

## Japan Display Inc.

### Consolidated Financial Results for 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  
 Contact: Takanobu Oshima, Chief Financial Officer  
 Phone: +81-3-6732-8100

Annual general meeting of shareholders: June 19, 2018  
 Filing of FY 2017 securities report: June 19, 2018  
 Commencement of dividend payments: -  
 Supplementary materials for FY 2017 earnings results: Available  
 Briefing for FY 2017 results: May 15, 2018

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

#### 1. Consolidated Financial Results for FY 2017 (April 1, 2017 to March 31, 2018)

##### (1) Results of operations

(Millions of yen, except per share amounts, %)

	FY 2017	YoY Chg.	FY 2016	YoY Chg.
Net sales	717,522	(18.9%)	884,440	(10.6%)
Operating profit (loss)	(61,749)	-	18,502	10.7%
Ordinary profit (loss)	(93,658)	-	(8,871)	-
Net income (loss) attributable to owners of the parent	(247,231)	-	(31,664)	-
Net income (loss) per share				
-Basic (yen)	(411.09)	-	(52.65)	-
-Diluted (yen)	-	-	-	-
Return on equity (%)	(122.0%)	-	(9.2%)	-
Ordinary profit (loss) to total assets (%)	(12.2%)	-	(1.0%)	-
Operating profit (loss) to net sales (%)	(8.6%)	-	2.1%	-
Comprehensive income	(244,547)	-	(36,321)	-
Share of loss of entities accounted for using equity method	(14,162)	-	(2,094)	-

(2) Financial position

(Millions of yen, except per share amounts, %)

	Mar 31, 2018	Mar 31, 2017
Total assets	614,692	915,631
Net assets	82,046	327,085
Shareholders' equity ratio (%)	13.1%	35.5%
Net assets per share	133.58	540.16
(Reference) Shareholders' equity	80,336	324,860

(3) Cash flows

(Millions of yen)

	Mar 31, 2018	Mar 31, 2017
Cash flows from operating activities	(754)	112,004
Cash flows from investing activities	(53,161)	(142,592)
Cash flows from financing activities	52,864	55,663
Cash and cash equivalents at end of period	80,866	82,247

## 2. Dividends

(Yen, except %)

	June 30	Sep 30	Dec 31	FY-end	Total	Dividend ratio (consolidated)	% of dividends to net assets (consolidated)
FY 2016	-	0.00	-	0.00	0.00	-	-
FY 2017	-	0.00	-	0.00	0.00	-	-
FY 2018 (forecast)	-	0.00	-	-	-	-	-

Note: Under JDI's articles of incorporation, September 30 and the final day of the fiscal year are stipulated as the dates of record for dividends. However, at present the amount of the FY 2018 year-end dividend is not yet determined.

## 3. Earnings forecast for FY 2018 (April 1, 2018 – March 31, 2019)

FY 2018 full-term consolidated net sales are expected to increase by 10 to 20% year on year (YoY), and operating profit margin is expected to be 2-3%. For details, please refer to the attached "1. Fiscal Year Results Information (4) Business Prospects."

### Notes:

(1) Changes in significant subsidiaries to scope of consolidation: None

Newly consolidated: -

Removed from consolidation: -

(2) 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

(3) Number of shares outstanding (common shares)

	Mar 31, 2018	Mar 31, 2017
Number of shares outstanding (incl. treasury shares)	601,411,900	601,411,900
Number of treasury shares	-	-
Average number of shares outstanding	601,411,900	601,411,900

## (Reference) Overview of Non-Consolidated Financial Results

### 1. Non-Consolidated Financial Results for FY 2017 (April 1, 2017 to March 31, 2018)

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

	FY 2017	YoY Chg.	FY 2016	YoY Chg.
Net sales	698,275	(18.0%)	851,660	(14.1%)
Operating profit (loss)	(74,237)	-	9,428	(24.5%)
Ordinary profit (loss)	(98,572)	-	(15,510)	-
Net income (loss)	(233,892)	-	(33,048)	-
Net income (loss) per share				
-Basic (yen)	(388.91)	-	(54.95)	-
-Diluted (yen)	-	-	-	-

(2) Financial position (Millions of yen, except per share amounts, %)

	Mar 31, 2018	Mar 31, 2017
Total assets	596,200	899,083
Net assets	60,175	294,023
Shareholders' equity ratio (%)	10.1%	32.7%
Net assets per share	99.98	488.81
(Reference) Shareholders' equity	60,127	293,978

\* This financial statement is not subject to audit 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. Fiscal Year Results Information

#### (1) Overview of Results of Operations

##### Consolidated Results of Operations for FY 2017 (April 1, 2017 to March 31, 2018)

(Millions of yen, except per share amounts, %)

Fiscal year	FY 2016 (Apr. 1, 2016 to Mar. 31, 2017)		FY 2017 (Apr. 1, 2017 to Mar. 31, 2018)		
	Amount	% of net sales	Amount	% of net sales	YoY (%)
Mobile device category	728,641	82.4	564,112	78.6	(22.6)
Automotive & Non-mobile device category	155,798	17.6	153,410	21.4	(1.5)
Net sales	884,440	100.0	717,522	100.0	(18.9)
Operating profit (loss)	18,502	2.1	(61,749)	-	-
Ordinary profit (loss)	(8,871)	-	(93,658)	-	-
Net income (loss) attributable to owners of the parent	(31,664)	-	(247,231)	-	-
Net income (loss) per share	(52.65)	-	(411.09)	-	-
EBITDA	100,836	11.4	19,587	2.7	(80.6)

Note: EBITDA = Operating profit + depreciation (operating costs) + amortization of goodwill

#### Quarterly Results of Operations

##### Consolidated Results of Operations for FY 2017 (April 1, 2017 to March 31, 2018) for Each Quarter

(Millions of yen)

	1Q	2Q	3Q	4Q	FY 2017
Mobile device category	152,391	148,026	154,061	109,631	564,112
Automotive & Non-mobile device category	36,196	37,241	37,669	42,302	153,410
Net sales	188,588	185,268	191,731	151,934	717,522
Gross profit (loss)	1,040	2,054	2,213	(7,937)	(2,629)
Operating profit (loss)	(14,442)	(12,364)	(12,090)	(22,851)	(61,749)
Ordinary profit (loss)	(20,613)	(19,565)	(18,357)	(35,121)	(93,658)
Net income (loss) attributable to owners of the parent	(31,456)	(36,577)	(32,577)	(146,620)	(247,231)

In FY 2017 expanded production capacity among overseas small-medium display makers and higher penetration of organic light-emitting diode (OLED) smartphones contributed to greater downward pressure on smartphone display prices. In addition, higher penetration and longer usage periods of smartphones have led to slower growth in the global smartphone market and is affecting global growth in the small-medium display market.

At JDI FY 2017 sales in the mainstay mobile business category declined YoY owing to major customers adding OLED smartphones to their product line-ups and greater competition in the small-medium display market. In the automotive and non-mobile category sales of displays for consumer electronics fell but higher sales of automotive displays enabled full-year sales in this category to remain unchanged YoY.

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

### **Mobile Device Category**

The Mobile Device Category includes smartphone, tablet and other displays. Full-year sales in this category were 564,112 million yen (down 22.6% YoY) and accounted for 78.6% of total company sales.

In FY 2017 sales to the US/Europe regions and China were lower YoY due to major customers adding smartphones equipped with OLED displays to their product line-up, a slowdown in China's smartphone market, sluggish growth in the global smartphone market, intensified competition in the display market and other factors. Sales in Asia other than China were higher YoY partly because of increased customer demand in the first half.

### **Automotive and Non-Mobile Category**

The Automotive and Non-Mobile Category includes displays for digital still cameras, wearable devices and other consumer electronics, industrial devices such as medical equipment monitors and income from patents. Full-year sales in this category were 153,410 million yen (down 1.5% YoY) and accounted for 21.4% of total sales.

Full-year sales of automotive displays were higher YoY due to such factors as larger display sizes and a higher shipment volume. Wearable device sales also increased due to an expansion of the market for these products. However, a decline in sales of consumer electronics displays partly because of the closure of the Mobarra Plant V3 manufacturing line in the previous fiscal year resulted in flat full-year sales in this category.

Given the severe business climate described above, JDI has formulated a medium-term management plan, details of which were announced on August 9, 2017, for the purpose of achieving a recovery in financial results from FY 2018 onward. As part of this medium-term management plan, fundamental restructuring steps were implemented in FY 2017 in order to drastically reduce fixed costs. In particular, the front-end (liquid crystal cell production process) manufacturing line was closed at the Nomi Plant, overseas back-end (display module assembly process) manufacturing subsidiaries were restructured, impairment losses were booked for certain business assets and idle assets, the Ishikawa Plant OLED pilot line was integrated into the OLED pilot line at the Mobarra Plant and the workforce was reduced. In addition, inventories were devalued. These actions taken to strengthen JDI's financial position resulted in business structure improvement expenses of 142,260 million yen that were accounted for as extraordinary losses. Also, under the medium-term management plan JDI's goal is to transform its corporate structure to achieve sustainable earnings and cash flow by receiving an earnings contribution from FULL ACTIVE™ LCDs that support 4-sided narrow bezel designs, rapidly developing OLED technology and continuing to refocus company resources onto promising growth areas.

In addition, on March 30, 2018 JDI announced a capital procurement of 55 billion yen based on the issuance of new shares and the transfer of Nomi Plant assets. Further, customer demand for FULL ACTIVE™ displays has increased as of March 2018 and shipment demand for these displays is expected to rapidly increase in the second half of FY 2018. The capital procurement serves as working capital to meet increasing demand and funding for capital expenditures for back-end production. JDI will use the capital to take full advantage of increased demand for FULL ACTIVE™ and promote growth in sales and earnings along with strengthening its financing and capital assets position and achieving a significant business recovery in combination with the results of business structure reforms.

Based on the above, JDI's FY 2017 full-year net sales were 717,522 million yen (down 18.9% YoY). An operating loss of 61,749 million yen (compared with operating profit of 18,502 million yen in FY 2016) resulted from lower sales and higher year-on-year fixed costs that includes depreciation associated with the Hakusan Plant and research & development expenses for OLED development as well as other factors. An ordinary loss of 93,658 million yen (versus an ordinary loss of 8,871 million yen in the previous year) was due partly to a non-operating expense of 14,162 million yen in share of loss of entities accounted for using the equity method related to JOLED Inc. and 9,903 million yen in

depreciation. JDI finished the fiscal year with a net loss attributable to owners of the parent of 247,231 million yen (versus a net loss of 31,664 million yen in the previous year) as a result of accounting business structure improvement expenses as an extraordinary loss of 142,260 million yen.

### Consolidated Results of Operations for the Fourth Quarter of FY 2017 (January 1, 2018 to March 31, 2018)

Year on year comparison

(Millions of yen, except %)

	4Q-FY 2016	4Q-FY 2017	YoY	
			Change	(%)
Mobile device category	197,666	109,631	(88,035)	(44.5)
Automotive & Non-Mobile Device category	42,582	42,302	(279)	(0.7)
Net sales	240,248	151,934	(88,314)	(36.8)
Gross profit (loss)	20,248	(7,937)	(28,185)	-
Operating profit (loss)	8,026	(22,851)	(30,878)	-
Ordinary profit (loss)	179	(35,121)	(35,300)	-
Net income (loss) attributable to owners of the parent	(22,261)	(146,620)	(124,358)	-
EBITDA	31,719	(4,724)	(36,442)	-

Note: EBITDA = operating profit + depreciation (operating costs) + amortization of goodwill

Quarter on quarter comparison

(Millions of yen, except %)

	3Q-FY 2017	4Q-FY 2017	QoQ	
			Change	(%)
Mobile device category	154,061	109,631	(44,430)	(28.8)
Automotive & Non-Mobile Device category	37,669	42,302	4,632	12.3
Net sales	191,731	151,934	(39,797)	(20.8)
Gross profit (loss)	2,213	(7,937)	(10,150)	-
Operating profit (loss)	(12,090)	(22,851)	(10,760)	-
Ordinary profit (loss)	(18,357)	(35,121)	(16,763)	-
Net income (loss) attributable to owners of the parent	(32,577)	(146,620)	(114,042)	-
EBITDA	8,092	(4,724)	(12,816)	-

Note: EBITDA = operating profit + depreciation (operating costs) + amortization of goodwill

In the fourth quarter of FY 2017 (January 1, 2018 to March 31, 2018) sales fell because of seasonably lower demand for displays in the Mobile Device Category along with sluggish global growth in the smartphone market and stronger competition in the display market.

JDI's fourth-quarter net sales were 151,934 million yen (down 36.8% YoY and down 28.8% QoQ) leading to an operating loss of 22,851 million yen (compared with operating profit of 8,026 million yen in the same period a year earlier and an operating loss of 12,090 million yen in the previous quarter). In turn an ordinary loss of 35,121 million yen was recorded (compared with an ordinary profit of 179 million yen a year earlier and an ordinary loss of 18,357 million yen in the previous quarter). A net loss for the quarter attributable to owners of the parent of 146,620 million yen (compared with a net loss attributable to owners of the parent of 22,261 million yen a year earlier and a net loss

attributable to owners of the parent of 32,577 million yen in the previous quarter) was mainly a result of booking business structure improvement expenses of 111,068 million yen.

## **(2) Overview of Financial Position**

### **Assets, liabilities and net assets**

#### **Assets**

At the end of FY 2017 JDI had current assets of 271,035 million yen, a decrease of 147,124 million yen versus the end of FY 2016. The main factors were decreases of 45,773 million yen in accounts receivable-trade, 49,233 million yen in accounts receivable-other, 14,890 million yen in merchandise and finished goods and 24,382 million yen in work in process. Non-current assets were 343,656 million yen, a decrease of 153,814 million yen versus the end of FY 2016, with the main factor being a decrease of 145,782 million yen in property, plant and equipment after accounting for impairment losses.

As a result total assets at the end of FY 2017 were 614,692 million yen, a decrease of 300,939 million yen versus the end of FY 2016.

#### **Liabilities**

At the end of FY 2017 JDI had current liabilities of 424,183 million yen, a decrease of 45,357 million yen relative to the end of FY 2016. The main factors were decreases of 83,186 million yen in accounts payable-trade and 51,109 million yen in advances received and increases of 73,382 million yen in short-term loans payable and 24,729 million yen in other current liabilities. Non-current liabilities were 108,462 million yen, a decrease of 10,543 million yen versus the end of FY 2016 due mainly to a decrease of 13,980 million yen in lease obligations.

As a result total liabilities at the end of FY 2017 were 532,646 million yen, a decrease of 55,900 million yen relative to the end of FY 2016.

#### **Net assets**

Total net assets at the end of FY 2017 were 82,046 million yen, a decrease of 245,038 million yen versus the end of FY 2016. The main factor was a 247,231 million yen full-year loss attributable to owners of the parent.

As a result, JDI had a shareholders' equity ratio of 13.1% at the end of FY 2017 (35.5% at the end of FY 2016).

## **(3) Overview of Cash Flows**

At the end of FY 2017 JDI had cash and cash equivalents of 80,866 million yen, a decrease of 1,381 million yen relative to the end of FY 2016. Cash flows and contributing factors in the period under review are presented below.

### **Cash flows from operating activities**

Net cash used in operating activities in FY 2017 was 754 million yen (as compared to net cash provided by operating activities of 112,004 million yen in FY 2016). Major plus factors included 89,169 million yen in depreciation, 142,260 million yen in business structure improvement expenses, a 42,996 million yen decrease in notes and accounts receivable-trade, a 42,550 million yen decrease in inventories and a 50,690 million yen decrease in accounts receivable-other. Major minus factors were a 237,386 million yen loss before income taxes, a 82,305 million yen decrease in notes and accounts payable-trade and a 51,108 million yen decrease in advances received.

### **Cash flows from investing activities**

Net cash used in investing activities in FY 2017 was 53,161 million yen (as compared to net cash used in investing activities of 142,592 million yen in FY 2016), mainly consisting of 49,494 million yen used for the purchase of non-current assets.

### **Cash flows from financing activities**

Net cash provided by financing activities in FY 2017 was 52,864 million yen (as compared to net cash provided by financing activities of 55,663 million yen in FY 2016). The major factors were an increase of 73,383 million yen in short-term loans payable and 20,519 million yen used for repayment of lease obligations.

## **(4) Business Prospects**

The business environment surrounding JDI's main business of small-medium smartphone displays experiences significant volatility that makes accurate financial forecast calculations difficult. Accordingly JDI is providing partial guidance for fiscal year 2018.

JDI believes that the market for its mainstay small-medium displays will continue to expand in FY 2018 centering on displays for smartphones but anticipates that the rate of market growth will be limited owing to the growing penetration of smartphones in advanced countries and China. Also, industry competition has intensified and product prices have fallen as competitors are increasing production capacity and other negative factors exist. On the other hand, the market for OLED displays is expanding at a slower rate than expected and demand for LCDs appear to be steady.

Given this situation, JDI expects sales to be weak in the face of seasonal factors and customer inventory adjustments in the first half of FY 2018, intensified market competition and other factors that will likely result in stagnant sales of displays for smartphones. In contrast, strong customer demand in the second half for the FULL ACTIVE™ is expected to lead to a surge in sales and generate a rapid recovery in business results from the second half onward.

As a result JDI anticipates that the FY 2018 consolidated full-term will see positive net sales, higher by 10-20% year on year, and an operating profit margin of 2-3%.

Also, based on measures contained in the medium-term management plan, JDI is aiming to quickly transform its earnings structure via a rapid contribution from FULL ACTIVE™ displays, the development of OLED and a vigorous shift of company resources to growth areas. In this way a major recovery in financial results and an increase in corporate value are expected.

As for profit distribution, JDI regards returning value to shareholders as one of its most important obligations. Unfortunately, no dividend will be issued for FY 2017 as JDI has recorded a net loss owing to a difficult business climate, extraordinary losses attributable to the implementation of business restructuring improvements and other factors. JDI will focus on improving earnings in FY 2018 and will consider issuing a year-end dividend depending on its overall financial performance.



## **2. Basic views on selection of accounting standards**

JDI currently applies Japanese accounting standards (JGAAP) to its consolidated financial statements for the purpose of making possible comparisons of consolidated financial statements across fiscal years.

When appropriate the company will consider applying International Financial Reporting Standards (IFRS) depending on international data comparability conditions and other factors.

## **3. Material Events Related to Going Concern Assumptions**

JDI is currently implementing the structural reforms announced on August 9, 2017. As a result, business structure improvement expenses were recorded, and a material net loss attributable to owners of the parent in FY 2017 raises substantial doubt about the company's ability to continue as a going concern.

However, financial measures that will assure stable funds procurement and financing are being taken to improve cash flows. Also, based on revamping its manufacturing capabilities and streamlining of fixed assets, the selection and elimination of business activities and rebuilding of its organizational structure, JDI is making fundamental structural improvements to rationalize management that will support the transition to a more flexible and leaner corporate structure and bring other positive changes. These actions are ultimately intended to lead to improvements in earnings.

Furthermore, JDI is moving forward with accelerating the establishment of mass manufacturing technology to commercialize OLED displays and strengthening management resources in growth business areas in order to transform and improve its earnings structure. Based upon these observations and measures, JDI has concluded that there is no significant uncertainties related to going concern assumptions.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

	(Millions of Yen)	
	March 31, 2017	March 31, 2018
<u>Assets</u>		
Current assets:		
Cash and deposits	82,247	80,866
Accounts receivable - trade	128,636	82,863
Accounts receivable - other	91,999	42,766
Merchandise and finished goods	32,318	17,427
Work in process	51,764	27,381
Raw materials and supplies	16,815	13,358
Deferred tax assets	7,757	255
Other	6,804	6,283
Allowance for doubtful accounts	(182)	(167)
Total current assets	418,159	271,035
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	229,185	224,396
Accumulated depreciation	(85,504)	(91,898)
Buildings and structures, net	143,681	132,498
Machinery, equipment and vehicles	566,766	541,270
Accumulated depreciation	(381,711)	(430,057)
Machinery, equipment and vehicles, net	185,054	111,212
Land	14,392	14,238
Lease assets	74,352	24,150
Accumulated depreciation	(37,396)	(16,504)
Lease assets, net	36,955	7,645
Construction in progress	54,781	28,940
Others	58,702	48,845
Accumulated depreciation	(45,983)	(41,580)
Others, net	12,718	7,265
Total property, plant and equipment	447,584	301,801
Intangible assets:		
Goodwill	15,903	13,832
Other	8,680	5,148
Total intangible assets	24,584	18,981

**(1) Consolidated Balance Sheet**

---

(Millions of Yen)

---

	March 31, 2017	March 31, 2018
Investments and other assets:		
Investment securities	19,915	12,253
Net defined benefit asset	47	—
Deferred tax assets	911	527
Other	6,646	13,571
Allowance for doubtful accounts	(2,218)	(3,478)
Total investments and other assets	<u>25,302</u>	<u>22,873</u>
Total non-current assets	<u>497,471</u>	<u>343,656</u>
Total assets	<u><u>915,631</u></u>	<u><u>614,692</u></u>

**(1) Consolidated Balance Sheet**

	(Millions of Yen)	
	March 31, 2017	March 31, 2018
<b><u>Liabilities</u></b>		
Current liabilities:		
Accounts payable - trade	201,016	117,830
Short-term loans payable	25,700	99,082
Lease obligations	20,519	13,980
Income taxes payable	2,653	943
Provision for bonuses	5,521	4,596
Advances received	179,397	128,288
Other	34,732	59,461
Total current liabilities	<u>469,540</u>	<u>424,183</u>
Non-current liabilities:		
Bonds with share acquisition rights	45,000	45,000
Long-term loans payable	30,000	30,000
Lease obligations	13,980	0
Net defined benefit liability	27,408	24,063
Other	2,616	9,398
Total non-current liabilities	<u>119,005</u>	<u>108,462</u>
Total liabilities	<u>588,546</u>	<u>532,646</u>
<b><u>Net assets</u></b>		
Shareholders' equity		
Capital stock	96,863	96,863
Capital surplus	256,386	213,648
Retained earnings	(28,788)	(233,281)
Total shareholders' equity	<u>324,461</u>	<u>77,229</u>
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(42)	—
Foreign currency translation adjustment	9,368	10,838
Remeasurements of defined benefit plans	(8,927)	(7,731)
Total accumulated other comprehensive income	<u>398</u>	<u>3,106</u>
Share acquisition rights	<u>45</u>	<u>47</u>
Non-controlling interests	<u>2,179</u>	<u>1,662</u>
Total net assets	<u>327,085</u>	<u>82,046</u>
Total liabilities and net assets	<u>915,631</u>	<u>614,692</u>

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

	(Millions of Yen)	
	April 1, 2016 - March 31, 2017	April 1, 2017 - March 31, 2018
Net sales	884,440	717,522
Cost of sales	816,035	720,152
Gross profit (loss)	68,405	(2,629)
Selling, general and administrative expenses	49,902	59,119
Operating profit (loss)	18,502	(61,749)
Non-operating income		
Interest income	85	124
Subsidy income	2,526	1,426
Rent income	560	500
Fiduciary obligation fee	1,118	1,695
Other	2,613	790
Total non-operating income	6,905	4,538
Non-operating expenses		
Interest expenses	2,761	2,511
Share of loss of entities accounted for using equity method	2,094	14,162
Foreign exchange losses	11,211	3,219
Depreciation	7,915	9,903
Other	10,296	6,649
Total non-operating expenses	34,279	36,447
Ordinary profit (loss)	(8,871)	(93,658)
Extraordinary losses		
Impairment loss	744	—
Early extra retirement payments	1,620	—
Business structure improvement expenses	—	142,260
Provision of allowance for doubtful accounts	—	1,467
Total extraordinary losses	2,365	143,728
Income (loss) before income taxes	(11,236)	(237,386)
Income taxes - current	2,755	2,734
Income taxes - deferred	16,837	7,124
Total income taxes	19,593	9,858
Net income (loss)	(30,830)	(247,245)
Net income (loss) attributable to non-controlling interests	834	(14)
Net income (loss) attributable to owners of the parent	(31,664)	(247,231)

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

	(Millions of Yen)	
	April 1, 2016 - March 31, 2017	April 1, 2017 - March 31, 2018
Net income (loss)	(30,830)	(247,245)
Other comprehensive income		
Deferred gains or losses on hedges	(42)	42
Foreign currency translation adjustment	(3,782)	1,459
Remeasurements of defined benefit plans, net of tax	(1,666)	1,195
Total other comprehensive income	(5,491)	2,698
Comprehensive income	(36,321)	(244,547)
Comprehensive income attributable to owners of the parent	(37,131)	(244,523)
Comprehensive income attributable to non-controlling interests	809	(23)

### (3) Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2017

(Millions of Yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	96,863	257,040	3,379	357,283
Changes of items during period				
Deficit disposition				—
Change of scope of equity method			(503)	(503)
Net income (loss) attributable to owners of the parent			(31,664)	(31,664)
Change in ownership interest of the parent due to transactions with non-controlling interests		(653)		(653)
Net changes of items other than shareholders' equity				
Total changes of items during period	—	(653)	(32,168)	(32,822)
Balance at end of current period	96,863	256,386	(28,788)	324,461

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	—	13,126	(7,260)	5,865	18	2,082	365,249
Changes of items during period							
Deficit disposition							—
Change of scope of equity method							(503)
Net income (loss) attributable to owners of the parent							(31,664)
Change in ownership interest of the parent due to transactions with non-controlling interests							(653)
Net changes of items other than shareholders' equity	(42)	(3,757)	(1,666)	(5,466)	27	96	(5,342)
Total changes of items during period	(42)	(3,757)	(1,666)	(5,466)	27	96	(38,164)
Balance at end of current period	(42)	9,368	(8,927)	398	45	2,179	327,085

### (3) Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2018

(Millions of Yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	96,863	256,386	(28,788)	324,461
Changes of items during period				
Deficit disposition		(42,738)	42,738	—
Change of scope of equity method				—
Net income (loss) attributable to owners of the parent			(247,231)	(247,231)
Change in ownership interest of the parent due to transactions with non-controlling interests				—
Net changes of items other than shareholders' equity				
Total changes of items during period	—	(42,738)	(204,492)	(247,231)
Balance at end of current period	96,863	213,648	(233,281)	77,229

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(42)	9,368	(8,927)	398	45	2,179	327,085
Changes of items during period							
Deficit disposition							—
Change of scope of equity method							—
Net income (loss) attributable to owners of the parent							(247,231)
Change in ownership interest of the parent due to transactions with non-controlling interests							—
Net changes of items other than shareholders' equity	42	1,469	1,195	2,707	1	(516)	2,192
Total changes of items during period	42	1,469	1,195	2,707	1	(516)	(245,038)
Balance at end of current period	—	10,838	(7,731)	3,106	47	1,662	82,046



#### (4) Consolidated Statement of Cash Flows

	(Millions of Yen)	
	April 1, 2016 - March 31, 2017	April 1, 2017 - March 31, 2018
Cash flows from operating activities		
Income (loss) before income taxes	(11,236)	(237,386)
Depreciation	87,869	89,169
Amortization of goodwill	2,379	2,070
Increase (decrease) in allowance for doubtful accounts	(58)	1,302
Impairment loss	744	—
Subsidy income	(2,526)	(1,426)
Loss on reduction of non-current assets	395	669
Business structure improvement expenses	—	142,260
Interest expenses	2,761	2,511
Foreign exchange losses (gains)	3,318	3,370
Increase (decrease) in net defined benefit liability	(3,344)	(2,141)
Share of loss (profit) of entities accounted for using equity method	2,094	14,162
Decrease (increase) in notes and accounts receivable - trade	(50,292)	42,996
Decrease (increase) in inventories	11,236	42,550
Increase (decrease) in notes and accounts payable - trade	59,880	(82,305)
Decrease (increase) in accounts receivable - other	(34,457)	50,690
Increase (decrease) in accounts payable - other	(7)	3,386
Increase (decrease) in accrued expenses	560	(14,407)
Decrease (increase) in consumption taxes refund receivable	105	(206)
Increase (decrease) in advances received	47,507	(50,108)
Other, net	97	(749)
Subtotal	117,028	5,411
Interest and dividend income received	121	125
Interest expenses paid	(2,792)	(2,500)
Income taxes paid	(2,788)	(3,829)
Income taxes refunded	435	38
Net cash provided by (used in) operating activities	112,004	(754)

#### (4) Consolidated Statement of Cash Flows

	(Millions of Yen)	
	April 1, 2016 - March 31, 2017	April 1, 2017 - March 31, 2018
Cash flows from investing activities		
Purchase of non-current assets	(133,412)	(49,494)
Proceeds from sales of non-current assets	7,139	3,021
Purchase of investment securities	(19,750)	(6,500)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(1,289)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,281	—
Proceeds from subsidy income	2,126	1,026
Other, net	22	74
Net cash provided by (used in) investing activities	<u>(142,592)</u>	<u>(53,161)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	25,081	73,383
Proceeds from long-term loans payable	30,000	—
Repayments of long-term loans payable	(8,671)	—
Proceeds from issuance of bonds	45,000	—
Repayments of lease obligations	(35,772)	(20,519)
Proceeds from sales and leasebacks	1,503	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,478)	—
Net cash provided by (used in) financing activities	<u>55,663</u>	<u>52,864</u>
Effect of exchange rate change on cash and cash equivalents	<u>2,094</u>	<u>(329)</u>
Net increase (decrease) in cash and cash equivalents	<u>27,170</u>	<u>(1,381)</u>
Cash and cash equivalents at beginning of period	<u>55,077</u>	<u>82,247</u>
Cash and cash equivalents at end of period	<u>82,247</u>	<u>80,866</u>

## (5) Notes pertaining to the Consolidated Financial Statements

### a) Note related to going concern assumptions

Not applicable.

### b) Notes to the consolidated statement of income

#### (a) Impairment loss on noncurrent assets

FY 2016 (April 1, 2016 to March 31, 2017)

JDI recognized a loss on impairment for a group of assets as follows:

Purpose	Type	Location	Impairment loss (millions of yen)	Classification
—	Goodwill	Taipei city TAIWAN(ROC)	744	Impairment loss
Total			744	

JDI in principle classifies assets into business assets and loan assets and individually groups idle assets as units that generate cash flows independently.

JDI has booked goodwill in relation to acquire the share of Star World Technology Corp. (“STC”). However, STC sold its subsidiary’s stock (Morningstar Optronics Zhuhai Co., Ltd.), so JDI cannot get the income that was initially expected, JDI booked an impairment loss of the full amount of goodwill in extraordinary losses.

In addition, the recoverable amount is measured by the use-value at zero in booking an impairment loss.

FY 2017 (April 1, 2017 to March 31, 2018)

Not applicable.

#### (b) Early extra retirement payments

FY 2016 (April 1, 2016 to March 31, 2017)

Early extra retirement payments are mainly due to premium severance payment of early retirement.

FY 2017 (April 1, 2017 to March 31, 2018)

Not applicable.

#### (c) Business structure improvement expenses

FY 2016 (April 1, 2016 to March 31, 2017)

Not applicable.

FY 2017 (April 1, 2017 to March 31, 2018)

JDI is streamlining its management based on implementation of a program of fundamental restructuring for the purpose of improving company earnings. The expenses of these structural reforms have been booked as business structure improvement expenses. Details are as follows:

Impairment loss on non-current assets (Note 1)	103,824	millions of yen
Loss on restructuring of subsidiaries	15,467	
Loss on valuation of inventories	11,628	
Removal cost of facilities	5,050	
Early extra retirement payments (Note 2)	2,435	
Cost of production transfer	1,134	
Subsidy return loss	700	
Loss on sales of non-current assets	621	
Other	1,397	
Total	142,260	

Note 1: The details of the impairment loss on non-current assets are as follows:

Purpose	Type	Location	Impairment loss (millions of yen)
Business assets	Buildings and structures, machinery, equipment and vehicles, lease assets, construction in progress, other property, plant and equipment, other intangible assets	Mobara Plant Mobara-shi, Chiba	71,531
	Machinery, equipment and vehicles, lease assets, construction in progress, other property, plant and equipment, other intangible assets	Ishikawa Plant Kawakita-machi, Nomi-gun, Ishikawa	5,471
	Machinery, equipment and vehicles, lease assets, construction in progress, other property, plant and equipment, other intangible assets	Higashiura Plant Higashiura-cho, Chita-gun, Aichi	2,925
	Machinery, equipment and vehicles, construction in progress, other property, plant and equipment, other intangible assets	REPUBLIC OF THE PHILIPPINES	1,657
Idle assets	Other intangible assets	HQ Minato-ku, Tokyo	401
	Other property, plant and equipment	Ebina office Ebina-shi, Kanagawa	4
	Buildings and structures, machinery, equipment and vehicles, lease assets, construction in progress other property, plant and equipment, other intangible assets	Mobara Plant Mobara-shi, Chiba	10,751
	Buildings and structures, machinery, equipment and vehicles, construction in progress other property, plant and equipment, other intangible assets	Ishikawa Plant Kawakita-machi, Nomi-gun, Ishikawa	4,768
	Buildings and structures, machinery, equipment and vehicles, construction in progress other property, plant and equipment, other intangible assets	Nomi Plant Nomi-shi, Ishikawa	1,121
	Machinery, equipment and vehicles, construction in progress other property, plant and equipment,	Tottori Plant Tottori-shi, Tottori	115
	Buildings and structures, machinery, equipment and vehicles, other property, plant and equipment, other intangible assets	Higashiura Plant Higashiura-cho, Chita-gun, Aichi	21
	Buildings and structures, machinery, equipment and vehicles, other property, plant and equipment,	Suzhou City, Jiangsu Province, CHINA	2,113

	Buildings and structures, machinery, equipment and vehicles, other property, plant and equipment, other intangible assets	REPUBLIC OF THE PHILIPPINES	2,940
Total			103,824

JDI in principle classifies assets into business assets and loan assets and individually groups idle assets as units that generate cash flows independently.

**-Business assets:**

Since competition in JDI's mainstay mobile business category intensified because of higher penetration of OLED smartphones and strengthened production capacity among display makers in China, JDI recognized that profitability of a portion of JDI's production facilities has decreased. As a result, the book value of the business asset group that decreased its profitability has been revised downward to the recoverable amount. This downward revision amount was 81,586 million yen (mainly consisting of machinery, equipment and vehicles of 24,609 million yen, lease assets of 7,350, construction in progress of 45,408 yen), and recorded as extraordinary losses.

The recoverable amount of business assets is calculated by the net realizable value, and the net realizable value is evaluated by the appraisals by third parties.

**-Idle Assets:**

The book value of the idle asset group has been revised downward to the recoverable amount because the assets in that group are not expected to be used in the future. This downward revision amount was 22,237 million yen (mainly consisting of buildings and structures of 4,273 million yen, machinery, equipment and vehicles of 10,260 million yen, construction in progress of 4,869 yen), and recorded as extraordinary losses.

The recoverable amount of idle assets is calculated at zero.

Note 2: Early extra retirement payments are mainly due to premium severance payment of early retirement, etc.

**(d) Provision of allowance for doubtful accounts**

FY 2016 (April 1, 2016 to March 31, 2017)

Not applicable.

FY 2017 (April 1, 2017 to March 31, 2018)

JDI recognized as allowance for doubtful accounts an uncollectible amount of accounts receivable-trade of Wintek Corporation (whose head office is located in Taichung, Taiwan, "Wintek") for the year ended March 31, 2015. However, since the uncollectible amount was expected to further increase based on the corporate reorganization plan that Wintek published on October 23, 2017, JDI additionally recognized a provision of allowance for doubtful accounts.

**c) Segment information**

FY 2016 (April 1, 2016 to March 31, 2017)

Since JDI's small-medium display business is a single segment, information on reportable segment is not stated.

FY 2017 (April 1, 2017 to March 31, 2018)

Since JDI's small-medium display business is a single segment, information on reportable segment is not stated.

**d) Per share information**

	April 1, 2016 - March 31, 2017	April 1, 2017 - March 31, 2018
Net assets per share (yen)	540.16	133.58
Net income (loss) per share (yen)	(52.65)	(411.09)

Note 1: Diluted net income per share is not presented because a net loss per share posted for the periods despite the existence of diluted shares:

Note 2: Net assets per share were calculated on the following basis:

	March 31, 2017	March 31, 2018
Total net assets (millions of yen)	327,085	82,046
Amount deducted from total net assets (millions of yen)	2,225	1,710
(of which share acquisition rights) (millions of yen)	(45)	(47)
(of which non-controlling interests) (millions of yen)	(2,179)	(1,662)
Term-end net assets related to common stock (millions of yen)	324,860	80,336
Number of end-term common stock used to calculate net income per share (shares)	601,411,900	601,411,900

Note 3: Net income (loss) per share and diluted net income per share were calculated on the following basis:

	April 1, 2016 - March 31, 2017)	April 1, 2017 - March 31, 2018
Net income (loss) per share (yen)		
Net income (loss) attributable to owners of the parent (millions of yen)	(31,664)	(247,231)
Amount not attributable to common stockholder equity (millions of yen)	—	—
Net income (loss) attributable to owners of the parent related to common stock (millions of yen)	(31,664)	(247,231)
Average number of shares outstanding during the period (shares)	601,411,900	601,411,900

e) Subsequent events

(a) Issuance of new shares through third-party allotments

JDI, as approved at its board of directors on March 30, 2018 and April 10, 2018, issued new shares through third-party allotments to overseas financial institutional investors as well as to a business entity, and the full payments made by such investors and business entity for the issuance of shares were completed on April 25, 2018.

i) Summary of the issuance of new shares through third-party allotments

Issuance of shares through third-party allotments to overseas financial institutional investors

(1)	Payment date	April 25, 2018
(2)	New shares issued	209,788,900 common shares
(3)	Issue price	143 yen per share
(4)	Total proceeds	29,999,812,700 yen
(5)	Amount of capital incorporation	71.5 yen per share
(6)	Total amount of capital incorporation	14,999,906,350 yen
(7)	Method of offering	Shares were allotted to overseas financial institutional investors (30 funds) through third-party allotments.
(8)	Uses of proceeds	Proceeds are to be used principally as working capital to respond to higher demand for its LCD module FULL ACTIVE™ and for capital expenditures for FULL ACTIVE™ back-end manufacturing (display module assembly).

Issuance of shares through third-party allotment to a business entity

(1)	Payment date	April 25, 2018
(2)	New shares issued	34,965,000 common shares
(3)	Issue price	143 yen per share
(4)	Total proceeds	4,999,995,000 yen
(5)	Amount of capital incorporation	71.5 yen per share
(6)	Total amount of capital incorporation	2,499,997,500 yen
(7)	Method of offering	Shares will be allotted to Nichia Corporation through third-party allotment.
(8)	Uses of proceeds	Proceeds are to be used principally as working capital to respond to higher demand for its LCD module FULL ACTIVE™ and for capital expenditures for FULL ACTIVE™ back-end manufacturing (display module assembly).

ii) Transition of the total number of shares issued and the amount of capital stock through third-party allotment

	Total number of shares issued (shares)	Capital stock (yen)
Before third-party allotment	601,411,900	96,863,000,000
Increase	244,753,900	17,499,903,850
After third-party allotment	846,165,800	114,362,903,850