August 9, 2017

Japan Display Inc.

Consolidated Financial Results for the Three Months of Fiscal Year 2017
(Japanese GAAP)

[This is an English translation of an original Japanese-language document.]

Company name:	Japan Display Inc. (“JDI”)
Security code:	6740
Listing:	Tokyo Stock Exchange (First Section)
Website:	http://www.j-display.com/english
Representative:	Nobuhiro Higashiiriki, Chairman and CEO
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Filing of 1Q-FY2017 quarterly securities report:	August 10, 2017
Commencement of dividend payments:	-
Supplementary materials for the 3Q-FY2016 earnings results:	Available
Briefing for 1Q-FY2017 results:	August 9, 2017

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

1. Consolidated results of operations for the three months ended June 30, 2017

(1) Results of operations (Millions of yen, except per share amounts)

	3 mo. ended Jun. 30, 2017	YoY (%)	**3 mo. ended Jun. 30, 2016**	YoY (%)
Net sales	188,588	8.2	174,342	(29.2)
Operating profit (loss)	(14,442)	-	(3,411)	-
Ordinary profit (loss)	(20,613)	-	(14,225)	-
Profit (loss) attributable to owners of the parent	(31,456)	-	(11,772)	-
Net income (loss) per share				
-Basic	(52.30)		(19.57)	
-Diluted	-		-	
(Reference) Comprehensive income (loss)	(30,285)	-	(16,451)	-

(2) Financial position (Millions of yen, except shareholders’ equity ratio)

	Jun. 30, 2017	**Mar. 31, 2017**
Total assets	896,010	915,631
Net assets	296,789	327,085
Shareholders’ equity ratio (%)	32.8	35.5
(Reference) Shareholders’ equity	294,252	324,860

2. Dividends

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

Notes: Changes from the most recently announced dividend forecast: Yes

Notes:

(1) Changes to scope of consolidation: None

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

(3) Accounting changes in consolidated financial statements.

a) Changes in accounting policy in accordance with amendments to accounting standards: None
b) Changes in accounting policy other than a) above: None
c) Changes in accounting estimates: None
d) Retrospective restatement: None

(4) Number of shares outstanding (common shares)

	Jun. 30, 2017	**Mar. 31, 2017**
Number of shares outstanding (incl. treasury shares)·········	601,411,900	601,411,900
Number of treasury shares ······································	-	-
	3 mo. ended Jun. 30, 2017	**3 mo. ended Jun. 30, 2016**
Average number of shares outstanding ·························	601,411,900	601,411,900

* This financial statement is not subject to quarterly review procedures.

Proper use of earnings forecasts and other matters warranting special mention

Forward-looking information such as earnings forecasts in this document is based on information available to the Company at the time the document was prepared and management's reasonable assumptions. Such information should not be interpreted as a guarantee of future performance or results. Furthermore, forward-looking information is necessarily subject to a number of factors that may cause actual results to differ materially from those results implied by the expectations suggested by such information

Attachments

1. Quarterly Results Information

(1) Overview of Business Results

Consolidated Results for the 1Q-FY 2017 (3 months ended June 30, 2017)

(Million yen)

	1Q-FY 2016	1Q-FY 2017	YoY Change	YoY (%)
Mobile Device Category	140,244	152,391	12,147	8.7
Automotive & Non-Mobile Device Category	34,097	36,196	2,099	6.2
Net Sales	174,342	188,588	14,246	8.2
Gross Profit	8,403	1,040	(7,363)	(87.6)
Operating Profit (Loss)	(3,411)	(14,442)	(11,031)	-
Ordinary Profit (Loss)	(14,225)	(20,613)	(6,388)	-
Profit (loss) attributable to owners of the parent	(11,772)	(31,456)	(19,684)	-
EBITDA	14,976	8,117	(6,859)	(45.8)

* EBITDA = operating income + depreciation (operating costs) + amortization of goodwill

Quarter on quarter comparison (Million yen)

	4Q-FY 2016	1Q-FY 2017	QoQ Change	QoQ (%)
Mobile Device Category	197,666	152,391	(45,275)	(22.9)
Automotive & Non-Mobile Device Category	42,582	36,196	(6,386)	(15.0)
Net Sales	240,248	188,588	(51,660)	(21.5)
Gross Profit	20,248	1,040	(19,208)	(94.9)
Operating Profit (Loss)	8,026	(14,442)	(22,468)	-
Ordinary Profit (Loss)	179	(20,613)	(20,792)	-
Profit (loss) attributable to owners of the parent	(22,261)	(31,456)	(9,195)	-
EBITDA	31,719	8,117	(23,602)	(74.4)

* EBITDA = operating income + depreciation (operating costs) + amortization of goodwill

In the first quarter of FY 2017 the smartphone market that has a major impact on JDI's financial results saw solid growth versus a year ago centering on newly emerging economies. In China, however, which has the world's largest smartphone market, inventory adjustments and other factors caused a slowdown in smartphone sales. Globally, demand continued to expand for smartphones equipped with Full-HD (1080 x 1920 pixels) and higher resolution displays.

JDI's total sales in the first quarter rose YoY supported by the important Mobile Device category, which saw higher sales in China and other Asian countries. However, sales fell on a QoQ basis due to seasonal factors and inventory adjustments in China.

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

Mobile Device Category

The Mobile Device Category includes displays for smartphones, tablets and mobile phone devices. First-quarter sales in this category were 152,391 million yen (up 8.7% YoY, down 22.9% QoQ), accounting for 80.8% of total sales.

First-quarter sales to US/Europe fell slightly YoY and were down QoQ because of lower shipments. Sales to China increased YoY based such factors as a recovery of market share but declined QoQ due to inventory adjustments. Sales to other parts of Asia rose both YoY and QoQ with help from customers releasing new products.

Automotive and Non-Mobile Category

The Automotive and Non-Mobile Category includes displays for automotive applications, consumer electronics (digital cameras, game consoles, etc.) and industrial devices (such as medical equipment monitors) as well as income from patents and other sources. First-quarter sales in this category were 36,196 million yen (up 6.2% YoY but down 15.0% QoQ), accounting for 19.2% of total sales.

Automotive display sales rose YoY but declined QoQ. Sales of displays for consumer electronics devices fell both YoY and QoQ due in part to the impact of lower production capacity for those devices following the December 2016 shutdown of panel production on the Mobara Plant V3 line and JDI's switch to a policy of focusing on higher profit new business. As a result, total sales for the Automotive and Non-Mobile Category were higher YoY but lower QoQ.

Based on these category sales, JDI’s first-quarter net sales were 188,588 million yen (up 8.2% YoY, down 21.5% QoQ). An operating loss of 14,442 million yen was posted (compared with an operating loss of 3,411 million yen in the FY 2016 first quarter and a profit of 8,026 million yen in the fourth quarter of FY 2016) as operating losses were higher YoY on the back of greater depreciation costs that were mainly due to the start of operations at the Hakusan Plant and higher R&D expenses mainly for OLED development. An ordinary loss of 20,613 million yen was recorded (versus an ordinary loss of 14,225 million yen a year earlier and a profit of 179 million yen in the previous quarter) after accounting for non-operating factors such as posting depreciation on inactive non-current assets. In the first quarter JDI decided to pursue structural reforms that included eliminating and consolidating production sites in Japan and overseas, writing down certain assets and reducing the size of the workforce. These steps are being taken to reduce production capacity in line with a changing display market and the company's business strategy as well as to substantially lower fixed costs to improve profitability. Among the business structure improvement expenses related to these structural reforms a 2,652 million yen impairment loss was posted as an extraordinary loss in the first quarter of FY 2017. Also, the amount of a reversal of deferred tax assets in the amount of 7,503 million yen was posted as income taxes – deferred following a careful examination of the recoverability of these assets based on the impact of structural reforms implementation and JDI's future earnings plans. As a result, JDI finished with a first-quarter loss attributable to owners of the parent of 31,456 million yen (versus a loss of 11,772 million yen a year earlier and a loss of 22,261 million yen in the previous quarter).

(2) Financial Position

Assets

At the end of first quarter of FY 2017 JDI had current assets of 402,888 million yen, a decrease of 15,271 million yen relative to the end of FY 2016. The main factors were increases of 24,938 million yen in accounts receivable-other and 6,124 million yen in work in process along with decreases of 21,311 million yen in cash and deposits, 17,957 million yen in accounts receivable-trade and 5,527 million yen in other current assets. Non-current assets were 493,121 million yen, a decrease of 4,350 million yen versus the end of FY 2016, with the main factors being an increase of 7,107 million yen in investments and other assets along with decreases of 10,382 million yen in property, plant and equipment and 1,075 million yen in intangible assets.

As a result, total assets at the end of the first quarter were 896,010 million yen, a decrease of 19,621 million yen relative to the end of FY 2016.

Liabilities

At the end of the first quarter of FY 2017 JDI had current liabilities of 476,414 million yen, an increase of 6,873 million yen relative to the end of FY 2016. The main factors were increases of 18,181 million yen in accounts payable-trade and 4,168 million yen in short-term loans payable along with a decrease of 17,887 million yen in advance received. Non-current liabilities were 122,806 million yen, a increase of 3,801 million yen versus the end of FY 2016.

As a result, total liabilities at the end of the first quarter were 599,221 million yen, an increase of 10,674 million yen relative to the end of FY 2016.

Net assets

Total net assets at the end of first quarter of FY 2017 were 296,789 million yen, a decrease of 30,295 million yen versus the end of FY 2016. The main factor was a 31,456 million yen loss attributable to owners of the parent.

As a result, JDI had a shareholders' equity ratio of 32.8% at the end of the first quarter (35.5% at the end of FY 2016).

(3) A note about information regarding future expectations

JDI believes that FY 2017 sales are highly likely to see a fall of 15-25% YoY. The reason is that in FY 2017 there are indications that one of the major global smartphone brands is adopting OLED displays, a development that will have a direct and indirect impact on JDI. Also, the increased competition stemming from the start-up of production at new LTPS LCD fabs operated by competitors in the display industry will have repercussions.

From the second quarter FY 2017 onward the business environment surrounding the smartphone display market, JDI's key business area, is expected to undergo significant changes. Therefore, due to many uncertain factors JDI is not presenting earnings forecasts.

Furthermore, in the first quarter JDI decided to take measures to reduce production capacity in line with a changing display market and the company's business strategy as well as to substantially lower fixed costs in order to improve profitability. These measures, which include shutting down manufacturing lines, workforce reductions, reorganizing subsidiaries, posting of impairment losses on business assets and inactive non-current assets and other kinds of fundamental restructuring, will be booked as extraordinary losses in the current fiscal year. By implementing these large-scale structural reforms JDI intends to break free from its existing high-cost structure. Under its medium-term business plans it also intends among other actions to accelerate the development of OLED mass manufacturing technology and related commercialization and direct more company resources to growth areas. From FY 2018 onward JDI believes it can maximize earnings based on the expected business opportunities in both the Mobile and Non-Mobile business areas.

For an overview of JDI's restructuring plans and its medium-term business plan, please see "Notice Concerning Structural Reforms, Extraordinary Losses (Business Structure Improvement Expenses) and Reversal of Deferred Tax Assets" and "Structural Reform and Outline of Medium-Term Management Plan" also released today.

Revision to Dividend Payment Expectations

	Annual dividend payment (yen)		
	End of the second quarter	End of fiscal year	Total
Previous forecast	0	Undetermined	Undetermined
Revised forecast	0	0	0
FY 2016 dividends	0	0	0

JDI regards returning value to shareholders as an important obligation. If a full-term net profit attributable to owners of the parent had been generated by the end of FY 2017 the company had intended to issue an end-year dividend. However, due to the booking of extraordinary losses on the implementation of restructuring measures and other factors the company is expecting a full-term net loss in FY 2017 and deeply regrets that no dividend payment for the current year appears feasible.

2. Consolidated Financial Statements

(1)Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets:		
Cash and deposits	82,247	60,935
Accounts receivable - trade	128,636	110,679
Accounts receivable - other	91,999	116,938
Merchandise and finished goods	32,318	31,221
Work in process	51,764	57,888
Raw materials and supplies	16,815	16,378
Other	14,561	9,034
Allowance for doubtful accounts	(182)	(188)
Total current assets	418,159	402,888
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	143,681	142,096
Machinery, equipment and vehicles, net	185,054	174,833
Land	14,392	14,396
Lease assets, net	36,955	29,956
Construction in progress	54,781	63,773
Other, net	12,718	12,146
Total property, plant and equipment	447,584	437,202
Intangible assets		
Goodwill	15,903	15,386
Other	8,680	8,122
Total intangible assets	24,584	23,509
Investments and other assets		
Other	27,521	34,623
Allowance for doubtful accounts	(2,218)	(2,213)
Total investments and other assets	25,302	32,410
Total non-current assets	497,471	493,121
Total assets	915,631	896,010

	As of March 31, 2017	As of June 30, 2017
		(Millions of Yen)
Liabilities		
Current liabilities:		
Accounts payable - trade	201,016	219,198
Short-term loans payable	25,700	29,868
Lease obligations	20,519	18,447
Income taxes payable	2,653	2,651
Provision for bonuses	5,521	2,855
Advances received	179,397	161,509
Other	34,732	41,883
Total current liabilities	469,540	476,414
Non-current liabilities:		
Bonds with subscription rights to shares	45,000	45,000
Long-term loans payable	30,000	30,000
Lease obligations	13,980	11,935
Net defined benefit liability	27,408	26,449
Other	2,616	9,421
Total non-current liabilities	119,005	122,806
Total liabilities	588,546	599,221
Net assets		
Shareholders' equity		
Capital stock	96,863	96,863
Capital surplus	256,386	213,648
Retained earnings	(28,788)	(17,506)
Total shareholders’ equity	324,461	293,004
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(42)	(94)
Foreign currency translation adjustment	9,368	10,099
Remeasurements of defined benefit plans	(8,927)	(8,757)
Total accumulated other comprehensive income	398	1,247
Subscription rights to shares	45	35
Non-controlling interests	2,179	2,501
Total net assets	327,085	296,789
Total liabilities and net assets	915,631	896,010

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

Consolidated Statement of Income

(Millions of Yen)

	FY 2016 First Quarter	FY 2017 First Quarter
Net sales	174,342	188,588
Cost of sales	165,938	187,547
Gross profit	8,403	1,040
Selling, general and administrative expenses	11,814	15,482
Operating profit (loss)	(3,411)	(14,442)
Non-operating income		
Interest income	14	15
Rent income	146	128
Fiduciary obligation fee	213	408
Subsidy income	265	1
Other	221	144
Total non-operating income	861	698
Non-operating expenses		
Interest expenses	607	636
Share of loss of entities accounted for using equity method	—	2,811
Foreign exchange loss	6,742	309
Depreciation	1,588	2,248
Other	2,738	864
Total non-operating expenses	11,676	6,869
Ordinary profit (loss)	(14,225)	(20,613)
Extraordinary losses		
Business structure improvement expenses	—	2,652
Early extra retirement payments	1,620	—
Total extraordinary losses	1,620	2,652
Profit (loss) before income taxes	(15,846)	(23,266)
Income taxes	(4,175)	7,874
Profit (loss)	(11,671)	(31,141)
Profit attributable to non-controlling interests	100	315
Profit (loss) attributable to owners of parent	(11,772)	(31,456)

Consolidated Statement of Comprehensive Income

(Millions of Yen)	FY 2016 First Quarter	FY 2017 First Quarter
Profit (loss)	(11,671)	(31,141)
Other comprehensive income		
Deferred gains or losses on hedges	―	(51)
Foreign currency translation adjustments	(5,016)	736
Remeasurements of defined benefit plans, net of tax	235	170
Total other comprehensive income	(4,780)	855
Comprehensive income	(16,451)	(30,285)
Comprehensive income attributable to owners of parent	(16,504)	(30,607)
Comprehensive income attributable to non-controlling interest	52	321

(3) Notes to the quarterly Consolidated Financial Statements

Notes on premise of a going concern

Not applicable

Notes on significant changes in shareholders’ equity

Not applicable

Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements

Calculation of tax expenses

Tax expenses are calculated by multiplying profit before income taxes by the estimated effective tax rate, which is reasonably estimated for the profit before income taxes for the consolidated fiscal year, including this first quarter, after applying tax-effect accounting.

Non-operating expenses

Share of loss of entities accounted for using equity method for JOLED Inc. of 2,811 million yen was recorded in the first quarter of FY 2017.

Significant Subsequent Events

JDI announced on August 9, 2017 that its Board of Directors decided at a meeting held to implement a series of structural reforms.

1. Background to the implementation of structural reforms

JDI operates in the small-medium display industry, primarily the market for smartphone displays. Given the accelerated adoption of OLED displays for smartphones and the growing production capacity of China's display makers, JDI is facing an increasingly difficult competitive environment.

In this environment, JDI has surplus production capacity that represents a significant burden on the company's manufacturing fixed costs. Therefore, JDI has determined that it must overhaul its manufacturing system to bring it in line with a changing market and reduce the level of fixed costs. By implementing fundamental structural reforms JDI is working to rationalize company management and improve earnings.

2. Summary of structural reforms

Below is an overview of the company's program of individual structural reforms.

(1) Shutdown of a Japan-based front-end manufacturing (LCD panel production) line

JDI has six manufacturing lines at four Japan-based sites that handle display front-end production. The company has decided to shut down one of these lines as shown below. Usage options for this line, including possible use by JOLED Inc., are under examination.

Shutdown of front-end manufacturing line

Nomi Plant (JDI's Ishikawa site) G5.5 line (LTPS technology)

Location:	Nomi City, Ishikawa Prefecture
Beginning of shutdown:	December 2017 (planned)

(2) Consolidation of overseas back-end manufacturing (display module assembly) subsidiaries

Among five overseas back-end manufacturing subsidiaries, some will be subject to either closure or consolidation. Details have yet to be finalized.

(3) Write downs of business assets and idle assets

Impairment losses on some manufacturing equipment for smartphone displays will be booked because a decline in the earning capacity of this equipment has eliminated the chance of an investment recovery thus resulting in impairment. In addition, impairment losses on inactive non-current assets that currently are not expected to be used again will also be booked.

(4) Integration of the OLED pilot line at Ishikawa Plant into the Mobara Plant

Because the G6 OLED pilot line at Mobara Plant recently began operation the G4.5 OLED pilot line at the Ishikawa Plant in Ishikawa site (in Kawakita-cho, Nomi-gun, Ishikawa Prefecture) will be discontinued and its functions integrated into the Mobara OLED line. This will enable more focused use of development resources.

(5) Inventory valuation

Inventory assets at JDI sites in Japan and overseas may be subject to capitalization and asset disposal losses under a medium-term business plan designed to improve the company's financial health.

(6) Workforce reductions

The workforce relocation associated with the above-described shutdown of a Japan-based front-end production line and the offering of voluntary early retirement will be implemented in Japan. The elimination and consolidation of manufacturing lines at overseas production subsidiaries will result in workforce reductions. Based on these measures JDI is expecting a group-wide total workforce reduction of approximately 3,700 employees.

Japan workforce reduction:	240 (employees accepting voluntary retirement)
Overseas workforce reduction:	About 3,500 employees

Offering of voluntary early retirement in Japan

i.	Number of employees:	240
ii.	Individuals eligible for voluntary early retirement:	Employees 50 years of age or older as of the date of retirement.
iii.	Early retirement application period:	November 6, 2017 to January 12, 2018
iv.	Retirement date:	January 31, 2018 to March 31, 2018
v.	Other:	Individuals taking early retirement will receive retirement packages in accordance with company policies and will also receive special retirement benefits. Further, those wishing early retirement will receive reemployment support.

(7) Reduced executive and auditor compensation, and reduced salaries for managers

In response to an unsatisfactory financial performance, executive compensation and manager-level salaries will be reduced as described below. Also, offers by full-time company auditors to voluntarily return audit-related remuneration have already been accepted.

i. Executive compensation and manager-level salaries

Applicable individuals	Period	Rate of reduced monthly compensation/salary
Chairman/Representative Director, President/Director	August 2017 to March 2018	20%
Executive Officers	Same as above	12-15%
Other managers	October 2017 to March 2018	5-10%

ii. Full-time company auditors

August 2017 to March 2018: A voluntary return of 5% of monthly remuneration

3. Impact on Consolidated Financial Results

The impact of the implementation of structural reforms on the consolidated results for the second quarter and onward is now being scrutinized and for the moment has not been determined.