

November 13, 2020

[English Translation]

**Notice Regarding Recording of Extraordinary Loss,
Difference Between Consolidated Earnings Forecast and Actual Results for 2Q-FY2020,
Revision of Sales Forecast for FY 2020 and Earnings Forecast for 3Q-FY2020**

Japan Display Inc. ("JDI") today hereby announces that it has recorded an impairment loss and business restructuring expenses as an extraordinary loss in the second quarter of fiscal year 2020 ending March 2021 (the period from July 1, 2020 to September 30, 2020) due to a write-down of fixed assets.

In addition, shown below are the differences between JDI's forecast of consolidated sales and operating income for the second quarter of fiscal year 2020 as announced on September 10, 2020 and the actual results that the company announced today, as well as a revised forecast for consolidated sales for the fiscal year 2020 full term and a forecast for the third quarter of fiscal year 2020.

1. Recording of an extraordinary loss

In December 2019, JDI started shipments of mass-produced OLED displays and was seeing a gradual increase in shipment volumes. However, due to the impact of the coronavirus pandemic, JDI now forecast that the profitability expected from its OLED business will be delayed. For this reason, the book price of the company's OLED manufacturing equipment was reduced, resulting in an impairment loss of JPY 10,278 million on fixed assets recorded as an extraordinary loss in the second quarter of the current fiscal year. The total impairment loss for the second quarter, including impairment losses on other fixed assets, was JPY 10,499 million.

In addition, in the "(Update and Progress of a Disclosure Matter) Notice Regarding Completion of Transfer of Fixed Assets (Hakusan Plant)" issued on October 2, 2020, JDI announced its intention to record as much as JPY 3,300 million in costs for test operations of Hakusan Plant manufacturing equipment and facilities as business restructuring expense (extraordinary loss) in the third quarter of fiscal year 2020. However, given that these expenses have been finalized, JPY 2,589 million has instead been recorded in the second quarter of the fiscal year 2020. With this recording, the entire amount of the costs related to the transfer of the Hakusan Plant has been recorded as an expense by the second quarter of the fiscal year 2020.

The total of the above extraordinary losses of JPY 13,088 million is reflected in the "2. Difference between the forecast and actual results for the second quarter of FY 2020" and "Consolidated Financial Results for the Six Months of Fiscal Year 2020" announced by JDI today.

2. Difference between the forecast and actual results for the second quarter of FY 2020

(1) Second quarter of FY 2020 (July 1, 2020 to September 30, 2020)

(Millions of yen)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss)
Previous forecast (A)	110,000 ~120,000	(3,000) ~0	—	—
Revised forecast (B)	111,796	(2,872)	(6,395)	(20,000)
Increase/decrease (B-A)	1,796 ~(8,204)	128 ~(2,872)	—	—
Percentage change (%)	1.6% ~(6.8)%	—	—	—
(Reference) Results of the second quarter of the previous year	147,341	(8,096)	(12,122)	(25,246)

Note: "Net income (loss)" refers to "Quarterly net income attributable to owners of the parent".

(2) Six months of FY 2020 (April 1, 2020 to September 30, 2020)

(Millions of yen)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss)	Net income per share (Yen)
Previous forecast (A)	197,999 ~207,999	(10,007) ~(7,007)	—	—	
Revised forecast (B)	199,795	(9,879)	(15,195)	(36,286)	(15.59)
Increase/decrease (B-A)	1,796 ~(8,204)	128 ~(2,872)	—	—	—
Percentage change (%)	0.9% ~(3.9)%	—	—	—	—
(Reference) Results of the six months of the previous year	237,762	(35,169)	(43,330)	(104,159)	(123.10)

Note: "Net income (loss)" refers to "Quarterly net income attributable to owners of the parent".

(3) Reason for the difference

Consolidated sales and operating income were within the range of the forecast but close to the lower limit due to sluggish demand for smartphone displays.

3. Revised full-year sales forecast for FY 2020

(1) Revision of the full-year sales forecast for FY 2020 (April 1, 2020 to March 31, 2021)

	Net sales	
	Amount (Millions of yen)	YoY change (%)
Previous forecast (A)	378,017 ~ 428,419	(25.0)% ~ (15.0)%
Revised forecast (B)	330,000 ~ 350,000	(34.5)% ~ (30.6)%
Increase/decrease (B-A)	(98,419) ~ (28,017)	
Percentage change (%)	(23.0)% ~ (7.4)%	
(Reference) Results of the previous year	504,022	

(2) Reason for the revision

In regard to sales of displays for smartphones in the second half of fiscal year 2020, demand for low-priced panel products are expected to increase, but demand for high-priced module products are expected to be lower than earlier expectations, which lowers the full-year sales forecast.

4. Forecast for the nine months of FY 2020 (April 1, 2020 to December 31, 2021)

(Millions of yen)

	Net sales	Operating income (loss)
Forecast for the nine months of FY 2020	269,795	(19,879)
(Reference) Results of nine months of previous year	387,775	(32,624)

For nine months of fiscal year 2020, JDI forecasts that sales in the Non-Mobile category will be higher YoY due to an increase in sales of OLED displays and displays for VR devices and notebook PCs. However, in the Mobile Device category, which accounts for the majority of total company revenues, sales are expected to decline significantly YoY due in part to intensifying competition in the smartphone display market and growing customer adoption of OLED displays. In addition, in the Automotive category, sales have been recovering going from the first quarter to the second quarter following a sharp decline in response to the coronavirus pandemic, but nine-month sales in this category are expected to decrease. As a result, JDI's total nine-month sales outlook sees a decline of nearly JPY 120 billion relative to the same period of the previous year.

As for operating income, JDI expects to see a loss of JPY 19,879 million the nine-month period. Due to the reduction of fixed costs such as manufacturing fixed costs and labor costs that resulted from the structural reforms implemented in the previous fiscal year and the effects of other cost reductions, the operating loss is forecast to decrease by approximately JPY 13 billion even though sales are expected to decline largely.

Please note that forward-looking information such as business earnings estimates in this document is based on information available to JDI at the time the document was prepared and management's reasonable assumptions. Forward-looking information is necessarily subject to a number of factors that may cause actual results to differ materially from those results implied by the expectations suggested by such information.

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