JDI Japan Display Inc.

Amended Consolidated Financial Results for the Three Months of Fiscal Year 2019 (Japanese GAPP)

Japan Display Inc. has amended its earnings report "Consolidated Financial Results for the Three Months of Fiscal Year 2019 (Japanese GAPP)" published on August 9, 2019 as attached.

1. Details and Reasons for the Amendment

   The details and reasons for the amendment are explained in the announcement dated April 14, 2020, "Notice Concerning Submission of Quarterly Securities Report for the Third Quarter of FY 2019, Amendment of Annual Securities Reports and Financial Reports for Previous Fiscal Years."

2. Amended Parts

   Because there are a large number of amendments, only the full text after the amendments is provided and the amended parts are underlined.

August 9, 2019

Japan Display Inc.

Consolidated Financial Results for the Three Months of Fiscal Year 2019
(Japanese GAAP)

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

Company name:	Japan Display Inc. ("JDI")
Security code:	6740
Listing:	Tokyo Stock Exchange (First Section)
Website:	https://www.j-display.com/english
Representative:	Yoshiyuki Tsukizaki, Representative Director and President, CEO
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Filing of 1Q-FY2019 quarterly securities report:	August 9, 2019
Commencement of dividend payments:	-
Supplementary materials for the 1Q-FY2019 earnings results:	Available
Briefing for 1Q-FY2019 results:	August 9, 2019

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

1. Consolidated results of operations for the three months ended June 30, 2019

(1) Results of operations

(Millions of yen, except per share amounts)

	3 mo. ended Jun. 30, 2019	YoY (%)	**3 mo. ended Jun. 30, 2018**	YoY (%)
Net sales	90,421	(12.5)	103,281	(45.2)
Operating profit (loss)	(27,073)	—	(8,422)	—
Ordinary profit (loss)	(31,207)	—	(11,415)	—
Net income (loss) attributable to owners of the parent	(78,913)		(474)	—
Net income (loss) per share				
-Basic (yen)	(93.26)	—	(0.61)	—
-Diluted (yen)	—	—	—	—
(Reference) Comprehensive income (loss)	(79,886)	—	(1,554)	—

(2) Financial position

(Millions of yen)

	Jun. 30, 2019	**Mar. 31, 2019**
Total assets	408,007	538,502
Net assets	(79,036)	862
Shareholders' equity ratio (%)	(19.9)	(0.2)
(Reference) Shareholders' equity	(81,144)	(1,162)

2. Dividends

	Jun. 30	Sep. 30	Dec. 31	FY-end	Total
Year ended Mar. 31, 2019 ················	–	0.00	–	0.00	0.00
Year ending Mar. 31, 2020 ···············	–				
Year ending Mar. 31, 2020 (forecast) ····		0.00	–	0.00	0.00

Notes: Changes from the most recently announced dividend forecast: None

3. Earnings forecast for the first half of FY 2019 (April 1, 2019 – September 30, 2019)

JDI forecasts that consolidated net sales for the first half of FY 2019 will increase YoY. Details are shown in the attached "1. Quarterly Results Information, (3) Notice Concerning the Forecast of Consolidated Financial Results"

Notes:

(1) Changes to scope of consolidation: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

For details, please refer to the attached "2. (3) Notes pertaining to the Consolidated Financial Statements c) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements"

(3) Accounting changes in consolidated financial statements.

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

(4) Number of shares outstanding (common shares)

	Jun 30, 2019	Mar. 31, 2019
Number of shares outstanding (incl. treasury shares) ······	846,165,800	846,165,800
Number of treasury shares ····································	3	3
	3 mo. ended Jun. 30, 2019	**3 mo. ended Jun. 30, 2018**
Average number of shares outstanding ······················	846,165,797	781,615,320

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

Proper use of earnings forecasts and other matters warranting special mention

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

Attachments

1. Quarterly Results Information

(1) Overview of Results of Operations

Consolidated Results of Operations for the First Quarter of FY 2019 (April 1 - June 30, 2019)

Year on year comparison (YoY) (Millions of yen)

		1Q-FY 2018	1Q-FY 2019	YoY	
				Change	(%)
	Mobile Device Category	62,576	53,683	(8,892)	(14.2)
	Automotive Category	28,935	25,519	(3,416)	(11.8)
	Non-Mobile Device Category	11,769	11,217	(551)	(4.7)
Net sales		103,281	90,421	(12,860)	(12.5)
Gross profit (loss)		2,859	(16,784)	(19,643)	—
Operating profit (loss)		(8,422)	(27,073)	(18,651)	—
Ordinary profit (loss)		(11,415)	(31,207)	(19,792)	—
Net income (loss) attributable to owners of the parent		(474)	(78,913)	(78,439)	—
EBITDA*		2,682	(20,183)	(22,865)	—

Notes: * EBITDA = Operating profit + Depreciation (operating costs) + Amortization of goodwill

Quarter on quarter comparison (QoQ) (Millions of yen)

		4Q-FY 2018	1Q-FY 2019	QoQ	
				Change	(%)
	Mobile Device Category	127,466	53,683	(73,782)	(57.9)
	Automotive Category	28,852	25,519	(3,332)	(11.6)
	Non-Mobile Device Category	15,011	11,217	(3,793)	(25.3)
Net sales		171,330	90,421	(80,908)	(47.2)
Gross profit (loss)		(6,801)	(16,784)	(9,982)	—
Operating profit (loss)		(19,807)	(27,073)	(7,265)	—
Ordinary profit (loss)		(23,571)	(31,207)	(7,636)	—
Net income (loss) attributable to owners of the parent		(96,771)	(78,913)	17,858	—
EBITDA*		(9,303)	(20,183)	(10,880)	—

Notes: * EBITDA = Operating profit + Depreciation (operating costs) + Amortization of goodwill

JDI's consolidated net sales in the first quarter (April 1-June 30, 2019) were lower YoY in each of the company's product categories due to lower demand. The following is an overview of JDI's performance in each of the JDI's application categories in the first quarter of FY 2019.

Mobile Device Category

This category includes displays for smartphones and tablets. Net sales for the first three months in this category were 53,683 million yen (down 14.2% YoY and down 57.9% QoQ), accounting for 59.4% of total net sales.

Sales of displays for smartphones were stagnant owing to greater smartphone usage saturation and longer smartphone replacement cycles. Meanwhile, the competitive environment is intensifying as competing display manufacturers in China have become more aggressive due to their rapid catch-up of technologies including OLED.

Under the above circumstances, and also given the effects of US-China trade tensions and customer inventory adjustments in the first quarter of FY 2019, the sales in this category were lower on both a YoY and QoQ basis.

Automotive Category

This category includes net sales of automotive displays. Net sales for the first three months in this category were 25,519 million yen (down 11.8% YoY and down 11.6% QoQ), accounting for 28.2% of total net sales.

In the automotive display market, the number of displays mounted on vehicles and display sizes are both increasing. However, in light of slowing automobile sales mainly in China but also in Europe and the US, these displays experienced both YoY and QoQ sales declines.

Non-Mobile Category

This category includes displays for digital still cameras, wearable devices and other consumer electronics, industrial devices such as medical equipment monitors and income from patents. Net sales for the first three months in this category were 11,217 million yen (down 4.7% YoY and down 25.3% QoQ), accounting for 12.4% of total net sales.

Sales in the non-mobile segment in the first quarter of FY 2019 fell by YoY and QoQ due to market contraction causing a decline in display sales for digital cameras and due to US-China trade tension driven decrease in shipments of displays for high-end notebook PCs.

As a result of the foregoing, net sales for the first three months came to 90,421 million yen, down 12.5% YoY and down 47.2% QoQ. Operating loss came to 27,073 million yen, compared to an operating loss of 8,422 million yen a year earlier and an operating loss of 19,807 million yen in the previous quarter. The operating loss was worse both YoY and QoQ and resulted from a fall in net sales as well as gross profit due to deterioration in the cost rate under the impact of lower plant utilization rate. Ordinary loss of 31,207 million yen, compared with an ordinary loss of 11,415 million yen a year earlier and an ordinary loss of 23,571 million yen in the previous quarter, was partly due to a booking of 2,031 million yen share of loss of entities accounted for using equity method. The net loss attributable to owners of the parent was 78,913 million yen, due to recognizing 47,741 million yen in business structure improvement expenses that mainly consisted of an impairment loss in connection with smartphone display-related production facilities (mainly at the Hakusan plant). In comparison, the net loss attributable to owners of the parent was 474 million yen a year earlier and 96,771 million yen in the previous quarter.

In the first quarter of FY 2019, in order to implement structural changes that will further reduce fixed costs, JDI decided to downsize the mobile business, which has no prospect of a significant recovery in demand going forward. Thus JDI has decided to temporarily suspend operations at the Hakusan Plant (Ishikawa Site, Hakusan City, Ishikawa Prefecture) from July to September 2019 and to close the Mobara Plant back-end production line (V2 line, Mobara City, Chiba Prefecture) in September 2019. Other measures were also decided, including reducing the number of employees and lowering executive compensation and employee salaries, as well as reforming the execution of business operations from October this year. The restart of the Hakusan Plant and other matters will be decided by the end of September 2019 based on future customer demand trends.

Given this situation, JDI has agreed with a major customer that the customer will defer 75% of the amount of their recoupment (i.e. offset of JDI's accounts receivable by JDI's obligation to repay the customer’s prepayment.) The agreement is provided under the conventional terms and conditions, for a period of two years, and aims to support and reinforce JDI’s financial situation in the short term. In addition, JDI and the customer have agreed that the customer will work with JDI in good faith to increase the volume of purchase orders placed by the customer. JDI believes that these agreements will not only reduce the burden on its working capital for the time being, but also represent the customer's intention to maintain a good relationship with JDI as a continued important supplier of displays.

In addition, regarding the capital and business alliance with Suwa Investment Holdings, LLC ("Suwa") on which JDI is working in order to proceed with the financial and business improvement, on April 12, 2019, JDI entered into a CAPITAL AND BUSINESS ALLIANCE AGREEMENT with Suwa. However, since that time, circumstances have changed, some of which are that the expected investors have withdrawn from their positions as expected investors in Suwa and that there has been a change in the total amount of preferred shares to be issued by JDI to INCJ, Ltd. ("INCJ"), which is JDI's largest shareholder, through third-party allotment. Based on these changed circumstances, JDI has held discussions with Suwa and, as a result of such discussions, on August 7, 2019, entered into an AMENDED AND RESTATED CAPITAL AND BUSINESS ALLIANCE AGREEMENT with Suwa (the "Amended and Restated Capital and Business Alliance Agreement"), which modifies part of the CAPITAL AND BUSINESS ALLIANCE AGREEMENT. Based on the Amended and Restated Capital and Business Alliance Agreement, JDI plans to hold an extraordinary general meeting of shareholders on September 27, 2019 regarding the related proposals.

(2) Overview of Financial Position

Assets

At the end of the first quarter of the FY 2019, current assets were 211,409 million yen, a decrease of 79,209 million yen from the end of the previous fiscal year. This was mainly due to decreases of 25,301 million yen in cash and deposits, 31,374 million yen in accounts receivable-trade and 9,457 million yen in accounts receivable-other. Noncurrent assets were 196,598 million yen, down 51,286 million yen from the end of the previous fiscal year. This was due to decreases of 47,640 million yen in property, plant and equipment, 1,569 million yen in intangible assets and 2,076 million yen in investments and other assets.

As a result, total assets at the end of the first quarter of FY 2019 were 408,007 million yen, a decrease of 130,495 million yen from the end of the previous fiscal year.

Liabilities

Current liabilities at the end of the first quarter of FY 2019 amounted to 402,762 million yen, a decrease of 50,152 million yen from the end of the previous fiscal year. This was mainly due to an increase of 19,919 million yen in short-term borrowings and decreases of 53,587 million yen in accounts payable-trade, 8,226 million yen in advances received and 5,754 million yen in other liabilities. Non-current liabilities were 84,281 million yen, down 444 million yen from the end of the previous fiscal year.

As a result, total liabilities at the end of the first quarter of FY 2019 were 487,043 million yen, a decrease of 50,596 million yen from the end of the previous fiscal year

Net assets

JDI had negative net assets of 79,036 million yen at the end of the first quarter of FY 2019 as a result of a 79,899 million yen decrease in net assets from the end of the previous fiscal year. This was mainly due to a 78,913 million yen quarterly net loss attributable to owners of the parent.

As a result, the equity ratio at the end of the first quarter of the current fiscal year was -19.9% (-0.2% at the end of the previous fiscal year).

(3) Note Concerning the Forecast of Consolidated Financial Results

JDI does business in the small- and medium-sized display industry, which is known for having a highly volatile business climate. Due to the difficulty of making reliable business forecasts, JDI provides guidance for financial results expectations for the full 12-month business period.

JDI issued a forecast of an approximate 10% YoY decline for the first-half net sales on May 15, 2019. However, JDI now believes that net sales in the first-half of FY 2019 will exceed the net sales of the same period of FY 2018 partly because JDI has benefited from receiving an increase in the volume of orders from a major customer. On the other hand, JDI also expects a decline in net sales for the full fiscal year despite a sales increase in the second half of the FY 2019 over the first half due to the launch of new products including OLED displays .

In response to the harsh business environment, JDI announced on June 12, 2019 in the press release titled "Notice Concerning Implementation of Structural Reforms through Downsizing of Mobile Business, Employee Reduction, Reduction of Executive Compensation, etc., and Renovation of Executive Officer Structure" that it would proceed to lower fixed costs by implementing structural reforms. These reforms include suspending operations at the Hakusan Plant and closing the back-end production line at the Mobara Plant (given that the mobile business has no prospect for a significant recovery in demand in the future), seeking 1,200 voluntary retirements to reduce the number of employees, lowering executive compensation, manager salaries and employee bonuses. JDI has recorded 47,741 million yen in business restructuring expenses associated with the implementation of structure reforms as an extraordinary loss in the first quarter of FY 2019, and it expects to record early retirement payments in connection with voluntary retirements also as an extraordinary loss in the amount of approximately 9 billion yen in the second quarter (July-September) of FY 2019.

The cost reduction benefits due to the downsizing of labor (the benefits consist of labor costs and costs associated with labor) under these structural reforms is estimated to be approximately 9 billion yen in FY 2019. Together with the effect of a write-down of assets (reduction in depreciation cost) mainly involving the Hakusan Plant implemented in the fourth quarter of FY 2018 and also the first quarter of FY 2019, reductions in fixed costs is expected to be approximately 29.0 billion yen (approximately 50.0 billion yen on annual basis). Based on these cost reductions and other measures, JDI aims for profitability in the second half of FY 2019.

In addition, JDI plans to raise capital and improve financial base through the investment by Suwa and the refinancing from INCJ, subject to the approval of related proposals at the extraordinary general meeting of shareholders to strengthen its financial position and improve business operations.

(4) Material Events Related to Going Concern Assumptions

JDI has recorded significant impairment losses for two consecutive fiscal years, along with an operating loss for two consecutive fiscal years, and a net loss attributable to owners of the parent for five consecutive fiscal years in the previous consolidated fiscal year. As a result of recording significant impairment losses, along with a significant operating loss, and a quarterly net loss attributable to owners of the parent in the consolidated cumulative first quarter of FY 2019, the company's liabilities exceeded assets at the end of the first quarter of FY 2019, thereby raising significant doubts about assumptions concerning the company's ability to continue as a going concern.

JDI is implementing measures to immediately resolve this situation.

For details, please refer to "2. Quarterly Consolidated Financial Statements and Important Notes, (3) Notes Pertaining to the Consolidated Financial Statements, a) Notes related to going concern assumptions."

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Millions of Yen)

	March 31, 2019	June 30, 2019
Assets		
Current assets:		
Cash and deposits	68,988	43,687
Accounts receivable - trade	92,225	60,851
Accounts receivable - other	49,699	40,241
Merchandise and finished goods	29,088	22,293
Work in process	23,167	19,730
Raw materials and supplies	18,612	16,576
Other	8,939	8,129
Allowance for doubtful accounts	(103)	(101)
Total current assets	290,618	211,409
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	105,546	103,267
Machinery, equipment and vehicles, net	63,999	17,685
Land	10,186	10,017
Leased assets, net	0	2,434
Construction in progress	18,687	18,498
Other, net	4,448	3,326
Total property, plant and equipment	202,870	155,229
Intangible assets:		
Goodwill	8,716	8,353
Other	3,190	1,984
Total intangible assets	11,906	10,337
Investments and other assets:		
Other	33,689	31,612
Allowance for doubtful accounts	(581)	(581)
Total investments and other assets	33,107	31,031
Total non-current assets	247,884	196,598
Total assets	538,502	408,007

(Millions of Yen)

	March 31, 2019	June 30, 2019
Liabilities		
Current liabilities:		
Accounts payable - trade	175,592	122,005
Electronically recorded obligations - operating	2,817	2,398
Short-term borrowings	130,843	150,762
Lease obligations	0	303
Income taxes payable	1,445	1,089
Provision for bonuses	4,345	2,315
Advances received	101,923	93,697
Other	35,945	30,190
Total current liabilities	452,914	402,762
Non-current liabilities:		
Bonds with share acquisition rights	25,000	25,000
Long-term borrowings	30,000	30,000
Lease obligations	—	2,141
Retirement benefit liability	20,052	19,389
Other	9,673	7,750
Total non-current liabilities	84,725	84,281
Total liabilities	537,639	487,043
Net assets		
Shareholders' equity		
Share capital	114,362	114,362
Capital surplus	231,148	231,148
Retained earnings	(348,833)	(427,746)
Treasury shares	(0)	(0)
Total shareholders' equity	(3,322)	(82,236)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1)	(8)
Foreign currency translation adjustment	8,916	7,511
Remeasurements of defined benefit plans	(6,754)	(6,411)
Total accumulated other comprehensive income	2,160	1,091
Share acquisition rights	53	40
Non-controlling interests	1,972	2,068
Total net assets	862	(79,036)
Total liabilities and net assets	538,502	408,007

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

(Millions of Yen)

	April 1, 2018 - June 30, 2018	April 1, 2019 - June 30, 2019
Net sales	103,281	90,421
Cost of sales	100,421	107,205
Gross profit (loss)	2,859	(16,784)
Selling, general and administrative expenses	11,281	10,289
Operating profit (loss)	(8,422)	(27,073)
Non-operating income		
Interest income	25	9
Foreign exchange gains	2,339	—
Rental income	131	140
Outsourcing service income	283	294
Subsidy income	0	0
Other	133	203
Total non-operating income	2,914	648
Non-operating expenses		
Interest expenses	566	816
Share of loss of entities accounted for using equity method	3,071	2,031
Foreign exchange losses	—	189
Depreciation	295	198
Other	1,973	1,547
Total non-operating expenses	5,907	4,782
Ordinary profit (loss)	(11,415)	(31,207)
Extraordinary income		
Gain on change in equity	11,943	—
Total extraordinary income	11,943	—
Extraordinary losses		
Business restructuring expenses	—	47,741
Total extraordinary losses	—	47,741
Income (loss) before income taxes	(527)	(78,949)
Income taxes	882	(132)
Net income (loss)	(354)	(78,817)
Net income attributable to non-controlling interests	119	95
Net income (loss) attributable to owners of the parent	(474)	(78,913)

Consolidated Statement of Comprehensive Income

		(Millions of Yen)
	April 1, 2018 - June 30, 2018	April 1, 2019 - June 30, 2019
Net income (loss)	(354)	(78,817)
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(7)
Foreign currency translation adjustment	(1,522)	(1,404)
Remeasurements of defined benefit plans, net of tax	322	342
Total other comprehensive income	(1,200)	(1,069)
Comprehensive income	(1,554)	(79,886)
Comprehensive income attributable to owners of the parent	(1,674)	(79,982)
Comprehensive income attributable to non-controlling interests	119	95

(3) Notes pertaining to the Consolidated Financial Statements

a) Notes related to going concern assumptions

JDI has recorded significant impairment losses for two consecutive fiscal years, along with an operating loss for two consecutive fiscal years, and a net loss attributable to owners of the parent for five consecutive fiscal years in the previous consolidated fiscal year. In addition, as a result of recording significant impairment losses, along with a significant operating loss, and a quarterly net loss attributable to owners of the parent in the consolidated cumulative first quarter of FY 2019, the company's liabilities exceeded assets at the end of the first quarter of FY 2019, thereby raising significant doubts about assumptions concerning JDI's ability to continue as a going concern.

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

In establishing the above-mentioned strategic partnership, JDI held discussions with several potential partners in consultation with INCJ, Inc. ("INCJ"), which is JDI's largest shareholder. As a result, on April 12, 2019, JDI entered into (i) a CAPITAL AND BUSINESS ALLIANCE AGREEMENT with Suwa Investment Holdings, LLC ("Suwa") and (ii) an LCD Business Alliance Basic Agreement with TPK Holding Co., Ltd. ("TPK") in relation to a business alliance on LCDs, and (iii) a Memorandum of Understanding ("MOU") with Harvest Tech Investment Management Co., Ltd. ("Harvest Tech") toward formulating and implementing a business alliance with respect to a plan for the mass production of evaporation OLED displays.

Regarding (i) above, on August 7, 2019, JDI entered into an AMENDED AND RESTATED CAPITAL AND BUSINESS ALLIANCE AGREEMENT, which modifies part of the CAPITAL AND BUSINESS ALLIANCE AGREEMENT (the "Amended and Restated Capital and Business Alliance Agreement"), and, together with the CAPITAL AND BUSINESS ALLIANCE AGREEMENT, the "Capital and Business Alliance Agreement") with Suwa. The reasons for the amendment include that TPK (expected investment amount: US$230 million), and the CGL Group (Cosgrove Global Limited and Topnotch Corporate Limited) (expected investment amount: US$130 million), both of which were the expected investors in Suwa, have withdrawn from their positions as expected investors in Suwa, and that there has been changes to total amount of preferred shares to be issued by JDI to INCJ.

Additionally, as a result of deliberations and negotiations related to the Amended and Restated Capital and

Business Alliance Agreement, some of the following matters have also changed: (i) new shares (the "New Shares") to be issued by JDI to Suwa through third-party allotment, (ii) the 2nd series bonds with stock acquisition rights (the "2nd Series Bonds with Stock Acquisition Rights") to be issued by JDI to Suwa through third-party allotment, and (iii) the 3rd series bonds with stock acquisition rights (the "3rd Series Bonds with Stock Acquisition Rights") to be issued by JDI to Suwa through third-party allotment (the issuance of the New Shares, the 2nd Series Bonds with Stock Acquisition Rights, and the 3rd Series Bonds with Stock Acquisition Rights to be issued by JDI to Suwa through third-party allotment, hereinafter collectively referred to as the "Third-party Allotment"). Along with these changes, JDI resolved at its board of directors meeting held on August 7, 2019 to change the subscription period and payment period of the New Shares, the subscription period, payment period, and the total issue price of each of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights, and the exercise period of each of the stock acquisition rights of the 2nd and 3rd Series Bonds with Stock Acquisition Rights.

Furthermore, given the withdrawal of TPK from its position as an expected investor of Suwa, on August 9, 2019, JDI and TPK entered into a Termination Agreement on LCD Business Alliance Basic Agreement, and agreed to terminate the LCD Business Alliance Basic Agreement entered into with TPK.

The status of the Capital and Business Alliance Agreement is as follows as of August 9, 2019.

Regarding the fund required for the Third-party Allotment, among the expected investors, JDI was informed by Harvest Tech that (i) it will change its expected investment amount in the New Shares and the 2nd Series Bonds with Stock Acquisition Rights from US$200 to US$300 million, to be provided by a fund formed by Harvest Tech (the "Harvest Tech Overseas Fund"), and that (ii) its relevant internal bodies had approved the resolutions required to implement the investment. Further, JDI received a commitment letter (US$300 million) stating Harvest Tech's firm commitment to such investment.

JDI was informed by Mr. Winston Henry Lee, General Manager of Harvest Tech, that Harvest Tech and JDI's customer (the "Customer") agreed that (i) the expected investment amount to be provided by the Harvest Tech Overseas Fund will be changed from US$300 million to US$400 million, and (ii) regarding US$100 million out of the US$400 million, Harvest Tech secures the funds to be required for the payment by receiving relevant support from the Customer. In addition, JDI was informed by Harvest Tech that regarding JPY 20 billion out of the expected investment amount (JPY 30 billion) of the 3rd Series Bonds with Stock Acquisition Rights, it had also made the internal resolutions required to be implemented for the investment, and JDI received a commitment letter from Harvest Tech stating Harvest Tech's firm commitment to implement such investment (JPY 20 billion).

Further, JDI was informed by Oasis Management Company Ltd. ("Oasis"), a candidate for a new expected investor in Suwa, on June 28, 2019, that regarding an expected investment amount of US$150-180 million for subscription for the New Shares to be provided by the fund that Oasis operates or advises, its relevant internal bodies had approved the internal resolutions required to implement the investment, and accordingly JDI received a commitment letter (US$150-180 million) that states Oasis's firm commitment to implement such investment, the effective period of which ends on December 31, 2019. (according to the commitment letter, if JDI and Oasis separately agree, Oasis will invest such investment amount (US$150-180 million) not to Suwa, but directly to JDI, through the fund that it operates or advises.)

Regarding the expected investment amount of JPY 30 billion to be provided by the Harvest Tech Overseas Fund related to the 3rd Series Bonds with Stock Acquisition Rights, JDI has obtained no firm commitment from Harvest Tech regarding JPY 10 billion out of the JPY 30 billion. However, the amount regarding which the commitment letter stating Harvest Tech's firm commitment to invest in the New Shares and the 2nd Series Bonds with Stock Acquisition Rights was obtained has not decreased, and the total amount (JPY 80 billion) regarding which the commitment letters were obtained has not changed.

Meanwhile, to secure funds necessary to continue its business before the payment of the Third-party Allotment, on April 18, 2019, JDI concluded a bridge loan agreement with INCJ, and on August 7, 2019, JDI concluded a short-term loan agreement with INCJ. In the event that JDI needs to secure the additional funds necessary to continue its business before the payment of the Third-party Allotment, it is possible for JDI to enter into an additional short-tem loan agreement with INCJ. JDI will hold discussions with INCJ about whether to enter into the additional short-term loan agreement, if JDI determines it to be necessary. However, If the additional borrowing from INCJ is not conducted as expected despite JDI needing to additionally secure funds to continue its business, or if JDI is not able to continue borrowing the funds before the payment of the Third-party Allotment, the deterioration of its cash flow may make it difficult to remain in business.

The capital injection under the Capital and Business Alliance Agreement is subject to the satisfaction of the conditions agreed with Suwa. If the capital injection is not determined, it could have a material impact on JDI's recovery from negative net assets and its cash flow. Also, even if the capital injection is determined, if JDI fails to bring it back to profitability through a swift recovery of its business results, it could again have a material impact on JDI's cash flow. Considering these possibilities, at this time, there are significant uncertainties regarding the going concern assumptions.

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

b) Notes related to significant changes in shareholders’ equity

Not applicable.

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

Calculation of tax expenses

With respect to tax expenses, an effective tax rate was reasonably estimated after applying tax effect accounting to income before income taxes for the fiscal year including the first quarter of the current fiscal year, and tax expenses were calculated by multiplying quarterly income before income taxes by the effective tax rate.

d) Change of accounting policy

Application of IFRS No. 16 "Leases"

Subsidiaries of the JDI Group that apply international accounting standards will apply the International Financial Reporting Standard No. 16 "Leases" ("IFRS No. 16") from the first quarter of the current fiscal year. As a result, the lessee of a lease generally recognizes all leases as assets and liabilities in the balance sheet. In applying IFRS No. 16, the cumulative effect of a change in accounting policy was recognized by JDI in retained earnings at the beginning of the first quarter of the current fiscal year in accordance with specific transitional provisions. As a result, lease assets in tangible fixed assets at the end of the first quarter increased by ¥2,434 million, lease obligations in current liabilities increased by ¥303 million and lease obligations in non-current liabilities increased by ¥2,141 million. The impact of this change on profits and losses in the first quarter of the consolidated cumulative fiscal period is immaterial.

e) Significant subsequent events

Capital and business alliance

On April 12, 2019, JDI entered into a Capital and Business Alliance Agreement with Suwa Investment Holdings, LLC ("Suwa"). It has resolved at its board of directors meeting as of April 12, 2019 to raise funds by way of issuance of new shares (the "New Shares") through third-party allotment to Suwa (the "Third-party Allotment of New Shares"), issuance of the 2nd series bonds with stock acquisition rights (the "2nd Series Bonds with Stock Acquisition Rights;" of which, the portion of the bonds alone shall be hereinafter referred to as the "2nd Series Bonds;" and the portion of the stock acquisition rights alone shall be hereinafter referred to as the "2nd Series Stock Acquisition Rights"), through third-party allotment to Suwa (the "Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights") and issuance of the 3rd series bonds with stock acquisition rights (the "3rd Series Bonds with Stock Acquisition Rights;" of which, the portion of the bonds alone shall be hereinafter referred to as the "3rd Series Bonds;" and the portion of the stock acquisition rights alone shall be hereinafter referred to as the "3rd Series Stock Acquisition Rights") through third-party allotment to Suwa (the "Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights;" together with the Third-party Allotment of New Shares and the Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights, hereinafter collectively referred to as the "Third-party Allotment") pursuant to the Capital and Business Alliance Agreement (the "Financing"), and to amend its Articles of Incorporation with respect to the total number of shares authorized to be issued in connection with the Financing.

However, on August 7, 2019, JDI entered into an AMENDED AND RESTATED CAPITAL AND BUSINESS ALLIANCE AGREEMENT, which modifies part of the CAPITAL AND BUSINESS ALLIANCE

AGREEMENT (the "Amended and Restated Capital and Business Alliance Agreement", and, together with the CAPITAL AND BUSINESS ALLIANCE AGREEMENT, the "Capital and Business Alliance Agreement") with Suwa because circumstances have changed since April 12, 2019. The changes include (i) TPK's (expected investment amount: US$230 million) and CGL Group's (Cosgrove Global Limited and Topnotch Corporate Limited) (expected investment amount: US$130 million) withdrawal from their positions as expected investors in Suwa, and (ii) changes to total amount of preferred shares to be issued by JDI to INCJ, Ltd. ("INCJ") through third-party allotment (the "Preferred Shares").

Additionally, as a result of deliberations and negotiations, JDI resolved at its board of directors meeting held on August 7, 2019 to change the subscription period and payment period of the New Shares, the subscription period, payment period, and the total issue price of each of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights, and the exercise period of each of the 2nd Series Stock Acquisition Rights and the 3rd Series Stock Acquisition Rights.

The status of the Capital and Business Alliance Agreement is as follows as of August 9, 2019.

Regarding the fund required for the Third-party Allotment, among the expected investors, JDI was informed by Harvest Tech Investment Management Co., Ltd. ("Harvest Tech") that (i) it will change its expected investment amount in the New Shares and the 2nd Series Bonds with Stock Acquisition Rights from US$200 to US$300 million, to be provided by a fund formed by Harvest Tech (the "Harvest Tech Overseas Fund"), and that (ii) its relevant internal bodies had approved the resolutions required to implement the investment. Further, JDI received a commitment letter (US$300 million) stating Harvest Tech's firm commitment to such investment.

JDI was informed by Mr. Winston Henry Lee, General Manager of Harvest Tech, that Harvest Tech and JDI's customer (the "Customer") agreed that (i) the expected investment amount to be provided by the Harvest Tech Overseas Fund will be changed from US$300 million to US$400 million, and (ii) regarding US$100 million out of the US$400 million, Harvest Tech secures the funds to be required for the payment by receiving relevant support from the "Customer. In addition, JDI was informed by Harvest Tech that regarding JPY 20 billion out of the expected investment amount (JPY 30 billion) of the 3rd Series Bonds with Stock Acquisition Rights, it had also made the internal resolutions required to be implemented for the investment, and JDI received a commitment letter from Harvest Tech stating Harvest Tech's firm commitment to implement such investment (JPY 20 billion).

Further, JDI was informed by Oasis Management Company Ltd. ("Oasis"), a candidate for a new expected investor in Suwa, on June 28, 2019, that regarding an expected investment amount of US$150-180 million for subscription for the New Shares to be provided by the fund that Oasis operates or advises, its relevant internal bodies had approved the internal resolutions required to implement the investment and accordingly, JDI received a commitment letter (US$150-180 million) that states Oasis's firm commitment to implement such investment, the effective period of which ends on December 31, 2019. (according to the commitment letter, if JDI and Oasis separately agree, Oasis will invest such investment amount (US$150-180 million) not to Suwa, but directly to JDI, through the fund that it operates or advises.)

Regarding the expected investment amount of JPY 30 billion to be provided by the Harvest Tech Overseas Fund related to the 3rd Series Bonds with Stock Acquisition Rights, JDI has obtained no firm commitment from Harvest Tech regarding JPY 10 billion out of JPY 30 billion. However, the amount regarding which the commitment letter stating Harvest Tech's firm commitment to invest in the New Shares and the 2nd Series Bonds with Stock Acquisition Rights was obtained has not decreased, and the total amount (JPY 80 billion) regarding which the commitment letters were obtained has not changed.

In addition, on August 7, 2019, JDI concluded with INCJ a short-term loan agreement (the "Loan Agreement").

In addition, given the withdrawal of TPK from its position as an expected investor in Suwa, on August 9, 2019, TPK and JDI entered into a Termination Agreement on LCD Business Alliance Basic Agreement, and agreed to terminate the LCD Business Alliance Basic Agreement entered into with TPK.

Overview of the Third-party Allotment and Loan Agreement is as follows.

I. Third-party Allotment of the New Share

(1)	Payment period	From August 29, 2019 to August 28, 2020
(2)	Class and number of new shares to be issued	840,000,000 common shares
(3)	Issue price	50 yen per share
(4)	Total proceeds	42,000,000,000 yen
(5)	Capital amount per share	25 yen per share
(6)	Total amount of capital to be increased	21,000,000,000 yen
(7)	Method of offering or allotment (allottee)	Suwa by the method of third-party allotment
(8)	Use of proceeds	Specific use of proceeds of the Financing is below. (a) Working capital (including capital expenditure required for business. A portion will be used for repayment of the bridge loan.) (b) R&D expenses in growth businesses (c) Capital investment in growth business
(9)	Other	All of the conditions precedent below (the "Conditions Precedent") need to be satisfied for the items above. (i) The relevant registration under the Financial Instruments and Exchange Act becomes effective (ii) The permissions and approvals, etc. of the relevant authorities of

		each country that are required to implement the Third-party Allotment are obtained (iii) The following proposals are approved at JDI's extraordinary meeting of shareholders; (a) a proposal on the Third-party Allotment and issuance of the Preferred Shares, (b) a proposal on partial amendment of the Articles of Incorporation to increase the total number of shares authorized to be issued and issue the Preferred Shares; and (c) a proposal to elect the directors designated by Suwa (iv) JDI receives no notice from its main customers that such customers are considering, or have determined, to cease or materially reduce their purchasing of products from JDI (v) JDI's shares have not had a closing price that is less than or equal to JPY 30 per share. (vi) Suwa secures US$100 million, the funds to be required for the payment, by receiving relevant support from JDI's customer; and (vii) the relevant Chinese government authorities' intervention is absent. * The extraordinary general meeting of shareholders is scheduled to be held on September 27, 2019. Once it has been decided to hold the extraordinary general meeting of shareholders, JDI will promptly disclose that fact

II. Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights

(1)	Payment date	Any date from August 29, 2019 to August 28, 2020
(2)	Total number of stock acquisition rights	80
(3)	Issue price	100 yen per each 100 yen of each 2nd Bonds; provided, however, that no cash payment shall be required in exchange for the 2nd Stock Acquisition Rights.
(4)	Total proceeds	8,000,000,000 yen
(5)	Class and number of shares subject to the stock acquisition rights	160,000,000 common shares
(6)	Conversion price	50 yen
(7)	Method of offering or allotment	Suwa by the method of third-party allotment
(8)	Interest rate and redemption date	Interest rate: 0.00% Redemption date: The day on which five years have passed from the date of the allotment date of the 2nd Bonds with the Stock Acquisition Rights
(9)	Use of proceeds	Same as (8) of "I. Third-party Allotment of the New Share"
(10)	Other	All of the Conditions Precedent need to be satisfied for the items above.

III. Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights

(1)	Payment date	Any date from August 29, 2019 to August 28, 2020
(2)	Total number of stock acquisition rights	300
(3)	Issue price	100 yen per each 100 yen of each 2nd Bonds; provided, however, that no cash payment shall be required in exchange for the 2nd Stock Acquisition Rights.
(4)	Total proceeds	30,000,000,000 yen
(5)	Class and number of shares subject to the stock acquisition rights	600,000,000 common shares
(6)	Conversion price	50 yen
(7)	Method of offering or allotment	Suwa by the method of third-party allotment
(8)	Interest rate and redemption date	Interest rate: 0.00% Redemption period: The same as the redemption date of the 2nd Bonds with Stock Acquisition Rights
(9)	Use of proceeds	Same as (8) of "I. Third-party Allotment of the New Share"
(10)	Other	In addition to the Conditions Precedent, all of the conditions below need to be satisfied for the items above. (i) JDI does not make a prior written notice to Suwa in the specified manner, stating that the proceeds of the Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights are not necessary. (ii) the procurement of the funds necessary for the payment of the Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights by Suwa is completed.

IV. Loan Agreement

(1)	Lender	INCJ
(2)	Borrowing amount	20,000,000,000 yen
(3)	Borrowing interest rate	TIBOR plus spread (fixed interest rate)
(4)	Borrowing execution date	August 8, 2019
(5)	Repayment due date	August 8, 2020 (prepayment before maturity is permissible)
(6)	Security	The borrowing is secured