



Japan
Display
Inc.
Group

Additional Fund Procurement from Ichigo Trust

July 21, 2020

Japan Display Inc.

Overview of Additional Fund Procurement

Issuance of Class D Preferred Shares:

Procurement of working capital (¥5bn) to respond to the coronavirus effect

Issuance of the 12th Stock Acquisition Rights (SAR) :

Repay borrowings with funds raised by exercising the SAR (up to ¥55.4 bn)

As a result of negotiations from the perspective of protecting existing shareholders, the conversion price **was raised to ¥24 from ¥20** (the agreed price under the Basic Agreement)



- **Secure a stable cash flow framework in preparation for current funding demands**
- **Further enhance commitment for support based on the expanded investment from Ichigo Trust**
- **Increase fund procurement options by further improving the financial structure**

Aiming to increase corporate value over the medium to long term, with an eye on future funding needs

Additional Fund Procurement Outline and Use of Funds

*Refer to the press release & conditions of issuance for details.

Executing fund procurement of up to ¥60.4 billion from Ichigo Trust.

As a result of repeated negotiations, the conversion price of Class E Preferred Shares to common shares was raised from ¥20 (the agreed price under the Basic Agreement) to ¥24.

Amount procured, major terms, etc.

Use of funds

Issue date: August 28, 2020

Class D Preferred Shares

(Notes 1, 2, and 3)

1. Amount procured: JPY 5 bn
2. Amount paid per share: JPY 10 mn
3. Conversion price to common shares: JPY 50 (Note 4)
4. Number of potential shares: 0.1 bn shares
5. Voting rights: No

Working Capital : JPY 4.96 bn

To be used for additional working capital that may be needed after August 2020 : JPY 4.96 bn
*Other (Issuance expenses) : JPY 0.04 bn

12th SAR

(Notes 1 and 2)

1. Amount procured : JPY 0 (issuance w/o consideration)
2. Allocate Class E Preferred Shares by exercising the SAR (Note 5)

Previously issued 11th SAR will be waived

Planned use of funds from the 11th SAR to be waived (loan repayment) will be realized with the 12th SAR.
*Repayment amount will increase by JPY 5 bn.

Issue date: October 1, 2020 to June, 30 2024

Class E Preferred Shares

(Notes 2 and 3)

1. Amount procured: JPY 55.4 bn
2. Amount paid per share: JPY 10 mn
3. Conversion price to common shares: **JPY 24** (Note 4)
4. Number of potential shares: approx. 2.308 bn shares
5. Voting rights: No

Loan Repayment : JPY 55.07 bn

Early repayment of INCJ loans: JPY 55.07 bn
(If the total amount procured by exercising the SAR is reduced, repayment will be made by using cash on hand or JDI will ask for an extension of the loan period)
*Other (Issuance expenses) : JPY 0.33 bn

- Note 1. Class D Preferred Shares & 12th SAR will be allotted to Ichigo Trust through third-party allotment.
2. Approval of Board of Directors is required for transfer. However, the Additional Capital Alliance Agreement prohibits transfer.
3. Other conditions: (1) dividends of surplus: Same amount/rank as common shares, Class A and B Preferred Shares.
(2) distribution of residual assets : Prior to common shares and same amount/rank as Class A and B Preferred Shares.
4. Conversion requests cannot be made until the first anniversary of the issue date (assuming August 28, 2021 for Class D, and on or after August 28, 2021 for Class E).

5. Exercisable period of the 12th SAR will come in stages:
(1) From October 1, 2020 to September 30, 2023
(2) From January 1, 2021 to December 31, 2023
(3) From April 1, 2021 to March 31, 2024
(4) From July 1, 2021 to June 30, 2024

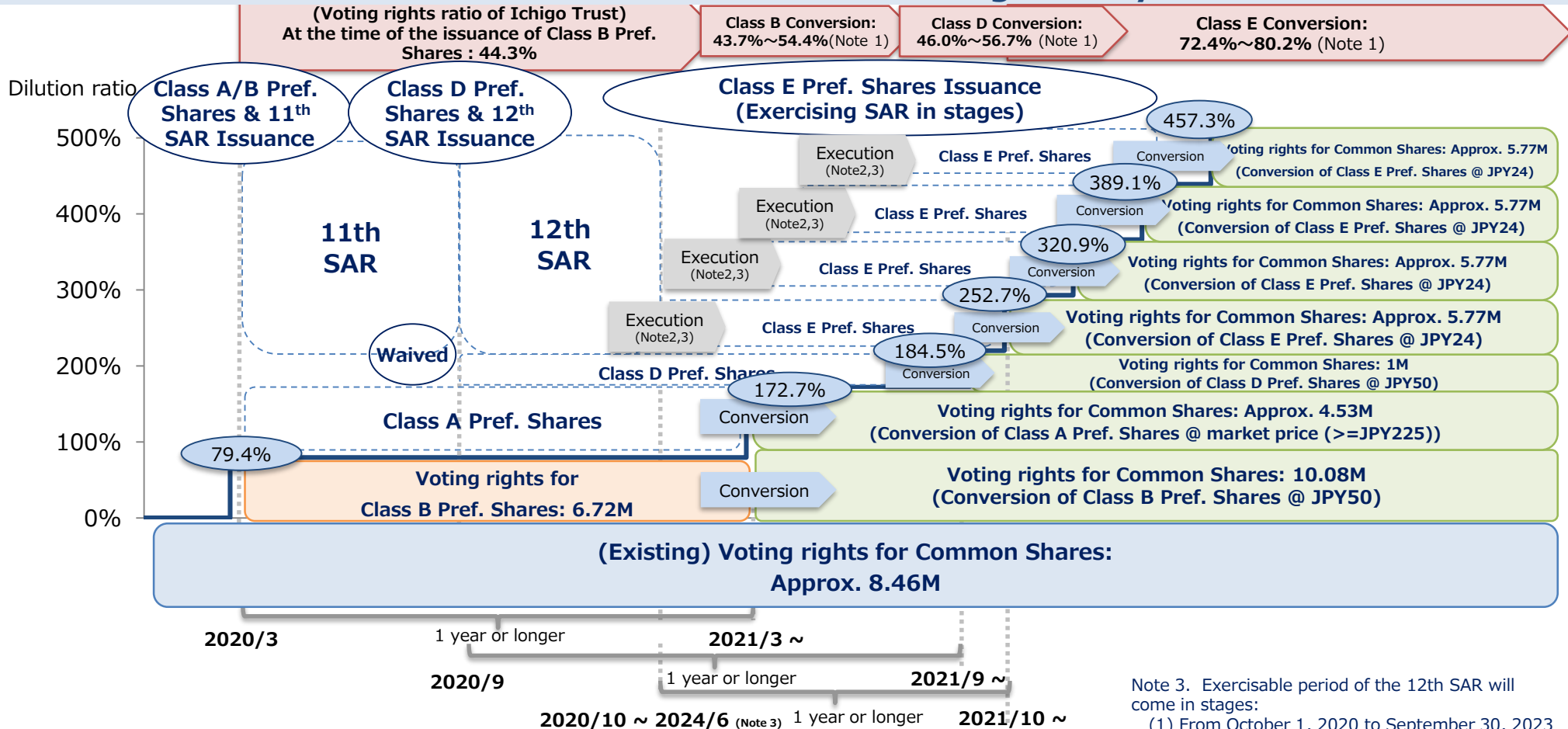
Reasons for the Fundraising Scheme

Maximum consideration to existing minority shareholders

- **Limit dilution by raising the conversion price of Class E Preferred Shares from 20 yen (the agreed price under the Basic Agreement) to 24 yen**
 - While the avg. closing price of JDI's common shares was 58 yen for the two weeks prior to the Basic Agreement entered into on March 13, the avg. closing price for the two weeks prior to the Additional Capital Alliance Agreement was 48 yen. This means the avg. closing price of JDI's common shares fell. However, in order to minimize dilution, JDI and Ichigo Trust agreed to raise the conversion price after repeated discussions and negotiations.
- **Measures to prevent "dilution of listed common shares from the start"**
 - ✓ **Procurement through issuance of preferred shares without voting rights**
 - ✓ **No requests for conversion to common shares can be made for one year**
- **Measures to prevent "rapid dilution of listed common shares"**
 - ✓ **From Oct. 1, 2020, the 12th SAR can be exercised gradually on a quarterly basis (to prevent rapid dilution of common shares)**
- **The previously issued 11th SAR will be waived prior to this additional fund procurement**

Consideration to Existing Shareholders –Dilution in Stages–

The Additional Capital Alliance Agreement provides that the exercisable period of the SAR will come in stages. Measures will be taken to enable the convertible period of Class E Preferred Shares to come more gradually.



Note 1. Min. value: Max dilution base (=After all preferred shares have been converted to common shares)
Max value: When only Class B, D and E Preferred Shares owned by Ichigo Trust are converted.

2. Exercise of the SAR is under Ichigo Trust discretion. However, pursuant to the Additional Capital Alliance Agreement, if JDI requests for the exercise with rational grounds, Ichigo Trust will use its best efforts to respect the request.

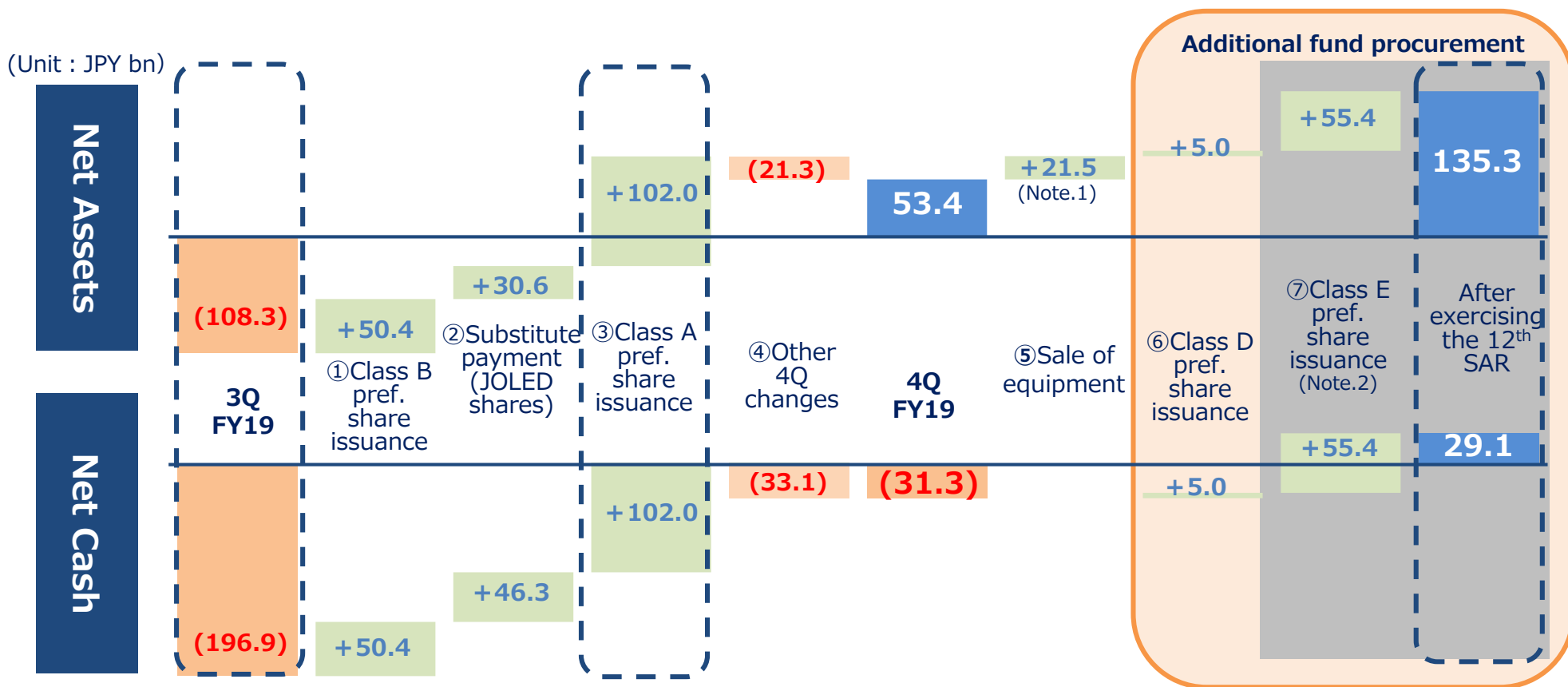
Note 3. Exercisable period of the 12th SAR will come in stages:

- (1) From October 1, 2020 to September 30, 2023
- (2) From January 1, 2021 to December 31, 2023
- (3) From April 1, 2021 to March 31, 2024
- (4) From July 1, 2021 to June 30, 2024

Further Improvement of Financial Position

Fund procurement executed in March 2020 eliminated the excessive liabilities and reduced interest-bearing debts drastically.

This additional fund procurement will further improve JDI's financial position.



Note 1. Sale of production equipment to a customer (transfer price of JPY 21.5bn will offset part of the remaining prepayment)

Note 2. Exercise of the 12th SAR is at the discretion of Ichigo Trust. However, under the Additional Capital Alliance Agreement, if JDI requests that the 12th SAR be exercised while presenting reasonable grounds, Ichigo Trust will use its best efforts to respect the request.

Schedule

**AGM and Class Meeting by Common Shareholders will be held on August 26, 2020.
Payment for the issuance of Class D Preferred Shares and the 12th SAR
will be completed on August 28, 2020.**

July 21, 2020

Resolved and executed the Additional Capital Alliance Agreement with Ichigo Trust

Resolved third-party allotment (Class D Preferred Shares and the 12th SAR) to Ichigo Trust

August 26, 2020 (scheduled)

Annual General Meeting of Shareholders and Class Meeting by Common Shareholders

August 28, 2020 (scheduled)

Waiver of the 11th SAR by Ichigo Trust

Payment of Class D Preferred Shares and the 12th SAR (Note 1)

October 1, 2020 – June 30, 2024

Exercise of the 12th SAR; Issuance of Class E Preferred Shares (Note 2, 3)

1. For issuance of Class D Preferred Shares and the 12th SAR, all of the following conditions concerning the AGM and class meeting by common shareholders scheduled on August 26, 2020 must be met.
 - Approval for issuance of Class D Preferred Shares and 12th SAR by means of special resolution at the AGM
 - Approval for amending the articles of incorporation in order to issue Class D and E Preferred Shares at the AGM and each class meeting
2. Exercisable periods of the 12th SAR will come in stages as follows:
 - (1) From October 1, 2020 to September 30, 2023
 - (2) From January 1, 2021 to December 31, 2023
 - (3) From April 1, 2021 to March 31, 2024
 - (4) From July 1, 2021 to June 30, 2024
3. Class E Preferred Shares can be converted to common shares on or after the 1st anniversary of each issue date of Class E Preferred Shares.



Forward Looking Statement:

Any information related to market trends or industries mentioned in this document is based on information available at present and JDI does not guarantee that this information is accurate or complete.

Any plan, estimation, calculation, quotation, evaluation, prediction, expectation or other forward-looking information in this document is based on the current assumptions and beliefs of JDI in light of the information currently available to it, and involves known and unknown risks, uncertainties, and other factors. Such risks, uncertainties and other factors may cause JDI's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, without limitation: economic conditions and individual consumption trends in Japan and overseas, currency exchange rate movements, trends in the market for smartphones and other electronic equipment, the management policies of our major business partners and fluctuations in the price of raw materials.