November 13, 2014

Japan Display Inc.

Consolidated Financial Results for the Six Months 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
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Filing of 2Q-FY2014 quarterly securities report:	November 14, 2014
Commencement of dividend payments:	-
Supplementary materials for the 2Q-FY2014 earnings results:	Available
Briefing for 2Q-FY2014 results:	November 13, 2014

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

1. Consolidated results of operations for the six month ended September 30, 2014

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

	6 mo. ended Sept. 30, 2014	Change (%)	6 mo. ended Sept. 30, 2013	Change (%)
Net sales	285,574	(11.0)	320,964	-
Operating income	(20,271)	-	13,925	-
Ordinary income	(22,477)	-	9,657	-
Net income	(27,791)	-	26,535	-
Net income per share				
-Basic	(46.25)	-	132.43	-
-Diluted	-	-	-	-
(Reference) Comprehensive income	(23,069)	-	28,910	-

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)

	Sep 30, 2014	Mar 31, 2014
Total assets	775,161	758,975
Net assets	380,746	405,144
Shareholders' equity ratio (%)	49.0	53.3
Net assets per share	631.53	673.28
(Reference) Shareholders' equity	379,526	404,489

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	-	0.00			
Year ending Mar. 31, 2015 (forecast)			-	-	-

Notes:
1. Changes from the most recently announced dividend forecast: None
2. At present no dividends are planned for the final day of record for the FY 2014.

3. Earnings forecast for the FY 2014

(Million yen, except per share amounts)

	FY 2014	YoY Chg.
Net sales	740,000	20.4%
Operating income	6,500	(76.5)%
Ordinary income	1,500	(92.1)%
Net income	(12,132)	-
Net income per share (yen)	(20.19)	-

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

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)

	Sep 30, 2014	Mar 31, 2014
Number of shares outstanding (including treasury shares) ·····	601,387,900	601,387,900
Number of treasury shares·····	422,900	609,500
	6 mo. ended Sep 30, 2014	6 mo. ended Sep 30, 2013
Average number of shares outstanding ·····	600,867,727	200,377,600

Notes:

1. On January 28, 2014, the Company split its common stock based on the ratio of 100 shares per one share. The calculation of number of shares outstanding is 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 second quarter: 422,900 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: 520,173 shares; FY 2013 second quarter: 1,013,733 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 Second Quarter (July 1, 2014 to September 30, 2014)

(Units: million yen)

	FY 2013 Second Quarter	FY 2014 Second Quarter	Year on Year	
Mobile device category	136,720	120,210	(16,510)	(12.1)%
Automotive electronics, C&I and other category	38,872	40,201	1,329	3.4%
Net sales	175,592	160,411	(15,181)	(8.6)%
Gross profit	18,760	4,815	(13,945)	(74.3)%
Operating income	7,612	(7,575)	(15,187)	-
Ordinary income	4,918	(5,561)	(10,479)	-
Quarterly net income	2,174	(10,957)	(13,131)	-
EBITDA	23,827	9,836	(13,991)	(58.7)%

Note: EBITDA = operating profit + depreciation (operating costs) + amortization of goodwill

(Units: million yen)

	6 mo. ended Sept. 30, 2013	6 mo. Ended Sept. 30, 2014	Year on Year	
Mobile device category	250,352	210,532	(39,820)	(15.9)%
Automotive electronics, C&I and other category	70,612	75,042	4,430	6.3%
Net sales	320,964	285,574	(35,390)	(11.0)%
Gross profit	36,212	3,933	(32,279)	(89.1)%
Operating income	13,925	(20,271)	(34,196)	-
Ordinary income	9,657	(22,477)	(32,134)	-
Quarterly net income	26,535	(27,791)	(54,326)	-
EBITDA	42,403	14,180	(28,223)	(66.6)%

Note: EBITDA = operating profit + depreciation (operating costs) + amortization of goodwill

In the FY 2014 first-half small-to-medium display market saw smartphone makers announce a number of new models outfitted with large-size high-resolution LTPS displays. These announcements made clearer the trend toward larger smartphone displays and higher display resolutions.

JDI saw sales to China in the first half of FY 2014 grow significantly compared with the first half of FY 2013. However, because of a slower-than-expected launch of Full-HD (1080 x 1920 pixels) models for 4G LTE smartphones by some of our customers, sales to China in the second quarter only rose slightly compared with the first quarter. Shipments of new products to our major customer in the Euro-U.S. region were delayed, and demand from customers other than China shrunk compared with last year, causing JDI's first-half net sales to decline year on year

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. Sales in the first half of FY 2014 in this category were 210,532 million yen (down 15.9% YoY), accounting for 73.7% of total sales.

In the first half mobile display sales in China increased 2.1-fold YoY. However, display price declines, especially for HD720 (1,280 x 720 pixels), as well as delays in product shipments to a large customer, lower demand from major global smartphone makers and stagnant sales of tablet displays resulted in lower sales YoY.

Automotive electronics, C&I and other category

The automotive electronics, C&I and other category includes display panels for automotive electronics, consumer electronic devices (digital cameras, portable game consoles, etc.) and industrial equipment (monitors for medical devices, etc.). Also included is income from intellectual property.

In the first half of FY 2014 sales in this category were 75,042 million yen (up 6.3% YoY), accounting for 26.3% of total sales. Displays for automotive electronics received a lift from strong automobile sales in the US and China.

First-half net sales fell to 285,574 million yen (down 11.0% YoY) partly because of a decline in sales in regions other than China and a drop in sales prices compared to a year earlier. In addition to the lower net sales, a valuation loss on inventories of tablet displays and cost reductions that trailed behind a rapid decline in smartphone display selling prices caused the second quarter to follow the first quarter with additional losses. For the first-half of FY 2014 JDI recorded an operating loss of 20,271 million yen (versus operating income of 13,925 million yen in the first half of FY 2013) and an ordinary loss of 22,477 million yen (versus ordinary income of 9,657 million yen a year earlier). In the category of non-operating income, a foreign exchange loss of 3,337 million yen posted in the first quarter was followed by a swing toward a weaker yen in the second quarter, resulting in a first-half foreign exchange gain of 618 million yen.

Also, a first-half net loss of 27,791 million yen (versus first-half net income of 26,535 million yen in FY 2013) is attributable to an extraordinary loss of 2,132 million yen in connection with a provision for doubtful accounts for a counterparty company that filed for corporate reorganization proceedings. Moreover, recognition of deferred tax assets related to a net operating loss carried forward in the amount of 20,340 million yen in the first half of FY 2013 means that the difference between FY 2013 first-half net income and the FY 2014 first-half net loss is even larger.

As part of JDI's plans to expand sales and reduce manufacturing costs in response to declining prices, the company executed a reorganization plan in July 2014. Efforts are now underway to strengthen product strategy, product design, procurement, manufacturing, business management and other important operations.

Also, JDI has reallocated its resources to advanced lines and closed inefficient manufacturing lies. On October 15 the company decided to close its Fukaya Plant in Saitama Prefecture, the site of an obsolete 3G LTPS LCD manufacturing line (glass size: 550mm × 670mm), to further improve its competitive position.

(2) Financial Position

(i) Assets, liabilities and net assets

Assets

At the end of the consolidated second quarter JDI's current assets were 376,853 million yen, a decrease of 1,631 million yen compared with the end of FY 2013. The main factors behind the decrease were a 70,177 million yen decline in cash and cash equivalents and increases in accounts receivable of 27,738 million yen, other receivables of 24,908 million yen, merchandise and finished goods of 10,744 million yen and raw materials and supplies of 4,027 million yen. Noncurrent assets came to 398,308 million yen, an increase of 17,817 million yen YoY mainly attributable to property, plant and equipment growing by 16,533 million yen.

As a result, total assets were 775,161 million yen, an increase of 16,186 million yen compared with the end of the FY 2013.

Liabilities

At the end of the consolidated second quarter JDI's current liabilities were 298,994 million yen, an increase of 44,091 million yen compared with the end of FY 2013. The main reason for the increase was 46,059 million yen growth in accounts payable and a decline of 10,713 million yen in advance receipts. Noncurrent liabilities were 95,420 million yen, a decline of 3,506 million yen compared with the end of FY 2013 that mainly resulted from a 3,829 million yen fall in long-term borrowings.

As a result, total liabilities were 394,415 million yen, an increase of 40,584 million yen compared with the end of FY 2013.

Net assets

At the end of the consolidated second quarter JDI had net assets of 380,746 million yen, a decrease of 24,398 million yen compared with the end of FY 2013. The main reason for the decline was the net loss of 27,791 million yen in the first half.

As a result, JDI had a shareholders' equity ratio of 49.0% as of the end of the second quarter (versus 53.3% at the end of FY 2013).

(ii) Cash flow

At the end of the consolidated first half of the FY 2014 JDI had cash and cash equivalents of 71,213 million yen, a decrease of 70,177 million yen compared with the end of FY 2013. Results for different cash flow categories are presented below.

Cash flow from operating activities

In the consolidated first half net cash used in operating activities totaled 14,585 million yen.

The minus factors contributing to this cash flow included 24,609 million yen in losses before income taxes, a 27,635 million yen increase in accounts receivable, a 9,201 million yen increase in inventories, a 25,026 million yen increase in other receivables and a 10,725 million yen decrease in advance receipts. Among the plus factors were depreciation and amortization of 33,532 million yen and a 44,821 million yen increase in accounts payable.

Cash flow from investing activities

In the consolidated first half of FY 2014 net cash used in investing activities was 47,572 million yen.
This cash flow primarily resulted from acquisitions of property and equipment of 48,208 million yen to expand and upgrade production capacity.

Cash flow from financing activities

In the consolidated first half of FY 2014 net cash used in financing activities was 9,560 million yen.
Factors in this cash flow included 4,540 million yen decrease in short-term borrowings, 4,456 million yen in repayment of long-term borrowings, 11,891 million yen in payment of lease obligations, along with sale and leaseback income of 13,492 million yen.

(3) Note regarding consolidated financial and other forecasts

In regard to JDI's business performance, the company expects shipments to a large customer to strongly recover in the second half of FY 2014 compared to the first half. Another expectation is that shipments of high resolution Full-HD displays and WQHD (1440×2560 pixels) displays will grow in the fourth quarter. Based on these expectations, JDI believes sales will show a significant increase. Further, Full-HD and WQHD displays as well as Pixel Eyes™ (LCD modules with integrated touch functionality) should contribute to earnings. Cost-reduction benefits are also expected. As a result, JDI forecasts that earnings in the second half of FY 2014 will improve considerably relative to the first half.

Also, given the recent petition for corporate reorganization proceedings filed by Wintek Corporation, a Taiwanese touch panel maker, in October 2014, JDI has established a provision for doubtful accounts in the amount of 2,132 million yen against total accounts receivable of 4,264 million yen for Wintek. By recording this provision as an extraordinary loss in the second quarter JDI has factored the loss into its full-term forecast and made a change to its FY 2014 consolidated financial forecast announced on October 15, 2014.

In regard to sales of LCD displays to Wintek, JDI has already changed its sales distribution and will no longer record any new accounts receivable with the company.

JDI's foreign exchange forecast for the second half of FY 2014 is 105 yen to the US dollar.

FY 2014 revised consolidated earnings forecast (April 1, 2014 to March 31, 2015)

(Million yen, except per share amounts)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss)	Net income (loss) per share
Previous forecast (A)	740,000	6,500	1,500	(10,000)	(16.64)
Revised forecast (B)	740,000	6,500	1,500	(12,132)	(20.19)
Difference (B-A)	—	—	—	(2,132)	—
% increase / decrease	—	—	—	(21.3)	—
(For reference) FY 2013 results	614,567	27,624	19,072	33,918	135.09

Note: On January 28, 2014 JDI executed a stock split in which each share of common stock was split into 100 shares. In regard to making a comparison of results with the previous fiscal year, JDI has calculated outstanding shares (common stock) on the premise that the share split was executed at the beginning of consolidated FY 2013.

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.

Furthermore, as the deemed acquisition date was the end of the FY 2014 first quarter, the acquisition is now included in the consolidated statement of income and statements of cash flow as of the FY 2014 second quarter.

(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 second 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 six-month consolidated accounting period ended September 30, 2014.

As a result, the net defined benefit liability at the beginning of the six-month consolidated accounting period ended September 30, 2014 has increased by 1,701 million yen while retained earnings have been reduced by the same amount. JDI's operating loss, ordinary loss and loss before income taxes and minority interests in the six-month consolidated accounting period ended September 30, 2014 have each decreased by 28 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 half: 211 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:
874,200 shares at the end of the six-month consolidated accounting period ended Sep. 30, 2013;
422,900 shares at the end of the six-month consolidated accounting period ended Sep. 30, 2014
Average number of shares during the term:
1,013,733 shares during the six-month consolidated accounting period ended Sep.30, 2013;
520,173 shares during the six-month consolidated accounting period ended Sep 30, 2014

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.

3. Consolidated Financial Statements

(1)Consolidated Balance Sheet

(Millions of Yen)

	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets:		
Cash and deposits	141,390	71,213
Notes and accounts receivable	97,146	124,884
Allowance for doubtful accounts	(177)	(333)
Merchandise and finished goods	25,340	36,084
Work in process	48,340	45,989
Raw materials and supplies	16,903	20,930
Other receivables	23,403	48,312
Other current assets	26,136	29,771
Total current assets	378,484	376,853
Property, plant and equipment:		
Land	11,091	11,144
Building and structures	171,564	172,957
Machinery, equipment and vehicles	407,926	393,983
Lease assets	93,414	105,909
Construction in progress	36,724	61,384
Production supplies, tools and others	58,599	57,613
	779,318	802,992
Less: accumulated depreciation	(435,538)	(442,677)
Property, plant and equipment, net	343,780	360,314
Intangible assets:		
Goodwill, net	22,115	21,732
Other intangible assets, net	12,843	12,437
Intangible assets, net	34,958	34,170
Investments and other assets	1,751	3,823
Total assets	758,975	775,161

(Millions of Yen)

	As of March 31, 2014	As of September 30, 2014
Liabilities		
Current liabilities:		
Notes and accounts payable	101,581	147,640
Short-term debt	4,524	209
Current portion of long-term debt	8,552	8,910
Current portion of lease obligations	23,454	26,218
Income tax payable and others	709	2,931
Accrued bonuses	5,212	5,165
Advance receipts	66,780	56,067
Other current liabilities	44,087	51,850
Total current liabilities	254,902	298,994
Long-term debt, excluding current portion	17,354	13,524
Net defined benefit liability	31,232	32,242
Lease obligations, excluding current portion	48,635	47,475
Other liabilities	1,704	2,177
Total noncurrent liabilities	98,927	95,240
Total liabilities	353,830	394,415
Net assets		
Shareholders' equity		
Common stock	96,857	96,857
Capital surplus	257,053	257,075
Retained earnings	49,192	19,699
Treasury stock	(304)	(211)
Total shareholders' equity	402,798	373,420
Accumulated other comprehensive income	1,690	6,105
Noncontrolling interest	655	1,219
Total net assets	405,144	380,746
Total liabilities and net assets	758,975	775,161

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

Consolidated Statement of Income

(Millions of Yen)

	FY 2013 Second Quarter	FY 2014 Second Quarter
Sales, net	320,964	285,574
Cost of sales	284,752	281,641
Gross profit(loss)	36,212	3,933
Selling, general and administrative expenses	22,286	24,204
Operating income(loss)	13,925	(20,271)
Other income		
Interest income	57	75
Rent income	234	247
Operations consignment fee	377	338
Foreign exchange gain, net	—	618
Other income	447	406
Total other income	1,116	1,686
Other expenses		
Interest expense	1,246	1,383
Foreign exchange loss, net	2,412	—
Loss from inventory revaluation	2,330	—
Provision of allowance for doubtful accounts	—	2,132
Other expenses	1,725	2,508
Total other expenses	7,714	6,024
Income(loss) before income taxes	7,327	(24,609)
Income taxes expense(benefit)	(19,212)	2,891
Net income(loss)	26,540	(27,501)
Less: net income attributable to noncontrolling interest	(4)	(289)
Net income(loss) attributable to Japan Display Inc.	26,535	(27,791)

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	FY 2013 Second Quarter	FY 2014 Second Quarter
Net income	26,540	(27,501)
Other comprehensive income – foreign currency translation adjustments	2,370	4,014
Other comprehensive income – Remeasurements of defined benefit plans	—	416
Total Comprehensive income	28,910	(23,069)
Comprehensive income attributable to noncontrolling interest	11	306
Comprehensive income attributable to Japan Display Inc.	28,899	(23,376)

(3)Consolidated Statement of Cash Flows

(Millions of Yen)

	FY 2013 Second Quarter	FY 2014 Second Quarter
Cash flow from operating activities		
Income before income taxes	7,327	(24,609)
Adjustment to reconcile income before income taxes to net cash used in operating activities;		
Depreciation expenses	27,751	33,532
Amortization of goodwill	1,028	1,064
Loss from inventory revaluation	2,330	—
Increase in allowance for doubtful accounts	12	2,046
Decrease in net defined benefit liability	—	(275)
Interest expense	1,246	1,383
Foreign exchange gain, net	(3,732)	(5,228)
Increase in notes and accounts receivable	(31,889)	(27,635)
Increase in inventories	(3,369)	(9,201)
Increase in notes and accounts payable	8,862	44,821
Increase in other accounts receivable	7,208	(25,026)
Increase in other accounts payable	(6,612)	2,671
Increase in accrued expenses	1,142	3,030
Decrease in consumption taxes refund	10,627	1,626
Decrease in advances receipts	(11,011)	(10,725)
Other, net	1,939	(39)
Dividends and interest received	51	75
Interest paid	(1,222)	(1,381)
Income and other taxes paid	(1,490)	(1,453)
Income and other taxes refund	738	740
Settlement amount paid for litigation	(2,083)	—
Net cash used in operating activities	8,855	(14,585)

(3)Consolidated Statement of Cash Flows

(Millions of Yen)

	FY 2013 Second Quarter	FY 2014 Second Quarter
Cash flow from investing activities		
Acquisitions of property and equipment	(71,620)	(48,208)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,101)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	76
Other, net	(124)	559
Net cash used in investing activities	(72,846)	(47,572)
Cash flow from financing activities		
Net increase in short-term debt	8,199	(4,540)
Repayment of long-term debt	(4,383)	(4,456)
Repayment of lease obligations	(7,964)	(11,891)
Proceeds from sale and leaseback of machinery and equipment	46,925	13,492
Proceed from sales of treasury stock	110	114
Other, net	(2,278)	(2,278)
Net cash provided by financing activities	40,610	(9,560)
Foreign currency exchange effect on cash and cash equivalents	1,340	1,540
Net increase in cash and cash equivalents	(22,041)	(70,177)
Beginning balance, cash and cash equivalents	23,524	141,390
Increase in cash and cash equivalents resulting from merger	46,331	—
Ending balance, cash and cash equivalents	47,814	71,213

(4) Notes to the quarterly Consolidated Financial Statements

Notes on premise of a going concern

Not applicable

Quarterly consolidated statement of income

Provision for doubtful accounts

In October 2014 Wintek Corporation, a Taiwanese subcontractor, filed a petition for corporate reorganization proceeding with a district court in Taiwan. Accordingly, JDI estimated possible unrecoverable accounts receivable and established a provision to cover doubtful collections.

Notes on significant changes in shareholders' equity

Not applicable

Important subsequent events

On October 15, 2014 JDI's board of directors made a decision to close the Fukaya Plant located in Saitama Prefecture.

1. Reason for closing the Fukaya Plant

In recent years the increasing global use of smartphones and tablet devices has created continuous demand for small-to-medium sized displays. At the same time the competitive environment in the display market has become more severe. Meeting the competitive challenges in this market requires constant attention to and taking measures to achieve higher levels of productivity and maximize profitability. Based on these considerations JDI made the decision to close the Fukaya Plant, which had been operating a G3 LTPS LCD line that had lower in manufacturing efficiency relative to other company lines.

2. Details concerning the closure of the Fukaya Plant

Location: 1-9-2, Hatara-cho, Fukaya-shi, Saitama Prefecture, Japan

Main business: Small-to-medium LCD panel manufacturing

Planned completion of plant closure: April 2016

3. Impact of the closure on earnings

As a result of the above-described Fukaya Plant closure JDI expects to record an extraordinary loss related to the impairment of fixed assets. However, details concerning the loss are currently under examination.