, and thus, these costs should have been recognized as expenses as those phases precede the phase at which point "the generation of future revenue or cost reduction is probable".

Therefore, the accounting treatment involving the capitalization of expenses in the amount of JPY 169 million was inappropriate considering that the expenses were incurred corresponding to project phases where capitalization would not be allowed.

Additionally, upon reclassification of expenses to fixed assets, a responsible person in the IT Department for business transformation where costs are incurred usually prepares a reclassification request form. However, based on emails between the IT personnel in charge of business transformation and accounting personnel in charge, it was discovered that the reclassification was executed at the initiative of the accounting personnel who were promoting the reduction in fixed costs.

[Outsourcing expenses of Business Transformation PJ capitalized as part of acquisition cost of 4KPJ system]

Timing of Reclassification from Expense Account to Construction in Progress Account (Quarterly consolidated accounting period)		Amount
For the fiscal year ended March 2016	Q4	JPY 81 million
For the fiscal year ended March 2017	Q1	JPY 58 million

	Q2	JPY 29 million
Total		JPY 169 million

ii Capitalization of production expenses for internal-use software relating to 4KPJ

As stated in b, above, in accordance with Article 16, "Accounting treatment for other expenses for implementation" of said Practical Guideline, "data conversion costs" and "training costs" should be recognized as expenses in the fiscal year in which they are incurred. However, during the periods from the 3rd quarter of the fiscal year ended March 2017 to the 4th quarter of the fiscal year ended March 2018, a total of JPY 109 million comprising expenses for "User training," which follows "Preparation of documents (completed specification and deliverables)," and data "Migration", and "Initial responses, which had all been expensed under the previous JDI's policy, and operation and maintenance expenses that should have been expensed each time the maintenance service was completed were capitalized related to 4KPJ.

Regarding these accounting treatments, the personnel in charge of purchase orders for 4KPJ under business transformation & IT reported to the in-charge accounting personnel in December 2016 that he/she was confused as to the reason different accounting treatments were being performed based on the discretion of the accounting personnel. This fact corroborates the inappropriate nature of the accounting treatment, which was different from the ordinary treatment for capitalization of expenses for the production of internal-use software.

[Expenses for "User training", data "Migration", "Initial responses", "Operation and Maintenance" capitalized as acquisition cost of the 4KPJ system]

Timing of Reclassification from Expense Account to Construction in Progress Account (Quarterly consolidated accounting period)		User training (JPY)	Migration (JPY)	Initial responses (JPY)	Operation and Maintenance (JPY)	Total (JPY)
Fiscal year ended March 2017	Q3	-	5 million	-	-	5 million
	Q4	22 million		11 million	-	33 million
Fiscal year ended March 2018	Q1	-	2 million	-	9 million	11 million
	Q2	-	8 million	1 million	8 million	17 million
	Q3	-	0 million	8 million	15 million	24 million

	Q4	-	-	7 million	8 million	15 million
Total		22 million	16 million	28 million	41 million	109 million

d. Investigation into the existence of similar cases by the Committee

As an investigation of the similar cases, the Committee analyzed the items recorded under the construction in progress account designated as “User training”, data “Migration”, “Initial responses”, “Operation and maintenance” using different Job Numbers than those used for 4KPJ. As a result, inappropriate capitalization of JPY 13 million was identified as follows.

However, the Committee found that these were errors as uncertainty exists as to whether or not such capitalization was intentional.

[Amounts recorded under construction in progress account, named as “User training”, data “Migration”, “Initial responses”, “Operation and Maintenance” (except for those included in 4KPJ)]

Timing of Reclassification from Expense Account to Construction in Progress Account (Quarterly consolidated accounting period)		Migration	Initial responses	Total
Fiscal year ended March 2018	Q3	JPY 2 million	-	JPY 2 million
Fiscal year ended March 2019	Q1	-	JPY 11 million	JPY 11 million
Total		JPY 2 million	JPY 11 million	JPY 13 million

(4) Capitalization of start-up costs for the OLED pilot line at the Ishikawa Plant

a. Start-up of the pilot line

JDI started to establish an OLED pilot line in the D1 line at the Ishikawa Plant around in December 2013. There were two types of OLED: SBS type, which was adopted by Company j, and White-OLED type. In order to differentiate itself from Company j, which was ahead of JDI in terms of mass production, JDI adopted the White-OLED type, which had also been adopted by a company with which JDI was attempting to facilitate business collaboration, including co-development, when the OLED pilot line was initially proposed.

However, said company decided to withdraw from its OLED business in June 2014, which then prompted JDI to cease with OLED development using White-OLED.

Subsequently, based on the request from a customer to develop SBS-type OLED, the Management Committee approved a plan to install machinery and equipment for the development of SBS type into the pilot line to promote SBS OLED development in June 2015. JDI expected that the mass production for the customer would start sometime in 2019 but the customer’s request was specifically to develop a prototype in G4.5[17], and thus this investment in machinery and equipment was for development and verification purposes.

An SBS evaporation system was installed in May 2016, and the acceptance inspection of the SBS evaporation system was completed in April 2017.

b. Circumstance of inappropriate accounting

Though JDI does not have a clear policy or rules regarding accounting for start-up costs incurred for a new production line, JDI capitalizes the costs of labor and materials incurred to install the machinery and equipment or to verify whether or not the machinery and equipment is properly functioning in a production line as “start-up costs”.

Since the newly introduced SBS evaporation system manufactured by Company k was a state-of-the-art system to substantialize the high-definition technique, which no other panel manufacturers had yet introduced, JDI recorded the start-up costs related to the new evaporation system as R&D expenses, instead of capitalizing them when those were incurred.

However, sometime around December 2016, in order to reduce fixed costs, Mr. N, who was an executive officer at that time, instructed the person in charge of the OLED development at the Research & Development Center to capitalize these OLED development expenses as start-up costs. Normally, start-up costs would have been aggregated and reclassified to the construction in progress account by the Ishikawa Accounting and Finance Section. However, in this case, the Research & Development Center prepared the reclassification request form to transfer the related R&D expenses to the construction in progress account and sent it to personnel in the Accounting Department to complete the reclassification. As a result, in the 3rd quarter of the fiscal year ended March 2017, such R&D expenses were reclassified to the construction in progress account retrospectively from May 2016, and such capitalization of the start-up costs continued until April 2017 (the 1st quarter of the fiscal year ended March 2018). Consequently, a total of JPY 877 million of R&D expenses were capitalized in the acquisition cost of the SBS evaporation system.

c. Accounting standards related to R&D expenses

Article 1, Section 1 of “Accounting Standard for Research and Development Expenses” (Business Accounting Council) stipulates that, “Research refers to the systematic research and exploration intended to discover new knowledge. Development refers to the incorporation of research results or knowledge thereof as a plan or design for new products, services, and production methods (hereinafter referred to as “Products”) or plan or design to significantly improve existing Products”. Article 3 of the same accounting standard also stipulates that “all

[17] G4.5 or G6.0 refers to the size of mother glass in the LCD industry, and is designated G1.0 etc., in the order of size from smallest to biggest.

research and development expenses shall be expensed when incurred".

Furthermore, Article 2 of "Practical Guidelines for Accounting for Research and Development Expenses and Software" (Accounting System Committee Report No.12 issued by the JICPA lists the following items as typical examples of research and development activities: "(ii) activities to commercialize products or services based on research results or exploration of new knowledge" and "(iii) substantiation of a manufacturing process that differs significantly from that of existing products".

d. The inappropriate accounting treatment applied

The SBS evaporation system from Company k that JDI introduced was considered cutting-edge technology at that time. Therefore, the activities such as verifying system operations or trial and error to substantiate the test outcome as described in the specifications were classified as R&D activities under the category of "(ii) activities to commercialize products or services using the results of research or exploration of new knowledge" or "(iii) substantiation of a manufacturing process that differs significantly from that of existing products". Based on guidance in the accounting standard described in c above, costs incurred as a result of those activities should have been recognized as R&D expenses.

Thus, JPY 877 million capitalized during the period from the 3rd quarter of the fiscal year ended March 2017 to the 1st quarter of the fiscal year ended March 2018 based on the instructions from Mr. N with the aim of reducing fixed costs should not have been capitalized but rather should have been recognized as R&D expenses.

Quarterly consolidated accounting period		Overstatements of Fixed Assets
Fiscal year ended March 2017	Q3	JPY 640 million
	Q4	JPY 193 million
Fiscal year ended March 2018	Q1	JPY 42 million
Total		JPY 877 million

(5) Capitalization of start-up costs for the J1 OLED line at the Mobara Plant

a. Circumstance of inappropriate accounting

At the Management Committee meeting held in February 2016, investments in machinery and equipment for the development of the G6.0 Sheet OLED display were approved, and such machinery and equipment became operational in August of the same year. As mentioned above, though there were no clear guidelines or rules defining the scope of capitalizing start-up costs at JDI, accounting personnel from each location discussed and concluded that only direct start-up costs incurred such as labor costs for support by employees from other factories, electricity costs and costs for prototype materials and so on, similar to start-up costs for other lines would be capitalized.

However, after the establishment of OLED Business Development Division in October 2017, all expenses incurred for the OLED Business Development Division including expenses not directly related to the start-up of the line, were determined to be eligible for capitalization based on instructions given by Mr. A.

In addition, subsequent to Mr. A's resignation in the 4th quarter of the fiscal year ended March 2019, concerns arose that if the amount of start-up costs being capitalized would not begin declining toward the start of mass production of J1 OLED, the excessive capitalization that occurred in prior periods may be exposed. As such, the accounting personnel from the head office and each plant discussed and determined to gradually reduce capitalization of start-up costs, by only capitalizing the costs relating to the cost centers, which had originally been eligible for capitalization.

b. Accounting standards for start-up costs

As stated in (2) b above, in reference to what could be included in the acquisition cost of fixed assets, though ancillary expenses such as commissioning expenses may be included in the acquisition cost under "Continuous Statement of Position on Adjustment of Corporate Accounting Principles and Related Laws and Regulations," (Continuous Statement of Position No.3 issued by the Business Accounting Council), no specific details of the ancillary expenses are mentioned in the Statement.

On the other hand, in accordance with Article 54 of Order for Enforcement of the Corporation Tax Act, "acquisition cost of purchased depreciable assets" is defined as the total amount of the "Purchase price of the asset (freight costs, cargo handling expenses, transportation insurance premium, commission fee, customs duty […]) and other expenses required to purchase the asset" and "costs directly incurred in making the asset available for business use".

c. The inappropriate accounting treatment applied

The start-up costs capitalized based on instructions from Mr. A for the periods from October 2017 (the 3rd quarter of the fiscal year ended March 2018) and September 2019 (the 2nd quarter of the fiscal year ended March 2020) included expenses incurred not directly related to the start-up, and those would not be categorized as "costs directly incurred in making the asset available for business use". Therefore, the accounting treatment involving such capitalization is considered inappropriate as it required changing the previous policy for capitalization in JDI and as the scope of the corresponding expenses was outside "directly incurred".

The following table represents the amounts of expenses incurred by the OLED Business

Development Division that should not have been capitalized totaling JPY 2,224 million.

Quarterly consolidated accounting period		Overstatement of Fixed Assets
For the fiscal year ended March, 2018	Q3	JPY 319 million
	Q4	JPY 542 million
For the fiscal year ended March, 2019	Q1	JPY 371 million
	Q2	JPY 409 million
	Q3	JPY 418 million
For the fiscal year ended March, 2020	Q1	JPY 92 million
	Q2	JPY 71 million
Total		JPY 2,224 million

(6) Capitalization of the start-up costs for the D3 line at the Hakusan Plant

a. Circumstance of inappropriate accounting

Based on a contract with a major customer, the investment in a facility at the Hakusan Plant begun in March 2015 and subsequent to the completion of construction of the factory building in June 2016, machinery and equipment in the production line was installed. On December 23, the Hakusan Plant obtained approval for mass production from the major customer.

In general, start-up costs for machinery and equipment are initially recorded in the construction in progress account and then these costs are allocated to the acquisition cost of the machinery and equipment under fixed assets upon the plant's completion. Along with the start of mass production at the D3 line at the Hakusan Plant in December 23, the start-up costs relating to machinery and equipment were allocated to the acquisition cost of such machinery and equipment and after reclassification from the construction in progress account to the fixed assets account, depreciation of the machinery and equipment also began.

In January 2017, Mr. A instructed a person in-charge (managerial position) in the Ishikawa Accounting and Finance Section to capitalize the expenses incurred at the Hakusan Plant Manufacturing Department in December for the days before the start of the mass production on pro-rated basis (for 22/31 days between December 1 to 22) as part of the start-up cost. Though the person in-charge expressed their concerns to Mr. A about the appropriateness of capitalizing the pro-rated amount of expenses for a department as the start-up cost of machinery and equipment, which included depreciation expenses of building, and machinery and equipment, the person followed the instructions given by Mr. A and capitalized them.

Therefore, JPY 1,685 million of start-up costs for December 2016, which were capitalized under the construction in progress account in January 2017, resulted in including JPY 932 million out of JPY 1,309 million (22/31 days on a pro-rated basis) of depreciation expenses of the

Hakusan Plant building, which had already begun operations and the machinery and equipment that started operations for mass production in the same month. Additionally, as all the machinery and equipment had already been reclassified from the construction in progress account to the fixed assets account in December 2016, no corresponding item remained under the construction in progress account to allocate to start-up costs for that month. Eventually, such start-up costs were reclassified to the acquisition cost of fictious machinery and equipment designated as "*Start-up cost of the line*".

At JDI, depreciation had been recognized on a monthly basis. However, in trying to reduce fixed costs through the process described above, recognition of depreciation expenses was intentionally deferred by reclassifying depreciation expenses on a pro-rated basis to the acquisition cost of a fictious fixed asset.

b. Investigation into the existence of similar cases by the Committee

In order to investigate whether there were other similar cases where depreciation expenses were included in the start-up costs, the Committee analyzed the start-up costs of other production lines that were established during the Investigation Period such as the J1 6th generation line at the Mobara Plant, the OLED pilot line at the Ishikawa Plant and the J1 OLED line at the Mobara Plant. As a result, it was discovered that the start-up costs of the J1 OLED line at the Mobara Plant also included depreciation expenses. The details of the capitalization of the J1 OLED line at the Mobara Plant are described in (5) above.

14. Avoidance of losses by reclassifying R&D expenses paid quarterly to an affiliate company as capital contributions

(1) Overview of inappropriate accounting treatment

JDI had been paying R&D service fees to its affiliate company, JOLED, under a R&D service agreement executed with the company. However, as a result of considering questions about the rationality of the agreement, and due to the burden of the expenses and other circumstances, JDI changed the service agreement into an investment agreement. In the process of the negotiations for the change of the agreement, JDI avoided recording the R&D expenses based on the planned change of the agreement, although a high probability of a change in the agreement was not objectively recognized. In the 3rd quarter of the fiscal year ended March 2016, the recognition of expenses of JPY 1,625 million were avoided. As this amount was recorded in the following quarter, there was no difference in the amount of recognized expenses for the full fiscal year.

(2) Outline of agreement with JOLED

a. Establishment of JOLED

In July 2014, INCJ, JDI, SONY and Panasonic, with an aim to accelerate mass production development and to promptly commercialize organic EL (OLED) display panels, executed a final agreement to integrate Sony and Panasonic's R&D operations for OLED display panels and to establish JOLED. On January 5, 2015, JOLED was established pursuant to such final agreement. At the establishment of JOLED, JDI contributed JPY 2.7 billion and subscribed for 54,000 shares, which were equivalent to 15% of the voting rights in JOLED. With respect to the shareholder composition of JOLED at the time, INCJ held 75% of the voting rights in JOLED, and Sony and Panasonic each held 5%.

Manufacturing of OLED display panels presented considerable technological challenges, including difficulties in developing materials and manufacturing equipment. However, it was believed that such display technology contained substantial advantages for the future with respect to thinness, lightness and flexibility. Furthermore, JOLED adopted a system for manufacturing of OLED display panels (printing system), which was different from the system JDI adopted (evaporation system). Accordingly, JOLED was considered to be a company which held important technology for JDI to expand into new business areas for its continued growth.

b. R&D service agreement

On July 31, 2014, JDI and JOLED entered into the "R&D Service Agreement on OELD Display Panels" (the "Service Agreement"). The Service Agreement stipulated that JDI entrusted research and development services concerning OLED to JOLED for the period of five years commencing on January 5, 2015 and shall quarterly pay to JOLED JPY 1,625 million (JPY 6.5 billion per year, and JPY 32.5 billion in total) in advance as a consideration for such entrustment.

c. Change of R&D expenses into capital contributions

Thereafter, with the change of the management at JDI, JDI decided to review the payment of R&D expenses in the amount of JPY 6.5 billion per year and the recognition of such payment as expenses, because of the necessity for the acceleration of OLED development by JDI's original evaporation system and the severe conditions surrounding JDI's business. According to interviews with the relevant personnel, then-officers of JDI held not only concerns about business strategies and financial conditions as described above, but also a strong awareness of weaknesses with the contents of the Service Agreement specifically that it was "substantially unreasonable" for JDI: such as the potential risk that, since the R&D expenses were recorded at a fixed amount in each fiscal year regardless of the results of development performance, they might be considered as a donation for tax purposes; and the heavy-burden of JDI's ratio out of the total R&D expenses of JOLED (exceeding 60% of the total R&D expenses of JOLED) compared to its shareholding ratio (15%). It is assumed that such circumstances led to the review of the Service Agreement. Finally through negotiations with JOLED, on September 26, 2016, the "Agreement to Amend the R&D Service Agreement on OELD Display Panels" was executed with JOLED, under which it was agreed that the payment to JOLED as R&D expenses was changed to a capital contribution to JOLED and JDI would subscribe for preferred shares from JOLED.

(3) Accounting treatment during each calendar quarter in the Service Agreement

a. Outline of accounting treatment of R&D expenses

Since R&D expenses paid under the Service Agreement were to be paid in advance, the expenses paid on a quarter basis were to be recorded as "prepaid expenses" and then reclassified as "R&D expenses" in or after the following quarter. With respect to such treatment of the expenses, there could exist accounting issues for the 3rd quarter of the fiscal year ended March 2016. The details thereof are described in the following.

b. Avoidance of recording of R&D expenses for the 3rd quarter of the fiscal year ended March 2016 (Date of a quarterly review report by the External Auditor for the 3rd quarter of the fiscal year ended Mach 2016: February 9, 2016)

The expenses paid by JDI to JOLED were not recognized as R&D expenses in the 3rd quarter of the fiscal year ended March 2016, but were recognized as those of the two quarters in the 4th quarter of the same year. With respect to the reasons that such treatment was applied, given the following circumstances, it can be considered that such accounting treatment was applied subject to the contents that could occur with the change of the Service Agreement, on the basis of a probability of the change of the contents of the Service Agreement thereof.

Since September 2015, JDI had considered reviewing the payment of R&D expenses to JOLED due to the awareness of the problems described in Section (2) c, and such intent of JDI had been informed to the working-level employees at INCJ. Nevertheless, JDI was not able to obtain an answer from INCJ regarding the change of the Service Agreement through meetings among the working-level employees. On February 2, 2016, Mr. C (then-CEO) made an offer to Mr. M (then-officer of INCJ and JOLED) that, in light of the severe conditions in relation to its settlement of accounts, JDI would like to change the payment of R&D expenses to JOLED to a loan or capital contribution as a measure to cope with the circumstances under which the R&D expenses to JOLED in the amount of JPY 6.5 billion per year had become a heavy burden for JDI. According to Mr. K (then-CFO), in response to such offer, JDI was not able to obtain approval from Mr. K for the change of the Service Agreement.

On February 7, 2016, which was two days before the submission date of the review report for the 3rd quarter of the fiscal year ended March 2016, the External Auditor notified Mr. K (then-CFO) that, in case of the settlement of accounts at year end, in light of the significance of the quality and amount, it would be difficult for JDI to capitalize the payment to JOLED under the current circumstances if the change of the Service Agreement was not completed, and it would be impossible for the External Auditor to express an unqualified opinion at year end audit without JDI's recording of R&D expenses.

Although JDI was not able to obtain the approval of Mr. M thereafter, a JDI management representation letter for the 3rd quarter of the fiscal year ended March 2016 was submitted to the External Auditor that included a statement that "We believe that the feasibility is high because there is no factor which would interfere with the change," which differed from the actual condition, and thereby such R&D expenses were not recognized.

However, approval for the change of the Service Agreement had not been obtained from Mr. M or from JOLED at that time, and therefore, it cannot be said that there was a high probability of an agreement to change the Service Agreement being executed, and no fact was found that supports the assertion that "there is no factor which would interfere with the change" in the management representation letter.

Accordingly, the accounting treatment involving not recording R&D expenses in the amount of JPY 1,625 million for the 3rd quarter of the fiscal year ended March 2016 is considered to be inappropriate. Meanwhile, the R&D expenses of the two quarters (the 3rd and 4th quarters for the fiscal year ended March 2016) were recognized together in the 4th quarter of the fiscal year ended March 2016, and there was no financial effect for the full fiscal year ended March 2016.

15. **Overstatement of operating profits by inappropriately reclassifying expenses**

(1) Overview of inappropriate accounting treatment

In November 2013, with respect to the J1 line at the Mobara Plant, a false report was submitted to the management committee, including a proposal for the reclassification of operating expenses to non-operating expenses, and was approved. The report stated that the operation of some of the machinery and equipment was suspended, in order to make operating income look better, even though most of the machinery and equipment was in operation from the middle to the end of November. As a result, depreciation expense for one month of JPY 512 million was reclassified into non-operating expenses for the suspended machinery and equipment, and operating income was overstated.

In addition, as a similar case, the total depreciation expenses of JPY 1,295 million of the J1 and V3 lines at the Mobara plant were reclassified into non-operating expenses because incorrect reports were made on the non-operating assets that was different from actual condition, from the 4th quarter of the fiscal year ended March 2016 to the 1st quarter of the fiscal year ended March 2020. In this regard, the Committee's findings are that the corresponding accounting treatment was an error, because there was no clear evidence that such incorrect reports on the non-operating assets were intentionally made..

(2) Reclassification of depreciation expenses for the J1 line at the Mobara Plant to non-operating expenses

a. Accounting standards related to the reclassification of depreciation expenses to non-operating expenses

Paragraph 56 of the ASBJ Guidance No.6 "Guidance on Accounting Standard for Impairment of Fixed Assets", stipulates that "With respect to the idle assets on which impairment losses were recognized, the depreciation expenses after the recognition of impairment losses shall be recorded under non-operating expenses, in principle. The idle assets on which impairment losses were not recognized are also to be depreciated, and the depreciation expenses for such idle assets shall be also recorded under non-operating expenses, in principle."

b. JDI's practice of reclassifying depreciation expenses to non-operating expenses

At JDI, there were no official rules regarding reclassification of deprecation expenses on fixed assets to non-operating expenses. Necessary arrangements were merely shared among accounting personnel that they reclassify to non-operating expenses the depreciation expenses of machinery and equipment expected to be suspended for three months or more before being place back into operation. Based on interviews with the accounting personnel and emails found as part of the investigation, such arrangements had changed repeatedly; there were cases where the unit of non-operating assets for such reclassification changed from entire production line to individual item of machinery and equipment depending on the time period, or the depreciation expenses of the machinery and equipment expected to be utilized at the rate of 50% or less for three consecutive months or more was reclassified into non-operating expenses.

As for the process for the reclassification to non-operating expenses, JDI used to obtain an approval of the management committee each time, but since the 3rd quarter of the fiscal year ended March 2016, a new procedure was established where each plant submitted a report on non-operating assets (hereafter, "Non-Operating Asset Report"), to personnel in charge of fixed assets at the accounting division of the headquarters, and said personnel calculated depreciation expense and reclassified the same to non-operating expenses, instead of obtaining the approval of the management committee.

c. Overview of inappropriate accounting treatment

With the decrease in marginal income at the Mobara Plant, Mr. A and Mr. J, on November 14, 2013, decided to examine whether it was possible to reclassify the one-month depreciation expense for machinery and equipment to non-operating expenses, deeming that a half of the machinery and equipment of the J1 line at the Mobara Plant suspended in October 2013 was also suspended for one month in November 2013. For this idea, Mr. A confirmed with the accounting personnel at the Mobara Plant, and it turned out that identifying the assets suspended at the middle of November would be easier and the depreciation expenses of such assets to be reclassified would be larger. Therefore, in the end, Mr. A decided to represent that all of the machinery and equipment suspended in October 2013, not just half thereof, was not in operation all through one month of November 2013.

In actual, the operation ratio of the J1 lines at the Mobara Plant in November 2013 recovered up to more than 70%. However, a false report was made as if all the machinery and equipment that was suspended in October 2013 was not in operation for one month from November 1 to 30, 2013, which was different from the actual condition. As a result, the depreciation expenses for November 2013 of JPY 512 million was reclassified into non-operating expenses, instead of recording under manufacturing cost.

The details of the course of events leading to such treatment are described below.

(i) Accounting treatment in October 2013

The mass production at the J1 line at the Mobara Plant started in June 2013, but with the subsequent rapid decrease in demand, the operation ratio for October 2013 decreased to as low as around 11%. Therefore, JDI decided to suspend the operation of some of the machinery and equipment at the J1 line, and accordingly the depreciation expense for such suspended machinery and equipment for said month was recorded under non-operating expenses, not as manufacturing cost.

(ii) Accounting treatment in November 2013

In November 2013, the plant manager of the Mobara Plant reported to Mr. B, then-CEO, to the effect that the marginal income of the Mobara Plant would decrease significantly, and Mr. J, then-CFO, also received this report. After receiving this report, Mr. J proposed to the plant manager to avoid the decrease in operating income by recording the depreciation expense of the suspended machinery and equipment under non-operating expenses also for

November, the same as was recorded for October, and directed Mr. A and the personnel in charge of accounting and finance (managerial position) at the time to accommodate such reclassification into non-operating expenses through discussion with the accounting personnel at the Mobara Plant.

Thereafter Mr. A received a report from the accounting personnel at the Mobara Plant to the effect that all the machinery and equipment at the plant was expected to resume operations toward the latter half of November 2013. Accordingly, Mr. A told Mr. J that it would be normally be impermissible to reclassify depreciation of the non-operating assets into non-operating expenses, and asked for his decision as to whether approximately half of the deprecation expenses, which were reclassified as non-operating expenses in October 2013, should be reclassified into non-operating expenses for November 2013 as well with the approval of the management committee. In response, Mr. J told Mr. A that he would like the depreciation expense, even for the amount approximately half of the deprecation expenses which were reclassified into non-operating expenses in October 2013, to be reclassified into non-operating expenses for November as well. Accordingly, Mr. A reported to Mr. J a plan to represent that half of the machinery and equipment suspended in October 2013 resumed operation in November, and the remaining machinery and equipment continued to be suspended all through one month, and Mr. J approved it.

For this plan, Mr. A confirmed with the accounting personnel at the Mobara Plant, and it turned out that identifying the suspended assets under condition at the middle of November was easier and the depreciation expenses of such suspended assets to be reclassified into non-operating expense would become larger. As such, it was decided to represent that not half of the machinery and equipment suspended in October 2013, but all of such machinery and equipment was suspended all through one month.

In the end, at the management committee held on November 19, 2013, a report was made stating all of the machinery and equipment suspended in October 2013 was also suspended from November 1 to 30 of 2013, which was different from the actual condition, and a proposal for reclassification of the deprecation expense thereof into non-operating expenses was also made. The management committee approved the proposal. As a result, JPY 512 million of depreciation expense of the purported suspended machinery and equipment of the J1 line at the Mobara Plant for one month, was reclassified into non-operating expenses.

(3) Investigation into the existence of similar cases by the Committee

a. Reclassification of non-operating fixed assets into non-operating expenses

The Committee conducted comparisons of the Non-Operating Asset Reports with the data of production by machinery and equipment for the period from October 2015[18] (3rd quarter of the fiscal year ended March 2016) to September 2019 (2nd quarter of the fiscal year ended March 2020), mainly with respect to the Mobara Plant, in order to investigate whether there was any other reclassification of depreciation expense into non-operating expenses, not in conformity with the actual operation status at JDI, in addition to the event described in Section (2) above. As a result, i cases where the depreciation expense was reclassified excessively into non-operating expenses were identified, because the fixed assets that were actually operating were reported as "non-operating" in the Non-Operating Asset Reports. The amounts excessive reclassifications are as described in the table below.[19]

[Amount of depreciation expenses improperly reclassified as non-operating expenses at the Mobara Plant]

(million JPY)

Quarterly consolidated accounting period		Amount of depreciation expenses reclassified into non-operating expenses	
		J1 line	V3 line
For the fiscal year ended March 2016	Q4	728	4
For the fiscal year ended March 2017	Q1	-	7
	Q2	-	0
	Q3	-	0
For the fiscal year ended March 2018	Q1	75	-
	Q2	100	-
	Q3	199	-
	Q4	127	-
For the fiscal year ended March 2019	Q1	15	-
	Q2	2	-
	Q3	1	-
	Q4	28	-
For the fiscal year ended March 2020	Q1	2	-

18 As described in Section (2)b above, the decision-making process for the reclassification of depreciation expenses into non-operating expenses was changed to a process based on the Non-Operating Asset Report from that time, and thus the starting point for the investigation for similar cases was that time.

19 The V2 line at the Mobara Plant was omitted from the description in the table as it had a difference of less than JPY 1 million. As for the Higashiura Plant, the verification was conducted only for the 4th quarter of the fiscal year ended March 2016, which had the largest difference at the J1 line, but there was no difference observed.

Quarterly consolidated accounting period	Amount of depreciation expenses reclassified into non-operating expenses	
	J1 line	V3 line
Total	1,282	12

The process of reclassifying depreciation of non-operating assets was as follows: the Manufacturing Section of the Manufacturing Department in the Mobara Plant, prepares (i) "list of idle equipment", and based on this, (ii) "JI non-operating machinery and equipment list" of which equipment codes are those used in the Plant is prepared by the Manufacturing Control Section of the Manufacturing Department, which is submitted to the Accounting Section of the Plant. At the Accounting Section of the Plant, (iii) the non-operating asset report is prepared, changing the code information in the list (ii) described above to the asset numbers in the fixed assets ledger, and it is submitted to the Accounting Department in the headquarters.

Under certain quarterly periods, large differences are shown for the J1 line in the table above where the operating status of fixed assets were reported differently from the actual condition. However, according to the then-Section Manager of the Manufacturing Control Section of the Manufacturing Department, it was because an internal control for confirmation was not developed in the Manufacturing Control Section, and thus errors were made by the person in charge when preparing the list (ii) above from the list (i) above, and information related to resumptions of operations reported by the Manufacturing Department was not reflected in the list (ii) above. In the investigation conducted by the Committee as well, no evidence was found indicating that any report on non-operating assets that was different from the actual condition was made intentionally. The same is true for the V3 line.

Therefore, the Committee's findings are that the excess reclassification of depreciation expenses of as much as JPY 1,295 million into non-operating expenses in the table above was an error.

b. Reclassification of depreciation expenses for idle assets with no expectation of future use into non-operating expenses

Through email reviews and other communications conducted by the Committee, it was found that idle assets not expected to be used in future were not subject to impairment accounting and the depreciation expenses for such assets were reclassified into non-operating expenses. The details of such inappropriate accounting treatment is as described in Section 8 above.

16. Preparation of unrealistic business plans upon the listing application (Not Found)

(1) Summary

JDI listed its issued shares on the First Section of the Tokyo Stock Exchange on March 19, 2014. The feasibility of JDI's business plan submitted upon the application for listing to the Tokyo Stock Exchange and to the managing securities company could not necessarily be said to be unquestionable with respect to its feasibility, but this was not seen to directly affect the final issuance pricing.

(2) Business plans at JDI

Although this item is not about the issue of inappropriate accounting treatment, the Committee investigated this item as well, as it was included in the accusation made by Mr. A.

JDI's business plans before and after the application for listing were formulated based on budgets submitted by each plant and other workplaces, respectively, at the Accounting and Finance Division with respect to such plans to be carried out within a one year period, and at the Business Management Department with respect to such plans to be carried out for the mid-term period of over one year.

In this regard, as described in Section 5.3 above, the liquid crystal display business, the mobile device category representing most of JDI's sales, in particular, is a business that experiences wide sales fluctuations, as such business is greatly affected by factors such as adoption into popular products and consumption trends in each country. There can easily be fluctuations of over tens of billions of sales with a single transaction. As such, in formulating business plans, several scenarios were prepared assuming various circumstances such as cases where sales efforts to buyers were successful or not, and products which incorporated JDI's liquid crystal displays sold well or did not.

As for the earnings forecasts announced before and after the listing, consolidated earnings forecasts for the fiscal year ended March 2014 (full fiscal year) were disclosed on February 14, 2014 and March 19, 2014, projecting net sales of JPY 623.4 billion, operating profit of JPY 30.4 billion and ordinary profit of JPY 22.6 billion. However, on April 28, 2014, such forecasts were revised downward, with net sales of JPY 614.2 billion, operating profit of JPY 27.2 billion and ordinary profit of JPY 19.3 billion.[20] On May 15, 2014, consolidated earnings forecasts for the fiscal year ended March 2015 (full fiscal year) were disclosed, projecting net sales of JPY 750 billion, operating profit of JPY 40 billion, ordinary profit of JPY 31.5 billion and net income of JPY 26.8 billion. However, on October 15, 2014, such forecasts were revised downward, with

[20] As for the consolidated results for the fiscal year ended March 2014 (full fiscal year), net sales of JPY 614.6 billion, operating profit of JPY 27.6 billion and ordinary profit of JPY 19.1 billion were recorded.

net sales of JPY 740 billion, operating profit of JPY 6.5 billion, ordinary profit of JPY 1.5 billion and net loss of JPY 10 billion.[21]

The forecast for operating profit announced for the fiscal year ended March 2015 (full fiscal year) was JPY 40 billion as described above. It is assumed that according to the statements made by the management and the executives of the relevant departments and the accounting division at the time, although the actual final figure was JPY 5.1 billion, the forecasted figure was not necessarily unrealistic, taking into consideration such matters as the business forecast in May 2014 when this figure was determined and specific characteristics of JDI's business, in which sales experience high volatility.

On the other hand, in the final version of the business plan submitted to the Tokyo Stock Exchange and the managing securities company for the listing application, consolidated earnings forecasts for the fiscal year ended March 2015 (full fiscal year) were described, including operating profit of JPY 75 billion, although they were not made public.

This business plan was close to a best case scenario involving various factors that constitute earnings forecasts, and the feasibility of the plan could not necessarily be said to be unquestionable. This business plan was used in the calculation of the enterprise value in the preparation for the listing, and could affect the projected issuance price described in the securities registration statement. Therefore, from the viewpoint of procuring more funds, it is assumed that JDI had an incentive to use a higher figure from the projections in its business plan. In addition, in the process of approval of the business plan by the finance committee, INCJ made a request to set high targets, particularly for operating profit. Through such course of events, after various adjustments, the business plan including the operating profit forecast of JPY 75 billion for the fiscal year ended March 2015 (full fiscal year) was submitted to the Tokyo Stock Exchange and the managing securities company.

Having said that, the final issuance price (JPY 900 per share) at the time of JDI's listing was determined by the Book-Building formula[22]. It is considered that the figure for the forecasted operating income described above is just one of the pro forma figures used in calculating the nominal issuance price (JPY 1,100 per share), and it did not affect the final issuance pricing.

17 Background of the inappropriate accounting treatment identified

(1) Listing preparation period

Since its incorporation, JDI has aimed for the listing of its shares, and during the preparation

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[21] As for the consolidated results for the fiscal year ended March 2015 (full fiscal year), net sales of JPY 769.3 billion, operating profit of JPY 5.1 billion, ordinary profit of JPY 1.9 billion and net loss of JPY 12.3 billion were recorded.

[22] It is a method in which the managing securities company (i) determines provisional terms based on opinions of institutional investors and others who are considered to be highly knowledgeable about valuing share prices, and (ii) determines the offering price (issuance price) based on market trends after presenting such provisional terms to investors and grasping the demand for the shares proposed to be issued.

period for listing, JDI's management and executives had a desire to improve its operating profit even if only slightly.

In December 2012, Mr. J consulted with Mr. A and other accounting personnel regarding measures to realize a surplus in operating profit, and ordinary income as well as current net income. In the course of this consultation, the emphasis was placed on how to turn operating loss into profit in particular, and an examination was made regarding such matters as capitalization of expenses and losses and items that can be reclassified into non-operating expenses from operating expenses.

As more specific items, the capitalization of the start-up costs for the lines and R&D expenses as fixed assets were included. These were later found as inappropriate accounting treatment adopted by JDI.

As a result of such examination, a specific proposal was made to capitalize real estate acquisition taxes and registration and license taxes related to the J1 6th generation line at the Mobara Plant in the acquisition costs of fixed assets as the start-up costs for the line (see Section 13(1) above).

This proposal was against JDI's Fixed Assets Management Rule in force at that time, but it is not clear if Mr. J and Mr. A were aware of that.

The accounting treatment described above was reported by Mr. J to Mr. B at a later date.

JDI then started to move forward towards the listing in March 2014, and in the course of that process, an inappropriate accounting treatment was adopted regarding the reclassification of the depreciation expense for the J1 line at the Mobara Plant (for November) to non-operating expenses through the false statement regarding the non-operation of the machinery and equipment in November 2013 (see Section 15(2) above). While Mr. A told Mr. J that normally, the depreciation expense should not be reclassified to non-operating expenses with respect to the machinery and equipment which is not in operation for only half of a month, Mr. A consulted with him as to whether or not to prepare material for the management committee, stating that "half of the machinery and equipment was not in operation for one month," which was different from the actual condition. Mr. J approved it and directed him to do so. Later, after consultation with the accounting personnel at the Mobara Plant, Mr. A treated all of said the machinery and equipment as suspended for one month, and reported this to Mr. J. The material with such statement was submitted to the management committee and was approved thereby. Accordingly, depreciation expense which was double of the original assumption was reclassified to non-operating expenses.

In December 2013, another inappropriate accounting treatment was adopted in the capitalization of the expenses for modification of jigs as fixed assets (see Section 4(3) above). At this time, personnel at the Plant questioned whether such expense should normally be recognized as repair expenses, but Mr. A offered a false interpretation that, although it should be recognized as expenses in principle, there is room for capitalization. Mr. J then approved such treatment and directed him to do so.

The amount resulting from the inappropriate accounting treatment before listing was in the hundreds of millions of yen for each individual treatment, but the scale of JDI's inappropriate accounting treatment took a course towards expansion.

(2) The 4th quarter of the fiscal year ended March 2014, which was immediately after the listing

a. JDI's listing and timely disclosures

In January 2014, which was immediately before JDI's listing (March 2014), JDI was in a situation whereby it was doubtful if it could achieve the forecasted consolidated operating profit of JPY 10 billion for the 4th quarter of the fiscal year ended March 2014.

Therefore, JDI decided to revise the forecast for the consolidated operating profit for the 4th quarter to JPY 8.3 billion, placing greater importance on the confidence of the market in the future.

As scheduled, JDI listed its shares on March 19, 2014, and in the timely disclosures, earnings forecasts for the fiscal year ended March 2014 (full fiscal year) were announced. This included a forecast for the consolidated operating profit of JPY 8.3 billion for the 4th quarter of the fiscal year ended March 2014, which was revised as described above.

b. Inappropriate accounting treatment during the 4th quarter of the fiscal year ended March 2014

As described above, in April 2014, the slump in JDI's mobile business hit JDI harder than expected, and as of April 7, 2014, a consolidated operating loss of JPY 533 million was forecasted in the aggregated figures in the financial flash report for the 4th quarter of the fiscal year ended March 2014.

Under such circumstances, on the same day, Mr. A directed the accounting personnel (managerial positions) again to review inventory write-down, to closely examine the amount recorded under accounts payables, and to consider postponing expenses to April and onwards, among other matters.

The details of such adjustments discussed at the Accounting Department were reported by Mr. A to Mr. J the next day, i.e., April 8, 2014. Mr. J, Mr. A and the accounting personnel (accounting personnel who proposed the method of overbooking of work-in-process) discussed how to make the adjustments. Through discussion, Mr. J demanded Mr. A and others to propose measures to achieve the target consolidated operating profit of JPY 5 billion for the 4th quarter of the fiscal year ended March 2014, through each item that was subject to inappropriate accounting treatment in the said 4th quarter.

After such course of events, Mr. A and others organized their ideas for adjustments, and adopted accounting treatments to make such adjustments from April 8, 2014 to April 10, 2014. Mr. A also reported to Mr. J the details of the adjustments for settlement accounts which were discussed at the Accounting Department (such as the adjustment for the evaluation method of work-in-process, and the reversal of accounts payable and accrued expenses).

Through the course of events described above, figures were adjusted and at the direction of Mr. J, the financial report including a consolidated operating profit of JPY 5 billion for the 4th quarter of the fiscal year ended March 2014 was submitted to the finance committee.

The items with respect to which adjustments were made included the overstatement of work-in-process of JPY 3,085 million (see Section 1(1) above), the understatement of loss on evaluation of inventories of JPY 376 million (see Section 2(6)a above), the postponement of expenses of JPY 1,245 million (see Section 4(2) above), and the cancellation of allowance for spoilage costs of JPY 1,090 million (see Section 7(3) above), all of which were found to be inappropriate accounting treatments in the 4th quarter of the fiscal year ended March 2014. Through such treatments, in the first results announced after JDI's listing, a deficit balance was avoided and a consolidated operating profit of JPY 5.5 billion was recorded for the 4th quarter of the fiscal year ended March 2014.

On April 28, 2014, immediately before making the financial report for the fiscal year ended March 2014 (full fiscal year) on May 15, 2014, JDI revised its earnings forecasts downward for the said full fiscal year, and the forecast for consolidated operating profit for the said full fiscal year was revised to JPY 27.2 billion from 30.4 billion (consolidated operating profit for the 4th quarter of the same fiscal year was revised to JPY 5.5 billion from JPY 8.3 billion).

(3) Fiscal year ended March 2015 (full fiscal year)

a. Partial deferral of provisional costs related to corporate settlements with Company c

JDI estimated USD 900 million as the money needed for corporate settlements in relation to product defects for Company c during the 4th quarter of the fiscal year ended March 2015, reduced the originally-recorded provision of JPY 1,073 million to JPY 600 million, and postponed the expense of JPY 472 million, which was a part of the provision (see Section 4(2)c above).

An incentive for this inappropriate accounting treatment is considered to be the fact that it is stipulated as necessary, to separately disclose expense items that are more than 10% of the total amount of non-operating expenses, both in the consolidated and the non-consolidated statements. Accordingly, the said settlement money was required to be separately disclosed if it was JPY 1,073 million. In order to avoid this, Mr. A directed the reduction of such amount by expensing some of the amount in the following period.

As an internal explanation for the above-mentioned treatment to reduce the amount to be recorded, Mr. A gave a false explanation that it was a proposal made by the External Auditor, and obtained approval from Mr. B for such treatment.

(4) Fiscal year ended March 2016 (full fiscal year) and the fiscal year ended March 2017 (full fiscal year)

a. Repeated downward revision of forecasts

JDI, in its financial report as of May 15, 2014 for the fiscal year ended March 2014 (full fiscal year), announced a consolidated operating profit of JPY 40 billion as the earnings forecast for the fiscal year ended March 2015 (full fiscal year), which is the fiscal year following such report. However, on October 15, 2014, which was five months after the announcement, JDI made a steep downward forecast adjustment for the consolidated operating profit for the full fiscal year ended March 2015 to JPY 6.5 billion.

As a result, JDI recorded an actual consolidated operating profit of JPY 5.1 billion for the fiscal year ended March 2015 (full fiscal year).

Under such circumstances, Mr. C replaced Mr. B as the CEO in June 2015. In order to place greater importance on confidence from the stock market, Mr. C stopped the disclosure of earnings forecasts for the full fiscal year and started to disclose earnings forecasts for each quarter, and emphasized the importance of adhering to earnings forecasts announced publicly, requesting the strong commitment of all members of JDI.

b. The 2nd quarter of the fiscal year ended March 2016

The consolidated operating profit forecasted for the 2nd quarter of the fiscal year ended March 2016 was JPY 8 billion.

On October 5, 2015, the accounting personnel summarized figures for the financial flash report for the 2nd quarter of the fiscal year ended March 2016, and it was expected that JDI would not be able to achieve the target consolidated operating profit. Therefore, based on the adjustments made in work-in-process during the 4th quarter of the fiscal year ended March 2014, Mr. A decided on October 7, 2015 to additionally record fictitious work-in-process of JPY 908 million (see Section 1(3) above). As a result, JDI recorded a consolidated operating profit of JPY 8.3 billion for the 2nd quarter of the fiscal year ended March 2016, and the forecast was achieved.

Although Mr. C had strongly pressured all the members of JDI to achieve earnings forecasts, he required them to adhere to compliance at the same time, and explained during his interview with the Committee that he had no intention of encouraging to apply inappropriate accounting treatments.

However, many officials and employees raised questions about his methods, and it cannot be denied that he created an atmosphere where some officials and employees were forced to think that they had no other choice but to reluctantly apply inappropriate accounting treatments to achieve earnings forecasts.

In addition, as JDI was criticized by its shareholders and investors for the repeated downward revisions of earnings forecasts made in the past, it is assumed that Mr. K, then CFO, and the accounting personnel, including Mr. A, strongly wished to somehow achieve the earnings forecasts set by Mr. C.

c. The 3rd quarter of the fiscal year ended March 2016

Around the start of the 3rd quarter of the fiscal year ended March 2016, JDI's sales expanded and the consolidated operating profit forecasted for the said quarterly period was JPY 13 billion. In reality however, it became difficult to achieve the forecasted figure, and Mr. C showed his desire for JDI to achieve JPY 13 billion. So, as in the past, Mr. A directed the recording of the fictitious work-in-process of JPY 3,573 million (see Section 1(4) above). As described above, in the recording of the fictitious work-in-process during the 2nd quarter of the fiscal year ended March 2016, although it was an inappropriate accounting treatment, the actual condition regarding the stage of process at the Mobara Plant were taken into consideration. However, in the fictitious recording during the 3rd quarter of the fiscal year ended March 2016, there existed no such actual condition and the recording of the fictitious work-in-process was made simply to achieve the desired figures.

Pressure by Mr. C was put not only on the relevant business departments and the Accounting Department, but also on the Manufacturing Division. The Manufacturing Division received strong pressure to reduce fixed costs, and, affected by such pressure, issues arose from the overstatement of supplies inventories at the domestic plant bases (see Section 3(3) above).

At the same time, inappropriate accounting treatment, such as the avoidance of recognition of the R&D expenses of JPY 1,625 million attributed to JOLED (see Section 14(3) above) was applied. Mr. C and the executive management team of JDI wished to change the service agreement, which was the basis of the R&D expenses, into an investment agreement, as they considered the payment of the R&D service fees as irrational for JDI. They asked Mr. M of INCJ to approve such a change, but they were not able to obtain Mr. M's approval during the 3rd quarter of the fiscal year ended March 2016. Based on the assumption that such a service agreement was irrational and the change of agreement could be completed by the 4th quarter of the same fiscal year, JDI consulted with the External Auditor regarding its intention not to record the R&D expenses for the 3rd quarter of the fiscal year ended March 2016. However, there was no progress seen in the discussion with INCJ and JOLED to change the nature of the agreement. Later, a management representation letter that included the description "there is no factor which would interfere with the change of the agreement", which differed from the actual condition was submitted, and as a result, the expense of JPY 1,625 million was not recorded.

Additionally, that, the avoidance of the recording of JPY 1,189 million of allowance for spoilage costs which occurred at an overseas manufacturing subsidiary (see Section 7(4) above) was made by the accounting personnel, but no evidence was found which shows such treatment was applied at the direction of Mr. A.

Through such course of events, JDI achieved its earnings forecasts by recording a consolidated operating profit of JPY 13.3 billion for the 3rd quarter of the fiscal year ended March 2016.

d. The 4th quarter of the fiscal year ended March 2016

During the 4th quarter of the fiscal year ended March 2016, there was a move towards the distribution of surplus. Specifically, it was resolved at the General Meeting of Shareholders for the fiscal year ended March 2015 (full fiscal year) which was held on June 23, 2015, to compensate the deficit through the reversal of capital surplus as an appropriation of surplus. As a result, if JDI recorded a net income for the fiscal year (non-consolidated basis), it would then be possible to distribute dividends from retained earnings in the fiscal year ended March 2016 (full fiscal year).

In February 2016, while Mr. C considered the plan to return earnings to shareholders, he directed Mr. K to examine measures for the payment of dividends for the first time in order for JDI to meet shareholders' expectations and to increase its market capitalization.

As described in Section 11(3) above, JDI recorded surplus of JPY 4.4 billion (accumulation for the nine months) in the net income for the 3rd quarter of the fiscal year ended March 2016, but it became uncertain if JDI could finish in the black for the fiscal year ended March 2016 (full fiscal year), due to the widening of its foreign exchange loss resulting from the steep appreciation of the yen over the last half of the said full fiscal year, the drastic reduction in demand from specific customers, and the recording of expenses in relation to its business restructuring. However, efforts were made until the end to realize the payment of dividends, by taking various measures such as recognizing dividend income received from its subsidiaries of JPY 16.5 billion.

Meanwhile, efforts were still made to avoid the recognizing of the R&D expenses attributed to JOLED as expenses, but as JDI failed to agree on the change of the agreement with JOLED, JDI could not obtain a consensus from the External Auditor to avoid the recording, and was required to recognize JPY 3.25 billion of expenses, which was the total for the amount for the

3rd quarter and the 4th quarter of the fiscal year ended March 2016.

Then Mr. A attempted to record additional deferred tax assets in order to produce a distributable amount of surplus, but this was not agreed by the External Auditor either. JDI finished in the red, recording a non-consolidated net loss of JPY 9.6 billion (non-consolidated basis) for the fiscal year ended March 2016 (full fiscal year), and the plan for the payment of dividends was abandoned.

e. The 1st quarter of the fiscal year ended March 2017

The market surrounding JDI was still challenging in the fiscal year ended March 2017 (full fiscal year), and Mr. C continued to put strong pressure for the achievement of a consolidated operating profit of JPY 1 billion, which was forecasted for the 1st quarter of the said fiscal year. However, due to the lingering effect of reduction in demand from specific customers, JDI had very severe results for the said 1st quarterly period.

Then, Mr. A directed the recording of fictitious work-in-process again. The amount adjusted at that time reached JPY 5.5 billion, and the amount recognized as fictitious work-in-process reached JPY 10 billion in total for the 2nd quarter of the fiscal year ended March 2016 and the 3rd quarter of the fiscal year ended March 2016 (see Section 1(4) above). Still, JDI recorded a consolidated operating loss of JPY 3.4 billion for the 1st quarter of the fiscal year ended March 2017, which was far from the earnings forecast.

At that time, Mr. A made a proposal to Mr. C to produce profit by manipulating the useful life of fixed assets, and Mr. C reprimanded him, saying such treatment was against the accounting rules. Mr. C testified that he had sent an e-mail in a severe tone, thinking that Mr. A had intended to have him approve the inappropriate accounting treatment. It is assumed that Mr. A must have been in an unbearable situation under pressure from the top management, as it was likely that Mr. A was already aware that he had applied inappropriate accounting treatments.

It was soon after that when Mr. K finally told Mr. C about the difficult position everyone was in, where they were almost crushed by the pressure put on them by Mr. C.

f. The 2nd quarter of the fiscal year ended March 2017

In the 2nd quarter of the fiscal year ended March 2017, the past inappropriate accounting treatments such as the avoidance of loss on evaluation of inventories or expenses were reversed and those losses and expenses were recognized in the said quarterly period. However, JDI's performance was on the track towards recovery, recording a consolidated operating profit of JPY 1,235 million, thereby achieving the forecast of JPY 1,000 million.

In the 3rd quarter of the fiscal year ended March 2017, JDI's performance rapidly recovered due to such factors as the special demand in China for mobile devices, recording a consolidated operating profit of JPY 12,651 million against the forecast of JPY 10,000 million.

During these periods, the use of inappropriate accounting treatments to manipulate operating profit or loss at the direction of Mr. A was not found. At that time, JDI's performance recovered or its financial results were much higher than forecasted.

However, from the 3rd quarter of the fiscal year ended March 2017 to the 1st quarter of the fiscal year ended March 2018, R&D expenses for the AM-SBS evaporation system of the pilot line at the Ishikawa Plant were inappropriately capitalized as the start-up costs for the line (see Section 13(4) above).

The Accounting Department was also involved in this treatment, but emails were found which suggest that Mr. N, who was then an Executive Officer, directed such treatment to achieve the goal of reducing fixed costs.

g. The 4th quarter of the fiscal year ended March 2017

In the 4th quarter of the fiscal year ended March 2017, consolidated operating profit was forecasted as JPY 12.5 billion, but JDI's performance was far from achieving that figure. In this quarter, inappropriate accounting treatments were applied, such as the postponement of the recognition of product defect compensation of JPY 1,000 million for a major customer (see Section 6(3) above) and the capitalizing depreciation expense for plant buildings. and machinery and equipment, etc. at the start-up of the Hakusan Plant as fictitious fixed assets (see Section 13(6) above). However, inappropriate accounting treatments were not applied to the extent that the earnings forecast could be achieved. At that time, Mr. C effectively retired from management in April 2017.

(5) The 3rd quarter of the fiscal year ended March 2018

In April 2017, Mr. D assumed the office of Executive Officer and Deputy Chairman, and Mr. C was scheduled to retire as CEO. Thus, JDI transitioned to a management system substantially headed by Mr. D.

Before he assumed the office of Executive Officer, Mr. D sent a questionnaire to 190 employees at the division-head level and tried to grasp the current issues. As a result, many responses included issues relating to the postponement of the recognition of expenses such as the spoilage costs and the capitalization of expenses. Accordingly, a policy to prohibit such postponement was announced (in the responses to the questionnaire, there was a description to the effect that there was no issue in accounting with respect to such postponement or the like, and it is considered that Mr. D did not become aware of inappropriateness of the said accounting treatment.).

As a part of the restructuring promoted by Mr. D at that time, a cross-function team was formed, and Mr. A was put in charge of the project to reduce fixed costs, together with Mr. N.

Against such a backdrop, the R&D expense for the J1 OLED line, which should have been recorded as expenses, was capitalized as the start-up costs for the said line (see Section 13(5) above). This inappropriate accounting treatment started in October 2017 at the direction of Mr. A. Such capitalization continued to be adopted until the 2nd quarter of the fiscal year ended March 2020, but involvement by the current management was not found.

In the 1st quarter of the fiscal year ended March 2018, the avoidance of recognition of loss on evaluation of inventories (see Section 2(3) above) continued to be found, and in the 3rd quarter of the fiscal year ended March 2018, the postponement of recognition of product defect compensation expenses of JPY 672 million for a major customer (see Section 6(4) above) was found. Including similar postponements in the 4th quarter of the fiscal year ended March 2017, these were all conducted by the accounting personnel, but no evidence was found to show that they were conducted at the direction of Mr. A.

(6) Attempt to avoid impairment losses on fixed assets during the 4th quarter of the fiscal year ended March 2018

As described in Section 5(5) above, in August 2017, it was announced that JDI would undergo a restructuring on the scale of JPY 170 billion, and the impairment losses at the Hakusan Plant were also put on the table as target assets for the plan at internal discussions. At a later date, the recognition of impairment losses at the Hakusan Plant was withdrawn. At the monitoring committee[23] held later in June 2018, Mr. L and Mr. G explained that it was the intention of the relevant business departments to avoid a risk which could have put JDI into a disadvantageous position in negotiations with major customers as a result of recording impairment losses with respect to the Hakusan Plant.

In addition, there were an indication of impairment at each plant in the settlement of accounts at that time, and the impairment losses in the end were expected to exceed JPY 170 billion, which was the budget limit for the restructuring.

Based on such background, it is assumed that Mr. A attempted to avoid recording impairment losses by measures such as the manipulation of figures in the Impairment Assessment Materials, taking into account the intention of executive management not to record impairment losses at the Hakusan Plant.

However, based on the subsequent profit forecast and other factors, no obvious indication

[23] A committee which was established in September 2017, whose main members are outside experts, with the purpose of monitoring the financing status, progress in the restructuring, selection of business partners, etc., in relation to the support to JDI from INCJ.

of impairment was identified, even if there had been no manipulation of the said material. As a result, no financial effect occurred due to this inappropriate activity.

(7) Inappropriate accounting treatment lingering remaining in the workplace

Some of the inappropriate accounting treatment found by the Committee continued until the fiscal year ended March 2020 (full fiscal year). Such inappropriate accounting treatments are the capitalization of the start-up costs for the J1 OLED line described in Section (5) above (see Section 13(5) above) and the overstatement of supplies (see Section 3 above).

The former was continually applied until September 2019, having first been applied in October 2017. No evidence was found that shows any involvement by the current management.

The latter was conspicuously applied since around 2016 when JDI was in a difficult operation environment. Even in 2018 and onwards, when the restructuring was announced, the overstatement and the recording of fictitious supplies occurred, although intermittently, and it was found that certain treatments continued until the fiscal year ended March 2020 (full fiscal year) (see Section 3(3) above). It was found that such treatments were applied at the direction of some group leaders or managers, etc. at domestic plant bases to achieve the target amount for reducing fixed costs, but no evidence was found that shows any involvement by the current management.

VII. The financial impact on the consolidated financial statements resulting from the Investigation

1. The financial impact on the consolidated financial statements due to each Suspected Misconduct (Yearly basis)

The financial impacts due to each Suspected Misconduct on the annual consolidated financial statements are as follows. (The numbers noted under Suspected Misconduct in the following tables corresponds to each section referred in the Chapter VI, Section 1 through 15).

(Assumptions)

*1. Since the presentation of the amended consolidated financial statements after the correction of the inappropriate accounting treatment found by the investigation (the "Inappropriate Accounting Treatment") is not included within the scope of the investigation by the Committee, the impact amounts are indicated as accumulated profits/losses affecting to the operating income/loss for each fiscal year, by the occurrence and the reversal of the Inappropriate Accounting Treatment. (Positive figure indicates an overstatement of profit caused by the Inappropriate Accounting Treatment. Figure in parentheses indicates an understatement of profit from the reversal of the Inappropriate Accounting Treatment). Because there were various types of the Inappropriate Accounting Treatment as reflected in the following tables, the sum total financial impact of these items does not represent the actual impact of profit /losses on the consolidated financial statements.

*2. The secondary effects arising from the correction of the Inappropriate Accounting Treatment uncovered are not considered in the following tables.

*3. Regarding the impact amounts for the fiscal year ended March 2020 in the following tables, it describes the aggregated amounts of impact up until the end of the Investigation Period, which coincides with the end of the 2nd quarter of the fiscal year ended March 2020.

*4. Though the impact amounts from the overstatement of fixed assets through "(4)Manipulation of profit by postponing or capitalizing expenses or losses that should have been recorded , C and D", "(8) Avoidance of impairment losses on fixed assets, A", and "(13)Realizing profit by capitalizing certain items as part of acquisition costs of fixed assets that should have been originally treated as expenses " are to be resolved by recording depreciation expenses or impairment loss on fixed assets, those effects are not described in the following tables.

*5. The impact amounts from both “(4) Manipulation of profit by postponing or capitalizing expenses or losses that should have been recorded, B” and “(8) Avoidance of impairment losses on fixed assets, A” are described as accumulated profits/losses effecting to the ordinary income/loss and the profit/loss before income taxes (Positive figure indicates an overstatement of profit caused from the Inappropriate Accounting Treatment. Figure in parentheses indicates an understatement of profit by the reversal of the Inappropriate Accounting Treatment).

*6. In reference to “(5) Recognition of sales subject to repurchase agreements involving distributors for overseas markets”, it only describes the amount of sales from Inappropriate Accounting Treatment, and it does not reflect the corresponding impact on the cost of sales and other costs.

*7. Regarding “(15)Overstatement of operating profits by inappropriately reclassifying expenses”, the depreciation expenses which should have been recorded as operating expenses such as cost of sales or selling, general and administrative expenses were reclassified into non-operating expenses. The following tables show the reclassified amount.

*8. The amounts in the tables are presented in units of million Japanese yen and amounts less than one million are rounded down to the nearest million yen.

Suspected Misconduct	Details of the Inappropriate Accounting Treatment	Items affected	Occurrence/ Reversal *1 *2	FYE March 2013	FYE March 2014	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020*3
				Yearly	Yearly	Yearly	Yearly	Yearly	Yearly	Yearly	Yearly
(1) Recording of fictitious inventories in the amount of JPY 10 billion	A. Overstatement of work-in-process	Overstatement of inventories (work-in-process)	Occurrence	-	3,085	-	-	-	-	-	-
			Reversal	-	-	(3,085)	-	-	-	-	-
	B. Recognition of fictitious work-in-process	Overstatement of inventories (work-in-process)	Occurrence	-	-	-	4,481	5,532	-	-	-
			Reversal	-	-	-	-	-	(6,965)	(3,048)	-
(2) Avoidance of write-downs of slow-moving and excessive inventories	Avoidance of loss on valuation of inventories by intentionally rewriting sales prospects	Overstatement of inventories	Occurrence	-	376	5,066	10,976	1,172	813	-	-
			Reversal	-	-	(2,919)	(10,606)	(4,065)	(813)	-	-
(3) Manipulation of profits by reclassifying consumable expenses to supplies inventories	Recognizing supplies as assets which have no consideration	Overstatement of inventories (supplies)	Occurrence	-	12	1	13	158	24	347	212
			Reversal	-	-	(14)	-	(172)	(24)	(213)	(284)
(4) Manipulation of profit by postponing or capitalizing expenses or losses that should have been recorded	A. Postponement of the recognition of expense by withdrawing the processed expense	Understatement of operating expenses	Occurrence	-	1,245	-	-	-	-	-	-
			Reversal	-	-	(1,245)	-	-	-	-	-

(Translation)

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Suspected Misconduct	Details of the Inappropriate Accounting Treatment	Items affected	Occurrence/ Reversal *1 *2	FYE March 2013	FYE March 2014	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020*3
				Yearly	Yearly	Yearly	Yearly	Yearly	Yearly	Yearly	Yearly
	B. Partial postponement of recognition of allowance for loss on product V	Understatement of non-operating expenses	Occurrence *5	-	-	472	-	-	-	-	-
			Reversal*5	-	-	-	(472)	-	-	-	-
	A. Capitalizing supplies expenses (jigs) as fixed assets	Overstatement of fixed assets	Occurrence *4	-	74	63	120	319	-	9	-
		Overstatement of fixed assets (error)	Occurrence *4	-	0	53	70	69	-	29	-
	B. Capitalizing photomasks for R&D purpose as fixed assets	Overstatement of fixed assets	Occurrence *4	-	-	-	42	-	-	-	-
(5) Recognition of sales subject to repurchase agreements involving distributors for overseas markets	Sales subject to repurchase agreement with Distributor e (including similar cases)	Overstatement of Sales	Occurrence *6	-	-	-	109	1,503	38	-	-
(6) Postponement of the recognition of expenses for product warranties sold to a major customer	Postponement of the recognition of expenses for product warranties sold to a major customer	Understatement of operating expenses	Occurrence	-	-	-	-	1,000	672	-	-
			Reversal	-	-	-	-	-	(1,672)	-	-

Suspected Misconduct	Details of the Inappropriate Accounting Treatment	Items affected	Occurrence/ Reversal *1 *2	FYE March 2013	FYE March 2014	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020*3
				Yearly	Yearly	Yearly	Yearly	Yearly	Yearly	Yearly	Yearly
(7) Not recording and postponing allowances for losses in its Overseas EMS and overseas manufacturing subsidiaries, which are attributable to JDI	Not recording and postponing loss allowances which are attributable to JDI	Understatement of operating expenses	Occurrence	-	1,090	-	1,773	254	-	-	-
			Reversal	-	-	(1,090)	(1,189)	(839)	-	-	-
(8) Avoidance of impairment losses on fixed assets	A. Avoidance of impairment losses on idle assets at the Mobara Plant	Understatement of impairment loss (extraordinary losses) on fixed assets	Occurrence *4*5	-	-	-	-	2,315	-	-	-
	B. Attempt to avoid impairment losses at the Hakusan Plant	No impact on the consolidated financial statements	-	-	-	-	-	-	-	-	-
(9) Avoidance of the recognition of impairment losses on an investment in an affiliate company and the recognition of allowance for investment losses in the affiliate	Not found	-	-	-	-	-	-	-	-	-	-

Suspected Misconduct	Details of the Inappropriate Accounting Treatment	Items affected	Occurrence/ Reversal *1 *2	FYE March 2013	FYE March 2014	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020*3
				Yearly	Yearly	Yearly	Yearly	Yearly	Yearly	Yearly	Yearly
company (Not Found)											
(10) Recording profit by inappropriately recognizing additional deferred tax assets (Not Found)	Not found	-	-	-	-	-	-	-	-	-	-
(11) Payment of dividends from deferred tax assets (Not Found)	Not found	-	-	-	-	-	-	-	-	-	-
(12) Manipulation of restructuring losses to meet the figures on the management's announcements	Not found	-	-	-	-	-	-	-	-	-	-
(13) Realizing profit by capitalizing certain items as part of acquisition costs of fixed assets that should have been originally treated as expenses	A. Capitalization of costs for the start-up of the J1 6th generation line at the Mobara Plant	Overstatement of construction in progress (error)	Occurrence *4	1,039	-	-	31	-	146	-	-
	B. Capitalization of IT outsourcing expenses	Overstatement of construction in progress	Occurrence *4	-	-	-	81	127	69	-	-
		Overstatement of construction in	Occurrence *4	-	-	-	-	-	2	11	-

Suspected Misconduct	Details of the Inappropriate Accounting Treatment	Items affected	Occurrence/ Reversal *1 *2	FYE March 2013	FYE March 2014	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020*3
				Yearly	Yearly	Yearly	Yearly	Yearly	Yearly	Yearly	Yearly
		progress (error)									
	C. Capitalization of start-up costs for the OLED pilot line at the Ishikawa Plant	Overstatement of construction in progress	Occurrence *4	-	-	-	-	834	42	-	-
	D. Capitalization of start-up costs for the J1 OLED line at the Mobara Plant	Overstatement of construction in progress	Occurrence *4	-	-	-	-	-	862	1,198	163
	E. Capitalization of the start-up costs for the D3 line at the Hakusan Plant	Overstatement of construction in progress	Occurrence *4	-	-	-	-	932	-	-	-
(14) Reclassifying R&D expenses paid to affiliate companies as capital contribution	Avoidance of recording outsourced R&D expense paid to JOLED	Understatement of operating expenses	Occurrence	-	-	-	1,625	-	-	-	-
			Reversal	-	-	-	(1,625)	-	-	-	-
(15) Overstatement of operating profits by inappropriately reclassifying expenses	Reclassifying depreciation expenses for the J1 line at the Mobara Plant to non-operating expense	Understatement of operating expenses	Occurrence *7	-	512	-	-	-	-	-	-
		Understatement of operating expenses (error)	Occurrence *7	-	-	-	733	8	502	48	2

2. The financial impact on the consolidated financial statements due to each Suspected Misconduct (Quarterly basis)

The financial impacts due to each Suspected Misconduct on each quarterly consolidated accounting period are as follows.

(Assumptions)

*1. Since the presentation of the amended consolidated quarterly financial statements after the correction of the Inappropriate Accounting Treatment founded by the investigation is not included within the scope of the investigation by the Committee, the impact amounts are indicated as accumulated profits/losses affecting the operating income/expenses for each quarterly period (three months). (Positive figure indicates an overstatement of profit caused by the Inappropriate Accounting Treatment. Figure in parentheses indicates an understatement of profit from the reversal of the Inappropriate Accounting Treatment). Because there were various types of inappropriate accounting treatment as reflected in the following tables, the sum total financial impact of these items does not reflect the actual impact of profit/loss on the quarterly consolidated financial statements.

*2. The secondary effects arising from the correction of the Inappropriate Accounting Treatment uncovered, are not described in the following tables.

*3. Regarding the impact amounts for the fiscal year ended March 2020 in the following tables, it describes the aggregated amounts of impact up until the end of the Investigation Period, which coincides with the end of the 2nd quarter of the fiscal year ended March 2020.

*4. Though the impact amounts from the overstatement of fixed assets through “(4) Manipulation of profit by postponing or capitalizing expenses or losses that should have been recorded, C and D”, “(8) Avoidance of impairment losses on fixed assets, A”, and “(13) Realizing profit by capitalizing certain items as part of acquisition costs of fixed assets that should have been originally treated as expenses” are to be resolved by recording depreciation expenses or impairment loss on fixed assets, those effects are not described in the following tables.

*5. The impact amounts from both “(4)Manipulation of profit by postponing or capitalizing expenses or losses that should have been recorded , B” and “(8) Avoidance of impairment losses on fixed assets, A” are described as accumulated profits/losses effecting to the ordinary income/loss and the profit/loss before income taxes (Positive figure indicates an overstatement of profit caused from the Inappropriate Accounting treatment. Figure in parentheses indicates an understatement of profit by the reversal of the Inappropriate Accounting Treatment)

*6. In reference to "(5)Recognition of sales subject to repurchase agreements involving distributors for overseas markets", it only describes the amount of sales from the Inappropriate Accounting Treatment, and it does not reflect the corresponding impact on the cost of sales and other costs.

*7. Regarding "(15)Overstatement of operating profits by inappropriately reclassifying expenses", depreciation expenses which should have been recorded as operating expenses such as cost of sales or selling, general and administrative expenses were reclassified into non-operating expenses. The following table show the reclassified amount.

*8. The amounts in the tables are presented in units of million Japanese yen and amounts less than one million yen are rounded down to the nearest million yen.

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(1) Recording of fictitious inventories in the amount of JPY 10 billion

A. Overstatement of work-in-process

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2014				
Items affected		Q1	Q2	Q3	Q4	Total
Overstatement of inventories (work-in-process)	Occurrence	-	-	-	3,085	3,085
	Reversal	-	-	-	-	-
Quarterly consolidated accounting period	**Occurrence/ Reversal *1*2**	**Fiscal year ended March 2015**				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of inventories (work-in-process)	Occurrence	-	-	-	-	-
	Reversal	(3,085)	-	-	-	(3,085)

B. Recognition of fictitious work-in-process

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2016				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of inventories (work-in-process)	Occurrence	-	908	3,573	-	4,481
	Reversal	-	-	-	-	-
Quarterly consolidated accounting period	**Occurrence/ Reversal *1*2**	**Fiscal year ended March 2017**				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of inventories (work-in-process)	Occurrence	5,532	-	-	-	5,532
	Reversal	-	-	-	-	-
Quarterly consolidated accounting period	**Occurrence/ Reversal *1*2**	**Fiscal year ended March 2018**				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of inventories (work-in-process)	Occurrence	-	-	-	-	-
	Reversal	(599)	(600)	(604)	(5,161)	(6,965)
Quarterly consolidated accounting period	**Occurrence/ Reversal *1*2**	**Fiscal year ended March 2019**				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of inventories (work-in-process)	Occurrence	-	-	-	-	-
	Reversal	(400)	(2,647)	-	-	(3,048)

(2) Avoidance of write-downs of slow-moving and excess inventories by using sales prospects and

other data that did not reflect the actual condition

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2014				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of inventories	Occurrence	-	-	-	376	376
	Reversal	-	-	-	-	-

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2015				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of inventories	Occurrence	438	-	2,105	2,523	5,066
	Reversal	(376)	(438)	-	(2,105)	(2,919)

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2016				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of inventories	Occurrence	1,686	2,107	4,289	2,892	10,976
	Reversal	(2,523)	(1,686)	(2,107)	(4,289)	(10,606)

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2017				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of inventories	Occurrence	1,172	-	-	-	1,172
	Reversal	(2,892)	(1,172)	-	-	(4,065)

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2018				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of inventories	Occurrence	813	-	-	-	813
	Reversal	-	(813)	-	-	(813)

(3) Manipulation of profits by reclassifying consumables to supplies that should otherwise have been recorded as expenses

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2014				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of inventories (supplies)	Occurrence	-	-	-	12	12
	Reversal	-	-	-	-	-

Quarterly consolidated	Occurrence/	Fiscal year ended March 2015				

accounting period	Reversal					
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Overstatement of inventories (supplies)	Occurrence Reversal	1 (12)	- (1)	- -	- -	1 (14)
Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2016				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Overstatement of inventories (supplies)	Occurrence Reversal	- -	- -	- -	13 -	13 -
Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2017				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Overstatement of inventories (supplies)	Occurrence Reversal	38 (13)	114 (38)	5 (114)	- (5)	158 (172)
Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2018				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Overstatement of inventories (supplies)	Occurrence Reversal	17 -	6 (17)	- (6)	- -	24 (24)
Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2019				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Overstatement of inventories (supplies)	Occurrence Reversal	- -	112 -	100 (112)	134 (100)	347 (213)
Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2020*3				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Overstatement of inventories (supplies)	Occurrence Reversal	150 (134)	61 (150)			212 (284)

(4) Manipulation of profit by postponing or capitalizing expenses or losses that should have been

recorded

A. Postponement of the recognition of expenses to the following fiscal year by withdrawing the expense

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2014				
Impact item		Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence	-	-	-	1,245	1,245
	Reversal	-	-	-	-	-
Quarterly consolidated accounting period	**Occurrence/ Reversal *1*2**	**Fiscal year ended March 2015**				
Impact item		**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Understatement of operating expenses	Occurrence	-	-	-	-	-
	Reversal	(1,245)	-	-	-	(1,245)

B. Partial postponement of recognition of allowance for loss on product V

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2015				
Impact item		Q1	Q2	Q3	Q4	Total
Understatement of non-operating expenses	Occurrence	-	-	-	472	472
	Reversal	-	-	-	-	-
Quarterly consolidated accounting period	**Occurrence/ Reversal *1*2**	**Fiscal year ended March 2016**				
Impact item		**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Understatement of non-operating expenses	Occurrence	-	-	-	-	-
	Reversal	-	(472)	-	-	(472)

C. Capitalizing supplies expenses (jigs) in as fixed assets *4

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2014				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of fixed assets	Occurrence	-	-	74	-	74
Overstatement of fixed assets (error)	Occurrence	-	-	0	-	0

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2015				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of fixed assets	Occurrence	-	1	62	-	63
Overstatement of fixed assets (error)	Occurrence	-	36	7	10	53
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2016				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of fixed assets	Occurrence	9	111	-	0	120
Overstatement of fixed assets (error)	Occurrence	17	4	47	-	70
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2017				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of fixed assets	Occurrence	16	288	14	-	319
Overstatement of fixed assets (error)	Occurrence	1	17	49	0	69
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2018				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of fixed assets	Occurrence	-	-	-	-	-
Overstatement of fixed assets (error)	Occurrence	-	-	-	-	-
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2019				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of fixed asset	Occurrence	-	9	-	-	9
Overstatement of fixed asset (error)	Occurrence	-	29	0	-	29

D. Capitalizing photomasks for R&D purposes as fixed assets *4

Quarterly consolidated	Occurrence/	Fiscal year ended March 2016

accounting period	Reversal					
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Overstatement of fixed assets	Occurrence	-	-	42	-	42

(5) Recognition of sales subject to repurchase agreements involving distributors for overseas markets*6

Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2016				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Overstatement of Sales	Occurrence	-	-	-	109	109
Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2017				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Overstatement of Sales	Occurrence	-	-	-	1,503	1,503
Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2018				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Overstatement of Sales	Occurrence	38	-	-	-	38

(6) Postponement of the recognition of expenses for product warranties sold to a major customer

Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2017				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence Reversal	- -	- -	- -	1,000 -	1,000 -
Quarterly consolidated accounting period	Occurrence/ Reversal*1*2	Fiscal year ended March 2018				
Impact item		Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence Reversal	- (1,000)	- -	672 -	- (672)	672 (1,672)

(7) Not recording and postponing allowances for losses in its Overseas EMS and overseas manufacturing subsidiaries, which are attributable to JDI

Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2014

Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence Reversal	- -	- -	- -	1,090 -	1,090 -

Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2015				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence Reversal	- (1,090)	- -	- -	- -	- (1,090)

Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2016				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence Reversal	- -	- -	1,189 -	584 (1,189)	1,773 (1,189)

Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2017				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence Reversal	- -	- (584)	254 -	- (254)	254 (839)

(8) Avoidance of impairment losses on fixed assets

A. Avoidance of impairment losses on idle assets at the Mobara Plant *4*5

Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2017				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Understatement of impairment loss (extraordinary losses) on fixed assets	Occurrence	-	-	2,315	-	2,315

B. Attempt to avoid impairment losses at the Hakusan Plant

The impact on the quarterly consolidated financial statements was not identified.

(9) Avoidance of the recognition of impairment losses on an investment in an affiliate company and the recognition of allowance for investment losses in the affiliate company (Not Found)

No inappropriate accounting due to misconduct or error was identified.

(10)Recording profit by inappropriately recognizing additional deferred tax assets (Not Found)

No inappropriate accounting due to misconduct or error was identified.

(11)Payment of dividends from deferred tax assets (Not Found)

No inappropriate accounting due to misconduct or error was identified.

(12)Manipulation of restructuring losses to meet the figures on the management's announcements

No inappropriate accounting due to misconduct or error was identified.

(13)Realizing profit by capitalizing certain items as part of acquisition costs of fixed assets that should have been originally treated as expenses *4

A. Capitalization of costs for the start-up of the J1 6th generation line at the Mobara Plant

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2013				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress (error)	Occurrence	-	-	346	692	1,039
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2014				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress (error)	Occurrence	-	-	-	-	-
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2015				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress (error)	Occurrence	-	-	-	-	-
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2016				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress (error)	Occurrence	31	-	-	-	31
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2017				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in	Occurrence	-	-	-	-	-

progress (error)						
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2018				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress (error)	Occurrence	-	-	146	-	146

B. Capitalization of IT outsourcing expenses

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2016				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress	Occurrence	-	-	-	81	81
Overstatement of construction in progress (error)	Occurrence	-	-	-	-	-
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2017				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress	Occurrence	58	29	5	33	127
Overstatement of construction in progress (error)	Occurrence	-	-	-	-	-
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2018				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress	Occurrence	11	17	24	15	69
Overstatement of construction in progress (error)	Occurrence	-	-	2	-	2
Quarterly consolidated accounting period	Occurrence/ Reversal 1*2	Fiscal year ended March 2019				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in	Occurrence	-	-	-	-	-

progress						
Overstatement of construction in progress (error)	Occurrence	11	-	-	-	11

C. Capitalization of start-up costs for the OLED pilot line at the Ishikawa Plant

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2017				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress	Occurrence	-	-	640	193	834
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2018				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress	Occurrence	42	-	-	-	42

D. Capitalization of start-up costs for the J1 OLED line at the Mobara Plant

Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2018				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress	Occurrence	-	-	319	542	862
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2019				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress	Occurrence	371	409	418	-	1,198
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2020*3				
Impact item		Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress	Occurrence	92	71			163

E. Capitalization of the start-up costs for the D3 line at the Hakusan Plant

Quarterly consolidated	Occurrence/	Fiscal year ended March 2017

accounting period	Reversal					
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Overstatement of construction in progress	Occurrence	-	-	932	-	932

(14)Avoidance of losses by reclassifying R&D expenses paid quarterly to an affiliate company as capital contributions

Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2016				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence	-	-	1,625	-	1,625
	Reversal	-	-	-	(1,625)	(1,625)

(15)Overstatement of operating profits by inappropriately reclassifying expenses*7

Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2014				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence	-	-	512	-	512
Understatement of operating expenses (error)	Occurrence	-	-	-	-	-
Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2015				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence	-	-	-	-	-
Understatement of operating expenses (error)	Occurrence	-	-	-	-	-

Quarterly consolidated accounting period	Occurrence/ Reversal	Fiscal year ended March 2016				
Impact item	*1*2	Q1	Q2	Q3	Q4	Total

Understatement of operating expenses	Occurrence	-	-	-	-	-
Understatement of operating expenses (error)	Occurrence	-	-	-	733	733
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2017				
Impact item		Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence	-	-	-	-	-
Understatement of operating expenses (error)	Occurrence	7	0	0	-	8
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2018				
Impact item		Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence	-	-	-	-	-
Understatement of operating expenses (error)	Occurrence	75	100	199	127	502
Quarterly consolidated accounting period	Occurrence/ Reversal *1*2	Fiscal year ended March 2019				
Impact item		Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence	-	-	-	-	-
Understatement of operating expenses (error)	Occurrence	15	2	1	28	48
Quarterly consolidated accounting period	Occurrence/ Reversal*1*2	Fiscal year ended March 2020*3				
Impact item		Q1	Q2	Q3	Q4	Total
Understatement of operating expenses	Occurrence	-	-			-
Understatement of operating expenses (error)	Occurrence	2	-			2

VIII. Analysis of the Causes of the Inappropriate Accounting Treatment

1. Direct causes of the Inappropriate Accounting Treatment

Most of the Inappropriate Accounting Treatment identified by the Committee was led by Mr. A, the whistle blower thereof. Therefore, we start with an analysis of the opportunities for him to conduct the inappropriate accounting treatment, the factors to rationalize such conduct, and his incentives.

(1) Existence of the opportunity

We analyze below how "opportunities" were created for Mr. A to lead the inappropriate accounting treatment, or in other words, an objective environment where he could easily carry out, if he wanted, the inappropriate accounting treatment..

a. The concentration of power in Mr. A and no rotation of his position for a long period of time

After being appointed as the SGM of the Finance and Accounting Department in October 2013, Mr. A was the head of the accounting division of the JDI headquarters, regardless of his job title, for approximately five years. He had control over the accounting practices of the entire company until the embezzlement committed by him was discovered and he was suspended from work in November 2018 (he was later dismissed on disciplinary grounds in December 2018). He was outstanding in the company in terms of his knowledge, experience and skills relating to accounting and bookkeeping practices. On occasions where he gave explanations to the External Auditor on behalf of the company's accounting division, he strongly presented his views to the External Auditor. In addition to his job expertise, he endeared himself to the people around him and was highly regarded in JDI. Under such circumstances, there was nobody in JDI who could raise objections to him, and a corporate environment was created such that members of the headquarters' accounting division believed that accounting treatments in a gray area would be correct as long as Mr. A instructed them. In the end, corporate accounting-related powers naturally concentrated in Mr. A.

Mr. A's decisions on accounting practices were not conservative in many cases, and in some cases, he persisted in his views based on his own understanding of the accounting principles and internal accounting rules. Because of this attitude, some employees of the accounting divisions of the domestic plants questioned Mr. A's instructions. However, because Mr. A was so influential in the company, it seems that any objection or the like to Mr. A's instructions, was suppressed.

Since Mr. A was delegated the power to manage almost all of the corporate accounting practices as the head of the headquarters' accounting division by the successive CFOs (Mr. J, Mr. K and Mr. L) who were his direct superior, there had been no change in his power. In the case of Mr. J, as described earlier, there are some facts that suggest that he gave instructions or approvals to Mr. A about the inappropriate accounting, and Mr. K was reported on by Mr. A to some extent concerning the inappropriate accounting. Nevertheless, Mr. A could manipulate the bookkeeping figures in the company's institutional accounting without specific instructions from his direct superior (the CFOs).

As described above, the power within the headquarters' accounting division was concentrated in Mr. A, and this situation resulted in accumulated bookkeeping practices that only Mr. A could understand. This is thought to be how Mr. A became an irreplaceable person in JDI's accounting division and how it became impossible to remove him as the head of the headquarters' accounting division.

b. Insufficient control by superiors

JDI was created by the restructuring and merger of the relevant divisions of Hitachi, Toshiba and Sony. Like the other subsidiaries of each group, the departments and plants of the Three Former Companies used to be managed by the corporate divisions of their respective parent company's headquarters, and the functions of legal affairs, accounting and finance, IP management and the like belonged to those corporate divisions. In the process of merging the three companies, most of the human resources in the manufacturing and engineering divisions were transferred to JDI. On the other hand, most of the human resources that could carry out the corporate functions of the headquarters remained in the parent's group. As a result, JDI was, in a sense, combined with three business-operation companies. Thus, JDI did not have sufficient human resources who understood the importance of corporate functions or a sufficient number of personnel who were familiar with such matters; it had to depend on outside human resources for the positions of its CEO, and accounting and finance executives, including the CFO and Mr. A.

Due to these circumstances, the CEO and CFO of JDI, the superiors of Mr. A, were invited or employed from outside of the company, and like Mr. A, had no background in any of the Three Former Companies. Moreover, Mr. A's superiors were not knowledgeable about bookkeeping and institutional accounting practices, so they could not comment on those practices, which only Mr. A could understand. Therefore, control over Mr. A by his superiors did not function properly.

c. Insufficient monitoring and supervision

In addition to the fact that Mr. A had control over the accounting and bookkeeping practices of JDI for a long period of time as described in a above, because no internal audit was generally conducted for the accounting and finance divisions of the headquarters during the period Mr. A was in office, the governance of JDI was weak and the activities of Mr. A were insufficiently monitored and supervised, as further described below.

Moreover, there was no mutual check-and-balance system within the headquarters' accounting division. At the time Mr. A was working at JDI, many of the headquarters' accounting personnel had left the company within several years after being hired. Reasons included: return to the parent company or group company of the Three Former Companies that they belonged to, fear for the future because of the company's sluggish performance, and dissatisfaction and uneasiness with being forced to engage in the inappropriate accounting treatment. The headquarters' accounting personnel who were aware of the need for compliance left the company because they could not put up with the inappropriate accounting treatment, and the loss of such personnel was one of the factors that led to failure to prevent Mr. A from carrying out and continuing the inappropriate accounting treatment.

(2) Existence of factors to rationalize

a. The personality of Mr. A

As described above, in most of the incidents of the Inappropriate Accounting Treatment identified by the Committee where Mr. A was involved, the Committee did not confirm any specific instruction given to Mr. A by his superiors regarding the inappropriate accounting treatment. The treatment was carried out by Mr. A because he attempted to please his superiors or for other reasons. Many of the comments by the relevant persons about Mr. A's personality and behavior were as follows: he was like a big brother; he endeared himself to colleagues; he was highly regarded among his subordinates, he had a "masculine spirit" that motivated him to contribute to his superiors and the people who supported him; and he strongly desired recognition by the people around him (especially his superiors).

It was not possible to interview Mr. A directly about his subjective circumstances because he has passed away. However, it is likely that his "masculine spirit," which motivated him to try to help the company struggling through a slump, made him feel committed to protecting the CFO who was his superior. His pride in his ability, and his desire for recognition by his superiors, amongst others, combined with his declining concern for the need for compliance, as further described below, and various pressures, led to him consequently rationalizing the inappropriate accounting treatment through a distorted sense of justice to protect the company and the CFO by using his power to window-dress the figures of the company.

b. Rationalization and normalization of the inappropriate accounting treatment because of declining concern for the need for compliance

On the other hand, in view of the fact that he engaged in embezzlement for his own interest for a long period of time by making use of his position and power as the head of the headquarters' accounting division, his indifference toward compliance seems to be a subjective factor for him justifying the inappropriate accounting treatment.

The series of embezzlements by Mr. A started in 2014, and around the same time, part of the Inappropriate Accounting Treatment was implemented as instructed and approved by Mr. J, who was a former CFO and the superior of Mr. A at the time.

For an examination of Mr. A's concern for compliance, his relationship with Mr. J seems to be important. Mr. J was also the superior of Mr. A in his former job and they had a close personal relationship. The relevant materials suggest that, since Mr. A joined JDI, the two men closely consulted each other in proceeding with various matters in preparation for the share listing. As described above, Mr. J gave several instructions and approvals to Mr. A concerning the inappropriate accounting treatment. It is likely that such instructions and approvals lessened Mr. A's reluctance concerning the inappropriate accounting treatment.

It is thought that Mr. A rationalized the inappropriate accounting treatment through a series of actions such as (i) desire held by all members of the company, including himself, to somehow raise the operating profits of the company; (ii) instructions on and approvals of the inappropriate accounting treatment given by Mr. J; (iii) Mr. A implementing the inflation of the operational profits based on such instructions and approvals; and (iv) appreciation of what he did from his superiors, including Mr. J.

Even after Mr. J's departure from JDI, Mr. A led the inappropriate accounting treatment as he was primarily incented by the pressure to achieve the performance targets, as described below. Such pressure was reduced when Mr. D took office as the CEO, but Mr. A continued the inappropriate accounting treatment. Around that time, it assumed that the inappropriate accounting treatment by Mr. A was normalized although there was no strong pressure from his superior to push him to conduct any inappropriate accounting treatment.

(3) Existence of incentives

a. Relationship with INCJ

The incorporation of JDI was led by INCJ with the aim of rebuilding the medium and small size liquid crystal display industry in Japan. INCJ built the initial structure of JDI, including the hiring of management and executives of the headquarters' corporate division. INCJ held substantial decision-making power over JDI, as its largest shareholder, for a certain period after the inception of JDI. Consequently, JDI's autonomy was disrupted and its governance structure was distorted in some respects.

During the time when Mr. B or Mr. C served as the CEO, JDI established the Finance Committee and the HR Committee. The Finance Committee was the consulting body of the board of directors concerning important investment or financial projects, and although the composition of its members varied from time to time, its main members were, among others, the CEO, CFO and Mr. M, an outside director dispatched from INCJ. Because decisions of the Finance Committee were made by unanimous consent, it was difficult to make any proposal to the board of directors unless Mr. M consented to the company's proposal. The HR Committee was the consulting body of the board of directors concerning personnel affairs and the remuneration of officers with the position of vice president (VP) or higher (*i.e.* directors, executive officers, etc.), and although the composition of its members varied from time to time, its main members were, among others, the CEO, outside directors dispatched from INCJ including Mr. M, outside directors with an academic background, and the executive officer of HR. Decisions of the HR Committee were also made by unanimous consent, and therefore it was difficult to make any proposal to the board of directors unless Mr. M consented to the company's proposal. Most of the members of JDI's board of directors, including the CEO and outside directors, were nominated by INCJ.

As described, JDI's business execution structure was such that INCJ had effective decision-making power in terms of material matters of finance as well as personnel affairs and the remuneration of officers, including the CEO.

Because of the influence and position of INCJ as described above, the management and executives of JDI inevitably ceded to the demands of INCJ concerning material issues of finance and personnel affairs, as well as the execution of other material affairs such as business plans, whether before or after the share listing.

Under the foregoing circumstances, in developing the business plan of JDI, INCJ raised the target figures to amounts that were not necessarily feasible (among others, the operating profit) and demanded that the management and executives of JDI achieve the same. Accordingly, it is assumed that the management and executives of JDI had an incentive to improve the performance of the company and achieve the target figures demanded by INCJ, one way or another.

b. Pressure to achieve performance targets

Mr. C, the new CEO who assumed office in June 2015, strictly demanded the relevant divisions of the company to achieve the target operating profits announced quarterly as earnings forecasts.

For example, in September 2015, Mr. C strongly demanded the executives of each department to achieve the forecast of operating profit for the 2nd quarter of the fiscal year ended in March 2016, which was JPY 8 billion. In the 3rd quarter of the fiscal year ended March 2016, the forecasted operating profit was JPY 13 billion, and just before the last business day of the quarter (on December 27, 2015), Mr. C instructed the executives of each department to achieve the operating profit of JPY 13 billion in the quarter and to reduce the fixed costs of each department as necessary for that purpose. As for the 1st quarter of the fiscal year ended March 2017, on June 29, 2016, the day immediately before the last business day of the quarter, Mr. C informed Mr. N that it had become necessary to achieve the forecasted operating profit of JPY 1 billion to receive loans from financial institutions in July 2016.

Mr. C. also made strong demands concerning accounting matters of Mr. A, then SGM of the Accounting and Finance Department. Mr. C continued to demand that the forecasted operating profit be achieved even after the end of each quarter. On January 12, 2016, which was after the end of the 3rd quarter of the fiscal year ended March 2016, Mr. A had a meeting with Mr. C and heard his desire to achieve the forecasted operating profit of JPY 13 billion despite the declining performance in the quarter. Mr. A then instructed his subordinates in the Accounting and Finance Department to record fictitious inventory and adjust write-downs.

As described, even though Mr. C did not give any specific instruction on inappropriate accounting treatment to Mr. A, the pressure from Mr. C to achieve the forecasted operating profit could also be considered an incentive for Mr. A to conduct the inappropriate accounting treatment.

2. Indirect causes of the Inappropriate Accounting Treatment

(1) Long-standing slump and other issues of the company's business

The fundamental reason for the Inappropriate Accounting Treatment is that JDI had not recorded any current net profit in any full year since the fiscal year ended March 2015.

The main areas of JDI's liquid crystal display business are the mobile business and in-vehicle business. In the mobile business that accounts for a large part of the sales, the sales of JDI products largely depend on consumption trends of new smartphone models, as described in Chapter V.3 above. In particular, the business model of JDI's mobile business relied heavily on specific major customers. As a result of significant decrease in demand twice by its major customers, it was difficult to earn revenue from the mobile business around that time. In addition, even though JDI attempted to strengthen its relationships with its major customers in China, JDI could not maintain those relationships with those Chinese customers for various reasons. As described, JDI's business structure had difficulties in increasing sales as desired.

Further, there were various changes to the environment surrounding JDI's business, such as competitors catching up with JDI's technology, intensified price competition, and decrease of demand for liquid crystal display due to the increasing popularity of the OLED display, a competitive product, as described in Chapter V.3. These changes were also factors in JDI's slump.

(2) "Supremacy of Operating Profit Principle"

Most of the Inappropriate Accounting Treatment identified by the Committee involved manipulation to inflate operating profit. The reason behind this is the operating principle of JDI that can be termed the "supremacy of operating profit principle."

As described above, around the time Mr. B was the CEO, INCJ imposed on JDI's management and executives, target operating profit figures that were not necessarily feasible, and demanded that those targets be achieved. In developing the business plan, the headquarters' corporate division strongly requested each department to reduce its fixed costs based on the preliminary revenue forecast presented by the latter, and formulated a business plan in which the forecasted operating profit of the company was made as high as possible. In response to that plan, INCJ often rejected the company's proposal, presented target operating profit figures that could not be easily achieved based on its own business scenario, and requested JDI to adopt such target figures as its operating profit forecasts.

As a result, during the time when Mr. B was the CEO, every forecast of the full-year operating profit announced outside the company was subsequently revised downward.

Thereafter, Mr. C assumed the office of the CEO, and introduced quarterly announcement of the operating profit forecasts. To avoid any downward revision and achieve results that are as close to the announced figures as possible, JDI was pressured to achieve the business targets as described above.

While Mr. D was the CEO, most of the quarterly operating results were negative. It is likely that, because JDI considered its own relationship with the financial institutions that were providing finance to JDI, INCJ, new investors and the like, JDI was in a pressured situation- it would become difficult to receive financing unless its operating results improved.

Notably, the Inappropriate Accounting Treatment included not only the manipulation of the operating profit, such as capitalization of the R&D expenses of the AM-SBS evaporation system at the pilot line of the Ishikawa Plant by treating such expenses as start-up costs of the pilot line (see Chapter VI.13(4) above) and overbooking supplies (see Chapter VI.3 above), but also various actions aimed at achieving the target of reducing fixed costs.

The so-called "supremacy of operating profit" operating principle is assumed to have developed among the management and executives of JDI under the foregoing circumstances. Based on this operating principle, Mr. A also devised and implemented various schemes, one after another, to window-dress the operating results not only when Mr. B or Mr. C was the CEO but also after the arrival of Mr. D as the CEO.

(3) Insufficient internal control system

Another indirect factor that contributed to the Inappropriate Accounting Treatment was the insufficiency of the internal control system at JDI as the company's governance system.

a. Monitoring and oversight conducted by the board of directors were insufficient

As described above, during the time when Mr. B or Mr. C was the CEO, INCJ exercised substantial decision-making power over JDI through its veto rights in the Finance Committee and

HR Committee. Because of INCJ's position, the management and executives of JDI worked hard to satisfy the demands of INCJ. At the board meetings, the outside directors dispatched from INCJ, who effectively drove the decision-making of the company, had a strong voice. This situation suggests that mutual monitoring and oversight among the directors did not function sufficiently.

Since its incorporation, JDI had only one or two full-time directors, including the CEO, and most of its directors were outside directors. Most of these outside directors were people dispatched from INCJ or people with management experience at other companies. It is likely that the former were expected to represent the views of majority shareholders, while the latter were expected to provide opinions and advice that would be difficult to get from the full-time officers. However, it seems that it was practically difficult to expect the non-full-time outside directors to sufficiently perform the function of monitoring and oversight of the details of corporate accounting practices.

Further, although the CFO should have been the executive officer overseeing the accounting division, he was not a director of JDI, and therefore, did not bear any duty of care as a director regarding monitoring and oversight of the accounting division. In addition, mutual monitoring among the full-time and outside directors did not work sufficiently with respect to the operations by the CFO.

b. Oversight by corporate auditors did not function properly

Mr. O, who has held the position of a full-time corporate auditor since June 2016, was the executive officer managing the administrative divisions other than the accounting and finance divisions (such as HR, systems and environmental management) since the incorporation of JDI. Even before assuming the position of a full-time corporate auditor, Mr. O had strong suspicions about the inventory management and other matters. In addition, having heard about the instructions issued at the domestic plants that might be understood as deferring the recognition of expenses, he was concerned that such instructions might be misunderstood by the receiving parties even if the person issuing the instructions did not intend any accounting manipulation. Therefore, Mr. O occasionally warned the executives of the departments not to trigger any accounting manipulation by their instructions to the frontlines.

Immediately after assuming the position of a full-time corporate auditor, Mr. O heard from members of the headquarters' accounting division that they received strong pressure from Mr. C, the CEO then, to reach the operational targets, and they were under heavy stress. That made Mr. O feel a strong sense of danger.

Around July 2016, Mr. O and other full-time corporate auditors then told the management, including Mr. C, that, if the current pressure continued, there would be a risk of the accounting division losing motivation, and thus accounting irregularities or whistle blowing. He advised to ease the pressure and ensure compliance, as well as for management to speak directly to the members of the accounting division to promote their professional morale and direct them to adhere to appropriate accounting treatment. Having received such advice, Mr. C gathered the accounting personnel who were managers or higher, and gave a speech to the effect that "[E]ven though the operating environment was tough, the accounting division must ensure appropriate accounting."

Although Mr. O did not discover any actual case of the Inappropriate Accounting Treatment, he advised the management, including Mr. C, about the risk of accounting irregularities, and caused Mr. C to give the above speech.

However, before that time (around July 2016), various kinds of inappropriate accounting treatment such as those identified in Chapter VI above, had already been carried out. Eventually, the company also failed to prevent subsequent incidents of inappropriate accounting treatment.

Meanwhile, as to the audit of the corporate auditors, an audit of the internal control system was conducted by the corporate auditors once a year with respect to compliance and risk management at the headquarters, separately from the internal audit described below. In the case of the headquarters' accounting division, a questionnaire prepared by the full-time corporate auditors was sent to the general manager of those divisions for them to return self-evaluation comments, and they were interviewed. That audit by the corporate auditors might have worked as a control over the headquarters' accounting division. However, as the audit was based on a self-evaluation of the accounting division, it failed to prevent the inappropriate accounting treatment.

c. Internal audits did not generally cover the headquarters' accounting division

JDI has a system of internal audit conducted by the Internal Audit Department. The Internal Audit Department has existed ever since JDI was incorporated in April 2012. As a division directly reporting to the CEO, it oversaw JDI's internal control.

The types of internal audits are the field audit and themed audit.

As to the field audit, the Internal Audit Department audits domestic sites basically once every two years, overseas manufacturing companies and overseas EMS annually, and overseas sales companies once every two years. As part of the field audit, an audit on the area of accounting and finance is also conducted. Issues that may be pointed out by the External Auditor can be the subject of an internal audit. However, in principle, no internal investigation or audit will be conducted unless the External Auditor points out an issue.

The themed audit is an internal audit concerning specific themes that are considered high risk and has mostly covered matters relating to the Subcontract Act, authorized exports and the like. In 2017, problematic inventories was added as a subject of the themed audit, but the inappropriate accounting treatment was not discovered then. As to expenses, there was an internal audit of taxi receipts and the like. However, apart from the audit of problematic inventories and expenses, no themed audit concerning any accounting manipulation has been conducted since JDI's incorporation.

Meanwhile, as to an internal audit of the entire organization of the headquarters, field audits were conducted until 2013, but a field audit of each division of the headquarters stopped being conducted from 2014. As a result, from 2014 until the departure of Mr. A, the headquarters' accounting and finance divisions went through accounting and finance audits only when an applicable themed audit was conducted.

As to the internal control system relating to financial control, the Internal Audit Department oversaw activities relating to the so-called J-SOX, but that control basically relied on the audit conducted by the External Auditor.

As described, during the time when Mr. A was in office, the internal audit basically did not extend to the headquarters' accounting division. In addition, JDI practically relied on the External Auditor with respect to the themed audit concerning accounting and finance as well as the internal control system relating to financial control. An objective environment that enabled the Inappropriate Accounting Treatment is thus considered to have developed under such circumstances.

In this respect, according to the general manager of the Internal Audit Department at that time, JDI did not have any person inside the company who could perform an audit of the headquarters' accounting division. However, it is assumed that, if the headquarters' accounting division had been covered in the internal audit, then that audit would have at least had a certain deterrent effect on Mr. A and other members of the headquarters' accounting division.

d. Whistle-blowing system was insufficient to prevent the inappropriate accounting treatment

As described in Chapter IV.2(3) and (6) above, JDI's internal control system involved the Compliance Committee, a whistle-blowing system and the like, in addition to the activities of the corporate auditors and the Internal Audit Department described above. However, it seems that this internal control system did not function sufficiently as a measure to prevent misconduct.

The meetings of the Compliance Committee were usually held only once or twice a year. These meetings served as an opportunity to share information concerning whistle-blowing, if any, and the progress of any related investigation, and to establish a policy outline for the company's measures on compliance issues that may have arisen from those investigations. As such, it is likely that the Compliance Committee's internal control function quality depended on the implementation of the whistle-blowing system.

In this respect, JDI's whistle-blowing system states as its purpose: "To promptly identify or prevent any compliance breach, attempt to improve the mobility of the self-correction process, rectify the compliance breach, and thereby ensure the company's social credibility" (Section 2.2.3 of the JDI Basic Rules on Compliance). Whistle-blowing is defined as "reporting to the appropriate party to the effect that a compliance breach has occurred or is likely to occur with respect to an employee of the company or other persons" (Article 1.2, Paragraph 2 of the JDI Whistle-blowing Rules). The "compliance breach" that is the subject of whistle-blowing is the "fact that there is any violation of laws and regulations, or the rules of the company," which means that the definition includes any "violation of laws and regulations" (*Id.,* Article 4, Paragraph 1).

However, according to the actual results from December 2012, when the system was introduced, until May 2019, the actual topics of the reports made in the whistle-blowing were as follows: about 30 of the total of 41 reports concerned personnel affairs, including allegations of harassment, while there were only several reports on violations of law or misconduct, and there was no report concerning any allegation of the inappropriate accounting treatment.

It seems that the Legal Department and other divisions regularly conducted internal educational activities to promote the active use of the whistle-blowing system, but it can hardly be said that the whistle-blowing system of JDI functioned sufficiently to promptly identify or prevent the inappropriate accounting treatment.

e. Handling of reports from employees was insufficient

The fact that JDI's internal control system was an insufficient governance system is considered a major factor of the delay in discovering the Inappropriate Accounting Treatment. There is a specific example that precisely demonstrates this.

On May 17, 2018, a former employee who then belonged to the Finance Division, Finance Department, sent an email directly to Mr. D, who was then the CEO, and reported the occurrence of an inappropriate accounting treatment (a series of reports by this former employee is collectively referred to as the "Former-employee Report").

At that time, the reports generally claimed that: (i) the standard costs established by the executives of the headquarters' corporate division, including Mr. A, were too low to be realized, and because of such standard costs, the company's financial difficulties were not recognized sooner; and (ii) while Mr. A was highly regarded in the company, the former employee who raised the issues of financial and accounting treatment received an unreasonably low performance evaluation. Then on May 30, the former employee found an electronic file showing the revaluation of work-in-process worth JPY 8.2 billion, and reported that file to Mr. D by email.

Mr. D as well as Mr. L (the CFO at that time) and full-time corporate auditors who heard about the Former-employee Report from Mr. D, and the management and executives of JDI who saw the Former-employee Report thought that the former employee was complaining about personnel matters in the report, and had no idea that Mr. A was involved in the inappropriate accounting treatment. They finally decided that the Former-employee Report was basically a personnel affairs issue.

Meanwhile, Mr. D requested outside lawyers to investigate with respect to the Former-employee Report. However, the investigation by the outside lawyers did not proceed smoothly because the relevant documents necessary for the investigation were not provided by the accounting division, and the lawyers could not sufficiently interview Mr. A. Then in November 2018, as the suspected embezzlement by Mr. A was discovered, an internal investigation committee for the embezzlement case was immediately established, and internal resources were concentrated on the investigation of that case. No suspected misconduct of Mr. A concerning the inappropriate accounting treatment was the subject of this internal investigation. The outside lawyers could not obtain the necessary cooperation with their investigation from the company and thus gave up on the investigation regarding the Former-employee Report by January 2019 at the latest.

In the end, the case of the Former-employee Report was finalized in April 2019 upon completion of the investigation with the submission of a simple two-page investigation report by Mr. L, who was then the CFO. According to the investigation report, the investigation was conducted by two former subordinates of Mr. A, and the report did not mention the specific methods of the investigation. The conclusion of the investigation was that, with respect to the contents of the Former-employee Report, no accounting-related issue was found.

JDI's handling of the Former-employee Report as described above is not considered appropriate for the internal control of the company.

Although the Former-employee Report was not made through the formal whistle-blowing system, it was effectively a whistle-blowing. As such, the investigation thereof should have been conducted by a division that had no connection with the former employee's reporting line, such as the Internal Audit Department. However, from the initial response to the completion of the investigation, Mr. L, who was then the CFO and in the former employee's reporting line, led the investigation and there was no involvement of the Internal Accounting Department. In addition, although the Former-employee Report was partly motivated by the former-employee's dissatisfaction with personnel matters, it somewhat revealed the reality of the inappropriate accounting treatment led by Mr. A. In particular, the electronic file showing the revaluation of the work-in-process worth approximately JPY 8.2 billion, which was found by the former employee, suggested some of the facts identified in Chapter VI. However, not only JDI's management and executives at that time, but also the full-time corporate auditors who were supposed to monitor and oversee them, failed to handle the Former-employee Report faithfully due to their biased views toward the former employee and Mr. A.

The outcome of the handling of the Former-employee Report clearly demonstrates that the internal control system of JDI did not function to find any misconduct.

(4) Issues in the internal accounting treatment and its application

We found the following issues in the accounting treatment and its application by JDI that may have resulted in the inappropriate accounting treatment.

a. Awareness and attitude of the entire company toward appropriate accounting

At JDI, Mr. A's decisions on accounting treatment became the company's decisions for many years.

The mindset of Mr. A concerning accounting treatment, combined with his consideration for the management's desire to report as much profit as possible, led to the bending interpretation of accounting standards on the deferred recognition of costs or losses, or capitalization, and resulted in the Inappropriate Accounting Treatment.

The inappropriate accounting treatment identified by the Committee includes some cases that at a glance may not seem to be a problem under the accounting standards. For example, the capitalization of start-up costs relating to a fixed asset is permissible to some extent under accounting and taxation standards and their application. However, Mr. A interpreted them broadly and capitalized items that should have been reported as expenses. This treatment was not advisable from either the standpoint of accounting for actual condition or the accounting conservatism principle.

We found that not only Mr. A, but other employees also had a kind of desire to report as much profit as possible through the interpretation of the accounting treatment. An executive stated in their communications with the External Auditor that they sought to go as far as possible within a reasonable limit. This may suggest that they looked for an interpretation that may have led to reporting as much profit as possible rather than aim for an accounting treatment that reflects the actual condition in accordance with the purposes of accounting standards.

During the interviews of current and former officers and employees of JDI conducted by the Committee, there were many comments saying that they thought that an accounting treatment was alright if it was accepted by the External Auditor. However, in some cases, Mr. A intentionally prevented accurate accounting-related facts (the actual condition) from being communicated to the External Auditor, or communicated false accounting-related facts thereto, and asked for the decision of the External Auditor.

The above comments and actions of Mr. A suggest that the entirety of JDI lacked the attitude of deciding themselves that the accounting treatment should reflect reality, in accordance with the accounting standards purposes. Although there is a range of accounting treatments permissible under certain accounting standards, it is important to examine various aspects and determine whether or not it is appropriate to aim for a certain accounting treatment that would lead to the highest amount of profit among permissible treatments. For example, both the capitalization of start-up costs relating to a fixed asset and the reclassification of depreciation expenses of non-operating assets to non-operating expenses are permissible under the accounting standards if the scope is appropriate. However, it should be noted that such deferred recognition of expenses and an adjustments on classification of profit and loss would make it hard to understand the company's actual profitability, and in the end, would affect the company's management decisions, and may become a factor that would disrupt the company's sustainable growth.

It is considered that if JDI had chosen the accounting treatment carefully in accordance with the purposes of the accounting standards, and faithfully consulted the External Auditor, then no incident like the Inappropriate Accounting Treatment would have occurred.

b. Internal rules concerning accounting treatment were unclear, and such rules were applied inappropriately

Looking at the Inappropriate Accounting Treatment broadly, attention should be paid to the unclear internal rules concerning accounting treatment and the inappropriate application of those internal rules.

In terms of unclear internal rules, we found that there was an inconsistency or expansion of the scope of expenses to be included in the acquisition cost with respect to the start-up costs relating to a fixed asset, and that in the capitalization of IT development costs, the rules concerning the scope thereof were amended for JDI's convenience to suit its operational results.

The underlying issue of the foregoing is that since the internal rules relating to accounting treatment were not expressly established at the time of incorporation of JDI, the internal rules to be consistently applied at the headquarters' accounting division, the domestic plants and the like were unclear. In some of the cases of the Inappropriate Accounting Treatment, when the relevant employees discussed the treatment for a given occasion, Mr. A took advantage of the unclear internal rules and proceeded with a treatment that distorted the accounting standards.

Although not identified as an inappropriate accounting treatment, another example of the unclear internal rules is that there was an unclear application of the treatment of economic residual life in the process of the assessment on impairment recognition of fixed assets, which could result in the recognition of an impairment loss of tens of billions of yen.

Moreover, even if uniform internal rules of accounting treatment were established, those rules would be meaningless unless they were applied appropriately.

Some types of Inappropriate Accounting Treatment continued because Mr. A distorted or ignored the internal rules. Specifically, amounts that should have been reported as expenses were capitalized instead (such as the incidents described in Chapter VI.4(2) and 13(2) above). The scope of expenses to be included in the acquisition price of a fixed asset is set forth in JDI's Fixed Asset Management Rules. However, Mr. A distorted or ignored those rules and instructed treatment that was different from the rules. As a result, thereafter, accounting treatments that were completely different from the rules were continuously being implemented at JDI.

Mr. A was the head of the headquarters' accounting division, and his instructions were carried out in the end, but some frontline personnel had doubts about his inappropriate interpretation of accounting principles and accounting treatments that ignored the internal rules. The background of that situation is thought to be that the CFO at that time, who was the superior of Mr. A, did not have sufficient knowledge about proper accounting treatment. Thus, the CFO was unable to make appropriate decisions, and he instructed or overlooked the inappropriate accounting treatment in accordance with Mr. A's proposals, which were based on Mr. A's incorrect judgment or interpretation.

Such inappropriate application of the internal rules was found not only at the headquarters' accounting division but also at the domestic plants. For example, the Committee spotted an incident where inventory taking was done for supplies excluded from the target of inventory taking under the Inventory Taking Guidelines for supplies, and part thereof was reported as supplies to reduce the fixed manufacturing costs.

c. Lack of control activities to prevent falsification of information

Various methods were used in the inappropriate accounting treatment were identified by the Committee. These methods include falsification of information that could be easily made during the work process leading to journal entry.

For example, in recognizing the valuation loss of inventory, the headquarters' accounting division selected the necessary information from sales prospect data made by the relevant departments and created a calculation sheet for the evaluation of the inventory. Falsification of information was possible in that work process.

As part of the activities related to J-SOX, JDI developed and is applying a certain control activity in its work process, namely, "[W]hether or not the PSI data (sales prospect data) is correctly incorporated should be checked through a comparison between the PSI data and the data in the file prepared for incorporation into the SAP; this should be conducted by a responsible person and confirmed by his/her superior."

However, after this process, the calculation sheet of write-downs incorporating such data was manually modified several times. Although there was a possibility of falsification of the sales prospect data during that process, no control activities for detecting it had been developed.

As a result, the falsification of sales prospect data, which continued for several years, was not discovered.

In any case, assessments like the foregoing were not performed, probably because the inappropriate accounting treatment was led by the headquarters' accounting division.

IX. Proposed Preventive Measures against the Recurrence of the Inappropriate Accounting Treatment

1. Preventive measures related to the direct causes

Mr. A, who lead and carried out most of the Inappropriate Accounting Treatment, died after his dismissal. Therefore, among the direct causes of the Inappropriate Accounting Treatment, Mr. A's subjective circumstances that justified the inappropriate accounting, no longer exist. However, it is possible that the objective situation (opportunities) or incentive which created the inducement that led Mr. A to engage in the inappropriate accounting may reoccur in the future, so it is necessary to examine preventive measures.

(1) Strengthening both the quality and quantity of the accounting division

As mentioned above, one of the factors (opportunities) that made it easier for Mr. A to take the initiative in carrying out the inappropriate accounting was the fact that the power in the accounting division of the headquarters was concentrated in him and, accordingly, the accounting practices were personalized to him. This is also because, other than Mr. A, there were insufficient accounting personnel who were competent enough to act as a check against Mr. A.

Moving forward, in order to prevent a recurrence of such situation, it is essential to strengthen both the quality and quantity of the personnel in the accounting division at JDI. Mr. A led and carried out most of the Inappropriate Accounting Treatment, and at the same time, was in charge of the institutional accounting of JDI. From now on, it will be necessary to retain personnel who have thorough knowledge of institutional accounting, collaborate with business units, and also understand cost accounting.

At JDI, many of the accounting personnel have resigned and there is a shortage of accounting personnel at both the headquarters and the plants. Therefore, in addition to recruiting and developing new accounting personnel, it is imperative to hire mid-career personnel who can be immediately effective and are capable of handling institutional and management accounting.

As a method of developing personnel after hiring new and mid-career accounting personnel, JDI should examine utilizing an accounting personnel rotation system between the headquarters and the plants, allowing personnel to gain a variety of practical experience and to providing them with regular training by outside experts for acquiring accounting knowledge.

(2) Proper personnel rotation

The reason for the longstanding inappropriate accounting led by Mr. A lies in the "opportunities" fostered by his longtime service as the head of the accounting division of JDI and the resulting concentration of power in him. To prevent such fixed personnel allocation, proper personnel rotation should be looked into.

Furthermore, as stated above, active utilization of a personnel rotation system should be examined as another way to develop accounting personnel.

(3) Strengthening the monitoring and oversight of the accounting division under an internal control system

Insufficient monitoring and oversight under the JDI's internal control system was pointed out as one of the factors that created an environment (opportunity) which allowed Mr. A carried out the inappropriate accounting. This factor will require improvements from various perspectives.

a. Strengthening the monitoring and oversight by the board of directors

First of all, the composition of the board's outside directors should be reconsidered. The board of directors of JDI has conventionally been comprised of 1 to 2 full-time director(s) and a large number of outside directors. However, it is possible that, during the early stages after the incorporation of JDI, outside directors' monitoring and oversight were insufficient because of the strong influence of the outside director dispatched from INCJ. Therefore, the composition of outside directors should be reconsidered from here on, and the creation of an environment should be created that allows for a mutual check and balance among the directors that ensures no particular director has a strong influence. In the past, there have also been outside directors with a variety of backgrounds including executives of other companies and scholars. Another possible method, as recommended under the Corporate Governance Code (Principle 4.11), includes engaging outside directors with even more diverse backgrounds. In this regard, engaging female directors should be examined in addition to the recent appointment of a Representative Director & Chairman from abroad.

In addition, an appointment of a CFO-director should be examined. Mr. A directly reported to a CFO. However, successive CFOs have not been directors. Accordingly, they were not subject to monitoring and oversight by the board of directors as a director, nor did they have a duty of due care toward the shareholders. Therefore, by electing a CFO as a director, that CFO should owe a duty of due care concerning the monitoring and oversight of the accounting division, that CFO should ensure appropriate performance of that division, and that CFO should be subject to mutual monitoring and oversight by directors. As the office of CFO is currently vacant, the appointment of a CFO who will manage and control the accounting division is urgently required. Electing the CFO as a director at the upcoming general meeting of shareholders should also be examined.

b. Revise the target and method of the audits by the internal audit department and corporate auditors

The fact that the internal audit did not cover the accounting division is considered to be a big factor which fostered the inappropriate accounting by Mr. A. Going forward, resuming the filed audits on corporate divisions at the headquarters, expanding its personnel to enable the conducting of audits of the accounting division, and strengthening the power of the internal audit department should be looked into. The internal audit department directly reports to a CEO. Any employees engaged in the internal audit should be assured of its independence from the other divisions so that the appropriateness of the internal audit should be secured.

The past audits by corporate auditors on the accounting division focused on reviewing the self-evaluation of the accounting division. However, from now onwards, the corporate auditors should enhance collaboration with the External Auditor, and prepare an audit plan based on "the assumption that humans are inherently evil" with always bearing the risk that any materials presented or explanations given by the accounting division or business units may be false. For example, possible approaches include the introduction of an audit method for the internal audit which can detect signs of misconduct such as unusual transitions of monthly profit-and-loss and fluctuations of prospective sales amounts by item, the sharing of such results, and the strengthening of monitoring by the corporate auditors, in addition to the internal audits.

c. Reassessing the whistle-blowing system

In order to make the whistle-blowing system more effective, it seems that in the past, JDI tried to raise internal awareness. Actually, however, the system did not perform satisfactorily to prevent illegal and wrongful acts, and inappropriate accounting. Therefore, it is necessary to reassess the whistle-blowing system itself.

Under the current system, the personnel division controls the whistle-blowing system, and most of the whistle-blowing in the past was related to personnel matters.

Going forward, a corporate culture should be formed where misconduct is impermissible, and pretending not to see it is also impermissible, in order to strengthen mutual monitoring within the company concerning illegal and wrongful acts, including inappropriate accounting. The whistle-blowing system should be regarded as a tool to implement this corporate culture.

Specifically, the following measures should be taken: (i) to continue the top management's resolve to corporate-wide messaging that they shall never permit any misconduct including inappropriate accounting and pretending not to see is the same, (ii) to add the legal division as one of the divisions which handle whistle-blowing, (iii) to re-introduce contact points for whistle-blowing, (iv) to impose an obligation on the officers and employees to make an effort to report to the contact points when they find misconduct, including inappropriate accounting, (v) to protect the privacy of, and to prohibit disadvantageous treatment against, reporters, (vi) to regularly alert as to whether any inappropriate accounting is being conducted internally, and (vii) to regularly conduct a corporate-wide questionnaires concerning inappropriate accounting.

(4) Ensuring autonomy as a listed company

Being under pressure from INCJ also contributed to the creation of incentive for Mr. A to initiate the inappropriate accounting. Although INCJ was the largest shareholder at the time, it can hardly be said that autonomy was secured as a listed company when a particular shareholder has substantial power to make decisions. This is also inappropriate in terms of corporate governance.

In relation to what is pointed out in section (3)a. above, currently, it is necessary to secure the management autonomy of JDI and to return to the fundamentals of corporate governance as a listed company to enhance and maximize the corporate value and interests of all of its shareholders, rather than focus on the interests or intention of a specific major shareholder.

Recently, Ichigo Trust became a new investor and a representative of Ichigo Trust assumed the role of the Representative Director & Chairman of JDI. JDI should secure its autonomy as a listed company in order to gain the trust of investors in general.

(5) Reforming the mindset of the management

Being under pressure from Mr. C also moved Mr. A to engage in the inappropriate accounting. The fact that, even after the end of a quarter, the management strongly demanded that the business units or the accounting division achieve the externally announced projected operating profits for such quarter, could give the false impression to a person receiving such demand that they should achieve results even by means of misconduct. In order to prevent the recurrence of such pressure put forth by the management, it is important for the current and future management bear in mind the risk associated with the types of language or behaviors described above and pay attention to their respective language and behavior on a daily basis, and to create a corporate culture to secure a free exchange of views. Further, it is important for the board of directors and the corporate auditors to remind the representative directors thereof.

To recover external confidence and internal motivation, the management must sincerely feel responsible for the inappropriate accounting, promise to prevent it from recurring, and continue issuing a message from top management that the company will never conduct or allow any inappropriate accounting.

2. Preventive measures related to the indirect causes

(1) Improving corporate culture and reforming awareness of the need for compliance

In JDI, since the merger of the three former companies, there has been a tendency to place great importance on business units and to think lightly of the corporate division of the headquarters. Due to these reasons, it is likely that the accounting division was not strengthened sufficiently, and the audits by the internal audit department and the corporate auditors on the accounting division became insufficient. As a result, the inappropriate accounting was overlooked. In the accounting division, Mr. A was completely trusted, and even in the investigation related to the report by the former employee and the investigation of the alleged embezzlement by Mr. A, he was not suspected of conducting inappropriate accounting. Compliance based on the view that "humans are inherently good" was one of the factors that caused Mr.A's actions to be overlooked.

Going forward, it is necessary to structure a compliance system based on the view that "humans are inherently evil", where misconduct is expected to occur.

In addition, the operating principle, which may be called the "supremacy of operating profit principle," existed in JDI. As a commercial enterprize, the improvement of business performance and increase of operating profits are naturally essential. However, in order to prevent a recurrence of inappropriate accounting, it is necessary to thoroughly recognize that profit manipulation can never be allowed.

Specifically, to keep this case in the company's mind, it is necessary to continuously message from top management as described above, regularly implement corporate-wide compliance training for prevention of inappropriate accounting, and take the measures described in section (2) below as practical measures to prevent a recurrence of inappropriate accounting.

(2) Revisiting application of accounting principles and improvement in its operations

a. Reform of JDI's attitude toward corporate accounting

As mentioned above, at JDI, the whole company lacked the attitude to pursue "accounting treatment which reflects the actual condition of the company." The company was pursuing an interpretation that would record as much profit as possible, without appropriate consultation with the External Auditor of the facts of such accounting, and therefore conducted the Inappropriate Accounting Treatment. The management should reconfirm that a semblance of profitability on the financials does not lead to the sustainable growth of the company even if the company is seriously underperforming. The management should pursue "accounting treatment which reflects the actual condition of the company." and take appropriate measures.

To that end, it is necessary for the management to change its mindset regarding accounting treatment from "accounting treatment which will enable as much profits to be recorded as possible" to "accounting treatment which reflects the actual condition of the company".

It is also important to carefully select and apply accounting treatment based on sincere consultation with the External Auditor, not to glance away from the actual financial results, and to improve the situation through business measures.

b. Clarification of internal rules on accounting treatment and thorough notification of the operation thereof

Certain accounting standards permit several options regarding accounting treatment and a certain range of interpretations exist. Therefore, the company must clearly define its accounting policies, stipulate them as internal rules, keep all personnel informed thereof, and consistently apply the set accounting policies. Such efforts will prevent an incorrect interpretation of the accounting standards and self-serving accounting treatment.

Further, given that it is not practical to stipulate an accounting policy in the internal rules for every minute event, it is also desirable to specify the underlying principles for the accounting policies to avoid an incorrect interpretation in their application.

Needless to say, in order for these internal rules to be operated without being distorted, it is necessary for the responsible person in the accounting division to be both knowledgeable about appropriate accounting treatment and act in good faith.

c. Improvement of control activities to prevent falsification of information

In light of the occurrence of the inappropriate accounting through falsification of information, and in order to avoid the risk of such treatment in the future, the Committee considers it necessary to develop and operate management and control through measures such as downloading information properly from sales forecast data and then verifying that the inventory valuation calculation data are prepared based on the said information.

X. Conclusion

JDI was incorporated with great expectations and the aim to revitalize Japan's small-to-medium liquid-crystal display business. Although JDI became a listed company thereafter, its performance was stagnated due to the severe business environment. Under such circumstances, the accusation was made from Mr. A, who led the Inappropriate Accounting Treatment, and, in response thereto, this Committee was established to perform the investigation.

Mr. A's accusation of the Inappropriate Accounting Treatment included descriptions of many methods therefor, and the period of misconduct lasted for approximately 6 years.

Although it is not easy to overcome this chain of misconduct and improve the trust in the company and morale of the company, we sincerely hope for the revitalization and development of JDI's business through the high level of technical skill held by JDI and the continuous efforts of its many officers and employees.

-End-

Exhibit 1

Interviewees List

No.	Name	Position and Depratment (If he/she has already left JDI, final position and department)	Enroll
1	G	Executive Technical Advisor	Leave
2	B	Representative Director and President Executive Officer CEO	Leave
3	F	Representative Director and President Executive Officer CEO	Enroll
4	E	Executive Officer	Leave
5	D	Representative Director and Chairman Executive Officer CEO	Leave
6	C	Representative Director and Chairman Executive Officer CEO	Leave
7	M	Director	Leave
8	L	Managing Executive Officer Chief Strategy Officer Head of Accounting & Business Management Division	Leave
9	[redacted]	No title	Leave
10	J	Executive Officer CFO Senior General Manager, Investor Relations Department	Leave
11	K	Executive Officer CFO Head of Accounting & Finance Division	Leave
12	[redacted]	No title	Leave
13	[redacted]	Executive Officer Head of Mobile Business Unit	Enroll
14	[redacted]	Executive Officer Head of Corporate Planning and Strategy Division Head of Finance Division General Manager, Finance Department, Finance Division Senior Manager, Financing Section, Finance Department, Finance Division	Enroll
15	[redacted]	Executive Officer Head of Display Solutions Business Unit Special Projects General Manager, Corporate Development and Strategic Planning Department, Mobile Business Unit	Enroll
16	H	Executive Officer	Leave
17	N	Managing Executive Officer	Leave
18	O	Corporate Auditor	Enroll
19	[redacted]	Executive Officer Deputy Division Manager, Mobile Display Division, Mobile Business Group	Leave
20	[redacted]	Executive Officer President of Automotive and Industrial Company	Leave
21	[redacted]	Corporate Auditor	Enroll
22	[redacted]	Corporate Auditor	Enroll
23	[redacted]	Corporate Auditor	Enroll
24	[redacted]	General Manager, Business Planning Department, Mobile Company Section Manager, Business Planning Section, Business Planning Department, Mobile Company	Leave
25	[redacted]	Seniro Manager, Funds Management Section, Finance Department, Finance Division	Enroll

26	[redacted]	Senior Manager, Business Management Section, Business Management Department	Enroll
27	[redacted]	Senior Manager, Accounting Section, , Mobara Plant Plant Management Department, Front End Production Division (Mobara Plant)	Enroll
28	[redacted]	Finance Division, Accounting Deprtment, Accounting Section (Philippine)	Enroll
29	[redacted]	Mobile Company	Leave
30	[redacted]	Sales Administration Department, Strategic Planning Division	Leave
31	[redacted]	Accounting Deprtment, Accounting & Business Management Division	Leave
32	[redacted]	Accounting Section, Mobara Plant Plant Management Department, Front End Production Division (Mobara Plant)	Enroll
33	[redacted]	Business Management Department, Accounting & Business Management Division	Leave
34	[redacted]	Accounting Section, Accounting Deprtment, Finance Division (Taiwan)	Enroll
35	[redacted]	General Manager, Information System Department	Enroll
36	[redacted]	Finance Department, Finance & Investor Relations Division	Leave
37	[redacted]	General Manager, Internal Audit Department	Enroll
38	[redacted]	Accounting Division (China)	Leave
39	[redacted]	Accounting Section 1, Accounting Deprtment, Accounting Division	Leave
40	[redacted]	General Manager, Overseas Sales Department 1, Sales Division, Display Solutions Business Unit	Enroll
41	[redacted]	Senior Manager, Sales Section 1, Sales Department, Mobile Business Unit 1, Mobile Company	Leave
42	[redacted]	Accounting Section, Accounting Deprtment, Finance Division	Enroll
43	[redacted]	Accounting Section, Accounting Deprtment, Finance Division	Enroll
44	[redacted]	Production Control Department, Production Control Division, Front End Production Division (Mobara Plant)	Enroll
45	[redacted]	General Manager, Internal Audit Department	Leave
46	[redacted]	Internal Audit Department	Leave
47	[redacted]	Accounting Section, Accounting Deprtment, Finance Division (Tottori Plant)	Enroll
48	[redacted]	Cost Accounting Section, Business Management Department, Accounting Unit, Accounting & Finance Division	Leave
49	[redacted]	Accounting Section, Accounting Deprtment, Finance Division	Enroll
50	[redacted]	General Manager, Business Strategy Department, Strategic Planning Division Group Manager, Business Strategy Group, Business Strategy Department, Strategic Planning Division	Leave
51	[redacted]	Senior Manager, Accounting Section, Ishikawa Plant Plant Management Department, Front End Production Division (Ishikawa Plant)	Enroll
52	[redacted]	Finance Section, Accounting and Finance Department	Leave
53	[redacted]	General Manager, HR Department, HR & General Affairs Division Senior Manager, Human Resources Section, Business Planning Department, Automotive and Industrial Company	Leave
54	[redacted]	Application Development Department, Research and Development Division (Ebina R&D Ceenter)	Enroll
55	[redacted]	Development Management Section, R&D Promotion Department, R&D Division	Leave
56	[redacted]	Cost Accounting Section, Business Management Department, Accounting & Finance Division	Leave
57	[redacted]	Accounting Division, Accounting Deprtment	Leave
58	[redacted]	General Manager, Finance Department, Finance Division	Leave
59	[redacted]	General Manager, Legal Department Senior Manager, Compliance・Legal Section, Legal Department Senior Manager, Legal Section, Legal Department	Enroll
60	[redacted]	Business Management Department, Finance Division (Hong Kong)	Enroll

61	[redacted]	General Manager, Backplane Development Department, R&D Division (Mobara Plant) OLED Product Engineering Department, Mobile Business Unit 2, Mobile Company (Mobara Plant)	Leave
62		Accounting Section, Accounting Deprtment, Finance Division (Tottori Plant) Accounting Section, Tottori Plant Plant Management Department, Front End Production Division (Tottori Plant)	Enroll
63		General Manager, Accounting Deprtment, Finance Division Senior Manager, Accounting Section, Accounting Deprtment, Finance Division	Enroll
64		Executive Officer Chief Information Officer Chief Human Resources Officer	Leave
65		Senior Executive Officer	Leave
66		Head of Production Control Division, Front End Production Division (Mobara Plant)	Enroll
67		Senior Manager, R&D Planning Section, Research and Development Division	Enroll
68		Senior Manager, Administration Section, Production Control Department, Display Solutions Business Unit (Mobara Plant)	Enroll
69		SCM Section, Mobara Plant Plant Management Department, Front End Production Division (Mobara Plant)	Enroll
70		Legal Section, Legal Department	Enroll
71		General Manager, Information System Department, Information System Division	Leave
72		Internal Audit Department	Enroll
73		Senior Manager, Funds and FX Management Section, Finance Department, Finance Division	Leave
74		Head of Finance Division Asoshieito, Kaohsiung Opto-Electronics Finance Division Mnager, Kaohsiung Opto-Electronics	Enroll
75		Accounting Section 1, Accounting Deprtment, Accounting Division	Leave
76		Finance Section, Accounting and Finance Department	Leave
77		Senior Manager, Business Planning Section, Business Planning Department, Mobile Business Unit	Enroll
78		Senior Manager, OLED Technology Development Section, Back End Manufacturing Engineering Department 2, Back End Production Division (Mobara Plant)	Enroll
79		Executive Officer Head of Sales Division Senior General Manager, CRM Promotion Department, Sales Division	Leave
80		General Manager, OLED Mnufacturing Department, OLED Manufacturing Division, Mobile Business Unit (Mobara Plant)	Enroll
81		General Manager, OLED Manufacturing Engineering Department, OLED Manufacturing Division, Mobile Business Unit (Mobara Plant)	Enroll
82		Group Manager, Sales Group 2, Sales Department, Mobile Display Business Unit, Mobile Display Division, Mobile Business Group	Leave
83		Corporate Planning and Strategy Division	Enroll
84		Production Control Management, Mobile Company	Leave
85		Head of Back End Production Division (Mobara Plant)	Enroll
86		Executive Officer President of Mobile Company	Leave
87		Manager, Finance Section, Accounting and Finance Department, Accounting & Finance Division	Leave
88		Head of Global Sales Division	Enroll
89		General Manager, Investor Relations Department, Finance Division	Enroll
90		General Manager, Mobara Plant Plant Management Department, Front End Production Division (Mobara Plant) Senior Manager, SCM Section, Mobara Plant Management Department, Front End Production Division (Mobara Plant)	Enroll

91	[redacted]
92	[redacted]
93	[redacted]
94	[redacted]
95	[redacted]
96	[redacted]
97	[redacted]
98	[redacted]

Exhibit2

Digital Forensics Reviewees List

No.	Name	Position and Depratment (If he/she has already left JDI, final position and department)	Preservation	Review
1	A	Head of Accounting & Business Management Division	○	○
2	C	Representative Director and Chairman Executive Officer CEO	○	○
3	G	Representative Director and Chairman Executive Officer CEO	○	○
4	K	Executive Officer CFO Head of Accounting & Finance Division	○	○
5	[redacted]	No title	○	○
6	D	Representative Director and Chairman Executive Officer CEO	○	○
7	L	Managing Executive Officer Chief Strategy Officer Head of Accounting & Business Management Division	○	○
8	[redacted]	Accounting Deprtment, Accounting & Business Management Division	○	○
9	[redacted]	Accounting Section, Finance Division, Accounting Deprtment (Philippine)	○	○
10	[redacted]	General Manager, Finance Department, Finance Division	○	○
11	J	Executive Officer CFO Senior General Manager, Investor Relations Department	○	○
12	B	Representative Director and President Executive Officer CEO	○	○
13	F	Representative Director and President Executive Officer CEO	○	○
14	[redacted]	Executive Officer Head of Corporate Planning and Strategy Division Head of Finance Division General Manager, Finance Department, Finance Division Senior Manager, Financing Section, Finance Department, Finance Division	○	○
15	[redacted]	Accounting Division (China)	○	○
16	N	Managing Executive Officer	○	○
17	[redacted]	Business Management Department, Accounting & Business Management Division	○	○
18	[redacted]	Accounting Deprtment, Accounting Division	○	○
19	[redacted]	Executive Officer Head of Display Solutions Business Unit Special Project General Manager, Corporate Development and Strategic Planning Department, Mobile Business Unit	○	○
20	E	Executive Officer	○	○
21	H	Executive Officer	○	○
22	O	Corporate Auditor	○	○
23	[redacted]	General Manager, Business Management Department, Finance Division	○	○
24	[redacted]	Senior Manager, Accounting Section, Mobara Plant Plant Management Department, Front End Production Division (Mobara Plant)	○	○
25	[redacted]	Executive Officer Senior Fellow (Technology & External Affairs)	○	○
26	[redacted]	No title	○	○
27	[redacted]	A position reporting to CFO	○	○

No.	Name	Position and Depratment (If he/she has already left JDI, final position and department)	Preservation	Review
28	[redacted]	J-SOX Promotion Department	○	○
29	[redacted]	Accounting Section 1, Accounting Deprtment, Accounting Division	○	○
30	[redacted]	Senior Manager, Funds Management Section, Finance Department, Finance Division	○	○
31	[redacted]	Senior Manager, Business Management Section, Business Management Department	○	○
32	[redacted]	General Manager, Corporate Planning Department, Corporate Planning and Strategy Division	○	○
33	[redacted]	General Manager, Corporate Strategy Department, Corporate Planning and Strategy Division	○	○
34	[redacted]	Executive Officer President of Automotive and Industrial Company	○	○
35	[redacted]	Corporate Auditor	○	○
36	[redacted]	Corporate Auditor	○	○
37	[redacted]	Cost Accounting Section, Business Management Department, Accounting Unit, Accounting & Finance Division	○	○
38	[redacted]	Accounting Deprtment, Accounting & Business Management Division	○	○
39	[redacted]	Cost Accounting Section, Business Management Department, Accounting & Finance Division	○	○
40	[redacted]	Accounting Section, Accounting Deprtment, Finance Division (Tottori Plant)	○	○
41	[redacted]	Finance Department, Finance & Investor Relations Division	○	○
42	[redacted]	Head of Mobile Division 2, Mobile Business Unit	○	○
43	[redacted]	Mobile Company	○	○
44	[redacted]	Executive Officer Display Solutions Company	○	○
45	[redacted]	Executive Officer Head of Mobile Business Unit	○	○

Exhibit 3

JDI's Organization Chart
(as of March 26, 2020)