August 7, 2014

Japan Display Inc.

Consolidated Financial Results for the First Quarter of Fiscal Year 2014 (Japanese GAAP)

(This is an English translation of an original Japanese-language document.)

Company name:	Japan Display Inc. (“JDI”)
Security code:	6740
Listing:	Tokyo Stock Exchange (First Section)
Website:	http://www.j-display.com/english/
Representative:	Shuichi Otsuka, President and Chief Executive Officer
Contact:	Yasuhiro Nishi, Chief Financial Officer
Phone:	+81-3-6732-8100

Filing of 1Q-FY2014 quarterly securities report:	August 8, 2014
Commencement of dividend payments:	-
Supplementary materials for the 1Q-FY2014 earnings results:	Available
Briefing for 1Q-FY2014 results:	August 7, 2014

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

1. Consolidated results of operations for the three month ended June 30, 2014

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

	3 mo. ended June 30, 2014	Change (%)	3 mo. ended June 30, 2013	Change (%)
Net sales	125,163	(13.9)	145,372	-
Operating income	(12,696)	-	6,313	-
Ordinary income	(16,916)	-	4,739	-
Net income	(16,834)	-	24,361	-
Net income per share				
-Basic	(28.02)	-	121.62	-
-Diluted	-	-	-	-
(Reference) Comprehensive income	(17,202)	-	26,829	-

Note:

On January 28, 2014, the Company split its common stock based on the ratio of 100 shares per one share. The calculations of net income per share are based on the assumption that the share split occurred as of the beginning of each period presented.

(2) Financial position (Million yen, except per share amounts)

	June 30, 2014	Mar 31, 2014
Total assets	730,953	758,975
Net assets	386,491	405,144
Shareholders' equity ratio (%)	52.7	53.3
Net assets per share	641.64	673.28
(Reference) Shareholders' equity	385,561	404,489

Note:

On January 28, 2014, the Company split its common stock based on the ratio of 100 shares per one share. The calculations of net income per share are based on the assumption that the share split occurred as of the beginning of each period presented.

2. Dividends

	June 30	Sep 30	Dec 31	FY-end	Total
Year ended Mar. 31, 2014	-	0.00	-	0.00	0.00
Year ending Mar. 31, 2015	-				
Year ending Mar. 31, 2015 (forecast)		-	-	-	-

Notes:

1. Changes from the most recently announced dividend forecast: None
2. Under JDI's articles of incorporation September 30 and the final day of the fiscal year are stipulated as the dates of record for dividends. However, at present no dividends are planned for these dates of record for the FY 2014.

3. Earnings forecast for the FY 2014

(Million yen, except per share amounts)

	1H-FY2014	YoY Chg.	FY 2014	YoY Chg.
Net sales	310,000	(3.4%)	750,000	22.0%
Operating income	1,000	(92.8%)	40,000	44.8%
Ordinary income	(3,200)	-	31,500	65.2%
Net income	(3,200)	-	26,800	(21.0%)
Net income per share (yen)	(5.33)	-	44.61	-

Note:

Changes from the most recently announced earnings forecast: None

Notes:

(1) Changes to scope of consolidation: None

(2) Adoption of special accounting practices for quarterly consolidated financial statements: Yes

Note: For details please see "(2) Application of special accounting methods to the preparation of quarterly consolidated financial statements" in the attached "Summary information (notes)."

(3) Accounting changes in consolidated financial statements.

a)	Changes in accounting policy in accordance with amendments to accounting standards:	Yes
b)	Changes in accounting policy other than (a) above:	None
c)	Changes in accounting estimates:	None
d)	Retrospective restatement:	None

Note: For details please see "(3) Changes in accounting policies, changes in accounting estimates, retrospective restatements" in the attached "Summary information (notes)."

(4) Number of shares outstanding (common shares)

	June 30, 2014	Mar 31, 2014
Number of shares outstanding (including treasury shares) ·····	601,387,900	601,387,900
Number of treasury shares·····	487,500	609,500
	3 mo. ended June 30, 2014	3 mo. ended June 30, 2013
Average number of shares outstanding ·····	600,810,802	200,304,400

Notes:

1. On January 28, 2014, the Company split its common stock based on the ratio of 100 shares per one share. The calculations of net income per share are based on the assumption that the share split occurred as of the beginning of each period presented.
2. The number of JDI shares held by the "JDI's Employee Stock Ownership Association Trust" (the "Trust") is included in the number of treasury stock held at the end of the financial period (FY 2014 first quarter: 487,500 shares; FY 2013: 609,500 shares). Also, the number of JDI shares held by the Trust is included in the treasury stock deducted from the calculated average number of shares outstanding during the period (FY 2014 first quarter: 487,500 shares; FY 2013 first quarter: 1,083,500 shares).

* Disclosure related to implementation of quarterly review procedures

This earnings report is exempt from the consolidated financial statements review procedures set forth in Japan's Financial Instruments and Exchange Law. However, at the time of this earnings report, consolidated financial statements review procedures pursuant to the Financial Instruments and Exchange Law had not been completed.

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 the Company at the time the document was prepared and 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 Business Results
Consolidated Results for the FY 2014 First Quarter (April 1, 2014 to June 30, 2014)

(Units: million yen, %)

	FY 2013 First Quarter	FY 2014 First Quarter	Year on Year	
Mobile devices category	113,632	90,322	(23,310)	(20.5)
Automotive electronics, C&I and other category	31,740	34,841	3,101	9.8
Net sales	145,372	125,163	(20,209)	(13.9)
Gross profit	17,452	(882)	(18,334)	-
Operating income	6,313	(12,696)	(19,009)	-
Ordinary income	4,739	(16,916)	(21,655)	-
Quarterly net income	24,361	(16,834)	(41,195)	-
EBITDA	18,576	4,343	(14,233)	(76.6)

Note: EBITA = operating profit + depreciation (operating costs) + amortization of goodwill
EBITDA is not subject to auditing under Article 2, section 1 of the Financial Instruments and Exchange Law

In the first-quarter small to medium size display demand from China smartphone makers for high-resolution displays was strong due partly to China shifting to 4G LTE networks. Also, smartphone makers announced a series of new products with large-size high-resolution LTPS (low-temperature polysilicon) displays. Such displays included 5-inch or larger size Full HD (1080 × 1920 pixels) and higher resolution WQHD (1440 × 2560 pixels). As a result, smartphones continue to feature displays offering ever higher levels of resolution.

JDI continued to see extremely strong sales of high-resolution displays used in smartphones in China. However, sales of mobile displays in the US/Europe and other regions were weak.

Below are JDI's sales by product application category.

Mobile device category

The mobile device category includes displays for smartphones, tablets and conventional mobile phones. FY 2014 first-quarter sales in this category were 90,322 million yen (down 20.5% YoY), accounting for 72.2% of total sales.

The first quarter saw a 2.4-fold YoY mobile display sales increase in China, but these sales were not enough to make up for a drop in mobile display sales in the US/Europe and other regions.

JDI forecasts greater demand for high-resolution displays. In response the company increased monthly production capacity of LCD panels at its G5.5 Nomi Plant to 25,500 sheets during the first quarter. Also, since FY 2013 JDI's Taiwan subsidiary, Taiwan Display Inc. (“TDI”), has been moving to acquire an interest in Star World Technology Corporation (“STC”), a LCD module assembler, and has completed the acquisition in the first quarter.

Automotive electronics, C&I and other category

The automotive electronics, C&I and other category includes display panels for automotive electronics, consumer electronics devices (digital cameras, game consoles, etc.) and industrial

equipment (monitors for medical devices, etc.). Also included is income from intellectual property. In the first quarter consolidated sales in this category were 34,841 million yen (up 9.8% YoY), accounting for 27.8% of total sales.

In the first quarter firm sales of displays for automotive electronics were helped by strong automobile sales in the US and China. Digital camera and game console displays showed steady sales. In order to strengthen sales of displays for automotive electronics in the United States JDI has established a new branch office of JDI's US sales subsidiary, JDI Display America, Inc., in the Detroit metropolitan area (Michigan).

In the first quarter the decline in sales in US/Europe mainly explains the fall in net sales to 125,163 million yen (down 13.9% YoY). Because of the lower sales, an operating loss of 12,696 million yen was recorded (versus operating income of 6,313 million yen in the first quarter a year earlier). After taking into account a foreign exchange loss of 3,337 million yen, an ordinary loss of 16,916 million yen was also recorded (versus ordinary income of 4,739 million yen a year earlier). As a result, the quarter recorded a net loss of 16,834 million yen (versus net income of 24,361 million yen a year earlier). Also, recognition of deferred tax assets related to a net operating loss carried forward in the amount of 20,017 million yen in the first quarter of FY 2013 means the gap between FY 2013 first-quarter net income and the FY 2014 first-quarter net loss is even larger.

(2)**Financial Position**

(i) Assets, liabilities and net assets

Assets

At the end of the consolidated first quarter JDI's current assets were 339,378 million yen, a decrease of 39,105 million yen compared with the end of FY 2013. The main factors explaining the decrease are a 50,158 million yen fall in cash and cash equivalents, merchandise and finished goods of 6,801 million yen and an increase of 3,245 million yen in raw materials and supplies. Noncurrent assets were 391,574 million yen, a rise of 11,083 million yen compared with the end of the FY 2013. The main factor behind the rise was an increase of 11,103 million yen in property, plant and equipment.

As a result, total assets were 730,953 million yen, a decline of 28,021 million yen compared with the end of the FY 2013.

Liabilities

At the end of the consolidated first quarter JDI's current liabilities were 251,292 million yen, a decrease of 3,610 million yen compared with the end of the FY 2013. The key reason for the decline was a 5,219 million yen fall in advanced payments received. Noncurrent liabilities were 93,169 million yen, a fall of 5,758 million yen compared with the end of FY 2013. The main reason for the fall was a 5,908 million yen drop in lease obligations.

As a result, total liabilities were 344,461 million yen, a decline of 9,368 million yen compared with the end of FY 2013.

Net assets

At the end of the consolidated first quarter JDI's net assets were 386,491 million yen, a decrease of 18,652 million yen compared with the end of FY 2013. The main reason for the decline was the net loss of 16,834 million yen in the quarter.

As a result, JDI had a shareholders' equity ratio of 52.7% (versus 53.3% at the end of FY 2013).

(3) Note regarding consolidated financial and other forecasts

JDI's consolidated financial forecasts are unchanged from the first-half and the full-term consolidated forecast contained in the statement of "Consolidated Financial Results for Fiscal Year 2013" released on May 15, 2014.

2. Summary information (notes)

(1) Important changes in principal subsidiaries in the first three-month period (first quarter) of FY 2014

Not applicable.

While there were no specific changes involving the status of principal subsidiaries, in the consolidated first quarter a JDI subsidiary, Taiwan Display Inc., did acquire shares of Star World Technology Corporation (“STC”) on June 13, 2014. As a result, STC became a consolidated subsidiary. As of the first quarter of FY 2014 STC and its subsidiaries will now be included in the scope of JDI's consolidated accounts. However, since the last day of the first quarter was the deemed acquisition date for the acquisition of STC, only the balance sheet of the new subsidiary as of the last day of the first quarter was incorporated into JDI's consolidated accounting.

(2) Application of special accounting methods to the preparation of quarterly consolidated financial statements

Calculation of tax costs

Quarterly income taxes are calculated by multiplying the quarterly income before income taxes by a reasonable estimate of the effective tax rate after application of tax effect accounting for the estimated income before income taxes in the consolidated fiscal year, including the first quarter.

(3) Changes in accounting policies, changes in accounting estimates, retrospective restatements

Changes in accounting policies

Application of accounting standards related to retirement benefits

Effective beginning the three-month consolidated accounting period ended June 30, 2014 Japan Display Inc. (“JDI”) has adopted Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012; hereafter the "Accounting Standard") and Article 67 of the "Guidance on the Accounting Standard for Retirement Benefits," (ASBJ Guidance No. 25 of May 17, 2012) and has changed the calculation methods for retirement benefit obligations and service costs. The method of determining the discount rate has been revised from a discount rate based on an approximation of the employees’ average remaining service period to a method of using a single weighted average discount rate reflecting the estimated payment period and the amount for each estimated payment period of the retirement benefit

With respect to application of the Accounting Standard, in accordance with transitional accounting treatments as stated in Article 37 of the Accounting Standard, the effect of the changes in calculation methods for retirement benefit obligations and service costs has been reflected in retained earnings at the beginning of the three-month consolidated accounting period ended June 30, 2014.

As a result, the net defined benefit liability at the beginning of the three-month consolidated accounting period ended June 30, 2014 has increased by 1,701 million yen while retained earnings

have been reduced by the same amount. Operating income, ordinary income and income before income taxes and minority interests in the three-month consolidated accounting period ended June 30, 2014 have each increased by 14 million yen.

(Application of Practical Solution Regarding Transactions for Delivering the Company's Own Stock to Employees etc. through Trusts)

Effective beginning the three-month consolidated accounting period ended June 30, 2014, JDI has adopted the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (Practical Issue Task Force (PITF) No. 30 issued on December 25, 2013. However, the previously applied accounting method for the Trust agreement that had been entered into before the beginning of the three-month consolidated accounting period ended June 30, 2014 will continue to be used. Consequently, there will not be any impact on quarterly consolidated financial statements.

(4) Additional information

Transactions for Delivering the Company's Own Stock to Employees etc. through Trusts

JDI has introduced an incentive plan for JDI employees for the purpose of enhancing long-term corporate value by having employees improve their work performance in order to increase shareholder value. To achieve this goal, JDI is providing employees with greater welfare benefits and promoting employee awareness of company operating results.

(1) Overview of transactions
Employees who are enrolled in the JDI's Employee Stock Ownership Committee (the "Committee") and who meet certain conditions are beneficiaries of the "JDI's Employee Stock Ownership Association Trust" (the "Trust"). The Trust is managed by a trust bank. Starting in March 2013 the Trust has been relying on borrowings to acquire over a two-year period a third-party placement of the number of JDI shares expected to be acquired by the Committee. At a later date the Trust will sell its holding of JDI shares to the Committee. The Trust will use the proceeds of the sale to fund repayment of borrowing principal and interest. At the end of the term of the trust, if the trust account managed by the Trust records a profit due to an increase in the share price, this profit shall be distributed to the beneficiaries in proportion to their individual contributions. If the trust account records a loss due to lower share prices and debt is incurred on trust assets, no financial burden will be imposed on the beneficiaries as JDI will assume repayment of the borrowing in accordance with the warranty of the borrowing agreement.

(2) JDI has adopted the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. Through Trusts (Practical Issue Task Force (PITF) No. 30 issued on December 25, 2013). However, previously used accounting methods are being applied to trust-related accounting procedures.

(3) JDI's own company stock remaining in the trust

i. Trust book value
FY 2013: 304 million yen; FY 2014 first quarter: 243 million yen

ii. Regarding whether JDI company shares held in the trust account are recognized as treasury stock in equity
The JDI company shares held in the trust account are recognized as treasury stock in equity.

iii. Number of end-term shares and average number of shares during the term
Number of end-term shares: 1,083,000 shares at the end of the FY 2013 first quarter; 487,500

shares at the end of the FY 2014 first quarter
Average number of shares during the term: 1,083,000 shares during the FY 2013 first quarter; 577,098 shares during the FY 2014 first quarter

iv. Regarding whether the number of shares in (3) are or are not included in the treasury stock to be excluded from calculations of per share information

The number of JDI's own company stock mentioned in (3) is included in the treasury stock to be excluded from calculations of per share information.

4. Consolidated Financial Statements

(1)Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets:		
Cash and deposits	141,390	91,232
Notes and accounts receivable	97,146	97,717
Allowance for doubtful accounts	(177)	(332)
Merchandise and finished goods	25,340	32,141
Work in process	48,340	47,573
Raw materials and supplies	16,903	20,148
Other receivables	23,403	21,867
Other current assets	26,136	29,030
Total current assets	378,484	339,378
Property, plant and equipment:		
Land	11,091	11,068
Building and structures	171,564	170,912
Machinery, equipment and vehicles	407,926	415,775
Lease assets	93,414	93,413
Construction in progress	36,724	51,563
Production supplies, tools and others	58,599	58,021
	779,318	800,753
Less: accumulated depreciation	(435,538)	(445,869)
Property, plant and equipment, net	343,780	354,883
Intangible assets:		
Goodwill, net	22,115	22,171
Other intangible assets, net	12,843	12,887
Intangible assets, net	34,958	35,058
Investments and other assets	1,751	1,632
Total assets	758,975	730,953

(Millions of Yen)

	As of March 31, 2014	As of June 30, 2014
Liabilities		
Current liabilities:		
Notes and accounts payable	101,581	100,342
Short-term debt	4,524	264
Current portion of long-term debt	8,552	9,078
Current portion of lease obligations	23,454	23,496
Income tax payable and others	709	970
Accrued bonuses	5,212	3,422
Advance receipts	66,780	61,560
Other current liabilities	44,087	52,156
Total current liabilities	254,902	251,292
Long-term debt, excluding current portion	17,354	15,623
Net defined benefit liability	31,232	32,594
Lease obligations, excluding current portion	48,635	42,726
Other liabilities	1,704	2,225
Total noncurrent liabilities	98,927	93,169
Total liabilities	353,830	344,461
Net assets		
Shareholders' equity		
Common stock	96,857	96,857
Capital surplus	257,053	257,069
Retained earnings	49,192	30,657
Treasury stock	(304)	(243)
Total shareholders’ equity	402,798	384,339
Accumulated other comprehensive income	1,690	1,221
Noncontrolling interest	655	930
Total net assets	405,144	386,491
Total liabilities and net assets	758,975	730,953

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

Consolidated Statement of Income

(Millions of Yen)

	FY 2013 First Quarter	FY 2014 First Quarter
Sales, net	145,372	125,163
Cost of sales	127,919	126,045
Gross profit(loss)	17,452	(882)
Selling, general and administrative expenses	11,138	11,814
Operating income(loss)	6,313	(12,696)
Other income		
Interest income	33	37
Rent income	114	117
Operations consignment fee	187	166
Other income	115	185
Total other income	451	507
Other expenses		
Interest expense	511	695
Foreign exchange loss, net	606	3,337
Other expenses	907	693
Total other expenses	2,025	4,726
Income(loss) before income taxes	4,739	(16,916)
Income taxes expense(benefit)	(19,643)	(186)
Net income(loss)	24,382	(16,729)
Less: net income attributable to noncontrolling interest	(20)	(104)
Net income(loss) attributable to Japan Display Inc.	24,361	(16,834)

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	FY 2013 First Quarter	FY 2014 First Quarter
Net income	24,382	(16,729)
Other comprehensive income – foreign currency translation adjustments	2,447	(681)
Other comprehensive income – Remeasurements of defined benefit plans	—	208
Total Comprehensive income	26,829	(17,202)
Comprehensive income attributable to noncontrolling interest	28	101
Comprehensive income attributable to Japan Display Inc.	26,800	(17,303)

(3) Notes to the quarterly Consolidated Financial Statements

Notes on premise of a going concern

Not applicable

Notes on significant changes in shareholders' equity

Not applicable