

[Translation for reference only]

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is an English translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall prevail.

Securities Code: 6740

June 2, 2017

To our shareholders

Shuji Aruga  
President and Representative Director  
**Japan Display Inc.**  
7-1, Nishi-Shinbashi 3-chome, Minato-ku, Tokyo

## Notice of the 15th Annual General Meeting of Shareholders

The 15th Annual General Meeting of Shareholders of Japan Display Inc. (the “Company”) (hereinafter the “Meeting”) will be held as indicated below. You are hereby cordially invited to attend the Meeting.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or on the Internet. In that event, please examine the contents of the “Reference Documents for the General Meeting of the Shareholders” attached herein and vote in accordance with the “Guidance on Exercising Voting Rights” on page 15 by 5:30 p.m., Tuesday, June 20, 2017.

1. Date and Time: Wednesday, June 21, 2017, at 10 a.m. (Reception begins at 9 a.m.)
2. Venue: Hikarie Hall on the 9th floor  
Shibuya Hikarie  
21-1, Shibuya 2-chome, Shibuya-ku, Tokyo

### 3. Purpose of the Meeting

Matters to be reported:

1. Business Report, Consolidated Financial Statements, and Audit Reports for the Consolidated Financial Statements by the Independent Auditor and the Board of Company Auditors, for the 15th Fiscal Year (from April 1, 2016 to March 31, 2017)
2. Non-consolidated Financial Statements for the 15th Fiscal Year (from April 1, 2016 to March 31, 2017)

Matters to be resolved:

- Proposal No. 1: Appropriation of Surplus
- Proposal No. 2: Election of Seven (7) Directors
- Proposal No. 3: Election of Three (3) Company Auditors
- Proposal No. 4: Election of One (1) Substitute Company Auditor
- Proposal No. 5: Determination of the Amount and Details of Remuneration to Directors Provided as Stock Options

4. Matters regarding exercise of voting rights

- (1) If you exercise your voting rights by proxy, such proxy shall present to the receptionist a power of attorney with the voting form. Please note the proxy must be one other shareholder having voting rights in the Company.
- (2) If split votes are cast, a written notice of the diverse exercise of voting rights and the reasons thereof must be sent to the shareholder registry administrator by three (3) days in advance of the Annual General Meeting of Shareholders.
- (3) In the event of a duplicate vote, one cast via the Internet, etc. and the other cast in writing, the Company shall consider the vote cast via the Internet, etc. to be the valid one.
- (4) In the event you exercise your voting rights more than once using the Internet, etc., the Company shall consider the last vote cast to be the valid one.

- When attending at the Meeting, you are kindly requested to present the enclosed voting form to the receptionist. For the purpose of resource-saving, please bring this notice with you.
- Any modifications to the Reference Documents for the General Meeting of the Shareholders, Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements shall be posted on the Company's website.

**The Company's website (<http://www.j-display.com/english>)**

- In the lobby of the venue there will be a display of our products, which we would like you to view.
- For your information, please note that no gift will be provided for attendants at the Meeting.

## Reference Documents for the General Meeting of the Shareholders

### Proposal No. 1: Appropriation of Surplus

In order to correct its capital structure and ensure flexibility in its capital policy from now, the Company proposes that its deficit be covered by reversing ¥42,738,789,919 of the Company's ¥ 116,049,147,630 in other capital surplus and transferring it to retained earnings brought forward, pursuant to the provisions of Article 452 of the Companies Act.

(1) Item and amount of decrease in surplus:

Other capital surplus	¥42,738,789,919
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(2) Item and amount of increase in surplus:

Retained earnings brought forward	¥42,738,789,919
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(3) Effective date of the appropriation of surplus

June 22, 2017

**Proposal No. 2: Election of Seven (7) Directors**

The terms of office of all six (6) Directors will expire at the conclusion of this General Meeting of Shareholders. Therefore, it is hereby requested that seven (7) Directors be elected, increasing the number of Outside Directors by one (1) with the goal of enhancing management supervisory function of the Board. The candidates for Director of the Company are as follows:

Candidate number	Candidates	Candidate number	Candidates
1	Nobuhiro Higashiiriki <span style="border: 1px solid black; padding: 2px;">Newly elected</span>	5	Katsuhiko Shirai <span style="border: 1px solid black; padding: 2px;">Re-elected</span> <span style="border: 1px solid black; padding: 2px;">Outside</span> <span style="border: 1px solid black; padding: 2px;">Independent</span>
2	Shuji Aruga <span style="border: 1px solid black; padding: 2px;">Re-elected</span>	6	Kazuhiko Shimokobe <span style="border: 1px solid black; padding: 2px;">Newly elected</span> <span style="border: 1px solid black; padding: 2px;">Outside</span> <span style="border: 1px solid black; padding: 2px;">Independent</span>
3	Mikihide Katsumata <span style="border: 1px solid black; padding: 2px;">Newly elected</span> <span style="border: 1px solid black; padding: 2px;">Outside</span>	7	Takahisa Hashimoto <span style="border: 1px solid black; padding: 2px;">Newly elected</span> <span style="border: 1px solid black; padding: 2px;">Outside</span> <span style="border: 1px solid black; padding: 2px;">Independent</span>
4	Nobuyuki Higashi <span style="border: 1px solid black; padding: 2px;">Newly elected</span> <span style="border: 1px solid black; padding: 2px;">Outside</span>		

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
1 Newly elected	Nobuhiro Higashiiriki (July 23, 1948)  Attendance to the meetings of the Board of Directors in the fiscal year ended March 31, 2017  Number of meetings held: – Number of attendance: – Attendance rate: –%	Apr. 1974 Entered Nippon Mining Co., Ltd. (now JX Nippon Mining & Metals Corporation) Feb. 1999 Left Nippon Mining Co., Ltd. Mar. 1999 President and Representative Director of Orbotech Display Pacific Ltd. Jan. 2001 President and Representative Director of Orbotech Japan Ltd. Jan. 2011 Chairman, President and Representative Director of Orbotech Japan Ltd. Jan. 2013 Chairman and Representative Director of Orbotech Japan Ltd. Dec. 2013 Retired as Chairman and Representative Director of Orbotech Japan Ltd. Dec. 2013 Honorary Chairman and Representative Director of Orbotech Japan Ltd. Sep. 2014 Retired as Honorary Chairman of Orbotech Japan Ltd. Nov. 2014 President and Representative Director and Chief Executive Officer (CEO) of JOLED Inc. (current position) Apr. 2017 Vice Chairman and Executive Officer of the Company (current position)  [Significant concurrent positions outside the Company] President and Representative Director and Chief Executive Officer (CEO) of JOLED Inc.	10,000
[Reason for nomination as a candidate for Director] At a company providing inspection equipment including liquid crystal displays, Mr. Nobuhiro Higashiiriki exercised strong leadership to launch new businesses and establish strong profits. As a member of the Board of Directors, he is expected to contribute to the further enhancement of the decision-making function of the Board of Directors by promoting information sharing and making full use of his wealth of experience and achievements in overall management. The Company therefore proposes that he be elected as a Director.			

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
2 Re-elected	<p data-bbox="355 488 539 544">Shuji Aruga (March 22, 1959)</p> <p data-bbox="331 573 563 707">Attendance to the meetings of the Board of Directors in the fiscal year ended March 31, 2017</p> <p data-bbox="339 736 555 792">Number of meetings held: 17</p> <p data-bbox="339 797 555 853">Number of attendance: 16</p> <p data-bbox="339 857 555 880">Attendance rate: 94%</p>	<p data-bbox="579 259 1193 315">Apr. 1983 Entered Suwa Seikosha Co., Ltd. (now Seiko Epson Corporation)</p> <p data-bbox="579 320 1193 376">Jun. 2003 Director and Chief Operating Officer of Display Operations Division of Seiko Epson Corporation</p> <p data-bbox="579 380 1193 481">Dec. 2006 Executive Officer of Seiko Epson Corporation President and Representative Director of Epson Imaging Devices Corporation</p> <p data-bbox="579 486 1193 542">Dec. 2009 Director and Executive Vice President of Sony Mobile Display Corporation</p> <p data-bbox="579 546 1193 602">Apr. 2011 President and Representative Director of Sony Mobile Display Corporation</p> <p data-bbox="579 607 1193 707">Managing Director of the mobile display business of Sony Corporation's Professional Devices Solutions Group</p> <p data-bbox="579 712 1193 768">Mar. 2012 Executive Officer and Chief Business Officer of the former Japan Display Inc.</p> <p data-bbox="579 772 1193 851">Apr. 2013 Executive Officer and Chief Business Officer of the Company (Division Manager of the Mobile Business)</p> <p data-bbox="579 855 1193 889">Nov. 2013 Director of the Company</p> <p data-bbox="579 893 1193 949">Jul. 2014 Executive Officer, and Chief Operating Officer and Chief Business Officer of the Company</p> <p data-bbox="579 954 1193 1043">Jun. 2015 President and Representative Director and Chief Operating Officer of the Company (current position)</p> <p data-bbox="579 1048 1193 1104">[Significant concurrent positions outside the Company] None</p>	4,900
<p data-bbox="323 1115 826 1137">[Reason for nomination as a candidate for Director]</p> <p data-bbox="323 1142 1410 1361">Mr. Shuji Aruga has a wealth of experience and achievements as a business expert in the LCD panel companies. Since March 2012, Mr. Aruga, as Executive Officer and Chief Business Officer (CBO), has been engaged in strengthening the business foundation in the start-up phase, and since June 2015, he has assumed responsibility for the management of the JDI Group as President and Representative Director and Chief Operating Officer (COO), driving the Company's business with his strong leadership. Since we expect Mr. Aruga to share his information as a decision-making function of the Board of Directors through utilizing his wealth of experience and achievements in overall management, the Company proposes that he continue to be elected as a Director.</p>			

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
3 Newly elected Outside	Mikihide Katsumata (May 21, 1960)	Apr. 1983 Entered Industrial Bank of Japan, Limited (now Mizuho Bank, Ltd.) Aug. 1999 Entered Merrill Lynch Japan Securities Company, Limited as Global Principal Investments Director Apr. 2002 Established Nippon Mirai Capital Co., Ltd. as Director, Partner & CFO Apr. 2007 Established New Frontier Capital Management Co., Ltd. as Chief Executive Officer (CEO) Jun. 2010 Entered Mobile Internet Capital, Inc. as President & Chief Executive Officer (CEO) Apr. 2015 Entered Innovation Network Corporation of Japan as Senior Corporative Executive Officer and Managing Director Jun. 2015 President and Chief Operating Officer (COO), Member of the Board of Innovation Network Corporation of Japan (current position) [Significant concurrent positions outside the Company] President and Chief Operating Officer (COO), Member of the Board of Innovation Network Corporation of Japan	0
	Attendance to the meetings of the Board of Directors in the fiscal year ended March 31, 2017 Number of meetings held: – Number of attendance: – Attendance rate: –%		
[Reason for nomination as a candidate for Outside Director] Mr. Mikihide Katsumata has extensive experience in a major bank and international investment companies, and sound management expertise granted through providing operation support to investee companies. He also has a wealth of experience and achievements as a management executive. Mr. Katsumata is expected to further strengthen the function of the Company's Board of Directors, through providing advice regarding the Company's management and appropriate supervision of business execution from a global business perspective at the meeting of the Board of Directors. The Company therefore proposes that he will be elected as an Outside Director.			

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
4 Newly elected Outside	Nobuyuki Higashi (March 31, 1964)  Attendance to the meetings of the Board of Directors in the fiscal year ended March 31, 2017  Number of meetings held: – Number of attendance: – Attendance rate: –%	Apr. 1987 Entered Nomura Research Institute, Ltd. Apr. 1998 Entered Nomura Securities Co., Ltd. Jul. 2000 Seconded to Nomura Principal Finance Co., Ltd. Dec. 2011 Returned to Nomura Securities Co., Ltd. Apr. 2012 Entered Innovation Network Corporation of Japan as Investment Business Group Managing Director (current position) Apr. 2017 Outside Director of JOLED Inc. (current position) [Significant concurrent positions outside the Company] Investment Business Group Managing Director of Innovation Network Corporation of Japan Outside Director of JOLED Inc.	0
[Reason for nomination as a candidate for Outside Director] Mr. Nobuyuki Higashi has a wealth of experience in investment businesses and operations risk management in securities companies and investment companies, as well as strong management expertise through providing operation support to investee companies. He is expected to contribute to the further enhancement of the functions of the Board of Directors by providing management advice and appropriate supervision concerning business execution. The Company therefore proposes that he be elected as an Outside Director.			

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
5 Re-elected Outside Independent	Katsuhiko Shirai (September 24, 1939)  Attendance to the meetings of the Board of Directors in the fiscal year ended March 31, 2017  Number of meetings held: 17 Number of attendance: 17 Attendance rate: 100%	Apr. 1965 Outside Research Associate, School of Science & Engineering, Waseda University	0
		Apr. 1975 Professor, School of Science & Engineering, Waseda University	
Nov. 1994 Dean, Academic Affairs and Executive Director, International Center, Waseda University			
Nov. 1998 Vice President of Waseda University			
Nov. 2002 President and Chairman of Waseda University			
Nov. 2010 Honorary Advisor, Waseda University (current position)			
Apr. 2011 Chairman of The Open University of Japan			
Jun. 2011 Outside Director of IFTL-Solar Inc. (now inQs Co., Ltd.) (current position)			
Jun. 2012 Outside Director of the former Japan Display Inc. Outside Director of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (current position)			
Apr. 2013 Outside Director of the Company (current position)			
		[Significant concurrent positions outside the Company] Outside Director of NIPPON TELEGRAPH AND TELEPHONE CORPORATION Outside Director of inQs Co., Ltd.	
[Reason for nomination as a candidate for Outside Director] Mr. Katsuhiko Shirai has the wealth of management experience and high-level insight in the development of human resources through research activities in the university and educational institutions. From June 2012, Mr. Shirai as an Outside Director has been providing advice regarding the Company's management and appropriate supervision of business execution from an objective perspective, being independent of the management that executes the Company's business. Since Mr. Shirai is expected to further strengthen the function of the Company's Board of Directors, the Company proposes that he continue to be elected as an Outside Director.			

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
6 Newly elected Outside Independent	Kazuhiko Shimokobe (December 12, 1947)  Attendance to the meetings of the Board of Directors in the fiscal year ended March 31, 2017  Number of meetings held: – Number of attendance: – Attendance rate: –%	<p>Apr. 1974 Registered as attorney at law, entered the Tokyo Bar Association</p> <p>Oct. 2005 Outside Director and Industrial Revitalization Committee Member of Industrial Revitalization Corporation of Japan</p> <p>Apr. 2007 President of the Tokyo Bar Association Vice President of the Japan Federation of Bar Associations</p> <p>Oct. 2007 Outside Director and Audit Committee Member of JAPAN POST HOLDINGS Co., Ltd.</p> <p>Apr. 2011 President of Fujiwara Natural History Foundation (current position)</p> <p>Jun. 2011 Outside Auditor of CHORI CO., LTD.</p> <p>Jul. 2011 Outside Auditor of Frontier Management Inc. (current position)</p> <p>Oct. 2011 Chairperson of the Management Committee of Nuclear Damage Compensation Facilitation Corporation</p> <p>Jun. 2012 Chairman of Tokyo Electric Power Company, Incorporated</p> <p>Dec. 2014 Outside Auditor of Industrial Growth Platform, Inc. (current position)</p> <p>Jun. 2015 Outside Director of CHORI CO., LTD.</p> <p>Jun. 2016 Outside Director (Audit &amp; Supervisory Committee Member) of CHORI CO., LTD. (current position)</p> <p>[Significant concurrent positions outside the Company] Outside Director (Audit &amp; Supervisory Committee Member) of CHORI CO., LTD. Outside Auditor of Frontier Management Inc. Outside Auditor of Industrial Growth Platform, Inc.</p>	0
<p>[Reason for nomination as a candidate for Outside Director] Mr. Kazuhiko Shimokobe has a wealth of experience and achievements from his many years as an attorney, and possesses specialized knowledge and advanced insight. He has served in key posts in various bar associations and has abundant experience in the management of such organizations, as well as having experience and achievements as the manager of large corporations. Since Mr. Shimokobe is expected to further strengthen the function of the Company's Board of Directors, through providing advice regarding the Company's management and appropriate supervision of business execution from an objective perspective independent of the management team that conducts business operations, the Company proposes that he be elected as an Outside Director.</p>			

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
7 Newly elected Outside Independent	Takahisa Hashimoto (September 21, 1943)  Attendance to the meetings of the Board of Directors in the fiscal year ended March 31, 2017  Number of meetings held: – Number of attendance: – Attendance rate: –%	Apr. 1967 Entered IBM Japan, Ltd. Apr. 1990 Plant Manager of Yasu Plant of IBM Japan, Ltd. Oct. 1991 Director of Technical Development (display) Center, Yamato Laboratory of IBM Japan, Ltd. Apr. 2000 Director of IBM Japan, Ltd. Oct. 2001 Established International Display Technology Corporation as President and Representative Director Vice Chairman of Chi Mei Optoelectronics Corp. Aug. 2004 Established NVTech as President and Representative Director Jul. 2005 Established InfoVision Optoelectronics Kunshan Co., Ltd. as President and CEO Jan. 2011 Vice Chairman of InfoVision Optoelectronics Kunshan Co., Ltd. Jul. 2015 Retired as Vice Chairman of InfoVision Optoelectronics Kunshan Co., Ltd.  [Significant concurrent positions outside the Company] None	0
[Reason for nomination as a candidate for Outside Director] Mr. Takahisa Hashimoto has a wealth of experience and achievements as the manager of LCD developing and manufacturing companies. Based on his advanced and specialized knowledge and advanced insight into management, he is expected to further strengthen the function of the Company's Board of Directors, through providing advice regarding the Company's management and appropriate supervision of business execution from an objective perspective independent of the management team that conducts business operations. The Company proposes that he be elected as an Outside Director.			

- Notes: 1. The Japan Display Inc. that ceased to exist in the merger on April 1, 2013 (trade name changed on March 30, 2012, from Japan Display Integration Preparatory Inc.) is noted as the former Japan Display Inc.
2. No conflict of interest exists between the Company and each of the above candidates.
3. Messrs. Mikihide Katsumata, Nobuyuki Higashi, Katsuhiko Shirai, Kazuhiko Shimokobe and Takahisa Hashimoto are candidates for Outside Director.
4. Mr. Katsuhiko Shirai is currently Outside Director of the Company. As of the conclusion of this Annual General Meeting of Shareholders, including his term as Outside Director of the former Japan Display Inc., Mr. Shirai will have served for 5 years.
5. The Company has entered into an agreement with Mr. Katsuhiko Shirai to limit his liabilities for damages in Article 423, paragraph 1 of the Companies Act pursuant to the provisions of Article 427, paragraph 1 of the Companies Act. The maximum amount of liabilities for damages under the said agreement is the minimum liability amount stipulated in Article 425, paragraph 1 of the Companies Act. If the reelection of Mr. Katsuhiko Shirai is approved, the Company will continue the agreement with him. If the election of Messrs. Mikihide Katsumata, Nobuyuki Higashi, Kazuhiko Shimokobe and Takahisa Hashimoto is approved, the Company will enter into the same agreement with them.
6. The Company has designated Mr. Katsuhiko Shirai as an independent officer pursuant to the regulations of the Tokyo Stock Exchange. If his reelection is approved, the Company will continue his designation as an independent officer. If the election of Messrs. Kazuhiko Shimokobe and Takahisa Hashimoto is approved, the Company will designate them as independent officers.

[Independence Standards for Independent Outside Directors]

The Company shall elect a person unlikely to cause conflicts of interest with general shareholders (specifically, a person who does not fall under the following requirements) as Independent Outside Director, from among persons satisfying the requirements for Outside Directors set forth in the Companies Act, who have been elected as Outside Directors.

- a. A person whose major business partner is the Company or who executes its business
- b. A major business partner of the Company or a person who executes its business
- c. A consultant, accounting professional, or legal professional who receives considerable amount of money or other property from the Company in addition to his or her officer compensation
- d. A person who fell under any of the above a, b, or c until recently
- e. A relative within the second degree of kinship of a person listed in any of the following (i) through (iv)
  - (i) A person listed in a through d above
  - (ii) A person who executes business at a subsidiary of the Company
  - (iii) A director of a subsidiary of the Company who does not execute business
  - (iv) A person who fell under (ii) or (iii) or a person who executed business at the Company until recently

**Proposal No. 3: Election of Three (3) Company Auditors**

The terms of office of Company Auditors Messrs. Kazuo Kawasaki, Youichi Etou and Toshiaki Kawashima will expire at the conclusion of this General Meeting of Shareholders. Therefore, it is hereby requested that three (3) Company Auditors be elected.

The Board of Company Auditors has consented to this proposal.

The candidates for Company Auditor are as follows:

Candidate number	Candidates	Candidate number	Candidates
1	Kazuo Kawasaki <span style="border: 1px solid black; padding: 0 2px;">Re-elected</span>	3	Toshiaki Kawashima <span style="border: 1px solid black; padding: 0 2px;">Re-elected</span> <span style="border: 1px solid black; padding: 0 2px;">Outside</span> <span style="border: 1px solid black; padding: 0 2px;">Independent</span>
2	Youichi Etou <span style="border: 1px solid black; padding: 0 2px;">Re-elected</span> <span style="border: 1px solid black; padding: 0 2px;">Outside</span> <span style="border: 1px solid black; padding: 0 2px;">Independent</span>		

Candidate number	Name (Date of birth)	Career summary, position at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
1 Re-elected	Kazuo Kawasaki (March 1, 1953)  Attendance to the meetings of the Board of Directors in the fiscal year ended March 31, 2017 Number of meetings held: 17 Number of attendance: 16 Attendance rate: 94%  Attendance to the meetings of the Board of Company Auditors in the fiscal year ended March 31, 2017 Number of meetings held: 15 Number of attendance: 15 Attendance rate: 100%	Apr. 1977 Entered Tokyo Shibaura Electric Co., Ltd. (now Toshiba Corporation) Apr. 2002 Director in charge of supporting TFPD Corporation, assistant to Manager of Himeji LCD Center of Himeji Plant, Toshiba Corporation Apr. 2003 General Manager of Ishikawa Plant of Toshiba Matsushita Display Technology Co., Ltd. Jun. 2007 Chief Executive Officer (President) of AFPD PTE., LTD. Jun. 2010 Corporate Auditor of Toshiba Mobile Display Co., Ltd. Mar. 2012 Company Auditor of the former Japan Display Inc. Mar. 2012 Company Auditor of the Company (current position) [Significant concurrent positions outside the Company] None	300
[Reason for nomination as a candidate for Company Auditor] Mr. Kazuo Kawasaki has held important management positions for many years at LCD parts manufacturers and has a wealth of business knowledge of management in general. The Company therefore proposes that he continue to be elected as a Company Auditor because he is capable of conducting audits properly from an objective perspective.			

Candidate number	Name (Date of birth)	Career summary, position at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
2 Re-elected Outside Independent	<p>Youichi Etou (August 11, 1950)</p> <p>Attendance to the meetings of the Board of Directors in the fiscal year ended March 31, 2017 Number of meetings held: 17 Number of attendance: 17 Attendance rate: 100%</p> <p>Attendance to the meetings of the Board of Company Auditors in the fiscal year ended March 31, 2017 Number of meetings held: 15 Number of attendance: 15 Attendance rate: 100%</p>	<p>Apr. 1978 Registered as attorney at law</p> <p>Apr. 2003 Vice president of Daiichi Tokyo Bar Association</p> <p>Apr. 2005 Vice President of Kanto Federation of Bar Associations</p> <p>Jul. 2006 Outside Auditor of TSUNEISHI SHIPBUILDING Co., Ltd. (current position)</p> <p>Apr. 2010 President of Daiichi Tokyo Bar Association and Vice President of the Japan Federation of Bar Associations</p> <p>Jun. 2011 Outside Audit &amp; Supervisory Board Member of NICHIAS Corporation</p> <p>Jun. 2012 Outside Company Auditor of the former Japan Display Inc.</p> <p>Apr. 2013 Outside Company Auditor of the Company (current position)</p> <p>Jun. 2015 Outside Director of NICHIAS Corporation (current position)</p> <p>[Significant concurrent positions outside the Company] Representative Partner of Integral Law Office Outside Auditor of TSUNEISHI SHIPBUILDING Co., Ltd. Outside Director of NICHIAS Corporation</p>	0
	<p>[Reason for nomination as a candidate for Outside Company Auditor] Though Mr. Youichi Etou has no direct experience of participating in corporate management, he has specialist knowledge and deep insight obtained through his many years' experience as an attorney at law. He has also held important positions in bar associations and also has a wealth of experience in the operation of organizations. The Company proposes that he continue to be elected as an Outside Company Auditor because he is capable of conducting audits properly from an objective perspective.</p>		

Candidate number	Name (Date of birth)	Career summary, position at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
3 Re-elected Outside Independent	Toshiaki Kawashima (June 14, 1947)  Attendance to the meetings of the Board of Directors in the fiscal year ended March 31, 2017 Number of meetings held: 17 Number of attendance: 17 Attendance rate: 100%  Attendance to the meetings of the Board of Company Auditors in the fiscal year ended March 31, 2017 Number of meetings held: 15 Number of attendance: 15 Attendance rate: 100%	Apr. 1970 Joined Arthur Andersen Accounting Office Dec. 1982 Joined Salomon Brothers Asia Ltd., finally served as Chief Financial Officer and Chief Administrative Officer Feb. 1999 General Manager of Financial Affairs Division of Nikko Salomon Smith Barney Securities, Ltd. Jan. 2004 Managing Executive Officer and General Manager of Financial Affairs Division of Citigroup Global Markets Japan, Inc. Jan. 2006 Advisor of Citigroup Global Markets Japan, Inc. Jun. 2010 Left Citigroup Global Markets Japan, Inc. Jul. 2010 Established Kawashima CPA Office Nov. 2011 External Auditor of Citibank Japan, Ltd. Jun. 2012 Outside Company Auditor of the former Japan Display Inc. Apr. 2013 Outside Company Auditor of the Company (current position)  [Significant concurrent positions outside the Company] Head of Kawashima CPA Office	0
[Reason for nomination as a candidate for Outside Company Auditor] Mr. Toshiaki Kawashima has specialist knowledge and deep insight obtained through his many years' experience working as a CPA and executing financial operations at financial institutions, and the Company proposes that he continue to be elected as an Outside Company Auditor because he is capable of conducting audits properly from an objective perspective.			

- Notes: 1. The Japan Display Inc. that ceased to exist in the merger on April 1, 2013 (trade name changed on March 30, 2012, from Japan Display Integration Preparatory Inc.) is noted as the former Japan Display Inc.
2. No conflict of interest exists between the Company and each of the above candidates.
3. Messrs. Youichi Etou and Toshiaki Kawashima are candidates for Outside Company Auditor.
4. The Company has entered into an agreement with Messrs. Kazuo Kawasaki, Youichi Etou and Toshiaki Kawashima to limit their liabilities of damages of Article 423, paragraph 1 of the Companies Act pursuant to the provisions of Article 427, paragraph 1 of the Companies Act. The maximum amount of liabilities of damages under the said agreement is the minimum liability amount stipulated in Article 425, paragraph 1 of the Companies Act. If their reelection is approved, the Company will continue the agreement with them.
5. Messrs. Youichi Etou and Toshiaki Kawashima are currently Outside Company Auditors of the Company. As of the conclusion of this Annual General Meeting of Shareholders, including their terms as Outside Company Auditors of the former Japan Display Inc., they both will have served for 5 years.
6. The Company has designated Messrs. Youichi Etou and Toshiaki Kawashima and as independent officers pursuant to the regulations of the Tokyo Stock Exchange. If their reelection is approved, the Company will continue their designation as independent officers.

**Proposal No. 4: Election of One (1) Substitute Company Auditor**

To prepare for a contingency in which the Company does not satisfy the number of Company Auditors required by laws and regulations, it is hereby requested that one (1) substitute Outside Company Auditor be elected in advance, in order to fill a vacancy of Outside Company Auditor, for the purpose of ensuring the continuity in audit operations.

The Board of Company Auditors has consented to this proposal. If a substitute Outside Company Auditor assumes the office of Company Auditor, his or her term of office shall be the remaining term of office of the retired Company Auditor.

The candidate for substitute Company Auditor is as follows:

Name (Date of birth)	Career summary, responsibilities at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
Keiichi Otsuka (October 8, 1955)  Re-elected Outside Independent	Oct. 1978 Registered as an accountant Nov. 1978 Entered Pricewaterhouse Accounting Office Aug. 1982 Registered as a Certified Public Accountant Jul. 1998 Representative Partner of Aoyama Audit Corporation Sep. 2006 Representative Partner of Aarata Audit Corporation (now PricewaterhouseCoopers Aarata LLC) Member of Oversight Board, Chair of Risk & Quality (R & Q) Committee of Aarata Audit Corporation Jun. 2016 Audit & Supervisory Board Member of TBK Co., Ltd. (current position) Jul. 2016 Established Otsuka CPA Office Advisor of PricewaterhouseCoopers Aarata LLC (current position) [Significant concurrent positions outside the Company] Advisor of PricewaterhouseCoopers Aarata LLC Audit & Supervisory Board Member of TBK Co., Ltd. Representative of Otsuka CPA Office	0
	[Reason for nomination as a candidate for substitute Outside Company Auditor] Though Mr. Keiichi Otsuka has no direct experience of participating in corporate management, the Company believes that he will be able to audit the execution of duties by Directors from an objective and fair standpoint based on his wealth of experience and broad insight obtained through conducting accounting audits at many financial institutions and operating companies as a representative partner of audit corporations. Therefore, the Company proposes that he should be a substitute Company Auditor.	

- Notes: 1. No conflict of interest exists between the Company and the above candidate.
2. Mr. Keiichi Otsuka is a candidate for substitute Outside Company Auditor.
3. If Mr. Keiichi Otsuka assumes the office of Company Auditor, the Company will enter into an agreement with Mr. Otsuka to limit his liability for damages of Article 423, paragraph 1 of the Companies Act pursuant to the provisions of Article 427, paragraph 1 of the Companies Act. The maximum amount of liabilities of damages under the said agreement is the minimum liability amount stipulated in Article 425, paragraph 1 of the Companies Act.
4. Mr. Keiichi Otsuka fulfills the requirements for an independent officer pursuant to the regulations of the Tokyo Stock Exchange, and the Company plans to notify the Tokyo Stock Exchange of his designation as independent officer if Mr. Otsuka assumes the office of Outside Company Auditor.

**Proposal No. 5:** Determination of the Amount and Details of Remuneration to Directors Provided as Stock Options

At an Extraordinary Shareholders Meeting held on March 27, 2013, the shareholders' approval was given for annual remuneration for JDI's directors of up to ¥250 million. As remuneration within the foregoing amount, JDI requests that shareholders approve a grant of stock options up to the amount of ¥60 million to one (1) director of JDI. The total amount of remuneration as stock options to be granted will be the product obtained by multiplying the fair value of one stock option by the total number of stock options allotted. The subject of this allotment is a Director to be newly elected who is not an Outside Director.

1. Reason for issuing stock acquisition rights as stock options

The purpose of issuing the stock acquisition rights as stock options is to give the director further incentive to strive for improvement of JDI's performance and an increase in JDI's corporate value. The stock acquisition rights will be issued to the director as stock options, under the following terms and conditions.

2. Terms and conditions for the issuance of the stock acquisition rights

(1) Class and number of shares to be delivered upon exercise of the stock acquisition rights

Up to 400,000 shares of JDI's common stock

However, if subsequent to the date on which this proposal is approved (the "Resolution Date"), JDI conducts a stock split or stock consolidation, the number of shares to be delivered upon exercise of the stock acquisition rights (the "Number of Shares Granted") will be adjusted according to the formula below; provided, however, that this adjustment will only be made on the Number of Shares Granted that have not yet been exercised up to that time. Any fractional shares resulting from this adjustment will be disregarded.

Adjusted No. of shares = Pre-adjustment No. of shares × Ratio of stock split or stock consolidation

Furthermore, if subsequent to the Resolution Date, JDI conducts a capital decrease, merger or company split or any other event occurs necessitating adjustment of the Number of Shares Granted, the number of shares will be reasonably adjusted taking into account the terms and conditions of the capital decrease, merger, company split or other event.

(2) Total number of stock acquisition rights to be issued

The maximum number will be 4,000 (the Number of Shares Granted is 100; however, if an adjustment of the number of shares as stipulated in (1) above is carried out, the Number of Shares Granted will be adjusted accordingly.).

(3) Stock acquisition right pay-in amount

The pay-in amount will be the fair price as calculated on the date on which the stock option is allotted (the "Allotment Date") using the Black-Scholes model. In lieu of payment of the pay-in amount, the person to whom the stock acquisition right will be allotted will set off his/her payment obligation against his/her claims for his/her remuneration against JDI.

(4) Value of assets contributed upon exercise of stock acquisition right or method for calculating that value

The value of assets to be contributed upon the exercise of a stock acquisition right is the amount obtained by multiplying (a) the pay-in amount (the "Strike Price") per one share of stock that may be received through the exercise of the stock acquisition right by (b) the Number of Shares Granted.

The Strike Price is the amount obtained by multiplying (a) the average value of the closing price in regular trading (the "Closing Price") of common shares of JDI on the Tokyo Stock Exchange on all days (excluding any day on which no such shares were traded) during the last six months prior to the month in which the Allotment Date falls by (b) 1.05 (rounded up to the nearest whole yen); provided, however, that if the amount obtained is less than the Closing Price on the Allotment Date (if there is no Closing Price on that day, then the Closing Price on the immediately preceding trading day), then the Strike Price will be the Closing Price on the Allotment Date.

If subsequent to the Allotment Date any of the following events occurs, the value of assets to be contributed will be the amount obtained by multiplying the Number of Shares Granted by the Strike Price as adjusted according to the relevant formula below (rounded up to the nearest whole yen).

- (i) In the event JDI undergoes a stock split or stock consolidation

$$\text{Adjusted Strike Price} = \frac{\text{Pre-adjustment Strike Price}}{\text{Ratio of stock split or stock consolidation}} \times \frac{1}{\text{Ratio of stock split or stock consolidation}}$$

- (ii) Issuance by JDI of shares for subscription at a price lower than market price (including issuance of shares through gratis allotment of shares or delivery of treasury shares; excluding cases when of exercise of stock acquisition rights (including bonds with stock acquisition rights), cases of issuance of new shares at a fair price and cases conversion of convertible securities into JDI's common shares)

$$\text{Adjusted Strike Price} = \frac{\text{Pre-adjustment Strike Price} \times \left( \frac{\text{No. of already issued shares} + \frac{\text{No. of newly issued shares} \times \text{Pay-in price per share}}{\text{Share price prior to new issuance}}}{\text{No. of already issued shares} + \text{No. of newly issued shares}} \right)}{\text{Share price prior to new issuance}}$$

“No. of already issued shares” in the above formula means the number of issued shares of JDI less the number of treasury shares; if treasury shares are disposed of, the term “No. of newly issued shares” will be replaced by “No. of disposed shares” and “amount paid per share” will be replaced by “disposal price per share.”

- (iii) If JDI conducts a capital decrease, merger or company split or any other event occurs necessitating adjustment of the Strike Price, the Strike Price will be reasonably adjusted taking into account the terms and conditions of the capital decrease, merger, company split or other event.

- (5) Period during which the stock acquisition rights may be exercised

The exercise period for the stock acquisition rights will be starting from the second anniversary of the date of the Board of Directors decision concerning allotment of the stock acquisition rights and ending at the date decided by the Board of Directors that is within 10 years from the date of the Board of Directors decision concerning allotment of the stock acquisition rights (if such ending date is not a JDI's business day, then the immediately preceding business day).

- (6) Conditions for exercise of the stock acquisition rights

- (i) If the stock option holder was subject to a disciplinary discharge, resignation under instruction or similar disciplinary measure or other punishment from JDI or one of its subsidiaries, he/she may not exercise any of the stock options he/she holds; provided, however, that this will not apply when his/her exercise of the stock option is specially approved by a resolution of the Board of Directors.
- (ii) If the stock option holder becomes an employee or officer of a company which is substantially in competition with JDI, he or she may not exercise stock acquisition rights unless he or she obtains a written consent of JDI prior to the exercise of stock acquisition rights.
- (iii) Other conditions will be provided for in a stock option allotment agreement to be entered into between JDI and the stock option holder pursuant to a resolution of the Board of Directors.

- (7) Matters related to the increase in stated capital and capital reserve when shares are issued through the exercise of stock acquisition rights

The amount of capital increase when shares are issued through the exercise of the stock acquisition rights shall be one half of the Increase Limit of Stated Capital, Etc. calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Accounting of Companies (rounded up to the nearest whole yen) and the remainder will be allocated to capital reserve.

- (8) Restriction on transfer of stock acquisition rights

Acquisition of the stock acquisition rights through a transfer must be approved by JDI's Board of Directors.

(9) Acquisition of stock acquisition rights by JDI

JDI, on a date separately determined by its Board of Directors, may acquire some or all of the stock acquisition rights without providing compensation. If only a part of the stock acquisition rights are to be acquired, the Board of Directors will determine upon a resolution which will be acquired.

(10) Other matters concerning stock acquisition rights

To be decided at the meeting of JDI's Board of Directors at which matters concerning the subscription of the stock acquisition rights are decided.

## Guidance on Exercising Voting Rights

Voting rights can be exercised through the following 3 methods.

### **Attendance at Shareholders' Meeting**

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Please bring the enclosed voting form and submit it to the receptionist. (You do not need to affix your personal seal.)

Date and Time: Wednesday, June 21, 2017, at 10 a.m. (Reception begins at 9 a.m.)

Venue: Hikarie Hall on the 9th floor, Shibuya Hikarie

### **Exercising Voting Rights by Mail**

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Please indicate your vote for or against each of the proposals on the enclosed voting form, and send via post without attaching stamp.

Exercise Deadline: Must be received by 5:30 p.m. on Tuesday, June 20, 2017

### **Exercising Voting Rights on the Internet, etc.**

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Use a personal computer, smartphone or mobile phone to access the voting website (<http://www.web54.net>; available in Japanese only) operated by the Company's shareholder registry administrator. Enter your "Voting Rights Exercise Code" and "Password" noted on the enclosed voting form. Follow the instructions provided and enter whether you are for or against each item. Please refer to page 20 for notes on the exercise of voting rights on the Internet, etc.

Exercise Deadline: 5:30 p.m. on Tuesday, June 20, 2017

For operational inquiries related to PCs, etc.

Sumitomo Mitsui Trust Bank, Limited

Securities Agent Web Support Hotline (dedicated line)

Telephone: 0120-652-031

(Business hours: 9 a.m. to 9 p.m.)

### **Voting Rights Electronic Exercise Platform**

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Institutional investors may use the "Voting Rights Electronic Exercise Platform" operated by ICJ Inc. for this General Meeting of Shareholders as a means of exercising voting rights electromagnetically.

**Notes on the exercise of voting rights on the Internet, etc.**

When exercising voting rights on the Internet, please be aware of the following before casting your vote.

1. Use of the password and voting right exercise code
  - (1) The password is an important means to verify the identity of persons exercising their voting right as the shareholders in question. Please be sure to keep the password, as well as your registered seal and security code, in a safe place.
  - (2) If you repeatedly enter the wrong password, the Internet-based voting system will be locked after a designated number of incorrect entries, rendering further operation unavailable. To have your password reissued, follow the instructions shown on the screen.
  - (3) The voting right exercise code supplied on the enclosed voting form is valid only for this General Meeting of Shareholders.
2. Exercise of voting rights
  - (1) You are responsible for paying any fees, such as connection fees to Internet providers and communication fees to telecommunications providers in order to use the website for exercising your voting rights. If you use a smartphone or mobile phone, you are also responsible for paying any fees, such as packets communication charges and any other charges required for using a mobile phone.
  - (2) Although your vote on the Internet will be accepted until 5:30 p.m., Tuesday, June 20, 2017, we ask that you please exercise your voting rights at your earliest convenience.

**System requirements**

If you exercise your voting rights on the Internet, etc., please confirm your Internet environment meet the following requirements.

1. Accessing the voting website through PCs
  - (1) The PC's monitor resolution must be at least 800 x 600 pixels (wide by long – SVGA).
  - (2) The following applications must be installed on the PC:
    - i) As your web browser, Microsoft® Internet Explorer Ver. 5.01 SP2 or later
    - ii) As your PDF file viewer, Adobe® Acrobat® Reader® Ver. 4.0 or later, or Adobe® Reader® Ver. 6.0 or later

\* Internet Explorer, Adobe® Acrobat® Reader® and Adobe® Reader® are registered trademarks, trademarks, or product names of Microsoft Corporation of the United States and Adobe Systems Incorporated of the United States, respectively, in the United States and other countries.

\* These kinds of software are distributed electronically through the website of each company free of charge.
  - (3) If you use the “pop-up blocker” function on your web browser or by other means such as an add-in tool, please ensure that the function is disabled (or temporarily disabled), and that the voting site has permission to use “cookies” in your web privacy settings.
  - (4) If you cannot access the site above, please check the settings of your firewall, proxy server, antivirus software, and the like, as the configuration of this software could restrict connection to the Internet.
2. Accessing the voting website through smartphone terminals or mobile phone terminals
 

Either of the following services must be available, and models to be used must be those capable of 128 bit SSL (Secure Socket Layer) and encrypted communication.

  - (i) i-mode (ii) EZweb (iii) Yahoo! Keitai

\* The above are either trademarks, registered trademarks or service names of the companies in parentheses: i-mode (NTT DOCOMO, Inc.), EZweb (KDDI Corporation), Yahoo! (Yahoo! Inc. of the United States) and Yahoo! Keitai (SoftBank Corp.), respectively.

\* Regardless of whether the mobile phone fulfill the above conditions, when you access the voting website via a full browser application by mobile phone, or by using a phone system as only for data communication terminal to access through PC, or by using smartphone, such access means will be taken as equivalent to voting using a PC.

Please contact the Hotline of Sumitomo Mitsui Trust Bank, Limited for inquiries about voting on the Internet, etc.

(Attached Documents)

## **Business Report (April 1, 2016 to March 31, 2017)**

### **1. Status of the Corporate Group**

#### (1) Operating performance of the fiscal year under review

##### i) Operating performance

During the fiscal year ended March 31, 2017, the small and medium-sized display market showed signs of maturing due to global spread of smartphones, which resulted in the low growth rate of the market continuing from the previous fiscal year. However, against this background, products with a Full-HD (with a resolution of 1,080 x 1,920 pixels) or higher resolution displays recorded higher growth rate than that of the overall market due to increased replacement demand for high-resolution model smartphones. Among the new models launched by smartphone manufacturers, high resolution displays were used in many mid-tier or higher models of smartphones, expanding the needs for organic light emitting diode (OLED) displays manufactured by the Company's competitors as well as low-temperature polycrystalline silicon (LTPS) displays in which the Company has strengths.

The JDI Group's sales of smartphone displays to China expanded mainly due to growth in demand for high resolution displays and the recovery of the share. However, sales for US/Europe regions and Asian regions other than China fell. As a result, net sales for the fiscal year ended March 31, 2017 declined year on year.

The status by product application category is discussed below.

#### **Mobile device category**

This category includes displays for smartphones, tablets, and mobile phones. In the fiscal year ended March 31, 2017, net sales in the mobile device category totaled ¥728,641 million (down 13.1% year on year), accounting for 82.4% of overall net sales.

During the fiscal year ended March 31, 2017, overall net sales declined affected by the stronger yen against US dollar compared to the previous fiscal year. In this environment, sales to China increased primarily due to recovery of market share. However, sales to US/Europe regions fell year on year largely owing to decline in the blended average selling price due to the change in the product mix. Sales in other regions decreased mainly due to the absence of large orders received in the previous fiscal year.

#### **Automotive electronics, non-mobile category**

This category includes displays for automobiles, displays for consumer products, such as digital cameras and game devices, displays for industrial equipment, such as medical monitors, and certain other revenue sources including intellectual property revenue. In the fiscal year ended March 31, 2017, net sales of the automotive electronics and non-mobile category totaled ¥155,798 million (up 3.2% year on year), accounting for 17.6% of overall net sales.

During the fiscal year ended March 31, 2017, against the backdrop of robust automobile sales in Western Europe and the United States, sales of displays for automotive electronics exceeded the previous fiscal year. However, sales of displays for consumer products, such as digital cameras, decreased. As a result, net sales in the category were nearly unchanged from the previous fiscal year.

The JDI Group continued to focus on management reforms to increase market competitiveness, implementing policies aimed at “lowering the break-even point,” “achieving sound cash flows,” “reforming mindset,” and “CRM activities aimed at strengthening relationships with customers,” and we sought to improve operating income. The Group also implemented structural reforms to strengthen future competitiveness, consisting in the “closure of certain domestic front-end manufacturing (LCD panel manufacturing) lines,” “measures aiming for streamlining back-end manufacturing in China,” and “introduction of a support system for early retirement,” and we succeeded in improving operating income by reducing assets that are not competitive and cutting fixed costs.

The JDI Group also focused on structure reforms of the business conditions where the mobile device category accounts for more than 80% of total net sales of the Company and displays large fluctuations in its demand. These reforms were based on three policies such as “expanding the automotive business,” “developing and commercializing new business,” and “enhancing the technology portfolio.” As part of this, in March 2017, in the automotive category, where demand is expected to grow in the future, we decided to expand LCD panel production capacity at the Tottori Plant, which is the Group’s largest production base for automotive LCD panels, and establish an automated assembly line for the trial production and development of advanced automotive LCD modules.

Furthermore, during the fiscal year under review, to ensure its stable and long-term growth and the further improvement of its corporate value, the JDI Group procured funds totaling ¥75 billion by issuing unsecured subordinated convertible bonds with stock acquisition rights with a face value of ¥45 billion through a third-party allotment to Innovation Network Corporation of Japan (INCJ) and receiving a subordinated loan of ¥30 billion from INCJ. The JDI Group will appropriate the funds procured through the unsecured subordinated convertible bonds with stock acquisition rights for the research and development for printing OLED, and will appropriate the funds raised through the subordinated loan for the research and development for evaporation OLED.

The JDI Group recognizes the need for further reform in its business and cost structures in consideration of the change in the display market resulted from the acceleration of the use of OLED displays in smartphones. The JDI Group therefore considers the implementation of new policies including restructuring. Accordingly, the JDI Group will endeavor to reduce uncertainties in its management and improve its profit performance. Based on a consideration of the effects of these policies along with a future earnings plan currently under review, JDI carefully examined the recoverability of deferred tax assets and decided to reverse these deferred tax assets. In the fourth quarter of the fiscal year under review, it acted to reverse deferred tax assets in the amount of ¥20,943 million and account for this sum as a corporate income tax adjustment.

As a result of the above, the JDI Group’s net sales in the fiscal year ended March 31, 2017 were ¥884,440 million (down 10.6% year on year). Operating income was ¥18,502 million (up 10.7% year on year) as a result of the emergence of the effects of management reforms and other reasons. With regard to ordinary income, the Company recorded ordinary loss of ¥8,871 million (ordinary loss of ¥12,934 million for the same period last year). This was mainly due to a sharp shift toward yen appreciation in the dollar-yen exchange rate in the first half of the fiscal year under review, in addition to foreign exchange losses incurred when repaying some long-term liabilities that accrued during a period of extremely strong yen in the past, reflected in non-operating expenses of foreign exchange losses of ¥11,211 million and share of loss of entities accounted for using the equity method in relation to equity method affiliate JOLED Inc.

Moreover, loss attributable to owners of parent for this fiscal year amounted to ¥31,664 million (loss attributable to owners of parent for the same period last year was ¥31,840 million). This was mainly due to the reversal of deferred tax assets mentioned above.

## ii) Capital investments

The JDI Group’s total capital investments during the fiscal year ended March 31, 2017, was ¥112,135 million (consolidated), including the ¥47,225 million investment in the new G6 LCD

panel production line in Hakusan City, Ishikawa Prefecture in the fiscal year under review; the ¥18,760 million investment in facilities for the OLED G6 half-line at the Mobarra Plant (J1 Line); the ¥9,205 million investment in production equipment for new products; and the ¥7,528 million investments in production equipment of back-end manufacturing lines overseas.

iii) Financing

For the purpose of financing working capital in an efficient and stable manner, the Company has entered into contracts for commitment lines aggregating ¥60,000 million with major financial institutions.

The JDI Group also raised funds by issuing Japan Display Inc. 1st series unsecured subordinated convertible bonds with stock acquisition rights with a face value of ¥45,000 million through a third-party allotment to Innovation Network Corporation of Japan (INCJ) and receiving a subordinated loan of ¥30,000 million from INCJ.

## (2) Financial position and profit/loss

## i) Financial position and profit/loss of the JDI Group

	12th fiscal year	13th fiscal year	14th fiscal year	15th fiscal year (the fiscal year under review)
	From April 1, 2013 to March 31, 2014	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016	From April 1, 2016 to March 31, 2017
Net sales (Millions of yen)	614,567	769,304	989,115	884,440
Operating income (Millions of yen)	27,624	5,147	16,710	18,502
Ordinary income (loss) (Millions of yen)	19,072	1,864	(12,934)	(8,871)
Profit (loss) attributable to owners of parent (Millions of yen)	33,918	(12,270)	(31,840)	(31,664)
Net income (loss) per share (Yen)	135.09	(20.42)	(52.94)	(52.65)
Total assets (Millions of yen)	758,975	831,622	813,861	915,631
Net assets (Millions of yen)	405,144	402,626	365,249	327,085
Net assets per share (Yen)	673.28	666.92	603.83	540.16

Note: The JDI Group adopted “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan [ASBJ] Statement No. 21, published September 13, 2013) and other standards. Accordingly, “net income” has been changed to “profit attributable to owners of parent” from the fiscal year ended March 31, 2016.

## ii) Financial position and profit/loss of the Company

	12th fiscal year	13th fiscal year	14th fiscal year	15th fiscal year (the fiscal year under review)
	From April 1, 2013 to March 31, 2014	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016	From April 1, 2016 to March 31, 2017
Net sales (Millions of yen)	590,880	750,983	991,739	851,660
Operating income (loss) (Millions of yen)	13,913	(7,563)	12,487	9,428
Ordinary income (loss) (Millions of yen)	7,565	(5,023)	473	(15,510)
Net income (loss) (Millions of yen)	30,395	(14,238)	(9,690)	(33,048)
Net income (loss) per share (Yen)	121.06	(23.69)	(16.11)	(54.95)
Total assets (Millions of yen)	704,890	773,807	783,357	899,083
Net assets (Millions of yen)	352,401	336,687	327,087	294,023
Net assets per share (Yen)	586.57	559.98	543.83	488.81

## (3) Significant parent company and subsidiaries

## i) Parent company

Not applicable.

## ii) Significant subsidiaries

Name	Capital	Percentage of voting rights held by the Company	Main business
JDI Display America, Inc.	US\$200 thousand	100.0	Sales of small- to medium-sized displays
JDI Europe GmbH	€5,000 thousand	100.0	Sales of small- to medium-sized displays
JDI China Inc.	US\$2,500 thousand	100.0	Sales of small- to medium-sized displays
JDI Hong Kong Limited	HK\$1,500 thousand	100.0	Sales of small- to medium-sized displays
JDI Korea Inc.	KRW600 million	100.0	Sales of small- to medium-sized displays
Taiwan Display Inc.	NT\$470 million	100.0	Sales of small- to medium-sized displays, etc.
Suzhou JDI Devices Inc.	US\$45 million	100.0	LCD module assembly
Suzhou JDI Electronics Inc.	CNY1,043 million	100.0	LCD module assembly
Shenzhen JDI Inc.	US\$22 million	78.2	Production and sales of backlight units for LCD modules
Nanox Philippines Inc.	¥954 million	81.0	LCD module assembly; Sales of small- to medium-sized displays
Kaohsiung Opto-Electronics Inc.	NT\$500 million	100.0	Design and assembly of LCD modules

## iii) Specified wholly owned subsidiaries at the end of the fiscal year under review

Not applicable.

## (4) Issues to address

In the growing small- to medium-sized display market, the JDI Group has positioned the following issues as matters of the utmost importance, and will prioritize efforts to address these issues in order to maintain a competitive advantage and continue to achieve growth and maximize profits.

## (i) The JDI Group's Perception of the Status Quo

Aiming to establish itself as a leading global manufacturer of small- to medium-sized displays that has both technological and production capabilities, the JDI Group has endeavored to further strengthen its technological capabilities that surpass its customers' requirements and secure production capabilities, and invested capital expenditure, etc. into ongoing R&D activities and production lines that enhance such capabilities.

Although the smartphone market, which represents a large portion of the Company's business, continues to grow at the present, the speed of growth has slackened due to slowdown in the Chinese market, which was the growth driver. In the market for high-priced smartphones of \$200 or more, which is the main target of the Company's business, the competitive environment has become more severe due to the report of a leading handset maker's adoption of organic EL (OLED) displays, a Korean manufacturer's aggressive marketing for OLED display, and improvements in display resolutions and establishment of new G6 LTPS plants by competitors in China and Taiwan. In addition, the market for smartphone displays has large fluctuations in demand depending on seasonality and sales trends of specific product models. Since net sales of the mobile category centered on smartphones accounts for approximately 80% of the Company's overall sales, the volatility of quarterly earnings is significant.

## (ii) Issues to be addressed and approaches to addressing such issues

## i) Response to the Intensification of Competition in the Smartphone Market

To withstand the intensification of competition in the smartphone market, regain lost ground in the Chinese market on the basis of technological capabilities and cost competitiveness, and build a stable profit base in the medium and long term, in fiscal year 2016, the JDI Group set out and implemented management policies, namely: (1) adherence to the management reform project, (2)

further reduction of fixed costs through the thorough implementation of structural reforms, and (3) creation of a stable profit base for the future through business structure reforms. As a result, we successfully pushed forward with lowering the breakeven point. The JDI Group will continue to implement these initiatives in fiscal year 2017 onwards.

ii) Promotion of investment in Research and Development

In the small and medium sized display industry, in order to continue to meet the needs of evolving markets, further improvement of technical capabilities and the pursuit of continuous technological innovation have become indispensable. As such, investment in research and development for implementing these measures is increasingly important.

In fiscal year 2016, we developed platform technologies for new products such as FULL ACTIVE™ as a display that realizes remarkably narrower bezels including the top and bottom sides compared conventional displays, FULL ACTIVE™ FLEX loaded with flexible technology, and flexible OLED. FULL ACTIVE™ is scheduled to be launched on the market in fiscal year 2017. The application of these platforms is not limited to the smartphone market, but also to new markets such as automobiles, PCs, VR/AR, medical, education, and industrial fields.

In fiscal year 2017, the Company will accelerate the development of OLED displays. We will endeavor to establish OLED display technologies superior to competitors both in terms of resolution and productivity by developing and adopting new technologies different from competitors in deposition masks and evaporation methods/equipment. From this summer we plan to start mass production prototyping on the 6th generation line of the Mobara Plant, for the 5.5 inch real Full-HD (401 ppi) Advanced-LTPS flexible OLED by using the side-by-side (SBS) technology which realizes high definition and with which we have already successfully developed samples.

iii) Further Enhancement of Cost Competitiveness

The JDI Group will continue to further advance management reforms from fiscal year 2016 in order to transform to a business structure that can secure profits without being affected by the business environment. In fiscal year 2017 in particular, the trend toward adopting OLED displays is accelerating in the smartphone market, and we recognize the necessity of further reforms in our business structure and cost structure as a group to meet changes in the market. The JDI Group will consider measures for a major fixed cost reduction that is compatible with the scale of the business until the full expansion of non-mobile business including the automotive and new businesses, which JDI is currently focused on.

iv) Business Structure Reforms

At present approximately 80% of the JDI Group's sales are from products in the mobile category including mainly smartphones, and the group has very volatile revenue due to large fluctuations in demand for smartphone displays. On the other hand, demand for displays in non-mobile category including automobiles has relatively small fluctuations and high profitability. The JDI Group will actively promote business structure reforms, aiming to achieve the production ratio of non-mobile business of 50% in the medium term.

Specifically, we will strengthen the automotive display business, expand the medium-sized display business such as for 2-in-1 note PCs, and accelerate expansion of reflective LCD business. For smartphones, we are quickly bringing displays that have competitive advantage using the JDI Group's technological strength to the market and accelerating our actions toward the early mass production of OLED displays.

(5) Main business (As of March 31, 2017)

The JDI Group's main business is the development, design, production and sale of small- and medium-sized display devices and related products.

## (6) Major offices and plants (As of March 31, 2017)

## i) The Company's offices and plants

Headquarters	Minato-ku, Tokyo	
Western Japan Office	Osaka City, Osaka	
Ebina Office	Ebina City, Kanagawa	
Tottori Plant	Tottori City, Tottori	
Higashiura Plant	Higashiura Town, Chita County, Aichi	
Ishikawa Site	Ishikawa Plant	Kawakita Town, Nomi County, Ishikawa
	Nomi Plant	Nomi City, Ishikawa
	Hakusan Plant	Hakusan City, Ishikawa
Mobara Plant	Mobara City, Chiba	

## ii) Major subsidiaries' offices and plants

JDI Display America, Inc.	Headquarters: U.S.A.
JDI Europe GmbH	Headquarters: Germany
JDI China Inc.	Headquarters: China
JDI Hong Kong Limited	Headquarters: Hong Kong
JDI Korea Inc.	Headquarters: South Korea
Taiwan Display Inc.	Headquarters: Taiwan
Suzhou JDI Devices Inc.	Headquarters: China
Suzhou JDI Electronics Inc.	Headquarters: China
Shenzhen JDI Inc.	Headquarters: China
Nanox Philippines Inc.	Headquarters: Philippines
Kaohsiung Opto-Electronics Inc.	Headquarters: Taiwan

## (7) Employees (As of March 31, 2017)

## Employees of the corporate group

Number of employees	Increase (decrease) from the previous fiscal year-end
13,173	Decrease of 2,549

Note: The number of employees is the number of employees actually at work.

## (8) Major lenders (As of March 31, 2017)

Lenders	Outstanding borrowing (Millions of yen)
Innovation Network Corporation of Japan	30,000
Mizuho Bank, Ltd.	10,000
Sumitomo Mitsui Banking Corporation	10,000
Sumitomo Mitsui Trust Bank, Limited	5,000
The Chiba Bank, Ltd.	500
The Hokkoku Bank, Ltd.	200

**2. Status of the Company**

## (1) Shares (As of March 31, 2017)

- i) Total number of shares authorized: 1,840,000,000 shares
- ii) Total number of outstanding shares: 601,411,900 shares
- iii) Number of shareholders: 71,975
- iv) Major shareholders

Name of shareholders	Number of shares	Shareholding ratio (%)
Innovation Network Corporation of Japan	214,000,000	35.6
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	21,464,669	3.6
GOLDMAN SACHS INTERNATIONAL	14,726,956	2.4
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	10,766,287	1.8
Sony Corporation	10,700,000	1.8
Japan Trustee Services Bank, Ltd. (Trust Account)	10,450,100	1.7
Japan Trustee Services Bank, Ltd. (Trust Account 9)	7,866,100	1.3
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,859,200	1.1
The Master Trust Bank of Japan, Ltd. (Trust account)	6,551,500	1.1
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	6,063,900	1.0

## (2) Stock acquisition rights, etc.

## i) Stock acquisition rights held by the Company's officers at the end of the fiscal year under review that were delivered as consideration for their performance of duties

	1st stock option	2nd stock option	
Resolution date of issuance	March 27, 2013	March 27, 2013	
Number of stock acquisition rights	80,780	12,980	
Class and number of shares underlying stock acquisition rights	Common stock 8,078,000 shares (100 shares per unit)	Common stock 1,298,000 shares (100 shares per unit)	
Amount to be paid in for stock acquisition rights	No payment is required for stock acquisition rights.	No payment is required for stock acquisition rights.	
Value of the property to be contributed when stock acquisition rights are exercised	¥50,000 per unit (¥500 per share)	¥50,000 per unit (¥500 per share)	
Exercise period	From June 28, 2014 to June 27, 2022	From June 28, 2014 to June 27, 2022	
Conditions for exercising stock acquisition rights	Note 1	Note 1	
Stock acquisition rights held by officers	Directors (excluding Outside Directors)	Number of stock acquisition rights: 2,160	Number of stock acquisition rights: 840
		Number of shares underlying stock acquisition rights: 21,600	Number of shares underlying stock acquisition rights: 84,000
		Number of holders: 1	Number of holders: 1
	Outside Directors	Number of stock acquisition rights: 0	Number of stock acquisition rights: 0
		Number of shares underlying stock acquisition rights: 0	Number of shares underlying stock acquisition rights: 0
		Number of holders: 0	Number of holders: 0
	Company Auditors	Number of stock acquisition rights: 2,160	Number of stock acquisition rights: 840
		Number of shares underlying stock acquisition rights: 216,000	Number of shares underlying stock acquisition rights: 84,000
		Number of holders: 1	Number of holders: 1

- With the April 1, 2013 merger, 1st stock option and 2nd stock option were delivered to holders of the former Japan Display Inc. stock acquisition rights. (\*) The resolution date of issuance was noted as the day on which the merger agreement was approved by a resolution passed at the Annual General Meeting of Shareholders.
- The stock acquisition rights held by Company Auditors are those granted to them when they were enrolled as employees.
- With the 100-for-1 stock split executed on January 28, 2014, adjustments have been made to both the "Class and number of shares underlying stock acquisition rights" and the "Value of the property to be contributed when stock acquisition rights are exercised."

(\*) Japan Display Inc. that ceased to exist in the merger on April 1, 2013 is noted as the former Japan Display Inc.

Note 1: The conditions for exercising stock acquisition rights are as follows:

- Regardless of the exercise period stipulated above, stock acquisition rights may not be exercised until the day on which one year has elapsed since the listing of the Company's common stock.
- A holder of stock acquisition rights may not, in principle, exercise any stock acquisition rights held, if said holder of stock acquisition rights has been punitively dismissed from the Company or a subsidiary of the Company, or has been instructed to retire or received an equivalent disciplinary action.
- A holder of stock acquisition rights may not, in principle, exercise one-half of stock acquisition rights held if said holder of stock acquisition rights voluntarily retires from the Company or a subsidiary of the Company.
- A holder of stock acquisition rights may not, in principle, exercise stock acquisition rights if said holder of stock acquisition rights has taken a position as an officer or employee of a company that effectively competes with the Company.
- In principle, stock acquisition rights may not be succeeded to another individual.
- Other conditions for exercising stock acquisition rights shall be pursuant to the "Stock Acquisition

Rights Allotment Agreement” concluded between the Company and the holders of stock acquisition rights.

	6th stock option	7th stock option	
Resolution date of issuance	October 30, 2013	October 30, 2013	
Number of stock acquisition rights	24,610	340	
Class and number of shares underlying stock acquisition rights	Common stock 2,461,000 shares (100 shares per unit)	Common stock 34,000 shares (100 shares per unit)	
Amount to be paid in for stock acquisition rights	No payment is required for stock acquisition rights.	No payment is required for stock acquisition rights.	
Value of the property to be contributed when stock acquisition rights are exercised	¥65,000 per unit (¥650 per share)	¥65,000 per unit (¥650 per share)	
Exercise period	From October 31, 2015 to October 30, 2023	From October 31, 2015 to October 30, 2023	
Conditions for exercising stock acquisition rights	Note 2	Note 2	
Stock acquisition rights held by Officers	Directors (excluding Outside Directors)	Number of stock acquisition rights: 1,660	Number of stock acquisition rights: 340
		Number of shares underlying stock acquisition rights: 166,000	Number of shares underlying stock acquisition rights: 34,000
		Number of holders: 1	Number of holders: 1
	Outside Directors	Number of stock acquisition rights: 0	Number of stock acquisition rights: 0
		Number of shares underlying stock acquisition rights: 0	Number of shares underlying stock acquisition rights: 0
		Number of holders: 0	Number of holders: 0
	Company Auditors	Number of stock acquisition rights: 0	Number of stock acquisition rights: 0
		Number of shares underlying stock acquisition rights: 0	Number of shares underlying stock acquisition rights: 0
		Number of holders: 0	Number of holders: 0

- With the 100-for-1 stock split executed on January 28, 2014, adjustments have been made to both the “Class and number of shares underlying stock acquisition rights” and the “Value of the property to be contributed when stock acquisition rights are exercised.”

Note 2: The conditions for exercising stock acquisition rights are as follows:

- i) A holder of stock acquisition rights may not, in principle, exercise any stock acquisition rights held, if said holder of stock acquisition rights has been punitively dismissed from the Company or a subsidiary of the Company, or has been instructed to retire or received an equivalent disciplinary action.
- ii) A holder of stock acquisition rights may not, in principle, exercise one-half of stock acquisition rights held if said holder of stock acquisition rights voluntarily retires from the Company or a subsidiary of the Company.
- iii) A holder of stock acquisition rights may not, in principle, exercise stock acquisition rights if said holder of stock acquisition rights has taken a position as an officer or employee of a company that effectively competes with the Company.
- iv) In principle, stock acquisition rights may not be succeeded to another individual.
- v) Other conditions for exercising stock acquisition rights shall be pursuant to the “Stock Acquisition Rights Allotment Agreement” concluded between the Company and the holders of stock acquisition rights.

		8th stock option
Resolution date of issuance		June 23, 2015
Number of stock acquisition rights		5,000
Class and number of shares underlying stock acquisition rights		Common stock 500,000 shares (100 shares per unit)
Amount to be paid in for stock acquisition rights		No payment is required for stock acquisition rights.
Value of the property to be contributed when stock acquisition rights are exercised		¥54,200 per unit (¥542 per share)
Exercise period		From June 24, 2017 to June 23, 2025
Conditions for exercising stock acquisition rights		Note 3
Stock acquisition rights held by Officers	Directors (excluding Outside Directors)	Number of stock acquisition rights: 5,000
		Number of shares underlying stock acquisition rights: 500,000
		Number of holders: 2
	Outside Directors	Number of stock acquisition rights: 0
		Number of shares underlying stock acquisition rights: 0
		Number of holders: 0
Company Auditors	Number of stock acquisition rights: 0	
	Number of shares underlying stock acquisition rights: 0	
	Number of holders: 0	

Note 3: The conditions for exercising stock acquisition rights are as follows:

- i) A holder of stock acquisition rights may not, in principle, exercise any stock acquisition rights held, if said holder of stock acquisition rights has been punitively dismissed from the Company or a subsidiary of the Company, or has been instructed to retire or received an equivalent disciplinary action.
- ii) A holder of stock acquisition rights may not, in principle, exercise one-half of stock acquisition rights held if said holder of stock acquisition rights voluntarily retires from the Company or a subsidiary of the Company.
- iii) A holder of stock acquisition rights may not, in principle, exercise stock acquisition rights if said holder of stock acquisition rights has taken a position as an officer or employee of a company that effectively competes with the Company.
- iv) In principle, stock acquisition rights may not be succeeded to another individual.
- v) Other conditions for exercising stock acquisition rights shall be pursuant to the “Stock Acquisition Rights Allotment Agreement” concluded between the Company and the holders of stock acquisition rights.

- ii) Stock acquisition rights delivered to employees, etc. as consideration for their performance of duties during the fiscal year under review

Not applicable.

- iii) Other important matters relating to stock acquisition rights, etc.

Stock acquisition rights attached to Japan Display Inc. 1st series unsecured subordinated convertible bonds with stock acquisition rights issued through a third-party allotment to Innovation Network Corporation of Japan

Resolution date of issuance	December 21, 2016
Number of stock acquisition rights	450
Class of shares underlying stock acquisition rights	Common stock
Number of shares underlying stock acquisition rights	The number obtained by dividing the total amount of the bonds, which is attached with the stock acquisition rights relating to an exercise request, by the conversion price that applies on the effective date of the exercise request. Any fractions less than one share that arise in the calculations are rounded down.
Amount to be paid in for stock acquisition rights	No payment is required for stock acquisition rights.
Conversion price	¥430 per share (The conversion price may be adjusted under certain conditions.)
Exercise period	From January 11, 2019 to December 27, 2023
Conditions for exercising stock acquisition rights	No stock acquisition right may be exercised in part.

## (3) Corporate Officers

## i) Directors and Company Auditors (As of March 31, 2017)

Title at the Company	Name	Responsibilities at the Company and significant concurrent positions outside the Company
Chairman and Representative Director	Mitsuru Homma	Chief Executive Officer
President and Representative Director	Shuji Aruga	Chief Operating Officer
Director	Koichiro Taniyama	Executive Managing Director, Innovation Network Corporation of Japan (INCJ); Outside Director, JOLED Inc.
Director	Katsuhiko Shirai	Chairman of The Open University of Japan; Outside Director, NIPPON TELEGRAPH AND TELEPHONE CORPORATION; Outside Director, inQs Co., Ltd.
Director	Hiroshi Kanno	Professor at Waseda Business School's Graduate School of Business and Finance Outside Director of WOWOW INC.; Outside Audit & Supervisory Board Member, STANLEY ELECTRIC CO., LTD.; External Director, MODEC, Inc.
Director	Hajime Sawabe	Adviser, TDK Corporation; Outside Auditor, Nikkei Inc.; Outside Director, EBARA CORPORATION
Standing Company Auditor	Kazuo Kawasaki	
Standing Company Auditor	Takao Yasuda	
Company Auditor	Youichi Etou	Representative Partner of Integral Law Office; Attorney at law; Outside Auditor, TSUNEISHI SHIPBUILDING Co., Ltd.; Outside Company Director, NICHIAS Corporation
Company Auditor	Toshiaki Kawashima	Head of Kawashima CPA Office

Notes: 1. Directors Koichiro Taniyama, Katsuhiko Shirai, Hiroshi Kanno and Hajime Sawabe are Outside Directors.

2. Company Auditors Youichi Etou and Toshiaki Kawashima are Outside Company Auditors.

3. Company Auditor Toshiaki Kawashima is qualified as Certified Public Accountant and has considerable expertise in finance and accounting.

4. The Company has designated Directors Katsuhiko Shirai, Hiroshi Kanno and Hajime Sawabe, and Company Auditors Youichi Etou and Toshiaki Kawashima as independent officers pursuant to the regulations of the Tokyo Stock Exchange and notified the stock exchange of the matter.

5. Mr. Takao Yasuda was newly elected and inaugurated as Company Auditor at the 14th Annual General Meeting of Shareholders held on June 21, 2016.

6. Company Auditor Mr. Yukihiro Sato resigned at the conclusion of the 14th Annual General Meeting of Shareholders held on June 21, 2016.

## ii) Overview of limited liability agreements

The Company has entered into an agreement with each of the Directors (excluding Directors who hold concurrent positions as executive officers, etc.) and each of the Company Auditors to limit their liabilities of damages of Article 423, paragraph 1 of the Companies Act pursuant to the provisions of Article 427, paragraph 1 of the Companies Act.

With this agreement, in the event that each of the Directors (excluding Directors who are Executive Directors, etc.) and Company Auditors causes damages to the Company due to negligence of his/her duties, and he/she acts in good faith without grossly negligence, the liabilities of damages of such Director or Company Auditor shall be the minimum liability amount pursuant to Article 425, paragraph 1 of the Companies Act.

## iii) Remuneration paid to Directors and Company Auditors

Total amount of remuneration paid for the fiscal year under review

Category	Number of persons	Amount of remuneration, etc. (Millions of yen)
Directors	5	150
(Of the above, Outside Directors)	(3)	(34)
Company Auditors	5	52
(Of the above, Outside Company Auditors)	(2)	(10)

- Notes:
1. Directors who hold concurrent positions as executive officers receive no remuneration as executive officers.
  2. At the Extraordinary Shareholders Meeting held on March 27, 2013, it was resolved to set Director compensation at or under an upper limit of ¥250 million per year.
  3. At the 12th Annual General Meeting of Shareholders held on June 24, 2014, it was resolved to set Company Auditor compensation at or under an upper limit of ¥70 million per year.
  4. The number of Directors and Company Auditors above includes one Company Auditor who retired at the conclusion of the 14th Annual General Meeting of Shareholders held on June 21, 2016 and does not include one Director who serves without compensation.
  5. The above amount of remuneration, etc. includes the amount recorded as expenses during the fiscal year under review (¥19 million for Directors) pertaining to stock acquisition rights granted as stock options.

## iv) Matters relating to outside directors

- a. Significant concurrent positions at other organizations and relations between such organizations and the Company.
  - Director Koichiro Taniyama is Executive Managing Director of Innovation Network Corporation of Japan (INCJ) and Outside Director of JOLED Inc. There are no special relationships between the Company and INCJ. The Company is a shareholder of JOLED Inc., holding 15.0% of the voting rights of JOLED Inc., and outsources development services to JOLED Inc.
  - Director Katsuhiko Shirai is Chairman of the Open University of Japan, Outside Director of NIPPON TELEGRAPH AND TELEPHONE CORPORATION, and Outside Director of inQs Co., Ltd. The Company is commissioned with sample manufacturing operations from inQs Co., Ltd.
  - Director Hiroshi Kanno is a Professor at Waseda Business School's Graduate School of Business and Finance, Outside Director of WOWOW INC., Outside Audit & Supervisory Board Member, STANLEY ELECTRIC CO., LTD., and External Director, MODEC, Inc. He was also Professor at the Graduate School of International Corporate Strategy, Hitotsubashi University until August 2016. There are no special relationships between the Company and these entities.
  - Director Hajime Sawabe is a Counsellor, TDK Corporation, Outside Audit & Supervisory Board Member, Nikkei Inc., and Outside Director, EBARA CORPORATION. He was also

Outside Director of TEIJIN LIMITED until June 2016. The Company purchases electronic components for prototyping from TDK Corporation. However, the amount of such purchases is less than 0.1% of total purchases.

- Company Auditor Youichi Etou is Representative Partner of Integral Law Office, Outside Auditor of TSUNEISHI SHIPBUILDING Co., Ltd. and Outside Director of NICHIAS Corporation. There are no special relationships between the Company and Integral Law Office, TSUNEISHI SHIPBUILDING Co., Ltd. or NICHIAS Corporation.
- Company Auditor Toshiaki Kawashima is Head of Kawashima CPA Office. There are no special relationships between the Company and Kawashima CPA Office.

b. Main activities during the fiscal year under review

	Attendance and contributions
Koichiro Taniyama, Director	Attended all 17 meetings of the Board of Directors that were held during the fiscal year under review. Primarily provided advice and proposals regarding the Company's management based on his wealth of experience and knowledge in a wide range of investment businesses.
Katsuhiko Shirai, Director	Attended all 17 meetings of the Board of Directors that were held during the fiscal year under review. Provided advice and proposals regarding the Company's management based on his wealth of experience as both a doctor of engineering and as an administrator of an educational institution.
Hiroshi Kanno, Director	Attended all 17 meetings of the Board of Directors that were held during the fiscal year under review. Provided advice and proposals regarding the Company's management based on his wealth of experience as a management consultant and expertise as a researcher of corporate strategic planning.
Hajime Sawabe Director	Attended all 17 meetings of the Board of Directors that were held during the fiscal year under review. Provided advice and proposals regarding the Company's management based on his wealth of experience as an executive of large companies.
Youichi Etou, Company Auditor	Attended all 17 meetings of the Board of Directors and all 15 meetings of the Board of Company Auditors that were held during the fiscal year under review. Provided proposals to ensure that decision-making by the Board of Directors is appropriate and proper, based on his expertise as a lawyer. He also provided necessary proposals at Board of Company Auditor Meetings based on his expertise.
Toshiaki Kawashima, Company Auditor	Attended all 17 meetings of the Board of Directors and all 15 meetings of the Board of Company Auditors that were held during the fiscal year under review. Provided proposals to ensure that decision-making by the Board of Directors is appropriate and proper, based on his expertise as a certified public accountant. He also provided necessary proposals at Board of Company Auditor Meetings based on his expertise.

- In addition to the abovementioned number of times that the Board of Directors met, there were four written resolutions for which resolutions of the Board of Directors were deemed to have been passed pursuant to the provisions of Article 370 of the Companies Act and Article 28 of the Company's Articles of Incorporation.

## (4) Independent Auditor

- i) Name: KPMG AZSA LLC  
 ii) Amount of remuneration, etc.

	Amount of remuneration, etc. (Millions of yen)
Amount of remuneration, etc. of the Independent Auditor for the fiscal year ended March 31, 2017	110
Total amount of money and other property benefit to be paid from the Company and its subsidiaries to the Independent Auditor	133

- Notes: 1. Based on the “Practical Guidelines regarding Cooperation with Independent Auditors,” published by the Japan Audit & Supervisory Board Members Association, the Board of Company Auditors has reviewed the audit plan and the appropriateness of the amount of remuneration for the fiscal year under review, taking into consideration the actual amount of time spent on auditing for each audit item and the status of execution of duties by the Independent Auditor in the past year, and consequently has given consent to the remuneration of the Independent Auditor in accordance with Article 399, paragraph 1 of the Companies Act.
2. The audit agreement entered into by the Independent Auditor and the Company does not clearly distinguish between the audit remuneration amount derived from audits under the Companies Act and that derived from audits under the Financial Instruments and Exchange Act, and the two amounts cannot be practically distinguished from each other. Therefore, the amount of remuneration, etc. for the fiscal year under review indicates the total of these two kinds of amounts.
3. Among the important subsidiaries of the Company, JDI Hong Kong Limited is audited by certified public accountants or auditing firms other than the Independent Auditor of the Company.

## iii) Non-auditing services

The Company outsources “Guidance and Advisory Business on Internal Control Over Financial Reporting,” etc., which are services other than those specified in Article 2, paragraph 1 of the Certified Public Accountants Act (non-auditing services), to the Independent Auditor, and pays for those services.

## iv) Policy regarding determination of removal or refusal of reappointment of Independent Auditor

If any Independent Auditor is unable to perform his/her duties or if it is deemed to be otherwise necessary, the Board of Company Auditors shall determine the contents of a proposal for dismissal or non-reappointment of the said Independent Auditor to a general meeting of shareholders.

If any Independent Auditor is deemed to have contravened the provisions prescribed in any of the items of Article 340, paragraph 1 of the Companies Act, the Board of Company Auditors shall, subject to the unanimous consent of all of the Company Auditors, dismiss the said Independent Auditor. In this case, the Company Auditor appointed by the Board of Company Auditors will report the removal of the Independent Auditor and reasons thereof at the first General Meeting of Shareholders held after the removal.

The Board of Company Auditors will decide on the reappointment/non-reappointment of the Accounting Auditor in total consideration of the duty execution status of the Accounting Auditor, quality of auditing, etc.

## (5) System to ensure the proper business

## System to ensure the proper business

The Company has established the “Fundamental Policy for Compliance” to ensure that the execution of duties by Directors complies with laws and regulations as well as the articles of incorporation. The contents thereof are as follows:

- i) Systems to ensure that the execution of the duties by the Directors and employees complies with the laws and regulations and the articles of incorporation
  - The Company shall formulate the Basic Compliance Rules applicable to the Company and its subsidiaries (hereinafter referred to as the “JDI Group”), take the lead in complying with those Basic Compliance Rules, and continuously drive their significance home to the Executive Officers and Employees of the JDI Group (hereinafter referred to collectively as the “Officers and Employees”) through compliance education, training, etc.
  - The Company shall establish the Compliance Committee pursuant to the Basic Compliance Rules, appoint an Executive Officer in charge of compliance, and put in place a compliance framework for the JDI Group.
  - The Executive Officer in charge of compliance shall establish a whistle-blower system consisting of Internal Whistleblower Contact and External Whistleblower Contact (law office) as information addressees, and shall endeavor to discover and prevent any violations of laws and compliance.
  - The Company Auditors ascertain the status of the performance of work duties of Directors, executive officers and employees of the Group. Among other activities, this includes attending the meetings of Board of Directors and other important meetings, collecting information, and regularly interviewing Directors.
  - The Internal Audit Department regularly audits the status of compliance in the Company departments, and provides reports to Executive Directors and Company Auditors as necessary.
- ii) Systems regarding storage and management of information related to the execution of the duties by the Directors
  - Materials for the meetings of the Board of Directors, the meetings of the Finance Committee, the meetings of the Human Resources Development and Reward Committee, the meetings of the Management Committee, and other important documents (including electromagnetic data) are stored and managed appropriately in accordance with the Document Reservation Rules, and an environment is maintained such that Directors and Company Auditors can view these materials as necessary.
- iii) Rules regarding risk management for loss and other systems
  - The Company shall formulate Risk Management Rules and, when formulating a business plan, shall incorporate activities to mitigate risks that may affect the business activities of the JDI Group.
  - Each department of the Company shall perform risk assessments with respect to the duties for which it is responsible, and shall implement measures to mitigate risks by establishing relevant rules and regulations and conducting educational programs in accordance with the significance of the results of the said risk assessments.
- iv) Systems to ensure the efficient execution of the duties by the Directors
  - The Board of Directors shall appoint Executive Officers, and each Executive Officer shall develop necessary rules and regulations and execute duties in the field for which he/she is responsible.
  - A meeting of the Board of Directors, which is convened in principle once a month, shall decide the business plan of the JDI Group, annual budget, and important policies on other important management matters. The status of execution shall be reported by Executive Officers to the Board of Directors and necessary responses shall be discussed.
  - A Management Meeting shall be convened, in principle, once a week, and important management matters shall be discussed and decided promptly in accordance with the decision classifications prescribed in the Rules on Decision Authority prescribing authority and responsibilities concerning the execution of duties.
- v) Systems to ensure the fairness of operations of the JDI Group
  - The Company shall appoint Executive Officers of the Company as officers of subsidiaries,

and the appointed officers shall understand the status of the execution of duties at such subsidiaries. The Company shall receive reports summarizing the execution of duties at the subsidiaries by means of meetings and individual reports, and shall give appropriate advice or guidance to the subsidiaries in order to maintain and improve the health of the JDI Group's overall management.

- Important management matters of the JDI Group shall be implemented, subject to the approval of the Company, pursuant to internal rules prescribing the decision-making authority of the Company entities including subsidiaries as set forth by the Company and the rules of the Board of Directors.
  - The Company shall demand that each subsidiary establish necessary and relevant rules in keeping with the Company's Basic Compliance Rules.
  - Internal Audit Department shall audit the overall operations of the JDI Group appropriately and as needed.
- vi) Matters relating to employees who assist the Company Auditors in carrying out their duties; matters relating to the independence of said employees from Directors; and matters relating to ensuring the effectiveness of instructions given to the said employees
- If Company Auditors ask to place an employee in a position to assist with the Company Auditors' duties, an individual suitable for those duties shall be appointed.
  - If the employees perform duties in accordance with instructions from the Company Auditors, those employees shall put in place a framework whereby they can address themselves to such duties.
  - When employees, who are appointed to assist the Company Auditors, carry out their duties, personnel matters relating to the said employees shall be discussed in advance with the Company Auditors.
- vii) Framework whereby Directors and Employees submit reports to the Company Auditors; other framework whereby Directors and Employees submit reports to Company Auditors; and framework for ensuring Directors and Employees are not treated disadvantageously on the grounds that reports are submitted
- Officers and Employees of the JDI Group shall submit reports on the status of the execution of their duties regularly or irregularly to a Company Auditor or the Board of Company Auditors in accordance with decisions discussed in advance with the Company Auditor or the Board of Company Auditors, and if the said Officers and Employees discover a fact that may cause material damage to the JDI Group as a whole, the said Officers or Employees shall report the said fact promptly to the Company Auditor or the Board of Company Auditors.
  - The Standing Company Auditors shall attend the meetings of the Management Committee and other important meetings, to ascertain the status of business operations.
  - The Executive Officer in charge of compliance shall report information furnished to the whistle-blowing system that is found to be important to the Standing Company Auditor.
  - The Company shall put in place a framework for ensuring that a whistle-blower reporting to the Company Auditor is not be treated disadvantageously on the grounds that he/she has submitted a report.
- viii) Other systems to ensure the effective audit by Company Auditors
- The Company Auditors shall exchange opinions periodically with Executive Directors and Independent Auditors, and facilitate information exchanges and close interactions with Internal Audit Department.
  - When the meetings of the Board of Directors, the meetings of the Management Committee, and other important meetings are held, the Company Auditors are notified thereof and are requested to attend such meetings.
  - If any Company Auditor requests advance payment of costs and expenses incurred in association with his/her duties, the Company shall promptly comply with the said request

unless such advance payment is deemed not to be necessary for executing the duties of the said Company Auditor.

Overview of the operation status of the system to ensure the proper business

The Company works to improve the system set forth in the “Basic Policy on the Internal Control System” The overview of the operation status of the system for the fiscal year under review is as follows:

i) Matters relating to the compliance system

- The Company has formulated the “Fundamental Policy for Compliance” and compliance-related rules and established the Compliance Committee chaired by an Executive Officer in charge of compliance. Through the meetings held twice a year, in principle, the Company carries out deliberations on compliance action policies and reviews the matters relating to compliance, such as the planning and implementation status of compliance education and training to be conducted by each department, and the status of the use of Internal Whistleblower Contact.
- Internal Audit Department regularly conducts audits mainly on the effectiveness of compliance and internal controls in the Company and its subsidiaries and reports to Executive Directors the status of audits every two months, in principle, while contacting Standing Company Auditors every month, in principle, to maintain cooperation with them.

ii) Matters relating to the execution of duties by the Directors

- A meeting of the Board of Directors is convened once a month, in principle, and a Management Committee composed of Executive Officers appointed by the Board of Directors is convened once a week, in principle, where important management matters are discussed and decided promptly in accordance with relevant rules.
- When formulating a business plan, the Company incorporates an activity plan to mitigate risks that may affect its business activities, and decision-making bodies, such as the Board of Directors and Management Committee, discuss and decide important matters relating to management including risk assessment.
- Important documents such as materials for the meetings of the Board of Directors are stored and managed appropriately in accordance with the Document Reservation Rules, and a system environment is developed to ensure the convenience of viewing materials, such as management information, and to strengthen confidential information management.

iii) Matters relating to the group management system

- The Company requires subsidiaries to adopt and implement rules, which the JDI Group should comply with, among the Company’s compliance-related rules.
- The Company undertakes measures to maintain and enhance the soundness of the JDI Group’s overall management: important management matters of subsidiaries shall be implemented, subject to the approval of the Company, pursuant to the Rules on Decision Authority and the Operating Rules for Associates stipulated by the Company; Officers of subsidiaries who have been dispatched from the Company shall report to the Company the status of the business execution of respective subsidiaries; and other similar measures.

iv) Matters relating to the execution of duties by the Company Auditors

- Company Auditors perform activities pursuant to the audit plan formulated by the Board of Company Auditors: attending important meetings including the meetings of the Board of Directors, Management Committee, and Compliance Committee; regularly interviewing Directors, interviewing Executive Officers, subsidiaries’ president, and other persons as well as conducting visiting audits at local sites on a timely basis; maintaining regular communications with the Internal Audit Department and Independent Auditors; and other relevant activities. Through these activities, Company Auditors endeavor to ascertain the performance status of the duties of Directors and Executive Officers and ensure the

effectiveness of audit work.

- The Company appoints an employee(s) who supports the duties of Company Auditors to ensure the smooth execution of their audit work and makes the payment of expenses arising from the execution of the work.

(6) Policy on Appropriation of Retained Earnings, etc.

The Company considers the return of profits to shareholders to be one of its important management issues. For the fiscal year under review (the fiscal year ended March 31, 2017), the Company had intended to distribute a dividend by improving free cash flows. However, in view of circumstances such as the posting of a net loss and the deterioration of financial results more than expected in the fourth quarter, the Company has regretfully taken the decision to not pay a dividend.

In the next fiscal year (the fiscal year ending March 31, 2018), the Company intends to pay a fiscal year-end dividend if our efforts to improve profits generate net income. The Company will separately provide notification of the dividend amount in accordance with progress in its business results going forward. In addition, for its medium-term target for shareholder returns, the Company is aiming for a total return ratio, comprising dividends and buybacks of its own stock, of 30%.

## Consolidated Financial Statements

### Consolidated balance sheet

As of March 31, 2017

(Millions of yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>418,159</b>	<b>Current liabilities</b>	<b>469,540</b>
Cash and deposits	82,247	Accounts payable - trade	201,016
Accounts receivable - trade	128,636	Short-term loans payable	25,700
Accounts receivable - other	91,999	Lease obligations	20,519
Merchandise and finished goods	32,318	Income taxes payable	2,653
Work in process	51,764	Provision for bonuses	5,521
Raw materials and supplies	16,815	Advances received	179,397
Deferred tax assets	7,757	Other	34,732
Other	6,804	<b>Non-current liabilities</b>	<b>119,005</b>
Allowance for doubtful accounts	(182)	Bonds with stock acquisition rights	45,000
<b>Non-current assets</b>	<b>497,471</b>	Long-term loans payable	30,000
<b>Property, plant and equipment</b>	<b>447,584</b>	Lease obligations	13,980
Buildings and structures	143,681	Net defined benefit liability	27,408
Machinery, equipment and vehicles	185,054	Other	2,616
Land	14,392	<b>Total liabilities</b>	<b>588,546</b>
Leased assets	36,955	<b>Net assets</b>	
Construction in progress	54,781	<b>Shareholders' equity</b>	<b>324,461</b>
Other	12,718	<b>Capital stock</b>	<b>96,863</b>
<b>Intangible assets</b>	<b>24,584</b>	<b>Capital surplus</b>	<b>256,386</b>
Goodwill	15,903	<b>Retained earnings</b>	<b>(28,788)</b>
Other	8,680	<b>Accumulated other comprehensive income</b>	<b>398</b>
<b>Investments and other assets</b>	<b>25,302</b>	<b>Deferred gains or losses on hedges</b>	<b>(42)</b>
Investment securities	19,915	<b>Foreign currency translation adjustment</b>	<b>9,368</b>
Deferred tax assets	911	<b>Remeasurements of defined benefit plans</b>	<b>(8,927)</b>
Net defined benefit asset	47	<b>Stock acquisition rights</b>	<b>45</b>
Other	6,646	<b>Non-controlling interests</b>	<b>2,179</b>
Allowance for doubtful accounts	(2,218)	<b>Total net assets</b>	<b>327,085</b>
<b>Total assets</b>	<b>915,631</b>	<b>Total liabilities and net assets</b>	<b>915,631</b>

(The figures are rounded down to the nearest million yen.)

**Consolidated statement of income**From April 1, 2016  
to March 31, 2017

(Millions of yen)

Item	Amount
<b>Net sales</b>	<b>884,440</b>
<b>Cost of sales</b>	<b>816,035</b>
<b>Gross profit</b>	<b>68,405</b>
<b>Selling, general and administrative expenses</b>	<b>49,902</b>
<b>Operating income</b>	<b>18,502</b>
<b>Non-operating income</b>	<b>6,905</b>
Interest income	85
Subsidy income	2,526
Rent income	560
Obligations consignment fee	1,118
Other	2,613
<b>Non-operating expenses</b>	<b>34,279</b>
Interest expenses	2,761
Share of loss of entities accounted for using equity method	2,094
Foreign exchange losses	11,211
Depreciation	7,915
Other	10,296
<b>Ordinary income (loss)</b>	<b>(8,871)</b>
<b>Extraordinary losses</b>	<b>2,365</b>
Impairment loss	744
Early extra retirement payments	1,620
<b>Income (loss) before income taxes</b>	<b>(11,236)</b>
Income taxes – current	2,755
Income taxes – deferred	16,837
<b>Net income (loss)</b>	<b>(30,830)</b>
Profit attributable to non-controlling interests	834
<b>Profit (loss) attributable to owners of parent</b>	<b>(31,664)</b>

(The figures are rounded down to the nearest million yen.)

**Consolidated statement of changes in equity**From April 1, 2016  
to 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				
Change of scope of equity method			(503)	(503)
Profit (loss) attributable to owners of parent			(31,664)	(31,664)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(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				Stock 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							
Change of scope of equity method							(503)
Profit (loss) attributable to owners of parent							(31,664)
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(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

(The figures are rounded down to the nearest million yen.)

## Notes to the consolidated financial statements

### 1. Significant matters forming the basis for preparing consolidated financial statements

#### (1) Scope of consolidation

##### i) Consolidated subsidiaries

- Number of consolidated subsidiaries: 18 companies
- Names of principal consolidated subsidiaries

JDI Display America, Inc.

JDI Europe GmbH

JDI Korea Inc.

JDI China Inc.

JDI Hong Kong Limited

Suzhou JDI Devices Inc.

Suzhou JDI Electronics Inc.

Shenzhen JDI Inc.

Kaohsiung Opto-Electronics Inc.

Nanox Philippines Inc.

Taiwan Display Inc.

##### ii) Non-consolidated subsidiaries

Not applicable.

##### iii) Information on companies that are not deemed as subsidiaries even though the Company holds the majority of their voting rights

Not applicable.

#### (2) Application of the equity method

##### i) Number of associates to which equity method is applied: 1 company

Name of associate JOLED Inc.

##### ii) Status of non-consolidated subsidiaries and associates to which the equity method is not applied

Not applicable.

#### (3) Changes in scope of consolidation or scope of application of the equity method

##### i) Changes in scope of consolidation

KOE Americas, Inc., which was a consolidated subsidiary of the Company, is excluded from the scope of consolidation because it merged with consolidated subsidiary JDI Display America, Inc. in April 2016. KOE Europe Ltd., which was a consolidated subsidiary of the Company, was excluded from the scope of consolidation from the fiscal year under review due to completion of its liquidation in November 2016. Morningstar Optronics Zhuhai Co., Ltd., which was a consolidated subsidiary of the Company, was excluded from the scope of consolidation because the Company sold its entire stake in October 2016.

##### ii) Changes in scope of application of the equity method

JOLED Inc. started to be applied the equity method from the fiscal year under review due to an increase in materiality.

#### (4) Fiscal year-end of consolidated subsidiaries

Of the Company's consolidated subsidiaries, the balance sheet date of JDI China Inc., Suzhou JDI

Electronics Inc., Suzhou JDI Devices Inc., Shenzhen JDI Inc., Kaohsiung Opto-Electronics Inc. and KOE Asia Pte. Ltd. is December 31. Financial statements prepared on the basis of provisional settlements of accounts as of the consolidated balance sheet dates have been used to prepare the consolidated financial statements.

The fiscal year-end date of other consolidated subsidiaries is the same as the consolidated balance sheet date.

(5) Accounting principles

i) Valuation bases and methods of significant assets

a. Derivatives

Stated at fair value.

b. Inventories

Merchandise and finished goods; work in process; and raw materials and supplies

Stated at cost based on the moving-average method (the method of writing down the book value in accordance with the declining in profitability).

ii) Depreciation and amortization method for significant depreciable assets

a. Property, plant and equipment (excluding leased assets)

Depreciated using the straight-line method.

The major useful lives are as follows:

Buildings and structures: 3 to 50 years

Machinery, equipment and vehicles: 4 to 7 years

b. Intangible assets (excluding leased assets)

Amortized using the straight-line method.

Software for internal use is amortized using the straight-line method based on usable period within the Company (5 years).

c. Leased assets

- Leased assets under finance lease transactions that transfer ownership

The Company adopts the method consistent with the depreciation method applied on non-current assets owned on its own.

- Leased assets under finance lease transactions that do not transfer ownership

The Company adopts the straight-line method assuming the lease periods as useful lives assuming residual value to be zero (the amount of guaranteed residual value if there is any residual value guarantee).

iii) Significant allowances and provisions

a. Allowance for doubtful accounts

To prepare for losses from bad debt, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectability in the case of specific receivables such as highly doubtful receivables.

b. Provision for bonuses

To prepare for the payment of bonuses to employees, the amount expected to be paid for the fiscal year under review is provided.

iv) Translation of major assets or liabilities denominated in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the

spot rate on the consolidated balance sheet date with translation differences treated as gains or losses.

In addition, assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen using the spot rate on the consolidated balance sheet date, whereas revenues and expenses are translated into Japanese yen using the weighted-average rate. The translation differences are included in foreign currency translation adjustment and minority interests in net assets section.

v) Method and period of amortization of goodwill

Goodwill is amortized using the straight-line method over a certain period within 20 years.

vi) Method of hedge accounting

a. Method of hedge accounting

Deferral hedge accounting is applied. If the requirements are met for the allocation treatment of forward exchange contracts, allocation treatment is applied.

b. Hedging instruments and hedged items

The hedging instruments and hedged items to which hedge accounting was applied were as follows.

1) Hedging instruments: Forward exchange contract

2) Hedged items: Foreign currency denominated receivables and forecasted transactions in foreign currency with respect to product exports

c. Policy for hedging

The Company has hedged the risk of exchange fluctuations pursuant to the Company Regulations.

d. Method of effectiveness evaluation of hedging

In terms of forward exchange contracts, forward exchange contracts are allocated at the same foreign currency denominated amount and the same due date, which assures correlation in the fluctuation of the exchange rate thereafter, and accordingly an effectiveness evaluation on the balance sheet date is omitted.

vii) Other significant matters for preparing the consolidated financial statements

a. Basis for net defined benefit liabilities

To prepare for the payment of employees' retirement benefits, the amount of retirement benefit obligations minus plan assets is recorded as net defined benefit liability, based on the estimated amount at the end of the fiscal year under review. Past service costs are amortized as incurred by the straight-line method over periods (10 years) which are shorter than the average remaining years of service of the eligible employees. Actuarial gains or losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over periods (10 years) which are shorter than the average remaining years of service of the eligible employees. Unrecognized actuarial gains or losses and unrecognized past service costs are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income under net assets, after adjusting for tax effects.

b. Treatment of consumption taxes

Transactions subject to national consumption tax and local consumption tax are recorded at amounts exclusive of consumption taxes. However, non-deductible national consumption tax, etc. on assets are included in the expenses for the fiscal year ended March 31, 2017.

2. Changes in presentation method

(Consolidated balance sheet)

“Investment securities,” which were included in “other” under investments and other assets in the

previous fiscal year, are stated as independent items with effect from the fiscal year under review because their significance has increased in terms of amount. “Investment securities” of the previous fiscal year amounted to ¥2,763 million.

“Accounts payable - other” (¥23,541 million at the end of the fiscal year under review), which was stated as an independent item in the previous fiscal year, is included in “other (current liabilities)” in the fiscal year under review because its amount became insignificant.

### 3. Additional information

The Company has adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, published March 28, 2016) from the fiscal year under review.

### 4. Notes to the consolidated balance sheet

#### (1) Assets pledged as collateral and obligations secured by collateral

##### i) Assets pledged as collateral are as follows:

	(Millions of yen)
Buildings and structures	104,501
Machinery, equipment and vehicles	96,619
Land	4,759
Construction in progress	24,074
Other	724
Total	230,679

##### ii) Obligations secured by collateral are as follows:

	(Millions of yen)
Advances received	176,340

#### (2) Accumulated depreciation for property, plant and equipment: ¥550,596 million

#### (3) The Group has concluded commitment line contracts with its major correspondent financial institutions to finance working capital efficiently. The balance of unexecuted borrowings based on the commitment line contracts is as follows:

	(Millions of yen)
Total amount of commitment line contracts	60,000
Balance of borrowings outstanding	25,000
Balance	35,000

#### (4) Cumulative advanced depreciation deducted from the acquisition value of non-current assets due to government subsidies is as follows:

(As of March 31, 2017)	(Millions of yen)
Property, plant and equipment	
Buildings and structures	130
Machinery, equipment and vehicles	15,245
Other	400
Intangible assets	
Other	52
Total	15,829

## 5. Notes to the consolidated statement of income

(1) The ending inventory balance represents the value after devaluation of book value according to a decrease in profitability, and loss on valuation of inventories of ¥6,456 million is included in cost of sales.

## (2) Subsidy income

Mainly represents a subsidy for business location from local government due to factory location.

## (3) Loss on impairment

The JDI Group booked loss on impairment for the following assets.

Use	Type	Location	Loss on impairment (Million yen)	Classification
–	Goodwill	Taipei, Taiwan	744	Loss on impairment
Total			744	

In principle, the Company grouped these assets for business operations or for lending. The Company groups idle assets individually as a unit that generates cash flows and independent from other assets.

Although the Company posted goodwill upon acquisition of the shares of Star World Technology Corporation, which is a consolidated subsidiary, the initially expected revenue is unlikely to be achieved because of the sale of Morningstar Optronics Zhuhai Co., Ltd., which is a subsidiary of Star World Technology Corporation. Accordingly, the entire book value is recorded as a loss on impairment under extraordinary losses.

The impairment loss is measured using value-in-use of zero as the recoverable amount.

(4) “Early extra retirement payments” recorded as an extraordinary loss are attributable to special extra retirement payments associated with offers of voluntary redundancy.

## 6. Notes to the consolidated statement of changes in equity

## (1) Class and total number of outstanding shares at the end of the fiscal year under review

Class of shares	Number of shares at the beginning of the fiscal year under review	Increase	Decrease	Number of shares at the end of the fiscal year under review
Common stock	601,411,900 shares	–	–	601,411,900 shares

(2) Number of shares underlying stock acquisition rights issued by the Company at the end of the fiscal year under review:

Common stock: 9,649,800 shares

## (3) Class and number of treasury shares

Class of shares	Number of shares at the beginning of the fiscal year under review	Increase	Decrease	Number of shares at the end of the fiscal year under review
Common stock	–	–	–	–

## 7. Notes on financial instruments

## (1) Status of financial instruments

## i) Policy for financial instruments

The Group's fund management is limited to short-term deposits. The financing is implemented through borrowings from financial institutions.

## ii) Content and risks of financial instruments

Accounts receivable - trade as operating receivables are exposed to credit risks of customers. Operating receivables denominated in foreign currencies, which arise due to the global business development, are exposed to risks of fluctuations in foreign currency exchange rates.

Accounts payable - trade as operating payables are due within six months. Some accounts payable denominated in foreign currencies are exposed to risks of fluctuations in foreign currency exchange rates.

Loans payable are mainly for procurement of funds necessary for capital investment, and have fixed interest rates.

Derivative transactions are forward exchange contracts and currency options conducted for the purpose of hedging risks of fluctuations in foreign currency exchange rates associated with receivables and payables denominated in foreign currency.

## iii) Risk management system for financial instruments

## a. Management of credit risks (risks related to default of counterparties)

The Group has the structure in which due dates and balances are managed for each counterparty and credit standing is periodically checked for each counterparty in accordance with the credit management rules.

## b. Management of market risks (risks of fluctuations in foreign currency exchange rates and interest rates)

For operating receivables and payables denominated in foreign currencies, the Group may use forward exchange contracts to hedge risks of fluctuations in foreign currency exchange rates, which are confirmed by currency and time series. However, risks of fluctuations in foreign currency exchange rates are limited, if operating receivables and payables denominated in the same currency are netted. The Group also hedges fluctuation risks by setting fixed interest rates on loans payable.

In accordance with the internal management rules, the Group conducts derivative transactions within the range of actual demand.

## c. Management of liquidity risks on financing (risks of failure to make a payment on the due date)

The Group manages liquidity risks through timely formulation or updating of funding plans by the department in charge based on reports from each department as well as maintenance of liquidity in hand.

## iv) Supplemental remarks on fair values of financial instruments

The fair values of financial instruments are based on market prices or reasonably calculated value if it has no market price. As changeable factors are included in calculating these values, if different assumptions, etc. are used, these values could vary.

## (2) Fair values of financial instruments

Carrying amount, fair value, and the difference between the two values as of March 31, 2017, are as shown below.

(Millions of yen)

	Carrying amount	Fair value	Difference

	Carrying amount	Fair value	Difference
(1) Cash and deposits	82,247	82,247	–
(2) Accounts receivable - trade	128,636	128,636	–
(3) Accounts receivable - other	91,999	91,999	–
Total assets	302,883	302,883	–
(1) Accounts payable - trade	201,016	201,016	–
(2) Short-term loans payable	25,700	25,700	–
(3) Bonds with stock acquisition rights	45,000	45,000	–
(4) Long-term loans payable (including current portion)	30,000	30,209	209
(5) Lease obligations (Current liabilities, non-current liabilities)	34,500	36,262	1,762
Total liabilities	336,216	338,188	1,971
Derivative transactions (*)	(176)	(176)	–

(\*) Receivables and payables resulting from derivative transactions are presented in net amounts, and for items that total to be net payables, their amounts are shown in parentheses.

Note: Measurement methods for fair values of financial instruments

#### Assets

- (1) Cash and deposits, (2) Accounts receivable - trade, (3) Accounts receivable - other

The book value is used as the fair value of these assets, given that the fair value is almost the same as the book value since they are settled in a short period of time.

#### Liabilities

- (1) Accounts payable - trade, (2) Short-term loans payable

The book value is used as the fair value of these liabilities, given that the fair value is almost the same as the book value since they are settled in a short period of time.

- (3) Bonds with stock acquisition rights

Since no market price exists, the fair value of bonds with stock acquisition rights is based on the present value calculated by discounting the total amount of principal and interest by the contracted interest rate taking into account changes in the level of interest rate, with the value of the stock acquisition rights also taken into account.

- (4) Long-term loans payable (including current portion)

The fair value of long-term loans payable is based on the present value calculated by discounting the total amount of principal and interest by the contracted interest rate taking into account changes in the level of interest rate.

- (5) Lease obligations (Current liabilities, non-current liabilities)

The fair value of these liabilities is calculated based on the present value which is obtained by discounting the total of the principal and interest by the interest rate assumed in a case where the same lease transaction is newly made.

#### Derivative transactions

The fair value of derivatives is calculated based on prices presented by financial institutions with a business relationship with the Company.

## 8. Notes on investment and rental properties

Omitted because of immateriality.

## 9. Per share information

(1) Net assets per share	¥540.16
(2) Net income (loss) per share	¥(52.65)

10. Notes on significant subsequent events

Not applicable.

## Non-consolidated Financial Statements

### Non-consolidated balance sheet

As of March 31, 2017

(Millions of yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>429,470</b>	<b>Current liabilities</b>	<b>497,747</b>
Cash and deposits	51,004	Accounts payable - trade	233,683
Accounts receivable - trade	169,700	Short-term loans payable	25,700
Accounts receivable - other	132,506	Lease obligations	20,519
Merchandise and finished goods	10,449	Accounts payable - other	22,492
Work in process	40,652	Accrued expenses	8,598
Raw materials and supplies	11,602	Income taxes payable	1,614
Prepaid expenses	3,310	Provision for bonuses	4,932
Deferred tax assets	7,522	Advances received	179,355
Other	2,725	Unearned revenue	116
Allowance for doubtful accounts	(4)	Other	735
<b>Non-current assets</b>	<b>469,613</b>	<b>Non-current liabilities</b>	<b>107,311</b>
<b>Property, plant and equipment</b>	<b>415,237</b>	Bonds with stock acquisition rights	45,000
Buildings	128,277	Long-term loans payable	30,000
Structures	6,925	Lease obligations	13,980
Machinery and equipment	169,822	Provision for retirement benefits	17,680
Vehicles	45	Deferred tax liabilities	650
Tools, furniture and fixtures	10,877	<b>Total liabilities</b>	<b>605,059</b>
Land	8,080	<b>Net assets</b>	
Leased assets	36,954	<b>Shareholders' equity</b>	<b>294,020</b>
Construction in progress	54,253	<b>Capital stock</b>	<b>96,863</b>
<b>Intangible assets</b>	<b>11,248</b>	<b>Capital surplus</b>	<b>239,896</b>
Goodwill	4,168	Legal capital surplus	123,847
Patent right	2,007	Other capital surplus	116,049
Leasehold right	7	<b>Retained earnings</b>	<b>(42,738)</b>
Software	2,710	Other retained earnings	(42,738)
Other	2,354	Retained earnings brought forward	(42,738)
<b>Investments and other assets</b>	<b>43,127</b>	<b>Valuation and translation adjustments</b>	<b>(42)</b>
Investment securities	50	<b>Deferred gains or losses on hedges</b>	<b>(42)</b>
Shares of subsidiaries and associates	25,859	<b>Stock acquisition rights</b>	<b>45</b>
Investments in capital of subsidiaries and associates	15,291		
Long-term loans receivable	6	<b>Total net assets</b>	<b>294,023</b>
Long-term prepaid expenses	1,516		
Other	406	<b>Total liabilities and net assets</b>	<b>899,083</b>
Allowance for doubtful accounts	(3)		
<b>Total assets</b>	<b>899,083</b>		

(The figures are rounded down to the nearest million yen.)

**Non-consolidated statement of income**From April 1, 2016  
to March 31, 2017

(Millions of yen)

Item	Amount
<b>Net sales</b>	<b>851,660</b>
<b>Cost of sales</b>	<b>804,700</b>
<b>Gross profit</b>	<b>46,959</b>
<b>Selling, general and administrative expenses</b>	<b>37,531</b>
<b>Operating income</b>	<b>9,428</b>
<b>Non-operating income</b>	<b>5,374</b>
Interest income	33
Subsidy income	2,526
Rent income	236
Obligations consignment fee	128
Other	2,449
<b>Non-operating expenses</b>	<b>30,313</b>
Interest expenses	2,780
Foreign exchange losses	12,895
Depreciation	6,771
Other	7,865
<b>Ordinary income (loss)</b>	<b>(15,510)</b>
<b>Extraordinary losses</b>	<b>1,620</b>
Early extra retirement payments	1,620
<b>Income (loss) before income taxes</b>	<b>(17,131)</b>
Income taxes - current	689
Income taxes - deferred	15,227
<b>Net income (loss)</b>	<b>(33,048)</b>

(The figures are rounded down to the nearest million yen.)

**Non-consolidated statement of changes in equity**From April 1, 2016  
to March 31, 2017

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surpluses
Balance at beginning of current period	96,863	123,847	116,049	239,896
Changes of items during period				
Net income (loss)				
Net changes of items other than shareholders' equity				
Total changes of items during period	–	–	–	–
Balance at end of current period	96,863	123,847	116,049	239,896

	Shareholders' equity			Valuation and translation adjustments	Stock acquisition rights	Total net assets
	Retained earnings		Total shareholders' equity	Deferred gains or losses on hedges		
	Other retained earnings	Total retained earnings				
	Retained earnings brought forward					
Balance at beginning of current period	(9,690)	(9,690)	327,068	–	18	327,087
Changes of items during period						
Net income (loss)	(33,048)	(33,048)	(33,048)			(33,048)
Net changes of items other than shareholders' equity				(42)	27	(15)
Total changes of items during period	(33,048)	(33,048)	(33,048)	(42)	27	(33,063)
Balance at end of current period	(42,738)	(42,738)	294,020	(42)	45	294,023

(The figures are rounded down to the nearest million yen.)

**Notes to the non-consolidated financial statements**

## 1. Important accounting policies

## Valuation bases and methods of assets

## (1) Valuation bases and methods of securities

## i) Shares of subsidiaries and associates

Stated at cost based on the moving-average method.

ii) Other securities

Securities without fair value

Stated at cost based on the moving-average method.

(2) Valuation bases and methods of derivatives

Stated at fair value.

(3) Valuation bases and methods of inventories

Stated at cost based on the moving-average method.

(Balance sheet amounts are measured at the lower of cost or net selling value.)

Depreciation and amortization method for non-current assets

(4) Property, plant and equipment (excluding leased assets)

Depreciated using the straight-line method.

The major useful lives are as follows:

Buildings:	3 to 50 years
Structures:	7 to 50 years
Machinery and equipment:	4 to 5 years
Tools, furniture and fixtures:	2 to 15 years

(5) Intangible assets (excluding leased assets)

Amortized using the straight-line method.

Software for internal use is amortized using the straight-line method based on usable period within the Company (5 years).

(6) Leased assets

- Leased assets under finance lease transactions that transfer ownership

The Company adopts the method consistent with the depreciation method applied on non-current assets owned on its own.

- Leased assets under finance lease transactions that do not transfer ownership

The Company adopts the straight-line method assuming the lease periods as useful lives assuming residual value to be zero (the amount of guaranteed residual value if there is any residual value guarantee).

(7) Allowances and provisions

i) Allowance for doubtful accounts

To prepare for losses from bad debt, including accounts receivable and loans receivable, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectability in the case of specific receivables such as highly doubtful receivables, or claims provable in bankruptcy and rehabilitation.

ii) Provision for bonuses

To prepare for the payment of bonuses to employees, the amount expected to be paid for the fiscal year under review is provided.

iii) Provision for retirement benefits

To prepare for the payment of employees' retirement benefits, the amount estimated to arise at the end of the fiscal year under review is provided, based on the estimated amount of retirement

benefit obligations and plan assets at the end of the fiscal year under review.

- Method for attribution of estimated retirement benefits to periods

In the calculation of retirement benefit obligations, the method for attributing estimated retirement benefits to the period up to the end of the fiscal year under review is based on the benefit formula.

- Accounting method for actuarial gains or losses and past service costs

Past service costs are amortized as incurred by the straight-line method over periods (10 years) which are shorter than the average remaining years of service of the eligible employees. Actuarial gains or losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over periods (10 years) which are shorter than the average remaining years of service of the eligible employees.

- (8) Translation of receivables and payables denominated in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot rate on the balance sheet date with translation differences treated as gains or losses.

- (9) Method and period of amortization of goodwill

Goodwill is amortized using the straight-line method over a certain period within 20 years.

- (10) Method of hedge accounting

- i) Method of hedge accounting

Deferral hedge accounting is applied. If the requirements are met for the allocation treatment of forward exchange contracts, allocation treatment is applied.

- ii) Hedging instruments and hedged items

The hedging instruments and hedged items to which hedge accounting was applied were as follows.

1) Hedging instruments: Forward exchange contract

2) Hedged items: Foreign currency denominated receivables and forecasted transactions in foreign currency with respect to product exports

- iii) Policy for hedging

The Company has hedged the risk of exchange fluctuations pursuant to the Company Regulations.

- iv) Method of effectiveness evaluation of hedging

In terms of forward exchange contracts, forward exchange contracts are allocated at the same foreign currency denominated amount and the same due date, which assures correlation in the fluctuation of the exchange rate thereafter, and accordingly an effectiveness evaluation on the balance sheet date is omitted.

- (11) Other significant matters for preparing the non-consolidated financial statements

- i) Treatment for retirement benefits

The accounting method for remaining amounts of unrecognized actuarial gains or losses and unrecognized past service costs is different from the accounting method for these amounts in the consolidated financial statements.

- ii) Treatment of consumption taxes

Transactions subject to national consumption tax and local consumption tax are recorded at amounts exclusive of consumption taxes. However, non-deductible consumption tax, etc. on assets are included in period expenses for the fiscal year under review in which the tax is incurred.

## 2. Additional information

The Company has adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, published March 28, 2016) from the fiscal year under review.

## 3. Notes to the non-consolidated balance sheet

(1) Accumulated depreciation for property, plant and equipment: ¥506,595 million

(2) Assets pledged as collateral and obligations secured by collateral

Assets pledged as collateral are as follows:

	(Millions of yen)
Buildings	100,399
Structures	4,102
Machinery and equipment	96,601
Vehicles	18
Tools, furniture and fixtures	724
Land	4,759
Construction in progress	24,074
Total	230,679

Obligations secured by collateral are as follows:

	(Millions of yen)
Advances received	176,340

(3) Monetary receivables from and payables to subsidiaries and associates are as follows:

	(Millions of yen)
i) Short-term monetary receivables	199,469
ii) Long-term monetary receivables	-
iii) Short-term monetary payables	71,579
iv) Long-term monetary payables	-

(4) The Group has concluded commitment line contracts with its major correspondent financial institutions to finance working capital efficiently. The balance of unexecuted borrowings based on the commitment line contracts is as follows:

	(Millions of yen)
Total amount of commitment line contracts	60,000
Balance of borrowings outstanding	25,000
Balance	35,000

- (5) Cumulative advanced depreciation deducted from the acquisition value of non-current assets due to government subsidies is as follows:

(As of March 31, 2017)	(Millions of yen)
Property, plant and equipment	
Buildings	130
Machinery and equipment	15,245
Vehicles	0
Tools, furniture and fixtures	400
Intangible assets	
Software	52
Total	15,829

#### 4. Notes to the non-consolidated statement of income

- (1) Amount of transactions with subsidiaries and associates

Net sales	¥784,105 million
Purchase	¥108,286 million
Non-operating income	¥706 million

- (2) The ending inventory balance represents the value after devaluation of book value according to a decrease in profitability, and loss on valuation of inventories of ¥4,431 million is included in cost of sales.

- (3) Subsidy income

Mainly represents a subsidy for business location from local government due to factory location.

- (4) “Early extra retirement payments” recorded as an extraordinary loss are attributable to special extra retirement payments associated with offers of voluntary redundancy.

#### 5. Notes to the non-consolidated statement of changes in equity

Class and number of treasury shares at the end of the fiscal year under review

Class of shares	Number of shares at the beginning of the fiscal year under review	Increase	Decrease	Number of shares at the end of the fiscal year under review
Common stock	-	-	-	-

## 6. Notes on tax-effect accounting

## Breakdown of deferred tax assets and deferred tax liabilities by major cause

	(Millions of yen)
Deferred tax assets	
Tax loss carried forward	56,267
Provision for bonuses	1,522
Advances received	926
Inventory devaluation	3,666
Depreciation	2,019
Provision for retirement benefits	5,422
Other	4,156
Subtotal of deferred tax assets	<u>73,980</u>
Valuation allowance	<u>(66,251)</u>
Total deferred tax assets	7,728
Deferred tax liabilities	
Loss on qualified foreign tax	131
Assessed market value of land	76
Assessed market value of patent rights	475
Other	172
Total deferred tax liabilities	<u>856</u>
Net deferred tax assets	<u>6,872</u>

## 7. Notes on transactions with related parties

## Subsidiaries and associates

Category	Name	Percentage of owning (owned) voting rights, etc. (%)	Relationship with related parties	Type of transaction	Transaction amount (Millions of yen)	Account	Balance as of the end of the fiscal year under review (Millions of yen)
Subsidiary	JDI Europe GmbH.	Owning Direct 100.0%	Sale of products of the Company	Sale of products	*1 49,631	Accounts receivable - trade	16,685
Subsidiary	JDI Hong Kong Limited	Owning Direct 100.0%	Sale of products of the Company	Sale of products	*1 711,267	Accounts receivable - trade	113,566
				Substitute purchase of parts and components	-	Accounts payable - trade	19,456
Subsidiary	Taiwan Display Inc.	Owning Direct 100.0%	Sale of products of the Company	Sale of medium-sized TFT module components and products	*1 3,877	Accounts receivable - trade	20,271
Subsidiary	Suzhou JDI Devices Inc.	Owning Direct 100.0%	A manufacturing company of the Company's liquid crystal module components in China. Some directors hold concurrent positions at both companies.	Purchase of small- and medium-sized TFT products	*2 67,644	Accounts payable - trade	3,763
				Supply of small- and medium-sized TFT module components	*3 26,723	Accounts receivable - other	6,146
Subsidiary	Suzhou JDI Electronics Inc.	Owning Direct 100.0%	A manufacturing contractor for the Company's liquid crystal display devices in China. Some directors hold concurrent positions at both companies.	Purchase of small- and medium-sized TFT products	*2 50,651	Accounts payable - trade	19,696
Subsidiary	Nanox Philippines Inc.	Owning Direct 81.0%	A manufacturing company of the Company's liquid crystal module components in the Philippines. Some directors hold concurrent positions at both companies.	Purchase of small- and medium-sized TFT products	*2 143,744	Accounts payable - trade	18,170
				Supply of small- and medium-sized TFT module components	*3 65,167	Accounts receivable - other	28,512
Associate	JOLED Inc.	Owning Direct 15.0%	An entity to which the Company entrusts research and development	Subscription of new shares	19,750	Shares of subsidiaries and associates	22,450
				Business contracts and rents	*1 704	Accounts receivable - other	76

Notes: 1. Of the amounts above, the transaction amount does not include consumption taxes, and the balance as of the end of the fiscal year under review includes consumption taxes.

## 2. Trading conditions and policies for determining trading conditions

\*1. Trading conditions such as prices are determined on a case-by-case basis through negotiations by reference to prevailing market prices and other factors.

\*2. For purchase of products, trading conditions are determined in the same way as general terms and conditions in consideration of costs of this company.

\*3. For supply and sale of components, trading conditions are determined on the basis of prices calculated based on the Company's costs.

8. Per share information

(1) Net assets per share	¥488.81
(2) Net income (loss) per share	¥(54.95)

9. Notes on significant subsequent events

Not applicable.

## Audit Reports

### Report of the Independent Auditors for Consolidated Financial Statements (Translation)

#### AUDIT REPORT OF THE INDEPENDENT AUDITORS

May 8, 2017

To: The Board of Directors  
Japan Display Inc.

#### KPMG AZSA LLC

Tetsuzo Hamashima (seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Masahiro Miyahara (seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Kazumitsu Sato (seal)  
Designated Limited Liability Partner  
Certified Public Accountant

We have audited the Consolidated Financial Statements, including the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Net Assets and Notes to the Consolidated Financial Statements of Japan Display Inc. for the fiscal year from April 1, 2016 to March 31, 2017, pursuant to Paragraph 4, Article 444, of the Companies Act.

#### *Management's responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting principles in Japan. This includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Independent auditors' responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessment, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Audit opinion*

In our opinion, the consolidated financial statements referred to above, presents fairly, in all material respects, the financial position and the results of operations of Japan Display Inc. and its consolidated subsidiaries as of the date and for the period for which the consolidated financial statements were prepared in accordance with generally accepted accounting principles in Japan.

#### *Interests in the Company*

Neither our firm nor any of the partners in charge has any interest in the Company as required to be disclosed herein under the provisions of the Certified Public Accountant Act.

**Report of the Independent Auditors for Non-Consolidated Financial Statements**  
(Translation)

**AUDIT REPORT OF THE INDEPENDENT AUDITORS**

May 8, 2017

To: The Board of Directors  
Japan Display Inc.

**KPMG AZSA LLC**

Tetsuzo Hamashima (seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Masahiro Miyahara (seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Kazumitsu Sato (seal)  
Designated Limited Liability Partner  
Certified Public Accountant

We have audited the Financial Statements, including the Balance Sheet, the Statement of Income, the Statement of Changes in Net Assets, Notes to the Non-consolidated Financial Statements and their supplementary statements of Japan Display Inc. for the 15th fiscal year from April 1, 2016 to March 31, 2017, pursuant to Item 1, Paragraph 2, Article 436, of the Companies Act.

*Management's responsibility for the Financial Statements, etc.*

Management is responsible for the preparation and fair presentation of these financial statements and their supplementary statements in accordance with generally accepted accounting principles in Japan. This includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of financial statements and their supplementary statements that are free from material misstatement, whether due to fraud or error.

*Independent auditors' responsibility*

Our responsibility is to express an opinion on the financial statements and their supplementary statements based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and their supplementary statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and their supplementary statements. The procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and their supplementary statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessment, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and their supplementary statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and their supplementary statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Audit opinion*

In our opinion, the financial statements and their supplementary statements referred to above, presents fairly, in all material respects, the financial position and the results of operations of Japan Display Inc. as of the date and for the period for which the financial statements and their supplementary statements were prepared in accordance with generally accepted accounting principles in Japan.

*Interests in the Company*

Neither our firm nor any of the partners in charge has any interest in the Company as required to be disclosed herein under the provisions of the Certified Public Accountant Act.

**Report of the Board of Company Auditors**  
(Translation)**AUDIT REPORT**

As the results of deliberation, the Board of Company Auditors prepared this Audit Report in accordance with reports presented by each Company Auditor with respect to the performance of duties by the Directors during the 15th fiscal year from April 1, 2016 to March 31, 2017, and report the results as follows:

**1. Method and Content of Audit Conducted by Company Auditors and Board of Company Auditors**

- (1) The Board of Company Auditors decided the audit policies and plans for the fiscal year under review, received reports from each Company Auditor on the implementation of audit and its results, received reports from Directors, etc. and the Independent Auditors on the performance of their duties and asked them details when necessary.
- (2) Each Company Auditor kept in compliance with standards for audit defined by the Board of Company Auditors and audit policies and plans, etc., maintained communication with Directors, Internal Audit Department and other employees, etc., endeavored to collect information and establish a system necessary for auditing services, and as well conducted audit using the following method.
  - 1) Company Auditors attended meetings of the Board of Directors and other important meetings, received reports from Directors, employees, etc. on the performance of their duties, asked them details when necessary, reviewed important written decisions, and investigated business and financial conditions at the head office as well as at the main business offices of the Company. In addition, Company Auditors maintain communication and exchange information with Directors, etc. of subsidiaries, require business reports, and investigate business and financial conditions of these subsidiaries.
  - 2) Company Auditors received reports from Directors and employees, etc. on the resolutions of the Board of Directors and the status of the system developed under such resolutions with regard to the development of the system stipulated in Article 100, Paragraph 1 and 3 of the Enforcement Regulations of the Companies Act (Internal Control System) necessary to ensure the conformity of the performance of duties described in the Business Report by Directors with laws and the Articles of Incorporation and also ensure the appropriateness of business in a corporate group consisting of a corporation and its subsidiaries, and asked them details and expressed an opinion when necessary.
  - 3) Company Auditors monitored and verified that the Independent Auditors have maintained their independence and conducted appropriate audits. Also, we received reports from the Independent Auditors regarding the execution of their duties and requested explanations as needed. The Company received a notice from the Independent Auditors purporting to the formulation of a "System to ensure proper performance of its duties" (provided in each item of Article 131 of the Ordinance on Accounting of Companies) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005), among others, and requested explanations as needed.

Through the above methods, we reviewed the business report and its detailed statements, the financial statements (balance sheet, statement of income, statement of changes in net assets and notes to non-consolidated financial statements) and their supplementary statements and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to consolidated financial statements) for such fiscal year.

**2. Results of Audit****(1) Audit Results of Business Reports, etc.**

- 1) We certify that the business reports and their detailed statements fairly present the situation of the Company in accordance with laws and the Articles of Incorporation.
- 2) We found no wrongful act or material fact in violation of laws or the Articles of Incorporation with respect to the performance of duties by the Directors.
- 3) We certify that the resolutions of the Board of Directors with respect to the internal control system are proper and correct. In addition, we found no matter to be pointed out about the description in the business report and performance of duties by the Directors with respect to the internal control system.

**(2) Audit Results of Financial Statements and Supplementary Statements**

We certify that the auditing method of KPMG AZSA LLC and the results of its audit are proper and correct.

**(3) Audit Results of Consolidated Financial Statements**

We certify that the auditing method of KPMG AZSA LLC and the results of its audit are proper and correct.

May 8, 2017

**Board of Company Auditors of Japan Display Inc.**

Kazuo Kawasaki (seal)  
Standing Company Auditor

Takao Yasuda (seal)  
Standing Company Auditor

Youichi Etou (seal)  
Outside Company Auditor

Toshiaki Kawashima (seal)  
Outside Company Auditor