JDI Japan Display Inc.

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Japan Display Inc. (Tokyo Stock Exchange, First Section 6740)
Representative: Scott Callon, Chairman, CEO, and Representative Executive Officer
Inquiries: Akihito Okochi, CFO and Representative Executive Officer
Telephone: +81-3-6732-8100   https://www.j-display.com/english/

Notice on Filing Lawsuit

Japan Display Inc. (JDI) today filed a lawsuit in Kanazawa District Court against Hakusan-city, Ishikawa Prefecture, for a confirmatory judgment to the effect that it does not owe any obligation to the city to return a subsidy for constructing a plant.

1.   **Court and Date of the Lawsuit**

     (1)   Court：   Kanazawa District Court

     (2)   Date of filing：   May 21, 2021

2.   **A Party against the Lawsuit (Defendant)**

     (1)   Name：   Hakusan-city, Ishikawa Prefecture

     (2)   Place：   2-1 Kuramitsu, Hakusan-city, Ishikawa Prefecture

     (3)   Representative：   Hakusan Mayor   Noriaki Yamada

3.   **Background of Filing the Lawsuit**

In April 2015, JDI acquired a parcel of land in Takematsumachi in Hakusan-city, Ishikawa Prefecture, and constructed a plant to manufacture LCDs ("Hakusan Plant"), which initiated its production in December 2016. When selecting the location of its new plant, JDI considered the fact that Hakusan-city attracted plants by providing a subsidy to companies in order to "create jobs and promote industry" in the city (Article 1 of Hakusan-city Ordinance in relation to Promoting Plant Construction (Hakusan-city Ordinance No. 169, 2005.2.1)) As a result, JDI decided to construct its new plant in Hakusan-city. In response to the JDI's decision, Hakusan-city provided JDI with the subsidy of JPY 1,000,000,000 (the "Subsidy").

Since then, JDI operated the Hakusan Plant in accordance with the purpose of the Subsidy, "creating jobs and promoting industry" of Hakusan-city. After JDI faced financial difficulty, as one of the ways to improve financial performance, JDI decided to divest the Hakusan Plant and its LCD production equipment to Sharp Corporation and a JDI customer (the "Divestiture").   The Divestiture was a measure to continue the Hakusan Plant's operation.

As explained above, JDI had utilized the Subsidy to create jobs and promote industry in Hakusan-city, through the construction and operation of the Hakusan Plant, in accordance with the purpose of the Subsidy. However, JDI received "Notice to Revoke a Decision to Provide Hakusan-city Subsidy for Plant Construction" and "Order to Return Hakusan-city Subsidy for Plant Construction" from Hakusan-city, requesting JDI to return the entire Subsidy of JPY 1,000,000,000. JDI requested Hakusan-city to clarify a legal ground for the request to return the Subsidy, including interpretation of the Ordinance, but JDI could not acquire any explanation from Hakusan-city regarding interpretation of the Ordinance. Because it is JDI's position that JDI's use of the Subsidy has been in line with the purpose of the Ordinance, JDI holds that Hakusan-city lacks any legal ground for revoking and requesting the return of the Subsidy.

JDI had sincerely tried to resolve the dispute amicably through negotiation with Hakusan-city, including offering a compromise and setting up multiple meetings for discussion. However, as Hakusan-city sent a notice to JDI to terminate any discussion going forward, JDI decided that a resolution through discussion had become untenable, and as a result, filed the lawsuit to confirm that it does not owe any obligation to return the Subsidy.

4.   Summary of the Lawsuit

A lawsuit for a confirmatory judgment to the effect that JDI does not owe any obligation to return the Subsidy in response to Decision to Revoke Hakusan-city Subsidy for Plant Construction.

5.   Prospect

If any progress in the lawsuit is made that requires JDI to disclose, it will do so immediately.

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