JDI Japan Display Inc.

January 31, 2020

Notice Concerning Issuance of Class A Preferred Shares through Third-party Allotment,
(Changes) Borrowing of Funds, and
(Changes) Transfer of Shares of Equity Method Affiliate

In the press releases dated August 27, 2019 titled "Notice Concerning Borrowing of Funds, Issuance of Preferred Shares through Third-party Allotment, and Partial Amendment of the Articles of Incorporation" (the "Disclosure dated August 27, 2019 (1)") and "(Update and Progress of a Disclosure Matter) Notice Concerning Transfer of Shares of Equity Method Affiliate" (the "Disclosure dated August 27, 2019 (2)"), Japan Display Inc. ("JDI") announced that subject to the conditions, including that the third-party allotment to Suwa Investment Holdings, LLC ("Suwa") of common shares and convertible bonds with stock acquisition rights (such third-party allotment, the "Suwa Third-party Allotment") is implemented, JDI will carry out the following: (i) issuance of class A preferred shares (the "Class A Preferred Shares") to INCJ, Ltd. ("INCJ") through third-party allotment (the "Third-party Allotment of Class A Preferred Shares"); (ii) borrowing of funds from INCJ (the total amount of which is JPY 50 billion) (the "Senior Loan"); and (iii) transfer of all of the shares of JOLED, Inc. held by JDI to INCJ as substitute performance (the "Substitute Performance," and together with the Senior Loan and the Third-party Allotment of Class A Preferred Shares, the "Refinance").

However, as announced in the press release dated January 8, 2020 titled "Notice Concerning Termination of Capital and Business Alliance Agreement with Suwa Investment Holdings, LLC and Cancelation of Issuance of New Shares and Convertible Bonds with Stock Acquisition Rights to Suwa Investment Holdings, LLC," JDI resolved, at its board of directors meeting held on January 8, 2020, to cancel the Suwa Third-party Allotment, and as stated in the press release separately announced today titled "Notice Concerning Conclusion of Capital Alliance Agreement, Issuance of Preferred Shares and Stock Acquisition Rights through Third-party Allotment, and Change in the Largest Major Shareholder", JDI has resolved, at its board of directors meeting held today (the "Board of Directors Meeting"), to issue (i) Japan Display Inc. class B preferred shares (the "Class B Preferred Shares") to Ichigo Trust ("Ichigo Trust") through third-party allotment (the "Third-party Allotment of Class B Preferred Shares"), and (ii) Japan Display Inc. 11th series stock acquisition rights (the "Stock Acquisition Rights") to Ichigo Trust through third-party allotment (the "Third-party Allotment of Stock Acquisition Rights," and together with the Third-party Allotment of Class B Preferred Shares to Ichigo Asset, the "Ichigo Trust Third-party Allotment").

JDI hereby announces that given that situation, at the Board of Directors Meeting, JDI has resolved to newly enter into a Preferred Share Subscription Agreement regarding the Third-party Allotment of Class A Preferred Shares with INCJ (the "Preferred Share Subscription Agreement"). The Third-party Allotment of Class A Preferred Shares will be implemented on the condition that (i) the Ichigo Trust Third-party Allotment is implemented, and (ii) a proposal in relation to the issuance of the Class A Preferred Shares and a proposal concerning the partial amendment of the Articles of Incorporation for the issuance of the Class A Preferred Shares are approved at an extraordinary general meeting of shareholders scheduled to be held on March 25, 2020.

In addition, JDI also hereby announces that in order to change part of the Refinance announced in the Disclosure dated August 27, 2019 (1) and the Disclosure dated August 27, 2019 (2), at the Board of Directors Meeting, JDI has resolved to enter into (i) an Amended and Restated Senior Facility Agreement regarding the Senior Loan with INCJ (the "Senior Loan Amendment Agreement") and (ii) a Memorandum of Amendment regarding the Substitute Performance Agreement regarding the Substitute Performance with INCJ.

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I. Issuance of Class A Preferred Shares through the Third-party Allotment

1. Outline of the offering

(1)	Payment date	March 26, 2020 (Thursday)
(2)	New shares to be issued (Number of shares to be offered)	Class A Preferred Shares 1,020,000,000 shares
(3)	Issue price	JPY 100 per share
(4)	Amount of funds to be raised	JPY 102,000 million
(5)	Method of offering or allotment (expected allottee)	Class A Preferred Shares will be allotted to INCJ through third-party allotment.
(6)	Class A conversion price	(i) Amount equivalent to a closing price (including a quotation) of JDI's common shares, at the financial instruments exchange or over-the-counter securities market on which such common shares are listed, on a trading day (excluding, however, a trading day without a closing price (including a quotation)) immediately before the date on which a conversion claim is made; or (ii) JPY 225, whichever is greater.
(7)	Other	Each item above is subject to the condition that (i) the Ichigo Trust Third-party Allotment is implemented, and (ii) a proposal in relation to the issuance of the Class A Preferred Shares and a proposal concerning the partial amendment to the Articles of Incorporation for the issuance of the Class A Preferred Shares are approved at the General Meeting of Shareholders. Under the conditions of the Class A Preferred Shares, the right to request that JDI acquire the Class A Preferred Shares in exchange for cash is attached to the Class A Preferred Shares. However, under the Preferred Share Subscription Agreement, JDI has agreed

	with INCJ that INCJ will not exercise such right attached to the Class A Preferred Shares. Under the conditions of the Class A Preferred Shares, on or after the first anniversary of the payment date of the Class A Preferred Shares, class A preferred shareholders will be able to convert the Class A Preferred Shares into common shares in JDI by exercising the right to request that JDI acquire the Class A Preferred Shares in exchange for its common shares. Under the conditions of the Class A Preferred Shares, no transfer restriction is attached to the Class A Preferred Shares.

(Note) The details of the conditions of the issuance of the Class A Preferred Shares are provided in Schedule 1.

2. Purpose of, and reason for, the offering

(1) Background of the Third-party Allotment of Class A Preferred Shares

As stated in the press release dated January 31, 2020 titled "Notice Concerning Conclusion of Capital Alliance Agreement, Issuance of Preferred Shares and Stock Acquisition Rights through Third-party Allotment, and Change in the Largest Major Shareholder", in the business environment surrounding JDI, the growth of the smartphone market has stagnated globally and the adoption of OLED displays in the high-end smartphone market has expanded, in addition to that, Korean manufacturers are mounting an offensive in OLED displays and Chinese competitive manufacturers are expanding their product capacity of LCDs by adopting low temperature polysilicon (LTPS) technologies; consequently, the competitive environment has intensified. Therefore, without a large-scale injection of capital funds, JDI cannot fundamentally resolve the deterioration of its financing and would have difficulty securing net assets for stable business continuity. If the business environment does not improve significantly in the future, JDI believes that not only may JDI have difficulties in maintaining its enterprise value due to the deterioration of its financing, but also its share value may be significantly impaired by having insufficient capital. Therefore, JDI determined that large-scale equity capital is swiftly needed in order to fundamentally resolve the deterioration of its financing and to ensure an appropriate level of net assets as a listed company. Consequently, based on the discussions between JDI, INCJ, and Suwa, JDI announced the Suwa Third-party Allotment on April 12, 2019 and the Refinance (which is subject to the condition of the implementation of the Suwa Third-party Allotment) on August 27, 2019.

However, as the investment concerning the Suwa Third-party Allotment was not implemented by December 31, 2019, JDI resolved, at its board of directors meeting held on January 8, 2020, to cancel the Suwa Third-party Allotment. JDI held multiple discussions and negotiations with Ichigo Trust toward an agreement of final support, while having discussions with other relevant parties such as INCJ and JDI's customers and business partners. As a result, even taking the situation surrounding JDI into consideration, Ichigo Trust indicated that it is possible for Ichigo Trust to provide funds of JPY 50 billion at most by subscribing for the Class B Preferred Shares by the end of March 2020, and to provide funds of JPY 50 billion at most (JPY 100 billion in total at most) by additionally subscribing for the Class C Preferred Shares through the exercise of the Stock Acquisition Rights in and after April 2020. Given this situation, INCJ also indicated its intention to implement the Refinance on the condition that Ichigo Trust provides JDI with funds of JPY 50 billion at most by subscribing for the Class B Preferred Shares.

Based on the above background, today, JDI decided to implement the Ichigo Trust Third-party Allotment, to enter into the Preferred Share Subscription Agreement with INCJ, and to implement the Third-party Allotment of Class A Preferred Shares.

JDI has delegated to a Third-party Committee a fact-finding investigation of suspicions regarding improper accounting in past financial periods alleged by a former employee of JDI and any other relevant matters. Due to the considerable time required to determine the financial results based on the fact-finding investigation and the results thereof, JDI has decided to postpone the announcement of financial results for the third quarter of FY 2019 originally scheduled for February 13, 2020. However, Ichigo Trust and INCJ entered into the agreements related to the Ichigo Trust Third-party Allotment and the Refinance, respectively, after acknowledging JDI's decision to postpone the announcement of financial results for the third quarter of FY 2019., and neither the receipt of the results of the fact-finding investigation concerning the alleged suspicions nor the announcement of financial results for the third quarter of FY 2019 by JDI are conditions precedent for the Ichigo Trust Third-party Allotment or the Refinance under these agreements.

(2) Reason for selecting the Third-party Allotment of Class A Preferred Shares

JDI had examined and compared various means of fundraising until it decided to implement the Third-party Allotment of Preferred Shares. During the examination and comparison, considering JDI's demand for funds and the possibility for undercapitalization as stated in "(1) Background of the Third-party Allotment of Class A Preferred Shares" above, JDI thought that the most important factor is to raise JDI's capital adequacy ratio and improve its financial structure by way of converting part of the debt to equity.

For example, JDI might not achieve its objective through issuance of common shares by a public offering depending on the market environment. In addition, taking its current financial status into consideration, JDI has determined that it is difficult to implement a public offering in which a securities firm subscribes for shares. With respect to a rights offering and allotment to shareholders, share options are not necessarily exercised depending on allotted shareholders' decisions based on the stock price trends, and it is possible that not all shareholders will respond to the allotment. Therefore, the final fundraising amount is uncertain, and JDI has determined that a rights offering and allotment to shareholders are unrealistic choices for JDI, which needs to certainly raise the necessary funds.

Further, while issuance of common shares through third-party allotment matches JDI's aim of securing equity early, it also causes excessive and immediate dilution of existing shares and is undesirable from the perspective of protecting existing shareholders' interests. Therefore, JDI has determined that it is not an appropriate choice for JDI at the current time. JDI has also determined that issuance of bonds with stock acquisition rights through third-party allotment is not an appropriate choice for JDI at the current time. This is because it will require that JDI secure resources for redemption in the future, and is not a procurement of equity at the time of the issuance.

On the other hand, issuance of preferred shares as the Class A Preferred Shares does not immediately cause a dilution of existing shares, and contributes to JDI's aim of securing equity early. Therefore, considering the nature of the Class A Preferred Shares and the situation in which JDI finds itself, JDI has finally determined that it is the best choice for JDI at the current time to receive investments the total amount of which is JPY 102 billion through issuance of preferred shares to INCJ as an expected allottee, as a series of means of support by INCJ.

Considering that the Third-party Allotment of Class A Preferred Shares is part of the support offered by INCJ with the aim of raising JDI's capital adequacy ratio and improving its financial structure by way of converting part of the debt to equity, JDI has determined that a borrowing and fundraising through issuance of common bonds are unrealistic choices for JDI.

3. Amount, use and intended timing of expenditure of funds to be raised

(1) Amount of funds to be raised

① Total amount to be paid	JPY 102,000 million
② Estimated issuance expenses	JPY 380 million
③ Estimated net proceeds	JPY 101,620 million

(Note) 1. Estimated issuance expenses consisted of registration-related costs, attorney's fees, valuation costs for the Class A Preferred Shares, costs for holding an extraordinary general meeting of shareholders, and other costs.

2. Estimated issuance expenses do not include consumption tax, etc.

(2) Specific use and intended timing of expenditure of funds to be raised

Together with the Senior Loan (the total amount of which is JPY 50 billion) and JDI's own funds, JDI plans to use the proceeds of the Third-party Allotment of Class A Preferred Shares for the repayment or retirement by purchase of (i) the borrowing under the Commitment Line Agreement (the "Commitment Line Agreement") dated August 3, 2019 entered into with Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited (the "Banking Syndicate") (the commitment line amount and the total principal amount of which is JPY 107 billion, and as announced in the press release dated December 20, 2019 titled "Notice Concerning Changes to Terms including Extension of Loan Agreements and Changes to Scheduled Timing of Making JDI's In-House Mobile Company its Subsidiary," JDI agreed with the Bank Syndicate to extend the term of the Commitment Agreement to March 31, 2020), (ii) the borrowing under the loan agreement dated December 25, 2019 as a short-term loan entered into with INCJ (the total principal amount of which is JPY 20 billion) (the "Short-term Loan"), and (iii) Japan Display Inc. 1st series unsecured subordinated convertible bonds with stock acquisition rights held by INCJ (the outstanding amount of which is JPY 25 billion) (the "1st Series Subordinated Convertible Bonds"). Also, such proceeds will be managed in a bank account until paid for the use below.

Specific use	Amount (JPY million)	Intended timing of expenditure
Repayment or retirement by purchase of (i) the borrowing under the Commitment Line Agreement, (ii) the Short-term Loan, and (iii) the 1st Series Subordinated Convertible Bonds	101,620	March 2020

4. Views on the rationality of use of funds

JDI believes that the use of the funds to be raised through the Third-party Allotment of Class A Preferred Shares is reasonable, since such funds will improve JDI's financial structure by allocating them to the use stated in "3. Amount, use and intended timing of expenditure of funds to be raised, (2) Specific use and intended timing of expenditure of funds to be raised" above.

5. Rationality of terms and conditions of the issuance

(1) Basis for calculation of the paid amount and the details thereof

JDI requested that Akasaka International Tax and Co. (a third-party financial advisor, "AIA") provide a price valuation of the Class A Preferred Shares in consideration of the terms and conditions of the Class A Preferred Shares; subsequently, it obtained from AIA the class share valuation report dated January 31, 2020 (the "Class Share Valuation Report"). AIA (which is a third-party financial advisor) is not a related party of JDI, INCJ, or Ichigo Trust and has no material interest that should be stated in connection with the Third-party Allotment of Class A Preferred Shares and the Ichigo Trust Third-party Allotment.

According to the Class Share Valuation Report, based on certain premises (the conversion price of the Class A Preferred Shares, the period until INCJ exercises its stock acquisition rights in exchange for money or common shares, share value per common share of JDI, volatility of shares, dividend yield, risk free rate, discount rate, etc.), AIA calculated that the fair value of the Class A Preferred Shares ranges from JPY 85.1 to JPY 88.6 per JPY 100 as the Class A Preferred Shares, using the binomial model (which is a general model for the valuation of share options).

Regarding the per-share value of common shares of JDI among the premises for the calculation in the Class Share Valuation Report, a share value from JPY 36 to JPY 57 per common share of JDI was adopted, calculated using discounted cash flow analysis (the "DCF Analysis"). Under the DCF Analysis, the enterprise value and per-share value are evaluated by discounting the free cash flow that is expected to be generated by an entity at a certain discount rate responding to business risks to the present value, considering premises which can be deemed reasonable, such as earnings forecasts and investment plans based on a business plan. This methodology is considered one of the appropriate measures to evaluate share value on the assumption that the entity is a going concern.

Also, JDI obtained a fairness opinion dated January 31, 2020, from AIA that the amount paid for the Class A Preferred Shares is reasonable to the shareholders of JDI excluding JDI and INCJ from a financial perspective.

Further, conditions of the Class A Preferred Shares provide for the following: (i) the conversion from the Class A Preferred Shares to cash only becomes possible after the third anniversary of the issuance of the Class A Preferred Shares; (ii) the conversion from the Class A Preferred Shares to common shares of JDI by exercising rights to acquire the common shares attached to the Class A Preferred Shares only becomes possible after the first anniversary of the issuance of the Class A Preferred Shares, and in this case, the conversion price is at least JPY 225; (iii) shareholders of the Class A Preferred Shares are pari passu with common shareholders regarding a dividend of surplus; and (iv) the Class A Preferred Shares have no voting rights. JDI considers that the terms and conditions of the Class A Preferred Shares are fair because according to the Class Shares Valuation Report and the fairness opinion above, the range per JPY 100 as the Class A Preferred Shares calculated by AIA is lower than JPY 100.

In addition, four company auditors of JDI have expressed their opinions that the amount to be paid related to the Third-party Allotment of Class A Preferred Shares does not fall under an amount especially favorable for INCJ based on the Class Share Valuation Report and the Fairness Opinion.

JDI believes that the issuance of the Class A Preferred Shares does not fall under a favorable issuance, comprehensively considering the valuation results above stated in the Class Share Valuation Report by AIA (which is a third-party financial advisor independent from JDI), the company auditors' opinions above, and the fact that the terms and conditions of the issuance of the Class A Preferred Shares have been determined through discussions and negotiations with INCJ based on the business environment and financial conditions surrounding JDI.

However, the Class A Preferred Shares have no objective market price, and different views on the valuation price are possible because the valuation of class shares is extremely difficult and complicated. Therefore, it cannot be denied that the paid amount of the Class A Preferred Shares might be considered especially favorable for the expected allottee under the Companies Act. Consequently, JDI has determined to issue the Class A Preferred Shares just to be sure, on condition that JDI obtains the approval of its shareholders through an extraordinary resolution at its shareholders meeting concerning the favorable issuance under Article 199, paragraph (2) of the Companies Act.

(2) Basis for JDI's determination that the number of shares to be issued and the scale of dilution are reasonable

A right to request that JDI acquire the Class A Preferred Shares, the Class B Preferred Shares, and the Class C Preferred Shares to be issued by exercising the Stock Acquisition Rights in exchange for common shares will be attached to each of the Class A Preferred Shares, the Class B Preferred Shares, and the Class C Preferred Shares. The conversion price of the Class A Preferred Shares is the market price (the lowest amount of which is JPY 225) per common share, and the conversion prices of the Class B Preferred Shares and the Class C Preferred Shares are JPY 50 per common share.

The number of shares to be delivered where all of the Class A Preferred Shares are converted to the shares of common stock of JDI is 453,333,333 shares (the number of voting rights is 4,533,333) at the most, and the dilution ratio is equivalent to 53.58% (the dilution ratio based on the voting rights is equivalent to 53.58%), the denominator of which is the total number of issued and outstanding shares of JDI as of January 16, 2020 (846,165,800 shares) and the number of voting rights as of January 16, 2020 (8,461,356). Also, regarding the total number of the following (2,469,333,333 shares) (the number of the voting rights is 24,693,333), the dilution ratio is equivalent to 291.83% (the dilution ratio based on the voting rights is equivalent to 291.84%), the denominator of which is the total number of issued and outstanding shares of JDI as of January 16, 2020 (846,165,800 shares) and the number of voting rights as of June 30, 2019 (8,461,356): (i) the largest number of shares to be delivered where all of the Class A Preferred Shares are converted to common shares of JDI (453,333,333 shares) (the number of voting rights is 4,533,333), and (ii) the number of common shares of JDI to be delivered where all of the Class B Preferred Shares and the Class C Preferred Shares to be issued by exercising the Stock Acquisition Rights are converted to common shares of JDI (2,016,000,000 shares) (the number of voting rights is 20,160,000).

As stated above, a large-scale dilution will be expected to occur through the Third-party Allotment of Class A Preferred Shares and the Ichigo Trust Third-party Allotment. On the other hand, considering the following, JDI believes that the influence on the existing shareholders of JDI is controlled; (i) regarding the Class A Preferred Shares, it is assumed that they will be converted to common shares on or after the first anniversary of the payment date at the earliest; therefore, the Third-party Allotment will not immediately cause overall dilutions. In addition, there is a difference between the payment date of the Class C Preferred Shares (any date from April 1, 2020 to March 31, 2023 which is the exercise period of the Stock Acquisition Rights), the payment date of the Class A Preferred Shares (March 26, 2020), and the payment date of the Class B Preferred Shares (March 26, 2020), which means the period in which the Class A Preferred Shares, the Class B Preferred Shares, and the Class C Preferred Shares can be converted to common shares will gradually arrive. Given this, considerations have been taken not to allow an excessive dilution to immediately occur; (ii) even if the Class B Preferred Shares, the Stock Acquisition Rights, and the Class A Preferred Shares are issued, as the Class B Preferred Shares have no voting rights, an immediate dilution of voting rights held by the existing shareholders will be suppressed to a certain degree at the time of the issuance of the Class B Preferred Shares; (iii) JDI can, at its own discretion, mandatorily redeem each of the Class A Preferred Shares, the Class B Preferred Shares, and the Class C Preferred Shares, which means a measure has been adopted whereby if JDI can secure a sufficient distributable amount, JDI can limit the possibility of a dilution of voting rights held by the existing shareholders occurring by mandatorily redeeming the Class A Preferred Shares, the Class B Preferred Shares, and the Class C Preferred Shares; (iv) JDI intends to implement the retirement by purchasing the 1st Series Subordinated Convertible Bonds in exchange for the issuance of the Class A Preferred Shares resulting in the possibility of an increase in voting rights (639,386 as of January 31, 2020) concerning the potential shares relating to the 1st Series Subordinated Convertible Bonds (63,938,618 shares as of January 31, 2020) ceasing to exist. Also, JDI believes that it is reasonable to implement the Third-party Allotment of Class A Preferred Shares despite the large-scale dilution that will occur through the Third-party Allotment of Class A Preferred Shares and the Ichigo Trust Third-party Allotment, considering that the allotment of the Class A Preferred Shares will raise JDI's capital adequacy ratio and improve its financial structure through the repayment of debt capital using funds that JDI will obtain through the allotment of the Class A Preferred Shares.

6. Reason for selecting the expected allottee

(1) Outline of the expected allottee

(1)	Name	INCJ Ltd.
(2)	Registered address	1-4-1 Marunouchi, Chiyoda-ku, Tokyo
(3)	Title and name of representative	Representative Director and Chairman (CEO): Toshiyuki Shiga Representative Director and President (COO): Mikihide Katsumata
(4)	Description of business	Support for specific business activities under a similar framework based on the Industrial Competitiveness Enhancement Act before amendments (Law No. 98 of 2013)

(5)	Capital	JPY 500 million	
(6)	Date of incorporation	September 21, 2018	
(7)	Total number of issued and outstanding shares	10,000 shares	
(8)	Fiscal year-end	March 31	
(9)	Number of employees	71	
(10)	Main banks	Shinkin Central Bank, The Norinchukin Bank, and MUFG Bank, Ltd.	
(11)	Major shareholder and its shareholding ratio (as of January 31, 2020)	Japan Investment Corporation 100.0%	
(12)	Relationship with JDI	Capital relationship	As of today, INCJ holds 214,000,000 shares of JDI (25.29% of JDI's issued and outstanding shares).
		Personnel relationship	One employee (the executive officer) of INCJ serves concurrently as JDI's outside director.
		Transaction relationship	INCJ provides JDI with support of funds, loan guarantee, and security.
		Status as related party	N/A

(13) Business performance and financial conditions for the last 3 years (million JPY, except where otherwise specified)			
	Fiscal year ending in March 2017	Fiscal year ending in March 2018	Fiscal year ending in March 2019
Net assets	-	-	590,723
Total assets	-	-	771,214
Net assets per share (JPY)	-	-	59,072,310.97
Net sales	-	-	261,018
Operating income (loss)	-	-	115,365
Ordinary income (loss)	-	-	115,453
Current net income (loss)	-	-	53,686
Current net income (loss) per share (JPY)	-	-	5,368,683.80
Dividend per share (JPY)	-	-	-

(Note) 1 INCJ was established by way of an incorporation-type company split from Innovation Network Corporation of Japan (the current name of which is Japan Investment Corporation) on September 21, 2018. Therefore, "(13) Business performance and financial conditions for the last 3 years" above does not provide the business performance and financial conditions for the fiscal years ending in March 2017 and March 2018. With respect to the business performance and financial conditions for the fiscal years ending in March 2019, they are also based on those of Innovation Network Corporation of Japan.

2 INCJ is a *Kabushiki-Kaisha* incorporated through an incorporation-type company split from Innovation Network Corporation of Japan (the current name of which is Japan Investment Corporation), which was established by joint investment between the public and private sectors, under the Industrial Competitiveness Enhancement Act (the name of which was the Law on Special Measures for Industrial Revitalization and Innovation at the time when INCJ was incorporated). JDI has confirmed that INCJ does not have any relationship with any Antisocial Forces, through hearings, etc. Also, jointly considering that INCJ's compliance manual states that INCJ has a strict structure for its officers and employees to break off relations with Antisocial Forces, JDI has concluded that INCJ, its officers, and major shareholders are not Antisocial Forces, and do not have any relationship with any Antisocial Forces.

(2) Reason for selecting the expected allottee

The reason for selecting the expected allottee is as stated in "2. Purpose of, and reason for, the offering, (1) Background of the Third-party Allotment of Class A Preferred Shares" above. JDI believes that this allows JDI to improve its financial structure by way of converting part of the debt to equity.

(3) Shareholding policy of the expected allottee

Regarding the Class A Preferred Shares, JDI has received from INCJ the explanation that INCJ intends to hold the Class A Preferred Shares for the medium term, principally. Furthermore, JDI plans to acquire a written confirmation to the effect that if INCJ has assigned all or part of the Class A Preferred Shares within two years after the payment date, (i) it will immediately report those details, including the name and the address of the assignee, and the number of the assigned shares, etc., to JDI, in writing, (ii) JDI will report the contents of that report, etc. to the Tokyo Stock Exchange, and (iii) INCJ will agree to the contents of that report being provided for public inspection.

(4) Details confirmed with regard to the existence of funds required for the payment by the expected allottee

INCJ is a *Kabushiki-Kaisha* incorporated through an incorporation-type company split from Innovation Network Corporation of Japan (the current name of which is Japan Investment Corporation), which was established by joint investment between the public and private sectors, under the Industrial Competitiveness Enhancement Act (the name of which was the Law on Special Measures for Industrial Revitalization and Innovation at the time when INCJ was incorporated). The funds necessary for INCJ to operate its business, including its investments, are procured by borrowings from Japan Investment Corporation in accordance with the cash management service (CMS) introduced between INCJ and Japan Investment Corporation. Also, the funds necessary for a loan to be provided to INCJ by Japan Investment Corporation are procured by borrowings and bonds. Taking these into consideration, JDI has concluded that INCJ's payment for the Third-party Allotment of Preferred Shares will certainly be implemented.

7. Major Shareholders and Their Shareholding Ratios after the Third-party Allotment

(1) After the issuance of the Class A Preferred Shares, the Class B preferred Shares, and the Stock Acquisition Rights, and the exercise of the right to request that JDI acquire all the Class A Preferred Shares in exchange for its common shares is exercised

① Common Shares

Before the offering (as of January 16, 2020)		After the offering (only including shares to be delivered through an exercise of put options attached to the Class A Preferred Shares)	
INCJ, Ltd.	25.29%	INCJ, Ltd.	33.85%
GOLDMAN SACHS INTERNATIONAL (Standing proxy: GOLDMAN SACHS JAPAN CO., LTD.)	6.78%	GOLDMAN SACHS INTERNATIONAL (Standing proxy: GOLDMAN SACHS JAPAN CO., LTD.)	2.91%
NICHIA CORPORATION	4.13%	NICHIA CORPORATION	1.77%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.40%	Japan Trustee Services Bank, Ltd. (Trust Account 9)	0.60%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.38%	Japan Trustee Services Bank, Ltd. (Trust Account 5)	0.59%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1.29%	The Master Trust Bank of Japan, Ltd. (Trust Account)	0.55%
Sony Corporation	1.26%	Sony Corporation	0.54%
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: Merrill Lynch Japan Securities Co., Ltd.)	1.17%	MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: Merrill Lynch Japan Securities Co., Ltd.)	0.50%
Haneda Turtle Service Co., Ltd.	1.14%	Haneda Turtle Service Co., Ltd.	0.49%
Akio Utsumi	1.11%	Akio Utsumi	0.48%

(Note) 1 The table above is based on the shareholders register as of January 16, 2020.

2 The shareholding ratios are rounded off to the second decimal place.

3 The shareholding ratios after the offering are calculated by dividing the number of shares to be owned after the offering by the number of shares (1,971,499,133 shares) that adds (i) the largest number of common shares to be acquired by INCJ where the right to request that JDI acquire all the Class A Preferred Shares to be issued through the Third-party Allotment of Class A Preferred Shares in exchange for common shares of JDI (453,333,333 shares) and (ii) the number of the Class B Preferred Shares to be issued through the Ichigo Trust Third-party Allotment (672,000,000 shares) to the total number of issued and outstanding shares of JDI (846,165,800 shares) as of January 16, 2020.

4 Effissimo Capital Management Pte. Ltd. submitted the Report of Possession of Large Volume (the Change Report) dated December 5, 2019. However, JDI cannot confirm the substantial ownership as of today. Therefore, the table above does not include Effissimo Capital Management Pte. Ltd.

② Class B Preferred Shares

Before the offering (as of January 16, 2020)	After the offering	
N/A	Ichigo Trust	34.09%

(2) After the issuance of the Class A Preferred Shares, the Class B Preferred Shares, and the Class C Preferred Shares resulting from the exercise of the Stock Acquisition Rights, and after the right to request that JDI acquire all the Class A Preferred Shares, the Class B Preferred Shares, and the Class C Preferred Shares in exchange for its common shares is exercised

① Common Shares

Before the offering (as of January 16, 2020)		After the offering (including shares to be delivered through an exercise of put options attached to the Class A Preferred Shares, the Class B Preferred Shares, and the Class C Preferred Shares)	
INCJ, Ltd.	25.29%	Ichigo Trust	60.81%
GOLDMAN SACHS INTERNATIONAL (Standing proxy: GOLDMAN SACHS JAPAN CO., LTD.)	6.78%	INCJ, Ltd.	23.13%
NICHIA CORPORATION	4.13%	GOLDMAN SACHS INTERNATIONAL (Standing proxy: GOLDMAN SACHS JAPAN CO., LTD.)	1.73%

Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.40%	NICHIA CORPORATION	1.05%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.38%	Japan Trustee Services Bank, Ltd. (Trust Account 9)	0.36%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1.29%	Japan Trustee Services Bank, Ltd. (Trust Account 5)	0.35%
Sony Corporation	1.26%	The Master Trust Bank of Japan, Ltd. (Trust Account)	0.33%
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: Merrill Lynch Japan Securities Co., Ltd.)	1.17%	Sony Corporation	0.32%
Haneda Turtle Service Co., Ltd.	1.14%	MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: Merrill Lynch Japan Securities Co., Ltd.)	0.30%
Akio Utsumi	1.11%	Haneda Turtle Service Co., Ltd.	0.29%

(Note) 1 The table above is based on the shareholders register as of January 16, 2020.

2 The shareholding ratios are rounded off to the second decimal place.

3 The shareholding ratios after the offering are calculated by dividing the number of shares to be owned after the offering by the number of shares (3,315,499,133 shares) that adds (i) the largest number of common shares to be acquired by INCJ where the right to request that JDI acquire all the Class A Preferred Shares to be issued through the Third-party Allotment of Class A Preferred Shares in exchange for common shares of JDI (453,333,333 shares) and (ii) the number of common shares of JDI to be acquired by Ichigo Trust where the right to request that JDI acquire all of the Class B Preferred Shares to be issued through the Ichigo Trust Third-party Allotment and the Class C Preferred Shares to be issued by exercising the Stock Acquisition Rights in exchange for common shares of JDI (2,016,000,000 shares in total) to the total number of issued and outstanding shares of JDI (846,165,800 shares) as of January 16, 2020.

4 Effissimo Capital Management Pte. Ltd. submitted the Report of Possession of Large Volume (the Change Report) dated December 5, 2019. However, JDI cannot confirm the substantial ownership as of today. Therefore, the table above does not include Effissimo Capital Management Pte. Ltd.

8. Future outlook

The effect on JDI's business performance for the current consolidated fiscal year is insignificant. JDI considers that the Third-party Allotment of Class A Preferred Shares will improve JDI's financial structure, and contribute to stable growth of JDI's business and enhancement of the share value in the medium to long term.

9. Matters related to procedures required under the corporate code of conduct

Since the dilution ratio through the Third-party Allotment of Class A Preferred Shares will be greater than 25%, JDI is required to obtain opinions from independent third-parties or follow the procedures for confirming the intent of shareholders under Article 432 of the Securities Listing Regulations set forth by Tokyo Stock Exchange.

The Third-party Allotment of Class A Preferred Shares will not only be accompanied by a large-scale dilution, but also, as stated in "5. Rationality of terms and conditions of the issuance, (1) Basis for calculation of the paid amount and the details thereof" above, it cannot be denied that the paid amount of the Class A Preferred Shares might be considered to be especially favorable for the expected allottee under the Companies Act, as the Class A Preferred Shares have no objective market price, and different views on the valuation price are possible, because the valuation of class shares is extremely difficult and complicated. Considering the above, JDI has decided to issue the Class A Preferred Shares on the condition that the Third-party Allotment of Class A Preferred Shares is approved by means of an extraordinary resolution at a general meeting of shareholders concerning the issuance of shares at an especially favorable price under Article 199, paragraph (2) of the Companies Act.

Therefore, JDI will follow the procedures for confirming the intent of shareholders with respect to the Third-party Allotment of Class A Preferred Shares through an extraordinary resolution at the General Meeting of Shareholders.

Also, considering the scale of the impact on its existing shareholders, in order to ensure the fairness, transparency, and objectivity of JDI's decision-making process, JDI selected Mr. Ryosuke Kuwada, as a director of JDI (who is an outside director and is registered with the Tokyo Stock Exchange as an Independent Director of JDI), and Mr. Yoichi Eto and Mr. Toshiaki Kawashima, as corporate auditors of JDI (both of whom are outside auditors and are registered with the Tokyo Stock Exchange as Independent Auditors of JDI), and requested that they provide an opinion with regard to the Third-party Allotment of Preferred Shares as persons who maintain a certain independence from JDI's management. They provided their opinion as of January 31, 2020 as follows:

① Opinion

The Third-party Allotment of Class A Preferred Shares has necessity and appropriateness.

② Necessity of Third-party Allotment of Class A Preferred Shares

In the business environment surrounding JDI, the growth of the smartphone market has stagnated globally and the adoption of OLED displays in the high-end smartphone market has expanded, in addition to that Korean manufacturers are mounting a strong offensive in OLED displays and Chinese competitive manufacturers are expanding their product capacity of LCDs by adopting low temperature polysilicon (LTPS) technologies, consequently, the competitive environment has intensified. Without a large-scale injection of capital funds, JDI cannot fundamentally resolve the deterioration of its financing and would have difficulty securing net assets for stable business continuity. If the business environment does not improve significantly in the future, not only may JDI have difficulties in maintaining its enterprise value due to the deterioration of its financing, but also its share value may be significantly impaired by having insufficient capital. In light of this situation, JDI has determined to implement the Suwa Third-party Allotment in order to secure a long-term stabilization funds through its large-scale injection of capital funds.

Suwa had discussions with INCJ (which is JDI's largest major shareholder and largest creditor) about the necessity to secure a long-term stabilization fund for JDI's sustainable business operations, and asked INCJ to provide support for JDI. As a result, INCJ announced its intent that INCJ could provide JDI with various means of support including refinancing.

As the Suwa Third-party Allotment was not implemented, JDI has decided to implement the Ichigo Trust Third-party Allotment in order to secure a long-term stabilization fund by a large scale injection of equity capital. INCJ's view that it is possible for INCJ to provide various kinds of support, including the Refinance, has not changed.

Based on the background above, JDI determined to issue the Class A Preferred Shares as a series of means of support by INCJ, because JDI believes that the Third-party Allotment of Class A Preferred Shares allows JDI to secure a long-term stabilization fund, and to raise JDI's capital adequacy ratio and improve its financial structure by way of converting part of the debt to equity.

Specifically, JDI plans to use all the procured funds of the Third-party Allotment of Class A Preferred Shares (the amount of which is approximately JPY 102 billion) for the repayment or retirement by purchase of (i) the borrowing under the Commitment Line Agreement (the amount of which is JPY 107 billion), (ii) the Short-term Loan (the total amount of the principal of which is JPY 20 billion), and (iii) the 1st Series Subordinated Convertible Bonds (the outstanding amount of which is JPY 25 billion). This allows JDI to raise JDI's capital adequacy ratio and improve its financial structure by way of converting part of the debt to equity.

Therefore, we think that JDI has a necessity of the Third-party Allotment of Class A Preferred Shares.

③ Appropriateness of the scheme of the Third-party Allotment of Class A Preferred Shares in comparison with other measures

Considering the situation in which JDI finds itself and the necessity for the Third-party Allotment of Class A Preferred Shares, we do not think that it is appropriate for JDI to adopt any of the following as means for the intended fundraising, instead of the Third-party Allotment of Class A Preferred Shares, from the perspective of consistency with JDI's purpose, feasibility, certainty of fundraising: a borrowing, issuance of common bonds, issuance of common shares through public offering, issuance of stock options, rights offering, allotment to shareholders, issuance of common shares through third-party allotment, or issuance of bonds with stock acquisition rights. On the other hand, we can determine that the Third-party Allotment of Class A Preferred Shares is the best choice at the current time, because it is highly likely to raise the necessary scale of equity, and it is considerate of existing shareholders while securing expedited fundraising.

④ Conditions of the Third-party Allotment of Class A Preferred Shares are reasonable

When executing the MOU, JDI requested that AIA provide a price valuation of the Class A Preferred Shares in consideration of the terms and conditions of the Class A Preferred Shares; subsequently, it obtained from AIA the Class Share Valuation Report dated January 31, 2020.

According to the Class Share Valuation Report, based on certain premises (the conversion price of the Class A Preferred Shares, the period until INCJ exercises its stock acquisition rights in exchange for money or common shares, share value per common share of JDI, volatility of shares, dividend yield, risk free rate, discount rate, etc.), AIA calculated that the fair value of the Class A Preferred Shares ranges from JPY 85.1 to JPY 88.6 per JPY 100 as the Class A Preferred Shares, using the binomial model (which is a general model for the valuation of the share options).

Regarding the per-share value of common share of JDI among the premises for the calculation in the Class Share Valuation Report, a share value from JPY 36 to JPY 57 per common share of JDI was adopted, calculated using the DCF Analysis.

Also, JDI obtained a fairness opinion dated January 31, 2020, from AIA that the amount paid for the Class A Preferred Shares is reasonable to the shareholders of JDI, excluding JDI and INCJ from a financial perspective.

Further, conditions of the Class A Preferred Shares provide for the following: (i) the conversion from the

Class A Preferred Shares to cash only becomes possible after the third anniversary of the issuance of the Class A Preferred Shares; (ii) the conversion from the Class A Preferred Shares to common shares of JDI by exercising rights to acquire the common shares attached to the Class A Preferred Shares only becomes possible after the first anniversary of the issuance of the Class A Preferred Shares, and in this case, the conversion price is at least JPY 225; (iii) shareholders of the Class A Preferred Shares are pari passu with common shareholders regarding a dividend of surplus; and (iv) the Class A Preferred Shares have no voting rights. According to the Class Share Valuation Report and the fairness opinion above, the range per JPY 100 as the Class A Preferred Shares is lower than JPY 100. Therefore, JDI has determined that the conditions of the Class A Preferred Shares are fair.

Based on the facts above, we think that the amount to be paid for the Class A Preferred Shares related to the Third-party Allotment of Class A Preferred Shares does not fall under an amount especially favorable for INCJ as an expected allottee, and that the conditions of the Class A Preferred Shares are reasonable.

⑤ Appropriateness of the Third-party Allotment of Preferred Shares

The number of shares to be delivered if all the Class A Preferred Shares are converted into common shares of JDI is 453,333,333 shares (the number of voting rights is 4,533,333) at the most, and the dilution ratio is equivalent to 53.58% (the dilution ratio based on the voting rights is equivalent to 53.58%), the denominator of which is the total number of issued and outstanding shares of JDI as of January 16, 2020 (846,165,800 shares) and the number of voting rights as of January 16, 2020 (8,461,356). Also, regarding the total number of the following (2,469,333,333 shares) (the total number of the voting rights is 24,693,333), the dilution ratio is equivalent to 291.83% (the dilution ratio based on the voting rights is equivalent to [291.84%), the denominator of which is the total number of issued and outstanding shares of JDI as of January 16, 2020 (846,165,800 shares) and the number of voting rights as of June 30, 2019 (8,461,356): (i) the largest number of shares to be delivered where all of the Class A Preferred Shares are converted to common shares of JDI (453,333,333 shares) (the number of voting rights is 4,533,333), and (ii) the number of common shares of JDI to be delivered where all of the Class B Preferred Shares and the Class C Preferred Shares to be issued by exercising the Stock Acquisition Rights are converted to common shares of JDI (2,016,000,000 shares) (the number of voting rights is 20,160,000).

As stated above, a large-scale dilution will be expected to occur through the Third-party Allotment of Class A Preferred Shares and the Ichigo Trust Third-party Allotment. On the other hand, considering the following, JDI believes that the influence on the existing shareholders of JDI is controlled; (i) regarding the Class A Preferred Shares, it is assumed that they will be converted to common shares on or after the first anniversary of the payment date at the earliest; therefore, the Third-party Allotment will not immediately cause overall dilutions. In addition, there is a difference between the payment date of the Class C Preferred Shares (any date from April 1, 2020 to March 31, 2023 which is the exercise period of the Stock Acquisition

Rights), the payment date of the Class A Preferred Shares (March 26, 2020), and the payment date of the Class B Preferred Shares (March 26, 2020), which means the period in which the Class A Preferred Shares, the Class B Preferred Shares, and the Class C Preferred Shares can be converted to common shares will gradually arrive. Given this, considerations have been taken not to allow the excessive dilution to immediately occur; (ii) even if the Class B Preferred Shares, the Stock Acquisition Rights, and the Class A Preferred Shares are issued, as the Class B Preferred Shares have no voting rights, an immediate dilution of voting rights held by the existing shareholders will be suppressed to a certain degree at the time of the issuance of the Class B Preferred Shares; (iii) JDI can, at its own discretion, mandatorily redeem each of the Class A Preferred Shares, the Class B Preferred Shares, and the Class C Preferred Shares, which means a measure has been adopted whereby if JDI can secure a sufficient distributable amount, JDI can limit the possibility of the dilution of voting rights held by the existing shareholders occurring by mandatorily redeeming the Class A Preferred Shares, the Class B Preferred Shares, and the Class C Preferred Shares; (iv) JDI intends to implement the retirement by purchasing the 1st Series Subordinated Convertible Bonds in exchange for the issuance of the Class A Preferred Shares resulting in the possibility of an increase in voting rights (639,386 as of January 31, 2020) concerning the potential shares relating to the 1st Series Subordinated Convertible Bonds (63,938,618 shares as of January 31, 2020) ceasing to exist.

Also, the allotment of the Class A Preferred Shares will raise JDI's capital adequacy ratio and improve its financial structure through the repayment of debt capital using funds that JDI will obtain through the allotment of the Class A Preferred Shares.

Considering each circumstance above, even though we acknowledge that a large-scale dilution will occur due to the Third-party Allotment of Class A Preferred Shares and Ichigo Trust Third-party Allotment, we think that there is still a necessity and appropriateness of the Third-party Allotment of Preferred Shares.

10. Status of business performance and equity finances in the last 3 years

(1) Business performance for the last 3 years (consolidated)

(million JPY, except where otherwise specified)

	Fiscal year ending in March 31, 2017	Fiscal year ending in March 31, 2018	Fiscal year ending in March 31, 2019
Net sales	884,440	717,522	636,661
Operating income (loss)	18,502	(61,749)	(30,989)
Ordinary income (loss)	(8,871)	(93,658)	(44,153)
Consolidated current net income (loss)	(31,664)	(247,231)	(109,433)
Current net income (loss) per share (JPY)	(52.65)	(411.09)	131.84

Dividend per share (JPY)	-	-	-
Consolidated net assets per share (JPY)	540.16	133.58	5.91

(2) Current number of issued and outstanding shares and potential shares (as of December 31, 2019)

	Number of shares	Ratio to the number of issued and outstanding shares
Number of issued and outstanding shares	846,165,800 shares	100%
Number of potential shares at the current time	75,202,418 shares	8.89%

(3) Recent share price status

① Share price in the last 3 year (JPY)

	Fiscal year ending in March 31, 2017	Fiscal year ending in March 31, 2018	Fiscal year ending in March 31, 2019
Opening price	221	260	183
High price	398	290	189
Low price	138	174	50
Closing price	260	193	69

② Share price in the last 6 months (JPY)

	August 2019	September	October	November	December	January 2020
Opening price	74	64	59	64	71	78
High price	75	72	69	76	82	80
Low price	59	59	54	63	67	69
Closing price	64	60	64	71	80	71

(Note) Share prices for January are the prices as of January 30, 2020.

③ Share price on the business day preceding the day of the resolution of the board of directors meeting concerning the issuance (JPY)

	January 30, 2020
Opening price	74
High price	75

Low price	69
Closing price	71

(4) Status of equity finance in the last 3 years

・ Issuance of the new shares through third-party allotment to Nichia Corporation

Payment date	April 25, 2018
Amount of funds to be raised	JPY 4,869 million (estimated net proceeds)
Issue price	JPY 143 per share
Number of issued and outstanding shares at the time of the offering	601,411,900 shares
Number of issued shares due to the offering	34,965,000 shares
Total number of issued and outstanding shares after the offering	636,376,900 shares
Allottee	Nichia Corporation
Initial purpose of use of funds at the time of issuance	① Increasing working capital to respond to mass production of FULL ACTIVE™ ② Capital investments for FULL ACTIVE™ back-end manufacturing (module assembly)
Intended timing of expenditure of funds at the time of issuance	① From July 2018 to March 2019 ② From May 2018 to March 2019
Status of appropriation at the current time	All of the funds procured have been used for increased working capital for mass production of FULL ACTIVE™ and capital investments for back-end manufacturing for FULL ACTIVE™, as stated in the initial purpose of use of funds.

(Note) The number of issued and outstanding shares stated above does not include the increase due to the number of new shares issued through the third-party allotment to overseas financial institutional investors, for which the payment was made on the same day. The total number by which the issued shares increased as a result of the third-party allotment to overseas financial institutional investors is 209,788,900 shares, and the total number of the issued and outstanding shares considering the third-party allotment to the overseas financial institutional investors is 846,165,800 shares.

・ Issuance of the new shares through third-party allotment to overseas financial institutional investors

Payment date	April 25, 2018
Amount of funds to be	JPY 29,179 million (estimated net proceeds)

raised	
Issue price	JPY 143 per share
Number of issued and outstanding shares at the time of the offering	601,411,900 shares
Number of issued shares due to the offering	209,788,900 shares
Total number of issued and outstanding shares after the offering	811,200,800 shares
Allottee	The Segantti Asia-Pacific Equity Multi-Strategy Fund, Monashee Investment Management LLC, Nezu Asia Capital Management Limited, and 27 others
Initial purpose of use of funds at the time of issuance	① Increasing working capital to respond to mass production of FULL ACTIVE™ ② Capital investments for FULL ACTIVE™ back-end manufacturing (module assembly)
Intended timing of expenditure of funds at the time of issuance	① From July 2018 to March 2019 ② From May 2018 to March 2019
Status of appropriation at the current time	All of the funds procured have been used for increased working capital for mass production of FULL ACTIVE™ and capital investments for back-end manufacturing for FULL ACTIVE™, as stated in the initial purpose of use of funds.

(Note) The number of issued and outstanding shares stated above does not include the increase due to the number of new shares issued through the third-party allotment to an operational company for which the payment was made on the same day. The total number by which the issued shares increased as a result of the third-party allotment to the operational company is 34,965,000 shares, and the total number of the issued and outstanding shares considering the third-party allotment to the operational company is 846,165,800 shares.

・ Issuance of the Class B Preferred Shares through third-party allotment to Ichigo Trust and the Stock Acquisition Rights through third-party allotment to Ichigo Trust (scheduled)

Payment Date (Allotment date)	March 26, 2020 (Thursday)
Amount of funds to be raised	Amount of funds to be raised through the issuance of the Class B Preferred Shares: JPY 50,400,000,000 Amount of funds to be raised through the issuance of the Stock Acquisition Rights: JPY 50,400,000,000
Issue price (exercise price)	JPY 75 per share
Number of issued and	846,165,800 common shares

outstanding shares at the time of the offering	
Number of issued shares due to the offering	Class B Preferred Shares: 672,000,000 shares (scheduled)
Total number of issued and outstanding shares after the offering	Common shares: 846,165,800 shares Class B Preferred Shares: 672,000,000 shares (scheduled)
Allottee	Ichigo Trust (Class B Preferred Shares: 672,000,000 shares, Stock Acquisition Rights: 672)
Initial purpose of use of funds at the time of issuance	① Capital investment in growth businesses ② Working capital ③ Repayment of borrowings
Intended timing of expenditure of funds at the time of issuance	① April 2020 ~ March 2022 ② April 2020 ~ September 2020 ③ April 2020 ~ March 2023

11. Conditions of the issuance of the Class A Preferred Shares

For the conditions of the issuance of the Class A Preferred Shares, please refer to Schedule 1.

II. Changes in the Details of the Borrowing under the Senior Loan Amendment Agreement

Regarding the details of the borrowing under the Senior Loan Agreement, the changes in "2. Details of the borrowing" announced in the Disclosure dated August 27, 2019 (1) are as follows. The changes are underlined.

(Before changes)

2. Details of the borrowing

Lender	INCJ, Ltd. (Note 1) Registered address: 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Representative Director and Chairman (CEO): Toshiyuki Shiga Representative Director and President (COO): Mikihide Katsumata
Loan amount	JPY 50 billion
Interest rate	5 years swap rate + spread (this will be adjusted every 6 months)
Loan execution date	The day when the payment of the Class A Preferred Shares has been completed (Note 2)
Repayment due date	Fifth anniversary of the loan execution date (prepayment before maturity is permissible)
Security	The borrowing is secured

(Note 1) As of <u>August 27</u>, 20<u>19</u>, INCJ is JDI's largest major shareholder, and has dispatched one director to JDI.

(Note 2) The borrowing under the Senior Loan Agreement is implemented on condition that <u>the Sponsor Third-party Allotment</u> is implemented, other procedures required under the relevant laws and regulations are completed, and conditions precedent of the Third-party Allotment of Preferred Shares are satisfied.

(After changes)

2. Details of the borrowing

Lender	INCJ, Ltd. (Note 1) Registered address: 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Representative Director and Chairman (CEO): Toshiyuki Shiga Representative Director and President (COO): Mikihide Katsumata
Loan amount	JPY 50 billion
Interest rate	5 years swap rate + spread (this will be adjusted every 6 months)
Loan execution date	The day when the payment of the Class A Preferred Shares has been completed (Note 2)

Repayment due date	Fifth anniversary of the loan execution date (prepayment before maturity is permissible)
Security	The borrowing is secured

(Note 1) As of January 31, 2020, INCJ is JDI's largest major shareholder, and has dispatched one director to JDI.

(Note 2) The borrowing under the Senior Loan Agreement is implemented on condition that the Ichigo Trust Third-party Allotment is implemented, other procedures required under the relevant laws and regulations are completed, and conditions precedent of the Third-party Allotment of Class A Preferred Shares are satisfied.

III. Changes in the Details of the Substitute Performance

Regarding the details of the Substitute Performance, the changes in the details announced in the Disclosure dated August 27, 2019 (2) are as follows. The changes are underlined.

(Before changes)

5. Schedule

(Omitted)

(3) Closing date of the Share Transfer	Any date from September 27, 2019 to August 28, 2020 (scheduled) (Note)

(Note) The Share Transfer will be implemented on the date on which the payment concerning the Sponsor Third-party Allotment has been made.

(After changes)

5. Schedule

(Omitted)

(3) Closing date of the Share Transfer	March 26, 2020 (scheduled) (Note)

(Note) The Share Transfer will be implemented on the date on which the payment concerning the Ichigo Trust Third-party Allotment has been made.

Schedule 1

Conditions of the Class A Preferred Shares
of Japan Display Inc.

1. Class of shares to be offered

Class A preferred shares of Japan Display Inc. (the "Class A Preferred Shares")

2. Number of shares to be offered

1,020,000,000 shares

3. Amount to be paid

JPY 100 per share

4. Total proceeds

JPY 102,000,000,000

5. Amount of capital to be increased

JPY 51,000,000,000 (JPY 50 per share)

6. Amount of capital reserve to be increased

JPY 51,000,000,000 (JPY 50 per share)

7. Payment date

March 26, 2020

8. Allottee / Number of shares

All Class A Preferred Shares will be allotted to INCJ, Ltd. through third-party allotment.

【Details of the Class A Preferred Shares】

9. Dividend of surplus

JDI will pay dividends per Class A Preferred Share calculated by multiplying dividends per common share by the Class A Conversion Rate (defined below) on the dividend payment date to shareholders or pledgees of the Class A Preferred Shares who are registered or recorded on the last shareholders register on the dividend payment date (if a record date is set, on such record date; hereinafter the same) (such shareholders, the "Class A Preferred Shareholders", and such pledgees, the "Registered Pledgees of Class A Preferred Shares") pari passu with (i) shareholders and pledgees of common shares who are registered or recorded on the last shareholders register on the dividend payment date (such shareholders, the "Common Shareholders", and such pledgees, the "Registered Pledgees of Common Shares"), (ii) shareholders and pledgees of Japan Display Inc. class B preferred shares (the "Class B Preferred Shares") who are registered or recorded on the last shareholders register on the dividend payment date (such shareholders, the "Class B Preferred Shareholders", and such pledgees, the "Registered Pledgees of Class B Preferred Shares"), and (iii) shareholders and pledgees of Japan Display Inc. class C preferred shares (the "Class C Preferred Shares") who are registered or recorded on the last shareholders register on the dividend payment date (such shareholders, the "Class C Preferred Shareholders", and such pledgees, the "Registered Pledgees of Class C Preferred Shares"). If a fraction that is less than JPY 1 occurs as a result of multiplying dividends per Class A Preferred Share by the number of shares over which the Class A Preferred Shareholders and the Registered Pledgees of Class A Preferred Shares have rights, such fraction will be omitted.

"Class A Conversion Rate" means the number (calculated to the third decimal place, and the digit in the third decimal place will be omitted) obtained by dividing the Class A Investment Amount (defined in 13.(2) below; hereinafter the same) at that time by the Class A Conversion Price (defined in 15.(3) below; hereinafter the same).

10. Distribution of residual assets

(1) Distribution of residual assets

When JDI distributes its residual assets at the dissolution of JDI, JDI will pay amounts per Class A Preferred Share equivalent to the Class A Investment Amount to the Class A Preferred Shareholders and Registered Pledgees of Class A Preferred Shares, pari passu with the Class B Preferred Shareholders, Registered Pledgees of Class B Preferred Shares, Class C Preferred Shareholders, and Registered Pledgees of Class C Preferred Shares, before the Common Shareholders and Registered Pledgees of Common Shares. If a fraction that is less than JPY 1 occurs as a result of multiplying the distribution of residual assets per Class A Preferred Share by the number of shares over which the Class A Preferred Shareholders and the Registered Pledgees of Class A Preferred Shares have rights, such fraction will be omitted. If the distribution of residual assets is less than the aggregate amount necessary for the distribution of residual assets to shareholders, etc. at a certain rank, JDI will distribute the residual assets on a pro rata basis in accordance with the amount necessary for the distribution of residual assets to shareholders, etc. at such rank.

(2) Participation clause

If residual assets remain even after the distribution of residual assets to the Class A Preferred Shareholders and Registered Pledgees of Class A Preferred Shares pursuant to (1) above, JDI will distribute residual assets per Class A Preferred Share calculated by multiplying the amount of residual assets per common share by the Class A Conversion Rate at the time of the distribution of residual assets to the Class A Preferred Shareholders and Registered Pledgees of Class A Preferred Shares pari passu with the Common Shareholders and Registered Pledgees of Common Shareholders, Class B Preferred Shareholders, Registered Pledgees of Class B Preferred Shares, Class C Preferred Shareholders, and Registered Pledgees of Class C Preferred Shares.

11 Transfer restriction

The Class A Preferred Shares have no transfer restriction.

12. Voting rights

The Class A Preferred Shareholders have no voting rights at general meetings of shareholders, unless otherwise provided for by law.

13. Cash-consideration put option (right to claim the redemption)

(1) Details of the redemption claim

The Class A Preferred Shareholders and Registered Pledgees of Class A Preferred Shares can claim that JDI acquire the Class A Preferred Shares in whole or in part with cash consideration anytime on and after the third anniversary of the payment date (the "Redemption Claim"). In this case, in exchange for acquiring one Class A Preferred Share, within the limit of the distributable amount under Article 461, paragraph (2) of the Companies Act as of the effective date of such Redemption Claim (the "Redemption Claim Date"), and to the extent permitted by relevant laws or regulations, JDI will deliver cash the amount of which is equivalent to the Class A Investment Amount to such Class A Preferred Shareholders and Registered Pledgees of Class A Preferred Shares on such Redemption Claim Date.

(2) Class A Investment Amount

The Class A Investment Amount is as follows:

(a) The initial amount will be JPY 100.

(b) If JDI implements a share split, consolidation of shares, or allotment of shares without contribution (collectively, the "Share Split, etc."), the Class A Investment Amount will be adjusted in accordance with the formula below. If a fraction that is less than JPY 1 occurs as a result of the adjustment, JDI will calculate such fraction to the third decimal place, and omit the digit in the third decimal place. In the case of an allotment of shares without contribution, "Number of issued and outstanding Class A Preferred Shares before the Share Split, etc." and "Number of issued and outstanding Class A Preferred Shares after the Share Split, etc." in the following formula are to be read as "Number of issued and outstanding Class A Preferred Shares before the allotment of shares without contribution (excluding, however, the Class A Preferred Shares held by JDI at that time)" and "Number of issued and outstanding Class A Preferred Shares after the allotment of shares without contribution (excluding, however, the Class A Preferred Shares held by JDI at that time)", respectively.

$$\text{Class A Investment Amount after adjustment} = \text{Class A Investment Amount before adjustment} \times \frac{\text{Number of issued and outstanding Class A Preferred Shares before the Share Split, etc.}}{\text{Number of issued and outstanding Class A Preferred Shares after the Share Split, etc.}}$$

The Class A Investment Amount after adjustment will be applied, in the case of a share split, on and after the day following the record date of such share split, in the case of a consolidation of shares or allotment of shares without contribution, on and after the day following the effective date of such consolidation of shares or allotment of shares without contribution (if a record date is set, on and after the day following such record date).

(c) If other events similar to (b) above occur, the Class A Investment Amount will be properly adjusted by resolutions of JDI's board of directors meeting.

14. Cash-consideration call option (mandatory redemption)

Notwithstanding the intent of the Class A Preferred Shareholders and Registered Pledgees of Class A Preferred Shares, in exchange for delivering the Class A Investment Amount to the Class A Preferred Shareholders and Registered Pledgees of Class A Preferred Shares, within the limit of the distributable amount under Article 461, paragraph (2) of the Companies Act as of the date separately determined by JDI's board of directors meeting (the "Mandatory Redemption Date"), to the extent permitted by applicable laws, JDI can acquire the Class A Preferred Shares in whole or in part anytime, if the Mandatory Redemption Date has arrived. If there is more than one Class A Preferred Shareholder at the time of acquiring part of the Class A Preferred Shares, the Class A Preferred Shares to be acquired by JDI will be determined by its board of directors meeting on a pro rata basis.

15. Common share-consideration put option (right to claim conversion)

(1) Details of the conversion claim

On or after the first anniversary of the payment date, within a two-week period after the release of JDI's quarterly financial results for each quarterly period, to the extent permitted by applicable laws, the Class A Preferred Shareholders and Registered Pledgees of Class A Preferred Shares can claim that JDI deliver common shares per Class A Preferred Share the number of which is calculated based on the formula stated in (2) below, in exchange for JDI acquiring the Class A Preferred Shares (the "Conversion Claim", and the effective date of the Conversion Claim, the "Conversion Claim Date").

(2) Formula for number of common shares to be delivered based on the conversion claim

The number of common shares to be delivered in exchange for acquiring one Class A Preferred Share will be calculated based on the following formula:

(Formula)
Number of common shares to be delivered in exchange for acquiring one Class A Preferred Share
= Class A Investment Amount ÷ Class A Conversion Price

If a fraction that is less than 1 share occurs at the time of calculating the number of common shares to be delivered to the Class A Preferred Shareholders and Registered Pledgees of Class A Preferred Shares, such fraction will be omitted and treated in accordance with Article 167, paragraph (3) of the Companies Act.

(3) Class A Conversion Price

The Class A Conversion Price means an amount stated below.

① The initial Class A Conversion Price is (A) or (B) below, as applicable.

(A) If JDI's common shares are Listed (which means that they are listed or registered on or at the financial instruments exchange or over-the-counter securities market; hereinafter the same) on the Conversion Claim Date: (i) Amount equivalent to a closing price (including a quotation) of JDI's common shares, at the financial instruments exchange or over-the-counter securities market on which such common shares are Listed, on a trading day (excluding, however, a trading day without a closing price (including a quotation)) immediately before the date on which a conversion claim is made, or (ii) JPY 225, whichever is greater.

(B) If JDI's common shares are not Listed on the Conversion Claim Date: JPY 225

② Notwithstanding ① above, if any of the following (i) through (v) occurs at JDI, JDI will adjust the Class A Conversion Price in accordance with each of (i) through (v). If a fraction that is less than JPY 1 occurs as a result of the adjustment, JDI will calculate such fraction to the third decimal place, and omit digits after the second decimal place.

(i) If JDI implements the Share Split, etc. of common shares, JDI will adjust the Class A Conversion Price based on the formula below. In the case of an allotment of shares without contribution, "Number of issued and outstanding common shares before the Share Split, etc." and "Number of issued and outstanding common shares after the Share Split, etc." in the following formula are to be read as "Number of issued and outstanding common shares before the allotment of shares without contribution (excluding, however, common shares held by JDI at that time)" and "Number of issued and outstanding common shares after the allotment of shares without contribution (excluding, however, common shares held by JDI at that time)", respectively.

$$\text{Class A Conversion Price after adjustment} = \text{Class A Conversion Price before adjustment} \times \frac{\text{Number of issued and outstanding common shares before the Share Split, etc.}}{\text{Number of issued and outstanding common shares after the Share Split, etc.}}$$

The Class A Conversion Price after adjustment will be applied, in the case of a share split, on and after the day following the record date of such share split, in the case of a consolidation of shares or allotment of shares without contribution, on and after the effective date of such consolidation of shares or allotment of shares without contribution (if a record date is set, on and after the day following such record date).

(ii) If JDI issues its common shares (including dispositions of treasury shares; hereinafter the same in this item (ii)) the price of which is less than the Class A Conversion Price before the adjustment (excluding, however, the cases where (a) JDI implements an allotment of shares without contribution, (b) JDI issues its common shares by exercising or converting the Potential Shares (which means shares with put options, shares subject to call, share options (including those attached to bonds with stock acquisition rights; hereinafter the same in this Section 15), and other securities or rights with status that makes it possible to have it converted into common shares based on the claim by holders of such securities or rights or JDI, or subject to conditions that certain events occur; hereinafter the same), (c) JDI delivers its common shares as a result of a merger, share exchange, or company split, or (d) JDI sells its treasury shares pursuant to Article 194 of the Companies Act), JDI will adjust the Class A Conversion Price based on the formula below.

In this Conditions of the Class A Preferred Shares of Japan Display Inc., the "Total Number of Shares" means the number obtained by adding (i) the number of common shares underlying the issued and outstanding Potential Shares (excluding those held by JDI) as of the day before the date on which the Class A Conversion Price after the adjustment is applied to (ii) the number of issued and outstanding common shares as of the same day (excluding those held by JDI).

Also, in the case of a disposition of treasury shares, "Issue price" and "Number of shares to be newly issued" in the formula stated in this item (ii) are to be read as "Disposition price" and "Number of treasury shares to be disposed", respectively.

$$\begin{array}{c}\text{Class A}\\ \text{Conversion Price}\\ \text{after adjustment}\end{array} = \begin{array}{c}\text{Class A}\\ \text{Conversion Price}\\ \text{before adjustment}\end{array} \times \frac{\begin{array}{c}\text{Total}\\ \text{Number of}\\ \text{Shares}\end{array} + \dfrac{\begin{array}{c}\text{Number of shares to be newly issued}\\ \times\ \text{Issue price per share}\end{array}}{\begin{array}{c}\text{Class A Conversion Price before}\\ \text{adjustment}\end{array}}}{\begin{array}{c}\text{Total Number of Shares}\\ +\ \text{Number of shares to be newly issued}\end{array}}$$

The Class A Conversion Price after adjustment will be applied on and after the day following the payment date (if the payment period is set, the end of such period), if a record date for the allotment to shareholders is set, on and after the day following such record date.

(iii) If JDI issues shares that can be converted into its common shares (including the case of an allotment of shares without contribution), and the price determined by its board of directors meeting as a price of consideration per common share to be delivered upon the conversion of such shares is less than the Class A Conversion Price before adjustment, JDI will adjust the Class A Conversion Price based on the formula below.

However, "Number of shares to be newly issued" in the formula stated in this item (iii) means the number of common shares to be delivered if all the shares to be issued are converted into common shares on the date on which the adjustment under this item (iii) is applied.

$$\text{Class A Conversion Price after adjustment} = \text{Class A Conversion Price before adjustment} \times \frac{\text{Total Number of Shares} + \dfrac{\text{Number of shares to be newly issued} \times \text{Price of consideration per share}}{\text{Class A Conversion Price before adjustment}}}{\text{Total Number of Shares} + \text{Number of shares to be newly issued}}$$

The Class A Conversion Price after adjustment will be applied on and after the day following the payment date (if the payment period is set, the end of such period), in the case of an allotment of shares without contribution, on and after the effective date of such allotment of shares without contribution (if a record date for such allotment of shares without contribution is set, on and after the day following such record date). Also, if the day of allotment to shareholders is set, the Class A Conversion Price after adjustment will be applied on and after the day following such day of allotment to shareholders.

(iv) If JDI issues share options for which its common shares are the underlying shares (including the case of an allotment of share options without contribution), and the total amount of the payment price of share options per common share and the price per common share of properties to be invested at the time of exercising such share options (the "Price of Consideration per Share" in this item (iv)) is less than the Class A Conversion Price, JDI will adjust the Class A Conversion Price based on the formula below.

However, "Number of shares to be newly issued" in the formula stated in this item (iv) means the number of common shares to be delivered if all the share options are exercised or converted into common shares on the date on which the adjustment under this item (iv) is applied.

$$\text{Class A Conversion Price after adjustment} = \text{Class A Conversion Price before adjustment} \times \frac{\text{Total Number of Shares} + \dfrac{\text{Number of shares to be newly issued} \times \text{Price of consideration per share}}{\text{Class A Conversion Price before adjustment}}}{\text{Total Number of Shares} + \text{Number of shares to be newly issued}}$$

The Class A Conversion Price after adjustment will be applied on and after the day following the day of the allotment, in the case of an allotment of share options without contribution, on and after the effective date of such allotment of share options without contribution (if a record date for such allotment of share options without contribution is set, on and after the day following such record date). Also, if the day of allotment to shareholders is set, the Class A Conversion Price after adjustment will be applied on and after the day following such day of allotment to shareholders.

(v) If any of (a) a merger in which JDI becomes a surviving company or a parent company of a surviving company, (b) a share exchange in which JDI becomes a wholly-owning parent company or a parent company of a wholly-owning parent company, or (c) a company split in which JDI becomes a succeeding company or a parent company of a succeeding company is implemented, and value per share of JDI to be allotted to shareholders of a consolidated company through a merger or per share of JDI to be allotted to shareholders of a wholly-owned subsidiary through a share exchange, or per share of JDI to be allotted to a split company or shareholders of a split company (the "Allotted Shares") (such value is reasonably determined by JDI's board of directors meeting. If such Allotted Shares can be converted into its common shares, such value will be a converted amount per common share; hereinafter the same) is less than the Class A Conversion Price, JDI will adjust the Class A Conversion Price based on the following formula:

$$\text{Class A Conversion Price after adjustment} = \text{Class A Conversion Price before adjustment} \times \frac{\text{Total Number of Shares} + \dfrac{\text{Number of Allotted Shares} \times \text{Value per share}}{\text{Class A Conversion Price before adjustment}}}{\text{Total Number of Shares} + \text{Number of Allotted Shares}}$$

The Class A Conversion Price after adjustment will be applied on and after the effective date of such merger, share exchange, or company spilt.

16. Consolidation of shares or share split

(1) If JDI implements a share split or consolidation of shares, JDI will also implement such share split or consolidation of shares with respect to common shares, the Class A Preferred Shares, the Class B Preferred Shares and the Class C Preferred Shares, at the same time and proportion for each class.

(2) If JDI grants to shareholders entitlement to the allotment of offered shares, JDI will grant to the Common Shareholders entitlement to the allotment of common shares, to the Class A Preferred Shareholders entitlement to the allotment of the Class A Preferred Shares, to the Class B Preferred Shareholders entitlement to the allotment of the Class B Preferred Shares, and to the Class C Preferred Shareholders entitlement to the allotment of the Class C Preferred Shares, at the same time and proportion, respectively.

(3) If JDI implements an allotment of shares without contribution, JDI will allot common shares to the Common Shareholders without contribution, the Class A Preferred Shares to the Class A Preferred Shareholders without contribution, the Class B Preferred Shares to the Class B Preferred Shareholders without contribution and the Class C Preferred Shares to the Class C Preferred Shareholders without contribution, at the same time and proportion, respectively.

(4) If JDI grants to shareholders entitlement to the allotment of offered stock acquisition rights, JDI will grant to the Common Shareholders entitlement to the allotment of stock acquisition rights for which common shares are the underlying shares, entitlement to the Class A Preferred Shareholders to the allotment of stock acquisition rights for which the Class A Preferred Shares are the underlying shares, entitlement to the Class B Preferred Shareholders to the allotment of stock acquisition rights for which the Class B Preferred Shares are the underlying shares, and entitlement to the Class C Preferred Shareholders to the allotment of stock acquisition rights for which the Class C Preferred Shares are the underlying shares, at the same time and proportion (including making the ratio of the number of shares underlying stock acquisition rights substantially the same; hereinafter the same in this paragraph), respectively, under the conditions including substantially fair payment amount, property value to be invested at the time of exercising stock acquisition rights, from the perspective of the Class C Preferred Shareholders' rights and interests.

(5) If JDI implements allotment of stock acquisition rights without contribution, JDI will allot stock acquisition rights for which common shares are the underlying shares to the Common Shareholders, stock acquisition rights for which the Class A Preferred Shares are the underlying shares to the Class A Preferred Shareholders, stock acquisition rights for which the Class B Preferred Shares are the underlying shares to the Class B Preferred Shareholders, and stock acquisition rights for which the Class C Preferred Shares are the underlying shares to the Class C Preferred Shareholders, at the same time and proportion, respectively.