

Japan Display Inc.

Consolidated Financial Results for the Three Months of Fiscal Year 2020 (Japanese GAAP)

Company name: Japan Display Inc. (“JDI”)
 Security code: 6740
 Listing: Tokyo Stock Exchange (First Section)
 Website: <https://www.j-display.com/english/>
 Representative: Minoru Kikuoka, Representative Executive Officer, President and CEO
 Contact: Akihito Okochi, Executive Officer and CFO
 Phone: +81-3-6732-8100

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 Commencement of dividend payments: -
 Supplementary materials for earnings results: Available
 Investor and Analyst briefing for earnings results: September 10, 2020, web conference, language: Japanese

(Figures in this report are rounded down to the nearest million yen.)

1. Consolidated results of operations for the three months ended June 30, 2020

(1) Results of operations (Millions of yen, except per share amounts)

	3 mo. ended June 30, 2021	YoY (%)	3 mo. ended June 30, 2020	YoY (%)
Net sales	87,999		90,421	(2.7)
Operating income (loss)	(7,006)	-	(27,073)	-
Ordinary income (loss)	(8,799)	-	(31,207)	-
Net income (loss) attributable to owners of the parent	(16,286)	-	(78,913)	-
Net income (loss) per share				
-Basic	(7.06)		(93.26)	
-Diluted	-		-	
(Reference) Comprehensive income (loss)	(16,255)	-	(79,886)	-

(2) Financial position

(Millions of yen)

	June 30, 2020	March 31, 2020
Total assets	330,763	389,746
Net assets	37,125	53,363
Shareholders' equity ratio (%)	10.5	13.1
(Reference) Shareholders' equity	34,857	51,103

2. Dividends

	1Q-end	2Q-end	3Q-end	FY-end	Total
Year ended March 31, 2019	-	0.00	-	0.00	0.00
Year ending March 31, 2020	-	0.00			
Year ending March 31, 2021 (forecast) ..			-	0.00	0.00

Note: Changes from the most recently announced dividend forecast: None

3. Financial forecast for 2Q of FY 2020 and full year of FY 2020

(Millions of yen)

	2Q-FY2020		FY 2020 (full year)	
	Amount	YoY Change	Amount	YoY Change
Net sales	11,000~ 12,000	(25.3)% ~ (18.5)%	378,017~ 428,419	(25.0)% ~ (15.0)%
Operating Profit	(3,000) ~ 0	—	—	—

Note: Changes from the most recently announced financial forecast: Yes

Details are shown on page 5 of the attachment "1. Quarterly Results Information, (3) Note Concerning the Forecast of Consolidated Financial Results."

Notes:

- (1) Changes in significant subsidiaries to scope of consolidation: None
 (Changes in specified subsidiaries resulting in the change of consolidation scope)
 Newly consolidated: None
 Removed from consolidation: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
For details please see "(c) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements" in "(3) Notes on Quarterly Consolidated Financial Statements" in the attachment.
- (3) Changes in accounting policy, changes in accounting estimate and retrospective restatements
- | | |
|--|------|
| a) Changes in accounting policy in accordance with amendments to accounting standards: | None |
| b) Changes in accounting policy other than a) above: | None |
| c) Changes in accounting estimates: | None |
| d) Retrospective restatement: | None |

- (4) Number of shares outstanding

	June 30, 2020	March 31, 2020
a) Number of shares outstanding (incl. treasury shares)	2,538,165,800	2,538,165,800
b) Number of treasury shares	3	3
	3 mo. ended	3 mo. ended
	June 30, 2020	June 30, 2019
c) Average number of shares outstanding (quarterly cumulative)	2,307,045,797	846,165,797

Note: The Class A preferred shares and the Class B preferred shares have the same rights as common shares in regard to rights to receive dividends of surplus, and are therefore included in the number of shares outstanding at the end of periods and the average number of shares outstanding during the periods.

* Quarterly earnings reports are not subject to quarterly review procedures by independent auditors.

Proper use of earnings forecasts and other matters warranting special mention

Forward-looking information, such as earnings forecasts in this document, is based on information available to JDI at the time the document was prepared and on management's reasonable assumptions. Such information should not be interpreted as a guarantee of future performance or results. Furthermore, forward-looking information is

necessarily subject to a number of factors that may cause actual results to differ materially from those results implied by the expectations suggested by such information.

Attachments

1. Quarterly Results Information

(1) Overview of Results of Operations

Consolidated Results of Operations for The First Quarter of FY 2020 (April 1 – June 30, 2020)

Year on year comparison

(Millions of yen)

	1Q-FY 2019	1Q-FY 2020	YoY	
			Change	(%)
Mobile Device Category	53,683	61,723	8,039	15.0
Automotive Category	25,519	14,769	(10,750)	(42.1)
Non-Mobile Device Category	11,217	11,506	289	2.6
Net sales	90,421	87,999	(2,421)	(2.7)
Gross profit	(16,784)	1,037	17,821	-
Operating income (loss)	(27,073)	(7,006)	20,066	-
Ordinary income (loss)	(31,207)	(8,799)	22,408	-
Net income (loss) attributable to owners of the parent	(78,913)	(16,286)	62,626	-
EBITDA*	(20,183)	(3,209)	16,974	-

Notes: EBITDA = Operating profit + Depreciation (operating costs) + Amortization of goodwill

In the first quarter of fiscal year 2020, the business environment surrounding JDI became more formidable due to continued severe competition in the small and medium-sized display business, in addition to reduced global consumption brought on by the international coronavirus pandemic. The company's supply chain, which suffered disruptions in the fourth quarter of fiscal year 2019, experienced delays in a recovery of production due to the prolonged quarantine of urban areas in the Philippines. However, because procurement and production were at almost normal levels in China, the overall impact on the supply chain was minimal. On the other hand, weak demand for smartphone and automotive displays, which are JDI's main products, pushed down sales.

As a result, net sales for the first quarter were JPY 87,999 million, down 2.7% from the same period last year when sales fell due to the effects of trade friction between the United States and China and customer inventory adjustments, leading to an operating loss of JPY 7,006 million. Operating losses continued due to low sales, but because of the benefits of fixed-cost reductions resulting from the structural reforms implemented in the first half of the previous fiscal year and cost-saving efforts, as well as a cost of sales reduction effect stemming from increased inventory that was caused by a sharp decrease in demand tied to the coronavirus pandemic, these losses declined by JPY 20,066 million year on year (YoY). Also, an ordinary loss of JPY 8,799 million was recorded. Due to the transfer of equity-method shares in the previous quarter, a share of loss of entities accounted for using the equity method recorded in the first quarter of the previous year (JPY 2,031 million) did not occur in the first quarter of fiscal year 2020, leading non-operating income/expense to improve by JPY 2,341 million on a net basis and ordinary losses in the first quarter of the current fiscal year to decline by JPY 22,408 million YoY. In addition, as a result of recording an extraordinary loss of JPY 7,618 million for a business restructuring expense related to the transfer of the Hakusan Plant, the net loss attributable to owners of the parent in the first quarter was JPY 16,286 million. This amount represents an improvement of JPY 62,626 million YoY in light of the extraordinary loss of JPY 47,741 million for a business restructuring expense, including the write-down of Hakusan Plant assets, that was recorded in the first quarter of

fiscal year 2019.

JDI's forecast for first-quarter net sales and operating losses, as stated in its June 30, 2020 "Consolidated Financial Results for Fiscal Year 2019 (Japanese GAAP)," and actual results appear in the table below. Actual sales and operating losses fell within the forecast range.

(Unit: million yen)

	1Q-FY2020 (June 30 Estimate)	1Q-FY2020 (Actual)	1Q-FY2019 (Actual)
Net sales	85,000~89,000	87,999	90,421
Operating income	(7,000)~(9,000)	(7,006)	(27,073)

Below is an overview of JDI's sales performance in each of its application categories in the first quarter.

Mobile Device Category

The Mobile Device Category includes displays for smartphones and tablets. Sales in the first quarter of fiscal year 2020 in this category were JPY 61,723 million (up 15.0% YoY), accounting for 70.1% of total company net sales. Sales were higher compared to the same period of the previous year when sales declined due to the effects of trade friction between the United States and China and customer inventory adjustments, but the current year level was below the initial expectation due to a decrease in demand in connection with the coronavirus pandemic. Also, because JDI does not currently expect any significant sales improvement in the future in this category, the company stopped production at its Hakusan Plant, which was the main production center for smartphone displays, and made a decision on August 28, 2020 to transfer the plant to a third party.

Automotive Category

Sales in the automotive category center on automotive displays, such as instrument clusters and head-up displays. First-quarter sales were JPY 14,769 million (down 42.1% YoY), accounting for 16.8% of total net sales. This category experienced an unprecedented decrease in display demand due to a major adjustment in automobile production. On the other hand, in light of the current signs of a demand recovery, JDI expects to see a favorable trend from the second quarter onward.

Non-Mobile Category

The non-mobile category includes displays for digital still cameras, wearable devices and other consumer electronics, industrial devices such as medical equipment monitors and income from patents. First-quarter sales were JPY 11,506 million (up 2.6% YoY), accounting for 13.1% of total net sales.

Sales declined compared to the previous quarter due to delays in the recovery of production at a back-end subsidiary in the Philippines and a decrease in demand for digital still cameras. However, demand for displays for notebook PCs, wearables and VR devices was solid, resulting in roughly the same level of sales in this category on a year-on-year comparison.

(2) Overview of Financial Position

At the end of the first quarter of fiscal year 2020, JDI had total assets of JPY 330,763 million, a decrease of JPY 58,982 million from the end of the previous fiscal year (the end of March 2020). This was mainly due to a decrease

of JPY 21,437 million in cash and deposits, a decrease of JPY 32,719 million in accounts receivable-trade and a decrease of JPY 12,165 million in accounts receivable-other, along with an increase of JPY 7,989 million in inventories. Liabilities were JPY 293,638 million, a decrease of JPY 42,744 million from the end of the previous fiscal year. The main factors in liabilities were a decrease of JPY 29,286 million in accounts payable-trade, a decrease of JPY 6,508 million in advances received and a decrease of JPY 3,961 million in other liabilities. Net assets were JPY 37,125 million at the end of the first quarter, a decrease of JPY 16,238 million versus the end of the previous fiscal year, due mainly to a JPY 16,286 million quarterly net loss attributable to owners of the parent. As a result, JDI was left with a shareholders' equity ratio of 10.5% (compared with 13.1% at the end of the previous fiscal year).

(3) Note Concerning the Forecast of Consolidated Financial Results

In the FY 2019 financial results released on June 30, 2020, JDI stated that net sales in FY 2020 were expected to decline by 15-20% versus FY 2019, due partly to the impact of the coronavirus pandemic on smartphone and automotive display demand. Currently, the demand for automotive displays is showing signs of a recovery, but smartphone display demand remains uncertain under the continuing impact of the coronavirus pandemic and other factors. For this reason, JDI now estimates that current year net sales will experience a 15-25% decline YoY. The company will focus on a sales recovery and implementing further cost-reduction measures to improve its business performance.

Under these circumstances, JDI is committed to rebuilding its revenue base. As part of this effort, it made a decision on August 28, 2020 to transfer its manufacturing facility for smartphone displays, the Hakusan Plant, to Sharp Corporation and JDI's customer (the "Customer"). Definitive agreements to this effect have been reached. The transfer (1) will lead to a reduction of costs, such as maintenance costs and property taxes related to the plant, (2) will enable the repayment of advances received from the Customer at the time the Hakusan Plant was constructed, resulting in improved future cash flow and (3) is expected to contribute to the improvement of the balance sheet by reducing non-operating assets and liabilities. The company has determined that, rather than maintaining the plant, the transfer will lead to improved corporate value.

Further, JDI will continue to implement other measures to improve its business performance.

In addition, the forecast for net sales and operating income for the second quarter (July 1, 2020 to September 30, 2020) of the current year is shown below. Due to significant undetermined non-operating items, JDI is only providing estimates for net sales and operating income.

(Unit : Million yen)

	2Q-FY 2020 (Estimate)	2Q-FY 2019 (Actual)
Net Sales	110,000~120,000	147,341
Operating income	(3,000)~0	(8,096)

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(Millions of Yen)	
	March 31, 2020	June 30, 2020
<u>Assets</u>		
Current assets:		
Cash and deposits	66,672	45,234
Accounts receivable - trade	70,903	38,183
Accounts receivable - other	48,148	35,982
Merchandise and finished goods	10,131	17,910
Work in process	13,202	12,697
Raw materials and supplies	15,753	16,468
Other	4,699	7,359
Allowance for doubtful accounts	(81)	(107)
Total current assets	<u>229,428</u>	<u>173,728</u>
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	97,755	96,419
Machinery, equipment and vehicles, net	26,282	25,495
Land	10,014	10,010
Lease assets, net	1,688	1,657
Construction in progress	3,890	3,177
Other, net	3,176	3,240
Total property, plant and equipment	<u>142,808</u>	<u>140,000</u>
Intangible assets:		
Goodwill	7,263	6,900
Other	1,661	1,569
Total intangible assets	<u>8,924</u>	<u>8,470</u>
Investments and other assets:		
Other	9,276	9,255
Allowance for doubtful accounts	(692)	(691)
Total investments and other assets	<u>8,584</u>	<u>8,564</u>
Total non-current assets	<u>160,318</u>	<u>157,035</u>
Total assets	<u>389,746</u>	<u>330,763</u>

(Millions of Yen)

	March 31, 2020	June 30, 2020
<u>Liabilities</u>		
Current liabilities:		
Accounts payable - trade	88,439	59,152
Electronically recorded obligations - operating	893	873
Short-term loans payable	42,055	41,551
Income taxes payable	2,587	2,588
Provision for bonuses	3,230	1,723
Advances received	89,099	82,590
Other	33,174	29,212
Total current liabilities	259,479	217,693
Non-current liabilities:		
Long-term loans payable	53,680	53,680
Net defined benefit liability	15,579	15,340
Other	7,642	6,923
Total non-current liabilities	76,902	75,944
Total liabilities	336,382	293,638
<u>Net assets</u>		
Shareholders' equity		
Share capital	190,562	190,562
Capital surplus	307,348	307,348
Retained earnings	(450,251)	(466,519)
Treasury shares	(0)	(0)
Total shareholders' equity	47,659	31,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	6,357	6,186
Remeasurements of defined benefit plans	(2,913)	(2,720)
Total accumulated other comprehensive income	3,444	3,466
Share acquisition rights	40	40
Non-controlling interests	2,219	2,227
Total net assets	53,363	37,125
Total liabilities and net assets	389,746	330,763

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	(Millions of Yen)	
	April 1, 2019 – June 30, 2019	April 1, 2020 – June 30, 2020
Net sales	90,421	87,999
Cost of sales	107,205	86,961
Gross profit (loss)	(16,784)	1,037
Selling, general and administrative expenses	10,289	8,044
Operating profit (loss)	(27,073)	(7,006)
Non-operating income		
Interest income	9	40
Foreign exchange gains	-	322
Rental income	140	137
Fiduciary obligation fee	294	260
Subsidy income	0	1
Other	203	156
Total non-operating income	648	919
Non-operating expenses		
Interest expenses	816	333
Share of loss of entities accounted for using equity method	2,031	-
Foreign exchange losses	189	-
Depreciation	198	574
Property maintenance expenses	-	1,293
Other	1,547	510
Total non-operating expenses	4,782	2,711
Ordinary income (loss)	(31,207)	(8,799)
Extraordinary income		
Reversal of business structure improvement expenses	-	657
Total extraordinary income	-	657
Extraordinary losses		
Business structure improvement expenses	47,741	7,618
Other	-	238
Total extraordinary losses	47,741	7,856
Income (loss) before income taxes	(78,949)	(15,998)
Income taxes	(132)	279
Net income (loss)	(78,817)	(16,277)
Net income attributable to non-controlling interests	95	8
Net income (loss) attributable to owners of the parent	(78,913)	(16,286)

Consolidated Statement of Comprehensive Income

	(Millions of Yen)	
	April 1, 2019 – June 30, 2019	April 1, 2020 – June 30, 2020
Net income (loss)	(78,817)	(16,277)
Other comprehensive income		
Valuation difference on available-for-sale securities	(7)	0
Foreign currency translation adjustment	(1,404)	(172)
Remeasurements of defined benefit plans, net of tax	342	193
Total other comprehensive income	(1,069)	22
Comprehensive income	(79,886)	(16,255)
Comprehensive income attributable to owners of the parent	(79,982)	(16,264)
Comprehensive income attributable to non-controlling interests	95	8

(3) Notes on Quarterly Consolidated Financial Statements

(a) Notes on going concern assumption

The JDI Group has recorded an operating loss and significant impairment losses for three consecutive fiscal years, along with a net loss attributable to owners of the parent for six consecutive fiscal years, in the consolidated fiscal year ended March 31, 2020 ("FY 2019"). Also, the Group recorded a significant operating loss and a loss attributable to owners of the parent in the first quarter of the fiscal year ending March 31, 2021 ("FY 2020"), thereby raising significant doubt about JDI's ability to continue as a going concern.

To resolve this situation, JDI Group plans to further reduce its fixed costs by completing transfers of the production equipment, land, building and ancillary facilities at the Hakusan Plant, which were announced on March 31, 2020 and August 28, 2020. The Group will implement an improvement plan to ensure a return to profitability by making capital investments targeted at growing markets and improving product portfolio through promotion of commercialization of high value-added products using LTPS and Advanced-LTPS technology as common technical basis.

In addition, at the 18th annual general meeting of shareholders and the class meeting by common shareholders, the issuance of Japan Display Inc. class D preferred shares (the "Class D Preferred Shares") through third-party allotment to Ichigo Trust (the total procurement amount is JPY 5 billion), and Japan Display Inc. 12th series stock acquisition rights (the "12th Series Stock Acquisition Rights"), the underlying shares of which are Japan Display Inc. class E preferred shares (the total procurement amount through the exercise of the stock acquisition rights will be up to JPY 55.4 billion) through the third-party allotment to Ichigo Trust. On August 28, 2020, the payment concerning the third-party allotment of Class D Preferred Shares was completed.

Furthermore, on August 6, 2020, JDI agreed with INCJ, Ltd. ("INCJ") to extend (i) the repayment due date of the short-term loan from INCJ dated August 7, 2019 (the total principal amount of which is JPY 20 billion) for one year, and (ii) the repayment due date of the short-term loan from INCJ dated September 2, 2019 (the total principal amount of which is JPY 20 billion) for two years. JDI will continue to implement appropriate financial measures and strive to enhance its capital by improving business performance to strengthen its financial position.

On the other hand, sales decline as a result of reduced consumer spending and supply chain disruption that may be repeated due to the effects of the coronavirus may delay the stable improvement in business performance that JDI expects and may affect its cash flow. Considering this, there are significant uncertainties related to the going concern assumptions at this stage.

The consolidated financial statements have been prepared assuming a going concern, and do not reflect the impact of significant uncertainties related to such going concern assumptions.

(b) Notes related to significant changes in shareholders' equity

Not applicable.

(c) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements

Calculation of tax expenses

An effective tax rate was reasonably estimated after applying tax effect accounting to income before income taxes for

the fiscal year including the first quarter of the current fiscal year, and tax expenses were calculated by multiplying quarterly income before income taxes by the effective tax rate.

(d) Additional information

There is no significant change in the outlook regarding the impact of the coronavirus pandemic described in the "Additional information" of "Consolidated Financial Results for Fiscal Year 2019" issued on June 30, 2020.

(e) Significant subsequent events

Capital alliance agreement

JDI resolved at its board of directors meeting held on July 21, 2020 to issue the Class D Preferred Shares through third-party allotment to Ichigo Trust (the "Third-party Allotment of Class D Preferred Shares"), and the 12th Series Stock Acquisition Rights through third-party allotment to Ichigo Trust (the "Third-party Allotment of 12th Series Stock Acquisition Rights"; together with the Third-party Allotment of Class D Preferred Shares, the "Third-party Allotment") , and entered into a capital alliance agreement regarding the additional fund procurement with Ichigo Trust (the "Additional Capital Alliance Agreement".) In the Additional Capital Alliance Agreement, JDI has agreed that prior to the Third-party Allotment, it will waive all of Japan Display Inc. 11th series stock acquisition rights (the "11th Series Stock Acquisition Rights") which are the underlying shares of Japan Display Inc. class C preferred shares (the "Class C Preferred Shares") held by Ichigo Trust at the time.

On August 28, 2020, Ichigo Trust waived all of its 11th Series Stock Acquisition Rights based on the Additional Capital Alliance Agreement prior to the Third-party Allotment. As a result of the waiver, all of the 11th Series Stock Acquisition Rights issued (the number of which is 672) have been extinguished.

Overview of the Third-party Allotment of Class D Preferred Shares and the Third-party Allotment of 12th Series Stock Acquisition Rights are as below.

1. Third-party Allotment of Class D Preferred Shares

(1) Payment date	August 28, 2020
(2) Number of new shares issued	500 Class D Preferred Shares
(3) Amount to be paid	JPY 10,000,000 per share
(4) Total proceeds	JPY 5,000,000,000
(5) Amount of capital increased	JPY 5,000,000 per share
(6) Total amount of capital increased	JPY 2,500,000,000
(7) Method of offering	Third-party allotment to Ichigo Trust
(8) Use of proceeds	Working capital

(9) Other	Main details of the Class D Preferred Shares are below:		
	(i)	Dividend of surplus	To be implemented pari passu with the common shareholders and registered pledgees of common shares; Class A Preferred Shareholders and registered pledgees of Class A Preferred Shares; Class B Preferred Shareholders and registered pledgees of Class B Preferred Shares; and Class E Preferred Shareholders registered pledgees of Class E Preferred Shares.
	(ii)	Distribution of residual assets	To be implemented pari passu with Class A Preferred Shareholders and registered pledgees of Class A Preferred Shares; Class B Preferred Shareholders registered pledgees of Class B Preferred Shares; and Class E Preferred Shareholders registered pledgees of Class E Preferred Shares (before the common shareholders and registered pledgees of common shares.)
	(iii)	Transfer restriction	Acquisition of Class D Preferred Shares through their transfer requires the approval of JDI's board of directors meeting.
	(iv)	Voting rights	The Class D Preferred Shareholders do not have voting rights at general meetings of shareholders.
	(v)	Cash-consideration call option (mandatory redemption)	JDI has a cash-consideration call option (JDI can acquire the Class D Preferred Shares anytime, within the limit of the distributable amount under Article 461, paragraph (2) of the Companies Act as of the date separately determined by JDI's board of directors meeting.)
	(vi)	Cash-consideration put option	N/A
	(vii)	Common share-consideration call option	N/A
(viii)	Common share-consideration put option	Conversion price: JPY 50 Conversion period: On or after the first anniversary of the payment date (meaning on or after August 28, 2021.)	

2. Third-party Allotment of 12th Series Stock Acquisition Rights

(1) Allotment date	August 28, 2020
(2) Total number of the Stock Acquisition Rights issued	20
(3) Total proceeds	JPY 0
(4) Exercisable period for the Stock Acquisition Rights	From October 1, 2020 until June 30, 2024 (if such day is not a business day of JDI, the business day immediately before such day.)
(5) Class and number of shares underlying the Stock Acquisition Rights	5,540 Class E Preferred Shares
(6) Exercise price	JPY 10,000,000

(7) Method of offering	Third-party allotment to Ichigo Trust		
(8) Use of proceeds	Repayment of borrowed funds		
(9) Other	Main details of the Class E Preferred Shares are below:		
	(i)	Dividend of surplus	To be implemented pari passu with the common shareholders and registered pledgees of common shares; Class A Preferred Shareholders and registered pledgees of Class A Preferred Shares; Class B Preferred Shareholders and registered pledgees of Class B Preferred Shares; and Class D Preferred Shareholders registered pledgees of Class D Preferred Shares.
	(ii)	Distribution of residual assets	To be implemented pari passu with Class A Preferred Shareholders and registered pledgees of Class A Preferred Shares; Class B Preferred Shareholders registered pledgees of Class B Preferred Shares; and Class D Preferred Shareholders registered pledgees of Class D Preferred Shares (before the common shareholders and registered pledgees of common shares).
	(iii)	Transfer restriction	Acquisition of Class E Preferred Shares through their transfer requires the approval of JDI's board of directors meeting.
	(iv)	Voting rights	The Class D Preferred Shareholders do not have voting rights at general meetings of shareholders.
	(v)	Cash-consideration call option (mandatory redemption)	JDI has a cash-consideration call option (JDI can acquire the Class D Preferred Shares anytime, within the limit of the distributable amount under Article 461, paragraph (2) of the Companies Act as of the date separately determined by JDI's board of directors meeting).
	(vi)	Cash-consideration put option	N/A
	(vii)	Common share-consideration call option	N/A
	(viii)	Common share-consideration put option	Conversion price: JPY 24 Conversion period: On or after the first anniversary of the payment date (meaning the day when the Class E Preferred Shares are initially issued)
	<p>The Additional Capital Alliance Agreement restricts Ichigo Trust from converting the Class E Preferred Shares to common shares of JDI until the first anniversary of the payment date for the Class E Preferred Shares (the date the Class E Preferred Shares are issued) when all or part of the 12th Stock Acquisition Rights are exercised and Class E Preferred Shares underlying the 12th Stock Acquisition Rights are allotted to Ichigo Trust.</p>		
<p>Based on the Additional Capital Alliance Agreement, JDI issued the 12th Series Stock Acquisition Rights, the underlying shares of which are Class E Preferred Shares and Ichigo Trust waived all of its 11th Series Stock Acquisition Rights, the underlying shares of which are Class C Preferred Shares.</p>			

3. Extinguished 11th Series Stock Acquisition Rights

(1)	Resolution date of shareholders meeting	March 25, 2020
(2)	Allotment date	March 26, 2020
(3)	Number of stock acquisition rights issued	672
(4)	Issue price	JPY 0
(5)	Number of potential shares due to the issuance Class C Preferred Shares	672,000,000 shares
(6)	Exercise price	JPY 75 per share
(7)	Allottee	Ichigo Trust
(8)	Exercise period	From April 1, 2020 to March 31, 2023 (if the day is not a JDI's business day, the business day immediately preceding that day)
(9)	Number of stock acquisition rights waived	672
(10)	Number of stock acquisition rights after waiver	0
(11)	Waiver and extinguishment date	August 28, 2020

Reduction of capital reserve and appropriation of surplus

JDI resolved at its board of directors meeting held on July 21, 2020 to submit a proposal regarding the reduction of capital reserve and appropriation of surplus of which the effective date is August 28, 2020 to the 18th annual general meeting of shareholders held on August 28, 2020. The proposal was approved and resolved at the shareholders meeting.

1. Purpose of reduction of capital reserve and appropriation of surplus

JDI reduced the amount of capital reserve and appropriate the surplus with the aim of restoring financial soundness to secure the future flexibility of capital policy by partly offsetting the retained loss carried forward as well as reducing the tax burden by reducing the amount of capital reserve.

2. Method and amount of capital reserve reduction

Pursuant to Article 448, paragraph (1) of the Companies Act, JDI reduced its capital reserve and transferred the reduced amount to other capital surplus. As a result, the amount of capital reserve after the reduction became JPY 0.

3. Details of appropriation of surplus

Pursuant to Article 452 of the Companies Act, JDI transferred the amount of other capital surplus transferred from the capital reserve based on the transaction mentioned in 2. above to retained loss carried forward, thereby offsetting a part of the retained loss carried forward. As a result, the amount of retained loss carried forward after the transfer became JPY 255,152,866,423.

4. Date of reduction of capital reserve and appropriation of surplus

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|-----|--|-----------------|
| (1) | Resolution of the Board of Directors meeting: | July 21, 2020 |
| (2) | Resolution of the general meeting of shareholders: | August 26, 2020 |
| (3) | Effective Date: | August 26, 2020 |

Transfer of significant assets

JDI resolved at its board of directors meeting held on August 28, 2020 to transfer its fixed assets at its Hakusan Plant and entered into a definitive agreement with each of the transferees.

1. Reason for the transfer

To use the management resources efficiently and improve the financial situation of JDI.

2. Details of the assets to be transferred

	(1) Additional transfer to JDI's customer	(2) Transfer to Sharp Corporation
Assets to be transferred	LCD production equipment at the Hakusan Plant (Note 1)	Land, building, ancillary facilities and other assets at the Hakusan Plant
Location	Hakusan City, Ishikawa Prefecture	Same as on the left
Transfer price (yen equivalent)	USD 85 million (JPY 8,984 million) (Note 2)	USD 390 million (JPY 41,223 million) (Note 2)
Book value	JPY 79 million	JPY 50,039 million
Status of the assets to be transferred	Production at the Hakusan Plant has been suspended since July 2019, but the plant has been running test operations since the fourth quarter of FY 2019 in preparation for the transfer.	Same as on the left

(Note 1) On March 31, 2020, JDI entered into a definitive agreement with its customer to transfer part of the production equipment located at the Hakusan Plant at the transfer price of USD 200 million. The total transfer price of these assets agreed on March 31, 2020 and the additional transfer agreed on August 28, 2020 shown as (1) above is USD 285 million.)

(Note 2) The amount in Japanese yen is calculated by converting the US-dollar-denominated contract transfer price based on a foreign exchange rate of USD 1 = JPY 105.7 as of August 21, 2020.

3. Schedule of the transfer

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| (1) Resolution of the Board of directors meeting: | August 28, 2020 |
| (2) Conclusion of definitive agreement: | August 28, 2020 |
| (3) Delivery of the Hakusan Plant assets: | September to October, 2020 (scheduled) |

4. Overview of the transferee

(1) Additional transfer to JDI's customer

The transferee is an overseas corporation who is one of JDI's main customers. Due to a nondisclosure agreement JDI has with the transferee, details concerning the transferee cannot be disclosed.

(2) Transfer to Sharp Corporation

(i) Company name	Sharp Corporation
(ii) Head office	1 Takumi-cho Sakai-ku, Sakai City, Osaka, Japan
(iii) Name and title of representatives	Mr. Jeng-Wu Tai, Representative Director, Chairman & CEO Mr. Katsuaki Nomura, Representative Director, President & COO
(iv) Business description	Mainly manufacturing and sales of telecommunications equipment, electric and electronic application equipment, and electronic components.

(v)	Capital stock	JPY 5 billion	
(vi)	Date of incorporation	May 1935	
(vii)	Net Assets	JPY 295,138 million (As of March 31, 2020)	
(viii)	Total Assets	JPY 1,832,349 million (As of March 31, 2020)	
(ix)	Major shareholders and their shareholding ratio	HON HAI PRECISION INDUSTRY CO., LTD.	24.47%
		FOXCONN (FAR EAST) LIMITED	17.23%
		FOXCONN TECHNOLOGY PTE. LTD.	12.17%
(x)	Relationship with the listed company	Capital relationship	Not applicable
		Personnel relationship	Not applicable
		Business relationship	Not applicable
		Status of relationship with related parties	Not applicable

5. Future Outlook

Including the transfer of part of LCD production equipment located at the Hakusan Plant agreed on March 31, 2020 with its customer at the transfer price of USD 200 million, JDI expects to record a gain on sales of fixed assets of approximately JPY 21,082 million, a difference between book value and transfer price at the time of asset transfer, as an extraordinary income in FY 2020.

End