

[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 1, 2018

To our shareholders

Nobuhiro Higashiiriki
Chairman and Representative Director
Japan Display Inc.
7-1, Nishi-Shinbashi 3-chome, Minato-ku, Tokyo

Notice of the 16th Annual General Meeting of Shareholders

The 16th 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 11 by 5:30 p.m., Monday, June 18, 2018.

1. Date and Time: Tuesday, June 19, 2018, 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 16th Fiscal Year (from April 1, 2017 to March 31, 2018)
2. Non-consolidated Financial Statements for the 16th Fiscal Year (from April 1, 2017 to March 31, 2018)

Matters to be resolved:

- Proposal No. 1: Election of Six (6) Directors
- Proposal No. 2: Election of One (1) Substitute Company Auditor

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 Meeting.
- (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: Election of Six (6) Directors

The terms of office of all seven (7) Directors will expire at the conclusion of this General Meeting of Shareholders. Therefore, it is hereby requested that six (6) Directors be elected, decreasing the number of Directors by one (1) due to the change of management organization and for efficiency.

The candidates for Director of the Company are as follows:

Candidate number	Candidates	Candidate number	Candidates
1	Nobuhiro Higashiiriki Re-elected	4	Kazuhiko Shimokobe Re-elected Outside Independent
2	Yoshiyuki Tsukizaki Newly elected	5	Takahisa Hashimoto Re-elected Outside Independent
3	Katsuhiko Shirai Re-elected Outside Independent	6	Nobuyuki Nakano Newly elected Outside

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 Re-elected	Nobuhiro Higashiiriki (July 23, 1948) Attendance to the meetings of the Board of Directors since taking office as Director in June 2017 Number of meetings held: 14 Number of attendance: 14 Attendance rate: 100%	<p>Apr. 1974 Entered Nippon Mining Co., Ltd. (now JX Nippon Mining & Metals Corporation)</p> <p>Feb. 1999 Left Nippon Mining Co., Ltd.</p> <p>Mar. 1999 President and Representative Director of Orbotech Display Pacific Ltd.</p> <p>Jan. 2001 President and Representative Director of Orbotech Japan Ltd.</p> <p>Jan. 2011 Chairman, President and Representative Director of Orbotech Japan Ltd.</p> <p>Jan. 2013 Chairman and Representative Director of Orbotech Japan Ltd.</p> <p>Dec. 2013 Retired as Chairman and Representative Director of Orbotech Japan Ltd.</p> <p>Dec. 2013 Honorary Chairman and Representative Director of Orbotech Japan Ltd.</p> <p>Sep. 2014 Retired as Honorary Chairman of Orbotech Japan Ltd.</p> <p>Nov. 2014 President and Representative Director and Chief Executive Officer (CEO) of JOLED Inc. (current position)</p> <p>Apr. 2017 Vice Chairman and Executive Officer of the Company</p> <p>Jun. 2017 Chairman, Representative Director and Chief Executive Officer of the Company (current position)</p> <p>[Significant concurrent positions outside the Company] President and Representative Director and Chief Executive Officer (CEO) of JOLED Inc.</p>	13,600
<p>[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. Since June 2017, he has assumed responsibility for the management of the JDI Group as Chairman and Representative Director, driving the Company's businesses with his strong leadership. 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 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
2 Newly elected	Yoshiyuki Tsukizaki (November 3, 1959)	<p>Apr. 1984 Entered Hitachi, Ltd.</p> <p>Aug. 1995 Senior Engineer of Electron Tube & Devices Division Liquid Crystal Device Design Department of Hitachi, Ltd.</p> <p>Apr. 2006 Senior Manager of FPD Design Division Design Department No.2 of Hitachi Displays, Ltd.</p> <p>Oct. 2009 Executive General Manager of FPD Design Division of Hitachi Displays, Ltd.</p> <p>Mar. 2012 Automotive, C&I Business Division C&I Business Unit, Business Unit Manager of the former Japan Display Inc.</p> <p>Jul. 2014 Business Unit 5, Unit Manager of the Company</p> <p>Jul. 2015 Quality Assurance Division, Division Manager of the Company</p> <p>Oct. 2015 Automotive Display Division, Division Manager of the Company</p> <p>Oct. 2017 President of Automotive and Industrial Company</p> <p>Apr. 2018 Executive Vice President of the Company (current position)</p> <p>[Significant concurrent positions outside the Company] None</p>	2,700
<p>[Reason for nomination as a candidate for Director] Mr. Yoshiyuki Tsukizaki has been engaged in designing liquid crystal displays and launching new businesses over many years and has exercised strong leadership. Since the Company was established, he has contributed to expanding the automotive and industrial equipment display businesses and securing 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 operating the small- and medium-sized display business. The Company therefore proposes that he 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 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, 2018 Number of meetings held: 18 Number of attendance: 18 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			
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, as an Independent Outside Director, Mr. Shirai has been 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. 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
4 Re-elected Outside Independent	Kazuhiko Shimokobe (December 12, 1947) Attendance to the meetings of the Board of Directors since taking office as Director in June 2017 Number of meetings held: 14 Number of attendance: 14 Attendance rate: 100%	<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</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 & Supervisory Committee Member) of CHORI CO., LTD. (current position)</p> <p>Jun. 2018 Outside Director of the Company (current position)</p> <p>[Significant concurrent positions outside the Company] Outside Director (Audit & 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. From June 2017, as an Independent Outside Director, Mr. Shimokobe has been 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. Since Mr. Shimokobe 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.</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
5 Re-elected Outside Independent	Takahisa Hashimoto (September 21, 1943)	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. Jun. 2018 Outside Director of the Company (current position) [Significant concurrent positions outside the Company] None	0
	Attendance to the meetings of the Board of Directors since taking office as Director in June 2017 Number of meetings held: 14 Number of attendance: 13 Attendance rate: 93%		
[Reason for nomination as a candidate for Outside Director] In addition to advanced specialized knowledge regarding liquid crystal display development and manufacturing, Mr. Takahisa Hashimoto has a wealth of experience and achievements as the manager of liquid crystal display manufacturing companies. From June 2017, as an Independent Outside Director, Mr. Hashimoto has been 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. Since Mr. Hashimoto 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	Nobuyuki Nakano (January 13, 1959)	<p>Apr. 1983 Entered ITOCHU Corporation</p> <p>Apr. 2002 Deputy General Manager of Aerospace Department of ITOCHU Corporation</p> <p>May 2005 President of ROHM Semiconductor U.S.A LLC</p> <p>Jan. 2013 Entered Sanden Corporation (now Sanden Holdings Corporation) and in charge of Global Corporate Planning</p> <p>Feb. 2014 Entered the Innovation Network Corporation of Japan; Executive Managing Director, Managing Director of Value Enhancement Group (current position)</p> <p>Jun. 2015 Outside Director of Renesas Electronics Corporation</p> <p>[Significant concurrent positions outside the Company] Executive Managing Director, Managing Director of Value Enhancement Group of the Innovation Network Corporation of Japan</p>	0
<p>[Reason for nomination as a candidate for Outside Director]</p> <p>Mr. Nobuyuki Nakano has a wealth of management experience at a major trading company and several manufacturers, and advanced management insight through providing management support to investees as Executive Managing Director of the Innovation Network Corporation of Japan, etc. Since Mr. Nakano is expected to further strengthen the function of the Company's Board of Directors by providing advice regarding the Company's management and appropriate supervision of business execution from a global business perspective in the Board of Directors, the Company proposes that he be elected as an Outside Director.</p>			

- 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. The Company holds 15% of the voting rights of JOLED Inc., where Mr. Nobuhiro Higashiiriki serves concurrently as President and Representative Director and Chief Executive Officer (CEO), and outsources development operations to JOLED Inc. Additionally, Mr. Nobuyuki Nakano will resign from the President and Representative Director position of JOLED Inc. and take office as Chairman and Director of the company on June 25, 2018.
3. The Innovation Network Corporation of Japan, where Mr. Nobuyuki Nakano serves concurrently, is a major shareholder of the Company, holding 35.6% of voting rights.
4. No conflict of interest exists between the Company and each of the above candidates except the above 2 to 3.
5. Messrs. Katsuhiko Shirai, Kazuhiko Shimokobe, Takahisa Hashimoto and Nobuyuki Nakano are candidates for Outside Director.
6. Messrs. Katsuhiko Shirai, Kazuhiko Shimokobe and Takahisa Hashimoto are currently Outside Directors of the Company. As of the conclusion of this Annual General Meeting of Shareholders, including their term as Outside Director of the former Japan Display Inc., Mr. Shirai will have served for 6 years and Messrs. Kazuhiko Shimokobe and Takahisa Hashimoto will have served for 1 year.
7. The Company has entered into an agreement with Messrs. Katsuhiko Shirai, Kazuhiko Shimokobe and Takahisa Hashimoto to limit their 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 them is approved, the Company will continue the agreement with them. If the election of Mr. Nobuyuki Nakano is approved, the Company will enter into the same agreement with him.
8. The Company has designated Messrs. Katsuhiko Shirai, Kazuhiko Shimokobe and Takahisa Hashimoto 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.

[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. 2: Election of One (1) Substitute Company Auditor

As the effectiveness of the election of Mr. Keiichi Otsuka as substitute Company Auditor at the 15th Annual General Meeting of Shareholders held on June 21, 2017 will expire at the beginning of this General Meeting of Shareholders, 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.

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.

Guidance on Exercising Voting Rights

Voting rights can be exercised through the following 3 methods.

Attendance at Shareholders' Meeting

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

Date and Time: Tuesday, June 19, 2018, at 10 a.m. (Reception begins at 9 a.m.)

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

Exercising Voting Rights by Mail

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 Monday, June 18, 2018

Exercising Voting Rights on the Internet, etc.

Please access the voting website (<https://www.web54.net>; available in Japanese only) operated by the Company's shareholder registry administrator via "Smart Exercise" by reading the QR Code on the voting rights exercise form with a smartphone or using a personal computer, enter your "Voting Rights Exercise Code" and "Password" noted on the enclosed voting form and enter whether you are for or against each item. Please refer to the next page for notes on the exercise of voting rights on the Internet, etc.

Exercise Deadline: 5:30 p.m. on Monday, June 18, 2018

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

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.
- (2) Although your vote on the Internet will be accepted until 5:30 p.m., Monday, June 18, 2018, we ask that you please exercise your voting rights at your earliest convenience.

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

Business Report (April 1, 2017 to March 31, 2018)

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, 2018, expanded production capacity among overseas small- and medium-sized display makers and higher penetration of organic light-emitting diode (OLED) smartphones contributed to greater downward pressure on smartphone display prices. In addition, higher penetration and longer usage periods of smartphones have led to slower growth in the global smartphone market and is affecting global growth in the small- and medium-sized display market.

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

The status by product application category is discussed below.

Mobile device category

The mobile device category includes smartphone, tablet and other displays. Full-year net sales in this category were ¥564,112 million (down 22.6% YoY) and accounted for 78.6% of total net sales.

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

Automotive and non-mobile category

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

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

Given the severe business climate described above, the JDI Group has formulated a medium-term management plan, details of which were announced on August 9, 2017, for the purpose of achieving a recovery in financial results from fiscal year 2018 onward. As part of this medium-term management plan, fundamental restructuring steps were implemented in fiscal year 2017 in order to drastically reduce fixed costs. In particular, the front-end (liquid crystal cell production process) manufacturing line at the Nomi Plant was closed, overseas back-end (display module assembly

process) manufacturing subsidiaries were restructured, impairment losses were booked for certain assets for business operations and idle assets, the Ishikawa Plant OLED pilot line was integrated into the OLED pilot line at the Mobarra Plant and the workforce was reduced. In addition, some inventories were devalued. These actions taken to strengthen the JDI Group's financial position resulted in business structure improvement expenses of ¥142,260 million that were accounted for as extraordinary losses. Also, under the medium-term management plan the JDI Group's goal is to transform its corporate structure to achieve sustainable earnings and cash flow by receiving an earnings contribution from FULL ACTIVE™ LCDs that support 4-sided narrow bezel designs, rapidly developing OLED technology and continuing to refocus company resources onto promising growth areas.

In addition, on March 30, 2018 the JDI Group announced a capital procurement of ¥55.0 billion based on the issuance of new shares and the transfer of Nomi Plant assets. At the JDI Group, customer demand for FULL ACTIVE™ has increased as of March 2018 and shipment demand of these displays is expected to rapidly increase in the second half of fiscal year 2018. The capital procurement serves as working capital to meet this increasing demand and funding for capital expenditures for back-end production. The JDI Group will use the capital to take full advantage of increased demand for FULL ACTIVE™ and promote growth in net sales and earnings along with strengthening its financing and capital assets position and achieving a significant business recovery in combination with the results of business structure reforms.

Based on the above, the JDI Group's fiscal year 2017 full-year net sales were ¥717,522 million (down 18.9% YoY). An operating loss of ¥61,749 million (compared with operating profit of ¥18,502 million in fiscal year 2016) resulted from lower net sales and higher year-on-year fixed costs that include depreciation associated with the Hakusan Plant and research & development expenses for OLED development as well as other factors. An ordinary loss of ¥93,658 million (versus an ordinary loss of ¥8,871 million in the previous fiscal year) was due partly to a non-operating expense of ¥14,162 million in share of loss of entities accounted for using equity method related to JOLED Inc. and ¥9,903 million in depreciation. After booking business structure improvement expenses as an extraordinary loss of ¥142,260 million, the JDI Group finished the fiscal year with a net loss attributable to owners of the parent of ¥247,231 million (versus a net loss attributable to owners of the parent of ¥31,664 million in the previous fiscal year).

ii) Capital investments

The JDI Group's total capital investments during the fiscal year ended March 31, 2018, was ¥61,471 million (consolidated), including the ¥23,754 million investment in facilities for the OLED G6 half-line at the Mobarra Plant (J1 Line); the ¥3,373 million investment in the new G6 LCD panel production line in Hakusan Plant in the fiscal year under review; the ¥1,997 million investment in back-end production equipment in the Tottori Plant; and the ¥1,678 million investment to increase production at the Tottori Plant.

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 ¥107,000 million with major financial institutions.

(2) Financial position and profit/loss

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

	13th fiscal year	14th fiscal year	15th fiscal year	16th fiscal year (the fiscal year under review)
	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018
Net sales (Millions of yen)	769,304	989,115	884,440	717,522
Operating profit (loss) (Millions of yen)	5,147	16,710	18,502	(61,749)
Ordinary profit (loss) (Millions of yen)	1,864	(12,934)	(8,871)	(93,658)
Net income (loss) attributable to owners of the parent (Millions of yen)	(12,270)	(31,840)	(31,664)	(247,231)
Net income (loss) per share (Yen)	(20.42)	(52.94)	(52.65)	(411.09)
Total assets (Millions of yen)	831,622	813,861	915,631	614,692
Net assets (Millions of yen)	402,626	365,249	327,085	82,046
Net assets per share (Yen)	666.92	603.83	540.16	133.58

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 (loss)” has been changed to “net income (loss) attributable to owners of the parent” from the fiscal year ended March 31, 2016.

ii) Financial position and profit/loss of the Company

	13th fiscal year	14th fiscal year	15th fiscal year	16th fiscal year (the fiscal year under review)
	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018
Net sales (Millions of yen)	750,983	991,739	851,660	698,275
Operating profit (loss) (Millions of yen)	(7,563)	12,487	9,428	(74,237)
Ordinary profit (loss) (Millions of yen)	(5,023)	473	(15,510)	(98,572)
Net income (loss) (Millions of yen)	(14,238)	(9,690)	(33,048)	(233,892)
Net income (loss) per share (Yen)	(23.69)	(16.11)	(54.95)	(388.91)
Total assets (Millions of yen)	773,807	783,357	899,083	596,200
Net assets (Millions of yen)	336,687	327,087	294,023	60,175
Net assets per share (Yen)	559.98	543.83	488.81	99.98

(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- and medium-sized displays
JDI Europe GmbH	€5,000 thousand	100.0	Sales of small- and medium-sized displays
JDI China Inc.	US\$2,500 thousand	100.0	Sales of small- and medium-sized displays, etc.
JDI Hong Kong Limited	HK\$1,500 thousand	100.0	Sales of small- and medium-sized displays
JDI Korea Inc.	KRW600 million	100.0	Sales of small- and medium-sized displays
JDI Taiwan Inc.	NT\$3,570 million	100.0	Sales of small- and 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
Nanox Philippines Inc.	¥954 million	81.0	LCD module assembly
Kaohsiung Opto-Electronics Inc.	NT\$887 million	100.0	Design, assembly and sales of LCD modules

- The percentage of voting rights held includes indirect holdings.
- On May 25, 2017, JDI Taiwan Inc. changed its name, from Taiwan Display Inc.
- On March 27, 2018, the Company transferred all holdings of shares in Shenzhen JDI Inc., so it ceased to be a subsidiary of the Company.

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

Not applicable.

(4) Issues to address

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

Aiming to establish itself as a leading global manufacturer of small- and medium-sized displays that has both technological and production capabilities, the JDI Group has endeavored to 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, which is the main target of the Company's business, the competitive environment has become more severe due to the adoption of organic EL (OLED) displays by the smartphone maker which is its customer, 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.

In the growing small- and 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.

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

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

In response to the intensifying competition in the smartphone market, the JDI Group will offer products that have competitive advantage using our advanced technology based on LTPS, the JDI Group's strength, to customers ahead of competitors. In fiscal year under review, the Company brought FULL ACTIVE™, a liquid display with narrow bezels on all four sides of the displays, to market. This facilitates designs whereby the display screen is almost the same size as the end-

product, and will contribute to the creation of new value in products.

In addition, the Company has introduced an in-house company system in response to rapid changes in the industry, and will endeavor to make decision-making quicker and enhance the speed of management.

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 under review, the Company promoted development aimed at the further evolution of FULL ACTIVE™, development of the Advanced-LTPS power-saving technology, and development of OLED displays, which use proprietary JDI technology and have excellent resolution and productivity. In addition, the Company discontinued the OLED trial line at the Ishikawa Plant and integrated it into the G6 line at the Mobarra Plant. In fiscal year 2019, the Company will continue development of Advanced-LTPS, and enhance the level of OLED display technology at the Mobarra Plant toward mass production.

iii) Further Enhancement of Cost Competitiveness

The JDI Group will continue to further advance management reforms in order to transform to a business structure that can secure profits without being affected by the business environment. In fiscal year under review, the Company implemented structural improvements, including discontinuing front-end production at Nomi Plant, transferring and restructuring back-end production subsidiaries, and voluntary early retirement for employees. The Company is also endeavoring to strengthen cost competitiveness through cross-functional activities as company-wide initiatives. In fiscal year 2019, the Company will continue implementing company-wide initiatives to further strengthen cost competitiveness.

iv) Business Structure Reforms

At present approximately 80% of the JDI Group's sales are from products in the mobile category including mainly smartphones, but the competitive environment is becoming more difficult. Demand for displays in the non-mobile category, including automotive, is growing robustly, and the JDI Group aims to achieve a production ratio of the non-mobile business of 50% in the medium-term.

Specifically, we will accelerate the strengthening of the automotive display business, the full-scale cooperation with JOLED Inc., and expansion of non-mobile businesses such as industrial and wearable devices. For smartphones, JDI will quickly bring products with a competitive advantage for the JDI Group to the market and accelerate development of OLED technology toward mass production.

(5) Main business (As of March 31, 2018)

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, 2018)

i) The Company's offices and plants

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

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
JDI Taiwan Inc.	Headquarters: Taiwan
Suzhou JDI Devices Inc.	Headquarters: China
Suzhou JDI Electronics Inc.	Headquarters: China
Nanox Philippines Inc.	Headquarters: Philippines
Kaohsiung Opto-Electronics Inc.	Headquarters: Taiwan

(7) Employees (As of March 31, 2018)

Employees of the corporate group

Number of employees	Increase (decrease) from the previous fiscal year-end
11,542	Decrease of 1,631

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

(8) Major lenders (As of March 31, 2018)

Lenders	Outstanding borrowing (Millions of yen)
Mizuho Bank, Ltd.	39,200
Sumitomo Mitsui Banking Corporation	39,200
Innovation Network Corporation of Japan	30,000
Sumitomo Mitsui Trust Bank, Limited	19,600

2. Status of the Company

(1) Shares (As of March 31, 2018)

- 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: 74,070
- 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	21,286,331	3.5
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	14,842,688	2.5
Sony Corporation	10,700,000	1.8
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	9,319,372	1.5
Japan Trustee Services Bank, Ltd. (Trust Account 5)	7,848,700	1.3
Japan Trustee Services Bank, Ltd. (Trust Account 9)	6,922,300	1.2
The Master Trust Bank of Japan, Ltd. (Trust account)	6,179,200	1.0
Japan Trustee Services Bank, Ltd. (Trust Account 2)	5,812,200	1.0
Japan Trustee Services Bank, Ltd. (Trust Account 1)	5,809,300	1.0

Note: Due to a capital increase via third-party allotment in the form of the issuance of new shares, the total number of outstanding shares increased by 244,753,900 shares to 846,165,800 shares on April 25, 2018.

(2) Share acquisition rights, etc.

i) Share 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 share acquisition rights	76,780	12,980	
Class and number of shares underlying share acquisition rights	Common stock 7,678,000 shares (100 shares per unit)	Common stock 1,298,000 shares (100 shares per unit)	
Amount to be paid in for share acquisition rights	No payment is required for share acquisition rights.	No payment is required for share acquisition rights.	
Value of the property to be contributed when share 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 share acquisition rights	Note 1	Note 1	
Share acquisition rights held by officers	Directors (excluding Outside Directors)	Number of share acquisition rights: 2,160	Number of share acquisition rights: 840
		Number of shares underlying share acquisition rights: 216,000	Number of shares underlying share acquisition rights: 84,000
		Number of holders: 1	Number of holders: 1
	Outside Directors	Number of share acquisition rights: 0	Number of share acquisition rights: 0
		Number of shares underlying share acquisition rights: 0	Number of shares underlying share acquisition rights: 0
		Number of holders: 0	Number of holders: 0
	Company Auditors	Number of share acquisition rights: 2,160	Number of tock acquisition rights: 840
		Number of shares underlying share acquisition rights: 216,000	Number of shares underlying share 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. share 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 share 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 share acquisition rights" and the "Value of the property to be contributed when share 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 share acquisition rights are as follows:

- Regardless of the exercise period stipulated above, share 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 share acquisition rights may not, in principle, exercise any share acquisition rights held, if said holder of share 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 share acquisition rights may not, in principle, exercise one-half of share acquisition rights held if said holder of share acquisition rights voluntarily retires from the Company or a subsidiary of the Company.
- A holder of share acquisition rights may not, in principle, exercise share acquisition rights if said holder of share acquisition rights has taken a position as an officer or employee of a company that effectively competes with the Company.
- In principle, share acquisition rights may not be succeeded to another individual.
- Other conditions for exercising share acquisition rights shall be pursuant to the "Share acquisition

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

	6th stock option	7th stock option	
Resolution date of issuance	October 30, 2013	October 30, 2013	
Number of share acquisition rights	23,260	340	
Class and number of shares underlying share acquisition rights	Common stock 2,326,000 shares (100 shares per unit)	Common stock 34,000 shares (100 shares per unit)	
Amount to be paid in for share acquisition rights	No payment is required for share acquisition rights.	No payment is required for share acquisition rights.	
Value of the property to be contributed when share 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 share acquisition rights	Note 2	Note 2	
Share acquisition rights held by Officers	Directors (excluding Outside Directors)	Number of share acquisition rights: 1,660	Number of share acquisition rights: 340
		Number of shares underlying share acquisition rights: 166,000	Number of shares underlying share acquisition rights: 34,000
		Number of holders: 1	Number of holders: 1
	Outside Directors	Number of share acquisition rights: 0	Number of share acquisition rights: 0
		Number of shares underlying share acquisition rights: 0	Number of shares underlying share acquisition rights: 0
		Number of holders: 0	Number of holders: 0
	Company Auditors	Number of share acquisition rights: 0	Number of share acquisition rights: 0
		Number of shares underlying share acquisition rights: 0	Number of shares underlying share 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 share acquisition rights” and the “Value of the property to be contributed when share acquisition rights are exercised.”

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

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

	8th stock option	10th stock option	
Resolution date of issuance	June 23, 2015	June 21, 2017	
Number of share acquisition rights	2,600	4,000	
Class and number of shares underlying share acquisition rights	Common stock 260,000 shares (100 shares per unit)	Common stock 400,000 shares (100 shares per unit)	
Amount to be paid in for share acquisition rights	No payment is required for share acquisition rights.	No payment is required for share acquisition rights.	
Value of the property to be contributed when share acquisition rights are exercised	¥54,200 per unit (¥542 per share)	¥26,800 per unit (¥268 per share)	
Exercise period	From June 24, 2017 to June 23, 2025	From June 22, 2019 to June 21, 2027	
Conditions for exercising share acquisition rights	Note 3	Note 3	
Share acquisition rights held by Officers	Directors (excluding Outside Directors)	Number of share acquisition rights: 1,000	Number of share acquisition rights: 4,000
		Number of shares underlying share acquisition rights: 100,000	Number of shares underlying share acquisition rights: 400,000
		Number of holders: 1	Number of holders: 1
	Outside Directors	Number of share acquisition rights: 0	Number of share acquisition rights: 0
		Number of shares underlying share acquisition rights: 0	Number of shares underlying share acquisition rights: 0
		Number of holders: 0	Number of holders: 0
	Company Auditors	Number of share acquisition rights: 0	Number of share acquisition rights: 0
		Number of shares underlying share acquisition rights: 0	Number of shares underlying share acquisition rights: 0
		Number of holders: 0	Number of holders: 0

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

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

- ii) Share 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 share acquisition rights, etc.

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

Resolution date of issuance	December 21, 2016
Number of share acquisition rights	450
Class of shares underlying share acquisition rights	Common stock
Number of shares underlying share acquisition rights	The number obtained by dividing the total amount of the bonds, which is attached with the share 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 share acquisition rights	No payment is required for share 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 share acquisition rights	No share acquisition right may be exercised in part.

(3) Corporate Officers

i) Directors and Company Auditors (As of March 31, 2018)

Title at the Company	Name	Responsibilities at the Company and significant concurrent positions outside the Company
Chairman and Representative Director	Nobuhiro Higashiiriki	Chairman, Chief Executive Officer; President and Representative Director and Chief Executive Officer (CEO) of JOLED Inc.
President and Director	Shuji Aruga	President, Chief Operating Officer
Director	Katsuhiko Shirai	Outside Director of NIPPON TELEGRAPH AND TELEPHONE CORPORATION; Outside Director of inQs Co., Ltd.
Director	Kazuhiko Shimokobe	Outside Director (Audit & Supervisory Committee Member) of CHORI CO., LTD.; Outside Auditor of Frontier Management Inc.; Outside Auditor of Industrial Growth Platform, Inc.
Director	Takahisa Hashimoto	
Director	Mikihide Katsumata	President and Chief Operating Officer (COO), Member of the Board of the Innovation Network Corporation of Japan
Director	Nobuyuki Higashi	Investment Business Group Managing Director of the Innovation Network Corporation of Japan; Outside Director of JOLED Inc.
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 of TSUNEISHI SHIPBUILDING Co., Ltd.; Outside Company Director of NICHIAS Corporation
Company Auditor	Toshiaki Kawashima	Head of Kawashima CPA Office

- Notes: 1. Directors Katsuhiko Shirai, Kazuhiko Shimokobe, Takahisa Hashimoto, Mikihide Katsumata and Nobuyuki Higashi are Outside Directors.
2. Company Auditors Youichi Etou and Toshiaki Kawashima are Outside Company Auditors.
3. Outside Company Auditor Toshiaki Kawashima is qualified as Certified Public Accountant and has considerable expertise in finance and accounting.
4. The Company has designated Outside Directors Katsuhiko Shirai, Kazuhiko Shimokobe and Takahisa Hashimoto, and Outside 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. Messrs. Nobuhiro Higashiiriki, Kazuhiko Shimokobe, Takahisa Hashimoto, Mikihide Katsumata and Nobuyuki Higashi were newly elected and assumed office as Directors at the 15th Annual General Meeting of Shareholders held on June 21, 2017.
6. Directors Messrs. Mitsuru Homma, Koichiro Taniyama, Hiroshi Kanno and Hajime Sawabe retired due to the expiration of their term of office at the conclusion of the 15th Annual General Meeting of Shareholders held on June 21, 2017.

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 Company's Articles of Incorporation and 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 when performing 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 (Of the above, Outside Directors)	8 (5)	141 (37)
Company Auditors (Of the above, Outside Company Auditors)	4 (2)	56 (14)

- 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 three Directors who retired at the conclusion of the 15th Annual General Meeting of Shareholders held on June 21, 2017 and does not include three Directors (including one Director retired at the conclusion of the 15th Annual General Meeting of Shareholders held on June 21, 2017) who serve without compensation.
5. The above amount of remuneration, etc. includes the amount recorded as expenses during the fiscal year under review (¥16 million for Directors) pertaining to share 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.
- Outside Director Katsuhiko Shirai is Outside Director of NIPPON TELEGRAPH AND TELEPHONE CORPORATION and Outside Director of inQs Co., Ltd. There are no special relationships between the Company and these entities.
 - Outside Director Kazuhiko Shimokobe is Outside Director (Audit & Supervisory Committee Member) of CHORI CO., LTD., Outside Auditor of Frontier Management Inc. and Outside Auditor of Industrial Growth Platform, Inc. There are no special relationships between the Company and these entities.
 - Outside Director Mikihide Katsumata is President and Chief Operating Officer (COO), Member of the Board of the Innovation Network Corporation of Japan.
 - Outside Director Nobuyuki Higashi is Managing Director of the Innovation Network Corporation of Japan and Outside Director of JOLED Inc.
 - The Innovation Network Corporation of Japan, where Outside Directors Mikihide Katsumata and Nobuyuki Higashi serve concurrently, is a major shareholder of the Company, holding 35.6% of voting rights.

- The Company holds 15% of the voting rights of JOLED Inc., where Outside Director Nobuyuki Higashi serves concurrently, and outsources development operations to JOLED Inc., and has also entered into a dealership agreement regarding the sale of JOLED Inc. products.
- Outside 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 these entities.
- Outside 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
Katsuhiko Shirai, Director	Attended all 18 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 and knowledge as both a doctor of engineering and as an administrator of an educational institution.
Kazuhiko Shimokobe, Director	Attended all 14 meetings of the Board of Directors since taking office as Director. Provided advice and proposals regarding the Company's management based on his wealth of experience as an attorney and experience and achievements as an executive of large companies.
Takahisa Hashimoto, Director	Attended 13 of 14 meetings of the Board of Directors since taking office as Director. Provided advice and proposals regarding the Company's management based on his wealth of experience and expertise as an executive of LCD development and manufacturing companies.
Mikihide Katsumata, Director	Attended all 14 meetings of the Board of Directors since taking office as Director. Provided advice and proposals regarding the Company's management based on his wealth of experience and knowledge in a major bank and international investment companies.
Nobuyuki Higashi, Director	Attended all 14 meetings of the Board of Directors since taking office as Director. Provided advice and proposals regarding the Company's management based on his wealth of experience and knowledge in securities companies and investment companies.
Youichi Etou, Company Auditor	Attended all 18 meetings of the Board of Directors and all 16 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 18 meetings of the Board of Directors and all 16 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 two 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, 2018	115
Total amount of money and other property benefit to be paid from the Company and its subsidiaries to the Independent Auditor	115

- 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

By resolution of the Board of Directors, the Company has established policies regarding systems to ensure that the execution of duties by Directors complies with laws and regulations as well as the articles of incorporation, and other systems to ensure the proper business of the Company, as the “Basic Policy for Internal Control System.” 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 rules that set forth basic matters related to compliance initiatives, to ensure that the execution of duties by Directors, Executive Officers and Employees (hereinafter referred to collectively as the “Officers and Employees”) of the Company and its subsidiaries (hereinafter referred to as the “JDI Group”) complies with laws and regulations as well as the articles of incorporation, and while Directors and Executive Officers shall take the lead in complying with those rules, the Company shall continuously disseminate their significance among the Officers and Employees through necessary compliance education, training, etc.
 - The Company shall establish a committee in order to promote JDI Group’s compliance, 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 JDI 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 Division regularly audits the status of compliance in the JDI Group, and provides reports to Executive Directors and Company Auditors as necessary.
- ii) Systems related to the retention and management of information pertaining to the execution of the duties of the Directors
- The minutes of the General Meeting of Shareholders, the meetings of the Board of Directors, and other important documents related to important decision-making (including electromagnetic data) are stored and managed appropriately in accordance with the laws and regulations and internal rules, and an environment is maintained such that Directors and Company Auditors can view these materials as necessary.
- iii) Rules and other systems related to management of the risk of loss
- The Company shall formulate rules that set forth guidelines on how the Company will take measures to counter potential risks to the corporate activities of the JDI Group, etc., 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 that the execution of the duties of the Directors is performed efficiently
- 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.
 - The Board of Directors shall decide the business plan of the JDI Group, annual budget, and important policies on other important management matters in accordance with laws and regulations, the articles of incorporation and rules of the Board of Directors. The status of execution shall be reported by Executive Officers to the Board of Directors and necessary actions shall be discussed.
 - The Company shall promptly discuss and decide important matters related to the execution of duties in the JDI Group, in accordance with the bodies and procedures established by laws and regulations, resolutions of the Board of Directors, and internal rules.

- v) Systems to ensure the propriety of business activities in 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 upon approval of the Company based on internal rules and rules of the Board of Directors, which are established by the Company to stipulate decision-making authority (including subsidiaries) and other rules.
 - The Company shall require that each subsidiary establish necessary rules related to compliance.
 - Internal Audit Division shall audit the overall operations of the JDI Group appropriately and as needed.
- vi) Matters related to the employee who is appointed to assist with the duties of the Company Auditor; matters related to the independence of the said employee from the Directors; and matters related 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 establish a system 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) System for the Directors and the Employee to report to the Company Auditor; other systems related to reporting to the Company Auditor; and System for ensuring persons who have reported as provided in the preceding item will not be treated unfavorably on grounds of such reporting
- 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, the said Officers or Employees shall report the said fact promptly to the Company Auditor or the Board of Company Auditors.
 - 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 that audits by the Company Auditor are performed effectively
- The Company Auditors shall exchange opinions periodically with Executive Directors and Independent Auditors, and facilitate information exchanges and close interactions with Internal Audit Division.
 - When important meetings are held to decide important matters pertaining to the operation of the businesses of the JDI Group, 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

An overview of the system to ensure that the execution of duties by Directors complies with laws and regulations as well as the articles of incorporation, and the operation status to ensure the proper business of the Company is as follows:

i) Matters relating to the compliance system

- Operational policies for the fiscal year are determined by the Compliance Committee chaired by an Executive Officer in charge of compliance, and the Company implements planned initiatives.
- The Company established October as “Compliance Promotion Month,” and has been distributing messages from the Chair of the Compliance Committee and information on compliance topics, and also conducting e-learning for all employees.
- The whistle-blower system established with contact points internally and with an external attorney received reports of compliance violations, etc. (seven (7) cases in the fiscal year under review), and the Company appropriately conducted investigations in response.
- The Internal Audit Division regularly conducts audits mainly on the effectiveness of compliance and internal controls in the JDI Group and reports to Executive Directors the status of audits on a regular basis, while contacting Standing Company Auditors to maintain cooperation with them.

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

- Meetings of the Board of Directors were held once a month, in principle, with extraordinary meetings held as necessary, where the Board of Directors discussed and made resolutions regarding important matters related to the management of the Company, and also supervised the status of the execution of duties.
- Decisions are made in regard to important matters pertaining to business operation after multifaceted, careful discussion, including a risk assessment, by advisory bodies established in accordance with the division of matters to be determined at a company-wide level and matters to be determined by the Presidents of in-house companies based on related rules.

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 by ensuring that important management matters of subsidiaries shall be implemented, subject to the approval of the Company, pursuant to various rules established by the Company related to operational authority, etc., in addition to having Executive Officers in charge of subsidiaries serve concurrently as part-time officers of subsidiaries, and ascertaining the status of the execution of duties at each subsidiary.

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, which is the decision-making body for the management of the Company, meetings determining matters related to the execution of duties at a company-wide level, and advisory committees established by resolution of the Board of Directors; regularly interviewing Directors, interviewing Executive Officers, subsidiaries’ presidents, and other persons, as well as conducting visiting audits at local sites on a timely basis; maintaining regular communications with the Internal Audit Division 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, 2018), as the Company posted a net loss owing partly to a deteriorating business environment and an extraordinary loss associated with the implementation of structural improvements, the Company has regretfully taken the decision not to pay a dividend. In the next fiscal year (the fiscal year ending March 31, 2019), while endeavoring to improve profits, the Company will consider paying a year-end dividend, after comprehensively considering the level of business results and other factors.

Consolidated Financial Statements

Consolidated balance sheet

As of March 31, 2018

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	271,035	Current liabilities	424,183
Cash and deposits	80,866	Accounts payable - trade	117,830
Accounts receivable - trade	82,863	Short-term loans payable	99,082
Accounts receivable - other	42,766	Lease obligations	13,980
Merchandise and finished goods	17,427	Income taxes payable	943
Work in process	27,381	Provision for bonuses	4,596
Raw materials and supplies	13,358	Advances received	128,288
Deferred tax assets	255	Other	59,461
Other	6,283	Non-current liabilities	108,462
Allowance for doubtful accounts	(167)	Bonds with share acquisition rights	45,000
Non-current assets	343,656	Long-term loans payable	30,000
Property, plant and equipment	301,801	Lease obligations	0
Buildings and structures	132,498	Net defined benefit liability	24,063
Machinery, equipment and vehicles	111,212	Other	9,398
Land	14,238	Total liabilities	532,646
Lease assets	7,645	Net assets	
Construction in progress	28,940	Shareholders' equity	77,229
Other	7,265	Capital stock	96,863
Intangible assets	18,981	Capital surplus	213,648
Goodwill	13,832	Retained earnings	(233,281)
Other	5,148	Accumulated other comprehensive income	3,106
Investments and other assets	22,873	Foreign currency translation adjustment	10,838
Investment securities	12,253	Remeasurements of defined benefit plans	(7,731)
Deferred tax assets	527	Share acquisition rights	47
Other	13,571	Non-controlling interests	1,662
Allowance for doubtful accounts	(3,478)	Total net assets	82,046
Total assets	614,692	Total liabilities and net assets	614,692

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

Consolidated statement of income

From April 1, 2017
to March 31, 2018

(Millions of yen)

Item	Amount
Net sales	717,522
Cost of sales	720,152
Gross profit (loss)	(2,629)
Selling, general and administrative expenses	59,119
Operating profit (loss)	(61,749)
Non-operating income	4,538
Interest income	124
Subsidy income	1,426
Rent income	500
Fiduciary obligation fee	1,695
Other	790
Non-operating expenses	36,447
Interest expenses	2,511
Share of loss of entities accounted for using equity method	14,162
Foreign exchange losses	3,219
Depreciation	9,903
Other	6,649
Ordinary profit (loss)	(93,658)
Extraordinary losses	143,728
Business structure improvement expenses	142,260
Provision of allowance for doubtful accounts	1,467
Income (loss) before income taxes	(237,386)
Income taxes – current	2,734
Income taxes – deferred	7,124
Net income (loss)	(247,245)
Net income (loss) attributable to non-controlling interests	(14)
Net income (loss) attributable to owners of the parent	(247,231)

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

Consolidated statement of changes in equity

From April 1, 2017
to March 31, 2018

(Millions of yen)

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

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

(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: 16 companies
- Names of principal consolidated subsidiaries

JDI Display America, Inc.

JDI Europe GmbH

JDI Korea Inc.

JDI China Inc.

JDI Hong Kong Limited

JDI Taiwan Inc.

Suzhou JDI Devices Inc.

Suzhou JDI Electronics Inc.

Kaohsiung Opto-Electronics Inc.

Nanox Philippines 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 the 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

Star World Technology Corp., which was a consolidated subsidiary of the Company, is excluded from the scope of consolidation because it merged with consolidated subsidiary Kaohsiung Opto-Electronics Inc. in December 2017. Shenzhen JDI Inc., which was a consolidated subsidiary of the Company, was excluded from the scope of consolidation because the Company sold its entire stake in March 2018.

(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., 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 date 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 policies

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 and amortizable assets

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

Amortized using the straight-line method.

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

c. Lease assets

- Lease assets under finance lease transactions that transfer ownership

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

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

The JDI Group 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

Monetary 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 non-controlling 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 are 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 JDI Group has hedged the risk of exchange fluctuations pursuant to internal 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 liability

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 fiscal year following the fiscal 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, 2018.

2. 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	121,196
Machinery, equipment and vehicles	94,138
Land	8,080
Construction in progress	24,086
Investment securities	12,188
Other	606
Total	260,296

ii) Obligations secured by collateral are as follows:

	(Millions of yen)
Advances received	126,295
Short-term loans payable	98,000
Long-term loans payable	30,000

(2) Accumulated depreciation for property, plant and equipment: ¥580,041 million

(3) The JDI 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	107,000
Balance of borrowings outstanding	98,000
Balance	9,000

(4) Accumulated amounts of advanced depreciation deducted from the acquisition value of non-current assets due to government subsidies are as follows:

(As of March 31, 2018)	(Millions of yen)
Property, plant and equipment	
Buildings and structures	197
Machinery, equipment and vehicles	15,788
Tools, furniture and fixtures	399
Intangible assets	
Other	59
Total	16,445

3. 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 ¥1,302 million is included in cost of sales and business structure improvement expenses.

(2) Subsidy income

Subsidy income mainly represents a subsidy for business location from local government due to factory location.

(3) Business structure improvement expenses

The JDI Group aims to improve its profitability through conducting management rationalization through the implementation of fundamental structural reforms, and expenses incurred in line with said structural reforms are recorded as business structure improvement expenses.

The breakdowns of the business structure improvement expenses are as follows:

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

(Note 1) Matters associated with impairment losses on non-current assets are as follows.

Use	Type	Location	Impairment loss (Millions of yen)
Assets for business operations	Buildings and structures, Machinery, equipment and vehicles, Lease assets, Construction in progress, Other property, plant and equipment, Other intangible assets	Mobara Plant Mobara City, Chiba	71,531
	Machinery, equipment and vehicles, Lease assets, Construction in progress, Other property, plant and equipment, Other intangible assets	Ishikawa Plant Kawakita Town, Nomi County, Ishikawa	5,471
	Machinery, equipment and vehicles, Lease assets, Construction in progress, Other property, plant and equipment, Other intangible assets	Higashiura Plant Higashiura Town, Chita County, Aichi	2,925
	Machinery, equipment and vehicles, Construction in progress, Other property, plant and equipment, Other intangible assets	Philippines	1,657
Idle assets	Other intangible assets	Headquarters Minato-ku, Tokyo	401
	Other property, plant and equipment	Ebina Office Ebina City, Kanagawa	4
	Buildings and structures, Machinery, equipment and vehicles, Lease assets, Construction in progress, Other property, plant and equipment, Other intangible assets	Mobara Plant Mobara City, Chiba	10,751
	Buildings and structures, Machinery, equipment and vehicles, Construction in progress, Other property, plant and equipment, Other intangible assets	Ishikawa Plant Kawakita Town, Nomi County, Ishikawa	4,768
	Buildings and structures, Machinery, equipment and vehicles, Construction in progress, Other property, plant and equipment, Other intangible assets	Nomi Plant Nomi City, Ishikawa	1,121
	Machinery, equipment and vehicles, Construction in progress, Other property, plant and equipment	Tottori Plant Tottori City, Tottori	115
	Buildings and structures, Machinery, equipment and vehicles, Other property, plant and equipment, Other	Higashiura Plant Higashiura Town,	21

	intangible assets	Chita County, Aichi	
	Buildings and structures, Machinery, equipment and vehicles, Other property, plant and equipment	Suzhou City, Jiangsu Province, China	2,113
	Buildings and structures, Machinery, equipment and vehicles, Other property, plant and equipment, Other intangible assets	Philippines	2,940
Total			103,824

In principle, the JDI Group classified these assets for business operations or for lending. However, the JDI Group classified idle assets individually as a unit that generates cash flows and independent from other assets.

Regarding assets for business operations, the competitive environment is becoming increasingly severe in the JDI Group's mainstay products for the smartphone market owing to acceleration in the use of organic light emitting diode (OLED) displays and higher production capacity at Chinese manufacturers. As profitability has declined at some production facilities, their book values have been reduced to their recoverable values, with the amount ¥81,586 million (mainly Machinery, equipment and vehicles ¥24,609 million, Lease assets ¥7,350 million, Construction in progress ¥45,408 million) of decrease recorded as extraordinary losses.

Furthermore, the recoverable values of assets for business operations are measured via the net realizable value, with the net realizable value evaluated through appraisal values, etc.

Regarding idle assets, as their future use is not expected, their book values have been reduced to their recoverable values, with the amount ¥22,237 million (mainly Buildings and structures ¥4,273 million, Machinery, equipment and vehicles ¥10,260 million, Construction in progress ¥4,869 million) of decrease recorded as extraordinary losses.

Furthermore, the recoverable values of idle assets are deemed to be zero.

(Note 2) Early extra retirement payments are mainly attributable to special extra retirement payments associated with offers of voluntary redundancy.

(4) Provision of allowance for doubtful accounts

Regarding accounts receivable - trade held by the JDI Group for Wintek Corporation (headquarters: Taichung, Taiwan), the expected unrecoverable amount was recorded as an allowance for doubtful accounts during the fiscal year ended March 31, 2015. However, due to the corporate reorganization plan (the Taiwanese equivalent of a corporate reorganization plan proposal) announced by Wintek on October 23, 2017, the expected unrecoverable amount is expected to increase further, and the JDI Group has recorded a provision of allowance for doubtful accounts.

4. 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 share acquisition rights issued by the JDI Group at the end of the fiscal year under review:

Common stock: 12,029,240 shares

5. Notes on financial instruments

(1) Status of financial instruments

i) Policy for financial instruments

The JDI 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 mainly 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 JDI 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 JDI 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 JDI Group also hedges fluctuation risks by setting fixed interest rates on loans payable.

In accordance with the internal regulations, the JDI 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 JDI 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, 2018, are as shown below.

(Millions of yen)

	Carrying amount	Fair value	Difference
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	Carrying amount	Fair value	Difference
(1) Cash and deposits	80,866	80,866	–
(2) Accounts receivable - trade	82,863	82,863	–
(3) Accounts receivable - other	42,766	42,766	–
Total assets	206,495	206,495	–
(1) Accounts payable - trade	117,830	117,830	–
(2) Short-term loans payable	99,082	99,082	–
(3) Bonds with share acquisition rights	45,000	45,012	12
(4) Long-term loans payable (including current portion)	30,000	30,200	200
(5) Lease obligations (Current liabilities, non-current liabilities)	13,980	14,216	235
Total liabilities	305,893	306,342	448
Derivative transactions (*)	1	1	–

(*) 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 share acquisition rights

Since no market price exists, the fair value of bonds with share 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 share 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 JDI Group.

6. Notes on investment and rental properties

Omitted because of immateriality.

7. Per share information

(1) Net assets per share	¥133.58
(2) Net income (loss) per share	¥(411.09)

8. Notes on significant subsequent events

Issuance of New Shares through Third-party Allotments

At Board of Directors meetings held on March 30, 2018 and April 10, 2018, the Company resolved the issuance of new shares through third-party allotments to overseas financial institutional investors as well as to Nichia Corporation (hereinafter the “Third-party Allotments”), and the payment was completed on April 25, 2018.

(1) Overview of the Third-party Allotments

a. Third-party Allotments to overseas financial institutional investors

1	Payment date	April 25, 2018
2	New shares to be issued	209,788,900 shares of common stock
3	Issue price	143 yen per share
4	Total proceeds	29,999,812,700 yen
5	Amount included in capital	71.5 yen per share
6	Total amount included in capital	14,999,906,350 yen
7	Method of offering (Allottee)	Shares were allotted to overseas financial institutional investors (30 funds) through third-party allotments.
8	Use of funds	Scheduled for use as increased working capital associated with mass production of FULL ACTIVE™ and for capital expenditures for back-end manufacturing (module assembly) of FULL ACTIVE™, etc.

b. Third-party Allotments to Nichia Corporation

1	Payment date	April 25, 2018
2	New shares to be issued	34,965,000 shares of common stock
3	Issue price	143 yen per share
4	Total proceeds	4,999,995,000 yen
5	Amount included in capital	71.5 yen per share
6	Total amount included in capital	2,499,997,500 yen
7	Method of offering (Allottee)	Shares were allotted to Nichia Corporation through third-party allotment.
8	Use of funds	Scheduled for use as increased working capital associated with mass production of FULL ACTIVE™ and for capital expenditures for back-end manufacturing (module assembly) of FULL ACTIVE™, etc.

(2) Change in total number of outstanding shares and capital due to the Third-party Allotments

	Total number of outstanding shares	Capital (yen)
Before Third-party Allotments	601,411,900	96,863,000,000
Increase due to Third-party Allotments	244,753,900	17,499,903,850
After Third-party Allotments	846,165,800	114,362,903,850

Non-consolidated Financial Statements

Non-consolidated balance sheet

As of March 31, 2018

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	257,379	Current liabilities	437,287
Cash and deposits	43,033	Accounts payable - trade	146,819
Accounts receivable - trade	118,271	Short-term loans payable	98,000
Accounts receivable - other	64,978	Lease obligations	13,980
Merchandise and finished goods	3,337	Accounts payable - other	25,319
Work in process	22,215	Accrued expenses	19,553
Raw materials and supplies	9,190	Income taxes payable	737
Prepaid expenses	3,523	Provision for bonuses	3,965
Other	1,873	Advances received	128,247
Allowance for doubtful accounts	(9,044)	Unearned revenue	7
		Deferred tax liabilities	69
Non-current assets	338,821	Other	586
Property, plant and equipment	278,844	Non-current liabilities	98,737
Buildings	119,308	Bonds with share acquisition rights	45,000
Structures	6,484	Long-term loans payable	30,000
Machinery and equipment	104,066	Lease obligations	0
Vehicles	35	Provision for retirement benefits	16,298
Tools, furniture and fixtures	5,795	Deferred tax liabilities	632
Land	8,104	Other	6,806
Lease assets	7,645	Total liabilities	536,025
Construction in progress	27,403		
Intangible assets	7,508	Net assets	
Goodwill	3,647	Shareholders' equity	60,127
Patent right	1,681	Capital stock	96,863
Leasehold right	2	Capital surplus	197,157
Software	1,310	Legal capital surplus	123,847
Other	866	Other capital surplus	73,310
Investments and other assets	52,468	Retained earnings	(233,892)
Investment securities	50	Other retained earnings	(233,892)
Shares of subsidiaries and associates	30,768	Retained earnings brought forward	(233,892)
Investments in capital of subsidiaries and associates	12,463	Share acquisition rights	47
Long-term loans receivable	5		
Long-term prepaid expenses	8,791		
Other	391		
Allowance for doubtful accounts	(3)		
		Total net assets	60,175
Total assets	596,200	Total liabilities and net assets	596,200

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

Non-consolidated statement of income

From April 1, 2017
to March 31, 2018

(Millions of yen)

Item	Amount
Net sales	698,275
Cost of sales	723,664
Gross profit (loss)	(25,389)
Selling, general and administrative expenses	48,847
Operating profit (loss)	(74,237)
Non-operating income	4,202
Interest income	53
Subsidy income	1,426
Rent income	500
Fiduciary obligation fee	1,695
Other	526
Non-operating expenses	28,537
Interest expenses	2,405
Foreign exchange losses	1,569
Depreciation	9,375
Provision of allowance for doubtful accounts	9,040
Other	6,146
Ordinary profit (loss)	(98,572)
Extraordinary income	2,004
Gain on sales of shares of subsidiaries and associates	228
Gain on other capital surplus reduction of shares of subsidiaries	1,776
Extraordinary losses	128,441
Loss on valuation of shares of subsidiaries and associates	2,713
Business structure improvement expenses	125,728
Income (loss) before income taxes	(225,010)
Income taxes - current	1,326
Income taxes - deferred	7,556
Net income (loss)	(233,892)

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

Non-consolidated statement of changes in equity

From April 1, 2017
to March 31, 2018

(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)				
Deficit disposition			(42,738)	(42,738)
Net changes of items other than shareholders' equity				
Total changes of items during period	-	-	(42,738)	(42,738)
Balance at end of current period	96,863	123,847	73,310	197,157

	Shareholders' equity			Valuation and translation adjustments	Share 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	(42,738)	(42,738)	294,020	(42)	45	294,023
Changes of items during period						
Net income (loss)	(233,892)	(233,892)	(233,892)			(233,892)
Deficit disposition	42,738	42,738	-			-
Net changes of items other than shareholders' equity				42	1	44
Total changes of items during period	(191,153)	(191,153)	(233,892)	42	1	(233,848)
Balance at end of current period	(233,892)	(233,892)	60,127	-	47	60,175

(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 by the method of writing down the book value in accordance with the declining in profitability.)

Depreciation and amortization method for non-current assets

(4) Property, plant and equipment (excluding lease 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 7 years
Tools, furniture and fixtures:	2 to 15 years

(5) Intangible assets (excluding lease 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) Lease assets

- Lease assets under finance lease transactions that transfer ownership

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

- Lease 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, and bankruptcy or rehabilitation claims.

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 fiscal year following the fiscal 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 monetary receivables and payables denominated in foreign currencies into Japanese yen

Monetary 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 are 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 internal 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. Notes to the non-consolidated balance sheet

(1) Accumulated depreciation for property, plant and equipment: ¥535,587 million

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

Assets pledged as collateral are as follows:

	(Millions of yen)
Buildings	118,836
Structures	2,360
Machinery and equipment	94,130
Vehicles	7
Tools, furniture and fixtures	567
Land	8,080
Construction in progress	24,086
Software	39
Shares of subsidiaries and associates	28,950
Total	277,058

Obligations secured by collateral are as follows:

	(Millions of yen)
Advances received	126,295
Short-term loans payable	98,000
Long-term loans payable	30,000

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

	(Millions of yen)
i) Short-term monetary receivables	134,088
ii) Short-term monetary payables	55,333

(4) The Company 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	107,000
Balance of borrowings outstanding	98,000
Balance	9,000

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

(As of March 31, 2018)	(Millions of yen)
Property, plant and equipment	
Buildings	197
Machinery and equipment	15,788
Vehicles	0
Tools, furniture and fixtures	399
Intangible assets	
Software	59
Total	16,445

3. Notes to the non-consolidated statement of income

- (1) Amount of transactions with subsidiaries and associates

Net sales	¥637,226 million
Purchase	¥196,617 million
Non-operating income	¥893 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 ¥6,020 million is included in cost of sales and business structure improvement expenses.

- (3) Subsidy income

Subsidy income mainly represents a subsidy for business location from local government due to factory location.

- (4) Business structure improvement expenses

The Company aims to improve its profitability through conducting management rationalization through the implementation of fundamental structural reforms, and expenses incurred in line with said structural reforms are recorded as business structure improvement expenses.

The breakdowns of the business structure improvement expenses are as follows:

	(Millions of yen)
Impairment loss on non-current assets (Note 1)	97,111
Loss on restructuring of subsidiaries	5,902
Loss on valuation of inventories	11,628
Removal cost of facilities	4,990
Early extra retirement payments (Note 2)	2,435
Cost of production transfer	954
Subsidy return loss	700
Loss on sales of non-current assets	621
Other	1,382
Total	125,728

(Note 1) Matters associated with impairment losses on non-current assets are as follows.

Use	Type	Location	Impairment loss (Millions of yen)
Assets for business operations	Buildings, Structures, Machinery and equipment, Vehicles, Tools, furniture and fixtures, Lease assets, Construction in progress, Leasehold right, Software, Other intangible assets	Mobara Plant Mobara City, Chiba	71,531
	Machinery and equipment, Vehicles, Tools, furniture and fixtures, Lease assets, Construction in progress, Software, Other intangible assets	Ishikawa Plant Kawakita Town, Nomi County, Ishikawa	5,471
	Machinery and equipment, Vehicles, Tools, furniture and fixtures, Lease assets, Construction in progress, Software, Other intangible assets	Higashiura Plant Higashiura Town, Chita County, Aichi	2,925
Idle assets	Software	Headquarters Minato-ku, Tokyo	401
	Tools, furniture and fixtures	Ebina Office Ebina City, Kanagawa	4
	Buildings, Structures, Machinery and equipment, Vehicles, Tools, furniture and fixtures, Lease assets, Construction in progress, Software	Mobara Plant Mobara City, Chiba	10,751
	Buildings, Machinery and equipment, Vehicles, Tools, furniture and fixtures, Construction in progress, Software	Ishikawa Plant Kawakita Town, Nomi County, Ishikawa	4,768
	Buildings, Machinery and equipment, Vehicles, Tools, furniture and fixtures, Construction in progress, Software	Nomi Plant Nomi City, Ishikawa	1,121
	Machinery and equipment, Tools, furniture and fixtures, Construction in progress	Tottori Plant Tottori City, Tottori	115
	Buildings, Machinery and equipment, Tools, furniture and fixtures, Software	Higashiura Plant Higashiura Town, Chita County, Aichi	21
Total			97,111

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

Regarding assets for business operations, the competitive environment is becoming increasingly severe in the Company's mainstay products for the smartphone market owing to acceleration in the use of organic light emitting diode (OLED) displays and higher production capacity at Chinese manufacturers. As profitability has declined at some production facilities, their book values have been reduced to their recoverable values, with the amount ¥79,928 million (mainly Machinery and equipment ¥23,248 million, Lease assets ¥7,350 million, Construction in progress ¥45,217 million) of decrease recorded as extraordinary losses.

Furthermore, the recoverable values of assets for business operations are measured via the net realizable value, with the net realizable value evaluated through appraisal values, etc.

Regarding idle assets, as their future use is not expected, their book values have been reduced to their recoverable values, with the amount ¥17,183 million (mainly Buildings ¥3,310 million, Machinery and equipment ¥6,321 million, Construction in progress ¥4,869 million) of decrease recorded as extraordinary losses.

Furthermore, the recoverable values of idle assets are deemed to be zero.

(Note 2) Early extra retirement payments are mainly attributable to special extra retirement payments associated with offers of voluntary redundancy.

4. 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	83,182
Impairment loss	31,386
Loss on valuation of shares of subsidiaries and associates	4,682
Provision for retirement benefits	4,990
Loss on valuation of inventories	4,022
Business structure improvement expenses	2,789
Provision for bonuses	1,214
Advances received	597
Other	5,282
Subtotal of deferred tax assets	<u>138,148</u>
Valuation allowance	<u>(138,148)</u>
Total deferred tax assets	-
Deferred tax liabilities	
Assessed market value of land	(76)
Assessed market value of patent rights	(407)
Other	(218)
Total deferred tax liabilities	<u>(702)</u>
Net deferred tax assets (liabilities)	<u>(702)</u>

5. Notes on transactions with related parties

(1) Major corporate shareholders

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)
Major shareholder (corporation, etc.)	Innovation Network Corporation of Japan	Owned Direct 35.6%	Receipt of funding support, Liability guarantee, Provision of collateral, Concurrent positions of some directors at both companies.	Borrowing of funds	*1 -	Long-term loans payable	30,000
				Issuance of corporate bonds	-	Bonds with share acquisition rights	45,000
				Payment of interest	*1 1,269	Accrued expenses	3
				Liability guarantee for the Company's bank borrowings	98,000	-	-
				Provision of collateral for borrowings and liability guarantee	13,833	-	-

Note: Trading conditions and policies for determining trading conditions

*1. Interest rates for the borrowing of funds are determined in consideration of market interest rates.

(2) 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 57,911	Accounts receivable - trade	15,739
Subsidiary	JDI Hong Kong Limited	Owning Direct 100.0%	Sale of products of the Company	Sale of products	*1 541,483	Accounts receivable - trade	72,328
				Substitute purchase of components	-	Accounts payable - trade	11,233
Subsidiary	JDI Taiwan Inc.	Owning Direct 100.0%	Sale of products of the Company	Sale of products	*1 8,833	Accounts receivable - trade	13,776
Subsidiary	Suzhou JDI Electronics Inc.	Owning Direct 100.0%	A manufacturing company for the Company's liquid crystal display devices in China, Concurrent positions of some directors at both companies.	Purchase of small- and medium-sized TFT products	*2 61,896	Accounts payable - trade	20,309

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	Kaohsiung Opto-Electronics Inc.	Owning Indirect 100.0%	A manufacturing company of the Company's display device in Taiwan, Concurrent positions of some directors at both companies.	Purchase of small- and medium-sized TFT products	*2 24,138	Accounts payable - trade	7,114
				Funding	9,419	Accounts receivable - other	9,419
Subsidiary	Nanox Philippines Inc.	Owning Direct 81.0%	A manufacturing company of the Company's display device in the Philippines, Concurrent positions of some directors at both companies.	Purchase of small- and medium-sized TFT products	*2 79,730	Accounts payable - trade	11,752
				Supply of small- and medium-sized TFT module components	*3 54,742	Accounts receivable - other	9,470
Associate	JOLED Inc.	Owning Direct 15.0%	An entity to which the Company entrusts research and development	Provision of consigned work, Rental	893	Accounts receivable - other	118
				Subscription of new shares	6,500	Shares of subsidiaries and associates	28,950

Notes: 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 through negotiations in consideration of costs of the counterpart subsidiary.
- *3. For supply and sale of components, trading conditions are determined on the basis of prices calculated based on the Company's costs.

6. Per share information

(1) Net assets per share	¥99.98
(2) Net income (loss) per share	¥(388.91)

7. Notes on significant subsequent events

Please refer to "8. Notes on significant subsequent events" in the Notes to the consolidated financial statements.

Audit Reports

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

AUDIT REPORT OF THE INDEPENDENT AUDITORS

May 14, 2018

To: The Board of Directors
Japan Display Inc.

KPMG AZSA LLC

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

Atsushi Tanaka (seal)
Designated Limited Liability Partner
Certified Public Accountant

Yoshihiro Kurogawa (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 Equity and Notes to the Consolidated Financial Statements of Japan Display Inc. for the fiscal year from April 1, 2017 to March 31, 2018, 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 14, 2018

To: The Board of Directors
Japan Display Inc.

KPMG AZSA LLC

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

Atsushi Tanaka (seal)
Designated Limited Liability Partner
Certified Public Accountant

Yoshihiro Kurogawa (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 Equity, Notes to the Non-consolidated Financial Statements and their supplementary statements of Japan Display Inc. for the 16th fiscal year from April 1, 2017 to March 31, 2018, 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 16th fiscal year from April 1, 2017 to March 31, 2018, 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 equity 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 equity 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 14, 2018

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