

Japan Display, Inc.

[Translation for reference only]

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is an English translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall prevail.

Securities Code: 6740

September 11, 2019

To our shareholders

Yoshiyuki Tsukizaki  
President and Representative Director  
**Japan Display Inc.**  
7-1, Nishi-Shinbashi 3-chome, Minato-ku, Tokyo

## Notice of the Extraordinary General Meeting of Shareholders

The Extraordinary General Meeting of Shareholders of Japan Display Inc. (the “Company”) (hereinafter this “General Meeting of Shareholders”) will be held as indicated below. You are hereby cordially invited to attend this General Meeting of Shareholders.

If you are unable to attend this General Meeting of Shareholders, you may exercise your voting rights in writing or on the Internet. In that event, please examine the contents of the “Reference Documents for the General Meeting of the Shareholders” attached herein and vote in accordance with the “Guidance on Exercising Voting Rights” on page 63 by 5:30 p.m., Thursday, September 26, 2019.

1. Date and Time: Friday, September 27, 2019, at 10 a.m. (Reception begins at 9 a.m.)
2. Venue: Bellesalle Onarimon Tower on the 4th floor  
1-1, Shibakoen 1-chome, Minato-ku, Tokyo  
(Please make sure you come to the correct venue, because the venue has changed from the one used for the 17th annual general meeting of shareholders.)
3. Purpose of this General Meeting of Shareholders  
  
Matters to be resolved:  
Proposal No. 1: Partial Amendments to the Articles of Incorporation  
Proposal No. 2: Issuance of New Shares and Bonds with Stock Acquisition Rights through  
Third-party Allotment  
Proposal No. 3: Issuance of Class Shares through Third-party Allotment  
Proposal No. 4: Election of Two (2) Directors
4. Matters regarding exercise of voting rights
  - (1) If you exercise your voting rights by proxy, such proxy shall present to the receptionist a power of attorney with the voting form. Please note the proxy must be one other shareholder having voting rights in the Company.
  - (2) If split votes are cast, a written notice of the diverse exercise of voting rights and the reasons thereof must be sent to the shareholder registry administrator by three (3) days in advance of this General Meeting of Shareholders.

- (3) In the event of a duplicate vote, one cast via the Internet, etc. and the other cast in writing, the Company shall consider the vote cast via the Internet, etc. to be the valid one.
- (4) In the event you exercise your voting rights more than once using the Internet, etc., the Company shall consider the last vote cast to be the valid one.

- When attending at this General Meeting of Shareholders, you are kindly requested to present the enclosed voting form to the receptionist. For the purpose of resource-saving, please bring this notice with you.
- Any modifications to the Reference Documents for the General Meeting of Shareholders shall be posted on the Company's website.

**The Company's website (<https://www.j-display.com/english/ir/stockinfo/meeting.html/>)**

- Our products will not be displayed this time, unlike in the annual general meetings of shareholders.
- For your information, please note that no gift will be provided for attendants at this General Meeting of Shareholders.

## Reference Documents for the General Meeting of the Shareholders

### Proposal No. 1: Partial Amendments to the Articles of Incorporation

#### 1. Reason for the Proposal

- (1) To prepare for the issuance of common shares resulting from the exercise of stock acquisition rights attached to convertible-bond-type bonds with stock acquisition rights concerning Proposal No. 2 and conversion of the Class A Preferred Shares (as defined below) concerning Proposal No. 3, it is proposed that the total number of authorized shares be increased (Article 6 of the proposed Amended Articles of Incorporation).

This amendment of the Articles of Incorporation shall become effective on condition that Proposal No. 2 be approved as originally proposed in this General Meeting of Shareholders, and that all of the common shares and 2nd Series Bonds with Stock Acquisition Rights (as defined in Proposal No. 2; hereinafter the same) concerning Proposal No. 2 be issued.

- (2) It is proposed that (i) the articles related to the Class A Preferred Shares, which are a new class of shares, be newly established (Articles 6, 6-2, and 7 of the proposed Amended Articles of Incorporation) in order to enable issuance of the Class A Preferred Shares, and (ii) that the article related to class meetings also be newly established (Article 18-2 of the proposed Amended Articles of Incorporation).

For reasons why the Company intends to issue the Class A Preferred Shares, please see Proposal No. 3.

This amendment of the Articles of Incorporation shall become effective on condition that Proposal Nos. 2 and 3 be approved as originally proposed in this General Meeting of Shareholders, and that all of the common shares and 2nd Series Bonds with Stock Acquisition Rights concerning Proposal No. 2 be issued.

#### 2. Details of the Amendment

Details of the amendment are as shown below.

(Amendments are underlined)

Current Articles of Incorporation	Amended Articles of Incorporation
<p><u>(Total Number of Authorized Shares)</u> Article 6 The total number of authorized shares of the Company shall be <u>1,840,000,000 shares</u>.</p>	<p><u>(Total Number of Authorized Shares and Class Shares)</u> Article 6 The total number of authorized shares of the Company shall be <u>3,380,000,000 shares, and total number of authorized class shares of the Company shall be as follows:</u> <u>Common shares 3,380,000,000 shares</u> <u>Class A Preferred Shares 1,020,000,000 shares</u></p>
<p>(Newly established)</p>	<p><u>(Class A Preferred Shares)</u> <u>Article 6-2</u> <u>The details of the Class A Preferred Shares issued by the Company shall be provided in the following paragraph through paragraph 8.</u></p>

Current Articles of Incorporation	Amended Articles of Incorporation
(Newly established)	<p data-bbox="810 228 1077 257"><u>2. Dividend of surplus</u></p> <p data-bbox="810 293 1385 929"><u>The Company shall 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 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”).</u></p> <p data-bbox="810 965 1385 1232"><u>“Class A Conversion Rate” shall mean the number (calculated to the third decimal place, and the digit in the third decimal place shall be omitted) obtained by dividing the Class A Investment Amount (defined in paragraph 5, item (2); hereinafter the same) at that time by the Class A Conversion Price (defined in paragraph 7, item (4); hereinafter the same).</u></p>
(Newly established)	<p data-bbox="810 1267 1193 1296"><u>3. Distribution of residual assets</u></p> <p data-bbox="810 1332 1391 1635"><u>(1) Distribution of residual assets</u> <u>When the Company distributes its residual assets at the dissolution of the Company, the Company shall 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 before the Common Shareholders and Registered Pledgees of Common Shares.</u></p> <p data-bbox="810 1671 1391 2033"><u>(2) Participation clause</u> <u>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 item (1), the Company shall 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</u></p>

Current Articles of Incorporation	Amended Articles of Incorporation
(Newly established)	<p><u>Registered Pledgees of Class A Preferred Shares pari passu with the Common Shareholders and Registered Pledgees of Common Shareholders.</u></p> <p><u>4. Voting rights</u>  <u>The Class A Preferred Shareholders have no voting rights at general meetings of shareholders, unless otherwise provided for by law.</u></p>
(Newly established)	<p><u>5. Cash-consideration put option (right to claim the redemption)</u></p> <p><u>(1) Details of the redemption claim</u>  <u>The Class A Preferred Shareholders and Registered Pledgees of Class A Preferred Shares may claim that the Company 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, the Company shall 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.</u></p> <p><u>If the Redemption Claim exceeds the distributable amount as of the Redemption Claim Date, the Class A Preferred Shares that the Company should acquire shall be determined by its board of directors meeting on a pro rata basis in accordance with the number of the Class A Preferred Shares subject to the Redemption Claim.</u></p> <p><u>(2) Class A Investment Amount</u>  <u>The Class A Investment Amount is as follows:</u>  <u>(a) The initial amount shall be JPY 100.</u>  <u>(b) If the Company implements a share split, consolidation of shares, or allotment of shares without contribution (collectively, the “Share Split, etc.”), the Class A Investment Amount shall be adjusted in accordance with the formula below. If a fraction that is less than JPY 1 occurs as a result of the adjustment, the Company shall calculate such</u></p>

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<p>(Newly established)</p>	<p><u>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 shall 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 the Company 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 the Company at that time)”, respectively.</u></p> $\frac{\text{Class A Investment Amount after adjustment}}{\text{Class A Investment Amount before adjustment}} = \frac{\text{Number of issued and outstanding Class A Preferred Shares before the Share Split, etc.}}{\text{Number of issued and outstanding Class A Preferred Shares after the Share Split, etc.}}$ <p><u>The Class A Investment Amount after adjustment shall 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).</u></p> <p><u>(c) If other events similar to (b) above occur, the Class A Investment Amount shall be properly adjusted by resolutions of the Company’s board of directors meeting.</u></p> <p><u>6. Cash-consideration call option (mandatory redemption)</u></p> <p><u>Notwithstanding the intent of the Class A Preferred Shareholders and Registered Pledges of Class A Preferred Shares, in exchange for delivering the Class A Investment Amount to the Class A Preferred Shareholders and Registered Pledges 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 the</u></p>

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(Newly established)	<p><u>Company’s board of directors meeting (the “Mandatory Redemption Date”), the Company may acquire the Class A Preferred Shares in whole or in part anytime on and after the payment date, 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 the Company shall be determined by its board of directors meeting on a pro rata basis.</u></p> <p><u>7. Common share-consideration put option (right to claim conversion)</u></p> <p><u>(1) Details of the conversion claim</u>  <u>On or after the first anniversary of the payment date, within a two-week period after the release of the Company’s quarterly financial results for each quarterly period, the Class A Preferred Shareholders and Registered Pledges of Class A Preferred Shares may claim that the Company deliver common shares per Class A Preferred Share the number of which is calculated based on the formula stated in item (3), in exchange for the Company acquiring the Class A Preferred Shares (the “Conversion Claim”, and the effective date of the Conversion Claim, the “Conversion Claim Date”).</u></p> <p><u>(2) Limit of the conversion claim</u>  <u>Notwithstanding the preceding item above, if the Number of Authorized Shares (defined below) is less than the Total Number of Common Shares to be Delivered upon Conversion Claim (defined below) on the Conversion Claim Date, only Class A Preferred Shares the number of which is calculated by multiplying (i) the number of the Class A Preferred Shares subject to the Conversion Claim by the Class A Preferred Shareholders on such Conversion Claim Date by (ii) the number obtained by dividing the Number of Authorized Shares by the Total Number of Common Shares to be Delivered upon Conversion Claim (calculated to the first decimal place, and the digit in the first decimal place shall be omitted. If it is less than 0, it is deemed to be 0.) shall take effect of the acquisition of the Class A Preferred Shares by the Company based on the Conversion Claim by such Class A Preferred Shareholders and Registered Pledges of Class A Preferred Shares, and the Class A Preferred Shares subject to the Conversion Claim other than those that take</u></p>

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	<p><u>effect of the acquisition are deemed not to have been subject to the Conversion Claim. If there is more than one Class A Preferred Shareholder who makes the Conversion Claim at the time of acquiring part of the Class A Preferred Shares, the Class A Preferred Shares to be acquired by the Company shall be determined by its board of directors meeting on a pro rata basis in accordance with the number of the Class A Preferred Shares subject to the Conversion Claim.</u></p> <p><u>“Number of Authorized Shares” shall mean the number calculated by deducting (i) the total number of (a) issued and outstanding common shares on the Conversion Claim Date and (b) common shares subject to potential shares that have already been issued as of such Conversion Claim Date (excluding those held by the Company and the Class A Preferred Shares) from (ii) the total number of authorized common shares provided for in the articles of incorporation on such Conversion Claim Date.</u></p> <p><u>“Total Number of Common Shares to be Delivered upon Conversion Claim” shall mean the total number of common shares to be delivered upon the Conversion Claim, assuming that the total number of the Class A Preferred Shares subject to the Conversion Claim by the Class A Preferred Shareholders on the Conversion Claim Date is converted.</u></p> <p><u>(3) Formula for number of common shares to be delivered based on the conversion claim</u>  <u>The number of common shares to be delivered in exchange for acquiring one Class A Preferred Share shall be calculated based on the following formula:</u></p> <p><u>(Formula)</u>  <u>Number of common shares to be delivered in exchange for acquiring one Class A Preferred Share</u>  <math display="block">= \frac{\text{Class A Investment Amount}}{\text{Class A Conversion Price}}</math></p> <p><u>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 Pledges of Class A Preferred Shares, such fraction shall be omitted and treated in accordance with Article 167, paragraph (3) of the Companies Act.</u></p>



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	<p>(4) <u>Class A Conversion Price</u>  <u>The Class A Conversion Price shall be an amount stated below.</u></p> <p>1) <u>The initial Class A Conversion Price shall be (A) or (B) below, as applicable.</u></p> <p>(A) <u>If the Company’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 the Company’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 Conversion Claim Date, or (ii) JPY 225, whichever is greater.</u></p> <p>(B) <u>If the Company’s common shares are not Listed on the Conversion Claim Date: JPY 225</u></p> <p>2) <u>Notwithstanding 1) above, if any of the following (i) through (v) occurs at the Company, the Company shall 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, the Company shall calculate such fraction to the third decimal place, and omit digits after the second decimal place.</u></p> <p>(i) <u>If the Company implements the Share Split, etc. of common shares, the Company shall 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 shall be read as “Number of issued and outstanding common shares before the allotment of shares without contribution (excluding, however, common shares held by the Company at that time)” and “Number of issued and outstanding common shares after the allotment of shares without contribution (excluding, however, common</u></p>

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	<p data-bbox="810 228 1331 293"><u>shares held by the Company at that time)”, respectively.</u></p> $  \frac{\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.}}  $ <p data-bbox="810 528 1385 860"><u>The Class A Conversion Price after adjustment shall 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).</u></p> <p data-bbox="810 900 1385 1733"><u>(ii) If the Company 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) the Company implements an allotment of shares without contribution, (b) the Company 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 paragraph 7.), 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 the Company, or subject to conditions that certain events occur; hereinafter the same), (c) the Company delivers its common shares as a result of a merger, share exchange, or company split, or (d) the Company sells its treasury shares pursuant to Article 194 of the Companies Act), the Company shall adjust the Class A Conversion Price based on the formula below.</u></p> <p data-bbox="810 1774 1385 2033"><u>In this Articles of Incorporation, the “Total Number of Shares” shall mean the number obtained by adding (i) the number of common shares underlying the issued and outstanding Potential Shares (excluding those held by the Company) 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</u></p>

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	<p><u>and outstanding common shares as of the same day (excluding those held by the Company).</u></p> <p><u>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.</u></p> $\frac{\text{Class A Conversion Price after adjustment}}{\text{Class A Conversion Price before adjustment}} = \frac{\text{Class A Conversion Price before adjustment}}{\text{Class A Conversion Price after adjustment}} \times \frac{\text{Total Number of Shares} + \frac{\text{Number of shares to be newly issued} \times \text{Issue price per share}}{\text{Class A Conversion Price before adjustment}}}{\text{Total Number of Shares} + \text{Number of shares to be newly issued}}$ <p><u>The Class A Conversion Price after adjustment shall 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 allotment to shareholders is set, the Class A Conversion Price after adjustment shall be applied on and after the day following such record date.</u></p> <p><u>(iii) If the Company 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, the Company shall adjust the Class A Conversion Price based on the formula below.</u></p> <p><u>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.</u></p>

Current Articles of Incorporation	Amended Articles of Incorporation
	$\frac{\text{Class A Conversion Price after adjustment}}{\text{Class A Conversion Price before adjustment}} = \frac{\text{Class A Conversion Price before adjustment} \times \text{Shares} + \frac{\text{Total Number of Shares} \times \text{Price of consideration per share}}{\text{Number of Shares}}}{\text{Total Number of Shares} + \text{Number of shares to be newly issued}}$ <p><u>The Class A Conversion Price after adjustment shall 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 shall be applied on and after the day following such day of allotment to shareholders.</u></p> <p><u>(iv) If the Company 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 before adjustment, the Company shall adjust the Class A Conversion Price based on the formula below.</u></p> <p><u>However, “Number of shares to be newly issued” in the formula stated in this item (iv) shall mean 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.</u></p>

Current Articles of Incorporation	Amended Articles of Incorporation
	$\frac{\text{Class A Conversion Price after adjustment}}{\text{Price after adjustment}} = \frac{\text{Class A Conversion Price before adjustment} \times \frac{\text{Total Number of Shares}}{\text{Number of Shares}} + \frac{\text{Number of shares to be newly issued} \times \text{Price of consideration per share}}{\text{Class A Conversion Price before adjustment}}}{\text{Total Number of Shares} + \text{Number of shares to be newly issued}}$ <p><u>The Class A Conversion Price after adjustment shall 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 shall be applied on and after the day following such day of allotment to shareholders.</u></p> <p><u>(v) If any of (a) a merger in which the Company becomes a surviving company or a parent company of a surviving company, (b) a share exchange in which the Company becomes a wholly-owning parent company or a parent company of a wholly-owning parent company, or (c) a company split in which the Company becomes a succeeding company or a parent company of a succeeding company is implemented, and value per share of the Company to be allotted to shareholders of a consolidated company through a merger or per share of the Company to be allotted to shareholders of a wholly-owned subsidiary through a share exchange, or per share of the Company to be allotted to a split company or shareholders of a split company through a company split (the “Allotted Shares”) (such value is reasonably determined by the Company’s board of directors meeting. If such Allotted Shares can be converted into its common shares, such value shall be a converted amount per common share; hereinafter the same) is less than the Class A Conversion Price before adjustment, the Company shall adjust the Class A Conversion Price based on the formula below.</u></p> <p><u>However, if the Allotted Shares can be converted into the Company’s common shares, “Number of Allotted Shares” in the formula</u></p>

Current Articles of Incorporation	Amended Articles of Incorporation
(Newly established)	<p data-bbox="810 228 1385 293"><u>stated in this item (v) shall mean the number of common shares underlying the Allotted Shares.</u></p> $  \frac{\text{Class A Conversion Price after adjustment}}{\text{Class A Conversion Price before adjustment}} = \frac{\text{Class A Conversion Price before adjustment}}{\text{Class A Conversion Price before adjustment}} \times \frac{\text{Total Number of Shares}}{\text{Shares}} + \frac{\text{Number of shares to be newly issued} \times \text{Value per share}}{\text{Class A Conversion Price before adjustment}}  $ <p data-bbox="810 589 1385 685"><u>The Class A Conversion Price after adjustment shall be applied on and after the effective date of such merger, share exchange, or company split.</u></p> <p data-bbox="810 723 1283 752"><u>8. Consolidation of shares or share split</u></p> <p data-bbox="810 790 1385 987"><u>(1) If the Company implements a share split or consolidation of shares, the Company shall also implement such share split or consolidation of shares with respect to the Class A Preferred Shares at the same time and proportion as common shares.</u></p> <p data-bbox="810 1025 1385 1290"><u>(2) If the Company grants to shareholders entitlement to the allotment of offered shares, the Company shall grant to the Common Shareholders entitlement to the allotment of common shares, and to the Class A Preferred Shareholders entitlement to the allotment of the Class A Preferred Shares, at the same time and proportion, respectively.</u></p> <p data-bbox="810 1328 1385 1592"><u>(3) If the Company implements an allotment of shares without contribution, the Company shall allot common shares to the Common Shareholders without contribution, and the Class A Preferred Shares to the Class A Preferred Shareholders without contribution, at the same time and proportion, respectively.</u></p> <p data-bbox="810 1630 1385 2024"><u>(4) If the Company grants to shareholders entitlement to the allotment of offered share options, the Company shall grant to the Common Shareholders entitlement to the allotment of share options for which common shares are the underlying shares, and entitlement to the Class A Preferred Shareholders to the allotment of share options for which the Class A Preferred Shares are the underlying shares, at the same time and proportion (including making the ratio of the number of shares underlying share options</u></p>

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<p>(Share Unit) Article 7 The share unit of the Company shall be 100 shares.</p> <p>(Newly established)</p>	<p><u>substantially the same; hereinafter the same in this paragraph 8.), respectively, under the conditions including substantially fair payment amount, property value to be invested at the time of exercising share options, from the perspective of the Class A Preferred Shareholders' rights and interests.</u></p> <p><u>(5) If the Company implements allotment of share options without contribution, the Company shall allot share options for which common shares are the underlying shares to the Common Shareholders, and share options for which the Class A Preferred Shares are the underlying shares to the Class A Preferred Shareholders, at the same time and proportion, respectively.</u></p> <p>(Share Unit) Article 7 The share unit of <u>common shares</u> of the Company shall be 100 shares, <u>and the share unit of the Class A Preferred Shares of the Company shall be 100 shares.</u></p> <p><u>(Class Meeting)</u> <u>Article 18-2</u> <u>Article 13 shall be applied mutatis mutandis to class meetings that are held on the same date as the annual general meeting of shareholders.</u></p> <p><u>2. Articles 14, 15, 17, and 18 shall be applied mutatis mutandis to class meetings.</u></p> <p><u>3. Article 16, paragraph 1 shall be applied mutatis mutandis to resolutions by class meetings under Article 324, paragraph 1 of the Companies Act, and Article 16, paragraph 2 shall be applied mutatis mutandis to resolutions by class meetings under Article 324, paragraph 2 of the Companies Act.</u></p>

**Proposal No. 2: Issuance of New Shares and Bonds with Stock Acquisition Rights through Third-party Allotment**

Pursuant to Articles 199, 236 and 238 of the Companies Act, the Company proposes to issue the following due to the reasons and under the terms stated in 1. and 2. below, respectively: (i) common shares (the “New Shares”) to Suwa Investment Holdings, LLC (“Suwa”) through third-party allotment (the “Third-party Allotment of New Shares”); (ii) Japan Display Inc. 2nd series convertible-bond-type bonds with stock acquisition rights (the “2nd Series Bonds with Stock Acquisition Rights”) to Suwa through third-party allotment (the “Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights”); and (iii) Japan Display Inc. 3rd series convertible-bond-type bonds with stock acquisition rights (the “3rd Series Bonds with Stock Acquisition Rights”) to Suwa through third-party allotment (the “Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights”); together with the Third-party Allotment of New Shares and the Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights, the “Third-party Allotment”).

The dilution ratio of the number of the New Shares to be issued (840,000,000 shares) (the number of voting rights is 8,400,000) is equivalent to 99.27% (the dilution ratio based on the voting rights is equivalent to 99.27%), the denominator of which is the total number of issued and outstanding shares of the Company as of March 31, 2019 (846,165,800 shares), and the number of voting rights of the Company as of March 31, 2019 (8,461,491). Also, regarding the total number of the following (1,600,000,000 shares) (the total number of the voting rights is 16,000,000), the dilution ratio is equivalent to 189.09% (the dilution ratio based on the voting rights is equivalent to 189.09%), the denominator of which is the total number of issued and outstanding shares of the Company as of March 31, 2019 (846,165,800 shares), and the number of voting rights of the Company as of March 31, 2019 (8,461,491): (i) the number of the New Shares to be issued (840,000,000 shares) (the number of voting rights is 8,400,000); and (ii) the number of shares to be delivered where all of the stock acquisition rights attached to the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights are exercised at the conversion price of JPY 50 (760,000,000 shares) (the number of voting rights is 7,600,000). Since the dilution ratio through the Third-party Allotment will be 25% or more, and a change of controlling shareholder will occur, the Company also proposes to this General Meeting of Shareholders that the shareholders approve the Third-party Allotment, pursuant to Article 432 of the Securities Listing Regulations prescribed by the Tokyo Stock Exchange.

In addition to seeking the shareholders’ approval for the Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights and the Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights, the Company further proposes that the shareholders approve delegating all decisions regarding the following matters to its board of directors, pursuant to Article 239, paragraph 1 of the Companies Act: (i) to increase the total amount of the issue price of the 2nd Series Bonds with Stock Acquisition Rights with an upper limit of JPY 10 billion, and the number of stock acquisition rights attached to the 2nd Series Bonds with Stock Acquisition Rights (the “2nd Series Stock Acquisition Rights”) with an upper limit of 100; and (ii) to decrease the total amount of the issue price of the 3rd Series Bonds with Stock Acquisition Rights with an upper limit of JPY 10 billion, and the number of stock acquisition rights attached to the 3rd Series Bonds with Stock Acquisition Rights (the “3rd Series Stock Acquisition Rights”) with an upper limit of 100 (however, the total amount of the issue price of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights will be JPY 38 billion, and the total number of the 2nd Series Stock Acquisition Rights and the 3rd Series Stock Acquisition Rights will be 380).

Please note that the Third-party Allotment is implemented on condition that all of the following conditions precedent (the “Conditions Precedent”) are satisfied: (i) the permissions and approvals of the relevant authorities of each country that are required to implement the Third-party Allotment are obtained; (ii) Proposals No. 1 to No. 3 are approved at this General Meeting of Shareholders; (iii) the Company receives no notice from its main customers that such customers are considering, or have determined, to cease or materially reduce their purchasing of products from the Company; (iv) the



Company's shares have not had a closing price that is less than or equal to JPY 30 per share; (v) regarding USD 100 million, Suwa secures the funds necessary for the payment of the Third-party Allotment by receiving relevant support from the Company's customer; and (vi) the relevant Chinese government authority's intervention is absent. Please note further in this respect that the Company has received notice of intention from Suwa as of September 13, 2019 that Suwa has waived the one of Conditions Precedent to the effect that the proposal to elect the director candidates designated by Suwa be approved at a general meeting of shareholders of the Company on which condition has been effective and binding as a part of the Conditions Precedent as of the date of Notice of Extraordinary General Meeting of Shareholders. In addition to the Conditions Precedent, the Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights is implemented on condition that (i) the Company does not give prior written notice to Suwa in the specified manner, stating that the proceeds of the Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights are not necessary, and (ii) the procurement of the funds necessary for the payment of the Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights by Suwa is completed.

## **1. Reasons Why the Company Proposes the Third-party Allotment**

### **(1) Background of the Third-party Allotment**

#### **a. Financial condition of the Company and the need for large-scale capital funds**

The Company has an advantage in the LTPS backplane technology that realizes displays with high resolution, low-power consumption and slim bezels. Supported by development and production of high-performance LCDs with this technology at its core, the Company's small to medium sized LCDs have been adopted by many customers, including manufacturers of smartphones, automotive devices and consumer equipment.

However, in the mobile device area, which is the main business of the Company and trades displays for smartphones and tablets, there has been an accelerated movement in recent years to replace displays for high-end smartphones with organic light-emitting diode ("OLED") displays, which make it possible to make displays thinner because they do not use any backlight. Although the Company has sought to establish OLED displays as one of its business areas by investing management resources in such area, it has fallen behind its competitors that have gone ahead in commercialization of OLED displays. Moreover, as the Company's major customers are willing to launch new smartphone models using OLED displays onto the market, the Company's sales to those customers could possibly decrease in the future. In addition, due to economic slowdown in China that has driven the growth of the smartphone market, the prolonged replacement by purchase cycle of smartphones and other factors, the growth of the smartphone market has stagnated globally and such weak growth is expected to continue in the future. Furthermore, Chinese competitive display manufacturers have intensified their offensive as a result of rapid technological catch-up, including OLED technology, as well as expansion of production capacity supported by the government. This has intensified price competition in the smartphone display market.

Due to such a rapid change in the business environment, the Company posted a consolidated net loss also for the fiscal year ending March 2019, which reduced net assets. If such a deterioration in business performance continues in the future, it is possible that net assets will be further reduced. In addition, the Company's cash flows are sharply worsening accompanying the poor business performance at the present. As in the case of profit, if the sluggishness of business performance like this continues, it can be expected that the Company's financial stability will weaken in the medium to long term.

Consequently, based on the premise that the Company would manage its business operations without any external capital assistance, the Company cannot deny the possibility that the Company's cash position (on a consolidated basis) could go below the level that is expected to be the minimum required cash position for the current working capital (including capital expenditures required for

business) to maintain the Company's ability to remain a going business concern in the future. Therefore, without a large-scale injection of capital funds, the Company 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 it cause the Company to have difficulties in maintaining its ability to remain a going business concern due to its deteriorating financing, but also its share value may be significantly impaired by having insufficient capital.

The Company has implemented management improvement measures, such as a revision to the business portfolio, a structural reform in the mobile device area and a shift of resources to the automotive and non-mobile device areas, which are growing business areas, and the Company is required to further accelerate these moves in the future. Nonetheless, the Company has concluded that unless its financing is improved drastically through an injection of large-scale capital funds, it is difficult to solve this critical situation.

Based on the above, the Company has reached a conclusion: The best option from the perspective of the Company's stable business continuity and future growth strategy is the following: (i) the Company will select new sponsors who can offer to the Company support including the provision of capital funds; (ii) with the assistance from such sponsors, the Company will address its issues in a drastic manner; (iii) on the financial side, the Company will promptly realize (a) securing working capital for current and future business, (b) returning its cash flows to normal, (c) acquiring funds for investment in future growth, and (d) securing net assets to continue business stably, in particular; and (iv) on the business side, the Company will promptly realize (a) improving business by combining global supply-chain management functions and broad customer base, (b) commercializing evaporation OLED displays, and (c) improving the cost structure, among other measures.

b. Background of the selection of the sponsor

Initially, the Company announced that it would build a strategic partnership aimed at establishing and accelerating commercialization of mass production technology for OLED displays, in the announcement titled "Structural Reform & Outline of Medium-Term Management Plan" that the Company issued on August 9, 2017. By keeping in perspective the future possibility of receiving funds from its strategic partner, in order to finance the growth of its business, specifically, the building-up of mass production lines for OLED displays, the Company proceeded with discussions with multiple strategic partner candidates, while also having discussions with INCJ, Ltd. ("INCJ"), as its largest major shareholder and largest creditor. Regarding the process of selecting its strategic partner, in order to select its strategic partner to maximize the share value of its shareholders, the Company decided to implement a policy under which it would adopt a bidding system in which it would invite bids from a substantial number of candidates instead of a negotiated transaction with a single candidate. In adopting the bidding system, the Company attempted to boost the candidates' demand for partnership to the maximum extent by advising them that the Company was ready to flexibly respond to their proposals regarding the specific structure of the strategic partnership, if the structure would be proposed from a standpoint to facilitate the Company's future growth.

Under the background above, the Company proceeded with bidding procedures as a strategic partner selection process. During the period up to late September 2018, the participants in the first bidding, including the Suwa Consortium (Note), conducted an initial analysis of the Company's business and financial matters. They also met the Company's management, as deemed necessary, whereas the Company confirmed the details of the strategic partnership and the outline of its expected synergies, among other matters, with each candidate. As a result, multiple candidates submitted their first proposals by late September 2018, and the Company and INCJ selected candidates to pass the first bidding, by comparing and examining the details of these proposals.

Thereafter, during the period up to late December 2018, each candidate who passed the first bidding proceeded with further analysis and examination regarding building a strategic partnership, providing

funds to finance the growth of the Company's business, etc., by such means as due diligence investigation of the Company's business, financial/tax, and legal matters, etc. and meeting with the Company's management. The Company also discussed the specific details of the strategic partnership and its expected synergies, among other matters, with each candidate multiple times, whereby the Company verified the candidates' eligibility to become its partner.

Whereas its strategic partner selection process proceeded as stated above, as described in "(a) Financial condition of the Company and the need for large-scale capital funds" above, as a result of a drastic change in the business environment, etc., the Company's cash flow and profitability have deteriorated sharply. If the business environment does not improve significantly in the future, not only may it cause the Company to have difficulties in maintaining its ability to remain a going business concern, but also its share value may be significantly impaired by having insufficient capital. Given that situation, the Company decided that large-scale capital funding is promptly required in order to fundamentally resolve the deterioration of its financing and to secure an appropriate level of net asset value of the Company as a listed company. Accordingly, the Company decided to finally designate its sponsor from among the candidates that are participating in the bidding, by carefully examining matters such as the amount of capital funds that the candidate can provide, the time of disbursement and feasibility of that funding, the candidate's stance toward the Company's management/business subsequent to the candidate's taking part therein as a sponsor, and the details and feasibility of measures that the candidate intends to take for the medium to long-term for the Company to remain a going business concern and improve its corporate value in the future. The Company also examined the possibility of finding additional candidates; however, based on matters such as the fact that it has already contacted many candidates since the commencement of the strategic partner selection process and the details of these contacts, as well as the severe financial situation in which it was placed, the Company concluded that it would be difficult to find and reach a final agreement with additional sponsors who would be able to meet the Company's request for a large-scale injection of capital funds, within the Company's desired short timeframe.

Under that situation, on January 7, 2019, the Suwa Consortium expressed its intention to provide the Company with a total amount of JPY 50 to JPY 60 billion by having Suwa, established by the Suwa Consortium, subscribe for the Company's common shares and convertible-bond-type bonds with stock acquisition rights. Further, the Suwa Consortium expressed its strong intention to cooperate with the Company in working to improve the Company's business for smartphones, commercialize evaporation OLED displays, and improve the cost structure, among other issues of the Company, through (i) business alliance with TPK Holding Co., Ltd. ("TPK") concerning LCD business, and (ii) business alliance with Harvest Tech Investment Management Co., Ltd. ("Harvest Tech") concerning the plan to mass produce evaporation OLED displays. Given that expression of intention, the Company asked for INCJ's opinion on it, and INCJ also expressed its intention to provide the Company with certain continuous support. Accordingly, in light of the factors that are considered to be important in selecting the sponsor based on the financial and business situation in which it was placed, the Company determined that Suwa Consortium, which was most likely to contribute to the stabilization of management of the Company, was the most appropriate candidate for its sponsor. Therefore, on January 12, 2019, the Company decided to position the Suwa Consortium as a leading and priority candidate in the sponsor selection process.

From January 12, 2019 onwards, the Company and the Suwa Consortium repeated discussions and negotiations toward the final agreement regarding the details of the support. Meanwhile, the Company's cash flow and profitability have further deteriorated, and it has become necessary to secure long-term stabilization funds, through an even larger-scale of injection of capital funds, in order for the Company to fundamentally resolve the deterioration of its financing and to secure an appropriate level of net asset value of the Company as a listed company. The Company requested that the Suwa Consortium increase the amount of capital funds that it would provide. Consequently, the Suwa Consortium replied that it could provide funding of up to JPY 80 billion. Further, the Suwa Consortium discussed with INCJ the necessity of securing long-term stabilization funds for the Company's sustainable business operation and asked INCJ to provide support for the Company. As a

result, INCJ's officer in charge expressed its intent to the Company's officer in charge that it could provide the Company with various means of support including refinancing.

Consequently, after discussing matters with the Suwa Consortium and INCJ, the Company decided on April 12, 2019 to designate the Suwa Consortium as its sponsor and to receive continuous support from INCJ, being the Company's largest major shareholder and largest creditor.

Thereafter, TPK, Cosgrove Global Limited ("CGL"), and Topnotch Corporate Limited (together with CGL, the "CGL Group") withdrew from their positions as the expected investors of Suwa, and the total amount of the preferred shares to be issued to INCJ through the refinancing above changed from JPY 75 billion to JPY 102 billion. Following these changes, JDI entered into the "Amended and Restated Capital and Business Alliance Agreement" with Suwa dated August 7, 2019 (the "Amended and Restated Capital and Business Alliance Agreement"), and changed the subscription period and payment date of the New Shares, as well as changed the subscription period, payment date, and the total issue price of each of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights, and the exercise period of the 2nd Stock Acquisition Rights and the 3rd Stock Acquisition Rights. However, the Company has decided that these changes in circumstances do not materially change the assumptions under which the Company determined on April 12, 2019, to designate the Suwa Consortium as its sponsor and to receive continuous support from INCJ as well, and that such determination is still appropriate even based on these changes in circumstances.

Further, at its board of directors meeting held on August 27, 2019, pursuant to Article 239, paragraph 1 of the Companies Act, the Company has resolved to propose delegating all decisions regarding the following matters to its board of directors meeting, as a proposal related to the Third-party Allotment to be submitted to this General Meeting of Shareholders: (i) to increase the total amount of the issue price of the 2nd Series Bonds with Stock Acquisition Rights with an upper limit of JPY 10 billion, and the number of the 2nd Series Stock Acquisition Rights with an upper limit of 100; and (ii) to decrease the total amount of the issue price of the 3rd Series Bonds with Stock Acquisition Rights with an upper limit of JPY 10 billion, and the number of the 3rd Series Stock Acquisition Rights with an upper limit of 100 (however, the total amount of the issue price of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights will be JPY 38 billion, and the total number of the 2nd Series Stock Acquisition Rights and the 3rd Series Stock Acquisition Rights will be 380). However, the Company has decided that the change in circumstances above does not change the assumptions under which the Company determined on April 12, 2019, to designate the Suwa Consortium as its sponsor and to receive continuous support from INCJ as well, and that such determination is still appropriate even based on these changes in circumstances.

- c. Reasons why the Company has determined that the Third-party Allotment is the best solution for the Company and its shareholders

In the small to medium sized display area in which the Company engages, the business environment has been changing or deteriorating rapidly due to the replacement of LCDs with OLED displays for high-end smart phones, global growth slowdown in the smartphone market, intensified price competition with the rise of competitors in China, and other factors. In addition, as described in "a. Financial condition of the Company and the need for large-scale capital funds" above, as a result of a drastic change in the business environment, etc., the Company's cash flow and profitability have deteriorated sharply. If the business environment does not improve significantly in the future, not only may it cause the Company to have difficulties in maintaining its ability to remain a going business concern, but also its share value may be significantly impaired by having insufficient capital. Based on the above, from the perspective of the Company's stable business continuity and future growth strategies, the Company has concluded that it is the best option to select new sponsors who can offer to the Company support including the provision of capital funds, thereby promptly and radically addressing its financial and business issues with assistance from such sponsors.

In the process of selecting sponsors, the Company adopted a bidding procedure from the viewpoint of obtaining the best conditions for its business continuity and, eventually, maximizing the share value of its shareholders. The Company contacted a number of business investors and financial investors in Japan and overseas in addition to the Suwa Consortium, and discussed the possibility of support for the Company. As a result, from the viewpoint of both financial and business support to the Company, the Company has determined that it is the best option to appoint Suwa Consortium as a sponsor to improve its corporate value and for the benefit of its shareholders as well in light of the Company's present situation.

As stated above, on January 12, 2019, the Company positioned the Suwa Consortium as a leading and priority candidate in the sponsor selection process. The terms and conditions presented by the Suwa Consortium, however, are premised on the assumption that not only will the Third-party Allotment result in a large-scale dilution of the Company's existing shares, but also shares will be issued on favorable terms, which will seriously affect the Company's shareholders, thus, the Company carefully examined them. With regard to the terms and conditions of the Third-party Allotment, the Company discussed and negotiated with the Suwa Consortium in an attempt to increase the amount paid in per share in order to maximize the shareholders' interests. Specifically, as described in "(2) Reasons why the Company has determined that the amount to be paid in is reasonable" below, the price of JPY 50 per share is a significant discount from the Company's market share price at that time and falls under the favorable issuance, as it is particularly advantageous to Suwa, and if the Third-party Allotment falls under the favorable issuance, it will have a large impact on the Company's existing shareholders. Therefore, the Company had repeatedly negotiated with the Suwa Consortium to set the issue price within a range that does not fall in the favorable issuance, based on the market price of the Company's common shares. However, from the perspective of shareholders' interests, it was a top priority to ensure provision of large-scale capital funds from a sponsor who will promptly and stably provide capital funds and contribute to the improvement of the corporate value, and the Company could not reach an agreement with the Suwa Consortium on the amount paid in per share without the favorable issuance applied.

Meanwhile, the Company is continuing to discuss the business alliance with the Suwa Consortium the details of which are as follows. The Company has determined that it is the best solution to implement such business alliance in terms of future growth strategies and maximization of corporate value. As described in "b. Background of the selection of the sponsor" above, as of April 12, 2019, the Company concluded the "LCD Business Alliance Basic Agreement" dated the same date and examined whether to implement a business alliance with TPK concerning LCD business. However, following TPK's withdrawal from its position as an expected investor, on August 9, 2019, the Company concluded the "Termination Agreement on LCD Business Alliance Basic Agreement" with TPK, in which the "LCD Business Alliance Basic Agreement" was terminated, and determined not to implement the business alliance.

- Business alliance with Harvest Tech concerning the plan to mass produce evaporation OLED displays

The Company and Harvest Tech have agreed to continue to discuss realizing a business alliance concerning the plan to mass produce evaporation OLED displays. The purpose of the business alliance with Harvest Tech is to build a strategic partnership aimed at establishing and accelerating commercialization of mass production technology for OLED displays, as stated in the announcement titled "Structural Reform & Outline of Medium-Term Management Plan" that the Company issued on August 9, 2017. The goal is to become a leading company in the design, manufacture and sales of OLED displays combining the Company's technology and Harvest Tech's fundraising capacity. The Company believes that promoting the discussion toward formulating and implementing the plan of mass production is extremely significant to achieve the Company's medium to long-term growth, considering that the replacement of LCDs with OLED displays for high-end smartphones is continuing. Therefore, the Company and Harvest Tech have agreed to promote the discussion toward

formulating and implementing the plan to mass produce evaporation OLED displays, and for this purpose, concluded the “Memorandum of Understanding” on April 12, 2019. The provisions in the above “Memorandum of Understanding” are legally non-binding, and its final details are under negotiation between the Company and Harvest Tech. The Company will disclose them immediately after they have been decided.

Also, in separate discussions between the Suwa Consortium and INCJ, INCJ has expressed the following intentions: (i) INCJ does not enforce any rights and remedies regarding change of control clauses included in INCJ’s existing support, (ii) INCJ implements refinancing by way of a new loan and subscription for preferred shares, and (iii) INCJ provides a bridge loan until the payment of the Third-party Allotment. The Company believes that all of this financial support could not have been secured based on the premise the Company would manage its business operations without any external capital assistance. Based on discussions between the Suwa Consortium and INCJ, the Company concluded a “Memorandum of Understanding” (the “MOU”) with INCJ and Suwa as of April 12, 2019 for implementation of each of the measures (i) to (iii) by INCJ.

Considering the Third-party Allotment is premised on the assumption that not only will it result in a large-scale dilution of the Company’s existing shares but fall under the favorable issuance, which will seriously affect the Company’s shareholders, the Company implemented the following measures to secure the fairness, transparency and objectivity of the Third-party Allotment:

- (i) Obtaining of the valuation report and fairness opinion from an independent third-party financial advisor

As described in “(2) Reasons why the Company has determined that the amount to be paid in is reasonable” below, based on the results of discussions and negotiations with Suwa, in determining the amount paid for the New Shares, the 2nd Series Bonds with Stock Acquisition Rights, and the 3rd Series Bonds with Stock Acquisition Rights, and also as a reference for the shareholders to exercise their voting rights at this General Meeting of Shareholders, the Company requested that Akasaka International Accounting Co., Ltd. (“AIA”), a third-party financial advisor, submit the Share Valuation Report (as defined in “b. Obtaining of the share valuation report and Fairness Opinion from a third-party financial advisor” in “(i) The New Shares” in “(2) Reasons why the Company has determined that the amount to be paid in is reasonable”), the valuation report of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights, and a written opinion (fairness opinion) stating that the amount to be paid for the New Shares, the 2nd Series Bonds with Stock Acquisition Rights, and the 3rd Series Bonds with Stock Acquisition Rights is reasonable to the shareholders of the Company excluding Suwa from a financial perspective, and obtained them from AIA as of April 12, 2019.

- (ii) Obtaining of a written opinion from an independent third party

Not only does the Third-party Allotment entail a large-scale dilution of the Company’s existing shares and the change of the controlling shareholders, but, as described in “(2) Reasons why the Company has determined that the amount to be paid in is reasonable” below, the amount paid for the New Shares will be a significant discount from the Company’s market share price at that time. Therefore, in order to ensure the fairness, transparency and objectivity of the Company’s decision-making process based on the impact on its existing shareholders, the Company selected Mr. Katsuhiko Shirai, Mr. Kazuhiko Shimokobe and Mr. Takahisa Hashimoto, who were directors of the Company (all of whom were outside directors and had been registered with the Tokyo Stock Exchange as Independent Directors of the Company), as persons who maintain a certain independence from the Company’s management and requested them to provide an opinion with regards to the Third-party Allotment as of April 12, 2019. They provided the opinion that the Third-party Allotment was necessary and reasonable as of April 12, 2019.

Based on the above, the Company determined that from the perspective of obtaining support from both viewpoints of finance and business, the terms and conditions that the Suwa Consortium had offered were the best option to improve its corporate value and for the benefit of its shareholders as well in light of the Company's then-current situation. Therefore, the Company concluded the "Capital and Business Alliance Agreement" with Suwa as of April 12, 2019.

Thereafter, the circumstances have changed, including TPK and CGL Group's withdrawal from their positions as the expected investors in Suwa and changes from JPY 75 billion to JPY 102 billion in the total amount of the preferred shares to be issued to INCJ through refinancing. Based on these changes, the Company held discussions with Suwa; as a result, the Company determined that these changes in circumstances do not materially change the assumptions as of April 12, 2019, on which it was determined that from the perspective of obtaining support from both viewpoints of finance and business, the terms and conditions that Suwa had offered were the best option to improve its corporate value and for the benefit of its shareholders as well in light of the Company's then-current situation, and thus that the determination was still appropriate even based on these changes in circumstances. Therefore, the Company concluded the Amended and Restated Capital and Business Alliance Agreement with Suwa as of August 7, 2019. In the Amended and Restated Capital and Business Alliance Agreement, the Company changed the subscription period and payment date of the New Shares, the subscription period, payment date, and total amount of issue price of each of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights, and the exercise period of the 2nd Series Stock Acquisition Rights and the 3rd Series Stock Acquisition Rights.

Thereafter, in relation to the partial changes to matters concerning the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights, the Company obtained the Amended Convertible-bond-type Bonds with Stock Acquisition Rights Valuation Report (as defined in (ii) in "(2) Reasons why the Company has determined that the amount to be paid in is reasonable") and other documents from AIA as of August 7, 2019. After that, at the meeting of the board of directors held on August 7, 2019, Mr. Takahisa Hashimoto and Mr. Ryosuke Kuwada as directors of the Company (both of whom are outside directors and have been registered with the Tokyo Stock Exchange as Independent Directors of the Company) provided an opinion that the opinion provided at the meeting of the board of directors held on April 12, 2019, by outside directors at that time that the Third-party Allotment was necessary and reasonable was still appropriate even based on these changes in circumstances.

Furthermore, at the meeting of the board of directors held on August 27, 2019, the Company resolved to propose delegating, pursuant to Article 239, paragraph 1 of the Companies Act, all decisions regarding the following matters to its board of directors meeting as the proposal related to the Third-party Allotment to be submitted to this General Meeting of Shareholders: (i) to increase the total amount of the issue price of the 2nd Series Bonds with Stock Acquisition Rights with an upper limit of JPY 10 billion, and the number of the 2nd Series Stock Acquisition Rights with an upper limit of 100, and (ii) to decrease the total amount of the issue price of the 3rd Series Bonds with Stock Acquisition Rights with an upper limit of JPY 10 billion, and the number of the 3rd Series Stock Acquisition Rights with an upper limit of 100 (however, that the total amount of the issue price of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights will be JPY 38 billion, and the total number of the 2nd Series Stock Acquisition Rights and the 3rd Series Stock Acquisition Rights will be 380). After that, at the meeting of the board of directors held on August 27, 2019, Mr. Takahisa Hashimoto and Mr. Ryosuke Kuwada as directors of the Company (both of whom are outside directors and have been registered with the Tokyo Stock Exchange as Independent Directors of the Company) provided an opinion that the opinion provided at the board of directors meetings held on April 12, 2019 and August 7, 2019, by outside directors at that time that the Third-party Allotment was necessary and reasonable was still appropriate even based on these changes in circumstances.

- (2) Reasons why the Company has determined that the amount to be paid in is reasonable
  - (i) The New Shares
    - a. Details of the amount to be paid in

The Suwa Consortium initially proposed to the Company that it would subscribe for common shares equivalent to nearly 50% of the total number of issued and outstanding shares of the Company for JPY 47 per share, and that it would subscribe for the convertible-bond-type bonds with stock acquisition rights that cover the remaining balance of the total amount of funds to be provided. The price of JPY 47 per share is a significant discount from the latest Company's market share price and falls under a favorable issuance, as it is a particularly advantageous amount to Suwa; and if the Third-party Allotment of New Shares falls under a favorable issuance, it will have a large impact on the Company's existing shareholders. Therefore, the Company had repeatedly negotiated with the Suwa Consortium to set the issue price within a range that does not fall under a favorable issuance, based on the market price of the Company's common shares. As a result, the amount to be paid for the New Shares was decided to be JPY 50.

The amount to be paid in is: a 35.90% discount to JPY 78, which is the closing price of the Company's shares on the Tokyo Stock Exchange (the "Closing Price") on April 11, 2019, which is the business day immediately before the date of resolution of the board of directors meeting pertaining to the Third-party Allotment (the "Date of Resolution of the Board of Directors Meeting"); a 34.21% discount to JPY 76 (rounded down to the nearest yen), which is the average of the Closing Prices in the previous month before the business day immediately before the Date of Resolution of the Board of Directors Meeting (from March 12, 2019 to April 11, 2019); a 33.33% discount to JPY 75 (rounded down to the nearest yen), which is the average of the Closing Prices in the previous three months before the same date (from January 15, 2019 to April 11, 2019); a 37.50% discount to JPY 80 (rounded down to the nearest yen), which is the average of the Closing Prices in the previous six months before the same date (from October 12, 2018 to April 11, 2019). Further, the amount to be paid in is: a 28.57% discount to JPY 70, which is the Closing Price on August 6, 2019, which is the business day immediately before the date of resolution to change the resolution of the board of directors meeting pertaining to the Third-party Allotment (the "Date of Resolution to Change the Resolution of the Board of Directors Meeting"); a 33.33% discount to JPY 75 (rounded down to the nearest yen), which is the average of the Closing Prices in the previous month before the business day immediately before the Date of Resolution to Change the Resolution of the Board of Directors Meeting (from July 8, 2019 to August 6, 2019); a 25.37% discount to JPY 67 (rounded down to the nearest yen), which is the average of the Closing Prices in the previous three months before the same date (from May 7, 2019 to August 6, 2019); and a 28.57% discount to JPY 70 (rounded down to the nearest yen), which is the average of the Closing Prices in the previous six months before the same date (from February 7, 2019 to August 6, 2019).

- b. Obtaining of the share valuation report and fairness opinion from a third-party financial advisor

Based on the results of discussions and negotiations with Suwa, in determining the amount to be paid for the New Shares, and also as a reference for the shareholders to exercise their voting rights at this General Meeting of Shareholders, the Company has requested that AIA, a third-party financial advisor, submit the valuation report of the shares of the Company, and the fairness opinion. AIA is not a related party of the Company and Suwa, and it has no material interest that should be stated in connection with the Third-party Allotment.

As a result of reviewing the calculation method for evaluating the share value of the Company, as the shares of the Company are listed on the First Section of the Tokyo Stock Exchange, AIA adopted the average market price method. Furthermore, taking into consideration, among others, (i) that although a failure to procure funds through the Third-party Allotment is likely to have a significant impact on business continuity, such an impact is considered to have not been reflected in the market price, and (ii) that among the information to be released in connection with the announcement of this matter, the



importance of the information that has not been reflected in the market price up to the valuation date is likely to be high, AIA also comprehensively reviewed the calculation results obtained by using two calculation methods other than the average market price method. Specifically, AIA adopted (i) the average market price method, (ii) the comparable company comparison method, and (iii) the discounted cash flow method (the “DCF Method”), respectively; and it calculated the share value of the Company, while it calculated the value using the net asset value method as a reference. As such, the Company obtained the share valuation report (the “Share Valuation Report”) from AIA on April 12, 2019.

Also, the Company obtained the fairness opinion from AIA on the same date stating that the amount to be paid for the New Shares is reasonable to the shareholders of the Company, excluding the Company and Suwa, from a financial perspective.

According to the Share Valuation Report, the ranges of the per-share value of the Company’s shares calculated based on each of the methods are as below:

(i)	Average market price method:	JPY 75 to JPY 78
(ii)	Comparable company comparison method:	JPY 46 to JPY 62
(iii)	DCF Method:	JPY 20 to JPY 71
(Reference)		
	Net asset value method:	JPY (142) to JPY (106) (net asset value per share)

In (i) the average market price method, the Share Valuation Report set April 11, 2019, as the valuation date and calculated that the range of the per-share value of the Company’s shares was between JPY 75 to JPY 78, based on JPY 78, which is the Closing Price of the Company’s shares on the First Section of the Tokyo Stock Exchange on the valuation date; JPY 76, which is the simple average of the Closing Prices in the previous month before the valuation date; and JPY 75, which is the simple average of the in the previous three months before the valuation date.

(ii) The comparable company comparison method is a calculation method that allows empirical and objective valuation as it uses the share prices and financial data of other companies in the same business that are publicly available information; thus, it is considered to be utilizable as a method to review and supplement the calculation results obtained by using the average market price method. The Share Valuation Report selected Sharp Corporation, Kyocera Corporation, Murata Manufacturing Co., Ltd., TDK Corporation, OMRON Corporation, and Alps Alpine Co., Ltd., as similar listed companies that are determined to be similar to the Company, and calculated the share value of the Company using the magnification of operating income before amortization to the corporate value (EV/EBITDA magnification) and PBR, and indicated that the range of the per-share value of the Company’s shares is between JPY 46 to JPY 62.

(iii) The DCF Method is considered one of appropriate methods to calculate the share value on the premise of the business being continued. The Share Valuation Report evaluated the corporate value by discounting, to obtain the present value, the free cash flow that is expected to be generated by the Company in and after the fiscal year ending March 2019 by a certain discount rate on the basis of business risk, taking into consideration the premise that is deemed reasonable, such as the earnings estimates and investment planning based on the business plan for the fiscal year ending March 2019 to the fiscal year ending March 2023 prepared by the Company, and calculated that the range of the per-share value of the Company’s shares is between JPY 20 to JPY 71.

Under the Company’s business plan that AIA used as the basis of the calculation using the DCF Method, the net sales for the fiscal year ending March 2020 are expected to decrease compared with that for the fiscal year ending March 2019, causing the Company to continue to have operating losses, while in and after the fiscal year ending March 2021, the net sales are expected to gradually recover, with which the Company aims to achieve operating profitability.

Further, the net asset value method is considered a method that does not provide calculation results on the premise of the business being continued, but would provide relatively superior calculation results in terms of objectivity in reviewing a company's dissolution value. In the Share Valuation Report, although the Company's net asset value is JPY 105,146 million as of the end of the third quarter of the fiscal year ending March 2019, the calculation results obtained by using the net asset value method based on the premise that the business is not continued and is liquidated are as follows: under the premise that does not assume the continuation of business, (i) the goodwill out of the intangible fixed assets is considered impossible to sell immediately, and (ii) the book value and disposition value of each of the inventory assets, tangible fixed assets, and investment securities are expected to deviate from each other as a result of early sales of the assets; thus, taking into consideration a certain decrease in amount from the book values, the adjusted net asset value, calculated by taking into account the mark-to-market profits and losses, would be between JPY (120,382) million to JPY (89,388) million, and the range of the per-share net asset value of the Company's shares would be between JPY (142) to JPY (106).

c. Determination of the Company's board of directors regarding the amount to be paid in based on the Share Valuation Report

The amount to be paid for the New Shares is the one that was ultimately agreed to as a result of sincere discussions and negotiations with the Suwa Consortium, based on the results of discussions with multiple candidates for sponsors; and taking into consideration the Company's situation where large-scale capital funding is promptly required, the Company determined that the amount is currently the best available amount for the Company.

Further, in terms of the Share Valuation Report, as the amount to be paid for the New Shares is within the ranges of the calculation results based on (ii) the comparable company comparison method (JPY 46 to JPY 62) and the calculation results based on (iii) the DCF Method (JPY 20 to JPY 71), the Company determined that it is a reasonable amount. Furthermore, the Company obtained the fairness opinion from AIA stating that the amount to be paid for the New Shares is reasonable for the shareholders of the Company, excluding the Company and Suwa, from a financial perspective.

Meanwhile, the calculation results based on (i) the average market price method (JPY 75 to JPY 78) have a relatively high valuation range, compared with the calculation results based on the comparable company comparison method (JPY 46 to JPY 62) and the calculation results based on the DCF Method (JPY 20 to JPY 71). The Company considers that those calculation results based on each of the comparable company comparison method and the DCF Method, show a high possibility that the assumption that the market price of listed shares represents the present value of the expected future earnings, which is a logical premise of adopting the average market price method, does not necessarily apply in calculating the share value of the Company's shares. As a result of reviewing the calculation results obtained by using the average market price method, based on each of the comparable company comparison method and the DCF Method, the Company has not determined to employ the range of the per-share value of the Company's shares calculated based on the average market price method (JPY 75 to JPY 78) in deciding the amount to be paid for the New Shares, as the Company is concerned that it is doubtful whether the Company may employ the range as results obtained by using the average market price method that fairly reflect the Company's current situation to the share value of the Company's shares. In addition, although the calculation results based on the net asset value method could be a certain reference as a value assuming that the business is not continued and is liquidated, the Company considers that the results should not be referred to when deciding the amount to be paid for the New Shares, as the Company envisages the business being continued.

Therefore, the Company decided that the amount to be paid for the New Shares is JPY 50 as stated above. Although the amount to be paid in will be a significant discount from the Company's market share price as of April 12, 2019, the Company has thus determined that the amount is reasonable for the following reasons: (i) despite sincere discussions with multiple candidates for sponsors under the situation where large-scale capital funding is promptly required, none of the candidates for sponsors other than the Suwa Consortium has expressed its intention that includes specific proposals, under which

the Company may expect prompt and stable provision of capital funds and that contributes to enhancing the Company's corporate value; (ii) it is deemed the best solution to secure the funds to be provided by the Suwa Consortium, taking into account the Company's current situation; (iii) the amount is that which was ultimately agreed to as a result of sincere discussions and negotiations with Suwa; and (iv) the amount is within the ranges of the calculation results based on (ii) the comparable company comparison method and (iii) the DCF Method out of the calculation results stated in the Share Valuation Report.

Thereafter, TPK and CGL Group have withdrawn from their positions as the expected investors of Suwa, and the total amount of the Preferred Shares to be issued to INCJ through the refinancing has changed from JPY 75 billion to JPY 102 billion. Following these changes, the Company entered into the Amended and Restated Capital and Business Alliance Agreement with Suwa dated August 7, 2019, and changed the subscription period and payment date of the New Shares. However, the Company believes that these changes in circumstances do not materially change the assumptions under which the Company determined on April 12, 2019 that the amount to be paid for the New Shares is reasonable, and that such determination is still appropriate even based on these changes in circumstances.

Meanwhile, the Company decided that as the amount to be paid in will be a significant discount from the Company's market share price as of April 12, 2019 and falls under a particularly advantageous amount to Suwa, the issuance of the New Shares through the Third-party Allotment of New Shares is subject to approval by extraordinary resolution of this General Meeting of Shareholders.

(ii) The 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights

The Company has requested that AIA, a third-party financial advisor, evaluate the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights in consideration of the terms and conditions provided in the Conditions of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights, and submit the fairness opinion; and it has obtained the valuation report of the convertible-bond-type bonds with stock acquisition rights (the "Convertible-bond-type Bonds with Stock Acquisition Rights Valuation Report") from AIA as of April 12, 2019. According to the Convertible-bond-type Bonds with Stock Acquisition Rights Valuation Report, AIA calculated that the fair values of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights range from JPY 97.7 to JPY 104.6 per face value of JPY 100, using the binomial model that is a general model for the valuation of the share options, based on a certain premise that considers the market circumstances as of April 11, 2019, which is the valuation date. Thereafter, it confirmed that the economic interest generated for the Company through the issuance of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights (substantial consideration for the 2nd Series Stock Acquisition Rights and the 3rd Series Stock Acquisition Rights) has a level exceeding the fair values of the 2nd Series Stock Acquisition Rights and the 3rd Series Stock Acquisition Rights. Also, the Company has obtained the fairness opinion from AIA as of April 12, 2019, stating that the amount to be paid for the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights is reasonable to the shareholders of the Company, excluding the Company and Suwa, from a financial perspective.

Subsequently, in connection with partial changes in the matters regarding the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights, the Company has obtained the valuation report of the convertible-bond-type bonds with stock acquisition rights (the "Amended Convertible-bond-type Bonds with Stock Acquisition Rights Valuation Report") from AIA as of August 7, 2019. According to the Amended Convertible-bond-type Bonds with Stock Acquisition Rights Valuation Report, AIA calculated that the fair values of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights range from JPY 98.9 to JPY 105.0 per face value of JPY 100, using the binomial model that is a general model for the valuation of the share options, based on a certain premise that considers the market circumstances as of August 6, 2019, which is the valuation date. Thereafter, it confirmed that the economic interest generated for the Company through the issuance of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series

Bonds with Stock Acquisition Rights (substantial consideration for the 2nd Series Stock Acquisition Rights and the 3rd Series Stock Acquisition Rights) has a level exceeding the fair values of the 2nd Series Stock Acquisition Rights and the 3rd Series Stock Acquisition Rights. Also, the Company has obtained the fairness opinion from AIA as of August 7, 2019, stating that the amount to be paid for the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights is reasonable to the shareholders of the Company, excluding the Company and Suwa, from a financial perspective.

Additionally, the Company has decided the issuance conditions and amount to be paid, for the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights, after comprehensively considering the Company's business environment and financial condition; and it has determined that the issuance conditions for the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights are at a fair level.

Thereafter, the Company has resolved, at its board of directors meeting held on August 27, 2019, to propose delegating all decisions regarding the following matters to its board of directors meeting pursuant to Article 239, paragraph 1 of the Companies Act as the proposal related to the Third-party Allotment to be submitted to this General Meeting of Shareholders: (i) to increase the total amount of the issue price of the 2nd Series Bonds with Stock Acquisition Rights with an upper limit of JPY 10 billion, and the number of the 2nd Series Stock Acquisition Rights with an upper limit of 100, and (ii) to decrease the total amount of the issue price of the 3rd Series Bonds with Stock Acquisition Rights with an upper limit of JPY 10 billion, and the number of the 3rd Series Stock Acquisition Rights with an upper limit of 100 (however, the total amount of the issue price of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights will be JPY 38 billion, and the total number of the 2nd Series Stock Acquisition Rights and the 3rd Series Stock Acquisition Rights will be 380). However, the Company believes that these changes in circumstances do not materially change the assumptions under which the Company determined on April 12, 2019 that issuance conditions for the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights are at a fair level, and that such determination is still appropriate even based on these changes in circumstances.

Meanwhile, with respect to the fair values of the 2nd Series Stock Acquisition Rights and the 3rd Series Stock Acquisition Rights that have no objective market prices, (i) as the calculation thereof is highly difficult and complicated; (ii) as there are various ways of evaluating the values; and (iii) as the exercise prices thereof are a significant discount from the Company's latest market share price and fall under a particularly advantageous amount to Suwa, the Company has thus decided that the issuance of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights through the Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights and the Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights is subject to approval by extraordinary resolution of this General Meeting of Shareholders.

- (3) Basis for the Company's determination that the number of common shares and bonds with stock acquisition rights to be issued and the scale of dilution are reasonable

On April 12, 2019, the Company decided that although large-scale capital funds are promptly required to be procured, the Company would not be able to avoid a large-scale dilution of the Company's existing shares when it secures large-scale capital funds, in light of the latest Company's market share price. On the other hand, the Company believes that it is reasonable to implement the Third-party Allotment despite the large-scale dilution of the Company's existing shares that will occur through the Third-party Allotment, considering the following circumstances: (i) it is deemed that large-scale capital funding is promptly required for the Company, and although the issuance scale for the Third-party Allotment is large, it remains within the extent necessary to realize such scale of funding procurement as is deemed by the Company to be indispensable; (ii) it is deemed that the Third-party Allotment to Suwa is the most appropriate funding procurement method when it is compared with the other funding procurement methods; (iii) the Third-party Allotment takes the form of a combination of common shares and bonds

with stock acquisition rights, in an attempt to avoid excessive dilution of the Company's existing shares; (iv) it can be determined that the issuance conditions of the New Shares, the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights can be deemed unavoidable in light of the necessity of conducting the Third-party Allotment (a) because these issuance conditions were decided based on (x) the severe financial situation in which the Company was placed, and (y) the results of the Company's discussions with its multiple sponsor candidates regarding the possibility of support, as well as results of the Company's discussions and negotiations with Suwa; (b) if also considering the results of calculation shown in the Share Valuation Report obtained by the Company for the Company's shares on April 12, 2019, from AIA and the valuation reports for the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights; and (v) because the Third-party Allotment falls under an issuance under especially favorable conditions, it is subject to approval by extraordinary resolution of this General Meeting of Shareholders, in addition to other procedures required by laws and regulations having been already implemented.

Thereafter, TPK and the CGL Group withdrew from their positions as the expected investors of Suwa, and the total amount of the preferred shares to be issued to INCJ through the refinancing changed from JPY 75 billion to JPY 102 billion. Following these changes, the Company entered into the Amended and Restated Capital and Business Alliance Agreement with Suwa. In addition, following the partial changes to matters regarding the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights, the Company obtained the Convertible-bond-type Bonds with Stock Acquisition Rights Valuation Report and so on from AIA on August 7, 2019. However, the Company has decided that these changes in circumstances do not materially change the assumptions under which the Company determined it reasonable to implement the Third-party Allotment on April 12, 2019, and that such determination is still appropriate even based on these changes in circumstances.

Further, at its board of directors meeting held on August 27, 2019, pursuant to Article 239, paragraph 1 of the Companies Act, the Company has resolved to propose delegating all decisions regarding the following matters to its board of directors meeting, as a proposal related to the Third-party Allotment to be submitted to this General Meeting of Shareholders: (i) to increase the total amount of the issue price of the 2nd Series Bonds with Stock Acquisition Rights with an upper limit of JPY 10 billion, and the number of the 2nd Series Stock Acquisition Rights with an upper limit of 100; and (ii) to decrease the total amount of the issue price of the 3rd Series Bonds with Stock Acquisition Rights with an upper limit of JPY 10 billion, and the number of the 3rd Series Stock Acquisition Rights with an upper limit of 100 (however, the total amount of the issue price of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights will be JPY 38 billion, and the total number of the 2nd Series Stock Acquisition Rights and the 3rd Series Stock Acquisition Rights will be 380). However, the Company has decided that the change in circumstances above does not change the assumptions as of April 12, 2019, on which it was determined that it is reasonable to implement the Third-party Allotment, and the Company considers that such determination is still appropriate even based on these changes in circumstances.

(Note) Suwa Consortium is a group of companies that was formed to take part in the Company's strategic partner selection process by TPK, a major touch-panel company listed on the Taiwan Stock Exchange; Harvest Tech, an investment company that provides private equity management and is a member of Harvest Group, which is headquartered in Beijing and one of the largest asset management company groups in China; and CGL, which is an investment company operated and managed by a family office of the Tsai family based in Taiwan, the founding family of Fubon Financial Holding Co., Ltd., a major financial holding company in Taiwan. Moreover, Suwa is a company that the Suwa Consortium established for the Third-party Allotment. In order to complete the establishment of Suwa by April 12, 2019, Suwa was established with China Silkroad Investment Capital Ltd. (of which Winston Henry Lee, who is General Manager of Harvest Tech, is the representative) as its only shareholder. However, based on an agreement within the Suwa Consortium, a fund formed by Harvest Tech (the details of which are undecided) will make investments and become investors of Suwa prior to the implementation of the Third-party Allotment. Further, a fund which is operated or advised

by Oasis Management Company Ltd., being an investment company in Hong Kong, and which is a new candidate for expected investors of Suwa, will be newly added to the expected investors, after confirmation is made concerning matters such as that it has no relationship with any antisocial forces and the status of funding required for the payment by the fund and so on. Although China Silkroad Investment Capital Ltd. is in charge of establishing and operating Suwa, it is not scheduled to be an investor of Suwa at the time of implementing the Third-party Allotment. Further, although it was expected as of April 12, 2019 that TPK and the CGL Group, in addition to a fund formed by Harvest Tech, would become investors of Suwa, both of them withdrew from their positions as the expected investors of Suwa.

## 2. Offering Terms

### (i) New Shares

(1) Number of New Shares to be issued (Number of shares to be offered)	840,000,000 common shares
(2) Amount to be paid in	JPY 50 per share
(3) Total proceeds	JPY 42,000,000,000
(4) Amounts of capital and capital reserve to be increased	Amount of capital to be increased: JPY 21,000,000,000 (JPY 25 per share) Amount of capital reserve to be increased: JPY 21,000,000,000 (JPY 25 per share)
(5) Method of offering	Shares will be allotted through third-party allotment to the expected allottee.
(6) Expected allottee	Suwa Investment Holdings, LLC
(7) Payment period	From August 29, 2019 (Thursday) to August 28, 2020 (Friday)
(8) Other	The above items are subject to the satisfaction of all Conditions Precedent.

### (ii) 2nd Series Bonds with Stock Acquisition Rights

(1) Total issue price of bonds with stock acquisition rights	The total issue price of the 2nd Series Bonds with Stock Acquisition Rights will be JPY 8,000,000,000 (JPY 100 per face value of JPY 100).
(2) Number of stock acquisition rights	80 (Note)
(3) Type and number of shares underlying the stock acquisition rights	160,000,000 common shares (Note)
(4) Payment price of stock acquisition rights	No cash payment shall be required in exchange for stock acquisition rights.
(5) Conversion price	JPY 50
(6) Method of offering	The 2nd Bonds with Stock Acquisition Rights will be allotted through third-party allotment to the expected allottee.
(7) Expected allottee	Suwa Investment Holdings, LLC
(8) Payment date (stock acquisition right allotment date)	Any date from August 29, 2019 (Thursday) to August 28, 2020 (Friday)
(9) Interest rate and redemption date	Interest rate: 0.00% Redemption date: The date on which five years have elapsed from the allotment date of the 2nd Series Bonds with Stock Acquisition Rights
(10) Other	The above items are subject to the satisfaction of all Conditions Precedent.

(Note) The total issue price of the 2nd Series Bonds with Stock Acquisition Rights may be increased to the amount designated by the board of directors with an upper limit of JPY 18 billion, and

the number of stock acquisition rights attached to the 2nd Series Bonds with Stock Acquisition Rights may be increased to the number designated by the board of directors with an upper limit of 180, by delegating all decisions regarding the following matters to the Company's board of directors pursuant to Article 239, paragraph 1 of the Companies Act: (i) to increase the total issue price of the 2nd Series Bonds with Stock Acquisition Rights with an upper limit of JPY 10 billion; and (ii) to increase the number of stock acquisition rights attached to the 2nd Series Bonds with Stock Acquisition Rights with an upper limit of 100 (however, the total issue price of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights will be JPY 38 billion, and the total number of stock acquisition rights attached to the 2nd Series Stock Acquisition Rights and of stock acquisition rights attached to the 3rd Series Stock Acquisition Rights will be 380). As a result, the number of common shares to be delivered where all of those stock acquisition rights are exercised at the conversion price of JPY 50 may be 360,000,000 shares at the most.

For details of the terms of the 2nd Series Bonds with Stock Acquisition Rights, please refer to the Japan Display Inc. Conditions of the 2nd Series Unsecured Convertible Bonds with Stock Acquisition Rights (Schedule 1). However, please note that "1. Face value of 2nd Bonds," and "(1) Number of the 2nd Stock Acquisition Rights with the 2nd Bonds" in "11. Matters concerning the 2nd Stock Acquisition Rights" of those Conditions are subject to change, as stated above.

(iii) 3rd Series Bonds with Stock Acquisition Rights

(1) Total issue price of bonds with stock acquisition rights	The total issue price of the 3rd Series Bonds with Stock Acquisition Rights will be JPY 30,000,000,000 (JPY 100 per face value of JPY 100). (Note)
(2) Number of stock acquisition rights	300 (Note)
(3) Type and number of shares underlying the stock acquisition rights	600,000,000 common shares (Note)
(4) Payment price of stock acquisition rights	No cash payment shall be required in exchange for stock acquisition rights.
(5) Conversion price	JPY 50
(6) Method of offering	The 3rd Bonds with Stock Acquisition Rights will be allotted through third-party allotment to the expected allottee.
(7) Expected allottee	Suwa Investment Holdings, LLC
(8) Payment date (stock acquisition right allotment date)	Any date from August 29, 2019 (Thursday) to August 28, 2020 (Friday)
(9) Interest rate and redemption date	Interest rate: 0.00% Redemption date: The same date as the redemption date of the 2nd Series Bonds with Stock Acquisition Rights
(10) Other	The above items are subject to the satisfaction of all Conditions Precedent, as well as the following conditions: (i) the Company does not give prior written notice to the expected allottee in the specified manner, stating that the proceeds of the Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights are not necessary, and (ii) the procurement of the funds necessary for the payment of the Third-party Allotment of the 3rd Series Bonds with Stock Acquisition Rights by the expected allottee is completed..

(Note) The total issue price of the 3rd Series Bonds with Stock Acquisition Rights may be decreased to the amount designated by the board of directors with an upper limit of JPY 20 billion, and

the number of stock acquisition rights attached to the 3rd Series Bonds with Stock Acquisition Rights may be decreased to the number designated by the board of directors with an upper limit of 200, by delegating all decisions regarding the following matters to the Company's board of directors pursuant to Article 239, paragraph 1 of the Companies Act: (i) to decrease the total issue price of the 3rd Series Bonds with Stock Acquisition Rights with an upper limit of JPY 10 billion; and (ii) to decrease the number of stock acquisition rights attached to the 3rd Series Bonds with Stock Acquisition Rights with an upper limit of 100 (however, the total issue price of the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights will be JPY 38 billion, and the total number of stock acquisition rights attached to the 2nd Series Stock Acquisition Rights and of stock acquisition rights attached to the 3rd Series Stock Acquisition Rights will be 380). As a result, the number of common shares to be delivered where all of those stock acquisition rights are exercised at the conversion price of JPY 50 may be 400,000,000 shares at the very least.

For details of the terms of the 3rd Series Bonds with Stock Acquisition Rights, please refer to the Japan Display Inc. Conditions of the 3rd Series Unsecured Convertible Bonds with Stock Acquisition Rights (Schedule 2). However, please note that "1. Face value of 3rd Bonds," and "(1) Number of the 3rd Stock Acquisition Rights with the 3rd Bonds" in "11. Matters concerning the 3rd Stock Acquisition Rights" of those Conditions are subject to change, as stated above.



### **Proposal No. 3: Issuance of Class Shares through Third-party Allotment**

Pursuant to Article 199 of the Companies Act, the Company proposes to issue class A preferred shares of Japan Display Inc. (the “Class A Preferred Shares”) to INCJ through third-party allotment (the “Third-party Allotment of Preferred Shares”) due to the reasons and with the details stated in 1. and 2. below, respectively.

The largest number of shares to be delivered where all of the Class A Preferred Shares are converted to the shares of common stock of the Company is 453,333,333 shares (the number of voting rights is 4,533,333), 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 the Company as of June 30, 2019 (846,165,800 shares) and the number of voting rights as of June 30, 2019 (8,461,478). Also, regarding the total number of the following (2,053,333,333 shares) (the total number of the voting rights is 20,533,333), the dilution ratio is equivalent to 242.66% (the dilution ratio based on the voting rights is equivalent to 242.67%), the denominator of which is the total number of issued and outstanding shares of the Company as of June 30, 2019 (846,165,800 shares) and the number of voting rights as of June 30, 2019 (8,461,478): (i) the largest number of shares to be delivered where all of the Class A Preferred Shares are converted to shares of common stock of the Company (453,333,333 shares) (the number of voting rights is 4,533,333), (ii) the number of the New Shares to be issued under Proposal No. 2 (840,000,000 shares) (the number of voting rights is 8,400,000), (iii) the number of shares to be delivered where all of the stock acquisition rights attached to the 2nd Series Bonds with Stock Acquisition Rights and the 3rd Series Bonds with Stock Acquisition Rights under Proposal No. 2 are exercised at the conversion price of JPY 50 (760,000,000 shares) (the number of voting rights is 7,600,000). Since the dilution ratio through the Third-party Allotment of Preferred Shares will be greater than 25% as stated above, the Company is requesting approval of shareholders at this General Meeting of Shareholders pursuant to Article 432 of the Securities Listing Regulations set forth by Tokyo Stock Exchange.

The Third-party Allotment of Preferred Shares is subject to, among others, the conditions that the Third-party Allotment of New Shares and the Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights under Proposal No. 2 are implemented and that Proposal Nos. 1 and 3 are approved at this General Meeting of Shareholders.

#### **1. Reasons for the Third-party Allotment of Preferred Shares**

##### **(1) Background of the Third-party Allotment of Preferred Shares**

In the business environment surrounding the Company, there has been an accelerated replacement to use of OLED displays in the mobile display market, global slowdown in the growth of the smartphone market, and intensified price competition in the smartphone display market. Without a large-scale injection of capital funds, the Company 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, it may cause the Company to have difficulties in maintaining its ability to remain a going business concern due to the deterioration of its financing. Therefore, the Company has determined to implement the Third-party Allotment under Proposal No. 2 in order to secure a long-term stabilization fund through its large-scale injection of capital funds. In the sponsor selection process, Suwa had discussions with INCJ (which is the Company’s largest major shareholder and largest creditor) about the necessity to secure a long-term stabilization fund for the Company’s sustainable business operations, and asked INCJ to provide support for the Company. As a result, INCJ announced its intent that INCJ could provide the Company with various means of support including refinancing. Based on the background above, and as a result of discussions with Suwa and INCJ, the Company entered into the MOU dated April 12, 2019, with Suwa and INCJ for INCJ’s implementation of various means of support. Since the execution of the MOU, the Company has held discussions with INCJ based on the MOU; and on August 27, 2019, the Company entered into a Preferred Share Subscription Agreement regarding the Third-party Allotment

of Preferred Shares (the “Preferred Share Subscription Agreement”) with INCJ and Suwa. The Company believes that this allows it to secure a long-term stabilization fund and improves its financial structure through converting part of the debt capital to equity.

The Third-party Allotment of Preferred Shares will not only be accompanied by a large-scale dilution of the Company’s existing shares, but also, as stated in “(2) Reasons why the Company determined that the amount to be paid in was reasonable” below, it cannot be denied that the amount to be paid in for the Class A Preferred Shares might be considered to be especially favorable for INCJ 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. Therefore, considering the scale of the impact on its existing shareholders, in order to ensure the fairness, transparency, and objectivity of the Company’s decision-making process, the Company selected Mr. Takahisa Hashimoto and Mr. Ryosuke Kuwada, who are directors of the Company (both of whom are the outside directors and have been registered with the Tokyo Stock Exchange as Independent Directors of the Company), as persons who maintain a certain independence from the Company’s management and requested that they provide an opinion with regard to the Third-party Allotment of Preferred Shares. They provided their opinion as of August 27, 2019, to the effect that the Third-party Allotment of Preferred Shares is necessary and appropriate.

(2) Reasons for the Company’s determination that the amount to be paid in was reasonable

Since the issuance of the Class A Preferred Shares is implemented together with the Third-party Allotment of Preferred Shares as a series of transactions, and the terms and conditions of the issuance of the Class A Preferred Shares are provided in the MOU (which was executed on the same day as the Third-party Allotment of Preferred Shares), when executing the MOU, the Company requested that AIA (a third-party financial advisor) provide a price valuation of the Class A Preferred Shares and submit a fairness opinion in consideration of the terms and conditions of the Class A Preferred Shares provided in the MOU; subsequently, it obtained from AIA the class share valuation report dated April 12, 2019. AIA (which is a third-party financial advisor) is not a related party of the Company and INCJ, and has no material interest that should be stated in connection with the Third-party Allotment of Preferred Shares.

According to the class share valuation report above, AIA calculated that the fair value of the Class A Preferred Shares ranges from JPY 78.8 to JPY 86.2 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 based on a certain premise when considering market circumstances) as of April 11, 2019, the valuation date.

Also, the Company obtained the fairness opinion dated April 12, 2019, from AIA that the amount to be paid in for the Class A Preferred Shares is reasonable to the shareholders of the Company, excluding the Company and INCJ, from a financial perspective.

In the Third-party Allotment of Preferred Shares, the issuance of the Class A Preferred Shares will be implemented subject to the same terms and conditions as those provided in the MOU. The Company considers that the terms and conditions of the issuance of the Class A Preferred Shares are fair because according to the class share 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 the Company have expressed their opinions that the amount to be paid in for the Class A Preferred Shares in the Third-party Allotment of Preferred Shares does not fall under an amount especially favorable for INCJ based on the class share valuation report and the fairness opinion above.

The Company determined 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 the Company), 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 the Company. 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 amount to be paid in for the Class A Preferred Shares might be considered especially favorable for INCJ under the Companies Act. Consequently, just to be sure, the Company has determined to make it a condition of the issuance of the Class A Preferred Shares that the Company obtains the approval of its shareholders through an extraordinary resolution at this General Meeting of Shareholders.

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

A large-scale dilution of the Company's existing shares will be expected to occur through the Third-party Allotment of Preferred Shares. On the other hand, considering that (i) the dilution of common shares of the Company does not occur immediately because the conversion from the Class A Preferred Shares to common shares of the Company 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, (ii) the Class A Preferred Shares have no voting rights, (iii) the Company intends to implement the retirement by purchase of the 1st series unsecured subordinated convertible bonds with stock acquisition rights of Japan Display Inc. (the outstanding amount of which is JPY 25 billion) in exchange for the issuance of the Class A Preferred Shares resulting in the potential shares relating to these bonds with stock acquisition rights ceasing to exist, the Company believes that the influence on the existing shareholders of the Company is controlled. Also, the Company believes that it is reasonable to implement the Third-party Allotment of Preferred Shares despite the large-scale dilution of the Company's existing shares that will occur through the Third-party Allotment of Preferred Shares, considering that the allotment of the Class A Preferred Shares will raise the Company's capital adequacy ratio and improve its financial structure through the repayment of debt capital using funds that the Company will obtain through the allotment of the Class A Preferred Shares.

## 2. Details of the Class A Preferred Shares

(1)	New shares to be issued (Number of shares to be offered)	Class A Preferred Shares 1,020,000,000 shares
(2)	Amount to be paid in	JPY 100 per share
(3)	Total proceeds	JPY 102,000,000,000
(4)	Amount of capital and capital reserve to be increased	Amount of capital to be increased: JPY 51,000,000,000 (JPY 50 per share) Amount of capital reserve to be increased: JPY 51,000,000,000 (JPY 50 per share)
(5)	Method of offering	Class A Preferred Shares will be allotted to the expected allottee through a third-party allotment.
(6)	Expected allottee	INCJ, Ltd.
(7)	Payment date	Any date from August 29, 2019 (Thursday) to August 28, 2020 (Friday)
(8)	Other	Each item above is subject to, among others, the conditions that the Third-party Allotment of New Shares and the Third-party Allotment of the 2nd Series Bonds with Stock Acquisition Rights under Proposal No. 2 are implemented and that Proposal Nos. 1 and 3 are approved at this General Meeting of Shareholders.

	<p>Conditions of the Class A Preferred Shares provide for no transfer restriction. The Company has been informed that under the Shareholders' Agreement executed between Suwa and INCJ, INCJ shall not transfer, or offer to transfer, without the prior written consent of Suwa, any of the Class A Preferred Shares or converted common shares of the Company to 1) (i) any company or organization that is reasonably deemed to be a competitor of the Company, or (ii) any person that directly or indirectly controls, is controlled by, or is under common control with any company or organization set out in (i) above, or 2) any third party holding more than 20% of the voting rights of the Company, calculated on a fully-diluted basis after the acquisition of such shares.</p>
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- (Note) 1. For details of the Class A Preferred Shares, please refer to Proposal No. 1.
2. Under the Preferred Share Subscription Agreement, INCJ shall not own more than 25% of the outstanding voting shares of the Company, including the common shares in the Company to which the Class A Preferred Shares are converted, without the prior written consent of Suwa (which consent shall not be unreasonably refused or withheld).

**Proposal No. 4:** Election of Two (2) Directors

In order to launch a new executive management system, and to make decisions strategically and flexibly at the board of directors meetings, it is proposed that two (2) Directors be newly elected.

Mr. Minoru Kikuoka will assume a Director position at the conclusion of this General Meeting of Shareholders, and Mr. Nobuyuki Nakano will resign from the Director position and Mr. Nobuyuki Higashi will assume a Director position, after completion of the payment for the issuance of the common shares and the 2nd Series Bonds with Stock Acquisition Rights under Proposal No. 2. The election of Mr. Nobuyuki Higashi will come into effect subject to Mr. Nobuyuki Nakano resigning from the Director position after Suwa has completed payment for the New Shares and the 2nd Series Bonds with Stock Acquisition Rights.

The candidates for Director of the Company are as follows:

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
1 Newly elected	Minoru Kikuoka (September 8, 1962)	<p>Apr. 1986 Entered Industrial Bank of Japan, Limited (now Mizuho Financial Group, Inc.)</p> <p>Mar. 1992 Qualified as a New York State attorney in the US</p> <p>May 2000 Director of Investment Banking of Merrill Lynch Securities, Tokyo Office</p> <p>Sept. 2004 General Manager of Corporate Planning Department of Nitto Denko Corporation</p> <p>Dec. 2004 Dispatched to the U.S. by Nitto Denko Corporation; Executive Vice President of Nitto Americas</p> <p>Apr. 2006 Global Head of Membrane Division of Nitto Denko Corporation; concurrently CEO of US Hydranautics</p> <p>June 2011 Officer and General Manager of Corporate Sector of Nitto Denko Corporation</p> <p>Oct. 2014 Senior Vice President of Nidec Corporation</p> <p>Apr. 2017 Entered the Company as Financial Unit Manager</p> <p>Oct. 2017 Head of Finance Division of the Company</p> <p>Oct. 2018 Executive Officer and Head of Finance Division of the Company</p> <p>May 2019 Managing Executive Officer and Chief Financial Officer of the Company (current position)</p> <p>[Significant concurrent positions outside the Company] None</p>	0
<p>[Reason for nomination as a candidate for Director] The Company aims to enhance the function of management supervision, smoothly and promptly establish collaborative relationships with Suwa, and strongly promote reformation of the revitalized Japan Display. Mr. Minoru Kikuoka is a skilled business negotiator who led the negotiations and discussions concerning the CAPITAL AND BUSINESS ALLIANCE AGREEMENT with Suwa, has the ability to raise funds by leveraging a wealth of connections with financial institutions, and has specialized knowledge and rich experience in the financial field and in business operations. Therefore, the Company proposes that he be elected as a Director.</p>			

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company and significant concurrent positions outside the Company	Number of shares of the Company owned
2 Newly elected/Outside Director	Nobuyuki Higashi (March 31, 1964)	Apr. 1987 Entered Nomura Research Institute, Ltd. Apr. 1998 Entered Nomura Securities Co., Ltd. Jul. 2000 Seconded to Nomura Principal Finance Co., Ltd. Dec. 2011 Returned to Nomura Securities Co., Ltd. Apr. 2012 Entered Innovation Network Corporation of Japan (now INCJ, Ltd.) as Investment Business Group Managing Director Apr. 2017 Outside Director of JOLED Inc. (current position) June 2017 Became Outside Director of the Company June 2018 Retired as Outside Director of the Company Sept. 2018 Seconded to INCJ, Ltd. Executive Managing Director, Investment Business Group Managing Director (current position)  [Significant concurrent positions outside the Company] Executive Managing Director of INCJ, Ltd. Outside Director of JOLED Inc.	0
		[Reason for nomination as a candidate for Outside Director] Mr. Nobuyuki Higashi has a wealth of experience in investment businesses and operations risk management in securities companies and investment companies, as well as strong management expertise through providing operation support to investee companies. As he supervised management of the Company as its Outside Director from June 2017 to June 2018, he is expected to contribute to the further enhancement of the functions of the Board of Directors by providing management advice and appropriate supervision concerning business execution. Therefore, the Company proposes that he be elected as an Outside Director.	

- Note:
1. INCJ, Ltd. where Mr. Nobuyuki Higashi concurrently serves is a major shareholder of the Company holding 25.29% of its shares.
  2. Mr. Nobuyuki Higashi is a candidate for Outside Director.  
Where the election of Mr. Nobuyuki Higashi is approved, the Company will enter into an agreement with Mr. Nobuyuki Higashi to limit his liability for damages under Article 423, paragraph 1 of the Companies Act pursuant to Article 427, paragraph 1 of the Companies Act.

(Overview of limited liability agreements)

The Company has entered into an agreement with each of the Directors (excluding Directors who are Executive Directors, etc.) and each of the Company Auditors to limit their liabilities for damages under Article 423, paragraph 1 of the Companies Act pursuant to the Articles of Incorporation of the Company and Article 427, paragraph 1 of the Companies Act.

With this agreement, in the event that any of the Directors (excluding Directors who are Executive Directors, etc.) and any of the Company Auditors causes damage to the Company due to negligence of his/her duties in the performance thereof, and he/she acts in good faith without gross negligence, the liabilities for damages of such Director or Company Auditor shall be the minimum liability amount pursuant to Article 425, paragraph 1 of the Companies Act.

(Schedule 1)

Japan Display Inc.  
Conditions of the 2nd Series Unsecured Convertible Bonds with Stock Acquisition Rights

This condition applies to the 2nd series unsecured convertible bonds with stock acquisition rights (hereinafter referred to as the “2nd Bonds with Stock Acquisition Rights” with only the stock acquisition rights portion thereof referred to as the “2nd Stock Acquisition Rights” and only the bond portion thereof referred to as the “2nd Bonds”) issued by the resolution of the board of directors as of April 12, 2019 and August 7, 2019 of Japan Display Inc. (hereinafter referred to as the “Company”).

1 Face value of 2nd Bonds

JPY 8,000,000,000

2 Amount of each 2nd Bond

JPY 100,000,000

3 Form

A bond certificate will not be issued in respect of each 2nd Bonds.

4 Transfer of the 2nd Stock Acquisition Rights or the 2nd Bonds

The 2nd Stock Acquisition Rights may not be transferred separately from the 2nd Bonds pursuant to the main clause of paragraph (2) of Article 254 of the Companies Act, and the 2nd Bonds may not be transferred separately from the 2nd Stock Acquisition Rights pursuant to the main clause of paragraph (3) of Article 254 of the Companies Act.

5 Interest rate of the 2nd Bonds

The 2nd Bonds will accrue no interest.

6 Issue price of the 2nd Bonds

JPY 100 per each JPY 100 of each 2nd Bonds; provided, however, that no cash payment shall be required in exchange for the 2nd Stock Acquisition Rights.

7 Redemption price of the 2nd Bonds

JPY 100 per each JPY 100 of each 2nd Bonds or the price stated in subparagraphs (2), (3), and (4) of paragraph 10 below in case of the early redemption.

8 Security or guarantee

The 2nd Bonds are not secured by any property or guaranteed. There is no asset particularly reserved for security thereof.

9 No bond managers

There is no bond manager of the 2nd Bonds because the 2nd Bonds fulfill the condition stated in the proviso of Article 702 of the Companies Act.

## 10 Redemption method and period

- (1) The Company will redeem all of the principal of the 2nd Bonds on the day five years after the allotment date of the 2nd Bonds with the Stock Acquisition Rights; provided, however, that the Company will redeem the 2nd Bonds pursuant to subparagraphs (2), (3), and (4) in case of the early redemption or subparagraph (6) in case of the purchase.
- (2) Early Redemption due to Corporate Event
  - (a) In the case where (i) a Corporate Event (as defined below) is approved by the Company's shareholders meeting (or, where a resolution of a shareholders meeting is not necessary, at a meeting of the board of directors of the Company) or determined by another organization which has the authority to determine it under the Companies Act, and (ii) the Company has delivered to the holders of the 2nd Bonds, on or prior to the date of occurrence of the relevant Corporate Event, a certificate with the signature of the Company's representative stating that the Company does not currently anticipate that the New Obligor (as defined below) will be a listed company in Japan as of the effective date of the Corporate Event for any reason stated in such certificate, the Company shall give not less than 30 days' prior notice to the holders of the 2nd Bonds with the Stock Acquisition Rights, to redeem all, but not some only, of the 2nd Bonds then outstanding at JPY 100 per each JPY 100 of each 2nd Bonds, on the date specified for redemption in such notice, which is the date on or prior to the effective date of such Corporate Event (hereinafter referred to as the "Corporate Event Effective Date"); provided, however, that where the relevant Corporate Event Effective Date will come in less than 30 days after the approval or determination of such Corporate Event (hereinafter referred as to the "the Approval Day of the Corporate Event"), the date falling not earlier than 30 days from the date of such notice).
  - (b) "Corporate Event" collectively means any (i) absorption-type merger (kyushu gappei) of the Company into any other corporation, (ii) corporate split (shinsetsu bunkatsu or kyushu bunkatsu) in which the Company's obligations under the 2nd Bonds are to be transferred to or assumed by the New Obligor and the New Obligor will deliver new stock acquisition rights instead of the 2nd Stock Acquisition Rights, (iii) circumstance where the Company becomes a wholly-owned subsidiary of another corporation by way of share exchange (kabusiki-koukan) or share transfer (kabushiki-iten) or (iv) other corporate reorganization procedures then provided for under Japanese law in which the Company's obligations under the 2nd Bonds are to be transferred to or assumed by the corporation which is the counterparty.
  - (c) "New Obligor" collectively means any (i) surviving company in an absorption-type merger or a newly established company in a consolidation-type merger (only in case where the Company is disappeared by such merger), (ii) company in which the rights and obligations are transferred to or assumed by through a corporate split (shinsetsu bunkatsu or kyushu bunkatsu), (iii) company becoming a wholly-owning parent company of another corporation by way of a share exchange (kabushiki-koukan) or share transfer (kabushiki-iten), or (iv) company in which the obligations under the 2nd Bonds are to be transferred to or assumed through other corporate reorganization procedures then provided for under Japanese law.
  - (d) The Company may not cancel the early redemption by the notice stated in (a) above after giving such notice.



## (3) Redemption on delisting

- (a) In the event where (i) any offer is made by a party or parties (the “Offeror”) other than the Company in accordance with the Financial Instruments and Exchange Act of Japan to all holders of the Company’s shares to acquire all or a portion of the Company’s shares, (ii) the Company expresses its opinion to support such offer, (iii) the Company or the Offeror publicly announces or admits that the Company’s shares may cease to be listed on all the financial instruments exchanges the Company’s shares are listed on, as a result of the acquisition of the Company’s shares pursuant to the offer (unless the Company or the Offeror publicly expresses its intention to use its best endeavors to continue such listing after such acquisition), and (iv) the Offeror acquires any Company’s shares pursuant to the offer (including only the case where the offer succeeds on the last day of the term of such offer), then the Company shall, having given notice to the holders of the 2nd Bonds with the Stock Acquisition Rights within 15 days after the date of the acquisition of those Company’s shares pursuant to the offer (which means the date when the payment for the offer starts, the same applies hereinafter), redeem all, but not some only, of the 2nd Bonds then outstanding at JPY 100 per each JPY 100 of each 2nd Bonds on the date specified for redemption in such notice which is the day falling not earlier than 30 days, nor later than 60 days, from the date of such notice.
- (b) Notwithstanding (a) above, if the Company or the Offeror publicly announces by the last day of the term of such offer that it intends to effect a Corporate Event after the date of acquisition of any Company’s shares pursuant to the offer, then (a) above shall not apply. In this case, if the Approval Day of the Corporate Event will not come within 60 days after the acquisition of the Company’s shares pursuant to the offer, the Company shall, within 15 days after the last day of such 60-days period, give notice to the holders of the 2nd Bonds with the Stock Acquisition Rights, to redeem all, but not some only, of the 2nd Bonds then outstanding at JPY 100 per each JPY 100 of each 2nd Bonds, on the date specified for redemption in such notice which is the date falling not earlier than 30 days, nor later than 60 days, from the date of such notice.
- (c) In the event where both the situation stated in subparagraph (2) above and that stated in (a) and (b) above occurs at the same time, the 2nd Bonds will be redeemed pursuant to subparagraph (2) above; provided, however, that in the event where the situation stated in subparagraph (2) above occurs and the notice under (a) or (b) above is given before the Approval Day of the Corporate Event, the 2nd Bonds will be redeemed pursuant to this subparagraph (3).
- (d) The Company may not cancel the early redemption by the notice stated in (a) or (b) above after giving such notice.

## (4) Redemption by notice

The Company may, from time to time, give not less than 2 weeks’ prior notice to the holders of the 2nd Bonds with the Stock Acquisition Rights (which notice shall be irrevocable), and redeem all, but not some only, of the 2nd Bonds then outstanding at JPY 100 per each JPY 100 of each Bonds on the redemption date, after the allotment date of the 2nd Bonds with the Stock Acquisition Rights.

- (5) In the event where the redemption date (including the date specified in the notice stated in subparagraphs (2), (3), and (4) in cases where the early redemption is conducted

pursuant to such subparagraphs) is not a banking-business day, the redemption shall be conducted on the date immediately before the original redemption date.

- (6) The Company may, from time to time, purchase any 2nd Bonds with the Stock Acquisition Rights by the agreement between the Company and the holders of the 2nd Bonds with the Stock Acquisition Rights unless otherwise specified by laws after a day falling not earlier than one day from the Payment Date (defined in paragraph 18 below). If the Company cancels the 2nd Bonds with the Stock Acquisition Rights purchased by the Company, the Company may cancel neither the 2nd Bonds separately from the 2nd Stock Acquisition Rights nor the 2nd Stock Acquisition Rights from the 2nd Bonds.

#### 11 Matters concerning the 2nd Stock Acquisition Rights

- (1) Number of the 2nd Stock Acquisition Rights with the 2nd Bonds

One 2nd Stock Acquisition Right is attached to one 2nd Bond, and the Company issues 80 2nd Stock Acquisition Rights.

- (2) Issue price of the 2nd Stock Acquisition Rights

No cash payment shall be required in exchange for the 2nd Stock Acquisition Rights.

- (3) Class and calculation method of number of shares upon exercise of the 2nd Stock Acquisition Rights.

The class of shares to be acquired upon exercise of the 2nd Stock Acquisition Rights is the shares of common stock of the Company. Upon the exercise of the 2nd Stock Acquisition Rights, the number of the Company's shares by the issuance or the disposition of treasury shares by the Company shall be the number to be obtained by dividing the aggregate of the principal amount of the 2nd Bonds attached by the exercised 2nd Stock Acquisition Rights by the Conversion Price set out in (b) of subparagraph (6) below. In this case, any fraction of a share resulting from the exercise of the 2nd Stock Acquisition Rights shall be rounded down and no cash adjustment shall be made. In the case where shares of less than one unit are generated by the exercise of the 2nd Stock Acquisition Rights, such shares of less than one unit shall be settled in cash, assuming that the holder of such shares of less than one unit exercises the right to demand that the Company purchase its shares of less than one unit pursuant to the Companies Act.

- (4) Exercise period of the 2nd Stock Acquisition Rights

The holders of the 2nd Stock Acquisition Rights attached to the 2nd Bonds with the Stock Acquisition Rights (hereinafter referred to as the "Holders of the 2nd Stock Acquisition Rights") may, from time to time, exercise the 2nd Stock Acquisition Rights on the date falling not earlier than 6 months, nor later than 5 years, from the allotment date of the 2nd Bonds with the Stock Acquisition Rights, and request that the Company deliver the Company's shares of common stock stated in subparagraph (3) above; provided, however, that the 2nd Stock Acquisition Rights may not be exercised (i) on the shareholder determination date and the day immediately before such date, (ii) in the period from six business days prior to the early redemption date to such date in case where the early redemption is conducted pursuant to subparagraphs (2), (3), and (4) of paragraph 10 before the date falling not later than 5 years from the allotment date, and (iii) in the period set forth in the notice given to the Holders of the 2nd Stock Acquisition Rights by the Company, which may not exceed one month, in the event where the stock acquisition rights of the New Obligor are delivered in a Corporate Event, and where the

Company reasonably determines that the suspension of the exercise of the 2nd Stock Acquisition Rights is necessary and gives prior written notice stating necessary matters including the suspension period to the Holders of the 2nd Stock Acquisition Rights.

Hereinafter, the “Exercise Period” means the period in which the Holders of the 2nd Stock Acquisition Rights may exercise the 2nd Stock Acquisition Rights pursuant to this subparagraph (4).

- (5) Other conditions for the exercise of the 2nd Stock Acquisition Rights
- (a) If the number of the issued shares surpasses that of the authorized shares as of the exercise date by the exercise of the 2nd Stock Acquisition Rights, such exercise may be prohibited.
- (b) No 2nd Stock Acquisition Rights may be exercised in part.
- (6) Assets to be contributed upon exercise of the 2nd Stock Acquisition Rights and Amount thereto
- (a) The assets to be contributed upon exercise of each 2nd Stock Acquisition Right shall be the 2nd Bonds, and the amount thereto shall be equal to the issue price of each 2nd Bonds.
- (b) The price used in calculating the number of the common stocks of the Company delivered by the exercise of the 2nd Stock Acquisition Rights (hereinafter referred to as the “Conversion Price”), (in the case where subparagraph (13) below applies, the price used in calculating the number of the common stocks of the New Obligor delivered by the exercise of the 2nd New Stock Acquisition Rights (as defined in (a) of subparagraph (13) below) is JPY 50, provided, however, that the Conversion Price may be adjusted pursuant to subparagraphs (7), (8), and (9).
- (7) (a) The Conversion Price shall be adjusted in accordance with the following formula (hereinafter referred to as the “Conversion Price Adjusted Formula”) when the number of the issued shares is changed or is likely to be changed pursuant to the things stated in (b) below, after the issuance of the 2nd Bonds with the Stock Acquisition Rights.

$$\text{Conversion Price after adjustment} = \frac{\text{Conversion Price before adjustment} \times \left( \frac{\text{Number of shares already issued} + \frac{\text{Number of shares to be delivered} \times \text{Paid-in amount per share}}{\text{Current Market Price per Share}}}{\text{Number of shares already issued} + \text{Number of shares to be delivered}} \right)}{1}$$

- (b) With regard to the adjustment of the Conversion Price by the Conversion Price Adjusted Formula and the timing to apply the Conversion Price after adjustment, the followings are applied;
- a) In the event where the Company issues the common stocks of the Company at a price less than the Current Market Price (as defined in (c) of subparagraph (8) below) (excluding the issuance of the common stocks of the Company by the resolution of the meeting of the board of directors as of April 12, 2019), the Conversion Price after adjustment is applied after the next day of the payment date; provided, however, that

in case where there is a record date to grant entitlement to the allotment of shares to the Company's shareholders, the Conversion Price after adjustment is applied after the next day of such record date.

- b) In the event where the Company conducts a stock split of the common stocks of the Company or the allotment of the common stocks of the Company without contribution, the Conversion Price after adjustment is applied after the next day of the record date of the stock split or after the next day of the effective date of such allotment; provided, however, that in the case where there is a record date to grant entitlement to the allotment of shares to the Company's shareholders without contribution, the Conversion Price after adjustment is applied after the next day of such record date.
- c) In the event where the Company issues (i) shares of a class where the Company shall deliver its common shares pursuant to requests of shareholders of such class of shares at a price less than the Current Market Price, (ii) shares of a class where the Company may acquire such class shares in exchange for delivering its common shares at a price less than the Current Market Price, (iii) stock acquisition rights where the Company may acquire such stock acquisition rights in exchange for delivering its common shares at a price less than the Current Market Price (including bonds with the stock acquisition rights), or (iv) stock acquisition rights where the Company shall deliver its common shares at a price less than the Current Market Price (including those with bonds with the stock acquisition rights) (hereinafter referred as to the collectively "Shares with the Rights to Acquire Common Stocks") (excluding the issuance of the bonds with the Stock Acquisition Rights by the resolution of the meeting of the board of directors of the Company as of April 12, 2019), the Conversion Price after adjustment is calculated, assuming that the original conditions are applied to the Shares with the Rights to Acquire Common Stocks, and applied after the next day of (i) the payment date (or the allotment date in the case of stock acquisition rights or bonds with the stock acquisition rights), or (ii) the effective date of the allotment without contribution; provided, however, that in the case where there is a record date to grant entitlement to the allotment of shares to the Company's shareholders, the Conversion Price after adjustment is applied after the next day of such record date.
- d) Notwithstanding the foregoing a), b), and c), in the event where the Company allots to its shareholders the common stock or the Shares with the Rights to Acquire Common Stocks and where the record date related to such allotment is prior to (i) the day when such allotment is approved by its shareholder meeting, the meeting of the board of director or other organization, or (ii) the day when such allotment is determined by the representative of the Company, the Conversion Price after adjustment is applied after the next day of the approval or the determination; provided, however, that the Company delivers the number of the common stocks calculated by the following formula after the day of the approval or the determination to the Holders of the 2nd Stock Acquisition Rights who exercise the 2nd Stock Acquisition Rights on the date falling not earlier than the next day of such record date nor later than the day of the approval or the determination. In this case, subparagraph (17) is applied.

$$\text{Number of Shares} = \frac{\left( \text{Conversion Price before adjustment} - \text{Conversion Price after adjustment} \right) \times \text{Number of Shares delivered within the period by the Conversion Price before adjustment}}{\text{Conversion Price after adjustment}}$$

In this case, any fraction of a share resulting from the exercise of the Stock Acquisition Rights shall be rounded down and no cash adjustment shall be made.

- (8) The following rules applies to the adjustment of the Conversion Price.
- (a) The adjustment of the Conversion Price is not conducted as long as the difference between the Conversion Price after adjustment calculated by the Conversion Price Adjusted Formula and the Conversion Price before adjustment is less than JPY 1; provided, however, that if matters that require the Company to adjust the Conversion Price occur, the price obtained by deducting the difference from the Conversion Price before adjustment is used in the calculation of the Conversion Price instead of the Conversion Price before Adjustment in the Conversion Price Adjusted Formula.
  - (b) In the Conversion Price Adjusted Formula, the Conversion Price after adjustment is calculated to two decimal places and rounded off at the second decimal place.
  - (c) The Current Market Price used in the Conversion Price Adjusted Formula is the average of the last reported trading prices (including the indicate price display) of the regular way of the common stocks on Tokyo Stock Exchange for a period of 30 consecutive business days (except for the day without the last reported trading prices) from 45 days prior to the day when the Conversion Price after adjustment is applied (or the record date stated in d) of (b) of subparagraph (7) above). In this case, the average is calculated to two decimal places and rounded off the second decimal place.
  - (d) The “number of shares already issued” used in the Conversion Price Adjusted Formula is the number calculated by the following formula:  
  
(the number of the issued common stocks of the Company as of the day corresponding to the record date to grant entitlement to the allotment of shares to the Company’s shareholders (if not applicable, the day when the Conversion Price after adjustment is applied) (in the case where the last month does not contain the corresponding day, the last day of such month) ) – (the number of the common stocks held by the Company as of such date) + (the number of the common stocks of the Company not delivered but assumed that such common stocks include the number of the delivered common stocks of the Company pursuant to subparagraphs (7), and (9))

In the event where the stock split of the common stocks of the Company is conducted, the number of the common stocks allotted to the Company’s common stocks held by the Company as of the record date may not be included

in the number of the delivered common stocks used in the Conversion Price Adjusted Formula.

- (9) The Conversion Price shall also be adjusted from time to time on the occurrence of the following events in addition to the cases of subparagraphs (7) and (8) above.
- (a) reverse stock splits, a decrease of the capital or the capital reserved, mergers (excluding the case when the Company is not a surviving company), share exchanges, or corporate splits
  - (b) the events when the number of issued shares of the Company is changed or is likely to be changed other than (a) above
  - (c) the events where the adjustment of the Conversion Price is necessary in order to allot another class of shares to the Company's shareholders without contribution
  - (d) the event where it is necessary to take into consideration the effect of one event on the Current Market Price used when calculating the Conversion Price after adjustment under the other event, including the case where two or more events requiring the Company to adjust the Conversion Price occur in close proximity.
- (10) In the event when the Company adjusts the Conversion Price pursuant to subparagraphs (7), (8), and (9) above, the Company gives prior written notice to the holders of the 2nd Bonds with the Stock Acquisition Rights stating the necessary matters, including the details of the adjustment of Conversion Price, Conversion Price before adjustment, Conversion Price after adjustment, and the applicable date; provided, however, that if the Company can not give such notice by the day immediately before the applicable date including the case for d) of (b) of subparagraph (7) above, the Company shall give such notice as soon as possible after the applicable date.
- (11) Amount of capital and capital reserved to be increased by the issuance of shares upon the exercise of the 2nd Stock Acquisition Rights
- The amount of capital to be increased when shares are issued upon the exercise of the 2nd Stock Acquisition Rights shall be one-half of the "maximum capital and other increased amount," as calculated pursuant to Article 17 of the Regulation on Corporate Accounting, with any fraction of less than JPY 1 being rounded up. The amount of capital reserved to be increased shall be the amount obtained by deducting from the maximum capital and other increased amount the amount of capital so increased.
- (12) Acquisition of the 2nd Stock Acquisition Rights
- There is no rule regarding to the acquisition of the 2nd Stock Acquisition Rights by the Company.
- (13) Succession of the 2nd Stock Acquisition Rights by the New Obligors in the case of the Company's Corporate Event
- (a) In the event where the Company effects a Corporate Event (including only the case where the common stocks of the New Obligor are delivered to the Company's shareholders), the Company shall deliver the stock acquisition rights of the New Obligor whose details are stated in (b) below (the "2nd New Stock Acquisition Rights") to the remaining Holders of the 2nd Stock Acquisition Rights as of the date immediately before the Corporate Event

Effective Date, except for the event of the early redemption of the 2nd Bonds pursuant to subparagraph (2) or (4) of paragraph 10. In this case, the 2nd Stock Acquisition Rights disappear on the Corporate Event Effective Date, and the obligations of the 2nd Bonds are transferred to the New Obligor (hereinafter, the “2nd Transferred Bonds”). The 2nd New Stock Acquisition Rights become the stock acquisition rights with the 2nd Transferred Bonds, and the Holders of the 2nd Stock Acquisition Rights become holders of the 2nd New Stock Acquisition Rights. This condition regarding the 2nd Stock Acquisition Rights applies to the 2nd New Stock Acquisition Rights.

- (b) The following is the substance of the 2nd New Stock Acquisition Rights
- a) Number of the 2nd New Stock Acquisition Rights  

The number of 2nd New Stock Acquisition Rights to be delivered will be equal to the number of the 2nd Stock Acquisition Rights outstanding immediately prior to the Corporate Event Effective Date.
  - b) Class of Shares Subject to the 2nd New Stock Acquisition Rights  

Common stock of the New Obligor
  - c) Method of calculating the number of shares subject to the 2nd New Stock Acquisition Rights  

The number to be obtained by dividing the aggregate of the amount of the 2nd Transferred Bonds with the exercised 2nd New Stock Acquisition Rights by the Conversion Price. In this case, any fraction of a share shall be rounded down and no cash adjustment shall be made. In the case where shares of less than one unit are generated by the exercise of the 2nd New Stock Acquisition Rights, such shares less than one unit shall be settled in cash, assuming that the holder of such shares of less than one unit exercises the right to demand that the Company purchase its shares of less than one unit pursuant to the Companies Act.
  - d) Conversion Price of the 2nd Transferred Bonds with the 2nd New Stock Acquisition Rights  

The Conversion Price of the 2nd Transferred Bonds attached by the 2nd New Stock Acquisition Rights is determined in order for the Holders of the 2nd Stock Acquisition Rights to obtain the same economic value as that obtained by the Holders of the 2nd Stock Acquisition Rights, assuming that such Holders exercise the 2nd Stock Acquisition Rights immediately before the Corporate Event Effective Date. The Conversion Price of the 2nd Transferred Bonds with the 2nd New Stock Acquisition Rights after the Corporate Event Effective Date is adjusted pursuant to subparagraphs (7), (8), and (9) above.
  - e) Description and Amount of Assets to be Contributed upon the Exercise of the 2nd New Stock Acquisition Rights  

Upon the exercise of each 2nd New Stock Acquisition Right of the New Obligor, the 2nd Transferred Bonds attached by the 2nd New Stock Acquisition Rights shall be contributed, and the value of assets to be contributed upon the exercise of the 2nd New Stock Acquisition Rights

of the New Obligor shall be the price equal to the principal amount of the 2nd Bonds.

f) Exercise period of the 2nd New Stock Acquisition Rights

The exercise period shall be from the Corporate Event Effective Date (in the event where the suspension period is determined pursuant to (c) of this paragraph (13), the Corporate Event Effective Date or the next business day of the last day of the suspension period, whichever is later) up to the last day of the Exercise Period of the 2nd Stock Acquisition Rights determined under subparagraph (4).

g) Amount of capital and capital reserved to be increased by the issuance of shares upon the exercise of the 2nd New Stock Acquisition Rights

The amount of capital to be increased when shares are issued upon the exercise of the 2nd New Stock Acquisition Rights shall be one-half of the “maximum capital and other increased amount,” as calculated pursuant to Article 17 of the Regulation on Corporate Accounting, with any fraction of less than JPY 1 being rounded up. The amount of capital reserved to be increased shall be the amount obtained by deducting from the maximum capital and other increased amount the amount of capital so increased.

h) Other Conditions for the Exercise of the 2nd New Stock Acquisition Rights

No 2nd New Stock Acquisition Rights of the New Obligor may be exercised in part.

i) Acquisition of the 2nd New Stock Acquisition Rights

There is no rule regarding the acquisition of the 2nd New Stock Acquisition Rights by the Company.

- (14) The reception of the exercise request of the 2nd Stock Acquisition Rights is accepted at the place stated in paragraph 12 (hereinafter referred as to the “Place”).
- (15) (a) The Holders of the 2nd Stock Acquisition Rights who intend to exercise their Stock Acquisition Rights shall, within the Exercise Period, file with the Place (i) the Company-designating exercise bill with their signatures stating the 2nd Bonds with the Stock Acquisition Rights regarding to the exercised 2nd Stock Acquisition Rights and the exercise date, and (ii) the certificate that certifies the Holders of the exercised 2nd Stock Acquisition Rights.
- (b) Such holder may not cancel the notification after giving such notice to the Place.
- (16) The exercise will be effective on the day when the notification arrives at the Place. If the exercise of the 2nd Stock Acquisition Rights is effective, the due date of payment regarding to the 2nd Bonds attached by the 2nd Acquisition Rights is assumed to come.
- (17) The Company will deliver the shares to the Holders of the 2nd Stock Acquisition Rights after the exercise is effective, by having a record created in the holdings column of its account in the Book-Entry Transfer Institutions or Account Management Institutions which the Holders designate.



- (18) The company has taken necessary measures if such measures are necessary, including the reinterpretation of this condition (i.e., the abolishment of the Shares Unit System).
- 12 Place where the 2nd Stock Acquisition Rights are to be exercised
- Finance Department, Japan Display Inc.
- 13 Acceleration
- (1) There is no agreement regarding acceleration in the 2nd Bonds with the Stock Acquisition Rights.
- (2) The holders of the 2nd Bonds with the Stock Acquisition Rights do not have the right to resolve pursuant to Article 739 of the Companies Act, and the 2nd Bonds with the Stock Acquisition Rights will not be accelerated.
- 14 Public notice
- Notices to the holders of the 2nd Bonds with the Stock Acquisition Rights regarding the 2nd Bonds with the Stock Acquisition Rights are conducted by way of public notice stated in Company's Article of Incorporation; provided, however, that the Company may give written notice to the holders of the 2nd Bonds with the Stock Acquisition Rights unless otherwise specified by law.
- 15 Bondholders' meeting
- (1) The bondholder's meeting of the 2nd Bonds with the Stock Acquisition Rights consists of the bondholders whose bonds are the same kind (stated in subparagraph 1 of Article 681 of the Companies Act) as the 2nd Bonds (hereinafter the "Same Kind of Bonds as the 2nd Bonds"), and the Company convenes the bondholder's meeting. The Company shall make public notice prior to three weeks before the bondholder's meeting that the Company will convene the bondholder's meeting and matters stated in Article 719 of the Companies Act.
- (2) The bondholder's meeting of the Same Kind of Bonds as the 2nd Bonds is held in Tokyo Prefecture.
- (3) The bondholders of the Same Kind of Bonds as the 2nd Bonds who hold not less than one-tenth of the total amount of the Same Kind of Bonds as the 2nd Bonds (excluding bonds that have been redeemed, and the sum of the amount of bonds held by the Company shall not be included in the calculation of the total amount of the bonds) may demand that the Company convene a bondholders' meeting by filing with the Company the document stating the matters to discuss and the reason for convening a bondholder's meeting, after taking the procedures required by the relevant law.
- 16 Limitation of transfer
- If a holder of the 2nd Bonds with the Stock Acquisition Rights is to transfer its 2nd Bonds with the Stock Acquisition Rights, it shall obtain the approval of the meeting of the board of the directors of the Company.
- 17 Subscription period
- Any date from August 29, 2019 to August 28, 2020

18 Payment date (Allotment date)

Any date from August 29, 2019 to August 28, 2020

19 Reason why no cash payment shall be required for the allotment of the 2nd Stock Acquisition Rights

The 2nd Bonds and the 2nd Stock Acquisition Rights are closely connected; i.e., the 2nd Stock Acquisition Rights are incorporated into the convertible-bond-type bonds with stock acquisition rights, and may not be transferred separately from the 2nd Bonds; the Bonds related to the Stock Acquisition Rights shall be contributed to capital in kind upon the exercise of the relevant 2nd Stock Acquisition Rights. In addition, the Company has taken into consideration the value of the 2nd Stock Acquisition Rights, the economic value generated for the Company by the terms of issuance of the Bonds, including the interest rate of the 2nd Bonds (0.00% per year), etc. Hence, the Company has determined that no cash payments will be required in exchange for the 2nd Stock Acquisition Rights.

20 Others

- (1) The Company entrusts its representative director with the necessary matters related to the issuance of the 2nd Bonds with the Stock Acquisition Rights other than those stated above.
- (2) The issuance of the 2nd Bonds with the Stock Acquisition Rights is subject to the registration taking effect under the Financial Instruments and Exchange Act.

(Schedule 2)

Japan Display Inc.  
Conditions of the 3rd Series Unsecured Convertible Bonds with Stock Acquisition Rights

This condition applies to the 3rd series unsecured convertible bonds with stock acquisition rights (hereinafter referred to as the “3rd Bonds with Stock Acquisition Rights” with only the stock acquisition rights portion thereof referred to as the “3rd Stock Acquisition Rights” and only the bond portion thereof referred to as the “3rd Bonds”) issued by the resolution of the board of directors as of April 12, 2019 and August 7, 2019 of Japan Display Inc. (hereinafter referred to as the “Company”).

1 Face value of 3rd Bonds

JPY 30,000,000,000

2 Amount of each 3rd Bond

JPY 100,000,000

3 Form

A bond certificate will not be issued in respect of each 3rd Bonds.

4 Transfer of the 3rd Stock Acquisition Rights or the 3rd Bonds

The 3rd Stock Acquisition Rights may not be transferred separately from the 3rd Bonds pursuant to the main clause of paragraph (2) of Article 254 of the Companies Act, and the 3rd Bonds may not be transferred separately from the 3rd Stock Acquisition Rights pursuant to the main clause of paragraph (3) of Article 254 of the Companies Act.

5 Interest rate of the 3rd Bonds

The 3rd Bonds will accrue no interest.

6 Issue price of the 3rd Bonds

JPY 100 per each JPY 100 of each 3rd Bonds; provided, however, that no cash payment shall be required in exchange for the 3rd Stock Acquisition Rights.

7 Redemption price of the 3rd Bonds

JPY 100 per each JPY 100 of each 3rd Bonds or the price stated in subparagraphs (2), (3), and (4) of paragraph 10 below in case of the early redemption.

8 Security or guarantee

The 3rd Bonds are not secured by any property or guaranteed. There is no asset particularly reserved for security thereof.

9 No bond managers

There is no bond manager of the 3rd Bonds because the 3rd Bonds fulfill the condition stated in the proviso of Article 702 of the Companies Act.

## 10 Redemption method and period

- (1) The Company will redeem all of the principal of the 3rd Bonds on the day five years after the allotment date of the 2nd series unsecured convertible bonds with stock acquisition rights of the Company (hereinafter referred to as the “2nd Bonds with Stock Acquisition Rights”; with such day referred to as the “Redeem Date”); provided, however, that the Company will redeem the 3rd Bonds pursuant to subparagraphs (2), (3), and (4) in case of the early redemption or subparagraph (6) in case of the purchase.
- (2) Early Redemption due to Corporate Event
  - (a) In the case where (i) a Corporate Event (as defined below) is approved by the Company’s shareholders meeting (or, where a resolution of a shareholders meeting is not necessary, at a meeting of the board of directors of the Company) or determined by another organization which has the authority to determine it under the Companies Act, and (ii) the Company has delivered to the holders of the 3rd Bonds, on or prior to the date of occurrence of the relevant Corporate Event, a certificate with the signature of the Company’s representative stating that the Company does not currently anticipate that the New Obligor (as defined below) will be a listed company in Japan as of the effective date of the Corporate Event for any reason stated in such certificate, the Company shall give not less than 30 days’ prior notice to the holders of the 3rd Bonds with the Stock Acquisition Rights, to redeem all, but not some only, of the 3rd Bonds then outstanding at JPY 100 per each JPY 100 of each 3rd Bonds, on the date specified for redemption in such notice, which is the date on or prior to the effective date of such Corporate Event (hereinafter referred to as the “Corporate Event Effective Date”); provided, however, that where the relevant Corporate Event Effective Date will come in less than 30 days after the approval or determination of such Corporate Event (hereinafter referred as to the “the Approval Day of the Corporate Event”), the date falling not earlier than 30 days from the date of such notice).
  - (b) “Corporate Event” collectively means any (i) absorption-type merger (kyushu gappei) of the Company into any other corporation, (ii) corporate split (shinsetsu bunkatsu or kyushu bunkatsu) in which the Company’s obligations under the 3rd Bonds are to be transferred to or assumed by the New Obligor and the New Obligor will deliver new stock acquisition rights instead of the 3rd Stock Acquisition Rights, (iii) circumstance where the Company becomes a wholly-owned subsidiary of another corporation by way of share exchange (kabusiki-koukan) or share transfer (kabushiki-iten) or (iv) other corporate reorganization procedures then provided for under Japanese law in which the Company’s obligations under the 3rd Bonds are to be transferred to or assumed by the corporation which is the counterparty.
  - (c) “New Obligor” collectively means any (i) surviving company in an absorption-type merger or a newly established company in a consolidation-type merger (only in case where the Company is disappeared by such merger), (ii) company in which the rights and obligations are transferred to or assumed by through a corporate split (shinsetsu bunkatsu or kyushu bunkatsu), (iii) company becoming a wholly-owning parent company of another corporation by way of a share exchange (kabushiki-koukan) or share transfer (kabushiki-iten), or (iv) company in which the obligations under the 3rd Bonds are to be transferred to or assumed through other corporate reorganization procedures then provided for under Japanese law.

- (d) The Company may not cancel the early redemption by the notice stated in (a) above after giving such notice.

(3) Redemption on delisting

- (a) In the event where (i) any offer is made by a party or parties (the “Offeror”) other than the Company in accordance with the Financial Instruments and Exchange Act of Japan to all holders of the Company’s shares to acquire all or a portion of the Company’s shares, (ii) the Company expresses its opinion to support such offer, (iii) the Company or the Offeror publicly announces or admits that the Company’s shares may cease to be listed on all the financial instruments exchanges the Company’s shares are listed on, as a result of the acquisition of the Company’s shares pursuant to the offer (unless the Company or the Offeror publicly expresses its intention to use its best endeavors to continue such listing after such acquisition), and (iv) the Offeror acquires any Company’s shares pursuant to the offer (including only the case where the offer succeeds on the last day of the term of such offer), then the Company shall, having given notice to the holders of the 3rd Bonds with the Stock Acquisition Rights within 15 days after the date of the acquisition of those Company’s shares pursuant to the offer (which means the date when the payment for the offer starts, the same applies hereinafter), redeem all, but not some only, of the 3rd Bonds then outstanding at JPY 100 per each JPY 100 of each 3rd Bonds on the date specified for redemption in such notice which is the day falling not earlier than 30 days, nor later than 60 days, from the date of such notice.
- (b) Notwithstanding (a) above, if the Company or the Offeror publicly announces by the last day of the term of such offer that it intends to effect a Corporate Event after the date of acquisition of any Company’s shares pursuant to the offer, then (a) above shall not apply. In this case, if the Approval Day of the Corporate Event will not come within 60 days after the acquisition of the Company’s shares pursuant to the offer, the Company shall, within 15 days after the last day of such 60-days period, give notice to the holders of the 3rd Bonds with the Stock Acquisition Rights, to redeem all, but not some only, of the 3rd Bonds then outstanding at JPY 100 per each JPY 100 of each 3rd Bonds, on the date specified for redemption in such notice which is the date falling not earlier than 30 days, nor later than 60 days, from the date of such notice.
- (c) In the event where both the situation stated in subparagraph (2) above and that stated in (a) and (b) above occurs at the same time, the 3rd Bonds will be redeemed pursuant to subparagraph (2) above; provided, however, that in the event where the situation stated in subparagraph (2) above occurs and the notice under (a) or (b) above is given before the Approval Day of the Corporate Event, the 3rd Bonds will be redeemed pursuant to this subparagraph (3).
- (d) The Company may not cancel the early redemption by the notice stated in (a) or (b) above after giving such notice.

(4) Redemption by notice

The Company may, from time to time, give not less than 2 weeks’ prior notice to the holders of the 3rd Bonds with the Stock Acquisition Rights (which notice shall be irrevocable), and redeem all, but not some only, of the 3rd Bonds then outstanding at JPY 100 per each JPY 100 of each Bonds on the redemption date, after the allotment date of the 3rd Bonds with the Stock Acquisition Rights.

- (5) In the event where the redemption date (including the date specified in the notice stated in subparagraphs (2), (3), and (4) in cases where the early redemption is conducted pursuant to such subparagraphs) is not a banking-business day, the redemption shall be conducted on the date immediately before the original redemption date.
- (6) The Company may, from time to time, purchase any 3rd Bonds with the Stock Acquisition Rights by the agreement between the Company and the holders of the 3rd Bonds with the Stock Acquisition Rights unless otherwise specified by laws after a day falling not earlier than one day from the Payment Date (defined in paragraph 18 below). If the Company cancels the 3rd Bonds with the Stock Acquisition Rights purchased by the Company, the Company may cancel neither the 3rd Bonds separately from the 3rd Stock Acquisition Rights nor the 3rd Stock Acquisition Rights from the 3rd Bonds.

#### 11 Matters concerning the 3rd Stock Acquisition Rights

- (1) Number of the 3rd Stock Acquisition Rights with the 3rd Bonds

One 3rd Stock Acquisition Right is attached to one 3rd Bond, and the Company issues 300 3rd Stock Acquisition Rights.

- (2) Issue price of the 3rd Stock Acquisition Rights

No cash payment shall be required in exchange for the 3rd Stock Acquisition Rights.

- (3) Class and calculation method of number of shares upon exercise of the 3rd Stock Acquisition Rights.

The class of shares to be acquired upon exercise of the 3rd Stock Acquisition Rights is the shares of common stock of the Company. Upon the exercise of the 3rd Stock Acquisition Rights, the number of the Company's shares by the issuance or the disposition of treasury shares by the Company shall be the number to be obtained by dividing the aggregate of the principal amount of the 3rd Bonds attached by the exercised 3rd Stock Acquisition Rights by the Conversion Price set out in (b) of subparagraph (6) below. In this case, any fraction of a share resulting from the exercise of the 3rd Stock Acquisition Rights shall be rounded down and no cash adjustment shall be made. In the case where shares of less than one unit are generated by the exercise of the 3rd Stock Acquisition Rights, such shares of less than one unit shall be settled in cash, assuming that the holder of such shares of less than one unit exercises the right to demand that the Company purchase its shares of less than one unit pursuant to the Companies Act.

- (4) Exercise period of the 3rd Stock Acquisition Rights

The holders of the 3rd Stock Acquisition Rights attached to the 3rd Bonds with the Stock Acquisition Rights (hereinafter referred to as the "Holders of the 3rd Stock Acquisition Rights") may, from time to time, exercise the 3rd Stock Acquisition Rights on the date falling not earlier than 6 months, from the allotment date of the 2nd Bonds with the Stock Acquisition Rights, nor later than the Redeem Date, and request that the Company deliver the Company's shares of common stock stated in subparagraph (3) above; provided, however, that the 3rd Stock Acquisition Rights may not be exercised (i) on the shareholder determination date and the day immediately before such date, (ii) in the period from six business days prior to the early redemption date to such date in case where the early redemption is conducted pursuant to subparagraphs (2), (3), and (4) of paragraph 10 before the Redeem Date, and (iii) in the period set forth in the notice given to the Holders of the 3rd Stock Acquisition Rights by the Company, which may not

exceed one month, in the event where the stock acquisition rights of the New Obligor are delivered in a Corporate Event, and where the Company reasonably determines that the suspension of the exercise of the 3rd Stock Acquisition Rights is necessary and gives prior written notice stating necessary matters including the suspension period to the Holders of the 3rd Stock Acquisition Rights.

Hereinafter, the “Exercise Period” means the period in which the Holders of the 3rd Stock Acquisition Rights may exercise the 3rd Stock Acquisition Rights pursuant to this subparagraph (4).

- (5) Other Conditions for the Exercise of the 3rd Stock Acquisition Rights
- (a) If the number of the issued shares surpasses that of the authorized shares as of the exercise date by the exercise of the 3rd Stock Acquisition Rights, such exercise may be prohibited.
- (b) No 3rd Stock Acquisition Rights may be exercised in part.
- (6) Assets to be contributed upon exercise of the 3rd Stock Acquisition Rights and Amount thereto
- (a) The assets to be contributed upon exercise of each 3rd Stock Acquisition Right shall be the 3rd Bonds, and the amount thereto shall be equal to the issue price of each 3rd Bonds.
- (b) The price used in calculating the number of the common stocks of the Company delivered by the exercise of the 3rd Stock Acquisition Rights (hereinafter referred to as the “Conversion Price”), (in the case where subparagraph (13) below applies, the price used in calculating the number of the common stocks of the New Obligor delivered by the exercise of the 3rd New Stock Acquisition Rights (as defined in (a) of subparagraph (13) below) is JPY 50, provided, however, that the Conversion Price may be adjusted pursuant to subparagraphs (7), (8), and (9).
- (7) (a) The Conversion Price shall be adjusted in accordance with the following formula (hereinafter referred to as the “Conversion Price Adjusted Formula”) when the number of the issued shares is changed or is likely to be changed pursuant to the things stated in (b) below, after the issuance of the 3rd Bonds with the Stock Acquisition Rights.

$$\text{Conversion Price after adjustment} = \frac{\text{Conversion Price before adjustment} \times \left( \frac{\text{Number of shares already issued} + \frac{\text{Number of shares to be delivered} \times \text{Paid-in amount per share}}{\text{Current Market Price per Share}}}{\text{Number of shares already issued} + \text{Number of shares to be delivered}} \right)}{1}$$

- (b) With regard to the adjustment of the Conversion Price by the Conversion Price Adjusted Formula and the timing to apply the Conversion Price after adjustment, the followings are applied;
- a) In the event where the Company issues the common stocks of the Company at a price less than the Current Market Price (as defined in (c) of subparagraph (8) below) (excluding the issuance of the common stocks of the Company by the resolution of the meeting of the board of

directors as of April 12, 2019), the Conversion Price after adjustment is applied after the next day of the payment date; provided, however, that in case where there is a record date to grant entitlement to the allotment of shares to the Company's shareholders, the Conversion Price after adjustment is applied after the next day of such record date.

- b) In the event where the Company conducts a stock split of the common stocks of the Company or the allotment of the common stocks of the Company without contribution, the Conversion Price after adjustment is applied after the next day of the record date of the stock split or after the next day of the effective date of such allotment; provided, however, that in the case where there is a record date to grant entitlement to the allotment of shares to the Company's shareholders without contribution, the Conversion Price after adjustment is applied after the next day of such record date.
- c) In the event where the Company issues (i) shares of a class where the Company shall deliver its common shares pursuant to requests of shareholders of such class of shares at a price less than the Current Market Price, (ii) shares of a class where the Company may acquire such class shares in exchange for delivering its common shares at a price less than the Current Market Price, (iii) stock acquisition rights where the Company may acquire such stock acquisition rights in exchange for delivering its common shares at a price less than the Current Market Price (including bonds with the stock acquisition rights), or (iv) stock acquisition rights where the Company shall deliver its common shares at a price less than the Current Market Price (including those with bonds with the stock acquisition rights) (hereinafter referred as to the collectively "Shares with the Rights to Acquire Common Stocks") (excluding the issuance of the bonds with the Stock Acquisition Rights by the resolution of the meeting of the board of directors of the Company as of April 12, 2019), the Conversion Price after adjustment is calculated, assuming that the original conditions are applied to the Shares with the Rights to Acquire Common Stocks, and applied after the next day of (i) the payment date (or the allotment date in the case of stock acquisition rights or bonds with the stock acquisition rights), or (ii) the effective date of the allotment without contribution; provided, however, that in the case where there is a record date to grant entitlement to the allotment of shares to the Company's shareholders, the Conversion Price after adjustment is applied after the next day of such record date.
- d) Notwithstanding the foregoing a), b), and c), in the event where the Company allots to its shareholders the common stock or the Shares with the Rights to Acquire Common Stocks and where the record date related to such allotment is prior to (i) the day when such allotment is approved by its shareholder meeting, the meeting of the board of director or other organization, or (ii) the day when such allotment is determined by the representative of the Company, the Conversion Price after adjustment is applied after the next day of the approval or the determination; provided, however, that the Company delivers the number of the common stocks calculated by the following formula after the day of the approval or the determination to the Holders of the 3rd Stock Acquisition Rights who exercise the 3rd Stock Acquisition Rights on the date falling not earlier than the next day of such record date nor later



than the day of the approval or the determination. In this case, subparagraph (17) is applied.

$$\text{Number of Shares} = \frac{\left( \begin{array}{c} \text{Conversion} \\ \text{Price before} \\ \text{adjustment} \end{array} - \begin{array}{c} \text{Conversion} \\ \text{Price after} \\ \text{adjustment} \end{array} \right) \times \begin{array}{c} \text{Number of Shares} \\ \text{delivered within the} \\ \text{period by the} \\ \text{Conversion Price} \\ \text{before adjustment} \end{array}}{\text{Conversion Price after adjustment}}$$

In this case, any fraction of a share resulting from the exercise of the Stock Acquisition Rights shall be rounded down and no cash adjustment shall be made.

- (8) The following rules applies to the adjustment of the Conversion Price.
- (a) The adjustment of the Conversion Price is not conducted as long as the difference between the Conversion Price after adjustment calculated by the Conversion Price Adjusted Formula and the Conversion Price before adjustment is less than JPY 1; provided, however, that if matters that require the Company to adjust the Conversion Price occur, the price obtained by deducting the difference from the Conversion Price before adjustment is used in the calculation of the Conversion Price instead of the Conversion Price before Adjustment in the Conversion Price Adjusted Formula.
  - (b) In the Conversion Price Adjusted Formula, the Conversion Price after adjustment is calculated to two decimal places and rounded off at the second decimal place.
  - (c) The Current Market Price used in the Conversion Price Adjusted Formula is the average of the last reported trading prices (including the indicate price display) of the regular way of the common stocks on Tokyo Stock Exchange for a period of 30 consecutive business days (except for the day without the last reported trading prices) from 45 days prior to the day when the Conversion Price after adjustment is applied (or the record date stated in d) of (b) of subparagraph (7) above). In this case, the average is calculated to two decimal places and rounded off the second decimal place.
  - (d) the “number of shares already issued” used in the Conversion Price Adjusted Formula is the number calculated by the following formula:  
  
(the number of the issued common stocks of the Company as of the day corresponding to the record date to grant entitlement to the allotment of shares to the Company’s shareholders (if not applicable, the day when the Conversion Price after adjustment is applied) (in the case where the last month does not contain the corresponding day, the last day of such month) ) – (the number of the common stocks held by the Company as of such date) + (the number of the common stocks of the Company not delivered but assumed that such common stocks include the number of the delivered common stocks of the Company pursuant to subparagraphs (7) and (9))

In the event where the stock split of the common stocks of the Company is conducted, the number of the common stocks allotted to the Company's common stocks held by the Company as of the record date may not be included in the number of the delivered common stocks used in the Conversion Price Adjusted Formula.

- (9) The Conversion Price shall also be adjusted from time to time on the occurrence of the following events in addition to the cases of subparagraphs (7) and (8) above.
- (a) reverse stock splits, a decrease of the capital or the capital reserved, mergers (excluding the case when the Company is not a surviving company), share exchanges, or corporate splits
  - (b) the events when the number of issued shares of the Company is changed or is likely to be changed other than (a) above
  - (c) the events where the adjustment of the Conversion Price is necessary in order to allot another class of shares to the Company's shareholders without contribution
  - (d) the event where it is necessary to take into consideration the effect of one event on the Current Market Price used when calculating the Conversion Price after adjustment under the other event, including the case where two or more events requiring the Company to adjust the Conversion Price occur in close proximity.
- (10) In the event when the Company adjusts the Conversion Price pursuant to subparagraphs (7), (8), and (9) above, the Company gives prior written notice to the holders of the 3rd Bonds with the Stock Acquisition Rights stating the necessary matters, including the details of the adjustment of Conversion Price, Conversion Price before adjustment, Conversion Price after adjustment, and the applicable date; provided, however, that if the Company can not give such notice by the day immediately before the applicable date including the case for d) of (b) of subparagraph (7) above, the Company shall give such notice as soon as possible after the applicable date.
- (11) Amount of capital and capital reserved to be increased by the issuance of shares upon the exercise of the 3rd Stock Acquisition Rights
- The amount of capital to be increased when shares are issued upon the exercise of the 3rd Stock Acquisition Rights shall be one-half of the "maximum capital and other increased amount," as calculated pursuant to Article 17 of the Regulation on Corporate Accounting, with any fraction of less than JPY 1 being rounded up. The amount of capital reserved to be increased shall be the amount obtained by deducting from the maximum capital and other increased amount the amount of capital so increased.
- (12) Acquisition of the 3rd Stock Acquisition Rights
- There is no rule regarding to the acquisition of the 3rd Stock Acquisition Rights by the Company.
- (13) Succession of the 3rd Stock Acquisition Rights by the New Obligor in the case of the Company's Corporate Event
- (a) In the event where the Company effects a Corporate Event (including only the case where the common stocks of the New Obligor are delivered to the Company's shareholders), the Company shall deliver the stock acquisition

rights of the New Obligor whose details are stated in (b) below (the “3rd New Stock Acquisition Rights”) to the remaining Holders of the 3rd Stock Acquisition Rights as of the date immediately before the Corporate Event Effective Date, except for the event of the early redemption of the 3rd Bonds pursuant to subparagraph (2) or (4) of paragraph 10. In this case, the 3rd Stock Acquisition Rights disappear on the Corporate Event Effective Date, and the obligations of the 3rd Bonds are transferred to the New Obligor (hereinafter, the “3rd Transferred Bonds”). The 3rd New Stock Acquisition Rights become the stock acquisition rights with the 3rd Transferred Bonds, and the Holders of the 3rd Stock Acquisition Rights become holders of the 3rd New Stock Acquisition Rights. This condition regarding the 3rd Stock Acquisition Rights applies to the 3rd New Stock Acquisition Rights.

- (b) The following is the substance of the 3rd New Stock Acquisition Rights
- a) Number of the 3rd New Stock Acquisition Rights  

The number of the 3rd New Stock Acquisition Rights to be delivered will be equal to the number of the 3rd Stock Acquisition Rights outstanding immediately prior to the Corporate Event Effective Date.
  - b) Class of Shares Subject to the 3rd New Stock Acquisition Rights  

Common stock of the New Obligor
  - c) Method of calculating the number of shares subject to the 3rd New Stock Acquisition Rights  

The number to be obtained by dividing the aggregate of the amount of the 3rd Transferred Bonds with the exercised 3rd New Stock Acquisition Rights by the Conversion Price. In this case, any fraction of a share shall be rounded down and no cash adjustment shall be made. In the case where shares of less than one unit are generated by the exercise of the 3rd New Stock Acquisition Rights, such shares of less than one unit shall be settled in cash, assuming that the holder of such shares of less than one unit exercises the right to demand that the Company purchase its shares of less than one unit pursuant to the Companies Act.
  - d) Conversion Price of the 3rd Transferred Bonds with the 3rd New Stock Acquisition Rights  

The Conversion Price of the 3rd Transferred Bonds attached by the 3rd New Stock Acquisition Rights is determined in order for the Holders of the 3rd Stock Acquisition Rights to obtain the same economic value as that obtained by the Holders of the 3rd Stock Acquisition Rights, assuming that such Holders exercise the 3rd Stock Acquisition Rights immediately before the Corporate Event Effective Date. The Conversion Price of the 3rd Transferred Bonds with the 3rd New Stock Acquisition Rights after the Corporate Event Effective Date is adjusted pursuant to subparagraphs (7), (8), and (9) above.
  - e) Description and Amount of Assets to be Contributed upon the Exercise of the 3rd New Stock Acquisition Rights

Upon the exercise of each 3rd New Stock Acquisition Right of the New Obligor, the 3rd Transferred Bonds attached by the 3rd New Stock Acquisition Rights shall be contributed, and the value of assets to be contributed upon the exercise of the 3rd Stock Acquisition rights of the New Obligor shall be the price equal to the principal amount of the 3rd Bonds.

f) Exercise period of the 3rd New Stock Acquisition Rights

The exercise period shall be from the Corporate Event Effective Date (in the event where the suspension period is determined pursuant to (c) of this paragraph (13), the Corporate Event Effective Date or the next business day of the last day of the suspension period, whichever is later) up to the last day of the Exercise Period of the 3rd Stock Acquisition Rights determined under subparagraph (4).

g) Amount of capital and capital reserved to be increased by the issuance of shares upon the exercise of the 3rd New Stock Acquisition Rights

The amount of capital to be increased when shares are issued upon the exercise of the 3rd New Stock Acquisition Rights shall be one-half of the “maximum capital and other increased amount,” as calculated pursuant to Article 17 of the Regulation on Corporate Accounting, with any fraction of less than JPY 1 being rounded up. The amount of capital reserved to be increased shall be the amount obtained by deducting from the maximum capital and other increased amount the amount of capital so increased.

h) Other Conditions for the Exercise of the 3rd New Stock Acquisition Rights

No 3rd New Stock Acquisition Rights of the New Obligor may be exercised in part.

i) Acquisition of the 3rd New Stock Acquisition Rights

There is no rule regarding the acquisition of the 3rd New Stock Acquisition Rights by the Company.

(14) The reception of the exercise request of the 3rd Stock Acquisition Rights is accepted at the place stated in paragraph 12 (hereinafter referred as to the “Place”).

(15) (a) The Holders of the 3rd Stock Acquisition Rights who intend to exercise their Stock Acquisition Rights shall, within the Exercise Period, file with the Place (i) the Company-designating exercise bill with their signatures stating the 3rd Bonds with the Stock Acquisition Rights regarding to the exercised 3rd Stock Acquisition Rights and the exercise date, and (ii) the certificate that certifies the Holders of the exercised 3rd Stock Acquisition Rights.

(b) Such holder may not cancel the notification after giving such notice to the Place.

(16) The exercise will be effective on the day when the notification arrives at the Place. If the exercise of the 3rd Stock Acquisition Rights is effective, the due date of payment regarding to the 3rd Bonds attached by the 3rd Acquisition Rights is assumed to come.

(17) The Company will deliver the shares to the Holders of the 3rd Stock Acquisition Rights after the exercise is effective, by having a record created in the holdings column of its account in the Book-Entry Transfer Institutions or Account Management Institutions which the Holders designate.

(18) The company has taken necessary measures if such measures are necessary, including the reinterpretation of this condition (i.e., the abolishment of the Shares Unit System).

12 Place where the 3rd Stock Acquisition Rights are to be exercised

Finance Department, Japan Display Inc.

13 Acceleration

(1) There is no agreement regarding acceleration in the 3rd Bonds with the Stock Acquisition Rights.

(2) The holders of the 3rd Bonds with the Stock Acquisition Rights do not have the right to resolve pursuant to Article 739 of the Companies Act, and the 3rd Bonds with the Stock Acquisition Rights will not be accelerated.

14 Public notice

Notices to the holders of the 3rd Bonds with the Stock Acquisition Rights regarding the 3rd Bonds with the Stock Acquisition Rights are conducted by way of public notice stated in Company's Article of Incorporation; provided, however, that the Company may give written notice to the holders of the 3rd Bonds with the Stock Acquisition Rights unless otherwise specified by law.

15 Bondholders' meeting

(1) The bondholder's meeting of the 3rd Bonds with the Stock Acquisition Rights consists of the bondholders whose bonds are the same kind (stated in subparagraph 1 of Article 681 of the Companies Act) as the 3rd Bonds (hereinafter the "Same Kind of Bonds as the 3rd Bonds"), and the Company convenes the bondholder's meeting. The Company shall make public notice prior to three weeks before the bondholder's meeting that the Company will convene the bondholder's meeting and matters stated in Article 719 of the Companies Act.

(2) The bondholder's meeting of the Same Kind of Bonds as the 3rd Bonds is held in Tokyo Prefecture.

(3) The bondholders of the Same Kind of Bonds as the 3rd Bonds who hold not less than one-tenth of the total amount of the Same Kind of Bonds as the 3rd Bonds (excluding bonds that have been redeemed, and the sum of the amount of bonds held by the Company shall not be included in the calculation of the total amount of the bonds) may demand that the Company convene a bondholders' meeting by filing with the Company the document stating the matters to discuss and the reason for convening a bondholder's meeting, after taking the procedures required by the relevant law.

16 Limitation of transfer

If a holder of the 3rd Bonds with the Stock Acquisition Rights is to transfer its 3rd Bonds with the Stock Acquisition Rights, it shall obtain the approval of the meeting of the board of the directors of the Company.

17 Subscription period

Any date from August 29, 2019 to August 28, 2020

18 Payment date (Allotment date)

Any date from August 29, 2019 to August 28, 2020

19 Reason why no cash payment shall be required for the allotment of the 3rd Stock Acquisition Rights

The 3rd Bonds and the 3rd Stock Acquisition Rights are closely connected; i.e., the 3rd Stock Acquisition Rights are incorporated into the convertible-bond-type bonds with stock acquisition rights, and may not be transferred separately from the 3rd Bonds; the Bonds related to the Stock Acquisition Rights shall be contributed to capital in kind upon the exercise of the relevant 3rd Stock Acquisition Rights. In addition, the Company has taken into consideration the value of the 3rd Stock Acquisition Rights, the economic value generated for the Company by the terms of issuance of the Bonds, including the interest rate of the 3rd Bonds (0.00% per year), etc. Hence, the Company has determined that no cash payments will be required in exchange for the 3rd Stock Acquisition Rights.

20 Others

- (1) The Company entrusts its representative director with the necessary matters related to the issuance of the 3rd Bonds with the Stock Acquisition Rights other than those stated above.
- (2) The issuance of the 3rd Bonds with the Stock Acquisition Rights is subject to the registration taking effect under the Financial Instruments and Exchange Act.

End

## Guidance on Exercising Voting Rights

Voting rights can be exercised through the following 3 methods.

### Attendance at Shareholders' Meeting

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Please bring the enclosed voting form and submit it to the receptionist. (You do not need to affix your personal seal.)

Date and Time: Friday, September 27, 2019, at 10 a.m. (Reception begins at 9 a.m.)

Venue: **Bellesalle Onarimon Tower** on the 4th floor

### Exercising Voting Rights by Mail

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Please indicate your vote for or against each of the proposals on the enclosed voting form, and send via post without attaching stamp.

Exercise Deadline: Must be received by 5:30 p.m. on Thursday, September 26, 2019

### Exercising Voting Rights on the Internet, etc.

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Please access the voting website (<https://www.web54.net>; available in Japanese only) operated by the Company's shareholder registry administrator via "Smart Exercise" by reading the QR Code on the voting rights exercise form with a smartphone or using a personal computer, enter your "Voting Rights Exercise Code" and "Password" noted on the enclosed voting form and enter whether you are for or against each item. Please refer to the next page for notes on the exercise of voting rights on the Internet, etc.

Exercise Deadline: 5:30 p.m. on Thursday, September 26, 2019

For operational inquiries related to PCs, etc.

Sumitomo Mitsui Trust Bank, Limited

Securities Agent Web Support Hotline (dedicated line)

Telephone: 0120-652-031

(Business hours: 9 a.m. to 9 p.m.)

### Voting Rights Electronic Exercise Platform

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Institutional investors may use the "Voting Rights Electronic Exercise Platform" operated by ICJ Inc. for this General Meeting of Shareholders as a means of exercising voting rights electromagnetically.

**Notes on the exercise of voting rights on the Internet, etc.**

When exercising voting rights on the Internet, please be aware of the following before casting your vote.

1. Use of the password and voting right exercise code
  - (1) The password is an important means to verify the identity of persons exercising their voting right as the shareholders in question. Please be sure to keep the password, as well as your registered seal and security code, in a safe place.
  - (2) If you repeatedly enter the wrong password, the Internet-based voting system will be locked after a designated number of incorrect entries, rendering further operation unavailable. To have your password reissued, follow the instructions shown on the screen.
  - (3) The voting right exercise code supplied on the enclosed voting form is valid only for this General Meeting of Shareholders.
2. Exercise of voting rights
  - (1) You are responsible for paying any fees, such as connection fees to Internet providers and communication fees to telecommunications providers in order to use the website for exercising your voting rights.
  - (2) Although your vote on the Internet will be accepted until 5:30 p.m., Thursday, September 26, 2019, we ask that you please exercise your voting rights at your earliest convenience.

Please contact the Hotline of Sumitomo Mitsui Trust Bank, Limited for inquiries about voting on the Internet, etc.