JDI Japan Display Inc.

May 15, 2019

Japan Display Inc.

Consolidated Financial Results for Fiscal Year 2018 (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:	https://www.j-display.com/english
Representative:	Yoshiyuki Tsukizaki, Representative Director and President, Chief Operating Officer
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Annual general meeting of shareholders:	June 18, 2019
Filing of FY 2018 securities report:	June 18, 2019
Commencement of dividend payments:	-
Supplementary materials for FY 2018 earnings results:	Available
Briefing for FY 2018 results:	May 15, 2019

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

1. Consolidated Financial Results for FY 2018 (April 1, 2018 to March 31, 2019)

(1) Results of operations

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

	FY 2018	YoY Chg.	FY 2017	YoY Chg.
Net sales	636,661	(11.3%)	717,522	(18.9%)
Operating profit (loss)	(30,989)	-	(61,749)	-
Ordinary profit (loss)	(44,153)	-	(93,658)	-
Net income (loss) attributable to owners of the parent	(109,433)	-	(247,231)	-
Net income (loss) per share				
-Basic (yen)	(131.84)	-	(411.09)	-
-Diluted (yen)	-	-	-	-
Return on equity (%)	(256.5%)	-	(122.0%)	-
Ordinary income (loss) to total assets (%)	(7.6%)	-	(12.2%)	-
Operating income (loss) to net sales (%)	(4.9%)	-	(8.6%)	-
Comprehensive income	(110,029)	-	(244,547)	-
Share of loss of entities accounted for using equity method	(8,862)	-	(14,162)	-

(2) Financial position

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

	Mar 31, 2019	Mar 31,2018
Total assets	545,376	614,644
Net assets	7,023	82,046
Shareholders' equity ratio (%)	0.9%	13.1%
Net assets per share	5.91	133.58
(Reference) Shareholders' equity	4,997	80,336

(3) Cash flows

(Millions of yen)

	Mar 31, 2019	Mar 31, 2018
Cash flows from operating activities ··························	(6,142)	(754)
Cash flows from investing activities ···························	(37,864)	(53,161)
Cash flows from financing activities ···························	31,756	52,864
Cash and cash equivalents at end of period····················	68,988	80,866

2. Dividends

(Yen, except %)

	June 30	Sep 30	Dec 31	FY-end	Total	Dividend ratio (consolidated)	% of dividends to net assets (consolidated)
FY 2017	-	0.00	-	0.00	0.00	-	-
FY 2018	-	0.00	-	0.00	0.00	-	-
FY 2019 (forecast)	-	0.00	-	0.00		-	-

3. Earnings forecast for FY 2019 (April 1, 2019 – March 31, 2020)

Consolidated net sales for the first half of FY 2019 are expected to be down by approximately 10% YoY. 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, 2019	Mar 31, 2018
Number of shares outstanding (incl. treasury shares) ·	846,165,800	601,411,900
Number of treasury shares······························	3	-
Average number of shares outstanding ················	830,072,391	601,411,900

(Reference) Overview of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for FY 2018 (April 1, 2018 to March 31, 2019)

(1) Results of operations

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

	FY 2018	YoY Chg.	FY 2017	YoY Chg.
Net sales	633,893	(9.2%)	698,275	(18.0%)
Operating income (loss)	(40,235)	-	(74,237)	-
Ordinary income (loss)	(44,643)	-	(98,572)	-
Net income (loss)	(122,022)	-	(233,892)	-
Net income (loss) per share				
- Basic (yen)	(147.00)	-	(388.91)	-
- Diluted (yen)	-	-	-	-

(2) Financial position

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

	Mar 31, 2019	Mar 31, 2018
Total assets	518,258	596,200
Net assets	(26,842)	60,175
Shareholders’ equity ratio (%)	(5.2%)	10.1%
Net assets per share	(31.79)	99.98
(Reference) Shareholders’ equity	(26,896)	60,127

* 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 2018 (April 1, 2018 to March 31, 2019)

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

Fiscal year	FY 2017 (Apr. 1, 2017 to Mar. 31, 2018)		FY 2018 (Apr. 1, 2018 to Mar. 31, 2019)		
	Amount	% of net sales	Amount	% of net sales	YoY (%)
Mobile Device Category	564,112	78.6%	466,873	73.3%	(17.2%)
Automotive Category*1	107,688	15.0%	112,313	17.7%	4.3%
Non-Mobile Device Category*1	45,721	6.4%	57,475	9.0%	25.7%
Net sales	717,522	100.0%	636,661	100.0%	(11.3%)
Operating income (loss)	(61,749)	-	(30,989)	-	-
Ordinary income (loss)	(93,658)	-	(44,153)	-	-
Net income (loss) attributable to owners of the parent	(247,231)	-	(109,433)	-	-
Net income (loss) per share	(411.09)	-	(133.84)	-	-
EBITDA*2	19,587	2.7%	14,078	2.2%	(28.1%)

Notes: *1. As of the first quarter of FY 2018 the heretofore "Automotive & Non-Mobile Device Category" has been separated into the "Automotive Category" and the "Non-Mobile Category."

*2. EBITDA = Operating profit + Depreciation (operating costs) + Amortization of goodwill

Quarterly Results of Operations

Consolidated Results of Operations for FY 2018 (April 1, 2018 to March 31, 2019) for Each Quarter

(Millions of yen)

	1Q	2Q	3Q	4Q	FY 2018
Mobile Device Category	62,576	66,682	210,147	127,466	466,873
Automotive Category	28,935	27,694	26,830	28,852	112,313
Non-Mobile Device Category	11,769	16,614	14,080	15,011	57,475
Net sales	103,281	110,991	251,058	171,330	636,661
Gross profit (loss)	1,195	7,365	15,363	(7,618)	16,305
Operating income (loss)	(9,806)	(4,668)	3,849	(20,363)	(30,989)
Ordinary income (loss)	(12,713)	(6,315)	(698)	(24,426)	(44,153)
Net income (loss) attributable to owners of the parent	(1,771)	(7,751)	(1,338)	(98,571)	(109,433)

During FY 2018, the small and medium-sized display industry saw stagnate shipments of displays globally due to the economic slowdown in China, which has been a driver of growth in the smartphone market, as well as the lengthening cycle of smartphone replacement purchases. In addition, the display market environment remained challenging due to intensified competition brought by increased production at Chinese competitors and greater adoption of OLED displays by smartphone manufacturers.

Against this backdrop, JDI's sales decreased compared with the previous fiscal year, mainly due to a decline in display sales in the mobile device category.

Below is an overview of JDI's performance in each of the company's application categories in FY 2018.

Mobile Device Category

The Mobile Device Category includes smartphone, tablet and other displays. Full-year net sales in this category were 466,873 million yen (down 17.2% YoY) and accounted for 73.3% of total company sales.

During FY 2018, JDI increased shipments of the slim-bezel LCD FULL ACTIVE™. The shipments contributed to a sales recovery in the second half of the fiscal year, however the shipment volume fell short of the company's initial expectations. In addition, owing to major customers adding OLED smartphones to their product line-ups, the slowdown of China's and the global smartphone market, and intensifying competition in the display market, sales to US/Europe, China and other Asian regions decreased compared with the previous fiscal year.

Automotive Category

This category includes automotive displays. Full-year net sales in this category were 112,313 million yen (up 4.3% YoY), accounting for 17.7% of total company sales.

Although an increase in the number of displays and the size of displays installed in vehicles resulted in YoY sales growth in this category, the growth was lower than expected due to new emission test standards in Europe and the economic slowdown in China slowing down sales of automobiles.

Non-Mobile Category

This 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 net sales in this category were 57,475 million yen (up 25.7% YoY), accounting for 9.0% of total net sales.

Sales in this category increased compared with the previous fiscal year due mainly to higher sales of displays for wearable devices and high-end notebook PCs, which overcame lower display sales for digital cameras and game consoles.

As a result of the above, JDI's net sales for FY 2018 were 636,661 million yen (down 11.3% YoY). Despite a decrease in fixed costs due to structural reforms and other measures implemented in the previous fiscal year, a decline in marginal profit due to intensified competition and higher valuation losses resulted in an operating loss of 30,989 million yen (compared with an operating loss of 61,749 million yen in the previous fiscal year.) Also an ordinary loss of 44,153 million yen (compared with ordinary loss of 93,658 million yen in the previous fiscal year) was the result of recording a 8,862 million yen in share of loss of entities accounted for using the equity method in relation to JOLED Inc., an equity-method affiliate, as non-operating expenses. A net loss attributable to owners of the parent of 109,433 million yen (compared with a loss attributable to owners of the parent of 247,231 million yen in the previous fiscal year) was the result of recording an impairment loss of 75,189 million yen as an extraordinary loss.

On the financial side, in the first quarter of fiscal year 2018 JDI procured a total of approximately 55 billion yen through the issuance of new shares by way of third-party allotments and the transfer of assets related to the Nomi Plant. The aim of the procurement was to secure working capital for production increase and raise funds for capital expenditures to increase production capacity in order to meet strong demand for FULL ACTIVE™ from customers. However, as noted above, the shipment volume of FULL ACTIVE™ did not reach the expected level, resulting in the deterioration of the company's business performance and financial position.

Against this background, JDI decided to appoint the Suwa Consortium (Note) as its sponsor on April 12, 2019, and entered into (1) a CAPITAL AND BUSINESS ALLIANCE AGREEMENT with Suwa Investment Holdings, LLC ("Suwa"), (2) an LCD Business Alliance Basic Agreement with TPK Holding Co., Ltd. ("TPK") in relation to a business alliance on LCDs, and (3) a Memorandum of Understanding ("MOU") with Harvest Tech Investment Management Co., Ltd. ("Harvest Tech") with respect to a plan for the mass production of OLED displays (together with the agreements of (1) and (2), hereinafter collectively referred to as the "Alliance with the Suwa Consortium"). Based on these alliances, JDI plans on the financial side to (a) secure working capital for current and future business, (b) return its cash flow to normal, (c) acquire funds for investment in future growth and (d) assure net assets in order to achieve continued business stability, among other objectives. On the business side, JDI aims to quickly realize (a) business improvements based on combining global supply-chain management functions and a broad customer base, (b) commercialization of evaporation OLED displays and (c) an improved cost structure, among other measures.

In addition, JDI resolved at a meeting of the board of directors held on April 12, 2019 to (a) raise funds by way of issuance of new shares through third-party allotment to Suwa, issuance of the 2nd series bonds with stock acquisition rights through third-party allotment to Suwa and issuance of the 3rd series bonds with stock acquisition rights through third-party allotment to Suwa pursuant to the Capital and Business Alliance Agreement (the "Financing"), and (b) amend its Articles of Incorporation with respect to the total number of shares authorized to be issued in connection with the Financing.

Furthermore, JDI, its largest shareholder INCJ Ltd. ("INCJ") and Suwa executed a Memorandum of Understanding on April 12, 2019, which includes stipulations that INCJ will not enforce any rights and remedies regarding change of control clauses included in existing agreement with INCJ and that INCJ will implement refinancing by way of a new loan arrangement and subscription for preferred shares in order to convert part of JDI's existing debt owed to INCJ to equity.

Note: Suwa Consortium is a group of companies that was formed to participate in JDI's strategic partner selection process. The consortium consists of TPK, a major touch-panel company listed on the Taiwan Stock Exchange; Harvest Tech, an investment company that provides private equity management and is a member of the Harvest Group, which is headquartered in Beijing and is one of the largest asset management company groups in China; and Cosgrove Global Limited ("CGL"), an investment company operated and managed by the family office of the Taiwan-based Tsai family, the founding family of Fubon Financial Holding Co., Ltd., a major financial holding company in Taiwan. 1) TPK, 2) a fund formed by Harvest Tech, 3) CGL and 4) Topnotch Corporate Limited, which like CGL, is an investment company operated and managed by a family office of the Tsai family, will make investments in and become investors of Suwa prior to the implementation of the third-party allotment to Suwa, which was appointed as JDI's sponsor.

Consolidated Results of Operations for the Fourth Quarter of FY 2018 (January 1, 2019 to March 31, 2019)

Year on year comparison

(Millions of yen, except %)

	4Q-FY 2017	4Q-FY 2018	YoY	
			Change	(%)
Mobile device category	109,631	127,466	17,834	16.3%
Automotive Category	29,821	28,852	(968)	(3.2%)
Non-Mobile Device Category	12,481	15,011	2,529	20.3%
Net sales	151,934	171,330	19,395	12.8%
Gross profit (loss)	(7,937)	(7,618)	318	-
Operating income (loss)	(22,851)	(20,363)	2,487	-
Ordinary income (loss)	(35,121)	(24,426)	10,695	-
Net income (loss) attributable to owners of the parent	(146,620)	(98,571)	48,048	-
EBITDA	(4,724)	(9,340)	(4,616)	-

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

Quarter on quarter comparison

(Millions of yen, except %)

	3Q-FY 2018	4Q-FY 2018	QoQ	
			Change	(%)
Mobile device category	210,147	127,466	(82,681)	(39.3%)
Automotive Category	26,830	28,852	2,022	7.5%
Non-Mobile Device Category	14,080	15,011	930	6.6%
Net sales	251,058	171,330	(79,728)	(31.8%)
Gross income (loss)	15,363	(7,618)	(22,981)	-
Operating income (loss)	3,849	(20,363)	(24,213)	-
Ordinary income (loss)	(698)	(24,426)	(23,728)	-
Net income (loss) attributable to owners of the parent	(1,338)	(98,571)	(97,233)	-
EBITDA	15,166	(9,340)	(24,507)	-

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

In the fourth quarter of the FY 2018, net sales decreased compared to the previous quarter due in part to a seasonal decline in demand for displays in the mobile device category and amidst a global slowdown in the smartphone market and severe competition in the display market. In addition to the net sales decline, an increase in valuation losses on product inventory led to a larger operating loss compared to the previous quarter.

Net sales in the fourth quarter of FY 2018 came to 171,330 million yen (up 12.8% YoY, down 31.8% QoQ), resulting in an operating loss of 20,363 million yen (compared with an operating loss of 22,851 million yen in the same period of the previous fiscal year and operating income of 3,849 million yen in the previous quarter). An ordinary loss of 24,426 million yen (compared with an ordinary loss of 35,121 million yen in the same period of the previous fiscal year and an ordinary loss of 698 million yen in the previous quarter) was also recorded. The quarter ended with a net loss attributable to owners of the parent of 98,571 million yen (146,620 million yen in the same period of the previous fiscal year, and 1,338 million yen in the previous quarter) as a reassessment of the of future profitability of certain assets led to the recording of an impairment loss on fixed assets of 75,189 million yen booked as an extraordinary loss.

(2) Overview of Financial Position

Assets, liabilities and net assets

Assets

Current assets at the end of the FY 2018 were 290,880 million yen, an increase of 20,100 million yen from the end of FY 2017. This was mainly due to increases of 9,362 million yen in accounts receivable-trade, 6,933 million yen in accounts receivable-other, 11,678 million yen in merchandise and finished goods, and 5,387 million yen in raw materials while cash and deposits decreased by 11,877 million yen. Non-current assets declined 89,368 million yen to 254,496 million yen. The main factor was a decrease of 92,690 million yen in property, plant and equipment as a result of the transfer of Nomi Plant and related assets and the recording of impairment losses on the Hakusan Plant and related assets.

As a result, total assets decreased by 69,267 million yen from the end of the previous fiscal year to 545,376 million yen.

Liabilities

At the end of FY 2018 current liabilities were 452,957 million yen, an increase of 28,857 million yen relative to the end of FY 2017. The main factors were increases of 57,762 million yen in accounts payable-trade and 31,761 million yen in short-term borrowings but decreases of 13,980 in lease obligations and 26,364 million yen in advances received. Non-current liabilities were 85,396 million yen, a decrease of 23,102 million yen versus the end of FY 2017 due mainly to a buyback of 1st series unsecured subordinated convertible bonds with stock acquisition rights in the amount of 20,000 million yen.

As a result, total liabilities at the end of FY 2018 were 538,353 million yen, an increase of 5,755 million yen from the end of FY 2017.

Net assets

Total net assets at the end of FY 2018 were 7,023 million yen, a decrease of 75,023 million yen versus the end of FY 2017. The main factor was a 109,433 million yen full-year loss attributable to owners of the parent.

As a result, shareholders' equity at the end of FY 2018 came to 0.9% (13.1% at the end of FY 2017).

(3) Overview of Cash Flows

Cash and cash equivalents at the end of FY 2018 was 68,988 million yen, a decrease of 11,877 million yen relative to the end of FY 2017. Cash flows and contributing factors in FY 2018 are presented below.

Cash flows from operating activities

Net cash used in operating activities in FY 2018 was 6,142 million yen (as compared to net cash used of 754 million yen in FY 2017). Major plus factors included 43,909 million yen in depreciation, 75,189 million yen in impairment losses and a 64,285 million yen increase in accounts payable-trade. Major minus factors were a loss of 106,686 million yen before income taxes, an increase of 13,532 million yen in inventories, an increase of 10,152 million yen in accounts receivable-other, a 26,344 million yen decrease in advances received and a gain of 12,656 million yen on change in equity.

Cash flows from investing activities

Net cash used in investing activities in FY 2018 was 37,864 million yen (as compared to net cash used of 53,161 million yen in FY 2017), mainly consisting of 45,043 million yen for the purchase of non-current assets.

Cash flows from financing activities

Net cash provided by financing activities in FY 2018 was 31,756 million yen (as compared to net cash provided of 52,864 million yen in FY 2017). While 20,000 million yen and 13,980 million yen were used for a partial redemption of convertible bonds and repayment of lease obligations, respectively, 31,776 million yen and 34,999 million yen were provided by an increase in short-term borrowings and issuance of new shares.

(4) Business Prospects

In the small-medium display market in which JDI operates, demand for automotive displays and non-mobile displays is expected to continue growing steadily in FY 2019. However, demand for mobile displays, which account for more than 70% of JDI's net sales, is expected to continue to be weak until early autumn, when seasonal factors are expected to generate higher demand. On the other hand, as the business environment in the small-medium display industry is highly volatile, making accurate financial forecasts is difficult. Also, it is necessary for JDI to assess the effects on business operations of the business alliance with the Suwa Consortium. As a result, the company has limited the financial forecast only to the qualitative guidance for the first half of FY 2019.

In the first half of FY 2019, in addition to the continued harsh business environment described above, sluggish demand due to seasonality of the mobile display market and the impact of inventory adjustments at customers are expected to result in net sales falling by approximately 10% compared with the first half of the previous fiscal year.

JDI recognizes the need to implement structural reforms in order to respond to this challenging business environment and plans to further reduce fixed costs through personnel reductions via a voluntary early retirement program and cuts in executive compensation, manager bonuses and other forms of compensation. In addition, due to the deterioration of the business environment, the profitability of assets, mainly the Hakusan Plant and related assets, has decreased. As a result, at the end of FY 2018 the book value of these assets was written down to the recoverable amount and an impairment loss was recorded. The implementation of structural reforms and the recording of the impairment loss is expected to bring about an approximately 20 billion yen fixed-cost reduction benefit in FY 2019.

With respect to the Medium-Term Management Plan announced on August 9, 2017, JDI has decided to draw back from this plan as (a) JDI has decided that it will be difficult to achieve the numerical targets for FY 2019 (which ends on March 31, 2020) and (b) the plan will be reviewed in line with the alliance with the Suwa Consortium. On the other hand, JDI will continue to implement the basic direction of the plan, which is a transformation of its business portfolio away from a focus on mobile devices and the commercialization of OLED. Based on this direction, JDI will continue to shift management resources from the mobile device category to the automotive and non-mobile categories and will begin mass production of OLED displays on the OLED pre-production line at the Mobara Plant sometime within FY 2019 aimed at commercializing OLED. In addition, JDI will seek to take maximum advantage of the alliance with the Suwa Consortium, which was agreed on April 12, 2019, to improve business performance and achieve future growth.

As for the distribution of profits, JDI regards returning value to shareholders as one of its most important obligations. However, as announced on February 14, 2019, no dividend will be issued for FY 2018 because JDI has recorded a net loss attributable to the owners of the parent owing to a rapid deterioration of the business environment and the booking of an impairment loss as an extraordinary loss, along with other factors.

In regard to FY 2019, JDI plans to pay no dividends as the challenging business environment is projected to continue and an extraordinary loss due to structural reforms is expected.

(5) Material Events Related to Going Concern Assumptions

JDI booked material impairment losses and operating losses for two consecutive consolidated fiscal years and a net loss attributable to owners of the parent for five consecutive consolidated fiscal years, which raised substantial doubt about JDI's ability to continue as a going concern.

JDI will take measures necessary to urgently resolve this situation.

Details are shown in "3. Consolidated Financial Statements (5) Notes pertaining to the Consolidated Financial Statements a) Note related to going concern assumptions".

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 these 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.

(Millions of Yen)

	March 31, 2018	March 31, 2019
Assets		
Current assets:		
Cash and deposits	80,866	68,988
Accounts receivable - trade	82,863	92,225
Accounts receivable - other	42,766	49,699
Merchandise and finished goods	17,427	29,106
Work in process	27,381	23,236
Raw materials and supplies	13,358	18,746
Other	6,283	8,980
Allowance for doubtful accounts	(167)	(103)
Total current assets	270,779	290,880
Non-current assets:		
Property, plant and equipment		
Buildings and structures	224,396	196,025
Accumulated depreciation	(91,898)	(90,233)
Buildings and structures, net	132,498	105,792
Machinery, equipment and vehicles	541,270	443,543
Accumulated depreciation	(430,057)	(376,910)
Machinery, equipment and vehicles, net	111,212	66,632
Land	14,238	12,073
Lease assets	24,150	1,590
Accumulated depreciation	(16,504)	(1,590)
Lease assets, net	7,645	0
Construction in progress	28,940	19,886
Others	48,845	44,111
Accumulated depreciation	(41,580)	(39,386)
Others, net	7,265	4,724
Total property, plant and equipment	301,801	209,110
Intangible assets:		
Goodwill	13,832	8,716
Other	5,148	3,561
Total intangible assets	18,981	12,278
Investments and other assets:		
Investment securities	12,253	24,395
Deferred tax assets	735	361
Other	13,571	8,932
Allowance for doubtful accounts	(3,478)	(581)
Total investments and other assets	23,081	33,107
Total non-current assets	343,865	254,496
Total assets	614,644	545,376

(Millions of Yen)

	March 31, 2018	March 31, 2019
Liabilities		
Current liabilities:		
Accounts payable - trade	117,830	175,592
Electronically recorded obligations - operating	—	2,817
Short-term borrowings	99,082	130,843
Lease obligations	13,980	0
Income taxes payable	943	1,489
Provision for bonuses	4,596	4,345
Advances received	128,288	101,923
Other	59,378	35,945
Total current liabilities	424,099	452,957
Non-current liabilities:		
Bonds with share acquisition rights	45,000	25,000
Long-term borrowings	30,000	30,000
Lease obligations	0	—
Net defined benefit liability	24,063	20,052
Other	9,435	10,344
Total non-current liabilities	108,498	85,396
Total liabilities	532,598	538,353
Net assets		
Shareholders' equity		
Share capital	96,863	114,362
Capital surplus	213,648	231,148
Retained earnings	(233,281)	(342,714)
Treasury shares	—	0
Total shareholders’ equity	77,229	2,796
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	(1)
Foreign currency translation adjustment	10,838	8,957
Remeasurements of defined benefit plans	(7,731)	(6,754)
Total accumulated other comprehensive income	3,106	2,200
Share acquisition rights	47	53
Non-controlling interests	1,662	1,972
Total net assets	82,046	7,023
Total liabilities and net assets	614,644	545,376

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

Consolidated Statement of Income

(Millions of Yen)

	April 1, 2017 - March 31, 2018	April 1, 2018 - March 31, 2019
Net sales	717,522	636,661
Cost of sales	720,152	620,355
Gross profit (loss)	(2,629)	16,305
Selling, general and administrative expenses	59,119	47,295
Operating profit (loss)	(61,749)	(30,989)
Non-operating income		
Interest income	124	146
Foreign exchange gains	—	1,765
Subsidy income	1,426	832
Rental income	500	487
Fiduciary obligation fee	1,695	1,239
Other	790	1,425
Total non-operating income	4,538	5,896
Non-operating expenses		
Interest expenses	2,511	2,789
Share of loss of entities accounted for using equity method	14,162	8,862
Foreign exchange losses	3,219	—
Depreciation	9,903	831
Other	6,649	6,577
Total non-operating expenses	36,447	19,060
Ordinary income (loss)	(93,658)	(44,153)
Extraordinary income		
Gain on change in equity	—	12,656
Total extraordinary income	—	12,656
Extraordinary losses		
Business restructuring expenses	142,260	—
Provision of allowance for doubtful accounts	1,467	—
Impairment loss	—	75,189
Total extraordinary losses	143,728	75,189
Income (loss) before income taxes	(237,386)	(106,686)
Income taxes - current	2,734	2,654
Income taxes - deferred	7,124	(218)
Total income taxes	9,858	2,436
Net income (loss)	(247,245)	(109,123)
Net income (loss) attributable to non-controlling interests	(14)	309
Net income (loss) attributable to owners of the parent	(247,231)	(109,433)

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	April 1, 2017 - March 31, 2018	April 1, 2018 - March 31, 2019
Net income (loss)	(247,245)	(109,123)
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(1)
Deferred gains or losses on hedges	42	—
Foreign currency translation adjustment	1,459	(1,880)
Remeasurements of defined benefit plans, net of tax	1,195	976
Total other comprehensive income	2,698	(905)
Comprehensive income	(244,547)	(110,029)
Comprehensive income attributable to owners of the parent	(244,523)	(110,338)
Comprehensive income attributable to non-controlling interests	(23)	309

(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				
Issuance of common stock				－
Deficit disposition		(42,738)	42,738	－
Net income (loss) attributable to owners of the parent			(247,231)	(247,231)
Acquisition of treasury shares				－
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							
Issuance of common stock							－
Deficit disposition							－
Net income (loss) attributable to owners of the parent							(247,231)
Acquisition of treasury shares							－
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

For the fiscal year ended March 31, 2019 (Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	96,863	213,648	(233,281)	―	77,229
Changes of items during period					
Issuance of common stock	17,499	17,499			34,999
Deficit disposition					―
Net income (loss) attributable to owners of the parent			(109,433)		(109,433)
Acquisition of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	17,499	17,499	(109,433)	(0)	(74,433)
Balance at end of current period	114,362	231,148	(342,714)	(0)	2,796

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	―	10,838	(7,731)	3,106	47	1,662	82,046
Changes of items during period							
Issuance of common stock							34,999
Deficit disposition							―
Net income (loss) attributable to owners of the parent							(109,433)
Acquisition of treasury shares							(0)
Net changes of items other than shareholders' equity	(1)	(1,880)	976	(905)	6	309	(589)
Total changes of items during period	(1)	(1,880)	976	(905)	6	309	(75,023)
Balance at end of current period	(1)	8,957	(6,754)	2,200	53	1,972	7,023

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

	April 1, 2017 - March 31, 2018	April 1, 2018 - March 31, 2019
Cash flows from operating activities		
Income (loss) before income taxes	(237,386)	(106,686)
Depreciation	89,169	43,909
Amortization of goodwill	2,070	1,990
Increase (decrease) in allowance for doubtful accounts	1,302	(2,807)
Gain on change in equity	—	(12,656)
Impairment loss	—	75,189
Subsidies received	(1,426)	(832)
Loss on reduction of non-current assets	669	432
Business restructuring expenses	142,260	—
Interest expenses	2,511	2,789
Foreign exchange losses (gains)	3,370	(2,749)
Increase (decrease) in retirement benefit liability	(2,141)	(3,027)
Share of loss (profit) of entities accounted for using equity method	14,162	8,862
Decrease (increase) in trade receivable	42,996	(6,544)
Decrease (increase) in inventories	42,550	(13,532)
Increase (decrease) in trade payable	(82,305)	64,285
Decrease (increase) in accounts receivable - other	50,690	(10,152)
Increase (decrease) in accounts payable - other	3,386	(28)
Increase (decrease) in accrued expenses	(14,407)	(10,521)
Decrease (increase) in consumption taxes refund receivable	(206)	(3,081)
Increase (decrease) in advances received	(51,108)	(26,344)
Other	(749)	246
Subtotal	5,411	(1,260)
Dividends received	125	147
Interest paid	(2,500)	(2,783)
Income taxes paid	(3,829)	(2,414)
Income taxes refunded	38	169
Cash flows from operating activities	(754)	(6,142)

(Millions of Yen)

	April 1, 2017 - March 31, 2018	April 1, 2018 - March 31, 2019
Cash flows from investing activities		
Purchase of non-current assets	(49,494)	(45,043)
Proceeds from sales of non-current assets	3,021	19,134
Purchase of investment securities	(6,500)	(8,413)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(1,289)	(4,931)
Subsidies received	1,026	1,232
Other	74	156
Cash flows from investing activities	(53,161)	(37,864)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	73,383	31,776
Redemption of bonds	—	(20,000)
Repayments of lease obligations	(20,519)	(13,980)
Proceeds from issuance of shares	—	34,999
Repayments of installment payables	—	(1,038)
Payments for treasury shares	—	(0)
Cash flows from financing activities	52,864	31,756
Effect of exchange rate change on cash and cash equivalents	(329)	373
Net increase (decrease) in cash and cash equivalents	(1,381)	(11,877)
Cash and cash equivalents at beginning of period	82,247	80,866
Cash and cash equivalents at end of period	80,866	68,988

(5) Notes pertaining to the Consolidated Financial Statements

a) Note related to going concern assumptions

JDI booked material impairment losses and operating losses for two consecutive consolidated fiscal years and a net loss attributable to owners of the parent for five consecutive consolidated fiscal years, which raised substantial doubt about JDI's ability to continue as a going concern.

To resolve this situation, JDI has selected a new sponsor as a strategic partner with the aim of establishing OLED display mass production technology and accelerating the commercialization of OLED displays, as stated in JDI's announcement titled "Structural Reform & Outline of Medium-Term Management Plan" issued on August 9, 2017. With the assistance of a new sponsor, JDI plans on the financial side to (a) secure working capital for current and future business, (b) return its cash flow to normal, (c) acquire funds for investment in future growth and (d) assure net assets in order to achieve continued business stability, among other objectives. On the business side, JDI aims to quickly realize (a) business improvements based on combining global supply-chain management functions and a broad customer base, (b) commercialization of evaporation OLED displays and (c) an improved cost structure, among other measures.

In constructing the above-mentioned strategic partnership, JDI held discussions with several potential partners in consultation with INCJ, which is a largest shareholder of JDI. As a result, as stated in "Significant subsequent events," on April 12, 2019, JDI appointed the Suwa Consortium as its sponsor and entered into (1) a CAPITAL AND BUSINESS ALLIANCE AGREEMENT with Suwa (2) a LCD Business Alliance Basic Agreement with TPK in relation to a business alliance on LCDs, and (3) the MOU with Harvest Tech toward formulating and implementing a business alliance with respect to a plan for the mass production of evaporation OLED displays.

Based on the agreements above, JDI agreed to receive a large-scale injection of funds of up to 80,000 million yen from Suwa, to strengthen and expand its LCD business through a business alliance with TPK, and to proceed with discussions with Harvest Tech aimed at realizing a business alliance with respect to a plan for the mass production of evaporation OLED displays. In addition, on April 12, 2019, JDI, INCJ and Suwa executed a Memorandum of Understanding ("MOU"), and JDI has agreed with INCJ that INCJ will implement (a) refinancing by way of a new loan arrangement and subscription for preferred shares in order to convert JDI's debt owed to INCJ to equity and long-lived assets, and (b) a bridge loan in order to ensure funds necessary for the business continuity of JDI until the capital injection by Suwa.

Meanwhile, a bridge loan from INCJ, which is funding support based on the MOU and is described in "Significant Subsequent Events," expires at the end of December 2019, and the capital injection under the Capital and Business Alliance Agreement, which is to be allocated to part of the repayment of funds to INCJ, must meet the conditions required for the alliance with Suwa. If the capital injection is not determined, it could have a material impact on our cash flow. Therefore, at this time, there are significant uncertainties regarding the going concern assumptions.

The consolidated financial statements have been prepared assuming a going concern and do not reflect the impact of significant uncertainties related to such going concern assumptions.

b) Changes in presentation methods

JDI applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018), etc., at the beginning of FY 2018. Accordingly, deferred tax assets are now presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities. This accounting standard has been applied retrospectively for presentation of the consolidated balance sheets of the previous fiscal year.

As a result, the “Deferred tax assets” of “Current assets” decreased 255 million yen, “Deferred tax assets” of “Investments and other assets” increased 208 million yen, “Deferred tax liabilities” of “Current liabilities”(presented in “Other” of “Current liabilities”) decreased 83 million yen and “Deferred tax liabilities” of “Non-current” (presented in “Other” of “Non-current liabilities”) increased 36 million yen in the consolidated balance sheets for the previous fiscal year.

Deferred tax assets and deferred tax liabilities relating to the same taxation authority were offset against each other, and total assets and total liabilities decreased 47 million yen respectively compared with the amount before the accounting change.

c) Notes to the consolidated balance sheet

Financial covenants

FY 2017 (March 31, 2018)

Since the loan agreements and the guarantee entrustment agreement with INCJ include following financial covenant regarding the net assets, INCJ agreed not to apply the financial covenant.

・At the end of fiscal year, the net assets in the consolidated balance sheets must be higher than 75% of the net assets in the consolidated balance sheets for the previous fiscal year

The balances of the loan agreements are below.

Short term loan	20,000	millions of yen
Long term loan	30,000	
Bank loan guaranteed	98,000	

FY 2018 (March 31, 2019)

Since the loan agreements and the guarantee entrustment agreement with INCJ include following financial covenants regarding the net assets, INCJ agreed not to apply the financial covenants.

・At the end of fiscal year, the net assets in the consolidated balance sheets must be higher than 75% of the net assets in the consolidated balance sheets for the previous fiscal year

・In case that JDI’s liabilities exceed its assets

The balances of the loan agreements are below.

Short term loan	20,000	millions of yen
Long term loan	30,000	
Bank loan guaranteed	107,000	

As described in significant subsequent events, JDI resolved to raise funds by way of issuance of new shares through third-party allotment to the expected allottee based on the CAPITAL AND BUSINESS ALLIANCE AGREEMENT with Suwa Investment Holdings, LLC entered into as of April 12, 2019. The loan agreements, the guarantee entrustment agreement above, and the convertible bonds with stock acquisition rights allotted to INCJ (the balance of 25,000 million yen as of the end of the current fiscal year) respectively include change of control clauses under which the benefit of time is forfeited and the guarantee entrustment agreement is canceled if a change of control event occurs. Therefore, when the third-party allotment is implemented, this event will meet the clauses. In this situation, the Memorandum of Understanding concluded with INCJ and Suwa Investment Holdings, LLC dated April 12, 2019 provides that INCJ will not enforce any rights and remedies regarding the change of control clauses.

In addition, as described in significant subsequent events, JDI concluded a bridge loan agreement (total loan amount of 20,000 million yen) with INCJ dated April 18, 2019. Since this agreement also includes the same financial covenants regarding the net assets as described above, INCJ agreed not to apply the financial covenants.

d) Notes to the consolidated statement of income

(a) Gain on change in equity.

FY2017 (April 1, 2017 to March 31, 2018)

Not applicable.

FY 2018 (April 1, 2018 to March 31, 2019)

Resulted from a capital increase through third-party allotment of new shares at our equity-method affiliate JOLED.

(b) Business structure improvement expenses

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.

FY 2018 (April 1, 2018 to March 31, 2019)

Not applicable.

(c) Provision of allowance for doubtful accounts

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.

FY 2018 (April 1, 2018 to March 31, 2019)

Not applicable.

(d) Impairment loss on noncurrent assets

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

Refer to Note 1 of (b) Business structure improvement expenses.

FY 2018 (April 1, 2018 to March 31, 2019)

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

Purpose	Type	Location	Impairment loss (millions of yen)
Business assets	Machinery, equipment and vehicles,	Mobara Plant Mobara-shi, Chiba	478
	Buildings and structures, machinery, equipment and vehicles, land, construction in progress, other property, plant and equipment, other intangible assets	Hakusan Plant Hakusan-shi Ishikawa	74,710
Total			75,189

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:

Owing to major customers adding OLED smartphones to their product line-ups, the slowdown of China's and the global smartphone market, and intensifying competition in the display market, 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 75,189 million yen (mainly consisting of buildings and structures of 9,253 million yen, machinery, equipment and vehicles of 59,377 million yen, goodwill of 3,126), and recorded as extraordinary losses.

The recoverable amount of business assets in Mobara Plant is calculated by the net realizable value, and the net realizable value is evaluated by the appraisals by third parties. The recoverable amount of business assets in Hakusan Plant is calculated by the use-value, and the use-value is evaluated by future cash flows discounted by 7.35%.

e) Segment information

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.

FY 2018 (April 1, 2018 to March 31, 2019)

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

f) Per share information

	April 1, 2017 - March 31, 2018	April 1, 2018 - March 31, 2019
Net assets per share (yen)	133.58	5.91
Net income (loss) per share (yen)	(411.09)	(131.84)

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, 2018	March 31, 2019
Total net assets (millions of yen)	82,046	7,023
Amount deducted from total net assets (millions of yen)	1,710	2,025
(of which share acquisition rights) (millions of yen)	(47)	(53)
(of which non-controlling interests) (millions of yen)	(1,662)	(1,972)
Term-end net assets related to common stock (millions of yen)	80,336	4,997
Number of end-term common stock used to calculate net income per share (shares)	601,411,900	846,165,800

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

	April 1, 2017 - March 31, 2018	April 1, 2018 - March 31, 2019
Net income (loss) per share (yen)		
Net income (loss) attributable to owners of the parent (millions of yen)	(247,231)	(109,433)
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)	(247,231)	(109,433)
Average number of shares outstanding during the period (shares)	601,411,900	830,072,391

g) Significant subsequent events

Capital and business alliance

JDI entered into: (i) the CAPITAL AND BUSINESS ALLIANCE AGREEMENT with Suwa Investment Holdings, LLC (the "Capital and Business Alliance Agreement"); (ii) the LCD Business Alliance Basic Agreement with TPK Holding Co., Ltd. ("TPK") toward business alliance on LCDs (the "LCD Business Alliance Basic Agreement"); and (iii) a Memorandum of Understanding toward formulating and implementing a business alliance with Harvest Tech Investment Management Co., Ltd. ("Harvest Tech") with respect to a plan for the mass production of evaporation Organic Light Emitting Diode ("OLED") displays (the "OLED Business Alliance MOU"; together with the Capital and Business Alliance Agreement and the LCD Business Alliance Basic Agreement, hereinafter collectively referred to as the "Alliance") as of April 12, 2019.

JDI resolved at the Board of Directors Meeting as of the same date to raise funds by way of issuance of new shares through third-party allotment to the Expected Allottee (the "Third-party Allotment of New Shares"), issuance of the 2nd series bonds with stock acquisition rights (the "2nd Series Bonds with Stock Acquisition Rights;" of which, the portion of the bonds alone shall be hereinafter referred to as the "2nd Series Bonds;" and the portion of the stock acquisition rights alone shall be hereinafter referred to as the "2nd Series Stock Acquisition Rights") through third-party allotment to the Expected Allottee (the "Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights") and issuance of the 3rd series bonds with stock acquisition rights (the "3rd Series Bonds with Stock Acquisition Rights;" of which, the portion of the bonds alone shall be hereinafter referred to as the "3rd Series Bonds;" and the portion of the stock acquisition rights alone shall be hereinafter referred to as the "3rd Series Stock Acquisition Rights") through third-party allotment to the Expected Allottee (the "Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights;" together with the Third-party Allotment of New Shares and the Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights, hereinafter collectively referred to as the "Third-party Allotment") pursuant to the Capital and Business Alliance Agreement (the "Financing") and to amend its Articles of Incorporation with respect to the total number of shares authorized to be issued in connection with the Financing. There will be a change in JDI's parent company and its largest major shareholder as a result of the Third-party Allotment.

In addition, JDI concluded a Memorandum of Understanding (the "MOU") with INCJ and Suwa Investment Holdings, LLC dated April 12, 2019. An outline of the matters provided in the MOU is as follows: (1) INCJ does not enforce any rights and remedies regarding change of control clauses included in INCJ's existing support. (2) INCJ provides JDI with support in the total amount of 152,000 million yen under a new 77,000 million yen loan (5 years) and through the subscription of third-party allotments of the preferred shares in the amount of 75,000 million yen (collectively, the "INCJ New Support"), and JDI shall immediately repay the existing debts or implement the retirement by purchase of the Commitment Line Agreement in the amount of 107,000 million yen as the secured debt of the Joint Guarantee, the Short-term Loan in the amount of 20,000 million yen, and the 1st Series Bonds with Stock Acquisition Rights in the outstanding amount of 25,000 million yen each of which is included in the INCJ Existing Support, using the total amount of 152,000 million yen that JDI will procure through the INCJ New Support. (3) INCJ provides a bridge loan until the payment of the Third-party Allotment. Based on the MOU, JDI and INCJ entered into a bridge loan agreement on April 18, 2019 so that JDI may secure the fund necessary to continue JDI's business from April 2019 until the payment of the Third-party Allotment.

Summary of the Third-party Allotment and the bridge loan agreement is as follows.

(a) Third-party Allotment of New Shares

(1)	Payment period	From June 20, 2019 to December 30, 2019
(2)	New shares issued	840,000,000 common shares
(3)	Issue price	50 yen per share
(4)	Total proceeds	42,000,000,000 yen
(5)	Amount of capital incorporation	25 yen per share
(6)	Total amount of capital incorporation	21,000,000,000 yen
(7)	Method of offering (allotee)	Shares will be allotted to Suwa Investment Holdings, LLC through third-party allotment.
(8)	Uses of proceeds	Proceeds are to be used below. 1) Working capital (including capital expenditure required for business. A portion will be used for repayment of the bridge loan.) 2) R&D expenses in growth businesses 3) Capital investment in growth businesses

(9)	Others	The Third-party Allotment of New Shares is implemented on condition that all of the following conditions precedent (the "Conditions Precedent") are satisfied. 1) the relevant registration under the Financial Instruments and Exchange Act becomes effective 2) the permissions and approvals, etc. of the relevant authorities of each country that are required to implement the Third-party Allotment are obtained 3) the following proposals are approved at the extraordinary general meeting of shareholders (the "Extraordinary General Meeting of Shareholders"): (a) a proposal on the Third-party Allotment and issuance of the Preferred Shares, (b) a proposal on partial amendment of the Articles of Incorporation to increase the total number of shares authorized to be issued and issue the Preferred Shares; and (c) a proposal to elect the Directors Designated by the Expected Allottee * The Extraordinary General Meeting of Shareholders will be held after the annual general meeting of shareholders scheduled to be held in June 2019. The specific timing of the Extraordinary General Meeting of Shareholders will be decided once the internal resolutions required for the investments to be implemented by each of the expected investors have been made

(b) Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights

(1)	Payment date	Any day in the period from June 20, 2019 to December 30, 2019
(2)	Number of the acquisition rights	180
(3)	Issue price	100 yen per each 100 yen of each 2nd Bond; provided that no cash payment shall be required in exchange for the 2nd Stock Acquisition Rights
(4)	Total proceeds	18,000,000,000 yen
(5)	The class and number of shares subject to the 2nd Series Stock Acquisition Rights	360,000,000 common shares
(6)	Conversion price	50 yen
(7)	Method of offering	Shares will be allotted to Suwa Investment Holdings, LLC through third-party allotment.
(8)	Interest rate and exercise period of the 2nd Stock Acquisition Rights	Interest rate : 0.00% Exercise period : 5 years from the allotment date of the 2nd Bonds with the Stock Acquisition Rights
(9)	Uses of proceeds	Described in (8) of (a) Third-party Allotment of New Shares
(10)	Others	The Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights is implemented on condition that all of the Conditions Precedent are satisfied.

(c) Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights

(1)	Payment date	Any day in the period from June 20, 2019 to December 30, 2019
(2)	Number of the acquisition rights	200
(3)	Issue price	100 yen per each 100 yen of each 3rd Bond; provided that no cash payment shall be required in exchange for the 3rd Stock Acquisition Rights
(4)	Total proceeds	20,000,000,000 yen
(5)	The class and number of shares subject to the 2nd Series Stock Acquisition Rights	400,000,000 common shares
(6)	Conversion Price	50 yen
(7)	Method of offering	Shares will be allotted to Suwa Investment Holdings, LLC through third-party allotment.

(8)	Interest rate and exercise period of the 2nd Stock Acquisition Rights	Interest rate : 0.00% Exercise period : same as the 2nd Bonds with the Stock Acquisition Rights
(9)	Uses of proceeds	Described in (8) of (a) Third-party Allotment of New Shares
(10)	Others	The Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights is implemented on condition that all of the "Conditions Precedent" are satisfied. In addition to the conditions above, the procurement of the funds necessary for the payment of the Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights by Suwa Investment Holdings, LLC.

(d) Bridge Loan Agreement

(1)	Lender	INCJ Ltd.,
(2)	Borrowing amount	20,000,000,000 yen
(3)	Borrowing interest rate	TIBOR plus spread (fixed rate interest)
(4)	Borrowing execution date	April 19, 2019
(5)	Repayment due date	December 31,2019 (prepayment before maturity is permissible)
(6)	Security	The borrowing is secured